SCIENCE BASED TARGETS

DRIVING AMBITIOUS CORPORATE CLIMATE ACTION

Scope 3 Expert Working Group Meeting Minutes

25 June 2025

16.00 - 18.30 BST [Option A]

26 June 2025

10:00 - 12:30 BST [Option B]

Virtual

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Meeting participants

Expert Working Group Members present:

As per clause 6 in the EWG Terms of Reference, members serve on the EWG in their individual capacity as technical experts.

[Option A]

1. Alissa Benchimol, Greenhouse Gas Management Institute
2. Lydia Elliott, We Mean Business Coalition
3. Frederic Hans, NewClimate Institute
4. Laura Hutchinson, Center for Green Market Activation
5. Krutarth Jhaveri, Apple
6. Miriam Kugele, Aga Khan University
7. Sam Van Den Plas, Carbon Market Watch
8. Lachlan Wright, Rocky Mountain Institute

[Option B]

1. Eleanor Bastian, Amazon
2. Nicolas Clerget-Etchandy, The Heineken Company
3. Svend Hansen, Ørsted
4. Leonardo I. Boeri, A.P. Møller-Maersk
5. Aditya Misra, Proforest Europe
6. Asmita Marathe, Bureau Veritas
7. Sriram Rajagopal, IKEA
8. Gibran Vita, Rabobank

SBTi:

[Option A]

1. Hugo Ernest-Jones (Value Chain Lead)
2. Giulia Camparsi (SME Value Chain)
3. Eoin White (Research Lead)
4. Louisa Kolovos (Project Manager) - Observer
5. Diana Farmer (North American Regional Lead) SBTi - Observer

[Option B]

1. Hugo Ernest-Jones (Value Chain Lead)
2. Giulia Camparsi (SME Value Chain)
3. Clare Murray (Research Manager)
4. Louisa Kolovos (Project Manager) - Observer

Technical Council Observers:

[Option A]

1. Doreen Stabinksy

[Option B]

1. Doreen Stabinksy

External Experts:

[Option A]

1. Mo Li, Watershed

[Option B]

1. Yohanna Maldonado, Watershed

Note on the format of these minutes: This meeting was held twice to accommodate the time zones of the Expert Working Group (EWG) members. The content presented by the SBTi team was consistent across both sessions, and participants in each meeting engaged with the same interactive exercises. To avoid duplication, these meeting minutes present the shared content (presentations and framing) once, followed by separate summaries of participant discussions from the Option A and Option B meetings.

Meeting Agenda

1. Recap of the findings of the downstream aligned revenue targets approach
2. Target boundary definition: presentation of the current approach
3. Target boundary definition: presentation of research backing the current approach (CEDA and CDP analysis, public consultation results)
4. Development of a refined proposal

Meeting Objective

The goal for this meeting was to land on an updated approach for the scope 3 target boundary, based on research evidence gathered.

1. Recap of the findings of the downstream align revenue targets approach

SBTi presents a brief recap of the previous session, which focused on the concept of "aligned revenue targets." This approach involves using the revenue generated from net-zero-aligned products as a new form of target to signal business model transformation. The EWG members expressed cautious support for this method as a means to promote innovation and product decarbonization.

It was noted that similar concepts are gaining traction in broader policy and reporting frameworks, such as the Corporate Sustainability Reporting Directive (CSRD) and GFANZ, both of which reference aligned revenue as a performance indicator. The intuitive nature of this approach for civil society and investors was highlighted as a key benefit.

However, several concerns were also raised. One was the potential unreliability of revenue as a proxy for actual emissions, especially given the challenge of monitoring emissions across diverse product lines. To mitigate this, the framework under development is intended to focus on a narrower set of high-emitting products. Questions also emerged about the suitability of this metric for certain sectors, particularly fossil fuel-related industries, where a phase-out approach may be more appropriate than alignment.

Additional critiques involved the scientific validity of assuming a linear increase in aligned revenue over time, as decarbonization pathways may not follow a linear trajectory. Alternatives suggested by the group included tracking the number of aligned units sold or setting milestone-based phase-out targets for high-emission products.

These insights are currently being analysed alongside public consultation data to refine the framework and assess its applicability in the forthcoming standard.

