AIM CRITERIA

Stakeholder Feedback

November 2024

aimplatform.org

AIM Platform Criteria Stakeholder Feedback

INTRODUCTION

On May 22, 2024, the AIM Platform released the draft AIM Platform Criteria for stakeholder input, with feedback collected through June 28, 2024. During this period, the AIM Platform received valuable feedback from 31 entities, including 12 non-profits and 19 corporations across a wide range of sectors.

That feedback has been carefully reviewed and considered by AIM's Governing Committee to inform revisions to the AIM Platform Criteria. Notably, insights from stakeholders have been integrated into the updated Association Test (formerly Criterion 1), which will be piloted from January 2025 to May 2025. This pilot phase will provide additional opportunities for feedback, which will help shape the final version of the AIM Platform Criteria, scheduled for release in November 2025.

For more information about the pilot program, please visit the Announcement of Pilot Program on our website.

A summary of the stakeholder feedback presented to the AIM Governing Committee is outlined below. Please note that all feedback has been anonymized to protect the privacy of our stakeholders.

OVERVIEW OF FEEDBACK PARTICIPANTS

31 organizations

- 12 non-profits, representing:
  - Electricity
  - Transport
  - FLAG
  - Apparel
  - Coalition Building
  - Cross Sectoral
  - VCM/GHG Accounting
- 19 corporations, representing:
  - Concrete
  - Chemicals
  - Pulp and Paper
  - Tech
  - Apparel
  - Consulting
  - Transport
  - Utility
  - Fuels
  - Food and Beverage
  - Mining

FEEDBACK BY CRITERION

Criterion 1

Value chain interventions shall address a component in the organization's Scope 3 Greenhouse Gas inventory, as defined in Appendix A.

Criterion 1 – Step 1

- Respondents noted that clearer definitions are needed
- A few respondents noted that, as written, AIM does not do a good job of linking the levels of association to the approaches

Example Feedback

- *"The term "physical association" doesn't match the text explaining the approach. The term "close association" doesn't match the text explaining the approach. The term "sectoral association" doesn't match the text explaining the approach."*
- *"Why do you use the term supply shed for the approach but not reference it above for the close association description?"*

Criterion 1 – Step 2: General Comments

- A few respondents suggested moving away from the positive list towards closer association
- Distinction between Close Association and Sectoral Association was requested
- A few respondents noted that there should be safeguards in place where traceability requirements are looser

Example Feedback

- *"Please provide more clarity on the distinction between close association and sectoral association. Specific examples would be helpful."*
- *"There should be safeguards set in place where traceability requirements are looser"*

Criterion 1 – Step 2: Proven Supplier Approach

- Respondents expressed concern that this could create gaming as written
- There was confusion among respondents on the logic of the time bounds
- Respondents requested the writing be more explicit that AIM can apply to suppliers or a supplier if there is traceability

Example Feedback

- *"Is there any particular reason to require a five-year contract for physical association? I suggest this could be further evaluated and consider industry-specific contract length."*
- *"At a minimum, we don't think it is appropriate to project out whether a company will have an active contract in 5 years if they have not signed one. The criteria could simply be "had or have*

an active contract within the last X years." The number of years should depend on the type of intervention and could perhaps be linked to the vintage for simplicity."

Criterion 1 – Step 2: Supply Shed Approach

- Respondents recommended aligning definitions with VCI
- Suggested creating clarity on geographic restrictions in a supply shed
- Respondents noted that it would be helpful to clarify AIM's definition of like goods and services

Example Feedback

- *"'Like' goods or services or a "like" manufacturing process is unclear and leaves a lot of room for interpretation in this definition. What is AIM recommending for justification/documentation for how these associations are made?"*
- *"More guidance is needed here (again, perhaps at an intervention level) in terms of how a supply shed is defined. Also there is not a requirement to be in the same region. This should be a requirement in terms of geographically where the emissions reductions occurred."*

Criterion 1 – Step 2: Positive List Approach

- There were only a few comments on the positive list approach. One respondent thought the list was too broad and another respondent asked about including rail in with trucking.

Criterion 1 – Stakeholder Question 1 (Step 2: Positive List Approach)

Do you agree with the 60% threshold?

