

Pela's 2021 Carbon Footprint

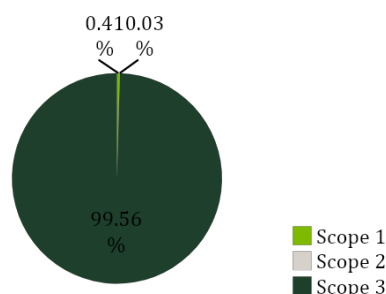
Methodology Report

Executive Summary

GreenStep Solutions has prepared Pela's 2021 carbon footprint following the GHG Protocol's Corporate Accounting and Reporting Standard. A carbon footprint is a measurement of the amount of greenhouse gases (CO₂, CH₄, N₂O, HFCs, PFCs, SF₆) released into the atmosphere by a specific activity – in this case, through Pela's operations. A carbon footprint is measured in tonnes of carbon dioxide equivalents (tCO₂e), which signifies the amount of CO₂ which would have the equivalent global warming impact as the other gasses emitted by the activity being measured.

In 2021, Pela's carbon footprint totalled 3,739.79 tCO₂e. As in 2020, the majority of emissions derive from Scope 3 sources, particularly from the product life cycle data Pela has compiled for its key product lines.

| | tCO ₂ e | % of total |
|--------------|--------------------|------------|
| Scope 1 | 15.37 | 0.41% |
| Scope 2 | 1.22 | 0.03% |
| Scope 3 | 3723.19 | 99.56% |
| TOTAL | 3739.79 | |





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Background

Pela works with GreenStep Solutions Inc. to prepare an annual greenhouse gas (GHG) emissions footprint with a view to:

1. Calculate annual GHG emissions
2. Monitor year over year changes
3. Identify opportunities for reducing GHG emissions
4. Achieve carbon neutrality

This document details the results of the 2021 footprinting exercise, and the methodology that was used to calculate Pela's 2021 carbon footprint.

What is a Carbon Footprint?

A carbon footprint is a measurement of the amount of greenhouse gases (CO₂, CH₄, N₂O, HFCs, PFCs, SF₆) released into the atmosphere by a specific activity – in this case, through Pela's operations. A carbon footprint is measured in tonnes of carbon dioxide equivalent (tCO₂e), which signifies the amount of carbon dioxide (CO₂) which would have the equivalent global warming impact as the other gasses emitted by the activity being measured.

As the globally accepted standard for greenhouse gas accounting in both the public and private sectors, the GHG Protocol's Corporate Accounting and Reporting Standard has been used for the calculation of Pela's carbon footprint. Standardization provides consistent methodology for benchmarking and goal setting on an international scale.

In calculating and reporting for a carbon footprint, companies are required to report all Scope 1 and 2 emissions. Scope 3 emissions are considered voluntary.

Scope 1: Direct Emissions from sources owned or controlled by the company

Scope 2: Indirect Emissions from offsite generation of electricity, steam, heat or cooling purchased for consumption by the company

Scope 3: Indirect Emissions that are a consequence of the operations of the reporting company, but occur at sources owned or controlled by another company



About Pela

Pela is a Canadian manufacturing company with a strong mission and purpose: to create a waste-free future. In line with this vision, Pela's products are manufactured using environmentally sensible materials, with a high recycled material content and the ability to compost many products at the end of their useful life. In 2021, the Pela family of products continued to grow, with the introduction of new product lines (i.e., iPad Cases, Card Keep Wallets, and Airtag Holders), and introducing Lomi.

To further its commitment to sustainable operations, Pela has updated its 2020 life cycle analysis (LCA) to assess the carbon impact of its phone cases, expanding the analysis to include iPad Cases, Card Keep Wallets, and Airtag Holders, as well as Lomi. The carbon footprint below includes those impacts in Scope 3 calculations.

Organizational Boundary

The organizational boundary defines the approach for calculating GHG emissions. Voluntary corporate GHG emissions reporting can either follow the equity share approach or the control approach:

The equity share approach: account for GHG emissions from operations based on equity share in an operation. Where equity share is not equivalent to the percentage of ownership, it is important to use the equity share percentage in GHG inventories

The control approach: account for the GHG emissions over which there is financial or operational control.

Financial control: the ability to direct the financial and operating policies of an operation with a view to gaining economic benefits from its activities (including group companies or subsidiaries).