2. Target boundary definition: presentation of the current approach

SBTi introduced the proposed revisions to Scope 3 target boundaries, beginning by outlining key challenges with the current framework. Under the existing approach, companies are required to include 67% of Scope 3 emissions for near-term targets and 90% for long-term targets. SBTi explained that this blanket minimum coverage can lead to misleading target formulation, as significant emission sources may be excluded while still reporting high-percentage reductions.

It was noted that the current system allows too much flexibility in the selection of included emission sources. For example, companies can omit emissions from sectors critical to the transition (e.g. steel, transport, chemicals) while remaining technically compliant. Furthermore, there is a lack of guidance on how to scale from near- to long-term boundaries, which raises consistency concerns.

SBTi presented the proposed approach included in the draft, based on two-step “relevance assessment” to define target boundaries more meaningfully:

1. Include Scope 3 categories representing more than 5% of total Scope 3 emissions.

2. Include emissions-intensive activities (as defined in an annex) that exceed either 1% of total Scope 3 or 10,000 tonnes CO_2e.

This approach aims to capture both company-specific materiality and global transition priorities. Preliminary analysis suggests this method would result in approximately 90% coverage of Scope 3 emissions.

SBTi clarified that the 5% threshold aligns with existing materiality thresholds (e.g. GHG Protocol, SBTi FINZI Standard). The absolute emissions intensity thresholds, though harder to validate with current data, are conceptually aligned with the SBTi SME definition and draw from precedents such as the Gold Standard microscale project definition.

An optional safeguard, a cumulative exclusion cap of - for example - 10%, was introduced for discussion.

3. Target boundary definition: presentation of research backing the current approach

Watershed findings

Watershed presented modelling insights using CEDA, a comprehensive, environmentally extended input-output (EEIO) database covering 148 countries and 400 industries. The objective was to assess how different significance thresholds proposed by SBTi influence the coverage of global upstream Scope 3 emissions.

Watershed explained that at the **category level**, applying a 5% significance threshold captures approximately **96% of global Scope 3 emissions**. Even with a threshold relaxed to **29%**, the model still captures **90%** of emissions. This suggests diminishing returns in emissions coverage beyond a 30% threshold. An uncertainty range of ±5% was noted. Limiting the model to high and upper-middle-income countries only slightly reduced coverage (to ~88%), affirming the global representativeness of the threshold approach.

At the **activity level**, the analysis focused on Tier 1 supply chain emissions (about **30%** of global Scope 3). Using SBTi’s emissions-intensive activity definitions, roughly **60% of Tier 1 emissions**, equivalent to **18%** of total global Scope 3, would be captured. Increasing the threshold from 1% to 5% had minimal effect on coverage, suggesting flexibility without loss of integrity.

Watershed highlighted the complexity of mapping emissions-intensive activities to industry classifications and raised concerns about the operational feasibility for companies. Watershed also identified additional sectors (e.g., oil and gas, waste management) potentially missing from SBTi’s list of emission-intensive activities.

[Option A]

- One EWG member suggested checking whether the emissions-intensive activities are generally caught through the activity-level significance thresholds, thereby making the emissions-intensive activities step largely redundant.
    - The SBTi recognised this as a key research question to be answered as part of the next steps

- One EWG member suggested remodeling the findings in a way that the sample mirrors the composition in terms of sector representation of the companies setting SBTi targets, i.e. not considering the all the sectors available in CEDA but trying to build a sample as close as possible to the sample representing companies with SBTs in order to drive closer conclusions on the expected coverage.
    - SBTi recognizes the interest of this perspective and is willing to explore this opportunity.

- Another EWG member asked whether SBTi has analysed differences in coverage applying the 5% threshold across sectors.
    - SBTi states that a high-level analysis of variability across sectors is available in Annex D of the CNZS v2 draft (page 84) and that the SBTi will review the data to check variability within sectors.

[Option B]

- One Expert Working Group member asked to explain the challenges in mapping CEDA's granular sector data (400 industries) to SBTi-defined emissions-intensive activities.

    - Watershed explained that emissions can span through multiple sectors and emphasised the complexity of avoiding double-counting and the need for expert understanding of sector granularity.