- A few respondents noted that they do not agree with the idea of placing a decarbonization potential threshold in general
- The majority of respondents said the threshold should be lower than 60% or should be sector specific

Example Feedback

- *"The 60% threshold is too high and limits potential carbon reduction efforts that may be smaller but could still have an impact such as the example provided (fly ash in low carbon cement). No threshold should be placed for decarbonization potential as to not limit and/or disincentivize decarbonization technologies/options that are still being explored or have not been considered to date."*
- *"Technologies with less than a 60% decarbonization potential compared to the baseline should still be considered, though there could be limits for the length of time that the project could be considered 'additional' if below the 60% threshold to further incentivize actions that result deeper emissions reductions. At the end of the determined length of the project if the decarbonization potential is less than 60%, the project could be considered business as usual."*
- *"In terms of threshold, we believe that thresholds must be defined per sector, considering that each sector has different transition pathways. Potentially, there could be a differentiation between land-based sectors and non-land based sectors. However, market threshold should also be shaped considering 1) incentives 2) technologies available 3) practices uphold."*

Criterion 1 – Stakeholder Question 2 (Step 2: Positive List Approach)

Should there be any restrictions, e.g. “excluding technologies that lock in fossil fuel use”?

- Responses were mixed. Some organizations do not think technologies that lock in fossil fuels should be excluded, while others support a complete restriction or a phase-out plan

Example Feedback

- *“No, we see no rationale for restrictions as its adds complexity when our priority should be driving all action, urgently. With regards to excluding technologies that “lock in fossil fuel use”, it is nearly impossible to define when considering technology implemented at existing fossil fuel facilities, and counterproductive since fossil fuels are part of virtually every company’s value chain and need any and all incentives to be reduced.”*
- *“AIM should consider either a complete restriction or a phase-out plan where technologies that utilize fossil fuels and their byproducts are phased out with clear timelines. Technologies that lock in fossil fuel use may provide short-term decarbonization benefits but hinder long-term sustainability and transition to a zero-carbon economy.”*
- *“Yes. This reduces the risk for customers to invest indirectly in technologies that extend the exploitation and use of fossil fuel derivates.”*

Criterion 2

Impacts of a value chain intervention may only be reported against the quantity of the targeted component in the organization's inventory and must reflect the decarbonization potential of the technology(ies) or process change(s) implemented through the intervention.

- Respondents questioned how to use this criterion to quantify on a per unit basis/how much is in the inventory
    - Some comments suggested moving towards a CO_2e number, while other respondents supported a restriction to just attributional emission factors
- There was a theme among respondents concerned about how to quantify total emissions for by-products/sub-products coming out of the same factor or initial input
- There were requests from respondents for clarification on the wording in the criterion
- A few respondents asked for further clarification on being able to purchase more than you buy from a single supplier if it is less than in your inventory as a whole, and whether there are restrictions to this based on supply shed

Example Feedback

- *"This criterion seems to be enforcing strict allocation rules, which could limit the investments companies might make."*
- *"This is crucial to prevent over-reporting and ensure that claimed reductions are realistic and verifiable. However, the explanation might need simplification or additional examples to ensure that organizations clearly understand how to normalize and report impacts accurately. Criterion 2 is not easy to understand."*
- *"There should be considerations for interventions that occur at a physical association supplier that exceed the quantity of units purchased at that physical location, but do not exceed the total number of units the organization has purchased at the supply shed level"*

Criterion 3

Value chain interventions shall not lead to an emissions profile that is less than zero for the value chain component associated with the intervention.

- Some respondents were critical of the idea that you cannot take credit for a negative emissions factor if those reductions are "real," particularly in the FLAG sector.

Example Feedback

- *"Restrictions on the transfer of environmental benefit delivered by an intervention will disincentivize investment in them. This in particular hurts the negative emission technologies (as seen through the example), an industry that is at nascent stage of commercial deployment today."*
- *"Understanding that the intent is to prevent actors from producing through higher emissions pathways while offsetting with negative emissions, if emissions are truly negative, they should be counted. This criterion may need another mechanism to ensure legitimate negative emissions are not used to justify high emissions elsewhere."*

Criterion 4

The organization reporting the intervention results shall own the emissions profile or emissions reductions associated with the intervention or must have been allocated the emissions profile or emissions reductions associated with the intervention, in accordance with criterion 5 below.

