GREENHOUSE GAS PROTOCOL

Corporate Standard Technical Working Group

Full TWG Meeting #3

GHG Protocol Secretariat team:
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July 15th, 2025

WORLD RESOURCES INSTITUTE

World Business Council for Sustainable Development

Meeting information

Record

This meeting is **recorded**.

Raise Hand

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

Chat

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

Agenda

Introduction and housekeeping	10 minutes
Subgroup 1 preliminary phase 1 outcomes	30 minutes
Subgroup 2 preliminary phase 1 outcomes	40 minutes
Subgroup 3 preliminary phase 1 outcomes	40 minutes
Subgroup 1 preliminary phase 2 outcomes	20 minutes
Wrap-up and next steps	10 minutes

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Today's objectives

Share Subgroup 1, Subgroup 2, and Subgroup 3 preliminary outcomes and collect TWG member feedback

Subgroup	Topics to be covered
Subgroup 1: Objectives and principles	• **Objectives:** Draft objectives statement • **Principles:** relevance and materiality, consistency and comparability, accuracy and conservativeness, transparency and verifiability
Subgroup 2: Organizational boundaries	• **Financial control approach**: Revised language • **Operational control approach**: Revised definition • **Optionality in consolidation approaches**: Reevaluation
Subgroup 3: Operational boundaries	• **Scope 3 requirement**: Revised language • **Justifiable exclusions for scopes 1 and 2**: Boundary, quantitative value, requirements • **Less stringent scope 3 requirement**: Eligibility, definition, and operationalization
Subgroup 1: Tracking emissions over time	• **Base year selection:** inventory versus target base year, rolling base year option • **Base year recalculation policy:** significance threshold requirement, a prescriptive quantitative significance threshold

Outcomes from the full TWG will be presented to the ISB for pulse check later this month

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

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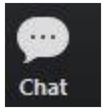
Zoom logistics and recording of meetings

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

Raise your hand in the participants feature and unmute yourself to speak

Use the chat function to type in your questions



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.***

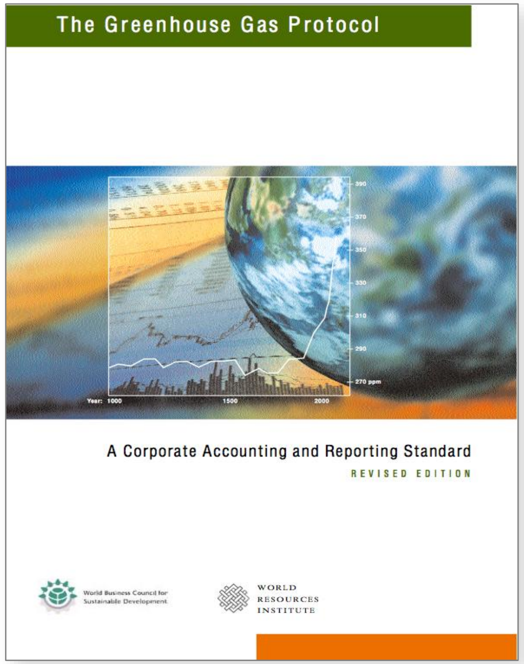
Scope of Work Overview

Scope of work:

A. Objectives and principles ← Subgroup 1 Phase 1 topic
B. Organizational boundaries ← Subgroup 2 Phase 1 topic
C. Operational boundaries ← Subgroup 3 Phase 1 topic
D. Tracking emissions over time ← Subgroup 1 Phase 2 topic
E. Verification/assurance
F. Data/calculation methodology
G. Organization of the standards and internal/external harmonization

Out-of-scope items:

H. Items addressed elsewhere by GHG Protocol
I. Items for future consideration after standard revision
J. Items outside of GHG Protocol's purview



Corporate Standard

→ Third Edition

Corporate Standard TWG process flow to develop recommendations

Subgroup develops a recommendation → Full TWG reviews recommendation and provides feedback → Subgroup revises based on full TWG feedback as needed → ISB reviews and provides feedback and/or decision → Subgroup revises as needed

We are here with preliminary outcomes on Phase 1 topics

Phase 1 topics will be presented to ISB for pulse check later this month

And we are here for a few topics that have already been to the ISB

GHG Protocol Decision-Making Criteria

1A. Scientific integrity → 1B. GHG accounting and reporting principles → 2A. Support decision making that drives ambitious global climate action → 2B. Support programs based on GHG Protocol and uses of GHG data → 3. Feasibility to implement

1A. Scientific integrity

Ensure scientific integrity and validity, adhere to the best applicable science and evidence … and align with the latest climate science.

