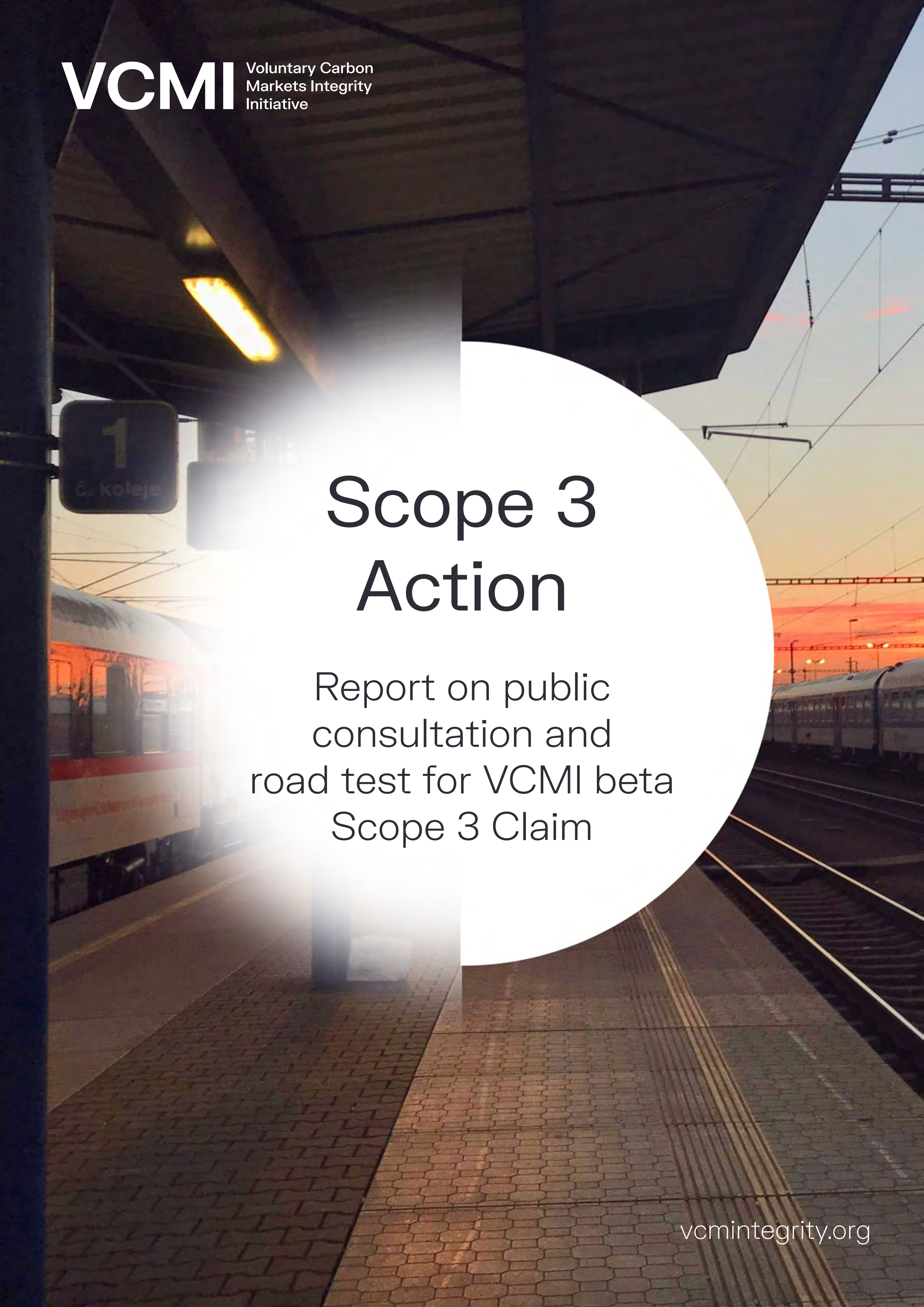
VCMI Voluntary Carbon Markets Integrity Initiative



Scope 3 Action

Report on public consultation and road test for VCMI beta Scope 3 Claim

vcmintegrity.org

Contents

About BSI:

BSI is appointed by the UK Government as the National Standards Body and represents UK interests at the International Organization for Standardization (ISO), the International Electrotechnical Commission (IEC) and the European Standards Organizations (CEN, CENELEC and ETSI).

Its role is to help improve the quality, safety and integrity of products, services, and systems by facilitating the creation and maintenance of consensus-based, market-led standards and encouraging their use.

It publishes over 2,700 standards annually using a collaborative approach, engaging with industry experts, government bodies, trade associations, businesses of all sizes and consumers to develop standards that reflect good practice.

Executive summary

1. Executive Summary

In July 2024, the Voluntary Carbon Markets Integrity Initiative (VCMI) announced the public consultation for its "beta Scope 3 Claim". In August 2024, VCMI also announced a collaboration with the British Standards Institution (BSI) to deliver a robust consultation process, in line with key BSI good practice principles of transparency, openness, representation and fairness.

This report, produced by BSI and the VCMI Secretariat, provides a summary of feedback received through the public consultation, the subsequent road-testing process and the resulting final changes to the document that has been launched as the VCMI "Scope 3 Action Code of Practice".

1.1. PUBLIC CONSULTATION OVERVIEW

VCMI engaged BSI to prepare for, manage and analyze feedback from a public consultation open between 02 September and 21 October 2024. Consultation methods included:

- an open consultation platform for stakeholders to submit feedback;
- public webinars and targeted focus groups with key stakeholder groups.

Careful efforts were made to promote and drive representative engagement in the process across geographies, functions and sectors. In total, 311 stakeholders were engaged in the feedback process, 242 stakeholders attended the VCMI-led webinar ahead of the public consultation and a further 350 stakeholders attended the BSI-led public webinars during the consultation.

1018 individual comments were received from the consultation platform and focus groups and were reviewed and categorized into themes. The most significant topics (i.e. those where a large amount of feedback was received and/or involved particularly polarising perspectives) were taken forward for discussion with VCMI's Expert Advisory Group (EAG).

Results of the consultation, either through the EAG or otherwise, were used to inform a road-testing period led by VCMI, in partnership with the World Business Council for Sustainable Development (WBCSD) and the Boston Consulting Group (BCG). This has tested and resulted in a final set of changes incorporated into the next iteration of the scope 3 guidance.

1.2. UPDATES TO THE SCOPE 3 ACTION CODE OF PRACTICE

While the Scope 3 Action Code of Practice provides clear guidance to companies, it does not currently allow for making a verified claim. As such, the updated document is considered a "Code of Practice", as opposed to a "Claim".

The key updates to the Scope 3 Action Code of Practice are detailed below.

Area	beta Scope 3 Claim (public consultation document)	Scope 3 Action Code of Practice
Type of document	The document was positioned as a claim.	The updated document is framed as **guidance**, without the ability to currently make a verified claim. Although this is not yet a certifiable claim, companies wishing to seek assurance of their compliance with any or all of the metrics related to the guidance requirements can obtain assurance of their data through an independent third-party organization.
Scope 3 emissions gap limit of 24% - guardrail	The 24% gap limit guardrail required the gap between a company's current scope 3 emissions and where they need to be on their path to decarbonization, and to be aligned with near-term science-aligned target, to not exceed 24% of the target emissions for any given year.	The rounded value of **25%** has been established for the guardrail on the maximum emissions gap for the Scope 3 Action Code of Practice.
Phase out of carbon credit use for the scope 3 emissions gap by 2038 - guardrail	The beta Scope 3 Claim was positioned as being available for a limited time to ensure continuous improvement. This guardrail required that by 2038, companies must have closed their scope 3 emissions gap and returned to making progress to meet their net zero commitments.	To acknowledge and account for uncertainties and fluctuations, **2040** has been adopted in the Scope 3 Action Code of Practice as the phase-out year.
Carbon credit use	Required companies to invest in high-quality carbon credits that cover at least their entire scope 3 emissions gap.	This requirement has remained unchanged. Companies are required to retire high-quality carbon credits in a number **at least equal** to the total scope 3 emissions gap.
No limit set on the size of the emissions gap (Option box 5)	An option to remove the 24% gap limit, but companies would still be expected to take action for the entirety of their scope 3 emissions gap. This would be done by a combination of two different elements: 1. retirement of high-quality carbon credits in an amount equal to the portion of the emissions gap that corresponds to the maximum of 24% of the scope 3 trajectory emissions 2. investment in measures to overcome remaining scope 3 barriers, which in turn will reduce future emissions, for the portion that exceeds the limit of the carbon credits use.	This option has been **removed** for the Scope 3 Action Code of Practice.

Area	beta Scope 3 Claim (public consultation document)	Scope 3 Action Code of Practice
Emissions sources outside of the target boundary (Option box 2)	An option for restricting the use of carbon credits to addressing emissions that are not accounted for within scope 3 emission reduction targets – those outside the target boundary.	This option has been **removed** for the Scope 3 Action Code of Practice.
Carbon credits related to the source (Option box 3)	An option that recommended the selection of high-quality carbon credits retired to be intentionally related – sectoral and/or geographical - to the sources of scope 3 emissions contained in the company's scope 3 emissions gap.	This option has been **removed** for the Scope 3 Action Code of Practice.
Carbon budget approach (Option box 6)	An option requiring companies to calculate the scope 3 emissions gap by considering cumulative emissions under a linear trajectory for the whole period, performing one calculation so that the total gap is known upfront.	**The Carbon budget approach has been incorporated into the document as one of the two calculation approaches** companies can use to align with the Scope 3 Action Code of Practice.
Carbon credit procurement guidelines	Recommended companies to develop and disclose their carbon credit procurement guidelines.	This has been **removed** for the Scope 3 Action Code of Practice.
Disclosure of scope 3 emission reduction barriers	Required companies to disclose the barrier(s) being faced.	Companies are required to disclose the main current and anticipated barrier(s) faced.
Report on indicators drawn from climate transition plans	Requirement on reporting on indicators drawn from climate transition plans were unspecified and within broader disclosure of barriers disclosure.	Companies are recommended to report on indicators drawn from climate transition plans related to financial planning and value chain engagement.
Examples of how to follow the document/ perform the calculations	Four different examples of making a Scope 3 Claim in a given year were given.	12 examples across all target implementation years are provided.

Other suggested changes from the public consultation, such as to improve the document's readability and usability and editorial changes have also been incorporated into the Scope 3 Action Code of Practice. In addition, VCMI is considering longer-term developments, based on public feedback.

The robust, extensive consultation period detailed in this report has resulted in an updated Scope 3 Action Code of Practice. The Code provides a high-integrity, practical solution to close the scope 3 emissions gap using high-quality carbon credits, ensuring companies continue to take action each and every year.

Introduction

2. Introduction

In July 2024, the Voluntary Carbon Markets Integrity Initiative (VCMI) announced the public consultation for its beta Scope 3 Claim. In August, they announced a collaboration with the British Standards Institution (BSI) to deliver a robust, representative and transparent consultation process.

This report, produced by BSI and the VCMI Secretariat provides a summary of feedback received through the public consultation and the resulting final changes to the document that has been launched: the Scope 3 Action Code of Practice. For transparency and to provide a comprehensive overview, VCMI has also provided a summary of the intensive four-week road-testing process, facilitated by Boston Consulting Group (BCG) and the World Business Council for Sustainable Development (WBCSD).

As such, the report is divided into two key sections:

1. **A summary of the feedback from the public consultation and the resulting final changes to the Scope 3 Action Code of Practice, per theme of comments received:** Feedback received via the public consultation is presented by theme, reflecting the analysis process. This structured approach helps to review the 1000+ comments received. A summary of the process undertaken is included, with a series of Annexes providing full details.
2. **Highlights of the road-testing activity:** Containing key challenges identified, corporate readiness for the Scope 3 Action Code of Practice and recommendations for enhancing the Code. These findings fed into the final changes to the Scope 3 Action Code of Practice and reinforced the importance of ensuring that the Code is both ambitious and practical.

2.1. BACKGROUND TO THE SCOPE 3 ACTION CODE OF PRACTICE

The initial beta version of the Scope 3 Claim was published in November 2023 and is an evolution of the VCMI Bronze Claim[1], which was first introduced in the VCMI provisional Claims Code of Practice released in 2022. The beta version of the Scope 3 Claim was out for public consultation in September 2024 and has resulted in the current Scope 3 Action Code of Practice.

This is available until 2040, by which time companies will be expected to have eliminated their scope 3 emissions gap. The use of high-quality carbon credits can, then, transition to enable companies to raise ambition, go beyond their decarbonization targets, and invest in activities that accelerate progress to global net zero. The Code serves as a stepping stone toward achieving Silver, Gold or Platinum Carbon Integrity Claims, ensuring companies consistently advance towards full decarbonization.

A key objective of the Code is to accelerate climate action, with high-quality carbon credits used in addition to, not as a substitute for, direct decarbonization of scope 3 emissions. With this dual approach of overcoming the barriers to scope 3 emissions reduction and provisioning climate finance through the retirement of high-quality carbon credits, companies can continue to deliver on their climate commitments and accelerate global net zero.

The Scope 3 Action Code of Practice provides clear guidance to companies, but not the ability to currently make a verified claim. Although this is not yet a certifiable claim, companies wishing to seek assurance of their compliance with any or all of the metrics related to the guidance requirements can obtain assurance of their data through an independent third-party organization.

1 The VCMI Bronze Claim was the initial design of a VCMI Claim for companies that were reducing scope 3 emissions within their value chains and combining this with the purchase and retirement of carbon credits for a limited time.

2.2. THE ROLE OF BSI

BSI collaborated with VCMI to deliver a robust, transparent, and representative consultation process for VCMI's beta Scope 3 Claim.

Accelerating progress towards a sustainable world and supporting the journey to net zero is fundamental to BSI's purpose as a business. And as a global leader in standards, BSI is dedicated to driving trust and integrity, playing a neutral role in bringing stakeholders together to build international consensus on key issues.

BSI managed the consultation process only and was not responsible for developing the technical content or for any decision-making activity as part of this process. BSI's role was to gather the feedback received via the consultation and present this, in an impartial and balanced manner, to the VCMI Secretariat and their Expert Advisory Group (EAG) in preparation for approval by VCMI's Steering Committee (SteerCo).

2.3. OVERVIEW OF THE CONSULTATION PROCESS

The consultation process was designed to gather comprehensive feedback from a diverse range of stakeholders, ensuring that the next iteration of the document is based on a broad, representative input. BSI provided stakeholders with an open and accessible platform to review the document and share feedback against each section, enabling VCMI to refine and strengthen the Claim's methodology to be more effective and robust.

VCMI announced the public consultation of its beta Scope 3 Claim in July 2024 and announced collaboration with BSI via social media on 22 August 2024. The public consultation platform was launched on 2 September 2024 and was open until 21 October 2024, which included a set of survey questions and the ability to comment openly on sections of the document. A two-week extension was granted to allow sufficient time for comments to be submitted, in response to stakeholder feedback.