Operational control: the ability to introduce and implement operating policies through full operating authority

Since Pela both owns and controls operations for Pela Case, Habitat and Barxby, the emissions associated with all three subsidiaries are included in Pela's 2021 carbon footprint.



Operational Boundary

Operational boundaries define the parts of the operation for which emissions will be reported, which in turn determines the scope of the direct and indirect emissions to be reported (i.e. Scope 1, Scope 2 or Scope 3). In 2021, Pela has two business units under its operational control:

- **Pela Head Office:** The Innovation Centre, 460 Doyle Avenue, Kelowna, BC, Canada
- **Kelowna Sustainability Studio:** 5-710 Stremel Rd, Kelowna BC V1X 5E7, Canada, where Pela manufactures classic phone cases and Habitat's full product line since November 2020

This is a change from the 2020 footprint, when there was three business units (The Innovation Centre, Kelowna Sustainability Studio, and Habitat's Langley), as Pela started manufacturing its Habitat's products in-house at the Kelowna Sustainability Studio in November 2020.

The bulk of Pela's products, however, are manufactured at third party facilities. Since the activities associated with the product life cycles (including manufacturing) form a significant portion of Pela's overall footprint, the product life cycles have been included in this footprint as Scope 3 emissions.

The Innovation Centre

Pela's corporate offices are located at the Innovation Centre in Kelowna, British Columbia. The total square footage of the building is 105,405 square feet (ft²), of which Pela leases 5,838 ft² - roughly 6% of the total space. Whole building utility data was obtained from the Innovation Centre's management team, with 6% of the building's overall consumption allocated to Pela's footprint proportional to their occupied floorspace. Pela has assumed operational control over the space it rents within the Innovation Center, as it has control over heating and cooling, space design, plug loads and overall selection of the location. As such, natural gas and electricity consumption have been quantified as Scope 1 and Scope 2 emissions, respectively.



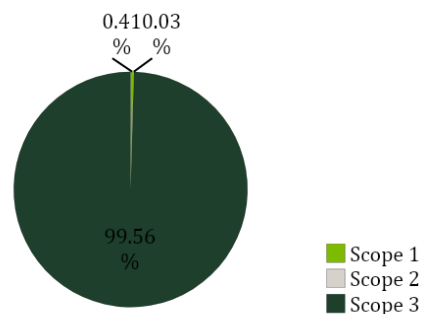
The Kelowna Sustainability Studio

At the end of 2020 (November 2020), Pela moved its Langley Habitat's manufacturing operations to the Kelowna Sustainability Studio (KSS) in Kelowna, British Columbia. Pela directly manufactures its classic phone cases, and Habitat's products at the KSS so the manufacturing emissions associated with these products are now calculated under Scope 1 and Scope 2 based on actual utility consumption data provided by Pela. Barxby products were also manufactured at this location.

Overall Carbon Footprint

Overall, Pela's 2021 carbon footprint is 3,739.79 tCO₂e. The tables below show the breakdown of emissions according to the GHG Protocol's reporting scopes and categories. Since Scope 3 forms the bulk of Pela's footprint, the emissions for Scope 3 sources are further broken down in the table below.

| | tCO ₂ e | % of total |
|--------------|--------------------|------------|
| Scope 1 | 15.37 | 0.41% |
| Scope 2 | 1.22 | 0.03% |
| Scope 3 | 3723.19 | 99.56% |
| TOTAL | 3739.79 | |



| | tCO ₂ e | % of Scope 3 |
|--|--------------------|--------------|
|--|--------------------|--------------|



| | | |
|--|----------------|-------------|
| Scope 3.1: Purchased goods and services | 15.37 | 77.78% |
| Scope 3.2: Capital Goods | 1.22 | 0.25% |
| Scope 3.4: Upstream transportation | 2895.94 | 2.57% |
| Scope 3.5: Waste in operations | 9.14 | 1.74% |
| Scope 3.6: Business travel | 95.80 | 0.09% |
| Scope 3.7: Employee commuting | 64.90 | 0.86% |
| Scope 3.9 Downstream transportation and distribution | 3.39 | 16.71% |
| TOTAL | 3723.19 | 100% |

Scope 1: Direct Emissions

Scope 1 GHG Emissions are direct emissions that occur from sources that are owned or controlled by the company, including onsite fuel combustion and fuel consumed by company-owned vehicles. Pela's Scope 1 emissions, a total of 15.37 tCO₂e in 2021, consist of natural gas consumed at the Innovation Centre and the Kelowna Sustainability Studio, as Pela does not have any company-owned vehicles.

