World Business Council for Sustainable Development

WORLD RESOURCES INSTITUTE

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

Scope 3 (Supply Chain) Accounting & Reporting Standard

Summary of Road Testing Feedback

August 2010

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1. Introduction

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 (see the Appendix for a list of road testing companies). The companies attended an in-person workshop in May 2010 (the summary of the workshop is available on the GHG Protocol website) in Washington DC and submitted their inventory reports and detailed written feedback forms in summer 2010. This document summarizes the written feedback received by the road testing companies.

2. General Feedback

Most of the companies were able to complete their scope 3 inventories on time. Companies identified several challenges, including initial data collection efforts. Most companies said they would be able to complete a scope 3 inventory annually.

Companies' business goals of scope 3 accounting and reporting varied and included:

- Engaging suppliers and enabling supply chain GHG management;
- Understanding risks and opportunities associated with emissions in the entire value chain;
- Identifying GHG reduction opportunities and prioritizing reduction efforts;
- Setting scope 3 reduction targets; and
- Improving credibility and transparency in corporate reporting.

3. Specific Feedback

Setting the Boundary

- About half of the road testing companies successfully determined 80% of scope 3 emissions, as required by the draft standard.
- About half could not determine the percentage of emissions included in the inventory since the whole is not known.
- Most companies thought the boundary should be increased to 100%, given the difficulty of determining 80% without knowing 100%.
- Feedback on the screening step varied. Some companies found screening practical and useful. Others found screening to be difficult and time-consuming, especially for large companies with extensive supply chains. Several companies found financial-based screening to be practical although less accurate. Others found the emissions-based screening to be feasible. Several companies had the most success combining emissions- and financial-based screening approaches.
- Some commented that inclusion of use phase should depend on industry and not apply to business-to-business companies.

Collecting Data

- Collecting GHG data from suppliers: Supplier engagement strategies varied among the companies. Some did not engage any suppliers, while others asked all suppliers to respond to the data request. Of these, the response rate varied. Some had low response rates while several companies achieved 70-99% response rates. Companies mostly requested and received scope 1 and scope 2 data. Most companies were concerned about data quality since there was no way to assess the quality of responses. Many suppliers were unfamiliar with the process of reporting activity or emissions data.
- Data collection tools: Most companies found the "Guidance on Collecting GHG Data from Suppliers," the sample letter to suppliers, and the list of secondary data sources helpful and suggested the documents be added to the standard as an appendix. Several companies found the sample data collection templates too complex and suggested they be simplified. Many companies used their own templates or depended on software and secondary data.
- Data collection challenges:
    - Some companies did not attempt to collect primary data given the short road testing period or challenges collecting supplier data.
    - Some companies suggested reporting to third parties that could manage a database or reducing the burden for suppliers by using other reporting platforms (e.g., CDP).
    - Companies that had difficulty obtaining and verifying primary data preferred to use secondary data.
    - Some companies asked for guidance in selecting emissions factors.

Mapping the Value Chain & Scope 3 Categories

- Many companies recommended that the supply chain be mapped by supplier type rather than by specific supplier.
- The standard should clarify the overlap between Category 1 (Direct Supplier Emissions) and Category 2 (Purchased Goods and Services). Several suggested removing or separating category 1.
- The standard should clarify the relationship between Scope 2 and Category 3 (Energy-related activities not included in scope 2).
- The standard should explain whether emissions from capital goods should be depreciated over time. The standard should clarify the relationship between Category 4 (Capital Equipment) and Category 2 (Purchased Goods and Services).

Allocating Emissions

- More than half of the road testers used allocation in the inventory. Of those, the majority used financial spend as an allocation metric due to ease of use.
- In about half the cases, allocation of supplier data was performed by the suppliers before sending data to the reporting company. In the other half, suppliers submitted total facility or corporate emissions and the reporting company allocated the data.

Assurance

- The majority of road-testing companies did not complete assurance. Of the handful that did complete assurance, most opted to perform internal assurance.
- Almost half of the road testing companies thought assurance should not be required in the standard. A few companies thought assurance was valuable and should be required.
- Some thought the assurance chapter should be simplified and made more user-friendly.

Reporting

- Many companies expressed that reporting by individual greenhouse gas was not feasible and added little value.

Additional Comments

- The standard should include guidance on tracking a company's emissions over time.
- The standard should clarify that comparisons between companies shouldn't be made.
- The standard should clarify how the Product Standard and Scope 3 Standard fit together.
- The standard should provide additional guidance on double counting. Some companies were concerned with double-counting between categories and between companies.
- The standard should include additional guidance on calculating emissions from services.

4. Next Steps

The following table outlines WRI/WBCSD's next steps between August 2010 and final publication in spring 2011.

Date	Activity
August 2010	Edit the draft Scope 3 standard based on feedback received from the Stakeholder Advisory Group (November 2009), the Road Testing Companies (June 2010) and the Steering Committee (June 2010)
September 2010	Release a second draft of the standard for a 30-day public comment period
November 2010	Collect feedback and propose changes to the Steering Committee, Technical Working Groups and Road Testing Companies
December 2010	Finalize the GHG Protocol Scope 3 Standard
January 2011	Oversee professional editing, layout and printing
Spring 2011	Launch the final publication

Appendix: List of Scope 3 Road Testing Companies[1]

3M	Levi Strauss & Co.
Abengoa	National Grid
Acer Inc.	New Belgium Brewing
Airbus S.A.S	Ocean Spray Cranberries
AkzoNobel	PE International
Amcor	Pfizer
Autodesk, Inc.	Pinchin Environmental Ltd.
Baoshan Iron & Steel Co. Ltd.	PricewaterhouseCoopers
BASF SE	Public Service Enterprise Group, Inc.
Coca-Cola Erfrischungsgetränke AG	SAP AG
Danisco A/S	SC Johnson
Deutsche Post DHL	Shanghai Zidan Food Packaging and Printing Co., Ltd.
Deutsche Telekom AG	Siemens AG
Ford Motor Company	Suzano Pulp and Paper
IKEA	Swire Beverages
Italcementi Group	Veolia Water
Kraft Foods	Webcor Builders

[1] This is a list of companies that wish to be publicly acknowledged.