BSI provided a number of engagement activities during the consultation period. This included two public webinars (in addition to a third led by VCMI ahead of the public consultation) scheduled across timezones for a global audience, and five focus groups with specifically selected stakeholder groups, representative across geography, sector and market function. This provided for more targeted discussions complementing the wealth of comments recevided via a publicly accessible consultation platform.

Feedback received from both the focus groups and consultation platform was analyzed and categorized into themes following the public consultation close on 21 October 2024. Each individual feedback item was carefully reviewed and a number of key topics (where there was a signficant volume and/or diverse set of opinions from respondents) were drawn up.

These topics, with the feedback and data recevied, were presented to VCMI's EAG by BSI. BSI faciliated three workshops with this group to review the feedback and various arguments made, so that all perspectives was considered equally and the public consultation results (both qualitive and quantitive data) was reviewed. The role of the EAG was to provide advice and recommendations where a level of agreement could be reached on potential next steps and for road testing. The EAG membership is made public via VCMI's website.

VCMI incorporated a number of proposed changes from the consultation response and EAG meetings into the document in preparation for road testing. This testing phase began on 11 November and continued througout November into December, facilitated by BCG. It consisted of meeting with corporate groups to discuss the practicality and feasability of adhering to the scope 3 guidance, based on the revised methodology, guardrails and requirements from the findings of the public consultation.

Factoring in the feedback from road testing, the next iteration of the document has been published based on this consultation response.

The overall public consultation consultation timeline is set out below (Figure 1).

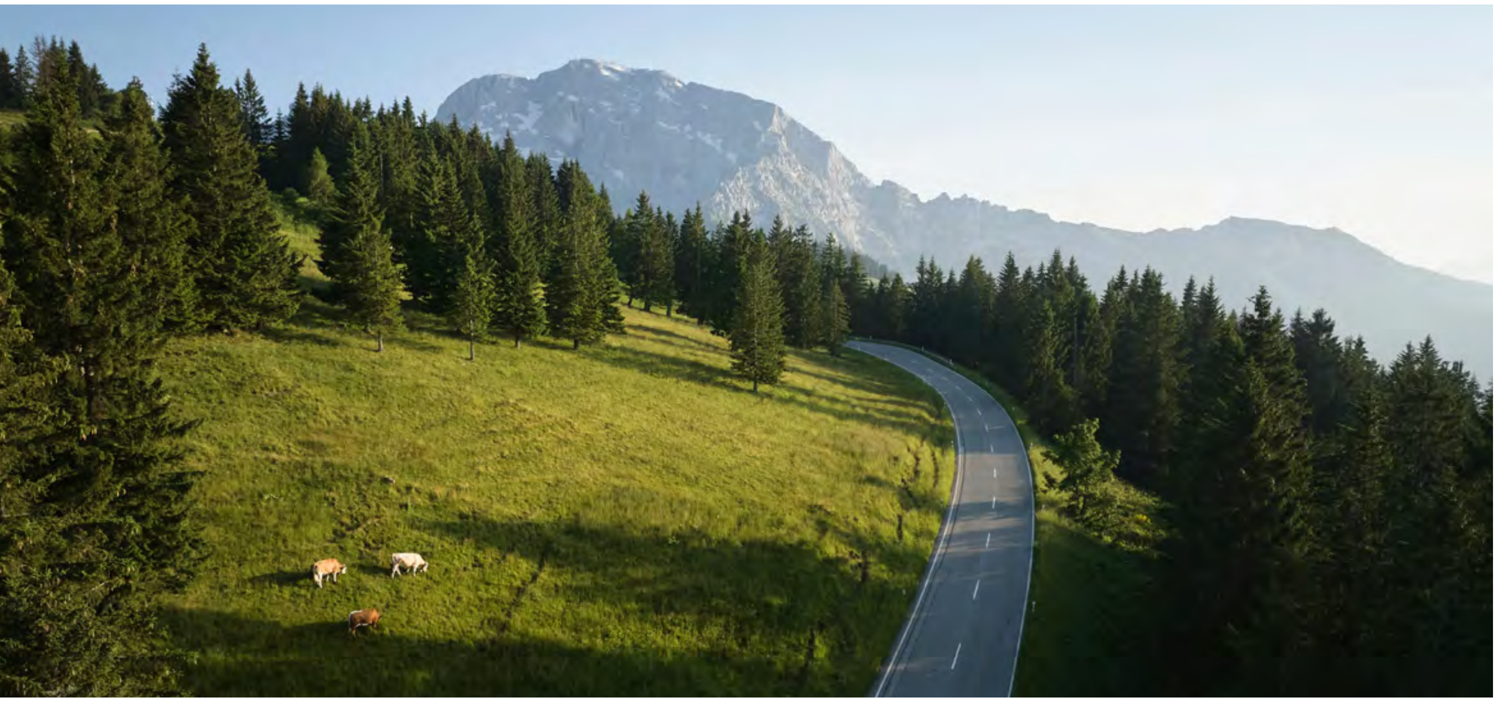


Figure 1: beta Scope 3 Claim consultation timeline

23/July/24	2/Sept/24	21/Oct/24	8/Nov/24	April/25
Public consultation announced	Public consultation opened • Focus groups • Public webinars	Public consultation closed • Comment analysis • EAG meetings • Road testing with companies		Scope 3 Action Code of Practice published

For more information on the public consultation, please see the accompanying annexes:

- **Annex A:** provides a description of the process undertaken between July and November 2024 to run the public consultation to reach the set of changes made to the document, including details on representative stakeholder engagement, how comments were received, processed and categorized into themes and the role of the EAG.
- **Annex B:** provides detail on the 2 public webinars held as part of VCMI's beta Scope 3 Claim public consultation, including the feedback received.
- **Annex C:** provides a summary of insights gathered through the five focus groups.
- **Annex D:** provides a list of all comments submitted as part of the public consultation for VCMI's beta Scope 3 Claim, alongside either the name or organization of the respondent (if responding on behalf of themselves or their organization, respectively), where they have not opted to remain anonymous.
- **Annex E:** provides the results from the surveys conducted in the consultation platform.

Public consultation feedback and final changes to the Scope 3 Action Code of Practice

3. Public consultation feedback and final changes to the Scope 3 Action Code of Practice

The following subsections provide a summary of the key points of feedback received through the public consultation, per each theme of comments, and the resulting changes to the Scope 3 Action Code of Practice. The feedback presented was obtained from two sources: the online consultation platform, which included section-by-section commenting and integrated survey questions for targeted input, and verbal feedback and live poll results during the focus groups.

A summary of the focus group insights and a full list of all comments (organized by theme) and survey results from the public consultation platform can be found in Annexes C, D, and E.

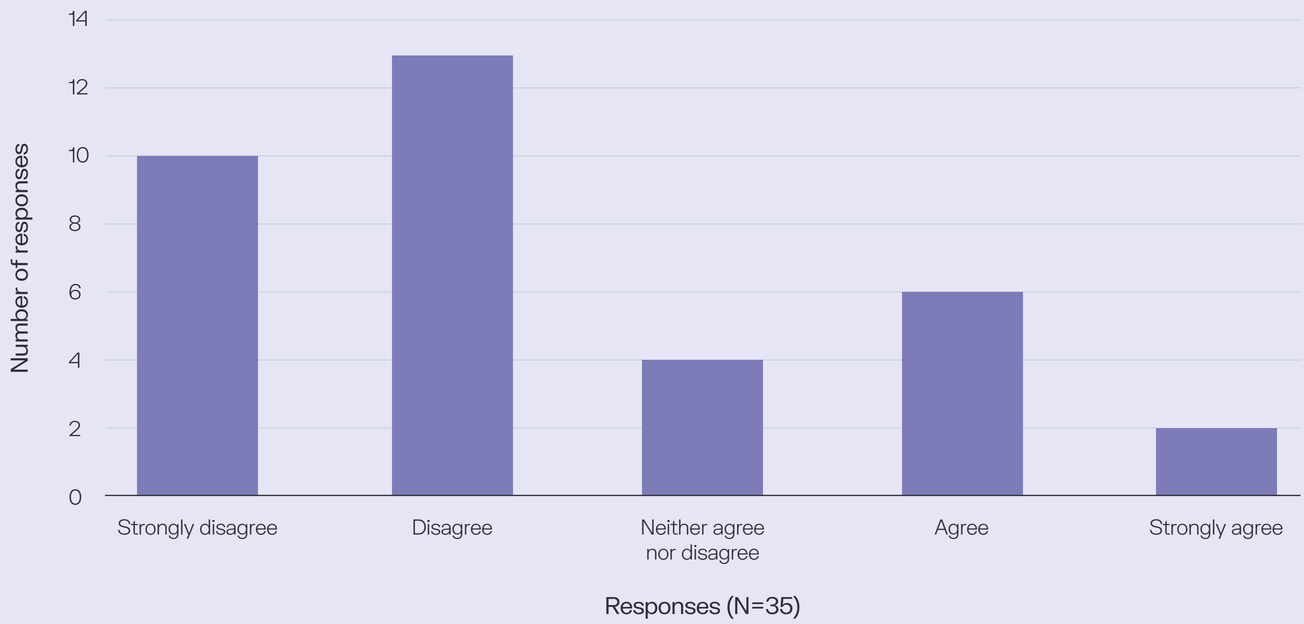
3.1. OPTION BOX 2 - EMISSIONS SOURCES OUTSIDE OF THE TARGET BOUNDARY

Option box 2 within the beta Scope 3 Claim proposed to restrict the use of carbon credits to addressing emissions that are not accounted for within scope 3 emission reduction targets – those outside the target boundary.

Through the online consultation platform, respondents were asked to provide feedback specifically on the inclusion of this option and a survey question was asked to gain perspectives on this option (see Figure 2 below).

Figure 2: Survey question results: Box 2 - restricting the use of carbon credits to addressing emissions outside of the target boundary. Total responses, N=35.

The use of carbon credits should be restricted to address emissions that are not accounted for scope 3 emission reduction targets – outside the target boundary.



These comments were discussed as part of VCMI's EAG meeting on 4 November 2024.
Below is a summary of the feedback obtained and the final approved changes.

Option box 2 – emissions sources outside of the target boundary	
Key points from the public consultation feedback	Both the survey question posed in the consultation platform and the general feedback were generally against restricting the use of credits to emissions outside of the target boundary, but some respondents suggested this could be an additional option. Against this option entirely: Those against this option argued this may deter decarbonization and prevent the scaling up of the markets. Some thought this was confusing or needed further rationale, also highlighting that it would be difficult to communicate to those unfamiliar with target boundaries and that it could be perceived as outside of scope 3, such as scopes 1 and 2. Others disagreed with this option and stated that all scope 3 emissions should be included within the target boundary. Allow as an additional option: Those in favour of this being an additional option, but not restricted to this, argued that this would enable faster action, incentivize more ambitious emissions reductions targets and increase global emissions reductions. Others stated that the claim should cover all unabated emissions - increasing integrity and investment in climate action. A slight majority of these came from the Civil society, Academia, Research stakeholder group or a voluntary carbon market (VCM)-related body. In agreement with this option: A minority of respondents agreed with this option. Reasons included that this would ensure that organizations use credits to complement, rather than replace internal decarbonization and this would ensure credit use increases corporate climate finance and mitigation outcomes as it is over and above existing commitments.
Scope 3 Action Code of Practice	This option was removed from final document. This is supported by the results of the public consultation that was overwhelmingly against including this option as presented in the document for consultation.

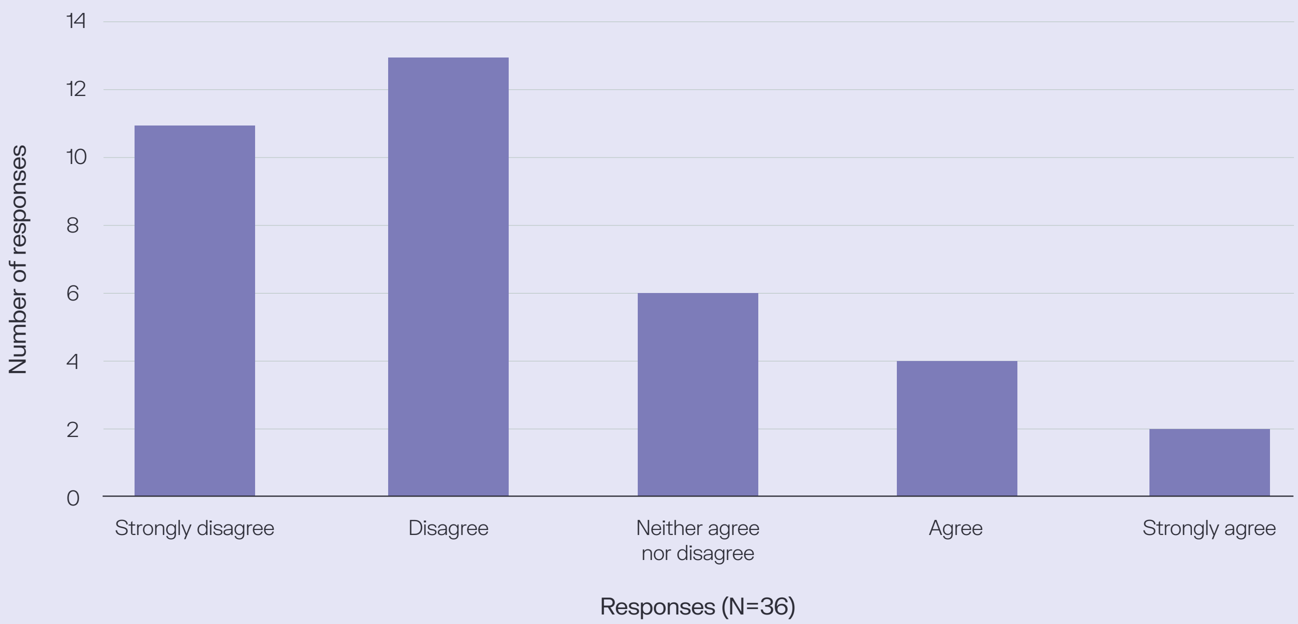
3.2. OPTION BOX 3 - CARBON CREDITS RELATED TO THE SOURCE

Option box 3 presented within the beta Scope 3 Claim would recommend the selection of high-quality carbon credits retired to be intentionally related – sectoral and/or geographical - to the sources of scope 3 emissions contained in the company's scope 3 emissions gap.

Consultation platform respondents were asked to provide feedback specifically on the inclusion of this option through a survey question (see Figure 3).

Figure 3: Survey results: Inclusion of Box 3. Total responses, N=36.

The selection of high-quality carbon credits retired to make the claim should be intentionally related – sectorally and/or geographically – to the sources of scope 3 emissions contained in the company's scope 3 emissions gap.



