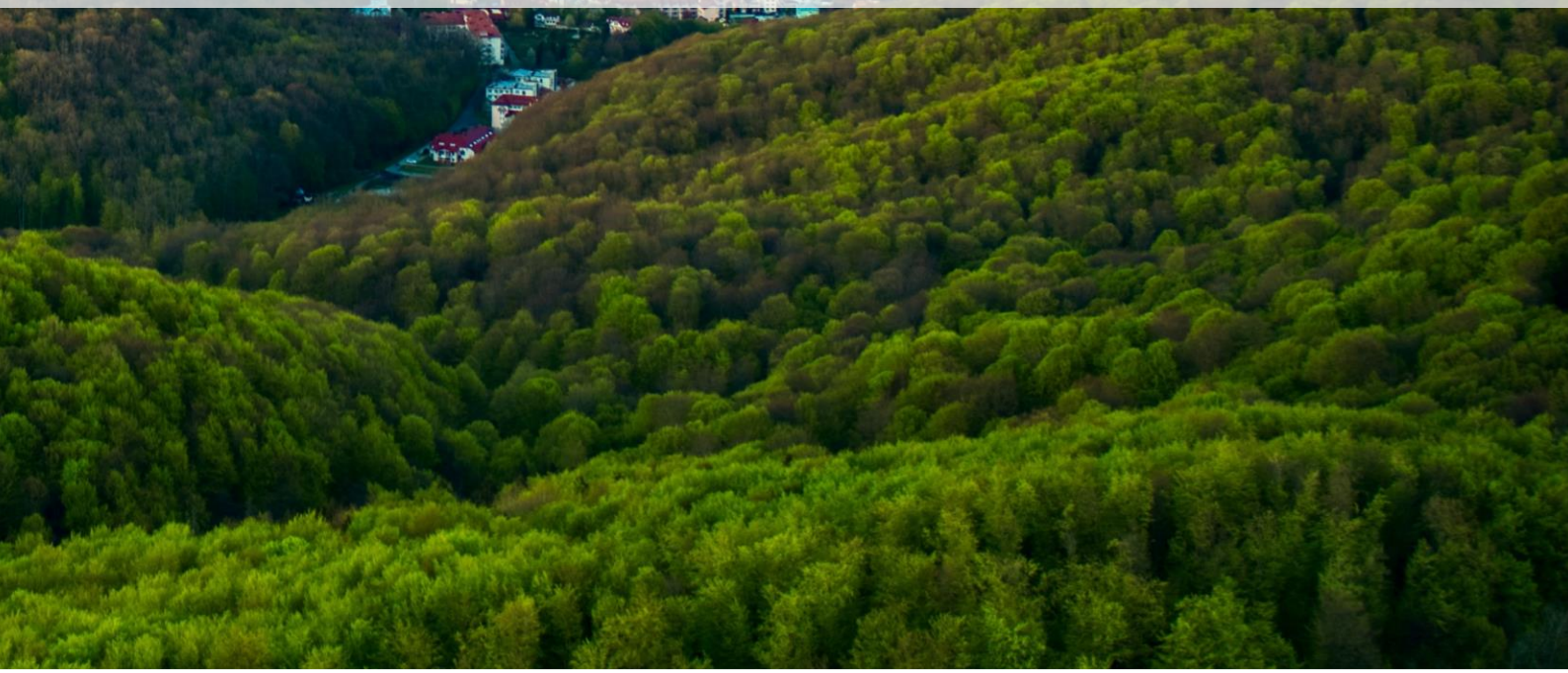
Preferred by Nature Carbon Footprint 2023



Contents

1 Executive Summary

Preferred by Nature aims to lead by example in managing our environmental performance and disclosing the impact of our operations. We have been reporting on the carbon emissions associated with our operations since 2016.This report provides a comprehensive breakdown of our carbon emissions arising in 2023 from all operations.

In 2023, the total net carbon footprint of Preferred by Nature's operations was an estimated 1,597 tCO2e corresponding to a relative emission of 4.5 tCO2e per employee. Figure 1 below depicts how our total absolute and relative emissions have evolved since 2016. Emissions from travel (transportation 76% and accommodation 12%) accounted for 88% of total carbon emissions from Preferred by Nature's normal operations in 2023 followed by electricity for both remote workers and offices (5%), commuting (2%) and heating of offices (less than 1%). In addition, a buffer corresponding of 5% was added to the total emissions of our regular operations.

