

# CHAPTER 2.

## Business goals

*This chapter defines possible goals that companies can consider when accounting for and reporting land sector activities and CO<sub>2</sub> removals in their company GHG inventories.*

### 2.1 Overview

Preparing a GHG inventory that includes land sector activities and CO<sub>2</sub> removal technologies in accordance with the accounting and reporting principles (Chapter 3) can support several business goals (Table 2.1). Establishing business goals prior to compiling the inventory can help determine how to effectively use this *Standard* (e.g., if increasing removals is part of a company’s strategy, Part 2.2 will be applicable). Aligning with other programs and/or regulations, in addition to aligning with this *Standard*, may be necessary to meet specific goals (e.g., if a company is setting GHG targets, it should follow the guidelines of the corresponding program). Program administrators and regulators can also use this *Standard* to inform their own GHG accounting and reporting rules.

### 2.2 Recommendation and guidance

#### Identify business goals

Companies **should** consider which business goals they intend to achieve through the accounting and reporting of land sector activities and CO<sub>2</sub> removals, and identify which sections of this *Standard* are relevant to achieving those goals.

**Table 2.1** Examples of business goals

<p><b>Identify and understand emissions-related risks and opportunities for the company</b></p> 	<p>Land sector activities are drivers behind business risk concerns, including financial, regulatory, and reputational risks, as the use of land can lead to deforestation, soil degradation, etc. Increased attention to land sector activities through GHG inventory accounting helps identify mitigation opportunities, such as restoration or improving management on working lands.</p>
<p><b>Set GHG targets and track performance</b></p> 	<p>Companies face consumer, investor, and stakeholder pressure to develop and achieve ambitious GHG targets. This <i>Standard</i> helps to set targets to reduce land-based emissions and increase CO<sub>2</sub> removals in addition to tracking the progress made towards those targets through annual GHG inventories.</p>
<p><b>Inform strategies to reduce emissions and increase removals</b></p> 	<p>This <i>Standard</i> supports the design and implementation of effective mitigation strategies that reduce emissions and increase removals across the value chain by incorporating land sector and carbon removal impacts.</p>
<p><b>Enhance transparency and stakeholder information</b></p> 	<p>Investors, customers, non-governmental organizations, and other stakeholders are increasingly demanding transparency and credibility on corporate GHG emissions and reduction targets. This guidance enables transparent and credible disclosure of the climate risks associated with corporate land sector and removal activities.</p>



## 2.3 How this Standard and Guidance can support multiple business goals

This *Standard* and *Guidance* is relevant for companies of any size, at any point in the value chain. While the intended audience of this *Standard* and *Guidance* is primarily focused on companies, it can also be used by other types of organizations and institutions, both public and private, such as government agencies, non-profit organizations, assurers and verifiers, certification bodies, GHG programs, and universities. Policymakers and designers of GHG reporting or target setting programs can use relevant parts of this *Guidance* to develop accounting and reporting requirements.

Compiling a GHG inventory enables companies to track, report, and manage their emissions, removals, and other metrics and understand associated risks and opportunities. Companies and other organizations around the world regularly develop GHG inventories aligned with GHG Protocol to meet a variety of objectives, including informing internal decision-making to reduce emissions and increase removals, disclosures through mandatory or voluntary reporting programs, setting targets and tracking performance, providing GHG data to value chain partners and investors, and more. To focus accounting efforts, companies should consider which business goals they seek to achieve, since it may inform how this *Standard* and *Guidance* is used effectively, and which requirements and recommendations may be relevant to the reporting company. The following business goals can be supported by this *Standard* and *Guidance*:

- **Identify and understand emissions-related risks and opportunities:** GHG emissions from corporate activities are increasingly a mainstream management issue for businesses. Potential liabilities from risk exposure arise from unstable resource costs, future resource scarcity, environmental regulations, changing consumer preferences, scrutiny from investors and shareholders, as well as reputational risk from other stakeholders. The information in a GHG inventory provides companies with an understanding of where emissions-related and other associated risks and opportunities lie in their operations and value chain.

