

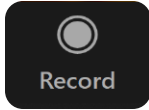
Scope 3 Technical Working Group Meeting

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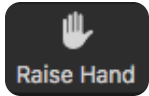
**Group C (Investments)
Meeting 2
Investment types**

November 27th, 2024

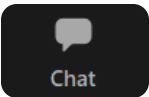
Meeting information



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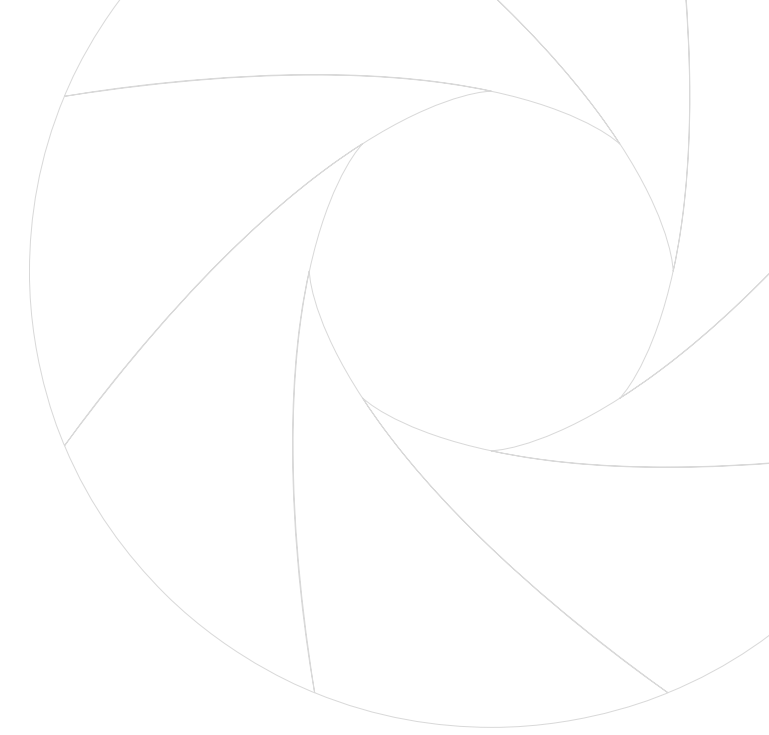
Notes to reader:

- The online version of this presentation is the official version
- All downloaded or printed material is uncontrolled
- This presentation should be read in conjunction with *Discussion Paper C.1*

Agenda

- Housekeeping and decision-making criteria (5 min)
- Issue 1: Applicability of scope 3, category 15 (15 min)
- Issue 2: Harmonization with PCAF (15 min)
- Issue 3: Other investment/asset types (80 minutes)
- Time planning and next steps (10 min)

Housekeeping and decision-making criteria



Housekeeping

- TWG members should **not disclose any confidential information** of their employers, related to products, contracts, strategy, financials, compliance, etc.
- In TWG meetings, **Chatham House Rule** applies:
 - “When a meeting, or part thereof, is held under the Chatham House Rule, participants are free to use the information received, but neither the identity nor the affiliation of the speaker(s), nor that of any other participant, may be revealed.”
- **Compliance and integrity** are key to maintaining the credibility of the GHG Protocol
 - Specifically, all participants need to follow the **conflict-of-interest policy**
 - **Anti-trust rules** have to be followed; please avoid any discussion of competitively sensitive topics*

* Such as pricing, discounts, resale, price maintenance or costs; bid strategies including bid rigging; group boycotts; allocation of customers or markets; output decisions; and future capacity additions or reductions

Decision-Making Criteria

- Evaluating options: Describe the pros and cons of each option relative to each criterion. Qualitatively assess the degree to which an option is aligned with each criterion through a green (most aligned), yellow (mixed alignment), orange (least aligned) ranking system. Some criteria may be not applicable for a given topic; if so, mark N/A.
- Comparing options: The aim is to advance approaches that ideally meet all decision criteria (i.e., maximize the pros and minimize the cons against all criteria). If options present tradeoffs between criteria, the hierarchy should be generally followed, such that, for example, scientific integrity is not compromised at the expense of other criteria, while aiming to find a solution(s) that meet all criteria.

<i>Decision-making criteria</i>	Option A	Option B	Option C
1A. Scientific integrity	<ul style="list-style-type: none"> • Pros • Cons 	<ul style="list-style-type: none"> • Pros • Cons 	<ul style="list-style-type: none"> • Pros • Cons
1B. GHG accounting and reporting principles	<ul style="list-style-type: none"> • Pros • Cons 	<ul style="list-style-type: none"> • Pros • Cons 	<ul style="list-style-type: none"> • Pros • Cons
2A. Support decision making that drives ambitious global climate action	<ul style="list-style-type: none"> • Pros • Cons 	<ul style="list-style-type: none"> • Pros • Cons 	<ul style="list-style-type: none"> • Pros • Cons
2B. Support programs based on GHG Protocol and uses of GHG data	<ul style="list-style-type: none"> • Pros • Cons 	<ul style="list-style-type: none"> • Pros • Cons 	<ul style="list-style-type: none"> • Pros • Cons
3. Feasibility to implement	<ul style="list-style-type: none"> • Pros • Cons 	<ul style="list-style-type: none"> • Pros • Cons 	<ul style="list-style-type: none"> • Pros • Cons

Standard setting language

- GHG Protocol standards use precise language to indicate which provisions of the standard are requirements, which are recommendations, and which are permissible or allowable options that companies may choose to follow.
- “**Shall**” indicates what is required to be in conformance with the standard.
- “**Should**” indicates a recommendation, but not a requirement.
- “**May**” indicates an option that is permissible or allowable.



