

Scope 3 Technical Working Group Meeting

WORKING DRAFT; DO NOT CITE

**Group C (Investments)
Meeting 7
Facilitated & Insurance-related emissions**

March 27th, 2025

Agenda

(Draft; for TWG discussion)

- Housekeeping and decision-making criteria (5 min)
- Scope of work and recap (10 min)
- Facilitated emissions (Group B poll results) (5 min)
- Tentative three table classification (60 min)
 - Financed, Facilitated, Insurance-related
- Third-party managers with discretionary control (10 min)
- Calculation (25 min)
- Time planning and next steps (5 min)

Housekeeping and decision-making criteria

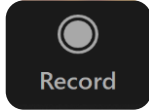
Disclaimer:

- This is a working document to be used as input for discussions of the Technical Working Group (TWG) of the Scope 3 Standard update process. The notes and views, if any, expressed in this document do not reflect a position of the Greenhouse Gas Protocol, WRI, WBCSD, nor members of the TWG or any affiliations thereof, unless otherwise stated explicitly. The options and preliminary comparisons herein are not designed to be final, complete, or all-encompassing.

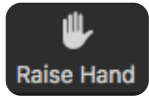
Notes to reader:

- 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*

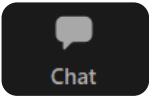
Meeting information



This meeting is recorded.



Please use the Raise Hand function to speak during the call.



You can also use the chat function in the main control.



Recording, slides, and meeting minutes will be shared after the call.

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

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.

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

Scope of Work & Recap

Key topics for 2025

Meeting	Meeting date	Section*	Issue
C.4	Jan 23	8.5	Issue 4: Optionality; Issue 5: Minimum boundaries
C.5	Feb 13	8.6	Relevant scope 3 emissions of investments (investees)
		8.7	Lifetime emissions of projects
C.6	Mar 6	8.8	Facilitated emissions
C.7	Mar 27	8.9	Insurance-associated emissions
C.8	Apr 17	8.10	Calculation method (for optional investments)
		8.11	Private/unlisted equity or debt (known uses)
C.9	May 8	8.12 & 8.13	Listed equity or debt (with <i>unknown</i> uses) & Sovereign debt
		8.14 & 8.15	Revenue- or spend-based method & Portfolio rollups
C.10**	May 29	N/A	Licensed IP classification, boundary, and quantification
C.11**	Jun 19	N/A	Licensed IP continued...

* Sections correspond with sections in *Discussion Paper C.1* (available online)

** Meetings C.10 and C.11 will be considered in Phase 2 starting

Full Scope 3 TWG meetings

Meeting	Meeting date	Issue
Full TWG 1	May 22	Review proposed revisions from Group A and B *
Full TWG 2	May 29	Review proposed revisions from Group A and B *
Full TWG 3	June 5	Review proposed revisions from Group C *

- **No meetings will be held in June**

Meeting	Meeting date	Issue
C.10	Jul 10	Licensed IP classification, boundary, and quantification
C.11	Jul 31	Licensed IP continued...

- **No meetings will be held in August**

Status of previous issues

- **Issue 1:** Clarify whether category 15 is applicable for both FIs and non-FIs (**Meeting C.1**)
 - **Status:** Draft language pending from Secretariat
- **Issue 2:** Review harmonization of the requirements and guidance between the *Scope 3 Standard* and the PCAF standards concerning (2.5) consolidation approaches and (2.6) data quality score (**Meeting C.2**)
 - **Status:** Draft language pending from Secretariat
- **Issue 3:** Investment type, classification, and optionality (**Meeting C.3**)
 - **Status:** Indicative polls and *Interim poll implications summary* completed
- **Issue 4:** Optionality (4a) and disaggregated reporting (4b) (**Meeting C.4**)
 - **Status:** Discussion continuing in this Meeting C.6

Status of previous issues: Issue 4a. Classification and optionality

Table A: Financed

Equity	Investments made through TPMs	Insurance fund investments
Debt (known uses)	Managed investments*	Endowment funds
Debt (unknown uses)	Cash equivalents	Pension funds
Project finance		