0.00322 tCO₂e resulting from on-site residential-style refrigerators (with the assumption that there are two refrigerators at the Innovation Centre and one refrigerator the Kelowna Sustainability Studio) was also calculated, but is not a significant source of emissions for Pela.

Natural Gas Consumption Data

The Innovation Centre

Whole-building utility data was provided by the Innovation Centre's property management team, with 6% of the total consumption attributed to Pela's footprint, consistent with the operational boundaries described above. Data included in the 2021 footprint spans the period between December 30, 2020 and November 30, 2021 (billing date: December 1, 2021).

Kelowna Sustainability Studio

Utility bills at the Kelowna Sustainability Studio are paid directly by Pela and were provided for the period between December 18, 2020, and December 20, 2021.



Scope 2: Indirect Emissions

Scope 2 emissions are the result of generating electricity, steam or heat purchased for consumption, where the emissions are generated elsewhere (i.e. at a generation station, hydroelectric dam, windfarm, etc.) but are a result of the energy demands of the company. In 2021, Pela's Scope 2 emissions include electricity consumption at its head office at the Innovation Centre, as well as electricity purchased for the Kelowna Sustainability Studio. Pela's Scope 2 emissions total 1.22 tCO₂e.

The Innovation Centre

Whole-building utility data was provided by the Innovation Centre's property management team, with 6% of the total consumption attributed to Pela's footprint, consistent with the operational boundaries described above. Data included in the 2021 footprint spans the period between January 1, 2021, and December 1, 2021 (bill due date: December 3, 2021).

Kelowna Sustainability Studio

Utility bills at the Kelowna Sustainability Studio are paid directly by Pela and were provided for consumption from December 11, 2020, through to December 11, 2021.

Scope 3: Indirect Emissions

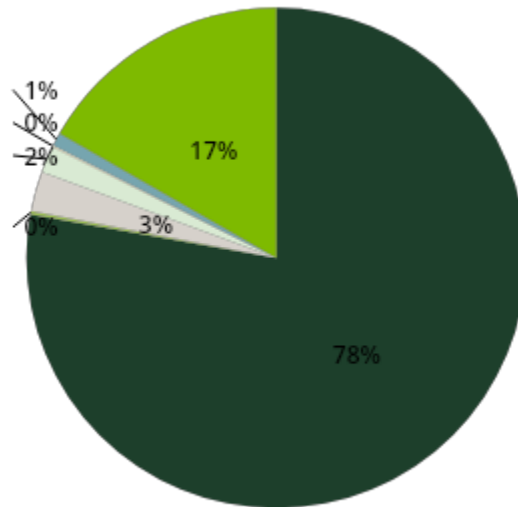
Scope 3 emissions are a consequence of the activities of the company, but do not occur from sources directly owned or controlled by the company. In reporting under the GHG Protocol, Scope 3 emissions are optional to report, but often form the bulk of a company's carbon footprint. This holds true for Pela, where Scope 3 emissions form 99.56% of the total footprint, for a total of 3,723.19 tCO₂e in 2021. Indeed, Pela's top 5 emissions sources overall are found within Scope 3 emissions (out of 9 emissions sources).

The emissions sources included in Pela's Scope 3 footprint are categorized in the table below according to the GHG Protocol's Technical Guidance for Scope 3 Emissions. The table also shows how each emissions source ranks as a contributor to Pela's overall footprint.



Scope 3 Emissions

- Scope 3.1: Purchased Goods and Services
- Scope 3.2: Capital Goods
- Scope 3.4: Upstream transport
- Scope 3.5: Waste in operations
- Scope 3.6: Business Travel
- Scope 3.7: Employee Commuting
- Scope 3.9 Downstream Transport



