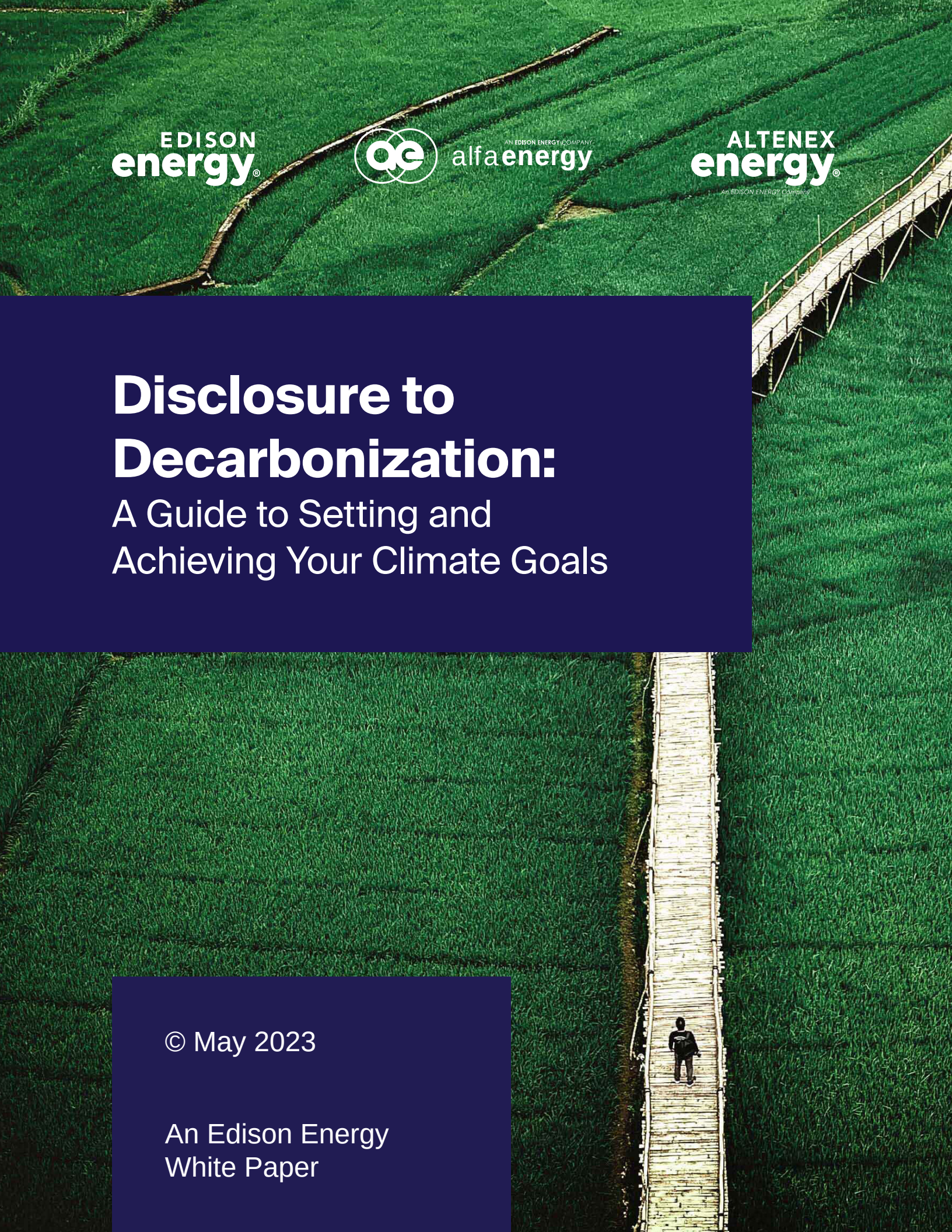

Disclosure to Decarbonization:

A Guide to Setting and Achieving Your Climate Goals

An Edison Energy White Paper

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Introduction

Disclosure to Decarbonization: A Guide to Setting and Achieving Your Climate Goals

The world of corporate sustainability has evolved dramatically over the last decade. Today, sustainability plays an increasingly vital role in corporate strategy and operations. Expectations on sustainability leaders are growing as climate impacts become more visible and climate risks more material.

As those expectations grow, many organizations are encountering challenges as they endeavor to turn their sustainability goals into concrete, impactful initiatives.

46%

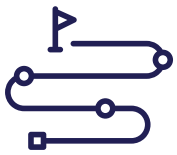
A recent study found that just 46% of companies that have set science-based carbon reduction targets have demonstrated significant progress towards achieving them.*

That the implementation of ambitious climate goals is proving to be challenging is not surprising - decarbonizing the global economy is a change management challenge at massive scale. And, like many change management challenges, it requires a tremendous amount of imagination and innovation.

Sustainability leaders are charged not only with imagining what a prosperous, sustainable, and equitable future looks like for their company, but also with marshalling and coordinating resources, expertise, and innovation across their companies – and beyond – to build that future.

* Source: Science-Based Net-Zero, Scaling Urgent Corporate Climate Action Worldwide

Introduction



The process of developing smart strategies, getting buy-in from leadership and stakeholders, and mapping out decarbonization pathways can drive home the scale of changes - and investments - that will be required to achieve bold climate goals and overcome existing challenges. Without a strong strategic plan, this defining moment has the potential to derail or delay even the best-intentioned climate plans. As a result, sustainability leaders must shift their approach from one built around data disclosures and lofty but abstract goals, to one built for implementation and impact from the very beginning.

As a full service decarbonization partner, Edison Energy works with organizations at every phase of the sustainability journey to measure their emissions and develop strategies for change, then puts those strategies into practice. Leveraging renewable energy procurement, energy performance upgrades, fleet electrification, and supply chain decarbonization initiatives, we help organizations achieve their strategic, financial, energy, and sustainability goals.

This paper will lay out why this integrated approach is essential to achieving business goals and sustainability ambition, what it looks like to put this approach into practice, and how sustainability leaders can use this approach to avoid roadblocks, engage key internal and external stakeholders, and drive tangible impact for a more sustainable world.

