Carbon Direct

The Value Creation Playbook

From **climate reporting** to **strategic opportunity**

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PART I

The business drivers behind climate reporting

Companies across industries face mounting pressure to measure and report their climate impacts as regulations come into effect and stakeholders demand greater transparency. Yet many organizations have cooled their enthusiasm for climate initiatives amid political headwinds, economic pressures, and competing priorities.

Value creation can come from reframing climate action as a core business strategy. Emissions reductions may translate into cost savings, mitigated climate risks into operational resilience, and deftly-managed stakeholder expectations into revenue protection. In this playbook, we explore how to uncover potential value creation opportunities, build finance-ready business cases, and implement climate measurement programs designed to support returns while meeting external requirements.

What does climate reporting entail?

At its core, climate reporting is the structured process of measuring, managing, and communicating a company's greenhouse gas (GHG) emissions, climate-related risks, and mitigation strategies. While requirements differ by jurisdiction and framework, most reporting efforts cover three key components:

Measurement Quantifying scope 1, 2, and 3 emissions, assessing exposure to physical and transition risks, and setting baselines and targets.

Disclosure Sharing results through sustainability reports, regulatory filings, or voluntary platforms like CDP, often following frameworks such as the GHG Protocol or the International Sustainability Standards Board (ISSB).

Integration Embedding climate data into financial planning, procurement, and operations to identify cost savings, efficiency opportunities, and resilience measures.

Climate reporting has evolved from a siloed sustainability task into a cross-functional business process. Done well, it supports compliance today while equipping companies with insights that improve long-term performance, reduce costs, and strengthen competitive positioning.

Why are companies being asked to report now?

Companies are being asked to report now because regulators, investors, and customers need clear, reliable information on climate impacts in the face of growing global uncertainty and volatility in global politics, the economy, and our climate. New rules and rising expectations require companies to measure and disclose their GHG emissions and climate risks, and explain how they plan to manage and reduce them. The transparency created by climate reporting allows stakeholders to evaluate true environmental impacts and track progress toward net zero.

Investor pressure

Environmental, social, and governance (ESG) screening and due diligence: Asset managers and private equity firms use climate data to inform their investment analysis, screening for environmental risks that could affect long-term performance.

Portfolio risk management: Investors need standardized climate disclosures to assess current portfolio exposure to climate-related risks such as carbon pricing, regulatory changes, or supply chain disruptions.

Cost of capital: Companies with credible climate disclosures are increasingly seen as lower-risk investments, which can translate into better financing terms.

Customer demands

Procurement requirements: Large corporations are embedding climate disclosure requirements into supplier contracts, meaning climate reporting is becoming a condition of doing business.

Supply chain transparency: B2B customers demand visibility into suppliers' environmental performance to meet their own climate commitments.

Sustainability criteria in B2B markets: Companies that cannot demonstrate credible climate data risk exclusion from competitive bids or preferred supplier lists.

Regulatory landscape

Global: The ISSB is creating a baseline for climate disclosure that governments, such as Australia, the UK, Canada, and Singapore, are adopting.

Europe: The Corporate Sustainability Reporting Directive (CSRD) requires thousands of companies to disclose detailed climate information on material topics.

United States: State-level laws, such as California's SB 253 and 261, require large companies to disclose emissions and climate-related risks, which can also affect the reporting implications of their suppliers.

Beyond these core stakeholders, many companies are asked to report on climate-specific information through ratings systems such as CDP and EcoVadis, which customers and investors use as proxies for environmental performance. Additionally, some industries have their own sector-specific frameworks that aren't regulated, but become a standard expectation of stakeholders. Once climate reporting is an industry norm, it creates pressure to match or even exceed what competitors disclose.

The hidden costs of delayed action

While some companies are tempted to pause or scale back climate strategies amid political pushback or competing priorities, the pressure to disclose is not going away. Regulatory requirements are expanding, investors and customers continue to demand transparency, and peers are moving ahead with credible reporting. Choosing to delay may feel like a short-term relief, but it creates long-term risks, such as:

Lost business opportunities

Without credible disclosures, companies risk damage to existing customer relationships and missed opportunities for new business.

Increased regulatory risk

Failure to prepare now could result in rushed compliance, penalties, or reputational damage once mandatory rules take effect.

Higher cost of capital

Investors may view companies without transparent climate data as higher-risk, limiting access to financing or raising borrowing costs.

Competitive disadvantage

As peers advance in disclosure, companies that lag risk falling behind in customer perception, market access, and brand credibility.

