

Scope 3 Technical Working Group Meeting

Working draft, do not cite

**Full TWG
Phase 3, Meeting 1**

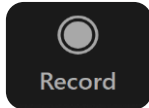


Agenda

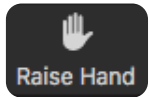
- **Housekeeping and process for upcoming meetings** (10 mins)
- **General category-specific names, descriptions, and scope**
 - ISO (ID: 1-8): Category names (renaming) – 10 mins
 - ISO (9): Collapsing cat 10 and 11 into one category – 15 mins
 - ISO (10): Separating client and visitor transport from cat 9 – 15 mins
 - ISO (23): Inclusion of gaseous waste in cat 5 – 10 mins
 - ISO (20): Capital goods description change – 15 mins
- **Category-specific quantification approaches**
 - ISO (21): Capital goods amortization approach – 15 mins
 - Leased assets, options to consolidate (outcomes of CS TWG) – 20 mins
 - ISO (24): Quantification approaches for leased assets – (if time)
 - ISO (25): Quantification approaches for franchises – (if time)
- **Next steps** (5 mins)

Housekeeping and decision-making criteria

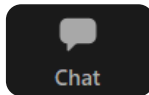
Welcome and Meeting information



This meeting is recorded.



Please mute yourself by default and unmute when speaking
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*
- Maintain a respectful approach to communicating by:
 - Assuming positive intent; making space for different perspectives; and defaulting to curiosity

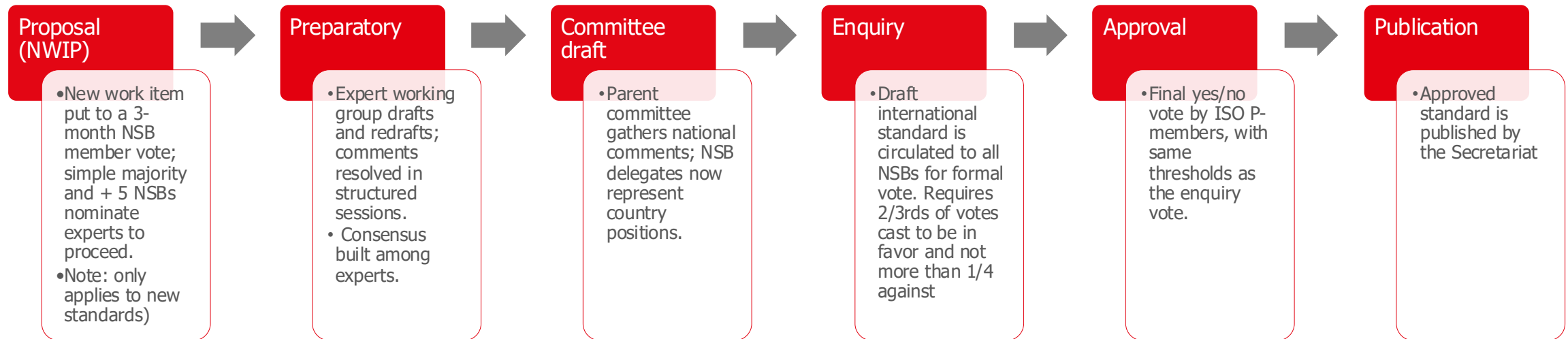
* Such as pricing, discounts, resale, price maintenance or costs; bid strategies including bid rigging; group boycotts; allocation of customers or markets; output decisions; and future capacity additions or reductions

GHG Protocol Decision-Making Criteria



Note: This is a summary version. For further details, refer to the full decision-making criteria included in the annex to the Governance Overview, available at <https://ghgprotocol.org/our-governance>.

How ISO builds consensus

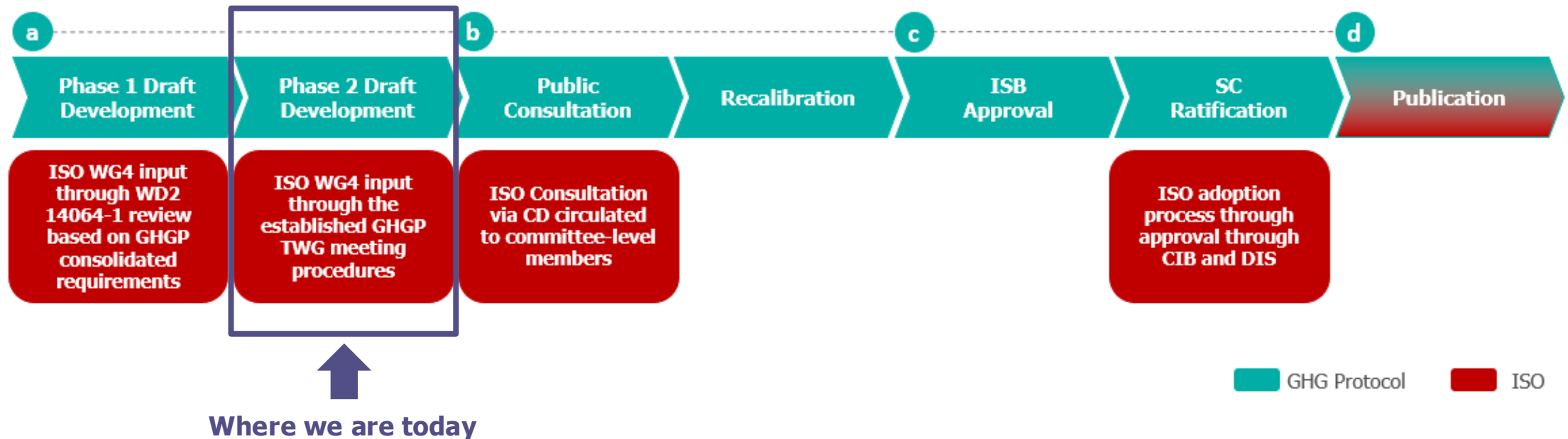


- The process for updating ISO 14064 is currently at **preparatory stage**
- Between March 31 and May 11, ISO WG 4 were provided a copy of existing GHG Protocol standards text that combined existing, published requirements and recommendations, and any requirements or recommendations that had, by that time, been established through GHGP's ongoing revision process.
- After the commenting process was closed, comments were analyzed by the WG4 LT. This amounted to ~3000 total comments across the corporate suite of standards
- Comments were discussed and addressed in comment resolution sessions, where each topic was presented before experts provided live feedback on discussed GHGP text, existing ISO WD-1 text, and any other options developed by the WG4 LT. Polls were conducted as needed.
- Where consensus was achieved the agreed text was finalized in-meeting. Where consensus was not achieved, unresolved options were retained while text for each option was updated based on comments resolution.



GHG Protocol – ISO partnership: Corporate Standards

- **GHG Protocol leads the development of Corporate Standards** through its established TWGs and ISB, in accordance with its [Standard Development and Revision Procedure](#)
- **ISO's integration** into each step of the standard development process is summarized in the figure below.
- **ISO will follow its own rules and procedures** as set out in the [ISO/IEC Directives](#).



See section 9 (Workplan and timeline) in the [Standard Development Plan](#) for the consolidated Corporate Standard for more information.

Process for reviewing ISO feedback

Objective: Review, discuss, and poll on ISO WG4 outcomes/draft text alongside corresponding outcomes/draft text from the Scope 3 TWG

For **every topic**:

Text comparison, showing:

- ISO WG4 WD2 text
- GHGP Scope 3 Standard TWG preliminary outcome, or existing *Scope 3 Standard* text as relevant

Note that discussion and polling are not planned for topics in alignment

For topics with **misalignment** between ISO WG4 WD2 and GHGP preliminary outcome:

Content that will be presented:

- **GHGP** option (presented by GHGP Secretariat)
- **ISO** WG4 WD2 option (**presented by ISO experts**)
- **Hybrid option(s)** may be presented*

TWG member **input**

- Clarifying **questions** on outcomes (**ISO experts respond to questions on ISO outcomes**)
- TWG member **discussion**
- **Polls** on the options (GHGP, ISO, hybrid if applicable)

* Hybrid options which combine concepts from the existing GHG Protocol and ISO approaches. These hybrid options should be considered in the same way to the existing GHG Protocol and ISO approaches.

Use of ISO 14064-1 WD2

- To assist Scope 3 TWG members in their deliberations between the options to be presented over the next few sessions, we are providing you with a full copy of the revised version of ISO 14064-1 WD2.
- **This document is confidential and only use pertinent to the review activities of the Scope 3 TWG is allowed.**
- Note that this document will not be published on the document repository and **cannot be shared with anyone outside the Scope 3 TWG**. We ask that Scope 3 TWG members respect the confidentiality of this document, which is a reflection of the confidential nature of the ISO standard development process.
- The document itself contains information and draft text related to the work of other standards in the corporate suite, including the Corporate Standard, Scope 2, Land Sector and Removals, and Actions and Market Instruments.
 - Our focus will be on scope 3 pertinent materials. Each pre-read will contain information about what the relevant section of ISO 14064-1 WD2 is for review. Members are free to review the full document to assist review, but information must not be shared outside of the Scope 3 TWG membership.

Scope 3 category names

Refer to section 6.2, Table 1 in ISO 14064-1

Side-by-side text comparison

GHGP draft text

- Category 1: Purchased goods and services
- Category 5: Waste generated in operations
- Category 12: End-of-life treatment of sold products
- Category 16: Other value chain activities

Proposed ISO text

- Subcategory 3.1: Purchased products
- Subcategory 3.5: Disposal of waste
- Subcategory 3.12: End-of-life of sold products
- Subcategory 3.16: Other sources

Note that the categories 9, 10, and 11 names are also revised in ISO's working draft, but as a result of changes in scope of those categories. Categories 9 and 10 will be discussed as a separate topic.

ISO-01 to ISO-08

Renaming scope 3 categories



Preliminary outcome

Status: AGREED | Consensus

Summary of outcome

- WG4 accepted the ISO subcategorisation (Scope 3 = one category, 16 subcategories) with modifications for Statement #1; the GHGP table (Table 4) was deleted and the modified ISO table retained (now Table 1, cl. 6.2).
- Names carried from ISO 14064-1:2018 vocabulary where the activity is unchanged; 3.1 aligned to "products" (ISO term covering goods and services), so 3.1 is co-extensive with GHGP Cat 1.

Relevant text

N359 Table 1 (cl. 6.2); Annex C.2, C.6, C.13, C.17; definition 3.8.1 "product: goods or service".

Rationale

- ISO drafting rules: use ISO 14050 defined terms ("product" = goods or service), so "purchased products" already includes services without a separate label.
- Continuity for existing ISO 14064-1:2018 users: the 2018 Annex B activity names are retained where the activity boundary did not change.
- Names describe the activity; the scope of each subcategory is set by Annex C text and by the significance process (cl. 6.4.4), not by the label.
- Consistency of the "category / subcategory" hierarchy: Scope 3 is the category; 3.1–3.16 are subcategories (cl. 6.2).

Level of support from ISO WG4

- Consensus, no poll. N320 Resolution 3 (3 June 2026): "For statement 1, WG4 accepted ISO subcategorization with modifications in Table 5"; N331 (1 June): 3.1 aligned with "products"; 3.3 kept separate, aligned with GHGP.
- Process: comment resolution on Annex C Option 1 (GHGP) / Option 2 (ISO) texts; LT combined drafts where mandated (N320 Res. 9–11); all comments on Annex C resolved 24 Aug 2026 (N355 item 5).

Implications and concerns

- Terminology change must not alter boundaries: "products" includes services (Cat 1 equivalence); "disposal of waste" is broader than GHGP "solid waste and wastewater" (see ISO-23); "other sources" vs "other value chain activities" (Cat 16).
- A one-to-one mapping table (ISO 3.x ↔ GHGP Cat) is needed for programmes referencing GHGP names (ISSB, ESRS).
- Annex C is informative (N356 annex table; N357, 25 Aug: remaining "shall" in C.16/C.17 converted to "should" for that reason). Descriptions are guidance; requirements flow from Table 1 and cl. 6.4.4.

Classification of processing and use of sold product emissions

Refer to section C.12 in ISO 14064-1 WD2

Side-by-side text comparison

GHGP draft text

Category 10: Processing of sold products

This category includes emissions from processing of sold intermediate products by third-parties (e.g., manufacturers) subsequent to sale by the reporting company.

Category 11: Use of sold products

This category includes emissions from the use of products (by end users) that are sold by the reporting company in the reporting year. End users include both consumers and business customers [...]

Category 11 does not include:

- Emissions from processing, transformation, or inclusion in another product before use by an end user, which are instead included in category 10.
- Emissions from activities that are facilitated by the use of a sold product. For example, the emissions associated with a car journey facilitated by a navigation app sold by the reporting company, which may instead be reported in category 16.

Proposed ISO text

Subcategory 3.11: Processing and use of sold products

This subcategory includes GHG emissions or GHG removals associated with the processing and use of products sold by the organization during the reporting period.

This subcategory includes activities from life cycle stages occurring after the organization sells its products until they reach their end of life. Those activities might cover a wide range of services and associated processes.

ISO-09

Classification of processing and use of sold product emissions



Preliminary outcome

Status: AGREED | Consensus

Summary of outcome

- N359 keeps a single subcategory 3.11 "Processing and use of sold products" covering all life-cycle stages after sale until end of life (C.12). There is no separate "processing" subcategory; the 2018 ISO structure is retained.
- Where the product's destiny is not known, the organisation should define plausible scenarios for each life-cycle stage and explain them in the GHG report (C.12).
- The sold-product/leased-product interface is handled in C.14: leased products may be quantified like sold products and reported in 3.11.

Relevant text

N359 C.12: "... GHG emissions or GHG removals associated with the processing and use of products sold by the organization ... life cycle stages occurring after the organization sells its products until they reach their end of life."

Rationale

- Relevance/feasibility: the seller frequently cannot know whether a sold product is further processed or used as is; a scenario-based description avoids forcing an intermediate/final product classification the ISO text does not define.
- Completeness is preserved: processing and use are both inside 3.11; only the split between two lines is removed.
- Further subdivision within a subcategory is not precluded (C.2, C.16, C.17 expressly allow it), so an organisation can still show processing and use as separate lines.
- Guidance for application is deferred to ISO/TS 14064-4 (bibliography [2]) rather than boundary tables in the standard.

Level of support from ISO WG4

- N320 Resolution 10 (3 June 2026): LT to provide a combined version of Option 1 (GHGP) and Option 2 (ISO) for 3.8, 3.11, 3.13, 3.14 for WG4 review, considering ISO 14064-4. Final text issued in N359.
- All comments on Annex C resolved by consensus on 24 Aug 2026 (N355 item 5); no poll recorded for 3.11.

Implications and concerns

- Transparency: merging may reduce visibility of processing (intermediate products) vs use (final products). Mitigation available in ISO text: scenario disclosure and optional subdivision; an explicit note could be added.
- Interoperability: GHGP Cat 10 + 11 map to ISO 3.11 (2:1 mapping); GHGP direct/indirect use-phase and intermediate/final product rules have no ISO equivalent.
- Intermediate products: GHGP uses a justified exclusion; ISO relies on plausible scenarios plus the significance process (cl. 6.4.4). Same data-availability problem, different mechanism.

Classification of client and visitor transport emissions

Refer to sections C.10 and C.11 in ISO 14064-1 WD2

Side-by-side text comparison

GHGP draft text

Category 9: Downstream transportation and distribution

This category includes emissions from transportation and distribution of products sold by the reporting company in the reporting year between the reporting company's operations and the end consumer (if not paid for by the reporting company), in vehicles and facilities not owned or controlled by the reporting company.

This category includes emissions from retail and storage_and empty trips.

Proposed ISO text

Subcategory 3.9: Downstream transport and distribution

This subcategory includes GHG emissions and GHG removals from downstream transport and distribution from freight services that are due to the first purchasers or subsequent purchasers but not paid for by the organization.

Subcategory 3.10: Client and visitor transport

This subcategory includes GHG emissions and GHG removals associated with the travel of clients and visitors to the organization's facilities.

ISO-10

Classification of client and visitor transport emissions



Preliminary outcome

Status: AGREED | Consensus

Summary of outcome

- N359 retains a separate subcategory 3.10 "Client and visitor transport" (C.11), carried from ISO 14064-1:2018; 3.9 is limited to downstream freight transport and distribution not paid for by the organisation (C.10).
- Transport-related subcategories (3.4, 3.6, 3.7, 3.9, 3.10) were streamlined by a WG4 task group so that text is consistent and refers to ISO 14083 for quantification.

Relevant text

N359 C.11: "This subcategory includes GHG emissions and GHG removals associated with the travel of clients and visitors to the organization's facilities." Table 1: 3.10 "applicable where significant".

Rationale

- Passenger transport (clients, visitors) and freight transport (sold products) use different activity data and methods (ISO 14083 distinguishes passenger and freight); keeping them apart supports accuracy and consistency.
- Continuity with ISO 14064-1:2018 practice and with event/venue carbon footprinting, where visitor travel is commonly reported (WD2 comment #1657).
- A separate line allows the significance evaluation (cl. 6.4.4) to be applied to the activity itself; relevant for retail, venues, hospitality, education, health.

