

# Scope 3 TWG Group C Meeting Minutes

Meeting 3

Date: December 19, 2024

Time: 09:00 – 11:00 AM ET

Location: Virtual

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## Attendees

### Technical Working Group Members

1. Karis Choi, HSBC
2. Ashwini Hingne, WRI
3. Elijah Innes-Wimsatt, Conservation International
4. Alexandre Kelemen, Mangué Tech
5. Meghan Kennedy, General Motors
6. Shannon McIlhone, Partnership for Carbon Accounting Financials (PCAF)
7. Nadia Montoto, KPMG
8. Kristian Rönn, Normative
9. James Salo, S&P Global Sustainable1
10. Fabiola Isabel Schneider, University College Dublin
11. Howard Shih, Science Based Targets initiative
12. Enric Tarrats, Banc Sabadell
13. Francesca Testa, CDP

### Guests

N/A

### GHG Protocol Secretariat

1. Hande Baybar
2. Natalia Chebaeva
3. Alexander Frantzen
4. Claire Hegemann
5. David Rich

## Documents referenced

1. Discussion Paper C.1 - Investments - Version 2.0
2. Scope 3 - Group C - Meeting C.3 - Presentation – 20241219 (“Presentation”)

## Summary

Item	Topic and Summary	Outcomes
1	<b>Agenda, housekeeping, decision-making criteria</b> The Secretariat presented the meeting agenda, housekeeping rules, and decision-making criteria.	• N/A
2	<b>Recap of previous issues</b> The Secretariat presented the previous issues: (1) requiring category 15 for FIs and non-FIs and (2) harmonizing requirements between GHG Protocol and the PCAF standards as it concerns consolidation approaches and data quality scoring.	• N/A
3	<b>Issue 3a: Identification and classification of various investment types</b> The Secretariat presented the issue of investment type definitions, identification and classification of investment types, and inclusion or exclusion by users (by financial institutions and non-financial institutions). This included a review of existing and potential new investment types. The TWG group were invited to discuss the issue. Twenty-eight (28) indicative polls were held.	• Secretariat to follow-up with a feedback form regarding items that need further clarification by Thursday, January 9th
4	<b>Issue 3b: Category 15 titling/naming</b> Discussion of this issue was not held due to time constraints.	• Secretariat to present this issue in the next TWG meeting for discussion
5	<b>Time planning and next steps</b> The Secretariat discussed meeting times and next steps. The Secretariat presented an alternative meeting time of 6-8am EST for two meetings in 2025 to benefit members in APAC time zones.	<ul style="list-style-type: none"> <li>• Secretariat to distribute the link to the meeting recording by December 20<sup>th</sup></li> <li>• Secretariat to distribute the meeting minutes and a feedback form by Thursday, January 9<sup>th</sup></li> </ul>

## Discussion and outcomes

### 1. Agenda, housekeeping, decision-making criteria

- Refer to Presentation slides 2-8
- Secretariat presented the meeting agenda, housekeeping rules, and decision-making criteria

### 2. Recap of previous issues

- Refer to Presentation slides 9-10
- The Secretariat presented the status of previous issues:
  - Issue 1: applicability of category 15 for FIs (financial institutions) and non-FIs (non-financial institutions) (refer to presentation *Scope 3 - Group C - Meeting C.1 - Presentation – 20241107* for a tentative definition of “non-FI”)
    - Draft language is pending from the Secretariat
  - Issue 2: harmonization with PCAF. Indicative poll results are sufficient for Secretariat to pass on to Corporate Standard TWG for consideration
    - Draft language is pending from the Secretariat

### Discussion

- N/A

### Outcomes

- Secretariat to follow-up with draft edits and language on applicability of category 15 for non-financial institutions and on harmonization with PCAF for the TWG members to review for final comments

## **3. Issue 3a: Identification and classification**

- Refer to Presentation slides 11-67
- The Secretariat presented the problem statement and implications regarding identification and classification
- A first warmup-poll was held, asking for TWG member opinions on the current category 15 (investment) sub-classifications
- The TWG members indicated overall confusion and difficulties in applying them consistently
- The Secretariat presented and explained the three principles for characterizing investments (investment, ownership, and authority) which are designed to support consideration
- The Secretariat presented the legal definition of an investment (based on contract law), the GHG Protocol standard approach for characterizing investments, and the PCAF standards definition of the term investment
- The Secretariat clarified why the 'exchange of value' is not listed as a differentiating principle for investments (it being a non-differentiating, universal characteristic of nearly all scope 3 activities)
- A second warm-up poll was held, asking TWG members if category 15 should include (1) only investments or (2) investments *and* investment-related activities
- The TWG members were split in their responses, with no consensus found
- The Secretariat presented a review of existing and potential new investment types, with an indicative poll for each type of investment

