Scope 3

GSMA & CDP Supply Chain

CDP
DISCLOSURE INSIGHT ACTION

Agenda

- Introduction to Scope 3
- Scope 3 in the CDP Climate Change Questionnaire
- Approaches: Utilising primary data
- Common questions
- Product-level data
- Q&A

EMISSIONS CATEGORIES

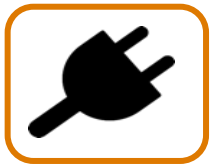
Categories of emissions are referred to as “Scopes”

Scope 1 – Greenhouse gases that your company emits

Company Facilities

Company Vehicles

Scope 2 – Greenhouse gases that others emit due to your energy use



Purchased electricity, steam, heating & cooling

Scope 3 – Everything else

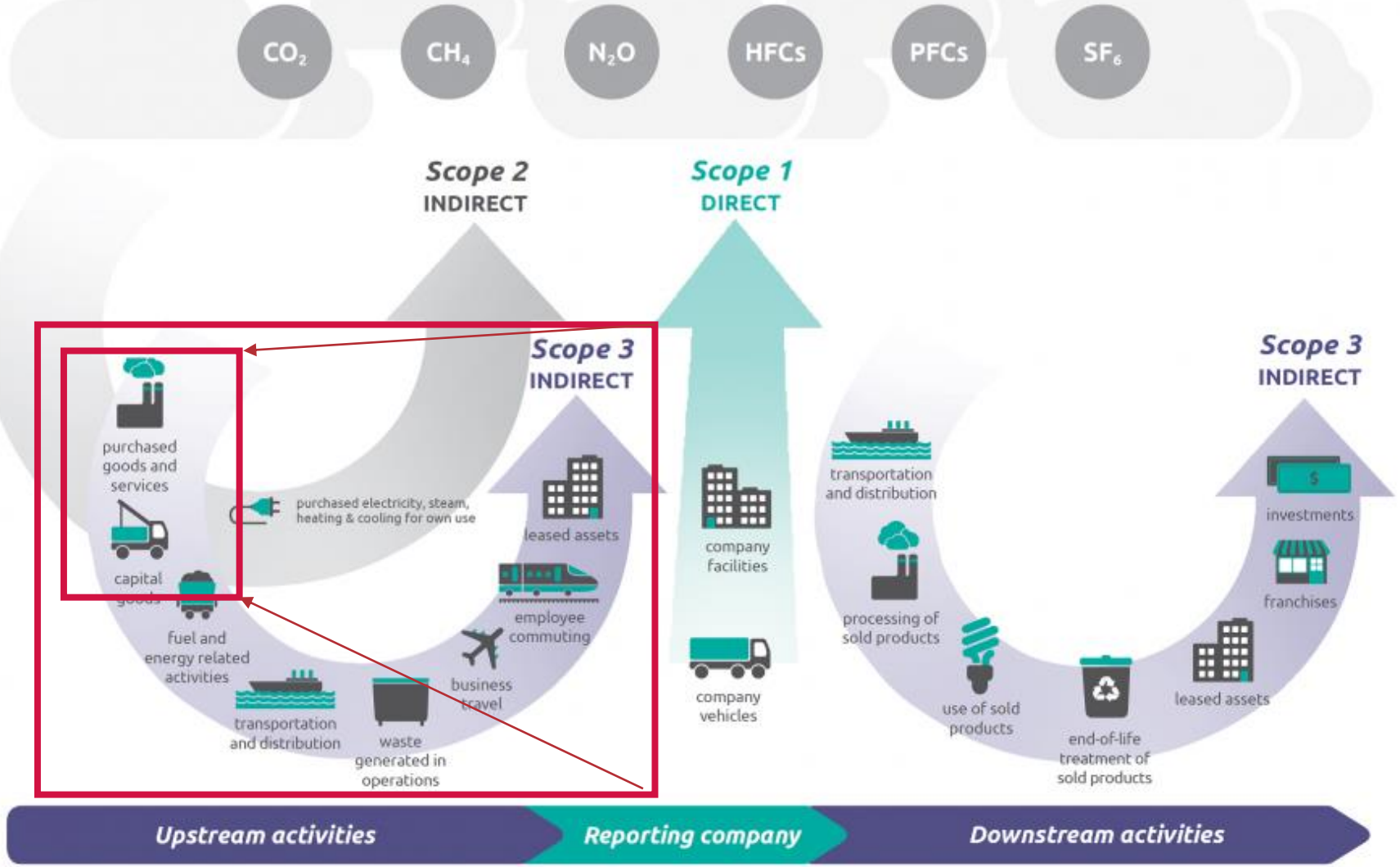
Value chain upstream & downstream

Supplier emissions

Product use

Employee commuting

Scope 3 Emissions Protocols

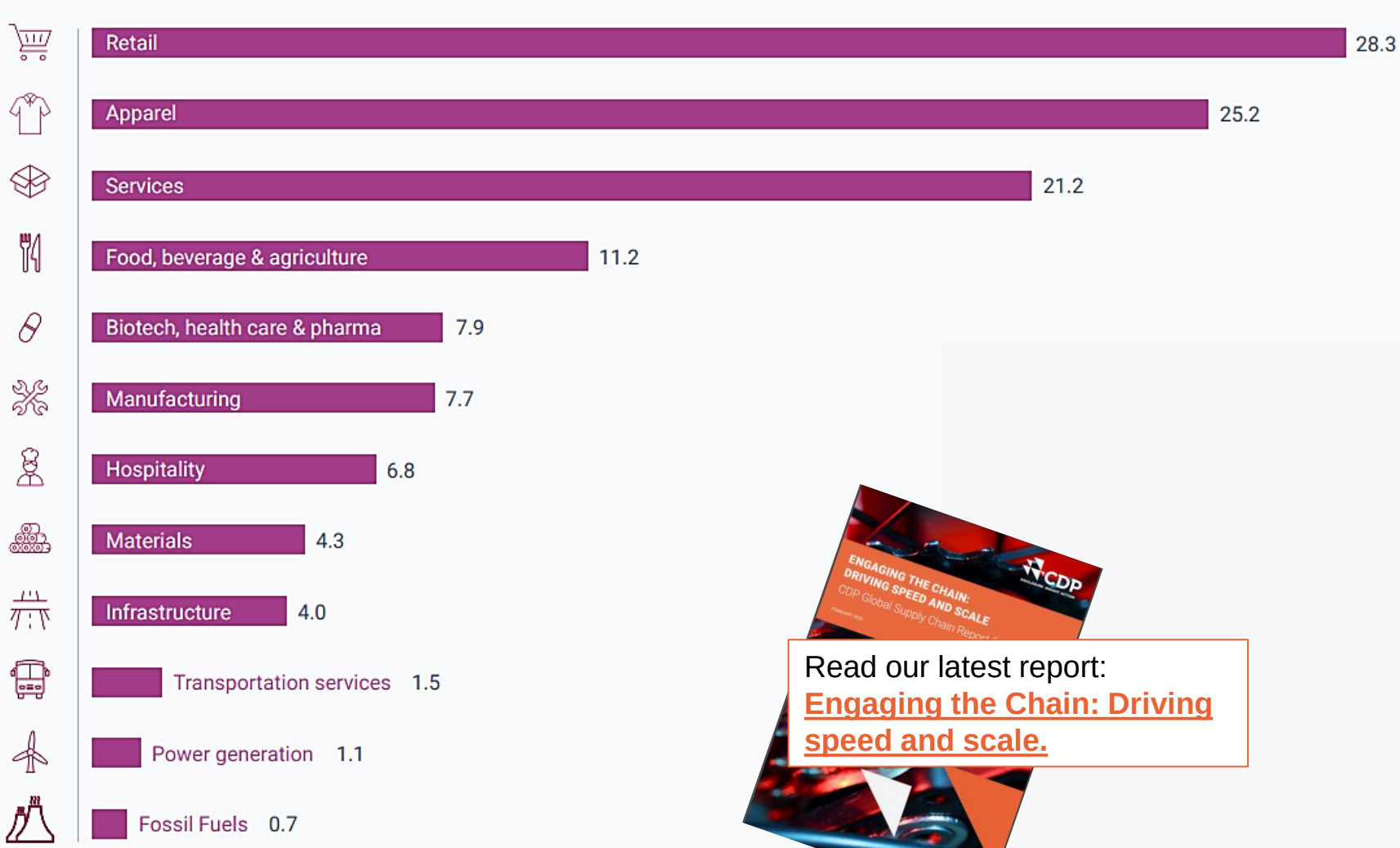


GHG Protocol have excellent documents freely available.

- GHG Protocol – Scope 3 Standard
- GHG Protocol – Scope 3 Calculation Guidance

WHERE DOES YOUR BIGGEST IMPACT LIE?

Supply chain emissions are significantly higher than direct operations emissions



Read our latest report:
[Engaging the Chain: Driving speed and scale.]