Level of support from ISO WG4

- No poll recorded. N320 Resolution 8 (3 June 2026): task group (TG3) formed to streamline transport subcategories 3.4, 3.6, 3.7, 3.9, 3.10; TG3 outcome and ISO 14083 boundary comparison presented 24 Aug (N356); all Annex C comments resolved the same day (N355 item 5).
- N320 Res. 3: ISO subcategorisation (incl. 3.10) accepted for Statement #1.

Implications and concerns

- Mapping: ISO 3.10 corresponds to the optional customer-travel element inside GHGP Cat 9; GHGP Cat 9 (freight, retail, storage, empty trips) maps to ISO 3.9.
- Burden: no additional requirement, since 3.10 applies only where significant (Table 1); GHGP required/optional boundary logic has no ISO equivalent.
- Consistency: all transport subcategories reference ISO 14083 [22]; TWG may consider a single transport method reference for GHGP Cat 4/6/7/9.

Category 5 description

Refer to section C.6 in ISO 14064-1 WD2

Side-by-side text comparison

GHGP draft text

Category 5: Waste generated in operations

This category includes emissions from third-party disposal and treatment of waste that is generated in the reporting company's owned or controlled operations in the reporting year.

This category includes emissions from disposal of both solid waste and wastewater.

Proposed ISO text

Subcategory 3.5: Disposal of waste

This subcategory includes GHG emissions and GHG removals from disposal and treatment of waste generated by the organization during the reporting period which is treated at facilities not owned or controlled by the organization.

Level of support from ISO WG4

Consensus text (LT combined draft, N320 Res. 11; Annex C comments resolved 24 Aug 2026, N355 item 5); no poll and no recorded decision on gaseous waste.

Rationale, implication and concerns

See ISO WG4 position on the next slide (ISO-23). ISO 14064-1:2018 wording "solid and liquid waste" was not carried into N359 C.6; gaseous waste is therefore implicitly within "waste", without an explicit WG4 decision.

ISO-23

Category 5 description (implicit inclusion of gaseous waste)



Preliminary outcome

Status: IMPLICIT

Summary of outcome

- N359 C.6 defines 3.5 as disposal and treatment of waste generated by the organisation and treated at facilities not owned or controlled by it, without restricting the waste phase; the 2018 wording "solid and liquid waste" was not retained in the merged text.
- No explicit WG4 decision on gaseous waste is recorded: the 2 June waste discussion was deferred; LT combined text for 3.5/3.12 (N320 Res. 11); Annex C closed 24 Aug (N355) without a recorded decision on the point.
- Waste treated inside the organisational boundary (incl. flaring, venting) is Scope 1 (Annex B 1.3/1.4): the split is by control of the treatment facility, not by waste phase.

Relevant text

N359 C.6: "... disposal and treatment of waste generated by the organization ... treated at facilities not owned or controlled by the organization." Treatments named: landfill, incineration, biological treatment, recycling.

Rationale

- Generic wording avoids an enumerated list that could omit waste streams; completeness principle.
- Recycling: emissions assigned to the waste generator, the receiver, or split, to avoid double counting; avoided emissions may be quantified but are not included in or deducted from Scope 3 (C.6) — consistent with C.13 (3.12).
- Removal of the phase qualifier resulted from merging Option 1 and Option 2 text, not from a discussed proposal to add gaseous waste.

Level of support from ISO WG4

- No poll and no explicit resolution on gaseous waste. N320 Res. 11 (3 June 2026): LT combined Option 1/Option 2 text for 3.5 and 3.12; N331 (2 June): waste terminology and WtE/recycling discussion deferred; Annex C comments closed 24 Aug (N355 item 5) with no recorded decision on the point.
- Recommend the TWG treat inclusion of gaseous waste as a preliminary direction, not an agreed WG4 position.

Implications and concerns

- Explicit wording preferable to implicit inclusion (e.g., a note naming gaseous streams sent to third-party treatment), given ongoing GHGP work on waste treatment, recovery and WtE allocation.
- Interface to clarify: gases transferred to third parties for treatment vs Scope 1 subcat. 1.3/1.4; captured CO2 handed to third parties for storage (fossil CCS is reflected in Scope 1 per Annex B.2.6 Note 2) should not be "waste disposal" in 3.5.
- ISO C.6 has no required/optional boundary for waste transport, waste-handler capital goods or upstream fuels; these fall under the significance process.

Capital goods description

Refer to section C.3 in ISO 14064-1 WD2

Side-by-side text comparison

GHGP draft text

Category 2: Capital goods

This category includes all upstream (i.e., cradle-to-gate) emissions from the extraction, production, and transportation of capital goods purchased or acquired by the reporting company in the reporting year.

[...]

In certain cases, there may be ambiguity over whether a particular purchased product is a capital good (to be reported in category 2) or a purchased good (to be reported in category 1). Companies **should** follow their own financial accounting procedures to determine whether to account for a purchased product as a capital good in this category or as a purchased good or service in category 1.

Proposed ISO text

Subcategory 3.2: Capital goods

This subcategory includes GHG emissions or GHG removals from capital goods that are purchased and amortized by the organization over the useful lifetime of the capital goods, which may be longer than a single reporting period.

Capital goods include goods used by the organization to manufacture a product, provide a service, or sell, store and deliver merchandise.

[...]

Examples of capital goods include equipment, machinery, buildings, facilities and vehicles. In financial accounting, capital equipment is treated as fixed assets or plant, property and equipment.

D2.1

Category description for category 2 (capital goods) (Ch. 5, Table 5.4)

Proposed text revisions

Description: The existing description for capital goods was maintained.

Existing text (non-revision): “Extraction, production, and transportation of capital goods purchased or acquired by the reporting company in the reporting year.”
(Ch. 5, Table 5.4)

Editorialized definition: “Final goods with an extended useful life that a company uses to manufacture products, provide services, or sell, store, and deliver merchandise. In financial accounting, capital goods are treated as fixed assets or plant, property, and equipment (PP&E). Examples include equipment, machinery, buildings, facilities, and vehicles.”

Implications & rationale

- The definition of capital good is effectively unchanged; it was editorialized for readability as part of series D considerations.

TWG voting records

- Voting result on revision D2.1:
 - **Support – 100%** (41/41)
 - Oppose – 0% (0/41)
 - Abstain – 5% (2/43)

ISO-20

Capital goods description (amortization-based description)



Preliminary outcome

Status: AGREED | Consensus

Summary of outcome

- N359 C.3 describes 3.2 as emissions or removals from capital goods purchased and amortised over their useful lifetime (which may exceed one reporting period), i.e. the upstream (production) emissions of capital goods acquired.
- Definition 3.4.2: "goods that an organization uses to manufacture product, provide services, or sell, store, and deliver merchandise". Financial-accounting treatment (fixed assets / PP&E) is the classification anchor.
- WD2 definitions "embodied emissions", "remaining unamortized emissions" and "final product" deleted by WG4 on 25 Aug 2026 (N357 item 10); "capital goods" definition agreed.

Relevant text

N359 C.3: "... capital goods that are purchased and amortized by the organization over the useful lifetime ... to manufacture a product, provide a service, or sell, store and deliver merchandise."

Rationale

- Substantively the same scope as GHGP D2.1: goods used to manufacture, provide, sell, store, deliver; PP&E in financial accounting; same examples.
- The amortisation wording describes how such goods are recognised in financial accounts and links to the ISO quantification option (ISO-21); it is not a boundary change.
- Continuity with ISO 14064-1:2018 text; the capital-good vs purchased-good ambiguity is resolved in both frameworks by the organisation's financial accounting procedures.

Level of support from ISO WG4

- Consensus, no poll. N331 (2 June 2026): after debate on amortisation, "WG4 decided to retain original ISO text" for 3.2. N357 (25 Aug, item 10): "capital goods" definition agreed; "embodied emissions" and "remaining unamortized emissions" deleted. Annex C closed 24 Aug (N355 item 5).

Implications and concerns

- No boundary divergence with GHGP Cat 2 on what a capital good is; divergence is on timing (ISO-21).
- Drafting point: "purchased and amortized" could be read as excluding capitalised assets that are not amortised (e.g., land) or leased assets under finance leases; wording may need tightening at CD stage.
- ISO text has no required/optional boundary table (e.g., cradle-to-gate fuels/energy of suppliers); coverage follows the significance process (cl. 6.4.4).

Accounting approaches for capital goods

Refer to section C.6 in ISO 14064-1 WD2

Side-by-side text comparison

GHGP draft text

- Required boundary:
 - “All **unamortized** upstream (cradle-to-gate) emissions of purchased capital goods, including cradle-to-gate emissions of fuels/energy used by a value chain partner to produce a capital good.

Proposed ISO text

- GHG emissions or GHG removals within this subcategory **may** be quantified either by the total of GHG emissions associated with the production of the capital good or by an amortized part of the total (based on accounting rules or life time duration).
- If the amortization option is chosen, GHG emissions or GHG removals **should** be reported pro-rata during the amortization period.

D2.2

Non-revision (not change) to the cradle-to-gate minimum boundary for category 2

Proposed text revisions

Description: The cradle-to-gate minimum boundary requirement for purchased capital goods (category 2) was maintained unchanged (non-revision) with the exception that secondhand buyers are now required to account for a fraction of the cradle-to-gate emissions of a capital good.

Existing text and revised text: “All **unamortized*** upstream (cradle-to-gate) emissions of purchased capital goods, including cradle-to-gate emissions of fuels/energy used by a value chain partner to produce a capital good.” (Ch. 5, Table 5.4)

* See next slide for required boundary guidance on accounting for and quantifying unamortized emissions. As stated in the implications & rationale section on this slide, this the unamortized upstream (cradle-to-gate) emissions of a new (virgin) capital good is equivalent (identical) to the upstream (cradle-to-gate) emissions of said capital goods with or without amortization (namely, because no/zero emissions are amortized).

Implications & rationale

- The Scope 3 TWG voted to require that companies account for the unamortized emissions of purchased capital goods
- For virgin goods, this would reflect no-change in accounting; while for second-hand or non-virgin capital goods, this would require an adjustment (next slide)

TWG voting records

- Voting** result on revision D2.2:
 - **Support – 90%** (36/40)
 - Oppose – 10% (4/40)
 - Abstain – 7% (3/43)

** Note that TWG members supported the unamortized emissions rule in similar proportion; the term “unamortized” was editorialized after this D2.2 vote.

D2.3

Category description for category 2 (capital goods) (Ch. 5, Table 5.4)

Proposed text revisions

Description: New language for unamortized emissions.

New required boundary language:

- “The (1) total **remaining unamortized emissions** of purchased secondhand (or used) capital goods **shall** be accounted for in the year that the capital good is purchased; and (2) amortized and accounted for on a pro-rata (straight-line) basis, reflecting both (a) the expected useful life of the capital good and (b) the years of use prior to purchase.*
- Companies **shall** determine the expected useful life of a capital good using recognized accounting standards (e.g., GAAP, IFRS, or jurisdictional equivalents) or their own best estimate, provided it is reasonable, supportable, and consistent with internal depreciation practices used for financial reporting. Useful lifespan assumptions **shall not** be shorter than those applied in the reporting company’s audited financial accounts for the same or similar assets. If a capital good remains in use beyond its expected useful life and its embodied emissions have been fully amortized, the annual allocation of embodied emissions **shall** be accounted for and reported as zero for those years, and secondhand purchasers thereof may likewise report zero unamortized emissions.”

Implications & rationale

TWG voting records

- Voting result on revision D2.3:
 - **Support – 91%** (30/33)
 - Oppose – 9% (3/33)
 - Abstain – 23% (10/43)

ISO-21

Accounting approaches for capital goods (optional amortization of capital goods emissions)



Preliminary outcome

Status: AGREED | Consensus

Summary of outcome

- N359 C.3: emissions in 3.2 may be quantified either as the total production emissions of the capital good (i.e., in the reporting period of acquisition) or as an amortised part of the total, based on accounting rules or lifetime duration.
- If amortisation is chosen, emissions should be reported pro rata; the choice is the organisation's, subject to consistency and base-year policy (cl. 8).
- GHGP D2.2/D2.3 (unamortised emissions in year of purchase; second-hand adjustment) were not adopted; no "unamortized emissions" concept in N359.

Relevant text

N359 C.3: "... may be quantified either by the total of GHG emissions associated with the production of the capital good or by an amortized part of the total (based on accounting rules or life time duration) ... should be reported pro-rata during the amortization period."

Rationale

- N331 (2 June): one expert proposed mandatory amortisation aligned with useful lifetime; others argued for flexibility to support different industry practices; WG4 retained the ISO text allowing both options.
- Consistency with downstream reporting was raised: 3.11 reports expected lifetime emissions of sold products at sale; symmetric treatment of purchased capital goods is acquisition-year reporting. Implications for removals (biogenic carbon stored in capital goods) were also noted.
- Feasibility: aligns with financial depreciation data already held by the organisation where amortisation is used; avoids a new sub-ledger for "remaining unamortised emissions".

Level of support from ISO WG4

- Consensus, no poll. N331 report of 2 June 2026 ("Capital Goods Amortization Discussion"): "WG4 decided to retain original ISO text allowing both options (total emissions at acquisition OR amortization over useful life)." Confirmed by deletion of the "remaining unamortized emissions" definition (N357, 25 Aug) and closure of Annex C (N355, 24 Aug).

Implications and concerns

- True divergence with GHGP required boundary for Cat 2: an ISO reporter choosing amortisation would not meet the GHGP D2.2 rule; comparability across reporters and base-year consistency depend on disclosure of the option used.
- Target frameworks: amortised profiles smooth year-on-year variation; acquisition-year reporting creates spikes. Either affects inventory-based targets differently.
- Possible bridge for discussion: primary result per one method plus supplementary disclosure per the other (GHGP already allows annualised emissions as supplementary for leased assets).

Categorizing emissions from leased assets

Input required to assist Corporate Standard TWG

Corporate Standard TWG process overview



CS TWG formed a Task Force to consider revisions to **categorizing emissions from leased assets**

Starting point for considerations

- **Stakeholder feedback received**
 - Leased assets-related feedback received to global stakeholder survey
- **Evolved lease concepts in financial accounting**
 - From **finance and operating lease** classifications **to a control of use-based approach: "Right-of-use"** of an asset
- **Subgroup 2 discussions to date**
 - Lease assets-related **challenges raised** during TWG discussions
- **How key external programs evaluate leased assets ***
 - Most programs stay silent except ESRS

Key developments

- **Agreement on adopting a principles-based approach**
 - **Framework-agnostic approach:** For example, if the applicable financial reporting framework recognizes a **contract as a lease** (i.e., a right-of-use exists), **emissions** from using the asset **should be attributed to the lessee**
- **ISSB Staff** shared their **Technical Recommendations** for task force to consider *
 - Maintain the application **fully aligned with financial accounting** under the revised financial control approach based on **balance sheet recognition**
- **Task force members proposed options were evaluated by CS TWG (split opinions) ***

Focus today

Present to and gather views from Scope 3 TWG on options under consideration

Next step

Bring Scope 3 TWG feedback back to CS TWG to inform the final discussion in October

* For more details, please refer to the materials from CS Subgroup 2 Meetings 13 and 14, and CS Full TWG Meeting 7.

Leased assets: Relevant financial accounting concepts

1

“Right-of-use asset” as the basis for lease accounting in financial reporting:

Exists when the contractual arrangement gives the lessee the following rights:

- To obtain substantially **all the economic benefits** from using the identified asset; and
- **Right to direct the use** of an identified asset

2

Balance sheet recognition:

When the **right-of-use** exists:

- together with **lease liability payment obligation**

As a result: The right-of-use asset is then recognized in the lessee’s balance sheet (BS)

3

Lease accounting exemptions in financial reporting:

Main cases when a lease is exempt from balance sheet recognition

- **Short-term** leases (duration: up to 12 months)
- **Low value** leases (e.g., office equipment)

Relevance of lease accounting exemptions for GHG accounting

We focus on **short-term** leased assets that are exempt from lease accounting in financial accounting:

Exempt or short-term leases often **generate emissions in the same way as non-exempt leases** and can, in some cases, be significant.

Examples:

1. **Vehicle** leases:
 - Multiple short-term vehicle leases operated in the same way as a long-term fleet
2. **Power generator** lease:
 - Short-term leases for off-grid, emissions-intensive operations can also result in significant emissions

Leased assets: Options under consideration - Overview



Scope: Emissions from the **use of the leased asset** itself

- **Excluded:** Emissions from activities (e.g., building-level) and services (e.g., providing heating) that are controlled or managed by the lessor *(if applicable)*

Each option is presented to include:

- Definition
- **How** each option categorizes emissions from leased assets
- Considering lessee and lessor perspective
- Application based on **consolidation approach**
- Key **rationale**
- Decision-making criteria **analysis**

Option A

Standardized approach – Balance Sheet recognition

Option A+

Two step approach – building on Option A

Option B

Standardized approach – Right-of-use

Option C

Different method per consolidation approach

* Task force initially drafted 4 options to be considered by Subgroup 2. Please see Subgroup 2 Meeting 14 for the full list of initial options considered. Please note that **Option A+** (a two-step approach for lessee building on Option A) **is now removed** to avoid complexity and promote feasibility and consistent categorization of emissions from leased assets.

