Greenhouse Gas Protocol
Scope 3 Standard Revisions
Phase 1 Progress Update
March 2026

Context:

The Greenhouse Gas Protocol (GHG Protocol) is undertaking a process to revise its suite of corporate standards, including the Corporate Value Chain (Scope 3) Accounting and Reporting Standard (Scope 3 Standard, 2011). This document provides an overview of progress on revisions under development related to phase 1 topics by the Scope 3 Technical Working Group. Phase 1 topics include data quality and related topics, scope 3 inventory boundary setting, investments, and the addition of a new category for other value chain activities not captured in categories 1 through 15. This document is provided for informational purposes in line with GHG Protocol's objective to ensure a transparent standard development process.

This document is a synthesis of information which has already been made publicly available via Technical Working Group meeting materials posted to the GHG Protocol Standards Development and Governance Repository.

While the Independent Standards Board (ISB) has approved the public release of this document in furtherance of the above-described objective, the proposed working draft standard text herein remains subject to ongoing revision and approval. Accordingly, it should not be construed as final or relied upon as advice.

*The contents of this document are **not** subject to public consultation at this time. A complete draft standard for public consultation, which may contain revised draft standard text, will be forthcoming in accordance with the latest Standard Development Plan.*

Disclaimer:

GHG Protocol is not responsible for reliance on or actions taken based on the contents of this document and provisional draft standard text therein.

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1 Introduction

1.1 Purpose of this document

This Phase 1 Progress Update serves to summarize progress made by the Scope 3 Technical Working Group (TWG) since the process to revise the GHG Protocol Corporate Value Chain (Scope 3) Accounting and Reporting Standard (the "Scope 3 Standard") began in 2024.

This document is provided to the public for informational and transparency purposes to give stakeholders insights into proposed revisions to the Scope 3 Standard that are under discussion and development within the TWGs. It summarizes information available to the public via TWG meeting materials posted to the GHG Protocol Standards Development and Governance Repository (GHG Protocol Repository), in line with GHG Protocol's commitment to transparency.

A complete draft standard for public consultation will be forthcoming. In line with the *GHG Protocol Standard Development and Revision Procedure*, the GHG Protocol requests that interested stakeholders hold comments related to draft text included in this document until the public consultation period. While the public release of this document has been approved by the Independent Standards Board (ISB), the proposed working draft standard text herein remains subject to ongoing revision and the ISB has not yet been asked to approve the release of the draft standard for public consultation. Accordingly: *All revisions presented in this document, along with working draft text, are subject to change prior to the release of the public consultation draft.*

All outcomes presented here pertain to topics addressed in phase 1 of the Scope 3 Standard revision process, and are grouped into the following three primary series:

- **Series A Revisions: Data quality and related topics.** Series A revisions concern additional emissions data disaggregation requirements to improve transparency on data types used, data quality recommendations, and allocation method revisions.
- **Series B Revisions: Boundary setting.** These revisions concern boundary setting for scope 3 inventories, scope 3 categories, greater specification on scope 3 activities, and creation of a new category (Category 16) for other value chain activities (including facilitated activities).
- **Series C Revisions: Classification and reporting requirements for investments (category 15).** These revisions concern updates to category 15 (investments), including the identification, scope, boundary requirements, and calculation guidance for investments.

For each proposed revision itemized herein, this document provides the following information:

- **Current approach:** A summary of current requirements and/or relevant recommendations or options in the GHG Protocol *Scope 3 Standard*
- **Summary of proposed revisions:** Summary of proposed revisions to the current approach, under development by the TWG and ISB
- **Proposed text revisions:** Working draft text related to proposed updates to requirements and key guidance where relevant
- **Options considered by the TWG:** An overview of options considered by the TWG to address a given issue, before arriving at the approach under development by the TWG listed above
- **Rationale:** The rationale for the approach under development by the TWG in consideration of the GHG Protocol decision-making criteria

Pending items: Any related outstanding revisions, including connections with topics addressed elsewhere in the standards revision process (both between workstreams and within the Scope 3 TWG, including Phase 2 topics)

1.2 Standard revision process

GHG Protocol is undertaking a coordinated process to update its corporate suite of standards across four workstreams: 1) the Corporate Standard, 2) Scope 2 Guidance, 3) *Scope 3 Standard* and Guidance, and 4) to provide new guidance on accounting and reporting for corporate actions and market instruments, building on existing GHG Protocol standards and guidance where relevant. The first edition of the *Scope 3 Standard* was published in 2011.

The process to revise the corporate suite of standards is being implemented in partnership with the International Organization for Standardization (ISO), with the objective of producing a harmonized set of international standards for corporate/organization-level GHG accounting. Refer to the GHG Protocol *Standard Development and Revision Procedure* for more information on the procedures to develop, revise, approve, and maintain GHG Protocol standards.

Global stakeholder survey

Between November 2022 and March 2023, GHG Protocol invited the public to provide feedback on its suite of corporate standards and guidance, including the *Scope 3 Standard*. The GHG Protocol received over 350 responses to the *Scope 3 Standard* survey, and over 100 proposals related to topics in the *Scope 3 Standard*. For further information, refer to these links for summaries of survey responses and proposals received. Stakeholder feedback was used to develop the scope of work detailed in the Standard Development Plan for the *Scope 3 Standard* which informed topics and options considered.

GHG Protocol governance

The process to revise the *Scope 3 Standard* has been implemented through GHG Protocol's governance structures, namely the Scope 3 TWG and the ISB, with day-to-day management of the process by the GHG Protocol Secretariat. The TWG supports the development of the technical content of the standard, with the ISB reviewing and making decisions on revisions recommended by the TWG. Refer to the GHG Protocol Governance Overview for more information on governance structures and their respective roles. The Steering Committee (SC) will ratify the decision of the ISB to publish the final standard.

Scope 3 Technical Working Group

The Scope 3 TWG includes 65 members from over 20 countries and 6 continents and representing diverse areas of expertise and types of organizations, including companies across sectors, governments, GHG programs, universities, consultants and NGOs. In the process of developing draft updates, the TWG operated across three subgroups. Work discussed in each subgroup was presented and discussed with the full TWG. The topics discussed by each working group is summarized below:

Subgroup	Phase 1 topics
Group A	Data quality and related topics
Group B	Boundary setting
Group C	Classification and reporting requirements for investments (category 15)

Between September 2024 and the end of 2025, 42 meetings of the Scope 3 TWG have been held. Slides and minutes from each meeting are posted to the GHG Protocol Standards Development and Governance Repository and form the basis for this document. Phase 2 topics will include category-specific boundary updates, and circularity considerations for recycled products. The TWG has already started addressing some phase 2 topics.

Independent Standards Board

The ISB is a decision-making body within GHG Protocol, with the mandate to review and approve GHG Protocol Standards according to the GHG Protocol Standard Development and Revision Procedure l. Among its responsibilities is the review and approval of final draft standards. *The proposed working draft standard text and revisions under development presented herein were developed within the TWGs, remain subject to ongoing revision, and as such, have not yet been approved by the ISB. Accordingly, these elements remain subject to change and should not be construed as final or relied upon as advice.* The ISB has approved the publication of this document to support a transparent standards update process. The ISB will review and approve phase 1 and phase 2 specific revisions to the *Scope 3 Standard* prior to a formal public consultation process, outlined below.

ISO-GHG Protocol Partnership

In September 2025, GHG Protocol and ISO announced a strategic partnership to co-develop standards for GHG emissions accounting and reporting. The focus of the partnership is to jointly develop and harmonize standards related to corporate/organization-level carbon accounting, product carbon accounting, and project accounting. Members of ISO's technical community will join GHG Protocol's existing Technical Working Groups for Corporate Standard, Scope 2, Scope 3, and Actions and Market Instruments in Q1 2026 to support and strengthen the ongoing revisions. Work to date by the Scope 3 TWG and ISB presented in this document predates the integration of TWG members from ISO's technical community. Answers to frequently asked questions on the ISO-GHG Protocol partnership are available on the GHG Protocol website.

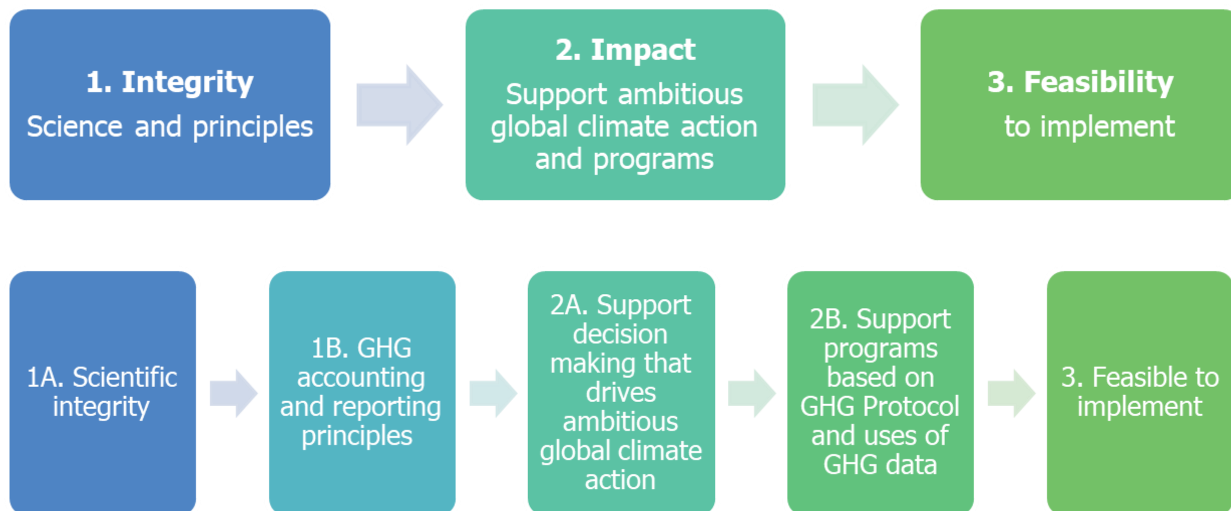
Public consultation process

All revisions presented in this document remain subject to further revision prior to inclusion in a draft revised standard for public consultation in a subsequent step. In line with the *Standard Development and Revision Procedure*, the GHG Protocol Secretariat will not accept or process any feedback submitted prior to this formal consultation period.

This document is intended to outline the likely direction of travel for revisions based on the progress thus far, providing stakeholders with additional time to start considering potential proposed revisions in advance of the public consultation. In addition to feedback on the entire draft standard, the public consultation will specifically seek input on topics where TWG and ISB members expressed differing or opposing views. Please note that the content presented in this document is still subject to change prior to public consultation.

GHG Protocol decision-making criteria and hierarchy

Throughout the standard development and revision process, all governance and advisory bodies of the GHG Protocol follow the decision-making criteria approved by the ISB and Steering Committee and contained in Annex A to the Governance Overview (summarized below).



1.3 Summary of key proposed revisions to the Scope 3 Standard under development

Disclaimer: All revisions described in this document remain under development and are subject to change.

Revisions under development by the Scope 3 TWG are summarized below by topic (and detailed further in the later sections of this document). These topics are:

- Data quality and related topics (**Series A**)
- Boundary setting (**Series B**), and
- Classification and reporting requirements for investments (**Series C**)

In general, these revisions under development are intended to align with the overarching objectives of the *Scope 3 Standard* update process, which are fully outlined in the Standard Development Plan, and include:

- Ensuring the standard's continued effectiveness in meeting its objectives
- Promoting interoperability with key mandatory and voluntary climate disclosure and target setting programs, and standards with financial accounting and reporting standards, where relevant
- Incorporating advancements in research and science, current uses of the standard and GHG inventory data, stakeholder feedback, and best practices in implementing the standard since its original publication
- Improving coherence and integration across GHG Protocol standards and guidance
- Providing additional guidance and clarifications to reduce the need for interpretation, where possible

All revisions under development and proposed working draft standard text contained herein are subject to change and should not be construed as final nor relied upon as advice.

Series A. Data quality and other related topics

The **Series A** revisions focus on **data quality and related topics**, including allocation methods and reporting requirements. The key changes aim to bolster the integrity and usability of scope 3 emissions data, support companies in applying best practices of GHG accounting through guidance and defining clearer rules, and support companies to calculate and report data in line with the core GHG accounting principles of accuracy, completeness, consistency, transparency and relevance.

- **Emissions disaggregation by data type** (**Revision A1**): This revision requires the disaggregation of reported scope 3 emissions data into distinct tiers based on the data type. This requirement is intended to increase transparency, improve reliability and comparability, and incentivize more primary data collection.

- **Verification disclosure** (**Revision A2**): Under the proposal, companies that verify some or all of their scope 3 emissions must disclose whether the scope 3 inventory or scope 3 categories are verified using the terms: "Fully verified," "Partially verified," or "Not verified." This is designed to enhance the transparency and credibility of scope 3 emissions reporting by differentiating which reported data has undergone independent review.

- **Enhanced guidance for data quality** (**Revisions A5, A6, A7**): These revisions introduce new guidance recommending the use of emission factors with high completeness and clarifying expectations for regional emission factors. Companies are recommended to set data specificity goals (**Revision A6**) and data quality improvement targets (**Revision A7**), which provide guidance to promote progress in increasing scope 3 data specificity, ensuring that companies report inventories of greater transparency, accuracy, and relevance.

- **Supplier data allocation** (**Revision A8**): This proposed revision would limit corporate-level data allocation to homogenous companies (or sub-companies) only. This would ensure that when supplier-specific, aggregated corporate emissions data is allocated, it can reasonably be expected to yield representative emissions estimates, improving the reliability, accuracy, and relevance of allocated supplier-specific emissions data.

Series B. Boundary setting

The **Series B** revisions focus on **scope 3 boundary setting** (*Scope 3 Standard*, chapter 6) and the identification of scope 3 activities across scope 3 categories (*Scope 3 Standard*, chapter 5). These revisions provide additional requirements to enhance the completeness, consistency, transparency, and relevance of reported scope 3 emissions.

- **5% exclusion threshold** (**Revision B1**): Companies reporting in conformance with the standard must report at least 95% of total required scope 3 emissions. This requirement enhances the completeness, consistency, transparency and comparability of inventories by requiring the inclusion of all major scope 3 emission sources (by magnitude), allowing companies flexibility to exclude minor sources of emissions, and promotes boundary consistency and completeness within a company (year-over-year) and between companies.

- **Quantification for exclusions** (**B2**, **B3**, **B5**): Companies are required to quantify all required scope 3 emissions to validate that exclusions total less than 5%. To ease compliance burdens, companies may use any calculation method(s), including hotspot analysis, and to exclude de

minimis emissions. This improves completeness and consistency while allowing companies to focus on major emissions sources.

- **Disaggregation of required vs. optional emissions** (**B7**): Companies are required to report required and optional scope 3 emissions separately. Differentiating required vs. optional scope 3 emissions improves completeness, consistency, transparency, relevance, and comparability.

- **Introduction of a new category 16 for other value chain activities** (**B11**): A new, category is proposed, to account for other value chain activities, which includes facilitated emissions (i.e., emissions generated by third-party activities from which the reporting company earns direct, transactional income but never buys, sells, or owns the activity). Category 16 would modernize the scope 3 boundary to account for current and new business models and activities exhibiting scope 3 boundary ambiguity. For example, category 16, as proposed, includes a subcategory for licensing, allowing licensors a means to report the scope 1, 2 and 3 emissions of the activities facilitated by their licensing activities. The majority of subcategories within category 16 are optional to promote feasibility.

Series C. Investment (category 15)

The **Series C** revisions concern **classification and reporting requirements for investments (category 15)**, including the definition, scope, boundary requirements, and calculation guidance for both financial institutions (FIs) and non-financial institutions (non-FIs). The goal is to improve usability, completeness, consistency, relevance, interpretation, and alignment with widely adopted external standards.

- **Narrowing the definition of category 15** (**Revisions C2, C3, C4**): Revisions narrow the activities included in category 15 such that only investments (commonly known as 'financed emissions') are included. Other financial services and activities (such as insurance and underwriting) are reclassified to the new, optional category 16 (**Revision B11**). This structural clarity improves the consistency and comparability of category 15 emissions. This set of revisions is centered on improving clarity, consistency, and interpretability of the *Scope 3 Standard* and alignment with emerging frameworks.

- **Category 15 inclusions and exclusions** (**Revisions C5, C6, C7, C8**): All investments in category 15 are required (refer to **Revision C2** for investments in category 15 and **Revision C3** and **Revision C4** for investments and other financial activities and services which are excluded from category 15). The boundary requires the inclusion of investee scope 1, scope 2, and scope 3 emissions (refer to **Revision C6**). At the same time, the 5% exclusion threshold (refer to **Revision B1** and **B2**) applies to all required scope 3 emissions, including all category 15 emissions, such that emissions from investments falling below 5% of total scope 3 emissions can be excluded if disclosed and justified. Additionally, a category 15-specific justified exclusion clause (**Revision C8**) is proposed for some financial instruments. This promotes feasibility and provides relief for investments that lack calculation methods and/or those that may lack data.

- **Updated calculation methods** (**Revision C10**): Equity proportionality now includes both equity and debt in the denominator. This aligns with industry standards like PCAF, ensures

equal-weighting of accountability between equity and debt holders, and improves the comparability of category 15 emissions between equity and debt holders.

- **Consolidation approaches** (**Revision C12**): Consolidation guidance is aligned with the proposed removal of the equity share approach to defining the organizational boundary in the Corporate Standard (see Section 4.1 of *Corporate Standard Revisions: Summary of Phase 1 Provisional Outcomes*).

These proposed phase 1 revisions represent a significant effort to modernize the GHG Protocol *Scope 3 Standard* by responding to business and other user feedback since its introduction in 2011, by creating enhanced clarity to support consistency in scope 3 data collection, reporting, and boundary setting.

2 Data Quality and Related Topics (Series A Revisions)

Disclaimer: All revisions described in this document remain under development and are subject to change.

2.1 Introduction

Series A revisions concern data quality, and other related topics including allocation methods and reporting requirements. Guidance for data collection and data quality is currently provided in Chapter 7, Collecting Data. Guidance regarding allocation is provided in Chapter 8, Allocating Emissions. Key changes include (**A1**) requiring the disaggregation of reported scope 3 emissions data based on data type and (**A8**) restricting corporate-level emissions data allocation to only be permitted for homogeneous value chain partners.

Revision A1: Scope 3 emissions shall be disaggregated by data type (*Note:* the classification rules remain under consideration). This revision proposes requiring the disaggregation of reported scope 3 emissions data into distinct tiers based on data type. This is intended to increase transparency, improve the reliability and comparability of reported data, and incentivize companies to collect primary data.

Revision A2: Companies shall disclose if a GHG inventory is verified. If a company verifies some or all of its scope 3 emissions, it shall disclose which emissions were verified by a third party using: "Fully verified", "Partially verified", or "Not verified". This would improve credibility and reliability by differentiating scope 3 inventories that have undergone an independent review and improve data.

Revision A5[1]: Companies should use emission factors of high completeness. This proposed revision recommends using emission factors of high completeness and clarifies that regional emission factors should include imports and exports. This revision addresses issues of poor and inconsistent data quality by providing explicit guidance, including a quantitative criterion related to completeness.

Revision A6: Companies should improve data quality over time and use performance metrics. This proposed revision recommends that companies set data specificity goals for their scope 3 inventory and rely on data specificity performance metrics, such as the percentage of specific scope 3 emissions input data. Beyond recommending better data, this revision provides more concrete, measurable guidance to promote progress in scope 3 data specificity.

Revision A7: Companies should set data quality improvement targets. Additional guidance is proposed recommending companies to set data quality improvement targets, such as year-on-year or mid-term horizon targets. This introduces feasible and flexible recommendations that recommend increasing reporting companies' overall ambition to improve data quality over time.

Revision A8: Corporate-level data allocation is restricted to homogeneous suppliers. Supplier-specific corporate-level data allocation is restricted to be permitted only for homogeneous companies (suppliers) and is not permitted for non-homogeneous (diversified) companies (suppliers). This ensures that when the allocation of aggregated corporate (or sub-corporate) emissions data is

[1] Note that **Revision A3** and **Revision A4** are intentionally excluded from this document, as no revisions were recommended.

performed, it can reasonably be expected to yield representative emissions estimates, improving the reliability, accuracy, and relevance of allocated emissions data.

2.2 Emissions shall be disaggregated by data type (Revision A1)

Current approach

Currently, the *Scope 3 Standard* requires ("shall") companies to report:

- "Total scope 3 emissions reported separately by scope 3 category"
- "For each scope 3 category, a description of the types and sources of data, including activity data, emission factors and GWP values, used to calculate emissions, and a description of the data quality of reported emissions data"
- "For each scope 3 category, a description of the methodologies, allocation methods, and assumptions used to calculate scope 3 emissions"
- "For each scope 3 category, the percentage of emissions calculated using data obtained from supplier or other value chain partners"

The *Scope 3 Standard* recommends ("should") companies to report:

- "Emissions data further subdivided where this adds relevance and transparency (e.g., by business unit, facility, country, source type, activity type, etc.)"
- "Emissions data further disaggregated within scope 3 categories where this adds relevance and transparency (e.g., reporting by different types of purchased materials within category 1, or different types of sold products within category 11)"

There is no recommendation or requirement in the *Scope 3 Standard* to disaggregate scope 3 GHG emissions by data type, data specificity, and/or calculation method quantitatively.

Summary of proposed revisions

This revision proposes requiring the disaggregation of reported scope 3 emissions into distinct tiers based on data type for each scope 3 category. This proposed revision focuses on (a) classifying emission results based on the data type and (b) requires that reporting companies publicly disclose their emissions using this classification. This reporting requirement may be satisfied (disclosed) via an annex table, to supplement a company's scope 3 emissions disclosure.

There are two options currently being considered for defining this classification. Refer to **Annex A** for a more detailed summary of options being considered.

- Option 1 - Disaggregation based on whether specific activity data and/or specific emission factors were used and differentiating emissions calculated using spend-based calculations, with the permission to mark some or all scope 3 emissions as *Unclassified.*
- Option 2 - Disaggregation based on a combination of data source and calculation method. This option may or may not permit companies to mark some or all scope 3 emissions as *Unclassified*.

*Note: **Revision B7** proposes requiring companies to report required scope 3 emissions separately from optional scope 3 emissions. The approach to disaggregation rules for optional scope 3 emissions by data type remains under consideration (refer to **Annex A**).*

Proposed text revisions

A reporting requirement to be added:

> "Companies **shall** disaggregate scope 3 emissions using the classification rules in accordance with the accounting and reporting requirements in this section."

*Note that the classification rules are still pending finalization (refer to **Annex A**). A similar requirement for the disaggregation by emissions data by data type is mirrored for scope 1. The application to scope 2 will be developed in a future step*

Rationale for proposed text revisions

The rationale for this proposed revision to require scope 3 emissions disaggregation is based on its potential to address limitations in current reporting practices, including to: (i) support effective use of emissions data by preparers and users, (ii) facilitate the verification of emissions data by independent third parties, (iii) substantiate claims of emissions reductions and GHG-intensity improvements, (iv) differentiate high- versus low-specificity (or primary versus secondary) emissions data, and (v) identify emissions calculated using spend-based methods. These factors are expected to support transparency, consistency, relevance, and greater comparability. Data type is not by itself an indicator of data quality or data accuracy.

Currently, there are widely varying levels of disclosure regarding data inputs (e.g., activity data, emission factors, and assumptions), and there is often inconsistent or absent disclosure of the calculation methodologies relied upon. This lack of disclosure compromises the core GHG accounting principles of accuracy, consistency, and transparency. Year-over-year consistency for a company is limited when data sources vary between reporting periods, and it may limit prospective comparability between companies. This proposed revision works to address reliability and comparability which is impacted by varying calculation methods and the flexibility permitted in selecting data.

A central goal in updating this Standard is ensuring that reporting GHG emissions inventory data and results is fit for purpose. This means that emissions data specificity needs to be sufficient to meet the objectives for which the inventory is being used (e.g., setting robust targets, tracking performance, or substantiating scope 3 reduction claims). This proposed revision does not mandate that companies use a certain type of data but instead requires transparency on the types of data used. By requiring disaggregated reporting based on data type and calculation method, this revision provides a mechanism to convey the relative reliability of different portions of the inventory. This is intended to advance market transparency, reward organizations that pursue primary data collection, and incentivize improved data practices and supply chain engagement along the value chain. This could support more robust upstream and downstream data aggregation along the value chain.

Using specific activity data and reliable emission factors is expected to yield more reliable estimates of the actual, physical emissions attributable to (being caused by) a company's value chain activities. In addition, disaggregation supports the five GHG accounting and reporting principles that underpin GHG

accounting to ensure that a reported inventory represents a faithful, true, and fair account of a company's GHG emissions. This includes:

- **Completeness**: Disaggregation is not expected to affect the completeness of a company's scope 3 inventory, which is addressed by the proposed revision to require reporting of 95% of required scope 3 emissions (and permitting a 5% exclusion threshold) (refer to **Revision B1**).
- **Consistency**: The classification framework is designed to apply to all scope 3 categories and can be applied consistently by all companies across a value chain, regardless of industry.
- **Transparency**: It promotes transparency by requiring quantitative disclosure of inventory results by data type.
- **Accuracy**: It incentivizes improvement over time in the reported data specificity, which is expected to promote improvements in the accuracy of reported emissions data but does not mandate it.
- **Relevance**: Collecting specific data from value chain partners using specific activity and emissions factor inputs supports ensuring that reported GHG emissions reflect the emissions of a company's products and services, and that the inventory supports the decision-making needs of both internal and external users.

Option under consideration in Annex A for how to implement this requirement would provide clear, rules-based classification criteria. Both options feature an 'Unclassified' tier, which companies may use if they are either unable or unwilling to disaggregate their scope 3 emissions. Permitting companies to use an 'Unclassified' tier mitigates feasibility concerns.

TWG member vote

80% support (Source: Group A Meeting #11 Presentation, slide 12)

Options considered by TWG

The disaggregated reporting requirement emerged from discussions about three core options presented by the Secretariat to enhance inventory quality reporting.

- **Option 1:** Improved implementation of current GHG Protocol requirements. This approach aimed to enhance the existing framework by improving transparency through clearer and more detailed descriptions of required reporting elements, such as data sources, methodologies, and assumptions. The focus was on ensuring better disclosure of current practices without imposing fundamentally new accounting methods.
- **Option 2:** Data quality scoring. This option proposed implementing a system requiring quantitative quality assessments for input data and/or overall inventory data points. This process would use numerical quality scores based on metrics like chronological or geographical representativeness, to assess an aggregated quantitative indicator of inventory quality.
- **Option 3:** Data specificity classification. This option proposed disaggregating reporting based on data specificity (this is the basis for **Revision A1**). This option disaggregates scope 3 emissions into tiers classified by the underlying data type (specificity) and calculation method (e.g., spend-based). The primary objective was to increase transparency and usability by revealing the diversity of data specificity of reported scope 3 emissions.

Pending items

- The Corporate Standard TWG is considering adding a fifth tier for Measured emissions data.

- Note that the classification rules are still pending finalization (refer to **Annex A**). This may include a template and other prescriptive or optional disclosure requirements.
- A similar requirement for emissions disaggregation by data type may be proposed for both scope 1 and scope 2 emissions.

2.3 Introduce a reporting requirement related to verification (Revision A2)

Current approach – N/A

(Scope 3 Standard, Chapter 11, Section 11.2, Optional information, p. 120)

A public GHG emissions report should include, when applicable, the following additional information:

- The type of assurance performed (first or third party), the relevant competencies of the assurance provider(s), and the opinion issued by the assurance provider

Summary of proposed revisions

The proposed revision requires that if a company verifies some or all of its scope 3 emissions, then said company **shall** disclose which emissions were verified by a third party and its total required scope 3 emissions (in aggregate) are: (a) verified, (b) partially verified, or (c) not verified.

Note: Companies that do **not** verify their scope 3 emissions are not required to disclose that the scope 3 emissions were **not** verified; only companies that do verify their scope 3 emissions **are** required to disclose as much. The purpose of the 'Partially verified' disclosure is for companies that have a portion of their scope 3 inventory (e.g., some activities or categories) verified to be able to disclose as much.

Proposed text revisions

A reporting requirement to be added to section 11.1 Required information:

> "Companies **shall** report whether reported scope 3 emissions data was verified by a third party using the following labels: (1) Verified; (2) Partially verified; (3) Not verified."

Note that additional disclosure requirements are still being considered by the Scope 3 TWG, Corporate Standard TWG, and other workstreams of the Secretariat. This includes whether and how to align with disclosure requirements in existing protocols, including ISO 14065:2020 General principles and requirements for bodies validating and verifying environmental information.

Rationale for proposed text revisions

The rationale for requiring that a company that performs verification disclose that its scope 3 emissions are verified is broadly based on its potential to improve the credibility of scope 3 emissions reporting, regardless of the underlying data quality or specificity. While the use of disaggregated reporting by data type (**Revision A1**) attempts to inform users about emissions data specificity, adding verification ensures that the reported figures, whether based on specific, partially specific, EEIO, or unclassified data sources, that the emissions data has undergone an independent review process.

This provides clarity as to the assurance-level of the methodologies and data processing undertaken by the reporting entity. In this way, for those companies that do verify their scope 3 inventories, requiring that they disclose this verification increases confidence in the reported data, and addresses the issue of potential errors in assessments or calculations.

Verification was not required of all companies because it may entail significant costs, which organizations (especially small- to medium-sized enterprises) may not be able to afford. In addition, the use of verification terminology (assurance, accreditation, review, validation) is not fully standardized across the market of companies that report GHG inventories, potentially leading to confusion. This will be considered by the Corporate Standard TWG and may result in revisions or edits to this scope 3 proposed revision.

TWG member vote

87% support (Source: Full Group Meeting 3 Presentation, slide 38)

Options considered by TWG

The Scope 3 TWG considered requiring verification, maintaining optionality, incorporating verification into the proposed disaggregation rules by data type (**Revision A1**), and how to indicate and report verification.

- Reserving a disaggregation tier for verified data only (such as Tier 1 in Option 1 summarized in **Revision A1**): This approach proposed that only data that is both specific and externally verified should qualify for the highest reporting tier. Non-verified specific data would then be relegated to a lower tier. The drawback noted was that maintaining the original differentiation between the disaggregation tiers would require the introduction of a fourth tier to accommodate verified and non-verified distinctions, adding complexity.
- Assigning a Marker ("+") to Verified Data: This option proposed implementing a mechanism to mark reported emissions data as verified using a visual marker ("+"). This approach was seen as promoting transparency and giving reporting companies an incentive to ensure data integrity without overly complicating the main disaggregation structure.

