



Corporate Standard Technical Working Group

Subgroup 3, Meeting #4

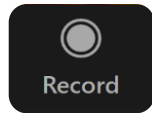
GHG Protocol Secretariat team:

Allison Leach, Iain Hunt, Hande Baybar

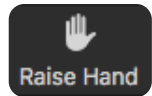
February 18th, 2025



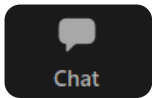
Meeting information



This meeting is **recorded**.



Please use the **Raise Hand** function to speak during the call.



You can also use the **Chat** function in the main control.



Recording, slides, and meeting minutes will be shared after the call.

Agenda

Introduction and housekeeping	10 minutes
Recap from meeting #3	10 minutes
Question 5: If requirements are differentiated for small companies, how should the different scope 3 reporting requirement be defined?	75 minutes
Question 6: If requirements are differentiated for small companies, how should the different scope 3 reporting requirements be operationalized?	15 minutes
Wrap-up and next steps	10 minutes



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Agenda

Introduction and housekeeping

10 minutes

Recap from meeting #3

10 minutes

Question 5: If requirements are differentiated for small companies, how should the different scope 3 reporting requirement be defined?

75 minutes

Question 6: If requirements are differentiated for small companies, how should the different scope 3 reporting requirement be operationalized?

15 minutes

Wrap-up and next steps

10 minutes



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WORLD
RESOURCES
INSTITUTE



Today's objectives

1. **Define a differentiated scope 3 reporting requirement** for small companies, with high-emitting sectors excluded*
2. Consider how a differentiated scope 3 reporting requirement should be **operationalized**
3. Prepare for the **full Corporate Standard TWG meeting**, to be held March 4th

Today, we will start discussing and hold an indicative poll on
how to define a differentiated scope 3 reporting requirement in the Corporate Standard

*Slides sometimes refer to "small companies" as shorthand for "small companies, with high-emitting sectors excluded"

Housekeeping: Guidelines and procedures

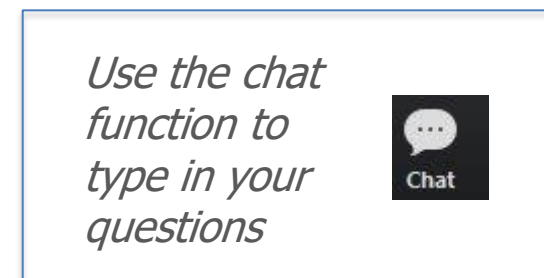
- We want to make **TWG meetings a safe space** – our discussions should be open, honest, challenging status quo, and ‘think out of the box’ in order to get to the best possible results for GHG Protocol
- Always **be respectful**, despite controversial discussions on content
- TWG members should **not disclose any confidential information** of their employers, related to products, contracts, strategy, financials, compliance, etc.
- In TWG meetings, **Chatham House Rule** applies:
 - “When a meeting, or part thereof, is held under the Chatham House Rule, participants are free to use the information received, but neither the identity nor the affiliation of the speaker(s), nor that of any other participant, may be revealed.”
- **Compliance and integrity** are key to maintaining credibility of the GHG Protocol
 - Specifically, all participants need to follow the **conflict-of-interest policy**
 - **Anti-trust rules** have to be followed; please avoid any discussion of competitively sensitive topics*

* Such as pricing, discounts, resale, price maintenance or costs; bid strategies including bid rigging; group boycotts; allocation of customers or markets; output decisions; and future capacity additions or reductions

Zoom logistics and recording of meetings

Zoom Meetings

- All participants are muted upon entry
- Please turn on your video
- Please include your full name and company/organization in your Zoom display name



Meetings will be recorded and shared with all TWG members for:

- Facilitation of notetaking for Secretariat staff
- To assist TWG members who cannot attend the live meeting or otherwise want to review the discussions

*Recordings will be available for a limited time after the meeting; **access is restricted to TWG members only.***

Housekeeping: Summary of general feedback form responses

16 responses have been received through our general feedback form – thank you! Overarching themes include:

- Feedback on the scope of work presented in the Standard Development Plan
- Feedback on specific topics discussed in TWG meetings (note: this feedback is integrated into TWG meeting materials)
- Feedback related to TWG process

