Getting to Grips with ESG (handouts)

Handout 1 - What are CO2e emissions?

The GHG Protocol Corporate Standard classifies a company's greenhouse gas (GHG) emissions into three 'scopes':

Scope 1 emissions are direct emissions from owned or controlled sources.

Scope 2 emissions are indirect emissions from the generation of purchased energy.

Scope 3 emissions are all indirect emissions (not included in scope 1 and 2) that occur in the value chain of the reporting company, including both upstream and downstream emissions.

Typically scope 3 emissions account for about 80–90 per cent of a company's GHG emissions. There are 15 categories of scope 3 emissions to help with calculation and reporting.

An SME's scope 1 and 2 emissions are the scope 3 emissions of the larger organisations who are their customers, banks or investors. These large organisations are now required to report under new regulations and sustainability accounting standards and require this data from SMEs on their value chain (e.g. if an SME sells to a large, public company or local government they will be asked for this data).

The graph on the next page outlines the 3 scopes.

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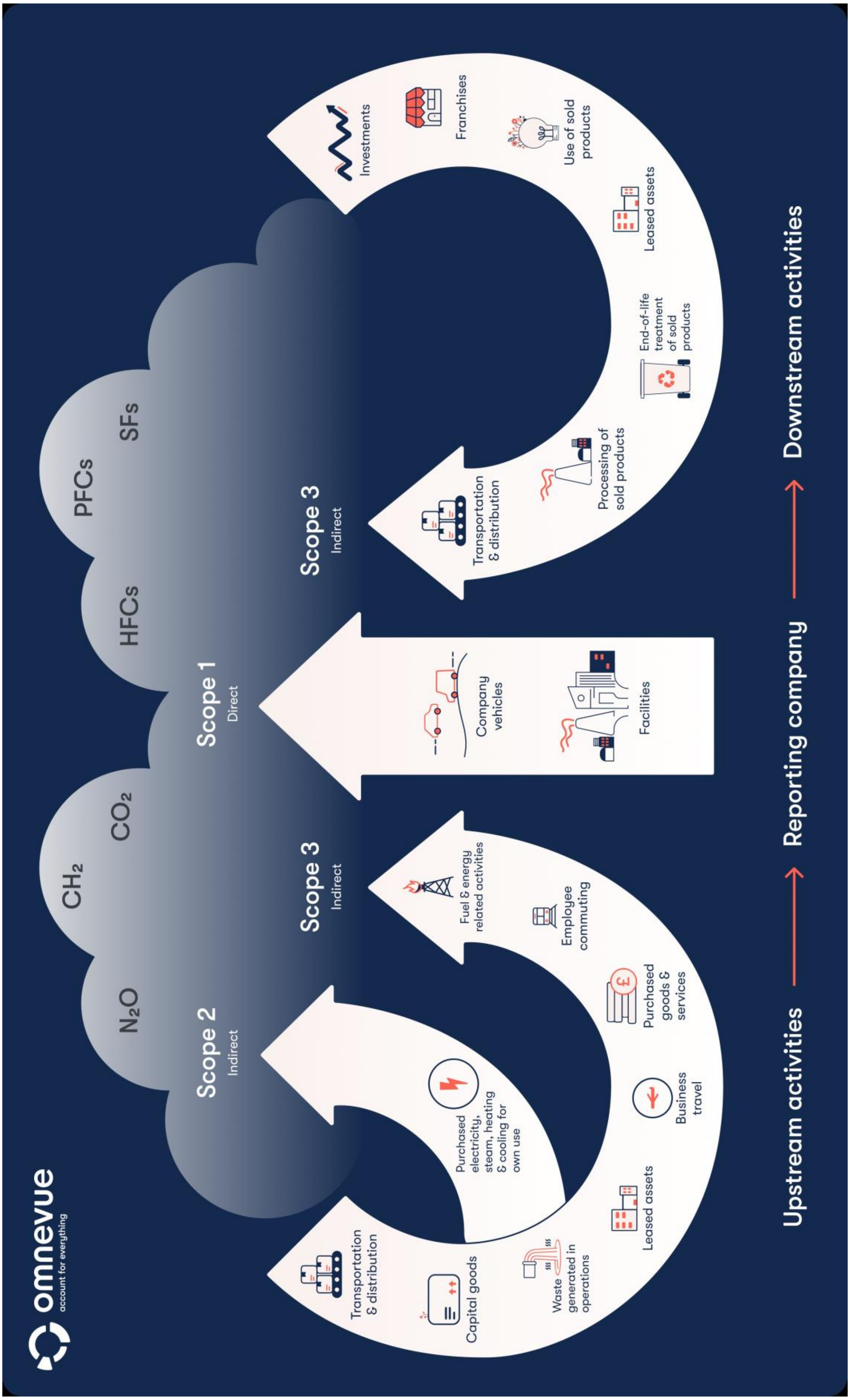
account for everything