Pending items

- The Corporate Standard TWG is going to consider whether to require verification or assurance of reported scope 1, 2, and 3 emissions data, including in a manner that is consistent with existing verification and assurance protocols.
- How to report verification (e.g., using a "+" symbol next to figures and/or providing a written statement) is still being considered by the Scope 3 TWG. This includes whether and how to align with disclosure requirements in existing protocols, including ISO 14065:2020 General principles and requirements for bodies validating and verifying environmental information.

2.4 Recommendations on the use of emission factors (Revision A5)

Current approach

(Scope 3 Standard, Chapter 11, Section 11.1, Required information, p. 119)

> "Companies **shall** publicly report the following information: … For each scope 3 category, a description of the types and sources of data, including activity data, emission factors and global warming potential (GWP) values, used to calculate emissions, and a description of the **data quality** of reported emissions data." [2]

(Scope 3 Standard, Chapter 7, Section 7.3, Guidance for selecting data, p. 75)

> "When selecting data sources, companies **should** use the data quality indicators in Table 7.6 as a guide to obtaining the highest quality data available for a given emissions activity. The data quality indicators describe the representativeness of data (in terms of technology, time, and geography) and the quality of data measurements (i.e., completeness and reliability of data)."

> "Companies **should** determine the most useful method for applying the data quality indicators when selecting data and evaluating data quality."

> "To ensure transparency and avoid misinterpretation of data, companies are **required** to report a description of the data quality of reported emissions data (see chapter 11)."

> "Higher uncertainty for scope 3 calculations is **acceptable** as long as the data quality of the inventory is sufficient to support the company's goals and ensures that the scope 3 inventory is relevant (i.e., the inventory appropriately reflects the GHG emissions of the company, and serves the decision-making needs of users, both internal and external to the company)."

(Scope 3 Standard, Chapter 7, Section 7.6 Improving data quality over time, p. 84)

> "Over time, companies **should** seek to improve the data quality of the inventory by replacing lower quality data with higher quality data as it becomes available."

Summary of proposed revisions

The following editorial revision provides more guidance on what companies should do to satisfy minimum data quality recommendations. As such, these are not requirements (using "shall" language) but recommendations (using "should" language). It provides a recommended cap (5%) for cut-off or exclusions and clarifies that regional emission factors (or models deriving said emission factors) should account for and include cross-border (regional) flows of goods, energy, and services that enter or leave a region when calculating emission factors.

Proposed text revisions

[2] (Scope 3 Standard, p. 84): "Refer to section 7.3 for guidance on describing data quality; Appendix B for guidance on uncertainty; and section 9.3 for guidance on recalculating base year emissions when making significant improvements in data quality over time."

"Companies **should** use emission factors of high completeness (with no more than 5% cut-off or exclusions applied), **supplemented by** uncertainty assessment, and provide information on completeness, data quality, validation processes (along with evidence thereof), and the verification level or reported scope 3 emissions."

"Emission factors that originate from, or rely on in part, regional models **should** include imports and exports, if applicable"

Rationale for proposed text revisions

The rationale for advancing **Revision A5** is to continue addressing the prevailing issue of poor and inconsistent data quality within reported scope 3 emissions by providing explicit guidance for improved practice.

While the existing Scope 3 Standard offers extensive guidance for selecting data (Section 7.3) and improving data quality over time (Section 7.6), it does not require data quality requirements for underlying data inputs (including emission factors). Stakeholders noted the ongoing challenges posed by unreliable scope 3 inventories and called for clearer guidance regarding data quality improvements.

Adoption of GHG accounting and reporting practices, which feeds action and is influenced by feasibility, heavily influenced this revision to maintain optionality while providing more prescriptive guidance (recommendations).

Revision A5 introduces a quantitative criterion related to completeness (5% cut-off or exclusion) and promotes transparency measures (e.g., disclosing uncertainty and verification levels) for emission factors. By promoting the use of documented and thoroughly characterized emission factors, this recommendation helps practitioners move beyond reliance on basic approximations and towards higher quality data that (a) better aligns with the five principles that underpin and guide GHG accounting and reporting and (b) is better suited for key corporate objectives like target setting and tracking performance.

TWG member vote

93% support (Source: Group A Meeting #11 Presentation, slide 28)

Options considered by TWG

Options considered ranged from (a) introducing requirements (using "shall" language) to (b) maintaining recommendations (using "should" language) in terms of minimum data quality, including: (i) Maintaining current guidance and existing disclosure requirements; (ii) Recommending data quality improvements with metrics (e.g., minimum thresholds for specific data, maximum thresholds for EEIO data, documentation standards, etc.); and (iii) Requiring data quality improvements with fixed metrics set by the GHG Protocol.

Pending items – N/A

- A similar revision may be proposed by Corporate Standard TWG

2.5 Recommendations on data specificity goals and performance metrics (Revision A6)

Current approach

See a summary of data quality disclosure requirements and recommendations in **Revision A5**.

Summary of proposed revisions

This proposed revision provides recommendations (using "should" language) for companies to set data specificity goals for their scope 3 inventories and rely on data specificity performance metrics to improve their reliance on specific data inputs to quantify scope 3 emissions.

Proposed text revisions

> "Companies **should** set a goal(s) for the minimum proportion of their scope 3 emissions inventory that is derived from [specific / primary] data [refer to **Revision A1**. The use of the term specific or primary is pending, dependent on full resolution of considerations under **Revision A1**].
>
> Companies **should** use data specificity performance metrics such as:
>
> - Percentage (%) [specific / primary] total scope 3 emissions [refer to **Revision A1**]
> - Percentage (%) [specific / primary] sub-total scope 3 category emissions
> - Percentage (%) of value chain partners (suppliers, Tier 1 vendors, clients, etc.) providing [specific / primary] data."

Rationale for proposed text revisions

The core rationale for implementing **Revision A6** is to recommend that companies set measurable steps to improve scope 3 emissions data specificity. The current Scope 3 Standard acknowledges that improving data quality is an iterative process but offers limited, measurable indicators for demonstrating improvement over time. Stakeholders indicated persistent issues with poor data quality and requested more recommendations or even requirements for improvement.

Revision A6 received strong support as it introduces clear, feasible recommendations to improve data specificity (which is a proxy for data quality) over time. This introduces feasible and flexible recommendations supporting the overall ambition to improve data quality and reliability of internal measures and publicly reported scope 3 emissions data. The optionality and flexibility allow companies to customize targets based on their specific context (e.g., industry, company size, experience). It supports the broader purpose of making the inventory more usable and actionable.

It explicitly promotes value chain partner engagement by focusing metrics on data acquisition and the goal of collecting higher quality (more specific) data. It provides clear metrics that allow preparers to track their progress. It introduces metrics that are directly connected to the proposed disaggregated data specificity reporting tiers (refer to **Revision A1** for disaggregation requirements by data type).

TWG member vote

80-93% support (Source: Group A Meeting #11 Presentation, slide 29)

Options considered by TWG

Options considered include: (i) maintaining the recommendation to improve data quality and data specificity over time. This maintains the status quo whereby companies are recommended to seek continuous improvement without requiring specific metrics or targets. (ii) Maintaining the recommendation to improve data quality (specificity) over time but introducing a recommendation to add specific, optional performance metrics to guide companies in tracking their data quality journey. (iii) Establishing performance metrics and requiring certain performance thresholds (e.g., no less than 20% specific data) and actual targets (e.g., specific rates of improvement). (iv) Leaving it up to practitioners to set performance metrics in a data management plan (refer to Appendix C, Data Management Plan, p. 129-133 of the Scope 3 Standard). This approach would require that companies pursue improvements but grant them flexibility to determine and disclose their specific performance metrics and targets.

Pending items – N/A

2.6 Data quality improvement target recommendations (Revision A7)

Current approach

(Scope 3 Standard, Chapter 7, Section 7.6 Improving data quality over time, p. 84)

> "Over time, companies **should** seek to improve the data quality of the inventory by replacing lower quality data with higher quality data as it becomes available."

Summary of proposed revisions

This proposed revision adds additional guidance by recommending that companies to set data quality improvement targets (**Revision A6**) and specifying year-over-year data quality improvement targets.

Proposed text revisions

> "Companies **should** improve data quality over time and set data quality improvement targets based on established metrics and considering company context. Companies **may** use year-on-year data quality improvement targets, or mid-term horizon targets."

Rationale for proposed text revisions

While current GHG Protocol guidance recommends improving data quality over time, many companies fail to do so consistently after their initial reporting effort. The goal of this revision is to provide a practical, measurable recommendation to quantify data quality improvements. Introducing clear metrics that preparers should track and pursue guides them toward pursuing measurable, ambitious long-term data quality improvement goals, and promote accountability along the value chain. This approach, framed as a flexible recommendation rather than a stringent requirement, ensures that accessibility and feasibility across different sectors and geographies. This also supports small- to medium-sized enterprises and companies new to reporting, while promoting ambition and accountability among companies with long-established emissions accounting and reporting practices.

TWG member vote

90-92% support (Source: Group A Meeting #11 Presentation, slide 30)

Options considered by TWG

Options considered ranged from remaining a general recommendation to improve data quality or setting a requirement, and whether any associated metrics should be determined by the standard itself or by reporting entities. Options included: (i) maintaining the recommendation to improve data quality over time without introducing specific performance metrics; (ii) Maintaining the recommendation to improve data quality over time and introducing specific, recommended (not required) metrics to guide companies in improving their data quality; (iii) Introducing specific, required performance metrics to demonstrate data quality improvements; (iv) Giving preparers flexibility in setting performance metrics.

Pending items – N/A

- Note: a similar revision may be proposed by Corporate Standard TWG

2.7 Corporate-level data allocation restricted to homogeneous suppliers (Revision A8)

Current approach

Currently, the Scope 3 Standard provides allocation recommendations and guidance; it does not require or restrict any allocation methods.

(Scope 3 Standard, Chapter 8, Allocating Emissions, Section 8.3, Allocation methods, p. 89)

> "Companies **may** use a combination of different allocation methods and factors to estimate emissions from the various activities in the scope 3 inventory. However, for each individual facility or system, a single, consistent allocation factor **should** be used to allocate emissions throughout the facility or system. The sum of the allocated emissions for each output of a system **should** equal 100 percent of emissions from the system..."

(Allocating Emissions, Box 8.2, Two approaches to allocation GHG emissions from suppliers)

> "Companies **may** use two basic approaches for collecting and allocating GHG emissions from suppliers: Supplier allocation: Individual suppliers report pre-allocated emissions data to the reporting company and disclose the allocation metric used[; OR] Reporting company allocation: The reporting company allocates supplier emissions by obtaining two types of data from individual suppliers: 1) total supplier GHG emissions data (e.g., at the facility or business unit level), and 2) the reporting company's share of the supplier's total production, based on either physical factors (e.g., units of production, mass, volume, or other metrics) or economic factors (e.g., revenue, spend)"

(Scope 3 Standard, Chapter 7, Level of data, p. 79)

> "Activity data and emissions data may be collected at varying levels of detail and granularity. When collecting primary data from value chain partners, companies should obtain the most product-specific data available (see table 7.7). Product-level data is more precise because it relates to the specific good or service purchased by the reporting company and avoids the need for allocation (see chapter 8).
>
> In general, companies should seek activity data or emissions data from suppliers that is as specific as possible to the product purchased from the supplier, following the hierarchy in table 7.7. If product-level data is not available, suppliers should try to provide data at the activity-, process-, or production line-level. If activity-level data is not available, suppliers should try to provide data at the facility level, and so on. Collecting more granular data is especially important from diversified suppliers that produce a wide variety of products (see box 7.4). Data collected at the activity, production line, facility, business unit, or corporate level may require allocation. (For guidance, see chapter 8.)"

(Scope 3 Standard, Chapter 7, Table 7.7 Levels of data, p. 80)

Data type	Description
Product-level data	Cradle-to-gate[3] GHG emissions for the product of interest
Activity-, process- or production line-level data	GHG emissions and/or activity data for the activities, processes, or production lines that produce the product of interest
Facility-level data	GHG emissions and/or activity data for the facilities or operations that produce the product of interest
Business unit-level data	GHG emissions and/or activity data for the business units that produce the product of interest
Corporate-level data	GHG emissions and/or activity data for the entire corporation

(Scope 3 Standard, Chapter 7, Collecting data, Box 7.4 Level of data and supplier type)

> "The need to collect granular data from a supplier depends in part on the variety and diversity of products the supplier produces. Collecting data at the product, production line, or facility level is more important for diversified companies than for relatively homogeneous companies, for which business unit- or corporate-level data may yield representative GHG estimates. Below are two examples: A) a homogeneous supplier with relatively uniform emissions throughout its operations and B) a diversified supplier where GHG intensity varies widely between business units and facilities..."

Summary of proposed revisions

This proposed revision restricts the use of allocated supplier-specific emissions data at the corporate level. While corporate-level data allocation is maintained as an option, it is restricted to only be permitted for "homogeneous companies" (i.e., value chain partners) and is not permitted for "diversified" or non-homogeneous companies. This means that reporting companies may not allocate corporate-level data obtained from suppliers classified as "diversified" (i.e., non-homogeneous). A homogeneous company is generally one "… with relatively uniform emissions throughout its operations" (Scope 3 Standard, p. 81).

Proposed text revisions

> "Corporate-level data allocation **shall not** be used to calculate scope 3 emissions from value chain partners, except for homogeneous value chain partners where it may be used.
>
> Non-attributable corporate-level data (e.g., overhead operations, facility light, corporate activities and services, R&D, etc.) **may** be allocated to a value chain partner's sold product(s)."

Rationale for proposed text revisions

The rationale for restricting the permitted allocation of corporate-level data arises from the challenge that aggregated supplier data often leads to unreliable and potentially misleading emissions estimates by allocation. Current guidance allows companies to collect aggregated corporate-level emissions data from suppliers and then to allocate a portion to the purchased product or service (e.g., using physical,

[3] Cradle-to-gate GHG emissions include all emissions that occur in the life cycle of purchased products, up to the point of receipt by the reporting company (excluding emissions from sources that are owned or controlled by the reporting company).

unit-based allocation or economic allocation). This practice becomes unreliable when a supplier entity is "diversified" or "non-homogeneous", meaning that their business units, facilities, and/or product type vary widely (e.g., a company involved in both manufacturing and professional services), such that the "…GHG intensity varies widely between business units and facilitates" (Scope 3 Standard, p. 81).

The revision also recognizes that non-attributable corporate-level data, which is not directly related to production and is typically excluded from the scope of product carbon footprints or life cycle assessments, often require allocation methods to allocate emissions to a company's sold product(s), regardless of whether the company is homogeneous or diversified.

By restricting allocation of attributable corporate-level data to homogeneous value chain partners only, this proposed revision enforces greater reliability, accuracy, and relevance of allocated emissions data. This reduces the likelihood that the use of high-level, aggregated emissions data produces poor-quality emissions results, while still maintaining the practical option of allocating aggregated, corporate-level emissions data, when necessary, due to data availability constraints. In short, this revision aims to ensure that when the allocation of aggregated corporate emissions data (e.g., supplier emissions data) is unavoidable, it is only performed when it can reasonably be expected to yield representative GHG emissions estimates.

TWG member vote

91% support (Source: Group A Meeting #11 Presentation, slide 32)

Options considered by TWG

Options considered for this revision included: (i) Maintaining current guidance which discourages allocation when "… using corporate-level emissions data would not accurately reflect emissions from the purchased service…" and therefore encourages the use of "… more granular data (e.g., facility- or business unit-level data)" (Scope 3 Standard, p. 81). (ii) Prohibiting and phasing out corporate-level emissions data allocation as a method entirely. (iii) Maintaining but restricting the use of corporate-level emissions data allocations. In addition, (a) categorizing allocated emissions as lower quality (e.g., non-specific as per the disaggregation framework proposed in **Revision A1**), (b) restricting which allocation methods can be used (e.g., allowing only physical allocation), (c) requiring that companies disclose that allocations have been performed, and (d) enforcing other restrictions on its use (e.g., confining it only to certain categories or activities, or only to homogeneous suppliers).

Pending items

- Glossary terms and definitions for "homogeneous companies" and "diversified companies" ("non-homogeneous companies") will be developed to complete this proposed revision.

3 Boundary Setting (Series B Revisions)

Disclaimer: All revisions described in this document remain under development and are subject to change.

3.1 Introduction

Series B revisions concern boundary setting for scope 3 inventories, currently detailed in Chapter 6, Setting the Scope 3 Boundary. In addition, a new category 16 is introduced for facilitated activities. The identification of scope 3 activities is currently specified in Chapter 5, Identifying Scope 3 Emissions. These proposed revisions introduce updates to enhance the completeness, consistency, transparency, and relevance of scope 3 emissions reporting.

Revisions B1 through **B9** aim to enhance completeness and consistency. These revisions establish a prescriptive 5% exclusion threshold, requiring that companies report at least 95% of total required scope 3 emissions. Any exclusions (including de minimis emissions) are now capped at 5% of total required scope 3 emissions. This ensures accountability and rigor concerning an inventory boundary.

Revision B1: Prescriptive (95%) boundary requirement. Companies reporting in conformance with the Scope 3 Standard must report at least 95% of total required scope 3 emissions. This requirement enhances the completeness, consistency, transparency and comparability of inventories by requiring the inclusion of all major scope 3 emission sources (by magnitude), allowing companies flexibility to exclude minor sources of emissions, and promotes boundary consistency and completeness within a company (year-over-year) and between companies.

Revision B2: Companies shall quantify total required scope 3 emissions to justify exclusions. Companies must quantitatively assess all (100%) total required scope 3 emissions annually to validate that any exclusions fall within the 5% exclusion threshold. Companies may do so using any calculation method, including hotspot analysis. This ensures accountability and rigor in boundary setting.

Revision B3: Editorialized guidance on hotspot analysis. Hotspot analysis, which is defined as a high-level estimation method, is permitted for use by companies to quantify and justify the 5% exclusion threshold. This allows companies to focus data collection resources on major emissions sources while using a feasible method to justify minor exclusions.

Revision B4: Companies shall disclose and justify exclusions of required scope 3 emissions. Companies are required to disclose and justify the exclusion of any required scope 3 emissions but are not required to justify the exclusion of optional scope 3 emissions. This requirement supports transparency and accountability in the boundary-setting process and manages compliance burdens.

Revision B5: De minimis emissions (definition and justified exclusion thereof). Companies may exclude de minimis emissions, specifically, emissions that are reasonably expected to be insignificant or negligible without quantification, provided that they are effectively counted as part of the total 5% exclusion threshold. Integrating the qualitative de minimis concept into the 5% exclusion threshold balances the goal of completeness with the need to reduce compliance burdens for preparers.

Revision B6: Companies shall use exclusions disclosure notation. Companies shall use specific notation to identify exclusions in disclosures. This uniform disclosure notation standardizes reporting formats, facilitating readability, comparison, and transparency for external users interpreting inventory boundaries.

Revision B7: Companies shall report (disaggregate) required vs. optional emissions separately. Companies must disaggregate required versus optional scope 3 emissions. Separate reporting improves transparency, benchmarking, and potential cross-company comparability by clearly differentiating prescriptive, required scope 3 emissions from variable, optional scope 3 emissions.

Revision B8. Examples of disclosing & justifying exclusions. The guidance example (Box 6.1) is revised to reflect the use of hotspot analysis and to include the 5% exclusion threshold in the language. Revising the example aligns it with the new quantitative boundary requirements (**Revision B1**) and the explicit methodology of hotspot analysis (**Revision B3**).

Revision B9: Justified exclusion(s) of downstream emissions of intermediate products (maintained). Companies may continue to exclude downstream emissions (Categories 9, 10, 11, and/or 12) of specific intermediate products if the end use is unknown or emissions cannot be reasonably estimated, and this exclusion is explicitly outside the 5% threshold. Maintaining and clarifying this justified exclusion maintains current justified exclusions that address significant estimation uncertainty inherent in calculating downstream emissions for intermediate products with heterogeneous applications.

Revision B10: Guidance on completeness, relevance, and influence (editorialized text). Revisions consolidate and strengthen guidance on the principle of relevance by specifying actions of a reporting company that may indicate influence, with influence being one criterion for identifying relevant activities. This series of revisions recommends (using "should" language) that companies include optional scope 3 emissions when these activities are deemed relevant. This enhances the rigor of boundary setting and supports completeness by operationalizing the context-dependent concept of relevance and recommending companies to disclose optional scope 3 emissions where they have the potential to influence reductions and drive ambitious climate action.

Revision B11: New category for other value chain activities (category 16), which are optional ("may") except for oil and gas distributors. Modernizes the Standard's scope by introducing a new, optional scope 3 category 16 to account for facilitated activities. This addresses previously ambiguous emissions generated by third-party entities where the reporting company earns transactional income but never buys, sells, or owns the facilitated activity (e.g., brokerage models and many financial services). Establishing a new category 16 addresses a 'gray area' in accounting and modernizes the scope 3 boundary in light of contemporary, boundary-vague business activities and to reflect a company's total influence and impact.

Revision B12: Reference to industry-specific standards, frameworks, and/or legislation. Recommends that companies account for and report facilitated emissions if such reporting is required by an existing industry- or sector-specific standard, framework, or legislation. Referencing established third-party standards (like PCAF) leverages specialized, external methodologies, promoting alignment and consistency without imposing a requirement.

3.2 Prescriptive (95% inclusion) minimum boundary requirement (Revision B1)

Current approach

(Scope 3 Standard, Chapter 6, Setting the Scope 3 Boundary p. 59; section 6.2, Boundary requirements, p. 60)

> "Companies **shall** account for all scope 3 emissions and disclose and justify any exclusions."

Table 5.4 in the Scope 3 Standard specifies the required scope 3 emissions (formerly minimum boundary) by category. (Scope 3 Standard, Chapter 5, Table 5.4, p. 34-37)

Summary of proposed revisions

Companies reporting in conformance with the Scope 3 Standard shall report at least 95% of total required scope 3 emissions. Given that the Corporate Standard TWG (see Section 5.1 of Corporate Standard Revisions: Summary of Phase 1 Provisional Outcomes) is proposing requiring the inclusion of a company's scope 3 emissions to conform with the Corporate Standard (revised): this means that any corporate GHG inventory shall include a reporting company's scope 1 emissions (with a tentative 1% exclusion threshold), scope 2 emissions (with a tentative 1% exclusion threshold), and at least 95% of required scope 3 emissions. In other words, to report in conformance with either the Corporate Standard (revise) or full Scope 3 Standard (revised), a company shall include at least 95% of its total required (formerly minimum boundary) scope 3 emissions. A company may exclude up to 5% of total required scope 3 emissions. A de minimis emissions clause has been added as part of the 5% exclusion threshold (refer to **Revision B5**).

Note that required (formerly minimum boundary) scope 3 emissions, by category, are currently being reviewed by the Scope 3 TWG as part of Phase 2 considerations. Only category 15-specific boundaries have been reviewed extensively (refer to **Revision C2** for investment types, **Revision C5** and **C6** for required scope 3 emissions for category 15, and **Revision C7** and **C8** for justified exclusions).

Proposed text revisions

Proposed revision to the total required scope 3 emissions boundary (formerly minimum boundary):

> "Companies **shall** account for and report at least 95% of total required scope 3 emissions."
>
> "Companies **shall not** exclude more than 5% of total required scope 3 emissions"
>
> "The 95% inclusion requirement does not apply to optional scope 3 emissions."
>
> "Companies **may** exclude a scope 3 category or activities within a scope 3 category, as long as total exclusions do not exceed the 5% exclusion threshold."
>
> "Companies **may** exclude de minimis emissions as part of the exclusion threshold, provided that total exclusions (de minimis and non-de minimis) is not reasonably expected to exceed 5% of required scope 3 emissions"

While category-specific optional emissions boundaries have yet to be fully considered by the Scope 3 TWG as part of Phase 2 considerations (currently underway), all potential scope 3 emissions associated with facilitated activities, as proposed in the new category 16) are optional (refer to **Revision B11**). Further, all financial activities and services (apart from investments), as proposed, have been moved to category 16 (refer to **Revision C3** and **C4**).

Refer to **Revision B2** for the (a) requirement to justify any and all exclusions and (b) calculation or quantification methods permitted to justify said exclusions. Refer to **Revision B5** for the proposed revision (addition) of a de minimis emissions clause.

Rationale for proposed text revisions

The main reasons for requiring that companies account for and report at least 95% of total required scope 3 emissions center on enhancing the completeness, consistency, and transparency of emissions inventories by establishing a standardized, verifiable magnitude threshold for exclusions. This requirement ensures that all major activities attributable to a reporting company's business (by emission magnitude) are included in said company's corporate scope 3 inventory.

Allowing the exclusion of minor sources (totaling up to 5% of total required scope 3 emissions) permits companies to focus calculation resources on those scope 3 emission sources which account for the largest fraction of emissions. The 5% exclusion threshold aligns with boundaries required by the Science Based Targets initiative and mirrors the approach of CDP (which provides a 5% rule of thumb).

Historically, companies may have excluded some scope 3 categories citing insignificance and/or limited influence, even when those scope 3 emissions were part of their business models. This revision presents a numerical basis for the justifying exclusion of required scope 3 emissions. Importantly, the introduction of such thresholds does not restrict a company's ability to prioritize data collection, quantification, and emissions reductions of value chain activities or categories where a company has the greatest influence or potential impact. Firms may still justify focusing on actively reducing emissions of specific categories in their scope 3 inventory, while relying on market-wide decarbonization efforts (e.g., grid decarbonization and general electrification) to address the remainder. This 95% inclusion and 5% exclusion threshold requirement simply clarifies attribution: over time, all required scope 3 emissions are accounted for, and companies may identify which portions of that total they intend to influence or reduce.

Using a fixed threshold promotes consistency in boundaries between reporting companies, which supports comparability of corporate inventories (in concert with the disaggregation requirement proposed in **Revision A1**), whilst also being easier to interpret for companies preparing scope 3 inventory disclosures, for auditors or verifiers of said scope 3 inventory disclosures, and readers of said scope 3 inventory disclosures. Investors, for example, can get a transparent and consistent view of the GHG emissions attributable to and associated with their business activities, enabling more meaningful benchmarking of progress towards decarbonization.

Note that to ensure the exclusion is valid, companies shall quantify total required scope 3 emissions to demonstrate that the exclusions fall within the 5% threshold (refer to **Revision B2** for language concerning said requirement). To ease the burden on companies to conform with this requirement, the threshold allows for the combination of de minimis exclusions with other justifiable exclusions under the 5% cumulative limit.

Given that companies are permitted to use more accessible, less burdensome calculation methods to quantify total scope 3 emissions (refer to **Revision B2** and **B3**), requiring the disclosure of 95% of required scope 3 emissions appears feasible without sacrificing scientific integrity nor the accounting principles. Although a company may have varying degrees of influence over specific value chain partner activities, all required scope 3 emissions are incurred or caused to sustain said company's operations and business economics.[4]

TWG member vote

87% support (Source: ISB Meeting #13, slide 9)

Options considered by TWG

Options to require all (100%), 99-97%, 90%, 85%, 80% or maintaining existing justified exclusions language was considered by the TWG. It was considered whether requiring companies to quantify minor emission sources solely to prove they fall within the 5% exclusion threshold imposes an additional estimation and calculation burden. It was also considered whether emissions quantified to justify exclusions might was well be reported, which would make the exclusion rule redundant.

Refer to **Revision B2** for the (a) requirement to justify any and all exclusions and (b) calculation or quantification methods permitted to justify said exclusions. Refer to **Revision B5** for the proposed revision (addition) of a de minimis emissions clause.

Pending items

- **Revision B1** (i.e., the 5% exclusion threshold) may be reviewed upon completion of Series D revisions regarding scope 3 category-specific required vs. optional boundaries

[4] Indirect, value chain emissions are, by definition, "… a consequence of the activities of a reporting company…" while being "… controlled by another company" (i.e., not controlled by the reporting company) (Scope 3 Standard, Section 5.1, p. 27).

3.3 Quantifying total required scope 3 emissions to justify exclusions (Revision B2)

Current approach

(Scope 3 Standard, Chapter 6, Section 6.2, Boundary requirements, p. 60)

> "Companies **may** exclude scope 3 activities from the inventory, **provided that** any exclusion is disclosed and justified."

Summary of proposed revisions

Revisions B2 works together with **Revision B1**; the latter requires the inclusion of at least 95% of all required scope 3 emissions and permits the exclusion of up to 5%.

This proposed revision (**Revision B2**) requires that a company quantify all (100%) of total required scope 3 emissions every year to validate that exclusions (if any) fall within the company's 5% exclusion threshold. A company may rely on any calculation method specified in the Technical Guidance and/or hotspot analysis (as editorially revised in **Revision B3**).

Importantly, a reporting company is **not** required include emissions from the following category-specific justified exclusions when quantifying its 5% exclusion threshold:

- Emissions associated with intermediate products which are/have been excluded by the company (refer to **Revision B9**); and
- Emissions associated with select investment types which are/have been excluded by the company (refer to **Revision C8**).

For the avoidance of doubt, while this proposed revision recommends that "companies **should** use the best available data to quantify total emissions to justify exclusions", however, companies are **not** required to use the best available data. This means that a reporting company **may** rely on estimates or hotspot analysis to quantify its 5% exclusion threshold, despite having emissions data for said activities that is reasonably expected to be of better quality (i.e., best available data). This provision may be reconsidered by the Scope 3 TWG in Phase 2, based on revised accounting and reporting principles and/or guidance developed by the Corporate Standard TWG.

A reporting company that uses hotspot analysis to quantify and justify exclusions is still subject to the accounting and reporting principles (i.e., relevance, completeness, consistency, transparency, and accuracy), upon which the "… accounting and reporting of a scope 3 inventory shall be based…" (Scope 3 Standard, Chapter 4, Accounting and Reporting Principles, p. 23)

Proposed text revisions

> "Companies **shall** quantify total required scope 3 emissions to justify exclusions."
>
> "Companies **may** quantify total emissions to justify exclusions using any method[5]

[5] The *Scope 3 Technical Guidance* provides further guidance for methods that can be used for quantification of scope 3 emissions (e.g., using actual, calculated or estimated scope 3 emissions) and/or hotspot analysis. See **Revision B3** for a definition of a hotspot analysis.

"Companies **should** use the best available data to quantify total emissions to justify exclusions."