1B. GHG accounting and reporting principles

Meet the GHG Protocol accounting and reporting principles of **accuracy**, **completeness**, **consistency**, **relevance**, and **transparency**. Additional principles should be considered where relevant: conservativeness (for GHG reductions and removals), permanence (for removals), and **comparability** (TBD). …

2A. Support decision making that drives ambitious global climate action

Advance the public interest by informing and supporting decision making that drives ambitious actions by private and public sector actors to reduce GHG emissions and increase removals in line with global climate goals. …

2B. Support programs based on GHG Protocol and uses of GHG data

Promote interoperability with key mandatory and voluntary climate disclosure and target setting programs … while ensuring policy neutrality. Approaches should support appropriate uses of the resulting GHG data and associated information by various audiences …

3. Feasibility to implement

Approaches which meet the above criteria should be feasible to implement, meaning that they are accessible, adoptable, and equitable. … For aspects that are difficult to implement, GHG Protocol should aim to improve feasibility, for example, by providing guidance and tools to support implementation.

Note: This is a summary version. For further details, refer to the full decision-making criteria included in the annex to the Governance Overview, available at https://ghgprotocol.org/our-governance.

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Subgroup 1, phase 1: topics to be discussed today

Topic		Preliminary outcome
Corporate Standard objectives	Objectives statements	Draft Corporate Standard **objectives statements**
GHG accounting and reporting principles	Relevance and materiality	Update guidance on **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)
	Consistency and comparability	Update **consistency principle** to apply to **consistency in methods both over time for a single company and consistency in methods between companies** and divisions within companies. Update guidance for consistency principle to clarify relationship between consistency and comparability and how consistency in methods contributes to more comparable information (including with a supporting text box on comparability)
	Accuracy and conservativeness	Update guidance for **accuracy principle** to include language on **conservativeness** and when companies should consider using conservative methods (including with a supporting text box on conservativeness)
	Transparency and verifiability	**Outstanding question to be reviewed:** How should principles be updated to better distinguish between external transparency and verifiability? **A. Update transparency principle** to more clearly distinguish between external transparency and verifiability (including with a supporting text box on verifiability) B. Delineate **separate** transparency and verifiability principles

An indicative poll will be conducted for each topic above.

Subgroup 1, phase 1
Objectives

Corporate Standard objectives statement

Draft objectives statement

The primary goal of the Corporate Standard is to help companies develop and maintain a relevant, complete, consistent, accurate, and transparent GHG inventory, using standardized approaches and principles in order to:

- *Provide companies with information that can be used to develop an effective strategy to manage and reduce GHG emissions and track implementation progress*
- *Support more transparent and comparable reporting of GHG emissions according to a standardized set of accounting and reporting requirements*

Indicative poll

?

Do you support the above draft **objectives statement** for the Corporate Standard?

- Yes, fully support
- Yes, with minor edits
- No
- Abstain

For more information, see section 2 of outcomes memo.

Subgroup 1, phase 1
Principles

Relevance and materiality

Preliminary outcome

Update guidance on **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)

Rationale

Providing **clarifying language** on the concept of materiality as it relates to the relevance principle used by programs referring to the Corporate Standard helps **promote interoperability** and **supports reporters** subject to or participating in external programs.

Level of support from TWG

Subgroup 1:
- **93% support**
- 7% oppose
- 0% abstain

14 members

Full TWG:
- **23% strongly agree**
- **47% agree**
- 10% neutral
- 5% disagree
- 7% strongly disagree
- 9% neutral

43 members

Implications

- Update provides clarifying language only – no **major implications are expected**
- Subgroup 2 will address updates related to **verification and assurance**, where there may be further consideration of the term "materiality" in this context

For more information, see section 3.1 of outcomes memo and section 1.3.1 of chapter 1 draft.