The list of submissions and Secretariat responses are tracked in the Shared TWG Folder in the Admin sub-folder

Please continue using the **Microsoft Form** for all feedback and questions

Agenda

Introduction and housekeeping 10 minutes

Recap from meeting #3 10 minutes

Question 5: If requirements are differentiated for small companies, how should the different scope 3 reporting requirement be defined? 75 minutes

Question 6: If requirements are differentiated for small companies, how should the different scope 3 reporting requirement be operationalized? 15 minutes

Wrap-up and next steps 10 minutes



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Outcomes from Subgroup 3 meetings 1 and 2



Outcomes from meeting 3

Majority support for defining differentiated scope 3 reporting requirements for **small companies**, with **high-emitting sectors** excluded from a less stringent reporting pathway

Questions remaining:

- How should small companies be defined?
- Which high-emitting sectors should be excluded?
- Should it be temporary or permanent?

1. Should different levels of scope 3 reporting requirements be defined for the following reporter types? (Rank order) *

13/13 (100%) answered

A. Differentiated scope 3 reporting levels should be open to all reporter types 13/13 100%



B. Small companies 13/13 100%



C. Specific company sectors (requirements defined by sector) 13/13 100%



D. Sectors (excluding select high-emitting sectors from less stringent reporting) 13/13 100%



E. New reporters 13/13 100%



F. Reporters located in specific geographies 13/13 100%



G. Other/combination of options 13/13 100%



H. NA – This is not the role of GHG Protocol 13/13 100%



I. NA – Scope 3 reporting should not be differentiated 13/13 100%



- No - strongly oppose
- No - somewhat oppose
- Neutral
- Yes - somewhat support
- Yes - strongly support
- Abstain

Subgroup feedback survey after meeting 2

8 responses

Feedback on the **role of GHG Protocol** in differentiating requirements

- **No concerns**

Feedback on differentiation for **small companies**

- **Should avoid diluting** the standards with too much differentiation
- **Multiple criteria** should be used together, such as the SBTi SME pathway

Feedback on **excluding high-emitting sectors** from less stringent requirements

- **No concerns**

Feedback on other criteria (e.g., geography)

- List **geography** as a reasonable exclusion. Not at a standard criteria for a differentiated pathway, but perhaps as justifiable exclusion explanation.

Other proposed options for defining requirement

- **Qualitative scope 3 screening** to identify top 3 categories for reporting

Clarifications from external programs

IFRS Proportionality & Impracticability clause

Proportionality, highlighting scope 3

Table 1—Proportionality mechanisms in IFRS S1 and IFRS S2

IFRS S1 and IFRS S2 requirements	Reasonable and supportable information available [...] without undue cost or effort	Commensurate with the skills, resources and capabilities that are available to the company
Measurement of Scope 3 GHG emissions	✓	

Impracticability

“In those rare cases when an entity determines it is **impracticable** to estimate its Scope 3 greenhouse gas emissions, the entity shall disclose how it is managing its Scope 3 greenhouse gas emissions.” *–IFRS S2 paragraph B57*

SBTi SME pathway/route for target-setting

Combination of criteria to define eligible SMEs

YOUR COMPANY IS ELIGIBLE FOR THE SME PATHWAY IF



Company has <10,000 tCO2e across scope 1 and location-based scope 2



Company is not classified in the Financial Institutions (FIs) and Oil & Gas (O&G) Sectors



Company is not required to set sector-specific criteria developed by the SBTi



Company is not a subsidiary of a parent company whose combined businesses fall into the standard validation route