Issue 1: Applicability of category 15

Issue 1: Applicability of category 15 to non-FIs

- **Description of issue:**
 - Clarify whether category 15 is applicable for both
 - Financial institutions (FIs) and
 - Non-financial institutions (non-FIs)

Current text

- **GHG Protocol:** Category 15 of the *Scope 3 Standard* is designed for both FIs and non-FIs (Ch. 5, p. 51):
 - Category 15 is “... designed primarily for private... [and] public financial institutions...”
 - Category 15 is “...applicable to investors... and companies that provide financial services... and **other entities with investments** [emphasis added] not included in scope 1 and scope 2.”
 - Category 15 includes **subsidiaries, associated companies, and joint ventures** not accounted for (or reported) by a reporting company (including non-FIs) in scope 1 or scope 2 (Ch. 5, Table 5.9)
- **PCAF:**
 - As “... a financial industry-led initiative... PCAF developed the Global GHG Accounting and Reporting Standard for the Financial Industry...”
 - PCAF defines financial institutions as: “A company engaged in the business of dealing with financial and monetary transactions such as deposits, loans, investments, and currency exchange... including commercial banks, investment banks, development banks, asset owners/managers (mutual funds, pension funds, close-end funds, investment trusts), and insurance companies.”

Options*

- **Option 1:** Make clear that both FIs and non-FIs **shall** disclose category 15 emissions
 - *Note: the topics of relevance and significance are being considered by Group B of the scope 3 TWG*
- **Option 2:** In addition to Option 1, provide different requirements for FIs and only large-cap non-FIs (which **shall** disclose) versus small-cap/SME non-FIs (which **should** or **may** disclose)
 - This distinction may be addressed via different minimum boundaries for investment types; *category 15-specific minimum boundaries will be considered by Group C in meeting C.4 & C.5*

Indicative poll results*

- FIs should be required to disclose all category 15 emissions (implying “shall” language), including all required and optional investment types from tables 5.9 and 5.10 in the *Scope 3 Standard*?*
 - **85% Yes** (11/13 members**)
- Utilize materiality as the determinant for category 15 inclusion by non-FIs.*
 - **69% Yes** (9/13 members**)
- Utilize absolute cutoffs for materiality in addition to (AND) percentage cutoffs.*
 - **69% Yes** (9/13 members**)
- Utilize a cutoff (absolute and/or percentage) for SMEs or small cap companies to provide relief.*
 - **62% Yes** (8/13 members**)
- Do not use industry classifiers to identify applicability (i.e., required inclusions) for FIs vs. non-FIs.*
 - **54% Yes** (7/13 members**)

* The total subgroup membership is 17 meaning that only 76% of the subgroup submitted feedback via the indicative poll. 11/27/2024 | 12

** Questions may be paraphrased from the survey for readability and presentability.

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Issue 2: Harmonization with PCAF

Issue 2: Harmonization with PCAF

- **Description of issue:**
 - Review harmonization of the requirements and guidance between the GHG Protocol *Scope 3 Standard* and PCAF's recently updated and published standards*

* PCAF standards throughout this presentation (and in *Discussion Paper C.1*) includes Part A, Part B, and Part C

Non-investment-specific (general) topics

- The following include non-investment specific (general) related topics* that concern harmonizing requirements between the GHG Protocol and PCAF (only 2.5 and 2.6 are included in this presentation):
 - *2.1 Accounting and reporting principles (already harmonized)*
 - *2.2 Greenhouse gases (already harmonized)*
 - *2.3 Avoided emissions (already harmonized)*
 - *2.4 Removals (needs harmonizing)*
 - 2.5 Consolidation approaches (**may need harmonizing**)
 - 2.6 Data quality score (**consider harmonizing**)

2.5 Consolidation approaches

- **May need harmonizing:**
 - Consider whether the GHG Protocol *Corporate Standard* and *Scope 3 Standard* should not permit the equity share approach for FIs and/or non-FIs that report scope 3 category 15 emissions
- **Current standard approach:**
 - **GHG Protocol:** (Table 5.9, Accounting for emissions from investments, *Scope 3 Standard*, p. 53):
 - “In general, companies in the financial services sector **should** [emphasis added] account for emissions from equity investments in scope 1 and scope 2 by using the **equity share** [emphasis added] consolidation approach to obtain representative scope 1 and scope 2 inventories.”
 - **PCAF standards:***
 - “... shall use the operational... or... financial control approach; as a result, all financed emissions shall be accounted for in their scope 3 category 15” by all FIs that conform with PCAF (Part A, p. 123)
 - “This requirement eliminates inconsistencies in accounting that could arise from using the equity share approach, which would require scope 1 and 2 emissions from... equity investments to be reported under the financial institution’s scope 1 and 2 emissions (according to its share of equity...)” (Part A, p, 37)

* PCAF standards throughout this presentation (and in *Discussion Paper C.1*) includes Part A, Part B, and Part C

2.5 Consolidation approaches (continued)

Note: The Corporate Standard TWG is addressing updates to consolidation approaches across all GHG Protocol corporate standards. The views from the scope 3 TWG will be provided to the Corporate Standard workstream.