> **"The Edison team is an extension of my own internal team, and a critical partner who understands our challenges and ambitions. Not only have they helped us implement decarbonization projects including procuring 60 MW of renewables to date, identifying numerous energy reduction opportunities, and exploring fleet electrification, they have empowered us with better data, elicited unique insights about the emission hot spots and opportunities within our value chain (Scope 1, 2, and 3), and helped craft a vision and roadmap for achieving our net zero commitment. Edison's technical acumen and strategic direction have been equally critical in supporting leadership discussions and driving alignment across BMS."**

Victoria Emerick
Executive Director and Global Head, Corporate Sustainability Strategy and Operations.
Bristol-Myers Squibb

Introduction

Climate Risk is Business Risk

The drive to address climate change is greater than ever before. And with catastrophic weather events becoming more frequent, severe, and costly, the imperative for business to act with urgency is clear.

Bolder climate aspirations by private sector actors, and a growing sense of urgency around climate issues in public opinion – particularly among younger generations – means expectations on corporate sustainability leaders have never been higher.

With the passage of the Inflation Reduction Act (IRA) and numerous state and local climate policies, we have never been better positioned, or better resourced, to meet those expectations head-on and build a better future for our companies and our communities.

Corporate sustainability initiatives have tremendous potential to drive positive change for the environment AND for companies and industries:

- Renewable electricity from wind and solar paired with battery storage is revolutionizing energy markets globally and creating opportunities for energy cost savings, price hedging, risk mitigation, carbon reductions, community partnerships, and increased operational resilience.
- Electrification of vehicle fleets, equipment, and facilities is creating opportunities to increase energy efficiency, transform transportation and production processes, reduce maintenance costs, and improve the health of employees and the broader community.
- Reimagining business processes to reduce scope 3 emissions in their supply chain has spurred companies to reengineer production and products and find new ways to engage with customers and suppliers. This has led to increased innovation and stronger, more collaborative partnerships that benefit the bottom line as much as the environment.

Developing Impact-Ready Sustainability Goals

Better standardization of climate target-setting, through programs such as the Science-Based Targets initiative (SBTi), has led to stakeholders, investors, and the wider business community developing shared standards and accountability mechanisms to ensure that emissions reduction targets are in line with the scientific trajectory to keep global emissions at a level that avoids the worst climate impacts.

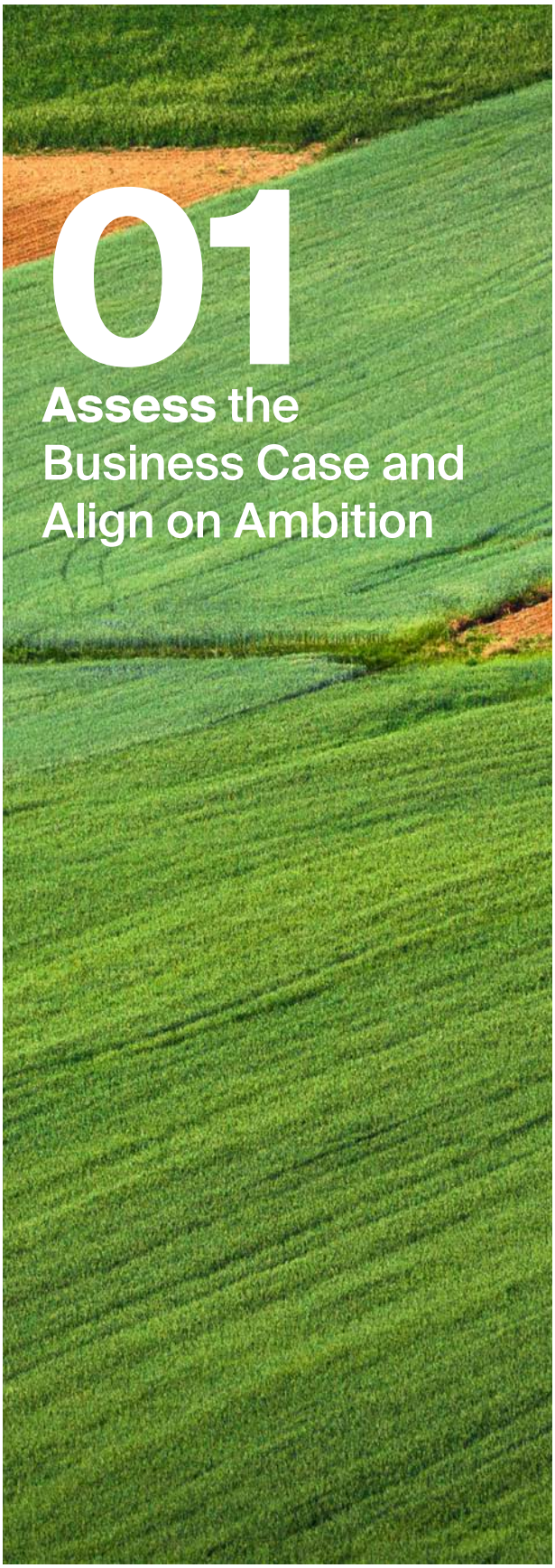
At this white paper's release, over 4,800 companies worldwide have acted through the SBTi, with over 2,400 companies setting science-based targets and over 1,700 committing to net-zero emissions. However, the commitment to a greenhouse gas emissions reduction target is neither the starting point nor the ultimate objective for corporates. Real decarbonization that protects business and the communities we serve must be our north star.

Today, more sustainability leaders are embracing the role of change managers in their organizations, driving companywide initiatives that involve collaboration and coordination across verticals and business units and up and down complex global supply chains. This requires sustainability leaders to work across traditional silos to align teams that may not regularly work together around a shared vision, purpose, and plan.

> **Sustainability is a team sport, and success involves developing strategy, expertise, relationships, and credibility from the boiler room to the board room.**

That is why we are increasingly seeing sustainability leaders integrating stakeholder engagement and capacity building into their strategic plans.

Here's a look at Edison Energy's sustainability playbook for creating and implementing impact-ready climate strategies:



01 Assess the Business Case and Align on Ambition

Objective:

Inform priorities and signal alignment with stakeholder expectations.

