# SCOPE 3 MATERIALITY METHODOLOGY

**Authors of the report:**
Nives Costa (UNOPS) and Vanja Elizabeth Wylie (UNOPS)

This paper was supported by the contributions of: Anne Fernqvist (UNDP), Robert Mutyaba (UNOPS), Samantha Stratton-Short (UNOPS), Sohinee Mazumdar (UNOPS retainer) and Yola Wolgast (UNOPS)



UNOPS

# TABLE OF CONTENTS

# 1. INTRODUCTION

As part of its Climate Action activities, UNOPS has worked on determining the materiality of its scope 3 emissions, and the boundaries to follow in this exercise.

"Materiality" and "boundary setting" in the context of the GHG Protocol scope 3 methodology refer to the process of identifying and prioritizing the most significant GHG emissions within a company's value chain.

Performing a Materiality assessment ensures that UNOPS GHG inventory focuses on activities and sources that have the most substantial impact on the organization's total emissions and on their current and future management.

## 1.1. Objectives of the report

By applying the materiality lens, organizations can transparently and effectively set boundaries for scope 3 reporting, ensuring comprehensive yet focused coverage of significant indirect emissions, facilitating targeted mitigation efforts, and aligning with broader sustainability goals. This approach helps in communicating the most impactful areas of GHG emissions to stakeholders, thereby driving meaningful climate action. The main objectives for UNOPS to develop a scope 3 Materiality Methodology are to:

- **Identify and understand the significant sources of value chain emissions**, by applying a multicriteria approach (addressing both quantitative and qualitative significance);
- **Inform UNOPS Climate Strategy**, facilitating perspective scope 3 reporting, GHG emissions baseline setting and prioritization of mitigation initiatives;
- **Identify GHG reduction opportunities** and entry points, to facilitate a data-driven target-setting process;
- **Raise internal awareness** of the main drivers of climate action mitigation, emissions hot spots, organizational influence on reductions, entry points and more generally, of how the organization can improve its mainstreaming of climate action at every level, align with the Paris Agreement and better support the SDGs;
- Eventually **engage external stakeholders**, UN partners, Multilateral Development Bank partners, donors, Member States, implementing partners and the supplier community for more systematic GHG reporting and abatement initiatives; and

- **Enhance UNOPS environmental practices** and capitalize on existing initiatives and knowledge products to support sustainability.

This report aims to define a **combined qualitative-quantitative methodology to determine materiality**. The methodology includes a description of the criteria to be used in the materiality assessment and of the necessary disclosures to ensure the transparency of the assessment. The methodology is iterative; it assumes that the organization will improve its assessment over time and with broader stakeholder input.

## 1.2. Definitions

### Scope 3

Scope 3 emissions encompass all indirect emissions (excluding scope 2) that occur along an organization's value chain and are not directly owned or controlled by the organization. This includes both upstream and downstream emissions.[1]

### Materiality

Materiality is a broad concept that in a wider sense is used to define and filter the relevance of certain information to relevant stakeholders.[2] In context of this report materiality refers to the threshold that determines which GHG emission sources are relevant for disclosure in the organization's environmental reporting.

### Materiality assessment

A materiality assessment is a process that aims to identify and prioritize, through the engagement of various stakeholders, the most relevant categories for an organization's formal reporting.[3] In the context of this report, it specifically refers to identifying the most relevant scope 3 GHG emission categories for disclosure in the organization's environmental reporting.

### Boundary

The inventory boundary defined by a company or organization refers to the scope of relevant emission sources that have to be accounted for. It should reflect the organizational structures, operational boundaries and business context of a company or organization. All explicit exclusions need to be disclosed and justified.[4]

1 UN Global Compact
2 Global Reporting Initiative (GRI) 2022
3 GRI 2021: GRI 3 Material Topics
4 Greenhouse Gas Protocol 2004

### Boundary setting

By setting organizational boundaries a company or organization defines its approach for "consolidating GHG emission and then consistently applies this approach to define the businesses and operations that constitute the company for the purpose of accounting and reporting GHG emissions".[4]

### Value chain

The value chain of a company or organization includes all kinds of activities and processes that transform input into output by adding value (e.g., the lifecycle of producing goods and services from conception over sourcing and production to disposal). "It includes entities with which it has a direct or indirect business relationship and which either (a) supply products or services that contribute to the company's or organizations own products or services or (b) receive products or services from the company." [5]

### Upstream emissions

Upstream emissions are indirect emissions that occur across the value chain before an organization takes operational control. This includes emissions from the production of goods and services, upstream transportation and distribution, capital goods, business travel, employee commuting, upstream leased assets and fuel and energy-related activities that are not included in scope 1 or scope 2.[6]

### Downstream emissions

Downstream emissions are indirect emissions that occur after an organization has transferred their goods or services to the next stage in the value chain. This includes emissions from downstream transportation and distribution, processing of sold products, end-of-life treatment of sold products, downstream leased assets, franchises and investments.