| Scope | Category | Emissions Sources | tCO ₂ e | % of Scope 3 | Overall CO ₂ e Ranking |
|---------|---|--|--------------------|--------------|-----------------------------------|
| Scope 3 | Scope 3.1: Purchased goods and services | Copy paper; raw materials, pre-processing of raw materials, third party manufacturing and packaging from product LCA | 2895.94 | 77.78% | 1 |
| | Scope 3.2: Capital Goods | Capital Goods purchased in 2021 | 9.14 | 0.25% | 7 |
| | Scope 3.4: Upstream transportation and distribution | Transport of raw materials to manufacturing facilities from product LCA | 95.80 | 2.57% | 3 |
| | Scope 3.5: Waste in operations | Waste from Pela's business units, including emissions from transportation of waste; waste from product LCA | 64.90 | 1.74% | 4 |
| | Scope 3.6: Business travel | Corporate travel (flights) | 3.39 | 0.09% | 8 |
| | Scope 3.7: Employee commuting | Employee commuting from Pela's business units | 32.06 | 0.86% | 5 |
| | Scope 3.9: Downstream transportation and distribution | Transport and warehousing to distribute manufactured products from product LCA | 621.96 | 16.71% | 2 |
| TOTAL | | | 3723.19 | | |



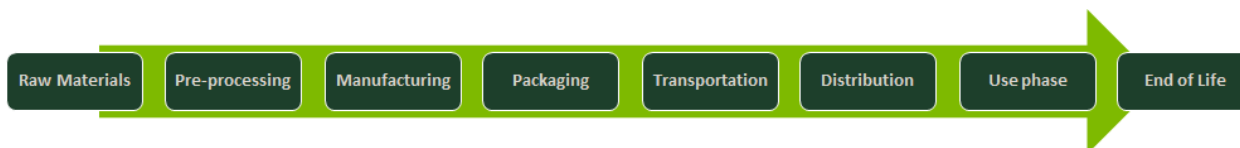
Data sources include primary data provided by Pela for analysis, estimates based on previous performance, and secondary data collected through the course of research. Additional details on the methodology employed are discussed below.

About the LCA Data

When considered as a whole, Pela's product lifecycle emissions account for 3,672.30 tCO₂e, or 98.20% of Pela's overall carbon footprint. This impact is broken down according to its lifecycle stage in the table below for each of the product lines analyzed in the 2021 Life Cycle Analysis.

The data from each life cycle stage was used to estimate total Scope 3 emissions, using sales figures for each product line. The life stages were then categorized using the GHG Protocol's Scope 3 Guidance, and incorporated into Pela's Scope 3 footprint.

Since Pela started manufacturing products in-house at its Kelowna Sustainability Studio in 2021, some of its manufacturing footprint now falls within Scope 1 and Scope 2. Care has been taken to ensure that manufacturing emissions are not double counted in the product lifecycle data used for Scope 3 emissions calculations.



| Unit | tCO2e | | | | | | | | |
|-----------------------------|----------------|----------------|---------------|-------------------------|---------------|---------------------------|--------------|--------------|----------------|
| | Raw materials | Pre-processing | Manufacturing | Upstream Transportation | Packaging | Downstream Transportation | Distribution | Waste | Total |
| Airpod Holder | 2.66 | 0.48 | 0.68 | 1.70 | 15.49 | 13.11 | 3.05 | 0.33 | 37.50 |
| Airtag holders | 0.02 | 0.00 | 0.01 | 0.01 | 0.06 | 0.09 | 0.14 | 0.01 | 0.33 |
| Body Wash Bar | 0.10 | 0.00 | 0.00 | 0.24 | 0.25 | 0.41 | 0.05 | 0.00 | 1.04 |
| Canopy | 0.90 | 0.38 | 0.29 | 0.74 | 9.65 | 11.44 | 1.90 | 0.00 | 25.31 |
| Card keep wallets | 4.16 | 0.75 | 1.06 | 1.30 | 1.01 | 4.70 | 1.94 | 0.45 | 15.38 |
| Classic Cases | 31.86 | 5.72 | 0.12 | 17.00 | 70.71 | 96.54 | 13.92 | 3.46 | 239.33 |
| Classic cases (China) | 59.87 | 10.74 | 15.22 | 18.74 | 132.87 | 144.97 | 26.16 | 6.50 | 415.07 |
| Clear cases | 8.89 | 2.88 | 2.04 | 1.91 | 28.33 | 33.80 | 5.58 | 1.71 | 85.14 |
| Conditioner Bar | 0.35 | 0.00 | 0.00 | 0.30 | 0.39 | 0.59 | 0.08 | 0.00 | 1.72 |
| Deodorant - COCONUT VANILLA | 1.82 | 0.00 | 0.00 | 0.85 | 0.79 | 1.39 | 0.16 | 0.00 | 5.01 |
| Deodorant - LAVENDER | 1.82 | 0.00 | 0.00 | 0.85 | 0.79 | 1.39 | 0.16 | 0.00 | 5.01 |
| Griply | 2.55 | 0.89 | 0.63 | 1.55 | 21.30 | 19.16 | 4.19 | 0.58 | 50.85 |
| iPad cases | 0.18 | 0.03 | 0.05 | 0.06 | 0.11 | 0.24 | 0.02 | 0.02 | 0.72 |
| Lip Balm | 0.33 | 0.00 | 0.00 | 0.09 | 1.10 | 1.03 | 0.22 | 0.00 | 2.76 |
| Lomi | 1994.37 | 0.00 | 239.98 | 46.48 | 168.55 | 186.63 | 3.20 | 44.51 | 2683.72 |
| Pela Vision | 0.85 | 0.36 | 0.28 | 0.25 | 9.17 | 7.31 | 1.81 | 0.00 | 20.03 |
| Shampoo Bar | 0.16 | 0.00 | 0.00 | 0.39 | 0.41 | 0.68 | 0.08 | 0.00 | 1.72 |
| Slim cases | 6.00 | 1.52 | 1.50 | 2.65 | 25.23 | 24.97 | 4.97 | 0.94 | 67.77 |
| Watch Strap ("Vine") | 1.25 | 0.22 | 0.32 | 0.68 | 5.38 | 4.84 | 1.06 | 0.15 | 13.90 |
| Total | 2118.13 | 23.98 | 262.17 | 95.80 | 491.60 | 553.28 | 68.68 | 58.66 | 3672.30 |



