Scope 3 TWG Group C Meeting Minutes

Meeting 6
Date: March 06, 2025
Time: 09:00 – 11:00 AM ET
Location: Virtual

Attendees

Technical Working Group Members

1. Karis Choi, HSBC
2. Elijah Innes-Wimsatt, Conservation International
3. Megan Kennedy, General Motors
4. Arundhati Srinivasan, Maersk
5. Shannon McIlhone, Partnership for Carbon Accounting Financials (PCAF)
6. Colin Powell, PwC
7. James Salo, S&P Global Sustainable1
8. Fabiola Isabel Schneider, University College Dublin
9. Howard Shih, Science Based Targets initiative
10. Enric Tarrats, Banc Sabadell

Guests

11. Janak Shrestha, World Bank
12. Fredrick Mokua, UNFCCC

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.6 - Presentation – 20250306 ("Presentation")

Summary

Item	Topic and Summary	Outcomes
1	**Housekeeping and decision-making criteria** The Secretariat presented the meeting agenda, housekeeping rules, and decision-making criteria.	N/A
2	**Scope of work and recap of previous issues** The Secretariat presented the scope of work and a recap of meetings C.1-C.5 and disaggregated reporting (Issue 4b), proportionality (Issue 5a), relevant scope 3 emissions of investees or projects (Issue 5b), and relevant projects and sector-specific requirements (Issue 5c).	N/A
3	**Issue 5a: Proportionality** The Secretariat presented results from previous member polling, and a hypothetical case study to examine proportionality implications for equity, and facilitated a discussion on the decision-making criteria analysis. Indicative polling was held.	• "Equity proportionality should use equity and debt in the denominator?" **Poll result:** Majority voted "Yes" • A follow-up survey will be sent
4	**Issue 5b: Relevant scope 3 emissions of investees** The Secretariat presented results from previous member polling, current minimum boundary guidance from PCAF Part A, the feasibility challenge of using primary data, and permissible exclusions due to a lack of data. Indicative polling was held.	• "If investee scope 3 is required, should there be an exclusion clause for lack of data?" **Poll result:** Majority voted "No (investors should never be permitted to exclude an investee scope 3)" • "Should other permissible justifications for exclusion be provided?" **Poll result:** Tie between "Yes" and "No" • A follow-up survey will be sent.
5	**Issue 5c: Relevant projects** The secretariat presented results from previous member polling, and further questions on on emission thresholds or criteria for projects. Indicative polling was held.	• "If emissions from debt investments (with known use of proceeds), project finance, and debt investments (without known use of proceeds) are required subject to a magnitude (5%) threshold – then can "where relevant" or "relevant project" language be removed**?"** **Poll result:** Majority voted "Yes" • "Should and could thresholds or other criteria be defined and stipulated for the inclusion of projects?" **Poll result:** No consensus • A follow-up survey will be sent.
6	**Issue 5d: Investors with intermediaries** The Secretariat presented the current language of the *Scope 3 Standard* on total projected lifetime emissions of projects. Indicative polling was held.	• "Should projected lifetime emissions of financed projects be required to be reported in the year the project is financed?" **Poll result:** Majority voted "Yes" • "Should projected lifetime emissions be reported separately from a company's scope 3 inventory (e.g. unlike sold products, category 11)?" **Poll result:** Majority voted "Yes"

Summary (continued)