- **Set GHG targets and track performance:** Compiling a GHG inventory provides a quantitative tool for companies to identify and prioritize emissions-reduction and removals enhancement opportunities in their operations and value chains. For example, the scope 3 inventory provides detailed information on the relative size and scale of emission-generating activities within and across the various scope 3 categories. This information may be used to identify the largest emission sources (“hot spots”) in the value chain and focus efforts on the most effective emission-reduction opportunities, resulting in cost savings for companies. Conducting a GHG inventory according to a consistent framework is also a prerequisite for setting credible public GHG reduction targets.
- **Inform strategies to reduce emissions and increase removals:** Rapid, deep emissions reductions across all sectors, including the land sector, are needed to stabilize the climate. CO<sub>2</sub> removals are also part of all modelled scenarios to avoid dangerous levels of climate change, however removals cannot substitute for deep and immediate emission reductions. Chapter 16 provides further guidance on identifying mitigation actions, as well as guidance for evaluating the impacts of actions within and beyond a company’s value chain.
- **Enhance transparency and stakeholder information:** As concerns over climate change grow, NGOs, investors, governments, and other stakeholders are increasingly calling for greater disclosure of corporate activities and GHG information. Successful engagement with suppliers often requires a company to work closely with its supply chain partners to build a common understanding of emissions-related information and the opportunities and benefits of achieving GHG reductions. By undertaking a GHG inventory, companies can credibly communicate to their stakeholders the potential impacts of these emissions and the actions planned or taken to reduce the associated risks. Additionally, accounting in conformance with this *Standard* and *Guidance* supports disclosure under other sustainability reporting and regulatory frameworks, such as those listed below. (Note that each of these frameworks may have their own unique requirements which companies need to follow.)
  - National and regional regulations, such as the European Union’s Corporate Sustainability Reporting Directive (EU CSRD)<sup>1</sup>, California’s Climate Corporate Data Accountability Act (CA SB 253)<sup>2</sup>, and jurisdictional implementation of the International Sustainability Standards Board’s (ISSB) IFRS S2 Climate-related Disclosures<sup>3</sup>
  - ISO 14064 series of standards on quantification, reporting, and validation of greenhouse gases emissions and removals<sup>4</sup>
  - Sustainability reporting initiatives, such as ISSB, Global Reporting Initiative (GRI)<sup>5</sup>, CDP<sup>6</sup>, CDP Supply Chain<sup>7</sup>, and Accountability Framework Initiative (AFi)<sup>8</sup>
  - Target setting initiatives, such as Science Based Targets initiative (SBTi)<sup>9</sup> and SBTi Forest, Land and Agriculture (SBTi FLAG)<sup>10</sup>



## How this *Standard* and *Guidance* can support business goals beyond climate change

This *Standard* and *Guidance* focuses on developing a GHG inventory to enable companies to measure performance on climate change mitigation. Companies should supplement the use of this *Standard* and *Guidance* with other standards and guidance for measuring, managing, reporting, and setting targets on other environmental,<sup>11</sup> social, and economic impacts relevant to the land sector and CO<sub>2</sub> removal technologies. Considering multiple impacts and criteria together can enable companies to develop coordinated and effective strategies for achieving a variety of sustainable development objectives to maximize positive impacts and avoid or minimize any negative impacts.

In general, companies should strive to implement GHG mitigation strategies that co-benefit other environmental or socio-economic criteria and avoid mitigation strategies that cause significant adverse effects. Other relevant impacts and criteria include, but are not limited to, climate adaptation and resilience, food security, biodiversity, no-deforestation and no-conversion supply chains, conservation and restoration of natural ecosystems, land degradation, soil quality, water quality and access, waste, protecting human rights, poverty reduction, health, access to land, income of small-scale food producers, protection of poor and negatively affected communities, agricultural productivity, and more, such as those included in the United Nations Sustainable Development Goals or Science Based Targets Network (SBTN).

### Endnotes

- 1 Available at [https://finance.ec.europa.eu/capital-markets-union-and-financial-markets/company-reporting-and-auditing/company-reporting/corporate-sustainability-reporting\\_en#legislation](https://finance.ec.europa.eu/capital-markets-union-and-financial-markets/company-reporting-and-auditing/company-reporting/corporate-sustainability-reporting_en#legislation)
- 2 Available at <https://ww2.arb.ca.gov/our-work/programs/california-corporate-greenhouse-gas-ghg-reporting-and-climate-related-financial>
- 3 Available at <https://www.ifrs.org/issued-standards/ifrs-sustainability-standards-navigator/ifrs-s2-climate-related-disclosures/>
- 4 Available at <https://www.iso.org/standard/66453.html>
- 5 Available at <https://www.globalreporting.org/>
- 6 Available at <https://www.cdp.net/>
- 7 Available at <https://www.cdp.net/en/supply-chain>
- 8 Available at <https://accountability-framework.org/>
- 9 Available at <https://sciencebasedtargets.org/>
- 10 Available at <https://sciencebasedtargets.org/sectors/forest-land-and-agriculture>
- 11 Science Based Targets Network (SBTN) develops targets and accounting approaches for biodiversity, freshwater, land and oceans.

### Photo Credits

Pg. 13, Jerry Kavan; Pg. 14, Markus Spiske