Option A

Standardized approach – BS recognition

Definition:

Apply financial accounting rules **based on balance sheet (BS) recognition**, with focus on right-of-use while providing transparency on emissions from assets owned by the lessor

How:

- ▶ The party (*lessee or lessor*) recognizing an asset on their BS reports as **scope 1 and 2**
- ▶ The other party reports as **scope 3**

Applies to:

Both financial and operational control

Why:

Standardize categorization through **principles-based** approach **fully aligned with financial accounting**

Option B

Standardized approach – Right-of-use

Definition:

Applying the **right-of-use** as a principle to apply consistently both to lessee and lessor

How:

- ▶ The party **with** the right-of-use of the leased asset reports as scope 1 and 2
- ▶ The party **without** the right-of-use of the leased asset reports as scope 3
- ▶ For companies applying financial control, existence of right-of-use broadly correlates with BS recognition (except from lessors), with possible exceptions *

Applies to:

Both financial and operational control

Why:

Reconciles current practices (operational control) and aligns with ESRS

Option C

Different method per consolidation approach

Definition:

Financial control: Apply **Option A**

Operational control: Apply **Option B**

How:

- ▶ Option A delivers **full alignment with financial accounting** under financial control
- ▶ Option B enables **consistent capturing** of emissions from operated assets under operational control

Applied based on:

Chosen consolidation approach

Why:

Adhere to distinct purposes of each consolidation approach

* **Financial accounting** lease exemptions, 2. **Non-financial** exemptions: e.g., leases recognized on BS with limited or no relevant GHG emissions.

Note: Initially evaluated Option A+ (with added assessment for lessee to assess exempted leases from financial accounting) has been removed to avoid added complexity.

Leased assets: Decision-making criteria analysis

Criterion	Option A Standardized – balance sheet recognition	Option B Standardized – right-of-use	Option C Different per consolidation approach
Scientific integrity	N/A		N/A
GHG accounting and reporting principles	Con: Inhibits consistency in categorizing emissions (<i>e.g., financial accounting exemptions and nature of operational control; for the lessor</i>) and completeness	Pro: Promotes relevance, consistency and completeness of scope 1 and 2 emissions (for lessee only)	Pro: Promotes relevance, consistency and completeness of scope 1 and 2 emissions (per chosen consolidation approach)
Support decision-making that drives ambitious global climate action	Pro: Standardized categorization of leased assets Con: May not provide full picture of emissions (<i>e.g., financial accounting exemptions for leases may not necessarily translate to GHG accounting</i>)	Pro: Reporting based on use of the asset, providing impact focused information Con: Risk to delineate from financial accounting (<i>especially if the financial control approach is adopted</i>) *	Pro: Aims to maximize consistent recognition of emissions from leased assets from a GHG accounting organizational boundaries perspective Con: Could create a loophole for companies to choose consolidation approach to present a more favorable emissions profile **
Support programs based on GHG Protocol and uses of GHG data	Pro: Enhances comparability and is aligned with financial control Con: Interoperability challenges with key external programs (<i>e.g., ESRS – especially lessor perspective</i>); not compatible with how operational control is assessed (<i>for lessors</i>)	Pro: Aligns with one of key external programs (ESRS) Con: Inhibits alignment with financial accounting , especially for lessor* (<i>not aligned with ISSB recommendation</i>)	Pro: Maintains full alignment with financial accounting if financial control is applied; maintains full alignment with ESRS if operational control is applied; Potential to be interoperable with key external programs under operational control Con: Risk to interoperability with external programs depending on approach chosen (<i>ESRS; if financial control approach is chosen and option A applied</i>) *
Feasibility to implement ***	Con: Can increase feasibility challenge for a specific subset of users (<i>e.g., leasing industry – lessors</i>)	Pro: Close to current market practice	Con: Can increase feasibility challenge for a specific subset of users (<i>e.g., leasing industry – lessors</i>)

* Subgroup 2 discussion to address this con: corresponding scope 3 line item (*i.e., downstream leased assets*) could be linked with financial information to maintain alignment (especially for lessor accounting).

** Required disclosure on rationale for not following the recommended approach could address this con.

*** May result in reporting procedure changes but does not pose challenge to data availability/quality/collection—unless stated otherwise—as it will only determine whether emissions will be categorized as scope 1 and 2 vs. scope 3.

Leased assets: discussion and polls



Discussion



Polls

Which option do you support for **categorizing emissions from leased assets?**

- Option A (*Standardized approach – balance sheet recognition*)
- Option B (*Standardized approach – right-of-use*)
- Option C (*Different method per consolidation approach*)
- Abstain

Quantification approaches for leased assets

Refer to sections C.8 and C.14 in ISO 14064-1 WD2

Side-by-side text comparison

GHGP draft text

Upstream leased assets:

If the reporting company (the lessee) leases an asset for only part of the reporting year, it **shall** account for emissions for the portion of the year that the asset was leased (e.g., 100% if the lessee has full use, or a fraction if the lessee has partial use, e.g., in the case of multi-tenant leases).

Downstream leased assets:

If the reporting company leases an asset for only part of the reporting year, the reporting company **should** account for emissions from the portion of the year that the asset was leased.

If not reporting in category 2, a reporting company (the lessor) **shall** report (1) total remaining unamortized emissions and **may** report (2) annualized emissions associated with manufacturing or constructing the leased asset in the same manner that category 2 emissions are accounted and reported.

Proposed ISO text

Upstream leased assets:

< no equivalent requirement on accounting approach is ISO 14064:2 WD-2 >

Downstream leased assets:

If the organization (the lessor) leases an asset for only part of the reporting period, the organization **should** quantify GHG emissions or GHG removals from the portion of the reporting period that the asset was leased.

ISO-24

Quantification approaches for leased assets (removal of accounting approach requirement)



Preliminary outcome

Status: AGREED | Consensus

Summary of outcome

- 3.8 Upstream leased assets (C.9): use of assets leased by the lessee; lease types noted; avoid double counting with Scope 1. No part-period proration "shall"; no unamortised-manufacturing-emissions requirement.
- 3.13 Downstream leased assets (C.14): lessor's assets not in Scope 1/2; leased products may be quantified like sold products and reported in 3.11; lessor "should" quantify pro rata for part-period leases.
- Scope 1/2 vs Scope 3 classification of leased assets follows the consolidation approach (cl. 5.4), not Annex C.

Relevant text

N359 C.9 (3.8), C.14 (3.13); cl. 5.4. GHGP lease-type tables (WD2 Option 1, Tables C.10/C.11) not retained.

Rationale

- N331 (3 June): 3.8 and 3.13 discussed; alignment with ISO/TS 14064-4 noted; no volunteers, LT drafted simplified text for both (N320 Res. 10).
- The GHGP lessee/lessor tables restate consolidation rules already in cl. 5.4; ISO keeps Annex C descriptive and avoids duplicating requirements.
- The lessee unamortised-emissions rule depends on the GHGP amortisation concept not adopted for 3.2 (ISO-21); dropping it keeps 3.8 consistent with 3.2.
- Quantification choices remain with the organisation, with disclosure of methods (cl. 6.9.4).

Level of support from ISO WG4

- N320 Resolution 10 (3 June 2026): LT combined text for 3.8, 3.11, 3.13, 3.14, considering ISO 14064-4; all Annex C comments resolved by consensus 24 Aug 2026 (N355 item 5). No poll recorded.
- Note: CS TWG outcomes on leased-asset consolidation (presented by GHGP Secretariat in this session) may require WG4 re-alignment of cl. 5.4 / Annex C.

Implications and concerns

- Lessee part-year use: implicit in activity data for the lease period, but no "shall"; TWG may ask whether a recommendation should be added for symmetry with C.14.
- Mapping difference: ISO allows leased products to be reported in 3.11 rather than 3.13; GHGP keeps Cat 13 distinct.
- Manufacturing emissions of leased assets: ISO places them with the owner's capital goods (3.2, amortised or not); GHGP Cat 13 requires lessor unamortised emissions. Same divergence as ISO-21.

Quantification approaches for franchises

Refer to section C.15 in ISO 14064-1 WD2

Side-by-side text comparison

GHGP draft text

Category 14: Franchises

This category includes franchisee operations in the reporting year not included by the reporting company (the franchisor) in scope 1, scope 2, or another scope 3 category.

[...]

Companies that are franchisors that are contracted with an exclusive (single-brand) franchise **shall** account for all of the scope 1, scope 2, and scope 3 of a franchisee (excluding the franchisee's scope 3 category 15 and category 16) emissions that occur during the operation of said franchisee.

Companies that are franchisors that are with a non-exclusive franchise **shall** account for its proportional scope 1, scope 2, scope 3 (excluding the franchisee's scope 3 category 15 and category 16) emissions of the franchisor.

Proposed ISO text

Subcategory 3.14: Franchises

This subcategory includes GHG emissions or GHG removals from franchisee operations in the reporting period that are not already included by the organization (the franchisor) in its scope 1, scope 2, or another scope 3 subcategory.

ISO-25

Quantification approaches for franchises



Preliminary outcome

Status: AGREED | Consensus

Summary of outcome

- N359 C.15: 3.14 covers franchisee operations in the reporting period not already included by the franchisor in its Scope 1, Scope 2 or another Scope 3 subcategory. Table 1: applicable where significant.
- No exclusive/non-exclusive franchise rules, no 100 % / proportional accounting requirements and no franchisee-side requirement; the earlier ISO approach (franchisees inside the reporting boundary via consolidation) was removed.

Relevant text

N359 C.15: "This subcategory includes GHG emissions or GHG removals from franchisee operations in the reporting period that are not already included by the organization (the franchisor) in its scope 1, scope 2, or another scope 3 subcategory."

Rationale

- N331 (3 June): WG4 confirmed reinstating 3.14 as downstream franchises aligned with GHGP; the ISO text requiring franchisees to be consolidated into the organisational boundary was removed; significance criteria for Scope 3 apply.
- The GHGP exclusive/non-exclusive rules are quantification and allocation guidance, not boundary; ISO handles allocation through cl. 6.9.4 (method chosen, justified and disclosed).
- Whether a franchisee's operations fall in the franchisor's Scope 1/2 is determined by the consolidation approach (cl. 5.4), avoiding duplicated rules in Annex C.

Level of support from ISO WG4

- Consensus, no poll. N331 report of 3 June 2026 ("Subcategory 14 – Downstream Franchises"). N320 Res. 10: LT combined text for 3.14 considering ISO 14064-4; Annex C closed 24 Aug (N355 item 5).

Implications and concerns

- Divergence is in prescriptiveness, not boundary: the same activities are in scope; GHGP allocation rules (incl. exclusion of the franchisee's Cat 15/16) have no ISO equivalent, so comparability between franchisors depends on disclosed allocation.
- GHGP's franchisee-side "shall" has no ISO counterpart; ISO relies on the franchisee's own consolidation approach.
- Sector-specific guidance (Annex P, informative) can carry franchise allocation methods without normative text.

Next Steps

Draft for TWG discussion

A decorative graphic in the top right corner consisting of several overlapping, curved lines that form a stylized camera shutter or aperture design.

Next steps

- GHG Protocol Secretariat:
 - Distribute survey(s) to poll on the topics covered in today's session.
 - All polls for this consolidation process is ISO feedback will remain open through **Friday, Nov. 13th**
 - TWG members will be able to return to (edit/change) their votes through Friday, Nov. 13th
 - We recommend you do the polls sooner rather than later, as there will be many topics across the next few sessions that will be polled.
 - Minutes, meeting slides, and recordings will be shared.
 - Topics not covered in today's session will be covered at the next session as well as:
 - References to sector-specific standards
 - References to PCAF in categories 15 and 16
 - Proportionality rules for quantifying investments (i.e., the use of equity and debt in denominator)

Thank you!

Alexander Frantzen
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Scope 3 Manager, WBCSD
jones@wbcscd.org

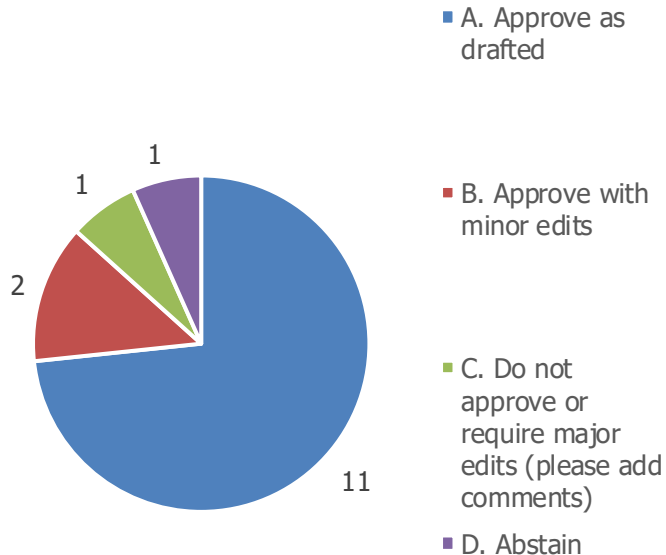
Claire Hegemann
Scope 3 Associate, WRI
claire.hegemann@wri.org



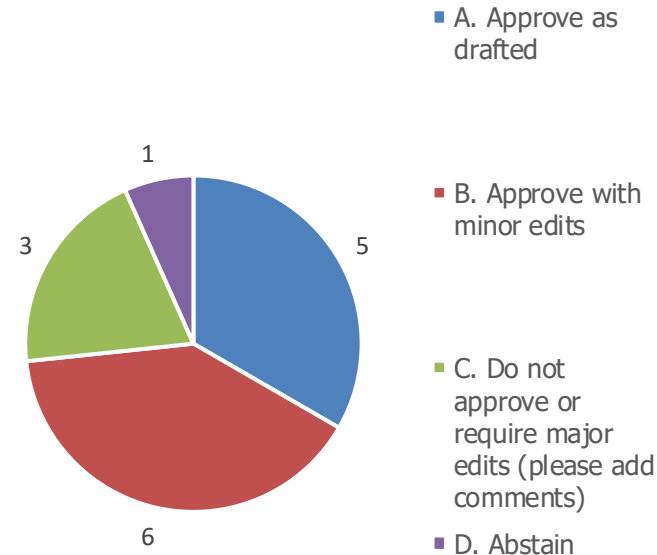
Annex A: Series E (category 10/11 package) survey results

Part A: General approval

Do you approve of the revisions to category 10
(Processing of sold products) as per the July
2026 draft?



Do you approve of the revisions to category 11
(Use of sold products) as per the July 2026
draft?



