

Verification Review of the Scope 3 Greenhouse Gas Emissions Inventory for The Home Depot

Prepared for:

The Home Depot, Inc.

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Prepared by:

Tess Garvey | Life Cycle Practitioner

tgarvey@scsglobalservices.com

SCSglobal
SERVICES

Setting the standard for sustainability™

2000 Powell Street, Ste. 600, Emeryville, CA 94608 USA

+1.510.452.8000 main | +1.510.452.8001 fax

www.SCSglobalServices.com

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1.0 Introduction

The Home Depot, Inc. (THD) Scope 3 GHG emissions inventory was reviewed for conformance with the World Resource Institute's (WRI's) Greenhouse Gas Protocol¹ and ISO 14064-3². The Scope 3 GHG inventory, calculation worksheets and supporting documentation were provided for the verification review. The findings of the review are intended to provide limited assurance that The Home Depot Scope 3 GHG emissions are in conformance with the relevant requirements and guidance of the GHG Protocol.

The review focused on the integrity of the input activity data provided by The Home Depot, the GHG emission estimation methodology and the accuracy of calculated results. The verification is based on a review of calculation worksheets and documentation provided³.

The findings of the review are intended to provide limited assurance that The Home Depot's GHG emissions are in conformance with the relevant requirements and guidance of the GHG Protocol.

2.0 Scope and Objective

Objective

The objective of this verification is to provide interested parties with an objective, independent judgment regarding the information, data and emission estimates for The Home Depot's Scope 3 GHG inventory for calendar year 2021. Specifically, the objectives of the verification are to

- Evaluate The Home Depot's measurements and reporting of Scope 3 emissions for the category to a limited level of assurance, and
- Evaluate whether anything comes to the attention of the reviewer as to The Home Depot's reporting of all applicable emissions sources for the Scope 3 category, utilization of appropriate software and databases, and the accuracy, completeness, consistency, and transparency of the reported data.

Scope

SCS conducted an assessment of The Home Depot's reported Scope 3 GHG emissions for upstream transportation and distribution in the calendar year 2021 against the requirements of WRI's GHG Protocol. A desk review of the reported GHG emissions expressed as CO₂e, as well as the estimation methodologies and supporting data, was conducted by SCS Global Services (SCS) using documentation

¹ Greenhouse Gas Protocol. Corporate Value Chain (Scope 3) Accounting and Reporting Standard. World Resource Institute

² ISO 14064-3: 2006 Specification with guidance for the validation and verification of GHG assertions

³

supplied by The Home Depot as the basis for the evaluation. The verification was performed to a limited level of assurance.

The GHG emission inventory includes the following Scope 3 categories and estimation methodology utilized:

<i>Category</i>	<i>Description</i>	<i>Methodology</i>
4.	Upstream transportation and distribution	Upstream transport is based on both spend for third party distributors, and a physical basis, using number of shipments, collective miles, and collective weight shipped.

The following Scope 3 GHG categories were excluded from the inventory:

<i>Category</i>	<i>Description</i>
1.	Purchased goods and services:
2.	Capital goods
3.	Fuel and energy related activities
5.	Waste generated in operations
6.	Business Travel
7.	Employee Commuting
8.	Upstream Leased Assets
9.	Downstream transportation and distribution
10.	Processing of sold goods
11.	Use of sold products
12.	End-of-life treatment of sold products
13.	Downstream Leased Assets
14.	Franchises, products sold under license
15.	Investments

Materiality

Omissions, misrepresentations, or errors that can be quantified and result in discrepancies of more than 5% with respect to total CO₂e emissions declared are considered material.

Criteria

The verification assessment was conducted based on the requirements and guidance of WRI's Greenhouse Gas Protocol and ISO 14064-3.

3.0 Verification Procedures

A summary of the verification review for THD's Scope 3 GHG emission inventory is presented below. The verification was based on a review of the inventory documentation and calculation workbooks provided. SCS examined the methodology documentation, calculation tools and other supporting evidence provided, for each of the reported Scope 3 GHG emission categories

A review of the GHG emission calculations finds that nothing has come to the reviewer’s attention to cause her to believe that the GHG statement is misstated. Table 1 summarizes The Home Depot’s reported Scope 3 GHG emissions for 2021

Table 1. 2021 Scope 3 GHG emissions for The Home Depot.

