# Scaling impact on scope 3

## An update on our continued focus on scope 3 in 2023

November 2023 (updated February 2024)

CLIMATE LEADERS COALITION

An initiative of THE B TEAM Australasia

**The Climate Leaders Coalition (CLC) acknowledges and pays our respects to Aboriginal and Torres Strait Islander peoples as the First Peoples of Australia, whose ancestral lands and waters we work and live on. We honour the wisdom of and pay respect to Elders past and present and acknowledge the cultural authority of all Aboriginal and Torres Strait Islander peoples across Australia.**

# Foreword

At COP27 in November 2022, we introduced the Climate Leaders Coalition CEO Scope 3 Roadmap. This roadmap was crafted by our members through a year of hands-on learning and the successful execution of 5 proofs of concept across diverse sectors.

Our work has set the course for the practical steps that CEOs need to take in addressing scope 3 greenhouse gas (GHG) emissions across their value chains. This is imperative for urgent decarbonisation, aligning with the Paris Agreement and the *Climate Change Act 2022*, which aim to limit global temperature increases to 1.5°C above pre-industrial levels this century.

We are proud of the actionable guidance this work has provided to other CEOs for initiating scope 3 emissions reduction. However, we recognise that scope 3 emissions are significant, accounting for as much as 65 to 95 per cent of most companies' emissions. Companies, including our members, must accelerate their efforts.

The Australian Treasury has released draft legislation on the adoption of Australia's version of the ISSB standards from as early as periods beginning 1 July 2024. If these proposals are adopted, reporting of scope 3 emissions will become mandatory for many Australian entities as early as periods beginning 1 July 2025, being the second year of mandatory reporting. Companies will be expected to set and act on scope 3 targets if they haven't already. Over the past 12 months, we have observed that capital markets and customer demand are leading the way ahead of regulation. Companies embracing scope 3 are not only aligning with these expectations but also building resilience and a competitive edge.

When considering the focus for our scope 3 work in 2023, we recognised the need to transition from proofs of concept to scaling scope 3 impact. We acknowledged the varying levels of scope 3 maturity among our 50 members, offering an opportunity to collectively enhance our scope 3 impact.

Our focus on scaling scope 3 impact this year has been threefold:

- an evidence base on how progressed each of our members are in terms of the 8 steps to measure, report and reduce scope 3 emissions – the Scope 3 Excellence Checklist
- a series of practical and collaborative scope 3 catalyst sessions to address major blockers and enable more of our members to mature faster
- progression of value chain decarbonisation initiatives started through last year's scope 3 proofs of concept.

Pleasingly, this year we have enabled others outside of the CLC membership to scale impact on scope 3 with us. This includes members of the New Zealand Climate Leaders Coalition and other Australian CEOs who are looking to move quicker on tackling scope 3 and who recognise the strong foundation laid by the Scope 3 Roadmap.

**David Thodey**
Climate Leaders Coalition Co-Chair

**John Lydon**
Climate Leaders Coalition Co-Chair

**Lynette Mayne**
Climate Leaders Coalition Executive Chair B Team Australasia

**Disclaimer:** This document outlines insights from the CLC members that have been involved in scaling impact on scope 3. It offers insights and learnings for others. It does not contain advice for other organisations. Organisations should seek their own independent advice if curious about content contained in this document.

# Contents

Executive summary

# Lessons we've learnt

## Where do the nation's biggest companies stand on scope 3?

Regulators have cemented scope 3 as a key pillar of organisations' credible net zero transition plans. Activity is heating up and will come to a boil over the next 2 years.

At the same time, scope 3 has been recognised as the sustainability 'Trojan Horse', containing solutions and new approaches for circular economy strategies, nature preservation and human rights.

Three lessons stand out in the progress made by CLC members in their scope 3 journeys over the past 12 months.

**Immediate action required**: Regulation is imminent, and making scope 3 commitments is crucial. Baseline and annual progress against targets will soon undergo scrutiny comparable to financial reporting. In October 2023, ASIC chairman Joe Longo put companies on notice that the coming regime will be 'the biggest change to corporate reporting in a generation.'* Confidence is key, from your own perspective and that of stakeholders.

**Data and technology enablers**: The importance of data and technology in managing scope 3 emissions is growing. There have been significant advancements in solutions alongside a growing awareness that robust data controls are the linchpin. Technology solutions should be aligned with an organisation's specific needs, especially those enabling sharing across value chains. How data may be shared to improve efficiencies and generate benefits is a question that needs to be solved. Collectively we need to get smart about the data we're asking for and from whom.