Next steps: No further input from S3 TWG required at this stage

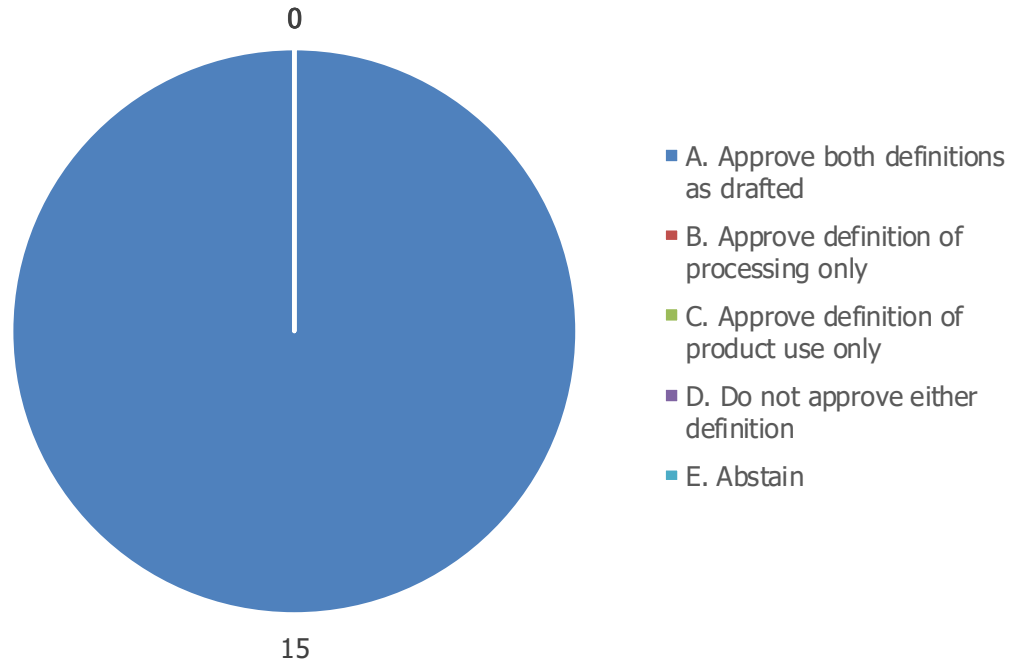
GHGP S3 Secretariat will update the text in light of minor and major edit requests where the suggestions do not change recommendations or requirements previously voted on

Combined minor and major edit requests:

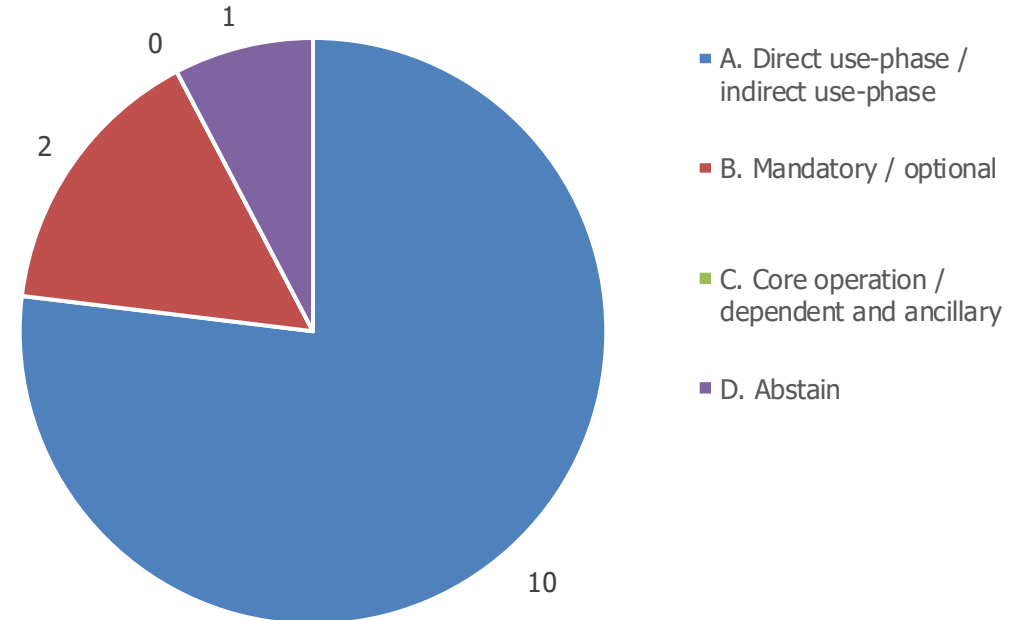
- Disagreement with justified exclusion clause
- Accessing customer-specific cradle-to-gate energy data is a challenge and risks introducing significant uncertainty
- Companies should only be allowed to use EFs from credible sources and should have no allowance to derive their own.
- Provide examples to help with interpretation of energy loss rules.
- Disagreement with the approach to make total expected lifetime emissions the basis for all sold products (and supplemented by recommendation for annualized figures as separate reporting metrics.
 - Require disclosure of calculation basis and consistent year-to-year application and state explicitly that two figures would not be additive nor comparable across companies
- The term “forward-year” is not understood and should be reconsidered.
- The requirement of additional metrics which are product-specific should not be used to effectively require the disclosure of PCF values of sold products
- Intermediate product requirements remain unclear – the definition of final products and intermediate products is not clear and the subsequent rules remain unclear for intermediate product manufacturers as a result, and so use-phase emissions for intermediate products should be optional.

Part B: Definitions and terminology

Approval of definitions of "Processing" and "Product use"



Selection of category 11 classification system



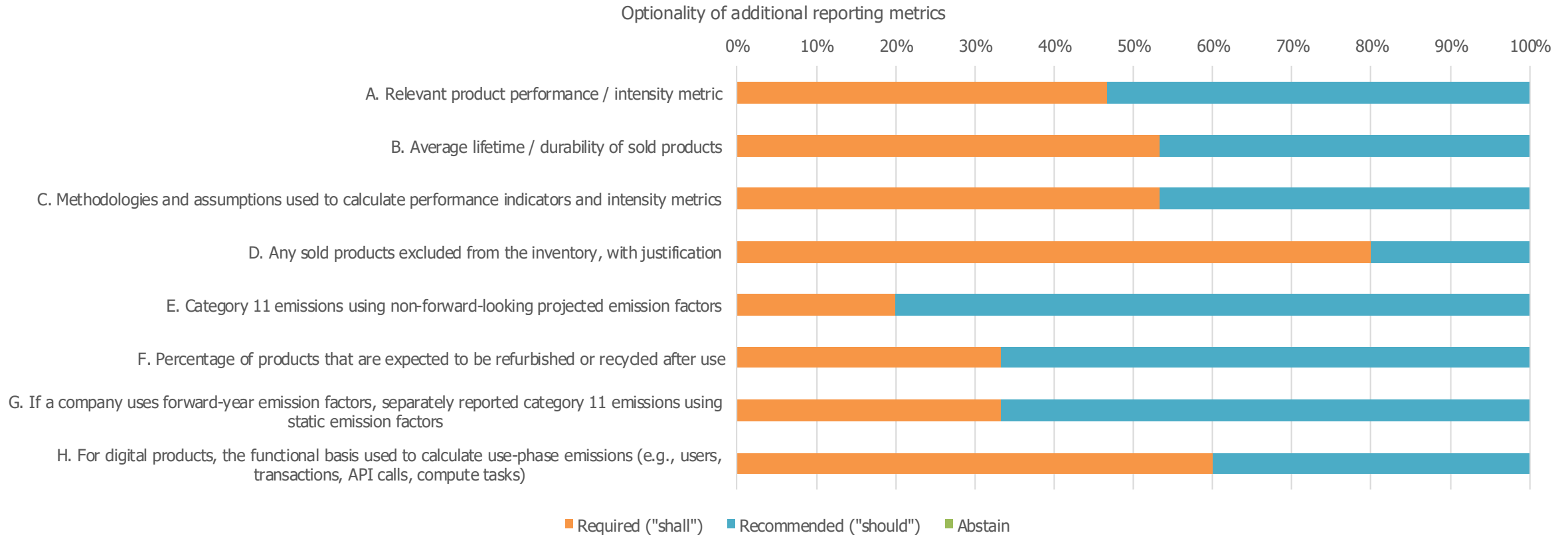
Next steps: No further input from S3 TWG required at this stage

GHGP S3 Secretariat will update text to use 'direct use-phase' and 'indirect use-phase' (i.e., no change vs the existing *Scope 3 Standard*)

Total votes: 15 – *survey remains open for TWG members who wish to respond and have not yet done so*

[S3 TWG - Category 10 & 11 \(Series E\) - final approval](#)

Part C: Additional reporting metrics

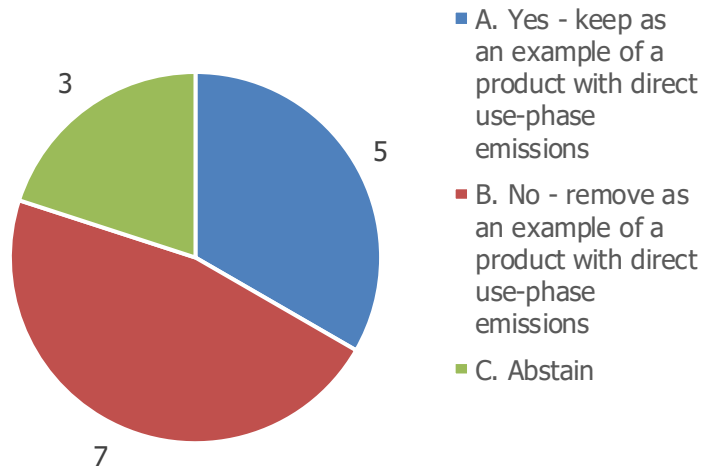


Next steps: No further input from S3 TWG required at this stage

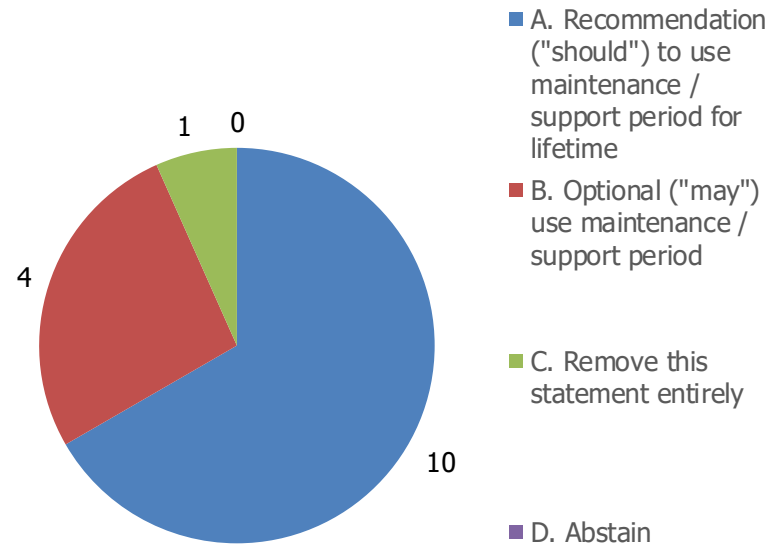
GHGP S3 Secretariat will update text to require the inclusion of additional reporting metrics with >50% of total votes. This will be subject to further voting after the completion of activities in Q4 2026 to consolidate with ISO 14064-1 WD2.

Part D: Digital products (page 1 of 2)

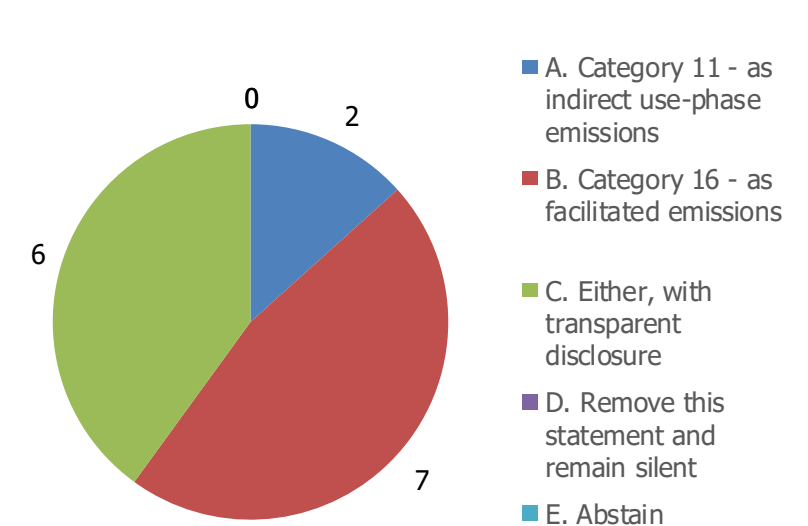
Should web-based software remain listed as an example of products with direct use-phase emissions?



Optionality on using the maintenance / support period for determining the lifetime of a sold digital product



Reporting of software that facilitates energy consumptions in another system

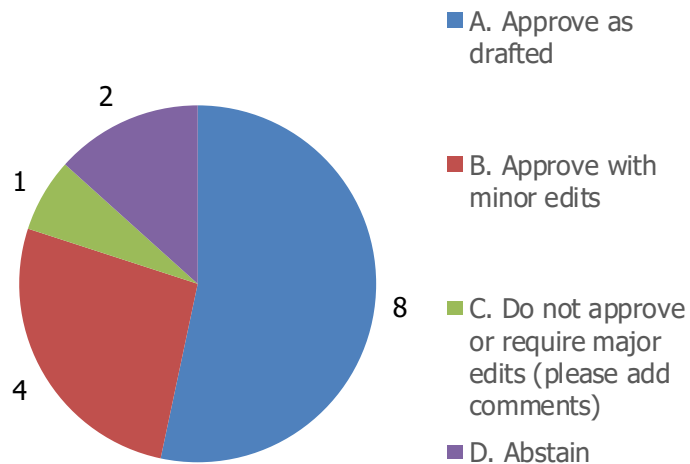


Next steps: No further input from S3 TWG required at this stage

For now, web-based software will be removed as an example of a product with direct use-phase emissions, but this may be subject to further TWG voting in future to seek to find a consensus. Similarly, text will be drafted to support the reporting of facilitating digital software in category 16, unless a company wishes to report in category 11 (in which case it must follow quantification requirements of category 11) – i.e., a similar outline to existing recommendations for reporting category 13 emissions in category 11.

Part D: Digital products (page 2 of 2)

General approval of digital products guidance section



Minor and major edit requests:

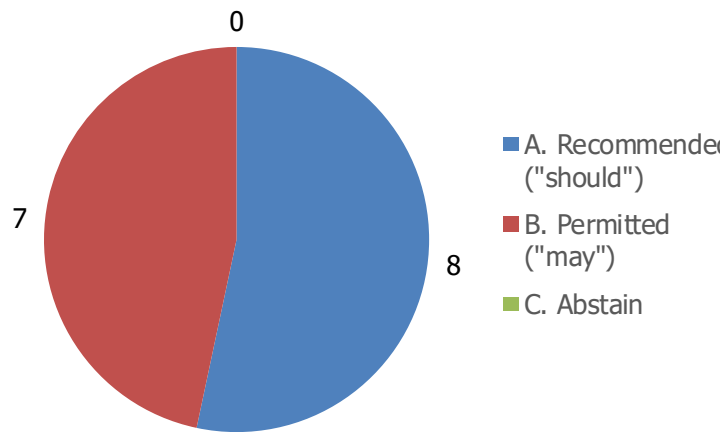
- Concerns about the lack of annualized approach for digital products, as an example of a type of product where a lifetime figure cannot be meaningfully established
 - Using support or maintenance period is a commercial decision and not a characteristic of the sold product. Continuous delivery or evergreen products are not well characterized by this recommendation.
 - Duration of support is a poor proxy as emissions scale with active users, data volumes, and compute intensity which may lead to different orders of magnitude emissions.
 - Subscription and licence models are not explicitly handled – the guidance should address this.
- The guidance needs to clearly state the vote for the inclusion of incremental energy use at the user device. The text appears to require the inclusion of data storage, transfer and computation which is not limited to the user device.

Next steps: No further input from S3 TWG required at this stage

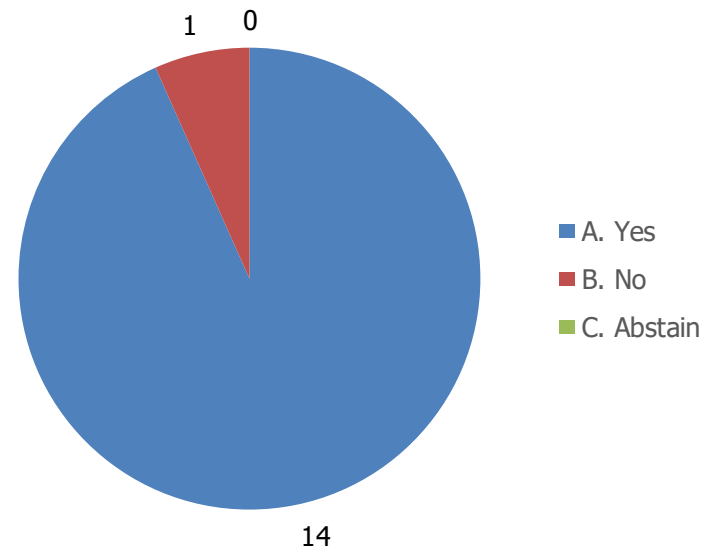
The S3 Secretariat will revise guidance and may return with an updated draft addressing edit requests. This may include TWG consideration of the preferred approach with respect to digital products that are sold using subscription-based or licence-based models.

Part E: Forward-year emission factors (page 1 of 2)

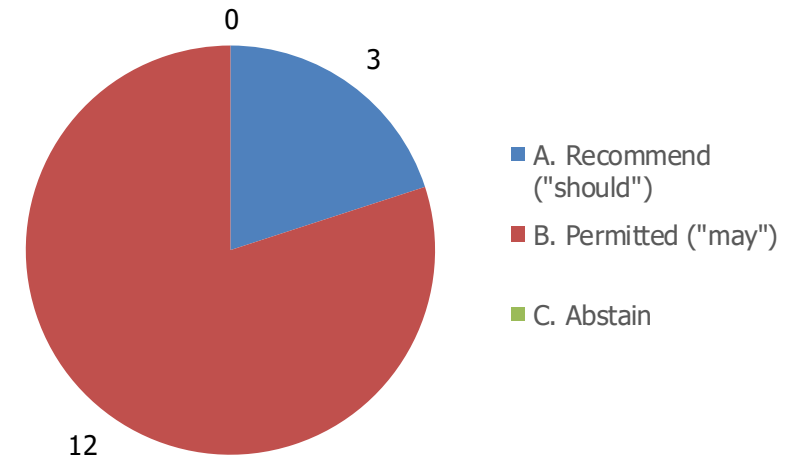
Optionality for use of forward-year emission factors



Agreement with recommendation to base forward-year emission factors on published reputable and jurisdictionally-relevant sources



Optionality for compiling a credible range of scenarios using different forward-year projections



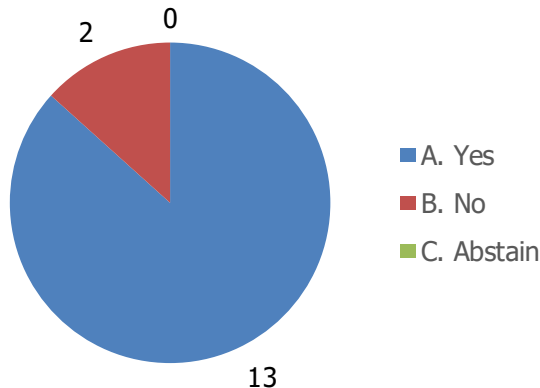
Next steps: No further input from S3 TWG required at this stage

Text will be updated in light of these results. For the optionality on the use of forward-year emission factors the text will be drafted as "A reporting company **may** use forward-year emission factors, and **should** do so when relevant".

