



Carbon Accounting: Navigating the Green Terrain with Precision

Our world today faces an existential crisis: Climate Change. With every ticking second, greenhouse gases (GHGs) continue to accumulate in the atmosphere, leading to catastrophic environmental consequences. Amidst this turmoil, carbon accounting has emerged as an indispensable tool, akin to a lighthouse in a storm, guiding organizations toward sustainable practices. This article delves into the heart of carbon accounting, its indispensability, and its relationship with Environmental, Social, and Governance (ESG) frameworks, Climate Change Mitigation Activities (CCMA), and the International Financial Reporting Standards (IFRS) S1 and S2. Moreover, it explores what we, as human beings, can contribute to alleviate this global concern.

Why Carbon Accounting?

Imagine trying to fill a leaky bucket without knowing where the holes are. Similarly, combating climate change without understanding an organization's carbon footprint is an exercise in futility. Carbon accounting, at its core, is the process of measuring and reporting the amount of carbon dioxide (CO₂) and other GHGs that an organization emits. This practice is not just a bureaucratic box-ticking exercise; it is the cornerstone for any meaningful environmental strategy.

The rationale for carbon accounting is twofold. Firstly, it enables organizations to pinpoint their emission hotspots, thereby identifying opportunities for reduction. It is like knowing the problem areas in a complex puzzle, which then allows for strategic solutions. Secondly, transparency in carbon emissions fosters accountability, both to stakeholders and the broader society. Organizations that fail to disclose their carbon footprint are increasingly viewed as burying their heads in the sand, ignoring the clarion call for climate action.

The ESG Nexus - Integrating Sustainability Across Board

Carbon accounting is a crucial part of the ESG framework, it offers concrete data on environmental

impact, deterring companies from concealing their impact on environmental issues. Socially, it illustrates the impact on communities, while governance ensures transparent reporting and avoiding misleading emission figures. Investors increasingly prioritize the triple bottom line—profit, people, and planet—making carbon accounting a critical gauge of authentic ESG dedication.

CCMA - Rolling Up Our Sleeves for a Cooler Planet

In tandem with carbon accounting, CCMA refers to actions taken by organizations to reduce their carbon footprint. These activities can range from energy efficiency initiatives and renewable energy adoption to carbon offsetting and sustainable supply chain management.

CCMA activities blend strategy, risk management, governance, and metrics/targets with carbon accounting, creating a robust framework to reduce carbon footprints. A well-planned strategy is akin to plotting the course before setting sail, essential for achieving effective emission cuts. Risk management acts as a weathervane, spotting and addressing climate risks to prevent any sudden squalls. Governance ensures transparency and accountability, keeping the reporting clear and straightforward. Metrics and targets act like signposts, helping to stay on track towards sustainable, measurable emission reductions.

The Link to IFRS S1 and IFRS S2

In the financial reporting landscape, IFRS are the core principles that guide consistent and transparent reporting. IFRS Sustainability Disclosure Standards, namely IFRS S1 and IFRS S2 have significant implications for carbon accounting and ESG reporting.

IFRS S1: General Requirements for Disclosure of Sustainability-related Financial Information

IFRS S1 sets the foundation for disclosing sustainability-related financial information, linking to carbon accounting by requiring a comprehensive view of sustainability risks and opportunities, including climate-related ones. It mandates that organizations provide detailed carbon emissions data, contextualized within their broader sustainability strategy. It ensures transparency and accuracy in reporting, driving accountability through thorough procedures. By acting as an overarching framework, it integrates carbon accounting into a holistic sustainability report, ensuring all emissions are meticulously tracked and disclosed, and that they fit

seamlessly with the organization's overall sustainability efforts and goals.

IFRS S2: Climate-related Disclosures

IFRS S2 zeroes in on climate-related disclosures, closely tying into carbon accounting by requiring organizations to provide detailed information on their exposure to climate risks and opportunities. This includes metrics on carbon emissions, climate risk assessments, and strategies to manage these risks. It places the spotlight on the need for organizations to disclose their carbon emissions data, reduction targets, and progress toward these targets. It ensures carbon accounting practices are thorough, accurate, and transparent, driving accountability. By leaving no stone unturned, it mandates comprehensive reporting procedures, ensuring that all emissions are meticulously tracked and reported for genuine climate action.

Our Role as Individuals

While corporations and governments shoulder significant responsibility in carbon accounting and climate mitigation, individuals also play a crucial role. Practical steps include cutting back on energy consumption, such as turning off lights, using energy-efficient appliances, and embracing sustainable transportation options like public transit, cycling, or electric vehicles, will ensure that we are doing our bit in preserving the nature. It is a case of 'every little bit helps,' where slight changes collectively make a substantial difference in reducing our carbon footprint.

Conclusion

Peppering the Path to Sustainability

Carbon accounting acts as the 'canary in the coal mine,' signaling the urgency of climate action and serving as the 'proof in the pudding' for assessing sustainability commitments. It is not just another regulatory requirement but the foundation of a sustainable future. By measuring, reporting, and acting on carbon emissions, organizations can significantly reduce their environmental footprint. Neglecting carbon accounting could lead to grave consequences, not only for organizations in terms of penalties and reputational risk, but more importantly for Mother Nature that could lead to the collapse of the very existence of life on this planet.

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