Corporate Standard Meeting Minutes

Full TWG, Meeting #3

Date: 15 July 2025

Option 1: 07:30 – 10:00 ET / 13:30 – 16:00 CET / 20:30 – 23:00 CHN

Option 2: 15:30 – 18:00 ET / 21:30 – 00:00 CET / 04:30 – 07:00 CHN

Location: Virtual

Attendees

Technical Working Group Members – Session 1 attendees

1. John Altomonte, WWF-Philippines
2. Christa Anderson, WWF
3. Rob Anderson, Department of Infrastructure, Transport, Regional Development, Communications and the Arts, Australia
4. Catherine Atkin, Carbon Accountable and Stanford CodeX Climate Data Policy Initiative
5. Tatiana Boldyreva, CDP
6. Gonzalo Chiriboga, Central University of Ecuador
7. Rubens Ferreira, Carbonauta Ltda
8. Kia Hong Goh, Nanyang Technological University, Singapore
9. Robert Gray, DuPont
10. Ron Hechelmann, University of Kassel
11. Burkhard Huckestein, German Environment Agency
12. Micheline Khan, World Resources Institute
13. Marine Kohler, Centrale Supélec, Université Paris Saclay
14. Vincent Kong, BSL
15. Suresh Krishna, Infosys Limited
16. Andy Law, Hong Kong Institute of Certified Public Accountants
17. Tomoo Machiba, Zeroboard
18. Dedy Mahardika,
19. Felipe Martinez Rodriguez, Hydro
20. Claire McCarthy, We Mean Business Coalition
21. Alexis McGivern, University of Oxford
22. Philippe Missi Missi, UNFCCC Regional Collaboration Center West and Central Africa
23. Trinity Makava Ncube, Trinity Consultants
24. Monica Oleo, Redeia
25. Mamahloko Senatla, Kenmare Resources
26. Monika Shrivastava, JSW Cement
27. Ann Sidhu, ESGright
28. Sheila Scott, Jacobs
29. Alisa Shumm, PricewaterhouseCoopers
30. Zi (Christiana) Wang, JD Logistics

Technical Working Group Members – Session 2 attendees

31. Christina Abbott, KPMG
32. Inês Amorim, World Business Council for Sustainable Development
33. Samuel Anuga, Academy of International Affairs (AIA), Germany
34. Erika Barnett, Greenhouse Gas Management Institute
35. Rebecca Berg, The Climate Registry
36. Rogelio Campos, Ministry of Environment, Peru
37. Luis Carvajal, Siemens Energy
38. Victoria Evans, Anthesis Group
39. Ignacio Fernandez, The Climate Registry
40. Patrick Murphy, Sierra Club, Climatebase
41. Sachin Nimablakar, Oak Ridge National Laboratory
42. Ann Radil, Watershed
43. Joanne Richmond, CK Hutchison
44. Judy Ryan, External Reporting Board, New Zealand
45. Jay Shi, Proctor & Gamble
46. Vicky Sullivan, Duke Energy
47. Margaret Weidner, Impact Pathways

Guests

1. Greg Bartholomew, ISSB
2. Gordon Crerar, ISSB
3. Sara Macferran, ISSB
4. Megan Sutter, Google

GHG Protocol Secretariat

1. Hande Baybar
2. Nisalyna Bontiff
3. Chelsea Gillis
4. Claire Hegemann
5. Iain Hunt
6. Allison Leach
7. Dario de Pinto

Documents referenced

1. Slides for the Corporate Standard Full TWG meeting on 15 July 2025

2. Preliminary phase 1 outcomes memos for Subgroup 1, Subgroup 2, Subgroup 3, and preliminary phase 2 outcomes memo for Subgroup 1 *[Internal]*

3. Corporate Standard Chapter 1 GHG accounting and Reporting Principles (Secretariat working draft for reference) *[Internal]*

Item	Topic and Summary	Outcomes
1	***Welcome and housekeeping*** The Secretariat welcomed TWG members to the third full Corporate Standard TWG meeting and briefly reviewed key housekeeping items from previous meetings.	No specific outcomes.
2	***Subgroup 1 preliminary phase 1 outcomes*** The Secretariat presented preliminary outcomes and outstanding questions from Subgroup 1 including a draft objectives statement for the Corporate Standard and updates to GHG accounting and reporting principles related to: - Relevance and materiality - Consistency and comparability - Accuracy and conservativeness - Transparency and verifiability	An indicative poll found *unanimous support* for a draft objectives statement developed by Subgroup 1. An indicative poll found *majority support* for updating guidance for the relevance principle to provide clarification on the term "materiality". An indicative poll found *majority support* for expanding the application of the consistency principle and updating guidance for the consistency principle to clarify the relationship between consistency in methods and comparability of information. An indicative poll found *majority support* for updating guidance for the accuracy principle to include language on conservativeness and when companies should consider using conservative methods. An indicative poll found *split opinions* on how to update principles to better distinguish between external transparency and verifiability, but with the most support for updating the transparency principle to provide a clearer distinction.
3	***Subgroup 2 preliminary phase 1 outcomes*** The Secretariat presented preliminary outcomes from Subgroup 2 on the following topics as part of revising organizational boundary setting: - Financial control approach revision to align with financial accounting - Operational control approach revision to update the definition for operational control Each preliminary outcome was presented with a brief background, including the rationale and implications, and indicative polls were conducted to gauge TWG member support. The Secretariat conducted a pulse check poll to assess the current level of support for the initial direction on maintaining optionality in consolidation approaches.	An indicative poll found *majority support* for the reference text as the direction for revising the financial control approach. An indicative poll found *majority support* for the reference text as the direction for revising the definition of operational control. An indicative poll found *majority support* for maintaining optionality in consolidation approaches in the Corporate Standard. The level of support was lower than the full TWG Meeting 2 outcomes.