Actions:

› Industry benchmarking

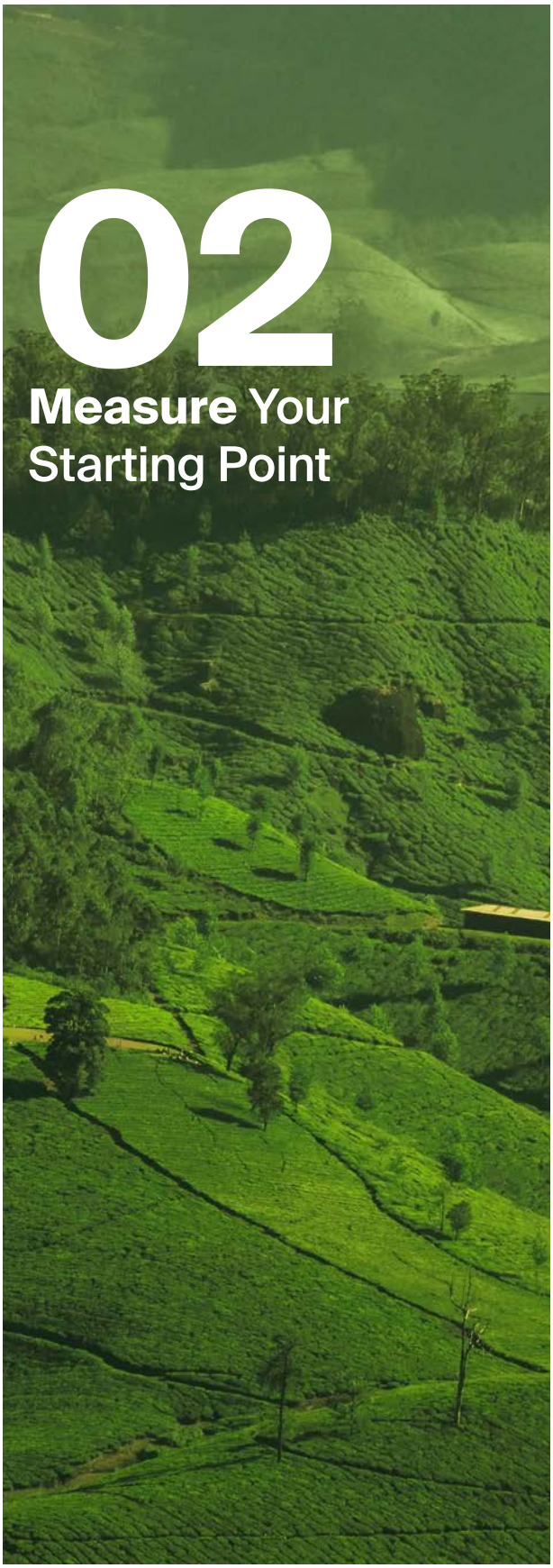
› Landscape analysis

Key Learnings:

Industry benchmarking and landscape analysis provide you and your team with the education you need to understand the sustainability commitments and initiatives from players across your industry. This birds-eye view shows leaders where their organization stands in relation to key peers and competitors, also highlighting key risks, leadership opportunities, and potential areas for collaboration.

Capacity-Building Opportunities:

This high-level exercise is important for your team to get a “lay of the land” and an understanding of the scope of the tasks ahead, serving as a key moment for strategic engagement. Consider bringing leadership in early so they can understand the landscape in the industry, get a realistic sense of how your organization compares to peers, and how you want to be positioned (are you playing catch-up? Working to establish leadership? Building strategic partnerships with other key players in your industry?) These early conversations are critical in shaping the rest of this process to ensure you are delivering results in line with leadership expectations and broader organizational strategy.



02
Measure Your Starting Point

Objective:

Understand emissions “hot spots” and establish a baseline from which to set your target.

Actions:

› Greenhouse gas (GHG) inventory, including scopes 1, 2, and 3

Key Learnings:

A greenhouse gas inventory gives sustainability leaders a clear picture of where their emissions are coming from, allowing them to identify and prioritize the most impactful and economic reduction opportunities. This provides many organizations with a new perspective on their operations and supply chains that can lead to new insights into your organization’s operations and supply chain. As the familiar adage goes, you can’t manage what you can’t measure.

Measuring scope 3 emissions may seem intimidating at first, as those emissions are not under your organization’s direct control. Many of your suppliers may not yet report emissions (or report them to you). However, for many organizations, scope 3 also represents the largest portion of emissions, thus creating the largest potential for impact. The key to addressing scope 3 emissions is understanding that this is an iterative process. Some estimation may be necessary at the start, which comes along with uncertainty.

However, as you begin to engage with your suppliers and partners and build relationships and trust around sustainability goals, they will provide you with better data and will take on a more proactive role in building a partnership in which you can achieve those goals together.

Capacity-Building Opportunities:

Conducting a GHG inventory is a perfect time to expand your team and involve key internal partners. This phase starts with gathering emissions data from across your organization, which provides a key opportunity to share what you are doing and what it might mean for different teams. Done right, this can help build understanding and buy-in across your organization, driving managers outside of your immediate team to think about opportunities in the decarbonization journey. It can also lead to building more meaningful relationships with key vendors and suppliers, surfacing opportunities for strategic engagement and partnerships to address shared sustainability goals and other strategic objectives.

03 Evaluate and Set Your Goals

Objective:

Establish a shared understanding of what setting a science-based goal would mean for your organization, align key players behind that shared goal.

Actions:

› Scenario modeling of GHG emissions growth

› Assess different goal pathways

› Decide on recommended targets

Key Learnings:

While a landscape analysis and GHG inventory will help you understand where you stand in your sustainability journey, goal setting gives you an opportunity to articulate where your organization is going, how quickly you are going to get there, how much of a leadership role you want to play, and what your priorities are (e.g., including a 100% renewable energy goal or a car company pledging to shift to 100% electric vehicles).