Item	Topic and Summary	Outcomes
7	**Issue 5e: Total projected lifetime of projects** The Secretariat presented current language in the *Scope 3 Standard* on this issue and asked if limited partnerships should be named explicitly. Indicative polling was held.	• "Should LPs be identified in the category 15 minimum boundary description for equity investments (in addition to subsidiaries, JVs, and associate companies)?" **Poll result:** Majority voted "Yes" • "Should it be stipulated that a reporting company should or shall disclose the emissions of any entity to which the reporting company has a legal right to the profits thereof (via equity, debt or any other form of ownership of partnership)?" **Poll result:** Majority voted "Yes (all FIs and non-FIs)"
8	**Optionality of cash activities for FIs** The Secretariat presented the indicative classification and optionality (Issue 4a), and the implications of including a cash equivalent requirement, providing a calculation example. Indicative polling was held.	• The Secretariat conducted a poll on the question "Should reporting scope 3 emissions from cash equivalents be mandatory based on the decision-making criteria?" **Poll result:** Majority voted "Yes (all FIs and non-FIs) • The Secretariat conducted a poll on the question "Should reporting scope 3 emissions from cash deposits be mandatory based on the decision-making criteria?" **Poll result:** No consensus • A follow-up survey will be sent.
9	**Optionality of "FI" activities for non-FIs** The Secretariat presented the plan for considering insurance-related emissions, donations, and compensation payments in later meetings and facilitated a discussion on non-FIs performing "FI" activities.	• "Should GHG Protocol stipulate exceptions for financial institutions? Specifically: Require that FIs report emissions from underwriting, issuance, and insurance-associated (and possibly other insurance-related) activities irrespective of the optionality available to non-FIs?" **Poll result:** Majority voted "other" • A follow-up survey will be sent.
10	**Time planning and next steps** The Secretariat discussed meeting times and next steps.	• Secretariat to distribute the link to the meeting recording by March 7th • Secretariat to distribute the meeting minutes and a feedback form by Thursday, March 13th

Discussion and outcomes

1. Housekeeping and decision-making criteria

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

Discussion

- N/A

Outcomes

- N/A

2. Scope of work and recap of previous issues

- Refer to Presentation slides 9-14.
- The Secretariat presented the status of previous issues:
    - Summary of meetings C.1 – C.5
    - Review of disaggregated reporting (Issue 4b), proportionality (Issue 5a), relevant scope 3 emissions of investees or projects (Issue 5b), and relevant projects and sector-specific requirements (Issue 5c).

Discussion

- N/A

Outcomes

- N/A

3. Issue 5a: Proportionality

- Refer to Presentation slides 15-21.
- The Secretariat presented the results from the TWG member polling from meeting C.5.
- The Secretariat presented a hypothetical case study to examine proportionality implications, and facilitated a discussion on the decision-making criteria analysis.

Discussion

- A TWG member commented that alignment with PCAF is a more important decision factor than other criteria.
- A TWG member asked why option 2 would be considered more challenging, and whether that was due to data availability.
    - The Secretariat replied that that was the initial analysis but called for members to add additional factors if any.
    - The TWG member commented that in their professional practice they do not lack data, caveating that this might not be the case for all reporters, citing geographic differences.
    - One TWG member added that data availability is a factor that could make Option 2 more challenging than Option 1, but that this doesn't have to be the case.
- A TWG member added that feasibility is of less concern for them, and that comparability across organizations and alignment with PCAF are key in order to make the information useful. Minor data availability challenges aside, alignment with PCAF would be good practice in any case.
- The Secretariat asked the TWG members to comment on whether (one) minority equity holder(s) reporting proportionally lower emissions would have consequences on ambitious climate action, given that majority debt holders (i.e., primary actors with more control) would be reporting the same.

    - A TWG member agreed with the statement, citing that this distribution in accounting would be fairer.
    - A TWG member said that other factors are more relevant in driving action, rather than a different figure in an inventory.
- A TWG member asked if there is an argument to report equity and debt separately, so that they could be combined or separated and considered individually. The member stated that the calculation wouldn't result in added burden but would just end up with two numbers. This might solve the comparability issue by combining them while also allowing entities with less data to only report the equity portion, if they are unable to report both, aiding with feasibility. The member asked if PCAF had considered this approach.
    - A TWG member commented that they could not immediately comment but will investigate with PCAF.
- A TWG member said that they are not sure there would be the same potential for action, as equity has voting rights which debt does not.
    - The Secretariat asked the member to clarify if they are of the opinion that equity holders should only have equity in the denominator as a result.
    - The TWG member replied that they are not ready to make that determination.
- A TWG member raised the point of looking at primary and secondary markets and that, usually, debt markets are providing capital to companies. They commented that equity is more liquid, and thus the long-term versus short-term investment argument is not as straightforward. The member also views alignment with PCAF as the main decision criteria.
- A TWG member stated that the number in an inventory has less impact than whether you actually have influence in a company, and that thus the final number is less of a decision-making factor here than alignment with PCAF. The member stated that decarbonization efforts are directed depending on where one has influence, and that the magnitude of an inventory number is less relevant.