- One Expert Working Group member sought clarification on whether the mapping aligned with GHG Protocol categories or only with product/industry codes.

    - Watershed confirmed that scope 3 categories were used for the first research question, whereas activities were used for the second. Activities identified by SBTi do not fit industry codes, so the exercise included mapping and matching SBTi activities with industry codes.

- One Expert Working Group member requested clarification on how household emissions were accounted for.

    - Watershed explained that EEIO models like CEDA focus on industrial upstream emissions. Household (Scope 1) emissions were added as a supplementary estimate (27.5% of Scope 3). Emphasised these were direct emissions (e.g., fuel use), not full lifecycle down

3. CDP analysis, PC1 consultation feedback

SBTi presented insights based on internal analysis of CDP data to complement Watershed's global modelling. Two key indicators were explored: global Scope 3 emissions coverage and average company-level coverage across significance thresholds. The global coverage results mirrored Watershed's findings, confirming that a 5% threshold would cover approximately 96% of global Scope 3 emissions.

At the company level, the average emissions coverage was slightly lower due to individual companies having highly concentrated emissions in a few categories. SBTi reported that, according to CDP data, using a 5% threshold should still result in a high average company-level coverage of **93%**, while a 30% threshold, corresponding to 90% global coverage, yielded an average company-level coverage of **73%**. Differences across sectors were noted: only five out of 60 sectors had average coverage below 90% at the 5% threshold, while at the 15% threshold, roughly half of the sectors remained above 90%.

SBTi also shared preliminary results from the first public consultation (PC1). These results are only initial findings, and require further analysis, but were tentatively introduced to help inform the discussion. There was general support for the 5% category-level threshold, with some preferring a higher threshold to avoid including immaterial emissions. At the activity level, feedback was more divided. Respondents slightly favoured and increase in proposed thresholds, raising concerns around data availability, practical implementation, the tight margin of error implied by low thresholds and, in the case of the 10,000 tCO_2e absolute threshold, potential disproportionate burden on large companies. A percentage-based approach—potentially tiered by company size—was favoured.

Finally, on the maximum exclusion threshold, the majority of respondents supported inclusion, generally favouring a cap allowing no more than 10% of Scope 3 emissions to be excluded. SBTi encouraged participants to critically assess whether these thresholds are optimal in light of the technical evidence presented.

One EWG member asked how SBTi has accounted for the difference in the sample between CEDA and CDP: by definition CEDA includes all emissions sources, whereas the CDP dataset is based on reported emissions, which is a portion of the total emissions. For this reason, the member suggest an adjustment of the total CDP sample to reflect this and allowing a reasonable comparison of the two datasets

4. Development of a refined proposal

In each meeting option, participants were divided into two groups to develop a proposal for target boundary setting given the information shared in the first half of the meetings.

[Option A]

Group 1

Group 1 proposal centres on a tiered approach to defining target boundaries, aiming to combine clarity, practicality, and consistency. The group reached consensus that the 5% category-level significance threshold is appropriate, practical, and well-aligned with existing GHG reporting frameworks. It was noted, however, that expanding GHG Protocol categories to account for indirect emissions, now under discussion in technical working groups, may introduce complexity in interpreting category definitions for boundary-setting.

On the emissions-intensive activity (EIA) component, participants expressed caution. While acknowledging the logic and precedent of thresholds like 1% or 10,000 tCO_2e, they stressed that this step requires considerable effort and is not how most companies currently structure inventories. Before incorporating this step, further analysis is needed to determine if EIA sources are already captured through the category-level screening, and whether additional screening would introduce unnecessary complexity or bias. The EIA screening may also be most useful for "coarse" categories (e.g. category 1) where multiple emissions sources may fall within a single diverse category and prioritisation may be required.

The maximum exclusion threshold was supported as a valuable "failsafe," with broad agreement on a 90% inclusion (10% exclusion) requirement. Participants also discussed the need for guidance on how to "top up" to this 90%, e.g., through descending order of category significance or inclusion of emissions-intensive activities—ensuring that flexibility is balanced with comparability and rigour.