- **Options:***
 - **Option 1:** GHG Protocol makes no change to consolidation approach rules, nor any exceptions for FIs and/or non-FIs, in the *Scope 3 Standard*
 - **Option 2:** GHG Protocol adopts PCAF’s approach to not permit the equity share consolidation approach for **FIs** that comply with the *Scope 3 Standard*
 - **Option 3:** GHG Protocol adopts PCAF’s approach to not permit the equity share consolidation approach for **FIs and non-FIs** that account for category 15 emissions

2.5 Consolidation approaches (indicative poll results*)

- Maintain the equity share consolidation approach as an option for both FIs and non-FIs.**
 - **Yes** / No / Indifferent / Other – **31%** / 31% / 15% / 23%*
- Do not permit FIs to use the equity share consolidation approach for their entire inventory (like PCAF).**
 - **Yes** / No / Indifferent / Other – **54%** / 23% / 8% / 15%*
- Require that companies report the emissions of investees in category 15, exclusively, relying on economic interest or allocation formulas (PCAF terms these formulas attribution ratios).**
 - **Yes** / No / Indifferent / Other – **54%** / 15% / 15% / 15%*
- Provide an exception to the proportionate rule in question 3 (previously), requiring that an investor report all (i.e., 100%) of an investee's emissions.**
 - **Yes** / No / Indifferent / Other – **38%** / 23% / 15% / 23%*
- Should the GHG Protocol only permit the operational control approach in the interest of comparability?***
 - **Yes** / No / Indifferent / Other – **38%** / 23% / 23% / 15%*

* The total subgroup membership is 17 meaning that only 76% of the subgroup submitted feedback via the indicative poll. 11/27/2024 | 18

** Questions may be paraphrased from the survey for readability and presentability.

2.6 Data quality score

- **Consider harmonizing:**
 - Consider harmonizing a data quality scoring methodology between the GHG Protocol *Scope 3 Standard* (and/or corporate standards generally) and PCAF's *Financed Emissions Standard* (Part A)
- **Current standard approach:**
 - **GHG Protocol:**
 - N/A
 - **PCAF standards:***
 - Refer to footnotes in the series of **Appendices A10** in *Discussion Paper C.1* for a summary of data quality score by calculation methodology for each asset type (as stipulated by PCAF)
 - Alternatively, refer to Annex 10 (PCAF, Part A, 2022, p. 142-148) for **Detailed data quality score tables per asset class**

* PCAF standards throughout this presentation (and in *Discussion Paper C.1*) includes Part A, Part B, and Part C

2.6 Data quality score (continued)

- **GHG Protocol calculation methods:**
 - Generally, the “investment-specific” and “average-data” method are listed in order of priority (*Technical Guidance*)
 - Depending on the data quality used in calculations, this may not always be the case for results
- **Example of a *potential* weakness of PCAF’s data quality score:**
 - A data quality score of 1 *could* correspond with the use of calculation methods that *should* receive a data quality score of 4 (using PCAF’s data quality score)
 - For example, an investee using the average-data method (a revenue-based calculation in the *Scope 3 Standard*) would yield a score of 1 for these results, if verified for GHG Protocol compliance; thus
 - A financial institution using PCAF’s data quality score *could* receive a score of 1 (for said investees’ GHG Protocol-verified results) relying on a revenue-based method that *should* receive a score of 4
 - For more, refer to section 8.2.6 of *Discussion Paper C.1* and refer to the series of **Appendices A10** and **Appendix A11** therein

2.6 Data quality score (continued)

Note: Group A of the Scope 3 TWG is addressing data quality and calculation methods throughout the Scope 3 Standard, and this will extend to data quality scoring and/or hierarchies. Feedback from this Group C will be shared with discussions by Group A concerning data quality.

- **Options:***
 - **Option 1:** GHG Protocol to not adopt PCAF’s data quality scoring methodology
 - Consider recommending changes to the PCAF data scoring hierarchy to remove the potential for a mis-scoring of revenue-based calculations methods
 - **Option 2:** GHG Protocol to adopt PCAF’s data quality scoring methodology and guidance in the Scope 3 Standard for, exclusively, category 15 investments (for FIs and non-FIs)
 - **Option 3:** GHG Protocol should develop an independent scoring method (developed by Group A) informed by Group C