### Climate mitigation

Human action to reduce emissions or enhance the sinks of greenhouse gases.[7]

### Climate adaptation

Climate adaptation describes the adjustment to current or anticipated climate conditions to reduce harm or take advantage of beneficial opportunities.[7]

---

5 UN Guiding Principles Reporting Framework

6 Greenhouse Gas Protocol: 2013, Technical Guidance for calculating Scope 3 emissions

7 IPCC Glossary

### Climate resilience

The capacity of social, economic and environmental systems to cope with harmful climatic impacts.[7]

### Significance threshold

In the context of this report, a significance threshold refers to the level that categories and activities must surpass to be considered material for reporting.

# 2. UNOPS MATERIALITY ASSESSMENT AND THE GHG PROTOCOL STANDARD

## 2.1. UNOPS approach to boundary setting in the context of the GHG Protocol

UNOPS aligns its materiality assessment and GHG reporting to the GHG Protocol's "Corporate Value Chain Accounting and Reporting Standard". The purpose of this chapter is not to repeat the content of the Protocol but to highlight the UNOPS approach where the Protocol does not define the reporting process in detail. The chapter also highlights some deviations from the Protocol's categories (but never from the reporting principles) that are necessary by virtue of UNOPS specific business model in the aid and development sector.

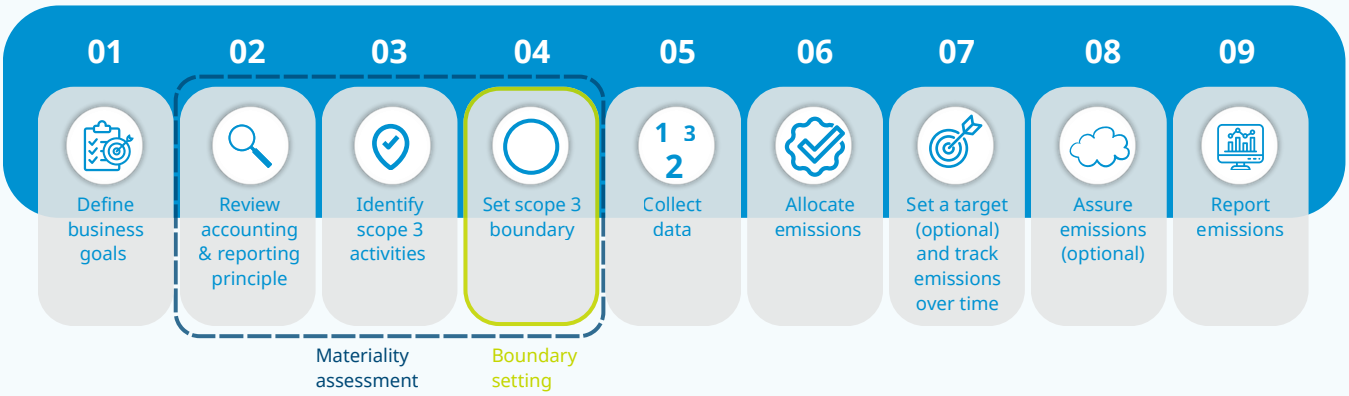
The GHG Protocol requires that organizations set the boundaries of their scope 3 accounting, as well as disclose and justify any exclusions. However, the Protocol does not provide a detailed methodology for boundary setting besides the general principles of relevance, completeness, consistency, transparency and accuracy.

To establish the boundaries of its scope 3 report, **UNOPS has developed a methodology for determining the materiality of its value chain emission sources and consequently its reporting boundary.** In the context of scope 3 reporting and boundary setting, UNOPS considers **materiality as a combination of the magnitude of its emissions together with other intangible considerations,** such as the organization's ability to influence reductions, stakeholders interest, etc.

The **methodology is designed to be iterative and progressive,** leading to a continuous improvement of UNOPS scope 3 emissions reporting.