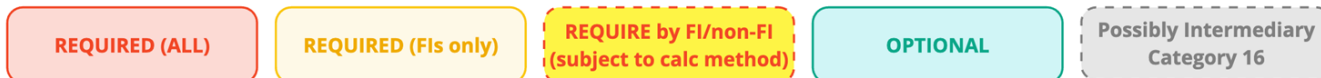
Table B: Facilitated

Advisory services**	Cash deposits (depositor perspective)	Donations (donor perspective)	Compensation payments (investments from) (employer perspective)
Underwriting			
Issuance			

Table C: Insurance-related

Derivatives	Insurance premium payments (investments made using) (insured party perspective)	Use of claims payments by insured party (insurer perspective)	Insurance-associated emissions (insurer perspective)
Guarantees			
Other^ insurance contracts (party-agnostic)			

* Discretionary management control; ** Non-discretionary advisory control; ^ Apart from insurance-associated, use of claims, insurance premium



- Indicative polls on the following asset or investment types concerning **optionality** did **not** exhibit consensus:
 - Cash equivalents
 - Donations
 - Compensation payments
- This is in part due to the *absence* of calculation methods and the potential implications on aggregate scope 3 results
- Indicative polls on the following asset or investment types concerning **optionality** did **not** exhibit consensus:
 - Insurance-associated
 - Use of claims payments

Status of previous issues (continued)

- **Issue 4b:** Disaggregated reporting
 - **Status:** TWG members indicated preference for either:
 - 56% – Sub-total (**trinary**) reporting (financed, facilitated, and insurance-related); **OR**
 - 44% – Specific **investment type** (e.g., equity, debt, projects, cash deposits, derivatives, etc.)
- **Issue 5a:** Proportionality (for equity investments) *
 - **Status:** TWG members indicated preference for:
 - 89% (8/9) – Yes, equity proportionality should use **equity and debt** in the denominator
 - 0% – No, it should use simply equity (as is)
 - 0% – Other
 - 11% (1/9) – Abstain
 - *(Placeholder: results of the asynchronous follow-up poll)*

Status of previous issues (continued)

- **Issue 5b: Relevant scope 3 emissions of investees or projects**
 - **Status:**
 - Most TWG members (55%) recommend **changing** the “where relevant” language (p. 54) regarding the inclusion of scope 3 emissions of investees or projects
 - Most TWG members (58-75% depending on the asset type) recommend **requiring** that investors report the scope 3 emissions of investees (investments or assets) or projects
 - Most TWG members do **not** recommend differentiating this requirement by investment or asset type (42% No; and 25% Yes)
 - *(Placeholder: results of the asynchronous follow-up poll)*
- **Issue 5c: Relevant projects and sector-specific requirements**
 - **Status:**
 - There was **no consensus** concerning whether to require sector-specific disclosure requirements for investments (25% Yes; 33% No; 17% Other; and 25% Abstain)

Facilitated emissions (Group B poll results)

Group B facilitator discussion and in-meeting poll results

- **100%** agree with the Secretariat's use of the term "**facilitator**" agnostically for all types of facilitators
 - Instead of the term "intermediary party"
- **80%** of Group B TWG members want to **require** facilitated emissions, either for (% TWG members):
 - **All** facilitated emissions (case-agnostic) (40%)
 - **Some** cases (case-by-case basis) (40%)
- **66%** want to report facilitated emissions **disaggregated** inside a scope 3 inventory, either in:
 - A **new** scope 3 **category 16** (53%)
 - **Existing** scope 3 **categories** (13%)
- **Split opinions** on **calculation or attribution**; TWG members assert that facilitators should include:
 - **All** (100%) of facilitated emissions (31%)
 - **A fraction** (%) of facilitated emissions (38%)
 - **Either** (31%)

Group B facilitator discussion and survey results

- An **employer** (shall/should/may/shall not) account for emissions associated with investments made by the pension fund with the **compensation payment** made on behalf of the employee