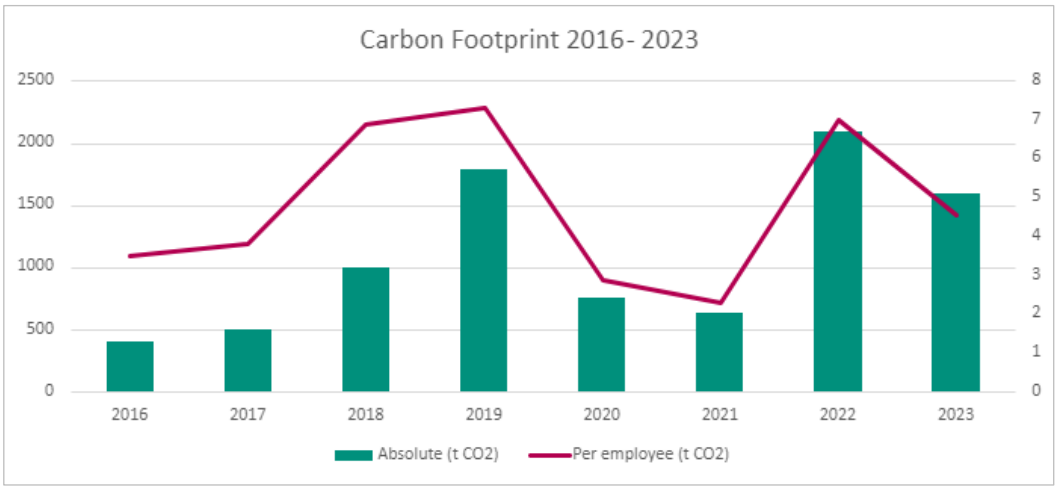


Figure 1 *Evolution of Preferred by Nature's carbon footprint 2016-2023*

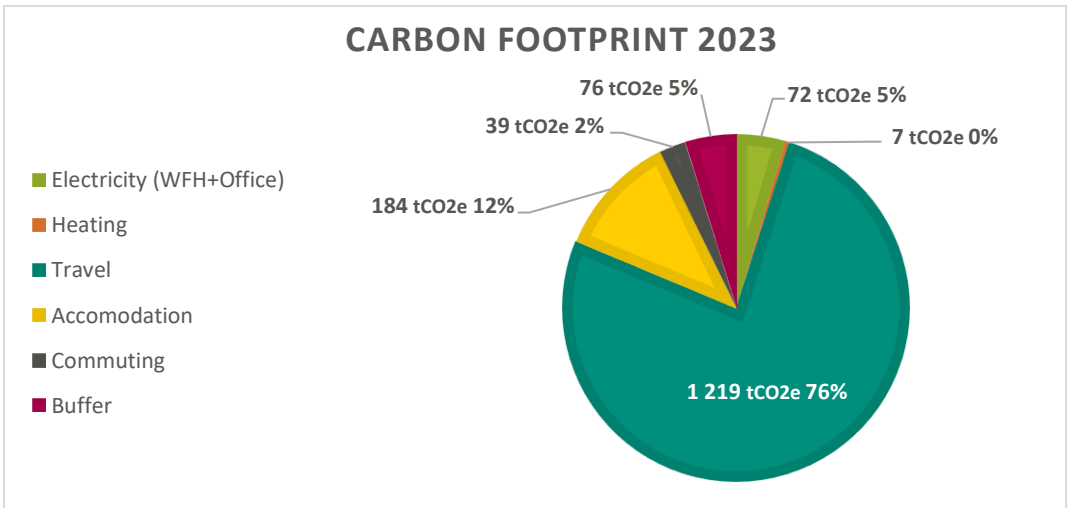


Figure 2 *Breakdown of carbon footprint of Preferred by Nature in 2023*

2 Results

2.1 Total carbon emissions

The carbon footprint from Preferred by Nature's operations in 2023 was 1,597 tCO2e, corresponding to a relative emission of 4.5 tCO2e per employee. Table 1 below provides a detailed overview of the Scope 1, Scope 2 and Scope 3 emissions.