Rationale for proposed text revisions

The main reasons for supporting **Revision B2** are rooted in ensuring accountability, scientific integrity, and rigor in boundary setting by requiring quantitative evidence that any excluded emissions adhere to the established threshold, thereby validating the completeness of the inventory. Requiring 95% inclusion of required scope 3 emissions is seen as maintaining the core GHG accounting principles (relevance, completeness, accuracy) without compromising scientific integrity and prevents subjective and qualitative reasoning for justifying exclusion (like "reasonable expectation" or "insignificant"). In addition, using only required emissions in the quantification of total emissions supports year-over-year consistency for a reporting company and improve consistency between reporting companies. While quantification must cover all required scope 3 emissions, the revision permits companies to use more accessible calculation methods, supporting data prioritization efforts. Since quantitative assessment is required to validate exclusions, requiring a separate annual "hotspot analysis" is deemed redundant (duplicative) if the quantitative assessment already achieves the goal of understanding the total denominator for the exclusion limit (**Revision B3**).

Regarding optional scope 3 emissions, these emissions can be large and uncertain (e.g., indirect use-phase emissions or optional facilitated activities). If emissions were included in the denominator for calculating the 5% exclusion threshold, it could potentially decrease the threshold's certainty; separate reporting avoids this complication. Refer to **Revision B10d** regarding the recommended inclusion of optional emissions, where relevant.

TWG member vote

87% support (Source: ISB Meeting #13, slide 11)

Options considered by TWG

The option of separately requiring hotspot analysis for an entire scope 3 inventory to justify exclusions was considered. The option to require ("shall") the use of best available data to quantify total emissions to justify exclusions was considered. The option to require hotspot analysis and for assessing the 95% inclusion and 5% exclusion threshold on a 3- or 5-year cadence was considered.

The Scope 3 TWG considered the formula for quantifying the 5% exclusion threshold, including whether to require the following denominator: (i) all reported activities, (ii) all required activities, (iii) all required category 1 through 14 activities (sub-total), and (iv) all required upstream scope 3 activities. Refer to Meeting 5 Presentation (slides 31–36).

This quantification guidance was considered in the context of the proposed revised hotspot analysis language (refer to **Revision B3**). Requiring the quantification of extremely small sources might necessitate reliance on low-quality estimation procedures, thereby compromising the overall accuracy and usefulness of the reported inventory, or overburden companies with data collection and quantification, thereby not supporting meaningful action. However, permitting a reporting company use of hotspot analysis to justify exclusions (refer to **Revision B3**) addresses feasibility concerns.

Pending items – N/A

- A similar revision may be proposed by Corporate Standard TWG for scope 1 and 2 emissions

3.4 Guidance on hotspot analysis (Revision B3)

Current approach

(Scope 3 Standard, Chapter 7, Section 7.1, Guidance for prioritizing data collection efforts, p. 65-66)

The Scope 3 Standard provides guidance on identifying hot spots and to priority activities:

> "Companies may use a combination of approaches and criteria to identify priority activities… Companies may choose to rely on relatively less accurate data for activities that are expected to have insignificant emissions or where accurate data is difficult to obtain."

The Scope 3 Standard provides guidance on quantifying priority activities, in the sub-section, "Prioritizing activities based on magnitude of GHG emissions":

> "The most rigorous approach to identifying priority activities is to use initial GHG estimation (or screening) methods to determine which scope 3 activities are expected to be most significant in size. A quantitative approach gives the most accurate understanding of the relative magnitudes of various scope 3 activities. To prioritize activities based on their expected GHG emissions, companies should:
>
> - use initial GHG estimation (or screening) methods to estimate the emissions from each scope 3 activity (e.g., by using industry-average data, environmentally-extended input output data (see box 7.1), proxy data, or rough estimates); and
> - rank all scope 3 activities from largest to smallest according to their estimated GHG emissions to determine which scope 3 activities have the most significant impact.
>
> Calculation methods for each scope 3 category that can be used for screening are provided in a separate document, Guidance for Calculating Scope 3 Emissions, which is available at www.ghgprotocol.org."

Summary of proposed revisions

This proposed editorial revision defines hotspot analysis, explains its use, and specifies that hotspot analysis includes "… any calculation or estimation method…". This informs **Revision B2** which permits the use of hotspot analysis to quantify and justify the 5% exclusion threshold (as per **Revision B1**).

A reporting company that uses hotspot analysis to quantify and justify exclusions is still subject to the accounting and reporting principles (i.e., relevance, completeness, consistency, transparency, and accuracy), upon which the "… accounting and reporting of a scope 3 inventory shall be based…" (Scope 3 Standard, Chapter 4, Accounting and Reporting Principles, p. 23)

Proposed text revisions

> "A hotspot analysis is a high-level quantification of a company's GHG emissions in order to identify and understand the relative magnitude of the emissions of various activities within the value chain. Hot spot analysis is a useful tool for identifying major emissions sources of scope 3 activities and the key drivers of emissions informing boundary setting, and prioritizing data collection and mitigation efforts. Companies **may** use any calculation or estimation method to perform a hotspot analysis, including methods that rely on supplier-specific data, industry-average data, spend-based proxy data, environmentally extended input-output data (see box 7.1), or other data. Guidance on calculation methods for each scope 3 category, including for screening, is provided in the Technical Guidance for Calculating Scope 3 Emissions."

Rationale for proposed text revisions

Revision B3 improves text to clearly specify that hotspot analysis is permitted to justify exclusions (refer to **Revision B1** and **Revision B2**).

Hotspot analysis helps companies meet the completeness principle by initially quantifying all categories to ensure no major source is missed. Requiring analysis to identify major sources ensures the inventory is relevant and reflects the company's GHG emissions, servicing the decision-making needs of users. By identifying major emission sources using hotspot analysis, companies can focus on major emissions and use the 5% cumulative exclusion threshold to minimize the data collection, accounting, and reporting burden for said (5%) minor emissions.

This ensures that companies methodically evaluate the relative magnitude of emissions sources to justify exclusions and to prioritize mitigation efforts, while providing a calculation or estimation method that is feasible for companies to conform.

TWG member vote

98% Support (Source: Post Full Group Meeting Survey)

Options considered by TWG

The TWG considered how often to require hotspot analysis, whether optional activities or some scope 3 categories should be excluded from hotspot analysis, what calculation methods to allow or provide for hotspot analysis, and whether to introduce any methodological constraints. The option to report the result of a hotspot analysis separately from a reporting company’s GHG inventory was considered. In addition, what denominator to require for hotspot analysis was considered: (i) all reported activities, (ii) all required activities, (iii) all required category 1 through 14 activities (sub-total), and (iv) all required upstream scope 3 activities. This was considered in the context of defining the 95% inclusion threshold and 5% exclusion threshold (refer to **Revision B1**).

Pending items – N/A

3.5 Disclosing and justifying exclusions of required scope 3 emissions (Revision B4)

Current approach

(Scope 3 Standard, Chapter 6, Section 6.3, Disclosing and justifying exclusions, p. 60)

> "Companies **are required** to disclose and justify any exclusions in the public report (see chapter 11)."

Summary of proposed revisions

This editorial revision maintains the current disclosure requirement for required scope 3 emissions (formerly minimum boundary scope 3 emissions) and clarifies that a reporting company is not required to justify the exclusion of optional scope 3 emissions. Refer to both justified de minimis emissions exclusion (**Revision B5**) and require disclosure notation (**Revision B6**).

Proposed text revisions

> "Companies **shall** disclose and justify the exclusion of any required scope 3 emissions. Companies are not required to disclose exclusions for optional scope 3 emissions."

In addition, the justified exclusion clause was maintained for intermediate products (refer to **Revision B9**), and a justified exclusion clause was added for select investment types (refer to **Revision C8**).

Rationale for proposed text revisions

The main rationale behind requiring that companies disclose and justify the exclusion of any required scope 3 emission, are to support transparency and accountability in the boundary-setting process, ensuring that stakeholders that use a company's GHG inventory understand if/which emissions sources have been omitted from the reported inventory. Requiring justification ensures that the reported inventory adheres to the principle of transparency by explaining why specific required emissions sources were omitted.

TWG member vote

96% support (Source: ISB Meeting #13, slide 14)

Options considered by TWG

Refer to options considered in **Revisions B1**, **B2**, and **B3**.

Pending items

- The TWG may consider developing a disclosure template and will review a corporate GHG inventory disclosure requirement with the Corporate Standard and Scope 2 workstreams.

3.6 De minimis emissions definition and justified vs. non-justified exclusion (Revision B5)

Current approach – N/A

Summary of proposed revisions

A reporting company may exclude de minimis emissions (as defined) within the 5% exclusion threshold.

Proposed text revisions

Definition, justification, and non-justification:

> "De minimis emissions are emissions reasonably expected to be insignificant or negligible. An example of de minimis emissions could be the scope 3 category 1 emissions attributable to paper clips and staples used by a reporting company."
>
> "The cumulative total of de minimis and non-de minimis exclusions **shall not** exceed the 5% exclusion threshold for scope 3 emissions [see **Revision B1**]."
>
> Companies may use prior studies, modeling, proxy measures, other evidence, or expert judgment to assess de minimis emissions. Companies **should** reasonably expect de minimis emissions to be insignificant or negligible. If a company does not reasonably expect potentially insignificant or negligible emissions to be de minimis, then the company **shall** quantitatively assess said emissions to determine that the emissions are de minimis."

Rationale for proposed text revisions

Permitting the application of de minimis emissions and integrating said excluded emissions into the 5% exclusion threshold stems from the desire to balance completeness and efficiency, allowing companies to exclude insignificant or negligible scope 3 emissions using reasoned judgment, while maintaining a quantitative cap on total scope 3 inventory exclusions. This allows companies flexibility and reduces compliance burden for preparers. In addition, this reflects the reality of accounting, where de minimis is utilized when finding a mistake in an inventory or estimating extremely small sources. By subjecting de minimis exclusions to the cumulative 5% limit, the overall goal of maintaining a complete inventory is upheld while ensuring that individually justified de minimis emissions on a cumulative basis are not reasonably expected to exceed the 5% exclusion threshold. The 5% exclusion threshold provides assurers or verifiers with a quantitative limit against which to check if errors or omissions (like de minimis emissions) are expected to be insignificant or negligible.

TWG member vote

86% support (Source: ISB Meeting #13, slide 15)

Options considered by TWG

Whether to include a justified de minimis emissions exclusion clause, alternative applications of a de minimis clause, whether and how to include de minimis emissions as part of the 5% exclusion threshold (refer to **Revision B1** and **B2**), or whether to permit justified de minimis emissions

exclusions outside of the 5% exclusion threshold, was considered. This included whether combining the qualitative concept of de minimis with the new quantitative 5% exclusion threshold requirement (**Revision B1**) makes the language confusing for preparers, particularly as it relates to when quantification is required versus when expert judgment is sufficient. Specifying an expected percentage threshold (e.g., less than 0.5% of total scope 3 emissions) that constitutes "… insignificant or negligible" emissions was considered.

Pending items

- Whether and how to apply proposed **Revision B5** language permitting the exclusion of de minimis scope 3 emissions within the 5% exclusions threshold, will be considered and harmonized with permitted exclusion of de minimis scope 1 or scope 2 emissions, when considered.
- A similar revision may be proposed by Corporate Standard TWG

3.7 Exclusions disclosure notation (Revision B6)

Current approach

(Scope 3 Standard, Chapter 6, Section 6.3, Disclosing and justifying exclusions, p. 60)

> "Some categories may not be applicable to all companies… In such cases, companies **should** report zero emissions or 'not applicable' for any categories that are not applicable."

Summary of proposed revisions

Companies shall specify 'not applicable' or 'NA' for any category for which no known scope 3 emissions are reasonably expected. Companies shall use 'excluded' or 'X' for any category, the scope 3 emissions of which is excluded in its entirety (e.g., if all scope 3 category 15 emissions are excluded within the 5% exclusion threshold). Importantly, if some but not all required scope 3 emissions within a category are excluded, companies shall disclose that this category features emissions exclusions; this latter reporting requirement does not rely on specific disclosure notation.

Proposed text revisions

> "When disclosing and justifying exclusions of required scope 3 emissions, companies **shall** use the following exclusion disclosure notation:
>
> - 'not applicable' or 'NA' for any categories for which no known scope 3 emissions is reasonably expected. For example, a reporting company may not lease any assets nor rely on a franchise business model and therefore would not expect any Category 13 or 14 emissions, respectively
>
> - 'excluded' or 'X' for any scope 3 category that is excluded within the 5% exclusion threshold
>
> If some required scope 3 emissions within a category are excluded, companies **shall** report that said category features some emissions exclusions which are within the 5% exclusion threshold. Partial scope 3 category emissions exclusions **shall not** use the notation above (i.e., neither "NA" nor "X").
>
> A reporting company is not required to disclose optional scope 3 emissions. Companies **may** disclose and justify the exclusion of optional scope 3 emissions."

Rationale for proposed text revisions

Uniform disclosure notation is proposed to facilitate readability, comparison, and transparency for users and readers of publicly disclosed corporate scope 3 emissions results. Prescriptive and standardized notation makes it easy for users and readers to differentiate and communicate justified exclusions versus non-justified exclusions. Requiring explicit notation for justified exclusion or categories that are not applicable ensures that a reported inventory adheres to the principle of transparency by distinguishing emissions excluded as part of the acceptable 5% exclusion threshold (i.e., justified exclusions).

Excluded emissions that either (a) exceed the 5% exclusion threshold (b) do **not** satisfy the intermediate product justified exclusion clause (**Revision B9**), or (c) do **not** satisfy the category 15-

specific justified exclusion clause (**Revision C7**): are not justified exclusions and therefore would use neither "NA" nor "X" in disclosures. A reporting company that excludes required scope 3 emissions in excess of or beyond the permitted or justified exclusions (a), (b), and (c), as summarized, would **not** conform with the Standard requirements.

TWG member vote

100% support (Source: ISB Meeting #13, slide 16)

Options considered by TWG – N/A

Pending items – N/A

- Note: similar disclosure notation is to be discussed within the Corporate Standard TWG for adoption in scope 1 and 2

3.8 Companies shall report required vs. optional emissions separately (Revision B7)

Current approach – N/A

(Scope 3 Standard, Chapter 6, Section 6.2, Boundary requirements, p. 60)

> "Companies **may** include emissions from optional activities within each category."

Summary of proposed revisions

This Standard proposes that required scope 3 emissions and optional scope 3 emissions be disaggregated and reported separately. For the avoidance of doubt, a Standard-compliant GHG inventory disclosure **shall** include at least 95% of required scope 3 emissions (refer to **Revision B1** and **B2**). A company is **not** required to account for or report optional scope 3 emissions, however, proposed **Revision B10d** recommends that "Companies **should** include optional scope 3 emissions, where relevant."

Proposed text revisions

> "Companies **shall** report required scope 3 emissions separately from optional scope 3 emissions."

Rationale for proposed text revisions

The rationale for requiring that companies report required vs. optional scope 3 emissions separately are that this improves transparency, benchmarking, and potential cross-company comparability for users.

Clearly demarcating a reporting company's required scope 3 emissions, which features a prescriptive boundary, from optional scope 3 emissions, which features a more variable boundary, and which does not have a 95% inclusion and 5% exclusion threshold requirement, supports year-over-year consistency and comparability within a reporting company and between reporting companies. This reporting requirement reinforces and supports setting the 5% exclusion threshold denominator as being strictly based on required scope 3 emissions (activities). In addition, the context-dependency and difficulty in normalizing the criteria for relevance (like "influence") underscores the importance of reporting required and optional elements separately.

The previous ambiguity between minimum and optional boundaries led to difficulties, particularly for large optional categories (like category 15, or indirect use-phase emissions in category 11), and would be further compounded by the potentially large optional scope 3 emissions of the proposed new category 16. This revision helps to resolve this ambiguity and difficulty by explicitly separating required vs. optional emissions.

TWG member vote

100% support (Source: ISB Meeting #13, slide 16)

Options considered by TWG

The TWG considered not requiring separate disclosure of required vs. optional scope 3 emissions. This included considering whether separating required and optional combustion emissions (in the fuel-based methods) could create challenges for preparers in sourcing appropriate emission factors. It was considered whether, if many currently optional scope 3 emissions (activities) are made required, how this would increase the denominator for the 5% exclusion threshold and potentially decreasing certainty and requiring reconsideration of the 5% exclusion threshold.

Pending items

- The Scope 3 TWG is currently (during Phase 2) considering category-specific required vs. optional scope 3 emissions (activity) boundaries, including whether to require well-to-wheel (or cradle-to-gate plus combustion) emission factors for any and all fuels used in the value chain, the life cycle emissions associated with manufacturing or constructing capital equipment, buildings, vehicles, etc. used to perform value chain activities, and other currently optional boundary scope 3 emissions (activities).
- The Scope 3 TWG is currently (during Phase 2) considering exceptions language for instances when a reporting company is unable to (i) disaggregate required vs. optional boundary emissions or (ii) verify whether emissions factors include required vs. optional boundary emissions.
- The Scope 3 TWG may reconsider the 5% exclusion threshold (**Revision B1**) upon completing consideration of category-specific required vs. optional boundaries

3.9 Examples of disclosing & justifying exclusions (Revision B8)

Current approach

(Scope 3 Standard, Chapter 6, Box 6.1, Example of disclosing & justifying exclusions, p. 61)

> "After mapping its value chain, a company uses initial GHG estimation methods to estimate the emissions from the various spend categories within category 1 (Purchased goods and services). The company finds that emissions from production-related procurement are significant compared to its other sources of scope 3 emissions. The company determines that emissions from non-production-related procurement are difficult to calculate and are not expected to contribute significantly to total scope 3 emissions. The company uses more accurate methods to calculate emissions from production-related procurement but decides to exclude emissions from non-production-related procurement. The company discloses and justifies the exclusion of non-production-related procurement based on limited data availability and its expected insignificant contribution to total scope 3 emissions."

Summary of proposed revisions

Box 6.1 text has been revised to insert hotspot analysis (refer to **Revision B3**) as the step taken by a company before estimating or calculation emissions using more reliable calculation methods. The "insignificance" of non-production related procurement is revised (replaced) with a quantified threshold (i.e., <1% of total required scope 3 emissions) as the basis for insignificance. Finally, the emissions exclusion is now justified as part of the 5% exclusion threshold (refer to **Revision B1**).

Proposed text revisions

> "After mapping its value chain, a company carries out a hot spot analysis to estimate emissions. Within category 1, the company estimates emissions from the various spend items from its purchased goods and services. The company finds that emissions from production-related procurement are significant compared to its other sources of scope 3 emissions. The company determines that emissions from non-production-related procurement are difficult to calculate and are not expected to contribute more than 1% to the company's total required scope 3 emissions. The company uses more accurate methods to calculate emissions from production-related procurement but decides to exclude emissions from non-production-related procurement as part of the 5% exclusion threshold. The company discloses and justifies the exclusion of non-production-related procurement in its public GHG inventory report."

Rationale for proposed text revisions

The rationale for revising this example is to reflect Series B proposed revisions (particularly: **B1** – **B3**).

TWG member vote

92% support (Source: ISB Meeting #13, slide 18)

Options considered by TWG – N/A

Pending items – N/A

References – N/A

3.10 Justified exclusion(s) of downstream emissions of intermediate products (Revision B9)

Current approach

(Scope 3 Standard, Chapter 6, Section 6.4, Accounting for downstream emissions, p. 60)

> "The applicability of downstream scope 3 categories depends on whether products sold by the reporting company are final products or intermediate products (see section 5.6). In certain cases, the eventual end use of sold intermediate products may be unknown. For example, a company may produce an intermediate product with many potential downstream applications, each of which has a different GHG emissions profile, and be unable to reasonably estimate the downstream emissions associated with the various end uses of the intermediate product. In such a case, companies **may** disclose and justify the exclusion of downstream emissions from categories 9, 10, 11, and 12 in the report (but should not selectively exclude a subset of those categories)."

Summary of proposed revisions

This editorial revision provides more detail on the challenges of quantifying downstream emissions of intermediate products and maintains that a reporting company may exclude said emissions if are unknown or if the company is unable to reasonably estimate said emissions. Further, it removes the provision which states that a company "… should not selectivity exclude a subset of those categories…"

This proposed revision makes clear that this category-specific justified exclusion is **not** part of the 5% exclusion threshold. This means that a company may exclude said unknown/incalculable emissions when calculation its 95% inclusion and 5% exclusion threshold for required scope 3 emissions (refer to **Revision B2**).

Proposed text revisions

> "There are various methods to estimate the downstream emissions of intermediate products, including stoichiometry, business intelligence and market research, regional statistics, sectoral guidance and default scenarios. In certain cases, the eventual end use of sold intermediate products, and related transportation, processing, and end-of-life emissions, may be unknown. For example, a company may produce an intermediate product with hundreds of potential downstream applications, each of which has a different GHG emissions profile (including use and end-of-life treatment).
>
> If a company is unable to reasonably estimate the downstream emissions associated with the various uses of an intermediate product, companies **may** exclude downstream emissions from categories 9, 10, 11, and/or 12 of the specific intermediate product(s). This is **not** part of the 5% exclusion threshold. Companies **shall** disclose and justify any exclusions of downstream emissions of an intermediate product(s)."

Rationale for proposed text revisions

The rationale for maintaining and editorially revising this justified exclusion language stems from the need to clarify existing, potentially ambiguous guidance and ensuring reasonable boundaries without allowing broad exclusions. It reduces interpretive confusion and potential under reporting loopholes, while factoring in feasibility and potentially significant estimation uncertainty, and promotes greater

relevance by allowing targeted exclusions only when estimation is not possible (see: "… unable to reasonably estimate…").

This revision ensures that companies only exclude the specific intermediate product(s) or downstream category(ies) (9, 10, 11, and/or 12) for which the end use is genuinely unknown, and emissions estimation is infeasible. The revised language aims to provide examples of estimation methods (e.g., stoichiometry, business intelligence, sectoral guidance) to clarify when a company is genuinely "unable to reasonably estimate" emissions, thereby tightening the justification requirement.

This revision reduces confusion stemming from the current subjective wording, such as the ambiguous interpretation of the phrase "should not selectively exclude a subset of those categories". Excluding multiple downstream categories just because one is excluded is inappropriate from a target setting and validation perspective; thus, this revision supports target setting integrity. At the same time, it acknowledges that for companies producing intermediate products with heterogeneous and numerous end uses, it remains difficult to determine the ultimate downstream application and emissions profile.

This proposed revision balances calls to enforce full reporting of downstream emissions for intermediate products, with the reality that estimating downstream emissions may be very challenging for some. Companies are required to disclose and justify the exclusion of downstream emissions of intermediate products, to ensure transparency.

TWG member vote

89% support (Source: ISB Meeting #13, slide 20)

Options considered by TWG

The TWG considered whether to maintain current language, make editorial changes to support interpretation (reduce ambiguity), removing the provision to include or exclude all (or only some) downstream emissions associated with the use or processing of intermediate products, and whether to remove this justified exclusion. Whether the original rationale for the exception (lack of data) remains valid today due to the existence of sector-specific guidance on use stage scenarios and the fact that intermediate products contribute to the use phase emissions of final products through design and efficiency, was considered.

Pending items – N/A

3.11 Minor revisions to Guidance: Completeness and relevance (Revision B10a)

Current approach

(Scope 3 Standard, Chapter 6, Section 6.3, Disclosing and justifying exclusions, p. 60)

> "Companies **should** strive for completeness, but it is acknowledged that accounting for all scope 3 emissions may not be feasible…
>
> Companies **should** follow the principles of relevance, completeness, accuracy, consistency, and transparency when deciding whether to exclude any activities from the scope 3 inventory.
>
> Companies **should not** exclude any activity that would compromise the relevance of the reported inventory. (See table 6.1 for a list of criteria for determining relevance.)
>
> Companies **should** ensure that the scope 3 inventory appropriately reflects the GHG emissions of the company, and services the decision-making needs of users, both internal and external to the company.
>
> In particular, companies **should not** exclude any activity that is expected to contribute significantly to the company's total scope 3 emissions…
>
> Companies are **required** to disclose and justify any exclusions in the public report…"

Summary of proposed revisions

These proposed revisions to guidance in section 6.3 refine language to harmonize it with the 5% exclusion threshold (refer to **Revision B1** and **B2**) and harmonizes it with the requirement to follow the accounting and reporting principles as stated in Chapter 4, Accounting and Reporting Principles.[6]

Proposed text revisions

> "Companies **should** strive for completeness, but it is acknowledged that accounting for all scope 3 emissions may not be feasible.
>
> In line with chapter 4, companies are **required** to follow the principles of relevance, completeness, accuracy, consistency, and transparency, including when setting the inventory boundary.
>
> Companies **should not** exclude any activity that would compromise the relevance of the reported inventory. See table 6.1 for a list of criteria for identifying relevant scope 3 activities.

[6] "GHG accounting and reporting of a scope 3 inventory **shall** [emphasis added] be based on the following principles: relevance, completeness, consistency, transparency, and accuracy." (Chapter 4, p. 23)

Following the relevance principle, companies **should** ensure that an inventory appropriately reflects the GHG emissions of the company, and serves the decision-making needs of users, both internal and external to the company.

Companies **should** include relevant emissions falling within the 5% exclusion threshold.

Companies are **required** to disclose and justify any exclusions in the public report."

Rationale for proposed text revisions

This proposed revision states that companies should include relevant emissions even if they fall within the 5% exclusion threshold, which supports the principle of completeness by recommending reporting companies to include all material emissions, even if they are small enough to be otherwise excluded. The guidance also tries to ensure that companies prioritize activities in the value chain where the reporting company has the potential to influence GHG reductions.

By striving for completeness and preventing the exclusion of activities that compromise the inventory's relevance, the recommendations ensure the Scope 3 inventory accurately reflects the company's GHG emissions and supports the decision-making needs of internal and external users.

TWG member vote

93% support (Source: ISB Meeting #13, slide 10)

Options considered by TWG

The options considered for the revision concerning completeness and relevance, specifically regarding how the relevance principle should factor into the exclusion of scope 3 activities, focused on shifting from voluntary guidance to requirements. Three main approaches were deliberated: Option 1A proposed maintaining the current soft language, advising that companies **should** adhere to principles and **should not** exclude activities that compromise relevance. Option 1B escalated this to a requirement, stating that companies **shall** follow principles and **shall not** exclude activities compromising relevance. The third option, Option 1C, was favored by the Scope 3 TWG; it required relevance solely based on magnitude, obligating companies to account for significant scope 3 emissions and disclosing/justifying any exclusions, thus ensuring that no significantly contributing activity is omitted. Separately, options regarding how reporting preparers should fulfill the relevance criteria included maintaining existing discretion (Option 2A) or more prescriptively defining relevance as requiring adherence to at least one criterion for determining relevance from Table 6.1 (Option 2B).

The necessary counterpart to defining relevance by magnitude (Option 1C) was defining a magnitude threshold itself. The options considered for defining a quantitative, magnitude threshold addressed whether (i) threshold setting should remain entirely flexible and self-defined by a preparer (Option 3A), (ii) threshold setting should be required but to let preparers self-define (set) the threshold figure (amount) (Option 3B), (iii) GHG Protocol should specify the threshold figure (amount) (Option 3C), or (iv) all required (formerly minimum boundary) scope 3 emissions should be required regardless of magnitude (Option 3D).

The predominant view, and the final vote from the TWG, supported Option 3C: defining the magnitude threshold directly within the Scope 3 Standard. Specifically, the preferred configuration was Option 3C-2: defining a default magnitude threshold that the standard sets. This threshold was preliminarily

favored as a cumulative 5% exclusion relative to the total required scope 3 emissions (refer to **Revision B1**).

Pending items – N/A

3.12 Minor revisions to criteria for identifying relevant scope 3 activities (Revision B10b)

Current approach

(Scope 3 Standard, Chapter 6, Table 6.1, Criteria for identifying relevant scope 3 activities, p. 61)

> "Criteria for identifying relevant scope 3 activities (Table 6.1):
>
> Size – They contribute significantly to the company's total anticipated scope 3 emissions (see section 7.1 for guidance on using initial estimation methods)
>
> Influence – There are potential emissions reductions that could be undertaken or influenced by the company (see box 6.2)
>
> Outsourcing/in-sourcing – They are outsourced activities previously performed in-house, or activities outsourced by the reporting company that are typically performed in-house by other companies in the reporting company's sector
>
> Risk – They contribute to the company's risk exposure (e.g., climate change related risks such as financial, regulatory, supply chain, product and customer, litigation, and reputational risks) (see table 2.2)
>
> Stakeholders – They are deemed critical by key stakeholders (e.g., customers, suppliers, investors, or civil society)
>
> Sector guidance – They have been identified as relevant by sector-specific standards or guidance.
>
> Other – They meet any additional criteria for determining relevance developed by the company or industry sector."

Summary of proposed revisions

The proposed revisions are editorial in nature; no criteria were added or removed. Refer to **Revision B10c** for new proposed guidance specifying a list of actions that may indicate influence.

Proposed text revisions

> Criteria for identifying relevant activities:
>
> Size – Activities that are expected to contribute significantly to a company's total anticipated scope 3 emissions, noting the exclusion thresholds for required scope 3 emissions.
>
> Influence – There are potential value chain emissions reductions that could be undertaken or influenced by the company (refer to **Revision B10c** for further guidance on influence).
>
> Risk – No change
>
> Stakeholders – No change

Outsourcing/In-sourcing – Activities that are outsourced (i.e., now performed by third-party companies) which previously were performed in-house by the reporting company or that typically are performed in-house by other companies in the reporting company's sector.

Sector guidance – No change

Other – No change

Rationale for proposed text revisions

The core rationale for revising the criteria table is to strengthen the principle of relevance in Scope 3 accounting. Relevance dictates that a GHG report must contain the information users need for decision-making and that the inventory must appropriately reflect the company's emissions.

Table 6.1 in the Scope 3 Standard focuses on enhancing the precision and clarity of the definitions used to determine which value chain activities are relevant. This is important because, while required scope 3 emissions boundaries (formerly minimum boundaries) prescriptively specify which activities are required, some optional scope 3 emissions may still be relevant for a company and/or its stakeholders. This proposed revision modifies the descriptions for existing criteria such as size, influence, and outsourcing/in-sourcing to improve consistency and ensure comprehensive coverage of material emissions.

TWG member vote

98% support (Source: ISB Meeting #13, slide 10)

Options considered by TWG

The primary options discussed during the development related to how rigorously the criterion, influence, should be defined to guide reporting requirements. Initial discussions centered around four approaches to refining the influence criterion: (1) Maintain the current vague language; (2) Define a specific list of influence pathways; (3) Define precise levels of influence; or (4) Maintain the current definition but introduce a list of influence pathways as guidance (refer to **Revision B10c** for this new list).