Outcomes (from Issue 5a. Proportionality)

- The Secretariat conducted a poll on the question "Equity proportionality should use equity and debt in the denominator"
    - Yes – 89% (8/9)
    - No, it should use simply equity (as is) – 0% (0/9)
    - Other – 0% (0/9)
    - Abstain – 11% (1/9)
- The Secretariat committed to asking this question again in the post-meeting survey.

6. Issue 5b: Relevant scope 3 emissions of investees

- Refer to Presentation slides 19-28.
- The Secretariat presented current minimum boundary guidance from PCAF Part A, the feasibility challenge of using primary data, and permissible exclusions due to a lack of data.
- The Secretariat presented the poll results on Issue 5b from the previous meeting.

Discussion

- A TWG member commented on the decision-making criteria, stating that relevance is very important here. Looking at high-impact sectors such as fossil fuels, not including scope 3 category 11 would create a wrong picture.
- A TWG member agreed with the previous speaker, that relevance was key. On the feasibility challenge, the member commented that there is always the option of using spend-based calculation to ballpark the emissions, rather than setting an incorrect default value of 0.
- A TWG member agreed that scope 3 emissions can be modelled, and that scope 3 emissions of investees should be reported.
- The Secretariat asked members whether requiring the inclusion of scope 3 emissions from all types of loan or debt instruments, such as mortgages or commercial real estate, presents challenges, or whether justified exclusions should be specified.

  - A TWG member commented that relevance is the biggest criteria in this case, and that a lot of emissions are lost if these activities are optional, thus voicing their support for "shall" language. The member said that it is hard to deem what is relevant based on an investment portfolio, so making certain categories optional and others required without having visibility of what is relevant does not give a fair picture.
  - A TWG member asked if the 'where relevant' language still stands, citing that if all instruments are required, the 'where relevant' still gives an institution the choice to exclude if the specific instrument's scope 3 emissions are small.
- The Secretariat asked members to comment on the justified exclusions language.
  - A TWG member replied that scope 3 emissions are the majority in almost all sectors, and that lack of data should not be the basis for a justified exclusion.
- The Secretariat added that subgroup B of the Scope 3 TWG is seriously considering a 5% magnitude threshold for the entirety of scope 3, or categories 1-14 and category 15 separately, which implies that emissions from minor investments would not need to be included, but major investments would.
- A TWG member replied that 'where relevant' allows e.g. fossil fuel companies to only report business travel emissions, which does not give an accurate picture of their emissions. If there was "shall" language for scope 3 overall, then this loophole wouldn't exist. The member voiced support for the 5% magnitude threshold, also stating that relevance and materiality is different.
- A TWG member followed up that it's important to be careful around self-defined relevancy, which can lead to a lot of exclusions that should be reported.

<u>Outcomes (from Issue 5b. Relevant scope 3 emissions of investees or projects)</u>
- The Secretariat conducted a poll on the question "If investee scope 3 is required, should there be an exclusion clause for lack of data?"
  - Yes (investors should be permitted to exclude investee scope 3 subject to lack of data) – 20% (2/10)
  - No (investors should never be permitted to exclude an investee scope 3) – 70% (7/10)
  - Other – 1-% (1/10)
  - Abstain – 0% (0/10)
- The Secretariat conducted a poll on the question "Should other permissible justifications for exclusion be provided?"
  - Yes – 40% (4/10)
  - No – 40% (4/10)
  - Other – 10% (1/10)
  - Abstain – 10% (1/10)
- The Secretariat committed to asking members to specify any other permissible justifications in the post-meeting survey.

7. Issue 5c: Relevant projects

- Refer to Presentation slides 28-32.
- The Secretariat presented the results of the TWG member polling from meeting C.5.
- The Secretariat presented further questions on emission thresholds or criteria for projects.

<u>Discussion</u>

- A TWG member asked for clarification if that is a 5% threshold for emissions in relative terms at all times, as there is no absolute threshold for comparison, and that 5% could be very different across companies.
  - The Secretariat stated that there was support for an absolute threshold in the relevant discussions in subgroup B of the Scope 3 TWG, but that no value was agreed upon, and thus only the cumulative 5% was taken forward.
  - The TWG member suggested looking at data on averages across sectors and companies in order to determine an absolute threshold.
  - The Secretariat clarified that a few different suggestions were made in group B, but that they were very disparate values and based on personal ideation, which the group collectively decided against.