AND

THREE OR MORE OF THE BELOW ARE **TRUE**

Employs <250 people



Annual turnover is <€50 million



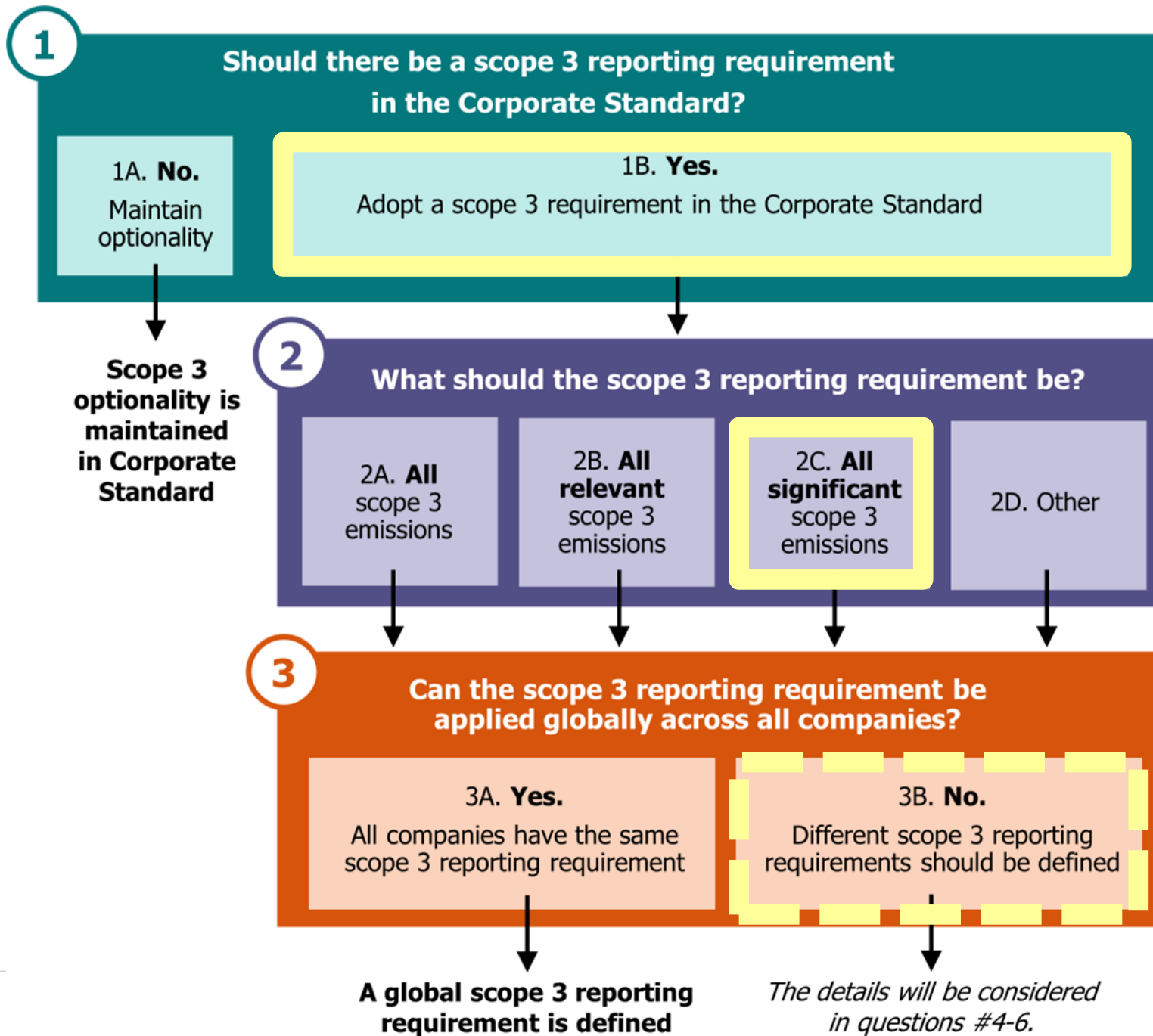
Total assets are <€25 million



Not in a mandatory FLAG sector



**Part 1:
Questions
#1-3**



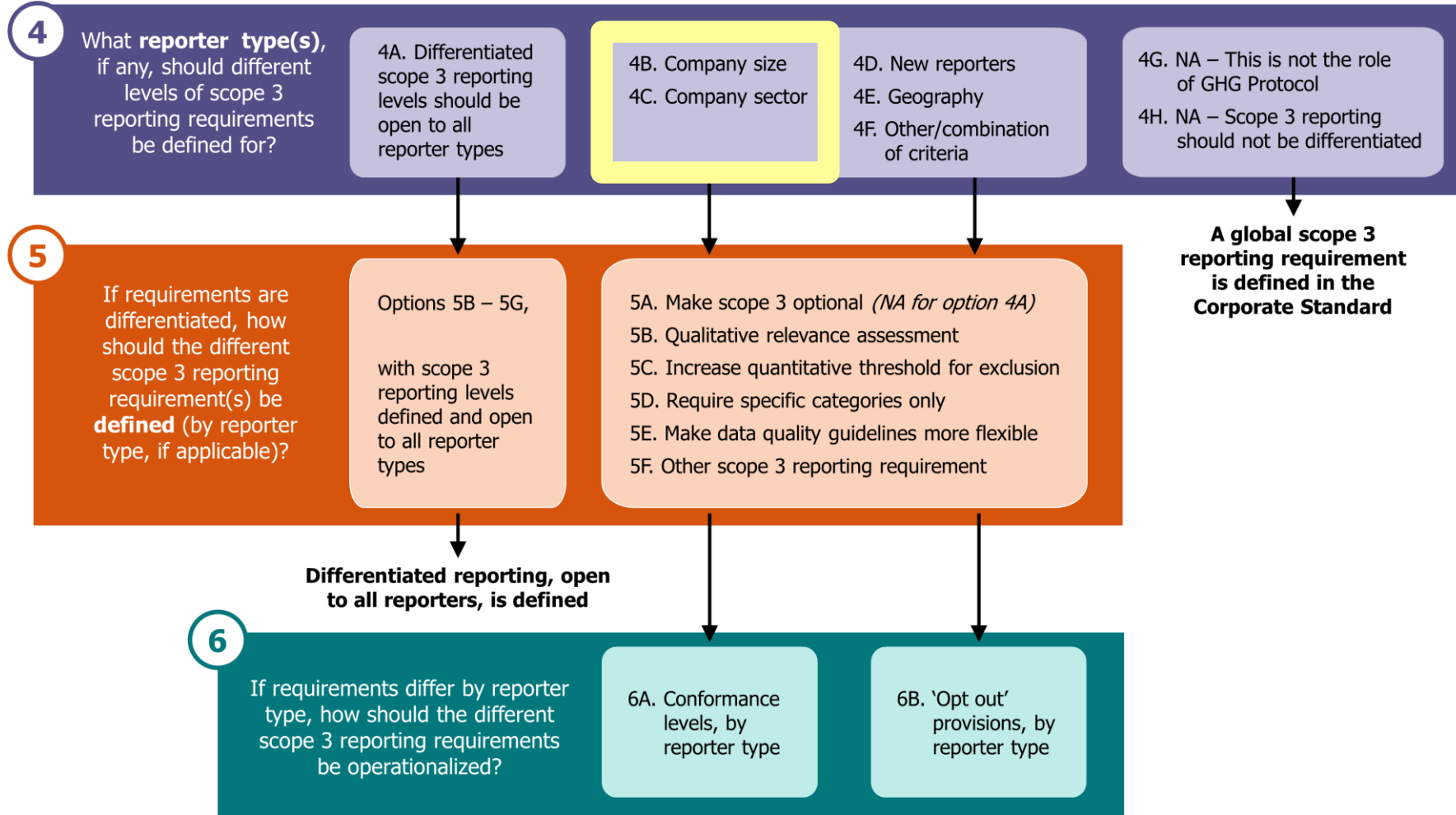
Consensus on "yes" in meeting 1
November 26

Majority support for "significant" in meeting 2
December 17

Majority support for exploring "No" in meeting 2
December 17

**Part 2:
Questions
#4-6**

If different scope 3 reporting requirements are to be defined...



*Majority support for differentiating for **small companies, excluding high-emitting sectors***

January 28

Topic for meeting 4

TODAY, February 18

Topic for meeting 4

TODAY, February 18

Note: The questions and options were revised

Agenda

Introduction and housekeeping	10 minutes
Recap from meeting #3	10 minutes
Question 5: If requirements are differentiated for small companies, how should the different scope 3 reporting requirement be defined?	75 minutes
Question 6: If requirements are differentiated for small companies, how should the different scope 3 reporting requirement be operationalized?	15 minutes
Wrap-up and next steps	10 minutes



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Question 5: Defining differentiated scope 3 reporting requirements

Two related questions* to consider:

Question 5, Part 1:

Defining the requirement

If requirements are differentiated for small companies, how should the different scope 3 reporting requirement be defined?

Question 5, Part 2:

Temporary or permanent option

Should a differentiated scope 3 reporting pathway be a temporary or permanent option?