Ideally, we should find ways to share data rather than have multiple parties seeking the same information in different formats.

**Transformational scope 3**: Addressing scope 3 emissions is transformational, affecting not only your organisation but also your value chain and industry. The need for new business partnering and collaboration models is evident. Commitments must lead to immediate action – the clock is ticking.

If you haven't already started, now is the time!

If you are ready to take the next step, we have developed new tools to accelerate your progress. We hope you find them useful.

> 'This is organisational evolution at a scale bigger than anything we have witnessed. CEOs' involvement, understanding and visibility is critical to success.'
>
> **Gareth O'Reilly**
> CEO, Schnieder Electric

*"Commuters captured under tough climate regime," Australian Financial Review, 23 October 2023

**'The more companies that use IFRS S1 and S2, the greater commonality of approach and follow-on lowering of costs. Getting rid of the alphabet soup of standards will benefit in moving capital allocation.'**

**Emmanuel Faber**
Chair, International Sustainability Standards Board

# One year on – The world has changed

## Upcoming mandatory scope 3 disclosure has created a burning platform and will keep accelerating activity over the next 2 years.

Jan 2023 — Now — July 2025

### Regulation and fiduciary duties

**26 June 2023**
ISSB finalises IFRS S1 and IFRS S2 drafts including scope 3 GHG emissions disclosure with transitional relief provisions available.*

**27 June 2023**
Australian Treasury issues a consultation paper including a proposal for implementation, sequencing, scope of reporting entities, reporting content and assurance levels required in Australia for IFRS S2 only.

**Oct 2023**
ASIC announces employee community will be captured as part of scope 3.***

**1 Jan 2024 (calendar year)**
Disclosure on period 1 Jan – 31 Dec 24 required for entities that are required to lodge financial reports under Chapter 2M of the *Corporations Act 2001*.**

Note: Subject to finalisation by Treasury.

**1 July 2024 (financial year)**
Disclosure on period ending FY25 required for entities that lodge financial reports under Chapter 2M of the *Corporations Act 2001*.**

Note: Subject finalisation by Treasury.

**FY25 – FY26**
Scope 3 disclosure and partial assurance (methodology assured) required.

Note: Subject to finalisation by Treasury.

### Shift from targets to actions

**Jan 2023 to now**
Shared value in scope 3 data exchange is evident but hinge on complete, accurate and timely data.

**2024 and beyond**
Artificial intelligence can reduce complexity and refine scope 3 reporting, but it is costly and depends on complete, accurate and timely data.

**Jan 2023 and beyond**
Capital markets increase their focus on scope 3 as part of overall company risk exposure in line with the move to mandatory disclosure and assurance.

**Jan 2023 to now**
Cohort of frontrunner organisations get independent assurance over scope 3 disclosures ahead of it being mandatory in a few years.

**Now to June 2024**
Investment in technology to scale scope 3 data measurement and reporting will surge, driven by the expectation that climate disclosures should be as accurate and rigourous as financial accounts.

*The scope 3 measurement framework requires use of reasonable and supportable information that is available – scope 3 estimation, accompanied by disclosures to enable users to understand the basis of measurement.
** Group 1 entities that meet 2 of the 3 stipulated size thresholds (number of employees >500, gross assets $1b in consolidated assets and $500m of consolidated revenue) or are a controlling corporation for reporting under the *National Greenhouse and Energy Reporting Act 2007*.

Scope 3 Catalyst Sessions

# Learning together to scale practical impact on scope 3

## Achievements

**3**
**Catalyst sessions**

**168**
**Attendees**, including Australian CLC members, New Zealand CLC members and non-CLC members grappling with scope 3

**36**
**Experts**, including sustainability assurance, science-based targets, legal, chief decision scientists, data and technology innovators, embodied carbon experts, non-executive directors, market analysts, market and industry raters, procurement and finance, radical collaboration, transformation, industry bodies and peak bodies

**3**
**Wildcard ideas**, including zero emissions haulage accelerator, shared data platform and analytics

## Insights

### Catalyst 1: Establishing reliable scope 3 commitments in preparation for ISSB compliance

- **Understand ISSB IFRS S1 and S2 requirements now.** These form a new accounting language intended to move the allocation of transition capital globally. Perform a gap assessment and develop a plan to address this.
- **The use of averages and estimates is acceptable for now, given challenges with obtaining actual scope 3 measurement data.** Your scope 3 data will eventually require assurance – there is time to get it right.
- **Focus on what is most material.** Recognise opportunities for growth and transformation, which some companies have already pursued, giving them first-mover-advantage.