Pending items – N/A

References – N/A

3.13 New list of actions that may indicate influence of the reporting company (Revision B10c)

Current approach

(Scope 3 Standard, Chapter 6, Box 6.2, Influence, p. 61)

> "By definition, scope 3 emissions occur from sources that are not owned or controlled by the reporting company, but occur from sources owned and controlled by other entities in the value chain (e.g., contract manufacturers, materials suppliers, third-party logistics providers, waste management suppliers, travel suppliers, lessees and lessors, franchisees, retailers, employees, and customers). Nevertheless, scope 3 emissions can be influenced by the activities of the reporting company, such that companies often have the ability to influence GHG reductions upstream and downstream of their operations. Companies **should** prioritize activities in the value chain where the reporting company has the potential to influence GHG reductions. See table 9.7 for illustrative examples of actions to influence scope 3 reductions."

Table 9.7 of the Scope 3 Standard lists 25 illustrative examples of actions to reduce upstream scope 3 emissions and 21 illustrative examples of actions to reduce downstream scope 3 emissions.

Summary of proposed revisions

The following list of actions that may indicate influence on the part of a reporting company supports a company's determination of whether and when a scope 3 activity is relevant (refer to **Revision B10b**).

Proposed text revisions

> "The following is a list of actions that may indicate influence of the reporting company over the value chain activity and related scope 3 emissions. See table 9.7 for further examples of actions to influence scope 3 reductions.
>
> - Value chain partner engagement
> - Implementation of low-GHG procurement policies, including materials and energy procurement
> - Change of value chain partner
> - Reduction of own material and energy consumption or change of consumption patterns
> - Waste generation reduction
> - Adoption of low-emitting waste treatment methods
> - Replacing, removing, or installing equipment
> - Maintenance procedures
> - Process optimization
> - Design of products or services, including supplementary and complementary products, packaging, etc.
> - Business model change
> - Stakeholder engagement in and incentivizing of low-emission behaviors
> - Changes in business processes and locations
> - Implementation of low-emission investment policies
> - Implementation of low-emission client-selection process policies

- Third-party activities that are enabled, initiated, and/or substantially influenced (i.e., facilitated) by a reporting company's services, products, and/or infrastructure and from which the reporting generates transactional income (refer to Category 16)
- Other actions determined by the company, sector guidance, or other sources."

Rationale for proposed text revisions

The rationale for providing a list of actions that may indicate influence of a reporting company over value chain activities revolves around proposing a pragmatic approach to indicate where a reporting company can have influence, without needing to prescriptively quantify or define "levels" of influence (which might lack scientific basis).

This list illustrates pathways through which a company's activities could deem associated emissions to be relevant, even if they fall below the magnitude threshold. The inclusion of this list aims to operationalize the "Influence" criterion used in identifying relevant scope 3 activities (refer to **Revision B10b** and Table 6.1 in the Scope 3 Standard). Clearer examples lead to greater consistency across reporting companies in assessing their level of influence over specific emissions sources. Leaving the definition of influence partially open allows the preparer to apply judgment appropriate to their context, thereby focusing efforts on the most relevant action. It also provides concrete examples that could help external programs (e.g., target setters or materiality-driven disclosures) interpret and use the concept of relevant emissions.

Given that **Revision B1** uses a 95% inclusion and 5% exclusion threshold to require total required scope 3 emissions disclosure, keeping influence as a recommendation (using "should" language) and providing this new list, ensures that a broader view of relevance (beyond merely size or magnitude) is recommended.

TWG member vote – 86% support (Source: ISB Meeting #13, slide 10)

Options considered by TWG

Options considered include: (i) Maintaining the current definition of influence; (ii) Defining a list of influence pathways; and (iii) Defining levels of influence; and (iv) Maintaining current language of the influence criterion while introducing a list of influence pathways as guidance and references.

Pending items – N/A

3.14 Guidance and recommendations to include relevant scope 3 emissions (Revision B10d)

Current approach

(Scope 3 Standard, Chapter 6, Section 6.3, Disclosing and justifying exclusions, p. 60)

> "Companies **should** not exclude any activity that would compromise the relevance of the reported inventory. (See table 6.1 for a list of criteria for determining relevance.) Companies should ensure that the scope 3 inventory appropriately reflects the GHG emissions of the company, and serves the decision-making needs of users, both internal and external to the company. In particular, companies should not exclude any activity that is expected to contribute significantly to the company's total scope 3 emissions. (See section 7.1 for guidance on prioritizing emissions.)"

Summary of proposed revisions

This proposed revision explicitly recommends that "companies **should** include optional scope 3 emissions, where relevant". Relevance is indicated by the criterion detailed in Table 6.1 (refer to **Revision B10b**) and influence is indicated by actions detailed in the proposed new list (refer to **Revision B10c**). Note that all required vs. optional emissions shall be disaggregated; meaning that optional emissions, if included, shall not be aggregated (combined) with required scope 3 emissions (refer to **Revision B7**).

Some traditionally optional activities, including indirect use-phase emissions (category 11) and certain investments (category 15), can be significant by magnitude, and this revision recommends their inclusion, where relevant.

Proposed text revisions

> "Companies **should** include optional scope 3 emissions, where relevant."

For reference, proposed **Revision B10a**, which is also in Section 6.3, provides that: "Companies should not exclude any activity that would compromise the relevance of the reported inventory. See table 6.1 for a list of criteria for identifying relevant scope 3 activities."

Rationale for proposed text revisions

The eventual outcome, encapsulated in **Revision B10d**, effectively maintains the technical "optionality" of these emissions while reinforcing through "should" guidance that companies should make the choice to include them if they meet the established relevance criteria. This balances the push for greater completeness and decision-usefulness with the practical limitations faced by preparers.

This revision recommends companies to expand their reporting boundaries beyond the minimum requirements if additional activities meet the criteria for relevance (such as size, influence, or risk). This enhances the completeness and usefulness of the inventory and upholds the core principles of GHG accounting and reporting and promotes comprehensive action.

Clear guidance on including relevant emissions helps guide external stakeholders, such as auditors and investors, in interpreting the comprehensiveness of a company's inventory. The use of "should"

language in this revision maintains the ultimate discretion of the preparer while providing strong guidance on best practice.

TWG member vote

98% support (Source: ISB Meeting #13, slide 10)

Options considered by TWG

Options considered included providing strong guidance (using should language) rather than requiring it (using shall language), regarding the inclusion of relevant optional emissions. The discussion around optional activities generally revolved around making the Scope 3 Standard more or less prescriptive. Regarding maintaining optionality, the option to keep all current optional activities was considered problematic because significant emissions sources (like those in Category 11 and 15) could be legally excluded even if highly relevant. The option to make all current optional activities required (in the required scope 3 emissions boundary), subject only to the 5% magnitude threshold, while maximizing completeness, was criticized for overburdening boundary conformance and requiring inclusion of potentially complex, low-certainty data.

Pending items

- The Scope 3 TWG is currently (during Phase 2) reviewing each optional activity (on a category-specific basis) individually to determine if the activity should be required, kept optional, or potentially removed entirely from the Scope 3 Standard requires or optional emissions boundary.

3.15 Requirements and guidance for category 16 - 'Other value chain activities' (Revision B11)

Current approach

The Scope 3 Standard recommends ("should") that companies report:

- "Emissions from scope 3 activities not included in the list of scope 3 categories (e.g., transportation of attendees to conferences/events)… separately (e.g., in an "other" scope 3 category)"

Summary of proposed revisions

This proposed revision introduces a new scope 3 category for reporting value chain partner emissions from 'other value chain activities'. Refer to **Annex C** for detailed draft text.

Other value chain activities include activities that do not satisfy the required or optional boundaries of scope 1, scope 2, or any scope 3 category 1 through 15, such as facilitated activities. Proposed conditions were developed for identifying a facilitated activity: A facilitated activity includes any third-party activity, product, or emitting source that: (a) is enabled, initiated, or influenced by a reporting company's services, products, and/or infrastructure, (b) where the reporting company does not own the facilitated activity (or product) and (c) from which the reporting company generates transactionally recorded economic value.

In terms of identifying other value chain activities, several sub-categories have been developed (e.g., (16.1) insurance contracts, reinsurance contracts, and claims payments, (16.2) underwriting and issuance, and (16.3) other financial services and activities). Some sub-categories are still being considered by the Scope 3 TWG and may be added to category 16 before public consultation.

No calculation guidance was developed for any identified other value chain activities (including facilitated activities). For some facilitated activities, existing third-party industry-specific standards exists (e.g., PCAF Part B Facilitated Emissions for underwriting and issuance). While accounting for and reporting most facilitated activities is optional[7], companies **should** account for and report the emissions attributable to facilitated activities that are required by industry- or sector-specific standards, frameworks, and/or legislations.

Proposed text revisions

Other value chain activities (category 16) description:

"Description: This category includes emissions associated with other value chain activities, defined as value chain activities (including facilitated activities) that do not satisfy the required or optional boundaries of scope 1, scope 2, or any scope 3 category 1 through category 15 emissions, as defined by the GHG Protocol."

Definition of a facilitated activity:

[7] With an exception for (16.5) Distribution of fuel and/or energy, which includes the emissions of fuels/energy that are distributed in cases where the reporting company does not purchase or take ownership of the commodity itself.

> "A third-party activity, product, or emitting source that: (a) is enabled, initiated, or influenced by a reporting company's services, products, and/or infrastructure, (b) where the reporting company does not own or directly operate the facilitated activity at any point in its lifecycle and (c) from which the reporting company generates transactionally recorded economic value."
>
> "Accounting and reporting requirements: A company **may** account for and report emissions associated with other value chain activities classified within category 16.[8] Other value chain activities, if included, **shall** be reported using category 16…[9]
>
> Boundary guidance and calculation method: If reported, a company **should** include the life cycle emissions of a facilitated activity (including the associated scope 1, scope 2, and both upstream and downstream scope 3 emissions) (collectively, the "**facilitated emissions**").
>
> Disaggregation: If reported, a company **shall** disaggregate reported category 16 emissions by activity type.
>
> Calculation: The GHG Protocol is not providing calculation methods for quantifying other value chain activities. Many existing calculation methods already provided by GHG Protocol can be relied upon for quantifying some other value chain activities. A company **may** rely on third-party, industry- or sector-specific standards and guidance for quantifying emissions of other value chain activities.
>
> Reporting: If reported, companies **shall** disclose which third-party, industry- or sector-specific standard, framework, and/or legislation was used to methodologically quantify the emissions of other value chain activities, if any. Companies **may** report a fraction (%) of the life cycle emissions of other value chain activities in proportion to the reporting company's economic participation in the facilitated activity, including other proportionality rule(s) or adjustments, separately from the full life cycle emissions of other value chain activities, i.e., as a scope 3 emissions metric or indicator."

The list of other value chain activities and associated activity-specific accounting and reporting guidance is still being developed. Refer to **Annex C** for detailed draft text.

Rationale for proposed text revisions

This proposed revision addresses new accounting and reporting requirements for GHG emissions attributable to value chain activities which are not otherwise accounted for elsewhere in scope 3 categories 1 through 15. This includes facilitated activities that a reporting company facilitates but never owns. This set of proposed revisions focuses on structuring how these third-party activities are defined, identified, classified, disaggregated, and reported in a new scope 3 category 16, from the perspective of a reporting company. The intention of the revision is to enhance consistency, drive ambitious climate action, and improve transparency by addressing other value chain activities of a reporting company. In the case of facilitated activities, this is the perspective of the facilitator.

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[8] This excludes any facilitated activity explicitly classified in another scope 3 category.
[9] Refer to **Section B12** regarding Reference to industry-specific standards, frameworks, and/or legislation and **Section C11** regarding the Reference to industry-specific standards for insurance and underwriting.

The rationale for including facilitated activities within category 16 is to eliminate ambiguity for a reporting company as it concerns accounting for and reporting for the emissions attributable to a value chain partner's activity or activities, which said company does not traditionally buy, sell, nor own. This includes brokers, booking agents, two-sided marketplaces acting as agents, fourth party logistics providers, pipeline operators, oil and gas distributors, advertisers, insurers, underwriters and issuers (arrangers), and donors, to name a few. These types of businesses often earn fee-based or commission-based income by initiating or enabling the underlying activities of clients.

Services provided and sold by such facilitators (e.g., brokers, booking agents, e-commerce platforms), though often directly profitable and consequential to the facilitated activity, are not clearly defined or classified as value chain activities within the existing scope 3 categories. This results in a 'gray area' where the GHG emissions from several facilitated activities, or portions thereof, are not accounted for by companies that facilitate said activities. This may undermine the completeness and relevance of a reporting company's scope 3 inventory; these being two accounting and reporting principles "… intended to underpin and guide GHG accounting and reporting to ensure the reported inventory represents a faithful, true, and fair account of a company's GHG emissions" (Scope 3 Standard, p. 23). For example, a broker arranging the sale of a fossil fuel shipment, where the broker's fee is entirely predicated on the transaction, yet under the current standard no mechanism exists for that broker to account for those emissions (which they 'facilitate').

Reporting companies that facilitate the business activities of other entities can be considered a type of intermediary party between or of said other entities. The term "intermediary" to refer to a party, is sometimes used to refer to value chain partners (refer to p. 44 and 45 of the Scope 3 Standard). However, the term "intermediate" is also currently used to identify intermediate products. As such, this term is intentionally not used to define facilitated activities or (counter)parties that facilitate activities. Instead, the term 'facilitator' may be used, though this term is not codified in the proposed revisions.

By developing a new industry-agnostic, criteria-based definition for identifying facilitated activities and proposing a new category 16 to capture all other value chain activities, the GHG Protocol provides clear guidance where previously none existed. This clarity establishes a mechanism for future requirements to be developed. It also recommends that reporting companies account for the emissions linked to all real economic activity(ies) from which its business model generates transactionally recorded economic value. This could introduce more levers for climate action in sectors currently lacking GHG emissions accounting and reporting requirements or incentives for decarbonization.

Feasibility is explicitly addressed through the structure of category 16. All subcategories, apart from 16.5 Distribution of fuel and/or energy, within category 16 are optional (using "may" language). Addition subcategories may be required by industry- or sector-specific standards, frameworks, or legislation, voluntary or mandatory. The GHG Protocol is not prescribing calculation methods for any activities in category 16 (see **Revision B12** regarding reference to third-party industry-specific standards or guidance), which further reduces the burden of compliance. Category 16 therefore modernizes the scope 3 boundary without adding significant mandatory reporting obligations. Category 16 emissions, being optional, are intentionally disaggregated and reported separately from required scope 3 emissions (as per **Revision B7**). This disaggregation ensures that reporting category 16 emissions does *not* distort the year-over-year consistency of a company's required scope 3 inventories nor the prospective comparability of required scope 3 inventories across companies.

Ultimately, this revision seeks to modernize and optimize the scope 3 accounting boundary to addressing contemporary, boundary-vague business models. By naming and separately reporting emissions from other value chain activities not included elsewhere in a scope 3 inventory, the GHG Protocol makes space for these emissions to be reported, supporting scope 3 inventories that holistically reflect a company's total influence and impact across the value chain (specifically, by including optional scope 3 emissions); while simultaneously improving the consistency and prospective comparability of scope 3 inventories (specifically, by disaggregating required vs. optional scope 3 emissions, as per **Revision B7**). This aligns with external standards which already address some of the activities to be included in category 16, such as facilitated financial emissions for underwriters and issuers in PCAF Part B.

TWG member vote

100% support for providing requirements and guidance for other value chain activities (Source: Meeting 10 Presentation, slide 12). Importantly: There was not unanimous (100%) consensus regarding the category 16 requirements.

Options considered by TWG

Key options considered for the B11 revisions focused first on identification (B11a), weighing a criteria-based approach versus a case- or industry-specific method for identifying facilitated activities. The prevailing method developed by the TWG relies on three specific criteria for identification, all of which must be satisfied to identify an activity as being a facilitated activity, i.e., an activity facilitated by a reporting company.

This influenced classification (B11b), including options to specify a strict classification structure for identified facilitated activities and letting reporting companies use their own classification structure for disaggregating facilitated activities. Existing, third-party standards language that uses the term, "facilitated emissions", and associated disaggregation requirements was considered (see: PCAF Part B and Part C; refer to **Revision C3** herein).

For defining the minimum boundary and requirements (B11c), options ranged from making the inclusion of facilitated emissions entirely optional to requiring inclusion subject to the 5% magnitude threshold (refer to **Revision B1**) or various specialized thresholds (e.g., differentiating it based on income significance, e.g., if >20% of a reporting company's income is derived from said facilitated activity(ies), or case-specific requirements). Given the complexity and novelty of this new category 16 boundary and associated calculation methods, optionality was pursued.

Regarding the technical aspects of accounting, options for the calculation method (B11e) included whether facilitators should report all (100%) of the emissions associated with the facilitated activity, report only a fraction (%) (e.g., based on their income from the transaction), or permit optionality between the two.

For reporting and transparency (B11f), the options of integrating these new emissions into existing categories, reporting them entirely separately, or creating a new dedicated category 16.

Finally, the naming of category 16 was considered with options being to name the category "Facilitated activities" or "Other value chain activities". The latter was pursued given it allows for scope expansion

in future, if required, although most of the activities identified for inclusion in category 16 are facilitated activities.

Pending items

- Sub-categories for other value chain activities are still being considered and will be itemized in category 16.
- References to third-party industry-specific standards and guidance are still being considered.

3.16 Reference to industry-specific standards, frameworks, and/or legislation (Revision B12)

Current approach

(Scope 3 Standard, 1.8 GHG calculation tools and guidance, p. 8-9)

> "To help companies implement the Scope 3 Standard, the GHG Protocol website provides a variety of useful GHG calculation tools and guidance, including:
>
> - Guidance for Calculating Scope 3 Emissions, a companion document to the Scope 3 Standard that provides detailed guidance for calculating scope 3 emissions, including calculation methods, data sources, and examples of calculating scope 3 emissions
> - A list of available data sources for calculating scope 3 emissions, including over 80 emission factor databases covering a variety of sectors and geographic regions
> - Several cross-sector and sector-specific calculation tools, which provide step-by-step guidance, together with electronic worksheets to help companies calculate GHG emissions from specific sources or sectors
>
> All GHG calculation tools and guidance are available at www.ghgprotocol.org."

Summary of proposed revisions

This proposed revision is also listed in **Revision B11** alongside other proposed revisions concerning facilitated activities, however, it is isolated here because it may implications for other industry-specific standards and guidance which exists and which may be developed in the coming years.

Refer to **Revision C11** which proposes that the GHG Protocol make direct reference to industry-specific GHG emissions accounting and reporting standards using "should" or "may" language. Refer to **Revision C3** regarding both insurance and underwriting and issuance, which references accounting and reporting guidance developed by The Partnership for Carbon Accounting Financials (PCAF).

Proposed text revisions

> A company **should** account for and report emissions associated with other value chain activities required by a recognized industry- or sector-specific standard, voluntary or mandatory disclosure framework, and/or legislation (e.g., insurance-associated emissions)."[10]

Rationale for proposed text revisions

[10] Refer to **Section C11** regarding the Reference to industry-specific standards for insurance and underwriting.

The rationale for **Revision B12** is centered on enhancing completeness, relevance, and transparency, as well as aligning with existing third-party standards that have developed guidance for activities from the other value chain activities (including facilitated activities) currently proposed in category 16.

This reflects the TWG's recognition that, for most facilitated activities, there are not widely established or agreed-upon calculation methodologies currently in place for other value chain activities in category 16 (with some exceptions, e.g., underwriting/issuance and insurance-associated emissions). Category 16 therefore serves as a structural placeholder that identifies these emissions, which may or may not be relevant or material for companies and stakeholders, without mandating methods that do not yet exist. This structure allows industry-specific guidance to develop organically, including through third-party standard-setters (e.g., PCAF), sector-specific frameworks, or future GHG Protocol guidance, while establishing the accounting boundary within which such guidance should operate.

This approach leverages specialized, existing third-party standards (such as PCAF Part B for in/reinsurers and Part C for underwriters/issuers) that already specify calculation and reporting requirements for these facilitated activities. Referencing third-party standards and guidance ensures that companies operating in sectors with significant or relevant facilitated activities are recommended to utilize established methodologies to perform more complete and decision-useful accounting and reporting.

This approach promotes interoperability and alignment across industry-specific standards and guidance, without imposing a requirement on the part of reporting companies. A reporting company can rely fully on the *Scope 3 Standard* to prepare a standard-compliant GHG inventory, *without* using another third-party standard. At the same time, a reporting company can use specialized, third-party, industry-specific standards *while* conforming with the GHG Protocol's requirements, to enhance said company's accounting and reporting practices and results.

TWG member vote

100% support (Source: ISB Meeting #13, slide 32)

Options considered by TWG

The impetus for considering how the GHG Protocol should treat and reference third-party standards revolved around the GHG Protocol's lack of proprietary calculation methods for most if not all facilitated activities. Options considered ranged from broad encouragement of external standards without naming specific ones, to offering explicit endorsement by naming specific frameworks like PCAF. Recommending that companies should adhere to third-party standards or legislation requiring the inclusion of specific facilitated activities, favors explicit alignment. A significant point of concern was addressing version control. The Scope 3 TWG has not yet finalized consideration of whether or how new developments or updates to a third-party standard referenced by the GHG Protocol should be re-evaluated for conformance, or if a company could use any version of a referenced third-party standard without formal review.

Pending items

- The GHG Protocol is exploring developing a process by which third-party standards or guidance documents can be reviewed for conformance or non-conformance with the GHG Protocol, as

part of referencing third-party industry-specific standards and guidance. This has not been finalized and is subject to further consideration.

4 Classification and reporting requirements for investments (Series C Revisions)

Disclaimer: All revisions described in this chapter remain under development and are subject to change.

4.1 Introduction

Revisions C1, **C2**, **C3**, and **C4** concern the identification and classification of investments in category 15, including whether to itemize other financial services and activities in category 16 (proposed new category), to more prescriptively and consistently define category 15 as only including investments.

Revision C1: Applicability of category 15 to all companies and classification (non-revision). The applicability of category 15 (investments) for non-financial institutions is maintained but with editorial revisions to clarify that non-financial institutions (i.e., all companies) shall include investments, if any.

Revision C2: New list of investment types (financial instruments) included in category 15. Category 15 exclusively includes emission from investment, with an investment being "the purchase of a financial instrument (such as stocks, bonds, and bank products) or an asset with the purpose of producing income for the purchaser through profit or generating more business in the future." Some investments are excluded from category 15 and itemized in category 16.

A per **Revision C3/C4: Insurance and underwriting/issuance (C3)** and **other financial activities and services (C4) is included in Category 16.** All other investment types or financial services and activities, excluding investments itemized **Revision C2** (which includes managed investments), have been moved to category 16 (refer to **Revision B11**). Moving said investments and non-investments from category 15 to category 16 ensures that category 15 now exclusively includes investments made by a reporting company to finance activities in the real economy (commonly known as 'financed emissions').

Revisions C5, **C6**, **C7**, **C8**, and **C9** concern the required boundary (formerly minimum boundary) of investee emissions to be reported by a reporting company, permissible and justified exclusions, and the percentage (%) carrying value disclosure requirement.

As per **Revision C5: All investments (listed in category 15) are required**. Category 15, as proposed, explicitly requires the inclusion of all investments detailed in Table 5.9 (revised).

As per **Revision C6: The required (minimum) boundary for investments now shall include an investee's scope 1, scope 2, and scope 3 emissions**. The required (formerly minimum) boundary for an investor (reporting company) includes an investee's scope 1, scope 2, and scope 3 emissions. This revision moves beyond the current Scope 3 Standard which states in Chapter 5 that an investee's scope 3 emissions should be included, "where relevant", and aims to improve the consistency, completeness, and relevance of emissions reported by investors.

As per **Revision C7: The 5% exclusion threshold for total required scope 3 emissions applies to category 15**. The 5% exclusion threshold, which applies to all required scope 3 emissions (refer to **Revision B1**), therefore applies to Category 15. Applying the exclusion threshold uniformly to all required scope 3 emissions, including category 15, promotes consistency and ensures that reporting companies focus compliance efforts on the most significant emissions, by magnitude, across their entire scope 3 inventory.

As per **Revision C8: Category 15-specific justified exclusions clause (which applies to some investment types)**. A category 15-specific exclusion clause was added whereby a company may exclude some (not all financial instruments), subject to justification and disclosure. This clause is similar to the justified exclusion clause which exists (and remains) for the downstream emissions of sold intermediate products. This 15-specific exclusion mechanism acknowledges that it may be challenging to reasonably quantify some financial instruments.

As per **Revision C9: Percentage (%) carrying value of investments disclosure requirement**. Disclosure is required for the percentage of reported Category 15 investments relative to the company's total carrying value of all investments and other financial assets as reported on its balance sheet. This requirement ensures transparency regarding the scope of disclosed emissions.

Revisions C10, **C11**, **C12**, and **C13** concern equity proportionality, reference to third-party industry-specific standards or guidance, consolidation guidance, and time boundary guidance.

As per **Revision C10: Quantification method for equity investments now includes equity and debt in the denominator**. The calculation of equity proportionality in Category 15 is revised to include both equity and debt in the denominator. This aligns with PCAF guidance and ensures equity holders and debt holders share responsibility for the investee's emissions in an equal-weighted manner, resulting in a more comparable measure of emissions between equity and debt investments.

As per **Revision C11: Reference to third-party, industry-specific accounting and reporting standards**. The process supports establishing a direct reference to third-party industry-specific GHG emissions accounting and reporting standards. While companies may rely on these standards (such as PCAF for facilitated or insurance-associated emissions), they shall satisfy all specific GHG Protocol requirements for compliance with category 15.

As per **Revision C12: Consolidation guidance (editorialized)**. Revisions were made concerning organizational boundaries. This revision aligns the Scope 3 guidance with anticipated updates to the Corporate Standard TWG regarding consolidation approaches, particularly addressing the removal of the equity share consolidation approach, which harmonizes with PCAF requirements (see Section 4.1 of Corporate Standard Revisions: Summary of Phase 1 Provisional Outcomes).

As per **Revision C13: Time boundary guidance (editorialized)**. Supplementary guidance regarding time boundary requirements was added. This revision recommends consistency in reporting while acknowledging that an investor may report using investees' data based on different fiscal years, provided that the investor does so consistently and discloses the methodology.

As stated previously, all revisions described in this chapter remain under development and are subject to review and approval by the Independent Standards Board.

4.2 Applicability of category 15 to all companies and classification (Revision C1)

Current approach

(Scope 3 Standard, Chapter 5, section 5.5, Descriptions of scope 3 categories, p. 51)

> "This category is applicable to investors (i.e., companies that make an investment with the objective of making a profit) and companies that provide financial services. Investments are categorized as a downstream scope 3 category because the provision of capital or financing is a service provided by the reporting company.
>
> Category 15 is designed primarily for private financial institutions (e.g., commercial banks), but is also relevant to public financial institutions (e.g., multilateral development banks, export credit agencies, etc.) and other entities with investments not included in scope 1 and scope 2."

Summary of proposed revisions

This proposed editorial revision clarifies that category 15 activities (i.e., investments) applies to all companies. In addition, category 15 applies to investment managers. Investment managers (with discretionary control) shall account for and report investments. This excludes investment advisors, the emissions of which are included in category 16 (**Revision B11**). Refer to **Revision C2** for proposed definitions of **key glossary terms** and **additional glossary terms**, as well as **Table 5.9** (revised).

Proposed text revisions

- **Applicability**:
  - "This category applies to all companies in all sectors that has investments (across all sectors).
  - Investment managers (third-party managers) that hold and manage investments on behalf of a client using said client's capital and that have the authority to make investment decisions and execute trades or investments on behalf of said client without prior approval (commonly referred to as discretionary control) **shall** account for said investments in category 15."

  Classification: Investments made by a reporting company using the reporting company's capital (investments) and investments managed by a reporting company on behalf of a client(s) using the client's capital (managed investments) **shall** be disaggregated. A company may have both (i) investments (made using the reporting company's capital) and (ii) managed investments and, if so, **shall** disaggregate them. In addition, a company **shall** disaggregate emissions of investments and/or managed investments either (a) by investment or asset type using the investment type classification of the category 15 table series [**Annex B**] or (b) another system of disaggregation subject to disclosure and justification.[11]

[11] The equity sub-total may include category 15 emissions associated with subsidiaries, associate companies, joint ventures, and minority interest, including listed vs. unlisted equity, all of which may be further disaggregated at a reporting company's discretion and/or in-line with third-party industry standards or guidance. The debt sub-total may include business loans, mortgages, corporate bonds, cash deposits, etc., all of which may be further disaggregated at a reporting company's discretion and/or in-line with third-party industry standards or guidance.

Managed investments: "Managed investments are those held and managed by a manager (reporting company) on behalf of clients using clients' capital, the total market value of which is commonly referred to as assets under management (AUM). A third-party manager (as defined herein) or investor has discretionary management control over investments. A third-party advisor (as defined herein) has non-discretionary advisory control (see category 16 for guidance on third-party advisors). Third-party managers include managers of mutual funds, private equity funds, hedge funds, venture funds, active equity managers, direct lending funds, fixed income funds, pension funds, endowment funds, exchange-traded fund (ETF) managers, limited partnerships (managed by a general partner), and other, similar funds. A manager (as the reporting company) shall account for and report managed investments in accordance with requirements detailed herein. A third-party manager (e.g., a general partner) that owns a fraction of the managed investments (e.g., a general partner using some of its own capital and not its clients' capital), shall differentiate and disaggregate (i) investments (made using the manager's own capital) and (ii) managed investments (made using its clients' capital)."

Rationale for proposed text revisions

The editorial revision is proposed to clarify that any and all companies (including financial institutions and non-financial institutions) shall account for category 15 emissions. This supports the removal of ambiguity and the need to provide a complex differentiation between applicability for financial institutions and non-financial institutions, making it easier to write and interpret the Standard.

Many companies that are not financial institutions (e.g., many conglomerates) may and often do have investments (including joint ventures, minority control equity stakes, and debt investments in counterparties), the emissions of which may be significant (by magnitude). As such, this revision clarifies that any and all companies with significant category 15 emissions shall account for and report said activities.

For non-financial institutions and/or many small- to medium-sized enterprises (SMEs) that genuinely have no investments, reporting requirements can be easily met by marking the category as Non-Applicable (N/A) as per **Revision B6**. This revision enhances consistency and improves accounting integrity by ensuring all relevant financed emissions are included, thereby closing potential loopholes for excluding significant emissions. This is expected to support improved comparability and consistency between reporting entities.