<u>Boundary</u>	<u>Shall</u>	<u>Should</u>	<u>May</u>	<u>Shall not</u>	<u>Abstain</u>
Scope 1 and 2 of the investee	18%	9%	36%	36%	27%
Scope 3 of the investee	0%	10%	30%	60%	33%

- In your opinion, a **company** (shall/should/may/shall not) account for emissions associated with investments made by the bank with the **cash deposited** by the company

<u>Boundary</u>	<u>Shall</u>	<u>Should</u>	<u>May</u>	<u>Shall not</u>	<u>Abstain</u>
scope 1 and 2 of the investee2	13%	13%	0%	75%	47%
scope 3 of the investee2	0%	13%	0%	88%	47%

Group B facilitator discussion and survey results

- In your opinion, an **insurer** (shall/should/may/shall not) account for emissions associated with production/consumption of products bought using **(use of) claims payments**

<u>Boundary</u>	<u>Shall</u>	<u>Should</u>	<u>May</u>	<u>Shall not</u>	<u>Abstain</u>
Emissions from product production	17%	0%	0%	83%	60%
Emissions from product use/consumption	17%	0%	0%	83%	60%

- In your opinion, a **buyer/seller** (shall/should/may/shall not) account for emissions associated with operating the underlying asset upon which a **derivative** is priced

<u>Boundary</u>	<u>Shall</u>	<u>Should</u>	<u>May</u>	<u>Shall not</u>	<u>Abstain</u>
Emissions from operating the underlying asset	25%	0%	0%	75%	60%

Group B facilitator discussion and survey results

- In your opinion, a **third-party manager** (TPM) with **discretionary control** over investments (shall/should/may/shall not) account for emissions of **investees**

<u>Boundary</u>	<u>Shall</u>	<u>Should</u>	<u>May</u>	<u>Shall not</u>	<u>Abstain</u>
Scope 1 and 2 of investee	45%	27%	18%	9%	27%
Scope 3 of investee	20%	30%	50%	0%	33%

- In your opinion, a **third-party manager** (TPM) with **non-discretionary advisory control** (i.e., without the ability to make investments) (shall/should/may/shall not) account for emissions of **investee**

<u>Boundary</u>	<u>Shall</u>	<u>Should</u>	<u>May</u>	<u>Shall not</u>	<u>Abstain</u>
Scope 1 and 2 of investee	0%	18%	36%	45%	27%
Scope 3 of investee	0%	10%	40%	50%	33%

Tentative 3 table classification

Three tables

Category 15 Tables

Financed emissions (for investments and loans) (**Table 5.9**)

Facilitated emissions (excluding insurance-related emissions) (**Table 5.10**)

Insurance-related emissions (excluding investments made and reported by insurers) (**Table 5.11**)

Table 5.9 – Financed emissions (for investments and loans)

1. Equity

2. Debt (known and unknown uses)

3. Project finance

- Applicability:
 - Financed emissions includes investments and loans (i.e., equity, debt, and/or project finance) made by insurance funds, pension funds, endowment funds and foundations, limited partners (including clients that hold non-equity, partnership interest in a general partner fund, e.g., a private equity fund or hedge fund), general partners, hedge funds, private equity funds, venture capital funds.

Table 5.10 – Facilitated emissions (investment-related)

- 1. Advised investments and client services**
- 2. Underwriting and issuance**
- 3. Derivatives**
- 4. Compensation payments**
- 5. Other facilitated emissions**
 - Cash deposits**
 - Donations**

Table 5.10 – Facilitated emissions (excl. insurance-related emissions)

1. Advised investments and client services

- Advisory services are not an asset type.
- Note that draft language specifies that: “Third-party managers with discretionary control over investments shall report said emissions as financed emissions (**Table 5.9**).”
- Does this satisfy the decision-making criteria?
- Is it possible to delineate/distinguish “discretionary” vs. “non-discretionary” control defensibly?
 - Should a TPM simply rely on ownership?
 - E.g., a hedge fund or private equity fund legally owns the investment/assets it holds (irrespective of where the funds originated)
 - » This is analogous to a company legally owning its assets (and liability) and associate income/cash flows (irrespective of equity/debt holders in the company)
- Ownership then implies “financing” (Table 5.9) whereas non-ownership (e.g., advising) implies “facilitation” (Table 5.10)