4	***Subgroup 3 preliminary phase 1 outcomes*** The Secretariat presented preliminary outcomes from Subgroup 3 on the following topics: • Scope 3 requirement (draft revised text) • Justifiable exclusions for scopes 1 and 2 (whether to maintain, boundary, value, and justification) • Less stringent scope 3 reporting requirement (eligibility, requirement, and operationalization) All preliminary outcomes were presented and indicative polls were conducted to gauge support.	Scope 3 requirement: • An indicative poll found *majority support* for revised text defining a scope 3 reporting requirement Justifiable exclusions for scopes 1 and 2: • An indicative poll found *majority support* for maintaining scope 1 and scope 2 exclusions and making the exclusions more prescriptive and quantitative • An indicative poll found *majority support* for defining separate quantitative exclusion thresholds for scopes 1, 2, and 3 • An indicative poll found *majority support* for defining a 1% quantitative exclusion threshold for scope 1 and scope 2 • An indicative poll found *majority support* for requiring total scope 1 and scope 2 emissions to be quantified to justify exclusions Less stringent scope 3 requirement: • An indicative poll found *majority support* for adopting the SBTi company categorization approach, pending its finalization, to define eligibility for a less stringent scope 3 requirement • An indicative poll found *majority support* for defining a less stringent scope 3 requirement as the three more relevant scope 3 categories • An indicative poll found *majority support* for operationalizing a less stringent scope 3 requirement with conformance levels, by reporter type
5	***Subgroup 1 preliminary phase 2 outcomes*** The Secretariat presented preliminary phase 2 outcomes from Subgroup 1 related to choosing a base year and base year recalculation policies and significance thresholds.	An indicative poll found *majority support* that companies that a have base year established for GHG reduction targets should have the option to use the same year for their inventory base year or choose a different year. An indicative poll found *majority support* for eliminating the rolling base year option as currently defined in the Corporate Standard. An indicative poll found *majority support* for requiring companies to establish a significance threshold as part of their base year recalculation policy. An indicative poll found *majority support* for defining a prescriptive, quantitative significance threshold in the Corporate Standard.

6	***Wrap-up and next steps*** The Secretariat shared a summary of next steps including the schedule for upcoming meetings and the sharing of post-meeting feedback surveys.	The Secretariat will share post-meeting materials, including final slides and meeting minutes. Feedback surveys will be shared with all TWG members on preliminary outcomes from Subgroup 1, Subgroup 2, and Subgroup 3. Preliminary phase 1 outcomes will be presented to the ISB on July 28th for pulse check.

Summary of discussion and outcomes

1. Welcome and housekeeping

- The Secretariat welcomed TWG members to the third full Corporate Standard TWG meeting and briefly reviewed key housekeeping items from previous meetings. (Slides 1-10)

Summary of discussion

- No TWG member comments were received.

Outcomes (e.g. recommendations, options)

- No specific outcomes.

2. Subgroup 1 preliminary phase 1 outcomes

- The Secretariat presented preliminary outcomes and outstanding questions from Subgroup 1 including a draft objectives statement for the Corporate Standard and updates to GHG accounting and reporting principles related to relevance and materiality; consistency and comparability; accuracy and conservativeness; and transparency and verifiability. (Slides 11-19)

Summary of discussion

- The Secretariat presented preliminary Subgroup 1 outcomes and outstanding questions related to the following topics. Feedback is organized below by topic.
    - Draft objectives statement for the Corporate Standard
    - Relevance and materiality
    - Consistency and comparability
    - Accuracy and conservativeness
    - Transparency and verifiability

Draft objectives statement for the Corporate Standard: The Secretariat shared a draft objectives statement for the Corporate Standard developed by Subgroup 1 and provided brief background on how the statement was developed based on objectives currently listed in the Corporate Standard. The Secretariat also noted how supporting better comparability of GHG information is referenced in the objectives, with the TWG having previously agreed in Meeting 2 to establishing comparability as an objective.

- **Preliminary Subgroup 1 outcome:** Draft objectives statement provided on slide 13.

- **Discussion:**
    - A member asked for clarification on what the objectives statement would replace in the current version of the Corporate Standard. The Secretariat referred members to the list of objectives provided in the Corporate Standard's introductory chapter.
    - A member asked about whether comparability was considered in terms of comparability between companies or within companies and whether the distinction between consistency and comparability was considered. The Secretariat noted that how consistency and comparability are respectively defined will be more specifically reviewed in an upcoming discussion item in this meeting on the consistency principle, but that comparability here is intended to refer to a characteristic of GHG information that can be supported by consistency in methods. The Secretariat added that the reference to comparability in the objectives statement was intentionally framed in terms of "supporting better comparability" recognizing that perfect comparability between companies is not necessarily achievable.
    - A member expressed support for updating the reference to "preparing" a GHG inventory to "developing and maintaining" as a GHG inventory should not be a one-off exercise.
    - A member suggested flipping the two bullets so that the reference to reporting comes first, followed by the reference to managing emissions.
- **Indicative poll:** The Secretariat posed an indicative poll asking members if they support the draft objectives statement on slide 13. Members expressed *unanimous support* for the draft objectives statement:
    - **38 of 38 members support the outcome** (26 fully support, 12 support with minor edits)
    - 0 members oppose
    - 0 members abstained

Relevance and materiality: The Secretariat presented the preliminary Subgroup 1 outcome to update guidance for the relevance principle to provide clarification on the term "materiality" and its relation to relevance, including the level of Subgroup 1 support, rationale, and implications.

- **Preliminary Subgroup 1 outcome:** Update guidance on the relevance principle to refer to the term "materiality" and provide clarification on the relationship between relevance and materiality as used in external programs (including with a supporting text box on materiality).
- **Discussion:**
    - A member asked for clarification on whether the term "relevance" will continue to be used, and whether the update will just include a reference to materiality in the description of relevance. The Secretariat confirmed that this is the case, that the relevance principle will remain, with the only update being a supporting text box in the guidance section for the relevance principle to provide clarification on materiality and how it relates to relevance.
    - A member asked if the term "significance" was also considered in discussions on updating the relevance principle.
        - The Secretariat noted that the varied uses of the term "significance" across programs came up in Subgroup 3 discussions on defining a scope 3 reporting requirement based on "significance" defined in terms of magnitude of emissions. The updated requirement, to be presented today, avoids use of the term to avoid confusion with uses of the term in other programs. The Secretariat added that clarification on the term "significance" in relation to the relevance principle can be considered.
        - Another member noted that the use of related terms like "relevance", "materiality", and "significance" can be confusing for non-native speakers of English.
    - A member asked if language will be included to distinguish between materiality in the context of GHG accounting versus financial materiality. The Secretariat clarified that the proposed draft text distinguishes between different definitions and uses of the term, including financial materiality, impact materiality, and double materiality.