### Discussion

- One TWG member asked for more clarity on the role of the indicative polls, specifically, whether members should vote in a way to best meet the existing principles of the standard or if the principles could be changed in line with indicative poll opinion
- The Secretariat clarified that the purpose of the indicative polls is to clarify what exactly is meant by investments, i.e., identification and classification, followed by specifying optionality and exclusions
- The Secretariat said that if *no* consensus can be found on an issue, then that would serve as an indication that principles may need to be changed

## **Green bonds and sovereign bonds**

- The Secretariat presented the consideration of adding green bonds (with and without known use of funds), as well as sovereign bonds (listed and unlisted) to the table 5.9 and 5.10 descriptions
- One TWG member asked how a green bond with unknown use of funds is possible, as the purpose of a green bond is that it is clear where funds are going
- The Secretariat clarified that there could possibly be a type(s) of green bond that is not tied to a specific project, and said that if TWG members can affirm that no such bonds exist, then green bonds with unknown proceeds would be removed as a classification
- Another TWG member affirmed that this is possible in the first year of reporting, as green bonds usually need to report the use of proceeds after one year, thus depending on the timing of reporting, a green bond with unknown use of funds could be possible
- One TWG member asked where the list of new investment types originated
- The Secretariat answered that they were raised during the 2023 stakeholder survey, and invited TWG members to flag any missing investment types
- One TWG member stated that the list provided is non-exhaustive
- One TWG member referenced the PCAF consultation launched in December 2024, which has built a methodology for known use of proceeds, in the context of broadening the scope beyond green bonds

- One TWG member suggested renaming green bonds as ‘sustainability-related’ or ‘sustainability-focused’ bonds, to be more inclusive of other types, citing evolving changes in the labelling of such bonds in private and public markets
- One TWG member agreed, stating that it would be beneficial to mitigate taxonomy issues
- The Secretariat asked if sovereign bonds need to be distinguished from other types of bonds, or if the item could be called “bonds, notes, and other types of instruments”
- One TWG member replied that the classification may depend on the quantification methodology
- One TWG member suggested defining the term ‘known use of proceeds’, stating that green bonds may not meet this criterion when issued despite eventually meeting the criterion
- **Indicative Poll 1: Green/sovereign bonds**
  - Question 1: Should green bonds and sovereign bonds be classified as debt investments in Table 5.9 and Table 5.10?
    - 9 - Yes
    - 0 - No
    - 1 - Abstain

### Third-party managers (funds or investments managed/advised by)

- One TWG member stated that the table distinguishing principles of investment, ownership and authority is very helpful and asserted that if all three are met, then they favored a unified approach
- Further, the TWG member questioned what is more useful – receiving this information from the reporting organization by investment type (as classified in Table 5.9 and 5.10) or classified by whether it is an investment of or by the reporting organization (with the latter possibly being better from a regulatory and/or liability perspective)
- The Secretariat questioned if by this the TWG member believed that no separate line item for third-party managed investments (from Table 5.10) would be needed
- The member replied that that would be a simplification, but that this runs the risk of limiting information and clarity to distinguish managed vs. owned investments
- **Indicative Poll 2: Third-party managers**
  - Question 2a: Should third-party managers with discretionary management control be classified as managed investments in Table 5.10? Results (TWG members):
    - 9 - Yes
    - 1 - No
    - 0 - Abstain
  - Question 2b: Should third-party managers with discretionary management control be required to account for and report the emissions attributable to managed investments? Results (TWG members):
    - 3 - Maintain optionality
    - 1 - Require for only Fis
    - 6 - Require for FIs/non-FIs
    - 0 - Abstain
- **Indicative Poll 3: Third-party managers**
  - Question 3a: Should third-party managers with non-discretionary advisory control be classified as financial advisory services in Table 5.10? Results (TWG members):
    - 6 - Yes
    - 3 - No
    - 3 - Abstain
  - Question 3b: Should third-party managers with non-discretionary advisory control be required to account for and report the emission attributable to managed investments? Results (TWG members):
    - 4 - Maintain optionality
    - 0 - Require for only FIs
    - 4 - Require for FIs/non-FIs
    - 3 - Abstain
- **Indicative Poll 4: Clients of (investors in) funds**
  - This indicative poll was not held but will be distributed via a feedback form