Table 1 *Detailed overview of Preferred by Nature's total emissions 2023*

Scope	Category	Emission source	Unit	Activity data	Emission (tCO2e)
Scope 1	Transportation of products, materials, waste, and employees	Transportation in vehicles owned or controlled by Preferred by Nature (diesel)	km	25 000	5,28
		Transportation in vehicles owned or controlled by Preferred by Nature (petrol)		18 794	3,94
		Transportation in vehicles owned or controlled by Preferred by Nature (hybrid)		98 580	14,79
		Transportation of employees (Total)			**24,01**
Scope 2	Imports of electricity, heat, and steam	Electricity	kWh	48 673	
		Electricity (Total)			**18,63**
		Heating	kWh	87 695	
		Heating (Total)			**6,85**
Scope 3	Imports of energy	Remote work energy (electricity and heating)		131 544	
		Remote work energy (Total)			**53,66**
	Travel - transportation of employees for business-related activities in vehicles owned or operated by third parties	Travel/Air travel	passenger/ km	6 551 232	990,57
		Travel/Train travel	passenger/ km	581 919	3,90
		Travel/Bus travel	passenger/ km	177 735	2,69
		Travel/Public transport travel	passenger/ km	8 783	0,98
		Travel/Ferry travel	passenger/ km	5 809	0,62
		Travel/Taxi travel	passenger/ km	24 960	4,03
		Travel/Employee-owned car	Km	627 775	127,90
		Travel/Rental car	Km	51 856	64,14
		Travel/hotel accommodation	room night	3 684	184,22
		Travel (Total)			**1 379,06**
	Employee commuting - transportation of employees between their homes and their worksites	Commuting/Car travel	km	166 049	31,49
		Commuting/Carshare	passenger. km	40 977	4,20
		Commuting/Bus travel	passenger. km	9 099	0,31
		Commuting/Rail travel	passenger. km	64 641	0,36
		Commuting/Motorbike travel	passenger. km	16 872	2,42
		Commuting/Walking travel	passenger. km	19 247	0
		Commuting/Cycling travel	passenger. km	12 347	0
		Commuting (Total)			**38,77**
Total w/o Buffer					**1 520,98**

Buffer 5%	**76,05**
Total for 2023	**1 597,02**

Over 88% of the total carbon emissions were related to travel and accommodation, followed by electricity for both remote workers and offices (5%), commuting (2%) and heating of offices (less than 1%) with a buffer (5%) (Figure 2, above).

Mobility emissions such as travel, owned/leased vehicles, and employee commuting, therefore accounted for 90% of Preferred by Nature's total carbon emission in 2023. The breakdown of the carbon emission from travel is shown in the figure below (Figure 3). Air travel accounts for 72% of all emissions related to travel followed by car travel (14%) and accommodation (13%).

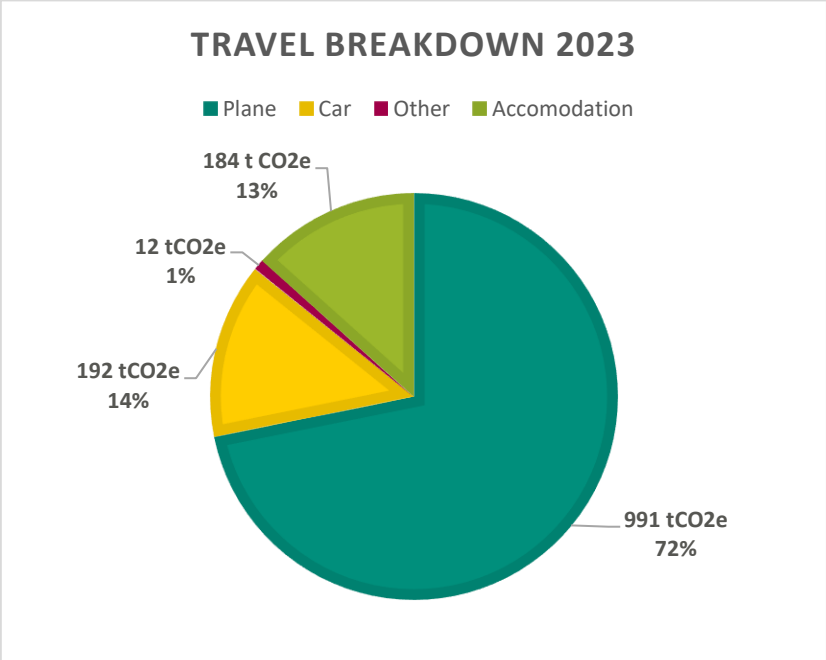


Figure 3 *Carbon footprint from travel by emissions source* (*Other includes taxi, train, ferry, bus, public transport*)

2.2 Transportation in vehicles owned or controlled by Preferred by Nature

Four of Preferred by Nature's subsidiaries reported to own or lease vehicles in 2023 (Table 2).