- A member suggested that materiality not only relates to relevance, but also to accuracy, wherein materiality is a concept that can be used to help companies prioritize where to use higher quality data. They added that updates related to materiality should go beyond providing clarifications on how the term is used in external programs, considering the application of materiality in the context of GHG accounting is more specific than that in external programs.
- A member asked whether updates on materiality may change as a result of Subgroup 2's work on verification in phase 2. The Secretariat clarified that proposed updates to guidance for the relevance principle only serve to provide clarification on the relevance principle and how it relates to materiality as used in external programs and that materiality in the context of verification will be considered as a separate issue by Subgroup 2.

- **Indicative poll:** The Secretariat posed an indicative poll asking members if they support the preliminary Subgroup 1 outcome on relevance and materiality, with members expressing *majority support*:
  - **42 of 43 members support the outcome** (34 fully support, 8 support with minor edits)
  - 1 member opposes
  - 0 members abstained

Consistency and comparability: The Secretariat presented the preliminary Subgroup 1 outcome to expand the application of the consistency principle and update guidance for the consistency principle to clarify the relationship between consistency in methods and comparability of information, including the level of Subgroup 1 support, rationale, and implications.

- **Preliminary Subgroup 1 outcome:** Update the consistency principle to apply to consistency in methods both over time for a single company and between companies and divisions within companies. Update guidance for the consistency principle to clarify the relationship between consistency and comparability and how consistency in methods contributes to more comparable information (including with a supporting text box on comparability).
- **Discussion:**
  - A member asked if proposed updates would discourage improvements in methods over time.
    - The Secretariat responded that the proposed update would expand the application of consistency beyond consistency over a time series to include consistency in methods between companies or divisions within a company. The application of the principle to consistency over a time series will remain the same and there will continue to be tradeoffs between principles (e.g., between consistency in a time series and improving accuracy over time).
    - Another member suggested that the consistency principle also be updated to highlight the tradeoff and where improvements in accuracy should be prioritized.
    - Another member emphasized that the consistency principle implies recalculating emissions for prior years using improved methodologies.
    - Another member suggested that further guidance should be considered to better specify what constitutes a methodological change in triggering base year recalculations, for example, changes associated with a change in software used to perform calculations.
- **Indicative poll:** The Secretariat posed an indicative poll asking members if they support the preliminary Subgroup 1 outcome on consistency and comparability, with members expressing *majority support*:
  - **42 of 43 members support the outcome** (32 fully support, 10 support with minor edits)
  - 1 member opposes
  - 0 members abstained

Accuracy and conservativeness: The Secretariat presented the preliminary Subgroup 1 outcome to update guidance for the accuracy principle to include language on conservativeness and when companies should consider using conservative methods, including the level of Subgroup 1 support, rationale, and implications.

- **Preliminary Subgroup 1 outcome:** Update guidance for the accuracy principle to include language on conservativeness and when companies should consider using conservative methods (including with a supporting text box on conservativeness).
- **Discussion:**
  - A member expressed skepticism with including a recommendation as part of a principle. The Secretariat emphasized that the proposed update pertains to guidance for the accuracy principle, not the definition of the principle in the requirements section.
  - A member asked about why some members thought that the reference to the use of conservative methods would compromise accuracy. The Secretariat clarified that the feedback was concerned with introducing bias and overestimating emissions when conservative methods are used.
- **Indicative poll:** The Secretariat posed an indicative poll asking members if they support the preliminary Subgroup 1 outcome on accuracy and conservativeness, with members expressing *majority support*:
  - **39 of 43 members support the outcome** (24 fully support, 15 support with minor edits)
  - 2 of 43 members oppose
  - 2 of 43 members abstained

Transparency and verifiability: The Secretariat presented an outstanding question from Subgroup 1 discussions on how to update principles to better distinguish between external transparency and verifiability, along with options under consideration and their respective levels of Subgroup 1 support and rationales.

- **Outstanding question and options:** How should principles be updated to better distinguish between external transparency and verifiability?
  - **Option A:** Update transparency principle to more clearly distinguish between external transparency and verifiability (including with a supporting text box on verifiability)
  - **Option B:** Delineate separate transparency and verifiability principles
- **Discussion:**
  - A member asked whether there would be any governance-related implications of the two options. The Secretariat noted that the language associated with both options is largely identical and based on existing language in the Corporate Standard, but that each option packages the language differently. The Secretariat added that Option B could be viewed by stakeholders as a more substantial change as it would introduce a new principle.
- **Indicative poll:** The Secretariat posed an indicative poll asking which option they support to update principles to better distinguish between external transparency and verifiability, with members expressing *split opinions*, but with the most support for Option A.
  - **Option A: 22 of 38 members support**
  - Option B: 14 members support
  - 2 members abstained

General discussion on principles: A member asked whether Subgroup 1 had reconsidered the current presentation of principles, which provide more extensive guidance than what they have seen in other standards. The Secretariat noted that the chapter on principles includes both a requirements section with succinct definitions of each principle, along with a separate guidance section. The Secretariat added that the extent to which detailed guidance is included in the standard document versus separately in guidance will be considered across all topics in the standard.

Outcomes (e.g. recommendations, options)

- An indicative poll found *unanimous support* for a draft objectives statement developed by Subgroup 1.
- An indicative poll found *majority support* for updating guidance for the relevance principle to provide clarification on the term "materiality".
- An indicative poll found *majority support* for expanding the application of the consistency principle and updating guidance for the consistency principle to clarify the relationship between consistency in methods and comparability of information.
- An indicative poll found *majority support* for updating guidance for the accuracy principle to include language on conservativeness and when companies should consider using conservative methods.
- An indicative poll found *split opinions* on how to update principles to better distinguish between external transparency and verifiability, but with the most support for updating the transparency principle to provide a clearer distinction.

