



## **Template for submitting proposals related to GHG Protocol's *Corporate Standard*, *Scope 2 Guidance*, *Scope 3 Standard*, *Scope 3 Calculation Guidance* and market-based accounting approaches**

(Optional)

### Proposal instructions

GHG Protocol is conducting four related surveys in reference to the following GHG Protocol standards, guidance and topics:

1. Corporate Accounting and Reporting Standard (Revised Edition, 2004) ("Corporate Standard")
2. Scope 2 Guidance (2015)
3. Corporate Value Chain (Scope 3) Accounting and Reporting Standard (2011) ("Scope 3 Standard"), and Technical Guidance for Calculating Scope 3 Emissions, version 1.0, 2013 ("Scope 3 Calculation Guidance")
4. Market-based accounting approaches

**The survey is open until March 14, 2023.** To fill out the survey, [click here](#).

As part of the survey process, respondents may provide proposals for potential updates, amendments, or additional guidance to the *Corporate Standard*, *Scope 2 Guidance*, *Scope 3 Standard*, or *Scope 3 Calculation Guidance*, by providing the information requested in this template. You may also use this template to provide justification for maintaining a current approach on a given topic.

Submitting proposals is optional. Respondents may submit multiple proposals related to different topics.

Proposals should be as concise as possible while providing the requested information. Submissions that are outside of the template may not be considered. Proposals may be made publicly available.

To submit the proposal, please save this file and fill out the fields below. When you've completed your proposal, please upload the file via this [online folder](#). Please name your file STANDARD\_Proposal\_AFFILIATION, e.g., *Scope 2\_Proposal\_WRI*.

## Respondent information

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If proposals are made publicly available, would you like your proposal to be made publicly available? Please write either "Yes" (make publicly available) or "No" (do not make publicly available).

Yes

If your proposal is made publicly available, would you like it to be made publicly available with attribution (with your name and organization provided) or anonymous (without any name or organization provided)? Please write either "With attribution" or "Anonymous".

With attribution

## Proposal and supporting information

- 1. Which standard or guidance does the proposal relate to (Corporate Standard, Scope 2 Guidance, Scope 3 Standard, Scope 3 Calculation Guidance, general/cross-cutting, market-based accounting approaches, or other)? If other, please specify.**

Corporate Standard

**2. What is the GHG accounting and reporting topic the proposal seeks to address?**

Recommendations for updates to the Corporate Standard in response to questions 14, 19, 23, 25 and 29.

**3. What is the potential problem(s) or limitation(s) of the current standard or guidance which necessitates this proposal?**

Please see response to question 4 below.

**4. Describe the proposed change(s) or additional guidance.**

**Updates to the Corporate Standard (Response to the Corporate Standard Survey Question 14)**

We recommend the GHG Protocol reconsiders the accounting and reporting principles on page 7 of the Corporate Standard based on the stated objectives. This will require revisiting the objectives of the Corporate Standard through means such as stakeholder outreach to understand both preparers and users' needs to balance potential objectives such as (1) comparability between entities or (2) tracking an entity's GHG emissions over time. For example, when the Corporate Standard was issued, a primary objective may have been to provide a framework that entities can use to identify, track, and report their GHG emissions over time. This objective may have resulted in entities having more options on how to account and report GHG emissions, which may impact the ability for users to compare GHG emissions across entities. We believe there is increasing demand from stakeholders, including investors, for comparability across entities. We expect this to continue as GHG reporting becomes mandatory in various countries (e.g., the proposed SEC climate rule and the draft European Sustainability Reporting Standards (ESRS)).