### Catalyst 2: Exploring scope 3 data and technology challenges and opportunities

- **AI will revolutionise the collation and management of huge datasets.** It needs to be balanced with human intelligence and trust.
- **Find a scope 3 data and technology solution that matches your ambition.** Pick what works best for you – pilot workarounds, common data platforms with advanced analytics or sophisticated scope 3 solutions across value chains at scale.
- **Data garbage in equals data garbage out.** Prioritise data quality (right data, right time), data security (the right people have the right access) and data privacy and protection (the right consent and processes) NOW.

### Catalyst 3: Transformation required to enable ISSB scope 3 outcomes

- **Recognise this entails transformation for your organisation.** CEOs, sustainability, procurement, finance, data and technology, legal, risk and reputation teams will collaborate in new ways. Capital allocation and strategy will be revised. Behaviours will change – from the C-suite to operations and service delivery.
- **Collaborate with your value chains and ecosystem of influence.** Completely new models of business are emerging. Pick strategic suppliers first. Consider smaller suppliers.
- **Be bold and seek opportunities to shift the system.** Create opportunities to simplify and amplify impact quickly, within what's permissible. Support impact at an industry level – work with industry bodies and peaks to do so. Nurture innovation startups and new onshore industries. Accelerate change in conversation with government and the education sector.

Scope 3 Excellence Checklist

# The new scope 3 operating system – Get ready to scale your scope 3 impact

## Assess your scope 3 strengths

The 8-step Scope 3 Roadmap provides practical steps for CEOs to understand how to measure, reduce and report on scope 3 emissions through their value chains.

To help CEOs starting from different levels of maturity rapidly assess their scope 3 strengths and priorities we designed a Scope 3 Excellence Checklist.

Our ambition in 2023 was to support as many as possible to progress through the 8 steps, no matter where they started. Where do you sit on the Scope 3 Excellence Checklist? Find out here.

Thirty-two CLC members completed the checklist in early 2023. Results were self-reported and were not audited or reviewed for accuracy or completeness.

## How participating Climate Leaders Coalition members fared

Below are aggregated results of the 32 CLC members who completed the Scope 3 Excellence Checklist in early 2023.

**81%** made a net zero commitment and 29% approved science-based scope 3 targets.

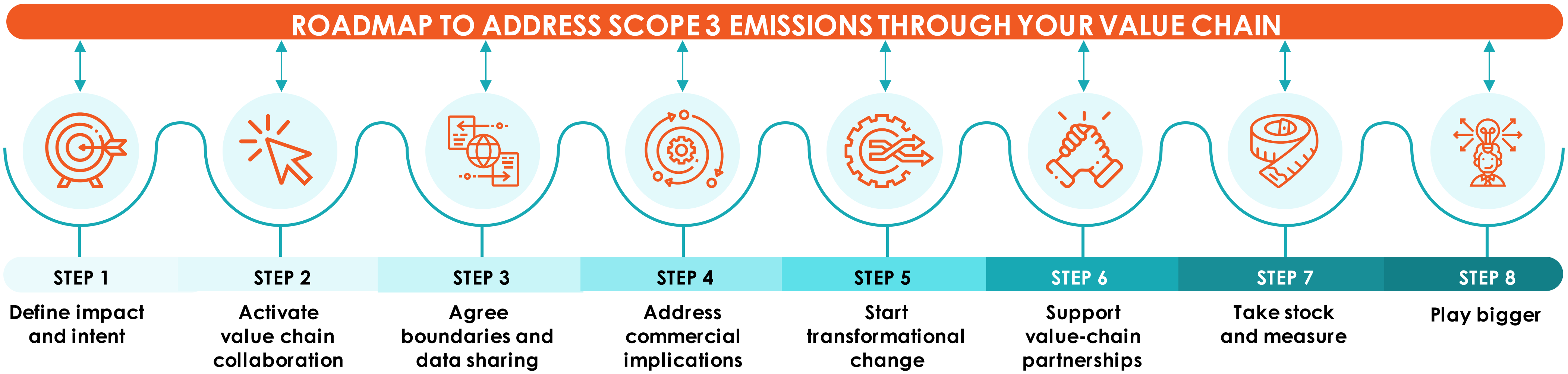
**29%** were confident in the quality and accuracy of their reported scope 3 data and 42% had started sharing scope 3 emissions data across their value chain in some form.