Source :CDP Global Supply Chain Report 2020

DISCLOSURE INSIGHT ACTION

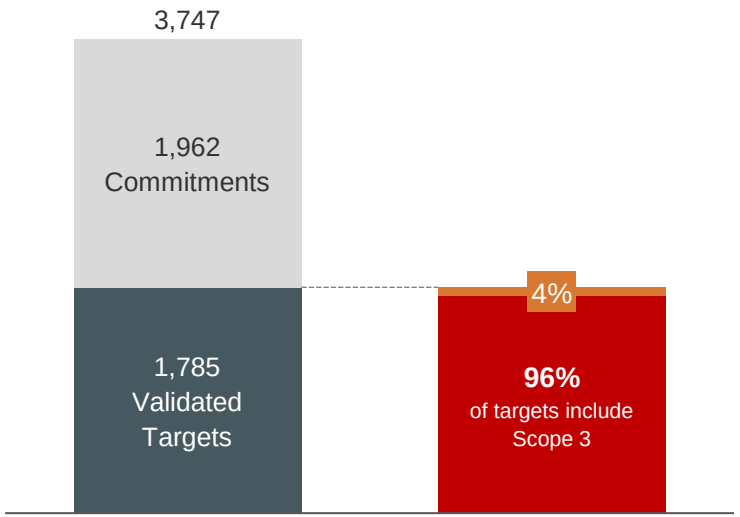
On average, supply chain emissions are

21.2x higher

than operational emissions for Services

SCOPE 3 TARGET-SETTING

Target-setting is critical to achieve system-wide decarbonisation



Number of companies as of October 2022


IFRS

Home > News > ISSB unanimously confirms Scope 3 GHG emissions disclosure requirements with strong application support, among key decisions

21 October 2022

ISSB unanimously confirms Scope 3 GHG emissions disclosure requirements with strong application support, among key decisions

Montreal, Canada—The International Sustainability Standards Board (ISSB) of the IFRS Foundation has made significant progress refining its first two proposed sustainability-related disclosure standards—[draft] IFRS S1 *General Requirements for Disclosure of Sustainability-related Financial Information* and [draft] IFRS S2 *Climate-related Disclosures*.

At its October meeting, following careful analysis of the feedback on its proposed standards, the ISSB voted unanimously to require company disclosures on Scope 1, Scope 2 and Scope 3 greenhouse gas (GHG) emissions[1], applying the current version of the GHG Protocol Corporate Standard. As part of these requirements, the ISSB will develop relief provisions to help companies apply the Scope 3 requirements. This relief will be decided at a future meeting and could include giving companies more time to provide Scope 3 disclosures and working with jurisdictions on so-called 'safe harbour'[2] provisions.

Related information

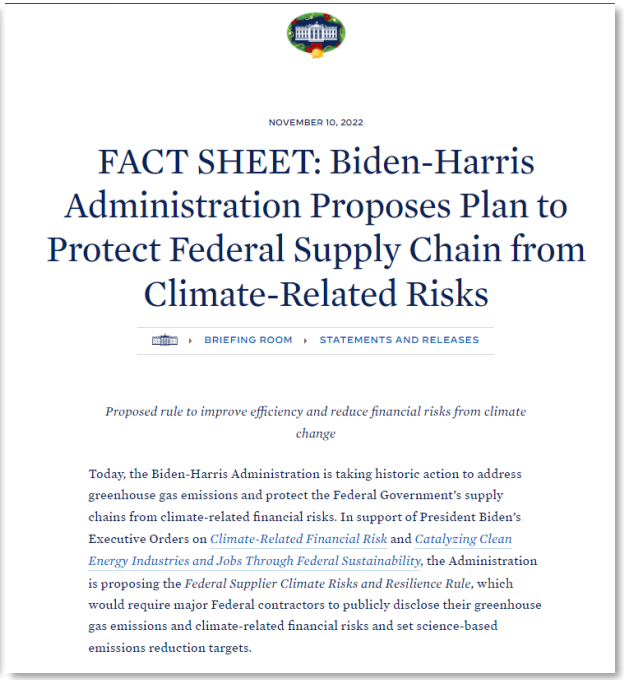
International Sustainability Standards Board

Followable tags

IFRS Sustainability Standards development

Media

Source


NOVEMBER 10, 2022

FACT SHEET: Biden-Harris Administration Proposes Plan to Protect Federal Supply Chain from Climate-Related Risks

BRIEFING ROOM › STATEMENTS AND RELEASES

Proposed rule to improve efficiency and reduce financial risks from climate change

Today, the Biden-Harris Administration is taking historic action to address greenhouse gas emissions and protect the Federal Government's supply chains from climate-related financial risks. In support of President Biden's Executive Orders on *Climate-Related Financial Risk* and *Catalyzing Clean Energy Industries and Jobs Through Federal Sustainability*, the Administration is proposing the *Federal Supplier Climate Risks and Resilience Rule*, which would require major Federal contractors to publicly disclose their greenhouse gas emissions and climate-related financial risks and set science-based emissions reduction targets.