This document lays out a materiality assessment process that UNOPS can use to determine its initial approach to scope 3 reporting and management boundaries, and which can be repeated in future years to improve that reporting and expand management boundaries. This approach has been informed by stakeholder consultations, which are discussed in more depth below, and which include bilateral interviews, consideration of broader trends and input from workshops and experts.

*Overview of steps in scope 3 accounting and reporting*




## 2.2. Application of the reporting principles in UNOPS

The GHG Protocol requires the application of five principles to corporate scope 3 inventories: relevance, completeness, consistency, transparency and accuracy. These principles are duly considered in this materiality methodology.

In addition, UNOPS adds a sixth principle to its materiality assessment and boundary setting: Inclusivity. The inclusivity criterion affects what is considered the inventory boundary and extends beyond magnitude/significance to additional considerations, hence broadening the scope. It acknowledges UNOPS role as a UN entity with a global mandate to drive sustainable development and address climate challenges in a collaborative manner, integrating the voices and needs of diverse stakeholders, especially those most impacted by climate decisions, into the organization's GHG accounting and management processes. By comprehensively accounting for emissions across its operations and engaging stakeholders in collaborative climate action, UNOPS demonstrates leadership and commitment to sustainable development. UNOPS must also ensure that the GHG inventory information is easily accessible to all stakeholders, communicated in various formats to make it suitable for diverse audiences.

The principle of inclusivity reflects UNOPS mandate and unique position to influence the uptake of best practices in emission accounting through collaboration with global and local stakeholders.

## 2.3. Categorization of development-specific activities: downstream implementation of aid and development activities

It is worth noting that UNOPS approach adjusts GHG Protocol guidance to fit its unique operational modalities. That is, some terminology, while appropriate for private sector operations, such as 'franchises', has no correlates in public sector organizations that function in the humanitarian and development sphere.

A notable example of such adaptation is the GHG Protocol's **category 3.14**, which in UNOPS approach has been remodelled to include **the extensive downstream work that UNOPS carries out to discharge its development assistance mandate**, through a variety of implementation modalities that go from operational support to a range of hosted entities, to the deployment of contractors and the implementation of global grants.

In applying the scope 3 GHG protocol to an international organization like UNOPS, there are other minor differences between the categories set out in the GHG protocol, primarily designed for the private sector and the operational realities of a demand-driven UN organization. For instance, categories like "processing of sold products" and "use of sold products" do not directly translate, as UNOPS neither manufactures nor sells products. Unlike a private sector entity, UNOPS deals with the delivery of procured goods (like pharmaceuticals, medical devices, generators and vehicles), the implementation, handover and decommissioning of infrastructure projects (this includes public facilities such as schools and hospitals, as well as public utilities in the transport, energy and water infrastructure sectors) and the implementation of thematic projects in different fields (like demining or livelihoods support). This highlights **the need for an adjusted terminology, still focusing on life cycle considerations as outlined in the Protocol, but modified from the lens of traditional commercial transactions.**

## 3. MATERIALITY ASSESSMENT METHODOLOGY: STEPS AND REQUIREMENTS

An overview of the applied progressive materiality assessment process is presented below, and then discussed in more depth in the following sections. As materiality refers to identifying and prioritizing the emission sources that are most relevant for disclosure, this in turn raises the question of what "relevance" or "significance" mean in the context of a UN agency or another development actor.

At the moment of drafting this Guidance, there was a broad understanding among UN agencies that the magnitude of emissions is definitely a main component of materiality. However, that is not the only significant criterion; it should be complemented by other considerations, such as the organization's ability to influence actual reductions, the interest of stakeholders, other sustainability co-benefits, etc.

To sum up: the scope 3 reporting boundary of the organization should coincide with its material categories and activities. **The material categories and activities are those that overcome a significance threshold, either because of their magnitude or because of other qualitative considerations that** align with UNOPS values and mission.

To streamline this assessment, UNOPS designed a materiality assessment process comprising four steps:

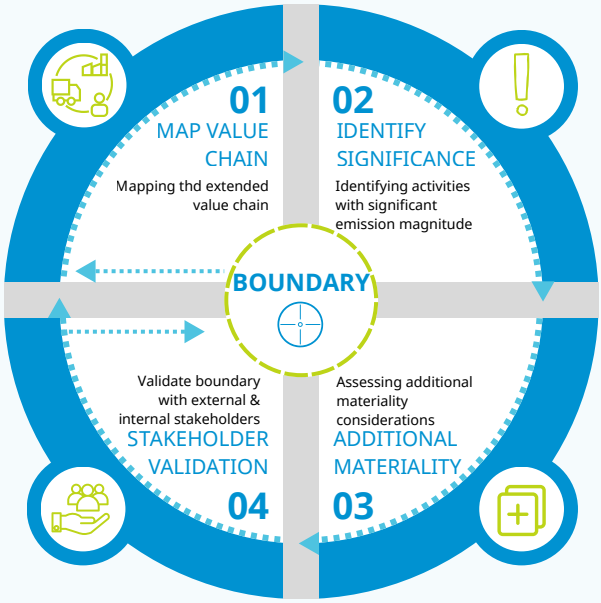
**01** Mapping of the organizational value chain, and of all the GHG-generating activities;