Below is a summary of the feedback obtained and the final changes to the Scope 3 Action Code of Practice. These comments were discussed during VCMI's EAG meeting on 4 November 2024.

Option box 3 – carbon credits related to the source	
Key points from the public consultation feedback	Both the consultation platform survey and general feedback were weighted against the option, although feedback was more nuanced highlighting the various approaches VCMI could take. Against: There were many comments that disagreed with this recommendation, suggesting removing it altogether. Many of these comments came from VCM-related bodies. The rationale for this were around supply-side complications, such as adverse effects on market dynamics/ creating bottlenecks and reducing finance flow to the Global South. Others mentioned this would be restrictive, possibly reducing market participation and use of the Claim. Allow as an optional approach: Some suggested that this could be offered as an optional approach, less assertive than making it a recommendation. Reasons were that having it as an option could allow added credibility and show equivalence for those that chose to, but mandating was too strong, and could create issues for the supply, and flexibility was required. Make it a recommendation: Others suggested that this becomes a recommendation by VCMI. Comments stated that requiring this would be too restrictive and reduce flexibility. Others expressed concerns for the supply of carbon credits. However, they recognized that recommending this could bring equivalence, credibility, alignment with climate strategies and increasing finance flow into hard-to-abate sectors. Make it mandatory: A small number of respondents argued that this should be a mandatory requirement. The reasoning provided was focused on the importance of having a direct impact on emissions and being able to demonstrate this through the Claim.
Scope 3 Action Code of Practice	This option was removed from the final document. Though VCMI understands that the retirement of high-quality carbon credits related to the source of scope 3 emissions could be positive, it was also understood that such a measure could have been perceived as a market intervention, reducing the cost effectiveness achieved with carbon markets. This is in line with consultation feedback, where only a small number of respondents favoured this being a recommendation or requirement by VCMI.

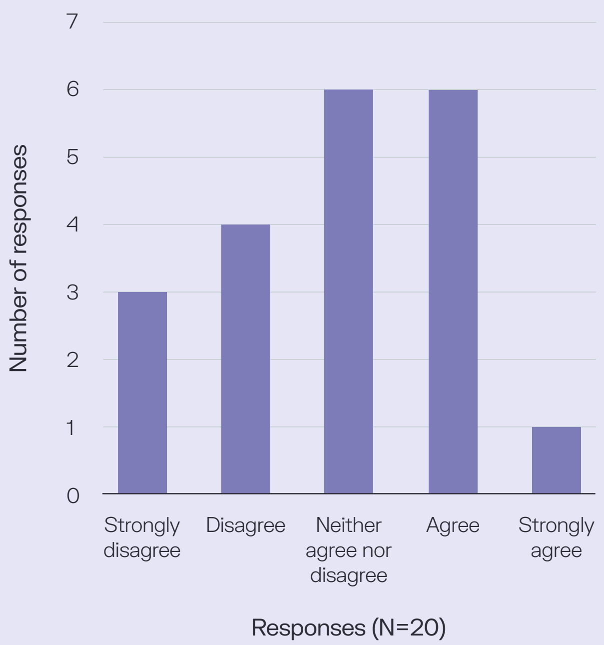
3.3. OPTION BOX 6 - CARBON BUDGET APPROACH

Option box 6 presented within the beta Scope 3 Claim required companies to calculate the scope 3 emissions gap by considering cumulative emissions under a linear trajectory for the whole period, performing one calculation so that the total gap is known upfront. To avoid companies using an excessive amount of carbon credits in the first years of the implementation period, Option box 6 limited the number of high-quality carbon credits used in any given year to no more than 40% of the scope 3 emissions budget.

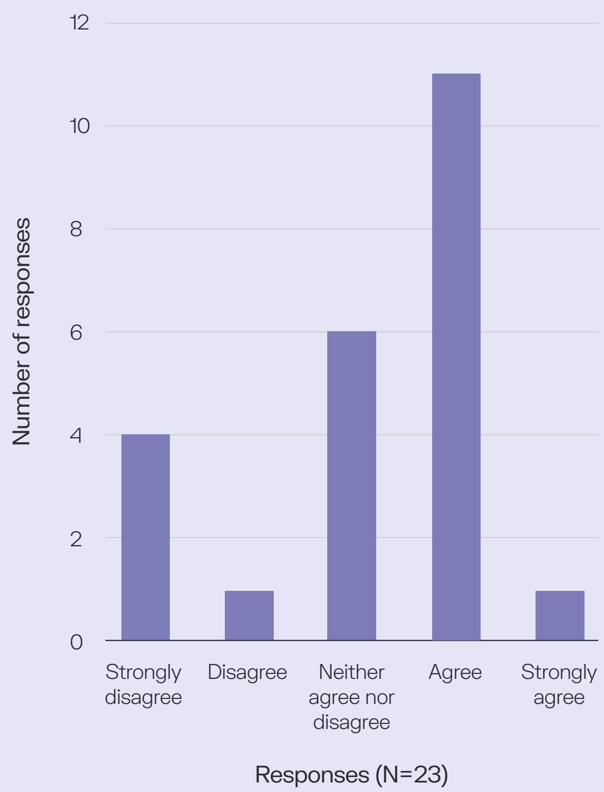
Consultation platform respondents were asked to provide feedback specifically on the inclusion of this calculation method and two survey questions were asked. See the below responses (Figure 4).

Figure 4: Public consultation platform survey results: Carbon budget approach. Total responses, N=20, N=23, respectively.

The limit of 40% of the maxiumum total scope 3 emissions gap for the amount of carbon credits to be retired in a specific year is sufficient to prevent companies from using an excessive amount of their budget in any given year, especially at the beginning.



The use of the carbon budget concept ensures a credible science-aligned approach and simplifies the claim calculation.



These comments were discussed during VCMI's EAG meeting on 4 November 2024.
Below is a summary of the feedback obtained and the final changes to the Scope 3 Action Code of Practice.

Option box 6 – carbon budget approach	
Key points from the public consultation feedback	In line with the consultation platform survey responses, slightly more comments supported the carbon budget approach concept than disagreed with it. However, this was not clear cut and there were strong views against this approach. For the carbon budget approach: Arguments for this approach said it still provides a structured framework but gives greater incentive to use the claim over multiple years. Some acknowledge the risks with this approach but deem it as acceptable in order to incentivize use and positive action to be taken. Recurring across comments was that this approach was less complex and simpler to follow. The majority of comments for this approach came from VCM-related bodies. Against: The key argument against the carbon budget approach was that it allows companies to steadily increase emissions in the first half of the target period, companies could then drop out before being required to reduce in the latter half. This would risk delaying meaningful climate action and the approach leaves too much room for abuse. Perspectives on the 40% guardrail: Perspectives on limiting a maximum of 40% of the budget to be retired in one year were varied. Some stated 40% was still too constraining, noting other guardrails in place, and either the limit should be removed entirely or argued for a higher limit to be set. One proposed raising the limit specifically to 50% for any given year. Others argued that 40% was too high, and that this should be reduced in order to prevent companies using all their budget early on then dropping the Claim. One comment was specifically in agreement with the 40%, although another noted it should depend on number of years' commitment, e.g. allow 40% if the budget is over 10 years but if over 5 years, it is too high.
Scope 3 Action Code of Practice	The carbon budget approach was incorporated into the document as one of the two calculation approaches companies can use to align with the Scope 3 Action Code of Practice. The year-on-year calculation method can also be used. To prevent companies from using too many carbon credits early on, an annual limit on the budget to be used was set: the emissions gap in any given year cannot exceed 40% of the scope 3 emissions budget gap (defined as 25% of the scope 3 emissions budget in the Scope 3 Action Code of Practice). Including this approach as one of two approved methods in the Code of Practice reflects the balanced nature of the feedback received via the public consultation.

3.4. OPTION BOX 5 - NO LIMIT SET ON THE SIZE OF THE EMISSIONS GAP AND CARBON CREDIT LIMIT

This section refers to comments made around if companies should be required to retire high-quality carbon credits for the full scope 3 emissions gap, or if retiring a lower amount than the gap should be allowed – with or without a limit set on the size of the emissions gap.

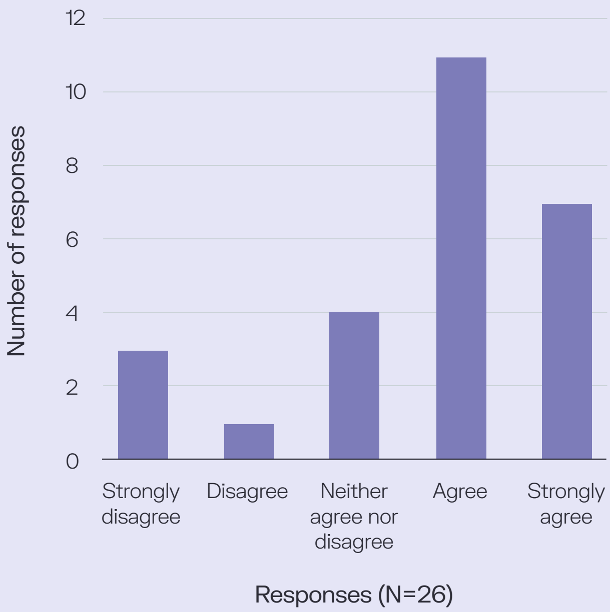
Option box 5 within the beta Scope 3 Claim suggested to remove the 24% gap limit, but companies would still be expected to take action for the entirety of their scope 3 emissions gap through a combination of two different elements:

1. retirement of high-quality carbon credits in an amount equal to the portion of the emissions gap that corresponds to the maximum of 24% of the scope 3 trajectory emissions.
2. investment in measures to overcome remaining scope 3 barriers, which in turn will reduce future emissions, for the portion that exceeds the limit of the carbon credits use.

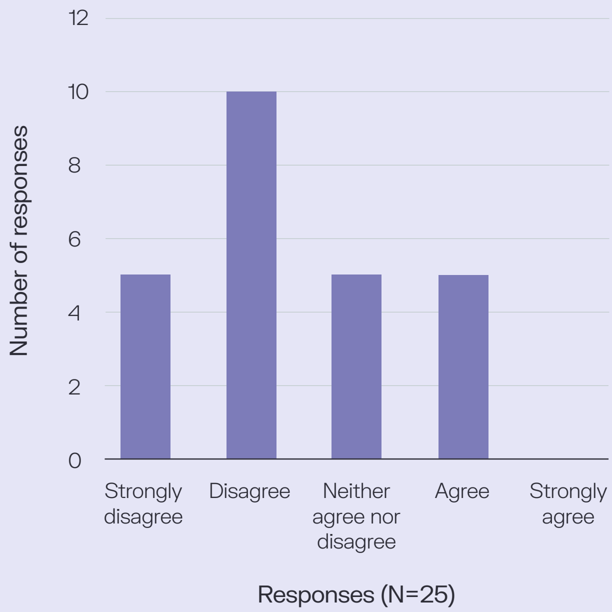
Two survey questions were asked through the public consultation platform around the carbon credit limit (see Figure 5), and general feedback was provided.

Figure 5: Public consultation platform survey results: Credit limit. Total responses, N=26, N=25, respectively.

The volume of high-quality carbon credits retired to make a Scope 3 Claim should be equal to, or greater than, the total gap between their most recently reported scope 3 emissions and their scope 3 emissions indicated by their trajectory for the same year.



It is credible for companies to make a Scope 3 Claim if they are retiring high-quality carbon credits in an amount that is lower than their total scope 3 emissions gap provided they demonstrate investment for future scope 3 emission reductions.



These comments were discussed as part of VCMI's EAG meeting on 8 November 2024.
Below is a summary of the feedback obtained and the final changes to the Scope 3 Action Code of Practice.

Option box 5 – no limit set on the emissions gap and carbon credit limit	
Key points from the public consultation feedback	The retirement of carbon credits for the full scope 3 emissions gap (at least 100% or beyond the gap) had strong views for and against. The consultation platform survey results and comments were favoured towards requiring companies to retire credits for the full gap. Within each viewpoint concerning retiring credits for full or part of the gap, support was evenly divided across stakeholder groups – see Annex A, the public consultation process report, section 2.3 for more information on the stakeholder groups. Feedback ranged from the following: 1. **Keep requirement to retire credits for "at least 100% of the gap":** Comments for the full gap suggested allowing anything less than this would seriously undermine the integrity of the Claim, reducing/delaying impact. It was suggested that this may make the claim available to companies that don't display the necessary leadership or commitment. Comments also argued that action should be incentivized beyond the gap, stating that credits should be allowed for all scope 3 emissions and that restricting to a gap of 24% or less does not incentivize further positive action – half of these comments came from VCM-related bodies. 2. **Companies do not have to retire credits equal to their entire gap:** a. **When there is no gap limit (like Option box 5):** Comments supporting this pointed to increased incentives to use the Claim, and inclusivity allowing those that have met the initial steps to take positive action. Suggestions to road test with the threshold removed but with guardrails focused on transparency of the gap and plans / timelines to get back on track. b. **With a gap limit:** Comments highlighted challenges, such as cost barriers that some companies might face when making a claim if credits were required to be retired for the entire scope 3 emissions gap. It was suggested that allowing to claim for part of the gap, supported by other investments, would enable more companies to participate. Additionally, comments noted that this approach could provide further emission reduction benefits. 3. **Limit the retirement of credits to be "equal to 100% of the gap" - what companies retire beyond that cannot be part of this Claim:** A small number of comments did not support carbon credits to be used beyond the companies' scope 3 emissions gap. These argued that additional retirements should be decoupled, calculated and supported separately. A suggestion was also made that investments beyond scope 3 emissions gaps should instead be focused on addressing scope 3 emissions reduction challenges. All of these comments came from Civil Society, Academia and Research.
Scope 3 Action Code of Practice	This option from Box 5 - no limit is set on scope 3 emissions gap - was excluded from the final document. Though the public consultation gave mixed opinion on this regard, a limit on scope 3 emissions gap was kept to avoid misuse of the guidance, as advised by some respondents. Also, considering positive feedback from the public consultation, no limit was set for the amount of high-quality carbon credits that can be retired. Companies are required to retire high-quality carbon credits in a number **at least equal** to the total scope 3 emissions gap.

3.5. 24% GAP LIMIT GUARDRAIL

The 24% gap limit guardrail requires the gap between a company's current scope 3 emissions and where they need to make progress with decarbonization, and to be aligned with near-term science-aligned targets, must not exceed 24% of the target emissions for any given year. It also requires companies to invest in high-quality carbon credits that cover at least their entire scope 3 emissions gap, however, these comments are addressed in the previous section 3.4.

Public consultation platform respondents were asked to respond to a survey question to gain targeted feedback on the gap limit guardrail and provided general feedback on this section of the document. Focus group participants were also asked for their agreement to the 24% guardrail through a live poll. Responses are shown below (see Figure 6).