  - A TWG member agreed on the difficulty of setting an absolute threshold.
  - A TWG member stated that the number could periodically be put up for review. The member voiced their concern from the impact perspective, that 5% of emissions for a large company is still very significant in absolute terms. The member argued for an additional floor on absolute emissions, which would mainly affect very large companies that have the resources for such calculations.
- A TWG member stated that from an economy or industry perspective, the goal is to capture the majority of emissions and have comparability across organizations.
- A TWG member argued for the inclusion of a criteria on double materiality, citing the approach taken in the European Union ESRS.
- A TWG member voiced support for sticking to technical definitions and approaches, avoiding politicized terms such as double materiality, in order to maintain the pragmatic approach of the GHG Protocol.
- A TWG member highlighted the need to not inflate financial materiality and significance and emissions materiality and significance, which are not always the same.

Outcomes

- The Secretariat conducted a poll on the question "If emissions from debt investments (with known use of proceeds), project finance, and debt investments (without known use of proceeds) are required subject to a magnitude (5%) threshold – then can "where relevant" or "relevant project" language be removed?"
  - Yes – 72% (5/7)
  - No – 14% (1/7)
  - Other – 14% (1/7)
  - Abstain – 0% (0/7)
- The Secretariat conducted a poll on the question "Should and could thresholds or other criteria be defined and stipulated for the inclusion of projects?"
  - Yes – 44% (3/7)
  - No – 0% (0/7)
  - Other – 28% (2/7)
  - Abstain – 28% (2/7)
- The Secretariat committed to providing an opportunity to leave written feedback on this issue in the post-meeting survey.

8. Issue 5d: Total projected lifetime of projects

- Refer to Presentation slides 33-36.
- The Secretariat presented the current language of the *Scope 3 Standard* on total projected lifetime emissions of projects.
- The Secretariat posed questions on this issue and conducted live analysis using the decision-making criteria.

Discussion

- A TWG member asked how PCAF handles this matter, and asked how exactly the projected lifetime emissions would be calculated.
  - The Secretariat clarified that for an initial sponsor of a project, the lifetime emissions of a project can be reported separately from scope 3. The Secretariat provided the example of an oil and gas project that is sold in the second year, for which the initial sponsor would account lifetime emissions separately.

Outcomes

- The Secretariat conducted a poll on the question "Should projected lifetime emissions of financed projects be required to be reported in the year the project is financed?"
  - Yes – 72% (5/7)
  - No – 14% (1/7)

  - Other – 14% (1/7)
  - Abstain – 0% (0/7)
- The Secretariat conducted a poll on the question "Should projected lifetime emissions be reported separately from a company's scope 3 inventory (e.g. unlike sold products, category 11)"
  - Yes – 72% (5/7)
  - No – 14% (1/7)
  - Other – 14% (1/7)
  - Abstain – 0% (0/7)
- The Secretariat clarified that if members agree with the current language in the *Scope 3 Standard*, then they should vote "yes" to these questions.

9. Issue 5e: Investors that rely on or use intermediaries

- Refer to Presentation slides 37-41.
- The Secretariat presented current language in the *Scope 3 Standard* on this issue and asked if limited partnerships (LPs) should be named explicitly.

<u>Discussion</u>

- A TWG member asked for clarification if the issue is split into whether this should be included at all, and then secondly how it should be included.
  - The Secretariat responded that limited partners often do not have controlling interest, and that the question is what kind of language should be added to include this. Currently there is no place for LPs to unambiguously be reported.
- A TWG member suggested including LPs explicitly in the description of equity.

<u>Outcomes</u>

- The Secretariat conducted a poll on the question "Should LPs be identified in the category 15 minimum boundary description for equity investments (in addition to subsidiaries, JVs, and associate companies)?"
  - Yes (all FIs and non-FIs) – 100% (5/5)
  - Yes (only FIs) – 0% (0/5)
  - No (neither FIs nor non-FIs) – 0% (0/5)
  - Abstain – 0% (0/5)
- The Secretariat conducted a poll on the question "Should it be stipulated that a reporting company should or shall disclose the emissions of any entity to which the reporting company has a legal right to the profits thereof (via equity, debt or any other form of ownership of partnership)?"
  - Yes (all FIs and non-FIs) – 67% (4/6)
  - Yes (only FIs) – 0% (0/6)
  - No (neither FIs nor non-FIs) – 0% (0/6)
  - Abstain – 33% (2/6)

10. Optionality of cash equivalents (implications of inclusion)

- Refer to Presentation slides 42-47.
- The Secretariat presented the indicative classification and optionality (Issue 4a), and the implications of including a cash equivalent requirement, providing a calculation example.