Capacity-Building Opportunities:

Goal setting is a key moment in this process – this is when you get buy-in from both leadership as well as the internal groups that will be involved in operationalizing your sustainability strategy. Having key internal and external players bought in and invested in the success of your goals lays a solid foundation for implementation and impact. Targets help motivate teams to act, focus efforts, and ensure resources are used in the most effective way possible.

04

Develop a Pathway to Achieve Your Goals

Objective:

Demonstrate feasibility of climate goal commitment, define potential reduction levers available and how they can contribute to meet goals, prioritize major initiatives.

Actions:

- Build a decarbonization pathway
  - Identify potential decarbonization measures to address each emissions source
  - Evaluate decarbonization opportunities for potential contribution, cost, and return on investment (efficiency, onsite renewables, etc.)
- Engage function areas that will be key in meeting science-based goals
- Establish decarbonization pathway to meet science-based goals and define Year One priorities
- Understand (and work to influence) the policy landscape impacting your strategic choices

Key Learnings:

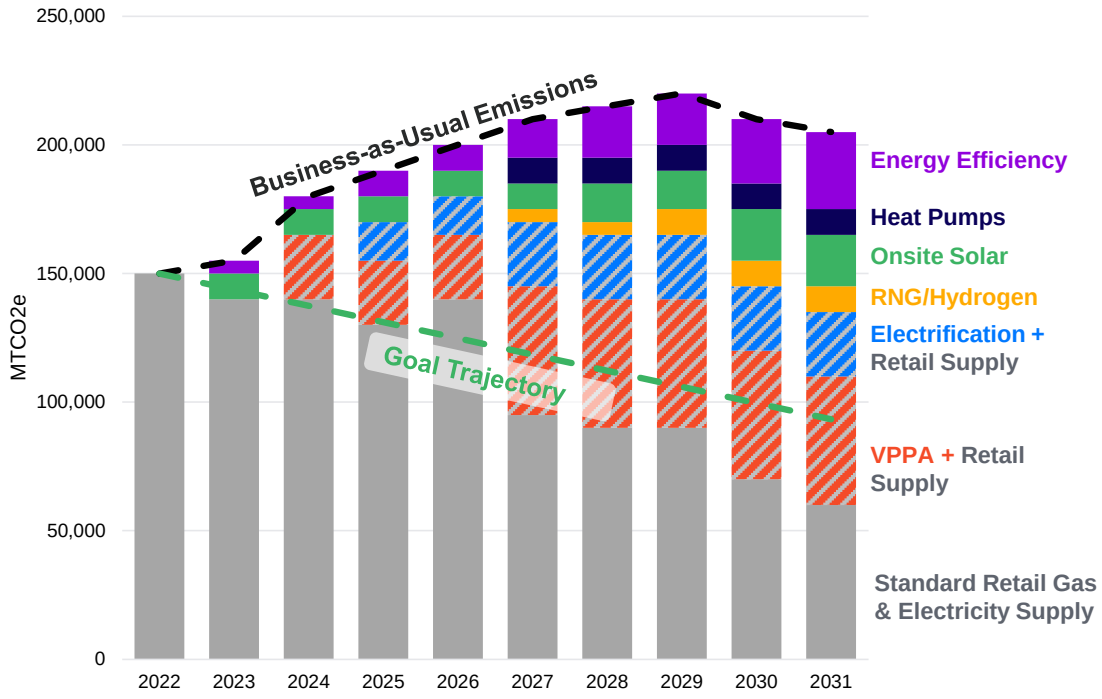
Decarbonization pathways are where your goals become a roadmap to help guide change management across your organization.

› **Optimizing the energy performance of equipment and facilities.** Conduct energy audits to evaluate opportunities to upgrade and improve the performance of your facilities and equipment, as well as exploring electrification of business processes that currently depend on fossil fuels

› **Transitioning to renewable energy.** Explore and evaluate renewable energy opportunities including on- and off- site strategies and energy storage, and develop a portfolio that works for your organization

› **Fleet electrification and charging infrastructure.** Evaluate the rapidly expanding range of available electric vehicles, identify which meet your operational needs and satisfy your business objectives, and understand the policy and incentive landscape. Develop plans and timelines for electrifying your fleet and building out EV charging infrastructure.

› **Supplier emissions.** Explore opportunities to engage with suppliers to reduce their emissions through educational initiatives and joint partnerships such as aggregated renewable energy purchases; build systems to systemically reduce supplier emissions by requiring emissions disclosure and incorporating emissions into procurement decisions; and redesign products and production systems to reduce or eliminate high emissions components, as well as emissions associated with the use of sold products.