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Scope 3.1: Purchased goods and services

Paper

In 2021, one box of office paper (100% recycled content) was included in the footprint, accounting for paper consumption at the Innovation Centre. In 2021, 0.06 tCO₂e were associated with Pela's paper consumption.

Raw materials, pre-processing, third-party manufacturing, and packaging

Emissions associated with raw materials, pre-processing, third party manufacturing and packaging of its products were captured under the category of purchased goods and services. These emissions were calculated using the results of the 2021 life cycle analysis and 2021 sales figures, resulting in the emissions outlined in the table below. In total, 2,895.88 tCO₂e resulted from purchased goods and services for Pela's studied products, 77.43% of the total 2021 footprint.

| | tCO ₂ e |
|---------------------------|--------------------|
| Raw materials | 2118.13 |
| Pre-processing | 23.98 |
| Third Party Manufacturing | 262.17 |
| Packaging | 491.60 |
| TOTAL | 2895.88 |

Scope 3.2: Capital Goods

Scope 3.2 accounts for emissions from the production of capital goods purchased or acquired in the reporting year, where capital goods are final products that have an extended life and are used by the company to manufacture a product; provide a service; or sell, store, and deliver merchandise. Unlike in financial accounting, where capital goods are depreciated or amortized over the life of the asset, the cradle to gate emissions from the production of capital goods are counted in the year of acquisition. Emissions associated with Pela's 2021 Capital Goods totaled of 9.14 tCO₂e.



Scope 3.4: Upstream transportation and distribution

Upstream transportation emissions were calculated using the results of the 2021 life cycle analysis and 2021 sales figures. In total, 95.80 tCO₂e resulted from Pela's upstream transportation and distribution activities, representing 2.56% of the total footprint.

Scope 3.5: Waste in operations

In 2021, 64.90 tCO₂e were calculated from waste produced through Pela's operations. 6.24 tCO₂e were calculated for waste produced at Pela's business units, with an additional 58.66 tCO₂e accounting for product end of life using the results of the 2021 life cycle analysis and 2021 sales figures.

Emissions from waste generated at Pela's facilities are summarized in the table below.

| Emission Source | Head Office (Kelowna) | Kelowna Manufacturing | Total |
|---------------------------|-----------------------|-----------------------|-------------|
| Landfilled Waste (Canada) | 1.18 | 2.85 | 4.03 |
| Waste Haulage | 0.84 | 0.23 | 1.07 |
| Recycling | 0.04 | 0.16 | 0.20 |
| Recycling Haulage | 0.79 | 0.14 | 0.93 |
| Food Waste (compost) | 0.01 | | 0.01 |
| TOTAL | 2.86 | 3.38 | 6.24 |

The Innovation Centre

Garbage and recycling services are provided to Pela via the Innovation Centre's contract with 4 Less Disposal, who takes waste to the Glenmore Landfill and Recycling to the Cascades Recovery+ facility in Kelowna. Pela has taken the initiative to add on an organics service, via EcoEase Recycling, to divert food waste from the landfill, which lowers GHG emissions from the decomposition process. It is not known where EcoEase takes food waste.

