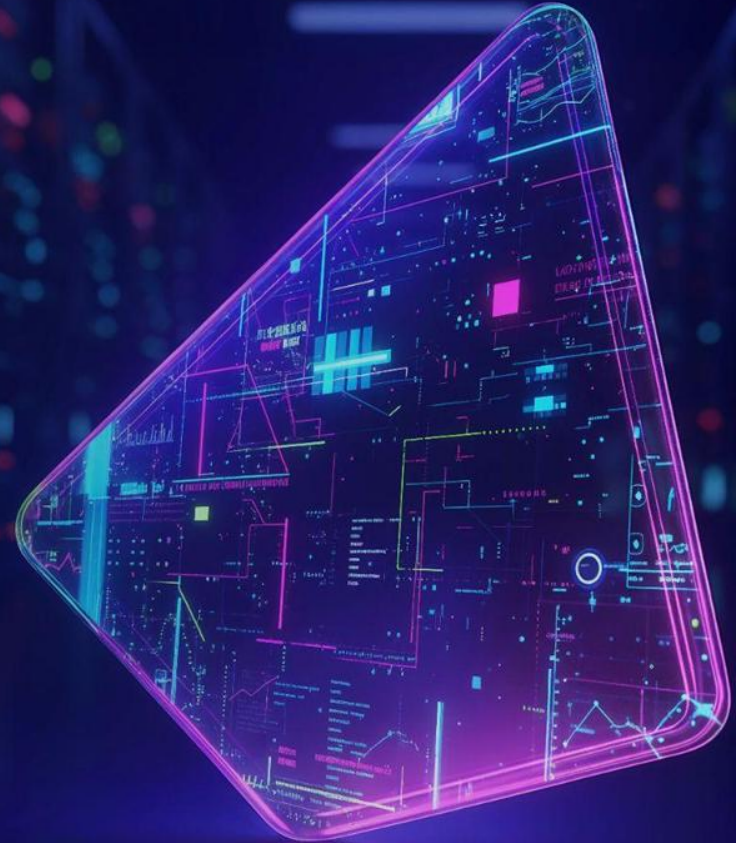




# Preparing for mandatory Scope 3 reporting

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# Scope 3 is a collaboration



## You

Your company's ideas, strategy, judgements and risk appetites.

## Value chain

Your suppliers, customers and other stakeholders that could provide data.

## Sustainability partners

Consultants, platform providers, data providers that you engage with directly (or indirectly), industry bodies or target validators.

## Your assurance partner

Their interpretation of IFRS & AASB guidance and evolving ideas of compliant and good practice.

# ASRS S2 ≠ GHG Protocol Value Chain Standard



# Category relevance & materiality



An entity is required to include the GHG emissions associated with each **relevant** category in its Scope 3 GHG emissions if this disclosure would provide primary users with **material** information.

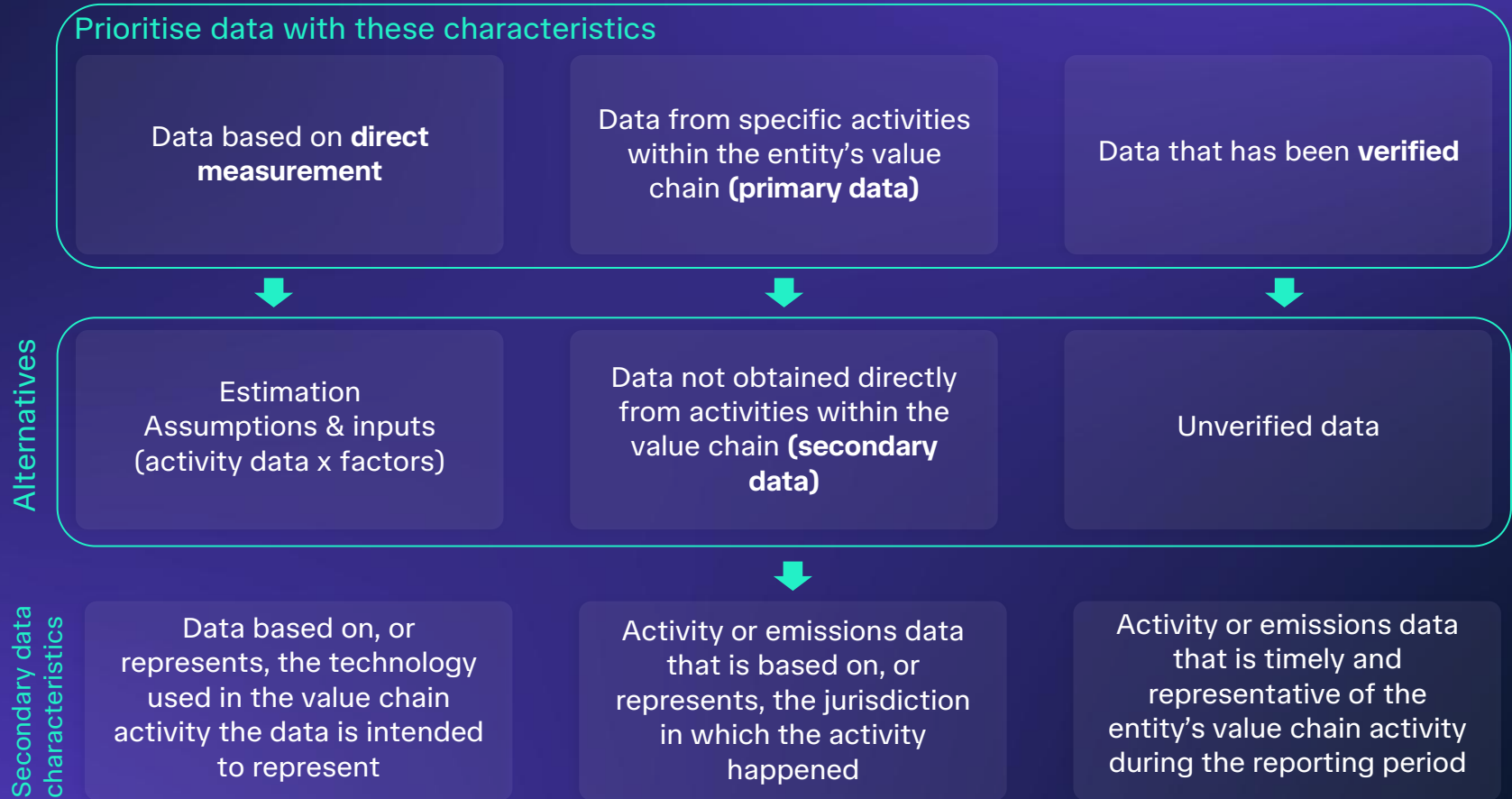
## Relevance means:

- Could it influence stakeholder decision making?
- Could it inform assessments about transition risk
- Minimum boundaries in the GHG Protocol do not apply

## Materiality means:

- You probably need an estimate

# Scope 3 measurement framework



# Scope 3 measurement framework



Requires judgement of trade-offs and choices

- Timeliness vs relevance
- Unverified primary data vs verified secondary data
- Technology vs jurisdiction

- What are you going to do with your Scope 3 information?
- Think ahead for consistency & comparability
- Estimation methods to remedy differences (e.g. CPI, foreign exchange values, reporting periods)
- Boundaries of value chain activities
- Proportionality mechanism

# Supplier-specific factors

## Be clear on what you want to do

Reduce estimates in your data set?

Better understand transition risk?

Incentivise suppliers to reduce their emissions? (if yes, which scopes?)

How are you going to use this data to make decisions?

What levers can you pull in the value chain process? How will you reward suppliers that make progress?



### Suppliers are not the same, nor is their data

Consistency with GHG reporting boundaries, reporting periods, business output metrics (currency, units, etc) can vary between suppliers and reporting periods.



### Supplier data from platforms or consultants

Consider if their methodology is consistent with other supplier-specific factors you use.



### Supplier engagement can be complex

Multi-year project with many hours of direct supplier engagement, and managing supplier fatigue to get useful outcomes is important.

# Spend-based factors

## Understanding the spend in spend-based factors

Reconciling your GHG spend against the source financial data can be more complex than it first appears.

Concurrent GHG and financial assurance processes can multiply what is already a busy and stressful time.



### Source of truth

Understand what your assurers are reconciling the spend against.



### Documenting exclusions

You might have more out than in - you and your finance team will need to understand how the inclusions and exclusions will balance against your source of truth.



### Disturbance in the source

FX changes, journal adjustments, intercompany transactions and more can add complexity and create opportunities for error and misalignment.

# Sustainability partners

## Help is at hand

Most of us will need help – specialist consultants, GHG calculation platforms, and more.

Having the outcomes of the work subject to assurance can bring up new questions and dynamics.



### Show their workings

Transparent workings and data treatments are essential. Make sure you understand them too, and that any assumptions are documented.



### Think about data and factor sources

If your partner uses a factor or data source that you can't replicate without them, you'll want to understand those implications really clearly.



### Assurance support

Include this in any scope of work or contract agreement with third parties, especially if there's proprietary data or black-box tooling.

# Key takeaways

Write a confident statement defining what success looks like to your company.

## Be clear on what you'll do with your Scope 3 data

What do you want to achieve? What can you resource?

## Circle the wagons

Test all your assumptions about how the data gathering, calculation, and assurance processes will work and who will be doing what, well in advance.

## Write it down

A great scope of, basis of preparations, and clear excel files are investments you'll never regret.



# Thank you.

## Contact

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