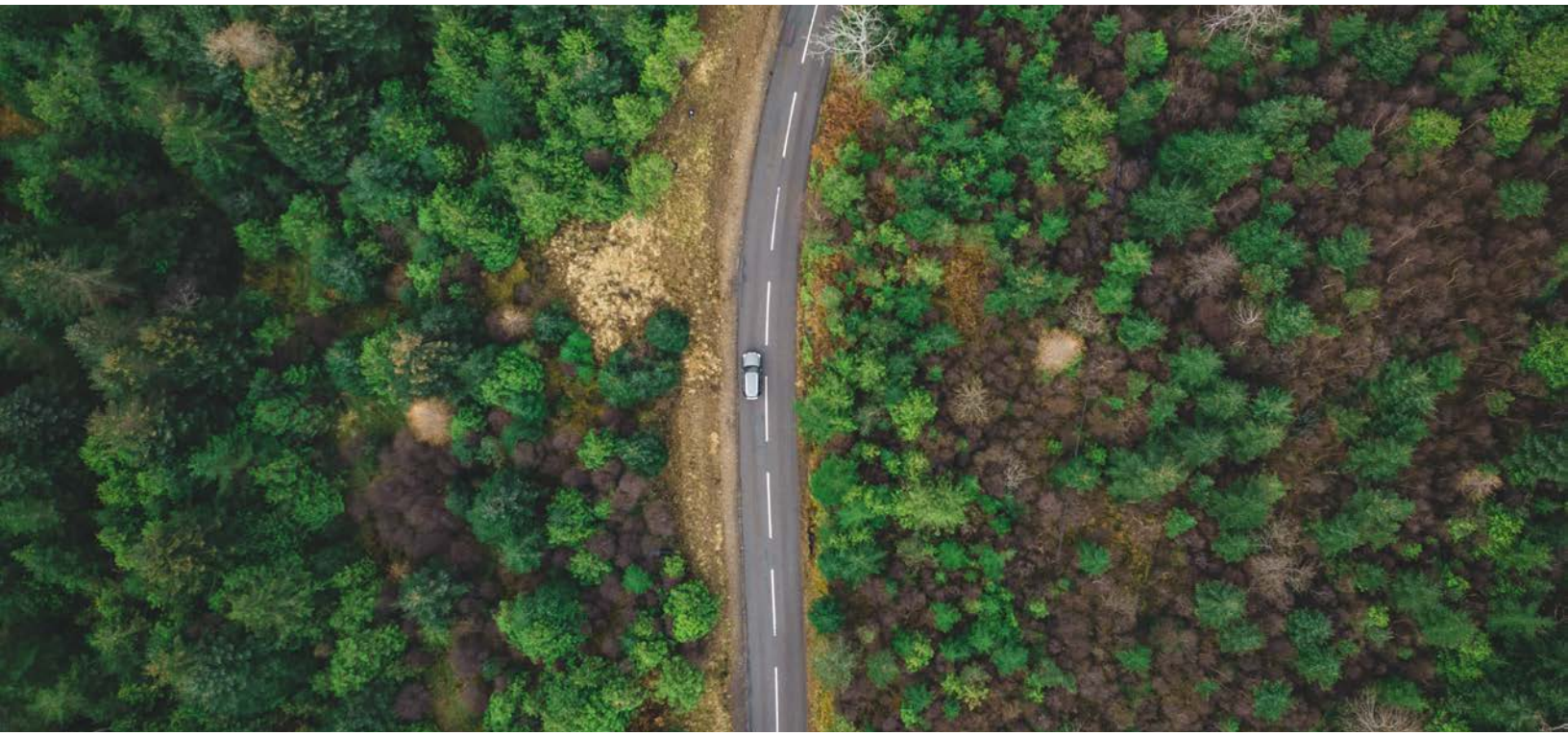
Decarbonization Journey

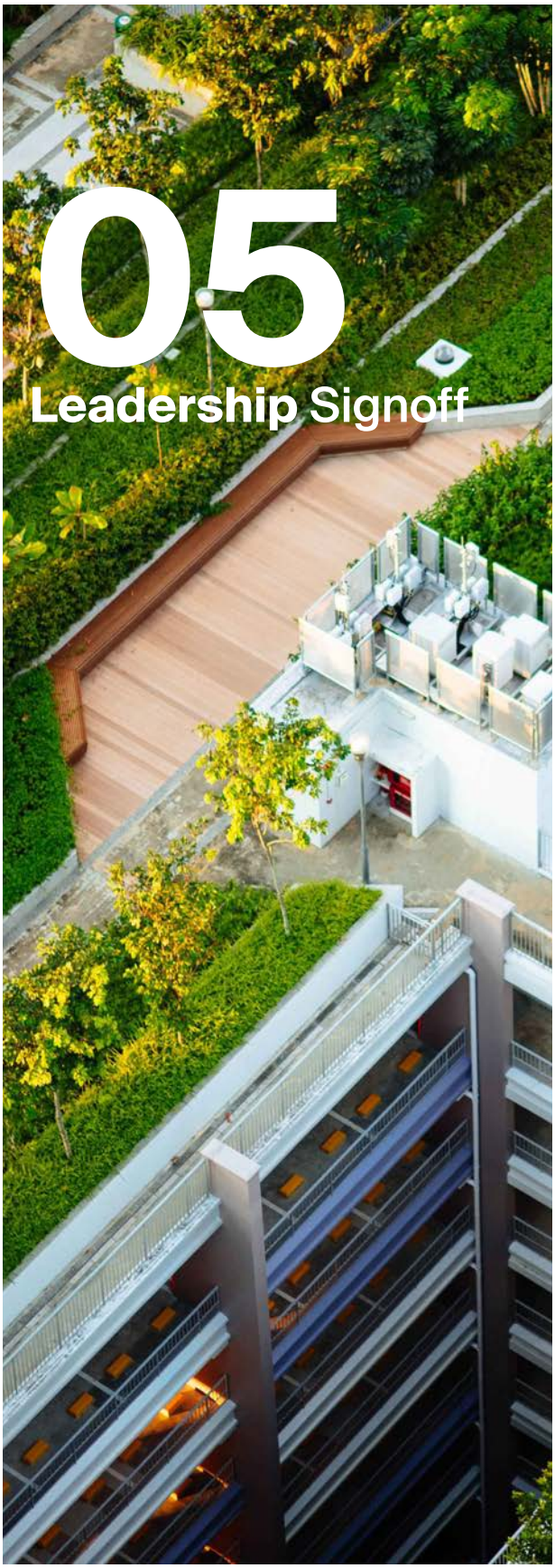
Capacity-Building Opportunities:

Building out a decarbonization pathway allows you to demonstrate the feasibility of meeting a goal - often a key step in securing leadership signoff - along with buy-in from key internal and external stakeholders. The process of inventorying your emissions should make it clear where those emissions are coming from and define the biggest opportunities for impact. A decarbonization pathway allows you to develop a better understanding of what it will take to seize those opportunities. This is when you and your team should have conversations about equipment upgrades and changes to facilities, processes, products, and procurement. It is also when you will make key decisions about priorities and resource allocation. That buy-in you built earlier with key internal players will come in handy here.

The benefits of partnering with sustainability strategy consultants who can also support the implementation phase of the work will now become most apparent. Consultants who understand both the strategy and the nuts-and-bolts of what it takes to get the job done can ensure that you are phasing your implementation strategically, prioritizing thoughtfully, and setting realistic timelines.

The public policy landscape can play a significant role in shaping the availability and economics of different decarbonization pathways. As such, it is important to understand the policies in place (and under consideration) in jurisdictions where your organization operates, and any incentives driven by those policies, to support various decarbonization approaches and technologies. Where policies (or their absence) could help your organization achieve your goals, consider partnering with your government affairs staff, trade associations, and community allies to help advance better sustainability policies.