**48%** invested in technology to measure data relating to scope 3 emissions and 55% wanted to analyse and build intelligence on top of scope 3 data across the value chain.

**65%** saw scope 3 as a catalyst for innovation, growth and the development of new markets. 39% had initiated sector-wide conversations to address scope 3 together.

These insights informed the design of our Scope 3 Catalyst Sessions to scale understanding and action (see more on page 6).

Follow the 8 steps for yourself. You can find the detailed roadmap here.



# Proofs of concept
# One year on

# Linking scope 3 and Nature – One year on from BeefCo – Lower emission Beef

**Participants:** Elders, Hilton Foods APAC, Teys, Microsoft, Climateworks Centre and Woolworths Group

## What we have achieved

Building on from last year's proof of concept BeefCo we:

- Continued our collaboration with value-chain partners Elders, Hilton Foods Asia Pacific, Teys, Climateworks Centre and Microsoft to investigate the business case for Nature-based solutions in beef.
- Developed a methodology to assess the variety of Nature-based solutions that are available, considering impact, maturity and cost.
- Shortlisted solutions for further analysis and implementation by collaboration partners.

## The next 3 years look like

**Collaboration:** We are comfortable working with each other and will continue to do so to gather data, considering the whole-of-value-chain propositions behind prioritised Nature-based interventions. We'll continue conversations to identify opportunities to test and scale interventions in the beef supply chain.

**Co-benefits:** Nature-based solutions have co-benefits across multiple layers – private, supply chain and public – increasing their attractiveness as an emissions reduction solution in the longer term. We'll focus on understanding the private and public benefits of Nature-based solutions to develop the business case for investment. There is a great opportunity for the value chain to complement industry and government initiatives seeking to support implementation of Nature-based solutions. Doing so can strengthen or potentially speed up impact in this space.

**Action:** We'll implement available technology and solutions, and in parallel, look at investing in longer term, emerging solutions. Our ambition is to prioritise solutions that can materially support dual emissions reductions and improve Nature objectives across the beef supply chain.

## Top tips

- **Prioritise:** Understand your operations and value chains in detail to understand climate and Nature-related risks and opportunities for action. Identify the most significant areas of impact and focus here first.
- **Progress over perfection:** Recognise that so much can be gained by starting small-scale proofs of concept that can be iterated over time, rather than waiting for complete and perfect solutions. For example, use pilots to understand your value chain maturity to implement emissions-reduction activities.
- **Engage your value chain** to understand barriers to and opportunities for action, and drivers for action on climate and Nature-related risk.

**'The connection between Nature and climate is clear, and exploring solutions that deliver benefits for both make sense.'**

Brad Banducci
CEO, Woolworths Group

## What we have achieved

- Following on from last year's proof-of-concept to produce a carbon neutral beer, Visy completed lifecycle analysis across its glass furnaces. This enables the use of actual emission factors (rather than third-party estimates) in the carbon footprint assessment of Lion's glass bottled drinks in Australia and New Zealand and should substantially increase the accuracy of scope 3 disclosures.
- Improved cooperation and collaboration with key value-chain partners including site visits to see how low emission technologies are being implemented and to discuss further scope 3 reduction opportunities.
- Sustainability is a standing agenda item in top-to-top meetings between Lion and BevChain driving shared KPIs and carbon reduction targets.

# Data and shared values – One year on from BeerCo – Carbon-neutral XXXX Gold

**Participants:** BevChain, Lion, Visy

## The next 3 years look like

**Data-sharing progress:** How actual emissions data is shared between value-chain participants is an ongoing discussion. Increasingly we see a role for industry associations to establish benchmarks to alleviate the burden and complexity of scope 3 data sharing, while maintaining integrity and equity in the system. Engagement with competition regulators on how industry can collaborate on genuine non-compete sustainability objectives would be a welcome extension to this activity.

**Enhancing technology systems:** We are developing a digital scope 3 reporting tool over the next 12 months in preparation for mandatory reporting and independent assurance. Given the complexity of scope 3 data gathering, and the lack of an off-the-shelf solution, we've partnered with a boutique development house on an iterative approach that significantly de-risks the project and steps through to the full solution.