Source


NOVEMBER 17, 2022

CEQ Launches Global Net-Zero Government Initiative, Announces 18 Countries Joining U.S. to Slash Emissions from Government Operations

CEQ › NEWS & UPDATES › PRESS RELEASES

At the 2022 United Nations Climate Change Conference of the Parties (COP27), the United States launched the Net-Zero Government Initiative, inviting governments to lead by example and achieve net-zero emissions from national government operations by no later than 2050. During a COP27 event with partner nations, Council on Environmental Quality Chair Brenda Mallory and U.S. Special Presidential Envoy for Climate John Kerry announced that 18 countries have joined the United States in this new Initiative.

Countries joining the United States in committing to net-zero government emissions include: Australia, Austria, Belgium, Canada, Cyprus, Finland, France, Germany, Ireland, Israel, Japan, Korea, Lithuania, Netherlands, New Zealand, Singapore, Switzerland, and the United Kingdom.

Source

Scope 3 in the CDP Climate Change Questionnaire

C4 TARGETS AND PERFORMANCE

2023 MODULES
C0 Introduction
C1 Governance
C2 Risks and opportunities
C3 Business strategy
C4 Targets and performance
C5 Emissions methodology
C6 Emissions data
C7 Emissions breakdown
C8 Energy
C9 Additional metrics
C10 Verification
C11 Carbon pricing
C12 Engagement
C14 Portfolio impact
C15 Biodiversity
C16 Signoff
SC Supply Chain

C4.1a Provide details of your absolute emissions target(s) and progress made against those targets.

C4.1b Provide details of your emissions intensity target(s) and progress made against those target(s).

C4.3a Identify the total number of initiatives at each stage of development, and for those in the implementation stages, the estimated CO2e savings.

C4.3b Provide details on the initiatives implemented in the reporting year.

C6 EMISSIONS DATA

2023 MODULES
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C16 Signoff
SC Supply Chain

C6.5 Account for your organization's gross global Scope 3 emissions, disclosing and explaining any exclusions.

Resources:

- GSMA, GeSI, ITU Scope 3 Guidance
- The GHG Protocol's Corporate Value Chain (Scope 3) Accounting and Reporting Standard for information on Scope 3 boundaries (pages 34-38)
- CDP's Technical Note on the relevance of Scope 3 categories by sector
- GHG Protocol's Scope 3 evaluator

C6.5a Disclose or restate your Scope 3 emissions data for previous years.

C10 VERIFICATION

2023 MODULES
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C15 Biodiversity
C16 Signoff
SC Supply Chain

C10.1 Indicate the verification/assurance status that applies to your reported emissions.

C10.1c Provide further details of the verification/assurance undertaken for your Scope 3 emissions and attach the relevant statements.

C12 & SC Module- Value Chain Engagement

2023 MODULES
C0 Introduction
C1 Governance
C2 Risks and opportunities
C3 Business strategy
C4 Targets and performance
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C14 Portfolio impact
C15 Biodiversity
C16 Signoff
SC Supply Chain

C12.1 & C12.1a

- Details on how your organization is engaging your own suppliers, by specifying which initiatives are in place.