**02** Identification/validation of the activities that are most significant in terms of GHG emissions magnitude;

**03** Identification/validation of additional activities and emission sources that are material by virtue of other considerations; and

**04** Validation of the findings through consultation with relevant stakeholders, both internal and external.

*Materiality assessment process*




The four steps are described in detail below. It should be stressed that, although the methodology is described in a consequential order, the actual implementation of the steps will involve feedback loops, repetition of assessments, etc., until an acceptable result is reached.

The process is designed to be dynamic, to capture the fast-changing external environment, organizational maturity growth, developing markets, introduction of new tools, shifting political context, etc. It is highly recommended that this assessment is performed on a yearly basis, or when changes in circumstances require an update of the organizational scope 3 boundary. **The materiality assessment should be documented and transparently disclosed**, either independently or as part of the Inventory Management Plan.

## 3.1. Mapping the extended value chain

Performing a comprehensive value chain mapping for a UN organization requires focusing on both **upstream and downstream activities** that go beyond the traditional boundaries of manufacturing or even the provision of services. In UNOPS case, these activities include the procurement of a vast array of goods and services for development projects, as well as implementation of humanitarian projects, greenfield and brownfield infrastructure projects, multi-partner initiatives and operational support to an array of hosted entities.

Furthermore, mapping the extended value chain for an organization like UNOPS presents unique challenges: **UNOPS operates on a service-driven, demand-based model with a broad scope of activities**, from the procurement of goods (such as vehicles, medical devices and pharmaceuticals) to infrastructure projects (such as hospitals and schools), that are handed over to host governments. Unlike the private sector, strict rules aimed at preserving the fairness and value of the public procurement make the supply chain setup hard to predict, and the establishment of long-term relationships with suppliers more challenging.

To address the erratic nature of the value chain, it is recommended that an organization like UNOPS base its materiality assessment on the most recent physical year records. The organization should follow an organizational process map to **identify all activities that have likely generated GHG emissions in the past physical year.** The organization can independently decide which form the mapping will take, as long as it considers the organization in its entirety (without excluding sections, geographic locations, sub-entities, etc.) and it includes, as relevant:

- All emissions-generating activities linked to corporate activities (waste generation, official duty travel of any kind, remote working, etc.);
- All logistics and all supply chain activities cradle-to-gate;
- All financed project activities, cash assistance, investments, social benefits contributions, etc.;
- All project managed and/or supervised activities, whether contracted, entrusted to implementing partners or directly implemented;
- All advisory, coordination, capacity building and research activities; and
- Any other organizational activity that is likely to generate GHG emissions

## 3.2. Identifying activities with significant emissions magnitude

In the process of identifying scope 3 activities that are material for the organization, the magnitude of the emissions serves as a fundamental determinant. Emissions magnitude is essential because it highlights the areas where disclosure and mitigation efforts are more impactful, and should therefore be focused.

A precise calculation of the magnitude of cope 3 emissions relies on a number of assumptions: that precise activity data are available for all categories as well as emission factors that accurately reflect the sectoral and geographical variations of UN operations.

This scenario is recognized to be unrealistic, especially for organizations that are just starting their scope 3 reporting, and even more so when they are active in the development sector and in contexts where GHG emission factors are outdated or not widely available. **A preliminary magnitude analysis can be conducted with the best available data**, even if those are unsatisfactory in absolute terms. The result of the analysis, although imperfect, will guide the organization to prioritize its action and concentrate its efforts in improving data availability where it matters most. It is expected that the magnitude calculations will improve in quality with time and iterations (see chapter four on continuous improvement).

Once obtained the quantitative GHG emissions estimates for all the main scope 3 categories, the organization needs to determine the quantitative materiality threshold that it will apply. **Five percent is a commonly accepted threshold in GHG accounting, and can be used for determining the emissions that cannot be excluded from the organizational boundary** and relative disclosures (in other words, the 5 percent threshold is a boundary inclusion, and not exclusion, criterion).

