

Scope 3 Action Code of Practice

Annexes

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Annex A



Annex A: Examples of both calculation methods for the scope 3 emissions gap limit

This annex provides example calculations to demonstrate the application of the two calculation methods that can be used to calculate the scope 3 emissions gap limit, outlined in the Scope 3 Action Code of Practice. For illustrative purposes, each calculation method is applied to two groups of companies with different types of target:

- Company group A, with an absolute target;
- Company group B, with a physical intensity target.

These examples offer practical guidance on the use of each calculation method in different contexts.

Companies will be able to use guidance provided in the Scope 3 Action Code of Practice from the first year of the implementation period. Please note that the company may seek alignment with the Code starting from any point within its implementation year, retaining the capacity to adhere to the guidance provided.

All examples provided include calculations needed for Step 2 [B], [C], [D] and [E]. Step 2 [A] Requirements and Recommendations and 2 [F] Retire high-quality carbon credits, have not been included in the examples because there are no calculations involved in those steps.

Notation table

Symbol	Description	Units
t	Years since the base year	Number of years
T	Total number of years from the base year to the target year	Number of years

EXAMPLE 1, COMPANY A YEAR-ON-YEAR APPROACH FOR AN ABSOLUTE TARGET

2B OBTAIN COMPANY UP-TO-DATE DATA

In this example, the following input data apply:

- Group of companies A – with an absolute target:
 - base year: 2020;
 - base year scope 3 emissions included in the target boundary: 800 tCO₂e;
 - 1st implementation year of the target: 2022;
 - target year: 2030; and
 - absolute target emissions reduction: 2.5% per year, linear (25% in 10 years).

Different hypothetical examples are considered for reported scope 3 emissions included in the target boundary.

Companies A1, A2 and A3 from Group A:

Reported scope 3 emissions included in the target boundary (tCO ₂ e)									
Year	2022	2023	2024	2025	2026	2027	2028	2029	2030
Company A1	836	851	864	868	816	759	704	651	600
Company A2	836	999	936	896	843	792	736	682	630
Company A3	836	925	1008	1120	918	858	768	713	660

Companies will only need to obtain data up to the most recent reported year when seeking to align with the Code of Practice. Reported scope 3 emissions for all years have been included for illustrative purposes only. When companies apply the chosen calculation method, data will only need to be provided up to the most recent reporting year. Emissions estimates for the remainder of the implementation period are not requested.

2C ESTABLISH A SCOPE 3 EMISSIONS TRAJECTORY

Applying Equation 1¹ to Group of companies A with data provided in the above table results in:

$$\text{Scope 3 trajectory emissions included in the target boundary (t)} = 800 \times \left(1 - \left(0.25 \times \left(\frac{t}{T}\right)\right)\right)$$

Where t is time in years, t = 0 is the base year, t = T in the target year, with T equal to the number of years since the base year.

In 2024, for instance,

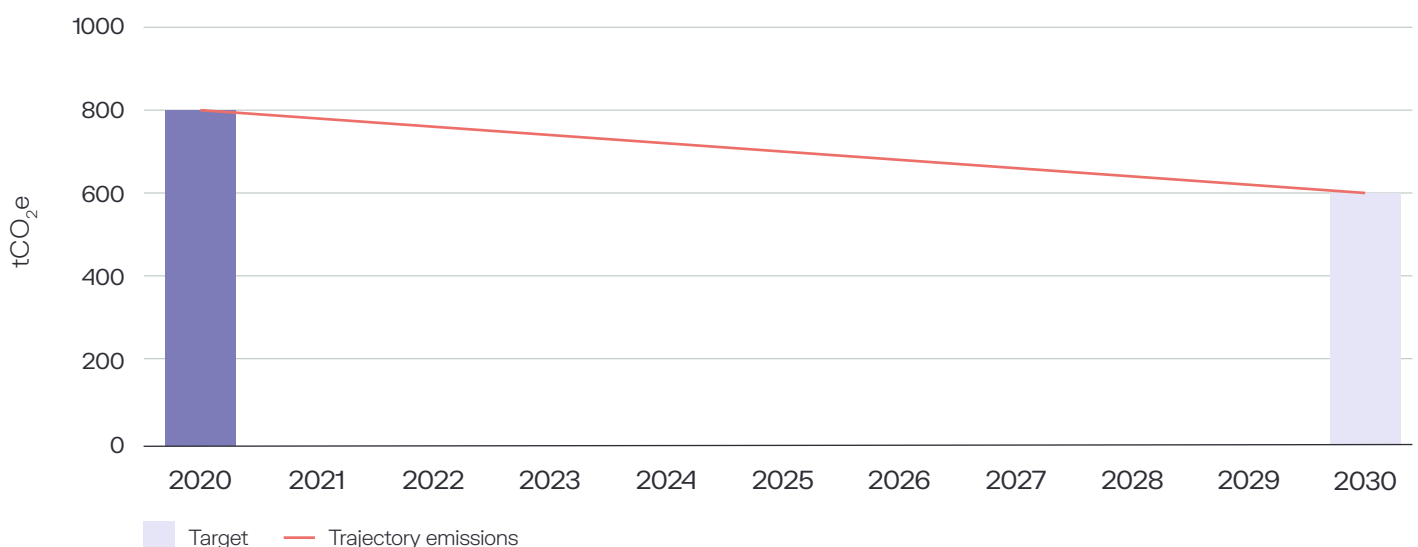
$$t = 2024 - 2020 = 4$$

$$T = 2030 - 2020 = 10$$

Companies A scope 3 trajectory emissions included in the target boundary are calculated as (t = 4) = $800 \times (1 - (0.25 \times (4/10))) = 800 \times (1 - (0.25 \times 0.4)) = 800 \times 0.9 = 720 \text{ tCO}_2\text{e}$

Plotting the equation throughout the entire implementation period, with t varying for each year would lead to the emissions trajectory shown below in Figure 1.

Figure 1: Company group A scope 3 emissions trajectory



¹ All equation numbers refer to the ones presented in the Scope 3 Action Code of Practice.

2D CALCULATE THE SCOPE 3 EMISSIONS GAP

Using Equation 2, the scope 3 emissions included in the target boundary are used to calculate the yearly gaps for companies A1, A2 and A3.

[Equation 2]

Scope 3 emissions gap (t) = most recently reported scope 3 emissions included in the target boundary (t) – scope 3 trajectory emissions included in the target boundary (t)

For companies A1, A2 and A3, the scope 3 emissions gaps are:

Scope 3 emissions gap (tCO ₂ e)										
Year		2022	2023	2024	2025	2026	2027	2028	2029	2030
Trajectory emissions (a)		760	740	720	700	680	660	640	620	600
Company A1	Reported emissions (b)	836	851	864	868	816	759	704	651	600
	Emissions gap (b - a)	76	111	144	168	136	99	64	31	0
Company A2	Reported emissions (b)	836	999	936	896	843	792	736	682	630
	Emissions gap (b - a)	76	259	216	196	163	132	96	62	30
Company A3	Reported emissions (b)	836	925	1008	1120	918	858	768	713	660
	Emissions gap (b - a)	76	185	288	420	238	198	128	93	60

2E CHECK IF THE SCOPE 3 EMISSIONS GAP IS EQUAL TO OR LESS THAN 25% OF SCOPE 3 TRAJECTORY EMISSIONS

Applying the scope 3 emissions gap calculated in [C] to Equation 3, results in Figure 2, Figure 3 and Figure 4, for companies A1, A2 and A3, respectively:

Figure 2: Check scope 3 emissions gap for Company A1 under year-on-year approach

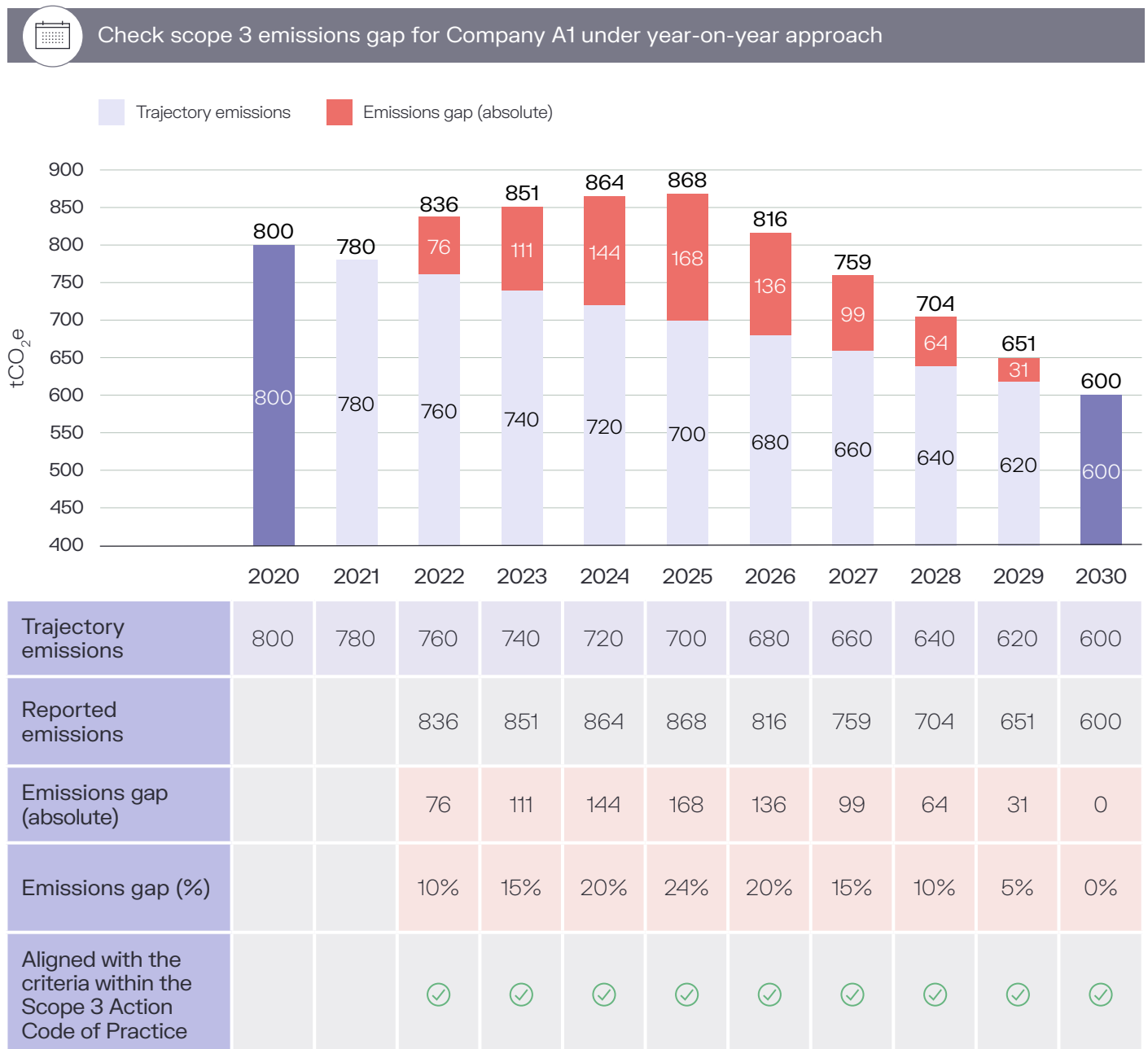


Figure 3: Check scope 3 emissions gap for Company A2 under year-on-year approach

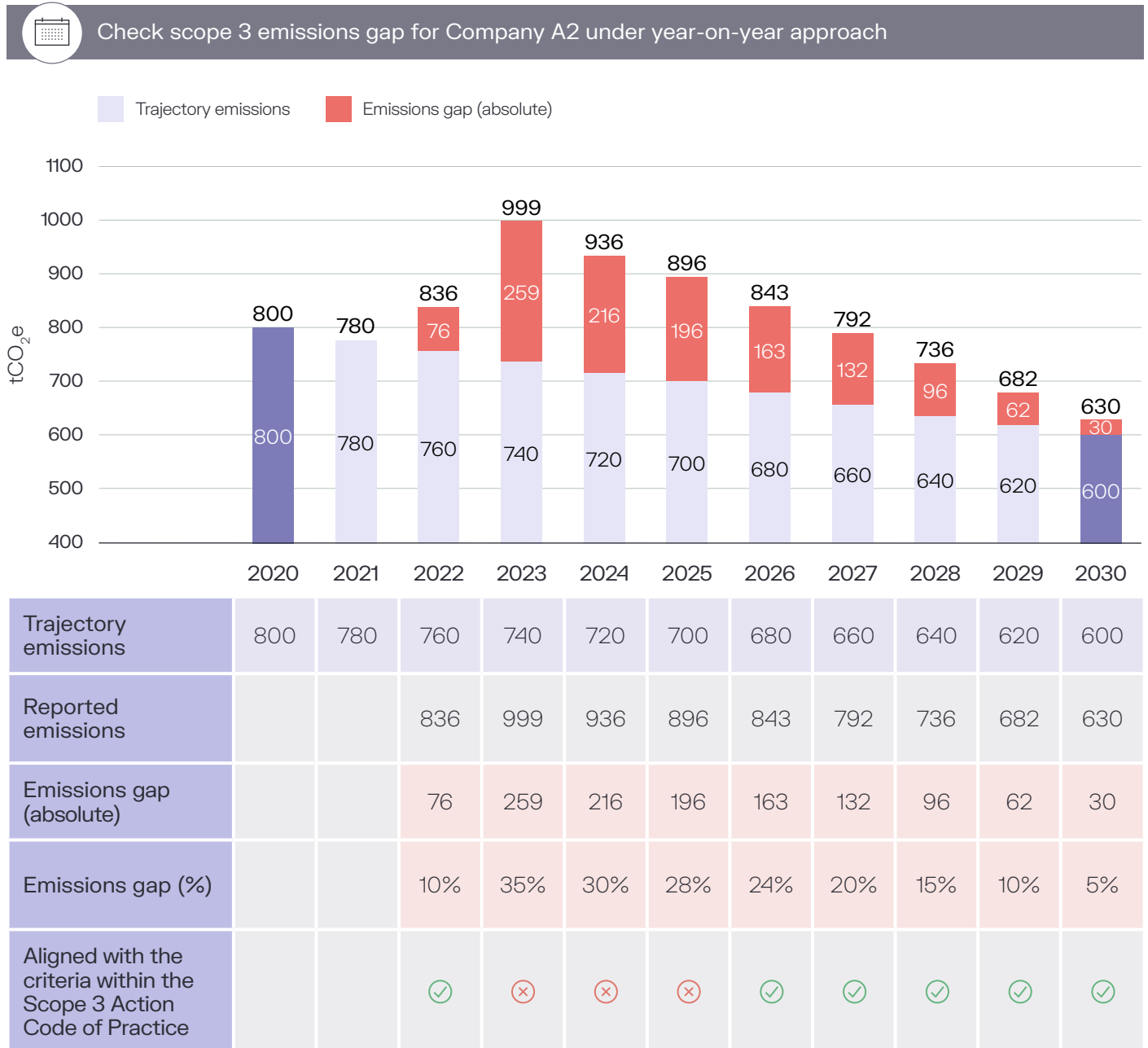
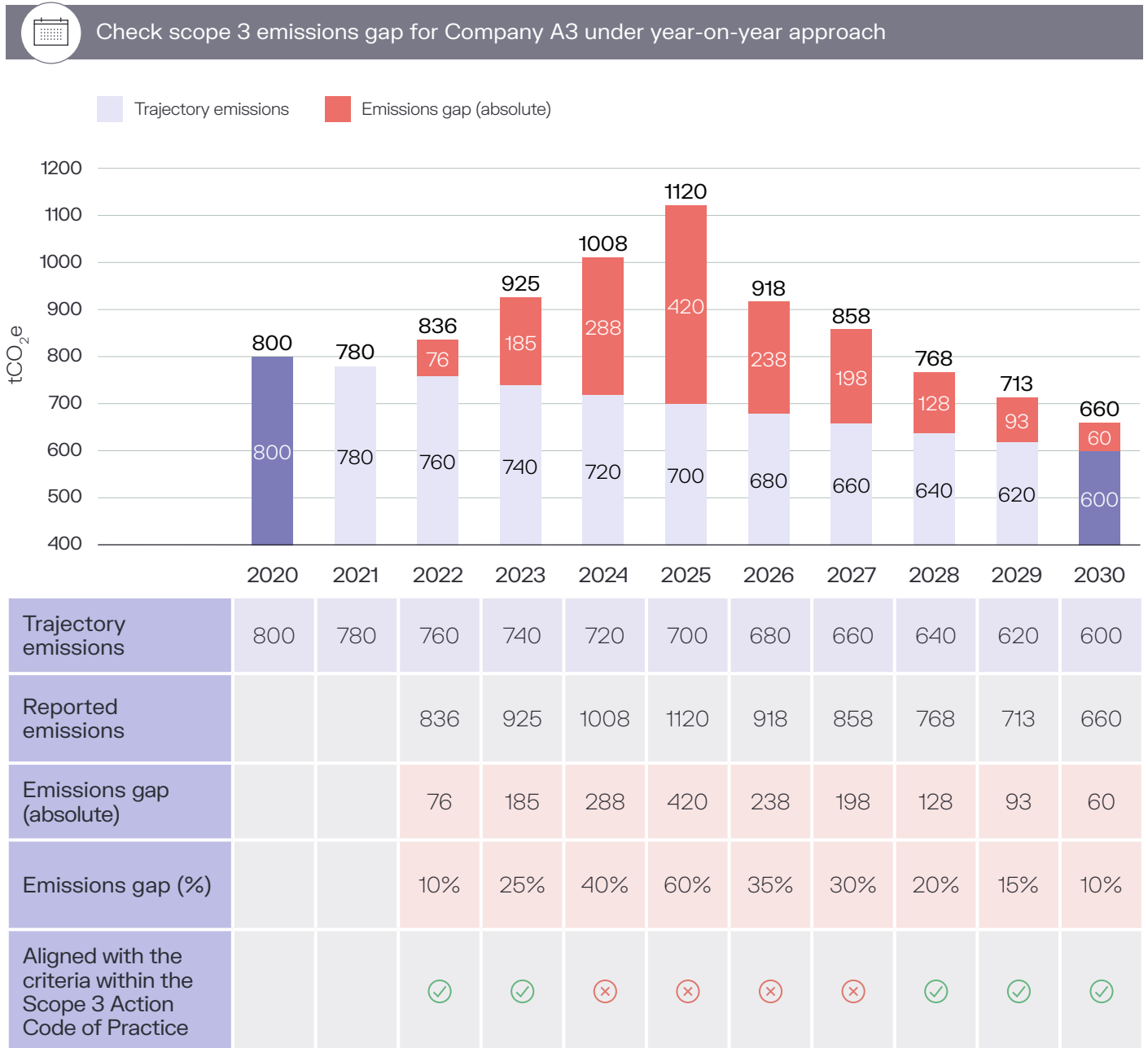


Figure 4: Check scope 3 emissions gap for Company A3 under year-on-year approach





EXAMPLE 2, COMPANY B YEAR-ON-YEAR APPROACH FOR INTENSITY TARGETS

2B OBTAIN COMPANY UP-TO-DATE DATA

In this example, the following input data apply:

- Group of companies B – with an intensity target :
 - base year: 2020;
 - base year scope 3 emissions included in the target boundary: 800 tCO₂e;
 - base year output: 100 tonnes of product;
 - 1st implementation year of the target: 2022;
 - target year: 2030; and
 - intensity target reduction: 7% per year, compounded (51.6% in 10 years).