While regulatory requirements and stakeholder pressure create the initial motivation for climate reporting, companies that take action quickly realize there is a larger strategic opportunity at hand. The same data collection and analysis required to satisfy external demands also reveal operational insights, efficiency opportunities, and advantages that extend far beyond disclosure. Rather than viewing climate reporting as a cost of doing business, forward-thinking organizations are discovering it is a pathway to measurable returns when approached strategically from the start.

PART II

What benefits can businesses realize from analyzing and disclosing their climate impact?

Direct financial returns

The visibility that comes from carbon measurement consistently reveals efficiency opportunities hiding in plain sight. This often comes with tangible cost savings that drive direct value creation for the business.

Energy and resource savings

Measuring scope 1 and scope 2 emissions requires a closer look at a company's utility bills. Comparing emissions across facilities and across months can uncover inefficiencies or anomalies. For example, unexpectedly high energy usage during a season when consumption should be lower could indicate a meter-reading issue. Realizing that your largest facility consumes less energy than your smallest can highlight energy intensity issues. These practices can result in significant energy cost reductions simply through better data visibility and targeted improvements.

Revenue protection and growth

Maintaining strong relationships with sustainability-focused customers increasingly requires credible emissions data. Major procurement decisions now commonly include carbon footprint requirements as evaluation criteria. In some cases, these findings can guide adjustments to products or services that lower their carbon intensity, creating new revenue streams.

Access to capital

Green financing options, sustainability-linked loans, and investor preferences increasingly favor companies with robust climate action plans. Interest rate benefits are commonly available for companies that can demonstrate credible carbon reduction progress through data. **MSCI found that companies with higher ESG ratings had a lower cost of capital (6.8%) compared to lower-rated companies (7.9%).**

Operational efficiency

Carbon measurement exposes inefficient routing, underutilized vehicle capacity, and excessive business travel. Combing through this data may enable companies to optimize delivery routes, consolidate shipments, implement smarter fleet management, and become more intentional about travel. All of this can result in lower fuel costs, less vehicle maintenance, and reduced travel expenses.

Strategic business benefits

Beyond immediate cost savings, carbon measurement creates strategic advantages that compound over time. These benefits can position companies ahead of market shifts and regulatory changes while building resilience against future challenges.

Risk mitigation

Measuring emissions and assessing climate impacts helps companies identify and address supply chain vulnerabilities before they become costly disruptions. Supply chain shocks from changing trade dynamics (e.g., tariffs) or severe weather events (e.g., hurricanes) can impact the bottom line. Analyzing your exposure and taking actions to diversify your supply chain can reduce the impact of these challenges.

Talent advantages

Purpose-driven employees, particularly younger professionals, increasingly choose employers based on credible sustainability commitments backed by data. Companies with transparent carbon measurement can improve retention rates and find easier recruitment in competitive job markets.

Innovation catalyst

Carbon measurement reveals inefficiencies and opportunities that spark innovation. For example, through a carbon footprint analysis, companies could discover that a certain highly carbon-intensive input is included in all of their products and that it is only sourced from one supplier. Developing ways to redesign some of those products to remove that input or engaging new suppliers for that component might mitigate risks and lead to lower-carbon products with premium pricing.

Market differentiation

In competitive procurement processes, credible emissions data and reduction commitments increasingly serve as tie-breakers. Companies with transparent and scientifically-backed sustainability plans can position themselves as industry leaders, strengthening their brand and increasing win rates.

Timeline for value realization

Timing	Outcomes
Immediate (0-6 months)	→ Uncover quick operational wins → Identify major emission sources → Determine areas for future improvements
Short-term (6-18 months)	→ Reduce energy costs through efficiency improvements → Lower administrative burden through streamlined reporting
Medium-term (1-3 years)	→ Grow revenue from stronger competitive positioning → Gain access to sustainability-focused customers → Identify innovation opportunities through data analysis
Long-term (3+ years)	→ Strategically transform supply chains → Strengthen market leadership positioning → Sustain competitive advantages through early action

PART III

Making the internal business case

Even when the business and value drivers of climate reporting are clear, moving from concept to action requires a compelling internal case. Engaging the right stakeholders is essential to gain the buy-in and resources necessary for implementing a climate reporting strategy that achieves its goals. You can get to a “yes” faster by framing the proposal as an opportunity to deliver value and minimize business risk.