The organization should assess the risk that certain categories or activities fall under the threshold due to data scarcity, and find suitable ways to adjust its emission estimates to mitigate this risk.

While 5 percent appears to be the prevailing best practice threshold for determining significance in emissions assurance, an organization that is at the start of its work on scope 3 and is dealing with a low level of internal maturity coupled with limited resources might opt for a higher threshold in its initial materiality assessment. In that situation, a 10 percent threshold might be more suitable to help the organization identify its priorities and focus its resources on categories with the greatest emissions magnitude and potential for reduction. In such cases, it is recommended that the materiality threshold is lowered to 5 percent in the following years, as soon as the internal maturity level allows for it.

An additional application of the magnitude threshold is to prioritize action within a scope 3 category, particularly within those categories that are large and complex for an organization. UN organizations can choose to prioritize activities within a category when they are too broad and complex to tackle at once.

As an example, a UN organization might find that entries within Category 1- Purchased goods include services, which can be further divided into several activities. It is even possible that some of these activities have a larger magnitude than another scope 3 category, for example Category 7 - Employee commuting. In this example, a 5 percent or 10 percent threshold can be used to prioritize action within Category 1.

By using magnitude thresholds in this way, UNOPS can efficiently prioritize activities and take strategic actions to reduce scope 3 emissions where they matter most.

## 3.3. Assessing additional materiality considerations

### Elements of a multi-criteria approach to materiality

Although the size of emissions plays a significant role in materiality, key aspects of materiality go beyond the magnitude of emissions. Additional value chain activities might be included in the minimum boundary by virtue of considering factors other than emissions size.

To capture diverse qualitative considerations, **significance** should be determined based on a **multi-criteria approach**. The approach should include considerations such as UNOPS level of influence over the emissions, and stakeholder priority, among other factors. It is important to stress **that the ease (or challenge) in obtaining data must not be a factor in determining the significance of emissions**. The lack of data speaks to weak data management tools, to the lack of applicable emission factors, or to the immaturity of the value chain partners, but does not have a bearing as to whether an emission source is more or less material in the big picture of the overall organizational footprint. Gaps or insufficiencies in scope 3 data should be transparently disclosed, together with plans for addressing them.

The multi-criteria approach ensures that all relevant emissions sources are accounted for, and not only the largest ones, providing a more accurate and comprehensive assessment of UNOPS carbon footprint.

### The six qualitative materiality criteria

An analysis of magnitude, as amply discussed, focuses on emissions sources that have a substantial impact on the organization's overall GHG emissions profile.

In addition to magnitude, other **qualitative criteria to be assessed are influenceability, stakeholder priority, sustainability co-benefits, partnership for innovation, risk mitigation, best practice and compliance.**

**01. INFLUENCEABILITY** = the ability to i) actively pursue reductions ii) to monitor reduction results consistently and iii) to support credible reduction claims.

The influenceability criterion estimates a UN organization's ability to implement changes that reduce emissions, focusing on actionable strategies that can be effectively monitored and adjusted for continuous improvement. This will result in an expectation for clear pathways for emissions reductions and robust tracking mechanisms to verify progress and claims. Key considerations in determining influenceability are:

A. **Existence of clear entry points:** potential entry points for intervention within the activity, project or supply chain.

B. **Level of indirect control:** through shared decision-making, contractual obligations, etc.

C. **Level of financial control:** through funding mechanisms, budget allocations, purchase decisions, etc.

D. **Technological capacity**: availability and accessibility of emission reduction technologies.

*Example: A smaller entity is hosted by a UN organization. While the hosted entity maintains its identity and mandate, the UN organization provides it with legal and operational guidelines, and can therefore influence its climate practices.*

**02. STAKEHOLDER PRIORITY** = the need to address emissions sources that are most relevant to internal stakeholders who shape and carry out the work of the organization, external stakeholders such as UN System partners, Member States and beneficiaries, donors and supply chain partners.

Prioritizing these sources fosters trust and engagement, aligning the organization's efforts with stakeholder values and demands. Key considerations are:

A. **Stakeholder influence:** from the perspective of UN organizations, it is necessary to consider not only the stakeholders with decision-making powers, but also the views of the people the UN serves (embodied by the principles of accountability and leaving no one behind).