**Building relationships:** It is important that scope 3 data exchange along the value chain isn't simply a transaction. Ongoing conversation at senior levels, engaging and empowering procurement teams, and drafting contracts with appropriate carbon KPIs – this provides a foundation for trusted and productive relationships. Parties can monitor progress and demonstrate shared benefit.

## Top tips

- Trusted relationships along the value chain are key to enable the exchange of carbon emissions data for upcoming mandatory scope 3 emission disclosures and assurance.
- While mandatory disclosures will make data acquisition along the value chain a top priority, it's important that the relationship goes beyond a simple data exchange – it needs to start a conversation on reducing emissions, noting that some opportunities can only be unlocked through radical collaboration and trusted relationships.
- Mandatory disclosures may also put a focus on industry associations and their role in standardising emission factors for streamlining reporting and assurance. In time, this may also promote whole-of-industry collaboration on emissions- reduction opportunities while respecting competition law.

**'We're considering pulling forward our 2050 target based on our scope 3 work with value-chain partners. It has given me far greater confidence that a net zero target is achievable.'**

Sam Fischer
CEO, Lion

# Scope 3 impact
# Members stories

# Driving behavioural change – Microsoft

## What we have achieved

- Our Scope 3 emissions increased by just 0.5 per cent in FY22, compared to 20 per cent in FY21. This is due to improvements we've made to our operations, renewable energy investments, sustainable aviation fuel purchases and our procurement of unbundled renewable energy certificates.
- We subjected our scope 3 disclosures to third-party assurance for the first time as part of the enhanced Carbon Disclosure Project standards.
- We collaborated with material suppliers, especially in Asia, to identify potential low-carbon alternatives. We also secured discounted financing through the International Finance Corporation to expedite implementation for eligible suppliers.

## The next 3 years look like

**Incentivising value-chain partners:** We're highly focused on encouraging value-chain partners to engage in lower carbon activities. For suppliers who can demonstrate higher expenditure due to decarbonisation efforts, we will factor their emissions data into our reporting calculations instead of relying on conservative industry benchmarks. Currently, we use actual data (rather than spending-based estimates) for most of our material suppliers. We are also integrating actual energy consumption data into our products' cradle-to-grave lifecycle analysis by leveraging device telemetry.

**Enhancing accuracy and transparency:** As we gain greater accuracy, we recalculate and republish our baseline. We continuously refine our measurement approaches and transparently communicate how we are improving our methodologies over time.

**Carbon fee progress:** The carbon fee served as an initial measure to establish ownership for scope 3 emissions across our business. Some business units have already experienced improved profitability from decarbonisation initiatives and are investing outside of the fund. This suggests that the fee may become obsolete over time.

**Promoting interoperability:** Driving the interoperability of standards through collaborations like the Carbon Call, the First Movers Coalition, and Transform to Net Zero is vital to the expansion of scope 3 initiatives.

## Top tips

- Data collection allows you to stay laser-focused on the things that matter from a materiality standpoint. Use data-driven insights to inform how you can drive organisation-wide behavioural change.
- Approach the scope 3 conversation from whatever your core competency is. Use your strengths and expertise to make a meaningful impact in addressing the indirect emissions and environmental impacts associated with your organisation's activities.
- Getting to net zero takes more than investment, technology and commitment. Work alongside other organisations in your supply chain, partner network and client base to share learnings and achieve better outcomes together.

**'Get the necessary ownership for scope 3 emissions across the business.'**

Steven Worrell
CEO, Microsoft

# Evolving partnerships leads to progress - Laing O'Rourke

## What we have achieved

- We developed a detailed view of the embodied emissions of each concrete mix that we have purchased for our projects over the past 3 years. We sourced this data from our suppliers – Boral, Hanson, and Holcim – in a collaborative effort, as this was not data previously requested or disclosed. Before this, we had estimated our emissions using financial data from our purchases and applying a general emissions factor.
- We collaborated with our suppliers and the Level Crossing Removal Project (LXRP), our client in Victoria, challenging their technical specifications to allow for greater use of low-carbon concretes in projects of the South Eastern Program Alliance (SEPA), which includes Laing O'Rourke, Jacobs, Metro Trains Melbourne and the LXRP.

## The next 3 years look like

**Enhancing Value-chain collaboration:** Our scope 3 data gathering will be extended to supply-chain partners to get an even clearer view of the embodied carbon used on our projects.