Calculation

1. Advised investments and client services

- “If a reporting company reports emissions from advised investments and client services (e.g., investments advisors), it **should** account for **all (100%)** of the (facilitated) **scope 1, scope 2, and scope 3 emissions of investments made by clients** (e.g., if a third-party advisor supports a client to purchase a facility or project, then the third-party advisor **should** report 100% of the emissions attributable to said facility or project).”
- Should advisors account for 100% of the emissions of investments?
- Should advisors account for a fraction (%)?
- Other?

Table 5.10 – Facilitated emissions (continued)

2. Underwriting and issuance

- Underwriting and issuance services are not an asset type.
- How should underwriting and issuance be calculated?
- Many O&G companies rely on underwriters for project financing which therefore should include lifetime emissions (by the sponsor)
 - Should underwriters also include lifetime emissions of such projects?

3. Derivatives

- Interest rate futures, Oil futures, Call/put options on stocks/indexes, Interest rate and Credit default swaps
 - How should underwriting and issuance be calculated?

Draft derivatives language

- “Derivatives are financial instruments or contracts whose value is dependent upon or derived from the performance of an underlying asset (e.g., a commodity), currency, interest rate, stock, bond, market index, or another variable. Derivatives do not fund but they do support risk management (e.g., price hedging), liquidity and price discovery, and capital efficiency. Further, while some derivatives can mimic the economic effects of insurance, and while some reporting companies may use derivatives to hedge price movements, secure liquidity, and/or transfer or manage risk, however, derivatives are financial contracts that trade risk or exposure and therefore to not directly finance or inject money into a company or real project. For these reasons, derivatives are classified as facilitated emissions.”

Calculation

2. Underwriting and issuance

- “If a reporting company reports emissions associated with underwriting or issuance services, it **should account for all (100%) of the reporting year (facilitated) scope 1, scope 2, and scope 3 emissions of the investee being capitalized** in the year that said investee receives proceeds.”
 - E.g., if an issuer/underwriter raises \$100mm for an entity with a pre-capitalization EV of \$1bn, then it should account for 100% of the emissions attributable to the Entity in the year that Entity receives proceeds).”
- Should advisors account for 100% of the emissions of investments?
- A fraction (%)?
- Other?

Calculation

3. Derivatives

- If a reporting company (seller or buyer) reports emissions associated with derivatives, it **should account for all (100%)** of the (facilitated) scope 1, scope 2, and scope 3 emissions of the underlying **asset** (e.g., a commodity), currency, interest rate, stock, bond, market index, or another variable upon which the value of the derivative is dependent upon or derived.
- Should derivative buyers/sellers account for 100% of the emissions of investments?
- A fraction (%)?
- Other?

Table 5.10 – Facilitated emissions (continued)

4. Compensation payments

- Retirement account contributions, 401(k)/403(b) contributions, Health and welfare benefits, Housing allowance, Per diem, etc.
 - What language can be used to distinguish pension plan payments from other non-salary comp?
 - Are some forms of compensation a purchased product (e.g., housing allowance or per diem)?
 - How should compensation payments be calculated?

5. Other facilitated emissions

- Cash deposits, donations
 - How should donations to purchase physical products or services be distinguished from donations to endowments or foundations which are used to invest?
 - How should cash deposits be calculated?

Draft donations language

- “Donations by a reporting company are not made in exchange for equity or ownership in a donee (e.g., a foundation, endowment, not-for-profit, non-governmental organization, charity, or other receiving organization). Donations may be used by a donee to purchase goods and services (e.g., Habitat for Humanity may purchase construction materials or Red Cross may purchase emergency supplies and medical services) or by an endowment or foundation to make investments. As such, a donor (as a reporting company) that decides to account for and report the emissions of a donee which are attributable to activities funded by the donor (in the form of a donation or grant) must report said emissions as facilitated emissions.”