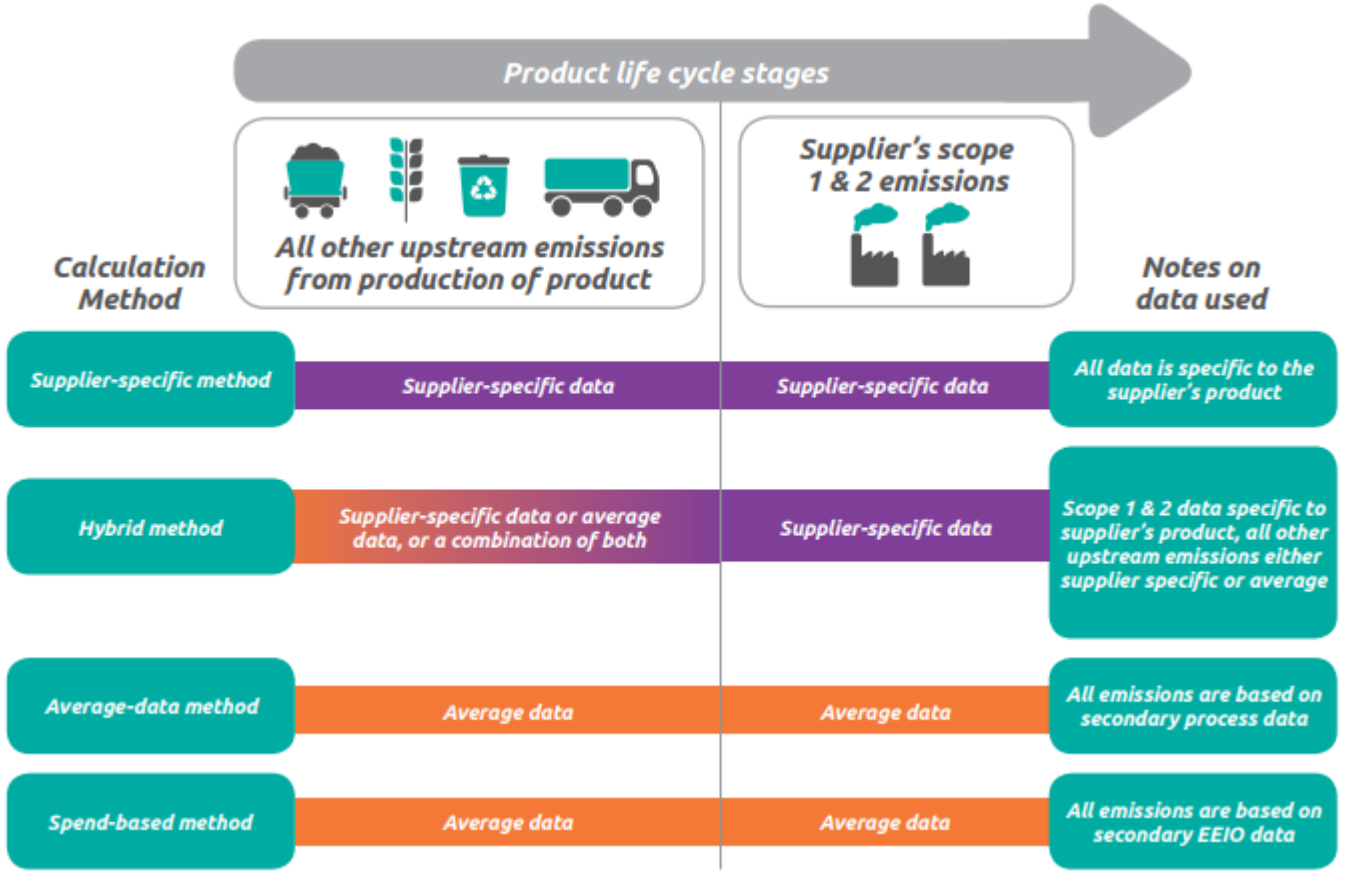
SC1.1 and 2.1

- Allocate your emissions to your customers listed according to the goods or services you have sold them in this reporting period
- Describe climate-related projects and emission reduction initiatives that you would like to develop. For example, identifying relevant opportunities and naming them, establishing the financial benefits of the initiatives.