- Respondents noted the need to clarify the relationship between ownership of the emissions profile and the right to report
- Respondents asked for clarification on the term “own” and how ownership is being considered by AIM

Example Feedback

- *“Further clarification on ownership is needed - is the intention to have a contract between the organization and the value chain company to purchase the environmental attribute of the intervention or is the ownership purely displayed through a standard business contract?”*
- *“[we] recommend that companies must demonstrate a “Right to report” via contract or other means only where physical traceability has not been established. Rationale: In the case that a physical or “average-based accounting” approach is utilized, emissions are attributable to reporting companies based on physical consumption of goods. It is only in a market-based system that other means such as contracts, etc. are necessary to connect the reporting company to the intervention claims.”*

Criterion 5

Multiple organizations may claim the same emissions profile and/or emission reductions resulting from a value chain intervention provided that an equivalent quantity of an overlapping value chain component would have been included in each organization's emission report. In order to report the results of an intervention, however, the organization shall own the emissions profile or emissions reductions as stipulated in criterion 4 above or shall have been allocated the right to claim and report it by the organization who owns the emissions profile or emissions reductions.

- Many respondents noted that they did not understand the criterion as written and that it needed adjustments, though they agreed that the criterion was appropriate
- Many respondents noted that the criterion needed more fleshing out of how to track claims and prevent erroneous double claiming

Example Feedback

- *"This definition is not clear, please specify whether the emissions are on the different 'impact layers' (value chain stages), also referred as 'vertical co-claiming', as accepted by the GHG Protocol Scope 3 Corporate Standards. Please consider adding a 'safeguard' so that 100% can be claimed in every impact layer and not more."*
- *"Agree, though again need to specify this is downstream. The language is complex and would benefit from being simplified to make it easier to understand"*
- *"The team may want to consider additional clarification that this claiming is possible due to different life cycle stages of a product. The Explanation and Example are very helpful, but it may be useful to expand further, explicitly laying out the difference in "claiming" and "reporting" as well as sample reporting across multiple organizations based on sample contracts."*

Criterion 6

Value chain interventions shall lead to emissions mitigation beyond that required by law.

- There was consensus among respondents that the term “beyond required by law” needed to be defined
- A few respondents thought that the criterion needed certain qualifications or exceptions

Example Feedback

- *“We advise to be careful with this statement, as every sector as different regulations and enforcements and hard to generalize across countries.”*
- *“[we] recommend that AIM considers how it defines “beyond what is required by law” in the context of national climate targets. Many nations have incorporated anticipated corporate action into their Nationally Determined Contributions (NDCs) under the Paris Agreement. This means that companies may claim emission reductions from interventions that are also counted against national GHG goals. It is unclear what would be viewed as “beyond compliance” if such emission reductions are counted twice, or if they are incentivized through favorable policies.”*
- *“There may be circumstances where a purchaser selects a lower carbon product that is required by state/local law to be lower carbon versus from a supplier/product in a state/region that does not have the same requirements. Additional thought and exemptions should be considered for this criterion.”*

Criterion 6 – Stakeholder Question 1

Would you support adjusting this criterion such that an intervention would still be considered to have met this criterion in cases of nonenforcement of regulations, or in the case where regulated entities are likely to choose strategic non-compliance due to cost differentials between complying and associated fees of noncompliance?

- Of the respondents that provided their thoughts on this question, half supported adjusting the criterion if non-enforceable, while a few did not support adjusting the criterion for non-enforceability, and the remaining respondents were uncertain of how this would be demonstrated

Example Feedback

- *“We would support the adjustment of this criterion to include non-enforcement of a regulation in the definition of ‘required by law’. This aligns with the approach taken in many voluntary carbon markets and some emerging ‘insetting’ programs, and is well-understood.”*
- *“Our view is that there shouldn't be any adjustment for non-compliance or non-enforced regulation. Industry actors will have expectations for the adherence of companies in the industry to local laws and there are reputational implications for not doing so.”*
- *“Proving “nonenforcement” seems like a challenge. Perhaps there could just be a generic “good faith” clause here, to indicate that companies should adhere to this to the best of their ability, while still having enough flexibility so as not to preemptively filter out good interventions.”*

Criterion 6 – Stakeholder Question 2

What tools or frameworks might ease the process of identifying compatible or incompatible regulations for agriculture?