To provide easier and more consistent application of the guidance, we recommend updating the terminology used in the Corporate Standard to align with widely applied accounting frameworks, in particular IFRS Accounting Standards and U.S. GAAP accounting, to the extent possible. This would help drive consistent and comparable reporting. For example, U.S. GAAP uses terminology for consolidation of joint venture models such as variable interest entities (VIEs) under FASB Accounting Standards Codification Topic 810. Under U.S. GAAP, an entity first assesses whether a joint venture is a VIE to apply the consolidation model in ASC 810. There are also nuances under U.S. GAAP for a jointly controlled entity and whether it primarily conducts its operations through a legal entity. Under IFRS 11, a joint arrangement consists of an arrangement in which two or more parties have joint control (decisions about relevant activities require the unanimous consent of the parties that collectively control the arrangement). IFRS 11 further establishes two types of joint arrangements: joint operations and joint ventures. A joint venture requires the use of a separate legal entity and the

parties have rights to the net assets of the arrangement. In comparison to the standards above, in Chapter 3, the Corporate Standard uses the phrases, such as “joint financial control”, “non-incorporated joint ventures”, “incorporated joint ventures” and “associated/affiliated companies”. While U.S. GAAP and IFRS are not always fully aligned across some of the relevant concepts, to the extent that the Corporate Standard refers to concepts that are used in these widely applied accounting frameworks, the Corporate Standard should use the same terminology and in the same manner as they are used in accounting frameworks in order to facilitate consistent application, avoid confusion and improve connectivity of reporting on financial and non-financial aspects of performance. Likewise, Table 1 and Table 2 of the Corporate Standard, along with related examples, need to be updated for current terminology used in U.S. GAAP and IFRS Accounting Standards.

Entities are permitted to report scope 3 GHG emissions under the GHG Protocol Corporate Standard or under the GHG Protocol Scope 3 Standard. However, the Corporate Standard is unclear as to what would constitute complete disclosure for scope 3 GHG emissions. We observe that there are differences among reporters of GHG emissions in their approach to inclusion of all or only certain activities within a specific scope 3 category when scope 3 GHG emissions are optionally disclosed under the Corporate Standard. We recommend providing clarity on whether, when reporting scope 3 GHG emissions optionally under the Corporate Standard, an entity is required to report an entire scope 3 category, or if it is permitted to report only selected activities within a respective scope 3 category.

While the GHG Protocol Scope 3 Standard defines how an entity should select a base year in relation to their scope 3 GHG emissions, the same clarity is not provided in the Corporate Standard. For example, in the Corporate Standard, there is no guidance on whether a scope 3 base year should be consistent with the base year set for scope 1 and scope 2 GHG emissions. If optional scope 3 reporting continues to be allowed in the Corporate Standard, we recommend clarifying what requirements are relevant to the scope 3 optional reporting, including when a base year is required, whether the selected base year can be different from scope 1 and scope 2, and whether it can be different for each scope 3 category.

#### **Setting Organizational Boundaries (Response to Corporate Standard Survey Question 19)**

We believe there is increasing demand from stakeholders, including investors, for comparability across entities. We expect this to continue as GHG reporting becomes mandatory in various jurisdictions (e.g., the proposed SEC climate rule and the draft European Sustainability Reporting Standards (ESRS)). However, we also recognize that GHG reporting is not prevalent in all jurisdictions and may remain voluntary in many jurisdictions for an extended period of time. The flexibility and optionality currently provided may ease application for preparers and encourage voluntary reporting. It may also provide standard setters and regulators the flexibility to mandate approaches or options that best reflect the needs of their jurisdiction. We therefore believe that the GHG Protocol should carefully consider input from stakeholders to understand the trade-offs between the benefits of increased comparability and the costs of reduced optionality and work with financial reporting standard setters and regulators to establish a balanced approach to determination of organizational boundaries.

Additionally, many entities currently use the “financial control” approach to set organizational boundaries; however, there is diversity in practice around how financial control is established. For

example, in a leased asset scenario where the landlord owns the building and leases space to tenants, the landlord has financial control over the building, but the tenants may have financial control over the daily operations and utilities, and therefore more guidance is needed to improve consistency of the approach to determination of financial control in such cases and the treatment of utilities for both the lessor and lessees. We also recommend including a more detailed and consistent definition of financial control to be used throughout the GHG Protocol Standards to facilitate more consistent outcomes in application. The Corporate Standard describes financial control on pages 17-18 in a variety of ways, which are not consistent with one another, draws on different accounting concepts (control, risks and rewards, substance) and may lead to different conclusions on whether financial control exists, including:

- a) “the company has financial control over the operation if the former has the ability to direct the financial and operating policies of the latter with a view to gaining economic benefits from its activities.”
- b) “the right to the majority of benefits of the operation, however these rights are conveyed.”
- c) “if it retains the majority risks and rewards of ownership of the operation’s assets.”
- d) “the company may have financial control over the operation even if it has less than a 50 percent interest in that operation. In assessing the economic substance of the relationship, the impact of potential voting rights, including both those held by the company and those held by other parties, is also taken into account”
- e) “This criterion is consistent with international financial accounting standards; therefore, a company has financial control over an operation for GHG accounting purposes if the operation is considered as a group company or subsidiary for the purpose of financial consolidation”

In addition, on pages 19 and 23, Table 1 and Table 2 should be updated to more clearly reflect financial statement accounting terminology, such as equity method investments and joint ventures. The tables currently use the terms, “associated companies”, “non-incorporated joint venture”, “incorporated joint venture”, and “wholly owned and joint operations”; these terms do not exist within U.S. GAAP or IFRS Accounting Standards. As regulatory standards, such as the proposed SEC climate rule, and the new ISSB standards may reference the GHG Protocol, we believe the Corporate Standard should align its financial control terminology with widely applied accounting frameworks, in particular U.S. GAAP and IFRS Accounting Standards, as such alignment would contribute to the goal of greater consistency and facilitate greater connectivity with financial reporting.

Many entities have set climate goals and targets using operational control boundaries under the GHG Protocol, rather than consistent with financial statement boundaries. If the operational control approach is to continue to be provided as an option, we believe the GHG Protocol should clarify what is meant by operational control and add specific indicators to enable consistent application of this concept in practice. Currently, the Corporate Standard defines operational control (on page 18) when an entity or one of its subsidiaries “has the full authority to introduce and implement its operating policies.” Other guidance regarding operational control includes a number of statements and examples instead of setting out clear indicators of when operational control exists:

- a) “It is expected that except in very rare circumstances, if the company or one of its subsidiaries is the operator of a facility, it will have full authority to introduce and implement its operating policies, and thus have operational control” (page 18)

- b) "Sometimes a company can have joint financial control over an operation, but not operational control. In such cases, the company would need to look at the contractual arrangements..." (page 18)
- c) "A group may own less than 50 percent of a venture's equity capital, but have operational control...on the other hand...a group may hold majority interest in a venture without being able to exert operational control...(when a majority partner has veto power)" (page 21)
- d) "the lessee only accounts for emissions from leased assets that it operates" (page 32)

As the above references "rare circumstances", we recommend that the indicators of operational control should enable consistent application of the Corporate Standard to complex ownership structures, veto rights, and general or limited partners. We also recommend that the Corporate Standard adds definitions of operational control for different types of assets (e.g., leased assets). The GHG Protocol may want to consider if entities should disclose their judgements related to determining their organizational boundary in order to provide more transparency.

### **Leased Assets (Response to Corporate Standard Survey Question 23)**

The guidance on multi-tenant buildings and co-locations within the Corporate Standard is unclear or contradictory. According to the Scope 2 Guidance, the determination of whether emissions from a multi-tenant leased building are classified as scope 1 or scope 2 GHG emissions depends on which entity "operate[s] the building". The definition of "operate the building" is unclear: for example, it is unclear whether the analysis differs if the tenant has thermostat control, chooses their own operating hours, or receives a separate bill from the landlord for utilities. In Figure 5 of the Corporate Standard, the scope of the GHG emissions depends on the selected consolidation criteria. "If the selected equity or control approach does not apply, then the company may account for emissions from leased assets, outsourcing, and franchises under scope 3" (Corporate Standard page 31). Further, the Scope 2 Guidance states, "The company with operational or financial control of the energy generation facility would report these emissions in their scope 1, following the operational control approach, while the consumer of the energy reports the emissions in scope 2." It is unclear how the treatment of this energy may differ or be the same under operational or financial control approaches by the landlord or the tenant.