Table 2 *Vehicles owned or leased by Preferred by Nature*

Entity	Car Model	Fuel type	Car Manufacture year	Emission factor
Preferred by Nature OÜ	Toyota Corolla 1.8 Hybrid e-CVT	Hybrid	2022	0,15007
NEPCon SIA	Kia Niro	Hybrid	2019	0,15007
	Toyota Yaris Cross	Hybrid	2022	0,15007
NEPCon LT UAB	Nissan Qashqai	Diesel	2016	0,21128
	Kia Niro	Hybrid	2018	0,15007
NEPCon Bulgaria EOOD	Kia Ceed	Petrol	2016	0,20942

Approximately 142,374 kilometres were travelled in cars owned or leased by Preferred by Nature in 2023, resulting in carbon emissions of approximately 24,01 t CO2e.

2.3 Employee commuting

In 2023, Preferred by Nature employees commuted a total distance of 329,233 km from their home to work (please note that 62% of Preferred by Nature employees stated that they exclusively work from home and do not regularly go to any offices). Personal car accounted for 50% of the total commuting distance followed by train (20%), carshare (12%), walking (6%), motorbike (5%), cycling (4%), and bus (3%) (Figure 4). In terms of carbon emissions, commuting via personal car accounted for approximately 81% of total emissions from commuting (Figure 5).

