Corporate Standard Meeting Minutes

Subgroup 3, Meeting #1

Date: 26 November 2024

Time: 09:00 – 11:00 ET / 15:00 – 17:00 CET

Location: Virtual

Attendees

Technical Working Group Members

1. Inês Amorim, World Business Council for Sustainable Development
2. Samuel Anuga, University Mohammed VI Polytechnic, Morocco
3. Rebecca Berg, The Climate Registry
4. Rogelio Campos, Ministry of Environment, Peru
5. Jasper Chan, TownGas
6. Ron-Hendrik Hechelmann, University of Kassel
7. Suresh Krishna Ishwara Palar, Infosys
8. Felipe Martínez Rodríguez, Hydro
9. Alexis McGivern, University of Oxford
10. Brandon McNamara, Northern Arizona University
11. Ann Radil, Watershed
12. Jay Shi, Proctor & Gamble
13. Monika Shrivastava, JSW Cement

Guests

None present

GHG Protocol Secretariat

1. Allison Leach
2. Iain Hunt
3. Hande Baybar
4. Natalia Chagaev
5. Claire Hegemann

Documents referenced

1. Slides for the Corporate Standard Subgroup 3 meeting on 26 November 2024

Item	Topic and Summary	Outcomes
1	**_Introduction and housekeeping_** The Secretariat welcomed TWG members to the first Corporate Standard Subgroup 3 meeting. TWG members provided brief self-introductions. The Secretariat briefly recapped housekeeping items first introduced in the first full TWG meeting on October 22nd.	No specific outcomes.
2	**_Background and context_** The Secretariat shared relevant background information on a scope 3 requirement. The following topics were presented: The current GHG Protocol standards, relevant external programs, relevant research, and stakeholder survey feedback.	The Secretariat will update the list of relevant external programs to include this suggested by TWG members.
3	**_Scope 3 requirement_** The Secretariat presented the first content question for the subgroup: Should there be a scope 3 reporting requirement in the Corporate Standard? Breakout group discussions considered this question through the GHG Protocol decision-making criteria. An indicative poll was held in which TWG members voted unanimously to require scope 3 reporting. The details of a scope 3 reporting requirement will then be determined in future meetings.	The Secretariat will update the decision-making criteria analysis for question 1 to incorporate feedback from TWG members.
4	**_Wrap-up and next steps_** The Secretariat summarized the plan for the next two meetings and the next steps (slides 46-48). The next meeting of Subgroup 3 is scheduled for Tuesday December 17th at 09:00 ET / 15:00 CET.	The Secretariat will share final meeting materials The Secretariat will share a subgroup 3 survey, to be filled out by subgroup 3 TWG members by December 13th

Summary of discussion and outcomes

1. Welcome and housekeeping

- The Secretariat welcomed TWG members to the first Corporate Standard Subgroup 3 meeting. TWG members provided brief self-introductions. The Secretariat briefly recapped housekeeping items first introduced in the first full TWG meeting on October 22nd.

Summary of discussion

- The Secretariat provided brief responses to questions related to the TWG process submitted prior to the meeting via a general feedback form (slide 10). Going forward, the Secretariat will post responses to the general feedback form using a shared spreadsheet in the internal shared TWG folder.
  - Decision-making criteria: One TWG member submitted a question on the rating scale used to apply the GHG Protocol decision-making criteria to evaluating options, noting that the example slides presented to the Corporate Standard TWG used a 3-tier scale whereas those presented to the Scope 2 TWG used a 5-tier scale. The Secretariat clarified that the deviation was not intentional and that while a simple representation was used to present the application of the decision-making criteria to the TWG, a more granular rating scale might be used in practice.

o Informal communication: A TWG member submitted a question asking if a platform to facilitate informal communication between members will be set up. The Secretariat responded that the Secretariat will not play any role in facilitating an informal communication channel among TWG members, but that TWG members may choose to set a platform on their own. They may invite the Secretariat staff to join the platform, but the Secretariat will not commit to actively monitoring or responding to any communications via such a platform.

o Shall/should/may language: A TWG member suggested alternative language be used. The current shall/should/may language will be maintained because it is consistent with other standards, such as ISO.

Outcomes (e.g. recommendations, options)

- No specific outcomes.

2. Background and context

- The Secretariat shared relevant background information on a scope 3 requirement. The following topics were presented: The current GHG Protocol standards, relevant external programs, relevant research, and stakeholder survey feedback.