For credible range of scenarios, given the subjectivity of determining which scenario is used in reporting, the S3 Secretariat will consider removing information on scenario analyses instead choosing to remain silent on the matter (i.e., it is not included within any normative requirements or recommendations) – *see next slide for more voting on this topic*

Part E: Forward-year emission factors (page 1 of 2)

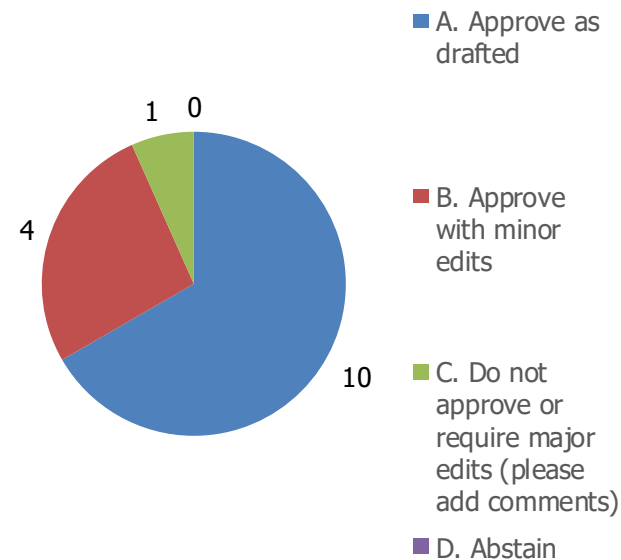
Agreement with principle of using the most conservative plausible scenario if a company undertakes a scenario analyses



Challenges raised where:

- The subjectivity of plausibility, and the lack of definition of conservativeness for projections
- Results would not be assurable
- Sits awkwardly with the accuracy principles

General approval of forward-year emission factor section



Edit requests and comments:

- Companies should be unable to make their own forward-looking factors
- Elaborate on the term “forward-looking” and also refer to prospective assessment/analysis
- Mixed opinions on a requirement to also report emissions using static emission factors

Next steps: No further input from S3 TWG required at this stage

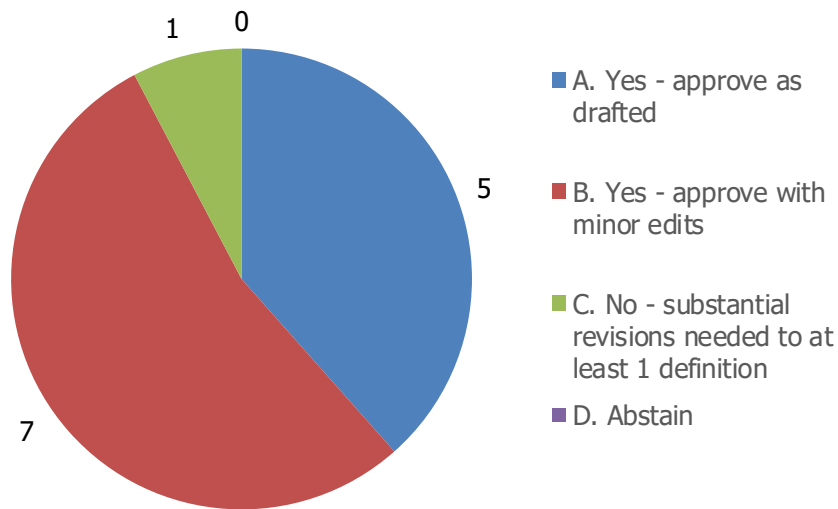
For credible range of scenarios, given the subjectivity of determining which scenario is used in reporting, the S3 Secretariat will consider removing information on scenario analyses instead choosing to remain silent on the matter (i.e., it is not included within any normative requirements or recommendations).

The rest of the text will be edited in light of the survey results gathered here with no further S3 TWG input required.

Annex B: Circularity definitions survey results (F1)

Circularity definitions survey results (page 1 of 3)

Approval of definitions as presented in July 2026 draft*



Edit requests and comments:

- Typo in circular economy definitions (“... including climate change, biodiversity loss, waste, *and waste*” and missing word in “contribute to sustainable development and pollution”) to be corrected
- Upcycling – clarifying whether ‘greater economic value’ applies only to economic value, functional quality or both
 - Upcycling and downcycling definitions may be confusing and introduce unexpected interpretations, suggestion to remove from definitions list.
- Final disposal – Consider adding note that classifying energy recovery as a form of final disposal is aligned with decisions from F3
- Waste – remove ‘for material recovery, energy recovery, or final disposal’ which may cause interpretation issues. Waste definition needs further expansion (see later survey results).
- The definition of second-hand may be a useful addition – a definition is provided in SBTi CNZS v2
- Refurbishment and remanufacturing definitions are too similar – alignment with EN 45553 may be beneficial to draw a clearer distinction between them.

Next steps: No further input from S3 TWG required at this stage

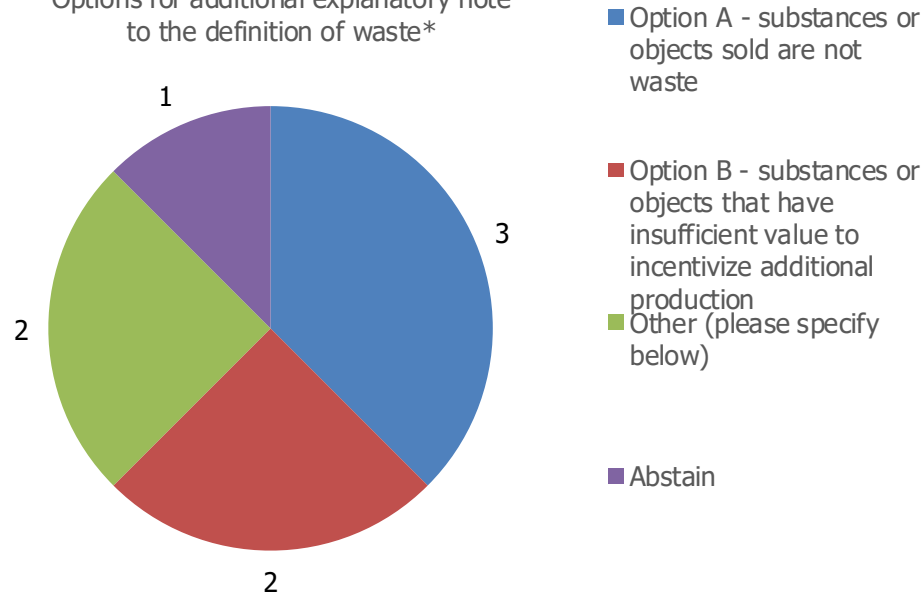
GHGP S3 Secretariat will update the definitions by fixing typos and addressing minor and major comments where it is possible to do so without significantly changing the meaning of the term. Downcycling and upcycling will be removed and will not be used in the *Scope 3 Standard* with a definition. It may be used in guidance, subject to further work to ensure the definition can be clearly interpreted.

Total votes: 13

* The “No – substantial revisions” vote indicated that the refurbishment and remanufacturing definitions needed further work. Explanation is combined in the ‘edit requests and comments’ on this page

Circularity definitions survey results (page 2 of 3)

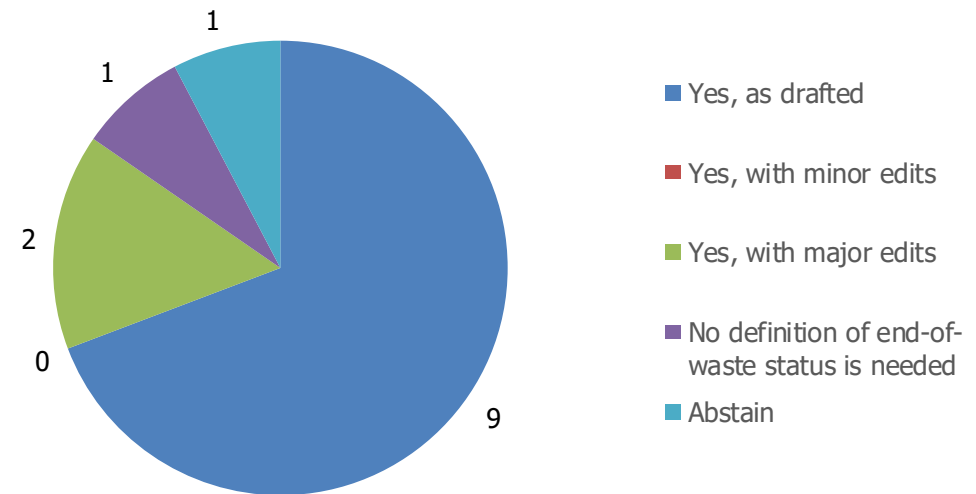
Options for additional explanatory note to the definition of waste*



Other suggestions include:

- Removing the note and sticking with the EU WFD definition only
- Rephrasing to be "substances/objects that no longer possess any economic or useful value and therefore do not incentivize further transformation"

Approval and addition of end-of-waste definition



Edits and comments include:

- Needs to be checked against the finalized waste definition and cut-off approaches being used
- Need to have a purpose for this definition for it be used.

Next steps: No further input from S3 TWG require

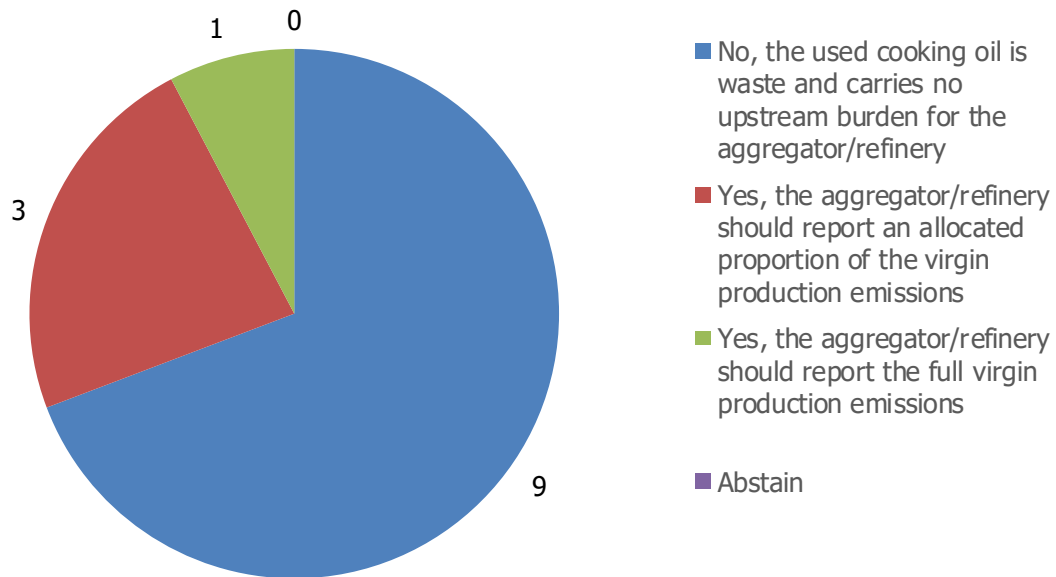
Note that the vote for waste was re-poll in a later survey – see Annex E. The results for that question are shown here only for information purposes. End-of-waste definition is accepted as drafted in the survey and will be integrated into the list of definitions. These definitions *may* be used in the drafting process when there is clear purpose and need.

Circularity definitions survey results (page 3 of 3)

Scenario A:

A restaurant discards of used cooking oil (UCO) as waste.
A third-party aggregator/refinery collects the UCO and refines it into biofuel.

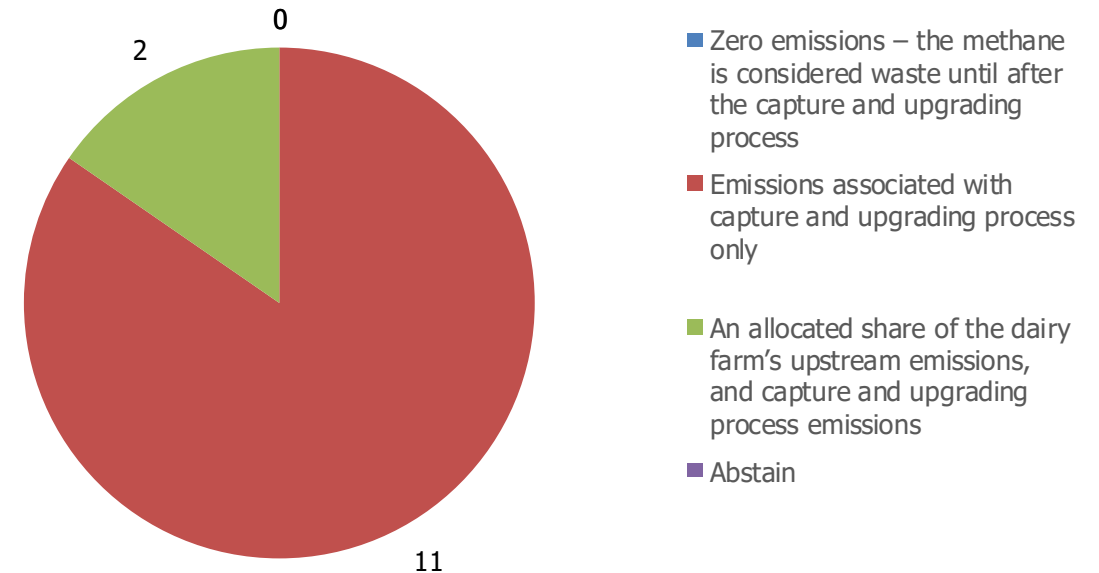
Scenario A - should the aggregator/refinery report any emissions from *virgin* production of cooking oil



Scenario B:

A dairy farm captures methane that would otherwise be released to atmosphere, upgrades it to fuel-quality biomethane and sells it to a biodigester

Scenario B - what should the biodigester account for in scope 3 category 1 for purchased biomethane



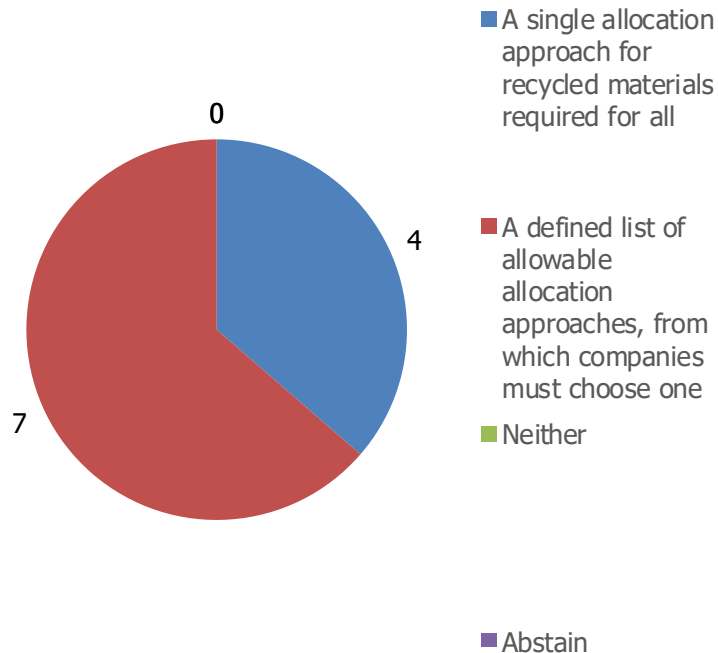
Next steps: No further input from S3 TWG required

Annex C: Allocation approaches for recycled materials (F2)

