

Reformation GHG Footprint Scope & Boundary

1. Organizational Boundary Approach

Organizational boundary conditions define the breadth of the GHG inventory by identifying the aspects of the business where an organization assumes responsibility for GHG emissions. Business operations may include wholly-owned operations, subsidiaries, incorporated and non-incorporated joint ventures, among others. According to the General Reporting Protocol, a company's organizational boundaries can either be defined by the amount of equity a company has in an operation ("Equity Share") or can be based in the company's operational control over an operation or facility ("Control Approach").

Reformation has defined our organizational boundaries through the Control Approach. The Control Approach can be defined as:

- a. Company does not account for GHG emissions from operations in which it owns an interest but has no control. Control can be defined in either financial or operational terms.

2. Operational Boundary Approach

When using the control approach, organizations must choose either the "operational control" approach or "financial control" approach to consolidate emissions.

Reformation's operational boundary is defined using the Financial Control approach. The Financial control approach can be defined as:

- a. Financial Control
 - i. The company has financial control over the operation if the former has the ability to direct the financial and operating policies of the latter with a view to gaining economic benefits from its activities.² For example, financial control usually exists if the company has the right to the majority of benefits of the operation, however these rights are conveyed. Similarly, a company is considered to financially control an operation if it retains the majority risks and rewards of ownership of the operation's assets.

Reformation has elected to quantify and report emissions associated with operations over which the company has financial control. Reformation has 26 facilities that are within the scope of the analysis. Zero facilities were excluded from the analysis. Reformation leases and operates one distribution center/factory/office space (headquarters) in Vernon, CA as well as leasing a shared office space in Culver City, CA and 24 retail locations domestically and internationally.

3. Scope

- a. **Scope 1, “Direct Emissions,”** represent emissions from combustible fuels and other sources that occur directly on site (e.g., refrigerants) and mobile emission sources;
- b. **Scope 2, “Indirect Emissions,”** represent emissions that occur off site to produce electricity or steam purchased for use at a company’s locations; and
- c. **Scope 3, “Other Indirect Emissions,”** represent emissions from activities upstream or downstream from a company’s core business. Scope 3 emissions are a consequence of the activities of the company, but occur from sources not owned or controlled by the company. Some examples of scope 3 activities are extraction and production of purchased materials; transportation of purchased fuels; and use of sold products and services.

Accounting for scope 1 and 2 emissions is considered the minimum level of reporting for a high-quality inventory, while scope 3 emissions are considered optional to track and report. Most businesses will find that +85% of emissions fall within their value chain. While the activities associated with scope 3 can be difficult to quantify, they make up such a large proportion of an organization’s impact.

Reformation identifies all scope 1 emission sources, including:

- d. Mobile emissions – Calculated based on the total mileage/ year of the company shuttle. This calculation includes CO₂, CH₄, and N₂O emissions.

Purchased electricity constitutes scope 2 emissions. This is calculated for our headquarters and all of our retail stores that were open or opened in the operating year. In 2021, we closed the year with a total of 24 retail stores and 26 total buildings.

Scope 3 emissions are divided into 15 categories. Reformation calculates emissions associated with categories 1-7,9, 11, 12 that are outlined in the GHG Protocol. Categories 8, 10, 13, and 14 are not relevant to Reformation’s business.

Reformation follows the guidelines within the GHG Protocol Corporate Standard to calculate emissions. An annual inventory will be reported to CDP and carbon reduction targets have been validated by the Science Based Target initiative.