<i>Category</i>	<i>Description</i>	<i>MT CO₂e</i>	<i>% Contribution</i>
4.	Upstream transportation and distribution	3,035,486	100%
Total Scope 3			100%

SCS evaluated the conformity of The Home Depot’s entity Scope 3 emissions, based on the reporting criteria prescribed by WRI’s ‘Corporate Value Chain (Scope 3) Accounting and Reporting Standard’. SCS examined the methodology documentation, calculation sheets and other supporting evidence presented by The Home Depot, the reported Scope 3 category, Upstream transportation and distribution.

For the Scope 3 category evaluated, emission calculations were checked for accuracy and verified by recalculating the results, where possible, using data provided for the verification review. Based on the initial review, a few issues and inconsistencies were identified with the submitted documentation and Scope 3 emissions, which were subsequently addressed (see Table 2 below) to the reviewer’s satisfaction.

Based on verification procedures conducted, nothing has come to the attention of the reviewer to cause her to believe the Scope 3 GHG emission inventories for The Home Depot for 2021 have been misstated. A summary of the GHG emission estimation methodology and data sources for each Scope 3 source category reported by The Home Depot for calendar year 2021 is presented below.

3.1 Estimation Methodology

THD calculates its emissions for upstream transportation and distribution with physical activity data (i.e. amount shipped) and spend-based data, i.e. expenditures on shipping. Approximations and estimations used were in conformance with the applicable Scope 3 GHG standards and guidance.

The Upstream Transportation and Distribution category covers all shipping paid for by THD, consisting of rail, road and ocean shipping in the US, Mexico and Canada. Data on spend or distance were collected for each market, Canada, Mexico, the US, and Home Depot Supply (HDS) and for each segment of upstream transportation and distribution, including vendors to distribution centers, stores, and customer direct fulfillment. Data either consisted of primary data on miles driven, or miles driven were calculated from the amount spent (USD) on transportation. Diesel usage was then calculated from the miles driven and average fuel efficiency by transport type, truck or rail.

Heavy fuel oil usage was calculated using the total amount shipped by ocean, in FEU (forty foot equivalent units), for THD by its destination: East coast or West coast. The fuel burnt for this

transportation was calculated using THD's internally-calculated averages for fuel use per day (tons/day), average number of days in transit to the east coast or west coast, and average of FEU transported per voyage. Each of these factors used in the calculations were checked against external sources of these parameters and found to be plausible.

THD was unable to provide diesel usage for The Home Depot Supply (HDS) in 2021, and so proxy data from 2020 were used. HDS's diesel use in 2020 was found to be 1.3% of the overall THD diesel usage, indicating this to be a small portion of the overall footprint.

Emission factors for diesel usage were taken from DEFRA 2021. Heavy fuel oil emission factors are in line with DEFRA 2021.

Supporting documentation provided for the verification review included raw data files and calculation sheets. The estimated GHG emissions, in tons CO₂e, for this Scope 3 category were reviewed and found to be consistent with the supporting documentation and accurately reported for calendar year 2021.

4.0 Assurance Findings

Scope 3 data checks were conducted according to a limited level of assurance. SCS reviewed THD's data, the methodologies used and Scope 3 GHG emission estimates for calendar year 2021 as described above. Based on the verification procedures performed and evidence obtained, no matters have come to the attention of the audit team to cause the verification body to believe that the Scope 3 emissions assertion was materially misstated.

A listing of verification findings, including client responses, is provided in Table 2 below. All non-applicable rows have been left off of the table.

