

## Corporate Activity Scope3 Rating Criteria (Ver. 1)

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Rating	Scope3 Reporting and Answers (*1)	Scope3 Activities Boundary	Scope3 Initiatives for Reducing Greenhouse Gases	Reliability and Transparency of Initiatives	ISO 14001 certification	Scope3 Rating with Questionnaire (Scorecard) (*2)
AAA	Regularly issues reports and regularly issues written answers to questions from external parties.	Covers suppliers / procurement department(s) on a consolidated basis as measures to Greenhouse Gases in Scope3 and its Supplier Selection Criteria requires implementation of environmental management systems.	Has a system managing Scope3 greenhouse gas emissions and achieved absolute reduction target voluntarily set by the company against the base year.	Receives third party verification/review of overall report reliability.	Has obtained certification for virtually all production plants, including those of consolidated subsidiaries.	≥ 45
AA	Regularly issues reports and has issued written answers to questions from external parties.	Covers suppliers / procurement department(s) on a consolidated basis as measures to Greenhouse Gases in Scope3 and its Supplier Selection Criteria recommends implementation of environmental management systems..	Has a system managing Scope3 greenhouse gas emissions and has implemented a reduction program.	Receives partial third party verification/review of report reliability.	Has obtained certification for at least half of its production plants, including those of consolidated subsidiaries.	≥ 40
A	Regularly issues reports, but does not issue written answers to questions from external parties, choosing to provide information instead.	Procurement department participates in measures reducing Scope3 greenhouse gas emissions.	Implements individual reduction activities.	Receives third party opinions (comments) based on the verification/review process.	Has obtained certification at the individual company level or for at least half of its production plants.	≥ 30
BBB	Regularly issues reports, but does not respond to questions from external parties.	Implements measures reducing Scope3 greenhouse gas emissions, but not in procurement departments.	Unrated	Receives third party opinions (comments) that are evaluations or recommendations.	Has obtained certification for only some production plants.	≥ 25
BB	Issues occasional reports.	n/a	Unrated	Unrated	Unrated	Unrated
B	Has issued reports.	Implements measures reducing Scope3 greenhouse gas emissions only at some business establishments.	Unrated	Unrated	Unrated	Unrated

(\*1) The following reports can, upon consultation with the company, be used to supplement Environmental Reports, Sustainability Reports, and other reports issued by the company on condition that they mention the supply chain and Scope3:

- A) Descriptions related to supply chain and Scope3 in answers to Carbon Disclosure Project (CDP) questionnaire
- B) Reports based on the GHG Protocol Corporate Value Chain (Scope3) Accounting and Reporting Standard or Scope3 category extracts
- C) Descriptions related to the supply chain under such public reporting systems as the Act on the Rational Use of Energy and the Act on Promotion of Global Warming Countermeasures.
- D) The Company's supplier-directed standards such as 'The Procurement Program' and 'The Green Procurement Criteria', etc.

(\*2) This is a score based on the Corporate Activity Scope3 Scorecard and Corporate Activity Scope3 Scorecard Standard developed by Deloitte Tohmatu Evaluation and Certification Organization. Details and criteria appear on our website. ([http://www.tohmatu.com/teco/Scope3\\_rating/e](http://www.tohmatu.com/teco/Scope3_rating/e))

## Rating Criteria Descriptions

The Corporate Activity Scope3 - Rating Criteria provides the following six rating standards. Objectives to implement this rating are to stimulate a company to disclose its environment-related activities through Environmental Reports and other media including those for the supply chain and Scope3, and objectively positioning the company according to the level of its Scope3 initiatives and such information disclosed.

### Items

1. Scope3 Reporting and Answers
2. Scope3 Activities Boundary
3. Scope3 Initiatives for Reducing Greenhouse Gases
4. Reliability and Transparency of Initiatives
5. ISO 14001 certification
6. Scope3 Rating with Questionnaire (Scorecard)

#### 1. Scope3 Reporting and Answers

High information volume, systematization as the result of publication of guidelines, and greater reliability than other information sources make these currently the most suitable means for grasping in detail a company's initiatives in tackling environmental issues. This rating based on public information is therefore limited to only those companies publishing Environmental Reports covering their supply chain and Scope3 initiatives. The rating assigns high scores to publishing at regular scheduled intervals because it increases information reliability and clearly indicates the company's direction.

The rating also considers whether environment-related investigations by the Carbon Disclosure Project (CDP) and other external organizations yield written responses.

#### 2. Scope3 Activities Boundary

Once an environment-related accident has occurred, the social impact can be immeasurable. Minimizing environmental risks calls for initiatives and risk management encompassing consolidated subsidiaries and suppliers. Scope3 adopts an even wider activities boundary, judging that the better realized procurement programs are in establishing environmental management systems for suppliers, the lower the environment-related risks. Especially for companies that operate globally, having for suppliers in developing countries mechanisms that act at the same level as mechanisms of developed countries and enforcing them clears one condition for achieving the highest rating of AAA.

#### 3. Scope3 Initiatives for Reducing Greenhouse Gases

Heightened environmental awareness worldwide and the growing need to disclose climate change information calls upon companies to manage and reduce not just greenhouse gases within their own boundaries, but also supply chain and Scope3 greenhouse gas emissions. Such management and reduction is not mandatory for the supply chain and Scope3, but the rating process adopts as a major evaluation standard whether the company has achieved the Scope3 reduction targets that it has set for itself.

#### 4. Reliability and Transparency of Initiatives

The most important to the rating process is how the company ensures the reliability of activity descriptions, data, and other information. Once standards for drawing up Environmental Reports, currently the richest source of disclosure data, have been systematized, validation and other processes based on those standards will no doubt ensure greater reliability and transparency. Such drafting standards are not currently in place, however, so the rating judges activities as reliable and transparent when companies subject their documentation to third party verification, examination, and other evaluation based on uniform standards.

#### 5. ISO 14001 certification

Retarding the occurrence of environmental risks makes activities at the management level indispensable. One mechanism for producing sure and continuous improvement is the international standard, ISO 14001. Obtaining ISO 14001 certification and then obtaining third party certification at regular intervals is considered as contributing to boosting reliability and reducing environmental risks. For most production plants, therefore, obtaining ISO 14001 certification is a precondition for the AAA rating.

#### 6. Scope3 Rating with Questionnaire (Scorecard)

In conjunction with starting a new Scope3 evaluation service, we have developed a new tool, the Corporate Activity Scope3 - Scorecard.

This scorecard consists of twenty questions in three scoring criteria sections. Details and criteria appear on our website. ([http://www.tohmatsu.com/teco/Scope3\\_rating/e](http://www.tohmatsu.com/teco/Scope3_rating/e))