3. Subgroup 2 preliminary phase 1 outcomes

- The Secretariat presented preliminary phase 1 outcomes from Subgroup 2 on the following topics as part of revising organizational boundary setting: Financial control approach revision to align with financial accounting and operational control approach revision to update the definition for operational control.
- Each preliminary outcome was presented with a brief background, including the rationale and implications, and indicative polls were conducted to gauge TWG member support.
- The Secretariat conducted a pulse check poll to assess the current level of support for the initial direction on maintaining optionality in consolidation approaches. The aim was to determine whether support remains consistent in light of the latest updates shared. (Slides 20-33)

Summary of discussion

Financial control approach revision:

- **Preliminary Subgroup 2 outcome**: *Unanimous support* for the preliminary draft text as a direction for revising the financial control approach to fully align with financial accounting.
- **Discussion:** The Secretariat presented a high-level summary of how the Subgroup 2 discussions on revising the financial control approach text have developed, including the rationale behind the text revisions and pending key revision items, and invited members to comment.
    - A member asked whether the revised financial control approach would require adjusting GHG emissions based on the non-controlling interest held by other parties (i.e., consolidation based on % equity share) in entities consolidated in the reporting entities financial statements. The Secretariat replied that the revised financial control approach will require accounting of all GHG emissions of entities that are consolidated in financial statements, even if not-wholly owned, without any adjustments for non-controlling interest held by other parties. The Secretariat continued that the discussion on whether to require or recommend the separate reporting of emissions associated with non-controlling interest held by other parties is ongoing. The Secretariat added that emissions associated with non-controlling

interests owned by the reporting entity will be accounted for under scope 3, category 15 (equity method investments).

    - A member suggested adding a reporting requirement for reporting entities to disclose which financial accounting standard they apply in order to inform comparability of resulting disclosures.
    - A member, referring to a key pending item on slide 24 concerning investment entities, inquired why the proposed draft text for the financial control approach does not apply to investment entities. They added that for big conglomerates consisting of joint ventures will need to account for the majority of their emissions under scope 3, category 15 too.
        - The Secretariat clarified that investing in other companies is the core business activity of investment entities which by definition is captured under scope 3, category 15. Therefore, the proposed early draft text does not apply to investment entities. The Secretariat also suggested that the standard text will be accompanied by the definition for investment entities for clarification.
    - A member noted that reporting entities disclose the accounting policies applied at the group level in their annual reports, including the basis for determining control and the treatment of underlying investees (e.g., subsidiaries, associates, and non-controlling interests owned).
        - The Secretariat noted that a similar disclosure requirement could be defined for the basis for setting organizational boundaries for GHG accounting.
- **Indicative Poll**: The Secretariat conducted an indicative poll asking whether TWG members support the preliminary draft of the revised financial control approach text as the direction for the update, noting that some minor changes are underway, with members expressing *majority support*:
    - **42 of 44 TWG members supported the preliminary draft text (12 of which supported with minor edits)**
    - No oppositions
    - 2 members abstained

Operational control approach revision:

- **Preliminary Subgroup 2 outcome**:
    - *Majority support* for fully revising the definition of operational control.
    - *Majority support* for the proposed preliminary draft text to revise the definition of operational control.
- **Discussion**: The Secretariat presented a high-level summary of how the Subgroup 2 discussions on revising the definition of operational control have developed, including the rationale behind the text revisions and pending key revision items, and invited members to comment.
    - A member suggested the definition of operational control could refer to the "legal capacity to control."
    - A member, referring to the challenge of determining operational control at the entity versus operation/asset-level, suggested that evaluating how sustainability disclosure frameworks consider operational control for items beyond GHG emissions (e.g., environmental reporting) could be helpful.
    - The Secretariat provided further insight into Subgroup 2 discussions on whether to change consolidation principles for operational control, especially concerning multi-party arrangements, and shared the following three options considered:
        - *Current practice: One entity consolidates all emissions* (*majority support* from Subgroup 2 members). Several TWG members supported this.
        - *Each party (could be more than one) involved with operational control capacity should take responsibility for all emissions*

        - *Proportionate consolidation based on level of control.* One member suggested this option could be explored further. The Secretariat noted that Subgroup 2 members had concerns about how the proportion for consolidation would be calculated.
    - A member suggested that the determination of who has operational control should come down to decision rights.
    - A member asked if operational control and the concept of scope 3 are complementary in the sense that emissions that are beyond operational control are accounted for as scope 3. The Secretariat replied that in general, scope 3 can be complementary to both financial and operational control approaches, so that emissions beyond the reporting entities' control (financial or operational) would be captured under scope 3 (assuming those emissions are within the category-specific minimum boundaries defined in the Scope 3 Standard).
    - A member suggested that all emissions from controlled entities should be included based on the share controlled—what is referred to as an adjustment for non-controlled interests in financial accounting.
    - A member noted that the operational control approach revision focuses more on processes rather than solely on the organizational boundary, and therefore verges into operational boundaries.
    - A member noted that it should be clear whether operational control is assessed at a "board level" or "practical level." The Secretariat explained that the revised definition of operational control begins with a broad, high-level 'catch-all' statement, followed by a more specific definition for multi-party arrangements, where the party with the greatest power is considered to have operational control.
    - A member suggested that what is meant by "asset-level" assessment of operational control should be clarified, giving an example from a specific sector and highlighting the potential for misinterpretation.
- **Indicative poll:** The Secretariat conducted an indicative poll asking whether TWG members support the proposed text as the direction for revising the definition of operational control, noting that further revisions are underway, with members expressing *majority support*:
    - **31 of 40 members supported the proposed text as the direction for the revision (14 of which supported with minor edits)**
    - 1 member opposed
    - 8 members abstained

Optionality in consolidation approaches:

- **Preliminary Subgroup 2 and full TWG Meeting 2 outcome**: *Majority support* for maintaining optionality between the revised financial control and operational control.
- **Discussion**: The Secretariat summarized the outcomes of the initial evaluation of optionality in consolidation approaches, which was presented to the full TWG in March, and provided the feedback and concerns raised by Subgroup 2 members on the topic since then. Key concerns include the challenge to avoid ambiguity in defining operational control and increasing similarity/alignment between the financial control and operational control approaches, which could confuse the user or undermine the need for having the operational control approach as a distinct option for setting organizational boundaries.
    - A member suggested that there are trade-offs between optionality and comparability across organizations.
    - A member noted that the initial direction on optionality was mainly based on the operational control approach being the most adopted consolidation approach where many organizations use the approach for emissions reporting and reduction target setting. They added that if the text revision process lends itself to growing similarities between the two control-based consolidation approaches, then the need to maintain operational control approach becomes

less clear. The Secretariat noted that any revisions to the current consolidation approaches would require companies using them to reassess their organizational boundaries. As a result, any changes will be reviewed alongside appropriate phase-in periods to ensure reporting entities have enough time to adjust during the transition.