B. **Engagement strategies:** evaluate potential strategies for engaging stakeholders in emissions reduction efforts.

C. **Feedback mechanisms:** review the mechanisms in place for obtaining and acting on stakeholder feedback.

*Example: Many members of personnel are interested in the carbon footprint resulting from their commute to the work place and are motivated to switch to alternative commute options to help reduce the organization's carbon footprint.*

**03. SUSTAINABILITY CO-BENEFITS** = when emissions reduction activities yield additional environmental and social benefits, such as improved air quality, enhanced public health and community resilience.

Recognizing these co-benefits, and prioritizing actions that also tackle other elements of the triple planetary crisis, i.e., biodiversity loss and pollution, also help to justify investments in sustainability initiatives by demonstrating broader positive impacts.

A. **Environmental co-benefits:** air quality improvement, water conservation, soil health, biodiversity enhancement, waste reduction, resource efficiency.

B. **Social co-benefits:** public health improvement, community resilience, job creation, education, social equity and inclusion.

C. **Economic co-benefits:** cost savings, increased productivity, market competitiveness, investment attraction (the ability to attract investment and funding due to demonstrated sustainability leadership).

D. **Climate adaptation:** climate resilience, disaster risk reduction.

*Example: A freight forwarder is committed to transitioning to e-mobility. This does not only reduce the organization's upstream transport carbon footprint but also reduces the impact on air pollution and protects health by improving air quality.*

**04. PARTNERSHIP FOR INNOVATION** = understanding and managing some GHG sources may provide opportunities for engaging with partners along the value chain to drive climate action together and beyond the organization's own scope 3 responsibility.

Partnerships and collaborations on emissions reductions strategies and overall Paris alignment have transformative potential. Forming partnerships with other organizations, suppliers, and innovators drives the development of new technologies and practices that can significantly reduce emissions. Collaborative efforts expand the scope and effectiveness of emissions reduction strategies through shared knowledge and resources. Key considerations include:

A. **Existing partnerships:** Review existing partnerships with other organizations, including UN agencies and multilateral development banks.

B. **Collaborative potential:** Assess the potential for forming new partnerships focused on emissions reductions.

C. **Knowledge sharing:** Evaluate opportunities for knowledge sharing and joint initiatives with partners.

*Example: A supplier operates in concrete production, a carbon intensive sector. Through its engagement with the UN organisation, it invests in technologies for reducing the carbon intensity of its concrete production. The supplier goes on to provide the same climate-enhanced products to other clients, with a multiplied benefit for climate.*

**05. RISK MITIGATION** = the ability to proactively identify, address, and adapt to external and systemic risks that may affect the UN organization's capacity to operate, fulfil its mandate or achieve its sustainability objectives.

The risk mitigation criterion considers the reputational risks that the organization faces vis-à-vis climate action and the exposure to factors outside its direct control, which may disrupt its value chain or long-term operational stability. Prioritizing activities with high risk exposure allows for a more resilient approach to emissions reduction and sustainability goals. Key considerations are:

A. **Reputational risk:** Potential impact on the organization's credibility and trust among stakeholders, partners and beneficiaries, particularly in high-profile or sensitive projects.

B. **Licence to operate:** The degree to which the activities align with local regulations, community expectations and partner standards.

C. **Supply chain disruptions:** Vulnerability of suppliers or logistics to risks such as resource scarcity, market fluctuations and geopolitical tensions.

D. **Natural disaster impact:** Geographic or environmental exposure to extreme weather events or climate-related hazards, especially in regions prone to disasters. Understanding these risks enables the organization to adapt operations and implement mitigation strategies that protect both the climate and the organization.

*Example: An organization implements a project in a location where a carbon tax is implemented. Understanding, monitoring and minimizing the project's carbon footprint will help avoid operational challenges from energy cost increases and carbon taxation.*

**06. BEST PRACTICE & COMPLIANCE** = the ability to consistently align with evolving best practices and disclosure standards, aligning UN organizations with the ambition of being leaders in environmental sustainability and climate change.

While not legally obligated to comply with specific policy requirements, UN organizations often elect to adhere to industry benchmarks and best practices. Following the international best practices in scope 3 reporting strengthens credibility and sets an example within international climate action. Key considerations are:

A. **Compliance:** Degree of alignment with relevant local, national, and international environmental standards, frameworks and regulations. This involves not only adherence to external guidelines but also a commitment to meeting or exceeding them, demonstrating leadership in compliance and sustainable practices.

B. **Supportive policies:** Presence and strength of internal policies, incentives, and frameworks that actively encourage emissions reduction efforts. This includes organizational policies that prioritize sustainability, as well as resources and programmes that empower teams to pursue and integrate climate-positive practices into their work.