Calculation

4. Compensation payments

- If a reporting company reports emissions associated with compensations payments **which are invested**, it **should** account for **all (100%)** of the (facilitated) scope 1, scope 2, and scope 3 emissions of the investments thereof.”
- How can reporting companies calculate these emissions without data from pension funds?
- Can reporting companies estimate the emissions attributable to investments by employees?
- What happens when an employee leaves the company (does it go to zero)?
- What happens when an employee joins the company (no change)?

Calculation

5. Donations

- If a reporting company reports emissions associated with donations, it **should account for all (100%)** of the (facilitated) scope 1, scope 2, and scope 3 emissions of purchased goods and services and, if possible, investments made by an endowment fund/foundation utilizing the reporting company’s donation”
- How can reporting companies calculate these emissions without data from endowment funds?
- Given that donors have zero (0%) equity in the endowment fund/foundation – how can/should investments made by a fund/foundation be attributed to the donor?

Table 5.11 Insurance-related emissions (excl. investments made by insurers)

- 1. Guarantees** (buyer or seller perspective)
- 2. Insurance-associated emissions** (insurer perspective)
- 3. Insurance premium payments (from insured parties to insurers)** (insured party perspective)
- 4. Insurance-related admissions** (e.g., approving a claim or policyholder request)
- 5. Other insurance contracts** (buyer or seller perspective)
- 6. Use of claims payments (by insured parties)** (insurer perspective)

Calculation

1. Guarantees (buyer or seller perspective)

- If a reporting company reports emissions associated with guarantees, it **should** account for **all (100%)** of the **prospective** scope 1, scope 2, and scope 3 emissions of purchased goods and services and/or investments made using claim settlement.
- How can reporting companies calculate these emissions **ex-ante**?
- Given that the use of claim settlements will be reported by the guarantee if/when deployed, would it be sufficient to require that the guarantor only report emissions when claim settlement payments are made (i.e., **ex-post**)?

Calculation

2. Insurance-associated emissions (insurer perspective)

- If a reporting company (insurer) reports insurance-associated with insured parties, it **should account for a fraction (%) of the scope 1, scope 2, and scope 3 emissions** of the insured party.
- PCAF has guidance on this
- Can/should PCAF's calculation method be applied?

Calculation

3. **Insurance premium payments (from insured parties to insurers)** (insured party perspective)
 - If a reporting company (insured party) reports emissions associated with premium payments (made to insurers), it **should account for all (100%)** of the scope 1, scope 2, and scope 3 emissions of **investments** made using premium payments.
 - How can reporting companies (insured parties) calculate/estimate these emissions?

Calculation

4. Insurance-related admissions (e.g., approving a claim or policyholder request)

- Is this a facilitated emission?

Calculation

5. Other insurance contracts (buyer or seller perspective)

- If a reporting company reports emissions associated with insurance contracts, it **should** account for **all (100%)** of the **prospective** scope 1, scope 2, and scope 3 emissions of purchased goods and services and/or **potential** claim settlements.

Calculation

6. Use of claims payments (by insured parties) (insurer perspective)

- If a reporting company (insurer) reports emissions associated with claims payments (made to insured parties), it **should** account for **all (100%)** of the scope 1, scope 2, and scope 3 emissions of **purchased goods and services** and/or **investments** made using claims payments.
- How can reporting companies (insurers) calculate/estimate these emissions?