Objective:

Secure support from leadership and any other key decisionmakers or stakeholders.

Actions:

- Develop leadership materials to socialize and secure internal buy-in on your goals and your proposed pathway to achieving them
- Provide education to senior leadership and other decision makers on what meeting these targets will mean for the future of your organization
- Recommend specific targets and strategies for approval
- Secure approval to execute your sustainability plan

Key Learnings:

Beyond securing approval to proceed with your sustainability plan, the process of earning leadership signoff also provides you with opportunities to get feedback on potential improvements; identify areas where additional work is needed; and establish any education, data, and strategizing that may be required to facilitate implementation of your plan.

Capacity-Building Opportunities:

Securing leadership buy-in is an opportunity to bring leadership on board with your plan, help identify additional resources and stakeholders to include as you move to the implementation phase of your work, and explore opportunities to better align your plan with other priorities and initiatives. This is where you solidify the team you've been building all along and get everyone ready to turn strategy into action.

06 Strategy Implementation

Objective:

Implement priority emissions reduction pathways, drive organizational and operational change, achieve reduce emissions and impact goals.

Actions:

- Implementation of Energy Optimization Strategy
- Renewable Energy Procurement (Onsite and Offsite)
- Transportation Electrification and Charging Infrastructure Build-Out
- Scope 3 Actions, including Supplier Engagement

Key Learnings:

The implementation phase of your decarbonization strategy is where the vision you created and secured support for becomes a reality as you begin to execute on the priority pathways you and your team identified in Phase 4. This can include:

Energy Performance Optimization

Optimizing energy performance is not a new objective for most organizations, but taking a sustainability-driven approach may change how you approach it. There are three key elements of a sustainability-driven energy performance optimization strategy: improving control systems and automation; maintaining, updating, and replacing existing equipment; and transitioning to equipment that can run on carbon-free energy sources such as renewable energy.

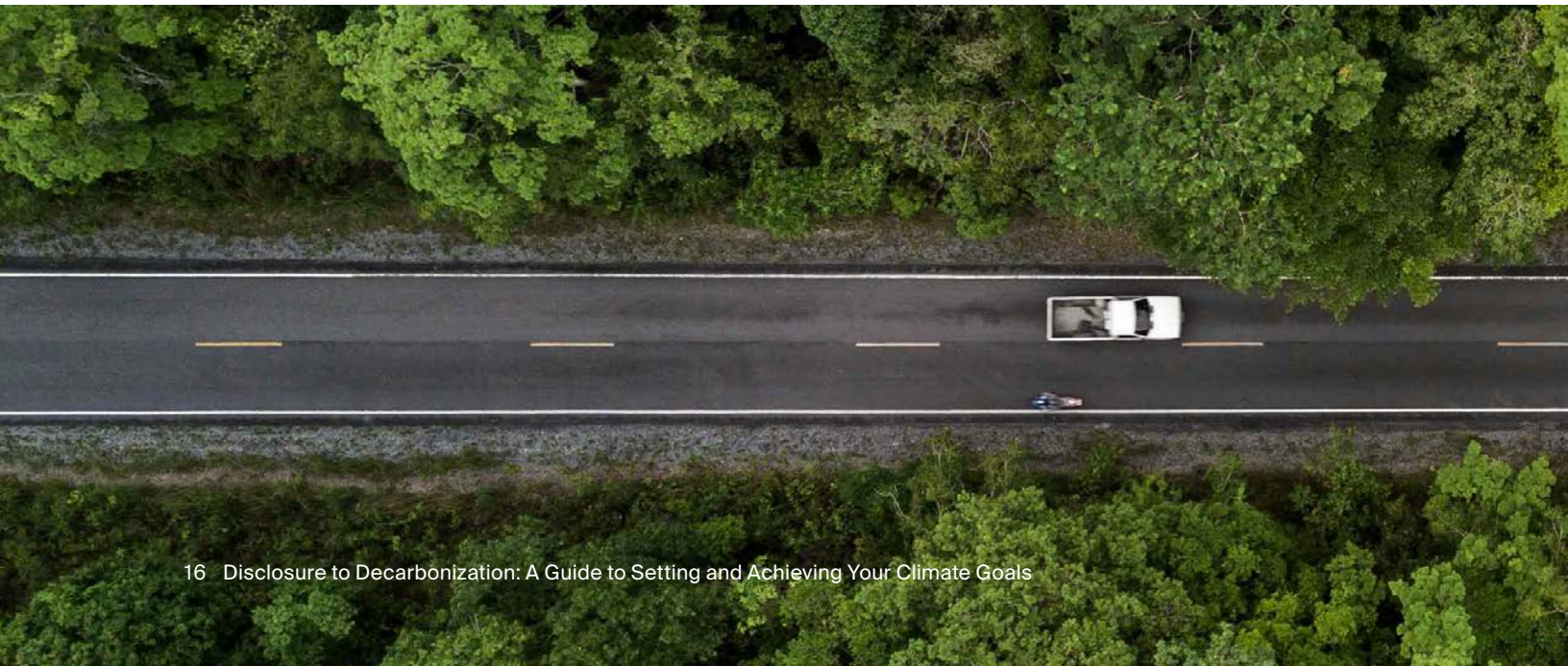
Sustainability Playbook

Modern energy control strategies utilize data and automation to improve the management of energy, building operations, and equipment. Even the most efficient equipment needs the right operator and controls to realize peak performance. Tighter controls, better training, and more sophisticated monitoring systems can reduce the amount of energy consumed, the carbon intensity of that energy (by shifting energy consumption to times of day when there are more renewables on the grid), and your energy spend.

Identifying and prioritizing maintenance and upgrade needs may involve conducting energy audits, enabling you to fine-tune your approach and priorities. As these opportunities are evaluated through a sustainability lens, many organizations are increasingly questioning the value of investing in equipment that uses fossil fuels when their climate goals and/or government policies could necessitate early retirement of that equipment. Where possible, many organizations are instead pursuing electrification to future-proof their capital investments and align those investments with their sustainability goals.