Subgroup 1, phase 1
Principles

Consistency and comparability

Preliminary outcome

Update **consistency principle** to apply to consistency in methods both **over time** for a single company *and* consistency in methods **between companies and divisions within companies**.
Update guidance for consistency principle to clarify relationship between consistency and comparability and how **consistency in methods contributes to more comparable information** (including with a supporting text box on comparability)

Rationale

- Respond to **stakeholder needs** for more comparable information and support **comparability objective** without adopting a new principle
- **Alignment in terminology** with financial accounting and relevant programs (e.g., IFRS S1, ESRS 1)
- Clearer **delineation between** consistency in methods and comparable information (support by consistency)

Level of support from Subgroup 1

Poll on whether to update definitions of consistency and comparability, leading to recommendation above

- **62% support**
- 23% oppose
- 15% abstain

13 members

Implications

- Concerns that approach **deemphasizes consistency over a time series** (noting that key text related to documenting changes in data, methods, boundaries, etc. over time maintained)
- Consistent application of methods **cannot be fully achieved** by a principle (supporting text acknowledges limitations)
- **Differs from** approach in Land Sector and Removals Standard – rectification will require further consideration

For more information, see section 3.2 of outcomes memo and section 1.3.3 of chapter 1 draft.

Subgroup 1, phase 1
Principles

Accuracy and conservativeness

Preliminary outcomes

Update guidance for **accuracy principle** to include language on **conservativeness** and when companies should consider using conservative methods (including with a supporting text box on conservativeness).

Rationale

- Establishes conservativeness as a ***recommendation*** rather than ***requirement***, giving companies flexibility in determining whether and when to apply conservative methods based on their **business goals**
- Helps **avoid understatement of emissions** in instances of high uncertainty
- Can incentivize companies to obtain **higher quality data**

Level of support from Subgroup 1

Expand applicability of conservativeness principle

- 47% support
- 40% oppose
- 13% abstain

Split opinions

15 members

Update accuracy principle (see recommendation above)

- **71.5% support**
- 21.5% oppose
- 7% abstain

14 members

Implications

- Concerns with **compromising accuracy and introducing bias** (addressed by language emphasizing that **conservativeness should not be a substitute** for improving data quality)
- Concerns with **overstating reductions** over time as data quality improves (addressed by **base year recalculation requirements**)
- When to apply conservative approaches contingent on understanding **uncertainty** – topic to be considered by Subgroup 3 in phase 2

For more information, see section 3.4 of outcomes memo and section 1.3.5 of chapter 1 draft.

Subgroup 1, phase 1
Principles

Transparency and verifiability

Question posed to full TWG

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)

- Maintains current framing of transparency principle and **avoids the introduction of a new principle** while better distinguishing between external transparency and verifiability
- **Subgroup 1 support**: 6 of 14 members (43%)

Option B

Delineate separate transparency and verifiability principles

- May **better disentangle** and more specifically highlight the respective importance of both external transparency and verifiability
- **Subgroup 1 support**: 8 of 14 members (47%)

*Note: **Verification and assurance**, including whether verification or assurance should be required as part of the Corporate Standard, will be considered by Subgroup 2 in phase 2.*

For more information, see section 3.3 of outcomes memo and section 1.3.4 of chapter 1 draft.

Subgroup 1, phase 1
Principles

Indicative poll

?

Question		Options
Do you support the following **Subgroup 1 outcomes**?	**Update guidance on 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)	Yes, fully support Yes, support with minor edits No Abstain
	Update consistency principle to apply to consistency in methods both over time for a single company and consistency in methods between companies and divisions within companies. Update guidance for consistency principle to clarify relationship between consistency and comparability and how consistency in methods contributes to more comparable information (including with a supporting text box on comparability)	
	Update guidance for accuracy principle to include language on conservativeness and when companies should consider using conservative methods (including with a supporting text box on conservativeness)	

Question	Options
How should principles be updated to better distinguish between **external transparency and verifiability**?	A. Update transparency principle to more clearly distinguish between external transparency and verifiability (including with a supporting text box on verifiability) B. Delineate separate transparency and verifiability principles

Subgroup 1: next steps

Phase 1

- Review/ revision of chapter 1 draft text
- Development of introduction draft text

Phase 2

- First round of preliminary phase 2 outcomes to be reviewed in second half of meeting
- Continuation in September

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Introduction and housekeeping	10 minutes
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Subgroup 2 – Topics to be discussed today