We will review GHG Protocol context, relevant external programs, and each option

*Note: Questions were revised following outcomes from meeting 3

GHG Protocol context – Scope 3 accounting requirements

Current language in the Scope 3 Standard

*"Companies **shall** account for **all** scope 3 emissions and disclose and justify any exclusions.*









*Companies **shall** account for emissions from each scope 3 category according to the **minimum boundaries** provided in Table 5.4.*

*Companies **may** include emissions from **optional activities** within each category.*

*Companies **may exclude** scope 3 activities from the inventory, provided that any exclusion is disclosed and justified."*

Key points:

- **All companies have the same requirements**
- **Justifiable exclusions** give companies a pathway to exclude emissions

	Name	Type	How the requirement is differentiated	What the differentiated requirement is
	IFRS S2	Climate disclosure mandate	Open to all companies Transition relief is for new reporters	IFRS proportionality and impracticability clause 1 year transition relief for reporting scope 3 emissions
	ESRS E1	Climate disclosure mandate	Small companies (<750 employees) that are new reporters	Scope 3 reporting is optional for first year of preparation of their sustainability statement
	US SEC	Climate disclosure mandate	Company size , based on market value	All emissions disclosure is optional for small companies (Smaller Reporting Companies, Emerging Growth Companies)
	California CA SB 253, 219	Climate disclosure mandate	NA - Not yet written	NA - Not yet written
	CDP	Voluntary reporting program	SMEs , defined based on headcount and annual revenue	Unique SME questionnaire that is simplified and streamlined
	SBTi	Target-setting initiative	SMEs , defined with multiple criteria	SME target-setting pathway, where scope 3 target is optional
	ISO 14064-1:2018	GHG Standard	NA	NA
	GRI	Climate Reporting Standard	NA	NA

Note: Approaches referenced in table are not limited to scope 3

*SME = Small- and medium-sized enterprises

Question 5: Defining differentiated scope 3 reporting requirements

Two related questions to consider:

Question 5, Part 1:

Defining the requirement

If requirements are differentiated for small companies, how should the different scope 3 reporting requirement be defined?

Question 5, Part 2:

Temporary or permanent option

Should a differentiated scope 3 reporting pathway be a temporary or permanent option?

Question 5: Defining the options for differentiated scope 3 reporting for **small companies, with high-emitting sectors excluded**

Make scope 3 optional

5A. "Should" (instead of "shall") report all significant scope 3 emissions

Adjust relevance requirements

- 5B. Require relevant emissions, using qualitative assessment*
- 5C. Increase quantitative exclusion threshold (e.g., from 5% to 10% or more)

*Option 5B is a new proposed option

Require specific categories**

5D. Require specific categories only (e.g., category 1 only, upstream only)

**Two sector options were combined into a single option

More flexible data quality guidelines

5E. Make data quality guidelines more flexible, pending outcomes from Scope 3 TWG

Subgroup feedback survey

8 responses

6. At meeting 4, we will consider how to define a differentiated scope 3 reporting requirement for the reporter types identified above (i.e., small companies with specific high-emitting sectors excluded).

Should the following (revised) options be considered for a differentiated scope 3 reporting requirement?

● Yes - Strongly support
 ● Yes - Somewhat support
 ● Neutral
 ● No - Somewhat oppose
 ● No - Strongly oppose

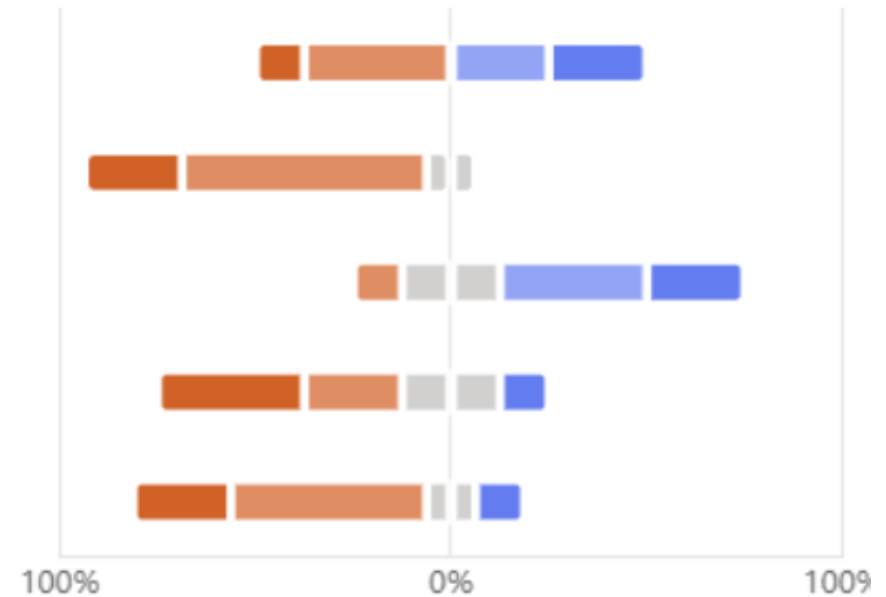
“Should” instead of “shall” (i.e., scope 3 is optional for small companies, with high-emitting sectors excluded)