Key conversations and stakeholders

Different stakeholders care about different aspects of climate reporting, and your success depends on speaking their language. Rather than using one-size-fits-all messaging, consider tailoring your approach to what each stakeholder values most. This targeted approach may increase buy-in across functions and supports each stakeholder in understanding how climate reporting directly benefits their area of responsibility.

CFO

Climate reporting relevance: Process improvements, data collection, and efficiency opportunities

Motivated by:

- → Improved data quality for operational planning
- → Integration of climate reporting into existing systems (ERP, procurement, TMS, etc.)
- → Identifying cost savings via operational efficiency improvements

Messaging: Position reporting as an activity that improves operational efficiencies across the organization.

COO

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Executive

Climate reporting relevance: Strategic positioning, regulatory readiness, and stakeholder trust

Motivated by:

- → Alignment with long-term strategic vision
- → Ensuring resilience against policy and market shifts
- → Reputation management with investors, regulators, and the public

Messaging: Position climate reporting as future-proofing the business and avoiding reputational or regulatory surprises.

Go-To-Market

Climate reporting relevance: Customer requirements, competitive positioning, and brand integrity

Motivated by:

- → Meeting procurement and RFP requirements from large customers
- → Differentiating the brand with sustainability credentials
- → Retaining market share in sustainability-conscious sectors

Messaging: Highlight climate reporting as a growth enabler and customer retention strategy.

Building your business case presentation

To help increase the likelihood of securing buy-in, structure your business case presentation around value creation, risk management, and strategic positioning. The more data available to support these points, the better. Here is a suggested structure for a deck:

PART 1:

Frame The Narrative For The Current Environment

Lead with business fundamentals over environmental messaging, such as financial performance, operational efficiency, and competitive positioning.

Address skepticism directly. Acknowledge concerns about political or market dynamics, but emphasize that customer and investor demands continue to favor climate reporting. Position climate measurement and action as insurance against competitive disadvantages and regulatory disruptions rather than as an optional initiative.

PART 2:

Add Industry-Specific Context

Strengthen your argument with relevant industry statistics and examples that show your current positioning and what could be at stake.

#1: Use data from Science Based Targets Initiative (SBTi), CDP, and other public databases to demonstrate the percentage of peers already measuring emissions and taking action.

#2: Present a list and timeline of major customers with supplier reporting requirements or net-zero commitments, noting when disclosure of relevant data will be needed.

#3: Highlight cost savings and efficiency improvements that apply directly to your business model. Illustrate these benefits with peer or industry case studies. Showing how a peer achieved measurable gains makes the opportunity more tangible.

PART 3:

Define Business Risks

Show the consequences of not complying with climate reporting, whether voluntary or mandatory.

Risk Source	Mandatory Compliance?	Potential business consequences
Flagship customer supplier emissions reporting requirement	**YES**	→ Damage to client relationship → Potential loss of business
Government or municipality reporting requirements	**YES**	→ Non-compliance fees → Potential legal implications
Board and investor reporting requirements	**NO**	→ Poor standing with investors and board members → Impact to future funding opportunities
Customer procurement requirements	**NO**	→ Reduced credibility → Loss of business

PART 4:

Illustrate Potential ROI

Bring the case home with concrete numbers. Outline the size of investment you are asking for internally, define the expected benefits, and when you expect to realize them. Here is an example to get you started:

Example ROI calculations
Investment: $1M over 3 years

→ **Annual benefits:**
$300,000 efficiency savings (energy, logistics, waste reduction)

$200,000 financing benefits (lower cost of capital, green bonds access)

$500,000 revenue enablement (customer contract retention, brand lift in sales pipeline)

→ **Total annual benefit:** $1M

Payback period: ~1 year

ROI (3-year horizon): (($1M x 3) – $1M) ÷ $1M = 200%

Addressing common objections

Building a persuasive business case often involves anticipating and preparing for potential pushback. The following are examples of clear, data-backed responses to reframe concerns and demonstrate value.

“We don’t have the budget for this.”

Show the ROI model with realistic payback periods. Emphasize phased approaches that require minimal upfront spend, beginning with existing utility bills and basic tracking before investing in sophisticated platforms. Remind stakeholders that the real question is whether the company can afford the costs of delayed action: lost customer relationships, higher financing costs, and competitive disadvantage.

“This is just another cost center.”

Reframe climate reporting as a profit center by quantifying measurable returns. Point to specific examples: energy savings from efficiency improvements, lower insurance premiums from risk mitigation, reduced capital costs through green financing, and stronger sales pipelines from sustainability differentiation. Companies that treat carbon measurement as business intelligence consistently outperform those viewing it as pure compliance.