Topic		Preliminary outcome	Poll
Alignment with financial accounting	How to align with financial accounting	*Unanimous support* to revise the financial control approach to require companies to use the same consolidation method as in their financial statements	NA *(topic settled)*
	Revising financial control	**Revising the financial control approach** in line with the **proposed directional text** *(slide 25)*	Yes ***(pulse check 2.1)***
Optionality in consolidation	Revising operational control	**Revising the operational control approach** in line with the reference directional text (slide 30) *Majority support* for **fully revising** the current definition of operational control	Yes ***(pulse check 2.2)***
	Whether to maintain optionality	**Initial evaluation on whether to maintain optionality** in consolidation approaches: *Majority support* for maintaining optionality in consolidation approaches *Split opinions* on how to maintain optionality in consolidation **Evaluating current consolidation approaches:** *Majority support* for; • **Eliminating** the **equity share** approach *(initial evaluation)* • Maintaining and **revising** the **operational control** approach *(initial evaluation)* • Maintaining and **revising** the **financial control** approach to align with financial accounting	Yes ***(pulse check 2.3)***

Process for reviewing Organizational Boundaries

Main topics that guide the review of consolidation approaches are:

Alignment with financial accounting

Sub-topic: Revising financial control approach *(ongoing)*

Final recommendation:

Consensus on **revising financial control approach** to align with financial accounting

Update:

Unanimous support from Subgroup 2 members for the **proposed text** *(with further revision suggestions)*

Optionality in consolidation approaches *(pending final discussion)*

Sub-topic: Revising operational control approach *(ongoing)*

Subgroup 2
Alignment

Revise **financial control** approach to **align with financial accounting**

Recommendation (*provisional support* from ISB)

Revising the **financial control** approach to align with financial accounting by requiring companies to adopt the **same consolidation method as in their financial statements**

Rationale

- **Futureproof financial control consolidation approach's** alignment with financial accounting by defining the approach to be **non-prescriptive**
- **Support conformance** with **mandatory programs** (e.g., IFRS, CSRD) requiring same reporting boundary as financial statements

Level of support

- **Subgroup 2** and **full TWG** ⟶ **Unanimous support**
- **ISB** → **Majority support** (10 of 11 members expressed support, 1 of 11 member abstained)

Implications

- Continued limitations to **comparability** (e.g., consolidation based on different financial accounting standards) **regardless of** whether optionality in consolidation approaches is maintained
- Potential **overlap** with the **equity share** approach (e.g., equity method investments):

  SOLUTION: GHG emissions from entities and operations accounted for using the **equity method investments** for financial accounting, must be accounted for **under scope 3, category 15**

For more information, please see section 2.2 of outcomes memo and Subgroup 2 Meeting 2 minutes, presentation and discussion paper on consolidation approaches

Subgroup 2
Revision

Revise **financial control** approach to **align with financial accounting**

Text revision process

- **Working draft text for defining the revised financial control approach** (see next slide) is **under review**
  - Feedback from the full TWG and ISB will inform the text finalization

Rationale

- **Futureproof financial control approach's** alignment with financial accounting by adopting a **GAAP agnostic** and **principles-based definition**
  - There are many global and local financial accounting standards, which may vary in their consolidation rules and methods, and they continue to evolve.

Level of support from Subgroup 2 *(updated)*

Feedback on proposed text

- **100% support** (47% support as is; 53% support with minor revisions)
- No strong opposition
- No abstention

17 members

Key pending items

- **Finalizing the** definition of the revised approach
- Further **guidance** and **examples from leading financial accounting standards** on how financial control approach should be applied to specific accounting categories will to be added to support adoption
- Different definition will be developed for **investment entities**

For more information, please see section 2.2 of outcomes memo and Subgroup 2 meeting 8 minutes and presentation

Proposed revised definition for the financial control approach

- *"An entity has financial control over an underlying entity or operation **if it consolidates the latter in its financial statements**. The reporting entity applying the financial control approach therefore **shall** define its organizational boundary for GHG accounting using the **same methods adopted in its consolidated financial statements**. GHG emissions associated with entities and operations that are consolidated in the reporting entity's consolidated financial statements, whether **as a single entity or a consolidated group of entities**, shall be accounted for under scope 1, scope 2 and scope 3, as applicable.*
- *This organizational boundary is **defined by the financial accounting and reporting standard applied in the entity's financial reporting**, and includes wholly-owned subsidiaries and operations, as well as investees that are not wholly-owned but whose assets, liabilities, costs, and revenues are consolidated in the financial statements in accordance with the applicable accounting standards.*
- *GHG emissions associated with **an investee that is not wholly-owned, but is consolidated in the financial statements** by the reporting entity, are consolidated in the GHG inventory using the same methods as financial accounting. The reporting entity **should** provide an additional (separate) disclosure of the investee's emissions included in the GHG inventory, **separated by owned interests and minority interests held by other parties**.*
- *GHG emissions associated with entities and operations in which the reporting entity has an interest but lacks financial control—such as **equity method investments under U.S. GAAP or IFRS** (e.g., unconsolidated investees, associates, joint ventures)—**shall** be **excluded from scope 1 and scope 2** emissions and **accounted for under scope 3, category 15**."*