Different hypothetical examples are considered for reported scope 3 emissions included in the target boundary.

Companies B1, B2 and B3 from Group B:

Company B reported scope 3 emissions intensity included in the target boundary (tCO ₂ e)									
Year	2022	2023	2024	2025	2026	2027	2028	2029	2030
Company B1	7.89	7.78	7.62	7.36	6.63	5.88	5.17	4.50	3.87
Company B2	7.89	9.13	8.25	7.60	6.85	6.13	5.40	4.71	4.07
Company B3	7.89	8.45	8.89	9.50	7.46	6.64	5.64	4.93	4.26

Companies will only need to obtain data up to the most recent reported year when seeking to align with the Code of Practice. Reported scope 3 emissions intensity for all years have been included for illustrative purposes only. When companies apply the chosen calculation method, data will only need to be provided up to the most recent reporting year. Emissions estimates for the remainder of the implementation period are not requested.

2C ESTABLISH A SCOPE 3 EMISSIONS TRAJECTORY

Applying Equation 1 to Group of companies B with data provided in the above table results in:

$$\text{Scope 3 trajectory emissions included in the target boundary (t)} = \frac{800}{100} \times \left(1 - \left(0.516 \times \left(\frac{t}{T}\right)\right)\right)$$

For intensity targets, all numbers shall be used in intensity units. The same steps detailed for the first group of companies for which absolute emissions were considered also apply when considering intensity targets. The only difference is that the number of high-quality carbon credits to be retired, in tCO₂e, would result from multiplying the emissions gap by the relevant denominator. Hence, scope 3 emissions will be represented in tCO₂e/tonne of product.

In 2024, for instance,

$$t = 2024 - 2020 = 4$$

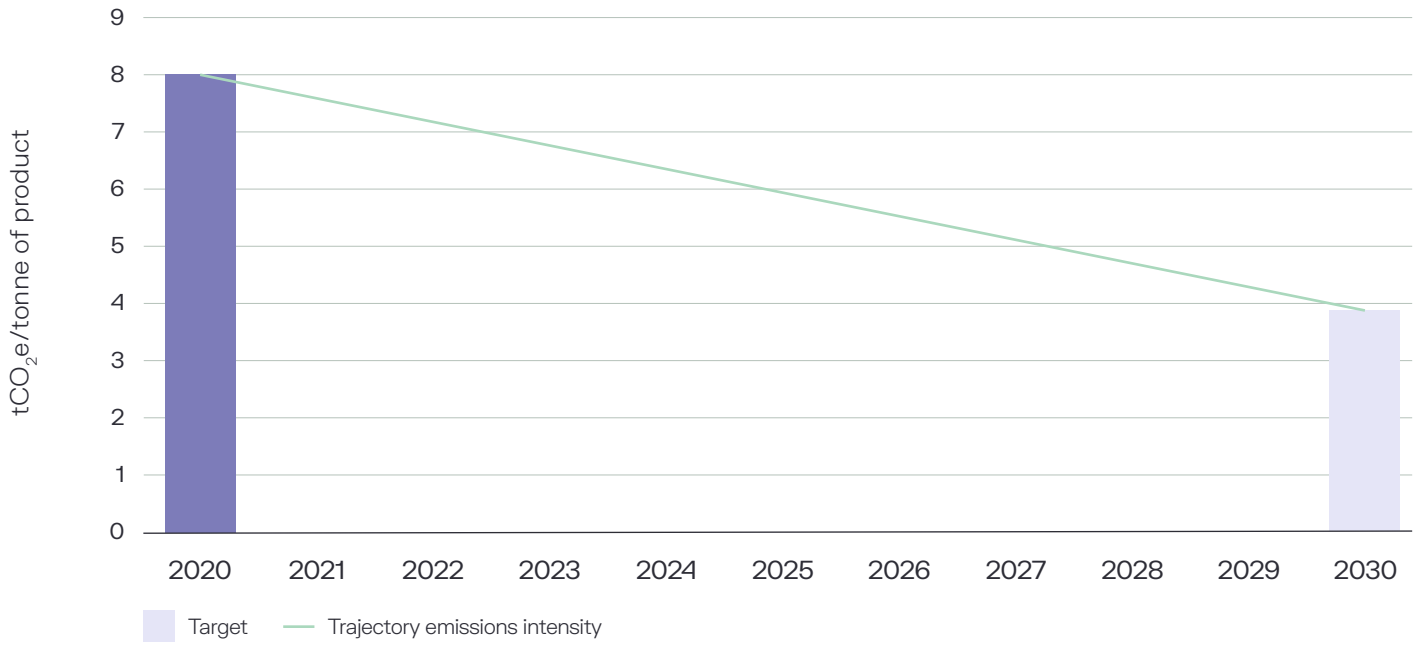
$$T = 2030 - 2020 = 10$$

B companies' scope 3 trajectory emissions included are calculated as

$$(t = 4) = 8 \times \left(1 - \left(0.516 \times \left(\frac{4}{10}\right)\right)\right) = 8 \times (1 - (0.516 \times 0.4)) = 8 \times 0.79 = 6.3 \text{ tCO}_2\text{e/tonne of product.}$$

Plotting the equation throughout the entire implementation period, with t varying for each year would lead to the emissions trajectory shown in Figure 5:

Figure 5: Group B companies' scope 3 emissions trajectory



2D CALCULATE THE SCOPE 3 EMISSIONS GAP

Using Equation 2, reported scope 3 emissions included in the target boundary are used to calculate the yearly gaps for companies B1, B2 and B3.

[Equation 2]

Scope 3 emissions gap (t) = most recently reported scope 3 emissions included in the target boundary (t) – scope 3 trajectory emissions included in the target boundary (t)

For companies B1, B2 and B3, the scope 3 emissions gaps (for each year) are displayed below:

Scope 3 emissions gap (tCO ₂ e/tonne of product)										
Year		2022	2023	2024	2025	2026	2027	2028	2029	2030
Trajectory emissions (a)		7.17	6.76	6.35	5.94	5.52	5.11	4.70	4.28	3.87
Company B1	Reported emissions (b)	7.89	7.78	7.62	7.36	6.63	5.88	5.17	4.50	3.87
	Emissions gap (b - a)	0.72	1.01	1.27	1.42	1.10	0.77	0.47	0.21	0.00
Company B2	Reported emissions (b)	7.89	9.13	8.25	7.60	6.85	6.13	5.40	4.71	4.07
	Emissions gap (b - a)	0.72	2.37	1.90	1.66	1.33	1.02	0.70	0.43	0.19
Company B3	Reported emissions (b)	7.89	8.45	8.89	9.50	7.46	6.64	5.64	4.93	4.26
	Emissions gap (b - a)	0.72	1.69	2.54	3.56	1.93	1.53	0.94	0.64	0.39

2E CHECK IF THE SCOPE 3 EMISSIONS GAP IS EQUAL TO OR LESS THAN 25% OF SCOPE 3 TRAJECTORY EMISSIONS

Applying the scope 3 emissions gap calculated in [C] to Equation 3, results in Figure 6, Figure 7 and Figure 8 for companies B1, B2 and B3, respectively:

Figure 6: Check scope 3 emissions gap for Company B1 under year-on-year approach



Figure 7: Check scope 3 emissions gap for Company B2 under year-on-year approach

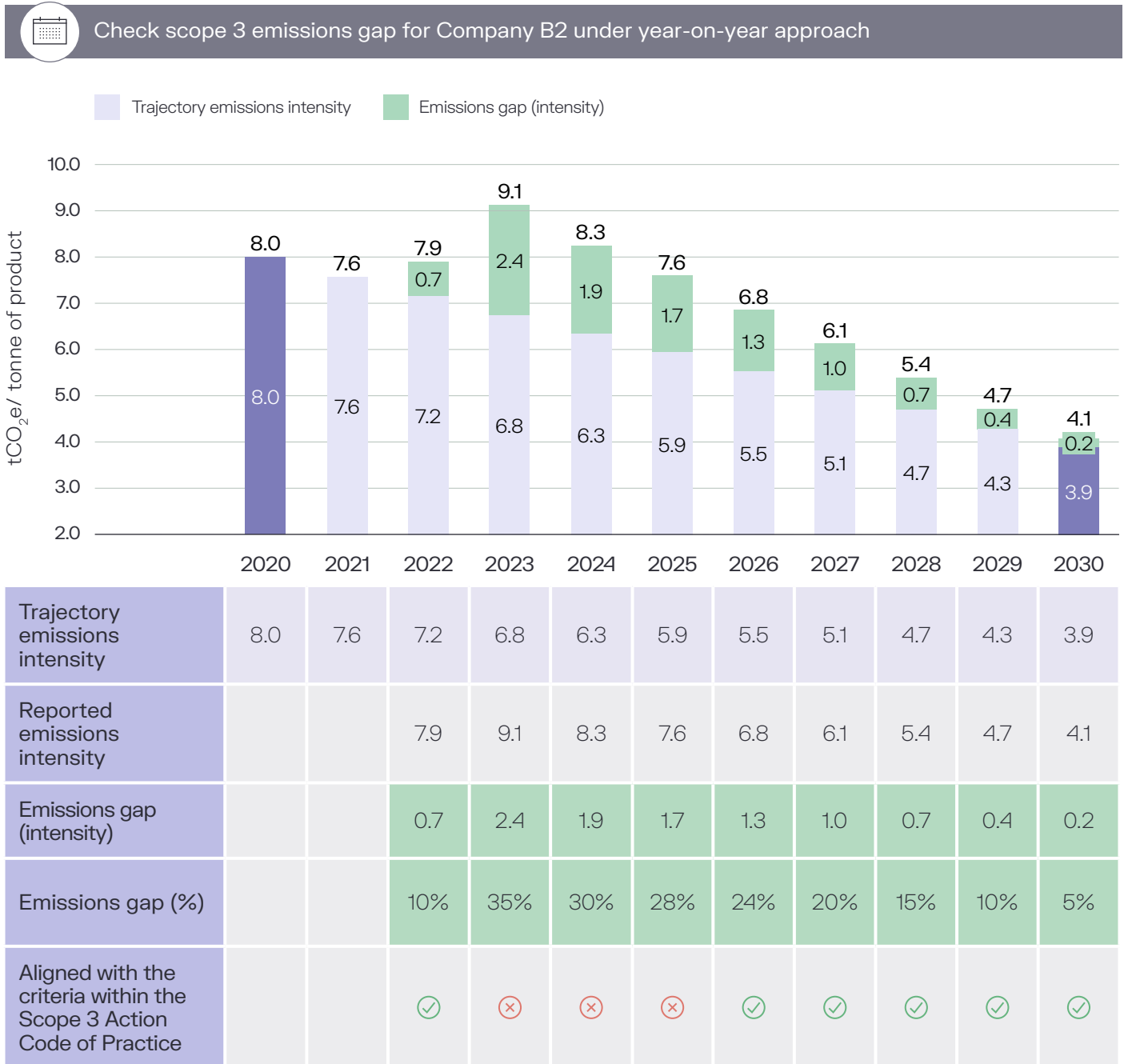
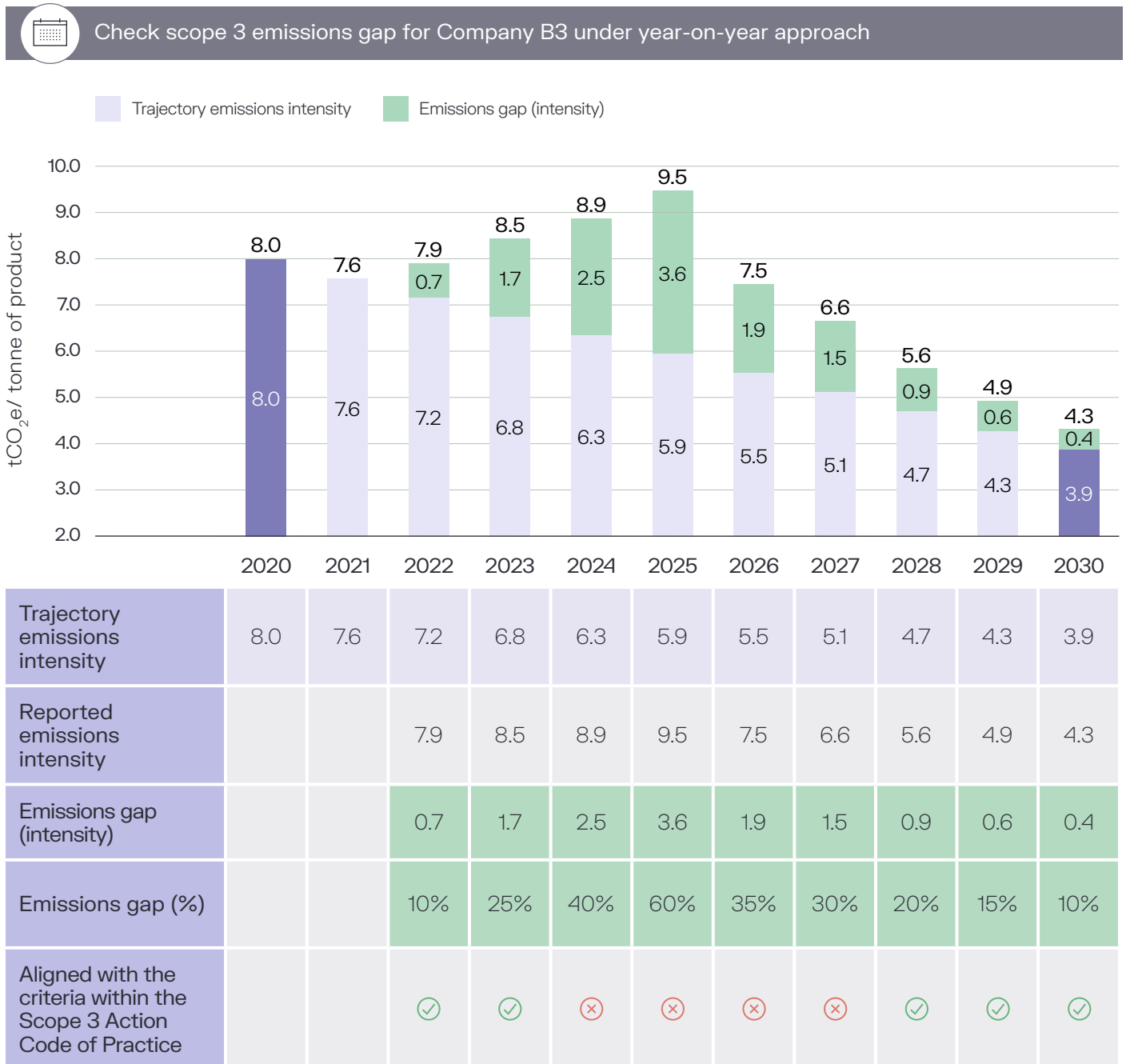


Figure 8: Check scope 3 emissions gap for Company B3 under year-on-year approach





EXAMPLE 3, COMPANY A CARBON BUDGET APPROACH FOR AN ABSOLUTE TARGET

2B OBTAIN COMPANY UP-TO-DATE DATA

In this example, the following input data apply:

- Group of companies A – with an absolute target:
 - base year: 2020;
 - base year scope 3 emissions included in the target boundary: 800 tCO₂e;
 - 1st implementation year of the target: 2022;
 - target year: 2030; and
 - absolute target emissions reduction: 2.5% per year, linear (25% in 10 years).

Different hypothetical examples will be considered for reported scope 3 emissions included in the target boundary.

Companies A1, A2 and A3 from Group A:

Reported scope 3 emissions included in the target boundary (tCO ₂ e)									
Year	2022	2023	2024	2025	2026	2027	2028	2029	2030
Company A1	836	851	864	868	816	759	704	651	600
Company A2	836	999	936	896	843	792	736	682	630
Company A3	836	925	1008	1120	918	858	768	713	660

Companies will only need to obtain data up to the most recent reported year when seeking alignment with the Code of Practice. Reported scope 3 emissions for all years have been included for illustrative purposes only. When companies apply the chosen calculation method, data will only need to be provided up to the most recent reporting year. Emissions estimates for the remainder of the implementation period are not requested.

2C ESTABLISH A SCOPE 3 EMISSIONS TRAJECTORY

Applying Equation 4 to Group of companies A with data provided in the above table results in:

$$\text{Scope 3 trajectory emissions included in the target boundary (t)} = 800 \times \left(1 - \left(0.25 \times \left(\frac{t}{T}\right)\right)\right)$$

Where t is time in years, t = 0 is the base year, t = T in the target year, with T equal to the number of years since the base year.

In 2024, for instance,

$$t = 2024 - 2020 = 4$$

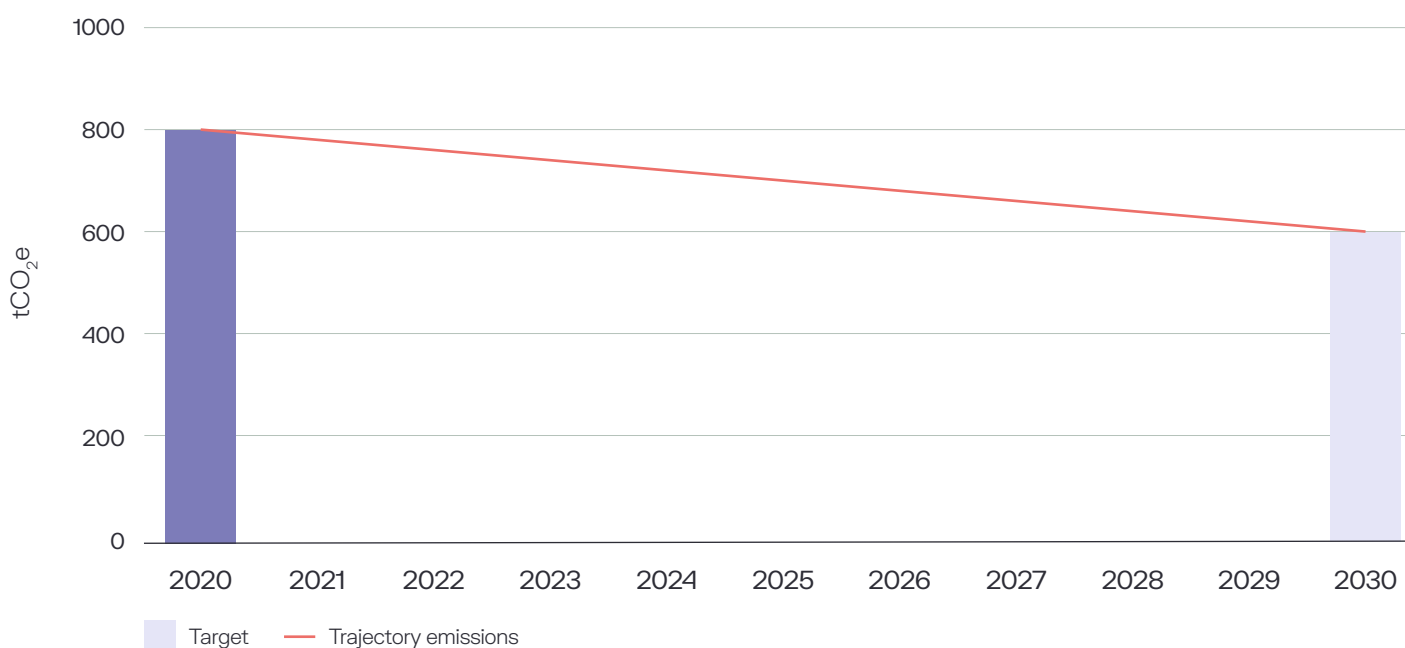
$$T = 2030 - 2020 = 10$$

Companies A scope 3 trajectory emissions included in the target boundary are calculated as

$$(t = 4) = 800 \times \left(1 - \left(0.25 \times \left(\frac{4}{10}\right)\right)\right) = 800 \times (1 - (0.25 \times 0.4)) = 800 \times 0.9 = 720 \text{ tCO}_2\text{e}$$

Plotting the equation throughout the entire implementation period, with t varying for each year, would lead to the emissions trajectory shown below in Figure 9.