2.5 Data quality score (indicative poll results*)

- Require companies to publicly disclose a data quality scoring for/of their scope 3 category 15 inventory.**
 - **Yes** / No / Indifferent / Other – **77%** / 15% / 8% / 0%*
- Do *not* require that a company's category 15 data quality scores be compatible with other scope 3 category data quality scores nor any aggregate scope 3 data quality score.**
 - **Yes** / No / Indifferent / Other – **31%** / 54% / 8% / 8%*
- Any data quality scoring metho(d) should be recommended (not required) via normative guidance.**
 - **Yes** / No / Indifferent / Other – **54%** / 23% / 8% / 15%*
- Adopt a "split approach" whereby FIs can use PCAF's data quality scoring method to satisfy GHG Protocol *Scope 3 Standard* compliance, exclusively for category 15.**
 - **Yes** / No / Indifferent / Other – **69%** / 15% / 8% / 8%*
- A category 15 data quality score, if developed, should score each calculation method (like PCAF does).**
 - **Yes** / No / Indifferent / Other – **85%** / 8% / 8% / 0%*

* The total subgroup membership is 17 meaning that only 76% of the subgroup submitted feedback via the indicative poll. 11/27/2024 | 22

** Questions may be paraphrased from the survey for readability and presentability.

2.5 Data quality score (indicative poll results*)

- Consider developing and requiring other indicators of inventory quality (e.g., % primary, % supplier-specific, etc.) in addition to a data quality score.**
 - **Yes** / No / Indifferent / Other – **50%** / 25% / 25% / 0%*
- The corporate suite of GHG Protocol standards should maintain separate (disaggregated) data quality scores for scope 1, scope 2, and scope 3 inventories to ensure non-aggregation or “blending” of measures.**
 - **Yes** / No / Indifferent / Other – **93%** / 8% / 0% / 0%*

* The total subgroup membership is 17 meaning that only 76% of the subgroup submitted feedback via the indicative poll. 11/27/2024 | 23

** Questions may be paraphrased from the survey for readability and presentability.



Issue 3: Other investment/asset types

Issue 3: Other investment/asset types

- **Description of issue:** Consider the inclusion/exclusion of other investment/asset types:
 1. Pension funds
 2. Cash deposits & cash equivalents
 3. Endowment funds (investors & donors)
 4. Mutual funds (managers & clients)
 5. Sovereign bonds
 6. Green bonds
 7. Derivatives
 8. Guarantees and credit default swaps
 9. Insurance funds (insured party perspective)
 10. Insurance claims (insurer perspective)
 11. Cryptocurrency and blockchain

1. Pension/retirement funds

- **Description of investment:**
 - Payments made by reporting companies to retirement/pension funds reflect expenses incurred by companies to compensate employees should record emission attributable to the investments
- **Stakeholder feedback:**
 - Many stakeholders recommended that investments managed by pension funds using compensation payments made by a company to employees should be required in category 15 by the company
- **Current standard approach:**
 - GHG Protocol specifies that pension funds and retirement accounts are optional for inclusion within “Other investments or financial services” (Table 5.10, *Scope 3 Standard*, p. 55), however, no calculation guidance is provided
 - PCAF similarly does *not* provide guidance on compensation payments to pension/retirement funds

Option 1	Option 2	Option 3	Option 4
Maintain optionality	Require inclusion for FIs and non-FIs*	Require inclusion for FIs and non-FIs* subject to a significance threshold**	Remove entirely from category 15 of the <i>Scope 3 Standard</i>

* Consider stipulating differentiated requirements for FIs and non-FIs

** Significance thresholds, if any, to be determined by Group B

2a. Cash and cash equivalent

- **Description of investment:**
 - Cash and cash equivalent (CC&E) includes cash deposits and cash equivalents (the latter being financial instruments, e.g., money market instruments, repurchase agreements, short-term bonds)
 - Cash is often held in the form of non-interest-bearing (NIB) deposits
 - Banks hold a fraction of cash deposits in reserve and lend out a multiple of the value of deposits
- **Current standard approach:**
 - GHG Protocol does not explicitly identify nor specify requirements or guidance for CC&E
 - PCAF similarly does not explicitly identify nor specify requirements or guidance for CC&E
- **Question:**
 - Banks use of deposits (e.g., via lending) and associated emissions reflect facilitated emissions
 - Therefore, only cash equivalent (which are interest bearing), satisfy a common industry held definition of investment (Part A, PCAF, 2022):
 - “The term investment (unless explicitly stated otherwise) is used in the broad sense: ‘Putting money into activities or organizations’ with the expectation of making a profit.’ Most forms of investment involve some form of risk taking... even fixed interest securities which are subject to inflation risk, among other risks.”

2b. Cash equivalent

- **Description of investment:**
 - Cash and cash equivalent (CC&E) includes cash deposits* and cash equivalents (the latter being financial instruments, e.g., money market instruments, repurchase agreements, short-term bonds)
 - Banks hold a fraction of cash deposits in reserve and lend out a multiple of the value of deposits
- **Stakeholder feedback:**
 - CC&E may account for a sizeable fraction of a company’s assets and should be required in category 15
- **Current standard approach:**
 - GHG Protocol does not explicitly identify nor specify requirements or guidance for CC&E
 - PCAF similarly does not explicitly identify nor specify requirements or guidance for CC&E

Option 1	Option 2	Option 3	Option 4
Maintain no reference to cash equivalents	Optionally include cash equivalents for FIs and non-FIs	Require that FIs and non-FIs include cash equivalents subject to significance**	Alternative of Options 1, 2, or 3 (as ideated by the TWG)