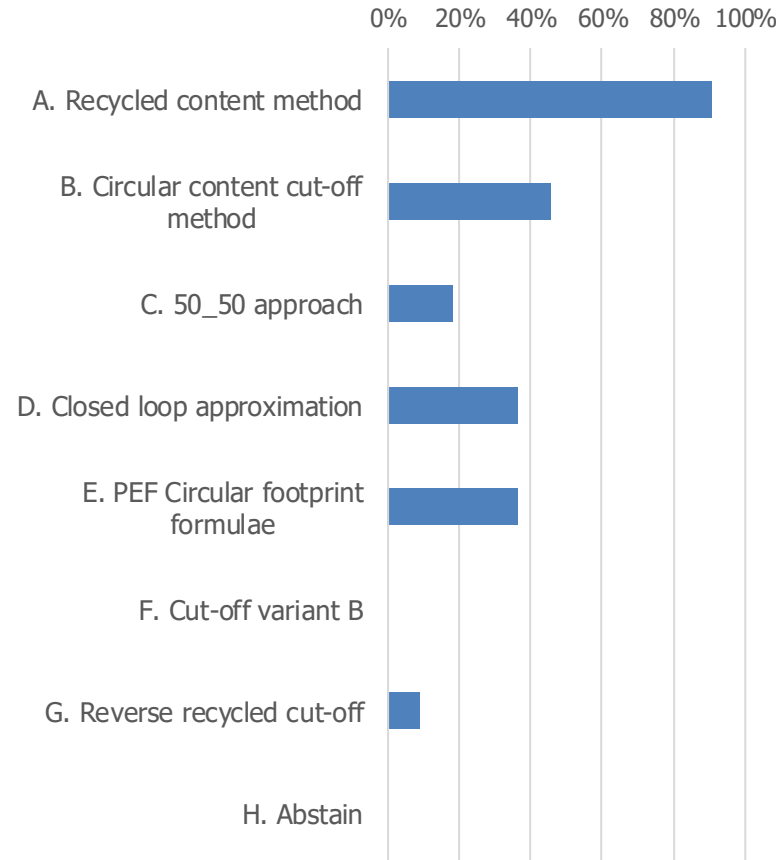
July/August survey

Allocation approaches for recycled materials

Preferred GHGP approach for requiring particular allocation approach(es) for recycled content



Preferred approach(es) for inclusion in requirement

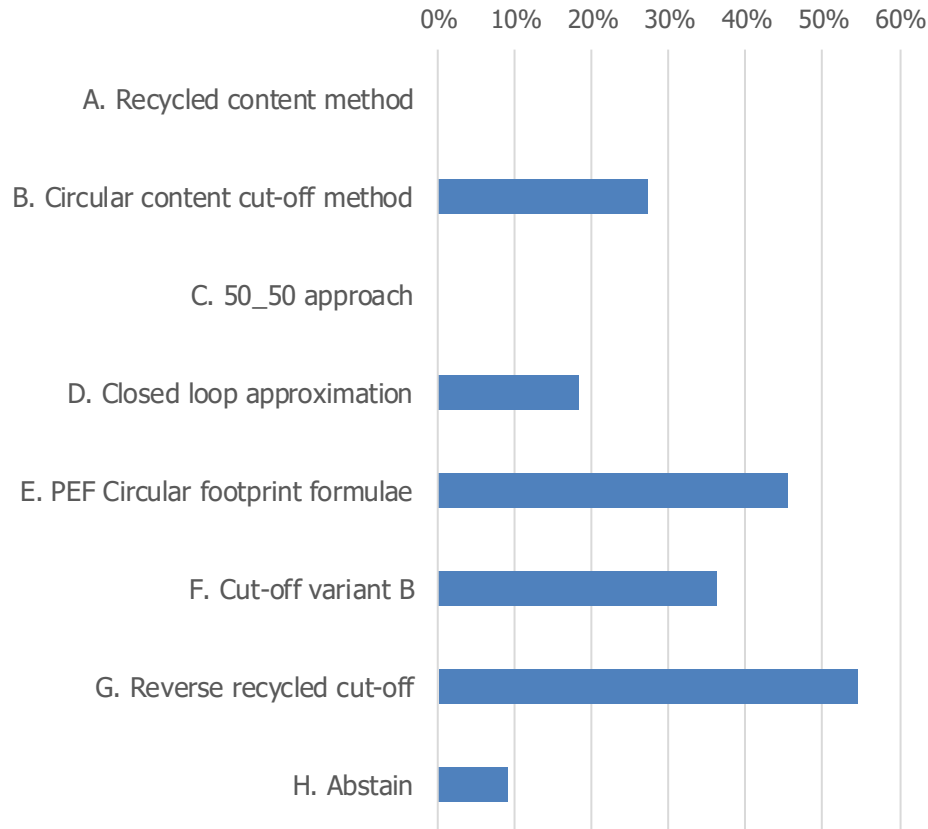


Rationale provided included:

- There are use cases for each method and so it makes sense to provide optionality and require organizations disclose and justify choices
- Recycled Content Method is simple, transparent, avoids double counting and is embedded in current practice.
- Additional approaches may be more appropriate for specific material systems (e.g., closed loop for high-quality circularity, PEF CFF when quality loss and substitution effects are important)
- Some approaches are overly product-specific and aren't appropriate for use in corporate inventories (e.g., PEF CFF)
- Circular content cut-off method should be allowed as it preserves the cut-off principle whilst providing an additional option for value chains where recycled content is an important driver and primary data are available
- Methods other than RCM don't necessarily score better in terms of the decision-making criteria so RCM should be retained, despite the flagged issues which do have validity.
- Existing data infrastructure is built around RCM

Allocation approaches for recycled materials

Allocation approach(es) that TWG members would not feel comfortable being included in the revised standard

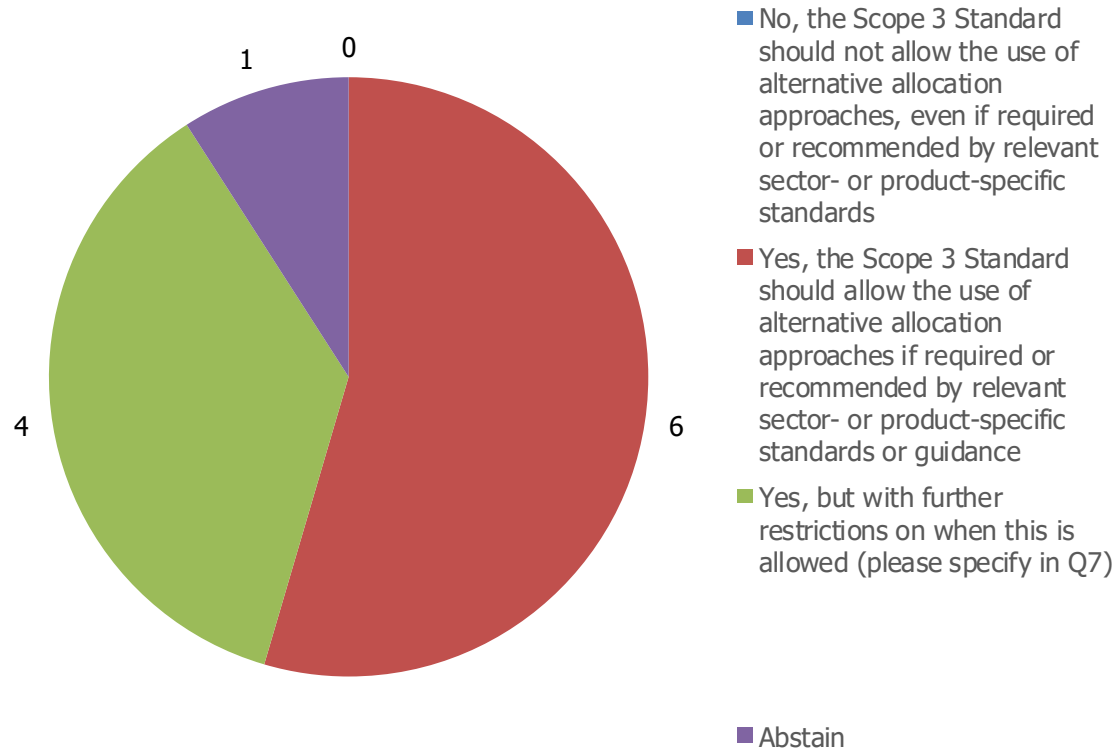


Rationale provided included:

- Approaches not supported risk incomplete emissions or rely on assumptions that are difficult to govern consistently (circular content cut-off method, 50:50, cut-off variant B, reverse recycled cut-off)
- PEF is more suited to PCFs/LCAs than corporate level GHG accounting: it relies on multiple parameters and allocation factors which could reduce consistency, comparability and practical implementation across diverse corporate value chains. Too many additional guidelines would be needed for it to be usable, and the approach is generally too complex.
- Reverse recycled cut-off fundamentally changes the allocation point by transferring waste management burdens to the waste generator. Additional methodological development and validation would be needed before it could be considered for inclusion as an allowable corporate allocation approach for recycled materials. Also difficult to operationalize clearly.
- 50:50 is too arbitrary for corporate accounting
- Closed loop approximation may need too many additional guidelines for it to be usable in corporate accounting. The fundamental assumption of indefinite recycling with no loss of quality may not reflect reality in real terms.
- The circular content cut-off approach doesn't represent physically occurring emissions. The approach could be adjusted so that a reporting party accounts for eventual incineration (and final disposal) of 100% recycled material product. It works better for paper and plastic mono-materials.

Deference to requirements/recommendations in sector- or product-specific standards

Should the revised standard defer to sector- or product-specific standards that require or recommend alternative approaches*



Additional restrictions suggested by respondents:

- Sector- or product-specific alternatives should only be allowed if they improve the physical representativeness of the inventory and remain consistent with the GHGP principles.
- Approaches should have clearly defined applicability criteria, system boundaries, data requirements, and allocation parameters.
- Approaches should not omit physically occurring emissions, or rely on company-selected counterfactual assumptions related to avoided emissions or substitution benefits.
- Any circularity benefits should be distinguished from the corporate GHG inventory unless they are accounted for through a transparent and standardized accounting procedure.
- The sector- or product-specific standard should be widely recognized and technically robust
- Approaches should be applied consistently across reporting boundaries and time
- Companies should disclose the allocation approach used, with justification and any material assumptions.
- For conglomerates where there are multiple different applicable standards, some thought needs to go into how this would be handled
 - Would there be a default method (e.g., RCM). Would reporting using multiple methods be allowable?
- Methods used should not incentivize disposal before the end-of-life and should not incentivize the purchase of virgin materials

Total votes: 11

* This questions assumes that any relevant sector- or product-specific standard in question shall: (a) Aligns with the general accounting and reporting principles of the GHG Protocol; and (b) Relates to a physical inventory calculation (i.e., not a contractually-adjusted or consequential inventory)

Outcomes of F2 survey

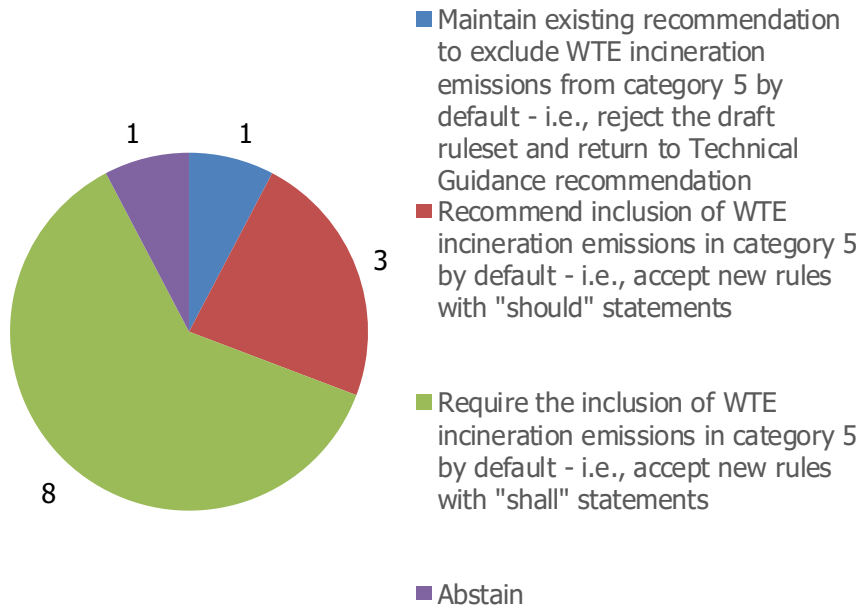
- Only Recycled Content Method had >50% support from respondents for inclusion. Therefore this will be the only approach referenced in the draft text.
- The final questions indicated that there should be some flexibility to move away from the using the Recycled Content Method if there is applicable sector- or product-specific standards available that require or recommend alternative approaches.
- The text will be revised by the S3 Secretariat with the following logic (i.e., this approach appears to most closely satisfy the results of the F2 survey)
 - If an applicable sector-specific or product-specific allocation approach exists, and that approach (a) aligns with the general accounting and reporting principles of the GHG Protocol; and (b) relates to a physical inventory calculation (rather than a contractually adjusted or consequential inventory); the reporting company **should** use that approach.
 - Where multiple applicable sector-specific or product-specific allocation approaches exist, the reporting company **shall** apply a single approach consistently across its inventory. In such cases, the reporting company may instead apply the default allocation approach.
 - The default allocation approach is the Recycled Content Method. The Recycled Content Method **shall** be used when no applicable sector-specific or product-specific allocation approach exists.
 - The selected allocation approach **shall** be applied consistently within the reporting boundary and across reporting periods.
 - The reporting company **shall** disclose the allocation approach used. Where an approach other than the Recycled Content Method is applied, the reporting company shall disclose justification for its use and document any associated assumptions.

Annex D: Waste-to-energy (F3) survey results

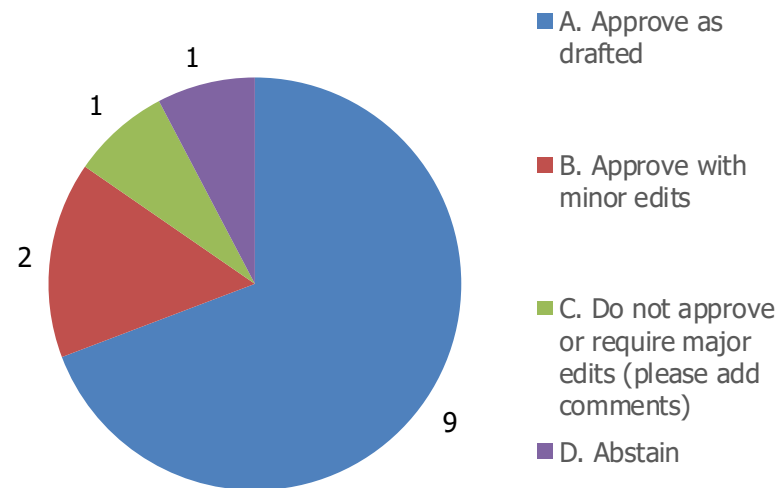
July/August survey

Waste-to-energy rules (page 1 of 2)

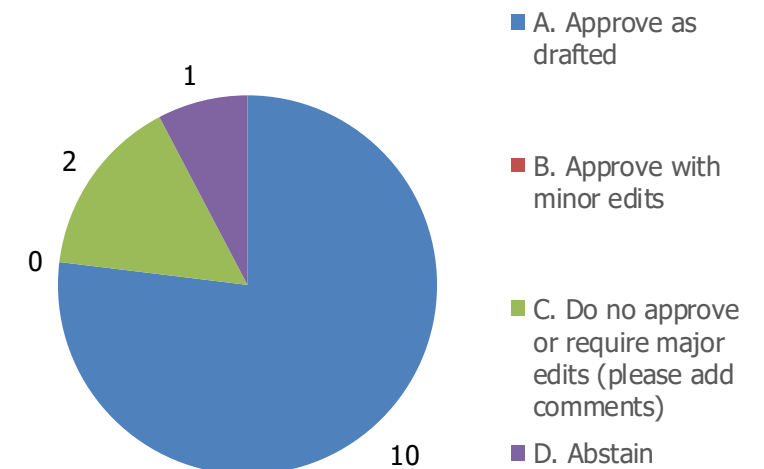
What approach should be taken by default for emissions from WTE incineration



General approval of ruleset if WTE incineration emissions are included by default



Approval of clause for demonstrating existence of double count on the basis of spatial boundary

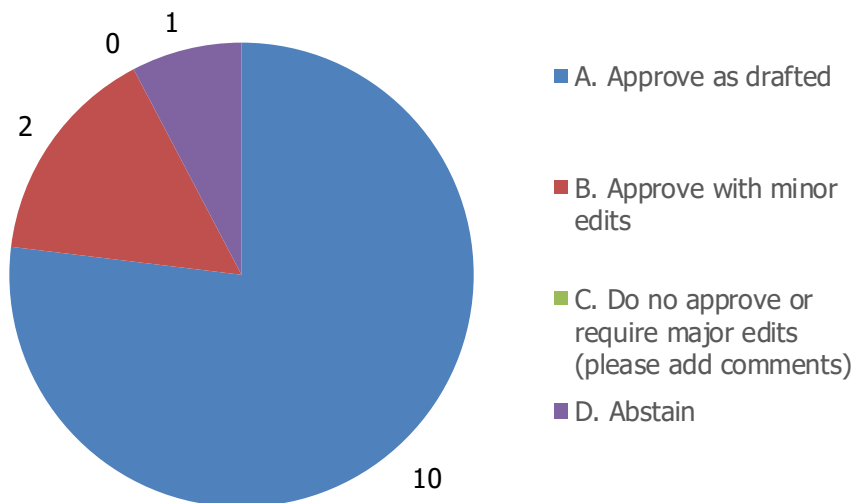


Next steps: No further input from S3 TWG required

Total votes: 13. Edit requests are consolidated on the next slide

Waste-to-energy rules (page 2 of 2)

Approval of clause for quantifying the magnitude of the double count with scope 2



Consolidate minor and major edit requests:

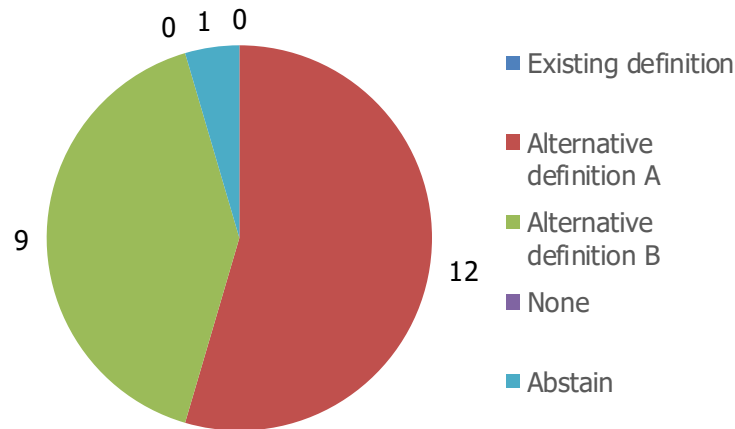
- Small typos e.g., "For the avoidance of doubt, a company that sends waste to a WTE facility but does demonstrate that a double count exists as per clause 4, should NOT report incineration emissions associated with the WTE process in full in category 5
- Not clear rationale for distinguishing double counting as per the proposed draft. There will be a double count for any company that generates waste that is incinerated with energy recovery and consumes energy generated by the same WTE processes regardless of whether it is processed by the same company that from which they get their scope 2 energy. If this double count is introduced in category 5, it seems fair to include it for all companies.
- Does not address double counting between category 12 and scope 2
- The quantification method should be more precise about if the WTE process is related to the reported company waste, or to energy consumed and reported in scope 2
- The quantification method should underline that WTE emissions to deduct to category 5 should not exceed WTE emissions due to the reported company waste, and that only double count should be deducted. This requires to estimate WTE values in category 5 but also from scope 2 in order to apply this adjustment.
- The quantification method doesn't include any information on handling transmission and distribution losses – the double count is for energy that is delivered to the reporting company, not necessarily the energy generated.