**Establishing minimum standards:** Cement is the biggest $CO_2$ contributor in concrete mixes by a wide margin. Cement can be partially replaced by supplementary cementitious materials (SCMs), which have much lower levels of embodied carbon. We are working towards establishing an internal minimum requirement for the use of lower embodied carbon concrete across all our Laing O'Rourke projects.

**Success through collaboration:** Our SEPA team in Victoria along with our client and concrete supplier Holcim recently secured an exemption to the technical specifications of the Victorian Department of Transport and Planning that allow us to use piling concretes with up to 70 percent of SCMs. The exemption represents a 42 percent $CO_2$ emissions reduction against the previous concrete benchmark in that program of works, which had 36 percent cement replacement, limited by specifications. We will continue to engage in similar collaborative efforts going forward.

**Scaling across industry:** We are encouraging government clients to develop a public record of specification exemptions, also known as concessions or deviations, that allow for higher use of low-carbon concretes. These would serve all our industry to understand what's possible and what best practice looks like. We're also offering guidance to our clients to update their statewide specifications so that all contractors in all the existing and future programs of work can use the maximum possible amount of sustainable materials. These updates would undoubtedly become a rising tide that lifts all boats.

## Top tips

- Aim for material impact, where you are going to get the best bang for buck.
- Be fair about data requests to value-chain partners. Be cognisant of the load you're adding and its effect on their profitability. Ask for what's necessary, not nice-to-haves.
- This is a change management exercise. Prepare your partners and your people for adjustments that need to occur.
- Think about what demand signals you can send to your supply chain to help you evolve the way you collaborate and achieve shared success.

**'Collaborative relationships with partners across the value chain are key to reducing scope 3 emissions.'**

Mark Dimmock, Acting Managing Director - Australia, Laing O'Rourke

## What we have achieved

- We have set targets aligned with the Science Based Target Initiatives (SBTi) Corporate Net-Zero Standard. This includes a 30% reduction in scope 3 by 2032 from a 2020 baseline, acknowledging this is reliant on our value-chain partners reducing their own emissions.
- We have taken steps to improve the quality of our scope 3 data year on year.
- We introduced greater cross-functional working across the business to improve the integrity of our data. Having procurement teams involved in communicating data requests to suppliers reinforced it as a strategic imperative.
- We assessed technology to improve data measurement.

# Engage, support and collaborate with suppliers – Downer

## The next 3 years look like

**Enhancing decision-making:** Ensuring that the quality of our data continues to improve is a priority we have focused on for the past 3 years. Embodied carbon in construction materials is the biggest contributor to our scope 3 emissions. The supplier level data we have – using spend-based proxies – doesn't take into account the impact of suppliers who are substituting products with lower emissions options, which limits decision-making around mitigation. Initiatives like the Carbon Disclosure Project (CDP) supply chain membership has helped us to get a better understanding of our supply-chain emissions and opened up meaningful dialogue with our suppliers.

**Increasing accuracy and transparency:** Technological solutions to improve data integrity and manage the complexity of tracing actual tonnes of carbon at an invoice level present an opportunity to improve our data-capture process. This will also lay the groundwork for mandatory assurance of scope 3 disclosures in 2025–26 (under ISSB IFRS S2). The potential of technology such as artificial intelligence to refine environmental measurement and reporting is also an improvement opportunity we'll explore.

**Driving behavioural change:** Supplier engagement is essential for us to materially reduce our scope 3 emissions. We will continue to actively engage and collaborate with our suppliers to improve data and aid our decarbonisation. Updating project specifications to facilitate the use of lower carbon materials is a key focus.

## Top tips

- Make a start. Do an initial assessment of your value chain and emissions sources, using whatever tools are available to you.
- Engage with your value-chain partners. We recognise that our ability to meet scope 3 emissions reduction targets is reliant on our value-chain partners reducing their own GHG emissions.
- Use available forums to support your objectives. We signed up to the CDP supply chain membership to help us engage with suppliers on emissions reduction.

**'Our ability to meet our scope 3 reduction targets is reliant on our value-chain partners reducing their own emissions. We are committed to continue engaging and working with them to positively influence outcomes aligned to the net zero transition.'**

Peter Tompkins
CEO, Downer

# Acknowledgements

# Acknowledgements

## The Climate Leaders Coalition (CLC) acknowledges the many people involved in continuing to raise the bar on addressing scope 3.