Electrification is a broad term for replacing equipment powered by fossil fuel combustion with a range of technologies that use electricity, which can be generated by carbon-free technologies. Increasingly, lawmakers at local, state, and national levels are enacting laws to encourage or require buildings to go all-electric to reduce pollution and improve health outcomes. As a result, we see more clients exploring electrification in response to those policy changes. Where electrification is not yet practical, some organizations - particularly heavy industry - are also exploring low-carbon fuels such as renewable natural gas (waste methane) or green hydrogen.

Achieving your goals in these three areas may mean expanding the range of energy efficiency investments your organization pursues (for example greenlighting projects with longer payback times), as well as exploring newer financing strategies such as green bonds and energy service contracting. Implementation involves designing projects and refining energy, cost, and carbon projections; issuing Requests for Proposals (RFPs) for energy management systems and software; staff training and upskilling; and building improvements and equipment upgrades. You will need to decide on project designs, equipment, and vendors, and select contractors who will conduct and oversee that work.

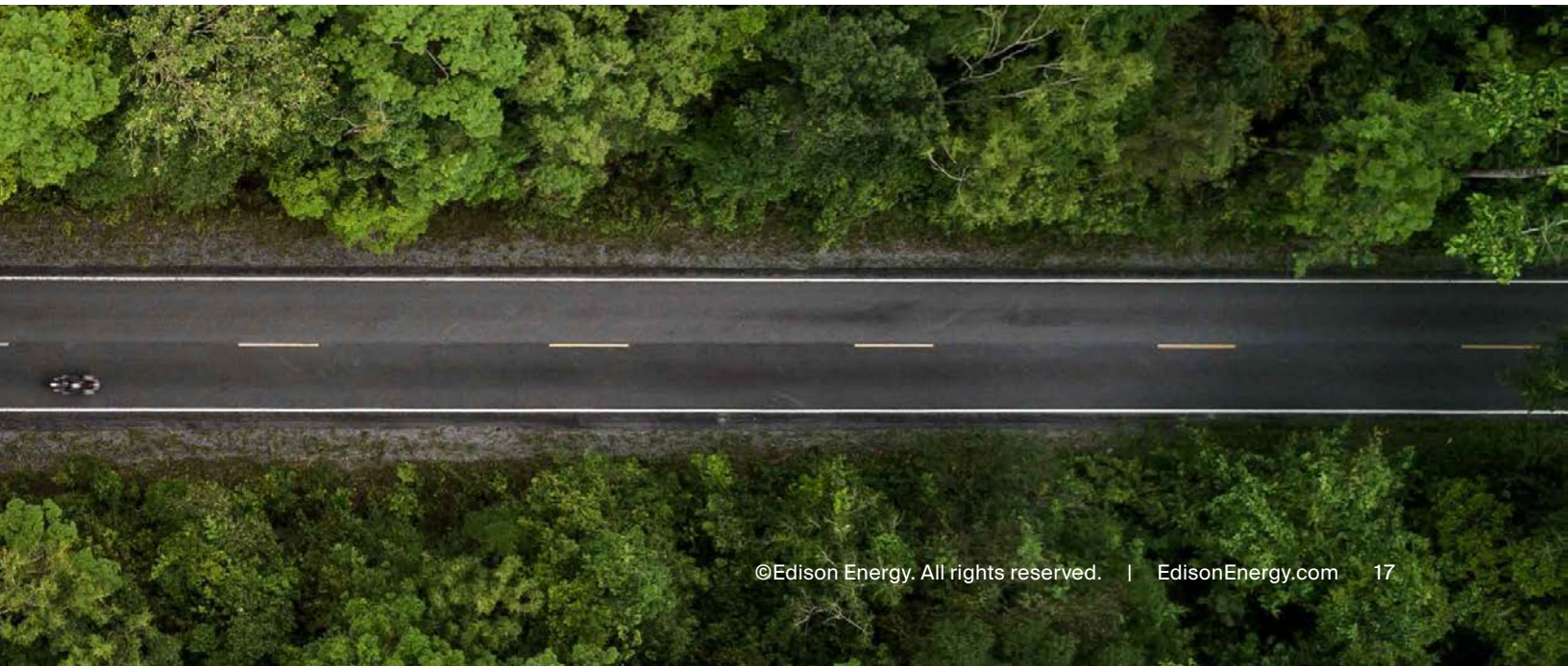


Renewable Energy

To facilitate your organization's transition to renewable energy, you and your team may pursue onsite renewable energy generation by assessing the onsite solar potential at your facilities; issuing RFPs for rooftop, ground mounted, or carport solar projects; choosing preferred designs and technologies; assessing the financial impact of the offers; comparing finance structures for your projects; and selecting a vendor, negotiating a contract, and overseeing construction and interconnection of the system. Your team may also want to consider pairing solar with storage to reduce demand charges and increase facility resilience.

Because onsite generation is often limited by space constraints, as well as other considerations such as the length of leases, state or utility regulations, roof conditions, and shading, most organizations with ambitious renewable energy goals find that they need to complement their onsite renewable energy resources with offsite generation. Your team will want to compare options such as utility green power offerings (green tariffs), Power Purchase Agreements (PPAs) and Virtual PPAs (VPPAs), community solar offerings, and tax credit or equity investment in a project. Once you've decided on the right portfolio of approaches for your organization, your team will need to issue RFPs, then evaluate and select projects, negotiate contracts, and audit the ongoing project settlements throughout their term length.

Since development of renewable energy projects takes time - particularly in this age of supply chain constraints - many companies choose to procure renewable energy certificates (RECs) from other renewable energy projects. This can serve as an interim solution, allowing them to make renewable claims while their project(s) are under construction – or enable them to phase in projects over time to take advantage of shifting markets and incentives while still making renewable energy claims to customers, investors, and regulators. In this case, REC vendors must be vetted, and RECs procured and retired in the company's name for accountability.