*Example: An international organization provides a pension scheme for its employees that is aligned with IFRS climate-disclosures, and is therefore able to include it in its scope 3 reporting. The organization demonstrates coherence and credibility towards its employees and the finance sector.*

## Quantifying the qualitative materiality criteria

Although assessing qualitative indicators is always a challenge, several everyday processes rely on this fact, especially in the development field where UNOPS operates in highly complex environments. A way to mitigate subjectivity when determining qualitative values is to establish a systematic, transparent and consistent approach and to make the consultation more inclusive by involving a higher number of informed stakeholders (as described in the next step in Chapter 3.4).

This section suggests **a method to systematize the analysis of qualitative parameters of materiality for each scope 3 category**. For each criterion, specific elements should be evaluated. The evaluation should be based on objective evidence, to the extent possible. These elements have been detailed above, and are summarized in *Table 1*.

*TABLE 1: Qualitative materiality criteria*

| Criterion | Sub-elements for assessment | Example of tools and resources for quantification |
|---|---|---|
| INFLUENCEABILITY | • Entry points<br>• Operational control<br>• Financial control<br>• Technological capacity | Opinion of technical and operational experts, collected through bilaterals or workshops; literature reviews; knowledge exchange among UN Entities |
| STAKEHOLDER PRIORITY | • Stakeholder influence<br>• Engagement strategies<br>• Feedback mechanisms | Personnel surveys; input from HR and personnel well-being teams; donors and partners surveys; grievance mechanisms; reviews of press coverage, social media and public opinion outlets |
| SUSTAINABILITY CO-BENEFITS | • Environmental co-benefits<br>• Social co-benefits<br>• Economic co-benefits<br>• Climate adaptation | Integration with other sustainability processes in the organizations; Sustainable management system indicators; Social and environmental screening statistics; sustainability reporting and disclosures; energy trends; climate risks analysis; input from project management functions; input from security advisors |
| PARTNERSHIPS FOR INNOVATION | • Existing partnerships<br>• Collaborative potential<br>• Knowledge sharing | List of existing partnerships; best practice catalogues; list of knowledge sharing initiatives in which the entity is involved; surveys of suppliers;, donors and partners; landlords; co-housed agencies |
| RISK MITIGATION | • Reputational risk<br>• Licence to operate<br>• Supply chain disruptions<br>• Natural disaster impact | Risk and opportunity analysis; input from security advisors; procurement and project management experts |
| BEST PRACTICE & COMPLIANCE | • Compliance (global, but also for specific locations/activities)<br>• Implementation of best practice | Legal registers; peer reviews; maturity assessments; donors' environmental requirements; international climate standards such as IPSASB CD |

When assessing the subjective parameters, the assessment should consider the following:

**1. Relevance of the criteria:** Whether the criterion is relevant to the organization.
**2. Potential impact:** Potential impact (in magnitude) the respective criterion can/will have. Note that an impact can both be positive or negative, both of which will impact materiality (and subsequent emissions management).

*Table 2* presents a suggested weighting scheme. Each criterion is assigned a range based on its **relevance**, with less relevant criteria allocated a smaller range to establish a weighting scheme. The **potential impact** determines the absolute value, i.e., the scored value, assigned to each criterion.

Note that this evaluation should be based, to the extent possible, on objective evidence according to previously defined sub-elements. Where data is unavailable to support such an assessment, extensive stakeholder consultations should be relied on. The final score for a value chain activity is calculated by summing the absolute values across all criteria.

*TABLE 2: Qualitative materiality weighting scheme*

| | | |
|---|---|---|
| **Ranking values/weighting for UNOPS value chain activities:** | 1. Influenceability | 1-30 |
| | 2. Stakeholder priority | 1-20 |
| | 3. Sustainability co-benefits | 1-15 |
| | 4. Partnerships for innovation | 1-15 |
| | 5. Risk mitigation | 1-10 |
| | 6. Best practice, compliance[8] | 1-10 |
| | **TOTAL MAXIMUM SCORE** | **100** |

The relevance and subsequent value ranges provided in *Table 2* for ranking UNOPS value chain activities were estimated through stakeholder consultations and expert judgement. A threshold was set at 60, and any activity scoring above this will be considered material to UNOPS. This threshold for qualitative criteria in the context of materiality is intended to ensure that only activities with a substantial potential impact are considered material, while avoiding over-reporting or focusing on less significant activities. As the materiality assessment is an iterative process, it is expected that data availability and quality will improve for each iteration, enabling increasingly better informed materiality assessments.