Additionally, the Scope 2 Guidance states "If a tenant can demonstrate that they do not exercise operational control in their lease, they shall document and justify the exclusion of these emissions." We recommend that the Corporate Standard considers providing further guidance and examples related to scenarios in which a tenant can demonstrate they do not have control. Secondly it is unclear in co-locations which entity (co-location vendor or client) should report scope 2 GHG emissions and any associated renewable energy purchases. For example, in a co-located data center, co-location clients may have operational control over their equipment and the associated energy usage, while the vendor may have control over lighting and cooling systems. We suggest that the GHG Protocol aligns the Scope 2 Guidance and the Corporate Standard interpretations related to "operational control". Additionally, if utilities are paid by the lessor and reimbursed by the lessee it is unclear how to classify GHG emissions under the financial control model (e.g., triple net leases and utilities that are directly metered). The GHG Protocol should consider the lessee practical expedients available under accounting standards that allow to combine the lease and non-lease components for financial

reporting purposes and determine how the Corporate Standard should apply to GHG emissions in such cases.

There are additional challenges regarding the definition of operational control. Applying the Corporate Standard, operational control is defined as “authority to introduce and implement its operating policies”. In the case of leased assets, additional guidance is needed to clarify the application of this definition. For example:

1. If the tenants operate the site on behalf of another party (their customers or vendors) but has the authority to implement operating policies, would there be any consideration around emission allocation?
2. If the tenants operate the site for their revenue-generating activities following the landlord operating policy and have no/little authority to influence the operating policy, would this still be considered as operational control?

In addition, we recommend that the Corporate Standard use IFRS Accounting Standards and FASB definitions for financing and operating leases. For example, in 2016, the IASB and FASB issued new lease standards (IFRS 16 and ASC 842, respectively). Differences between the two standards relate to lessee accounting as the IASB requires a single measurement model (finance leases under U.S. GAAP) and the FASB uses a two-class system (operating and finance leases). The Corporate Standard uses the term “capital lease” throughout, while neither the IFRS nor U.S. GAAP continue to use this term. For example, in Chapter 4, the Corporate Standard describes leased assets for lessees as:

“USING EQUITY SHARE OR FINANCIAL CONTROL: The lessee only accounts for emissions from leased assets that are treated as wholly owned assets in financial accounting and are recorded as such on the balance sheet (i.e., finance or capital leases).

USING OPERATIONAL CONTROL: The lessee only accounts for emissions from leased assets that it operates (i.e., if the operational control criterion applies).”

In general, among other criteria under U.S. GAAP, a lessee classifies a lease as a finance lease if the lessee has ownership characteristics of the underlying asset or is expected to purchase the underlying asset that a lessee is reasonably certain to acquire by exercising the purchase option. All other leased assets that do not meet the criteria of ASC 842-10-25-2 are operating leases. This approach is different from IFRS requirements whereby all leases are accounted for in a manner similar to a finance lease. We therefore believe that the GHG Protocol should carefully consider input from stakeholders to understand the trade-offs between the benefits of introducing consistency of the approach to GHG emissions from leased assets with accounting requirements for leases (though at the expense of the resulting differences between U.S. GAAP and IFRS reporters) and continuation of the current approach to GHG emissions from leased assets that is disconnected from the underlying accounting. The GHG Protocol should consider working with financial reporting standard setters and regulators to establish a balanced approach to treatment of GHG emissions from leased assets.

### **Tracking Emissions Over Time (Response to Corporate Standard Survey Question 25)**

#### *Significance Threshold*

Within chapter 5 of the Corporate Standard, tracking GHG emissions over time is affected by considerations of base year and an entity’s “significance threshold.” A “significance threshold” is used by entities to identify significant changes for reporting purposes. On page 35, the Corporate Standard

states, "If applicable, the [entity's] policy shall state any 'significance threshold' applied for deciding on historic emissions recalculation." We suggest removing "if applicable" as we believe that all entities should establish a "significance threshold" as part of their policy to facilitate consistent application of that judgement over time.