Figure 6.1: Consultation platform survey poll results: 24% guardrail. Total responses, N=32

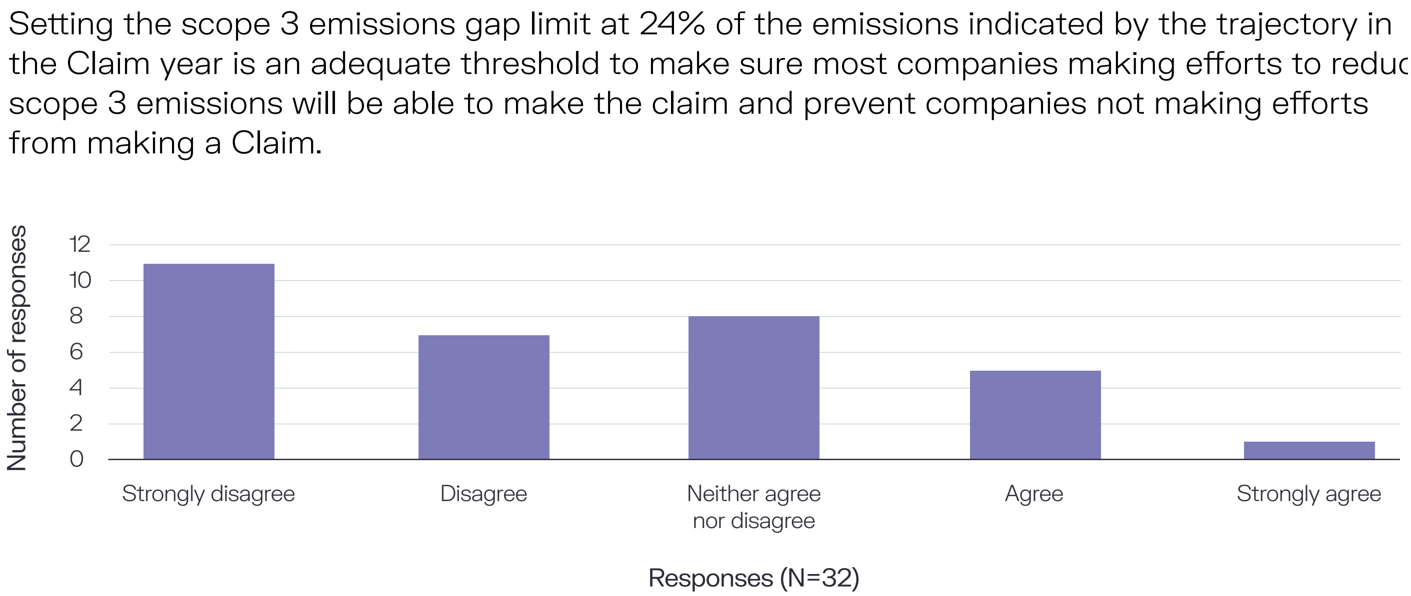
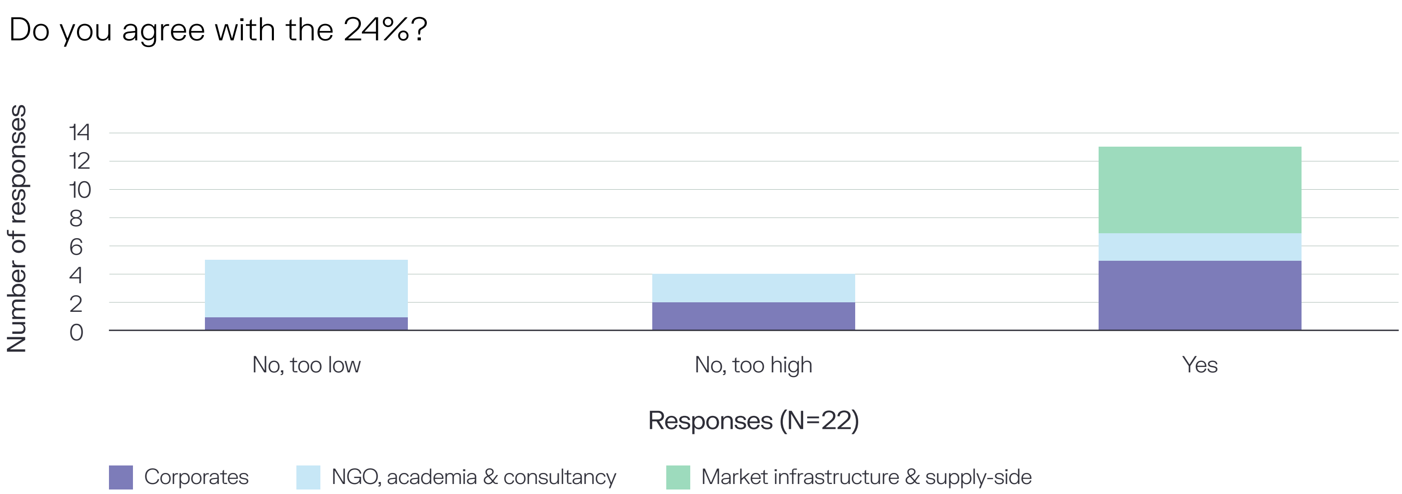


Figure 6.2: Focus group poll results: 24% guardrail. Total responses, N=22



These comments, along with some comments on Box 5 – no limit, were discussed during VCMI's EAG meetings held on 31st October and 8 November 2024.
Below is a summary of the feedback obtained and the final changes to the Scope 3 Action Code of Practice.

24% gap limit - guardrail	
Key points from the public consultation feedback	There was a mixed view from respondents on what the threshold should be, were this to remain. Some supported the current or a lower threshold, others argued for higher. Limited comments agreed with the 24% as stated, with the majority disagreeing one way or another. Threshold too low: Similar to the Option box 5 (where there would be no limit set on the size of the emissions gap), many pointed to the restricting nature of this figure and that it would exclude many with challenges of scope 3 emissions reductions. There was challenge to the research behind this guardrail, specifically on the outliers and the selected industries (e.g. no oil and gas) with suggestions to road test a version with a higher threshold removing outliers and/or the upper 10. A few of these comments noted the rationale was ambiguous, complex and will become irrelevant over time – suggestions included making it 25% or 30% simply for ease. Some comments suggested moving from taking an average of hard to abate pathways to a "maximum acceptable" number. Half of the comments around the threshold being too low were from VCM-related bodies. Threshold too high: These referenced distractions to indirect emissions reductions and allowing some companies to increase in the short term. Some comments were against the Claim entirely. Two thirds of these comments came from the Civil society, Academia and Research stakeholder group. Remove limit entirely: There was much support for removing the limit entirely. Comments supporting this pointed to increased incentives to use the Claim, and inclusivity allowing those that have met the initial steps to take positive action. Suggestions included to road test with the threshold removed but with guardrails focused on transparency of the gap and plans / timelines 'to get back on track'.

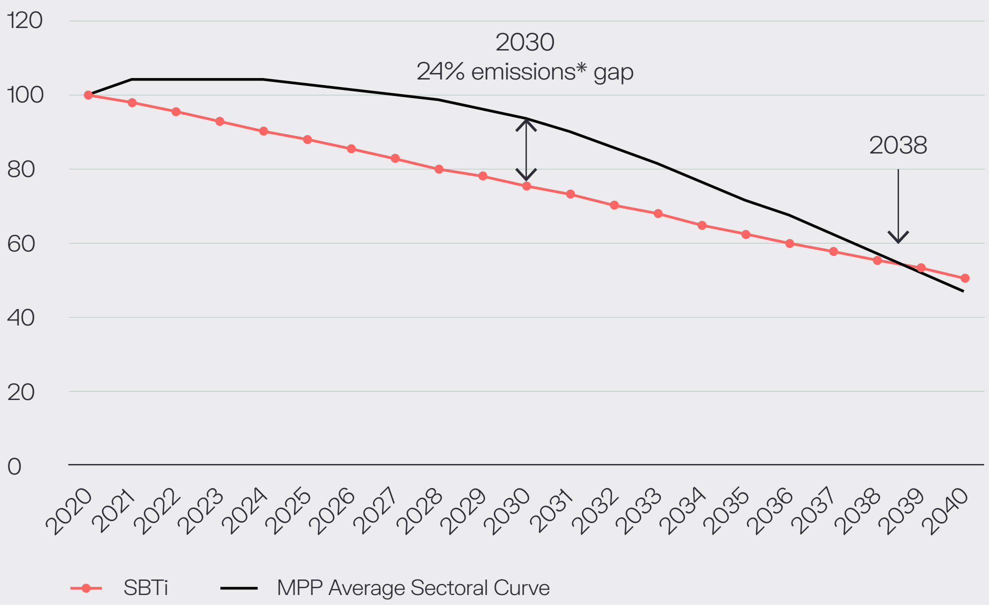
24% gap limit - guardrail

Scope 3 Action Code of Practice

A 25% gap limit and a phase-out year for 2040 was defined based on an analysis of the Mission Possible Partnership (MPP) mitigation pathways data for seven hard-to-abate sectors: aluminum, concrete & cement, chemicals, steel, aviation, shipping and trucking (Accenture, 2024. VCMI: Scope 3 Claim Assessment Final Report). The MPP average sectoral decarbonization pathway for these sectors was compared to the minimum reduction rate needed for SBTi's scope 3 emissions reduction targets, which is based on a well-below 2° Celsius (WB2oC) scenario and reflects an absolute 2.5% decarbonization rate per year (SBTi, 2024. SBTi CORPORATE NET-ZERO STANDARD CRITERIA).

Adopting 2020 as the base year for all curves with a normalized number for one curve to match the other, the average curve from MPP data was no higher than 124% of the SBTi's curve on any year and peaked in 2030. Hence, the gap between these two curves is the highest at 24% in 2030 and tends to decrease until 2038, when it reaches zero, where the two curves intersect (Figure 7). This suggests that an emissions gap limit of 24% could set a pathway for scope 3 decarbonization for companies that are making efforts to reduce their emissions and that scope 3 emission reduction barriers could be overcome by 2038.

Figure 7: MPP average sectoral decarbonization curves and SBTi WB2°C emissions reduction pathway (2020–2040) (Adapted from Accenture, 2024)



24% gap limit - guardrail	

	The emissions gap limit and the phase-out year were also assessed by examining company-level data from the SBTi 2022 Monitoring Report[2], which covers companies' progress in reaching their absolute reduction targets for scope 1, scope 2, and scope 3 emissions.
	
	The analysis showed:
	
	• Approximately 55% of companies making progress in reducing scope 1 and scope 2 emissions were also making progress in reducing scope 3 emissions.
	• Approximately 45% of companies had scope 3 emissions gaps and would need to take further action.
	• Among companies progressing on scope 1 and scope 2 targets but that need to further progress on scope 3 targets:
	  • 75% had emissions gaps of 24% or less
	  • 50% had gaps of 11.6% or less.
	
	A 24% maximum acceptable emissions gap considers scope 3 decarbonization challenges and excludes the top 25% companies with the largest gaps engaging and adhering to the guidance provided.
	
	The emissions gap limit is set at an adequate level if it allows companies making efforts to reduce scope 3 emissions to be distinguished from those that don't.
	
	Furthermore, a sensitivity analysis has been carried out to check the appropriateness of the emissions gap limit. Some of the companies making efforts to reduce scope 3 emissions, and categorized as "A-type companies", according to CDP's emissions and climate score data, have been identified as not being able to make a claim. This may suggest the established gap limit is too conservative. The current gap limit might prevent some companies which are making decarbonization efforts from being able to make a claim. This is to ensure that those that are not making efforts to reduce scope 3 emissions are not able to make a claim and get public recognition for it.
	
	In addition to this, to ensure that only companies facing scope 3 barriers and making efforts to address them would be able to make a claim, additional requirements, such as disclosing measures already implemented and emissions reduction that resulted from it, have been adopted to prevent misuse of the guidance.
	
	Final numbers for the guardrails – gap limit
	
	The rounded value of 25%, established for the guardrail on the maximum emissions gap for the Scope 3 Action Code of Practice, is also representative of the spread on SBTi scenarios for decarbonization[3], where the budget from the upper range scenario, with low/no overshoot, is ~25% higher than the average.

2 SBTi (2023). SBTi Monitoring Report 2022.

3 SBTi (2021). PATHWAYS TO NET-ZERO: SBTi Technical Summary.

3.6. 2038 PHASE OUT DATE – GUARDRAIL

The beta Scope 3 Claim was positioned as being available for a limited time to ensure continuous improvement. This guardrail requires that by 2038, companies must have closed their scope 3 emissions gap and returned to making progress to meet their net zero commitments.

Respondents were asked to respond to a survey question and focus groups were specifically asked about the 2038 guardrail during a live poll (Figure 8.1). Consultation respondents also provided general feedback on this guardrail (Figure 8.2).

Figure 8.1: Survey results: 2038 guardrail. Total responses, N=35.

It is reasonable to expect that by 2038 companies will be able to have addressed scope 3 emission reduction barriers entirely and therefore that their emissions will be consistent with meeting their next near-term target.