* Non-interest-bearing (NIB) deposits will be considered in **section 8.8** (facilitated emissions) in Meeting C.6 and C.7

** Significance thresholds, if any, TBD by Group B

3a. Endowment funds and foundations (as investors)

- **Description of investment:**
 - Endowment funds and foundations reflect a pool of financial assets established to provide long-term financial stability/sustainability for a specific organization by generating a consistent income stream
 - They operate within certain constraints (e.g., donor-imposed restrictions) and fulfill specific mandates
- **Current standard approach:**
 - GHG Protocol requires that equity and debt investments are included in category 15 (with caveats)
 - No specific guidance is provided for “gift”, “donation”, “endowment”, in “foundation” by GHG Protocol
 - No endowment-specific guidance exists in PCAF; however, endowments are traditional asset owners
- **Question:**
 - Should GHG Protocol state that endowments and foundations should account for investments in category 15?
 - Should companies (including organizations) that donate or provide grants to endowment funds, foundations, and/or NGOs account for the emissions attributable to investments and/or operations carried out by endowments, foundations, and/or NGOs?

3b. Donors to endowment funds and foundations

- **Description of investment:**
 - Endowment funds and foundations reflect a pool of financial assets established to provide long-term financial stability/sustainability for a specific organization by generating a consistent income stream
 - They operate within certain constraints (e.g., donor-imposed restrictions) and fulfill specific mandates
- **Stakeholder feedback:**
 - A few stakeholders accounting for endowments and donations (including in-kind)
- **Current standard approach:**
 - No specific guidance is provided for “gift”, “donation”, “endowment”, in “foundation” by GHG Protocol
 - No endowment-specific guidance exists in PCAF; however, endowments are traditional asset owners

Option 1	Option 2	Option 3	Option 4	Option 5
Maintain no reference to endowment funds	Optionally include in category 15	Require the inclusion of investments made by an organization through an endowment fund(s)	Require the inclusion of investments subject to significance *	In addition to either Option 1, 2, or 3 : Specify how corporate grants or other donors to endowment funds should account for attributable emissions

* Significance thresholds, if any, to be determined by Group B

4a. Mutual funds (manager perspective)

- **Description of investment:**
 - Mutual funds are investment vehicles that pool money from investors to invest in a portfolio of assets
- **Stakeholder feedback:**
 - A few stakeholders inquired about emissions attributable to services provided by fund managers
- **Current standard approach:**
 - GHG Protocol optionally includes: “Investments managed by the reporting company on behalf of clients (using clients’ capital) or services provided by the reporting company to clients, including... equity or fixed income funds managed on behalf of clients, using clients’ capital” (Table 5.10)
 - PCAF standard (Part B, second edition) is designed for asset owners (including mutual funds) (p. 16)

Option 1	Option 2	Option 3	Option 4
Maintain optional inclusion by fund managers using clients’ capital and non-inclusion by client funders	Require the inclusion of investments made by fund managers using clients’ capital	Require inclusion by fund manager investments subject to significance *	In addition to either Option 1, 2, or 3 : Consider specifying a uniform requirement for all types of third-party managers to include investments

* Significance thresholds relative to company GHG emissions, if any, to be determined by Group B

4b. Mutual funds (client perspective)

- **Current standard approach:**

- GHG Protocol optionally includes: “Investments managed by the reporting company on behalf of clients (using clients’ capital) or services provided by the reporting company to clients, including... equity or fixed income funds managed on behalf of clients, using clients’ capital” (Table 5.10)
- “Equity investments made by the reporting company using the company’s own capital and balance sheet, where the reporting company has neither financial control nor significant influence over the emitting entity (and typically has less than 20 percent ownership)... Companies may establish a threshold (e.g., equity share of 1 percent) below which the company excludes equity investments from the inventory, if disclosed and justified.” (Table 5.9)

Option 1	Option 2	Option 3	Option 4
Maintain optionality in Equity Investment (Table 5.9) which provides a percentage threshold provision	Require inclusion of investments made by fund managers	Require inclusion of investments made by fund managers subject to significance *	In addition to either Option 1, 2, or 3 : Consider specifying a uniform requirement to include investments made by third-party managers

* Significance thresholds relative to company GHG emissions, if any, to be determined by Group B

5. Sovereign debt

- **Description of investment:**
 - Sovereign debt may take the form of treasury bonds, notes, and bills; alternatively, some countries rely on international loans and/or bilateral debt)
 - Sovereign debt is used by governments to finance a large range of activities
- **Stakeholder feedback:**
 - A few stakeholders inquired about emissions attributable to sovereign debt
- **Current standard approach:**
 - GHG Protocol does not explicitly identify nor specify requirements or guidance for sovereign debt
 - PCAF standard (Part B, second edition) provides quantification guidance on sovereign debt (5.7)*

Option 1	Option 2	Option 3	Option 4
Specify sovereign debt in optional “Debt investments (without known use of proceeds)” (Table 5.10)	Specify sovereign debt as “Debt investments (without known use of proceeds)” (Table 5.10) but require it	If Option 2 then consider applicability/inclusion by FIs and non-FIs (including via significance**)	Do not itemize nor specify the inclusion of sovereign debt

* Sovereign debt calculation methods, including PCAF Part C, will be reviewed in **section 8.13**