Table 2. Verification review Findings

Status	Finding #	Type	Issued Date	Due Date	Closed Date	Standard Reference	Document Reference	Verifier Findings	Client Response	Conclusion
NCRs (Identified error, omission, or misstatement that necessitates a mandatory response and corrective action)										
CLOSED	1	Calculation error	6/24/2022	7/10/2022	7/5/2022		CAN 2022 Emissions Summary File.xls	Diesel gallons includes gallons gasoline (Transportation Data tab, B56); Gasoline not reported in usage or emissions	Gasoline is such a small proportion it was not split out - it is 0.006% of total gallons of fuel so makes 0.0009% difference to the scope 3 impact. Considered immaterial by Anthesis.	Acknowledged.
CLOSED	2	Clarification, calculation error	6/27/2022	7/10/2022			THD_Footprint_100622_v4.xls; Home Depot 2022 Data for Infographic_Final MEXICO (1).xls; US Home Depot 2019-2021 Data for Infographic_FINAL (1) (1)	Numbers for US diesel and heavy fuel use do not match between Analyses and Raw Data (infographic files): <i>Heavy fuel oil, US</i> : 205,000 tons in Infographic excel file vs 186,000 tons in Footprint excel file; diesel: 210,566,861 gallons in footprint excel file, vs. 208,651,707 gallons in infographic excel file (missing B42 in sum?) Heavy fuel oil tonnage for Mexico in Footprint excel file does not match Infographic doc	Heavy fuel oil units of US tons have been converted to metric tonnes, resulting in the change you observe for US and Mexico. US Diesel: the higher total is correct - recalculated by Anthesis using a SUMIFS to catch all entries.	Acknowledged. Correction to Infographic file recommended for records.

CLOSED	3	Category 4 Boundary	6/27/2022	7/10/2022	7/5/2022		THD_Footprint_100622_v4	The upstream impacts of diesel and heavy fuel reported under category 4 appear to be reported under category 3 in the summary sheet (Summary FY21, lines 60-61). Category 3 is for impacts not covered in Scope 1 and 2. Reclassify upstream impacts under cat 4. From Scope 3 Guidance for Cat 4: "Emission factors should at a minimum include emissions from fuel combustion, and should, where possible, include cradle-to-gate emissions of the fuel (i.e., from extraction, processing, and transportation to the point of use)"	The IMPACT inventory tool output reports transport fuel WTT (including upstream transport fuel) as Scope 3 FERA, and should be transferred to/added to TTW emissions in Scope 3 Category 4. We previously did not include the WTT in Scope 3 Category for consistency with previous years and will be correcting this approach this year.	Language in standard indicates including upstream emission factors as optional for this category. Reporting upstream under this category is recommended for future calculations and converted to OBS.
New Information Request (Mandatory request for additional information)										
CLOSED	4	Scope Clarification	6/27/2022	7/10/2022	7/5/2022	GHG Protocol Scope 3 Calculation Guidance	CAN 2022 Emissions Summary File.xls	For some datasets, transportation to customer appears to be included in Category 4 in some places. clarify that all shipping to customer is done	Transportation to customer arranged by Home Depot is included in cat 4. All Home Depot reported data has been included here.	Acknowledged
CLOSED	5	Clarification	6/27/2022	7/10/2022	7/5/2022		THD_CY2021_Scope3_Transport_Results_for_template.xls	According to this document, HDS is taken from 2020 number. Will HDS be updated for 2021?	No further information was available so 2020 data is used as a proxy for 2021 for HDS	Proxy data used in lieu of actual data. Converted to OBS

CLOSED	6	Activity factor citation	7/5/2022		7/20/2022			Provide additional documentation for heavy fuel oil use calculation. Is this actual heavy fuel oil use? or derived from spend and how?	Because Home Depot does not control the transport vehicles, it is not feasible to collect activity data (e.g. ocean fuel use) that could then be used to calculate associated emissions. Instead, Home Depot uses forty foot equivalent unit (FEU) data to estimate emissions by using a fuel burn rate per FEU value to determine heavy fuel use. Please refer to the attached sample calculation (Snapshot tab) and the email from Home Depot.	Acknowledged. Factors for estimation are in line with ocean shipping.
Observations (Area to be monitored or improved upon, not material)										
OPEN	7	Primary data	7/21/2022	n/a				Diesel usage for HDS should be tracked every year		
OPEN	8	Method improvement	7/21/2022	n/a				Data for estimating ocean shipping fuel usage based on internal data prior to 2021. Recommend reevaluating these based on more recent shipping data and identifying sensitivity to these assumptions		
OPEN	9	Emission factor improvement	7/21/2022	n/a				Recommended inclusion of WTT for fuel use in emission factors in Category 4.		