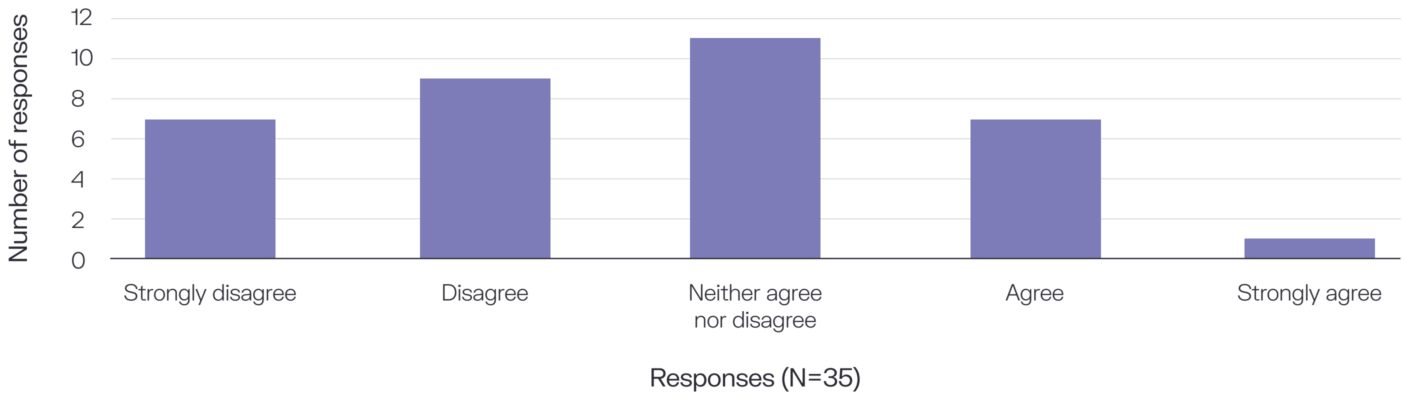
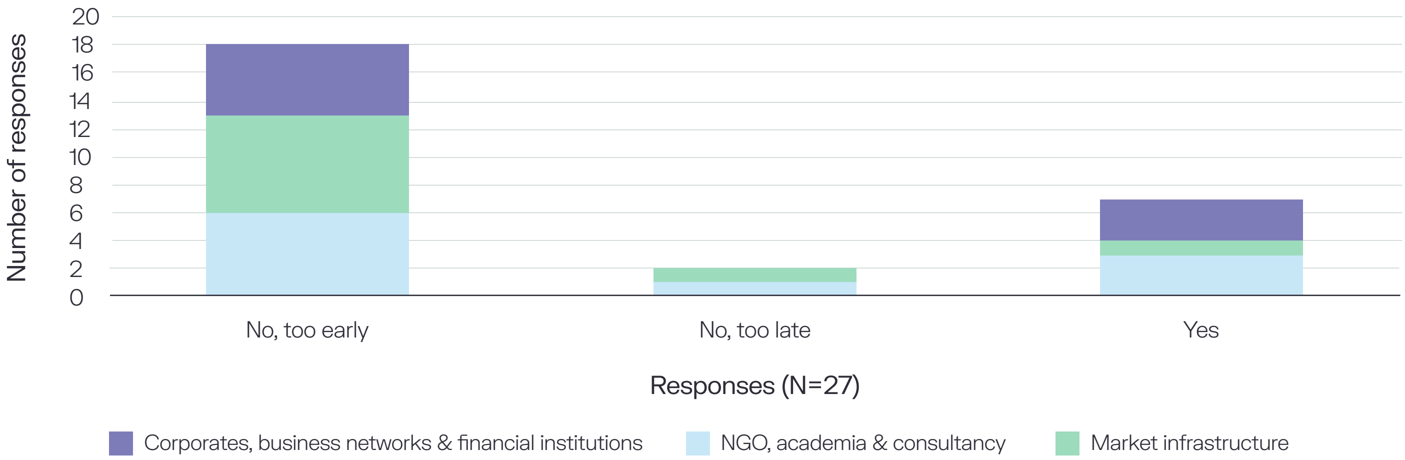


Figure 8.2: Focus group live poll results: 2038 guardrail. Total responses, N=27.

Do you think by 2038 companies will be able to address reduction barriers?



These comments were discussed during VCMI's EAG meetings held on 31st October and 8 November 2024. Below is a summary of the feedback obtained and the final changes to the Scope 3 Action Code of Practice.

2038 - guardrail	
Key points from the public consultation feedback	**The need for a phase out date** There were mixed views on the need for a date. Many argued over the timing, and some highlighted the need for a timebound fixed date to ensure integrity, but others argued for no date to be required. **Against a phase out date entirely:** There was a strong view that, while the concept of declining over time was needed, any phase out date entirely was at odds with the ambition to scale up carbon markets and would severely impact supply of nature projects that require long term commitment. This view was shared by almost half of comments on this topic. Proposals to focus on the transition of credits (e.g. to removals credits only for residual emissions) rather than phase out. There was a proposal from some to allow companies the opportunity to propose their own phase out date instead (dependent on a number of factors – sector, progress/track record, type of credits purchased etc.). **Penalization non-declining gap:** There was feedback that if the gap doesn't reduce over several years in a row this should forfeit ability to use the Claim, as an alternative guardrail than the fixed date. **Agreement with a phase out date:** Of those that agreed there should be a phase out date, feedback was divided across when the exact phase out date should be. **Too early:** Comments support the survey results, with a view that 2038 was too early and some not understanding the logic and believing this date to be arbitrary. The majority of comments on this topic supported either a later date or no date at all. Of these, the majority were from VCM-related bodies. Their view is that not enough progress would have been made on scope 3 barriers within 14 years and too early a date may seriously reduce the incentive for companies trying in the first place. Some comments pointed to aligning with 2050 targets. A minimum date of 2040 was also shared. **Agreement:** Some comments agreed with the date, stating that companies that haven't closed their gap by 2038 are unlikely to do so thereafter but there could be an interim date to be revisited. All of these comments came from Large Corporations or Business Networks or the Civil Society, Academia and Research stakeholder group. **Too late:** A smaller number of comments stated that 2038 was too late and should be brought forward, however most of these types of comments did not agree with the Claim in general.
Scope 3 Action Code of Practice	See commentary in section 3.6. Also, to acknowledge and account for uncertainties and fluctuations, 2040 was adopted in the Scope 3 Action Code of Practice as the phase-out year. This is supported by the results of the public consultation that supported revising the date and with 2040 specifically provided as an option.

3.7. DIFFERENTIATION

Differentiation is referring to the many points voiced, across all stakeholder groups, recommending that a non-standardized approach is taken.

It is important to note that as there was no specific question or option on differentiation, limited feedback was provided to counter these suggestions and therefore a balanced set of views on the merits for or against this topic cannot be presented.

Feedback obtained within this theme were discussed during VCMI's EAG meeting on 8 November 2024.

Below is a summary of the feedback obtained.

Differentiation	
Key points from the public consultation feedback	Most comments within this theme were focused on providing different limits to the guardrails, although some raised the point of differentiation throughout the document more generally. Sector-specific approaches: The majority of comments in this theme advocated for a Claim that incorporates sector-specific approaches. The core rationale was that a requirement that might be reasonable for some sectors may not be for others. This was particularly stressed in relation to hard to abate sectors or where scope 3 was more prominent. Some argued this was not a fair or inclusive approach. Additionally, some comments noted that the research behind the guardrails is based on assumptions that are not fully representative, as it only focuses on seven sectors (around half of comments on this approach came from the Civil Society, Academia & Research stakeholder group). Other forms of differentiation: Other types of differentiation were also mentioned, including distinctions based on carbon credit type – highlighted in particular by VCM-related bodies, who argued that nature-based credits should always be permitted – as well as situationally dependant factors, such as the emissions source. Against differentiation: There was a voice from the Civil Society, Academia & Research stakeholder group in the focus groups openly against a sector-specific approach, noting the need for consistency across approaches.
Scope 3 Action Code of Practice	VCMI acknowledges the need for a more tailored approach, as a single uniform benchmark for the guardrails often fails to account for the varying levels of complexity and effort required from different companies to overcome scope 3 decarbonization barriers.

3.8. ALIGNMENT ACROSS STANDARDS

This section refers to comments made around the need to ensure the Claim aligns with other standards.

Below is a summary of the feedback obtained and the final changes to the Scope 3 Action Code of Practice.

Alignment across standards	
Key points from the public consultation feedback	Comments generally stated the need for harmonization around existing standards, frameworks and guidance. The majority of comments received within this theme were around the need for alignment across other standards setters such as the Science-based Targets Initiative (SBTi) and the International Standards Organization (ISO) Net-zero standard, specifically around the use of credits towards the delivery of near-term targets. Although another comment was that this Claim does not need to fit into the SBTi framework but should be an alternative to it. Other comments stated that alignment with the Greenhouse Gas Protocol (GHGP) and ISO 14068 around transitioning to net zero is also needed. Others stressed the importance of aligning with the Integrity Council for Voluntary Carbon Market (ICVCM) to ensure the availability of high-quality carbon credits, enabling companies to operationalize claims without delays.
Scope 3 Action Code of Practice	The Scope 3 Action Code of Practice is designed to work alongside other frameworks like SBTi – and soon ISO. It provides an additional tool for companies facing specific challenges in scope 3 emissions reductions to complement their internal decarbonization efforts. On relation to ICVCM, to align with the Scope 3 Action Code of Practice, companies shall retire ICVCM Core Carbon Principles (CCP)-labelled credits or Article 6.4 credits issued under methodologies approved by the Article 6.4 Supervisory Body when they become available. Further details on these mechanisms are outlined in the document. For VCMI Claims made before January 1, 2026, or until CCP-labelled and/or Article 6.4 credits become widely available, VCMI offers companies two approaches to retire high-quality carbon credits: • Option 1: Retire CORSIA eligible credits, when a specific activity type has not yet been assessed by the ICVCM. • Option 2: Disclose how due diligence processes align with all 10 CCPs. Other types of certificates are not yet part of the current VCMI guidance.

3.9. BARRIERS TOWARDS SCOPE 3 EMISSIONS REDUCTIONS

These comments refer to points made around the barriers companies are facing towards scope 3 emissions reductions generally, and the requirement around the disclosure of the barriers in Step 2 of the beta Scope 3 Claim.

Below is a summary of the feedback obtained and the final changes to the Scope 3 Action Code of Practice.

Barriers towards scope 3 emissions	
Key points from the public consultation feedback	Some respondents made editorial suggestions to improve the clarity in the language used around the requirement to disclose the barriers being faced or stressed the importance of this step. Some comments were specific, such as questioning what should or shouldn't be disclosed as part of this requirement and the need to balance this to not over burden companies. Other comments made were more high level around the barriers companies are facing in reducing scope 3 emissions, including what constitutes a valid barrier. Others highlighted the need for more guidance or tools around strategies to overcome them.
Scope 3 Action Code of Practice	To provide more clarity and avoid overburdening companies, the requirement for scope 3 decarbonization disclosure has been reframed. Companies are now asked to declare "the main current and anticipated barrier(s) faced to reducing scope 3 emissions and explain how they impede progress towards their near-term scope 3 emissions reduction targets". They are not expected to describe all barriers and shall explain why they consider these to be the main barriers. In order to give the wider ecosystem a deep understanding of the challenges companies face in reducing their scope 3 emissions and analyze potential solutions to overcome such barriers, with associated costs and timeline, VCMI commissioned comprehensive research to identify and analyze barriers preventing companies across various sectors from fully reducing their scope 3 emissions. The objective of this work was to support businesses, policymakers, and stakeholders in overcoming challenges related to scope 3 decarbonization by providing practical recommendations that offer solutions to address priority scope 3 decarbonization barriers by sector..

3.10. CALCULATIONS

Comments made around the calculation sections of the document are summarized in this section.

Below is a summary of the feedback obtained and the final changes to the Scope 3 Action Code of Practice.

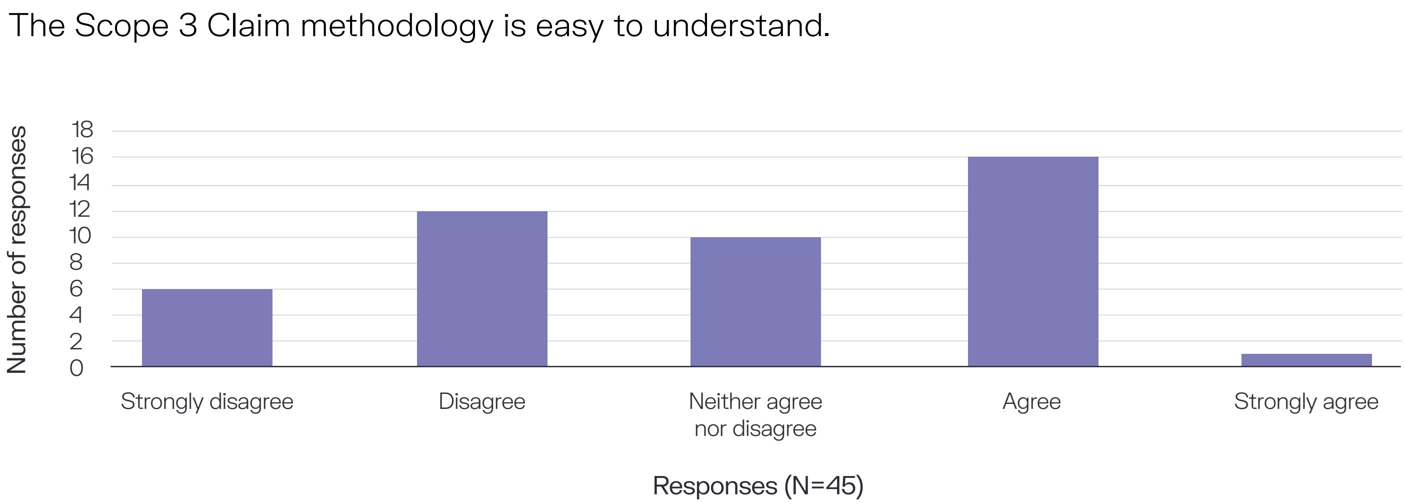
Calculations	
Key points from the public consultation feedback	The majority of the comments made around the calculation sections of the Claim referred to the need for more clarity. For example, a figure to demonstrate how the emissions gap and the gap limit is calculated, with a worked example or for VCMI to provide further guidance and/or define the calculation methodology more clearly. A few comments were also made around intensity-based targets, arguing that VCMI should not let companies use the Claim when using this type of target setting mechanism. Non-linear reductions were also debated. Some respondents also left editorial and structural comments.
Scope 3 Action Code of Practice	On top of giving more clear guidance on the explanation of the calculation needed, new elements were added to the document: • Infographics with a brief explanation of all requirements and calculations needed on Step 2 of the four-step process. The calculations and guardrails are presented as a decision tree process to better guide companies through the methodology. • An Annex with 12 examples, with 6 different hypothetical companies using the two different calculation approaches: Year-on-year and Carbon Budget, is provided. Half of those companies have intensity targets and half uses absolute ones. • A calculation sheet has been developed to support the calculation of the carbon budget. Users input their data (base year, base year emissions, 1st target implementation year, target year and target reduction), and the sheet automatically processes the data and performs the required calculations. This can be assessed here.

3.11. COMPLEXITY/UNDERSTANDING

This subsection refers to feedback received on respondents understanding of the Claim / the Claim's complexity.

Consultation platform respondents were also asked specifically if they agreed that the Claim's methodology was easy to understand (see Figure 9).

Figure 9: Survey results: understanding of the beta Scope 3 Claim. Total responses, N=41.



Below is a summary of the feedback obtained within this theme and the final changes to the Scope 3 Action Code of Practice.