6a. TPM with discretionary control reporting requirement

Third-party managers with discretionary control

- PCAF requires that financial institutions (including third-party managers or mutual funds) report scope 3 category 15 emissions by asset type
 - It does *not* use an independent line-item for ‘managed investments’
 - Rather, a managed investor must report emissions by asset type
- The GHG Protocol *Scope 3 Standard* has an independent line-item for managed investments
 - This line-item does not require TPMs to itemize equity, debt, and project finance
- Should third-party managers report emissions as equity, debt, project finance, etc.?
 - Yes
 - No
 - Other
 - Abstain

Third-party managers with non-discretionary advisory control

- PCAF does *not* require advisors to report scope 3 category 15 emissions (financed or facilitated)
- The GHG Protocol *Scope 3 Standard* has an independent line-item for managed investments
 - This line-item does not require TPMs to itemize equity, debt, and project finance
 - It lists both managed investments (e.g., by a PE/hedge fund) *and* advised investments
- Is it consistent to treat TPM with discretionary control as **financing emissions** (Table 5.9)
- Should third-party managers with non-discretionary control report emissions as equity, debt, project finance; or should it be optional for the?

Calculation discussion

Asset types without calculation guidance

- **Facilitated emissions**
 - **Cash deposits (excluding cash equivalents)** (depositor perspective)
 - **Compensation payments (made by a reporting company, e.g., to a pension fund or retirement account)** (paying company perspective)
 - **Derivatives** (buyer or seller perspective)
 - **Donations** (donor perspective)
 - **Investments advised by third-party managers with non-discretionary advisory control** (excluding investments made by third-party managers with discretionary control) (advisor perspective)
 - **Issuance** (issuer perspective)
 - **Underwriting** (underwriter perspective)

Facilitated emissions calculation

- 100% of facilitated emissions
- Fraction (%) of facilitated emissions
- Other

Asset types without calculation guidance

- **Insurance-related items:**
 - **Guarantees** (buyer or seller perspective)
 - **Insurance-associated emissions** (insurer perspective)
 - **Insurance premium payments (from insured parties to insurers)** (insured party perspective)
 - **Insurance-related admissions** (e.g., approving a claim or policyholder request)
 - **Other insurance contracts** (buyer or seller perspective)
 - **Use of claims payments (by insured parties)** (insurer perspective)

Insurance-related emissions calculation

- 100% of insurance-related emissions
- Fraction (%) of insurance-related emissions
- Other

5c. Relevant projects and lifetime emissions

Relevant projects scope 3 emissions

- **Issue 5c: Relevant projects and sector-specific requirements (previous meeting)**
 - **Status:**
 - There was no consensus (25% Yes; 33% No; 17% Other; and 25% Abstain) concerning whether to require sector-specific disclosure requirements for investments
- Regarding the scope 3 emissions of projects:
 - “**Relevant projects** include those in **GHG-intensive sectors** (e.g., power generation), **projects exceeding a specified emissions threshold** (developed by the company or industry sector), or **projects that meet other** developed by the company or industry sector.”
- Note:
 - Many projects are financed via equity (ownership stake), debt (loans, bonds, credit facilities), and/or hybrid (mezzanine, convertible bonds, public-private partnerships)

Status of previous issues

- Should and could thresholds or other criteria be defined and stipulated for the inclusion of **projects**?
 - **60% (3/7) – Yes (if yes, what specific thresholds or criteria should be stipulated?)**
 - 0% – No (if no, should the *Scope 3 Standard* language be revised?)
 - 40% (2/7) – Other
 - 28% (2/7) – Abstain
- 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)

Time planning

Meeting dates and times

- **Confirm 6-8am EST** for two meetings in 2025 to benefit members in APAC time zones

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	03:00 PT	06:00 ET	12:00 CET	16:30 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	03:00 PT	06:00 ET	12:00 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:
 - March 28th – Distribute the **Recording**
 - April 3rd – Distribute **Meeting Minutes** and the **Feedback Form** (if any)
- Next meeting:
 - April 17th – **Meeting C.8** at **6-8 am EST**

Thank you!

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5e. Investors that rely on or use intermediaries

Financial intermediaries (*Scope 3 Standard*, p. 54)

- “Companies should account for emissions from the GHG-emitting project financed by the reporting company, **regardless of any financial intermediaries involved** [emphasis added] in the transaction.”

Should limited partnerships be named explicitly?