- **Indicative poll**: The Secretariat conducted an indicative poll to ask whether **optionality between** the revised **financial control** and revised **operational control** approaches should be **maintained** in the Corporate Standard, with members expressing *majority support*:
  - **27 of 41 members supported maintaining optionality between the two approaches** *(indicating a lower level of support than the full TWG Meeting 2 indicative poll outcome)*
  - 9 members supported eliminating optionality and requiring a single consolidation approach
  - 5 members abstained

Outcomes (e.g., recommendations, options)

- An Indicative poll found majority support for the reference text as the direction for revising the financial control approach.
- An indicative poll found majority support for the reference text as the direction for revising the definition of operational control.
- An indicative poll found majority support for maintaining optionality in consolidation approaches in the Corporate Standard.

4. Subgroup 3 preliminary phase 1 outcomes

The Secretariat presented preliminary outcomes from Subgroup 3 on the following topics: Scope 3 requirement, justifiable exclusions for scopes 1 and 2, and a less stringent scope 3 reporting requirement. All preliminary outcomes were presented and indicative polls were conducted to gauge support. (Slides 34-52)

Summary of discussion

Summary of topics

- The Secretariat presented preliminary outcomes on the following three topics for discussion. Feedback is organized below by question.
  - **Scope 3 reporting requirement**: Draft revised text
  - **Justifiable exclusions for scopes 1 and 2:** Whether to maintain, boundary, value, and justification
  - **Less stringent scope 3 requirement:** Eligibility, requirement, and operationalization

Scope 3 reporting requirement: Draft revised text

- **Preliminary Subgroup 3 outcome**: *Majority support* for the following revised text, which removes the term "significant" from the scope 3 reporting requirement:
  - *Companies shall account for and report at least 95% of total required scope 3 emissions*
  - *Companies should include relevant scope 3 emissions falling within the 5% exclusion threshold*
  - *Companies should include optional scope 3 emissions, where relevant*
- **Discussion:**
  - A member asked for the rationale behind having a hard quantitative exclusion threshold of 5% for scope 3. The Secretariat replied that the stakeholder survey feedback indicated a

request for more prescriptive reporting requirements and more complete reporting, which the preliminary outcome aims to address.

- A member asked if some scope 3 emissions will continue to be optional after the revisions process. The Secretariat confirmed that the Scope 3 Standard will continue to include category-specific minimum boundary requirements, and all scope 3 emissions outside the minimum boundaries will remain optional. The Secretariat continued that the proposed 5% exclusion threshold is based on the proportion of required scope 3 emissions (i.e., scope 3 emissions within the minimum boundary).
- Two members asked how a 5% quantitative exclusion threshold for scope 3 would be applied in practice and what companies would need to disclose. The Secretariat replied that companies would only need to disclose at least 95% of emissions, but they would need to calculate 100% of emissions to quantify and justify exclusions.
  - The Secretariat added that the Scope 3 TWG is recommending a "de minimis" emissions (i.e., emissions sources expected to be trivial or negligible) allowance in which companies could exclude de minimis emissions without quantifying them provided that the company is reasonably confident that the de minimis emissions would fall within the 5% exclusion threshold. A separate de minimis allowance was not recommended by Subgroup 3 for scope 1 and scope 2 emissions, although further consideration of the topic is needed.
  - A member expressed concern about the feasibility of companies to quantify 100% of scope 3 emissions to justify exclusions given limited data availability for scope 3. The Secretariat replied that the Scope 3 TWG is not recommending any minimum data quality standards for the quantification, meaning that companies could use low quality data and rough estimates to inform the calculation of 100% of scope 3 emissions.
- A member observed that external programs do not use quantitative exclusion thresholds and instead generally use a materiality approach, which could lead to exclusion of more than 5% of scope 3 emissions. The Secretariat replied that Subgroup 3 discussed the interoperability of qualitative exclusion approaches (e.g., "materiality" in IFRS S2, "significance" in ESRS E1) and quantitative exclusion approaches, and there was agreement that the two approaches can be interoperable. However, the Secretariat noted that there will be some cases of misalignment. The member responded that this was a robust interpretation of the application of materiality, and indicated their support.
- A member stated their opposition for a quantitative exclusion approach, especially for small- and medium-sized enterprises (SMEs). The member suggested that qualitative approach be used instead. The Secretariat replied that the proposed less stringent scope 3 reporting requirement (discussed in a subsequent section) is intended to address feasibility concerns for SMEs.
- A member asked for comments on uncertainty and errors in quantification, and whether that was considered when developing the quantitative exclusion approach. The member continued that uncertainty could exceed the 5% exclusion threshold. The Secretariat replied that uncertainty is a phase 2 topic of Subgroup 3, but that uncertainty was considered while discussing the quantitative exclusion threshold. The Secretariat acknowledged that uncertainty could exceed the 5% exclusion threshold, but stated that the recommended approach supports more complete and robust reporting that could help companies identify quantification errors and reduce uncertainty.
- A member stated that there is a methodological contradiction in that in some cases, it may not be not possible to cover or even define 100% of scope 3 emissions. The Secretariat replied that the Scope 3 TWG is recommending an allowance for de minimis emissions, which do not need to be quantified to justify their exclusion.

- A member suggested a proposed alternative to a quantitative exclusion approach in which companies would use qualitative criteria to assess if a category is relevant to them, and if so, they would calculate 100% of emissions for those categories. The member gave examples of qualitative criteria, including asking whether a company purchases goods or services to determine if category 1 is relevant. A member responded that Subgroup 3 considered a similar approach but had concerns about robustness and comparability. The Secretariat noted that the member's proposed approach is part of the less stringent scope 3 reporting requirement proposed by Subgroup 3.
- A member noted that in CDP disclosures in 2024, 70% of disclosing companies (including SMEs) disclosed against all scope 3 categories they identified as relevant to them. The member continued that this is an indication that the proposed scope 3 requirement is implementable. Another member noted that a company's internal relevance assessment for their inventory disclosure may be different from the GHG Protocol definition of relevance.
- A member added that a 2024 report on Asia Pacific found that 63% of companies report scope 3 emissions, but that none of the companies reported across all 15 categories. They continued that most disclosures focused on accessible categories like business travel, employee commuting, and waste generated in operations.

* **Indicative poll:** The Secretariat conducted an indicative poll asking members if they support the preliminary Subgroup 3 outcome on defining a scope 3 requirement, with members expressing *majority support*.

