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Sustainable Development



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The Greenhouse Gas Protocol Initiative
The foundation for sound and sustainable climate strategies

Corporate Value Chain (Scope 3) Accounting & Reporting Standard

Summary of Changes

1. Introduction

This document summarizes the changes made to the GHG Protocol *Corporate Value Chain (Scope 3) Accounting & Reporting Standard* between the *Draft for Road Testing* (January 2010) and the *Draft for Stakeholder Review* (November 2010).

Between January and June 2010, 35 companies implemented the draft GHG Protocol *Scope 3 Standard* to give WRI and WBCSD feedback on the practicality of the draft standard.

Changes were made to the draft standard based on:

- Written comments from stakeholder advisory group members on the *Draft for Stakeholder Review* (November 2009)
- Stakeholder comments received during five in-person stakeholder workshops (November – December 2009)
- Feedback from 35 road testing companies during an in-person workshop (May 2010)
- Written feedback from 35 road testing companies on the *Draft for Road Testing* (July 2010)
- Feedback from the Steering Committee (June 2010)
- Feedback received from Technical Working Group members during two webinars (April 2010 and August 2010)

The written comments from the stakeholder advisory group, a summary of those comments, and a summary of the road testing feedback are available on the GHG Protocol website:

<http://www.ghgprotocol.org/standards/product-and-supply-chain-standard>.

2. Summary of Changes Made to the Standard

Topic/Chapter	Modification
Publication Title	<ul style="list-style-type: none"> Proposed Title: GHG Protocol <i>Corporate Value Chain (Scope 3) Accounting & Reporting Standard</i>
Updated Boundary Requirements	<ul style="list-style-type: none"> Companies shall account for and report all scope 3 emissions and disclose and justify any exclusions. Companies shall follow the principles of relevance, completeness, accuracy, consistency and transparency when deciding whether to exclude any activities from the scope 3 inventory.
Updated Reporting Requirements	<p>Companies shall report all scope 3 emissions, following the requirements in this standard, in addition to reporting all scope 1 and 2 emissions according to the <i>GHG Protocol Corporate Standard</i>.</p> <p>A public GHG emissions report that is in accordance with the <i>GHG Protocol Scope 3 Standard</i> shall include the following information:</p> <ul style="list-style-type: none"> A description of the company and inventory boundary, including the consolidation approach chosen and a description of the businesses and operations included in the boundary The reporting period covered Total scope 1 emissions and total scope 2 emissions Scope 3 emissions reported separately by scope 3 category Emissions data for CO₂, CH₄, N₂O, HFCs, PFCs, SF₆ in tonnes of CO₂ equivalent A list of scope 3 activities included in the report A list of scope 3 activities excluded from the report with justification of their exclusion Year chosen as scope 3 base year, and an emissions profile over time that is consistent with and clarifies the chosen policy for making base year emissions recalculations Appropriate context for any significant emissions changes that trigger base year emissions recalculations For each scope 3 category, a description of the methodologies, allocation methods, and types and sources of data used to calculate scope 3 emissions For each scope 3 category, a description of the accuracy and completeness of reported scope 3 emissions data For each scope 3 category, the percentage of emissions calculated using primary data Total supplier scope 1 and scope 2 emissions data, allocated to the reporting company using a consistent metric and reported separately from the reporting company's scope 1, scope 2 and scope 3 emissions The methodology used to quantify and allocate supplier emissions data The percentage of Tier 1 suppliers accounted for (as a percentage of the reporting company's total spend)
Standard Structure	<ul style="list-style-type: none"> Changed the name of Chapter 4 from "Mapping the Value Chain" to "Overview of Scope 3 Emissions" Moved the content related to mapping the value chain from Chapter 4 "Overview of Scope 3 Emissions" to Chapter 5 "Setting the Boundary" Moved the content on identifying relevant emissions from Chapter 5 "Setting the Boundary" to Chapter 6 "Collecting Data" Removed "Part 2" of the standard <ul style="list-style-type: none"> Moved the descriptions of each scope 3 category to Chapter 4 "Overview of