<table>
<tr><th colspan="2">Complexity/understanding</th></tr>
<tr><td>Key points from the public consultation feedback</td><td>There were multiple comments made around further clarity being needed on specific parts of the Claim. The most commonly questioned area was the rationale behind the 24% and 2038 guardrails. Other comments were made that clarity is needed on aspects such as:
• Calculating the emissions gap
• How to measure scope 3 emissions
• The emissions gap limit and use of credits
• How target boundaries are defined and set
Many comments were made stating that the Claim is too complex and needs simplification. Based on feedback, VCMI could produce additional guidance, suggested to cover:
• Explaining the Claim and methodology simply and concisely for businesses
• Corrective measures to address the emissions gap
• Developing a transition plan / decarbonization strategy
• Communications - how to communicate the use of the Claim externally and how to communicate action on residual emissions
There was also a lack of understanding around how the Claim is positioned as not being an offsetting tool. Across the focus groups and consultation platform comments, respondents noted that better messaging is needed on this and how the Claim will incentivize emissions reduction.</td></tr>
</table>

Complexity/understanding	
Scope 3 Action Code of Practice	**Scope 3 emissions and scope 3 emissions gap** The whole methodological process was streamlined to reduce complexity and facilitate understanding on all calculations needed to obtain the scope 3 emissions gap, define how many credits should be retired and check guardrails. For a more detailed explanation on scope 3 emissions gap limit, see discussion above section 3.5. Target boundary is the activities and their associated emissions that are included in a target in the target base year and subsequent years within the timeframe of the target (SBTi, 2024). The science-aligned framework used by each company for setting their own target shall be used for setting the target boundary and emissions coverage. This coverage expresses the target boundary as the percentage of emissions in the target boundary out of the total. This total can be one or multiple emissions scopes and categories and may vary depending on the accounting year (SBTi, 2024. SBTi CORPORATE NET-ZERO STANDARD CRITERIA V 1.2) **Communication guidance** On communications, a new executive summary brings in clear and concise language on the overall explanation of the Code of Practice. Also, further material will be developed for high-level explanations on the methodology and guardrails, and how to communicate scope 3 action on remaining emissions to avoid greenwashing. **Transition plan** VCMI acknowledges that climate transition plans are a vital tool for organizations to demonstrate their climate action and commitment. Research and analysis have been conducted by VCMI across relevant climate transition plan frameworks, including those of CDP, Climate Action 100+, The Glasgow Financial Alliance for Net Zero (GFANZ) and Transition Plan Taskforce, to shortlist key indicators for monitoring the implementation of measures established by companies to overcome scope 3 emission reduction barriers. The intent was to consider other indicators which could be used to analyze the implementation of these measures, that was not restricted to emissions reduction data. Allocating financial resources and making plans to resource the current and planned activities set out in the list of measures are crucial. Value chain engagement with suppliers by asking them to meet environmental requirements as part of the organization’s purchasing process and establishing a percentage procurement from low-carbon suppliers that should be met could contribute to lowering the company’s scope 3 emissions. However, as the disclosure on those indicators is still a quickly evolving space, with currently low uptake from companies worldwide in reporting on them, VCMI will continue to monitor the progress of this work and align with best practice once it becomes widely adopted. Meanwhile, the Scope 3 Action Code of Practice states the report on indicators drawn from climate transition plans related to financial planning and value chain engagement as a recommendation.

3.12. GUARDRAILS – ADDITIONAL FEEDBACK

This theme highlights suggestions made around the guardrails more generally (those not in relation to the 24% gap limit or phase out date guardrails), including specific recommendations for additional criteria the next iteration of the Claim should consider.

Below is a summary of the feedback obtained and the final changes to the Scope 3 Action Code of Practice.

<table>
<tr><th colspan="2">Guardrails - other</th></tr>
<tr><td>Key points from the public consultation feedback</td><td>
Extra guardrail to prevent making a claim if emissions increase year on year:
A concern was raised that organizations can technically increase emissions year on year while still being able to make a claim. It was noted that this could severely impact integrity and reputation of the Claim. There was a suggestion to add an additional guardrail to protect from this scenario, these included:
Add an extra guardrail that requires emissions to reduce:
There was feedback that suggested if the emissions gap does not decline over time, the use of the beta Scope 3 Claim should not be permitted. Proposals received focused on this being reviewed each year or at regular milestones (e.g. require at least a 5% decrease every 5 years). Percentage reductions could also relate to the gap percentage, which currently must decline over time but was viewed as vague without stated targets.
Require companies not to increase absolute emissions:
Concerns, however, were raised that requiring a continual decline in the emissions gap favours companies far ‘off-track’ over those nearly on target. It was raised that, as the goal is to incentivize participation from companies close to meeting targets, a simple approach requiring companies not to increase absolute emissions could provide more equal incentives.
Extra guardrail to support decarbonization efforts:
There were several (at least three) suggestions that the beta Scope 3 Claim would be more effective if only permitted following the development and implementation of a short-term scope 3 decarbonization strategy that identifies short-term actions to reduce scope 3 emissions.
Features of a decarbonization strategy:

This could be a five-year plan that targets the most significant emissions sources.
A focus on identifying residual emissions for the use of credits.
Regular reporting on progress, barriers and changes made to overcome.
After this period the plan is updated, and a claim can be made.

Ongoing review and evaluation on the guardrails:
Several comments suggested that the guardrails should be tested, evaluated and reviewed on a regular basis. This would alleviate concerns about the current guardrails set by providing future flexibility for this to change. Suggestions included a review in five years’ time or when new evidence or data becomes available.
Rationale for review
Most noted that the guardrails should be amended as new research emerges. Points were made that we don’t know what will happen, including world-wide progress on decarbonization, technological advances or the potential for emissions to increase requiring a shift. A fixed date may also be less useful for companies that set targets later and that this should be reviewed.
</td></tr>
</table>

Guardrails - other	
	Sub-point: phase-in of guardrails One comment was also made suggesting that restrictions on the use of the Claim could be phased in slowly, starting with initial steps, which would increase incentives to use the Claim.
Scope 3 Action Code of Practice	**Guardrail/requirement for companies not to increase/reduce absolute emissions:** Different measures to prevent the misuse of the Code of Practice were considered. However, given that scope 3 emissions fluctuate due to various factors (e.g., uncertainties related to emission factors and supply chain complexities), it is unrealistic to require companies to reduce emissions every year after aligning with the Code of Practice. It is important to note that the existing requirements and measures, including the transparency requested for the list of measures designed to overcome remaining barriers with an estimated timeline, aim to select companies that are making efforts to reduce scope 3 emissions. This approach enables businesses to use high-quality carbon credits to close the emissions gap while they put in place necessary measures to overcome emissions reduction barriers and get back to the trajectory consistent with their climate commitments, until the target year. **Review process:** Given that overall scope 3 decarbonization is a complex and evolving process, VCMI acknowledges that some parameters of the Scope 3 Action Code of Practice may need to be reviewed over time to incorporate new findings. **Phase-in of guardrails** Given that the Scope 3 Action Code of Practice is not yet a certifiable Claim, companies may choose to align with the Code as an ongoing process, gradually implementing requirements and guardrails.

3.13. EDITORIAL

A small number of comments were made that were of an editorial nature.

Below is a summary of the feedback obtained within this theme and the final changes to the Scope 3 Action Code of Practice.

Editorial	
Key points from the public consultation feedback	Specific editorial comments on both the language and diagrams in the beta Scope 3 Claim were made. The rationale for the changes was mainly around clarity and understanding, or to avoid negative language or to use metric measures for carbon instead of imperial.
Scope 3 Action Code of Practice	All editorial suggestions were a valuable input for all the text improvements made on the public consultation version to arrive on final text with much more clarity. All units use metric system.

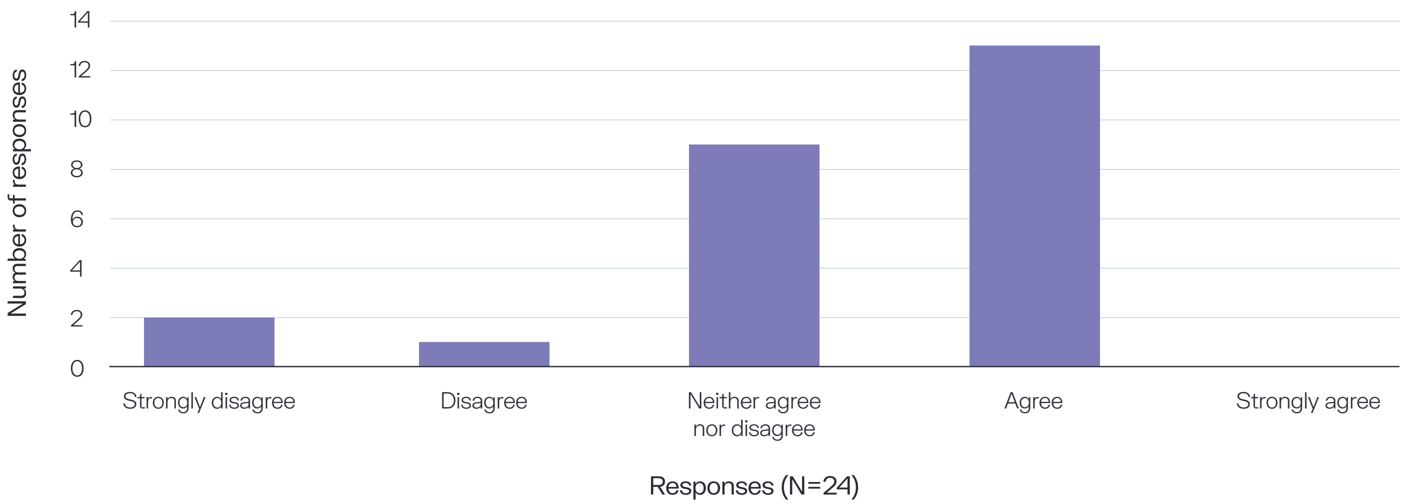
3.14. ESTABLISH A SCOPE 3 EMISSIONS TRAJECTORY

The beta Scope 3 Claim required companies to determine a scope 3 emissions trajectory consistent with their science-aligned target. This can either be their own trajectory, or they can assume a linear trajectory between their base year and target year.

A survey question was also asked via the consultation platform to specifically gain feedback on if the emissions resulting from non-linear trajectories shall not be greater than those that would have resulted from a linear trajectory, ensuring that the company's reduction pathway is aligned with net zero commitments.

Figure 10: Survey results: emissions trajectories. Total responses, N=24.

Cumulative emissions resulting from non-linear trajectories shall not be greater than the cumulative emissions that would have resulted from a linear trajectory to ensure that the company's emission reduction pathway is coherent with a science-aligned outcome.



A number of comments were made on this section, mainly in comment to the survey.

A summary of the feedback is provided below, alongside the changes to the Scope 3 Action Code of Practice.

Establish a scope 3 emissions trajectory

Key points from the public consultation feedback	
	The largest point of feedback in this section was around if the cumulative emissions from non-linear trajectories shall not be greater than those from linear trajectories, due to the specific survey question being asked. Feedback was overall in agreement with this but there were some comments that this is an oversimplification. Other comments were made including for VCMI to consider including real-world examples to illustrate how to establish an emissions trajectory, or to create further guidance specifically around non-linear trajectories and how to justify them or document the external factors causing them.

Scope 3 Action Code of Practice

VCMI recognizes that many companies' emissions do not follow a linear trajectory and, in some cases, may increase in a given year as a result of factors outside their control, such as changing practices, product lines and suppliers, adoption of new technologies, sales and acquisitions.

For the Year-on-Year approach, cumulative emissions resulting from non-linear trajectories shall not be greater than the cumulative emissions that would have resulted from a linear trajectory, as illustrated by the examples below:

[Step 2B]

Base year 2020; Target year: 2030; Base year emission: 800 tCO_2e; Target reduction: 25% by 2030; scope 3 emissions included in the target boundary (2025): 860 tCO_2e

[Step 2C]

(tCO_2e) Linear scope 3 trajectory emissions (example)	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
	800	780	760	740	720	700	680	660	640	620	600

Cumulative scope 3 emissions from a linear trajectory: 7700 tCO_2e

Alternatively:

(tCO_2e) Linear scope 3 trajectory emissions (example)	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
	800	800	780	760	740	700	660	640	620	600	600

3.15. FOUNDATIONAL CRITERIA

The Foundational Criteria applies to all VCMI Claims and are designed to be aligned with the long-term goals of the Paris Agreement, representing current corporate best practice. The Foundational Criteria requires companies to:

- maintain and publicly disclose an annual GHG emissions inventory;
- set and publicly disclose science-aligned near-term emission reduction targets, consistent with reaching net-zero emissions no later than 2050;
- demonstrate that they are implementing measures on financial allocation, governance, and strategy towards meeting a near-term emission reduction target; and
- demonstrate that their public policy advocacy supports the goals of the Paris Agreement and does not represent a barrier to ambitious climate regulation.

Below is a summary of the feedback obtained and the final changes to the Scope 3 Action Code of Practice.

Foundational Criteria	
Key points from the public consultation feedback	Many comments on the Foundational Criteria were notes of agreement with the requirement of complying with the Foundational Criteria, with some comments noting this encourages companies to prioritize in value chain decarbonization. A small number of respondents suggested reducing barriers to entry to making a claim for those companies that currently do not meet the Foundational Criteria, broadening participation, while they move towards compliance with the criteria. On the other hand, others suggested to further tighten the Foundational Criteria in the Claim, such as requiring that both GHG inventory and climate targets should be set up for scope 1, scope 2 and scope 3, requiring companies to publicly disclose a transition plan to achieve science-aligned targets or to be deforestation free by a set date.
Scope 3 Action Code of Practice	The Foundational Criteria have been updated to remove barriers of entrance and increase accessibility to a larger number of companies, while ensuring integrity from the demand side of voluntary carbon markets and technical rigour and robustness.

3.16. HIGH-QUALITY CARBON CREDITS

The beta Scope 3 Claim required companies to retire only Core Carbon Principles (CCP)-labelled credits. Until these become available, CCP-labelled and Carbon Offsetting and Reduction Scheme for International Aviation (CORSIA) credits were said to be permitted.

This section presents a summary of the feedback received on this requirement, and on types of carbon credits generally.

Below is a summary of the feedback obtained and the final changes to the Scope 3 Action Code of Practice.

<table>
<tr><th colspan="2">High-quality carbon credits</th></tr>
<tr><td>Key points from the public consultation feedback</td><td>The use of other types of credits to make a claim were mentioned by some respondents, such as the use of Article 6 credits. Alternative Environmental Attribute Certificates were also mentioned as an alternative method to make a claim, including:
• Renewable energy certificates
• Sustainable aviation fuel certificates
Some respondents emphasized the need to transition from emissions avoidance credits to removals credits, highlighting the importance of addressing long-term carbon sequestration rather than short-term avoidance measures.
The limited availability of CCP-labelled credits was noted as a challenge, and variability in credit quality highlighted as a remaining issue, with one respondent from a VCM-related initiative suggesting a portfolio-based approach to carbon credit risk. Adding a requirement for companies to purchase credits from projects with carbon credit ratings was also mentioned.
Further requirements were recommended for nature-based credits, including the application of principles such as like-for-like replacement[4].</td></tr>
<tr><td>Scope 3 Action Code of Practice</td><td>Companies shall retire ICVCM Core Carbon Principles-labelled credits or Article 6.4 credits issued under methodologies approved by the Article 6.4 Supervisory Body when they become available. Further details on these mechanisms are outlined in the document.
For VCMI Claims made before January 1, 2026, or until CCP-labelled and/or Article 6.4 credits become widely available, VCMI offers companies two approaches to retire high-quality carbon credits:
• Option 1: Retire CORSIA eligible credits, when a specific activity type has not yet been assessed by the ICVCM.
• Option 2: Disclose how due diligence processes align with all 10 CCPs.
Other types of certificates are not yet part of the current VCMI guidance.</td></tr>
</table>

4 "Like-for-like removals are defined by the UNFCCCs Race to Zero campaign as 'when a source of emissions and an emissions sink correspond in terms of their warming impact, and in terms of the timescale and durability of carbon storage'. This definition indicates that CO_2 that came from permanent storage, such as fossil fuels, must be returned to permanent storage. At the same time, CO_2 released from insecure storage such as forests or soils can be returned to the same type of storage (i.e. offset land use change with forestation). It also means that short-lived greenhouse gasses such as methane could potentially be neutralised by CO_2 storage with the same lifetime as methane (adjusting volumes for global warming potential). The like-for-like principle stems from the structure of the natural carbon cycle and safeguards against, for example, an oil company continuing to produce fossil fuels and releasing CO_2 from the long carbon cycle, while offsetting their emissions by planting trees and restoring carbon into the short carbon cycle." – Carbon Gap, 2023.