Poll: Revising the financial control approach

Indicative poll

Do you support the **preliminary draft** of the **revised financial control approach text,** noting that some minor changes are underway?

- Yes, **fully support** the preliminary draft text
- Yes, support the preliminary draft text **with minor edits**
- No, I strongly **oppose** the preliminary draft text
- Abstain

Process for reviewing Organizational Boundaries

Main topics that guide the review of consolidation approaches are:

Alignment with financial accounting

Sub-topic: Revising financial control approach
(ongoing)

Optionality in consolidation approaches *(pending final discussion)*

Sub-topic: Revising operational control approach
(ongoing)

Preliminary direction

Majority support for **maintaining optionality**

Update

Majority support for **fully revising** the definition of **operational control**

Subgroup 2
Revision

Revising the **operational control approach**

Preliminary outcome

- The current **definition** should be **fully revised**
- **Working draft text for defining "operational control"** (see next slide) is **under review**
  - Feedback from the full TWG and ISB will inform the text finalization

Rationale for revision

- Key terms used in the current definition such as **full authority** and **operating policies** were open to interpretation and not applicable to many organizational structures.
- The definition should be based on the entity's **ability to control GHG emissions** the most rather than control over operating policies

Level of support from Subgroup 2

Majority support for fully revising the current definition of operational control

- **88% support** (41% support as is; 47% support with minor revisions)
- 12% oppose
- 0% abstain

17 members

Implications

- The concept of operational control poses a challenge to distinguish between "**operationally controlling an entity**" and "**operating an asset**"
- Continued concerns about how to define **(the greatest) power**, clarify the focus on **control over emissions** *(on proposed reference text)*
- The revised operational control and financial **control approaches align in most cases:** potential for **user confusion,** and the **concern about maintaining** the approach

For more information, please see section 2.4 of outcomes memo and Subgroup 2 meeting 8 minutes and presentation

Reference text for revising "operational control" definition

- *"An entity has operational control over an operation if it, or one of its subsidiaries, has **the power or practical ability** to **direct or implement** the **policies, processes, or day-to day activities** of the operation, particularly those that impact the operation's greenhouse gas emissions – regardless of legal ownership or formal authority structures.*
- *In **arrangements involving multiple parties**, the entity with **the greatest power or practical ability** to direct or implement policies, processes, day-to-day activities or emissions-related decisions **shall** be considered to have operational control."*

Poll: Revision of the operational control definition

Indicative poll

Do you support the proposed text as **direction** for revising the **definition of operational control**?

- Yes, **fully support** the direction
- Yes, support the direction **with minor edits**
- No, I strongly **oppose** the direction
- Abstain

Subgroup 2
Optionality

Whether to **maintain optionality in consolidation approaches**

Initial evaluation *(early direction)*

Majority support for **maintaining optionality** in consolidation approaches through the following three early directions:

1. **Eliminate** the **equity share** approach
2. Maintain and **update** the **operational control** approach
3. Define the **revised financial control** as a **preferred/recommended** approach

Level of support

For **maintaining optionality** in consolidation approaches

Subgroup 2:
- **90% support**
- 0% oppose
- 10% abstain

10 members

Full TWG:
- **81% support**
- 0% oppose
- 7% abstain

42 members

Rationale

- **Purpose of the initial evaluation:** Justify moving forward with **revising the operational control approach**. The recommendation will be finalized once all options on the table are revised.
- **Direction to maintain optionality: Interoperability** with programs providing optionality for consolidation of GHG emissions (e.g., IFRS, SBTi) and requiring a single or a layered approach (e.g., CSRD).