Approaches

Scope 3 Emissions Approaches

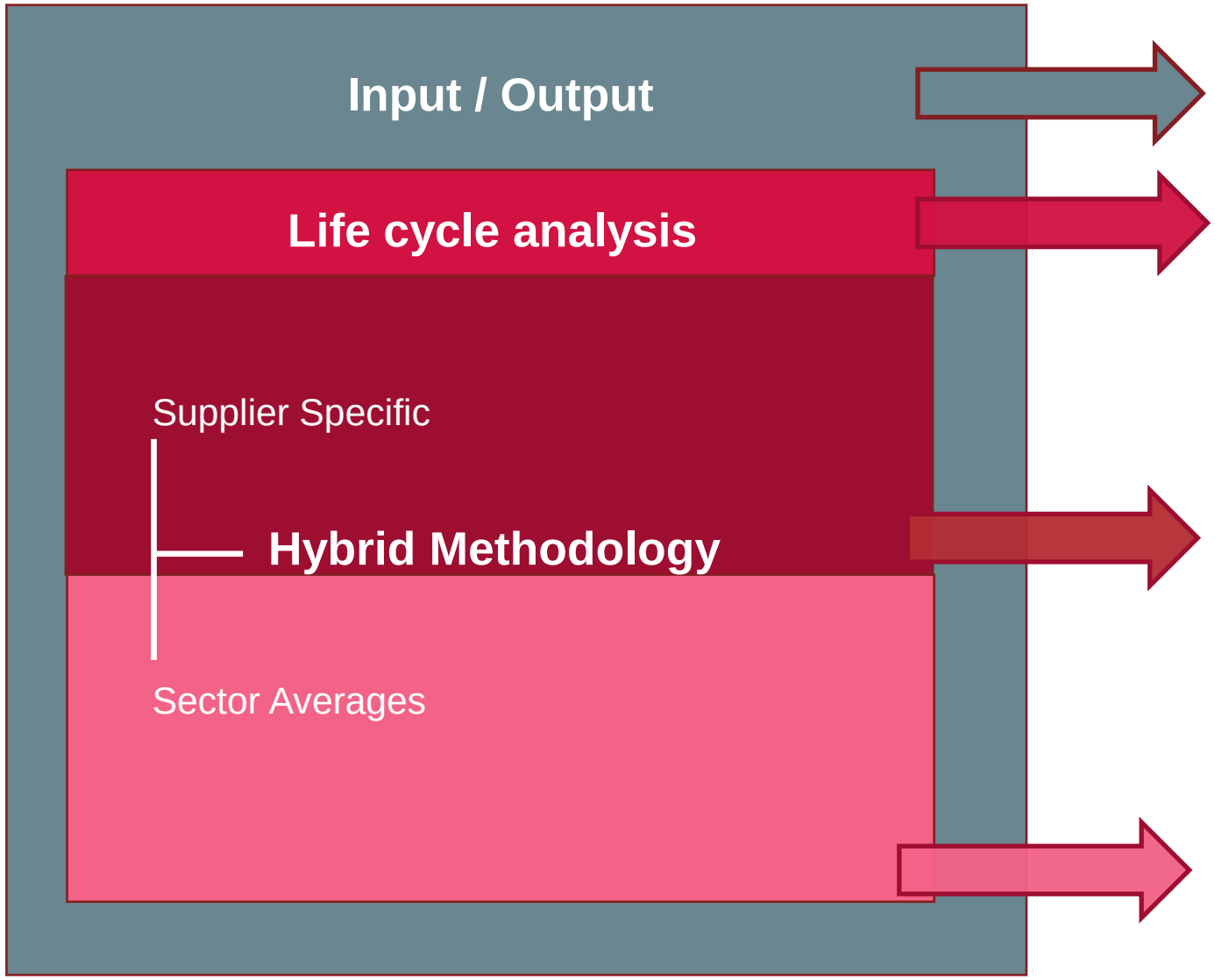
- The scope 3 protocol has flexible approaches built in.
- You can use multiple approaches within categories.



Using a combination of calculation methods

Companies may use a combination of calculation methods for various scope 3 categories throughout the inventory, as well as for various scope 3 activities within each scope 3 category. For example, within each scope 3 category, a company may use more specific methods for the activities that contribute most to emissions and less specific methods for the activities that contribute least to emissions.

Methodologies to match goals



- 100% of Scope 3 Upstream
- High level overview
- Show categories that matter
- Must change spend to change footprint

- Great for small # of high intensity goods
- Accurate, good data available
- Product innovation & engage suppliers to improve industry performance

- Supplier data + Industry Averages
- Operational Emissions of Suppliers
- Most recent + most granular
- Known data quality issues
- Engage suppliers to improve performance
- Track Y/Y progress

- Supplier's upstream emissions (PG&S)
- Suppliers calculate own scope 3
- Cascade request up supply chain through goal setting

Hybrid Method
Primary data + Industry Averages

1. Select suppliers
2. Review quantitative data
3. Choose primary data or sector average
4. Add emissions or multiply by spend
5. Scale up to 100% of spend

- Cover high % of spend
- Include suppliers in high impact sectors
- Direct + Indirect
- PG&S Category

Hybrid Method
Primary data + Industry Averages

1. Select suppliers
2. Review quantitative data
   - Emissions intensity
   - Allocated emissions
   - Sector averages
3. Choose primary data or sector average
4. Add emissions or multiply by spend
5. Scale up to 100% of spend

Supplier support webinar – How to allocate emissions

Which type of data does your company use? Why?