** Significance thresholds, if any, to be determined by Group B

6. Green bonds

- **Description of investment:**
 - Green bonds are financial instruments specifically designed to raise funds for projects that have positive environmental or climate benefits
- **Stakeholder feedback:**
 - A few stakeholders inquired about emissions attributable to green bonds
- **Current standard approach:**
 - GHG Protocol requires the inclusion of debt with known use of proceeds, which includes green bonds*
 - GHG Protocol requires the inclusion of project finance, i.e., “Long-term financing of projects (e.g., infrastructure and industrial projects) by the reporting company as either an equity investor (sponsor) or debt investor (financier)” (Table 5.9, *Scope 3 Standard*, p. 53)
 - PCAF standard (Part B, second edition) specifies the inclusion of debt and project finance (5.3)

Option 1	Option 2	Option 3	Option 4
Specify that debt (with known uses) and/or project finance includes green bonds and maintain required inclusion	Specify that debt (with known uses) and/or project financed includes green bonds but make inclusion optional	Specify green bonds in “Debt investments (without known use of proceeds)” (Table 5.10) and maintain optionality	Classify differently** and require or maintain optionality

* Avoided emissions can be accounted for separately from a scope 3 inventory and will be reviewed by the AMI workstream 11/27/2024 | 34

** Alternative classification and nomenclature will be considered in **section 8.4** meeting C.3

7. Derivatives (futures, forwards, swaps, options)

- **Description of investment:**
 - Derivatives are financial instruments or contracts whose value is derived from one or more underlying asset (e.g., stocks, bonds, commodities, currencies, interest rates, or index) and include futures, forwards, swaps, and options
- **Stakeholder feedback:**
 - A few stakeholders inquired about emissions attributable to derivatives
- **Current standard approach:**
 - GHG Protocol lists “credit default swaps” in Table 5.10 under “Other investments...” (optional)
 - PCAF standard (Part B, second edition) does not provide guidance on derivatives (p. 46)

Option 1	Option 2	Option 3	Option 4
Specify that derivatives are optional in Table 5.10 (do not provide calculation guidance*)	Specify that derivatives are required in Table 5.10 for FIs and/or non-FIs (do not provide calculation guidance*)	Remove “credit default swaps” from Table 5.10 and explicitly exclude derivatives from scope 3	Report this separately from scope 3

* Note that developing calculation guidance for derivatives is likely *not* feasible during the current update process

8. Guarantees

- **Description of investment:**
 - Guarantees are commitments made by a person, company, or institution to ensure that specific conditions or obligations are met (e.g., product, performance, payment, or deposit guarantees)
- **Stakeholder feedback:**
 - No stakeholders raised the topic of guarantees
- **Current standard approach:**
 - GHG Protocol lists “credit guarantees” and “financial guarantees” in Table 5.10 “Other investments...” (optional)
 - PCAF standard (Part B, second edition) states that: “Guarantees have no attribution until they are called and turned into a loan” (p. 80)

Option 1	Option 2	Option 3	Option 4
Maintain that guarantees are optional in Table 5.10 (develop no calculation guidance)	Specify that guarantees are optional in Table 5.10 (develop calculation guidance*)	Remove “credit guarantees” and “financial guarantees” from Table 5.10 and explicitly exclude guarantees from scope 3	Report this separately from scope 3

* Note that developing calculation guidance for derivatives is *likely not* feasible during the current update process

9. Insurance funds (insured party perspective)

- **Description of investment:**
 - Insurance funds reflect a pool of financial resources established (i.e., invested in a variety of financial instruments) to provide coverage or compensation for specified risks or losses (of insured parties)
 - Insurance funds are primary responsible for fulfilling policyholder (insured party) claims and are therefore constrained by the need to prioritize said liabilities (potential claims)
- **Stakeholder feedback:**
 - Insurance was mentioned in the context of harmonization with PCAF
- **Current standard approach:**
 - GHG Protocol lists “insurance contracts” and “export credit insurance” in Table 5.10 (optional)
 - PCAF has developed an Insurance-Associated Emissions Standard (Part C), however, this standard exclusively specifies guidance for insurers to account for the operating emissions attributable to insured parties

Option 1	Option 2	Option 3	Option 4
Maintain optionality for “insurance contracts” of insured party and/or insurers	Insured parties should (optionally) account for the emissions attributable to insurance fund investments	Require that insured parties account for the emissions attributable to insurance fund investments	For either Option 1, 2, or 3 , consider applicability or inclusion by FIs and non-FIs (including via significance*)

* Significance thresholds, if any, to be determined by Group B

10. Insurance claims (insurer perspective)

- **Description of investment:**
 - Insurance claims payments generally take the form of reimbursements to insured parties
 - Claims payments are used by insured parties to, for example, rebuild damaged property
- **Stakeholder feedback:**
 - Insurance was mentioned in the context of harmonization with PCAF
- **Current standard approach:**
 - GHG Protocol lists “insurance contracts” and “export credit insurance” in Table 5.10 (optional)
 - No insurance claims payment guidance exists in the PCAF standards