In addition, the Corporate Standard also states, "it is the responsibility of the company to determine the 'significance threshold' that triggers base year GHG emissions recalculation and to disclose it." We suggest the Corporate Standard consider adding more specific disclosure requirements in respect of an entity's "significance threshold" as it is unclear, as currently written, if the GHG Protocol requires disclosures for either or both quantitative and qualitative thresholds.

We further recommend providing examples of qualitative and quantitative thresholds.

For quantitative thresholds, we recommend clarifying the definition of a quantitative significance threshold as the intent of the current definition is unclear. On page 37, the Corporate Standard mentions determining a significance threshold by referring to "GHG programs" and provides an example from the California Climate Action Registry using 10% of base year emissions as a threshold; however, on pages 69-70, the Corporate Standard introduces the concept of materiality and provides a materiality threshold example of 5%. We suggest that the GHG Protocol considers clarifying how materiality thresholds and significance thresholds should complement or affect one another. We suggest that the Corporate Standard should include updated examples illustrating a quantitative significance threshold and whether a range could be appropriate as a significance threshold. We also recommend that the GHG Protocol provides further guidance on how items below the significance threshold should be aggregated for the purposes of assessing errors, data improvements, and structural changes. For example, data may have changed below the significance threshold, but over time, the aggregation of the change over time may be greater than a significance threshold.

For qualitative thresholds, we suggest that the GHG Protocol considers adding examples of what is meant by qualitative thresholds. Consider explaining what may warrant a GHG emissions recalculation even if not quantitatively significant (greater than threshold). Additionally, it would be useful to provide guidance on how to treat a data change that is quantitatively significant but is not qualitatively significant.

#### *Base Year*

The GHG Protocol should consider more clearly defining "reliable data" as this term is used to identify the base year as the "earliest relevant point in time for which they have reliable data" (page 36 of the Corporate Standard). The Corporate Standard should consider addressing how to recalculate the base year when an acquisition occurs, and base year data is unavailable. Pages 37-38 of the Corporate Standard indicates "Similarly, current year emissions should be recalculated for the entire year to maintain consistency with the base year recalculation. If it is not possible to make a recalculation in the year of the structural change (e.g., due to lack of data for an acquired entity), the recalculation may be carried out in the following year." This wording would allow entities to report unavailable data in a subsequent year. We suggest that the GHG Protocol should clarify the circumstances when an entity may be able to claim that "it is not possible to make a recalculation" particularly in view of the potential requirement for entities to have this information assured. This will avoid the need for a difficult judgement to be exercised both by the preparer and the assurance provider whether the recalculation in the following year is an error.



### *Emissions Profile Over Time*

Finally, we have suggestions for the GHG Protocol's concept of "emissions profile over time". For reporting purposes, only base year and current year are required. Based on the Corporate Standard, entities should disclose as part of its required information, the "...year chosen as base year, and an emissions profile over time that is consistent and clarifies the chosen policy for making base year emissions calculations" (page 63); entities can optionally disclose, "GHG emissions data for all years between the base year and the reporting year" (page 64). We suggest that GHG Protocol should consider stating explicitly which years should be disclosed in order to increase consistency and comparability. We also recommend adding additional guidance on performance tracking against a target by clarifying what an entity should report as part of its performance each year.

### **Other Changes and Clarifications (Response to the Corporate Standard Survey Question 29)**

#### *General*

As GHG emissions reporting and disclosures become increasingly important, the GHG Protocol may be cited by policy makers and regulators and is likely to be used widely by entities. We recommend regular updates to the GHG Protocol standards. For example, Chapter 11 of the Corporate Standard on setting a GHG target should be updated to reflect current best practices.

#### *GHG Emissions*

We suggest the GHG Protocol updates the description of scope 1 and 2 GHG emissions "independent of any GHG trades such as sales, purchases, transfers, or banking of allowances" within the reporting requirements of the Corporate Standard (page 63) to align with terminology currently used in practice. Specifically, we recommend that "banking of allowances" should be replaced with "banking of carbon credits."