3.17. INCENTIVES TO ADHERE TO THE BETA SCOPE 3 CLAIM

Comments assigned to this theme refer to comments made around the incentive companies have for adhering to the beta Scope 3 Claim.

Below is a summary of the feedback obtained and the final changes to the Scope 3 Action Code of Practice.

<table>
<tr><th colspan="2">Incentives to adhere to the beta Scope 3 Claim</th></tr>
<tr><td>Key points from the public consultation feedback</td><td>Motivation to adhere to the Claim:

Many respondents, particularly in the Corporate focus group, mentioned that the incentives for companies are not clear and only a few are making VCMI Claims. It was noted that the Claim is perceived as an added cost and that it does not currently bring much brand benefit. It was also raised that there is no incentive for companies to buy credits more than their scope 3 emissions gap, and organizations currently lack the ability to make a higher-tier claim.

Some suggested that allowing organizations to also claim for their scope 1 and scope 2 emissions if they are not meeting those targets was an additional way to incentivize use of the Claim and encourage broader participation.

Others mentioned that the Claim offers a solution to replace offsetting which companies see as beneficial.

Another mentioned that there should be a remedy framework for missed targets which could help increase use of the Claim.

Integration with SBTI:

Some respondents mentioned how there would be a greater incentive if the Claim could contribute to an SBTi target in future.

It was recommended that VCMI work directly with SBTi to have the approach laid out in this Claim mandated in the Corporate Net Zero Standard as an obligation for companies who are missing their scope 3 emissions targets. This approach was said to have the potential to drive action and accelerate action towards global net zero.

Coverage / relevancy:

It was mentioned that the current approach is “too supply chain/ value chain” focused and is not applicable to all sectors, such as banks. It was also mentioned that being heuristic takes the focus away from whole decarbonization and that a more holistic approach should be taken.

Timing / priority:

An issue was raised by respondents that carbon reporting is a new effort for many companies and focusing on scope 3 emissions at this stage is premature. Some respondents felt that scope 3 is not currently a priority for companies; they are currently focusing on scope 1 and scope 2. One participant also raised that money can be spent either on credits or in investments in scope 3 reductions, and VCMI should decide how much can be utilized on credits.</td></tr>
</table>

Incentives to adhere to the beta Scope 3 Claim	
Scope 3 Action Code of Practice	**Motivation to adhere to guidance provided:** The Scope 3 Action Code of Practice provides guidance for companies making efforts to reduce scope 3 emissions and facing barriers to do so. Companies can use high-quality carbon credits to close the scope 3 emissions gap while they put in place necessary measures to overcome emissions reduction barriers and get back to the trajectory consistent with their climate commitments, until target year. Companies should take action for their emissions gap each and every year and retire high-quality carbon credits to close that gap. VCMI recommends target setting frameworks to adopt and apply the same approach for the target year. **Integration with SBTi:** The Scope 3 Action Code of Practice is designed to work alongside other frameworks like SBTi – and soon ISO. It provides an additional tool for companies facing specific challenges in scope 3 emissions reductions to complement their internal decarbonization efforts. The Scope 3 Action Code of Practice guidance is complementary to target setting frameworks as it requests action to be taken by companies each and every year of the target implementation period and not just at target year. **Coverage / relevancy:** VCMI considers developing a differentiation framework for a future iteration of the document. VCMI is also developing a white paper on the different roles financial institutions can play in scaling up voluntary carbon markets.

3.18. INTERNAL DECARBONIZATION

A small number of comments were made referring to a company's effort to reduce their emissions.

Below is a summary of the feedback obtained within this theme and the final changes to the Scope 3 Action Code of Practice.

Internal decarbonization	
Key points from the public consultation feedback	One respondent suggested there should be flexibility if an organization hasn't reduced scope 1 and scope 2 emissions, though many emphasized that progress on reducing scope 3 emissions should be prioritized. There were multiple calls for clearer guidance on internal reductions, including tools and strategies to overcome barriers, linking it to the broader theme of challenges to internal decarbonization. The need to uphold the mitigation hierarchy was stated as crucial to maintaining integrity, with a clear emphasis that a claim should not serve as substitute for direct emissions reductions. Some respondents suggested further requirements for investment in actions to ensure meaningful progress. Concerns were also raised about the potential for claims to undermine internal decarbonization efforts, citing insufficient incentives to prioritize these reductions. A common suggestion was to link claims to the implementation of a robust decarbonization strategy.
Scope 3 Action Code of Practice	The Scope 3 Action Code of Practice is designed for companies making progress in scope 1 and scope 2 emission reductions and making efforts but facing barriers to reduce scope 3 emissions. Mitigation hierarchy is addressed by requiring companies to provide a list of measures already taken to enable scope 3 emissions reductions and results obtained. Companies are also required to provide a list of: • measures to be implemented to address remaining barriers; and • the expected timeframe for it as a decarbonization strategy.

3.19. MONITORING, REPORTING AND ASSURANCE (MRA)

Step 4 in the beta Scope 3 Claim required companies to obtain third-party assurance following the VCMI Monitoring, Reporting & Assurance (MRA) framework.

Comments categorized within this theme relate to this step.

Below is a summary of the feedback obtained and the final changes to the Scope 3 Action Code of Practice.

Monitoring, Reporting and Assurance (MRA)	
Key points from the public consultation feedback	The main point of feedback in this section was to ensure that VCMI's MRA framework is updated to include scope 3, however one respondent noted that the framework cannot be applied to scope 3 but they are very supportive of third-party assurance. The majority were in agreement with this requirement and felt that it is vital to build trust, but a minority noted requiring this was a barrier to entry. Other comments were made questioning how the requirement that the scope 3 emissions gap must decline over time will be assured.
Scope 3 Action Code of Practice	Scope 3 Action Code of Practice – Annex C is provided for companies to be aware of specific information to be publicly reported when demonstrating alignment with this Scope 3 Action Code of Practice. It is recommended that companies make this information publicly available, such as through a company website, a standalone report (e.g. annual climate report) or within a more comprehensive report (e.g. sustainability report). Annex C, along with the key metrics listed in the VCMI MRA Framework, can be used to guide a company's data reporting and assurance process to ensure alignment with the Scope 3 Action Code of Practice. VCMI recommends that companies obtain third-party verification of the reported data to substantiate any communication regarding alignment with this Scope 3 Action Code of Practice. Though companies are not using the Scope 3 Action Code of Practice to make a claim, companies can refer to the MRA Framework to understand the reporting and assurance requirements relating to the Foundational Criteria.

3.20. OTHER GENERAL

Presented here are the other, general comments that do not refer to a specific aspect of the document, nor fit into any of the other themes.

Below is a summary of the feedback obtained and the final changes to the Scope 3 Action Code of Practice.

Other general	
Key points from the public consultation feedback	**Use of a claim for scope 3:** Some stated that carbon credits should not be used for scope 3 emissions, and that scope 3 cannot be an additional voluntary target. A couple of respondents noted that something should be done to prevent 'leakage' of emissions from scope 1 and scope 2 into scope 3. One respondent noted that the bar should be 'set even higher' and short-term insufficient claims shouldn't be rewarded to incentivize long-term claims as companies might withdraw. Some felt that the Claim might de-incentivize long-term decarbonization efforts. There were also some views that a balance should be established between immediate action and long-term claims and there should be interim solutions on the way to transition. Others commented that companies 'lagging behind' on targets should be supported. It was also mentioned by a few respondents that taking a more holistic view to emissions reductions should be made clear, taking into account an organization's overall emissions reduction strategy. **Target setting:** One respondent questioned if companies could set another near-term target once they reach the first one. **Transparency:** One respondent noted that transparency through disclosure is welcomed, however they see an issue with companies setting their own decarbonization pathway and then stating they are 'on track', even if emissions are increasing. **Alternative proposals:** The use of energy attribute certificates (EAC) for addressing emissions reduction in an organization's value chain was mentioned in various points throughout the consultation feedback. The E-liability carbon accounting framework was suggested by one respondent as an alternative framework. One respondent noted that investment in scope 3 may restrict investments in scope 1 and scope 2. A shared responsibility mechanism was proposed for scope 3 emissions. **Improvements to the claim:** Some respondents left long comments with items for improvement, most of which were also listed elsewhere in the consultation sections (e.g. 2038 timeframe and 24% threshold). Something else to be considered is how to ensure no double-counting between scope 1, scope 2 and scope 3.

Other general	
Scope 3 Action Code of Practice	**Use of a claim for scope 3:** A key objective of the Code is to accelerate climate action, with high-quality carbon credits used in addition to, not as a substitute for, direct decarbonization of scope 3 emissions. With this dual approach of overcoming the barriers to scope 3 emissions reduction and provisioning climate finance through the retirement of high-quality carbon credits, companies can continue to deliver on their climate commitments and accelerate global net zero. **Target setting:** Companies should follow a science-aligned target setting framework criteria to set near-term emissions reduction. **Transparency:** If companies choose to use their own non-linear scope 3 emissions trajectory, the cumulative emissions resulting from this trajectory shall not be greater than the cumulative emissions that would have resulted from a linear trajectory to ensure alignment with the Intergovernmental Panel on Climate Change (IPCC) mitigation pathways assumptions. For some years this could even mean a growth in absolute scope 3 GHG emissions. **Alternative proposals:** The use of energy attribute certificates (EAC) is not part of the scope of this document. **Improvements to the Claim:** The Scope 3 Action Code of Practice requires companies to disclose relevant data related to retired high-quality carbon credits (e.g., project ID, retirement serial number, and retirement date). **Double counting:** Double counting is a situation in which a single GHG emission reduction or removal is counted more than once towards achieving mitigation targets or goals. Double claiming occurs when the same GHG emission reduction or removal is claimed by two different entities towards achieving mitigation targets or goals: for example once by a country, jurisdiction or other entity that reports lower GHG emissions or higher GHG removals for the purpose of demonstrating achievement of a mitigation target or goal, and once by the entity retiring the carbon credit for the purpose of reducing internal emissions to meet a target. When credits are authorized for international transfer under the Paris Agreement, a corresponding adjustment is required to avoid double counting across two or more national accounting systems, not between a national and corporate accounting system. Voluntary corporate reporting is independent of, and does not contribute to, national emissions accounting under the Paris Agreement. The voluntary use of carbon credits allows private sector finance to flow into climate mitigation efforts beyond regulatory requirements, enabling additional emissions reductions that would not otherwise be funded through government policies or compliance markets. A corporate can purchase non-authorized credits and the country hosting the carbon market project can count those emissions reductions toward their Nationally Determined Contribution (NDC), if they have an economy wide NDC or the credits fall in a sector within the NDC. It is acceptable that the corporate claims the use of these credits separately from reporting greenhouse gas emissions in their inventory. The country in which the corporate is does not need to be informed and the credit use is not reported in their NDC accounting, therefore there is no double counting with the project's host country's NDC.

3.21. POLICY/REGULATION

Presented here are all comments made relating to wider policy / regulation considerations. Below is a summary of the feedback obtained and the final changes to the Scope 3 Action Code of Practice.

Policy/regulation	
Key points from the public consultation feedback	**Penalties / incentives:** There were questions asked around how the mechanism is going to be enforced. Whether there would be reputational benefits, incentives for take up and penalties for not achieving targets and heavy reliance on carbon credits was debated. It was also mentioned that once incentives and penalties are in place, a body is needed to manage the latter; potentially an existing one. **Clear rules are needed to prevent greenwashing accusations:** There were questions and concerns around greenwashing. Respondents mentioned that clear rules and labels are needed around claims. The lack of jurisdictional agreement on required substantiation for 'Green Claims' creates confusion and increases the risk of greenwashing. Holistic industry wide guidance is needed on what good substantiation for climate claims looks like. It was also mentioned that there needs to be a standard to cover different jurisdictions. **Green Claims Directive:** There was a view that claims being made are dependent on the outstanding legislation in development – the Green Claims Directive (GCD). There was a view that the Claim can be used voluntarily by companies, but they will only get legal security from the GCD. **Variance across jurisdictions:** Respondents from different jurisdictions commented that their government doesn't have any guidance or regulation around scope 3 emissions. It was felt that the voluntary element is not enough and there should be a mandate for companies to set targets and take measures for achieving them. Some noted that accounting liability is needed. **Recognition by other programmes:** Respondents noted that scope 3 emissions regulations cannot exist in isolation and there should be engagement with other regulations, schemes or standards.

Policy/regulation	
Scope 3 Action Code of Practice	The Scope 3 Action Code of Practice promotes complementary use of high-quality carbon credits so that companies have a credible path for the voluntary use of carbon credits they wish to make. Organizations are recommended to take independent legal advice on their intended use of the Code in the jurisdiction on which they operate. VCMI standards and its associated Claims are broadly consistent with the EU GCD's criteria set forth in its provisions for trader claims based on the use of credits. VCMI will continue to monitor the GCD's development—currently in its trilogue phase—to ensure that its Claims and guidance fully comply with the directive's criteria and objectives. Recognition by other programmes VCMI has designed its MRA Framework building on and aligning with — rather than duplicating — existing benchmarks and corporate accountability frameworks (e.g. Climate Disclosure Project (CDP)). VCMI respects and recognizes the role each organization plays in voluntary carbon markets and engages in ongoing coordination efforts with the Science Based Targets initiative (SBTi), the Greenhouse Gas Protocol (GHG Protocol), CDP, We Mean Business, and the Integrity Council for the Voluntary Carbon Market (ICVCM), among other key corporate voluntary standards bodies. VCMI's role in voluntary carbon market governance is one piece of a larger puzzle. Ensuring the effective wider governance of voluntary carbon markets requires a broader convergence of actors and resources to fill the need for assurance services, among other components.