TWG member vote

98% support (Source: Post Full Group Meeting Survey)

Options considered by TWG

The option to only require the disclosure of investments by financial institutions and not requiring disclosure from non-financial institutions (i.e., any company that is not a financial institution) was considered. The option to provide separate accounting and reporting guidance for financial institutions versus non-financial institutions was considered. This was also considered in the context of existing, widely used industry-specific guidance for financial institutions developed by PCAF.

Pending items – N/A

4.3 Investment types (financial instruments) included in category 15 (Revision C2)

Current approach

(Scope 3 Standard, Chapter 5, section 5.5, Descriptions of scope 3 categories, p. 51)

> "For purposes of GHG accounting, this standard divides financial investments into four types:
>
> - Equity investments
> - Debt investments
> - Project finance
> - Managed investments and client services…"

Investments in equity, debt (with known use of proceeds), and project finance are required (minimum boundary), are itemized in Table 5.9 (Scope 3 Standard, p. 52). Debt (with unknown use of proceeds) and other financial services and activities, including managed investments and client services (e.g., underwriting and issuance and advisory services) and other investments and financial services (e.g., retirement accounts, insurance contracts, and credit default swaps), are itemized in Table 5.10 (Scope 3 Standard, p. 54).

Summary of proposed revisions

This proposed revision intentionally excludes financial services and activities that do not reflect investments made by a reporting company. It also excludes some investments that don't finance emissions from activities in the real economy (e.g., credit default swaps, which transfer risk but don't directly finance productive activity, derivatives, which enable risk management, price discovery, and/or liquidity, which do not fund activities in the real economy directly, or insurers, which enable risk-taking and business activities to be performed by insured parties but that do not directly fund said activities). The new list of category 15 investments is as follows (refer to **Annex B** herein for full revised text):

Sub-category	Investment type
15.1	Equity (with financial control over investee)
15.2	Equity (without financial control over investee but with significant influence)
15.3	Equity (without financial control over investee and without significant influence)
15.4	Corporate debt (with unknown use of proceeds)
15.5	Corporate debt (with known use of proceeds)
15.6	Project finance (with known use of proceeds)
15.7	Retail debt (loans made to individual or household investees)
15.8	Other debt (government, sovereign, municipal, supranational, or quasi-sovereign)
15.9	Mutual fund and ETF shares
15.10	Asset-backed securities
15.11	Other investments (not included in category 16)

Note that sub-category, (15.11) Other investments, is designed for new or unclassified investment types (e.g., new instruments) that are not covered in the above sub-categories. For the avoidance of doubt, any investments that satisfy other category 15 and/or category 16 sub-categories shall be classified using said sub-categories.

New **Key glossary terms** and **Additional glossary terms** are also proposed.

Refer to **Revision C3** for the classification of emissions from insurance and underwriting and issuance in category 16 and **Revision C4** for all financial activities, services, and investments which have been classified as category 16 (including derivatives, cash and cash equivalents, short positions, etc.).

Proposed text revisions

Section 5.5 introducing category 15 (in chapter 5, p. 51), as proposed, now reads:

> Introduction: "This category includes emissions associated with a reporting company's investments (including managed investments, if any), commonly known as financed emissions."
>
> Investments: "An investment is the purchase of (a financial commitment to) a financial instrument, asset, or financing arrangement that grants the investor and holder (as the reporting company) ownership in, a claim on, or exposure to an underlying investee, asset, or project, regardless of the degree of control or influence held over the investee with the purpose of producing income, capital appreciation, of fulfilling a financing objective.[12]
>
> Investments include subsidiaries, associate companies, joint venture interest, limited partner interest, equity securities (including listed and unlisted equity), debt securities (with known and unknown use of proceeds), loans issued to counterparties, project financing, mutual fund shares, exchange-traded fund (ETF) shares, asset-backed securities, and other investment types that finance emissions (that are not included in category 16).

Key glossary terms:

> Investment. An investment is the purchase of (or financial commitment to) a financial instrument, asset, or financing arrangement that grants the investor or holder (the reporting company) ownership in, a claim on, or exposure to an underlying investee, asset, or project, regardless of the degree of control or influence held over the investee, with the purpose of generating income, capital appreciation, or fulfilling a financing objective. An investment may be passive and may include debt, equity, and/or partnership interest (or the equivalent)..
>
> Financial instrument. A financial instrument is an instrument that has monetary value or records a monetary transaction or any contract that imposes on one party a financial liability and represents to the other a financial asset or equity instrument, including listed equity, unlisted equity, common stock, preferred stock, debt with known use of proceeds, debt with unknown use of proceeds, securitized debt instruments, and convertible notes, business loans, mortgages, letters of credit, corporate bonds, government bonds, municipal bonds, and sovereign notes and/or bills.[13]
>
> Asset. An asset is something of value owned by an individual or organization. An asset can be physical property like a building or intangible property such as a patent.[14]

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[12] The terms "investee" and "asset" may be used interchangeably throughout this document.
[13] Source: https://www.law.cornell.edu/wex/financial_instrument
[14] Source: https://www.law.cornell.edu/wex/asset

Additional glossary terms:

Asset: An asset is something of value owned by an individual or organization. An asset can be physical property like a building or intangible property such as a patent.[15]

Balance sheet: A balance sheet is a financial statement that reports a company's assets, liabilities, and shareholders' equity. The balance sheet value refers to the sum of total equity and liabilities, which is equal to the company's total assets" (Source: PCAF Financed Emissions). As it concerns the requirement to disclose the percentage (%) carrying value of asset reported in Category 15, some asset types are excluded from category 15 (e.g., derivatives and short positions) and these assets shall be excluded from the total balance sheet value used to calculate the percentage (%) of carrying value for disclosure.

Corporate bonds: Listed equity and corporate bonds: "This asset class includes all on-balance sheet listed corporate bonds and all on-balance sheet listed equity that are traded on a market and are for general corporate purposes, i.e., unknown use of proceeds as defined by the GHG Protocol." (Source: PCAF Financed Emissions)

Corporate debt: Money that is owed by companies rather than by governments or individual people. (Source: PCAF Financed Emissions)

Debt: A contractual obligation under which a borrower (investee) owes a determinable sum of money to a lender (investor), creating the lender's enforceable right to repayment of principal (and usually interest) at agreed terms.

Equity investments (revised from existing definition): "A share of equity interest in an entity. The most common form is common stock. Equity entitles the holder to a pro rata ownership in the company" (Scope 3 Standard, section 5.5). "There are various types of equity, but equity typically refers to shareholder equity, which represents the amount of money that would be returned to a company's shareholders if all company assets were liquidated and all company debt were paid off." (Source: PCAF Financed Emissions)

Enterprise Value including Cash (abbreviated: EVIC): "The sum of the market capitalization of ordinary shares at fiscal year end, the market capitalization of preferred shares at fiscal year-end, and the book values of total debt and minorities' interests. No deductions of cash or cash equivalents are made to avoid the possibility of negative enterprise values." (Source: PCAF Financed Emissions)

Financed emissions: The portion of emissions resulting from (attributed to) the activities of an investee or counterparty that are financed by an investor (reporting company) through loans and investments made by said investor to or in the investee or counterparty.

Financial institution (abbreviated: FI): "A company engaged in the business of dealing with financial and monetary transactions such as deposits, loans, investments, and currency exchange… including commercial banks, investment banks, development banks, asset

[15] Source: https://www.law.cornell.edu/wex/asset

owners/managers (mutual funds, pension funds, close-end funds, investment trusts), and insurance companies." (Source: PCAF Financed Emissions)

Financial instrument: A financial instrument is an instrument that has monetary value or records a monetary transaction or any contract that imposes on one party a financial liability and represents to the other a financial asset or equity instrument, including listed equity, unlisted equity, common stock, preferred stock, debt with known use of proceeds, debt with unknown use of proceeds, securitized debt instruments, and convertible notes, business loans, mortgages, letters of credit, corporate bonds, government bonds, municipal bonds, and sovereign notes and/or bills.[16]

Investee: "Investee company or investee project: A company or project in which an investor makes a direct investment." (Source: PCAF Financed Emissions)

Investment: An investment is the purchase of (or financial commitment to) a financial instrument, asset, or financing arrangement that grants the investor or holder (the reporting company) ownership in, a claim on, or exposure to an underlying investee, asset, or project, regardless of the degree of control or influence held over the investee, with the purpose of generating income, capital appreciation, or fulfilling a financing objective. An investment may be passive and may include debt, equity, and/or partnership interest (or the equivalent).

Line of credit (LOC): "The maximum credit allowed a buyer or borrower… also: an agreement providing credit up to a certain amount" (E.g., 'Home equity line of credit (HELOC)' defined in PCAF Part B.) (Source: PCAF Financed Emissions)

Listed equity: "Listed equity and corporate bonds: This asset class includes all on-balance sheet listed corporate bonds and all on-balance sheet listed equity that are traded on a market and are for general corporate purposes, i.e., unknown use of proceeds as defined by the GHG Protocol." (Source: PCAF Financed Emissions)

Mortgage: "This asset class includes on-balance sheet loans for specific consumer purposes—namely the purchase and refinance of residential property, including individual homes and multi-family housing with a small number of units. This definition implies that the property is used only for residential purposes and not for commercial activities." (May include 'Home equity loan (HEL)', i.e., a "second mortgage"). (Source: PCAF Financed Emissions)

Motor vehicle loan: "This asset class refers to loans and lines of credit to businesses and consumers for specific (corporate or consumer) purposes—namely the finance of one or several motor vehicles." (Source: PCAF Financed Emissions)

Non-financial institution (non-FI): An organization that is not a financial institution (as defined).

Sovereign debt: "This asset class includes sovereign bonds and sovereign loans of all maturities issued in domestic or foreign currencies. Both sovereign loans and bonds lead to the transfer of funds to the country, which in turn creates a debt obligation to be repaid by the borrowing country." (Source: PCAF Financed Emissions)

[16] Source: https://www.law.cornell.edu/wex/financial_instrument

Third-party manager: A company (manager) with the authority to make investment decisions and execute trades or invests on behalf of a client without prior approval.

Third-party advisor: A company (advisor) that provides recommendations, but the client must approve all investment decisions before any investment or trade execution is made.

Unlisted equity: "All on-balance sheet equity investments to businesses, nonprofits, and any other structure of organization that are not traded on a market and are for general corporate purposes, i.e., with unknown use of proceeds as defined by the GHG Protocol. Unlisted equity is also referred to as equity investments in private companies (i.e., the financial institution obtains shares of the company)." (Source: PCAF Financed Emissions)

Rationale for proposed text revisions

Confining category 15 to investments proper (i.e., financed emissions) exclusively, and moving associated services (like insurance and underwriting) to category 16 is centered on improving clarity, consistency, interpretability, and alignment with emerging frameworks. It supports unambiguous standards requirements and guidance language, including requiring the inclusion of category 15 emissions by all companies. Additional glossary terms, many of which draw from definitions from IFRS S2 (disclosure framework) and PCAF (standards and guidance), supports both harmonization therewith and the autonomous readability and interpretability of requirements in the Scope 3 Standard (revised).

Removing insurance, underwriting/issuance, and other financial services and activities from category 15 (and into category 16) both improves the consistency of category 15 activities reported by companies and better harmonizes with existing disclosure frameworks and industry-specific standards. Note that justified exclusions are permitted for some (not all) financial instruments (as per **Revision C8**). For example, this should align closely with the reporting requirement established by IFRS S2, which requires the inclusion of emissions from category 15 investments based on materiality. Note the [pending consideration of undrawn loan commitments (in Pending items below).

In addition, excluding all other investment-related activities or services also makes requiring all category 15 emissions (apart from emissions of some activities which do permit justified exclusions) manageable for non-financial institutions to conform. This ensures category 15 strictly reflects investments (or 'financed emissions'), which reflects the direct provision of capital by an investor (a reporting company) to fund business activities of an investee in the real economy.

The enumerated investment types in the revised category 15 table are illustrative and intended to provide operational clarity for reporting companies, particularly non-financial institutions with limited familiarity with financial instruments. The list is not intended to be exhaustive; the overarching definition of category 15 governs inclusion. Companies should apply the category 15 definition to determine whether a financial instrument is an investment, using the listed types as interpretive guidance rather than as an exclusive boundary.

TWG member vote

96% support (Source: Post Full Group Meeting Survey)

Options considered by TWG

The TWG considered the identification, naming, listing, and the required or optional inclusion of every financial instrument (investment) itemized in Table 5.9 of the Scope 3 Standard, in the revised **Table 5.9** (previously in this revision), as well as other financial services and activities itemized in Table 5.10 of the Scope 3 Standard (including insurance, reinsurance, claims payments, and underwriting and issuance, the latter being referred to PCAF Part B as 'financed emissions'), and all financial instruments, services, and/or activities classified in category 16 were considered.

Arguments raised against separating these activities or supporting their required inclusion (often reflecting concern over making them optional in the new Category 16) highlight their potential materiality and companies' influence over mitigation. Using the term, 'financed emissions' (instead of investments) was also considered. However, the term "financed emissions" is perceived as more tailored to financial institutions; and applying it to the Scope 3 Standard risks sending mixed messages to non-financial institutions regarding the applicability of category 15 to their own strategic investments. Adding a comprehensive list of financial instruments (including retail debt, sovereign debt, mutual fund and ETF shares, and asset-backed securities), including other financial activities and services, all in category 15, was considered (refer to Revision C3 and Revision C4 for the rationale itemizing all other financial activities and services in category 16).

Pending items

- Whether to include commodities that are purchased by a reporting company, but that are not consumed by said reporting company[17], in category 15 or category 16, is still being considered by the Scope 3 TWG.
- Whether to include undrawn commitments in category 15 or category 16 is still being considered by the Scope 3 TWG.
- The treatment of undrawn loan commitments — which IFRS S2 identifies as an asset class for financed emissions disclosure — remains a pending item. The current proposed classification in category 16 reflects that undrawn commitments do not represent capital deployed in the real economy at the time of reporting; however, the Secretariat is actively reviewing alignment with IFRS S2's requirements on this point.

[17] Commodities that are neither used nor consumed by a reporting company (e.g., to perform its business activities, including manufacturing a reporting company's sold product(s)).

4.4 Moving insurance-associated activities and underwriting and issuance to category 16 (Revision C3)

Current approach

(Scope 3 Standard, Chapter 5, Table 5.10, Accounting for emissions from investments (optional), p. 54)

Financial investment/service: "Other investments or financial services"

Description: "Other investments, financial contracts, or financial services not included above (e.g., pension funds, retirement accounts, securitized products, **insurance contracts, credit guarantees, financial guarantees, export credit insurance,** [emphasis added] credit default swaps, etc.)"

GHG accounting approach (Optional): "Companies may account for emissions from other investments in scope 3, category 15 (Investments)"

Financial investment/service: "Managed investments and client services"

Description: "Investments managed by the reporting company on behalf of clients (using clients' capital) or services provided by the reporting company to clients, including:

- Investment and asset management (equity or fixed income funds managed on behalf of clients, using clients' capital)
- **Corporate underwriting and issuance for clients seeking equity or debt capital** [emphasis added]
- Financial advisory services for clients seeking assistance with mergers and acquisitions or requesting other advisory services"

GHG accounting approach (Optional): "Companies may account for emissions from managed investments and client services in scope 3, category 15 (Investments)"

Summary of proposed revisions

Insurance-associated activities and underwriting and issuance, both formerly in Table 5.10, have been re-classified as facilitated activities in category 16, as sub-categories: (16.1) Insurance contracts, reinsurance contracts, and claims payments and (16.2) Underwriting and issuance. Both (16.1) and (16.2) are optional (not required).

In the case of (16.1.1) insurance-associated emissions and (16.2) emissions from underwriting and issuance, widely used industry-specific accounting standards and guidance was published by PCAF, specifically: Part C Insurance-associated Emissions and Part B Facilitated Emissions. Both are referenced in the proposed new category 16. The GHG Protocol has not and does not expect to develop quantification guidance for (16.1.1) insurance-associated emissions nor (16.2) underwriting and issuance, as per **Revision B11** and **Revision B12**.

Regarding (16.1.2) claims payment-related emissions: this refers to the emissions attributable to tangible property (including goods, services, and capital equipment) and/or intangible property or activities, which is purchased by an insured party using claims payments made by insurers to indemnify

said insured party. It would be reported by the insurer making the claims payment. The GHG Protocol has not and does not expect to develop quantification guidance for claims payment-related emissions. Companies may rely on category 1 and category 2 quantification guidance for purchased products (goods and services) and capital goods.

Regarding (16.2) underwriting and issuance, this refers to the emissions associated with investments arranged by a reporting company (as the arranger). This proposed revision refers to PCAF Part B for quantification guidance. For clarity, underwriting does not include investing, that latter being the act of committing or deploying capital or assets with the expectation of earning a return (refer to **Revision C2** and definitions for "investment" and "financial instrument"). A party engaged in underwriting is not considered an investor unless and until it undertakes an investment activity separate from the underwriting process.[18]

Note that the finance industry commonly refers to emissions associated with underwriting and issuance activities as 'facilitated emissions' (though this may not conform with the proposed definition of "facilitated activities" as proposed herein; refer to **Revision B11**. Note that the term facilitated emissions, as used herein, broadens this term to encompass any and all facilitated activities, across any industry (not simply the finance industry).

Proposed text revisions

Refer to **Revision B11** and **Annex C** for the full draft of category 16, including guidance on (16.1) Insurance, reinsurance, and claims payments and (16.2) Underwriting and Issuance (Arrangers).

Rationale for proposed text revisions

The rationale for moving insurance and underwriting/issuance to a separate category (Category 16, tentatively referred to as 'Facilitated Emissions') centers on classification consistency, harmonization, and practical application, particularly for non-insurers. In addition, activities like underwriting and insurance (by an arranger or insurer) do not meet the definition of investment; these activities are more appropriately identified using the proposed working definition of a "facilitated activity" (see **Revision B11**). Emissions associated with underwriting and insurance do not reflect owned emissions on the part of underwriters or insurers, despite underwriters and insurers generating profit from these activities.

The classification of insurance-associated activities as optional (may) in category 16 also reflects the current absence of a universal mandatory requirement in the landscape of disclosure frameworks, as well as the significant diversity in insurance business models across jurisdictions. The question of whether insurance-associated emissions should be required for certain company types (e.g., large commercial insurers with significant fossil fuel exposure) is a pending item. The proposed classification (in category 16) preserves the option for companies to report while not creating a blanket requirement where feasibility and comparability cannot yet be guaranteed.

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[18] For more, see: **SEC Regulation M, Rule 100(b)** (defining underwriter as a person who purchases securities from an issuer with a view to distribution, but not necessarily an investor); **Black's Law Dictionary (11th ed.)** (defining underwriting as the process of insuring or guaranteeing against risk, particularly in securities offerings, insurance, and loans); **Bank for International Settlements, Basel Glossary** (underwriting is the process of assessing and pricing risk, not the act of committing capital as an investor).

Using category 15 and category 16 to distinguish investments from investment-related activities harmonizes with PCAF standard's structure, which segregates guidance into Parts A (Financed), B (Facilitated), and C (Insurance-related). It distinguishes between activities where the company has a direct ownership/claim (category 15) versus those where the company enables or mediates the activity (category 16). Placing insurance-related activities in their own section acknowledges that these emissions figures are not, and are not intended to be, directly comparable with financed (category 15) emissions. Classifying underwriting and insurance as optional emissions within category 16 provides for the simpler application of the 5% exclusion threshold (refer to **Revision B1**) across all scope 3 categories (i.e., total required scope 3 emissions). Refer to **Revision C4** regarding easing the need for complicated guidance and complex exclusions rules guidance.

TWG member vote

87% support (Source: Post Full Group Meeting Survey)

Options considered by TWG

The required inclusion of insurance and underwriting and issuance, including exclusively for insurers and underwriters, was considered. The required use of PCAF Part B and Part C standards and guidance was considered. Direct reference to PCAF standards and guidance, including for financed emissions (Part A), underwriting and issuance (i.e., PCAF Part B Facilitated Emissions), and insurance-associated emissions (Part C) was considered by the TWG; including the fact that Part B and Part C reflect the only industry-specific, widely used GHG emissions accounting and quantification requirements for underwriting and insurance-associated activities.[19] Reference to industry-specific standards and guidance was also considered in **Revision B12**.

Pending items

- The optional inclusion of insurance-associated emissions by insurers (which is currently recommended and optional) is still being considered.
- The optional inclusion of emissions associated with underwriting and issuance by underwriters (which is currently recommended and optional) is still being considered.

[19] Several target setting and disclosure frameworks exist (including IFRS S2, GFANZ Insurance Alliance (NZIA) Target Setting Protocol v2.0, and SBTi Financial Institutions Framework), not accounting and quantification methodologies.

4.5 Moving other financial activities and services to category 16 (Revision C4)

Current approach

(Scope 3 Standard, Chapter 5, Table 5.10, Accounting for emissions from investments (optional), p. 54)

> Financial investment/service: "Other investments or financial services"
>
> Description: "Other investments, financial contracts, or financial services not included above (e.g., pension funds, retirement accounts, securitized products, insurance contracts, credit guarantees, financial guarantees, export credit insurance, credit default swaps, etc.)"
>
> GHG accounting approach (Optional): "Companies may account for emissions from other investments in scope 3, category 15 (Investments)

Summary of proposed revisions

All financial services and activities formerly listed in Table 5.10 (p. 54) (excluding managed investments as per **Revision C1**) have been classified in category 16 and remain optional (refer to **Revision B11**).

Proposed text revisions

Refer to **Revision B11** and **Annex C** for the full draft of category 16.

Investment types not included in category 15:

- "Category 15 does not include all financial instruments and activities. Refer to 5.10 (in Table 15.10) for secondary securities not included in category 15.
- Companies **may** account for and report all other financial instruments, insurance contracts, and/or financial services, that are not specified in any Table in the 15 tables series [**Annex B**] and that do not reflect 15.11 Other investments) using category 16.
- Some financial activities are intentionally not included in category 15 because they are not a company's investments (e.g., (16.1.1) insurance-associated emissions or (16.2) underwriting).
- Some assets on a company's balance sheet are not traditionally considered investments (e.g., cash and cash equivalents which are maintained to provide liquidity and not return). Financial activities and services and/or asset types not specified in the category 15 table series [**Annex B**] are included in category 16 (including underwriting, advisory services, insurance contracts, derivatives, cash deposits, and cash equivalents).
- A short position held by a short seller does not constitute equity or an ownership interest; companies that hold short position (e.g., traders) may account for emissions associated with the underlying asset in Category 16."

Rationale for proposed text revisions

The rationale for moving these diverse activities to category 16 is primarily rooted in improving the classification integrity and practical usability of the GHG Protocol Scope 3 Standard, particularly for non-financial institutions.

Many of the financial activities and instruments reclassified under category 16 — including derivatives, short positions, and cash deposits — do not directly finance business activities in the real economy. A short position, for instance, does not represent an ownership interest or capital provision to an investee; it represents a bet on the decline of an asset's value. A cash deposit represents liquidity management, not investment. Including these in category 15 alongside equity and debt investments would undermine the conceptual integrity and comparability of category 15, which is predicated on the reporting company providing capital that funds real-world economic activity. This distinction is aligned with the PCAF standard's structure, which similarly distinguishes financed (Part A), facilitated (Part B), and insurance-associated (Part C) emissions.

Separating financed emissions (category 15) from all other financial activities and services, investments that do not directly finance business activities in the real economy (e.g., derivatives and short positions), and/or balance sheet items that aren't traditionally considered investments (e.g., cash and cash equivalents) (category 16): improves the consistency and potential comparability of category 15 emissions between companies. Many of these activities (including advised investments, compensation payments, cash deposits, and derivatives) facilitate emissions; they do not directly finance emissions.

Moving complex financial activities (like underwriting and insurance contracts) category 16 (and leaving these emissions optional) eases the adoption and use of category 15 for non-financial institutions and small- and medium-sized enterprises. Using category 16 for said activities makes for simpler application of the 5% exclusion threshold for total required scope 3 emissions (**Revision B1** and **C5**).

Finally, the GHG Protocol does not have calculation guidance for most other financial activities and services, nor are there widely established or agreed-upon calculation methodologies currently in place in the wider market of users. Moving these other financial activities and services into category 16 naturally separates these emissions from required category 15 activities, the latter being widely adopted and featuring extensive quantification guidance.

TWG member vote

95% support (Source: Post Full Group Meeting Survey)

Options considered by TWG

All financial instruments were considered separately for inclusion in category 15. The arguments against making certain activities within Category 16 optional often revolve around materiality, influence, and the avoidance of reporting loopholes. Some financial instruments, like cash deposits and cash equivalents, are a financial choice that influences real-economy emissions; some members recommended including them and treating them similarly to other investments. Itemizing other financial activities and services in category 16 and maintaining optionality could result in significant emissions (e.g., associated with loans made by banks using cash deposits or cash equivalents), particularly for large-cap, cash-rich companies, being excluded from disclosure. Similarly, activities such as compensation payments (e.g., to pension funds) involve a degree of employer influence, which some members felt justified required accounting, similar to other employee activities like commuting. Several potential calculation methods were considered for cash deposits and donations.

Pending items

- The itemized list of other financial services and activities to be included in the new category 16 will be released next year for public consultation (refer to **Revision B11**)
- Final consideration of the optionality of compensation payments which are not invested but are used to pay for goods and services (e.g., health insurance premiums or dental/vision insurance, housing allowances, etc.). This is not considered an investment, nor other financial activity, and as such, these types of non-invested compensation payments would be included within a company's scope 3 category 1. Whether such emissions shall, should, or may be included in scope 3 category 1 is pending review by the Scope 3 TWG.

4.6 All investments listed in category 15 are required (Revision C5)

Current approach

(Scope 3 Standard, Chapter 5, Section 5.4, Overview of scope 3 activities, p. 31-37, and Section 5.5, Descriptions of scope 3 activities, p. 51-54)

Currently, the minimum boundary for category 15 emissions includes the scope 1 and scope 2 emissions of required investments (Table 5.9).

> "Table 5.9 and table 5.10 provide GHG accounting guidance for each type of financial investment. Table 5.9 provides the types of investments included in the minimum boundary of this category. Table 5.10 identifies types of investments that companies may optionally report, in addition to those provided in table 5.9" (p. 51).

All investments detailed in Table 5.10 are optional. Further, the Scope 3 Standard states that:

> "Companies may exclude scope 3 activities included in the minimum boundary of each category, provided that any exclusion is disclosed and justified" (p. 31).

This applies to all category 15 activities, required (Table 5.9) and optional (Table 5.10).

Summary of proposed revisions

This proposed revision requires the inclusion of all investments detailed in Table 5.9 in the Scope 3 Standard. Refer to **Revision C6** regarding the required emissions boundary for said investments. The 5% exclusion threshold (refer to **Revision B1**) applies to all investments in category 15. Note that a new category 15-specific exclusion clause (refer to **Revision C7**) permits a company to exclude some (not all) financial instruments, subject to justification and disclosure.

Proposed text revisions

All investments detailed in category 15 are now required. This includes debt without known use of proceeds, which was previously listed as optional in Table 5.10 of the Scope 3 Standard. Note that both **Revision C7** and **Revision C8** provide provisions for justifying exclusions. Narrowly defining category 15 as only including investments (see **Revision C2**) made by a reporting company to finance activities in the real economy (commonly known as financed emissions) made this single, all-encompassing inclusion requirement possible. Refer to **Revision C1** and **Revision C2** for more, as well the summary of proposed revisions above for more details. Insurance, underwriting, and other financial activities and services (all moved to category 16) remain optional.

Rationale for proposed text revisions

The requirement that all investments must be accounted for in category 15 is primarily based on achieving greater consistency, completeness, and clarity across corporate GHG inventories. Most investments (e.g., equity, debt, and project finance) have established quantification guidance, which has been widely adopted by existing users. Most financial activities and services (e.g., underwriting, insurance, derivatives, retirement accounts, etc.) currently lack quantification guidance from the GHG Protocol. As such, itemizing financed emissions in category 15 and other financial activities and services

in category 16 makes it possible and prudent to require the former and leave the latter investments and/or activities and services optional. Requiring the inclusion of category 15 by all companies supports the core principles of relevance, completeness, consistency, and transparency.

TWG member vote

82% support (Source: Post Full Group Meeting Survey)

Options considered by TWG

Reasons cited for opposing the required inclusion of all investments typically relate to feasibility and complexity, especially for reporting entities less accustomed to financial emissions accounting.

The option to require the inclusion of activities such as insurance contracts, claims payments, or underwriting was considered, as these may represent a significant fraction of the potentially influenceable emissions of an insurer or underwriter. Requiring insurance-related emissions disclosure acknowledges that providing insurance implies the insurer is a proponent of the longevity/survival of the business (insured party). This significant influence should necessitate required reporting. Making these activities optional in category 16 risks the non-disclosure of potentially significant or material emissions by such organizations. Providing insurance makes an insurer a "proponent of the longevity/survival of the business" (the insured party). This significant influence over high-emitting projects could be relevant for stakeholders to ensure accountability.

Some financial holdings like cash deposits and cash equivalents (C&CE), which are proposed in category 16, in which they are optional, despite being held for liquidity (and not investment), may represent a significant financial choice on the part of a reporting company. Requiring their disclosure (even if in category 16) was viewed by some members as possibly vital for organizations with vast cash reserves, to prevent arbitrary reporting volatility and minimize "opt-out areas". The issue of reporting volatility is addressed with the proposed requirement to separately report required versus optional scope 3 emissions and a requirement (refer to **Revision B1**) that 95% of required scope 3 emissions be reported.

Pending items

Refer to **Revision C2** for pending items for consideration.

4.7 Required boundary for investments includes investee scope 3 emissions (Revision C6)

Current approach

(Scope 3 Standard, Chapter 5, Section 5.4, Overview of scope 3 activities, p. 31-37, and Section 5.5, Descriptions of scope 3 activities, p. 51-54)

Currently, the minimum boundary for category 15 emissions includes the scope 1 and scope 2 emissions of required investments (Table 5.9) and debt investments (with unknown use of proceeds) Table 5.10. For both (i) Managed investments and client services and (ii) Other investments or financial services (Table 5.10), the minimum boundary is not explicitly specified.

However, Section 5.5, Category 15: Investments, on p. 53, does provide guidance that, where relevant, a company should include the scope 3 emissions of an investee or project:

> "Where relevant, companies **should** also account for the scope 3 emissions of the investee or project… when scope 3 emissions are significant compared to other source of emissions or otherwise relevant."