Increase the quantitative threshold for exclusion (e.g., 10% exclusion instead of 5% exclusion)

Require upstream categories only

Require specific categories only

Make data quality guidelines more flexible (based on the outcomes of the Scope 3 TWG on data quality guidelines)



Note: Survey did not include qualitative relevance assessment (new option 5B)

Question 5: Option 5A, **Make scope 3 optional for small companies**

Defining the option

“**[Small]** companies *should* account for all [significant] scope 3 emissions and disclose and justify any exclusions.”

Scope 3 reporting would be recommended (i.e., optional) for small companies, with high-emitting sectors excluded from a less stringent reporting pathway

Considerations

Pros:

Significantly enhances **feasibility**

Cons:

Significantly hinders **relevance and completeness**



Discussion: What do you think of this option?

Question 5: Option 5B, **Require relevant emissions**

Defining the option

Relevance criteria

Require small companies to assess their scope 3 emissions against the relevance criteria

Qualitative relevance assessment

There would be no hotspotting required and no quantitative exclusion threshold

Relevance would be **somewhat at reporter's discretion**

Considerations

Would a qualitative relevance assessment or a quantitative hotspot analysis be more feasible for small companies?

Relevance assessment guidance would need to be clearly defined

Pros: Feasible and actionable inventory that assesses relevant scope 3 emissions

Cons: Somewhat hinders relevance and completeness



Discussion: What do you think of this option?

Question 5: Option 5C, Increase exclusion threshold

Defining the option

Quantitative exclusion threshold

Allow small companies to exclude more emissions

For example, could increase the preliminary exclusion threshold from 5% to 10% or 20%

Hotspot analysis required

Companies would still need to estimate 100% of emissions

Considerations

Can small companies conduct a hotspot analysis?

Pros:

Similar to standard scope 3 reporting requirement (5% exclusion threshold)

Cons:

Somewhat hinders relevance and completeness

Low feasibility



Discussion: What do you think of this option?

Question 5: Option 5D, **Require specific categories only**

Defining the option

Select categories only

Small companies would be required to report specific categories, to be defined

Examples of specific categories:

- Category 1 only
- Upstream categories only
- Common categories (e.g., business travel, employee commuting, waste generated in operations)*

Considerations

Which categories should be required?

Pros:

Clear and prescriptive guidance

Cons:

Hinders completeness and relevance for some companies

*Defined in [EPA small business guidance](#)

Question 5: Option 5D, **Require specific categories only**

<i>Upstream or downstream</i>	<i>Scope 3 category</i>
<p>Upstream scope 3 emissions</p>	<ol style="list-style-type: none"> 1. Purchased goods and services 2. Capital goods 3. Fuel- and energy-related activities (not included in scope 1 or scope 2) 4. Upstream transportation and distribution 5. Waste generated in operations 6. Business travel 7. Employee commuting 8. Upstream leased assets
<p>Downstream scope 3 emissions</p>	<ol style="list-style-type: none"> 9. Downstream transportation and distribution 10. Processing of sold products 11. Use of sold products 12. End-of-life treatment of sold products 13. Downstream leased assets 14. Franchises 15. Investments

Examples of specific categories

- Category 1 only
- Upstream categories only
- Common categories (e.g., business travel, employee commuting, waste generated in operations)*
- Others?



Discussion: What do you think of this option?