Chapter 8 of the Corporate Standard covers how to account for GHG reductions; however, an update is needed related to terminology and definitions of various market-based mechanisms (offsets, carbon credits, RECs, inset credits, etc.) In addition, the GHG Protocol should consider adding clarity on whether and how current market mechanisms available can be used with a scope 1 inventory.

Additionally, the Corporate Standard should address calculation methodologies. There are examples for scope 3 GHG emissions in the Scope 3 Calculation Guidance, but there is limited guidance for calculating scope 1 and scope 2 GHG emissions. We recommend developing, incorporating or referencing examples or developing a separate calculation guidance document. For example, in the U.S., the Environmental Protection Agency or the EPA has released multiple methodology documents (e.g., stationary combustion, mobile emissions), however similar guidance is not provided within the GHG Protocol. It would be useful to consider if there are relevant concepts that would aid consistency of application and should be therefore included in the GHG Protocol or as separate guidance, or incorporated by reference (e.g., hierarchy of estimation methods). In addition, the GHG Protocol should consider adding further guidance on accounting for self-generated energy that is either consumed by the entity or exported to the grid.

### *Emissions Factors*

The GHG Protocol should consider providing additional guidance around choosing appropriate emission factors. The Corporate Standard only mentions the use of published emission factors. We suggest adding clarity around the criteria used for choosing appropriate emission factors – e.g., geography and time. Further, while using local and region-specific emission factors for scope 2 is clear in Scope 2 Guidance, it is unclear in the Corporate Standard (i.e., are entities with global operations required to use region-specific emission factors for scope 1 as well?). It would be useful to consider adapting the scope 3 data quality chapter for application in the Corporate Standard. Also, we suggest adding clarity around using the most updated emission factors or at least matching the years of emission factors with reporting year (outside of requirements for global warming potential (GWP)). We recommend adding clarity on the requirements on updating emission factors, as available. In addition, the GHG Protocol should consider adding requirements to disclose the source of emission factors used, consistent with what is done in the Scope 3 Standard. We recommend that the Corporate Standard requires the same level of transparency as scope 3.

### *Global Warming Potential*

We recommend clarifying whether to use Intergovernmental Panel on Climate Change's (IPCC) Assessment Report (AR) 5 or 6 for GWP. For ease of use, we recommend that the GHG Protocol consider stating, "GWP values published in the most recent IPCC Assessment Report." This would enable entities to recognize and use the latest IPCC Assessment report without having to specify in the GHG Protocol a specific version of the IPCC's Assessment Report.

In the "Corporate Value Chain Accounting Reporting Standard" (page 70) and "Required Greenhouse Gases in Inventories – Accounting and Reporting Standard Amendment" (page 1) state that entities may either use the IPCC GWP values agreed to by United Nations Framework Convention on Climate Change (UNFCCC) or the most recent GWP values published by IPCC. The GHG Protocol should consider adding clarity around the choice of GWP – AR5 or AR6. We recommend that guidance on GWPs be made consistent across the Corporate Standard and Scope 3 Standard. Additionally, in "Required Greenhouse Gases in Inventories" (page 6), it states that GHG Protocol incorporates UNFCCC/Kyoto Protocol inventory requirements to ensure consistency between national and corporate reporting practices. Under the UNFCCC national inventory reporting guidance, countries are currently using AR4 100-year GWP values but have plans to mandate the use of AR5 100-year GWP in 2024. Additionally, with AR6, the most recent IPCC AR finalized, there is further confusion as to which AR GWP entities should use. We suggest adding clarity around which AR GWP entities should use to ensure comparability and ways that historical years can be recalculated using more recent AR GWPs to ensure target tracking. Also, the GHG Protocol should consider adding clarity around use of GWPs for refrigerants that are not listed in IPCC AR. Examples of such guidance already exist and can be built upon (e.g., in the U.S. entities tend to refer to California Air Resource Board source on refrigerant GWPs).