- Only 3 respondents provided their thoughts on this question, with no themes or consensus on compatible regulations for the core criteria

Criterion 6 – Stakeholder Question 3

Would it be appropriate to apply any other additionality criteria under the AIM Platform Standard and Guidance?

- There was general support for some sort of additionality, with few respondents opposing any additionality
- Both financial additionality and other forms of additionality tests were proposed, but there was no clear consensus among respondents on what type of additionality should be used

Example Feedback

- *"The lack of additionality from unbundled Renewable Energy Certificates (RECs) did immeasurable damage to the reputation of market-based accounting for Scope 2, and AIM should be careful not to fall into the same trap with its criteria. Voluntary carbon markets have long used financial additionality as a threshold to ensure that financial flows support activities that would otherwise not occur. This principle is embedded in IC-VCM's core carbon principles and assessment framework and should be considered by AIM for its criteria."*
- *"Some additionality tests can be adopted to fulfill this purpose (such as common practice additionality tests), while others (such as those related to financial additionality) are not appropriate or relevant."*
- *"Once an industry is >50% decarbonized and has access to broadly scaled solutions, a more rigorous additionality criterion may be applied. Prior to that, solutions need all the flexibility and scaling incentives they can get"*

Criterion 6 – Stakeholder Question 4

Should regulations with broad coverage, such as emissions trading systems, be exempt from this criterion? Alternatively, if a sector is covered by the EU-ETS, should any intervention in that sector, which contributes towards reducing a compliance obligation under the EU-ETS, be disallowed from sale to a particular Scope 3 emitting company (versus shared by all the company's customers proportionally)?

- Most respondents who answered this question thought broad coverage regulations like ETS should be exempt
- A few respondents thought that participation in a broad covered regulation should prevent the sale of Scope 3 certificates to voluntary customers
- Some respondents suggested that this should be sector specific

Example Feedback

- *"This Criterion makes sense in concept. Existing broad coverage programs should be exempt. The AIM certificates aim to create new investment in desired areas, so perhaps indexing on a temporal aspect is enough to provide comfort around additionality."*

- *"If the intervention takes the entity beyond compliance – rather than only reduces their compliance obligation, there could be an opportunity to monetize those reductions in a voluntary scheme. However, if there are emissions performance credits (or similar compliance instrument) awarded that can be sold/traded for performance better than compliance, there should not be stacking allowed of the compliance and voluntary attributes."*
- *"Needs to be looked at specifically sector by sector because the implementation and coverage of ETS is very different from aviation to shipping for example"*

Criterion 7

Emissions profiles or emission reductions shall either be registered in a third-party registry or otherwise transparently allocated/recorded as soon as possible and no later than 24 months of mitigation occurring (e.g., good production or service provision). The emissions profile or emission reductions shall then also be claimed and reported against emissions in an inventory year that is within 24 months of the date of registration or allocation/recording. If these deadlines cannot be met, the circumstances that prevent adherence to this criterion shall be transparently disclosed in an emissions report.

- A few respondents questioned how the AIM Criteria aligns to other standards
- A few respondents noted the lack of broad availability of registries

Example Feedback

- *"While I understand the need for this, interventions are often not measured and validated within the same year the mitigation occurred which raises questions around how this aligns with current guidance on annual corporate GHG inventory reporting. Any decisions on this should be fully aligned between GHGP in their market-based approaches guidance and SBTi on the use of EACs in the revised Corporate Net Zero Standard."*
- *"Outside of RECs, SAF, there are no registries available for all types of projects that a company might initiate. How are such projects to be registered. If the answer is someone needs to set up a registry that is not a short term solution. What is an interim solution in absence of registries"*

Criterion 7 – Stakeholder Question 1

What is a reasonable vintage restriction and why? Should vintage restrictions vary by sector?