## Pension funds/retirement accounts

- One TWG member asked whether the non-authority and non-ownership of employee pensions by companies is similar to the non-authority and non-ownership of other employee activities currently included in other scope 3 categories, like employee commuting (category 7)
- This was seconded by another TWG member
- **Indicative Poll 5: Pension funds/retirement accounts**
  - Question 5a: Should emissions attributable to investments made by pension funds or retirement accounts remain classified in the description of other investments or financial services in Table 5.10? Results (TWG members):
    - 7 - Yes
    - 0 - No
    - 2 - Abstain
  - Question 5b: Should the description in Table 5.10 unambiguously refer to investments made by a pension fund or retirement account (not reporting companies making compensation payments thereto)? Results (TWG members):
    - 6 - Yes
    - 0 - No
    - 3 - Abstain
- **Indicative Poll 6: Investments managed by endowment funds and/or foundations**
  - Question 6a: Should emissions attributable to investments managed by endowment funds and/or foundations be classified in the description for managed investments in Table 5.10? Results (TWG members):
    - 9 - Yes
    - 0 - No
    - 3 - Abstain
  - Question 6b: Should endowment funds and/or foundations be required to account for and report the emissions attributable to managed investments? Results (TWG members):
    - 1 - Maintain optionality
    - 1 - Require for only FIs (note that an endowment fund is considered and FI)
    - 7 - Require for FIs/non-FIs
    - 3 - Abstain

## Compensation Payments

- One TWG member asked for clarification on the difference between option 1 and 2
- The Secretariat clarified that if the member thinks compensation payments should be itemized separately (within category 15) then they should choose option 2; whereas option 1 means that it would remain grouped (undifferentiated) in "Other investments or financial services" (Table 5.10)
- The Secretariat asked if any member believes that compensation payments and associated emissions should *not* be accounted for at all
- No members raised their hand
- The Secretariat will follow up on this point in the post-meeting feedback form
- **Indicative Poll 7: Compensation payments**
  - Question 7a: How should emissions associated with investments made using compensation payments made by a reporting company to a pension fund or retirement account (on behalf of employees) be accounted for by the reporting company? Results (TWG members):
    - 1 - Add to category 15 other investments or financial services (Table 5.10)
    - 5 - Add sub-category to category 15 for compensation payments
    - 1 - Specify in another scope 3 category (e.g. category 1 as a purchased service)
    - 2 - Create a new scope 3 category (e.g. category 16 for facilitated emissions)
    - 0 - Itemize separately from the reporting company's scope 3 inventory
    - 0 - Other
    - 4 - Abstain
  - Question 7b: Should a reporting company making compensation payments to a pension fund or retirement account (on behalf of employees) be required to account for and report the associated emissions attributable to investments managed by the pension fund or retirement account? Results (TWG members):

- 2 - Maintain optionality
- 0 - Require for only FIs
- 6 - Require for FIs/non-FIs
- 5 - Abstain

## Donations/grants

- One TWG member stated that if category 15 includes all donations and grants, then it could more closely resemble category 1, as there is a service or value that the company is getting out of or purchasing with the donations
- The member argued that another choice should be presented here, namely, classifying donations and/or grants under another scope 3 category, e.g., category 1 (purchased goods and services)
- Further, the member stated that this is how their (the TWG member's) employer handles grants
- Another TWG member seconded this idea
- The Secretariat will follow up on this idea in the post-meeting feedback form
- **Indicative Poll 8: Donations/grants**
  - Question 8a: How should donations or grants to an endowment fund or foundation made by a reporting company be accounted for by the reporting company? Results (TWG members):
    - 1 - Add to category 15 other investments or financial services (Table 5.10)
    - 6 - Add sub-category to category 15 for donations/grants
    - 0 - Create a new scope 3 category (e.g. category 16 for facilitated emissions)
    - 2 - Itemize separately from the reporting company's scope 3 inventory
    - 1 - Other
    - 2 - Abstain
  - Question 8b: Should a reporting company providing donations/grants to an endowment fund and/or foundation be required to account for and report the associated emissions attributable to investments made by the endowment fund and/or foundation? Results (TWG members):
    - 3 - Maintain optionality
    - 1 - Require for only FIs (note that many if not most donors/grantors are not FIs)
    - 6 - Require for FIs/non-FIs
    - 2 - Abstain