Figure 9: Group A companies' scope 3 emissions trajectory



2D Calculate the scope 3 emissions gap

Using Equation 5, scope 3 emissions included in the target boundary are used to calculate the yearly gaps for companies A1, A2 and A3.

Equation 5:

$$\text{Scope 3 emissions gap (t)} = \text{most recently reported scope 3 emissions included in the target boundary (t)} - \text{scope 3 trajectory emissions included in the target boundary (t)}$$

For companies A1, A2 and A3, the scope 3 emissions gaps (for each year) are displayed below:

Scope 3 emissions gap (tCO ₂ e)										
Year		2022	2023	2024	2025	2026	2027	2028	2029	2030
Trajectory emissions (a)		760	740	720	700	680	660	640	620	600
Company A1	Reported emissions (b)	836	851	864	868	816	759	704	651	600
	Emissions gap (b - a)	76	111	144	168	136	99	64	31	0
Company A2	Reported emissions (b)	836	999	936	896	843	792	736	682	630
	Emissions gap (b - a)	76	259	216	196	163	132	96	62	30
Company A3	Reported emissions (b)	836	925	1008	1120	918	858	768	713	660
	Emissions gap (b - a)	76	185	288	420	238	198	128	93	60

2E DETERMINE THE SCOPE 3 EMISSIONS BUDGET AND CHECK IF THE CUMULATIVE SCOPE 3 EMISSIONS GAP IS EQUAL TO OR LESS THAN 25% OF SCOPE 3 EMISSIONS BUDGET

Applying the results above into Equation 6 leads to:

Company A scope 3 emissions budget =

$$\sum_{t=1^{st} \text{ implementation year}=2022}^{t=T=2030} 800 \times \left(1 - \left(0.25 \times \left(\frac{t}{T}\right)\right)\right) = 6120 \text{ tCO}_2\text{e}$$

Where t is time and in base year t = 0.

Target emissions reduction = base year emissions – target year emissions, in percentage terms.

Applying the scope 3 emissions gap calculated in [D] for Company A into Equation 7 and 8 results in:

For Company A1, in year 2024:

Equation 7:

$$\sum_{t=2}^{t=4} \text{scope 3 emissions gap (t)} \leq (\text{scope 3 emissions budget} \times 25\%)$$

$$\text{scope 3 emissions gap (2022)} + \text{scope 3 emissions gap (2023)} + \text{scope 3 emissions gap (2024)} \leq 6120 \times 0.25$$

$$(76 + 111 + 144) \leq 6120 \times 0.25$$

$$331 \leq 1,530 \rightarrow \text{Company A1 is aligned with the Scope 3 Action Code of Practice in 2024}$$

Equation 8:

$$\text{Scope 3 emissions gap (most recent reporting year)} \leq \text{scope 3 emissions budget gap} \times 40\%$$

$$168 \leq 6120 \times (0.25 \times 0.4)$$

$$168 \leq 612 \rightarrow \text{Company A1 is aligned with the Scope 3 Action Code of Practice in 2024}$$

Application of equations 7 and 8 for companies A1, A2 and A3 can be observed on Figure 10, Figure 11 and Figure 12, respectively.

Figure 10: Check scope 3 emissions gap for Company A1 under carbon budget approach

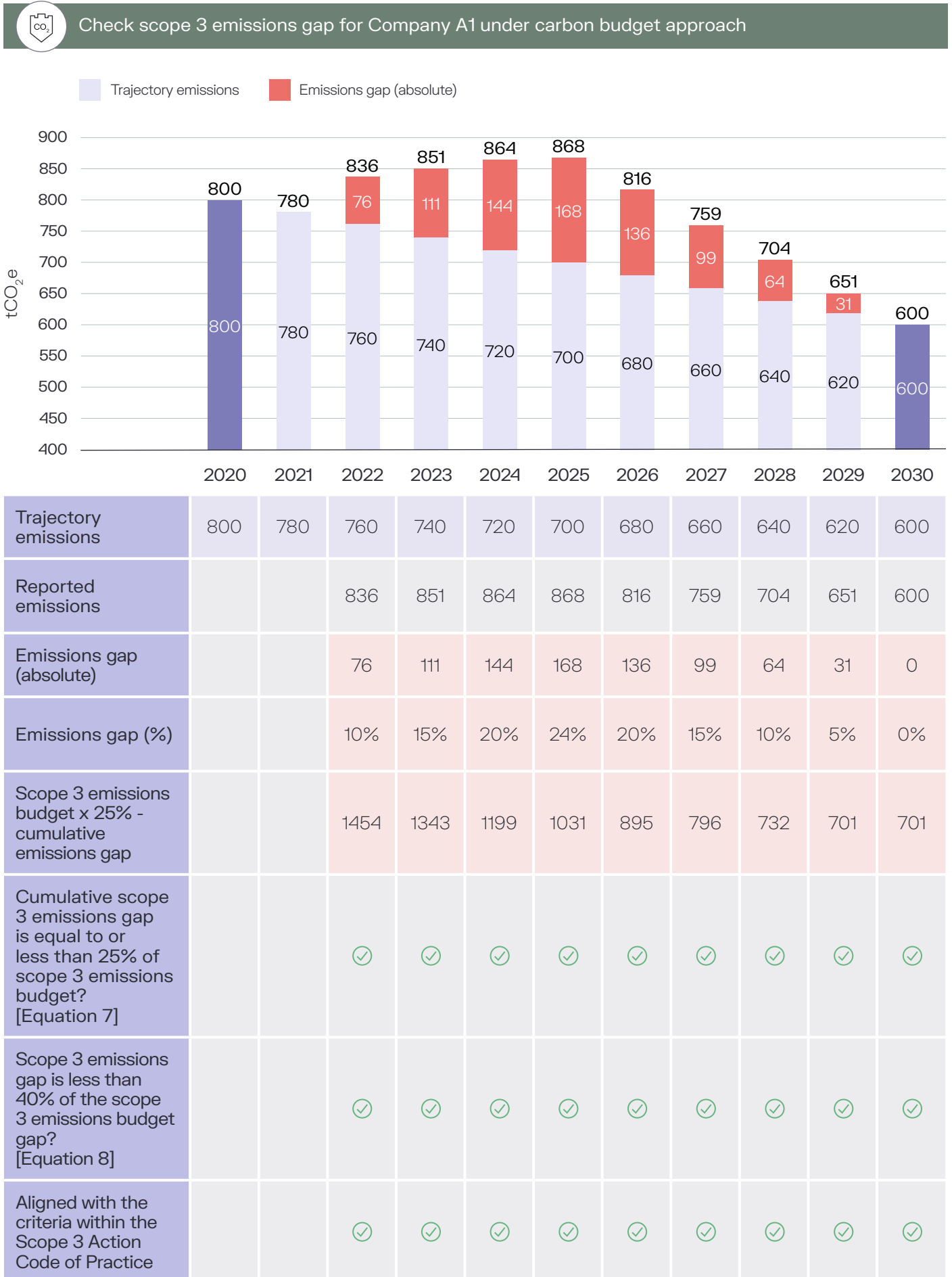


Figure 11: Check scope 3 emissions gap for Company A2 under carbon budget approach