Group 2

Group 2 supports the 5% category-level threshold, recognising it as a fair starting point that reflects companies' existing practices. However, more varied opinions emerged around the activity-level threshold (e.g. 1% or 10,000 tCO_2e). If this step was included, the group highlighted concerns about the practical burden of calculating such thresholds, whereas, if the step is removed there is a risk that companies may exclude hard-to-abate emissions from the boundary due to perceived inactionability, rather than actual irrelevance.

The group suggested a deeper examination of category inclusion patterns, e.g., through CDP data, to evaluate overlap between commonly reported categories and those flagged as emissions-intensive. If a strong overlap exists, the activity-level screening step could be redundant. If not, its inclusion might be justified. One idea was to treat the list of emissions-intensive activities as a recommendation rather than a requirement, though this could compromise consistency across companies and differences in the achievement of targets.

Regarding the maximum exclusion threshold, the group did not settle on a definitive figure but acknowledged the value of such a safeguard. There was openness to allowing companies flexibility within a defined exclusion range, with mandatory reporting of exclusions to ensure transparency and comparability.

[Option B]

Group 1

This proposal outlines a structured boundary-setting framework based on three components:

1. Category-Level Significance Threshold (5% of inventory),
2. Emissions-Intensive Activities (e.g. based on commodities or thresholds like 10,000 tCO_2e), and
3. Maximum Exclusion Cap (targeting 90% overall coverage).

The first step involves scoping the full Scope 3 inventory and identifying categories above the 5% threshold. Categories below the threshold may still be required if they are linked to emissions-intensive activities, e.g. transport. There was support for this layered approach, but some concern that the emissions-intensive activity assessment step might duplicate the category-level assessment, potentially increasing complexity without additional value. Feasibility concerns were raised—particularly for large companies for whom a flat 10,000 tCO_2e threshold could introduce disproportionate burdens.

The third step mandates achieving at least 90% coverage, with flexibility in how companies "top up" to meet this benchmark, possibly by voluntarily including sub-threshold emissions-intensive activities. The group also discussed ensuring that activity-level targets remain incentivised, particularly to avoid unintended consequences (e.g. excluding downstream emissions, which could undermine circular economy efforts). Overall, this proposal aims for a comprehensive yet flexible architecture, guiding companies to prioritise significant and high-leverage emissions while maintaining a high level of coverage and rigour.

Group 2

The second group focused the discussion on influence and actionability. The group decided that companies should focus on the whole inventory, without allowing for further exclusion for scope 3 which can create confusion in terms of communication. Overall, the group recognized that the 5% threshold at the category level can be a good screening tool for prioritization, but the influence or leverage that a company has over a specific emission source must also be taken into consideration, because it is there where companies can get more achievement. The suggestion is to include an additional level of analysis, where low-hanging fruit in terms of emission reduction achievements are also included in the boundary, at company discretion.

Summary and next steps

Topics requiring further clarification and refinement by the SBTi

The following topics were identified during the meeting as areas that may require further clarification or refinement, including through subsequent expert working group meetings. These topics will also be taken for consideration by the SBTi during the revision process of the draft Standard, together with the feedback received from the public consultation:

- Support for retaining the 5% category-level threshold as a primary screening criterion, given its simplicity, alignment with GHG Protocol, and ability to capture over 90% of emissions.
- SBTi should assess whether the emissions-intensive activities (EIA) threshold adds unique value or is redundant when 5% category-level screening is applied.
    - Depending on results, SBTi should consider making the EIA component a requirement only for certain categories (e.g. cat. 1), optional or guidance-based, with flexibility depending on data availability and sectoral relevance.
- Support for including a 90% minimum cumulative coverage threshold as a failsafe to ensure credibility, comparability, and completeness across companies.
    - If adopted, SBTi should consider developing clear guidance for how companies can “top up” to reach 90% coverage, including methods like ranking by emissions magnitude or ease of action.
- SBTi should explore integrating actionability and influence into the framework to prioritize impactful and feasible emissions reductions.
- SBTi should continue analyzing CDP and CEDA datasets to assess sectoral variability and refine thresholds where needed.
- SBTi should draft and pilot test an updated boundary-setting proposal combining category-level thresholds, EIA relevance, and minimum coverage.