Option 1	Option 2	Option 3	Option 4
Maintain optionality for “insurance contracts” by insurers; and develop calculation guidance to attribute insured party emissions*	Require the inclusion of “insurance contracts” by insurers; and develop calculation guidance to attribute insured party emissions*	Specify Option 1 or 2 and report insurance claim-related emissions separately from scope 3 category 15	Specify Option 1 or 2 and report insurance claim-related emissions in scope 3 category 11 of insurers

* Note that developing calculation guidance for insurance claims *may not* be feasible during the current update process

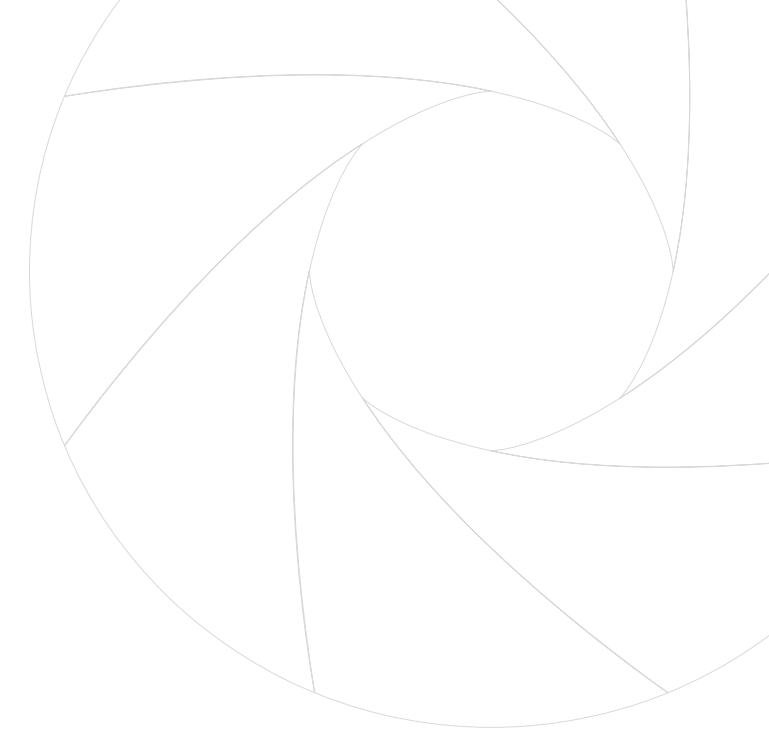
11. Cryptocurrency and blockchain

- **Description of investment:**
 - Cryptocurrency, or "crypto", is a digital currency that uses cryptography to enable secure transactions
 - Blockchain is a decentralized, digital ledger that stores and shares data securely across a network of computers
- **Stakeholder feedback:**
 - A few stakeholders inquired about emissions attributable to cryptocurrency
- **Current standard approach:**
 - Neither GHG Protocol nor PCAF provide guidance on cryptocurrency

Option 1	Option 2	Option 3	Option 4
Treat cryptocurrency like a purchased product (service) (category 1) as optional or required	Treat cryptocurrency like an investment (category 15) as optional or required	Treat crypto as both a purchased product (category 1) and an investment (category 15) depending on the situation	In addition to either Option 1, 2, 3 : Require a cradle-to-gate boundary for cryptocurrency when a company own the token*

* Consider resolving this quantification method in intermediary party consideration by Group B

Time planning



Way of working: Meeting times strive to be convenient and inclusive

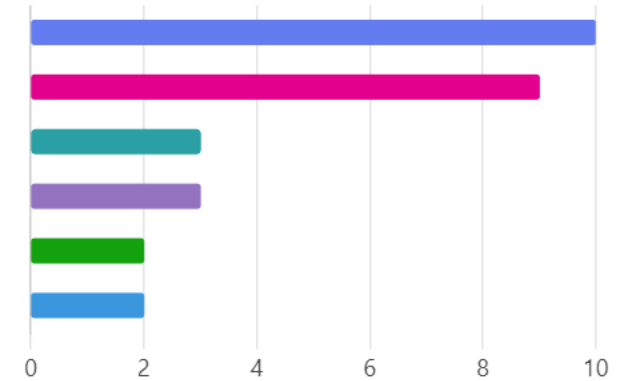
- **'Reasonable'** meeting hours are defined as **6am to 10pm**
 - **Goal 1: maximize comfortable meeting hours for as many TWG members as possible**, over the course of the standard setting/revision process
 - **Goal 2: do not systematically place some members into uncomfortable working hours**

Meeting time survey outcomes

- Data as of 20 November
- Participation: 12 responses
- Morning ET works best, Evening ET works least
- Default meeting time: 9-11am ET

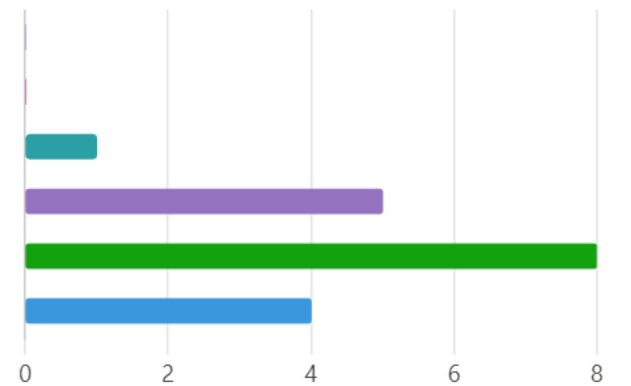
3. Which meeting time do you prefer?