*Defined in [EPA small business guidance](#)

Question 5: Option 5E, **More flexible data quality guidelines**

Defining the option

Scope 3 TWG is recommending **disaggregated reporting based on data quality** with tiers, such as specific, average, and spend-based*.

Examples of data quality flexibility:

- Simpler aggregated reporting
- The use of lower quality data
- Secondary data instead of supplier-specific data

*[See Scope 3 TWG Subgroup A Meeting 5 Slides](#)

Considerations

This option is pending final recommendations from Scope 3 TWG

Pros:

Promotes completeness and relevance

Cons:

Feasibility is low since reporters would still need to report all significant emissions



Discussion: What do you think of this option?

Question 5: Defining differentiated scope 3 reporting requirements

Two related questions to consider:

Question 5, Part 1:

Defining the requirement

If requirements are differentiated for small companies, how should the different scope 3 reporting requirement be defined?

Question 5, Part 2:

Temporary or permanent option

Should a differentiated scope 3 reporting pathway be a temporary or permanent option?

Question 5: Make less stringent reporting **TEMPORARY**

Defining the option

Small companies **may** report to a less stringent scope 3 reporting requirement for a defined period of time

Two ways this could be defined:

- New reporters that are small companies are eligible for **first X years of reporting** (e.g., first 3 years of reporting)
- This pathway is available to all small companies **until a defined year** (e.g., 2030)

Considerations

How long should a temporary less stringent reporting pathway be available?

Should it be by reporter or only available until a defined year?

Pros: A ramp up period would reduce barriers while also aspiring towards complete reporting

Cons: It could create stakeholder confusion



Discussion: What do you think of this option?

Question 5: Make less stringent reporting **PERMANENT**

Defining the option

Small companies may report to a less stringent scope 3 reporting requirement permanently

Considerations

Pros:

Small companies could have more resources for climate action with permanent less stringent reporting pathway

Cons:

A permanent option could disincentivize improvements in reporting



Discussion: What do you think of this option?



Full group discussion

1. What **combination of options** do you recommend for small companies, excluding high-emitting sectors (i.e., definition + temporary/permanent)?
2. Do you have concerns about reduced interoperability with **external programs**?

Question 5, Part 1:

Defining the requirement

- a. Make scope 3 optional
- b. Qualitative relevance assessment
- c. Increase quantitative exclusion threshold
- d. Require specific categories only
- e. Make data quality guidelines more flexible

Question 5, Part 2:

Temporary or permanent option

- a. Temporary ramp-up to complete reporting
- b. Permanent option for eligible reporters

Poll Questions

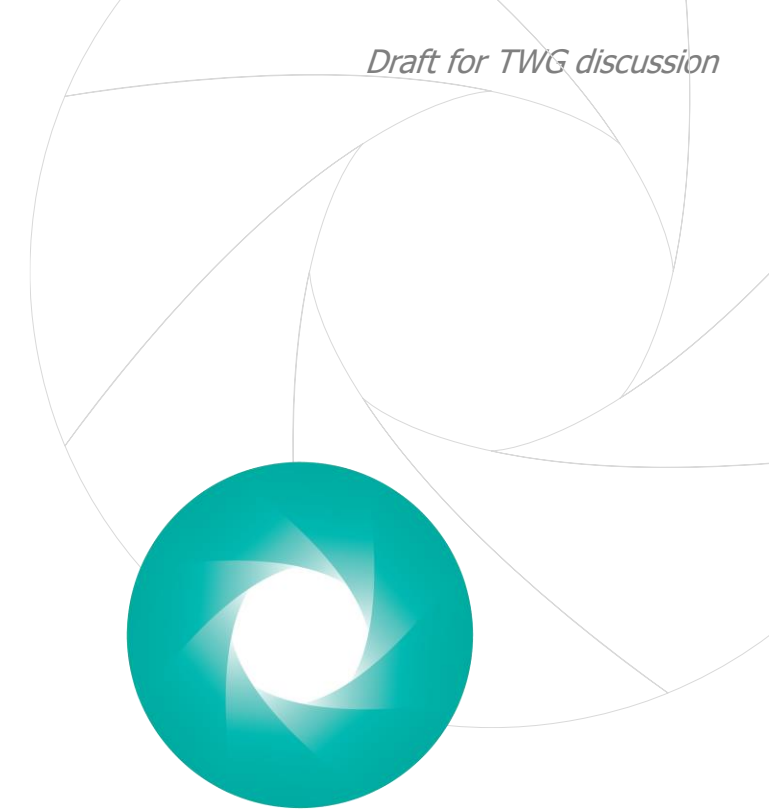


Poll questions:

1. If requirements are differentiated for small companies, how should the different scope 3 reporting requirement be defined? *[No – strongly oppose TO Yes – strongly support]*
 - a. Make scope 3 optional
 - b. Require relevant emissions
 - c. Increase exclusion threshold
 - d. Require specific categories only
 - e. Make data quality guidelines more flexible
2. Should a differentiated scope 3 reporting pathway be a temporary or permanent option?
 - a. Temporary ramp-up to complete reporting
 - b. Permanent option for eligible reporters
 - c. Abstain
3. Potential follow-up poll on temporary reporting

Agenda

Introduction and housekeeping	10 minutes
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Wrap-up and next steps	10 minutes



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Question 6: How to operationalize differentiated scope 3 reporting

6

If requirements differ by reporter type, how should the different scope 3 reporting requirements be operationalized?

6A. Conformance levels, by reporter type

6B. 'Opt out' provisions, by reporter type

Question 6: Option 6A, **Conformance levels**

Defining the option

Two conformance levels would be defined:

- Complete scope 3 reporting
- Less stringent scope 3 reporting pathway for small companies

Considerations

Pros:

Clearly defined conformance levels could improve transparency

Cons:

Could disincentivize more complete reporting

Could lead to stakeholder confusion, especially if it leads to misalignment within GHG Protocol



Discussion: What do you think of this option?

Question 6, Option 6B: 'Opt out' provisions

Defining the option

A **global scope 3 requirement** would be maintained

An '**opt out**' provision would be defined, only for small companies, with high-emitting sectors excluded

For example:

- Small companies *may* exclude X from their scope 3 inventory

Considerations

Pros:

Would maintain a global scope 3 reporting requirement consistent across GHG Protocol

More interoperable with external programs

Could incentivize more complete reporting

Cons:

Somewhat hinders transparency and comparability, if disclosures are not clear



Discussion: What do you think of this option?

Full group discussion



Discussion questions:

1. Which option do you **support**?
2. Do you suggest **any additional options** for operationalizing differentiated scope 3 reporting?

6

If requirements differ by reporter type, how should the different scope 3 reporting requirements be operationalized?

6A. Conformance levels, by reporter type

6B. 'Opt out' provisions, by reporter type

Poll Question



Poll question:

1. If requirements are differentiated for small companies, how should the different scope 3 reporting requirement be operationalized?
 - a. Conformance levels, defined by reporter type
 - b. Opt out provisions, defined by reporter type
 - c. Other
 - d. Abstain

Agenda

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Wrap-up and next steps	10 minutes



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Looking forward

TODAY: Subgroup 3 Meeting 4

February 18, 2025

- Complete discussion on how to define a different scope 3 reporting requirements and how to operationalize it
- Finalize recommendations for full CS TWG

NEXT: Full CS TWG

March 4, 2025

Two time slots available

- Subgroups 1, 2, and 3 will present recommendations from Phase 1
- TWG members will discuss outcomes across all subgroups

Subgroup 3 Meeting 5

April 1, 2025*

- Revise recommendations based on feedback from Full CS TWG
- Begin discussing justifiable exclusions

**Note: Rescheduled from March 25 to April 1*

Next steps

Next meeting is Full TWG meeting scheduled for **Tuesday, March 4th, 2025**

Two time slots (options): 8:00 ET / 14:00 CET / 21:00 CHN **or** 16:00 ET / 22:00 CET / 5:00 Wednesday, March 5th CHN

Items to be shared by GHG Protocol Secretariat:

- Final slides, minutes, and recording from this meeting
- Feedback survey on defining a differentiated scope 3 reporting requirement
- **Draft Outcomes Memo for Full CS TWG (to be shared by Friday February 21st)**

TWG member action items:

- **Review** meeting materials
- Review draft **Outcomes Memo** for full CS TWG by **EOD Monday February 24th**
- Fill out post-meeting **feedback survey** by **Friday February 28th**

Thank you!

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