- Feedback on this question varied significantly. Some respondents felt that 24 months is appropriate and should apply across all sectors, while others argued that the vintage should be longer than 24 months. There were also those who believed it should be shorter, and some suggested that it should be tailored to specific sectors

Example Feedback

- *"A 24 month vintage restriction seems reasonable based on available information about value chain intervention implementation. Vintage restrictions based on sector could be considered as a Criteria 2.0 or later version of these criteria when more information is available about the real world timeline and constraints associated with registration, verification, and claims of interventions."*
- *"it is unclear who is obligated to register emission reductions and where they are supposed to be registered. It is also unclear how an "inventory year" (as defined by the Greenhouse Gas Protocol) might align with AIM's proposed 24-month window following an emission reduction's registration date."*

Criterion 7 - Stakeholder Question 2

Relative to the language pertaining to deadlines, in what situations might this criterion be challenging to meet and why?

- Only 2 respondents provided their thoughts on this question, with no themes or consensus on situations where this criterion might be challenging

Criterion 8

The mitigation related to a value chain intervention shall have occurred prior to registration or allocation/recording of an emissions profile or emissions reductions.

- There was no disagreement with this criterion, but a few respondents did express desire for additional clarification

Example Feedback

- *“Yes, we agree with this statement. We advice to define the 'temporality dimension' boundaries.”*
- *“By definition, if evidence is to be collected of a removals or emission reduction, it has to have happened before it is recorded – so this criteria maybe needs re-phrasing about the evidence or proof point, and not about the timing of the “occurrence” and allocation?”*

Criterion 9

Value chain interventions shall apply sound stakeholder engagement practices and social and environmental safeguards to mitigate harmful effects and maximize intervention outcomes.

- There was no disagreement with this criterion, but a few respondents did express desire for additional clarification on how to prove meeting these safeguards
- A few respondents suggested that this criterion should be sector specific

Example Feedback

- *"This criterion sounds good generally but is very vague and open-ended. How do companies align on how this is met in all cases?"*
- *"There should be restrictions for sectoral interventions to address trade-offs of environmental, health, and social impacts. More guidance and safeguards will be needed on this topic."*

Criterion 10

Value chain interventions shall result in GHG emission reductions or removals such that a reasonable link between specific technology and/or process changes and the GHG emission reductions or removals can be established.

- Most respondents agreed that including criterion 10 is valuable, with a few noting that it felt unnecessary and self-evident
- There was some desire for clearer language and a few respondents expressed interest in stronger language

Example Feedback

- *"It is good to include this Criterion, however we believe it could be clearer. We suggest using language from the explanation paragraph and re-phrasing"*
- *"'Reasonable link' is fairly soft language. Consider using stronger language here. We don't think it hurts to be a bit redundant here, if AIM wants to leave this as a stand-alone Criterion."*

Criterion 11

Appropriate accounting and reporting best practices shall be applied in calculating GHG emission reductions or removals estimates, including third party verification according to publicly available, broadly accepted GHG accounting standards.3 Standard(s) used must be transparently reported.

- Many respondents questioned how to set the level for verification/assurance
- A few respondents noted the need for clarification around matching of accounting approaches

Example Feedback

- *"Perhaps this is a "should" and not a "shall" statement for verification, unless a specific verification process or protocol is established. I.e. we have seen many times things are "third party verified" that are still not GHG Protocol aligned. Therefore, it may be good to have a more standard approach to what verification actually means, and what is being verified, by who, and for who. A checklist or approach to verification could help that."*
- *"We agree with Criteria 11 but would add that the inventory GHG accounting and the interventions GHG accounting must follow the same guidelines. For example, it should not be permitted to use different emission factors for the inventory vs the intervention. Emission factors do differ across jurisdictions, so this is an important consideration."*

General Comments

- Respondents noted the need for clear definitions and a glossary
- Respondents noted the lack of clarity in the difference between the terms “program” and “project”. This was linked back to the request for a glossary
- Respondents requested additional clarity on the intended audience of the AIM Criteria
- Respondents expressed a sense that Criteria were just for tier 1 supplier emissions and noted the need for a clearer explanation or methodology of how a company can identify and address tier 2+ emissions
- Respondents requested more clarification on the intended audience for the AIM Criteria and AIM Platform, as well as whether the Criteria are credible for a specific sector, and how AIM fits into the broader GHGP/SBTi landscape
- Respondents had comments on the mixing of/inclusion of both inventory and project accounting within the same criteria