“We’re too small, or it is not relevant to our industry.”

Show that customer requirements and market positioning determine relevance over size and sector. Many large customers now require supply chain emissions disclosure from all suppliers, regardless of size, prompted by climate regulations, such as California’s SB 253. Anchor the discussion with your specific situation: what are your major customers asking for? What sustainability commitments are your competitors making? Emphasize that even small efficiency improvements compound over time, and early action creates competitive advantages as requirements expand.

“We don’t have sustainability expertise on our team.”

Frame this as an opportunity to build competitive advantage by engaging external expertise immediately rather than trying to develop capabilities in-house. Partner with carbon accounting platforms, consultants, or advisory services from day one to ensure accurate methodology and credible results. This approach delivers faster implementation, reduces the risk of errors, and provides access to industry best practices while your internal team learns alongside experts. Many companies find that working with external partners is less costly, accelerates their timeline, and improves outcomes compared to building expertise internally first.

PART IV

Getting started without breaking the bank

One of the biggest barriers to starting climate reporting is the misconception that it requires a massive budget or a dedicated sustainability team. Smart companies start where they are, with the resources they have, and build systematically toward more sophisticated approaches as value becomes clear.

Assessment: Where you stand today

Before investing in new systems or hiring consultants, take stock of your current situation. Most companies already have more climate-relevant data than they realize. Ask questions such as:

- → Do you currently track energy usage across facilities?
- → What travel and expense reporting systems are in place?
- → How do you currently manage supplier relationships and contracts?
- → What operational data do you already collect (production volumes, waste streams, fuel consumption)?
- → Who in your organization has experience with data analysis or reporting?

If you have answers to these questions, you are already on your way to taking climate action. Utility bills, travel expenses, and procurement spend all act as key inputs into your carbon footprint. Finance, operations, procurement, and HR teams likely already hold much of this data. Mapping what you have and identifying gaps that exist will help you decide where to focus and who to involve.

After identifying the data that is readily available, define why you should start acting now so you can communicate urgency across the organization. Consider these drivers:

Customer requirements

Are procurement teams asking for carbon footprint data? What sustainability commitments are your major customers making?

Investor expectations

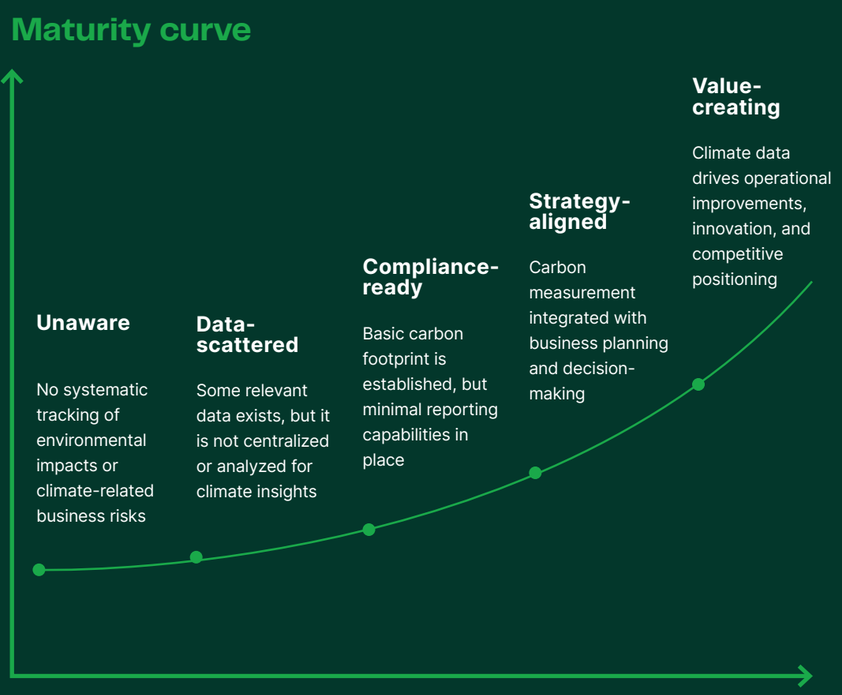
Are you facing due diligence questions about climate risk? Do you need ESG metrics for reporting or fundraising?

Regulatory timeline

Which disclosure requirements will affect your business and when?

Company values

How does climate action align with your mission and employee expectations?