	<ul style="list-style-type: none"> ○ Scope 3 Emissions” <ul style="list-style-type: none"> ○ Moved the guidance on calculating emissions to a companion document “Guidance for Calculating Scope 3 Emissions” (to be developed)
Chapter 1: Introduction	<ul style="list-style-type: none"> • Expanded explanation of the relationship between the <i>Scope 3 Standard</i> and the <i>GHG Protocol Product Life Cycle Standard</i> • Expanded explanation of the business value of scope 3 accounting
Chapter 2: Accounting & Reporting Principles	<ul style="list-style-type: none"> • Added the following requirement: GHG accounting and reporting of a scope 3 inventory shall be based on the following principles: relevance, completeness, consistency, transparency, and accuracy. • Added guidance on using the five accounting and reporting principles
Chapter 3: Business Goals & Inventory Design	<ul style="list-style-type: none"> • Added guidance and descriptions for each business goal
Chapter 4: Overview of Scope 3 Emissions	<ul style="list-style-type: none"> • Added a section on “Overview of the scopes” defining scope 1, scope 2 and scope 3 (Section 4.1) • Added a section on “Organizational boundaries and scope 3 emissions” explaining how the selection of organizational boundaries affects scope 3 emissions (Section 4.2) • Added a new section “Description of scope 3 categories” that clarifies what is included in each scope 3 category (Section 4.4) • Modifications to list of scope 3 categories: <ul style="list-style-type: none"> ○ Removed “Other Scope 3 Emissions” and moved employee commuting to “Upstream Emissions” to simplify the framework ○ Separated “Supplier Emissions” from the table of scope 3 categories to avoid double counting and confusion ○ Removed the upstream “Franchises” category because it is an uncommon activity; maintained the downstream “Franchises” category ○ Added a downstream “Processing of Sold Products” category based on road testing feedback that this category was missing from the original list ○ Added a column explaining the “Emissions Included” for each scope 3 category to clarify the minimum boundaries for each category. In general, explained that emissions related to capital goods and infrastructure are not required for most categories (e.g., transportation, waste, business travel, leased assets, franchises, investments, employee commuting) • Modification to category definitions and guidance: <ul style="list-style-type: none"> ○ Category 1 “Purchased Goods & Services”: Added a distinction between direct (production related) procurement and indirect (non production related) procurement as guidance ○ Category 2 “Capital Goods”: Changed category name from “capital equipment” to “capital goods.” Clarified that for purposes of accounting for scope 3 emissions, companies should not depreciate, discount, or amortize the emissions from the production of capital goods over time. ○ Category 3: “Fuel- and Energy-Related Activities Not Included in Scope 1 or 2”: Changed the category name from “Energy related activities not included in scope 2” to “Fuel and energy related activities not included in scope 1 or 2.” Moved emissions associated with the production of fuels consumed by the reporting company to this category from the Category 1 “Purchased Goods & Services.” ○ Category 4 “Transportation & Distribution (Upstream)”: Clarified whether emissions related to transportation should be accounted for in Category 1 “Purchased Goods & Services,” Category 4 “Transportation & Distribution (Upstream),” “Category 8 “Leased Assets (Upstream),” or Category 10 “Transportation & Distribution (Downstream).” ○ Category 9 “Investments”: Clarified what activities fall into the investments