## 3.4. Validate boundary results with stakeholders

When conducting a scope 3 materiality assessment and boundary setting exercise, it is crucial to **engage stakeholders in a meaningful collaborative process** to ensure the boundaries reflect the organization's operational realities and stakeholder expectations.

Stakeholder engagement in the validation process can take various forms, such as consensus-building workshops, bilateral interviews, questionnaires, surveys, or any other way to elicit input and feedback.

[8] The UN is not bound to follow national requirements, however it might choose to do so as part of a soft compliance approach. The case is different if Scope 3 reporting requirements derive from a reporting standard which is mandatory for the UN, such as IPSAS. In that case, compliance is a pass/fail consideration for the impacted categories.

The process can be iterative, or concentrated in specific moments when the organization decides to perform the scope 3 materiality assessment. Different groups of stakeholders can be consulted together or separately about all the criteria, or just those that are closer to their experience.

It is important that stakeholder engagement include clear communication of the purpose of the materiality assessment, transparency about data sources and assumptions, and opportunities to provide candid input and feedback on the qualitative drivers of GHG emissions materiality. The stakeholder validation process has the additional benefit of eliciting broader support and buy-in for the final boundaries set.

## 4. CONTINUOUS IMPROVEMENT AND PROGRESSIVE MANAGEMENT

It is normal and expected that at the beginning stages of determining materiality, an organization's carbon footprint is not fully characterized in a reliable way, often due to a lack of appropriate or necessary data. Best practice in GHG reporting indicates that the lack of data availability should not be a determinant criterion in deciding whether an emission source is material, as clarified in chapter 3.3.1. The lack of data and/or their limited reliability will be addressed through the progressive materiality assessment approach, aiming for a continuous improvement of the entity's inventory.

Although it is clear that a UN organization is not expected to achieve completeness and accuracy from its first scope 3 inventory, it is still expected to transparently disclose its process. This includes using a consistent and meaningful methodology in its disclosures over time, listing all known omissions and limitations and sharing its plans for how the limitations of each materiality assessment will be addressed in the near future. This expected process is referred to as **continuous improvement of the scope 3 materiality assessment and organizational boundary setting**. As value chains are extensive by definition, and tend to be dynamic, a progressive management approach is recommended to ensure that each scope 3 disclosure is informed by the most realistic picture of the organization's value chain.

# 5. LIMITATIONS AND OPPORTUNITIES

We are confident that the materiality assessment methodology is valid, aligned with the Greenhouse Gas Protocol (GHGP) and capable of generating robust, comparable results. Minor clarifications and adjustments can be brought to the methodology through experience. For example, it has been noted that a change in the relative weighting given to the various components of the qualitative weighting matrix can influence the results in one way or another. At the moment, influenceability and stakeholder interest are the predominant factors. However, the weighting could indeed be adjusted in the future to respond to evolving considerations such as the organization's appetite for risks, the growing importance of external compliance requirements, etc.

## 6. REFERENCES

Calabres, Armando & Costa, Roberta & Ghiron, Nathan & Menichini, Tamara. (2019). *Materiality analysis in sustainability reporting: a tool for directing corporate sustainability towards emerging economic, environmental and social opportunities*. Technological and Economic Development of Economy.

Ge, M., & Friedrich, J. (2024). *WRI Technical Note: Climate Watch Country Greenhouse Gas Emissions Data and Methodology*. World Resources Institute (WRI)

Intergovernmental Panel on Climate Change (IPCC). (2023). *Climate Change 2023: Synthesis Report. Summary for Policymakers*. IPCC.

International Organization for Standardization (2018). *"ISO 14064-1:2018 Greenhouse Gases — Part 1: Specification with Guidance at the Organization Level for Quantification and Reporting of Greenhouse Gas Emissions and Removals"*. ISO.

Russell, S. (2024). *Estimating and Reporting the Comparative Emissions Impacts of Products*. World Resources Institute (WRI)

Science Based Targets initiative (SBTi) (2024). *Corporate Net-Zero Standard*. SBTi

World Resources Institute, & World Business Council for Sustainable Development. (2011). *Corporate Value Chain (Scope 3) Accounting and Reporting Standard*. World Resources Institute and World Business Council for Sustainable Development.

World Resources Institute, & World Business Council for Sustainable Development. (2004). *The Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standard (Revised Edition)*. World Resources Institute and World Business Council for Sustainable Development.