### *Reporting GHG Emissions*

We recommend the GHG Protocol considers clarifying how GHG emissions data must be reported for "each scope and for all seven GHGs separately" as there is diversity in practice in the presentation of this data. Chapter 9 of the Corporate Standard (page 63) includes the following two requirements as

separate bullets: 1) GHG emissions data separately for each scope and 2) emissions data for all GHGs separately in metric tonnes and in tonnes of CO<sub>2</sub>e. We observe that this can be interpreted to mean that emissions from each GHG are required to be reported by scope (i.e., these two disclosure requirements should be considered together) or, alternatively, each GHG is required to be reported in total and GHG emissions data by scope is also presented in total (i.e., these two disclosure requirements are distinct). Further clarity and guidance on the intent of these requirements would increase consistency and comparability across entities.

Additionally, we suggest including the Corporate Standard Amendment, which covers reporting on nitrogen trifluoride, NF<sub>3</sub>, into the next iteration of the Corporate Standard.

### *Offsets*

We believe there should be additional clarity around market mechanisms and the impact on global emissions reporting. For example, entities in the aviation industry are increasingly offering corporate customers Sustainable Aviation Fuel (SAF) certificates to enable them to compensate for their GHG emissions from air travel. It would be useful to provide guidance with respect to the accounting and reporting requirements for these and other similar certificates or offsets.

## **5. Please explain how the proposal aligns with the GHG Protocol decision-making criteria and hierarchy (A, B, C, D below), while providing justification/evidence where possible.**

### **A. GHG Protocol accounting and reporting approaches shall meet the GHG Protocol accounting and reporting principles (see Annex for definitions):**

- Accuracy, Completeness, Consistency, Relevance, Transparency
- Additional principles for land sector activities and CO<sub>2</sub> removals: Conservativeness, Permanence, and Comparability if relevant

The recommendations above seek to provide further guidance and clarity in order to further the GHG Protocol accounting and reporting principles of accuracy, completeness, consistency, relevancy, and transparency.

### **B. GHG Protocol accounting and reporting approaches shall align with the latest climate science and global climate goals (i.e., keeping global warming below 1.5°C). To support this objective (non-exhaustive list):**

- Direct emissions reported in a company's inventory should correspond to emissions to the atmosphere. Reductions in direct emissions reported in a company's inventory should correspond to reductions in emissions to the atmosphere.
- Indirect emissions reported in a company's inventory should in the aggregate correspond to emissions to the atmosphere. Reductions in indirect emissions reported in a company's inventory should in the aggregate correspond to reductions in emissions to the atmosphere.

Not applicable

**C. GHG Protocol accounting frameworks should support ambitious climate goals and actions in the private and public sector.**

- Would this proposal enable organizations to pursue more effective GHG mitigation/decarbonization efforts as compared to the existing standards and guidance? If so, how?
- Would this proposal better inform decision making by reporting organizations and their stakeholders (e.g. related to climate-related financial risks and other relevant information associated with GHG emissions reporting)?

The objective of the recommendations is to better inform decision making by reporting organizations and their stakeholders.

**D. GHG Protocol accounting frameworks which meet the above criteria should be feasible. (For aspects of accounting frameworks that meet the above criteria but are difficult to implement, GHG Protocol should provide additional guidance and tools to support implementation.)**

- What specific information, data or calculation methods are required to implement this proposal (e.g., in the case of scope 2, data granularity, grid data, consumption data, emission information, etc.)? Would new data/methods be needed? Are current data/methods available? How would this be implemented in practice?
- Would this proposal accommodate and be accessible to all organizations globally who seek to account for and report their GHG emissions? Are there potential challenges which would need to be further addressed to implement this proposal globally? What would be the potential solutions?

The recommendations above seek to provide further guidance and clarity with respect to the Corporate Standard. These recommendations would accommodate and be accessible to all organizations globally who seek to account for and report their GHG emissions.

**6. Consistent with the hierarchy provided above, are there potential drawbacks or challenges to adopting this proposal? If so, what are they?**

Not applicable

**7. Would the proposal improve alignment with other climate disclosure rules, programs and initiatives or lead to lack of alignment? Please describe.**

Our proposal includes recommendations to improve alignment with other climate disclosure rules and programs in order to promote greater consistency and limit the compliance burden on preparers and voluntary reporters.