- What is a Limited Partnership (LP)
 - LPs typically hold **partnership interest (%)** in a fund
 - This **functions similarly to equity** in a corporation
 - **No** shares are issued for LPs
 - LPs do **not** have direct ownership of the underlying assets
 - LPs are entitled to a **share of the fund's profit**
 - LPs have limited liability
- Potential loophole
 - Limited Partners (LPs) are typically **not** classified as an **associated company, subsidiary, or JVs**
- Size of market
 - Most hedge funds, private equity funds, and venture capital funds use the LP structure
 - The global private equity market (including hedge and VC funds) is around \$4.74 trillion*

* Espinosa, Pamela (October 20, 2024). "Private equity market size". Moonfare. <<https://www.moonfare.com/>>.

LPs

1. Should LPs be identified in the category 15 minimum boundary description for equity investments (in addition to subsidiaries, JVs, and associate companies)?
 - Option 1 - **Yes** (all FIs and non-FIs)
 - Option 2 - **Yes** (only FIs)
 - Option 3 - **No** (neither FIs nor non-FIs)
 - Option 4 - Abstain

2. 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 or partnership)? *
 - Option 1 - **Yes** (all FIs and non-FIs)
 - Option 2 - **Yes** (only FIs)
 - Option 3 - **No** (neither FIs nor non-FIs)
 - Option 4 - Abstain

* This would be subject to any magnitude threshold which may or may not be introduced for scope 3 inventories.

Live analysis using decision-making criteria

Decision-making Criteria	<u>Option 1</u> ...	<u>Option 2</u> ...
1A. Scientific integrity		
1B. GHG accounting and reporting principles		
2A. Support decision-making that drives ambitious global climate action		
2B. Support programs based on GHG Protocol and uses of GHG data		
3. Feasibility to implement		

Optionality of some activities for FIs

Optionality considerations tabled until later meetings

- The following will be considered in later meetings:
 - **Meeting C.7** (March 27):
 - Requiring disclosure of the following **insurance-related** emissions
 - A calculation method(s) needs to be explored/introduced to reconsider this requirement for FIs
 - **Meeting C.8** (April 17, 2025):
 - Requiring disclosure of **donations** (by donors) and **compensation payments** (of employers)
 - A calculation method(s) needs to be explored/introduced to reconsider this requirement

Non-FIs performing “FI” activities

- Some non-FIs perform financial activities:
 - Self-insurance (by large corporates)
 - Warranty underwriting (supermarkets and retail chains)
 - Reinsurance and specialty underwriting (reinsurance firms)
 - Government entities (e.g., loan guarantees and public insurance)

- 1. 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
 - No
 - Other
 - Abstain

Live analysis using decision-making criteria

Decision-making Criteria	<u>Option 1</u> ...	<u>Option 2</u> ...
1A. Scientific integrity		
1B. GHG accounting and reporting principles		
2A. Support decision-making that drives ambitious global climate action		
2B. Support programs based on GHG Protocol and uses of GHG data		
3. Feasibility to implement		

Optionality of cash equivalents (implications of inclusion)

Indicative classification and optionality (Issue 4a)

Table A: Financed

Equity	Investments made through TPMs	Insurance fund investments
Debt (known uses)	Managed investments*	Endowment funds
Debt (unknown uses)	Cash equivalents	Pension funds
Project finance		

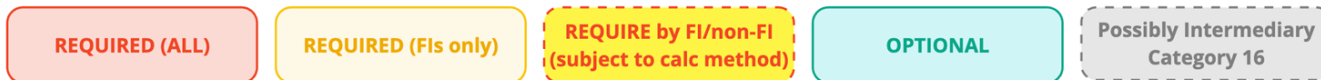
Table B: Facilitated

Advisory services**	Cash deposits (depositor perspective)	Donations (donor perspective)	Compensation payments (investments from) (employer perspective)
Underwriting			
Issuance			