Technology and platform considerations

Leveraging technology can accelerate climate reporting, but it also comes with costs and change management considerations. Many companies pursue building a system in-house, but most underestimate the total cost of development and maintenance. Ask yourself: Do you have resources to dedicate to development and continuous updates? What about staff that specialize in carbon accounting or climate action?

A platform solution can provide faster implementation, dedicated support, and expert insights. By simplifying the complexity of evolving disclosure requirements and consolidating disparate data sets, platforms allow you to focus more on pushing solutions forward rather than managing systems.

When evaluating providers, be clear on your decision criteria.

- → Request a demo of the product, and if possible, test a sandbox environment to see if the capabilities align with your needs.
- → Avoid selecting solely on price. Be cautious of platforms that require extensive customization or lack clear migration paths for your existing data.
- → Ensure the solution meets your current requirements while also scaling with your business as it matures.
- → Confirm that ongoing assistance extends beyond setup and system bugs.
- → A strong provider should also offer a strategic perspective on how to reduce your risk while maximizing your impact.

Implementation:

How to start scaling your approach

Once you have identified current data availability and clarified why this work matters, the next stage is implementation. The right approach will vary depending on company size, priorities, and available resources.

Limited resources:

Take a phased approach that uses existing tools and processes. Focus first on scope 1 and scope 2 emissions, using utility bills, procurement spend, and vehicle data you already collect. Consider assigning the project to someone with analytical skills or engaging third-party support rather than hiring dedicated staff. Set up basic tracking systems before investing in specialized software.

Growing companies:

Implement scalable solutions that can expand with your business. Consider carbon accounting platforms that offer features like supplier engagement or reduction target tracking that allow your work to grow as your business matures. Plan for integration with existing business systems (ERP, expense management, facilities management) to avoid future data silos.

Established organizations:

Consider investing in comprehensive platforms that can handle complex organizational structures, multiple locations, and differing reporting requirements. These solutions typically include automated data integration, advanced analytics, scenario modeling, and detailed reporting capabilities. Factor in change management costs, staff training, and potentially dedicated sustainability personnel to maximize platform value.

PART V

Beyond compliance: From checkbox to business value

To communicate the impact of climate action to a broad range of stakeholders, frame the internal business case for climate reporting in financial, operational, and strategic terms.

By engaging the right partners, presenting specific business benefits, and thoughtfully addressing concerns, companies may be better positioned to secure buy-in and build momentum for climate reporting that creates measurable value. A company's ability to effectively measure and disclose its climate risks and impacts can play an important role in investor capital allocation decisions and whether customers select its products or services over competitors.

70%
of individual investors believe strong ESG practices can lead to higher returns

54%
of consumers are willing to pay a premium for sustainable products

The case is clear:
climate reporting directly drives business outcomes.

PART VI

Turning insights into action

Climate reporting can deliver the greatest impact when companies move quickly from planning to execution.

The following 30/60/90-day roadmap is offered as an example of how organizations can structure early efforts to build momentum.

30-Day: Get started and collect data

- → **Assess your starting point:** Partner with third-party experts to determine your maturity level, identify the optimal implementation approach, and align business drivers with measurable outcomes
- → **Involve internal partners:** Meet with operations and procurement to coordinate data collection, and engage finance to align on value creation drivers
- → **Collect available data:** Gather monthly utility bills, travel records, fuel consumption, waste disposal costs, and major supplier spend
- → **Key deliverable:** Produce a high-level baseline emissions calculation with identified value-creating reduction opportunities

60-Day: Identify gaps and involve stakeholders

- → **Assess data gaps:** Evaluate completeness and accuracy of collected data, identify missing emission sources, and flag manual processes that need automation with your advisors
- → **Analyze capabilities:** Review internal team capacity for ongoing measurement, assess technology needs for scaling, and identify skill gaps in carbon accounting
- → **Evaluate stakeholder readiness:** Compare customer and investor expectations against current capabilities, and gauge leadership support for expansion
- → **Key deliverable:** Prepare a gap analysis report with prioritized recommendations for addressing data, technology, and organizational needs

90-Day: Build momentum for long-term success

- → **Address priority gaps:** Automate data collection, engage suppliers, set science-based targets, and explore green financing opportunities
- → **Establish ongoing systems:** Set up regular reporting cycles, create a cross-functional governance structure, and integrate carbon considerations into business planning
- → **Plan for growth:** Develop a year-two roadmap based on gap analysis, secure budget and resources for scaling initiatives, and establish partnerships with key suppliers or technology providers
- → **Key deliverable:** Implement an operational carbon management system with documented processes and a clear roadmap for continued value creation

Disclaimer.

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