	<p>category and added a box on “Accounting for Emissions from Investments & Services in the Financial Services Sector”</p> <ul style="list-style-type: none"> ○ Category 12 “Use of Sold Products”: Made a distinction between direct use phase emissions (which are required) and indirect use phase emissions (which are optional); added guidance on product lifetime and durability; added guidance on avoided emissions from the use of sold products
Chapter 5: Setting the Boundary	<ul style="list-style-type: none"> • Based on road testing feedback, revised the scope 3 boundary requirement from “Companies shall account for and report emissions from the largest scope 3 sources that collectively account for at least 80% of total anticipated scope 3 emissions” to “Companies shall account for and report all scope 3 emissions and disclose and justify any exclusions,” which road testing companies found more practical and straightforward by avoiding the need to determine 80% through a screening/estimation step. (Section 5.1) • Moved guidance on “Mapping the value chain” from Chapter 4 to Chapter 5 and revised the section to be more flexible (e.g., allow mapping by supplier type rather than individual supplier) (Section 5.3) • Added guidance on accounting for downstream emissions (e.g., for intermediate products); Clarified the definitions of final products and intermediate products (Section 5.4) • Added guidance on disclosing and justifying exclusions (Section 5.5)
Chapter 6: Collecting Data	<ul style="list-style-type: none"> • Added an overview of calculation methods, activity data, emission factors, and global warming potential (GWP) factors (Section 6.1) • Added guidance on using energy emission factors: “To calculate scope 3 emissions, companies should use emission factors for fuels and electricity that include the full life cycle, where possible” (Section 6.1) • Revised definitions of primary and secondary data; added examples of primary and secondary data; added guidance on benefits of primary data and secondary data; added guidance on selecting data sources (Section 6.2) • Added guidance on collecting data, filling data gaps, and improving data quality over time (Sections 6.3 and 6.4)
Chapter 7: Allocating Emissions	<ul style="list-style-type: none"> • Clarified the description of allocation and allocation methods • Added guidance on selecting an allocation method • Added a decision tree on selecting an allocation method • Added guidance on allocating supplier emissions data • Added examples of using physical allocation and market allocation for specific situations: co-products manufactured at a facility, transportation, retail & warehousing, by-products, etc. • Added guidance on allocating emissions by scope 3 category
Chapter 8: Accounting for Supplier Emissions	<ul style="list-style-type: none"> • Added a new chapter on accounting for supplier emissions that includes guidance on the following steps: <ul style="list-style-type: none"> ○ Identify and select relevant suppliers ○ Collect emissions data from suppliers ○ Allocate supplier emissions to the reporting company ○ Aggregate emissions data cross all Tier 1 suppliers ○ Report supplier emissions • Added a table of “Challenges and Guidance for Collecting Primary Data from Suppliers” based on road test feedback
Chapter 9: Setting a Reduction Target & Tracking Emissions Over Time	<ul style="list-style-type: none"> • Added a new chapter on setting a GHG target and tracking a company’s emissions over time • Added the following requirements: <ul style="list-style-type: none"> ○ Companies shall choose and report a scope 3 base year and specify their reasons for choosing that particular year. ○ Companies shall recalculate base year emissions when significant changes in the company structure or inventory methodology occur.

	<ul style="list-style-type: none"> ○ Companies shall develop a base year emissions recalculation policy and clearly articulate the basis and context for any recalculations. • Added guidance on double counting between companies in a supply chain
Chapter 10: Assurance	<ul style="list-style-type: none"> • Revised the chapter on assurance • Included a new concept of differentiating between “data assurance” and “model assurance”
Chapter 11: Reporting	<ul style="list-style-type: none"> • Removed the requirement to separately report scope 3 emissions by individual greenhouse gas • Removed the requirement to separately report emissions by primary and secondary data, and instead only to report the percentage of emissions calculated using primary data for each category • Added requirements to report information about (Tier 1) supplier emissions: <ul style="list-style-type: none"> ○ Total supplier scope 1 and scope 2 emissions data, allocated to the reporting company using a consistent metric and reported separately from the reporting company’s scope 1, scope 2 and scope 3 emissions ○ The methodology used to quantify and allocate supplier emissions data ○ The percentage of Tier 1 suppliers accounted for (as a percentage of the reporting company’s total spend)
Appendix A: Sample Scope 3 Reporting Form	<ul style="list-style-type: none"> • Revised the sample reporting template based on the updated reporting requirements
Appendix B: Accounting for Emissions From Leased Assets	<ul style="list-style-type: none"> • Added guidance based on existing GHG Protocol guidance on leased assets
Appendix C: Guidance for Collecting Data from Suppliers	<ul style="list-style-type: none"> • Added new guidance on internal planning and working with suppliers to collect data
Appendix D: Guidance on Uncertainty	<ul style="list-style-type: none"> • Added new guidance on uncertainty in scope 3 accounting
Appendix E: Data Management Plan	<ul style="list-style-type: none"> • Added new guidance on using a data management plan
Glossary	<ul style="list-style-type: none"> • Updated several terms and definitions