Next steps: No further input from S3 TWG required. Draft will be adapted to add clarity where it does not substantially change the rules themselves.

Annex E: Series F4 (allocation approaches for inner loop activities) survey results

Part A: Waste definition re-polling

Preferred definition of waste

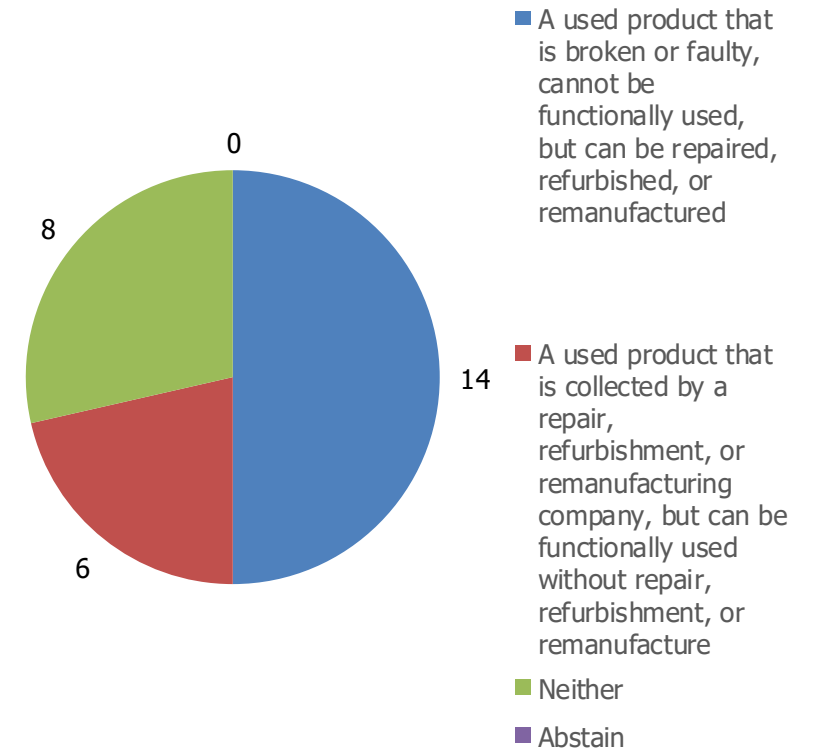


Comments and suggestions:

- The term "sufficient" in alternative definition is too vague
- Definition A aligns more closely with waste legislation and circularity principles
- Current definition may exclude materials that retain market value but are nevertheless discarded.
- Suggestion to include a substance or object shall also not be classified as waste where it is produced as an integral part of a production process
- Removal "for material recovery, energy recovery, or final disposal"
- Alternative definition B shifts the test of alternative definition A away from whether a transaction has occurred to a more meaningful threshold
- Remove "for further use" from alternative definition A

- **Existing definition:** "An output of a process or system that has no market value"
- **Alternative definition A:** "A substance or object which the holder discards, intends to discard, or is required to discard for material recovery, energy recovery, or final disposal. Note that a substance or object that is sold for further use is not classified as waste"
- **Alternative definition B:** "A substance or object which the holder discards, intends to discard, or is required to discard for material recovery, energy recovery, or final disposal. Note that a substance or object that has insufficient value to the reporting company such that it *does not** incentivizes additional production activity or changes in the production process is considered waste"

Which of the following would you classify as waste?



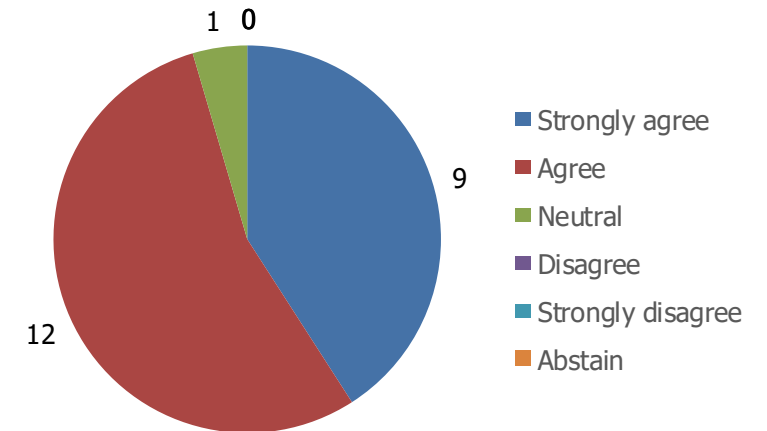
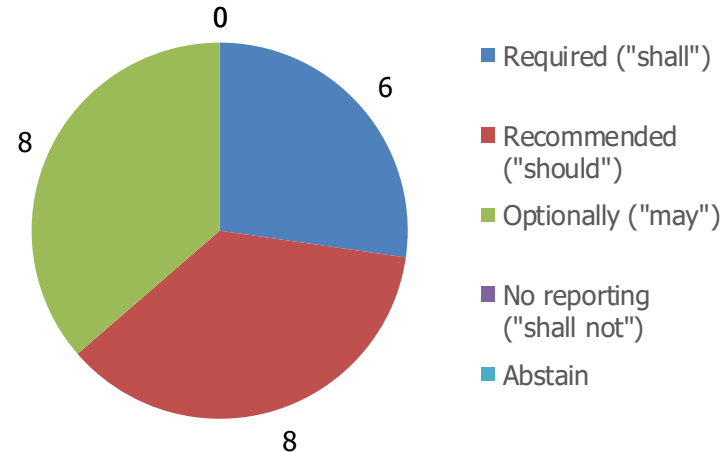
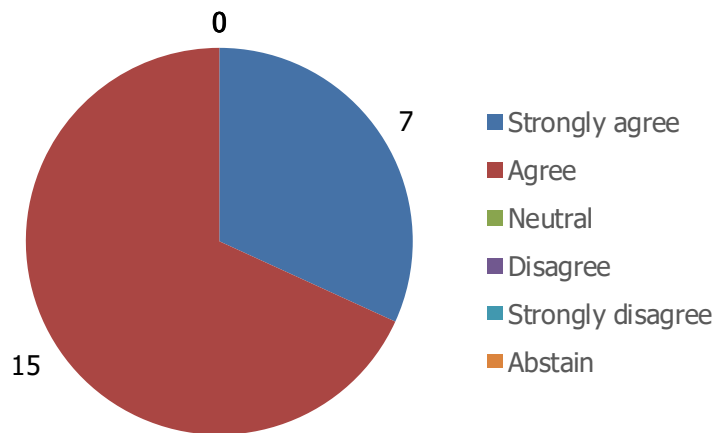
Total votes: 22; * note there was a typo in the definition presented in the survey

Part B: Responsibility for sellers of products (page 1 of 2)

Sellers of products should report emissions from sold product use across lifecycle, regardless of whether any inner loop or reuse activity occurs

Optionality of inner loop activities that occur during the product lifecycle for sellers of products

Sellers of products account for EoL in cat 12 regardless of whether an inner loop activity occurs



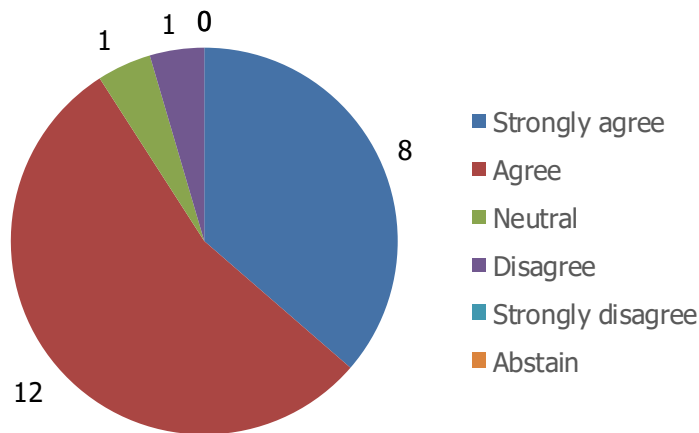
Rules will:

- Require the use phase emissions are quantified across life-cycle regardless of whether an inner loop or reuse activity occurs (for the seller of the product)
- The emissions associated with inner loop activities (e.g., refurbishment, resale) of a sold product are included in the optional boundary in category 11 (may be reported, should do so when relevant)
- Require the reporting of EoL emissions even if an inner loop activity occurs during the lifecycle

Total votes: 22

Part B: Responsibility for sellers of products (page 2 of 2)

Sellers of products should not account for embodied emissions of any replacement parts purchased after sale from independent companies



Rationale in part B:

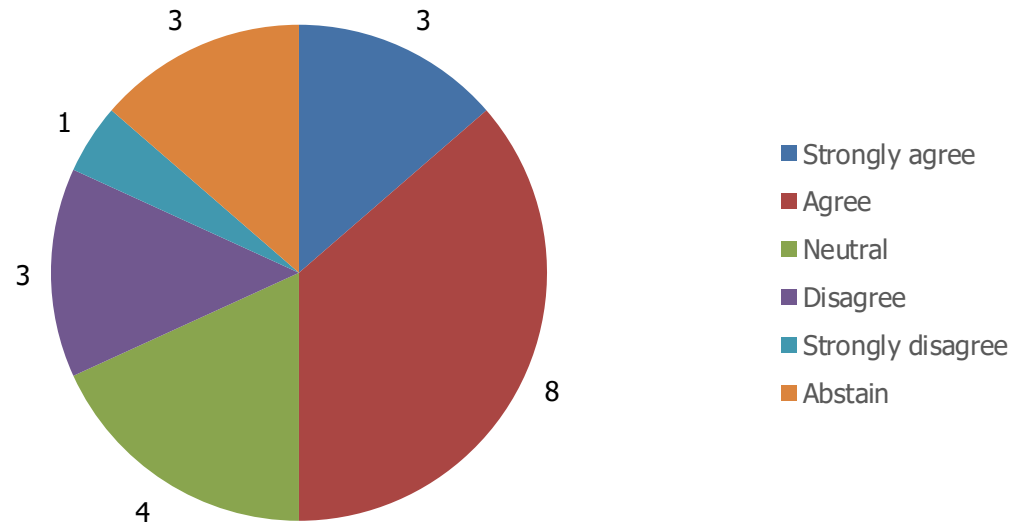
- Maintaining original seller's responsibility in category 11 and 12 provides a clear and consistent allocation which minimizes double counting.
- Emissions associated with inner loop activities should be optional, recognizing that reliable forecasting and data availability vary considerably across sectors and regions.
- Embodied emissions of replacement parts should remain the responsibility of the company procuring those parts since the original seller has neither operational control or access to the information needed to quantify emissions from that source.
- The reporting company should only be responsible for what they could reasonably know at the point of sale

Rules will:

- Do not include the embodied emissions for replacement parts in the required or explicitly in the optional boundary

Part C: Remaining unamortized emissions in category 1

Do you agree that, when a company purchases final products that have an extended life but are not used by the company to manufacture a product; provide a service; or sell, store, and deliver merchandise (i.e., is not a capital good), it should quantify an



Rationale and comments:

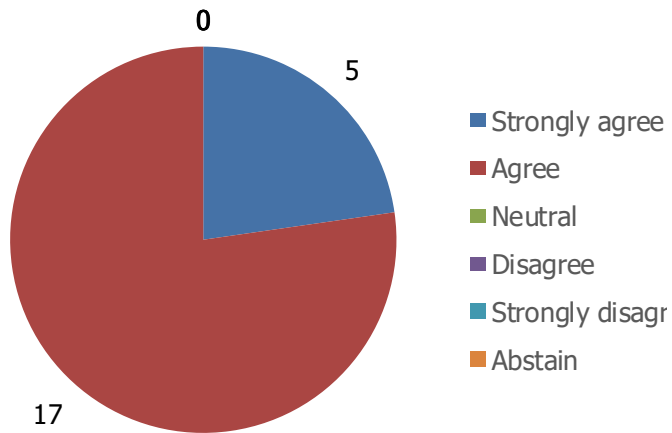
- Introducing this logic into category 1 could significantly increase reporting burden. The first owner should take all the emissions burden of purchased final products
- Too difficult to operationalize in practice.
- Extending the remaining unamortized emissions logic to purchased final products with extended useful lives where appropriate improves the consistency of the treatment of embodied emissions regardless of accounting classification
- Standard should have clear guidance and criteria on determining which products are considered to have extended useful life.
- Using remaining unamortized emissions logic would remove inadvertent disincentives that currently existing in category 1
- Clarify that for the purchase of non-durable second-hand products, the company reports only the emissions from the refurbishment or repair activities.

Rules will:

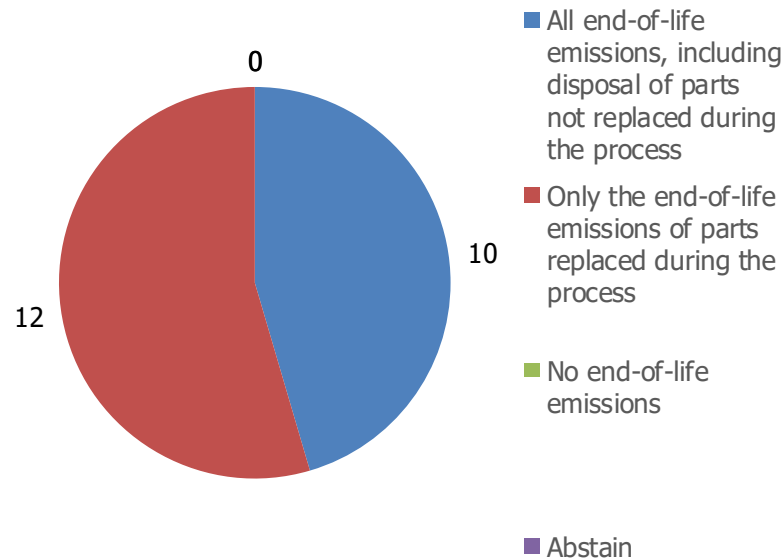
- Remaining unamortized emissions will be included in category 1, but with clear clarification on when it is applicable

Part D: Transfer of ownership (page 1 of 2)

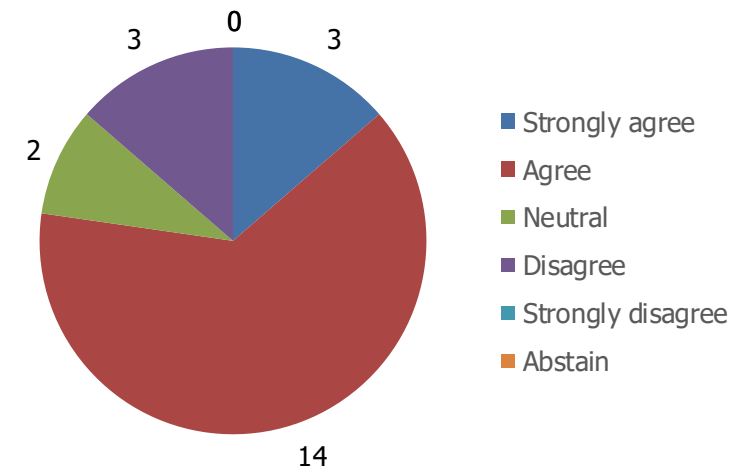
Do you agree with the distinction in the draft accounting rules on the basis of transfer of ownership?