  Companies shall account for and report at least 95% of total required scope 3 emissions; Companies should include relevant scope 3 emissions falling within the 5% exclusion threshold; and Companies should include optional scope 3 emissions, where relevant
  - **35 of 42 members support the outcome** (28 fully support; 7 support with minor edits)
  - 5 members oppose the outcome
  - 2 members abstained

Justifiable exclusions for scopes 1 and 2: Whether to maintain, boundary, value, and justification

* **Preliminary Subgroup 3 outcome**: *Majority support* for the following four preliminary outcomes:
  - Whether to maintain: Maintain scope 1 and scope 2 exclusions, and make scope 1 and scope 2 exclusions more prescriptive and quantitative
  - Boundary: Define separate quantitative exclusion thresholds for scopes 1, 2, and 3
  - Eligibility: Define a 1% quantitative exclusion threshold for scope 1 and scope 2
  - Justification: Total scope 1 and scope 2 emissions shall be quantified to justify exclusions
* **Discussion:**
  - A member asked whether Subgroup 3 has recommended a definition of "justifiable exclusions." The Secretariat replied that the proposed quantitative exclusion threshold is a recommendation to define what can be considered a justifiable exclusion. The Secretariat agreed that a clear definition of "justifiable exclusions" is needed.
  - A member asked whether mergers and acquisitions (M&A) were considered when discussing justifiable exclusions. The member continued that it can take a year or more for a company to complete integration, making it challenging to immediately include M&A emissions in a greenhouse gas inventory. The member suggested adding an allowance for exclusions in cases of M&A. The Secretariat responded that Subgroup 1 is considering M&A through the lens of base year recalculation and that the proposed exclusion allowance for M&A will be considered.

- A member observed that they see the same methodological contradiction between quantification and exclusion for the proposed quantitative exclusion approach for scopes 1 and 2.
- A member asked whether the basis for exclusion differs for scopes 1 and 2 versus scope 3. The Secretariat replied that the Scope 3 TWG is recommending that companies be allowed to exclude "de minimis" emissions without quantifying them, provided that they are reasonably confident that the de minimis emissions would fall within the 5% exclusion threshold. The Secretariat continued that given the better data availability in scopes 1 and 2, a de minimis allowance was not recommended for scopes 1 and 2.
- A member commented that the 1% exclusion threshold for scopes 1 and 2 may not be meaningful if the confidence level in assurance can be above 1%. The Secretariat replied that Subgroup 3 will be considering data quality and uncertainty in phase 2, and that there are important interconnections between exclusions and uncertainty that will be considered. The Secretariat added that the proposed quantitative exclusion threshold will be revisited if needed.
- A member observed that if 100% of emissions must be quantified to justify exclusion, then there is no need to exclude any emissions because they have already been quantified. The Secretariat replied that the 1% exclusion threshold gives companies flexibility to exclude some emissions that are, for example, calculated using very low-quality data or methods.
- A member commented that if the 1% excluded emissions cannot be calculated accurately, then it is not possible to accurately estimate what 100% of emissions would be. The Secretariat acknowledged that there would be uncertainty in the total quantification of the emissions, but that a quantification requirement would promote progress towards completeness and towards identifying uncertainty and errors.
- A member shared examples of cases where a company may wish to exclude scope 1 data, such as small chillers with fugitive emissions or a small branch office that pays rent that includes utilities. The member continued that the effort to record this data separately is not in proportion to possible reduction measures.
- A member suggested that the aspiration should be to improve the data collection and reporting requirements for low quality variables rather than just excluding them.
- A member asked if a source is below 1% of scope 1 emissions in one year and then above 1% of scope 1 emissions in the following year, would the previous year's emissions need to be recast? The Secretariat replied that the exclusion quantification would be done on an annual basis and would not require recasting previous annual inventories. The Secretariat continued that Subgroup 1 is discussing a significance threshold for base year recalculation.
- A member noted that the use of the term "undue cost and effort" would need to be harmonized to prevent interoperability issues with the IFRS S2 proportionality mechanisms.
- A member asked about a hypothetical case in which a large manufacturing operation might exclude a small office from their inventory. The member asked whether the company would need to quantify the emissions from that small office to justify its exclusion, or if describing the nature of the business would be sufficient. The member continued that there are cases where a part of a business is obviously immaterial and may not need to be quantified. The Secretariat replied that under the proposed approach, the emissions of the small office would need to be quantified, but a rough estimation would be acceptable to justify the exclusion.
- A member expressed concern that a quantitative exclusions approach along with the use of the term "justifiable exclusions" could create additional effort in cases where an emissions source is clearly immaterial. The member suggested allowing companies to do their own materiality assessment, which they already do for financial reporting. The member continued that they would be in favor of striking the entire concept of justifiable exclusions such that a GHG inventory must not be materially misstated.

- **Indicative poll on whether to maintain:** The Secretariat conducted an indicative poll asking members if they support the preliminary Subgroup 3 outcome on maintaining scope 1 and scope 2 exclusions and making scope 1 and scope 2 exclusions more prescriptive and quantitative, with members expressing *majority support*.
    - **33 of 39 members support this outcome** (24 fully support; 9 support with minor edits)
    - 3 members oppose this outcome
    - 3 members abstained
- **Indicative poll on the boundary:** The Secretariat conducted an indicative poll asking members if they support the preliminary Subgroup 3 outcome on defining separate quantitative exclusion thresholds for scopes 1, 2, and 3, with members expressing *majority support*.
    - **30 of 39 members support this outcome** (21 fully support; 9 support with minor edits)
    - 6 members oppose this outcome
    - 3 members abstained
- **Indicative poll on the value:** The Secretariat conducted an indicative poll asking members if they support the preliminary Subgroup 3 outcome on defining a 1% quantitative exclusion threshold for scope 1 and scope 2, with members expressing *majority support*.
    - **25 of 39 members support this outcome** (19 fully support; 6 support with minor edits)
    - 9 members oppose this outcome
    - 5 members abstained
- **Indicative poll on the justification:** The Secretariat conducted an indicative poll asking members if they support the preliminary Subgroup 3 outcome on requiring that total scope 1 and scope 2 emissions shall be quantified to justify exclusions, with members expressing *majority support*.
    - **31 of 39 members support this outcome** (26 fully support; 5 support with minor edits)
    - 5 members oppose this outcome
    - 3 members abstained