Fleet Electrification

Transitioning your fleet to EVs can be a big part of your electrification strategy, allowing you to meet your transportation energy needs with renewable electricity instead of gasoline and diesel fuel. From shuttle buses and pickup trucks, to work vans, compact cars, and luxury SUVs, almost all vehicle categories now have multiple models available, with more on the way as auto manufacturers (OEMs) expand their offerings, ramp up production, and resolve supply chain issues. With the declining cost of EVs, increased competition, and new government incentives, it is expected that EVs will reach price parity with gas powered models this year, and could prove to be cost savers over time once lower fuel and maintenance costs are factored in.

Fleet electrification takes more than replacing one vehicle with another. In addition to procuring the vehicles, you will need to think through strategies for charging, managing, and servicing those vehicles. You may also want to consider providing opportunities for your employees and customers to charge their EVs at your sites.

Implementing an EV strategy involves evaluating and deciding on EV models, then developing a timeline for vehicle replacement based on leasing schedule, equipment availability, and economics. Once a timeline is established, you and your team will need to work with manufacturers to procure vehicles, as well as design and install charging infrastructure for fleet vehicles and employee and customer use. You will also need to educate your fleet teams, employees, customers, and facility staff and develop policies and procedures around charging and vehicle use.

Supply chain (scope 3) emissions

Tackling scope 3 emissions can be intimidating, as those emissions lie outside of your organizational control. However, as science-based targets become the norm in many industries, the process of supplier engagement is becoming increasingly accepted and impactful.

While each supply chain is different, for Edison customers a typical process involves the following steps:

› Utilizing techniques such as life cycle analysis (LCA) to identify emissions hotspots in your supply chain that can inform product and process changes, as well as supplier engagement approaches

- Supplier education and engagement, including trainings, educational resources, and a help desk
- Conducting on-site energy audits and arranging third-party financing to facilitate supplier energy improvements
- Aggregating supplier demand to reduce the cost of onsite renewables
- Facilitating offsite renewable energy aggregation deals for suppliers, inviting them to join in on your deals, or passing through RECs from your projects to your suppliers
- Advocating for policies that expand renewable energy availability for suppliers and supporting the rapid greening of the electrical grid for suppliers, customers, employees, and the community as a whole
- One can easily imagine how implementation could confront sustainability leads with complex challenges, who may find themselves now charged with managing multiple and significantly different procurement processes, working with consultants, communicating with vendors, and juggling timelines - all while ensuring internal stakeholders and leadership are kept informed, engaged, and involved. This is where Edison Energy's integrated approach can help sustainability leaders avoid implementation pitfalls by integrating sustainability strategy with sustainability implementation all on the same team - and on the same page. This will enable sustainability leaders to overcome implementation challenges, usher in positive change for their organizations, and deliver impact and results.

Capacity-Building Opportunities:

It is critical to partner with a consulting team that has a deep understanding of implementation, and has the independence to tailor strategies, implementation plans, and equipment/vendor decisions to align with your organization's needs. That expertise and independence is crucial to ensuring that you can build the realities of implementation into strategy development from Day One, and that you have the independence to choose the equipment, products, financing options, and deal structures that best help you achieve your goals on your timeline. Selecting partners with technical expertise will enable seamless work with your teams to get projects done right, along with effective communication to ensure that stakeholders are brought along, bought in, and excited about the projects.

Objective:

Report and communicate progress towards your goals; tell your sustainability story; adjust strategies as needed; monitor changing markets, policies, and technological landscapes, and evolve strategies and approaches accordingly.

Actions:

- Data Updating/ Reporting
- Briefings for Stakeholders and Leadership
- Market Intel., Industry Trends, Policy Updates
- Marketing/Communications

Key Learnings:

As these measures are undertaken, you will need to update your emissions data and reporting; develop case studies and other communications pieces that highlight your successes and impacts; brief leadership and other internal stakeholders on progress; share your story externally; monitor market developments, industry trends and policy developments; and map out and implement next steps. You should also celebrate your accomplishments and build momentum as you go along.

Capacity-Building Opportunities:

Sustainability is an ever-changing landscape – technologies, markets, and government policies are constantly evolving. Stakeholders should be briefed on projects, equipment maintained and upgraded, and deals renewed and renegotiated. Shifts in this landscape, new policies and incentives, or an evolution in company priorities may call for changes to strategies, technologies, and approaches. While sustainability goals may be met, change management is an ongoing journey, offering new opportunities to build a better company and become a better corporate citizen.

Conclusion

An integrated approach to sustainability strategy and implementation can help sustainability leaders bridge the gap between aspiration and implementation. This can be done by bringing together GHG inventory know-how, operational experience, technological innovation, sustainability strategies, implementation, and management under one roof. Edison Energy can work seamlessly as an extension of your team to deliver measurable, positive impacts on an ambitious timeline and communicate your work to the stakeholders who matter the most.

Every company has its own decarbonization challenges and begins their journey at a different point, with their own set of strengths and areas for improvement. Edison Energy's process of working with clients delivers tangible results by helping you strategically build your team's skills and knowledge during every step of the process, integrating practical knowledge from implementation teams who are experienced in renewable energy, energy optimization, transportation electrification, and climate strategy development. This ensures that your plans are built to deliver the results you and your stakeholders expect.

By approaching sustainability challenges methodologically - and with an eye on implementation - you and your team will position yourselves as leaders in building a better company and creating a more sustainable, equitable, and prosperous future.

Get in Touch

information@EdisonEnergy.com
www.EdisonEnergy.com

Global Reach. Local Impact. Edison Energy LLC (DBA in Europe as Altenex Energy and Alfa Energy) is a global energy and sustainability advisory that provides strategy and implementation services to help large corporate, industrial, and institutional clients navigate the transition to a net-zero future.

With a commitment to promoting a **sustainable**, **resilient**, and **equitable** future, Edison enables organizations to deliver on their strategic, financial, and sustainability goals by addressing today's key energy challenges: carbon, cost, complex choices, and creating energy justice across communities.

2 Park Plaza, Suite 200, 92614 | Irvine, CA
Central Park, Stadsplateau 19-40, 3521 AZ | Utrecht, NL
1 Haven Green, Ealing Broadway, W5 2UU | London, UK
Danijela Ozme 3, 71000 | Sarajevo, BiH

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