Hybrid Method
Primary data + Industry Averages

1. Select suppliers
2. Review quantitative data
   - Emissions intensity
   - Allocated emissions
3. Choose primary data or sector average
4. Add emissions or multiply by spend
5. Scale up to 100% of spend

Multiply supplier intensity value by your spend with each supplier

MT CO2e Emitted per supplier = **Customer Spend ($)** × **Supplier Emissions Intensities (MT CO2e)**

Don't forget for PG&S or CG you must include suppliers upstream scope 3 intensity or the industry average

Hybrid Method
Primary data + Industry Averages

1. Select suppliers
2. Review quantitative data
   - Emissions intensity
   - Allocated emissions
3. Choose primary data or sector average
4. Add emissions or multiply by spend (allocated vs. intensity)
5. Scale up to 100% of spend

Scale emissions to 100% of spend

$$\text{Total PG\&S (MT CO2e)} = \text{Emissions from requested suppliers (MT CO2e)} \times \frac{\text{Total Customer Spend (\$)}}{\text{Total Spend with requested suppliers (\$)}}$$

Common Questions

Most questions are around data confidence

- Scope 3 modelling is notoriously hard. The protocol acknowledges this and even gives suggestions to assess and report quality of data

- When using CDP data, 3 areas crop up most commonly
- There is no 100% right or wrong answer, the key is consistent policy decisions

Table [7.6] Data quality indicators

Indicator	*Description*
Technological representativeness	The degree to which the data set reflects the actual technology(ies) used
Temporal representativeness	The degree to which the data set reflects the actual time (e.g., year) or age of the activity
Geographical representativeness	The degree to which the data set reflects the actual geographic location of the activity (e.g., country or site)
Completeness	The degree to which the data is statistically representative of the relevant activity. Completeness includes the percentage of locations for which data is available and used out of the total number that relate to a specific activity. Completeness also addresses seasonal and other normal fluctuations in data.
Reliability	The degree to which the sources, data collection methods and verification procedures[2] used to obtain the data are dependable.

Temporal Issues

- The main issue resides in marrying spend within the reporting year to data collected the previous year
- For PG&S spend tends to be relatively stable allowing for spend information from the reporting year to year old data
- CG is trickier for YoY comparison

Score	Representativeness to the activity in terms of:				
	Technology	Time	Geography	Completeness	Reliability
Very good	Data generated using the same technology	Data with less than 3 years of difference	Data from the same area	Data from all relevant sites over an adequate time period to even out normal fluctuations	Verified[3] data based on measurements[4]
Good	Data generated using a similar but different technology	Data with less than 6 years of difference	Data from a similar area	Data from more than 50 percent of sites for an adequate time period to even out normal fluctuations	Verified data partly based on assumptions or non-verified data based on measurements
Fair	Data generated using a different technology	Data with less than 10 years of difference	Data from a different area	Data from less than 50 percent of sites for an adequate time period to even out normal fluctuations or more than 50 percent of sites but for a shorter time period	Non-verified data partly based on assumptions, or a qualified estimate (e.g. by a sector expert)
Poor	Data where technology is unknown	Data with more than 10 years of difference or the age of the data are unknown	Data from an area that is unknown	Data from less than 50 percent of sites for shorter time period or representativeness is unknown	Non-qualified estimate

Completeness

- For PG&S & CG you must model cradle to gate emissions for all spend (or as close to)
- Using primary data for the first 30-50% spend then modelling to 100% with
  - Sector averages
  - Input Output / other
  - Rounding up

Score	Representativeness to the activity in terms of:				
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Reliability

- The most common issue
- Which suppliers data to use and which to substitute is a question of comfort
  - More primary data used means more linkage to purchasing process
  - Suppliers make mistakes or misunderstand.

Suppliers have to be assessed 1:1 and most organisations use a standardized process

Score	Representativeness to the activity in terms of:				
	Technology	Time	Geography	Completeness	Reliability
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Key Takeaways from the Hybrid Methodology

- Upstream Scope 3 emissions accounting is challenging.
- Different methodologies exist, including hybrid methodologies combining primary data and industry averages.
- Companies should focus on obtaining the best possible estimate based on spend.
- When reporting Scope 3 emissions, clear and transparent disclosure of the methodologies used, and assumptions made is critical.