Less stringent scope 3 requirement: Eligibility, requirement, and operationalization

- **Preliminary Subgroup 3 outcome**: *Majority support* for the following preliminary outcomes:
    - <u>Eligibility</u>: Adopt the SBTi company categorization approach, pending its finalization, to define eligibility for a less stringent scope 3 reporting requirement
    - <u>Requirement</u>:
        - *Eligible small companies shall report at least the three most relevant scope 3 categories*
        - *Eligible small companies should report all scope 3 categories*
        - More flexible scope 3 data quality requirements, pending finalization from the Scope 3 TWG
    - <u>Operationalization</u>: Operationalize a less stringent scope 3 reporting requirement with conformance levels, by reporter type
- **Discussion**:
    - A member stated that the proposed less stringent reporting requirement will be confusing for SMEs that use the GHG Protocol as a basis for another framework. The member continued that by adding more requirements, GHG Protocol is trying to drive the requirements of other programs. The Secretariat replied that the Independent Standards Board (ISB) will consider the question of the role of GHG Protocol in defining different levels of reporting requirements.
    - Two members stated that they do not think it is the role of GHG Protocol to define the requirements for a less stringent level of scope 3 reporting.

  - A member asked whether geography is part of the proposed eligibility definition for a less stringent scope 3 requirement. The Secretariat confirmed that geography is considered in the draft SBTi company categorization approach, along with company size and an emissions cap.
  - A member commented on the thresholds for the SBTi company categorization approach, observing that US dollars and Euros are equated and should not be.
  - A member suggested that transition periods of regulatory requirements should be considered, and another member added that transition periods should be considered by GHG Protocol for scope 3. The Secretariat replied that whether/how to define transition periods is also a cross-cutting and strategic issue that will be considered by the ISB.
  - A member asked whether the SBTi company categorization approach would be embedded into GHG Protocol as its own criteria or if GHG Protocol would refer to the SBTi and therefore adopt any SBTi revisions. The Secretariat replied that adopting or referring to SBTi criteria is still under discussion.
  - A member expressed concern about basing GHG Protocol criteria on an external organization like SBTi.
  - A member suggested providing a grace period for scope 3 reporting for new reporters. The Secretariat replied that this was considered by Subgroup 3, but since many external programs already define grace periods for new reporters, the Subgroup thought this issue was best left with external programs. The Secretariat added that the ISB will be considering transition periods for the implementation of all revised GHG Protocol Standards.
  - A member expressed concern that companies from low- and middle-income countries would be deterred from starting greenhouse gas accounting if there is a mandatory scope 3 requirement. They continued that if there will a mandatory scope 3 requirement for all companies, then a transition period should be reconsidered.
  - The Secretariat noted that the indicative poll questions on a less stringent scope 3 requirement will be used to finalize a case study that will be presented to the ISB to inform the discussion on the role of GHG Protocol in defining different levels of requirements.
- **Indicative poll on eligibility:** The Secretariat conducted an indicative poll asking members if they support the preliminary Subgroup 3 outcome on adopting the SBTi company categorization approach, pending its finalization, to define eligibility for a less stringent scope 3 reporting requirement, with members expressing *majority support*.
  - **26 of 36 members support this outcome** (19 fully support; 7 support with minor edits)
  - 8 members oppose this outcome
  - 2 members abstained
- **Indicative poll on the requirement:** The Secretariat conducted an indicative poll asking members if they support the following preliminary Subgroup 3 outcome on defining the requirement for a less stringent scope 3 requirement, with members expressing *majority support*.

  Eligible small companies shall report at least the three most relevant scope 3 categories

  Eligible small companies should report all scope 3 categories

  More flexible scope 3 data quality requirements, pending finalization from the Scope 3 TWG
  - **30 of 36 members support this outcome** (21 fully support; 9 support with minor edits)
  - 4 members oppose this outcome
  - 2 members abstained
- **Indicative poll on operationalization:** The Secretariat conducted an indicative poll asking members if they support the preliminary Subgroup 3 outcome on operationalizing a less stringent scope 3 reporting requirement with conformance levels, by reporter type, with members expressing *majority support*.
  - **28 of 36 members support this outcome** (22 fully support; 6 support with minor edits)

- 5 members oppose this outcome
- 3 members abstained

Outcomes (e.g., recommendations, options)

- Scope 3 requirement:
  - An indicative poll found *majority support* for revised text defining a scope 3 reporting requirement
- Justifiable exclusions for scopes 1 and 2:
  - An indicative poll found *majority support* for maintaining scope 1 and scope 2 exclusions and making the exclusions more prescriptive and quantitative
  - An indicative poll found *majority support* for defining separate quantitative exclusion thresholds for scopes 1, 2, and 3
  - An indicative poll found *majority support* for defining a 1% quantitative exclusion threshold for scope 1 and scope 2
  - An indicative poll found *majority support* for requiring total scope 1 and scope 2 emissions to be quantified to justify exclusions
- Less stringent scope 3 requirement:
  - An indicative poll found *majority support* for adopting the SBTi company categorization approach, pending its finalization, to define eligibility for a less stringent scope 3 requirement
  - An indicative poll found *majority support* for defining a less stringent scope 3 requirement as the three more relevant scope 3 categories
  - An indicative poll found *majority support* for operationalizing a less stringent scope 3 requirement with conformance levels, by reporter type

5. Subgroup 1 preliminary phase 2 outcomes

- The Secretariat presented preliminary phase 2 outcomes from Subgroup 1 related to choosing a base year and base year recalculation policies and significance thresholds. (Slides 53-59)

Summary of discussion

- The Secretariat presented preliminary Subgroup 1, phase 2 outcomes related to the topics listed below. The Secretariat noted that Subgroup 1 has only held two meetings on phase 2 topics to date and that preliminary phase 2 outcomes will not be presented to the ISB for pulse check at this juncture, and that feedback from the full TWG will be taken into subsequent subgroup discussions. Feedback is organized below by topic.
  - Inventory base year and target base year
  - Rolling base year option
  - Significance thresholds
  - Prescriptive quantitative significance threshold

Inventory base year and target base year: The Secretariat presented the preliminary Subgroup 1 outcome on selecting and inventory base year and target base year, including the level of Subgroup 1 support, rationale, and implications.