Pela's 2021 garbage, recycling and organics waste weights were assumed to be equal to 2020 weights for ease of calculation. Due to the COVID-19 pandemic these amounts are likely over estimated for the head office, as many employees worked from home for much of 2021.



Kelowna Manufacturing

Pela reported that about 500L of recycling is generated per week, and it was assumed that the Kelowna Sustainability Studio's recycling is also taken to the Cascades Recovery + material processing facility.

Waste for the Kelowna Sustainability Studio was estimated using industry averages obtained from an online source, which indicated that manufacturing facilities generate an average of 3 lbs per day per employee. With an average of 7.5 employees per month, and 252 working days in a year, it was estimated that the Kelowna Sustainability Studio generates 2571.87 kg of waste per year.

Scope 3.6 Business travel

With employees positioned throughout Canada and the US, air travel was a significant contributor to Pela's 2019 carbon footprint. In 2019, business travel amounts to 79.93 tCO₂e, accounting for a top source of Scope 3 emissions. In 2021, business travel accounted for only 3.39 tCO₂e of the footprint (less than 1% of total Scope 3 emission) as the global COVID-19 pandemic restricted movement around the world, particularly impacting international travel.

Scope 3.7 Employee commuting

Emissions from employee commuting contribute towards Scope 3 emissions, where employees generate the emissions on their way to and from their places of work. In 2021, emissions resulting from employee commuting were estimated at 32.06 tCO₂e. 2021 emissions from employee commuting were calculated using Pela's monthly count of employees at each of its two business units (the Innovation Centre, and the Sustainability Studio) and the distance-based results of the 2019 employee survey regarding commuting habits.

Given that Pela's manufacturing operations are located in industrial areas, it is possible that employees do not commute in the same manner as those who work at the downtown head office. It may be useful to conduct an employee survey of the Kelowna Sustainability Studio for increased accuracy in 2022. This methodology was deemed sufficient for 2021, however, given that global COVID-19 pandemic throughout much of 2021 resulted in many employees working from home or on altered work patterns to allow for social distancing - both measures would lower emissions from commuting.



Scope 3.9 Downstream transportation and distribution

Downstream transportation and distribution emissions were calculated using the results of the 2021 life cycle analysis and 2021 sales figures. In total, 621.96 tCO₂e resulted from Pela's downstream transportation and distribution activities, representing a significant 16.63% of the total footprint.

Recalculating Base Year Emissions

According to the GHG Protocol, companies must set a base year against which to make meaningful and consistent comparisons of emissions over time. Further, this base year may need to be re-calculated, as the following scenarios are encountered:

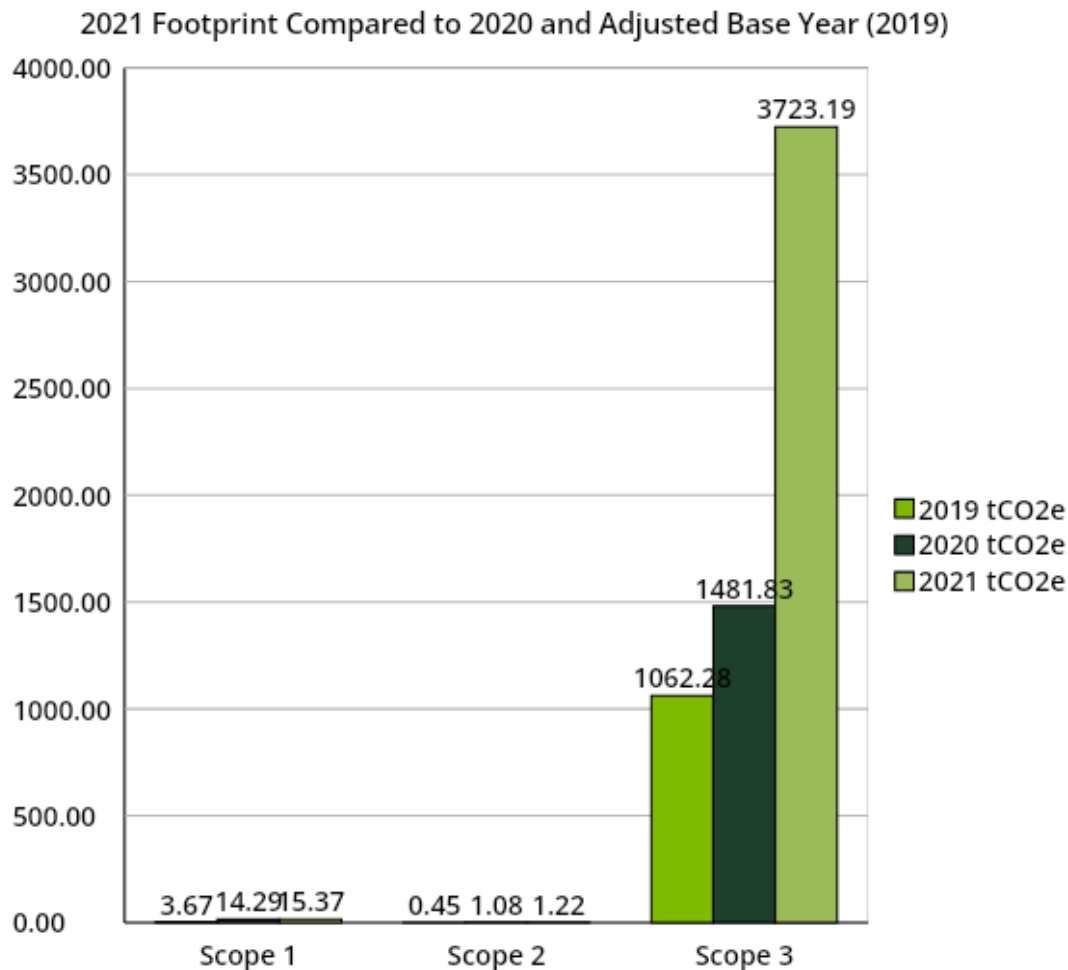
- Structural changes with a significant impact on the company's base year emissions, such as an acquisition, divestment or merger.
- Changes in calculation methodology or improvements in data that result in a significant impact on base year emissions
- Discovery of significant errors, or of cumulative errors that are collectively significant

Pela's 2019 base year footprint was recalculated for the 2020 Carbon Footprint report. The adjusted baseline year (2019) was used to compare with 2020 and 2021 results.

Year Over Year Comparison

Pela's carbon footprint saw a 149.78% increase in emissions compared to 2020 due largely to the additional product lines studied in the 2021 LCA. Some manufacturing operations were also brought under direct control in 2021, meaning that their energy consumption now accounts for Scope 1 and Scope 2 emissions, but this has only increased the footprint by 1.22 tCO₂e combined.

| | 2019 | 2020 | 2021 |
|---------|-----------------|-----------------|----------------|
| Scope 1 | 3.67 | 14.29 | 15.37 |
| Scope 2 | 0.45 | 1.08 | 1.22 |
| Scope 3 | 1,062.85 | 1,481.83 | 3723.19 |
| TOTAL | 1,066.40 | 1,497.20 | 3739.79 |



Recommendations

Through a carbon footprint study, a company can better understand how their operations generate GHG emissions, as well as identifying areas to be targeted for reductions. Below are recommendations for reducing Pela's impact across their carbon footprint.

Scope 1 and Scope 2 Emissions

In 2021, as in 2020, Scope 1 and Scope 2 emissions make up a small portion (0.44%) of Pela's total footprint, as the bulk of their emissions are derived from their products' life



cycles. Even so, it is a good idea to remain on top of energy efficiency, water and waste consumption at all business units.

Pela could look into complimentary energy assessments available from FortisBC to ensure that the Kelowna Sustainability Studio is operating efficiently. As an alternative, a Green Team could be established at Pela to regularly and systematically identify opportunities for increased efficiencies in energy and water consumption and identify opportunities to reduce waste generated onsite.

Scope 3.2: Capital Goods

The footprint associated with Capital Goods was calculated using the actual good purchased during 2021 and their associated GHG emissions.