Example Feedback

- “*We need a real glossary for AIM Platform. The definition of "value chain interventions" could be fine as a general term, but more specificity is likely needed to distinguish between actions taken and the results achieved*”
- “*Document should account for upstream and downstream*”
- “*All of the value chain intervention categories only talk about suppliers, there should be examples and language where a company is working to address downstream value chain impacts. This would allow for end of life emission reduction interventions and for companies to work downstream if that is where hot spots lie.*”
- “*Evaluating opportunities and incentives for companies to claim value chain inventions that are further upstream than tier 1 or 2 suppliers. There are many projects that substantially reduce emissions but are either too far upstream or represent a small piece of any individual buyer's footprint to be attractive under current guidance.*”
- “*What is at the discretion of AIM, vs discretion of GHGP vs SBTi? In the Criteria Introduction, progress towards a climate target is mentioned - is this an AIM-aligned climate target? This Criteria would not determine whether these interventions would qualify for SBTi, correct?*”
- “*We encourage AIM to focus on defining interventions measured at the emissions-factor level, rather than on avoided emissions (attributional interventions vs consequential).*”

APPENDIX A: ELABORATION ON CRITERION 1

Criterion 1 states: *Value Chain Interventions shall address a component in the organization's Scope 3 Greenhouse Gas inventory.*

Though the intervention must address an inventory component, the extent to which the component and the good or service at the heart of the intervention match in terms of specific type of good or service, specific supplier and related geography matter, in some cases more than others. Organizations need direction on how to determine sufficient "association with value chain" in a world where exact supplier matching is impossible, infeasible and/or detrimental to the growth of critical climate solutions. To support such a determination, the AIM Platform has identified three categories of value chain intervention which its AIM Standard and Guidance will cover:

1. Physical Association: Interventions that target an organization's physical emissions, i.e. direct suppliers to the organization, even though the (full) mitigation may not appear in a GHG Protocol-aligned inventory today.

2. Close Association: Interventions that target an organization's likely supplier, meaning that the intervention targets suppliers that include the organization's actual and potential suppliers, based on similarity of product and production and the physical ability to purchase and use the goods and services produced. This category applies, for example, in instances where sourcing areas are known but segregation is limited or non-existent, where supplier dynamics mean that it is not easily possible to target specific suppliers of the organization with any consistency and where goods or services – and their emissions factors – vary significantly by geography. It is particularly applicable in the agriculture sector.

3. Sectoral Association: Interventions that target decarbonization of the types of goods or services present in the organization's Scope 3 inventory, but where one or more challenges makes support for a physical or close association impossible, infeasible and/or detrimental to the growth of critical climate solutions. Challenges might include supplier willingness, supplier visibility, frequent changes in suppliers, technology availability, and/or technology cost in a particular location, among others. Sectoral association is particularly appropriate where goods or services are generally interchangeable regardless of geography of origin, or where the key technologies needed to decarbonize the sector do not differ based on geography.

Value chain interventions can demonstrate adequate "association with value chain" in these categories by satisfying the requirements of the flow chart in Figure 1 below:

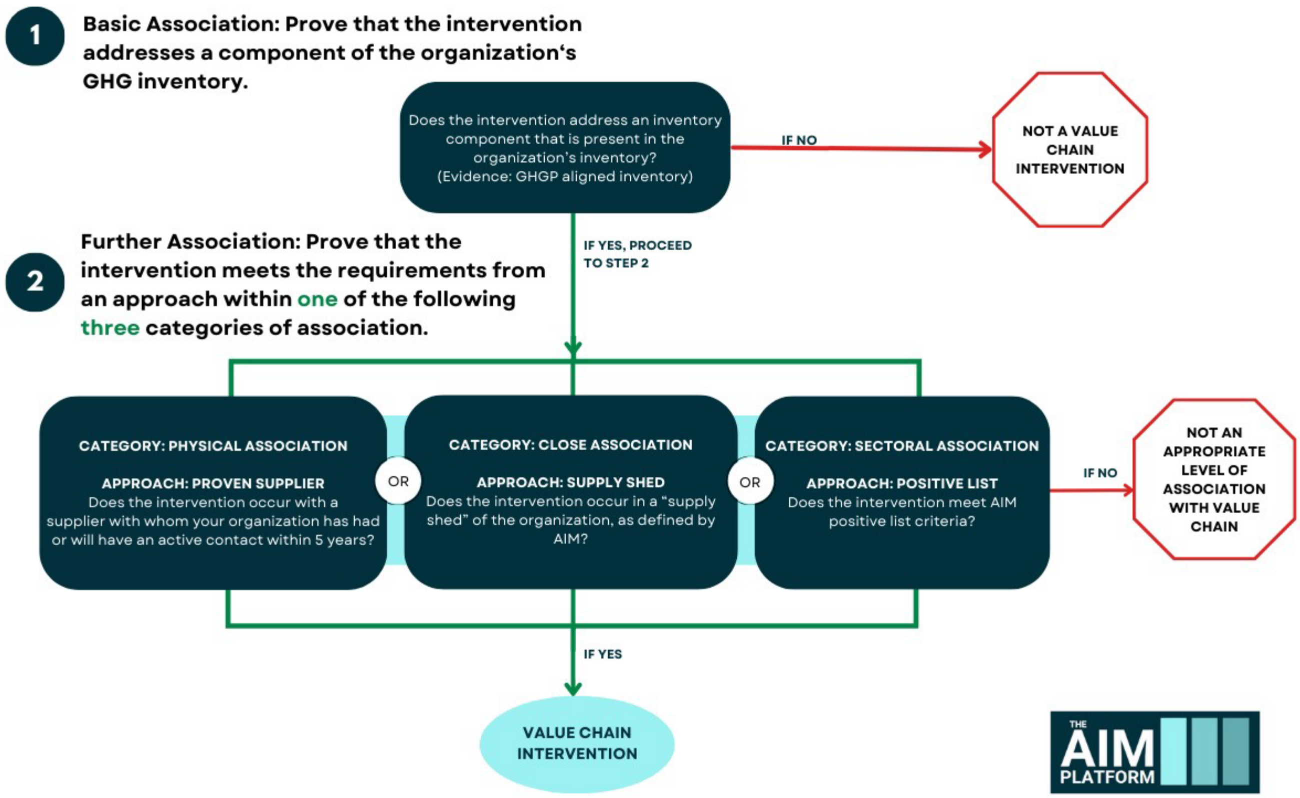

Figure 1: Assessment of association with value chain.

Demonstrating 'association with value chain' is a two-step process.

Step 1 – Basic Association with Value Chain:

Step 1 requires demonstrating that an intervention addresses a component, or line item, in an organization's greenhouse gas inventory (using, for example, a Greenhouse Gas Protocol (GHGP) - aligned inventory).

> In order to determine the appropriate level of good or service "matching" required, the organization should consult relevant sector-specific associations. For example, Smart Freight Centre states that interventions must be implemented within the same transportation mode as the mode of transportation in an organization's inventory for those interventions to classify as associated with an organization's heavy transportation value chain.[1] In the future, the AIM Platform may issue additional guidance on this topic.
>
> In some cases, an intervention might address an input to a component in an organization's inventory, or a "subcomponent." Examples of subcomponents to many manufactured products include steel, aluminum or various chemicals. Further guidance on determining association with sub-components as well as how to account for emission reductions associated with interventions

[1] See Part 7 of Smart Freight Centre's *Voluntary Market Based Measures Framework for Logistics Emissions Accounting and Reporting* (2023).

targeting subcomponents will be published for comment in the future. This guidance could include tools to identify root emissions sources such as EEIO requirement factors.

Rationale: This requirement limits the ability of an organization to substitute higher cost mitigation within its value chain for lower cost mitigation outside of its value chain. If an organization cannot prove the intervention addresses a component of its inventory, the intervention shall not be considered a Value Chain Intervention.