**To the CEOs involved, especially those who provided leadership:**

**Gareth O'Reilly**
CEO, Schneider Electric

Your dedication to continuing the journey on scope 3 is steadfast and inspiring. The personal time you and members of your team have given between and in Scope 3 Catalyst Sessions shows commitment to something we expect and know will be transformational for all companies. Thank you.

**Stuart Irvine**
CEO, Ziwi

Thank you for continuing the 'end of the beginning' established through the Scope 3 Roadmap we published late in 2022. Your support to speaking to this publicly to enable Non Executive Directors, other CEOs and sustainability practitioners to move more quickly and your early support to the Scope 3 Excellence Checklist set the frame for the impact we have delivered this year.

**To the CEOs who have created space for your delegates to be part of the next phase of scope 3:**

**Peter Tompkins**
Downer Group

**Rebecca Hanley**
Laing O'Rourke Australia

**Sam Fischer**
Lion

**Steven Worrell**
Microsoft

**Alan Beacham**
Toll Group

**Rob Scott**
Wesfarmers

**Brad Banducci**
Woolworth Group

**Dean Banks**
Ventia

**To our co-leads of this work:** Joanne Bowen (consultant PwC Australia), Jane Watts, (B Team Australasia) and our **design guru** and **team connector** Marisa Cuzzolaro (consultant PwC Australia).

Thank you for continued energy on scope 3, foresight and belief in the transformational opportunity it provides. Your power networks have been phenomenal in getting us the best and most forward-looking experts and thinking in the Scope 3 Catalyst Sessions.

**To the scope 3 working group who supported and learned from each other:**

Keep going. There is much more to do on scope 3 and the opportunities are huge. Thank you to so many, and in particular, Caroline Ottmann – Schneider Electric, Justin Merrell – Lion, Carolyn Cosgrove – PwC Australia, Nik Comito – Toll Group, Kylie Ashenbrenner – Wesfarmers, Brett Shoemaker – Microsoft, Nathan Brogden and Ricky Bridge – Downer, Monica Hanus-Smith – Laing O'Rourke and Alexandra Monson – Ventia.

**To the experts we have ideated with along the way:**

So many to mention – you know who you are. Thank you so much for pushing the thinking and boundaries. We are all in this together.

**And, finally to PwC Australia:**

The foundations you laid in 2022 through the Scope 3 Roadmap have enabled this continued impact this year. Thank you for challenging our members to go deeper and scale their impact on scope 3.

**Last year was the beginning!**

**This year is … the middle bit!**

**'Scope 3 requires us to work in completely new ways – learning fast and solving problems together. I'm delighted to have PwC Australia continue supporting this important work.'**

Kevin Burrowes
CEO, PwC Australia

## CLC member CEOs

**Peter Tompkins**
Downer Group

**Rebecca Hanley**
Laing O'Rourke Australia

**Sam Fisher**
Lion

**Steve Worrell**
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**David Thodey**
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**John O'Brien**
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**Lynette Mayne**
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**Keith Tuffley**
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**Dr Martin Parkinson**
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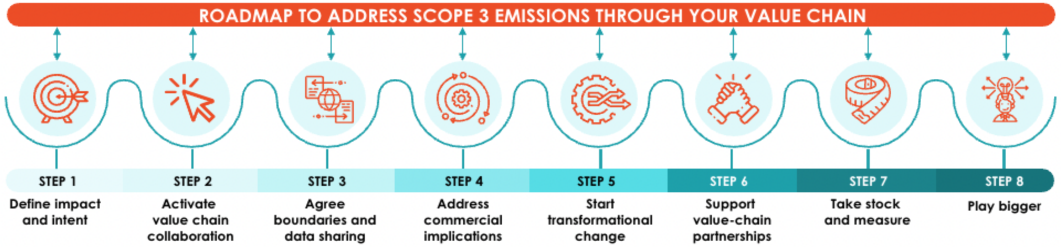
# Appendix

# Scope 3 Excellence Checklist (1/2)*




## Step 1 – Define impact and intent

- ❑ My organisation understands the expectations of shareholders and stakeholders around scope 3 management in our business.
- ❑ My board / executive team are clear on the strategic importance of addressing scope 3.
- ❑ My organisation has completed a scope 3 emissions boundary-setting exercise considering all scope 3 categories from the GHG protocol.
- ❑ My organisation has measured scope 3 emissions with currently available data (e.g. sectoral averages, activity-based or supplier-specific) assessing order of magnitude in baseline.
- ❑ My organisation has put short, medium and long-term entity- established (non-science- based) scope 3 targets in place, i.e. scope 3 relating to our own operations only, or selected scope 3 sources within the value chain.
- ❑ My organisation has approved short, medium and long-term science-based scope 3 targets in place, including upstream and downstream emissions.