- **Preliminary Subgroup 1 outcome:** Companies that have a base year established for GHG reduction targets should have the option to use the same year for their inventory base year or choose a different year.

- **Discussion:**
  - A member asked if a base year is currently required in the Corporate Standard and whether the subgroup had first considered whether a base year should be required at all. They added that many companies do not report a base year as they have net-zero targets that are forward looking.
    - The Secretariat clarified that choosing and reporting a base year is required in the Corporate Standard, along with reporting emissions for the base year.
    - The member noted that beyond the year chosen as base year, no other specific disclosures are required.
    - Another member shared that from their experience, most companies only report a base year for targets or to report progress.
  - A member asked if companies are currently allowed to reset their base year. The Secretariat clarified that the Scope 3 Standard (p.104) specifies that companies can reset their base year in the event of a major structural change.
- **Indicative poll:** The Secretariat posed an indicative poll asking members if they support the preliminary Subgroup 1 outcome on inventory base year and target base year, with members expressing *majority support*:
  - **25 of 32 members support the outcome** (21 fully support, 4 support with minor edits)
  - 3 members oppose
  - 4 members abstained

Rolling base year option: The Secretariat presented the preliminary Subgroup 1 outcome to eliminate the rolling base year option, including the level of Subgroup 1 support, rationale, and implications.

- **Preliminary Subgroup 1 outcome:** The rolling base year option as currently defined in the Corporate Standard should be eliminated.
- **Discussion:**
  - A member asked whether comparing emissions with the previous year's emissions can remain an option for companies to apply in addition to comparing to a base year. Another member noted that even if the option is not specified in the Standard, it does not preclude companies from applying the practice.
- **Indicative poll:** The Secretariat posed an indicative poll asking members if they support the preliminary Subgroup 1 outcome to eliminate the rolling base year option, with members expressing *majority support*:
  - **26 of 32 members support the outcome** (23 fully support, 3 support with minor edits)
  - 3 members oppose
  - 3 members abstained

Significance thresholds: The Secretariat presented the preliminary Subgroup 1 outcome to require companies to establish a significance threshold, including the level of Subgroup 1 support, rationale, and implications. The Secretariat noted that while Subgroup members agreed on requiring companies to establish a significance threshold, it is yet to be resolved in the Subgroup whether a threshold must be quantitative or may be qualitative and/or quantitative.

- **Preliminary Subgroup 1 outcome:** Companies should be required to establish a significance threshold as part of their base year recalculation policy.
- **Discussion:**
  - A member noted that companies may not always determine whether to recalculate base year emissions on the basis of a quantitative change in emissions, but may rather make qualitative judgments, such as always recalculating base year emissions in the event of an acquisition or divestment.

- **Indicative poll:** The Secretariat posed an indicative poll asking members if they support the preliminary Subgroup 1 outcome to require companies to establish a significance threshold, with members expressing *majority support*:
    - **25 of 32 members support the outcome** (19 fully support, 6 support with minor edits)
    - 5 members oppose
    - 2 members abstained

Prescriptive quantitative significance threshold: The Secretariat presented the preliminary Subgroup 1 outcome to define a prescriptive quantitative significance threshold for base year recalculation, including the level of Subgroup 1 support, rationale, and implications. The Secretariat noted while Subgroup 1 members agreed that the Corporate Standard should establish a prescriptive quantitative significance, whether it should be established as a requirement or a recommendation remains to be resolved in the subgroup.

- **Preliminary Subgroup 1 outcome:** The Corporate Standard should define a prescriptive quantitative significance threshold for base year recalculation.
- **Discussion:**
    - A member advised against defining a prescriptive quantitative significance threshold in the Corporate Standard and suggested that it's more important for preparers to understand the reasons for base year recalculation, particularly what constitutes a methodological change. They added that as technology advances, they anticipate there being more grey area in determining whether a base year recalculation is warranted. Another member expressed agreement with the comments.
    - A member suggested that while defining a prescriptive quantitative significance threshold makes sense, it should be a recommendation and not a requirement, and that defining a requirement is a more appropriate role for programs such as SBTi.
- **Indicative poll:** The Secretariat posed an indicative poll asking members if they support the preliminary Subgroup 1 outcome to define a prescriptive quantitative significance threshold for base year recalculation, with members expressing *majority support*:
    - **20 of 32 members support** (15 fully support, 5 support with minor edits)
    - 7 of 32 members oppose
    - 5 of 32 members abstained

General discussion on base year recalculation: Different members raised potential issues with the requirement that companies recalculate base year emissions including:

- Different members noted that companies do not recalculate financial data for prior years based on structural or methodological changes, meaning that intensity metrics with financial information in the denominator will not be consistent over time. One member suggested that GHG Protocol requirements should be consistent with those in financial reporting.
- One member highlighted potential issues related to supplier-specific emission factors, which might be calculated on a per unit revenue basis. They also noted that supplier-specific emission factors will change for prior years based on a supplier recalculating their emissions for prior years, but that this might not be reflected in the scope 3 reporting for customers, leading to inconsistencies in accounting for emissions among companies.

<u>Outcomes (e.g., recommendations, options)</u>

- An indicative poll found *majority support* that companies that a have base year established for GHG reduction targets should have the option to use the same year for their inventory base year or choose a different year.

- An indicative poll found *majority support* for eliminating the rolling base year option as currently defined in the Corporate Standard.
- An indicative poll found *majority support* for requiring companies to establish a significance threshold as part of their base year recalculation policy.
- An indicative poll found *majority support* for defining a prescriptive, quantitative significance threshold in the Corporate Standard.

6. Wrap-up and next steps

- The Secretariat shared a summary of next steps including the schedule for upcoming meetings and the sharing of post-meeting feedback surveys addressing preliminary outcomes from each subgroup. (Slides 60-63)

Summary of discussion

- No TWG member comments were received.

Outcomes (e.g., recommendations, options)

- The Secretariat will share post-meeting materials, including final slides and meeting minutes.
- Feedback surveys will be shared with all TWG members on preliminary outcomes from Subgroup 1, Subgroup 2, and Subgroup 3 and on the TWG process.
- TWG feedback will go back to the subgroups for consideration.

Summary of written submissions received prior to meeting

- 2 TWG members submitted written feedback prior to the meeting. Points raised in written feedback were also raised during the meeting and captured in the appropriate sections of the minutes.