Summary of discussion

- External programs (slides 20-23): The Secretariat presented how scope 3 is addressed in mandatory disclosure programs (IFRS S2, ESRS E1, US SEC, and CA SB 253 and 219) and voluntary programs (CDP, SBTi, ISO, GRI).
  - o TWG members suggested that the following additional programs be considered:
    - Australia: Mandatory reporting regulation; will go into effect in January 2025: AASBS2_09-24 | AASB
    - India: Climate disclosure requirement, with scope 3 optional: SEBI | BRSR Core - Framework for assurance and ESG disclosures for value chain
  - o A TWG member provided the following resource that references programs:
    - G20+: Climate Policy Monitor, where disclosures are being tracked by Oxford: Climate Policy Monitor | Homepage
- Relevant research (slides 24-30): The Secretariat presented overarching research themes for a scope 3 requirement. TWG members submitted the following additional points:
  - o Relevance definition: A TWG member noted that the Scope 3 Standard's relevance criteria is currently unclear and requires clarification. The Secretariat responded that the relevance criteria are being considered in the Scope 3 Technical Working Group, and relevance will also be considered by this Technical Working Group at a later meeting.
  - o Emissions intensity: A TWG member suggested that as a way of addressing data quality limitations, intensity metrics could be used to facilitate comparability. The Secretariat noted that Subgroup 1 will be considering the topic of comparability in detail.
  - o Less advanced reporters: A TWG member said that it is important to keep in mind any reporting implications for less advanced reporters, such as small organizations. Another TWG member said that scope 3 reporting can be challenging even in large companies that have smaller divisions or facilities. The Secretariat noted that differentiated requirements by reporter type will be considered at a future meeting.
  - o Data limitations: A TWG member shared examples of data limitations by scope 3 category, including lack of product-specific emissions information (categories 1 and 2), availability of well-to-tank emissions factors (category 3), difficulty getting quality data for disposal (category 5), country-specific emission factors for travel (category 6), and data quality challenges (category 7).

Outcomes (e.g. recommendations, options)

- The Secretariat will update the list of relevant external programs to include this suggested by TWG members.

3. Scope 3 requirement

- The Secretariat presented the first content question for the subgroup: Should there be a scope 3 reporting requirement in the Corporate Standard? Breakout group discussions considered this question through the GHG Protocol decision-making criteria. An indicative poll was held in which TWG members voted unanimously to require scope 3 reporting. The details of a scope 3 reporting requirement will then be determined in future meetings.

<u>Summary of discussion</u>

- The Secretariat first presented six proposed content questions and associated options to guide the discussion around considering a scope 3 requirement in the Corporate Standard (slides 35-37). These questions will be considered, as applicable, over future meetings.
  - A TWG member asked if outcomes from the Corporate Standard workstream would be helpful or overlapping with the Scope 3 Standard. The Secretariat clarified that the Corporate Standard and Scope 3 Secretariat members are working together closely on cross-cutting topics, and outcomes from each workstream will feed into the other as relevant.
  - A TWG member asked if we could continue to maintain some scope 3 optionality for specific reporters. The Secretariat clarified that differentiating by reporter type will be considered in question 5.
- The Secretariat presented the options for the first content question: Should there be a scope 3 reporting requirement in the Corporate Standard? (Slides 38-40; this is "question 1")
  - Option 1A: No. Maintain optionality
  - Option 1B: Yes. Adopt a scope 3 requirement in the Corporate Standard
- TWG members considered and discussed the options for question 1 against the GHG Protocol decision-making criteria (slides 41-44).
  - **Scientific integrity**: The Secretariat had originally considered this criterion to not be applicable for question 1. However, TWG members suggested that an important consideration for scientific integrity is the completeness of the scientific data set. If scope 3 is optional, then a major drawback is the large gap in emissions reporting, which compromises the scientific integrity of reporting and net zero targets. If scope 3 is required, scientific integrity will be promoted with more comprehensive emissions accounting.
  - **GHG accounting and reporting principles**: TWG members identified completeness and relevance as the most affected principles. These principles are hindered if scope 3 is optional, but they are promoted if scope 3 is required. It was also noted that if scope 3 is required, accuracy could be very challenging and likely hindered if all scope 3 emissions were required. TWG members also noted that a scope 3 requirement would promote the principle of transparency.
  - **Support decision-making that drives ambitious global climate action**: TWG members discussed the importance of complete emissions accounting for decision-making. They noted that a major drawback of scope 3 optionality is that it leads to significant missed opportunities for identifying emissions reductions. On the other hand, a reduced reporting burden (i.e., scope 3 optionality) could leave more resources for action (although that action might be uninformed). The converse would then be true for a scope 3 requirement (i.e., a more complete data set can lead to more informed decision-making). TWG members expressed support for a focused scope 3 requirement (e.g., only requiring relevant or significant scope 3 emissions), which would reduce the reporting burden but still help ensure that most emissions are accounted for.
  - **Support programs based on GHG Protocol and uses of data**: TWG members discussed that scope 3 optionality can simplify reporting requirements for voluntary reporters who are not subject to a mandatory climate disclosure rules. However, scope 3 optionality will also result in incomplete data sets in reporting databases. If scope 3 is required, there would be strong interoperability and alignment with most mandatory and voluntary climate disclosure programs.
  - **Feasibility**: TWG members indicated that feasibility is the biggest challenge for a scope 3 requirement. A major benefit of scope 3 optionality is that it is more feasible and accessible for all reporters. Optionality also gives reporters time to assess and phase in scope 3