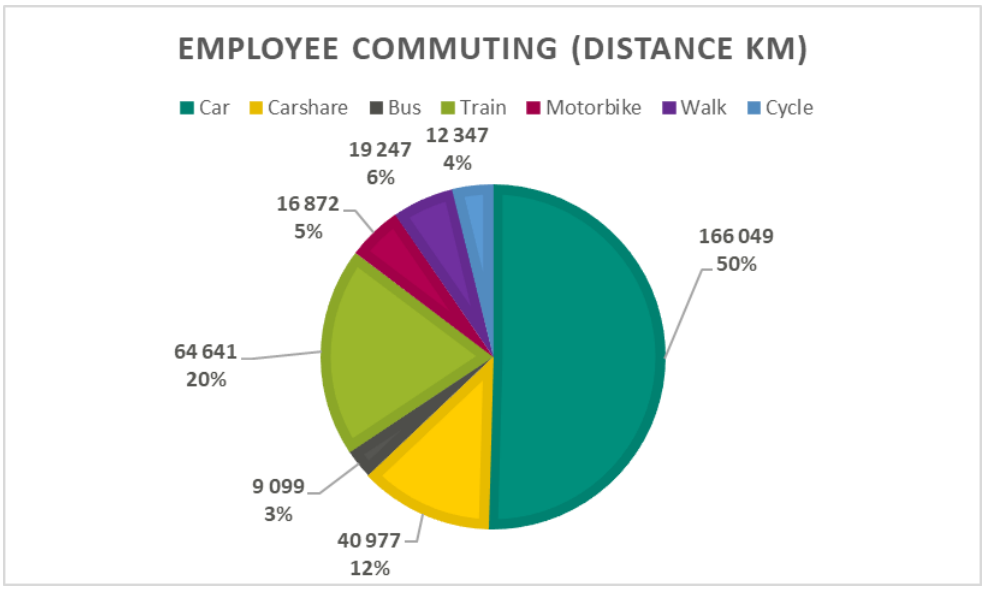


Figure 4 *Share of employee commuting (distance) by transport mode*

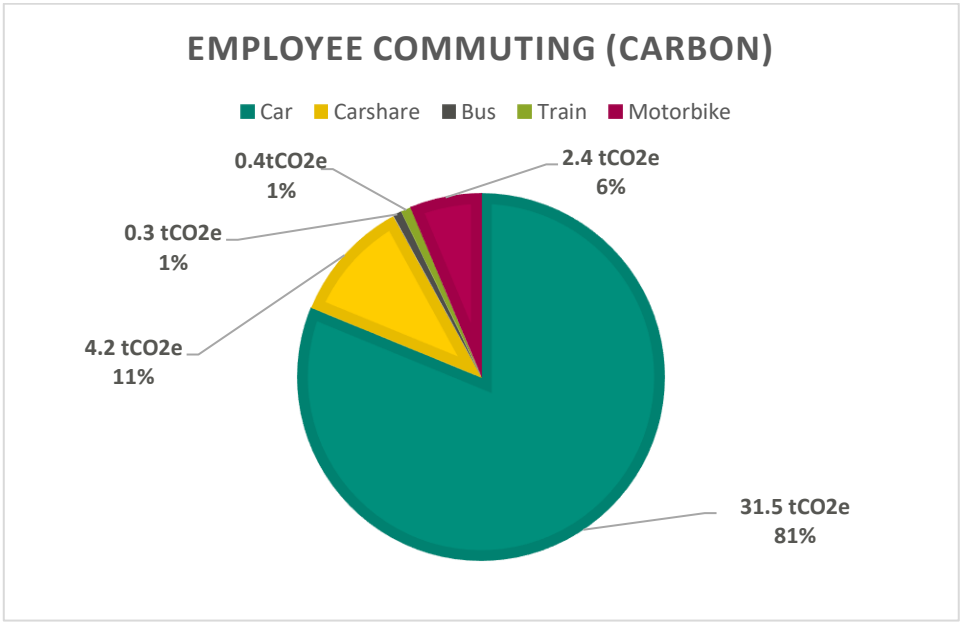


Figure 5 *Share of employee commuting (carbon) by transport mode*

3 Methodology

The carbon footprint accounting in this report is based on Preferred by Nature Carbon Footprint Management Standard (2022 version 2.0).

3.1 Organisational and operational boundaries

The accounting covers the corporate carbon footprint of Preferred by Nature's headquarters and all subsidiaries during the reporting year 01.01.2023 – 31.12.2023 (Table 3). The footprint includes all emissions related to delivery of all services, project activities and other activities of Preferred by Nature. It thus reflects our total organisational footprint.

Table 3 *Legal entities of Preferred by Nature covered by carbon footprint accounting 2023.*

Legal Entity	Country of Office	Avg. no of employees 2023
NATURE ECONOMY AND PEOPLE CONNECTED SDN. BHD.	Malaysia	6
Nature Economy People Connected (NEPCon)	Ghana	5
Nature, Ecology and People Consult Sweden AB	Sweden	3
NEPCon Bulgaria EOOD	Bulgaria	2
Nepcon Canada Inc.	Canada	13
NEPCon Certification (Beijing) Co., Ltd	China	14,5
Preferred by Nature - Denmark ApS	Denmark	1
Nepcon Costa Rica S.A.	Costa Rica	5
NEPCon Cote d'Ivoire	Cote d'Ivoire	5
NEPCon F.M.B.A.	Global	91
NEPCon Group s.r.o	Czechia	6
NEPCon Guatemala Certificaciones, Limitada	Guatemala	7
NEPCon India Private limited	India	11
Nepcon Kenya Limited	Kenya	6,5
NEPCON LLC	USA	26
NEPCon LT UAB	Lithuania	9
NEPCON MEXICO A.C.	Mexico	10
NEPCon OOO	Russia	1,5
Nepcon Peru S.A.C.	Peru	4,5
NEPCon SIA	Latvia	8,5
NEPCon Sp. z o.o.	Poland	19
NEPCon Spain S.L.	Spain	14
NEPCon UK Ltd	UK	9
NEPCon Vietnam Ltd	Vietnam	23
Preferred by Nature OÜ	Estonia	16
PT Nature Economy and People Connected	Indonesia	32,5
The Long Run Ltd	Global	1,5
TOTAL		**350.5 Rounded to 351**

The accounting covers the following organisational activities:

- Emissions from electricity usage in offices owned or controlled by Preferred by Nature
- Emissions from heating of offices owned or controlled by Preferred by Nature
- Emissions from remote work energy for home offices used by Preferred by Nature employees
- Emission from transportation in vehicles owned or controlled by Preferred by Nature
- Emissions from travel of Preferred by Nature employees, board members, external auditors, and consultants. This includes all travel, including related to services, project work and other activities.
- Emissions from hotel accommodation due to travel.
- Emissions from Preferred by Nature employees commuting to work.