Summary of proposed revisions

This proposed revision requires the inclusion of the required scope 3 emissions of an investee (using "shall" language). It is no longer simply recommended subject to significance or relevance. This means that including investee scope 3 emissions is no longer subject to relevance. Rather, it is subject to the 95% inclusion requirement and 5% exclusion threshold (**Revision C7**) and, for some types of investments or financial instruments, may be excluded, subject to justification and disclosure (**Revision C7**).

Proposed text revisions

The minimum boundary for all investments includes the scope 1, scope 2, and required scope 3 emissions of an investee. The proposed revised accounting requirement is as follows:

> "Companies **shall** account for the scope 1, scope 2, and required scope 3 emissions of an investee or asset. If a company is unable to reasonably estimate the scope 1, scope 2, and/or scope 3 emissions of one or more of the following financial instruments and associated investee(s), then the reporting company **may** exclude said financial instrument(s):

Sub-category	Investment type
15.3	Equity (without financial control over investee and without significant influence)
15.5	Corporate debt (with unknown use of proceeds)
15.7	Retail debt (loans made to individual or household investees)
15.8	Other debt (government, sovereign, municipal, supranational, or quasi-sovereign)
15.9	Mutual fund and ETF shares
15.10	Asset-backed securities
15.11	Other investments (not included in category 16) (see **Table 4.16** & **Appendix E**)

Rationale for proposed text revisions

Requiring the inclusion of investee's scope 1, scope 2, and scope 3 emissions, rather than maintaining the optional "where relevant" language of the previous standard, strengthens reporting boundaries. The basis for moving from the original language ("should account for the scope 3 emissions ... where relevant") to a prescriptive requirement ("shall" include scope 3 emissions) focuses on improving the integrity and utility of category 15 emissions results. By requiring scope 1, 2, and 3, the standard clearly defines the minimum boundary required for conformity.

This revision aims to close loopholes that allowed for the exclusion of significant emissions by investees, especially in high-impact sectors like fossil fuels. It offers a more prescriptive requirement than the previous "where relevant" guidance, which supports consistent interpretation by users. It improves the overall completeness, consistency, and relevance of the reported data. This revision is generally consistent with the aims of PCAF and IFRS S2. It enables a clearer and simplified application of the 5% exclusion threshold across the overall scope 3 inventory, with fewer internal exceptions needed within category 15.

TWG member vote

76% support (Source: Post Full Group Meeting Survey)

Options considered by TWG

The optional inclusion of certain investments was considered because some financial instruments (e.g., asset-backed securities) lack established calculation methods. Requiring investee scope 3 emissions could create significant challenges in obtaining high-quality (primary) data, as some instruments often rely on estimates rather than direct reporting. Optionally including investee scope 3 emissions was evaluated broadly due to persistent data availability and data quality constraints, which complicate the accuracy of calculated results.

To reduce the administrative burden of compliance, particularly for non-FIs and SMEs for whom investment-related emissions are typically minor, disclosure and compliance requirements were considered primarily for financial institutions and large-cap companies.

These factors informed proposed Revisions C7 and C8, which allow justified exclusions for specific investment types to enhance feasibility and support conformance, especially for non-FIs and SMEs. The potential for double-counting investee emissions within diversified portfolios was also weighed against the need for comprehensive scope 3 data to inform capital-allocation and investment decisions.

Pending items – N/A

4.8 The 5% exclusion threshold for total required scope 3 emissions applies to category 15 (Revision C7)

Current approach

(Scope 3 Standard, Chapter 6, Setting the Scope 3 Boundary p. 59; section 6.2, Boundary requirements, p. 60)

> "Companies **shall** account for all scope 3 emissions and disclose and justify any exclusions."

(Scope 3 Standard, Chapter 6, Section 6.2, Boundary requirements, p. 60)

> "Companies **may** exclude scope 3 activities from the inventory, **provided that** any exclusion is disclosed and justified."

Summary of proposed revisions

A new category 15-specific exclusion clause permits a company to exclude some (not all) financial instruments, subject to justification and disclosure (refer to **Revision C8**).

This clause is similar to the justified exclusion clause which exists (and remains) for the downstream emissions of sold intermediate products.

Proposed text revisions

The 5% exclusion threshold (as detailed in **Revision B1**), which applies to all required (formerly "minimum boundary") scope 3 emissions, also applies to category 15. This means that a reporting company may exclude up to 5% of total required scope 3 emissions, i.e., the sum of excluded category 1, category 2, …, and category 15 emissions must not exceed 5% of total required scope 3 emissions. The proposed revised accounting requirement is as follows:

> "Companies **shall** account for category 15 emissions in accordance with the boundary requirements in Chapter 6, section 6.1, Boundary requirements." [20]

Rationale for proposed text revisions

The adoption of the 5% exclusion threshold (**Revision B1**) for category 15 is based on improving consistency, feasibility, and focusing reporting efforts where they matter most based on magnitude. It ensures that category 15 is treated like all other required scope 3 categories (1-14), using the same rule for inclusion and exclusion based on magnitude.

The exclusion threshold offers a practical approach to GHG accounting. It enables reporting companies to focus efforts on the most material activities based on the magnitude of emissions, which may include investments. It eliminates the possibility for companies to use self-defined relevance to exclude significant emissions that should have been reported. The 5% exclusion threshold is sufficient to allow non-financial institutions and small- and medium-sized enterprises to exclude category 15 if the emissions amount is minor. The introduction of a clear, quantifiable threshold allows for the removal of the ambiguous "where relevant" language from previous guidance concerning required inclusions, making the Standard more prescriptive, verifiable, and enforceable. If a company's financed emissions

[20] Category 15 emissions are subject to boundary requirements in Chapter 6 and the proposed 5% exclusion threshold (Revision B1).

are large, applying the general threshold allows them to exclude other, less material scope 3 categories, strategically to meet the overall 95% minimum boundary requirement. The clear scope of category 15 makes its inclusion under the said general magnitude threshold (95%) and the 5% exclusion threshold simpler and more logical. This revision allows companies to define exclusions based on perceived immateriality or significance, provided this judgment is clearly disclosed and justified, enabling prioritization of reporting efforts on the largest investments.

TWG member vote

90% support (Source: Post Full Group Meeting Survey)

Options considered by TWG

Arguments raised against applying the full scope 3 inventory 5% exclusion threshold to Category 15 often emphasize risks related to absolute impact and alignment with stricter reporting principles. Permitting more exclusions (above the 5% exclusion threshold) for category 15 was considered, including because even 5% of emissions for a large company is still potentially significant in absolute terms, despite meeting the 5% exclusions threshold. This informed the proposed category 15-specific exclusion clause, as detailed in Revision C8. Setting a lower exclusion threshold for category 15 was considered to prevent very large companies from excluding highly material activities, even if those activities fall below the 5% threshold. Concern that the relative 5% threshold may not fully conform with the strict "materiality" or "significance" criteria used in other frameworks, such as IFRS S1, S2 or ESRS E1 was considered. Further, concern that this clause may conflict with external climate targets like the SBTi CNZS v2.0 which (C7.1) requires the inclusion of any scope 3 category exceeding 5% of total annual scope 3 emissions, and (C7.3.1) any activity that accounts for more than 1% of the company's total annual scope 3 emissions or (C7.3.2) which generates more than 10,000 tCO2e per year, was considered.[21] The option to apply separate 5% exclusion thresholds (e.g., applying a 5% exclusion threshold to total scope 3 category 1 through category 14 emissions and a separate 5% exclusion threshold, exclusively, to scope 3 category 15 emissions) was considered.

Pending items

- **Revision B1** (i.e., the 5% exclusion threshold) may be reviewed upon completion of Series D revisions regarding scope 3 category-specific required vs. optional boundaries

[21] Corporate Net-Zero Standard Version 2.0 Consultation Draft (p. 42): https://files.sciencebasedtargets.org/production/files/Net-Zero-Standard-v2-Consultation-Draft.pdf

4.9 Category 15-specific justified exclusions clause (Revision C8)

Current approach

(Scope 3 Standard, Chapter 6, Section 6.2, Boundary requirements, p. 60)

> "Companies **may** exclude scope 3 activities from the inventory, provided that any exclusion is disclosed and justified."

Beyond the above exclusion language, which applies to all scope 3 categories (all scope 3 emissions), no category 15-specific justified exclusion clause or language exists in the Scope 3 Standard.

Summary of proposed revisions

This proposed revision introduces a category 15-specific justified exclusion clause for some (not all financial instruments). In short, a reporting company may exclude some investments subject to justification and disclosure. This applies to all financial instrument detailed in Table 5.9 (revised), excluding (15.1), (15.2), (15.4), and (15.6). Investments that satisfy (15.1), (15.2), (15.4), or (15.6) classification may be excluded subject to the 5% exclusion threshold (applied to a reporting company's entire required scope 3 inventory). This proposed, justified exclusion clause is similar to the justified exclusion clause that currently exists (and which will remain, subject to some editorial revisions) for the downstream emissions of sold intermediate products (refer to **Revision B9**).

Proposed text revisions

A reporting company may justify the exclusion of some financial instruments (investment types). This clause, similar to the justified exclusion clause that exists (and remains) for the downstream emissions of sold intermediate product, was added to category 15 due to the fact that some financial instruments now detailed in the revised Table 5.9 of category 15 do not have quantification guidance, and because the GHG Protocol does not expect to develop quantification guidance for said instruments. In some cases (e.g., sovereign debt, motor vehicle loans, and mortgages), industry-specific quantification guidance does exist (see: PCAF Part A). Exclusions must be justified and disclosed.

> "If a company is unable to reasonably estimate the scope 1, scope 2, and/or scope 3 emissions[22] of one or more of the following financial instruments and associated investee(s), then the reporting company **may** exclude them subject to disclosure:

Sub-category	Investment type
15.3	Equity (without financial control over investee and without significant influence)
15.5	Corporate debt (with unknown use of proceeds)
15.7	Retail debt (loans made to individual or household investees)
15.8	Other debt (government, sovereign, municipal, supranational, or quasi-sovereign)
15.9	Mutual fund and ETF shares
15.10	Asset-backed securities
15.11	Other investments (not included in category 16) (see **Table 4.16** & **Appendix E**)

[22] If a company has partial emissions data for any of these investment types (e.g., only scope 1 and scope 2 emissions data), then the company **should** include the scope 1 and scope 2 emissions of said investments.

Justifying the inability to reasonably estimate any category 15 emissions requires that a reporting company represent and disclose: (a) that effort was made or taken by the reporting company to estimate the emissions, (b) an explanation articulating the constraint(s) which make the effort unreasonable (e.g., lack of data, lack of a calculation method(s), or timing issues), and (c) that the reporting company will make a commitment to reconsider this justified exclusion in future years (either annually, semi-annually, or every five years in the least).

Justified exclusions are not part of the 5% exclusion threshold defined in [**Revision B1**] (which is consistent with the intermediate product exclusions provision detailed in general requirements and guidance at the beginning of this section)

A company **shall** specify which investments or assets are excluded and provide reasoning for their exclusion (e.g., data limitations or other justification).[23]

For the avoidance of doubt, the following investment types and associated emissions are required scope 3 emissions and therefore shall not be excluded except in accordance with the 5% exclusion threshold [**Revision B1**]:"

Sub-category	Investment type
15.1	Equity (with financial control over investee)
15.2	Equity (without financial control over investee but with significant influence)
15.4	Corporate debt (with known use of proceeds)
15.6	Project finance (with known use of proceeds)

Rationale for proposed text revisions

The basis for proposing an exclusion clause separate from the general 5% magnitude threshold focuses on accommodating the unique challenges associated with accounting for complex financial assets. Allows reporting companies to exclude emissions associated with financial instruments that cannot reasonably be estimated. It provides a mechanism for excluding complex or secondary instruments with unknown uses of funds. It provides necessary relief when companies face specific and unavoidable data limitations in acquiring emissions data for an investee or asset. It offers a justified exclusion option for asset types where specific calculation guidance/methods are currently lacking. It lets reporting companies avoid relying on non-robust estimates when high-quality primary or reliable modeled data is unavailable for complex financial holdings, thus supporting data robustness. This clause provides relief, subject to justification, based on entity type or size (e.g., offering exclusion options for small- and medium-sized enterprises). This revision mirrors the justified exclusion precedent currently set in the standard for downstream emissions from intermediate products (categories 9, 10, 11, and 12).

TWG member vote

83% support (Source: Post Full Group Meeting Survey)

[23] For example, if a reporting company owns ten investments, five of which account for 5% of the total carrying value of all ten investments, and decides to not disclose emissions attributable to the five investments accounting for 5% of the total carrying value, then the reporting company would disclose that it has included (and reported on) the emissions associated with 95% of its investments and has excluded 5%, for example, due to limited influence, data availability, and/or to prioritize disclosure for the largest investments.

Options considered by TWG

Arguments raised against providing a specific justified exclusion clause typically relate to maintaining rigor, avoiding loopholes, and conflicts with other reporting frameworks. Language was considered in the context of enforceability by IFRS S2 and EFRS E1 disclosure requirements, including materiality and double-materiality requirements, as well as conformance with SBTi CNZS v2.0 which is tentatively permitting only the exclusion of "non-relevant" scope 3 emissions. Alternative language was considered to support assurers in verifying and assuring conformance, including unambiguous interpretation. Not providing a category 15-specific justified exclusion clause was considered given that self-defined justifications may potentially allow reporting companies to exploit the clause to exclude material emissions that should otherwise be reported. The necessity of a separate, category 15-specific justified exclusion was considered given that the 5% overall magnitude exclusion threshold (for all required scope 3 emissions, as per **Revision B1**), was considered.

Pending items – N/A

4.10 Percentage carrying value of investments disclosure requirement (Revision C9)

Current approach

(Scope 3 Standard, Chapter 6, Setting the Scope 3 Boundary p. 59; section 6.2, Boundary requirements, p. 60)

> "Companies **shall** account for all scope 3 emissions and disclose and justify any exclusions."

Table 5.4 in the Scope 3 Standard specifies the required scope 3 emissions (formerly minimum boundary) by category. (Scope 3 Standard, Chapter 5, Table 5.4, p. 34-37)

Summary of proposed revisions

This proposed reporting requirement applies to all category 15 investments that satisfy Table 5.9 identification and classification (refer to **Revision C2**) and consists of a single percentage (%) figure for all investments (not each type of investment, e.g., for equity, debt, project finance, etc.). This disclosure requirement **excludes** the carrying value of investments, if any, that:

- Are itemized and classified in the new category 16 (e.g., cash deposits, derivatives, underwriting, insurance, etc.) (refer to **Revision B11**); or
- Have been excluded within the 5% exclusion threshold (refer to **Revision B1**).

This disclosure requirement **includes** the carrying value of investments, if any, that:

- Have been excluded as per the justified exclusion clause (refer to **Revision C8**).

Proposed text revisions

This reporting requirement applies to all category 15 investments:

> "A company **shall** disclose the percentage (%) of the carrying value[24] of its total investments and other financial assets (that satisfy category 15 investments and financial instruments listed in the category 15 table series [**Annex B**]), as reported on its balance sheet, that are accounted for and reported in its scope 3 category 15 inventory (the "Carrying value metric").[25] 5 [refer to **Annex A**]
>
> "A company **shall** specify which investments or assets are excluded and provide reasoning for their exclusion (e.g., data limitations or other justification).[26]

Rationale for proposed text revisions

[24] Glossary definition (proposed): Carrying value, with respect to an asset, is the value of the asset on the balance sheet of a company. (Source: Definition: Carrying value from 12 CFR § 217.2 | LII / Legal Information Institute)
[25] In cases where the reporting company holds controlling interest in the investee and therefore reports the investee's emissions in its (the reporting company's) scope 1, scope 2, and scope 3 (in accordance with boundary requirements thereof), the reporting company can disclose that it has accounted for and reported 100% of said investment based on this Category 15-specific disclosure requirement.
[26] For example, if a reporting company owns ten investments, five of which account for 5% of the total carrying value of all ten investments, and decides to not disclose emissions attributable to the five investments accounting for 5% of the total carrying value, then the reporting company would disclose that it has included (and reported on) the emissions associated with 95% of its investments and has excluded 5%, for example, due to limited influence, data availability, and/or to prioritize disclosure for the largest investments.

The rationale for requiring disclosure of the percentage of the total carrying value reported is to enhance transparency and provide crucial context for users and readers of a reporting company's category 15 emissions. It provides stakeholders a clear measure of inclusion regarding the scope of category 15 emissions data. This supports completeness, transparency, consistency, and relevance. Disclosing a percentage (%) of carrying value figure provides helpful context for readers regarding the overall percentage of investments covered by the reported category 15 emissions data. This creates transparency and supports more consistent boundary setting of a company's investment portfolio, by making the financial magnitude of reported versus non-reported assets explicit. This requirement does not require the disclosure of any financial figures nor does or should it entail the disclosure of any confidential information.

TWG member vote

91% support (Source: Post Full Group Meeting Survey)

Options considered by TWG

Arguments against requiring this disclosure primarily relate to complexity and potential conflicts with core accounting principles. The option to not require the disclosure of the percentage (%) of carrying value of category 15 investments included was considered.

Pending items – N/A

4.11 Proportional equity investment calculations includes debt (Revision C10)

Current approach

(Scope 3 Standard, Chapter 5, p. 54)

> "Proportional emissions from equity investments should be allocated to the investor based on the investor's proportional share of equity in the investee. Proportional emissions from project finance and debt investments with known use of proceeds should be allocated to the investor based on the investor's proportional share of total project costs (total equity plus debt)." (p. 54)

Summary of proposed revisions

This proposed revision includes both equity and debt in the denominator to assess proportional emissions for equity holders. This applies equal-weighting to equity holders' and debt holders' proportional emissions, effectively equal-weighting equity holders' and debt holders' accountability for the emissions of an investee entity. Aggregating the Category 15 emissions reported by equity holders and debt holders in an investee entity would total 100% of the investee entity's emissions.

Proposed text revisions

> "Proportional emissions from equity investments **should** be allocated to the investor based on the investor's proportional share of total equity and debt outstanding in the investee (refer to the Technical Guidance for calculation methodologies).
>
> For listed equity, the denominator **may** by calculated using the investee's enterprise value including cash (EVIC)."

Rationale for proposed text revisions

The proposal to include both equity and debt in the denominator for calculating proportional equity emissions supports consistency between investors, equal-weights accounting responsibility between all investors (including equity holders and debt holders), and harmonizes with industry-specific standards and guidance.

Including debt and equity in the denominator to calculate proportional emissions from equity harmonizes with guidance provided by PCAF. PCAF Part A, the most widely adopted standard by financial institutions, treats equity and debt equally for investee emissions attribution. Utilizing the same denominator would make it possible to aggregate the category 15 emissions reported by equity holders and debt holders meaningfully. Specifically, summing the emissions of equity and debt holders would equal 100% of the investee emissions. Using different denominators for assessing proportionality (as per the current Scope 3 Standard) double counts the fraction of investee emissions associated with the debt investor(s), by both the debt holder(s) and the equity holder(s). Utilizing the same denominator rule reduces confusion and improves category 15 comparability between financial institutions and non-financial institutions, both of which may invest in and participate in funding an investee. This will improve possible category 15 emissions comparability between multiple equity holders and debt lenders, including financial institutions and non-financial institutions.

This has implications for equity holders' year-over-year category 15 emissions. If an investee were to pay off its debt, such that debt as a portion of total debt and equity decreases, then the equity, as a fraction of total debt and equity, would increase. Holding forward-year emissions unchanged, this would result in the equity holder's (investor's) category 15 emissions increasing year-over-year even if the investee's GHG inventory doesn't change.

Completeness is a core accounting principle upheld by this revision. Equal-weighting equity and debt investments supports improved decision-making by all funders of an investee's business activities. This is not to say that all funders have an equal-weighted influence over the business activities of an investee; this is consistent with the fact that companies have varying levels of influence of many if not most scope 3 emissions reported in a scope 3 inventory.

TWG member vote

93% support (Source: Post Full Group Meeting Survey)

Options considered by TWG

Maintaining current quantification method for equity proportionality (i.e., maintaining total equity and excluding debt in the denominator) was considered. Changing this denominator will necessitate the 're-scaling' (re-calculation) of category 15 (financed) emissions by all equity holders currently reporting category 15 emissions using equity share. This will likely introduce complexity and difficulty for many non-financial institutions, negatively affecting feasibility. An equity holder often serves as the project sponsor, principal investor, or the first to originate an opportunity; as such, equity holders often hold a higher degree of agency, responsibility, and control compared to a debt lender. This could be better reflected if the equity holder(s) report 100% of investee emissions. In addition, including debt in the denominator creates the risk of a "non-real reduction" in reported emissions by an equity holder; this could happen if an investee takes on a significant amount of new debt, such that an equity holder's proportion of total equity and debt decreases (proportionality dilution). The option to report equity and debt exposures separately was also considered: to address comparability issues while allowing entities with a limited number of investments (e.g., smaller companies) to report only the equity portion, thereby maintaining feasibility.

Pending items – N/A

4.12 Reference to third-party, industry-specific accounting and reporting standards (Revision C11)

Current approach

(Scope 3 Standard, 1.8 GHG calculation tools and guidance, p. 8-9)

> "To help companies implement the Scope 3 Standard, the GHG Protocol website provides a variety of useful GHG calculation tools and guidance, including:
>
> - Guidance for Calculating Scope 3 Emissions, a companion document to the Scope 3 Standard that provides detailed guidance for calculating scope 3 emissions, including calculation methods, data sources, and examples of calculating scope 3 emissions
> - A list of available data sources for calculating scope 3 emissions, including over 80 emission factor databases covering a variety of sectors and geographic regions
> - Several cross-sector and sector-specific calculation tools, which provide step-by-step guidance, together with electronic worksheets to help companies calculate GHG emissions from specific sources or sectors
>
> All GHG calculation tools and guidance are available at www.ghgprotocol.org."

Summary of proposed revisions

The GHG Protocol will make direct reference to industry-specific GHG emissions accounting and reporting standards using "should" or "may" language. Refer to **Revision C3** regarding both insurance and underwriting and issuance, which references accounting and reporting guidance developed by PCAF. Refer also to **Revision B12** regarding recommending (using "should" language) that "A company **should** account for and report emissions associated with a facilitated activity that is required by an industry- or sector-specific standard, framework, and/or legislation."

Proposed text revisions

> "If reported, insurers **should** rely on PCAF Part C to quantify (16.1.1) insurance-associated emissions."

This non-specific, 'directional' proposed revision supports the incorporation of direct references to third-party, industry-specific GHG emissions accounting and reporting standards and/or guidance (to be reviewed) using non-mandatory language (i.e., "should" or "may") within the GHG Protocol Scope 3 Standard. For the avoidance of doubt, beyond those standards detailed in the next paragraph, no other third-party, industry-specific accounting or reporting standard or guidance has been reviewed for reference in the Scope 3 Standard.

Specific industry-specific standard or guidance reference is drafted in the proposed, new category 16, for (16.1) insurance contracts, reinsurance contracts, and claims payments and (16.2) underwriting and issuance. Only PCAF Part A Financed Emissions, PCAF Part B Facilitated Emissions, and PCAF Part C Insurance-associated Emissions standards are referenced in the proposed revised Scope 3 Standard in category 16.

Rationale for proposed text revisions

This non-specific 'directional' proposed revision recognizes the practical and strategic necessity to harmonize the GHG Protocol with widely adopted industry-specific methodologies and standards (such as the PCAF standards for financial institutions), thereby providing essential specialized calculation guidance for value chain activities and fostering broader market adoption. The rationale for supporting the direct reference to third-party, industry-specific GHG accounting standards includes enhancing consistency, filling capacity gaps, driving adoption of GHG accounting and reporting, and supporting decision-making that drives ambitious action.

This non-specific, 'directional' proposed revision provides direction for the GHG Protocol Secretariat to pursue interoperability and harmonization between the Scope 3 Standard and third-party, industry-specific standards and guidance that conform with the GHG Protocol accounting and reporting requirements.[27] Encouraging industry-specific harmonization and interoperability is viewed as a means to facilitate action by companies that supports ambitious global climate action.

In some cases, the GHG Protocol lacks the capacity to develop or maintain comprehensive industry-specific standards or guidance for calculating, accounting for, and reporting all industry-specific scope 3 emissions. External standards provide calculation guidance for items where the GHG Protocol currently does not. Some companies can only disclose select scope 3 emissions by utilizing industry-specific standards (e.g., PCAF Part B for facilitated emissions from underwriting/issuance and PCAF Part C for insurance-associated emissions). Referencing external guidance, particularly for specialized activities like underwriting or insurance, could significantly ease the amount of text and knowledge needed for non-financial institutions to conform with category 15.

TWG member vote

98% support (Source: Post Full Group Meeting Survey)

Options considered by TWG

Opposition primarily centers on ensuring that the GHG Protocol maintains its independence and future consistency, avoiding structural risks associated with directly embedding rapidly changing external standards. There is concern that no current version of any third-party standard is guaranteed to conform with the forthcoming revised suite of corporate standards by the GHG Protocol. In addition, referencing and/or integrating detailed calculation methodologies from third-party sources, if required, could extend the GHG Protocol document by hundreds of pages, which is undesirable. Concerns were raised that if conformance is referenced, the GHG Protocol should add a disclaimer itemizing version-controlled conformance between the external standard and the GHG Protocol, implying that unreviewed standards pose a risk.

Pending items

- The GHG Protocol is exploring developing a process by which third-party standards or guidance documents can be reviewed for conformance or non-conformance with the GHG Protocol (refer to **Revision B12**). This has not been finalized and is subject to development and review in coordination with accounting for and reporting other value chain activities (**Revision B11**).

[27] *Detailed Summary of Scope 3 Stakeholder Survey Responses* (June 2024): https://ghgprotocol.org/sites/default/files/2024-06/Scope%203%20Survey%20Summary%20-%20Final%20%281%29.pdf

4.13 Consolidation guidance (Revision C12)

Current approach

(Scope 3 Standard, Chapter 5, section 5.5, Descriptions of scope 3 categories, p. 51)

"Investments may be included in a company's scope 1 or scope 2 inventory depending on how the company defines its organizational boundaries. For example, companies that use the equity share approach include emissions from equity investments in scope 1 and scope 2. Companies that use a control approach account only for those equity investments that are under the company's control in scope 1 and scope 2. Investments not included in the company's scope 1 or scope 2 emissions are included in scope 3, in this category. A reporting company's scope 3 emissions from investments are the scope 1 and scope 2 emissions of investees." (p. 51)

Summary of proposed revisions

The Corporate Standard Technical Working Group (TWG) has considered revisions to consolidation approaches permitted by the Corporate Standard (2004) and Scope 3 Standard (2011), including, not permitting use of the equity share approach. It is itemized as Revision 4.1 by the Corporate Standard TWG and is available in the Corporate Standard Revisions: Summary of Phase 1 Provisional Outcomes.

The Scope 3 Technical Working Group (TWG) proposed editorial revisions to consolidation guidance in the Scope 3 Standard to (i) support unambiguous interpretability and applicability to investments by an investor (reporting company) and (ii) harmonize with the Corporate Standard TWG proposed revision to remove the equity share consolidation approach. Refer to **Annex B** for investment type-specific consolidation guidance.

Proposed text revisions

> "A reporting company that has financial control over an investee (e.g., a wholly owned subsidiary) and that uses the financial control consolidation approach, **shall** account for all (100%) of the investee's scope 1, scope 2, and required scope 3 (category) emissions in the reporting company's (investor's) respective scope 1, scope 2, and scope 3 (by category). A reporting company **shall** only account for the required scope 3 emissions of an investee; optional scope 3 emissions **shall** be disaggregated and reported separately, if reported. An investee's scope 3 category 15 emissions, if any, **shall** be reported in the reporting company's (investor's) scope 3 category 15."
>
> "A reporting company that has operational control over an investee (e.g., an operating joint venture) and that uses the operational control consolidation approach, **shall** account for all (100%) of the investee's scope 1, scope 2, and scope 3 emissions in the reporting company's (investor's) respective scope 1, scope 2, and scope 3 (by category). Only the investee's scope 3 category 15 emissions, if any, are reported in the reporting company's (investor's) scope 3 category 15."
>
> "Any emissions associated with investments not included in a reporting company's scope 1, scope 2, or other scope 3 categories (as per the above guidance) shall be included in the company's scope 3 category 15"

Rationale for proposed text revisions

The removal of the equity share approach, as proposed by the Corporate Standard TWG (see Section 4.1 of Corporate Standard Revisions: Summary of Phase 1 Provisional Outcomes), aligns the GHG Protocol category 15 consolidation guidance with rules established by the PCAF in Part A Financed Emissions. The primary rationale for supporting the editorial revisions to control-based (financial or operational) consolidation guidance in the Scope 3 Standard, beyond removing the equity share consolidation approach, relates to improving the interpretability and consistent application of boundary guidance for category 15 investments.

TWG member vote

98% support (Source: Post Full Group Meeting Survey)

Options considered by TWG

Maintaining the equity share consolidation approach as an available option for both financial and non-financial institutions was considered. Changing the rules necessitates that reporting companies (FIs and non-FIs) re-allocate and recalculate historical emissions data from existing equity investments, which may involve significant effort. Any restriction on consolidation options for Category 15 could be viewed as a loss of methodological flexibility, potentially conflicting with the decision criteria regarding feasibility. For reference, a recent study of 16,604 firm-year observations between 2009-2019 for corporate GHG inventory disclosures found that ~75% rely on the operation control consolidation approach, ~22% rely on the financial control consolidation approach, and <3% rely on the equity share consolidation approach.

Pending items – N/A

4.14 Time boundary guidance (Revision C13)

Current approach

(Scope 3 Standard, Chapter 5, section 5.5, Descriptions of scope 3 categories, p. 51)

"Emissions from investments should be allocated to the reporting company based on the reporting company's proportional share of investment in the investee. Because investment portfolios are dynamic and can change frequently throughout the reporting year, companies should identify investments by choosing a fixed point in time, such as December 31 of the reporting year, or using a representative average over the course of the reporting year." (p. 51)

Summary of proposed revisions

Additional proposed time boundary guidance was added to support investors to make consistent annual category 15 emissions disclosures. The intent of existing time boundary guidance was maintained. It unambiguously allows an investor (reporting company) to report the emissions of investees that rely on different fiscal years or periods, provided the investor does so consistently and discloses the data source/calculation method, and provides guidance on the use of financial data based on accrual- vs. cash-based accounting.