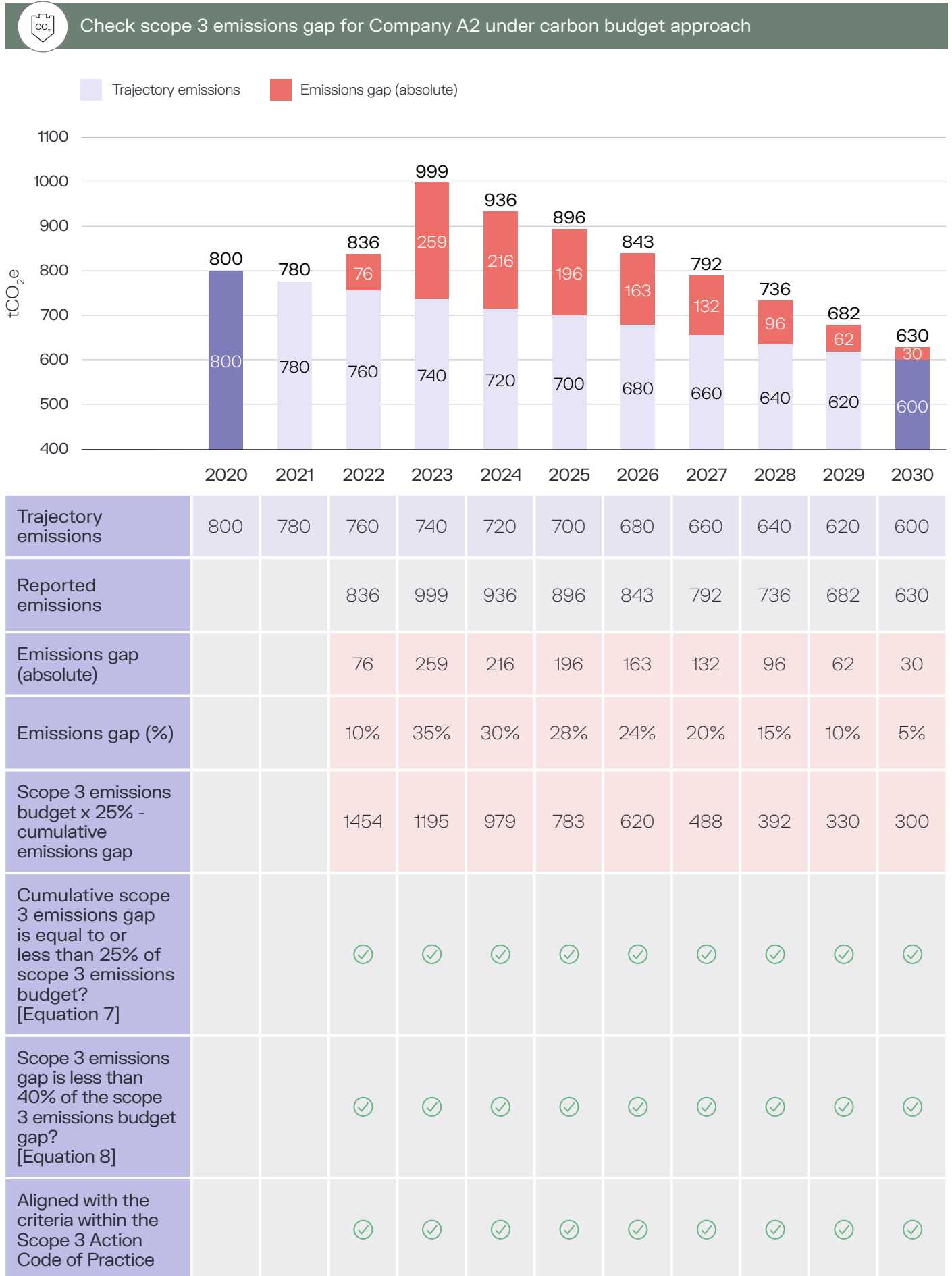
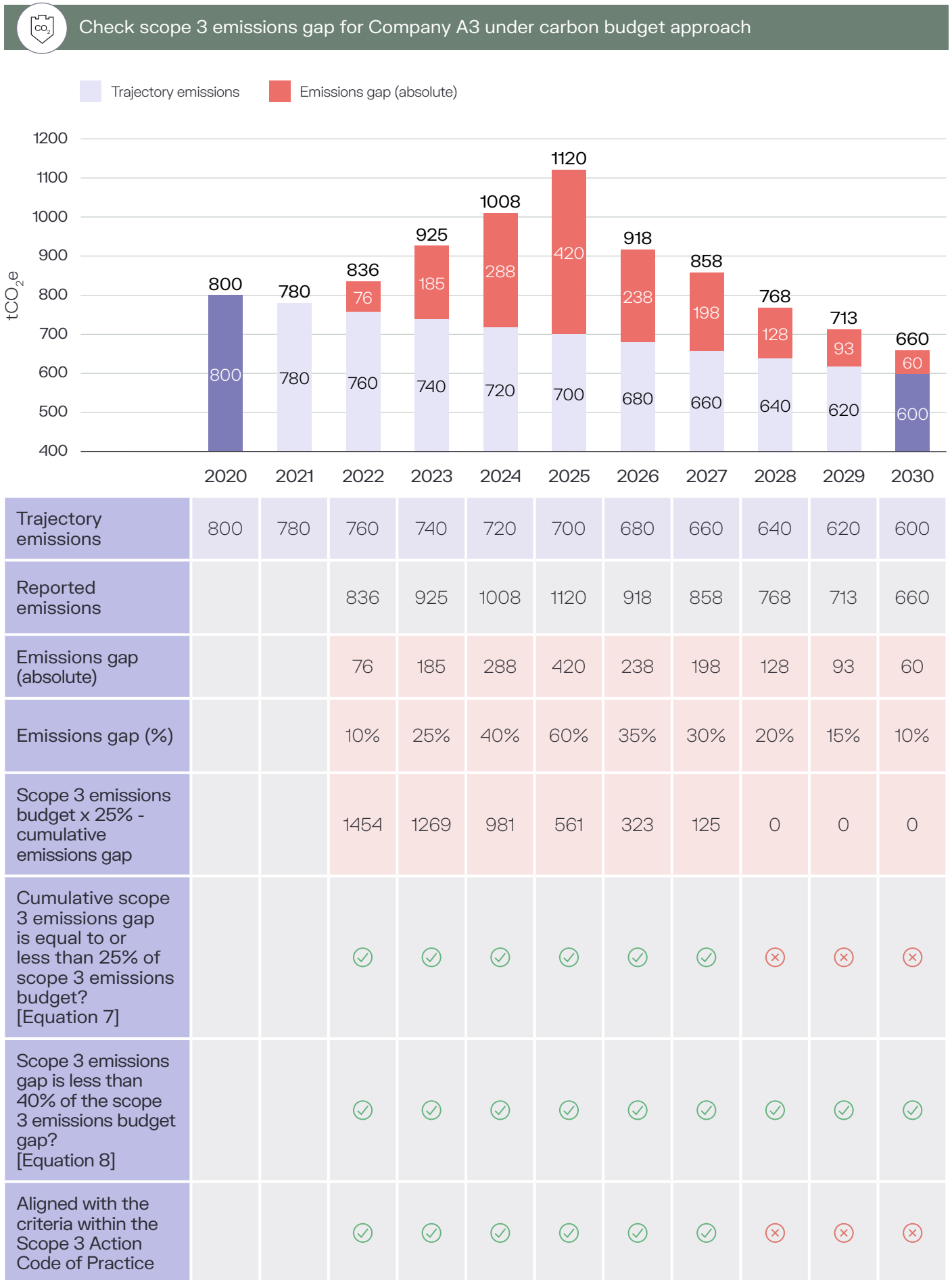


Figure 12: Check scope 3 emissions gap for Company A3 under carbon budget approach





EXAMPLE 4, COMPANY B CARBON BUDGET APPROACH FOR AN INTENSITY TARGET

2B OBTAIN COMPANY UP-TO-DATE DATA

In this example, the following input data apply:

- Group of companies B – with an intensity target²:
 - base year: 2020;
 - base year scope 3 emissions included in the target boundary: 800 tCO₂e;
 - base year output: 100 tonnes of product;
 - 1st implementation year of the target: 2022;
 - target year: 2030; and
 - intensity target reduction: 7% per year, compounded (51.6% in 10 years).

Different hypothetical scenarios will be considered for reported scope 3 emissions included in the target boundary.

Companies B1, B2 and B3 from Group B:

B Companies reported scope 3 emissions intensity included in the target boundary (tCO ₂ e)									
Year	2022	2023	2024	2025	2026	2027	2028	2029	2030
Company B1	7.89	7.78	7.62	7.36	6.63	5.88	5.17	4.50	3.87
Company B2	7.89	9.13	8.25	7.60	6.85	6.13	5.40	4.71	4.07
Company B3	7.89	8.45	8.89	9.50	7.46	6.64	5.64	4.93	4.26

Companies will only need to obtain data up to the most recent reported year when seeking alignment with the Code of Practice. Reported scope 3 emissions for all years have been included for illustrative purposes only. When companies apply the chosen calculation method, data will only need to be provided up to the most recent reporting year. Emissions estimates for the remainder of the implementation period are not requested.

² Intensity targets can be set using either physical intensity or economic intensity. In this example, product output is used as the denominator for a physical intensity target.

2C ESTABLISH A SCOPE 3 EMISSIONS TRAJECTORY

Applying Equation 4 to Group of companies B with data provided in the above table results in:

$$\text{Scope 3 trajectory emissions included in the target boundary (t)} = \frac{800}{100} \times \left(1 - \left(0.516 \times \left(\frac{t}{T}\right)\right)\right)$$

For intensity targets, all numbers shall be used in intensity units. The same steps detailed for the first group of companies for which absolute emissions were considered also apply when considering intensity targets. The only difference is that the number of credits to be retired, stipulated in tCO₂e, would result from multiplying the emissions gap by the relevant denominator. Hence, scope 3 emissions will be presented in tCO₂e/tonne of product.

In 2024, for instance,

$$t = 2024 - 2020 = 4$$

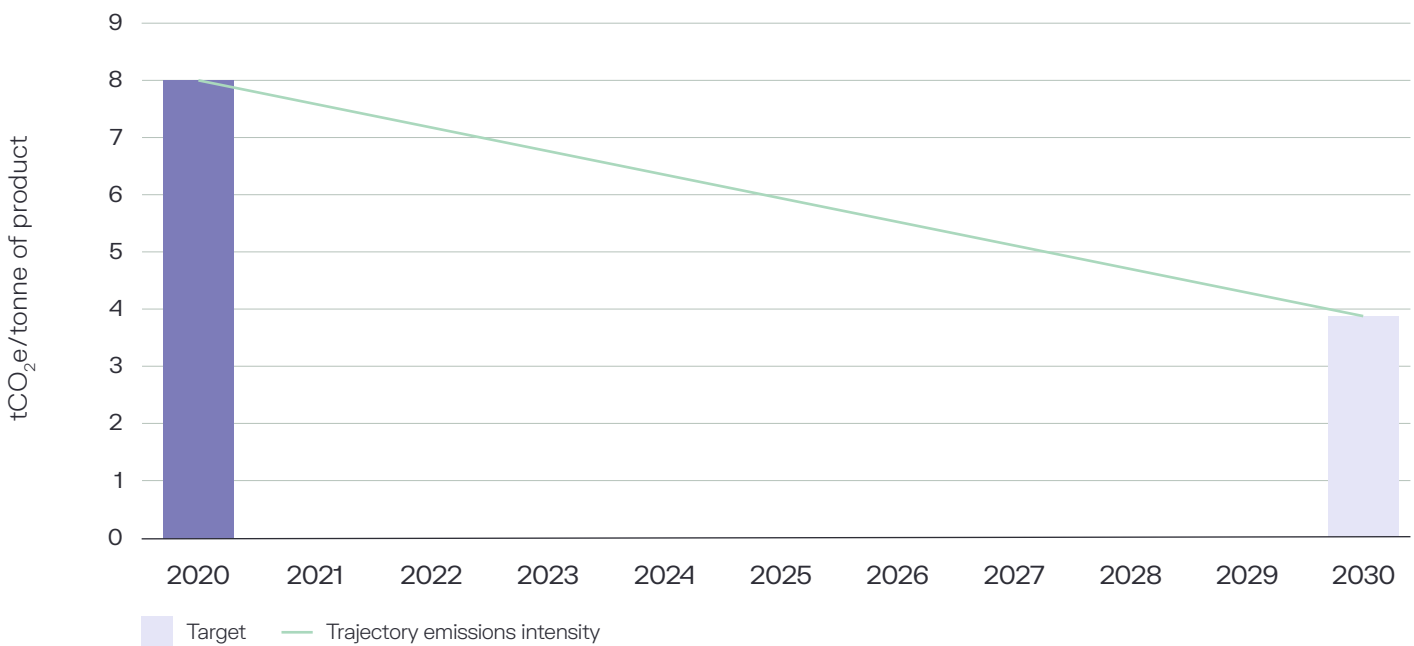
$$T = 2030 - 2020 = 10$$

B Companies scope 3 trajectory emissions included in the target boundary are calculated as