Detailed activities are listed in Table 4

Table 4 *Preferred by Nature's activities covered by carbon footprint accounting*

Activity	Description
Transportation in vehicles owned or controlled by Preferred by Nature	Car travel in 4 Preferred by Nature offices
Electricity	Electricity usage in Preferred by Nature offices and home offices
Heating	Heating in Preferred by Nature offices
Travel (employees, board members, external consultants)	Air travel /Economy class
	Rail travel (train travel)
	Coach travel (long-distance bus)
	Local Public Transport travel
	Ferry travel
	Taxi travel
	Employee-owned car travel
	Rental car travel
	Hotel accommodation due to travel
Commuting (employees)	Car travel
	Car sharing
	Rail travel
	Bus travel
	Motorbike travel
	Walking travel
	Cycling travel

Two organisational activities were excluded from the current accounting due to lack of relevance (Table 5):

Table 5 Excluded organisational activities

Activity	Reason for excluding
Product transportation by third parties	Preferred by Nature is not producing, delivering, or selling any kind of products
Downstream transportation and distribution of products sold by the reporting company	Preferred by Nature is not producing, delivering or selling any kind of products

3.2 Emission sources and activity data

Following definitions were used to identify emissions associated with Preferred by Nature's operations:

Direct GHG emissions – emissions from sources that are owned or controlled by the reporting company:

SCOPE 1	Emissions from operations that are owned or controlled by the reporting company

Indirect GHG emissions – emissions that are a consequence of the activities of the reporting company, but occur at sources owned or controlled by another company:

SCOPE 2	Emissions from the generation of purchased or acquired electricity, steam, heating, or cooling consumed by the reporting company
SCOPE 3	All indirect emissions (not included in Scope 2) that occur in the value chain of the reporting company, including upstream emissions

Greenhouse gas emissions can be measured directly at the source by continuous emissions monitoring or by estimating the amount emitted using activity data (such as the amount of fuel or distance travelled) and applying relevant conversion factors. ***Table 6*** lists the activity data used in current carbon footprint accounting. It is based on primary data received from following sources:

- Preferred by Nature employees´ expense reports registered in Salesforce – travel tickets and employee own car usage for work purposes
- Office reports – data provided by office managers about company car usage and consumption of electricity and heating
- Commuting survey – data from a questionnaire about employees commuting habits.

Beginning October 1st 2013, Preferred by Nature started using its new internal carbon calculator in Salesforce tied to employee's expense reports. Now employees are required to report all travel quantities directly in Salesforce expense reporting, including flights done through a custom built flights segments wizard.

Emission factors are directly applied within Salesforce system and thus emissions calculations can be generated and checked in real time, versus after a tedious and lengthy data transformation process as was done prior to October 1st 2023. This increases data accuracy and monitoring going forward. Therefore 2023 utilized a combination of manual calculations in Microsoft Excel from January 1 2023 – September 30 2023, and the new Salesforce carbon tool from October 1 2023 – December 31 2023.

Table 6 *Activity data, units and data sources.*

Emission type	Scope	Category (GHG Protocol)	Emission source (Preferred by Nature)	Unit	Activity data source (Preferred by Nature)
Direct emission	*Scope 1*	Transportation of products, materials, waste, and employees	Transportation in vehicles owned by Preferred by Nature	km	Office report
Indirect emission	*Scope 2*	Purchased electricity, heat, and steam	Electricity – Preferred by Nature offices	kWh	Office report
		Purchased electricity, heat, and steam	Heating – Preferred by Nature offices	kWh	Office report
Indirect emission	*Scope 3*	Remote work energy	Electricity and Heating – Home offices	kWh	Based off FTE remote working hours reported in Commuting survey
		Travel - transportation of employees for business-related activities in vehicles owned or operated by third parties All indirect emissions that occur in the value chain of the reporting company	Travel/Air travel	passenger/km*	Employee expense report in Salesforce
			Travel/Rail travel	passenger/km	Employee expense report in Salesforce
			Travel/Coach travel	passenger/km	Employee expense report in Salesforce
			Travel/Public transport travel	passenger/km	Employee expense report in Salesforce
			Travel/Ferry travel	passenger/km	Employee expense report in Salesforce
			Travel/Taxi travel	passenger/km	Employee expense report in Salesforce
			Travel/Rental car	km	Employee expense report in Salesforce
			Travel/Employee-owned car	km	Employee expense report in Salesforce
			Accommodation	room/night	Employee expense report in Salesforce
		Employee commuting - transportation of employees between their homes and their worksites	Commuting/Car travel	km	Commuting survey
			Commuting/Car sharing	km	Commuting survey
			Commuting/Bus travel	passenger km	Commuting survey
			Commuting/Rail travel	passenger km	Commuting survey
			Commuting/Moped, motorcycle	km	Commuting survey

*Passenger km is the unit of measurement representing the transport of one (1) passenger by a defined mode of transport (road, rail, air, sea, etc.)