## Derivatives

- One TWG member made the point that premium payments made by insured parties to insurance funds (on slide 46) seems like an investment
- One TWG member stated that derivatives have less of a direct world impact in general
- One TWG member referred to research that they were involved in for further context on derivatives: Salo and Hokanson (2015): [How to Account for Greenhouse Gas \(GHG\) Emissions of Derivatives](#)
- **Indicative Poll 9: Derivatives**
  - Question 9a: Should derivatives (all types, including futures, forwards, swaps, options) be added and classified under other investments or financial services (Table 5.10)? Results (TWG members):
    - 7 - Yes
    - 3 - No
    - 3 - Abstain
  - Question 9b: Should buyers/sellers of derivatives be required to account for and report the emissions attributable to the underlying asset(s) thereof (despite not directly owning nor controlling said asset(s))? Results (TWG members):
    - 7 - Maintain optionality
    - 0 - Require for only FIs
    - 5 - Require for FIs/non-FIs
    - 1 - Abstain

### Insurance funds:

- **Indicative Poll 10: Insurance funds**

- Question 10: Can and should insurance funds classify their investments as either equity investments, debt investments, or project finance (using Table 5.9 and/or 5.10)? Results (TWG members):
  - 8 - Yes
  - 0 - No
  - 3 - Abstain

### Premium Payments:

- **Indicative Poll 11: Premium payments**

- Question 11a: How should an insured party (reporting company) making premium payments account for and report the emissions attributable to insurer investments (using said premium payments)? Results (TWG members):
  - 4 - Keep in category 15 under other investments or financial services (table 5.10)
  - 4 - Create new sub-category in category 15 for insurance-related payments
  - 0 - Specify in another scope 3 category (e.g. category 1 as a purchased service)
  - 0 - Create a new scope 3 category (e.g. category 16 for facilitated or other intermediary emissions)
  - 0 - Itemize separately from the reporting company's scope 3 inventory
  - 1 - Other
  - 3 - Abstain
- Question 11b: Should an insured party (reporting company) making premium payments be required to account for and report the emissions attributable to investments made by insurance funds? Results (TWG members):
  - 5 - Maintain optionality
  - 0 - Require for only FIs (note that most insured parties are not FIs)
  - 3 - Require for FIs/non-FIs
  - 4 - Abstain

### Claims payments:

- One TWG member stated that there are many types of insurance, some being more akin to investments than others; without knowing specifically which insurance types we are considering here it is too early to say whether they are in scope
- The Secretariat agreed that this is a very general approach, citing that PCAF itemizes the types of insurance products that are included
- **Indicative Poll 12: Claims payments**
  - Question 12a: Should insurers (reporting company) making claims payments to insured parties account for and report the emissions attributable to insured parties' use of said claims payments? Results (TWG members):
    - 0 - Keep in category 15 under other investments or financial services (table 5.10)
    - 5 - Create new sub-category in category 15 for insurance-related payments
    - 2 - Specify in another scope 3 category (e.g. category 16 for facilitated or other intermediary emissions)
    - 0 - Create a new scope 3 category (e.g. category 16 for facilitated or other intermediary emissions)
    - 1 - Itemize separately from the reporting company's scope 3 inventory
    - 1 - Other
    - 2 - Abstain
  - Question 12b: Should insurers (reporting company) making claims payments be required to account for and report the emissions attributable to insured parties' use of said claims payments? Results (TWG members):
    - 2 - Maintain optionality
    - 0 - Require for only FIs (note that most insured parties are not FIs)
    - 6 - Require for FIs/non-FIs
    - 3 - Abstain