Product level data

What is a Product Carbon Footprint (PCF)

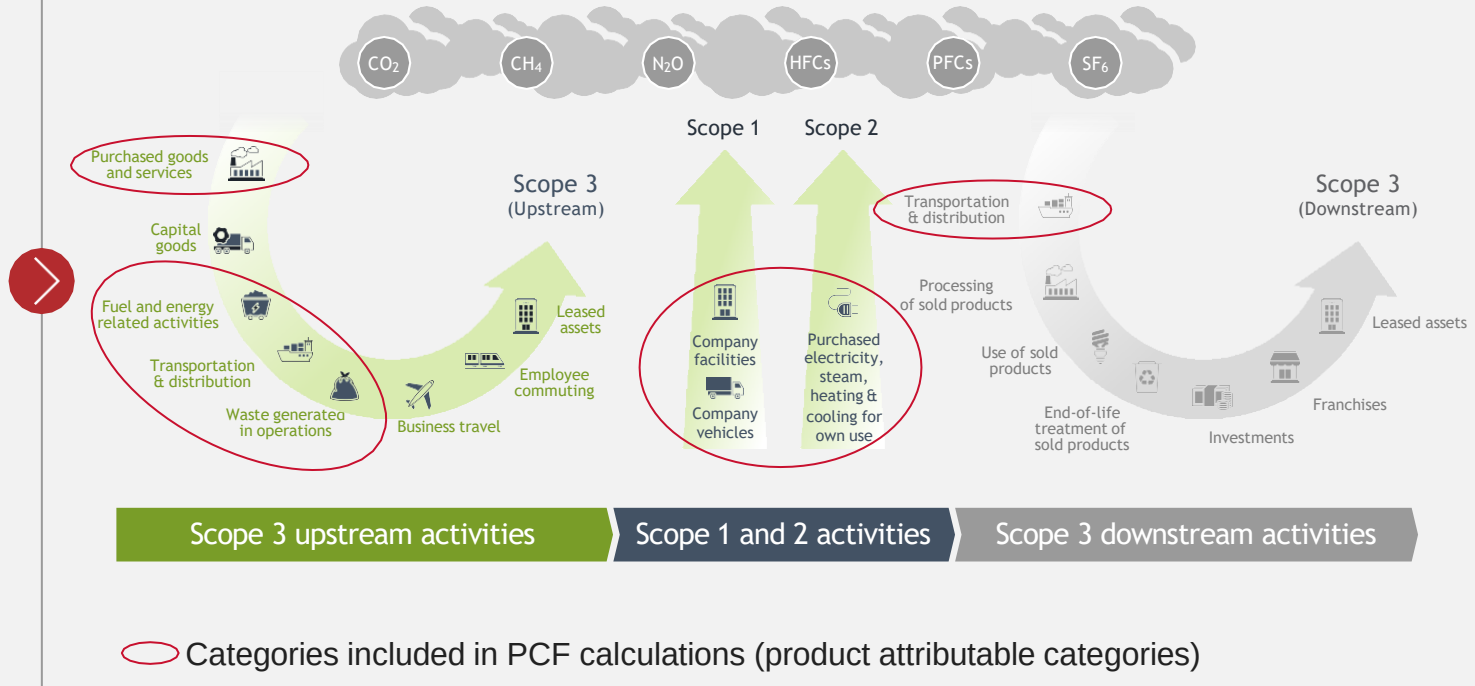
PCF measures the carbon equivalent **emissions attributable to a product**

It estimates the total emissions of greenhouse gas (GHG) associated with a specific product throughout its life cycle

PCF accounts for:

- Product related emissions of scope 1, 2
- Select product attributable S3 emission[1]
- Product related Transport & Distribution emissions (S3 downstream) to client facilities

Supplier product life cycle



Source: GHG protocol ; BCG analysis

Product level data

(SC4.1) Are you providing product level data for your organization's goods or services?

- To support with the exchange of product-level data, CDP in partnership with BCG, has developed the CO2 AI Product Ecosystem.
- The CO2 AI Product Ecosystem enables companies to collaborate on—and accelerate—their emissions optimization journeys by enabling the sharing of product-level sustainability data in a secure, auditable, and action-oriented manner.
- Includes calculator to support you.
- Supplier can enter data on company, PCF, LCA and detailed LCA level.
- For more information, please see our website

QUERIES

For technical issues:

Please use our multi-lingual help center
Where you can find FAQs or raise a case

CDP's Disclosure Platform Guidance

For technical guidance:

Please register for webinars and check out the CDP's Guidance page

You can learn best practice on the Supplier Support Webinars

Other helpful guidance:

- GHG Protocol Corporate Standard
- GHG Protocol Calculation Tools
- CDP Technical Note on Science-Based Targets
- FAQs- The Science Based Targets Initiative

Q&A

Please post your questions in the Q&A chat

Thank you!

Recording and slide deck will be made available soon