The calculations were performed using a combination of Microsoft Excel and internal Salesforce expense reporting carbon tool - an inventory of GHG emissions by source was calculated by applying the emission factors to relevant activity data and aggregating the results to calculate Preferred by Nature's total carbon footprint. Notes for calculations in different activity fields are listed in Table 7 below.

Table 7 Notes for calculations

Activity	Notes for calculations
Travel	Following average distances- which are based on estimation - were applied to trips where origin and destination were not indicated: - Taxi trip – 5 km - Long distance bus trip – 10 km per euro spent - Train trip - 10 km per euro spent - Public transport trip - 5 km
Hotel accommodation	Number of room-nights were used as the basis for calculation. As a rule, Preferred by Nature uses single or double rooms. One room-night is considered when one hotel room is booked for one night, regardless of if 1 or 2 people stay in the room. A country average estimated emission figure per room night was used for calculations, derived by Preferred by Nature using average country figures as reported in DEFRA 2023[1].
Employee commuting	Data from internal commuting surveys was used to estimate the annual distances travelled for commuting and corresponding modal split. 235 annual working days was used to estimate the annual value for distances.
Electricity consumption	Electricity consumption data was collected from offices in 13 countries. In the remaining countries, either no data was available, or no office is in place. For remote working electricity, based on reported data, an average yearly consumption was found per employee of Preferred by Nature and applied to estimate the consumption in those offices or for those employees where data was not available. An average emission factor (location based, production mix) for countries where Preferred by Nature employs staff was applied to the calculations from an aggregate Our World in Data 2023 Carbon Intensity of Electricity source. Many of the factors were not updated in this source for 2023 and are using 2022 factors, however, it remains the most reliable aggregate source.
Heating consumption	Heating invoice data was available from 5 offices in 4 countries. Where offices did not have detailed consumption data available, the consumption was estimated by dividing the total heating cost by the price per kWh of heating in the respective country (EUR/kWh). These estimated consumptions were then multiplied by emission factors found for the relevant heating systems in the countries. These included district heating and natural gas. Where specific district heating emission factors could not be found, the emission factor from DEFRA 2023 was used. These estimated emissions are included in the total emissions related to purchase of heating.

5% Buffer Inclusion

According to Preferred by Nature Carbon Footprint Management Standard v2 p 2.1.8, emissions which do not account for more than 5% of the total anticipated carbon footprint and which are costly or unfeasible to quantify precisely, may be excluded from the calculations. Based on estimates on the anticipated carbon emissions and/or lack of reliable methods for data collection,

[1] UK Government GHG Conversion Factors for Company Reporting 2023 from the Department for Energy Security and Net Zero and the Department for Environmental and Rural Affairs hereafter referred to as DEFRA 2023

the following activity data were left out from 2023 accounting: cooling through other means than electricity, water supply, water treatment, waste generation, paper purchase, purchase and shipment of laptops and of other office equipment purchases (e.g., printers, external monitors, furniture), data transfer and storage, and use of courier services. To compensate for the emissions excluded from these activities, a buffer of 5% was added to the total annual carbon. In the coming years, the feasibility of gathering the listed data will be re-assessed.

3.3 GHGs applied

Values for the non-carbon dioxide (CO2) GHGs, methane (CH4) and nitrous oxide (N2O), are presented as CO2 equivalents (CO2e) in the current accounting. UK "Government Greenhouse Gas (GHG) Conversion Factors for Company Reporting 2023" was used as the best available public data source for conversion factors.

3.4 Emission factors

Emission factors are calculated ratios that link GHG emissions to an activity at an emission source thereby converting activity data to carbon emissions. Emission factors used for the calculation of the 2023 carbon footprint and sources of data are found in Table 8.