Scope 3.5: Waste in operations

Waste in operations accounts for 1.74% of the total 2021 footprint. Waste from the Kelowna Sustainability Studio was based on industry estimates, but since waste is directly managed by Pela, it is recommended that data quality be improved for the 2022 footprint. This could be done by monitoring waste and recycling services throughout the year, or through a waste audit. A waste audit would also identify opportunities for improving waste diversion at this facility.

Scope 3.7: Employee Commuting

At 0.86%, employee commuting is the fifth largest emissions source in Pela's total footprint. As this impact was estimated based on the results of the 2019 survey of corporate employees, it is recommended that a similar survey be conducted for the manufacturing plant to improve data quality in 2022. Improved data quality could either increase or decrease the footprint but would improve the accuracy of the emissions reported from employee commuting.

Product Life Cycle Data

The largest overall contributor to Pela's 2021 footprint is the lifecycle of its products. Indeed, Scope 3.1 Purchased goods and services, Scope 3.9 Downstream transport and distribution and Scope 3.4 Upstream transport and distribution together make up the top three emissions sources from the footprint overall. The breakdown per life cycle stage can be found below.



| | tCO ₂ e | % of total footprint |
|--|--------------------|----------------------|
| Raw materials | 2118.13 | 56.64% |
| Pre-processing | 23.98 | 0.64% |
| Upstream transportation and distribution | 95.80 | 2.56% |
| Third Party Manufacturing | 262.17 | 7.01% |
| Packaging | 491.60 | 13.15% |
| Downstream transportation and distribution | 621.96 | 16.63% |
| Waste | 58.66 | 1.57% |
| TOTAL | 3672.30 | 98.20% |

Interestingly, emissions resulting from packaging are higher than those for manufacturing. Perhaps the packaging materials used by Pela should be assessed for lower carbon replacements, or the data quality of inputs used to calculate the LCA could be re-examined for accuracy or improvement.

Upstream and downstream transportation and distribution continue to form a large portion of the product life cycle and so the overall carbon footprint. Efficiencies in distribution routes or distances between destinations may be possible. Similar to packaging, however, some of the assumptions used in calculating the LCA could be replaced with improved data.

For more information about reducing opportunity across the life cycle of products, see the 2021 LCA Methodology document.

Offsetting Emissions or Creating an Eco Fund

Offsetting Emissions

The above recommendations provide opportunities for Pela to reduce their carbon footprint. Making emissions reductions should be the primary goal of any company looking to reduce their impact. To achieve further reductions, Pela can choose to offset some – or all – of its footprint with carbon offsets.

Carbon offsets are credits for GHG reductions made through a project that can be purchased by another company to compensate for their own emissions that could not be reduced by other means. The money from the purchase of emissions reduction credits funds the projects from which real and measurable carbon reductions are made; these



reductions are then applied to the company that purchased the credits, thus offsetting the emissions they were unable to avoid.

Carbon neutrality means that the business contributes net zero carbon emissions. This does not mean that the business emits no emissions; instead, 100% of the reporting company's calculated footprint offset through the purchase of verified offsets.

A company that is **carbon negative** has gone beyond net zero emissions by taking efforts to remove additional carbon from the atmosphere. For instance, a company may choose to offset 10% more carbon than their footprint has produced, in order to claim carbon negativity. This is also known as being **climate positive**.

Carbon offsets typically cost \$20-30 per tonne, depending on the type of offset portfolio and the provider selected. Larger footprints are often required to go through a verification process prior to the purchase of offsets, which increases the cost of offsetting.

Using the average price of \$25 per tCO₂e, it would cost Pela approximately \$93,494.69 to offset their entire footprint and become carbon neutral for 2021.

Creating an Eco Fund

Alternatively, Pela could collect a small fee from customers at the point of purchase, and use the money to create an Eco Fund, such as the one offered by GreenStep Solutions, where the money is set aside to implement projects that will achieve emissions reductions within Pela's own operations.

Conclusions

Pela's 2021 carbon footprint amounted to 3,739.79 tCO₂e. The bulk of these emissions are generated over the lifecycle of Pela's products, so the biggest impacts will be seen in reducing emissions along this lifecycle.

The information provided within this report is sufficient for Pela to offset its 2021 emissions and can be used to better understand where opportunities to reduce the footprint exist. Annual analyses will allow for tracking progress over time towards goals set and will provide insight regarding the effectiveness of any initiatives undertaken to reduce the footprint



References

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