3D CarbonAccounting
An Oliver Wyman solution

THE ROLE OF THE CIO IN MEASURING AND REDUCING YOUR FIRM'S EMISSIONS

As the CIO, you can leverage technology and data to help measure your firm's emissions, as well as identify and implement solutions to reduce emissions in IT and across the value chain.

CIO IN A NUTSHELL

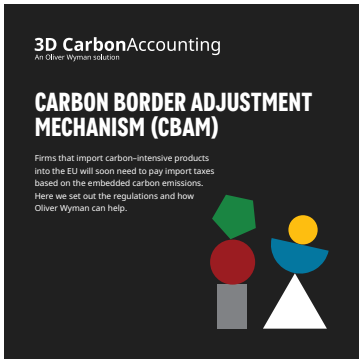
The CIO has an important enabling role in enterprise sustainability programs.

In this PDF we explore ways in which you could mobilise your team to identify and measure emissions, implement carbon accounting tools, use greener technologies in your department and the wider firm, collaborate with suppliers and bring your colleagues on the journey.

By working collaboratively with other departments and stakeholders, you can help your firm achieve its sustainability goals, meet its regulatory requirements and reduce its environmental impact.

You may find it helpful to view our accompanying PDF briefing notes on:

CSRD



CBAM

A REGULATED ENVIRONMENT

The Corporate Sustainability Reporting Directive (CSRD) requires companies to report on their scope 3 emissions, which are indirect emissions that occur in your value chain, such as emissions from suppliers, customers, and the use of your products by end customers. Scope 3 emissions usually account for a significant portion of a company's total emissions, and therefore it is essential to track and report on them to understand and manage your overall carbon footprint.

Under the CSRD, companies will be required to report on 50 sustainability indicators, including greenhouse gas emissions, across a range of environmental, social, and governance (ESG) issues. The CSRD also includes specific reporting requirements for companies that are considered to be "large" or "public-interest entities" in the EU. These companies will need to report in accordance with the Sustainability Reporting Standards developed by the European Financial Reporting Advisory Group (EFRAG), which include requirements for scope 3 emissions reporting.

Unless your firm is in Financial Services it is unlikely you will have been subject to a regulatory environment of this type before, so seek advice from experts including Oliver Wyman on how to navigate the process.

TAKEAWAYS

CIOs have an important enabling role to shape the approach and provide the tools & data to enable compliance.

Oliver Wyman's deep experience in regulatory work is on hand to assist you achieve a 'right first time' approach.

SUPPLIER ENGAGEMENT

Calculating your scope 3 emissions requires data about or from your suppliers about the materials, products and services you purchase from them.

To prevent new risks from untested software being used for this data collection purpose, it may be that the additional requirements can be gathered via an existing solution, preserving the single source of truth for supplier information, reducing friction and increasing speed. Alternatively you may already capture the information you need.

TAKEAWAYS

CIOs can leverage existing tools to obtain the data the business needs, for example from your ERP system.

Oliver Wyman can devise a supplier engagement strategy focussed on speed and simplicity.