Table C: Insurance-related

Derivatives	Insurance premium payments (investments made using) (insured party perspective)	Use of claims payments by insured party (insurer perspective)	Insurance-associated emissions (insurer perspective)
Guarantees			
Other^ insurance contracts (party-agnostic)			

* Discretionary management control; ** Non-discretionary advisory control; ^ Apart from insurance-associated, use of claims, insurance premium



- Indicative polls on the following asset or investment types concerning **optionality** did **not** exhibit consensus:
 - Cash equivalents
 - Donations
 - Compensation payments
- This is in part due to the *absence* of calculation methods and the potential implications on aggregate scope 3 results
- Indicative polls on the following asset or investment types concerning **optionality** did **not** exhibit consensus:
 - Insurance-associated
 - Use of claims payments

Cash equivalent requirement (implications of inclusion)

- The impact on (increase in) several repotting companies' scope 3 category 15 (and total scope 3) emissions could be enormous if the disclosure of **cash equivalents** is *required*.
- Refer to *Discussion Paper C.1*:
 - Section 8.2 (other investment/asset types)
 - 2. Cash and cash equivalents
 - Appendix B17 (Financials for large-cap companies)
 - Appendix B18 (The Carbon Bankroll)
 - Appendix B19 (Wall Street's Carbon Bubble)
 - Appendix B20 (Estimated financed emissions plus cash deposits)
 - Appendix B21 (Justifications for the exclusion of category 15)

Cash equivalents

- In short: Including **C&CE** would increase the total GHG inventory (scope 1, 2, and 2) of fifteen (15) publicly listed, large-cap companies by **approximately 43%** (Appendix B20 in *Discussion Paper C.1*)

Company	Reported (scope 1, 2, 3) (ktCO ₂ e)	% total emissions (w/ Cat. 15)	Investments & CC&E (\$M)	Financed emissions (ktCO ₂ e)	% total emissions (w/ Cat. 15)	Total
Airbnb	328	11%	9,602	2,600	89%	2,928
Amazon	71,270	83%	70,391	14,697	17%	85,967
Apple	20,600	44%	169,109	26,421	56%	47,021
Atlassian	129	17%	2,104	617	83%	746
Cisco	22,805	81%	25,715	5,466	19%	28,271
Etsy	533	62%	1,201	327	38%	860
Google/Alphabet	10,183	32%	113,762	21,153	68%	31,336
Johnson & Johnson	18,526	74%	23,519	6,576	26%	25,102
Mastercard	563	21%	7,679	2,122	79%	2,685
Meta (Facebook)	8,534	48%	40,738	9,353	52%	17,887
Microsoft	12,998	32%	111,256	28,093	68%	41,091
Netflix	1,146	39%	6,059	1,778	61%	2,924
PayPal	517	14%	14,046	3,285	86%	3,802
Salesforce	1,338	33%	12,508	2,756	67%	4,094
Visa	471	9%	17,456	4,984	91%	5,455
Total	169,941	57%	625,145	130,228	43%	300,169

Cash equivalents

1. Should reporting scope 3 emissions from **cash equivalents** be mandatory based on the decision-making criteria?
 - Option 1 - **Yes** (all FIs and non-FIs)
 - Option 2 - **Yes** (only FIs)
 - Option 3 - **No** (neither FIs nor non-FIs)
 - Option 4 - Abstain
2. If not (Option 3) or if only FIs (Option 2) – how should or could the requirement to report all financed emissions (Table A) be adjusted? *

* Table A (Financed emissions) is currently **required** (as per near-consensus indicative polling)

Live analysis using decision-making criteria

Decision-making Criteria	<u>Option 1</u> Maintain optionality	<u>Option 2</u> Require emissions from Cash equivalents (only)	<u>Option 3</u> Require emissions from Cash & Cash equivalents (both)
1A. Scientific integrity	n/a	n/a	n/a
1B. GHG accounting and reporting principles	TBD	TBD	TBD
2A. Support decision-making that drives ambitious global climate action			
2B. Support programs based on GHG Protocol and uses of GHG data	TBD	TBD	TBD
3. Feasibility to implement			