Proposed text revisions

- **Time boundary guidance**:
    - "Because investment portfolios are dynamic and can change frequently throughout the reporting year, companies should identify investments by choosing a fixed point in time, such as December 31 of the reporting year, or using a representative average over the course of the reporting year, to make consistent annual disclosures. Where possible, the temporal boundary relied upon for annual financial accounting and reporting by a company should match the temporal boundary it uses for its scope 3 category 15 GHG inventory. Companies may prepare quarterly, annual, or other periodic disclosures.
    - The GHG inventories of investees or assets of a reporting company or manager may rely on a fiscal year(s) or period(s) to report emissions that differ from that of the reporting company (investee). A reporting company may report the emissions of investees or assets that rely on a fiscal year(s) or period(s) that differs from that of the reporting company. For example, if an investee reports using a non-calendar fiscal year period, and the investor (the reporting company) reports calendar-year emissions, the investor (reporting company) may rely on the investee's fiscal year emissions data as long as it does so consistently and discloses this data source and/or calculation method.
    - Some companies rely on cash-based accounting and some on accrual-based accounting. The effect on an investor's (reporting company's) GHG inventory should be minor. Companies may, but are not required to, disclose the fraction of its GHG emissions results using EEIO or spend-based calculation methods that relied on financial data using accrual- vs. cash-based accounting."

Project finance consolidation approach: "Project financing through equity and debt **shall** rely on the consolidation and accounting approach requirements of equity and debt (above). In addition, if the reporting company is an initial sponsor or lender of a project, it should quantify and account for the cumulative projected lifetime scope 1, scope 2, and scope 3 emissions of

the project from the year of project completion[28] onwards and, if included, **shall** report projected lifetime emissions separately from its scope 3 inventory on a cumulative basis, in the year that the project is financed.[29]

Rationale for proposed text revisions

The rationale for implementing additional time boundary guidance centers on ensuring consistency, comparability, and methodological alignment between reporting companies and their investees, which is crucial for accurate calculation of financed emissions. The new language encourages consistency within and across a reporting company's Category 15 inventory. One objective of the time boundary statement is to ensure that companies do not use temporal factors to manipulate reporting.

TWG member vote

100% support (Source: Post Full Group Meeting Survey)

Options considered by TWG

More prescriptive time boundary guidance was considered, specifying if/when total projected lifetime emissions of projects should be reported (e.g., in the initial year the project is financed). Differentiated time boundary guidance for FIs versus non-FIs was considered. Ensuring perfect time boundary alignment between financial accounting cycles and sustainability reporting cycles is challenging. Both GAAP and IFRS allow companies to define their own financial reporting period, so long as it is consistent year to year. This limit the option to require calendar year time boundary requirements for corporate GHG inventories from companies.

Pending items

- Consider providing prescriptive time boundary requirements for financed projects or other buildings or machines, the manufacture or construction of which may take multiple years. Concerns were raised that the revised text for projected lifetime emissions might seem to contradict the guidance on reporting in the initial year of project financing versus the year of project completion.
- Consider editorial revisions to harmonize revised time boundary guidance with revisions, if any, which may be made to leased assets (category 8 and category 13) and capital goods (category 2) being considered in Phase 2 of the Scope 3 TWG

[28] The year of project completion is the year that the project is completed and ready for operation; project completion may occur within a year (e.g., July), in which case lifetime emissions should be quantified from the day or month of completion onwards.
[29] Total projected lifetime emissions are reported in the year proceeds are first received, not in subsequent years. Where there is uncertainty around a project's anticipated lifetime, companies may report a range of likely values (e.g., for a coal-fired power plant, a range over a 30- to 60-year time period).

5 References

5.1 References - Series A

The following are links to publicly shared content concerning the Series A proposed revisions, including presentations to TWG members, meeting minutes summarizing TWG member discussions and considerations, and discussion papers shared with TWG members.

- Group A, Meeting 1
  - Introduction, no public material available
- Group A, Meeting 2
  - Presentation – Inventory quality reporting options (I)
  - Meeting Minutes
- Group A, Meeting 3
  - Presentation – Inventory quality reporting options (II)
  - Meeting Minutes
- Group A, Meeting 4
  - Presentation – Inventory quality reporting options (III)
  - Meeting Minutes
- Group A, Meeting 5
  - Presentation – Inventory quality reporting (I)
  - Meeting Minutes
- Group A, Meeting 6
  - Presentation – Inventory quality reporting (II)
  - Meeting Minutes
- Group A, Meeting 7
  - Presentation – Inventory quality reporting (III)
  - Meeting Minutes
- Group A, Meeting 8
  - Presentation - Allocation
  - Meeting Minutes
- Group A, Meeting 9
  - Presentation – Minimum data quality requirements
  - Meeting Minutes
- Group A, Meeting 10
  - Presentation – Minimum data quality requirements package review
  - Meeting Minutes
- Group A, Meeting 11
  - Presentation – Phase 1 Wrap-up
  - Meeting Minutes
- Full TWG Meeting 3
  - Presentation – Review of Group A proposed revisions
  - Meeting Minutes

5.2 References - Series B

The following are links to publicly shared content concerning the **Series B** proposed revisions, including presentations to TWG members, meeting minutes summarizing TWG member discussions and considerations, and discussion papers shared with TWG members.

- Group B, Meeting 1
  - Introduction, no public materials available
- Group B, Meeting 2
  - Presentation - Relevance
  - Meeting Minutes
- Group B, Meeting 3
  - Presentation – Significance and de minimis
  - Meeting Minutes
- Group B, Meeting 4
  - Presentation – Influence and downstream emissions from intermediate products
  - Meeting Minutes
- Group B, Meeting 5
  - Presentation – Optionality and hotspot analysis
  - Meeting Minutes
- Group B, Meeting 7
  - Presentation – Intermediary parties (II)
  - Meeting Minutes
- Group B, Meeting 8
  - Presentation – Intermediary parties (III)
  - Meeting Minutes
- Group B, Meeting 9
  - Presentation – Phase 1 revisions consideration
  - Meeting Minutes
- Group B, Meeting 9b
  - Presentation – Facilitated emissions (I)
  - Meeting Minutes
- Group B, Meeting 10
  - Presentation – Facilitated emissions (II)
  - Meeting Minutes
- Full TWG, Meeting 4
  - Presentation – Review of Group B proposed revisions
  - Meeting Minutes

5.3 References - Series C

The following are links to publicly shared content concerning **Series C** proposed revisions, including presentations to TWG members, meeting minutes summarizing TWG member discussions and considerations, and discussion papers shared with TWG members.

- Group C, Meeting 1
  - Presentation - Introduction
  - Meeting Minutes
  - Discussion Paper
- Group C, Meeting 2
  - Presentation – Investment types
  - Meeting Minutes
- Group C, Meeting 3
  - Presentation – Investment types, classification, and optionality
  - Meeting Minutes
- Group C, Meeting 4
  - Presentation – Classification and optionality
  - Meeting Minutes
- Group C, Meeting 5
  - Presentation – Minimum boundaries
  - Meeting Minutes
- Group C, Meeting 6
  - Presentation – Minimum boundaries & facilitated emissions
  - Meeting Minutes
- Group C, Meeting 7
  - Presentation – Facilitated & insurance-related emissions
  - Meeting Minutes
- Group C, Meeting 8
  - Presentation – Preliminary revisions & calculation methods
  - Meeting Minutes
- Meeting 9 – this meeting was cancelled.
- Group C, Meeting 10
  - Presentation – Final investment topics & licensing
  - Meeting Minutes
- Group C, Meeting 11
  - Presentation – Commodities & licensing
  - Meeting Minutes
- Full TWG, Meeting 2
  - Presentation – Review of Group C proposed revisions
  - Meeting Minutes

Annex A. Classification options being considered for disaggregation by data type (Revision A1)

Option 1

Reporting companies **shall** disaggregate scope 1 emissions between tiers based on data specificity. Companies shall not double count emissions across tiers, and figures shall be expressed in mass units of CO2e (e.g., t CO2e), rather than percentages (%). The tiers are:

- Measured or Specific.
    - Measured scope 3 emissions are emissions quantified using direct emissions monitoring/measurement and/or other physical measurements of activities or processes (e.g., mass-balance method, stoichiometry method).
    - Specific scope 3 emissions are emissions quantified using both specific activity data and specific emission factor(s)
- Other. Other scope 3 emissions are emissions quantified using activity data and/or emission factor(s) that do not meet the requirements for either Measured or Specific or Spend-based emissions.
- Spend-based. Spend-based scope 3 emissions are emissions that are quantified using environmentally extended input-output (EEIO), spend-based, and/or any other proxy emission factor(s) expressed as emissions per monetary unit
- Unclassified may include Measured or Specific, Other, and/or Spend-based emissions if a company is unable or unwilling to disaggregate

Specific activity data and specific emission factors for scopes 1 and 3 are defined using a range of requirements, summarized as follows:

- Quantification in appropriate physical or functional units (rather than spend-based)
- Demonstrated temporal and temporal representativeness
- Specific to the site(s) where the emissions physically occurred
- For emission factors, the latest set of IPCC Assessment Report GWPs shall be used
- For activity data, where allocation is applied, it is only applied to homogeneous systems (e.g., homogeneous companies may allocate corporate-level data, whereas diversified companies may allocate data at a level, such as business unit, where the activities included are sufficiently similar to be considered homogeneous

Particular activity data requirements for downstream scope 3 categories, such as being based on product-specific design characteristics, product use case-specific information for categories 10 and 11 (Processing of, and Use of sold products, respectively)

Option 2

Companies **shall** report scope 1 inventory emissions disaggregated by the data source and calculation method. Emissions can be classified using a matrix of data source (primary or secondary) and calculation method (spend-based or other).

In this option, reporting companies **shall** disaggregate scope 1 emissions and scope 3 emissions within each scope 3 category between tiers. Companies shall not double-count emissions across tiers, and figures shall be expressed in mass units of CO2e (e.g., t CO2e), rather than percentages (%). The tiers available by scope are:

- **Calculated using primary data.** Scope 3 emissions quantified using estimation methods based on primary activity data and [representative] emission factor(s), expressed in physical or functional units.
- **Calculated using secondary data.** Scope 3 emissions quantified using estimation methods based on either (i) secondary activity data (irrespective of the type of emission factor(s)) or (ii) emission factor(s) that are not [representative] (irrespective of the type of activity data), and where both activity data and emission factor(s) are expressed in physical or functional (i.e., non-monetary) units. This tier excludes spend-based calculations (see next tier).
- **Spend-based estimates**: Scope 3 emissions quantified using spend-based emission factor(s), including environmentally-extended input-output models (EEIO) and other proxy emission factors, when expressed in emissions per monetary unit.
- **Unclassified** may include emissions from the above tiers if a company is unable or unwilling to disaggregate. The inclusion of unclassified for this option is subject to further consideration

Annex B. Scope 3, Category 15 (Investment types)

Table 15.1 Equity (with financial control over investee)

Description	Consolidation and boundary guidance
Equity investments made by the reporting company, where the reporting company has financial control (typically more than 50 percent ownership), including subsidiaries[30] (or group companies).	If an investor (reporting company) either (a) uses the financial control consolidation approach or (b) uses the operational control consolidation approach and has operational control over the investee, then it **shall** account for and report all (100%) of the **scope 1, scope 2, and (category-specific) required scope 3 emissions** of an investee in its (the reporting company's) scope 1, scope 2, and (category-specific) scope 3, respectively. If an investor (reporting company) does not have operational control over the investee and uses the operational control consolidation approach, then it **shall** account for and report proportional **scope 1, scope 2, and scope 3 emissions** of the investee in category 15. [Proposed revision C.10] Proportional emissions from equity investments should be allocated to the investor based on the investor's proportional share of total equity and debt outstanding in the investee (refer to the Technical Guidance for calculation methodologies). For listed equity, the denominator may by calculated using the investee's enterprise value including cash (EVIC). Refer to (15.6) Project finance in Table 5.9 for additional requirements for equity investments in projects.

[30] Subsidiary. A subsidiary is an entity (e.g., a corporation) in which another entity (known as the parent or holding company) has a controlling share . Although the subsidiary operates as a separate legal entity, the parent company can influence its policies , management, and operations. Subsidiaries are often established to manage specific business operations, enter new markets, or mitigate risks associated with different lines of business. (Source: https://www.law.cornell.edu/wex/subsidiary)

Table 15.2 Equity (without financial control over investee but with significant influence)

Description	Consolidation and boundary guidance
Equity investments made by the reporting company, where the reporting company has significant influence but not financial control (typically 20-50 percent ownership), including associate companies (or affiliated companies). Equity investments where the reporting company has significant influence and joint financial control, including joint ventures (non-incorporated joint venture, partnerships, and/or operations).	If an investor (reporting company) uses the operational control consolidation approach and has operational control over the investee, then it **shall** account for and report all (100%) of the **scope 1, scope 2, and (category-specific) required scope 3 emissions** of an investee in its (the reporting company's) scope 1, scope 2, and (category-specific) scope 3, respectively. If an investor (reporting company) either (a) uses the financial control consolidation approach or (b) uses the operational control consolidation approach and does not have operational control over the investee, then it **shall** account for and report proportional **scope 1, scope 2, and scope 3 emissions** of the investee in category 15. Proportional emissions from equity investments shall be allocated to the investor based on the investor's share of the investee's total equity and debt outstanding (refer to the Technical Guidance for calculation methodologies). For listed equity, the denominator may by calculated using the investee's enterprise value including cash (EVIC). Refer to (15.6) Project finance in Table 5.9 for additional requirements for equity investments in projects.

Table 15.3 Equity (without financial control over investee and without significant influence)

Description	Consolidation and boundary guidance
Equity investments made by the reporting company, where the reporting company has minority interest (typically less than 20 percent ownership)[31], whereby the reporting company has neither financial control nor significant influence over the investee, including: • Limited partnerships (irrespective of limited or unlimited liability)[32] • Investment vehicles • Special purpose vehicles • Other companies • Unlisted equity • Listed equity (including common and preferred stock) • American depositary receipts (ADRs)	If an investor (reporting company) does not have operational or financial control over an investee, then it **shall** account for and report proportional **scope 1, scope 2, and required scope 3 emissions** of the investee/equity investment in category 15. Proportional emissions from equity investments should be allocated to the investor based on the investor's proportional share of total equity and debt outstanding in the investee (refer to the Technical Guidance for calculation methodologies). For listed equity, the denominator may by calculated using the investee's enterprise value including cash (EVIC). If an investor (reporting company) has operational or financial control over an investee, then it shall rely on consolidation guidance from (15.1) or (15.2). Refer to (15.6) Project finance in Table 5.9 for additional requirements for equity investments in projects.

[31] Ownership interest includes partnership interest (or any other form of interest or ownership).
[32] For example, in the case of a Limited Partnership (LP) (e.g., a fund) with eight (8) limited partners (LPs), each with 12.125% ownership or partnership interest in the fund, and one general partner (GP) with 3.00% ownership in the fund, and assuming that the LP fund has two equity investments and one debt investment, each accounting for one third of total GHG emissions which amounts to 100 tCO2e in aggregate in the reporting year, then: Each LP would report 12.125 tCO2e scope 3 emissions in category 15.1 investments (8.08 tCO2e equity and 4.04 tCO2e debt) and the GP would report 3 tCO2e scope 3 emissions in category 15.1 investments (2 tCO2e equity and 1 tCO2e debt). The GP would report the remaining 97 tCO2e scope 3 emissions in category 15.2 managed investments.

Table 15.4 Corporate debt (with known use of proceeds)

Description	Consolidation and boundary guidance
Debt holdings held by the reporting company with known use of proceeds, such as those to finance a specific project (e.g., to construct a building or perform renovation) or to finance the operations of a specific company (e.g., a corporate bond issued to raise operating capital), may include: • Business loans • Letters of credit (LC) (on-balance-sheet only)[33] • Commercial real estate Debt with known use of proceeds that is used to finance energy generating facilities, energy storage facilities, and other energy infrastructure shall be accounted for using (15.6) Project finance. Generally, debt with known use of proceeds should include only primary securities. Secondary securities, including asset-backed securities (e.g., mortgage-backed securities), shall be itemized under section 15.10.	For each year during the term of a debt holding, the lender (reporting company) **shall** account for proportional **scope 1, scope 2, and required scope 3 emissions** of loans held in the reporting year. Proportional emissions from debt (with known use of proceeds) should be allocated to the lender (reporting company) based on the lender's proportional share of total investee project or asset cost (including equity and debt) outstanding in the investee (refer to the Technical Guidance for calculation methodologies). For listed debt (e.g., bonds), the denominator may by calculated using the investee's enterprise value including cash (EVIC). Refer to Project finance (below) for additional requirements for debt investments in (loans made to) projects.

[33] Refer to Category 16 (Other value chain activities) for guidance on undrawn commitments (on-balance-sheet).

Table 15.5 Corporate debt (with unknown use of proceeds)

Description	Consolidation and boundary guidance
Debt holdings held by the reporting company with unknown use of proceeds may include: • Corporate bonds (general purpose), including unsecured bonds • Line of credit (LOC) (on-balance-sheet only)[34] • Commercial paper (held for yield)[35, 36] • Convertible bonds • Convertible notes • Exchangeable bonds • Green bonds (with unknown use of proceeds)[37] Note that for some of these financial instruments, calculation methods may not exist in the GHG Protocol Scope 3 Standard. Companies may justify their exclusion. The following financial instruments are intentionally excluded from 15.5 (and category 15), and may be accounted for and reported by a reporting company using Category 16 (Other value chain activities), including: • Cash deposits (non-interest-bearing) • Cash deposits (interest-bearing) • Cash equivalents (including financial instruments or assets not recognized as investments, e.g., which are held for liquidity)[38] • Commercial paper (held for liquidity)	For each year during the term of a debt holding, the lender (reporting company) **shall** account for proportional **scope 1, scope 2, and required scope 3 emissions** of loans held in the reporting year. Proportional emissions from debt should be allocated to the lender (reporting company) based on the lender's proportional share of total equity plus debt outstanding in the investee (refer to the Technical Guidance for calculation methodologies). For listed debt (e.g., bonds), the denominator may by calculated using the investee's enterprise value including cash (EVIC). If an investor (reporting company) has operational or financial control over an investee, then it shall rely on consolidation guidance from (15.1) or (15.2).

[34] Refer to Category 16 (Other value chain activities) for guidance on undrawn commitments (on-balance-sheet).
[35] Glossary definition (proposed). Commercial papers are short-term, unsecured promissory notes issued by corporations typically maturing within 270 days.
[36] Commercial paper held as a short-term investment to generate yield and *not* as cash equivalent (for liquidity) is considered an investment.
[37] The scope 1, scope 2, and scope 3 emissions (without any consequential avoidance measures or adjustments) of projects or investees of green bonds.
[38] Cash equivalents include treasury bills, commercial paper, certificates of deposit, repos, and money market instruments that generally do not disclose a specific use of proceeds.

Table 15.6 Project finance (with known use of proceeds)

Description	Consolidation and boundary guidance
Equity, debt, or other financial instruments held by the reporting company, in its role as an equity investor (sponsor) or debt investor (financier or lender), where the investment is used to finance a specific project (e.g., energy infrastructure, gas pipelines, coal plants, or other energy-generating or industrial facilities (including solar, wind, hydropower, geothermal, nuclear, and hydrogen)), including: • Project equity • Project debt • Special purpose bonds (for a defined project, e.g., a university) • Green bonds (with known use of proceeds)[39] • Revenue bonds (for specific municipal infrastructure)[40] Companies should account for emissions from the GHG-emitting project financed by the reporting company, regardless of any financial intermediaries involved in the transaction. A reporting company may further itemize financed projects associated with GHG-intensive sectors (e.g., power generation), projects exceeding a specified emissions threshold (developed by the company or industry sector), or projects that meet other criteria developed by the company or industry sector.	Project financing through equity and debt **shall** rely on the consolidation and accounting approach requirements of equity and debt (above). In addition, if the reporting company is an initial sponsor or lender of a project, it should quantify and account for the expected cumulative lifetime scope 1, scope 2, and scope 3 emissions of the project from the year of project completion[41] onwards and, if included, shall report said expected lifetime emissions separately from its scope 3 inventory on a cumulative basis, in the year that the project is financed.[42]

[39] The scope 1, scope 2, and scope 3 emissions (without any consequential avoidance measures or adjustments) of projects or investees of green bonds.
[40] E.g., water systems, transit, airports.
[41] The year of project completion is the year that the project is completed and ready for operation; project completion may occur within a year (e.g., July), in which case lifetime emissions should be quantified from the day or month of completion onwards.
[42] Total projected lifetime emissions are reported in the year proceeds are first received, not in subsequent years. Where there is uncertainty around a project's anticipated lifetime, companies may report a range of likely values (e.g., for a coal-fired power plant, a range over a 30- to 60-year time period).

Table 15.7 Retail debt

Description	Consolidation and boundary guidance
Debt holdings held by the reporting company with known or unknown use of proceeds, that reflect loans made to individual or household investees, including: • Mortgages • Motor vehicle loans • Other retail loans • Credit card loans	For each year during the term of a debt holding, the lender (reporting company) **shall** account for proportional **scope 1, scope 2, and required scope 3 emissions** of loans held in the reporting year. Proportional emissions from debt (with known use of proceeds) should be allocated to the lender (reporting company) based on the lender's proportional share of total investee project or asset cost (including equity and debt) outstanding in the investee (refer to the Technical Guidance for calculation methodologies). A lender (reporting company) may use another emissions boundary and attribution (proportionality) method, subject to disclosure and justification thereof.

Table 15.8 Other debt

Description	Consolidation and boundary guidance
Debt holdings held by the reporting company with known or unknown use of proceeds, that are not itemized or included in (15.4), (15.5), (15.6), or (15.7), including: • Sovereign debt • Treasury bonds, notes, bills • Government bonds • General Obligation (GO) bonds	For each year during the term of a debt holding with known use of proceeds, the lender (reporting company) **shall** account for proportional **scope 1, scope 2, and required scope 3 emissions** of loans held in the reporting year. Proportional emissions from debt (with known use of proceeds) should be allocated to the lender (reporting company) based on the lender's proportional share of total investee project or asset cost (including equity and debt) outstanding in the investee (refer to the Technical Guidance for calculation methodologies). For each year during the term of a debt holding with unknown use of proceeds, the lender (reporting company) shall account for either (a) proportionate territorial scope 1 and scope 2 emissions of a national, regional, municipal, or sovereign territory, plus net-imported emissions (excluding energy) or another (b) emissions boundary and attribution (proportionality) method (e.g., PPP-adjusted GDP method of PCAF), subject to disclosure and justification thereof. A lender (reporting company) may use another emissions boundary and attribution (proportionality) method, subject to disclosure and justification thereof.

Table 15.9 Mutual fund and ETF shares

Description	Consolidation and boundary guidance
Equity investments made by an investee (reporting company) in a mutual fund or exchange-traded fund (ETF), typically in the form of mutual fund or ETF shares.[43]	An investor (reporting company) holding shares in a mutual fund or exchange-traded fund (ETF) **shall** account for and report proportional **scope 1, scope 2, and required scope 3 emissions** of the underlying companies or assets (i.e., the fund's portfolio holdings) of the mutual fund or ETF in category 15. Proportional emissions from a mutual fund or ETF should be allocated to the investor based on the investor's proportional share of total equity and debt outstanding in the investee (refer to the Technical Guidance for calculation methodologies). For listed debt (e.g., bonds), the denominator may by calculated using the investee's enterprise value including cash (EVIC). An investor (reporting company) may use another emissions boundary and attribution (proportionality) method, subject to disclosure and justification thereof.

Table 15.10 Asset-based securities

Description	Consolidation and boundary guidance
An instrument (asset-backed securities) held by the investor (reporting company) which are collateralized by any type of self-liquidating financial asset (including a loan, lease, mortgage, secured or unsecured receivable, or any other pool of underlying debt instruments) that allows the holder to receive payments that depend primarily on the cash flow from the assets, which also grant the investor an indirect, structured claim on the underlying asset, with known or unknown use of proceeds, including: • Mortgage-backed securities (MBS) • Commercial mortgage-backed securities (CMBS) • Collateralized debt obligations (CDOs) (excluding CDO-Squared) The following securities are intentionally excluded and may be accounted for and reported using Category 16 (Facilitated emissions), including: • Derivatives (options, futures, forwards, swaps) • Warrants • Rights (preemptive) • CDOs of CDO tranches (CDO-Squared)	An investor or holder (the reporting company) **shall** account for proportional **scope 1, scope 2, and required scope 3 emissions** of the underlying asset(s), to which the debt instrument(s) (security) grants them an indirect claim, in the reporting year.[44] Proportional emissions associated with the debt instruments (securities) should be allocated to the investor or holder (reporting company) based on the investor's proportional share of total investee project or asset cost (including equity and debt) outstanding in the investee (refer to the Technical Guidance for calculation methodologies). An investor (reporting company) may use another emissions boundary and attribution (proportionality) method, subject to disclosure and justification thereof.

[43] Note that if a reporting company holds shares in a money market fund for liquidity (e.g., as cash equivalent) and not as an investment, then the emissions associated with the money market fund may be excluded from 15.10 (and/or 15.5) and may be accounted for and reported by a reporting company using Category 16 (Facilitated emissions).
[44] Calculating proportionality may involve multiple levels of proportionality calculation (refer to PCAF for more).

Table 15.11 Other investments (not included in category 16)

Description	Consolidation and boundary guidance
All other investments that (a) are not listed above (or which a company cannot classify using the above sub-categories), (b) are not itemized in category 16 (facilitated activities), and (c) finance emissions. This sub-category is for new or unclassified investment types (financial instruments) that are not covered in the above category 15 sub-categories nor in any category 16 activities.	An investor or holder (the reporting company) **shall** rely on consolidation guidance and accounting approach requirements of equity (15.1, 15.2, 15.3), debt (15.4, 15.5), and project finance (15.6) for all other investments, where applicable. An investor or holder (the reporting company) **shall** account for proportional **scope 1, scope 2, and required scope 3 emissions** of the underlying asset(s).

Annex C. Scope 3, Category 16 (Other value chain activities)

16.1 Insurance, reinsurance, and/or claims payments

This section includes activities associated with insurance contracts, reinsurance contracts, and claims payments:

16.1.1 Insurance-associated activities of insured parties (refer to PCAF Part C[45])
- 16.1.1.1 Insurance
- 16.1.1.2 Reinsurance

16.1.2 Claims payment-associated activities
- 16.1.2.1 Tangible property (including goods, capital equipment, vehicles, buildings)
- 16.1.2.2 Intangible property or activities (including services, health insurance, life insurance, business interruption)

An insurer is any company that issues insurance, issues reinsurance, and/or or makes claims payments to a beneficiary (including an insured party, other insurers, repairers, third-party claimants, or other beneficiaries) (collectively, "Insurer" or "Insurers". Re/insurers are considered financial institutions. Any investment(s) made by an insurer shall be accounted for in Category 15.

Self-insurers are not considered Insurers as defined above. Accounting for and reporting both (16.1.1) Insurance-associated activities and (16.1.2) Claims payment-associated activities is optional for Self-insurers. Refer to guidance for companies that self-insure in the sub-section on Self-insurers.

Accounting requirements:
- Insurers **may** account for (16.1.1) insurance-associated emissions.
- If reported, insurers **should** rely on PCAF Part C to quantify (16.1.1) insurance-associated emissions.
- Insurers **may** account for (16.1.2.1) emissions associated with tangible property purchased using claims payments.
  - Insurers **may** quantify the cradle-to-gate emissions associated with tangible property relying on calculation methods provided for category 1 and category 2.
  - Insurers **may** quantify the gate-to-grave emissions associated with tangible property.
- Insurers **may** account for (16.1.2.2) emissions associated with intangible property or activities purchased or paid for using claims payments.
- If reported, claims payment-associated emissions, if any, **shall not** be double-counted as insurance-associated emissions.

Reporting requirements:
- If reported, insurers **shall** disaggregate insurance, reinsurance, and claims payments as per the above list.

[45] These are "… emissions associated with re/insurance underwriting portfolios for accounting purposes (throughout the document referred to as insurance-associated emissions)" as defined by the Partnership for Carbon Accounting Financials (PCAF) in *The Global Accounting and Reporting Standard*, Part C, Insurance-Associated Emissions.

Calculation method:

No calculation method(s) are provided by the GHG Protocol for insurance, reinsurance, or claims payments. Companies that report insurance-associated emissions **should** conform with The Global Accounting and Reporting Standard, Part C, Insurance-Associated Emissions by Partnership for Carbon Accounting Financials (PCAF), First Version, November 2022.[46, 47]

Insurance, reinsurance, and claims payments:

16.1.1. Insurance-associated emissions reflect the "GHG emissions in the real economy, which are associated with specific re/insurance policies aggregated in the re/insurance portfolio" (PCAF, Part C, First Version, p. 65). If reported, in the case of reinsurance, a reinsurer (reporting company) **shall** account for the emissions attributable to the original insured party or asset and not the emissions of the insurer or ceding party transferring risk to the reinsurer. A share of emissions of the insured party (including entity, person(s), or asset(s)).

16.1.2. Claims payments reflect the money an insurance company pays to indemnify an insured party, policyholder, or other third party (referred to simply as "insured party") when a covered loss or event **occurs**, under the terms of an insurance contract. If reported, insurers **should** account for the use of claims payments in the year that claims payments are provided to an insured party. If the year in which an insured party receives a claims payment and the year in which an insured party deploys or uses the claims payment (e.g., to purchase goods, services, capital equipment, etc.) differ, then the insurer **may** report emissions associated with claims payments in the year that capital from a claims payment is deployed.

> **16.1.2.1. Tangible property.** If reported, insurers **should** account for the cradle-to-gate emissions of tangible property purchased with a claims payment(s) (including goods, capital equipment, vehicles, and buildings). Insurers **may** account for some or all of the gate-to-grave emissions of property purchased with a claims payment(s) used to cover property damaged. For the avoidance of doubt, it is not expected that insurers account for or report the gate-to-grave or cumulative lifetime emissions of property purchased with a claims payment(s).
>
> **16.1.2.2. Intangible property or activities.** Insurers **may** account for the emissions of intangible property purchased with a claims payment(s) (including health insurance, life insurance, and business interruption). No calculation method is provided for these other claims-payment associated emissions.

Self-insurers:

A parent company or firm that self-insures or that insures a wholly owned subsidiary company (a "Self-insurer" or "Self-insurers") **may** account for (16.1.1) insurance-associated emissions and (16.1.2) claims payment-associated emissions, so long as this does not double count emissions within said reporting company's scope 1, scope 2, and/or scope 3 inventory.