CARBON ACCOUNTING TOOLS

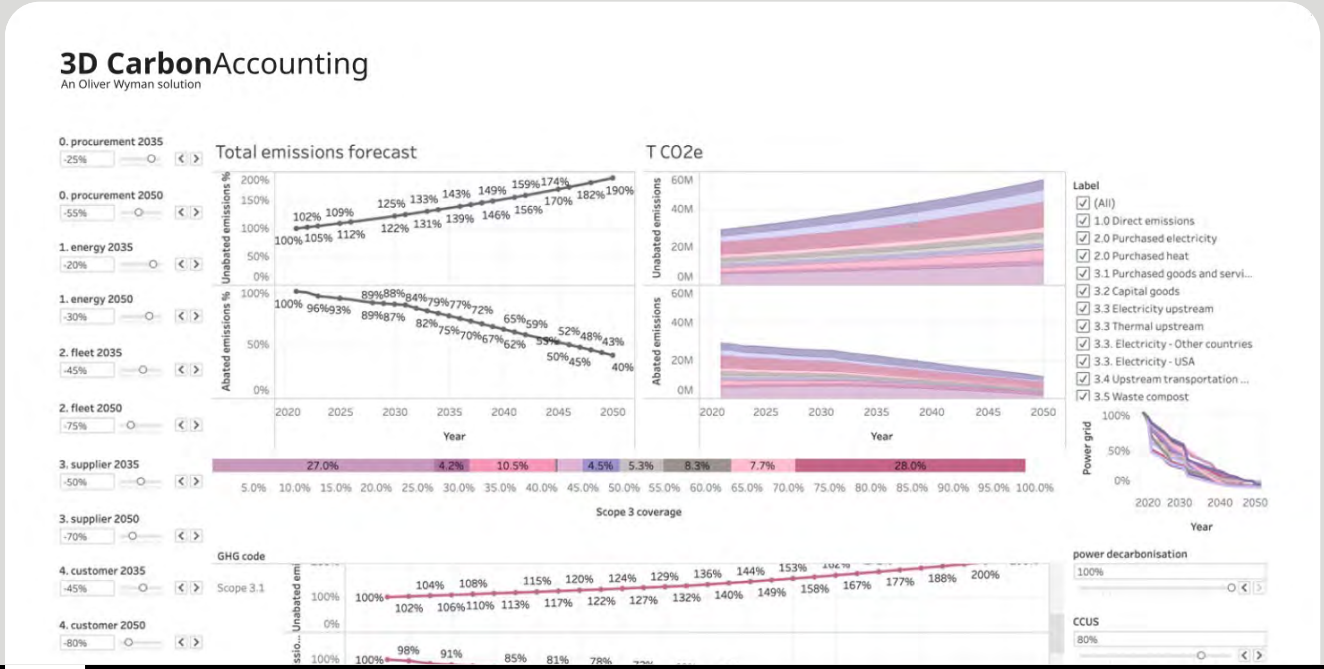
When you have obtained the data from your suppliers, or harvested them from your ERP system, you will need a carbon accounting tool to calculate your emissions, prepare regulatory reports and model passive and active abatement.

Decisions are needed regarding:

- ✓ the tools to use
- ✓ whether to use on-premise or in the cloud, and on which platform
- ✓ to license on a SaaS basis or commission a bespoke build
- ✓ how data flows will work
- ✓ whether your solution will be dynamic to allow abatement modelling or static to account for historic emissions
- ✓ which existing software you run the new tool will integrate with
- ✓ how you will respond to requests from your internal stakeholders and regulators to change assumptions and rework the emissions calculations

CARBON ACCOUNTING TOOLS

Oliver Wyman's view is that too many firms are seeking to create software too soon. Our approach is to create a prototype with our clients, harvest data from your existing ERP system and model it to meet near team regulatory and management requirements. Only then will you know if that approach is workable longer term, or whether you need to conduct an RFP process to serve your needs.



TAKEAWAYS

CIOs should play an active role in selecting and enabling the right tools, infrastructure and data flows for the organisation to calculate emissions.

Oliver Wyman's 3D Carbon Accounting tool offers a best in class solution for your consideration.

TOPICS TO AGREE WITH YOUR C-SUITE

You will find it helpful to understand, discuss and agree with the CFO and other leaders topics including:

- **the regulatory requirements** your firm has, noting many of these apply to overseas subsidiaries
- **the tools** you will use
- **timeframes**
- **boundaries and materiality** (in other words what to include and exclude)
- whether you will **base your emissions on** spend, weights and measures or Product Carbon Footprint data
- **the accuracy** you will work to
- **what LCA data** you will use
- **what assumptions** you make regarding downstream emissions
- **what resources** you will use both internally and externally
- **what training** your team requires
- **how communications will be handled** mindful of previous statements or commitments on decarbonisation which may no longer be accurate or achievable

TAKEAWAYS

CIOs should play an active role in devising the approach and driving the process.

Oliver Wyman's team are on hand to advise on programme structure, accuracy and resource needs.

GREEN IT

Double digit growth in the carbon footprint generated by Corporate IT is expected in the next few years.

This means that Green IT is vital for companies' efforts to achieve their environmental, social, and governance (ESG) targets - with enterprise technology generating significant emissions. In addition, Green IT is a catalyst for legacy modernisation, transformation & contributes to the value of the company in the eyes of its shareholders.

How IT can generate Greenhouse Gas (GHG): example on AI

1 

AI model training

=

300 

round trips flights (NYC-SFO)

=

5 

car life cycles

Enterprise IT, by 2025, will have the equivalent carbon footprint of:

463 MM 

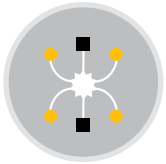
passanger vehicles driven for a year

or

256 MM 

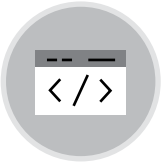
homes' electricity usage per year

Green IT is a catalyst for...



Architecture evolution

Micro-services, APIs, cloud, etc.



Technology modernizatoin

Replat froming, refactoring, etc.

Simplification

of processes, reduction of functionality, etc.