3.22. PROCUREMENT GUIDELINES

Presented here are all comments relating to carbon credit procurement guidelines.

Below is a summary of the feedback obtained and the final changes to the Scope 3 Action Code of Practice.

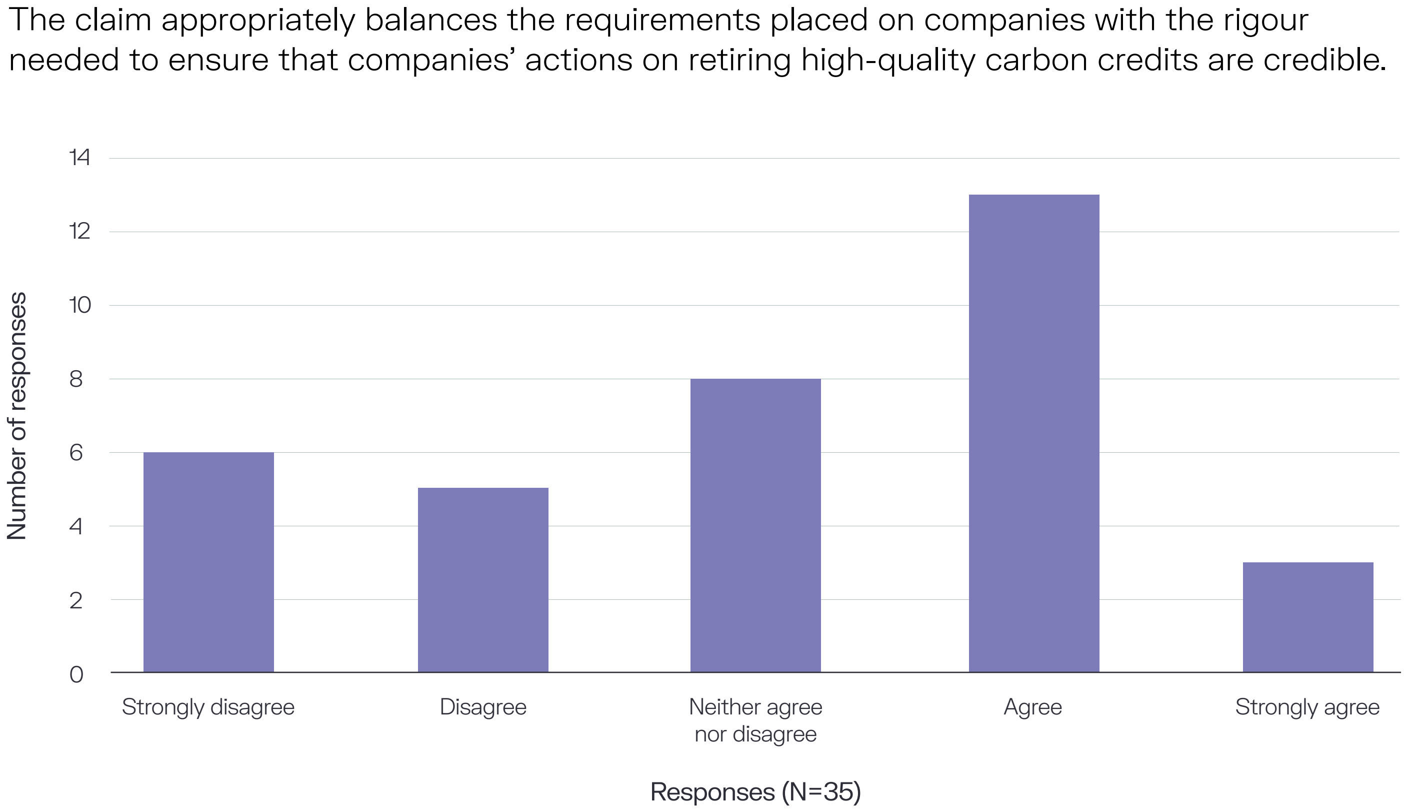
Procurement guidelines	
Key points from the public consultation feedback	The general feedback from the small number of comments in this section supported an optional recommendation for companies to disclose their carbon credit procurement guidelines for transparency, balancing this disclosure without over burdening companies.
Scope 3 Action Code of Practice	The recommendation for companies to develop and disclose the company's carbon credit procurement guidelines was removed from the Code. Though VCMI understands that the development of procurement guidelines is positive for companies, it was chosen to keep in the document only the requirements and recommendations that are closer related to the objectives of the Scope 3 Action Code of Practice. This is to avoid overburdening companies that will want to adhere to all recommendations.

3.23. REPUTATIONAL

Comments presented in this theme refer to remarks made around how VCMI's reputation may be affected, adversely or inadvertently, by the beta Scope 3 Claim.

Consultation platform respondents were specifically asked a survey question (Figure 11) to gain perspectives on if the Claim appropriately balances the requirements and guardrails to ensure the credible use of carbon credits. Respondents also made general comments in the consultation platform and during the focus groups.

Figure 11: Survey results: The Claim appropriately balances the requirements placed on companies with the rigour needed to ensure that companies' actions on retiring high-quality carbon credits are credible. Total responses, N=35.



Below is a summary of the feedback obtained and the final changes to the Scope 3 Action Code of Practice.

Reputational	
Key points from the public consultation feedback	**Offsetting:** There were views by some that the Claim will reduce decarbonization efforts of an organizations value chain and increase the appeal of offsetting. **Greenwashing:** There were mixed views around the Claim and how it's positioned in terms of greenwashing. One respondent stated that allowing companies to exceed their emissions targets by 24% annually until 2038 contradicts the necessary emissions reduction rates to meet the Paris Agreement's target. They stated this could lead to widespread greenwashing, as it creates a misleading impression of corporate decarbonization efforts, potentially hindering global climate action and misleading consumers and investors about companies' true environmental impact. On the other hand, others felt that the Claim strikes the right balance and allows climate leadership that will increase engagement with carbon credit use due to the Claim's guardrails that offer protection from greenwashing accusations. **Messaging around accountability for emissions reductions:** One respondent noted that the beta Scope 3 Claim is designed for companies to take extra responsibility if they fall short of their emissions targets, not as a way to ease reduction requirements or permit reliance on carbon credits. It was suggested that messaging around this should be made very clear up front – favouring reductions over credit use. **Against the Claim generally:** There were a few respondents, both in the focus groups and in the platform comments, that are generally against the Claim, and do not see it is a useful tool. Reasons being are that it delays from urgent climate action that is needed now and is perceived as a way out for companies. **How the Claim is perceived in the context of other standards:** One respondent raised that other standards (e.g. ISO, SBTi) do not allow credits to be used within an organizations value chain and that if VCMI allow this, could risk damaging credibility.
Scope 3 Action Code of Practice	The Scope 3 Action Code of Practice provides guidance for companies making efforts to reduce scope 3 emissions and facing barriers to do so. Companies can use high-quality carbon credits to close the scope 3 emissions gap while they put in place necessary measures to overcome emissions reduction barriers and get back to the trajectory consistent with their climate commitments, until target year. Companies should take action for their emissions gap each and every year and retire high-quality carbon credits to close that gap. VCMI recommends target-setting frameworks adopt and apply the same approach for the target year. A key objective of the Code is to accelerate climate action, with high-quality carbon credits used in addition to, not as a substitute for, direct decarbonization of scope 3 emissions. With this dual approach of overcoming the barriers to scope 3 emissions reduction and provisioning climate finance through the retirement of high-quality carbon credits, companies can continue to deliver on their climate commitments and accelerate global net zero.

3.24. SCOPE 1 AND SCOPE 2 TARGETS

This category relates to a range of comments made concerning scope 1 and scope 2 targets.

Below is a summary of the feedback obtained and the final changes to the Scope 3 Action Code of Practice.

Scope 1 and scope 2 targets	
Key points from the public consultation feedback	A number of respondents noted to extend the Claim to allow to claim for scope 1 and scope 2 emissions, some arguing for their remaining emissions only, but others also if there is a gap between where they need to be for their science-aligned target. Some commented that organizations that have a gap for their scope 1 or scope 2 emissions shouldn't be able to make a claim and anyone that has a scope 3 gap shouldn't be able to achieve Gold or Platinum Carbon Integrity Claims. It was highlighted that disclosure of scope 1 and scope 2 progress should be mandatory. One respondent raised that the Claim should allow some sectors facing challenges in scope 1 and scope 2, such as steel and cement, to still make a Claim (this is related to the point on differentiation). VCMI was advised to better define what 'progress' on scope 1 and scope 2 is – a clearer demonstratable sign of progress was mentioned by a few respondents. An example of 4% was given to be 'on track' with a science-aligned pathway.
Scope 3 Action Code of Practice	The Scope 3 Action Code of Practice requires companies to publicly disclose the percentage of emissions reductions achieved in greenhouse gas (GHG) emissions for scope 1 and scope 2 in the most recent reporting year, in comparison to the base year (i.e. base year used in the near-term emission reduction target). The Scope 3 Action Code of Practice provides guidance for companies making progress on scope 1 and scope 2 emissions reductions and making efforts but facing barriers to reduce scope 3 emissions. VCMI recognizes that some companies also face challenges in reducing scope 1 and scope 2 emissions, but challenges are different than those faced on scope 3 emissions reduction, so specific guidance would have to be provided in that regard.

Road test summary

4. Road test summary

4.1. INTRODUCTION TO THE ROAD TEST

VCMI's beta Scope 3 Claim document underwent an intensive four-week road-testing process, facilitated by BCG and coordinated with WBCSD, with participation from 10 companies. The objective was to assess the operability, clarity, and incentives of the Claim, as well as explore challenges related to scope 3 emissions. The process also evaluated naming and branding aspects of the Claim, culminating in key findings and recommendations for improvement.

4.2. KEY CHALLENGES IDENTIFIED

The road testing highlighted several challenges, both related to scope 3 emissions in general and to the Claim itself;

- Nascent scope 3 reporting & prioritization: Many companies are still in the early stages of tracking and reporting scope 3 emissions, making it difficult to commit to near-term claims, and provide information on actions already undertaken to address scope 3 emissions.
- Complexity & justification of parameters: Companies initially found the Claim challenging to understand and questioned the justification behind specific parameters and guardrails.
- Need for additional guidance: When provided with extra guidance and calculation tools, companies found the Claim more actionable.
- Cost concerns: The financial burden of purchasing carbon credits to cover scope 3 emissions gaps was a concern, particularly for industries where scope 3 emissions constitute the majority of their footprint.

4.3. FINDINGS ON CORPORATE READINESS FOR A SCOPE 3 CLAIM

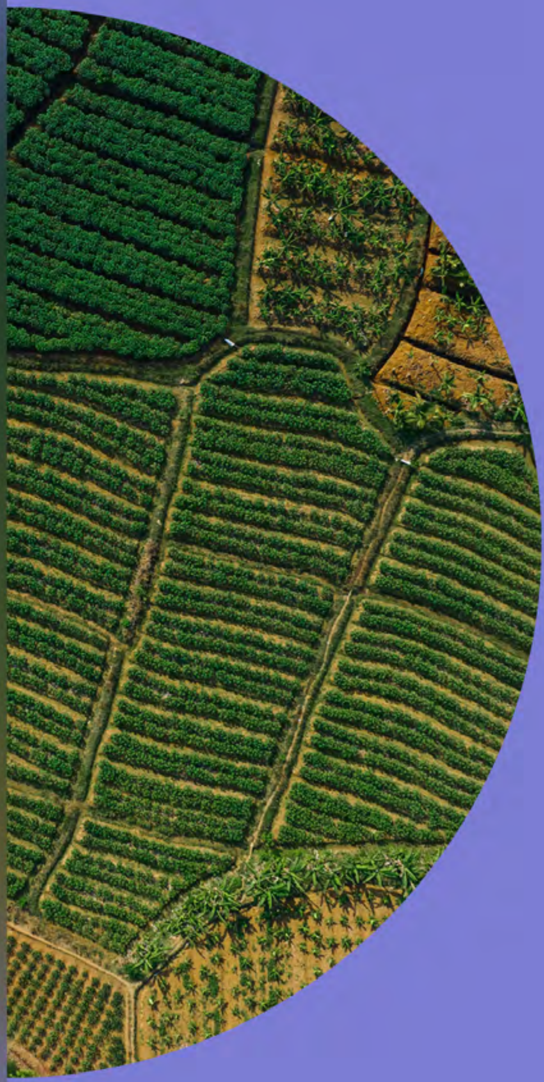
- While 55% of companies disclose their scope 3 emissions to CDP, overall tracking and reporting remain in early stages, limiting their ability to make a Scope 3 Claim in the near term.
- Companies with scope 3 roadmaps may be prioritizing direct decarbonization efforts over carbon credit purchases, making it premature for many to disclose barriers in their scope 3 strategies.
- As scope 3 remains a developing area, companies need guidelines that are clear, credible, and easily communicated to internal stakeholders, including C-suite executives and investors.
- All participating companies communicated that the beta Scope 3 Claim provided valuable guidance that they would use.

4.4. RECOMMENDATIONS FOR ENHANCING THE BETA SCOPE 3 CLAIM

To address the challenges and maximize corporate engagement, key changes were recommended:

1. Flexible approach to scope 3 strategy maturity: Introduce both a Year-on-Year and a Carbon Budget approach to accommodate varying levels of scope 3 strategy development.
2. Enhanced clarity and credibility: Anchor the Claim to established climate frameworks, ensuring clear guardrails and incorporating support materials like calculation sheets and graphs.
3. Enhanced clarity within the technical requirements: Specific guardrails should be simplified, such as changing the 24% emissions gap limit, and 2038 phase out year, to 25% and 2040 respectively.
4. Improved communication & usability: Ensure the Claim is concise, operable, and easy to implement within corporate business planning processes.
5. Alignment with corporate needs: Make the Claim scientifically credible while being practical for companies to communicate to climate leadership.
6. The naming and branding should explicitly refer to the main focus of the Claim, being scope 3 emissions.

Conclusion and next steps



5. Conclusion and next steps

The Scope 3 Action Code of Practice has been developed through a robust, extensive consultation process providing a high-integrity solution to using high-quality carbon credits to close the scope 3 emissions gap.

The road-testing process reinforced the importance of ensuring that the Scope 3 Action Code of Practice is both ambitious and practical. Companies are central to the Code's success, and their feedback has been instrumental in refining its design. By integrating the recommended changes, VCMI aims to facilitate and incentivize corporate adherence to the Scope 3 Action Code of Practice, ultimately driving meaningful near-term action on scope 3 emissions.

The Scope 3 Action Code of Practice, launched in April 2025, serves as guidance that companies can use immediately to ensure they are following best practice and following a high-integrity approach to the use of high-quality carbon credits to close the scope 3 emissions gap.

The Voluntary Carbon Markets Integrity Initiative is an international initiative to drive credible, net zero-aligned participation in voluntary carbon markets.

vcmintegrity.org