- 8. Please attach or reference supporting evidence, research, analysis, or other information to support the proposal, including any active research or ongoing evaluations. If relevant, please also explain how the effectiveness of the proposal can be evaluated and tracked over time.**

Not applicable

- 9. If applicable, describe the process or stakeholders/groups consulted as part of developing this proposal.**

Not applicable

- 10. If applicable, provide any additional information not covered in the questions above.**

Not applicable.

## Proposal Annex

### GHG Protocol Decision-Making Criteria and Hierarchy

- A. First, GHG Protocol accounting and reporting approaches shall meet the GHG Protocol accounting and reporting principles:**
- Accuracy, Completeness, Consistency, Relevance, Transparency
  - Additional principles for land sector activities and CO<sub>2</sub> removals: Conservativeness, Permanence, and Comparability if relevant
  - (See table below for definitions)
- B. Second, GHG Protocol accounting and reporting approaches shall align with the latest climate science and global climate goals (i.e., keeping global warming below 1.5°C). To support this objective (non-exhaustive list):**
- Direct emissions reported in a company's inventory should correspond to emissions to the atmosphere. Reductions in direct emissions reported in a company's inventory should correspond to reductions in emissions to the atmosphere.
  - Indirect emissions reported in a company's inventory should in the aggregate correspond to emissions to the atmosphere. Reductions in indirect emissions reported in a company's inventory should in the aggregate correspond to reductions in emissions to the atmosphere.
- C. Third, GHG Protocol accounting frameworks should support ambitious climate goals and actions in the private and public sector:**
- Accounting framework/s would enable organizations to pursue more effective GHG mitigation/decarbonization efforts as compared to the existing standards and guidance
  - Accounting framework/s would better inform decision making by reporting organizations and their stakeholders (e.g. related to climate-related financial risks and other relevant information associated with GHG emissions reporting)
- D. Fourth, GHG Protocol accounting frameworks which meet the above criteria should be feasible to implement for the users of the frameworks.**
- For aspects of accounting frameworks that meet the above criteria but are difficult to implement, GHG Protocol should provide additional guidance and tools to support implementation.

### GHG Protocol Accounting and Reporting Principles

Principle	Definition
<b>Accuracy</b>	Ensure that the quantification of GHG emissions (and removals, if applicable) is systematically neither over nor under actual emissions (and removals, if applicable), and that uncertainties are reduced as far as practicable. Achieve sufficient accuracy to enable users to make decisions with reasonable assurance as to the integrity of the reported information.
<b>Completeness</b>	Account for and report on all GHG emissions (and removals, if applicable) from sources, sinks, and activities within the inventory boundary. Disclose and justify any specific exclusions.

<b>Consistency</b>	Use consistent methodologies to allow for meaningful performance tracking of emissions (and removals, if applicable) over time and between companies. Transparently document any changes to the data, inventory boundary, methods, or any other relevant factors in the time series.
<b>Relevance</b>	Ensure the GHG inventory appropriately reflects the GHG emissions (and removals, if applicable) of the company and serves the decision-making needs of users – both internal and external to the company.
<b>Transparency</b>	Address all relevant issues in a factual and coherent manner, based on a clear audit trail. Disclose any relevant assumptions and make appropriate references to the accounting and calculation methodologies and data sources used.
<b>Conservativeness</b> (Land Sector and Removals Guidance)	Use conservative assumptions, values, and procedures when uncertainty is high. Conservative values and assumptions are those that are more likely to overestimate GHG emissions and underestimate removals, rather than underestimate emissions and overestimate removals.
<b>Permanence</b> (Land Sector and Removals Guidance)	Ensure mechanisms are in place to monitor the continued storage of reported removals, account for reversals, and report emissions from associated carbon pools.
<b>Comparability (optional)</b> (Land Sector and Removals Guidance)	Apply common methodologies, data sources, assumptions, and reporting formats such that the reported GHG inventories from multiple companies can be compared.