reporting at their own pace. If scope 3 were required in full, many reporters would have significant challenges achieving complete scope 3 reporting. TWG members again came back to differentiated scope 3 requirements, where exceptions and/or a phased in approach could be applied to mitigate the feasibility issues. A goal with a differentiated requirement could be to report the most reliable data for significant emissions sources. TWG members also noted that conformance levels for scope 3 reporting could also help with feasibility.
- The TWG members then held a general discussion on whether scope 3 should be required.
  - Multiple TWG members said it would be important to carefully consider how a scope 3 requirement is defined to reduce confusion, increase uptake, and mitigate feasibility challenges.
  - A TWG member asked what the consequences of reduced interoperability with external programs would be if scope 3 were required. The Secretariat said that the reduced interoperability refers to programs that do not require scope 3 (e.g., US SEC). In those cases, GHG Protocol would have additional requirements for reporters beyond their mandatory climate disclosure rules. Another TWG member suggested that if GHG Protocol establishes a scope 3 requirement, other programs that currently have optionality might follow.
- During the discussion on question 1, TWG members indicated support for a differentiated scope 3 requirement where different levels of reporting would be defined, perhaps for specific reporter types.
- An indicative poll was held asking: Should there be a scope 3 reporting requirement in the Corporate Standard?
  - 13 of the 13 TWG members present answered: Yes: Adopt a scope 3 requirement in the Corporate Standard
  - This indicative poll supports having a scope 3 requirement in some form. The details of that requirement will be determined in future meetings.

Outcomes (e.g., recommendations, options)

- The Secretariat will update the decision-making criteria analysis for question 1 to incorporate feedback from TWG members.

4. Wrap-up and next steps

- The Secretariat summarized the plan for the next two meetings and the next steps (slides 46-48). The next meeting of Subgroup 3 is scheduled for Tuesday December 17th at 09:00 ET / 15:00 CET.

Summary of discussion

- The Secretariat provided an overview of the topics for the next two meetings (slide 47), including:
  - Meeting 2, December 17th: Start discussing what a scope 3 requirement would look like, including what emissions would be included (all/relevant/significant) and whether it would be a global requirement across all companies.
  - Meeting 3, January 28th: Consider what a differentiated scope 3 reporting requirement would look like (e.g., conformance levels, differentiation by reporter type).
- The Secretariat will share the following meeting materials with Subgroup 3 members: Final slides, meeting minutes, and recording of the meeting.
- The Secretariat will also share a discussion paper and a feedback survey on a scope 3 requirement. TWG members are asked to complete the feedback survey by Friday December 13th.

Outcomes (e.g., recommendations, options)

- Next Subgroup 3 meeting scheduled for Tuesday, December 17th at 09:00 ET / 15:00 CET.
- Secretariat to share the following materials with Subgroup 3 members: Final slides, minutes, and recording from November 26th meeting; discussion paper on scope 3 requirement; and feedback survey on scope 3 requirement.
- TWG members will review materials and complete feedback survey on scope 3 requirement by Friday December 13th.

Note: No written submissions received prior to meeting