$$(t = 4) = 8 \times \left(1 - \left(0.516 \times \left(\frac{4}{10}\right)\right)\right) = 8 \times (1 - (0.516 \times 0.4)) = 8 \times 0.79 = 6.3 \frac{\text{tCO}_2\text{e}}{\text{tonne of product}}$$

Plotting the equation throughout the entire implementation period, with t varying for each year, would lead to the emissions trajectory shown in Figure 13:

Figure 13: Group B companies' scope 3 emissions trajectory



2D CALCULATE THE SCOPE 3 EMISSIONS GAP

Using Equation 5, reported scope 3 emissions included in the target boundary are used to calculate the yearly gaps for Companies B1, B2 and B3.

Equation 5:

$$\text{Scope 3 emissions gap (t)} = \text{most recently reported scope 3 emissions included in the target boundary (t)} - \text{scope 3 trajectory emissions included in the target boundary (t)}$$

For companies B1, B2 and B3, the scope 3 emissions gap (for each year) is displayed below:

Scope 3 emissions gap (tCO ₂ e/tonne of product)										
Year		2022	2023	2024	2025	2026	2027	2028	2029	2030
Trajectory emissions (a)		7.17	6.76	6.35	5.94	5.52	5.11	4.70	4.28	3.87
Company B1	Reported emissions (b)	7.89	7.78	7.62	7.36	6.63	5.88	5.17	4.50	3.87
	Emissions gap (b - a)	0.72	1.01	1.27	1.42	1.10	0.77	0.47	0.21	0.00
Company B2	Reported emissions (b)	7.89	9.13	8.25	7.60	6.85	6.13	5.40	4.71	4.07
	Emissions gap (b - a)	0.72	2.37	1.90	1.66	1.33	1.02	0.70	0.43	0.19
Company B3	Reported emissions (b)	7.89	8.45	8.89	9.50	7.46	6.64	5.64	4.93	4.26
	Emissions gap (b - a)	0.72	1.69	2.54	3.56	1.93	1.53	0.94	0.64	0.39

2E DETERMINE THE SCOPE 3 EMISSIONS BUDGET AND CHECK IF THE CUMULATIVE SCOPE 3 EMISSIONS GAP IS EQUAL TO OR LESS THAN 25% OF SCOPE 3 EMISSIONS BUDGET

Applying the results above to Equation 6 results in:

Company B scope 3 emissions budget =

$$\sum_{t=1^{st} \text{ implementation year}=2022}^{t=T=2030} 8 \times \left(1 - \left(0.516 \times \left(\frac{t}{T}\right)\right)\right) = 49.71 \frac{\text{tCO}_2\text{e}}{\text{tonne of product}}$$

Where t is time and in base year t = 0.

Target emissions reduction = base year emissions – target year emissions, in percentage terms.

Applying the scope 3 emissions gap calculated on [D] for Company B1 into Equation 7 and 8 results in:

Company B1, in year 2024:

Equation 7:

$$\sum_{t=2}^{t=4} \text{scope 3 emissions gap (t)} \leq (\text{scope 3 emissions budget} \times 25\%)$$

$$\text{scope 3 emissions gap (2022)} + \text{scope 3 emissions gap (2023)} + \text{scope 3 emissions gap (2024)} \leq 49.71 \times 0.25$$

$$(0.7 + 1.0 + 1.3) \leq 12.43$$

3.0 ≤ 12.43 → Company B1 is aligned with the Scope 3 Action Code of Practice in 2024

Equation 8:

Scope 3 emissions gap (most recent reporting year) ≤ scope 3 emissions budget gap × 40%

$$1.3 \leq 49.71 \times (0.25 \times 0.4)$$

1.3 ≤ 4.97 → Company B1 is aligned with the Scope 3 Action Code of Practice in 2024

Application of equations 7 and 8 for companies B1, B2 and B3 can be observed on Figure 14, Figure 15 and Figure 16.

Figure 14: Check scope 3 emissions gap for Company B1 under carbon budget approach



Figure 15: Check scope 3 emissions gap for Company B2 under carbon budget approach

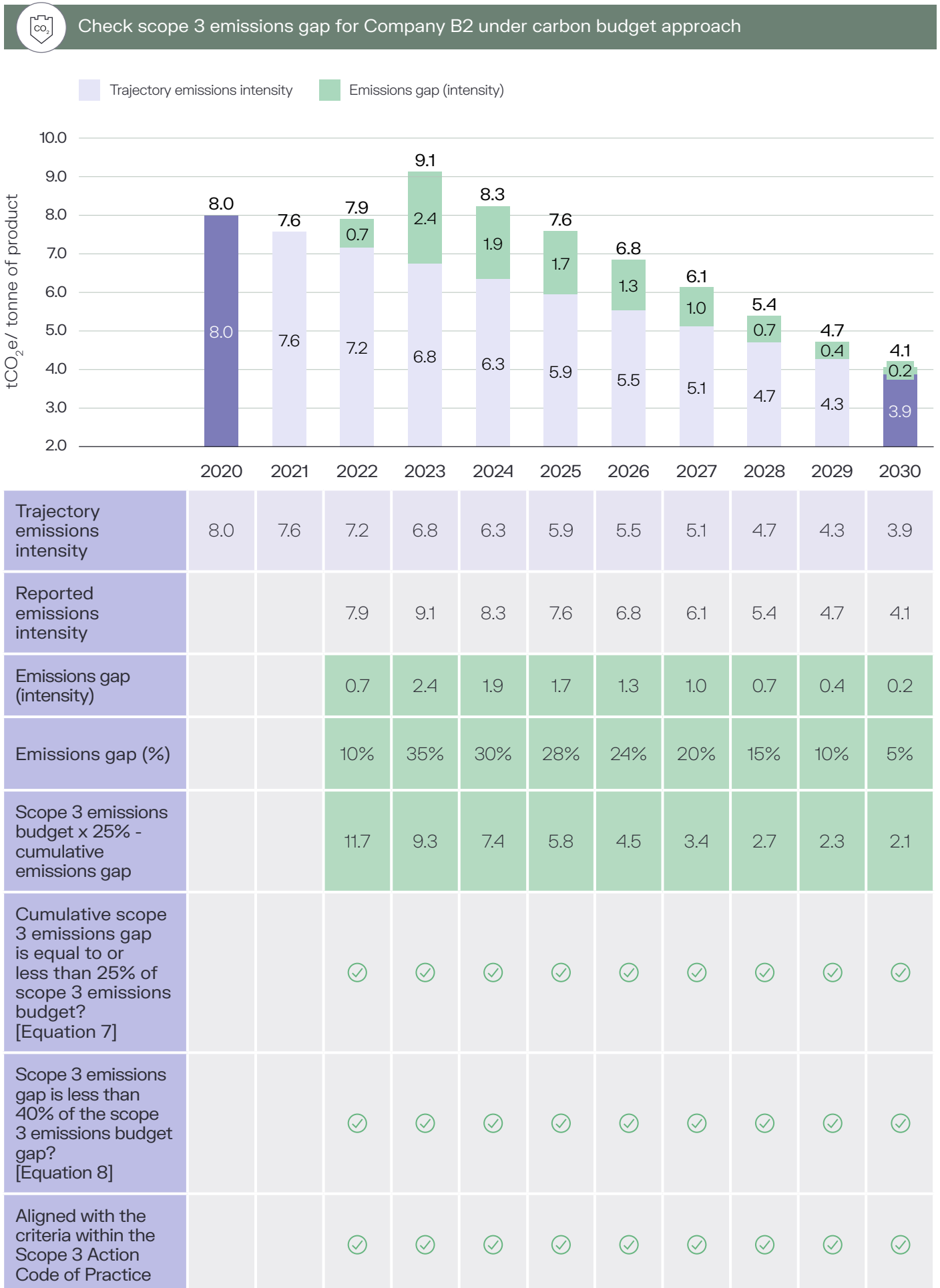
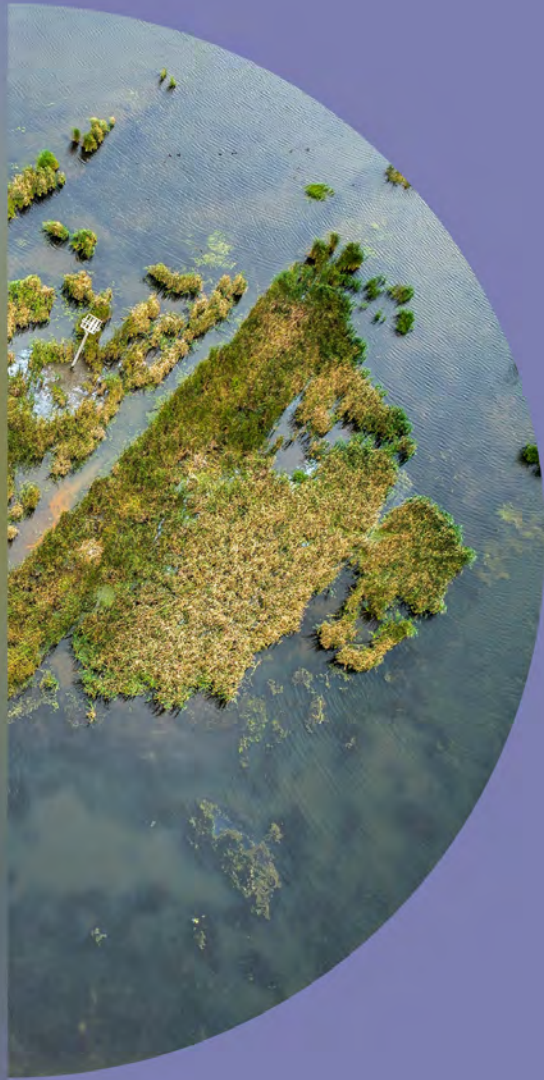