Step 2 – Further Association with Value Chain

Step 2 can be satisfied by demonstrating that the intervention relates to one of the three categories of association - physical association, close association or sectoral association. Depending on which category the intervention relates to, different approaches to prove sufficient association are available, coupled with the cross-cutting AIM Criteria applicable to all Value Chain Interventions.

If an intervention satisfies one of the three approaches set out in Step 2, the intervention shall be considered sufficiently associated with an organization's value chain as to constitute a Value Chain Intervention according to the AIM Standard and Guidance. If it does not meet any of the approaches, the intervention shall not be considered a Value Chain Intervention.

Rationale: The AIM Platform seeks to establish a process of determining sufficient association with value chain that balances the imperative that an organization take responsibility for its indirect emissions and the real-world challenges it faces in doing so. The goal of providing some flexibility to organizations is to enable the flow of greater climate finance through value chain interventions, particularly to hard-to-abate sectors, while still holding organizations responsible for the emissions that underly their business models.

Category 1 – Physical Association:

Proven Supplier Approach: The intervention occurs with a supplier with whom the organization or a supplier of the organization has had or will have an active contract within 5 years.

Explanation: For many companies, value chain investments are hindered by how frequently suppliers change. Because they lack certainty that a current supplier will remain a supplier in the future, they are disincentivized to make investments even with current suppliers. This approach provides flexibility to companies and assures them that they will still be able to claim and report the emissions reductions from interventions with a current supplier, even if that company may not be a supplier in the future.

Category 2 – Close Association:

Supply Shed Approach: The intervention occurs in the organization's "supply shed" as defined by AIM.

In order to be considered within a reporting organization's supply shed the following criteria must be satisfied:

- The supply shed shall be defined as a group of suppliers that:
  - Produce "like" goods or services, meaning that the goods or services are closely similar (for example in variety of crop, composition of materials, quality of product) to that produced by other suppliers in the supply shed.
  - Produce the goods or services with "like" incumbent processes, technologies and practices, meaning that the goods or services are produced in similar ways, allowing

for small variations, resulting in a similar average emissions intensity of production amongst the suppliers in the supply shed.

- The reporting organization or one of the reporting organization's suppliers must buy a physical good or service from a company/ies within the above-mentioned group of suppliers within the reporting year.

- For Forest, Land and Agriculture related goods and services, the intervention must apply GHG Protocol Land Sector Guidance definition of source region (draft language: "the group must also be spatially explicit to the first collection point of processing facility in a value chain").

- It may be helpful to consider supply shed definitions linked to a specific point or points of collection. For example, where goods are processed at a shared facility, resulting in unsegregated products for which input is drawn from the group of suppliers in the supply shed. This may be geographically defined where appropriate, though economic definitions where goods and activities can be reasonably considered alike may also be appropriate.

Explanation: For many companies, value chain investments are hindered by a lack of visibility in the supply chain. Because they struggle to identify specific suppliers, they are disincentivized to make investments. This approach enables a company to make an investment with a member of their supply shed, even if it cannot be certain they source from that individual supplier.

Category 3 – Sectoral Association:

<u>Positive List Approach</u>: An intervention must meet **all** the criteria below* to be exempt from further requirements regarding association with an organization's value chain.

<u>Rationale</u>: This approach targets activities taking place in what are often referred to as "global sectors" and is usefully applied where no traceability is possible such as with deep value chain emissions and/or where alternative, expensive and ambitious new technologies are geographically limited and require significant financial support to commercialize and scale.
This approach acknowledges that there are critical technologies that need to be scaled to decarbonize the global economy, and at their current stage of development, it would be counterproductive to add additional restrictions on how and where organizations can invest in them when endeavoring to meet a climate target.

***Positive List Criteria**:

1) *The intervention must address goods or services in an industrial sector on the [Mission Possible Partnership list of critical sectors for industrial decarbonization]*. These sectors are:
    - Aviation
    - Trucking
    - Shipping
    - Steel
    - Aluminum
    - Concrete
    - Chemicals

2) *Market Penetration Rate*: The technology utilized in the intervention must have achieved less than a [5]% market penetration rate globally according to an accepted source.

3) *Decarbonization Potential*: The technology has greater than a [60]% decarbonization potential compared to an established baseline for the same good or service