<u>Discussion</u>

- A TWG member asked if in the provided calculation example cash and cash equivalents could be split up, in order to see which one drives the uptake.
- A TWG member stated strong support for the inclusion of C&CE, citing the very large impact e.g. for technology companies, and asked why this instrument should be treated differently than other investments, as C&CE is a financial choice as other investments are.

- The Secretariat clarified that cash deposits are not investments.
    - The member voiced support for the inclusion of cash deposits and cash equivalents.
- The Secretariat asked if inclusion of cash deposits should be subject to calculation guidance to be developed
    - A TWG member agreed
- A TWG member commented on feasibility, that there is limited choice available in terms of banks that can accommodate very large amounts of money, thus making an environmentally sustainable choice not feasible for many large-caps, stating that the choice availability for cash equivalents is different which is why cash equivalents should be included.
    - The Secretariat asked if the absence of sustainable choices could be a reason to require cash deposits, to encourage companies to pressure banks to lower their emissions.
    - A TWG member agreed with this rationale.
    - A TWG member replied that they are not sure where the biggest impact or lever for influence lies, and that pensions could be more impactful than cash deposits.
    - A TWG member agreed with the notion of the impact or lever for influence of pension funds.
- A TWG member raised the point that it is important that this does not end up simply being an accounting exercise, and to focus on what would be the most impactful.

<u>Outcomes</u>

- The Secretariat conducted a poll on the question "Should reporting scope 3 emissions from cash equivalents be mandatory based on the decision-making criteria?"
    - Yes (all FIs and non-FIs) – 50% (4/8)
    - Yes (only FIs) – 12.5% (1/8)
    - No (neither FIs nor non-FIs) – 25% (2/8)
    - Abstain – 12.5% (1/8)
- The Secretariat conducted a poll on the question "Should reporting scope 3 emissions from cash deposits be mandatory based on the decision-making criteria?"
    - Yes (all FIs and non-FIs) – 25% (2/8)
    - Yes (only FIs) – 12.5% (1/8)
    - No (neither FIs nor non-FIs) – 37.5% (3/8)
    - Abstain – 25% (2/8)
- The Secretariat committed to providing an opportunity to vote on cash deposits in the post-meeting survey.

11. Optionality of some activities for FIs

- Refer to Presentation slides 48-51.
- The Secretariat presented the plan for considering insurance-related emissions, donations, and compensation payments in later meetings and facilitated a discussion on non-FIs performing "FI" activities.

<u>Discussion</u>

- A TWG commented on the difficulty of defining who is an FI, stating that this is usually self-defined. The member would refrain from making this distinction, saying that all should report financial activities, subject to the 5% threshold.
- The Secretariat asked if the 5% threshold would be sufficient to let off non-FIs.
    - A TWG member agreed.
    - A TWG member agreed that the activities should be applicable for FIs and non-FIs. The member would like more clarity on how category 15 applies to corporations, especially for those with complex business operations, who engage in financing activities.
    - The Secretariat noted that it would be easier to write the Standard without distinguishing between FIs and non-FIs.

Outcomes

- The Secretariat conducted a poll on the question "Should GHG Protocol stipulate exceptions for financial institutions? Specifically: Require that FIs report emissions from underwriting, issuance, and insurance-associated (and possibly other insurance-related) activities irrespective of the optionality available to non-FIs?"
  - Yes – 12.5% (1/8)
  - No – 12.5% (1/8)
  - Other – 50% (4/8)
  - Abstain – 25% (2/5)
- The Secretariat committed to providing an opportunity to leave feedback on this issue in the post-meeting survey.

12. Time planning and next steps

- Refer to Presentation slides 52-56

Discussion

- N/A

Outcomes

- The Secretariat will distribute the minutes and feedback form by March 14th

Summary of written submissions received prior to meeting

N/A