For example, if a parent company provides insurance to a wholly owned subsidiary, then the GHG emissions associated with the subsidiary would already be accounted for in the parent company's GHG

[46] Other versions of this standard may not comply with some or all accounting and reporting requirements of GHG Protocol.
[47] This is subject to GHG Protocol's approval of the accounting and reporting requirements of PCAF Part C.

inventory. Similarly, a self-insurer would already be accounting for the scope 1, scope 2, and scope 3 emissions of insured activities. Similarly, if this parent company makes a claims payment to its subsidiary, for example, to rebuild a facility or to purchase new inventory, then the GHG emissions associated with these purchases by the subsidiary would already be accounted for in the parent company's GHG inventory.

For example, if a parent company insures a partially owned subsidiary, then the parent company should account for the insurance-associated emissions and claims payment-associated emissions pro rata, without double counting the investee (subsidiary) emissions which the insurer (parent company) may already be accounting for in Category 15 (Investments).

Table 16.1 Insurance, reinsurance, and claims payments

Activity or service	Description	Boundary requirements and guidance
16.1.1 Insurance-associated emissions	Refer to The Global Accounting and Reporting Standard, Part C, Insurance-Associated Emissions by Partnership for Carbon Accounting Financials (PCAF), First Version, November 2022	If reported, insurers **should** rely on The Global Accounting and Reporting Standard, Part C, Insurance-Associated Emissions by Partnership for Carbon Accounting Financials (PCAF), First Version, November 2022 to quantify (16.1.1) insurance-associated emissions.[48, 49]
16.1.2 Claims payments	Claims payments reflect the money an insurance company pays to an insured party for a covered loss or event, under the terms of an insurance contract, including: • Tangible property (e.g., repair and maintenance, capital equipment, goods, vehicle, buildings, etc.) • Intangible property (e.g., health insurance, life insurance, business interruption, etc.)	If reported, insurers **should** account for the cradle-to-gate emissions of tangible property purchased with a claims payment(s) (including goods, capital equipment, vehicles, and buildings). Insurers **may** account for the gate-to-grave emissions of property purchased with a claims payment(s) used to cover property damaged. For the avoidance of doubt, it is not expected that insurers account for or report the cumulative lifetime emissions of property purchased with a claims payment(s). If reported, insurers **may** account for the emissions of **intangible property** purchased with a claims payment(s) (including health insurance, life insurance, and business interruption). No calculation method is provided for these other claims-payment associated emissions. If reported, insurers **should** account for the use of claims payments in the year that claims payments are provided to an insured party. If the year in which an insured party receives a claims payment and the year in which an insured party deploys or uses the claims payment (e.g., to purchase goods, services, capital equipment, etc.) differ, then the insurer **may** report emissions associated with claims payments in the year that capital from a claims payment is deployed.

[48] Other versions of this standard may not comply with some or all accounting and reporting requirements of GHG Protocol.
[49] This is subject to GHG Protocol's approval of the accounting and reporting requirements of PCAF Part C.

16.2 Underwriting and issuance (arrangers)

Underwriting means the process of evaluating, assessing, pricing, structuring, and/or providing guarantees or commitments related to financial products, securities, loans, insurance policies, or other obligations, including activities such as due diligence, risk analysis, and determination of terms and conditions. Businesses, governments, and infrastructure projects rely on underwriting, issuances, and capital market transactions to raise funding. Underwriters and issuers thus play a fundamental role in facilitating the financing of business, government, and/or project activities. Thus, they facilitate the financed emissions of investors. Underwriters and issuers can associate these financed emissions using a transaction value-based approach.

For clarity, underwriting does not include investing, which refers to the act of committing or deploying capital or assets with the expectation of earning a return. A party engaged in underwriting is not considered an investor unless and until it undertakes an investment activity separate from the underwriting process.[50]

Accounting Requirements:

- If reported, companies **should** account for the scope 1, scope 2, and scope 3 emissions from underwriting and issuance in accordance with The Global Accounting and Reporting Standard, Part B, Facilitated Emissions by Partnership for Carbon Accounting Financials (PCAF), First Version, December 2023.[51]
- Any underwriter that invests in an investee or asset **shall** account for said investment(s) using category 15 and only the underwriting activities **may** be accounted for in category 16. A reporting company that both invests in and underwrites the same entity **shall** account for the investment using category 15 and **may** account for the emissions associated with underwriting in category 15, without double counting.

Reporting Requirements:

- Companies **may** disaggregate underwriting and issuance activities.[52]

Calculation method:

- No calculation method(s) are provided by the GHG Protocol for underwriting and issuance. Companies that report emissions associated with underwriting and/or issuance **shall** conform with The Global Accounting and Reporting Standard, Part B, Facilitated Emissions by Partnership for Carbon Accounting Financials (PCAF), First Version, December 2023.[53, 54]

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[50] For more, see: SEC Regulation M, Rule 100(b) (defining underwriter as a person who purchases securities from an issuer with a view to distribution, but not necessarily an investor); Black's Law Dictionary (11th ed.) (defining underwriting as the process of insuring or guaranteeing against risk, particularly in securities offerings, insurance, and loans); Bank for International Settlements, Basel Glossary (underwriting is the process of assessing and pricing risk, not the act of committing capital as an investor).
[51] Other versions of this standard may not comply with some or all accounting and reporting requirements of GHG Protocol.
[52] Category 16 has a disaggregation rule (Draft Category 16 v5) that applies to Category 16.
[53] Other versions of this standard may not comply with some or all accounting and reporting requirements of GHG Protocol.
[54] This is subject to GHG Protocol's approval of the accounting and reporting requirements of PCAF Part B.

Table 16.2 Underwriting and issuance

Activity or service	Description	Boundary requirements and guidance
16.2 Underwriting and issuance	Investments arranged (including underwritten) by the reporting company (the arranger) on behalf of a client, including corporate underwriting and issuance for clients seeking equity or debt capital. This includes primary and secondary issuance.	If reported, an arranger(s) (the reporting company) **should** report a **fraction (%)** of the scope 1, scope 2, and scope 3 emissions attributable to the investee receiving proceeds both (a) without a weighting factor and (b) with weighting (i.e., in accordance with The Global Accounting and Reporting Standard, Part B, Facilitated Emissions by Partnership for Carbon Accounting Financials (PCAF), First Version, December 2023).[55, 56] An arranger (the reporting company) **may** quantify and account for the cumulative projected lifetime scope 1, scope 2, and scope 3 emissions of the receiver of proceeds in the year proceeds are received and **should** report these projected lifetime emissions separately from its (the reporting company's) scope 3 inventory.[57]

[55] Other versions of this standard may not comply with some or all accounting and reporting requirements of GHG Protocol.
[56] When reporting a fraction of emissions from underwriting or issuance, an underwriter or issuer (reporting company) should, where possible, rely on industry-specific standards or other common best practice to determine the relevant denominator and/or adjustment factors used in this calculation.
[57] Total projected lifetime emissions are reported in the initial year the receiver of proceeds receives the proceeds, and not in subsequent years. Where there is uncertainty around lifetime emissions of the receiver of proceeds, an arranger (reporting company) may report a range of possible values (e.g., three possible forward-year emissions of a company that is taken public through and initial public offering, for example, low, base, high).

16.3 Other financial activities and services

Other financial activities does **not** include (15.1) Investments, (15.2) Managed investments, (16.1) Insurance-related emissions, and (16.2) Underwriting and issuance. Other financial activities and services includes:

- **16.3.1. Advised investments**
  - Investments advised by the reporting company (advisor perspective)
- **16.3.2. Compensation payments (employer perspective)**
  - Compensation payments (made by an employer to a pension fund or retirement account)
- **16.3.3. Insurance premium-related (insured party perspective)**
  - Insurance premium-associated emissions (insured party perspective)
- **16.3.4. Cash deposits (depositor perspective)**
  - Cash deposits (excluding cash equivalents[58]) (depositor perspective)
- **16.3.5. Donations (donor perspective)**
  - Cash donations (donor perspective)
- **16.3.6. Derivatives (buyer and/or seller perspective)**
  - Derivatives (including futures, options, and swaps) (buyer and/or seller perspective)
- **16.3.7. Short positions (short seller perspective)**
  - Short positions represent an obligation on the part of the short seller to return the borrowed securities to the lender.
- **16.3.8. Undrawn commitments (lender perspective)**
  - Investment or loan commitments made by a reporting company (lender) which have not been advanced to the borrower(s) and which therefore remains available for drawdown (by the borrower).

Accounting requirements:

- Companies **may** account for (16.3) other financial activities.
- If reported, companies **should** account for the scope 1, scope 2, and scope 3 emissions of the activity facilitated by the financial activity.

Reporting requirements:

- If reported, companies **shall** disaggregate other financial activities using the above line-items (16.3.1 through 16.3.6).
- If reported, advisors **should** disaggregate advised investments using three sub-totals for equity, debt, and project finance.

Calculation method:

No calculation methods are provided for the following investment types. Reporting companies **should**, where possible, rely on industry-specific standards and/or common best practice to quantify emissions attributable to the following financial instruments and/or financial activities.

[58] Cash equivalents are detailed in category 15, Table 15.5. Corporate debt (with unknown use of proceeds)

Guidance on other financial activities and services:

16.3.1. A third-party advisor advises investments on behalf of clients. Advisors have non-discretionary advisory control over investments, unlike third-party managers that have discretionary control over investments (refer to section 15.2 for guidance on third-party managers). Reporting companies (third-party advisors) **should** disaggregate advised investments using three sub-totals for equity, debt, and project finance within advised investments. The emissions attributable to a third-party advisor's advisory services provided to a client, reflect the client's scope 3 category 1 emissions.

16.3.2. Compensation payments are paid by an employer (reporting company) on behalf of employees to a third-party investor (e.g., a pension fund, retirement account, or other investment vehicle). Some forms of compensation payments **should** be excluded if they would double count a reporting company's scope 1, scope 2, or scope 3 emissions which are already accounted for in the reporting company's inventory (e.g., stock options or restricted stock units). Any form of compensation payment which is **not** invested but is used to pay for goods and services (e.g., health insurance premiums or dental/vision insurance, housing allowances, per diem, reimbursable expenses, etc.) is not considered an investment nor other financial activity; such types of (non-invested) compensation payments **may** be accounted for by a reporting company in said reporting company's scope 3 category 16 using line-item 16.7(n).

16.3.3. Insurance premiums paid by insured parties fund the investments of insurers. Premium payments are used by insurers to (a) cover claims payments of insured parties, (b) invest to earn income, and (c) overhead. Insured parties thus fund an insurers business. Given that each insured party may receive claims payments from an insurer in accordance with coverage, and given that the use of a claims payment by an insured party would be accounted for and reported in said insured party's GHG inventory, therefore, insured parties do **not** have to account for or report an insurer's use of premium payments to (a) cover claims payments of any other insured parties. Each insured party, however, facilitates (funds[59]) the (b) investments and (c) overhead of the insurer, proportionate to claims payments made by an insured party. Insured parties therefore **may** account for a portion of the emissions associated with or attributable to an insurer's business overhead and investments. The portion of said emissions accounted for by the insured party **should** be proportionate to the premium payment amount paid by the insured party on an annual basis, as a fraction of total premium payment-derived income received by the insurer.

16.3.4. Cash deposits are funds that a depositor (as a reporting company) places (deposits) into accounts held by a depositary institution (e.g., a bank or credit union). When depositors deposit cash or credit, the depositary institution records said deposit amounts as a liability because the depositary owes said deposit amounts to the depositors on demand. A depositary only holds a fraction of total deposits (idly) to maintain sufficient reserves to meet withdrawal demands from depositors. The remainder is used to fund loans (such as mortgages, business loans, or personal loans) extended by the depository and/or to make investments (e.g., in low-risk securities). Through such lending and investing activities, the depositary earns interest income. This system of holding deposits and using a fraction to fund lending and investing activities by the depository underpins fractional reserve banking, which is a necessary component of economic growth. A depositor effectively facilitates the activities associated with a depository's lending and investing activities. As such, a depositor (as a reporting

[59] An insured party's premium payments do not correspond with equity or ownership interest in an insurer, so an insured party is not investing in an insurer by virtue of paying insurance premiums; an insured party's premium payments (funding) therefore facilitates.

company) **may** account for a proportion of the emissions associated with a depositary institution's loans and investments. For the avoidance of doubt, depositaries do **not** need to account for or report the emissions associated with depositor's use of cash deposits regardless of any interest paid by a depositary to a depositor and regardless of any fees paid by a depositor to a depositary.

16.3.5. Charitable contributions include cash donations and non-cash donations. Non-cash donations, including gifts, in-kind donations (e.g., equipment, supplies, or services), real property donations (e.g., land or buildings), securities or asset donations (e.g., stocks, bonds, mutual funds, or other marketable securities), **shall not** be reported in category 15 as the attributable emissions **should** already be accounted for in a reporting company's scope 1, scope 2, or other scope 3 categories. In the case of cash donations, a donor's provision of capital or financing for a donee funds the business activities of said donee. Cash donations include monetary donations (e.g., gifts of money made via cash, check, wire, credit card, or online platforms), cash grants (including restricted, unrestricted, and project-based grants), and other cash or credit payments to a done. Donations are made by a reporting company (donor) without the exchange of equity or ownership in a donee (e.g., a foundation, endowment, not-for-profit, non-governmental organization, charity, or other receiving organization). For the avoidance of doubt, donees (e.g., foundations or charitable organizations) do **not** need to account for or report the emissions associated with a donor's business operations.

16.3.6. Derivatives are financial instruments or contracts whose value is dependent upon or derived from the performance of an underlying asset (e.g., a commodity), currency, interest rate, stock, bond, market index, or another variable. Derivatives do not reflect ownership in the underlying asset. As such, derivatives do not fund but they do support risk management (e.g., price hedging), liquidity and price discovery, and capital efficiency. For example, an Option (derivative) may give the options buyer (derivative holder) the right to buy an asset at a specific price at a future date, at which point the derivative holder would record this as a financed investment. Further, while some derivatives can mimic the economic effects of insurance, and while some reporting companies may use derivatives to hedge price movements, secure liquidity, and/or transfer or manage risk, however, derivatives are financial contracts that trade risk or exposure and therefore to not directly finance or inject money into a company or real project. For these reasons, derivatives are not classified in (15.1) owned investments despite them being investments that are owned by a party. For the avoidance of doubt, the GHG Protocol is not providing calculation nor consolidation guidance for derivatives. Reporting companies should, where possible, rely on industry-specific standards and/or common best practice to quantify emissions attributable to derivatives.

16.3.7. Short positions. A short position does not constitute equity or an ownership interest; companies that hold short position (e.g., traders) may account for emissions associated with the underlying asset in Category 16.3.[60] For the avoidance of doubt, a short seller **shall not** account for any avoided emissions attributable to declines in business operations attributable to the underlying asset or business operations associated with the securities borrowed by the short seller. Given that the short seller neither (a) owns nor (b) funds the underlying asset or business operations associated with the borrowed securities, therefore the short seller shall not account for any avoided emissions. The short seller **may** account for the emissions attributable to the underlying asset or business operations

[60] A short position involves three parties: (i) the short seller, who borrows securities and sells them into the open market; (ii) the lender of the securities, who loans the securities to the short seller with the expectation that equivalent securities will be returned; and (iii) the market counterparty, who purchases the borrowed securities in the open market and thereby holds the equity interest in the underlying entity or asset associated with those securities. A short position represents an obligation on the part of the short seller to return the borrowed securities to the lender. At no point (either before entering, during, or after exiting a short position) does the short seller hold any equity or ownership interest in the underlying entity or asset associated with the securities.

associated with the borrowed securities. The lender of securities **shall** account for the emissions attributable to the underlying asset or business operations using category 15, given that the lender owns the securities. The market counterparty that purchases the borrowed securities in the open market **shall** account for the emissions attributable to the underlying asset or business operations associated with said securities.

16.3.8. Undrawn commitments. An undrawn commitment is a legally binding obligation by a lender (such as a bank or financial institution) to provide a borrower with a specified amount of credit, which has not yet been drawn down (i.e., used or disbursed). These commitments are common in credit agreements such as revolving credit facilities, term loan agreements, and project finance facilities. An undrawn commitment is recorded as neither an asset nor a liability from the perspective of the lender or borrower. An undrawn facility is a right, not an obligation. In some cases, a lender may record an expected credit loss (ECL) as a liability. Only when a commitment is drawn (by the borrower) does the amount reflect an asset (debt) from the lender's perspective and a liability from the borrower's perspective.

For this reason, the portion of a lender's (reporting company's) total commitment under a loan agreement that (a) has not been advanced to the borrower (investee) and (b) remains available for drawdown, subject to the terms and conditions of the agreement (the "undrawn commitment") shall be reported in category 16. This includes undrawn commitments that are recognized by a borrower (i) **on-balance sheet** (from the borrower's perspective) (e.g., private equity commitments (uncalled portion) for which fair value disclosure applies and expected credit losses (ECL) if irrevocable) or (ii) **off-balance-sheet** (from the borrower's perspective) (e.g., revolving credit facility, overdraft facility, business loan secured by real estate, delayed draw term loan, private equity commitment (uncalled portion), and committed credit facility.

Table 16.3. Other financial activities and services

Activity or service	Description	Boundary requirements and guidance
16.3.1 Advised investments	Investments (including equity, debt, and/or project finance) advised by a reporting company that has non-discretionary advisory control, including: • Financial advisory services for clients seeking assistance with mergers and acquisitions or requesting other advisory services, including third-party managers or advisors with non-discretionary, advisory control over client investments Investments that are advised by the reporting company include: All classifications of equity (15.1, 15.2, and 15.3) Equity, Corporate debt (15.4 and 15.5) Debt, and (15.6) Project finance.	If a reporting company reports emissions from advised investments, it **should** account for **all (100%)** of the scope 1, scope 2, and scope 3 emissions of the advised investment(s) made by a client(s).

Activity or service	Description	Boundary requirements and guidance
16.3.2 Compen-sation Payments (employer perspective)	Investments (including equity, debt, and/or project finance) made using compensation payments paid by a reporting company (e.g., into a pension fund) which are invested on behalf of employees (e.g., by a third-party manager or pension fund).	If a reporting company chooses to report emissions from compensation payments, it **should** account for **all (100%)** of the scope 1, scope 2, and scope 3 emissions attributable to investments made using an employee's compensation payment(s).
16.3.3. Insurance Premium-associated emissions	Investments and/or purchases made by an insurer using insurance premium payments provided by an insured party (the reporting company), including: • Equity, debt, and/or project finance • Claims payments	If a reporting company (insured party) chooses to report insurance premium-associated emissions, it **should** account for and report **proportional** scope 1, scope 2, and scope 3 emissions of the insurer's total investments and claims payments (in the reporting year). Proportional emissions from insurance premium-associated investments or claims payments **should** be allocated to the insured party (reporting company) based on the insured party's annual claims payment amount as a proportion of total premium payment income received by the insurer from all its insured parties (i.e., excluding insurer income from investments or financing or other sources).
16.3.4 Cash deposits	Investments (including equity, debt, and/or project finance) made by a depositary using a depositor's (reporting company's) cash deposits. Cash deposits include non-interest-bearing and interest-bearing cash deposits; but exclude cash equivalents.[61]	If a reporting company chooses to report the emissions associated with cash deposits, it **should** account for a **proportion** of the scope 1, scope 2, and scope 3 emissions associated with a depositary institution's owned investments.
16.3.5 Cash donations	Business activities (including investments) of a donee made possible using cash donations (including restricted, unrestricted, and project-based grants) provided by a donor (reporting company), including to: • Endowment funds • Foundations • Not-for-profit organizations • Non-governmental organizations • Other charitable causes and/or organizations	If a depositor (reporting company) chooses to report on the emission attributable to a depositary's use of their cash deposits, it **should** account for a **fraction** scope 1, scope 2, and scope 3 emissions facilitated by the reporting company's cash deposit and/or donation.
16.3.6 Derivatives	Derivatives sold and/or purchased by a reporting company, including: • Futures contract	If a derivative seller and/or buyer (reporting company) chooses to report the emissions

[61] Cash equivalents are detailed in category 15, Table 15.5. Corporate debt (with unknown use of proceeds)

Activity or service	Description	Boundary requirements and guidance
	• Options contracts • Swaps • Credit derivatives Derivatives may include: • Interest rate futures • Oil futures • Call/put options on stocks or indexes • Interest rate swaps • Credit default swaps	attributable to the underlying asset(s) associated with the derivative(s), it **should** account for **all (100%)** of the scope 1, scope 2, and scope 3 emissions of the underlying asset, currency, interest rate, stock, bond, market index, or another variable upon which the value of the derivative is dependent upon or derived. Note: If the emissions of the underlying asset decreases, the reporting company **shall not** report avoided emissions. No calculation method exists for derivatives. Reporting companies **should**, where possible, rely on industry-specific standards and/or common best practice to quantify emissions attributable to derivatives.
16.3.7 Short positions	Short positions held by a reporting company.	If a short seller (reporting company) chooses to report the emissions attributable to the underlying asset(s) and/or business operations associated with the securities, it **should** account for **all (100%)** of the scope 1, scope 2, and scope 3 emissions of the underlying asset and/or business operations. For the avoidance of doubt, if the emissions of the underlying asset decreases, the reporting company **shall not** report avoided emissions in said company's Scope 3 inventory.
16.3.8 Undrawn commit-ments	The portion of a lender's (reporting company's) total commitment under a loan agreement that (a) has not been advanced to the borrower (investee), (b) remains available for drawdown, subject to the terms and conditions of the agreement (the undrawn commitment).	If reported, for each year during the term of the undrawn commitment with known or unknown expected use of proceeds, the lender (reporting company) **should** account for proportional **scope 1, scope 2, and scope 3 emissions** of the borrower (investee) in the reporting year. Proportional emissions from the undrawn commitment **should** be allocated to the lender (reporting company) based on the lender's proportional share of total, expected investee project or asset cost (including equity, debt, and on-balance-sheet undrawn commitments) outstanding in the investee. A lender (reporting company) **may** use another emissions boundary and attribution (proportionality) method, subject to disclosure and justification thereof.

16.4 Licensing

A licensing arrangement is a legal agreement in which the owner of a right (the licensor) grants another party (the licensee) permission to use that right under specified conditions, without transferring ownership. Licensing may apply to intellectual property, brands, software, technology, or other legally protected rights. This includes both (a) physical product licensing (e.g., a trademark for physical goods like apparel or consumer products) and (b) intangible or use-only licensing (e.g., software licenses).

Accounting requirements:

- Companies **may** account for (16.4) activities of licensees.
- If reported, companies **should** account for the scope 1, scope 2, and scope 3 emissions of the activities facilitated by the license.

Reporting requirements:

- If reported, companies **may** disaggregate licensing activities.

Calculation method:

No calculation method(s) is provided by the GHG Protocol for licensing. Companies may rely on industry-specific standards and guidance to quantify and account for emissions from licensing.

16.5 Distribution of fuel and/or energy

Distributors of fuel and energy are entities whose primary role is to transport, transmit, or deliver fuels and energy on behalf of other parties, without purchasing or taking ownership of the commodity itself. These companies provide logistical or infrastructural services that enable the movement of fuels and energy from extractors, refiners, generators, or utilities to downstream customers. In all cases, distributors act as facilitators of physical movement, not as owners or sellers of the fuels or energy.

Examples of distributors (non-purchasing) include:

- Pipeline operators that transport crude oil, refined products, or natural gas but do not own the fuels they move.
- Electric grid and transmission companies that deliver power generated by utilities to end users without taking title to the electricity.
- Rail, shipping, barge, or trucking companies contracted to move coal, oil, gas, or biomass without buying or selling the commodities.
- Storage and terminal operators that blend, store, or transfer fuels under service agreements rather than resale contracts.

For the avoidance of doubt, the loss of fuels (solid, liquid, gaseous) (e.g., due to leakage from pipe failure, fugitive releases, evaporative emissions, or other process emissions) during distribution by a distributor is treated as consumed fuels and therefore **shall** be accounted for and reported by the distributor as scope 1 emissions. For the avoidance of doubt, a fraction of the carbon contained in spilled oil does reach the atmosphere as GHG emissions (e.g., from evaporation and biodegradation). For the avoidance of doubt, the loss of energy (including electricity, steam, heat, cooling) during distribution by a distributor **shall** be accounted for and reported by the distributor as scope 3 category 3 emissions.

Accounting requirements:

- Companies **shall** account for the upstream (cradle-to-gate) and downstream (combustion-related and/or gate-to-grave) emissions of distributed fuel and energy (excluding emissions consumed or lost in the T&D system).[62]

Reporting requirements:

- If reported, companies **may** disaggregate distribution activities (e.g., by fuel/energy type or geography).

Calculation method:

- No new calculation methods are provided; refer to scope 3 category 3 for calculation methods and associated guidance.

[62] For the avoidance of doubt, fuel and energy lost during distribution by a distributor in the T&D system (i.e., from the point that the distributor is in possession of and controls the fuel and energy, effectively, customer to customer or gate-to-gate) shall be accounted for as scope 3 category 3 emissions.

16.6 Commodities (select)

A company may purchase and sell commodities for different purposes, including **physical consumption** (operating input procurement), **inventory management** (including to managing supply variability), **physical merchandising** (including intermediary trading), **financial hedging**, **financial speculation**, **regulatory or compliance obligations**, and **portfolio diversification**. These purposes may be **operational** (e.g., physical consumption, inventory management, physical merchandising, regulatory or compliance obligations, and financial speculation for trading houses, hedging for operational exposure), **investments** (e.g., portfolio diversification, financial speculation by financial institution, hedging for a portfolio), or **financial** (e.g., hedging interest-rate or FX exposure).

Commodities include:

- Oil and gas (O&G) (including crude, refined oils or fuels, natural gas, coal)
- Electricity
- Metals (precious metals, e.g., gold, silver, palladium; and base metals, e.g., copper, nickel, aluminum)
- Agricultural and forestry commodities (grains, oilseeds, soft commodities, e.g., coffee, cocoa, sugar, cotton, and other, e.g., rice, sorghum, palm oil, timber, paper, pulp, etc.)
- Livestock and meat (live cattle, processed meats)

Classification:

- Any and all other commodities (excluding fuel and energy) purchased and used or consumed by the reporting company **shall** be accounted for as a purchased good or service (Category 1).[63]
- Commodity ETFs/ETNs **shall** be accounted for and reported as an investment (Category 15, sub-category 15.10).
- Any and all commodities purchased or traded using over-the-counter (OTC) derivatives (including saps, forwards, or options) are derivatives and shall be classified using Category 16, sub-category 16.3.6.
- A futures contract (including an exchange-traded derivative) are derivatives and shall be classified using Category 16, sub-category 16.3.6.
- Any and all fuel and/or energy purchased and sold by the reporting company that satisfies the required or optional scope 3 emissions boundaries of either scope 1, scope 2, scope 3 category 3 (including emissions consumed or lost in the T&D system), scope 3 category 11, or other scope 3 category 16 sub-categories (e.g., 16.3.6), **shall** be accounted for in said scopes, categories, and sub-categories.[64] Refer to Category 3 for requirements and guidance in accounting for and reporting emissions attributable to fuel- and energy-related activities (not included in the reporting company's scope 1 and scope 2 emissions inventories).[65]
- All other commodities (excluding 1, 2, 3, and 4 above) shall be classified using Category 16, sub-category 16.6.

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[63] If a reporting company purchases a commodity (e.g., steel) and only uses a fraction (e.g., 20%) for consumption or use, while selling the remainder (e.g., 80%), then it shall account for and report emissions attributable to the commodity in both Category 1 and Category 15 (specifically, in this example, 20% in Category 1 and 80% in Category 15).

[64] For the avoidance of doubt, fuel and energy lost during distribution by a distributor in the T&D system (i.e., from the point that the distributor is in possession of and controls the fuel and energy, effectively, customer to customer or gate-to-gate) shall be accounted for as scope 3 category 3 emissions.

[65] Fuel includes crude oil, gasoline, diesel, kerosene, jet fuel, natural gas (methane), coal (anthracite, bituminous, lignite), peat, oil shale, biofuels (wood, biomass, ethanol, biodiesel, biogas, bio-oil, algae-based oil, municipal solid waste), nuclear fuels (uranium, plutonium, thorium, deuterium and tritium), hydrocarbon, ammonia, and metal powders. Energy includes electricity, thermal energy (heat, steam, district heating, i.e., hot water, ice/chilled water, molten salt, etc.), capacitators/supercapacitators, and batteries.

Accounting requirements:

- If reported, an investor or holder (the reporting company) **may** account for the cradle-to-gate (upstream) and downstream (gate-to-grave) emissions attributable to the physical commodity classified in Category 16, sub-category 16.6.

Reporting requirements:

- If reported, companies **may** disaggregate commodities by type.

Calculation method:

- No new calculation methods are provided.

16.7 Cryptocurrency

Cryptocurrency (including fungible and/or non-fungible tokens, e.g., BitCoin, Ethereum, Tether, NFTs, etc.) purchased and/or sold by a reporting company.

Accounting requirements:

- If reported, an investor or holder (the reporting company) of cryptocurrency (including fungible tokens, data tokens, decentralized compute or storage tokens, and non-fungible tokens) **should** account for the emissions attributable to producing or creating the token and the scope 1 and/or scope 2 emissions attributable to operating and cooling the data infrastructure used to store, manage, or hold such tokens.[66]

Reporting requirements:

- If reported, companies **may** disaggregate cryptocurrency by type.

Calculation method:

No new calculation methods are provided.

[66] If the reporting company owns the data infrastructure used to store or manage the fungible or non-fungible token(s), then the emissions from operating that infrastructure shall be included in the reporting company's scope 1 and/or scope 2 GHG emissions inventories, as applicable.

16.8 Other facilitated activities

The following list of other facilitated activities is **not** exhaustive:[67]

(a) Broker products or assets
(b) Booking/travel agents
(c) Two-sided marketplace acting as agent[68]
(d) Payment system (for transacting products)
(e) Payment system (for digital money transfer)
(f) Fourth-party logistics (4PL) providers
(g) Logistics (of third-party products)
(h) Ports (T&D of third-party products by clients inside a port's boundary of operations)
(i) Ports (T&D of third-party products by clients outside a port's boundary of operations)
(j) Advertisements tied to performance-based compensation
(k) Advertisements tied to non-performance-based compensation
(l) Debit card transactions
(m) Non-energy-linked service providers
(n) Compensation payments (non-investment)

[67] Preparing a full list would require significantly more work with the TWG and external, third-party industry-specific standards groups and/or frameworks. This may require setting up a request for proposal (RFP) by the GHG Protocol for free (unpaid) proposals.
[68] This is not a two-sided marketplace.