## Guarantees:

- **Indicative Poll 13: Guarantees**

- Question 13a: How should parties (reporting companies) to guarantees account for and report the emissions attributable to the execution of a guarantee (e.g., financial guarantee, payment guarantee, product guarantee, etc.)? Results (TWG members):
  - 2 - Keep in category 15 under other investments or financial services (Table 5.10)
  - 3 - Create new sub-category 15 for insurance-related payments
  - 0 - Specify in another scope 3 category (e.g. category 1 as a purchased service)
  - 0 - Create a new scope 3 category (e.g. category 16 for facilitated or other intermediary emissions)
  - 0 - Itemize separately from a reporting company's scope 3 inventory
  - 0 - Other
  - 5 - Abstain
- Question 13b: Should parties (reporting companies) to guarantees be required to account for and report the emissions attributable to insured parties' use of said claims payments? Results (TWG members):
  - 5 - Maintain optionality
  - 1 - Require for only FIs (note that most insured parties are not FIs)
  - 1 - Require for FIs/non-FIs
  - 3 - Abstain

## Insurance-associated emissions:

- **Indicative Poll 14: Insurance-associated emissions**

- Question 14a: Should an insurer's (reporting company's) insurance-associated emissions (as defined by PCAF) be added to scope 3 category 15 in the Scope 3 Standard? Results (TWG members):
  - 1 - Add to category 15 under other investments and financial services in table 5.10
  - 5 - Add to category 15 via a new sub-category in category 15 for insurance-associated payments
  - 2 - Create a new scope 3 category (e.g. category 16 for facilitated and other emissions)
  - 0 - Itemize separately from the reporting company's scope 3 inventory
  - 0 - Other
  - 1 - Abstain
- Question 14b: Should an insurer (reporting company) be required to account for and report the insurance-associated emissions (as defined by PCAF) attributable to insured parties' business operations? Results (TWG members):
  - 1 - Maintain optionality
  - 0 - Require for only FIs (note that most insured parties are not FIs)
  - 7 - Require for FIs/non-FIs
  - 1 - Abstain

## Cash equivalents:

- **Indicative Poll 15: Cash equivalents**

- Question 15a: Should cash equivalents be classified in Table 5.10 as other investments or financial services by a depositor (reporting company)? Results (TWG members):
  - 9 - Yes
  - 1 - No
  - 0 - abstain
- Question 15b: Should a reporting company be required to account for and report cash equivalents? Results (TWG members):
  - 2 - Maintain optionality
  - 0 - Require for only FIs
  - 7 - Require for FIs/non-FIs
  - 1 - Abstain



- **Indicative Poll 16: Cash deposits**

- Question 16a: Should a depositor (reporting company) account for and report the emissions associated with the use (lending) of their cash deposits by the banks/deposit holder in the depositor's category 15? Results (TWG members):
  - 3 - Add to category 15 under other investments and financial services in Table 5.10
  - 2 - Add to category 15 via a new sub-category in category 15 for cash deposits
  - 0 - Create a new scope 3 category (e.g. category 16 for facilitated emissions)
  - 1 - Itemize separately from scope 3 inventory
  - 3 - Abstain
- Question 16b: Should a depositor (reporting company) be required to account for and report cash deposits? Results (TWG members):
  - 5 - Maintain optionality
  - 0 - Require for only FIs
  - 2 - Require for FIs/non-FIs
  - 3 - Abstain

Outcomes (from Issue 3a. Identification and classification)

- Poll results are indicative and do *not* reflect final recommended revisions to the *Scope 3 Standard*
- Poll results will be used to support further consideration and discussion in future meetings
- The Secretariat will circulate a post-meeting feedback form to pose questions 7a, 8a, 11a, 13a, and 14a with a complete set of options, as well as indicative poll 4 (which was not held)

#### **4. Issue 3b: Category 15 titling/naming**

- Refer to Presentation slides 68-78
- This issue (3b) was not presented nor were discussions held due to time constraints
- Secretariat to present this issue in the next TWG meeting for discussion

Discussion

- N/A

Outcomes

- N/A

#### **6. Time planning and next steps**

- Refer to Presentation slides 79-83
- The Secretariat presented an alternative meeting time of 6-8am EST for two meetings in 2025 to benefit members in APAC time zones

Discussion

- N/A

Outcomes

- Meetings C.5 and C.8 (in 2025) will be held at 6-8am EST

## **Summary of written submissions received prior to meeting**

- N/A