## Step 2 – Activate value chain collaboration

- ❑ My organisation has completed supplier segmentation and identified core strategic partners to work with to reduce scope 3 GHG emissions.
- ❑ My organisation has visually mapped our end-to-end value chain.
- ❑ My organisation has initiated conversations with strategic partners to address scope 3 together.
- ❑ My organisation has identified decarbonisation levers within our own operations.
- ❑ My organisation has identified decarbonisation levers with strategic partners.
- ❑ My organisation has started actively working with suppliers to enable decarbonisation levers to reduce scope 3 emissions together.
- ❑ My organisation has started actively working with customers to enable decarbonisation levers to reduce scope 3 emissions together.

## Step 3 – Agree boundaries and data sharing

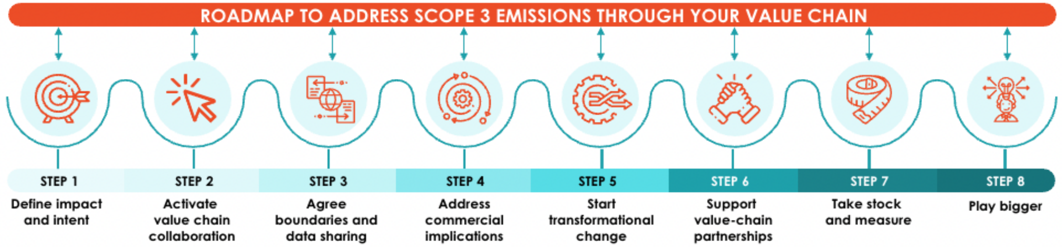
- ❑ My organisation is confident in the quality and accuracy of our scope 3 data.
- ❑ My organisation has refined its measures of scope 3 emissions with actual data and boundaries established through supplier engagement.
- ❑ My organisation has refined its measures of scope 3 emissions with actual data and boundaries established through customer engagement.
- ❑ My organisation has started sharing scope 3 emissions data across our value chain.
- ❑ My organisation has trust or commercial concerns around sharing data across our value chain.
- ❑ My organisation wants to analyse and build intelligence on top of any data that may be shared across our value chain.

## Step 4 – Address commercial implications

- ❑ My organisation is considering cost-sharing models with suppliers across our value chain.
- ❑ My organisation is considering cost-sharing models with customers across the value chain.
- ❑ My organisation has capital investment available to support decarbonisation lever transition activities connected to scope 3 targets.
- ❑ My organisation is planning to develop an internal carbon price (or similar incentive).



*Disclaimer: The scope 3 excellence checklist is a tool to guide discussion internally at CLC. Independent professional advice should be sought when it comes to matters that may affect a member's financial position or strategic direction.




# Scope 3 Excellence Checklist (2/2)

## Step 5 – Start implementing

- ❑ My organisation is implementing an internal carbon price as a means to shift internal behaviour.
- ❑ On the whole, key members of my organisation's C-suite (i.e. chief financial officer, chief marketing officer, chief procurement officer) understand their role in delivering on scope 3 targets.
- ❑ My organisation has invested in technology to measure and capture data relating to scope 3 emissions.

## Step 6 – Support your value chain

- ❑ My organisation has designed scope 3 education programs and toolkits for our people.
- ❑ My organisation has designed scope 3 education programs and toolkits for our suppliers and customers.
- ❑ My organisation is using technology and analytics to assess upstream and downstream value-chain emissions.

## Step 7 – Stocktake and measure

- ❑ My organisation is reporting our scope 1 and 2 emissions attributed to the products and/or services we sell to others.
- ❑ My organisation is reporting yearly on progress against scope 3 emissions targets in line with relevant reporting requirements as they become established.
- ❑ My organisation is seeking independent, third-party assurance over our scope 3 emissions reporting.
- ❑ My organisation has set short-term incentives for executives linked to decarbonisation.

## Step 8 – Play bigger

- ❑ My organisation has initiated sector-wide conversations on solutions to address scope 3 together.
- ❑ My organisation sees the opportunity of scope 3 in creating innovation, new markets and growth.
- ❑ My organisation is developing new partnering arrangements to address scope 3 at pace and scale.



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