- 1-3 pm UTC / 9-11 am ET / 3-5 pm CET / 9-11 pm CST 10
- 2-4 pm UTC / 10-12 am ET / 4-6 pm CET / 10 pm - 12 am CST 9
- 4-6 pm UTC / 12-2 pm ET / 6-8 pm CET / 12-2 am CST 3
- 6-8 pm UTC / 2-4 pm ET / 8-10pm CET / 2-4 am CST 3
- 9-11 pm UTC / 5-7 pm ET / 11 pm-1 am CET / 5-7 am CST 2
- Other 2



5. Which meeting time can you not commit to for any subgroup meetings?

- 1-3 pm UTC / 9-11 am ET / 3-5 pm CET / 9-11 pm CST 0
- 2-4 pm UTC / 10-12 am ET / 4-6 pm CET / 10 pm - 12 am CST 0
- 4-6 pm UTC / 12-2 pm ET / 6-8 pm CET / 12-2 am CST 1
- 6-8 pm UTC / 2-4 pm ET / 8-10pm CET / 2-4 am CST 5
- 9-11 pm UTC / 5-7 pm ET / 11 pm-1 am CET / 5-7 am CST 8
- Other 4

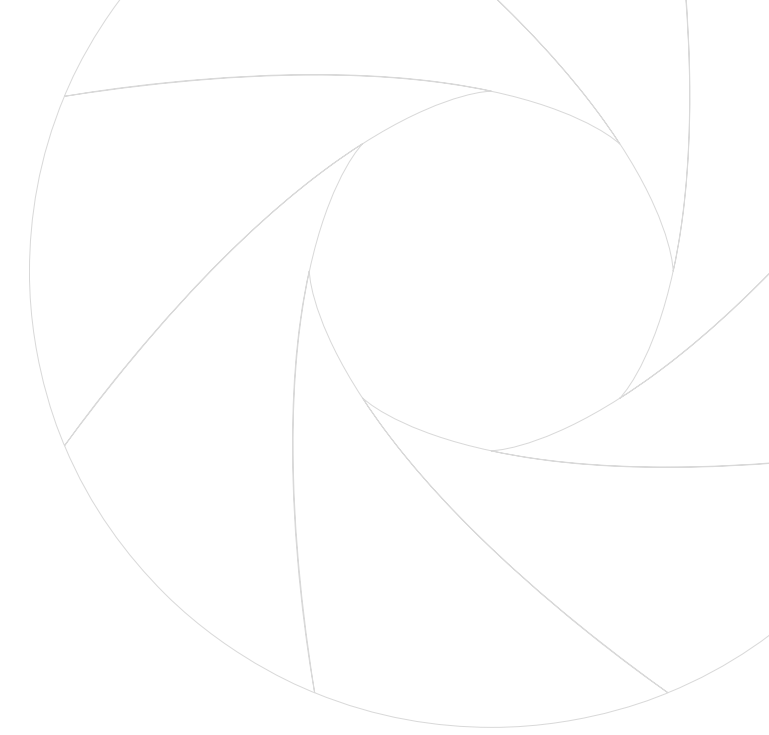


Meeting dates and times

- **9-11am EST confirmed** for all meetings, evening CET time received little support and a lot of opposition

Group C						
Meeting	Date	Time				
1	17 Oct 2024 Thu	06:00 PT	09:00 ET	15:00 CET	18:30 IST	00:00 AET
C.1	07 Nov 2024	06:00 PT	09:00 ET	15:00 CET	19:30 IST	00:00 AET
C.2	27 Nov 2024	06:00 PT	09:00 ET	15:00 CET	19:30 IST	01:00 AET
C.3	19 Dec 2024	06:00 PT	09:00 ET	15:00 CET	19:30 IST	00:00 AET
C.4	23 Jan 2025	06:00 PT	09:00 ET	15:00 CET	19:30 IST	01:00 AET
C.5	13 Feb 2025	06:00 PT	09:00 ET	15:00 CET	19:30 IST	01:00 AET
C.6	06 Mar 2025	06:00 PT	09:00 ET	15:00 CET	19:30 IST	00:00 AET
C.7	27 Mar 2025	06:00 PT	09:00 ET	14:00 CET	19:30 IST	00:00 AET
C.8	17 Apr 2025	06:00 PT	09:00 ET	15:00 CET	18:30 IST	00:00 AET
C.9	08 May 2025	06:00 PT	09:00 ET	15:00 CET	19:30 IST	00:00 AET
C.10	29 May 2025	06:00 PT	09:00 ET	15:00 CET	18:30 IST	23:00 AET
C.11	19 Jun 2025	06:00 PT	09:00 ET	15:00 CET	18:30 IST	23:00 AET

Next steps



Next steps

- GHG Protocol Secretariat:
 - December 2nd – Distribute the **Recording**
 - December 5th – Distribute **Meeting Minutes** and the **Feedback Form**
- Next meeting:
 - December 19th – **Meeting C.3 at 9-11am EST**

Thank you!

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