Table 8 *Emission factors and data sources*

Scope	Emission source	Type	Unit	Emission factor kgCO2e/ unit	Data source
Scope 1, 3	Transportation in vehicles owned or controlled by Preferred by Nature	Average car/ petrol	km	0.2094	DEFRA 2023/Business travel land + WTT
		Average car/ diesel	km	0.2113	DEFRA 2023/Business travel land + WTT
		Average car/ hybrid	km	0.1501	DEFRA 2023/Business travel land + WTT
	Natural gas for heating of offices	Natural gas fuels	kWh	0.2131	DEFRA 2023/Fuels Natural Gas + WTT
Scope 2, 3	Electricity for offices and remote working	Country average, (location-based, production mix) consumption	kWh	Country specific or global value of: 0.345	Our World in Data 2023 Carbon Intensity of Electricity (Factors are still 2022 on source)
	District Heating of offices	District heating network	kWh	Global value of: 0.1796	DEFRA 2023/Heating and Steam District Heating kWh and DH provider sites
Scope 3	Air travel	Economy class	passenger/ km	0.1512	DEFRA 2023/Business travel air + WTT
	Rail travel	International rail	passenger/ km	0.0056	DEFRA 2023/Business travel land + WTT
	Bus travel	Coach	passenger/ km	0.0337	DEFRA 2023/Business travel land + WTT
	Public transport travel	Light rail, city bus metro, and tram	passenger/ km	0.1116	PBN Salesforce calculator devised EF
	Ferry travel	Average ferry	passenger/ km	0.1383	DEFRA 2023/Business travel sea + WTT
	Taxi travel	Regular Taxi	passenger/ km	0.1856	PBN Salesforce calculator devised EF
	Motorbike	Average motorbike	km	0.1432	DEFRA 2023/Business travel land + WTT

	Accommodation	Average accommodation	room per night	50	PBN rounded-up value based on DEFRA average/Hotel stay

4 Reduction Plan

4.1 Commitment to reduction of carbon footprint

As a global organisation with local focus, we are concerned about the impacts of climate change and are committed to being an environmentally and socially responsible organisation that actively monitors and mitigates the impact of its decisions, policies and actions on people, nature and the climate. We have a Climate Policy which describes in detail the scope and management of our climate impact.

Preferred by Nature is committed to reduce its relative (per employee) carbon emissions by 70% by 2030 (compared to 2019 levels). Although we acknowledge that this is indeed a very ambitious target for our truly global organisation and that it may or may not be achieved, we are nevertheless committed to do our best in achieving it. A pilot reduction plan for our Danish assurance operations was prepared in 2022 and in 2023 an organisation wide initiative was launched to develop a global carbon reduction plan for the period until 2030. The plan is expected to be finalised and published within 2024. The first major step in the plans achievement was the launching of the Salesforce carbon calculator in October 2023 to more accurately and efficiently monitor emissions in order to implement targeted reduction actions more effectively.

4.2 Commitment to contributions towards removals for residual emissions

As per Preferred by Nature's Climate Policy we are committed to taking responsibility for those emissions which we cannot reduce. To contribute to positive climate impacts and negate the negative impacts from our emissions, we have launched a Preferred by Nature restoration project in collaboration with local authorities and organisations.

The project, called "Silam Coast Conservation Area (SCCA) Restoration Project" is located in Sabah, Malaysia and covers an initial project area of 100 ha. The project is conducted in collaboration with Yayasan Sabah. On the project area, native tree species, especially dipterocarps, non-dipterocarps and wild fruit trees will be planted during the enrichment planting, to bring back the lost species and increase carbon sequestration. The project's primary objective is to assist the recovery process of degraded forests, by enrichment planting and by liberation treatments to enhance the growth of existing native tree species.

The project has been approved by the Sabah State Government and is expected to kick off as early as September 2024. In the first three years, the focus will be on tree planting and maintenance, which will continue for another five years. Periodic monitoring will be carried out to ensure that the project meets its intended outcomes and contributes to the emissions reduction as estimated by the organization. The project is expected to conclude in August 2032."

About us

Preferred by Nature is an international non-profit organisation working to support better land management and business practices that benefit people, nature and the climate. We do this through a unique combination of sustainability certification services, projects supporting awareness raising, and capacity building.

Since 1994, we have worked to develop practical solutions to drive positive impacts in production landscapes and supply chains in 100+ countries. We focus on land use, primarily through forest, agriculture and climate impact commodities, and related sectors such as tourism and conservation. Learn more at www.preferredbynature.org

Contact

László Szoboszlai
Senior Carbon Footprint Specialist
Email: lszoboszlai@preferredbynature.org
Phone: + 46 73 081 88 94

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