Efficiency

Energy optimization and TCO

Boost to transformation

Acceleration towards IT transformation

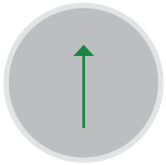
Company value

Increased value for shareholders

and an opportunity for...

Perceived value

Complement the benefits on sustainability and increase the perceived value of IT in front of the Board



Decision making

Contemplate Green IT among criteria and key factors for decision making on IT project portfolio, supplier selection, architecture desing, etc.

Compelling story

Leverage sustainability to boost technology modernization, simplification, etc.

Capabilities

Create a culture on ESG also within IT department and new/ enhanced job families, from design to implementation

GREEN IT

Reducing the emissions from your IT operations can be achieved through some quick wins and long term changes. For example:

- ✓ rationalising the number of devices your employees use
- ✓ increasing the life span of end-user devices
- ✓ consolidating application landscape factoring the footprint
- ✓ deepening the use of the cloud technologies
- ✓ managing and minimising e-waste
- ✓ maximising the efficiency of travel and office-building occupancy
- ✓ moving to low-carbon energy suppliers

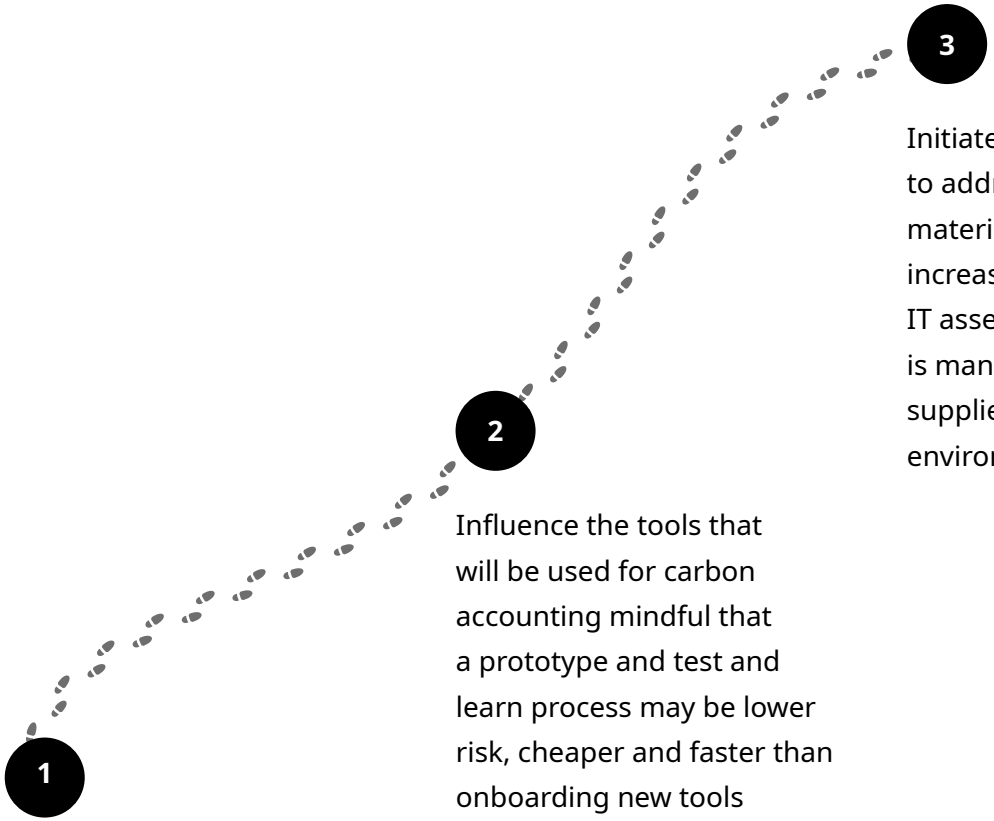
TAKEAWAYS

Identify opportunities, establish clear priorities and build a suitable business case for investment into a Green IT program.

Beyond IT, where your carbon accounts show your emissions are high, advise the business on ways in which they can be reduced.

Oliver Wyman's experts can assist with your Green IT strategy, and help you mobilise for maximum impact. Do read our article Achieving Green IT by Design at this link.

THREE STEPS TO TAKE TODAY



Inform or lead your company's strategy to devise the approach to scope 3 emissions calculation and abatement modelling

Influence the tools that will be used for carbon accounting mindful that a prototype and test and learn process may be lower risk, cheaper and faster than onboarding new tools

Initiate a Green IT program to address the energy and material efficiency of IT, increase utilization levels of IT assets, review how e-waste is managed and engage key suppliers to reduce overall environmental impact

STAY CONNECTED