Figure 16: Check scope 3 emissions gap for Company B3 under carbon budget approach



Annex B



Annex B: Development process and timeline

June 2022: VCMi Bronze Claim first introduced in the VCMi provisional Claims Code of Practice³.

Public consultation (June – August 2022): Conducted with support from Climate Focus, the public consultation sought feedback on the provisional Claims Code of Practice including the Bronze Claim. A total of 127 responses were provided and an additional nine comment letters.

November 2023: The beta Scope 3 Claim was released in November 2023, based on feedback from the VCMi provisional Claims Code of Practice public consultation, road testing with companies, consultation with several stakeholders and substantial methodological development.

August-October 2024: VCMi conducted a public consultation for the beta Scope 3 Claim, in collaboration with the British Standards Institution (BSI). The public consultation sought feedback on the beta Scope 3 Claim. More than 300 stakeholders were engaged in the public consultation, through the online consultation platform, focus groups and two global webinars. More than 1000 comments, including feedback received in focus group workshops, were analyzed and used to develop the Scope 3 Action Claim, which is being launched as a Scope 3 Action Code of Practice.

October 2024: VCMi conducted practical road testing of the beta Scope 3 Action Claim in collaboration with Boston Consulting Group (BCG) and the World Business Council for Sustainable Development (WBCSD). Road testing of the Scope 3 Action Claim gathered practical insights into its operability. Practical simulations with real companies tested whether the claim was fit for purpose and drives corporate climate action. Findings from the simulations were incorporated into the Scope 3 Action Code of Practice.

April 2025: The Scope 3 Action Code of Practice is released.

The Code of Practice 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 while they get back on their scope 3 emissions trajectory.

³ The provisional Claims Code first presented what was then called the “Bronze Claim”, designed for companies that faced barriers to reduce scope 3 emissions.

Annex C



Annex C: Key metrics for assurance

A list of metrics for Step 2 of the methodology is presented below. These metrics are required to be used to guide the verification process when companies report on their use of the Scope 3 Action Code of Practice. These reporting metrics should be made publicly available to stakeholders on a company’s website, in a standalone report (e.g. a climate strategy report), or in a more comprehensive report (e.g. a sustainability report).

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.

Metrics for Steps 1, 3 and 4 are already included in [VCMI’s MRA Framework](#).

Topic	Metric	Category	Unit of measure
STEP 2A: MEET THE SCOPE 3 REQUIREMENTS	Percentage of emissions reductions achieved in GHG emissions for scope 1 and scope 2 ⁴ in the most recent reporting year in comparison to the base year (i.e. base year used in the near-term target). These reductions can be demonstrated either on an absolute or intensity basis.	Quantitative	Percentage (%)
	Explanation and evidence that outline whether and how the company has made progress towards meeting its scope 1 and scope 2 near-term emission reduction targets.	Discussion and analysis	N/A
	Statement on the main current and anticipated barrier(s) faced to reducing scope 3 emissions and explanation on how they impede progress towards the company’s near-term scope 3 emissions reduction target. Companies shall also disclose why they consider those to be the main barriers.	Discussion and analysis	N/A
	Statement on actions already taken to remove scope 3 emission reduction barriers and the impact achieved on current emissions.	Discussion and analysis	N/A

4 Quantitative metrics related to scope 3 emissions are reported under Step 2B

Topic	Metric	Category	Unit of measure
	List of measures designed to overcome remaining barriers with an estimated timeline for overcoming the disclosed scope 3 emission reduction barriers, no later than 2040.	Discussion and analysis	N/A
Step 2B: PROVIDE COMPANY GHG EMISSIONS DATA	Scope 3 near-term emission reduction target base year.	Quantitative	Year
	Scope 3 near-term emission reduction target 1 st implementation year.	Quantitative	Year
	Scope 3 near-term emission reduction target year for achievement.	Quantitative	Percentage
	Scope 3 GHG emissions, included in the target boundary, in metric tonnes of CO ₂ equivalent by category for the base year and most recent reporting year.	Quantitative	Metric tonnes of CO ₂ equivalent
	The percentage of the scope 3 near-term emission reduction target.	Quantitative	Percentage (%)
	Scope 3 trajectory emissions included in the target boundary.	Quantitative	Metric tonnes of CO ₂ equivalent
Step 2C: ESTABLISH A LINEAR OR NON-LINEAR SCOPE 3 EMISSIONS TRAJECTORY	Scope 3 trajectory emissions included in the target boundary for the most recent reporting year. [Equations 1 and 4]	Quantitative	Metric tonnes of CO ₂ equivalent
Step 2D: CALCULATE THE SCOPE 3 EMISSIONS GAP	Scope 3 emissions gap for the most recent reporting year. [Equations 2 and 5]	Quantitative	Metric tonnes of CO ₂ equivalent
Step 2E YEAR-ON-YEAR APPROACH: CHECK IF THE SCOPE 3 EMISSIONS GAP IS EQUAL TO OR LESS THAN 25% OF THE SCOPE 3 TRAJECTORY EMISSIONS	<p>The percentage of the scope 3 emissions gap for the most recent reporting year compared to the scope 3 trajectory emissions included in the target boundary for the most recent reporting year. [Equation 3]</p> <p><i>It shall be less than 25%</i></p>	Quantitative	Percentage (%)

Topic	Metric	Category	Unit of measure
<p>Step 2E CARBON BUDGET APPROACH: DETERMINE THE SCOPE 3 EMISSIONS BUDGET AND CHECK IF THE SUM OF THE SCOPE 3 EMISSIONS GAP IS EQUAL TO OR LESS THAN 25% OF SCOPE 3 EMISSIONS BUDGET</p>	<p>Scope 3 emissions budget for the implementation of a company near-term target considering a linear trajectory between its 1st implementation year and the target year. [Equation 6]</p>	<p>Quantitative</p>	<p>Metric tonnes of CO₂ equivalent</p>
	<p>The percentage of the sum of the annual scope 3 emissions gap until the most recent reporting year, compared to the scope 3 emissions budget. [Equation 7]</p> <p><i>It shall be less than 25%</i></p>	<p>Quantitative</p>	<p>Percentage (%)</p>
	<p>The percentage of scope 3 emissions gap for the most recent reporting year compared to the scope 3 emissions budget gap. [Equation 8]</p> <p><i>It shall be less than 40%</i></p>	<p>Quantitative</p>	<p>Percentage (%)</p>

Annex D



Annex D: Context

VCMI has commissioned and supported independent research to understand the impact of high-quality carbon credits use. The results of this research showed that:

1. Many companies are off-track from meeting their scope 3 emission reduction targets. MSCI Carbon Markets (formerly Trove Research, 2023)⁵ analysis⁶ found that there were 1,286 companies with SBTi 1.5°C targets with data available to the public and of sufficient quality for assessment.
2. Of those companies that were on track for scope 1 and scope 2 (589), 50% (293) are on-track for scope 1, 2 and 3, representing total GHG emissions of 3.2 GtCO₂e.
3. The total scope 3 emissions gap was⁷ around 1.4 GtCO₂e and was projected to rise to over 7 GtCO₂e by 2030⁸. Assuming only the firms that are on track to achieve their SBTi-approved scopes 1 and 2 emissions reduction targets are eligible to use carbon credits to close the gap, this would create a potential demand for carbon credits of 644 million tonnes currently, and 2.2 GtCO₂e in 2030. On the assumption that carbon credits cost \$30/tCO₂e, this demand would generate an additional expenditure on carbon credits of \$19bn currently and \$65bn in 2030.
4. 70% of respondents to a survey undertaken with approximately 150 corporates⁹ said the use of carbon credits under specific eligibility criteria would increase the likelihood that their company would maintain a science-based target.
5. 59% of buyers in voluntary carbon markets have reported year-on-year decarbonization success (Ecosystem Marketplace, 2023)¹⁰. On average, buyers have established 1.3 times more supplier engagement strategies and spent three times more on emission reduction activities than non-buyers.

5 [MSCI Carbon Markets \(formerly Trove Research\) \(2023\). Using carbon credits to meet corporate climate targets.](#)

6 MSCI Carbon Markets - formerly Trove Research's database includes over 10,000 companies.

7 Most recent emissions could be for 2022 or 2021 and targets could have been set in 2023.

8 Figures provided are based solely on the number of companies that have declared emissions targets by then.

9 The Climate Board (2024). Corporate Engagement with Voluntary Carbon Market Claims.

10 Ecosystem Marketplace (2023). Paying for Quality: State of the Voluntary Carbon Markets.