Implications

- **Cross-cutting** issue: Limiting **comparability**

For more information, please see section 2.3 of outcomes memo and Subgroup 2 meeting 4 minutes and presentation

Poll: Revisiting optionality in consolidation approaches

Indicative poll

Should **optionality between** the revised **financial control and** revised **operational control** approaches **be maintained** in the Corporate Standard?

- Yes, optionality should be **maintained**
- No, optionality should be **eliminated**, and a single approach should be required
- Abstain

Subgroup 2, phase 1 – Next steps

Financial control approach text finalization

- Operational control approach final discussions
- Operational control approach text finalization

Finalize recommendation on optionality in consolidation approaches

Revision and review of chapter 3 on setting organizational boundaries

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Subgroup 3, phase 1: topics to be discussed today

Topic	Topic	Preliminary Subgroup 3 outcome
Scope 3 requirement	Draft text	• *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*
Justifiable exclusions for scopes 1 and 2	Whether to maintain	• **Maintain** scope 1 and scope 2 exclusions • Make scope 1 and scope 2 exclusions **more prescriptive and quantitative**
	Boundary	• Define **separate quantitative exclusion** thresholds for scopes 1, 2, and 3
	Value	• 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**
Less stringent scope 3 requirement	Eligibility	• Adopt the **SBTi company categorization approach**, pending its finalization, to define eligibility for a less stringent scope 3 reporting requirement
	Requirement	• *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
	Operationalization	• Operationalize a less stringent scope 3 reporting requirement with **conformance levels**, by reporter type

Italized text is draft text for the standard
An indicative poll will be conducted for each topic above

Subgroup 3 Phase 1
Part 1: Scope 3 requirement

1 **Should there be a scope 3 reporting requirement in the Corporate Standard?**

1A. **No.**
Maintain optionality

Scope 3 optionality is maintained in Corporate Standard

1B. **Yes.**
Adopt a scope 3 requirement in the Corporate Standard

ISB provisionally adopted scope 3 reporting requirement at April 2025 meeting

2 **What should the scope 3 reporting requirement be?**

2A. **All** scope 3 emissions

2B. **All relevant** scope 3 emissions

2C. **All significant** scope 3 emissions

2D. Other

Text revision to be discussed today

Subgroup 3
Part 1, Question 2

Draft scope 3 requirement text

Preliminary outcome

Removed term “significant” to address interoperability concerns

- *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*

*95% value (i.e., 5% exclusion threshold) to be finalized by Scope 3 TWG
^Required scope 3 emissions = minimum boundary scope 3 emissions as defined in S3 Standard
+Optional scope 3 emissions = outside minimum boundary scope 3 emissions as defined in S3 Standard

Level of support from Subgroup 3

15 members

- **80% support**
(53% support as is; 27% support with minor revisions)
- 7% oppose
- 7% other
- 7% abstain

Rationale

- **Supports decision-making that drives global climate action** through identification and prioritization of emissions through an objective and quantitative approach to setting the scope 3 boundary
- **Addresses feasibility concerns** by allowing exclusion of insignificant emissions

Implications

- **Cross-cutting:** Harmonizes and integrates Corporate Standard and Scope 3 Standard
- **Interoperability concerns** with external programs that use a qualitative exclusions approach (e.g., IFRS S2, ESRS E1). Subgroup 3 members expressed majority agreement that external programs with qualitative exclusions can be interoperable with a quantitative exclusions approach.

For more information, see Subgroup 3 Memo, Part 1, Question 2; Subgroup 3 Meeting 8 minutes and slides

Subgroup 3
Part 1, Question 2

Indicative poll: Scope 3 requirement

Question		Options
Do you support the following **revised text defining a 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*	Yes, fully support Yes, support with minor edits No Abstain

*95% value (i.e., 5% exclusion threshold) to be finalized by Scope 3 TWG

^Required scope 3 emissions = minimum boundary scope 3 emissions as defined in the draft revision of the Scope 3 Standard

+Optional scope 3 emissions = outside minimum boundary scope 3 emissions as defined in the draft revision of the Scope 3 Standard

**Companies must calculate de minimis emissions in scopes 1 and 2 to justify their exclusion

Draft text is italicized

Subgroup 3 Phase 1
Part 2: Justifiable exclusions for scopes 1 and 2

Justifiable exclusions

1. Should justifiable exclusions be maintained in **scopes 1 and 2**?

→ Yes, but make more prescriptive and **quantitative**

→ 1A. How should the **boundary** for a quantitative exclusion threshold be set across scopes?