To what extent should a refurbishment, remanufacturing, or repair company account for the end-of-life emissions of products it has sold?



Do you agree that a refurbishment, repair, or remanufacturing company offering a service is recommended ("should") to report emissions in category 16 in cases where the product could not be used without the service



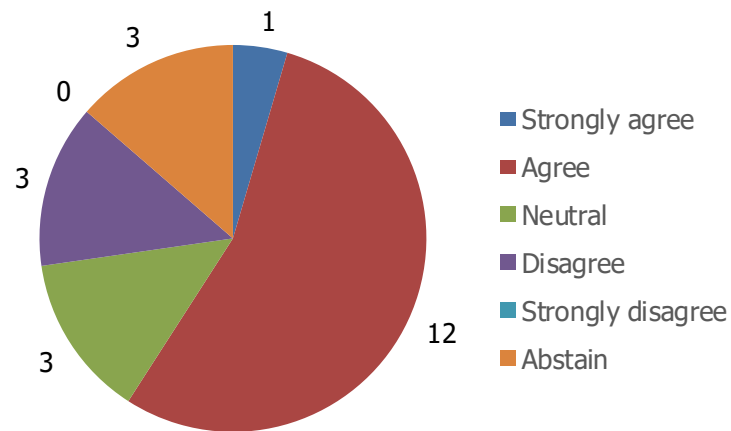
Rules will:

- Ensure there is a clear distinction in requirements and recommendations on the basis of whether a company takes ownership of a product, or does not take ownership of the product.
- For refurbishment, remanufacturing, or repair companies:
 - Cat 12 will only include the parts replaced during the process in required boundary. Optional boundary will include other parts not replaced.
 - If the product is not owned, but is repaired, then subsequent emissions are recommended for inclusion in category 16 (if the product could not be used without the service intervention)

Total votes: 22

Part D: Transfer of ownership (page 2 of 2)

Do you agree that a refurbishment, repair, or remanufacturing company offering a service (i.e., no transfer of ownership of the product) has the option ("may") to report emissions in category 16 in cases where the product could not be used without the ser



Rationale and comments:

- Transfer of ownership as a basis for differentiating GHG responsibilities provides a clear, objective and verifiable basis for assigning responsibilities
- Ownership transfer is a good basis for these rules because it is easy to prove and matches who has real control over the product's future use.
- The main gap in the transfer of ownership approach is that it doesn't account for level of intervention (light-touch resale vs. major refurbishment get treated the same), which guidance should address with examples rather than changing the test itself.
- Full EOL responsibility for refurbishers follows naturally from treating them as a seller. Splitting by part may leave untouched components with no one accountable for disposal.
- The should/may split for service provides based on whether the product could function without the service makes sense as a proxy for causal contribution.
- Even companies who do not have formal ownership over products undergoing refurbishing/maintenance often have some levers in terms of choosing their upstream suppliers or partners though, so it's important these facilitated emissions are captured in cat 16 or elsewhere.

Rules will:

- For refurbishment, remanufacturing, or repair companies:
 - If the product is not owned, but is repaired, then subsequent emissions are optionally inclusion in category 16 (if the product could be used without the service intervention)

Total votes: 22

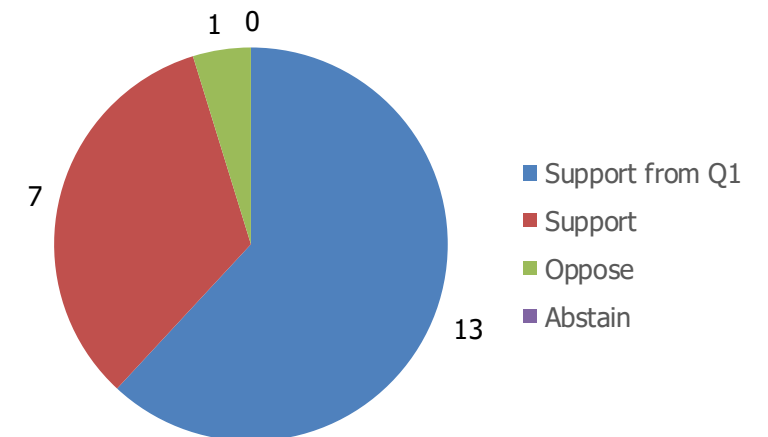
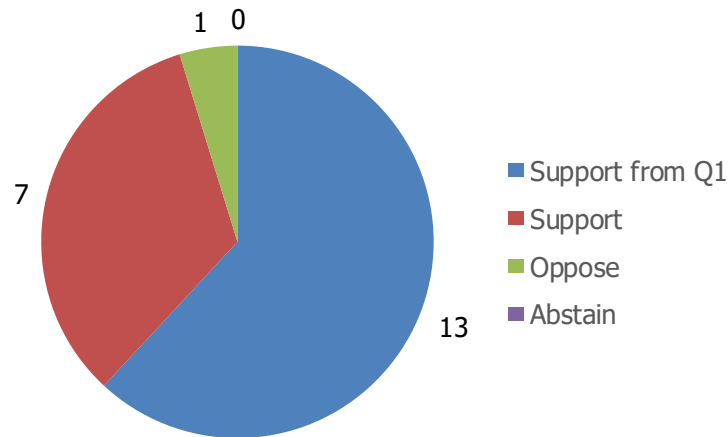
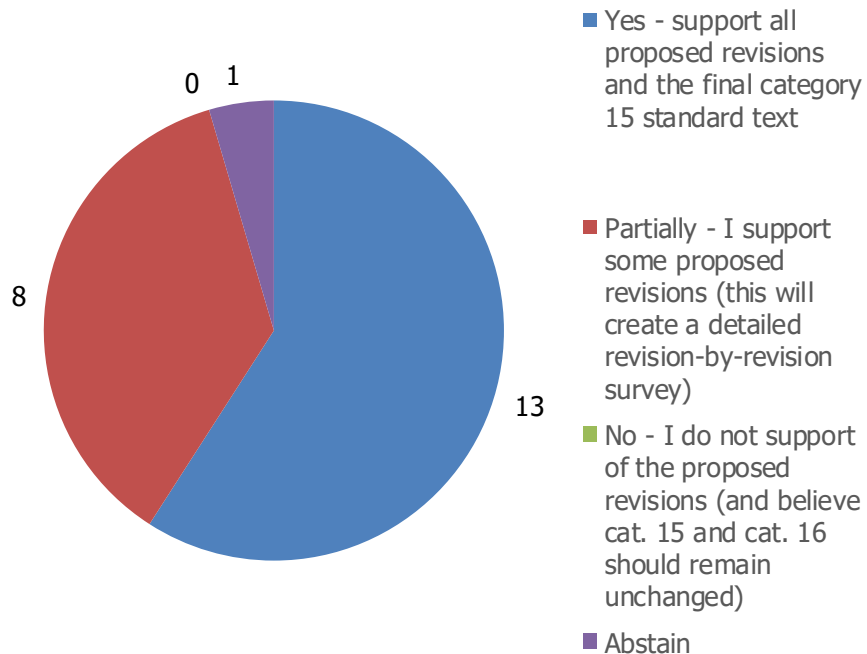
Annex F: Category 15 redraft survey results

Category 15 redraft survey results (page 1 of 4)

Question 1. Do you agree with proposed changes, as summarized in the document Cat 15-16 Proposed Resolution Summary and category 15 standard language?

Maintain cat. 15 for financed emissions and cat. 16 for investment-related emissions

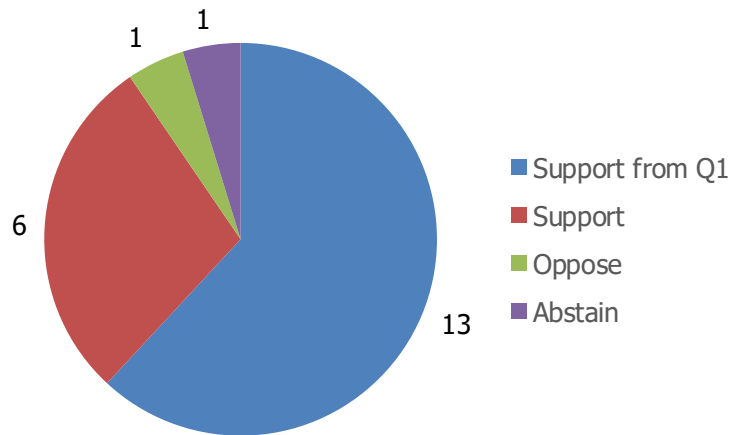
Adopt IFRS definition of financed emissions



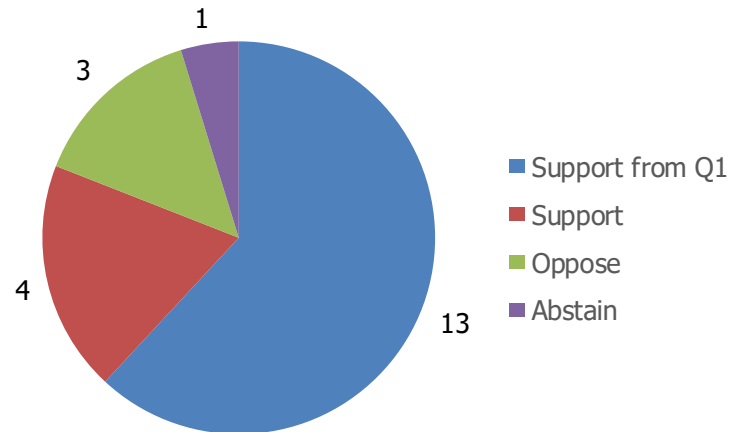
Total votes: 22

Category 15 redraft survey results (page 2 of 4)

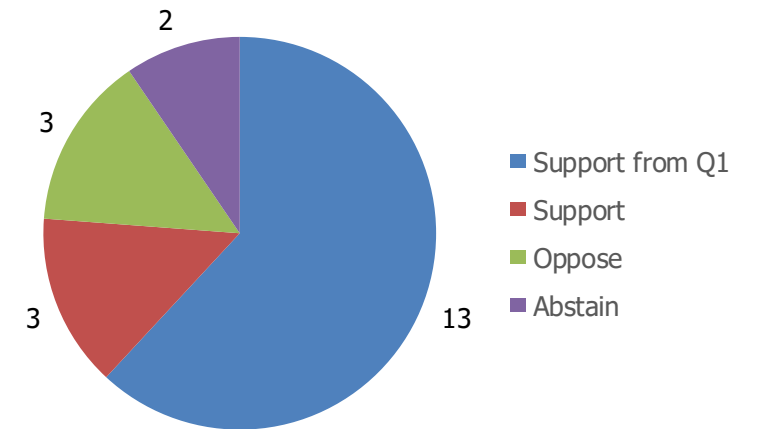
Make definitions non-binding and put them in Guidance and let users rely on IFRS or each their respective jurisdictional definitions for investment instruments



Move the investment type list and definitions to Guidance, including the required (minimum) boundary and consolidation guidance



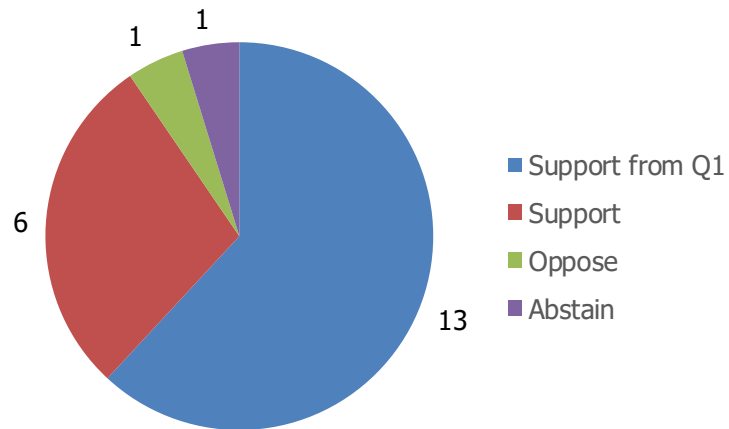
Add undrawn commitments to cat. 15 in alignment with IFRS S1/S2. Also add short positions and cash deposits were moved into cat. 15



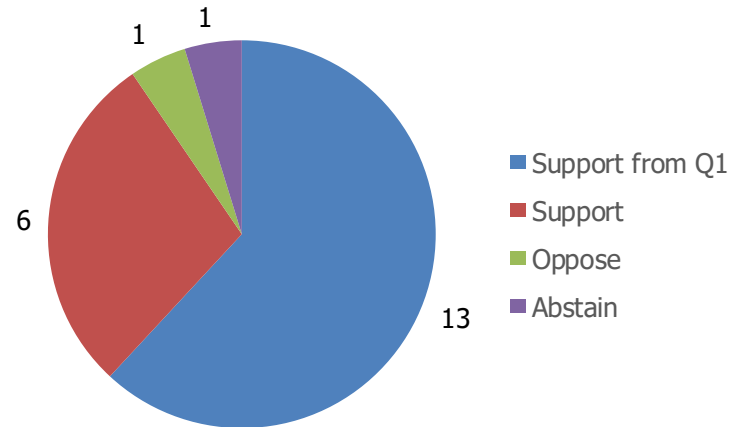
Total votes: 22

Category 15 redraft survey results (page 3 of 4)

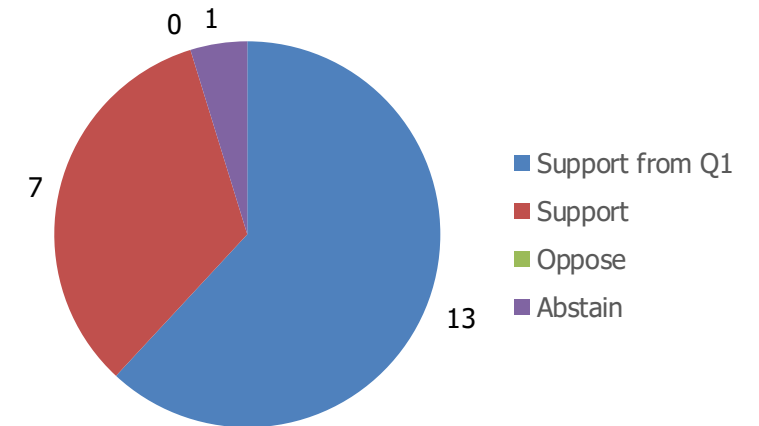
Adopt "assets under management" terminology and move "discretionary control" language into guidance



Maintain derivatives in cat. 16; but add exclusionary ("for the avoidance of doubt") language similar to IFRS S2 to make sure that whilst they are classified as investments they are nonetheless reported in category 16



Maintain cat. 16 for other, non-financed activities and all other value chain activities not defined in the other categories

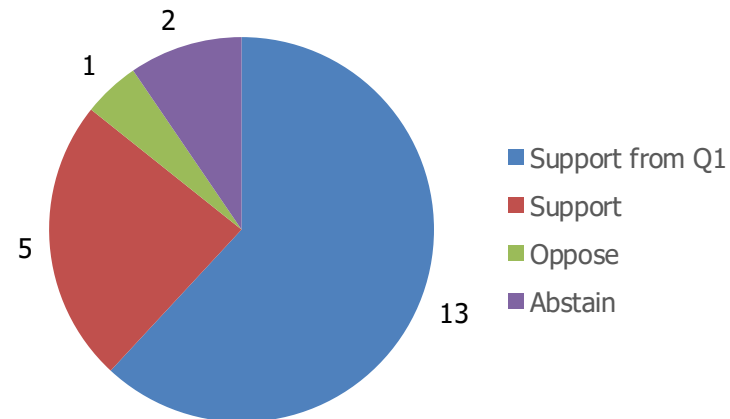
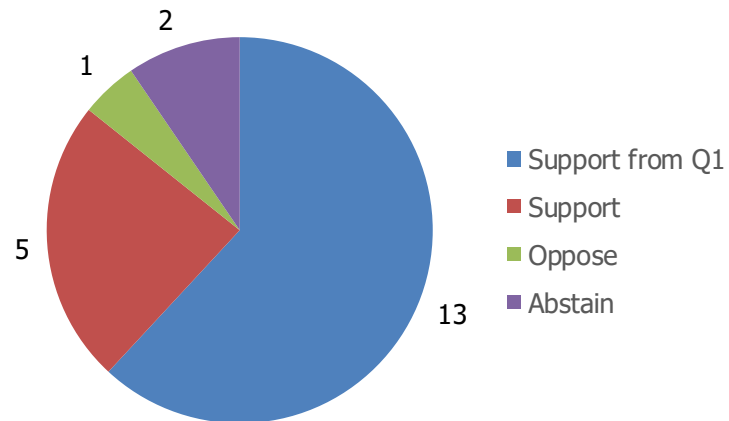


Total votes: 22

Category 15 redraft survey results (page 4 of 4)

Move organizational boundaries (consolidation)
and time boundary text and guidance into
Guidance

Use "may" language exclusively when referring to
PCAF Part A, Part B, and Part C



Total votes: 22