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Handout 2 - Scope 3 Categories

There are 15 categories of scope 3 CO2e emissions as defined by the GHG Protocol.

1. **Purchased goods and services**

Definition: Emissions from the extraction, production and transportation of goods and services purchased by the company (through operating expenditure).

2. **Capital goods**

Definition: Emissions from the extraction, production and transportation of capital goods purchased by the company (through capital expenditure).

3. **Fuel and energy related activities not included in Scope 1 and 2**

Definition: Emissions from the extraction, production and transportation of fuels and energy purchased by Company and not already included in Scopes 1 and 2. It includes emissions from electricity transmission and distribution.

4. **Upstream transportation and distribution**

Definition: Emissions from the transportation and distribution of products purchased by a Company between the manufacturing location of a Tier 1 supplier and their own operations.

5. **Waste generated in operations**

Definition: Emissions from the disposal and treatment of waste generated by their activities.

6. **Business travel**

Definition: Emissions from transportation of employees for business-related flights (air travel) and business-related travel by road and rail - owned or operated by third parties

7. **Employee Commuting**

Definition: Transportation of employees between their homes and worksites during the reporting year.

8. **Upstream leased assets**

Definition: Operation of assets leased by the company.

Omnevue uses the operational control approach whereby any assets that a company leases are deemed within the company's operational control and are accounted for under scope 1 and 2 (leased buildings, machinery and vehicles).

9. **Downstream transportation and distribution**

Definition: Transportation of sold products from the point of sale to the customer.

10. Processing of sold products

Definition: Downstream processing of sold products (prior to use phase).

11. Use of sold products

Definition: Emissions from the use of goods and services sold by the company

12. End-of-life treatment of sold products

Definition: Waste disposal and treatment of products sold by the reporting company at the end of their life.

13. Downstream leased assets

Definition: Emissions from the use of products or equipment leased to third parties.

14. Franchises

Definition: Operation of franchises in the reporting year, not included in Scope 1 or 2.

15. Investments

Definition: Emissions from activities financed by Company through investments in jointly controlled joint ventures and associates where Company has significant influence.

Handout 3 – Mix-and-Match Washing

Mix-and-match washing: a new form of greenwashing.

Definition: Mix-and-match washing is the deliberate or inadvertent use of six terms in various combinations as if their meanings are interchangeable, which they are not.

These terms are: carbon, carbon equivalent, neutral, positive, net and zero.

Carbon - Refers only to carbon dioxide (CO2) emissions. It does not include the other eight GHG gases including methane and carbon monoxide.

Carbon equivalent - Refers to the inclusion of all GHG emissions (CO2e) wherein the small 'e' means the global warming potential of different greenhouse gases converted into CO2 equivalent units over a specific period (typically 100 years).

Neutral - Refers to the use of carbon credits or offsets to compensate for CO2 emissions (typically not CO2e). Carbon credits allow companies to buy certified permits that allow the owner to emit a certain amount of carbon dioxide. Carbon offsets allow companies to pay to support projects that reduce, avoid or remove CO2 emissions, e.g. forestry offsets.

Positive - Refers to the removal of CO2 or CO2e emissions over and above actual emissions.

Net - Refers to the balancing of gross CO2e emissions and removals over a given period (e.g. by 2040) to achieve net zero emissions. Only offsets that remove (not reduce or avoid) CO2e emissions qualify.

Zero - Refers to the reduction of CO2e emissions to as close to zero as possible and only after that point to the subsequent use of removal offsets to achieve a net zero position.