→ 1B. What **value(s)** should be used to define the quantitative exclusion threshold for scopes 1 and 2?

Disclosure requirements

2. How should exclusions be justified?

→ Quantify total emissions to justify exclusions

Note: **De minimis emissions** will be discussed at a future meeting to ensure alignment with Scope 3 TWG

Subgroup 3 Part 2, Question 1
Whether to maintain exclusions for scopes 1 and 2

Preliminary outcome

- **Maintain** scope 1 and scope 2 exclusions
- Make scope 1 and scope 2 exclusions more **prescriptive and quantitative**

Rationale

- More prescriptive and quantitative exclusion thresholds promote **transparency, completeness, and comparability**
- **Flexibility** with justifiable exclusions allows companies to avoid undue cost and effort of collecting high quality data for a small percentage of emissions

Level of support from Subgroup 3

15 members

- **87% support**
- 7% oppose
- 7% abstain

Implications

- **Full quantification required** to calculate and justify exclusions
- **Why exclude any emissions?** Some members suggest all quantified emissions should be reported; others note that reporters may wish to exclude low-quality estimates from public inventory.
- **Interoperability concerns** with programs that use a qualitative exclusions approach. Subgroup 3 members agree that qualitative exclusions can be interoperable with qualitative exclusions. However, there may be rare cases of misalignment.

For more information, see Subgroup 3 Memo, Part 2, Question 1; Subgroup 3 Meeting 6 minutes and slides; Subgroup 3 Meeting 7 minutes and slides

Subgroup 3
Part 2, Question 1A

Boundary for exclusions for scopes 1 and 2

Preliminary outcome

- **Define separate quantitative exclusion thresholds** for scopes 1, 2, and 3
- This means that a separate exclusion boundary would be defined for each scope

Rationale

- Boundaries of the three scopes are **inherently different**
- Separate thresholds **support transparency** in the reporting of exclusions because the exclusions are distributed across the scopes
- **Complexities of scope 2** (e.g., dual reporting) would complicate a cumulative threshold

Level of support from Subgroup 3

15 members

- **87% support**
- 7% oppose
- 7% abstain

Implications

- **Reporting:** Companies would need to separately report their exclusions for each scope
- **Cross-cutting:** Additional justifiable exclusions or exceptions proposed by other workstreams (e.g., Scope 2 TWG, Scope 3 TWG) would need to be harmonized

For more information, see Subgroup 3 Memo, Part 2, Question 1A; Subgroup 3 Meeting 7 minutes and slides; Subgroup 3 Meeting 8 slides

Subgroup 3
Part 2, Question 1B

Value for exclusions for scopes 1 and 2

Preliminary outcome

Define a **1% quantitative exclusion** threshold for scope 1 and a 1% quantitative exclusion threshold for scope 2

- *Companies **shall** account for and report at least 99% of scope 1 emissions, 99% of scope 2 emissions, and 95% of total required^ scope 3 emissions.*
- *Companies **should** account for and report all scope 1 and scope 2 emissions*

^Required scope 3 emissions = minimum boundary scope 3 emissions as defined in S3 Standard

Rationale

- A low quantitative threshold promotes a **balance between completeness and feasibility**
- Allowing **flexibility** with a 1% exclusion threshold helps ensure companies can report high quality, credible, and decision-useful GHG inventories
- **Lower threshold for scopes 1 and 2 versus scope 3** is justified given the better data availability companies typically have for scope 1 and 2 emissions sources

Level of support from Subgroup 3

15 members

- **87% support**
- 0% oppose
- 13% abstain

Implications

- **Full quantification required** to calculate and justify exclusions
- **Cross-cutting:** Additional justifiable exclusions or exceptions proposed by other workstreams (e.g., Scope 2 TWG, Scope 3 TWG) would need to be harmonized

For more information, see Subgroup 3 Memo, Part 2, Question 1B; Subgroup 3 Meeting 7 minutes and slides; Subgroup 3 Meeting 8 slides

Subgroup 3
Part 2, Question 2

Justification of exclusions

Preliminary outcome

Total scope 1 and scope 2 emissions shall be quantified to justify exclusions

- *Companies* ***shall quantify*** *scope 1 and scope 2 emissions to justify exclusions.*
- *Companies* ***shall disclose and justify*** *the exclusion of any scope 1 emissions and scope 2 emissions.*

Rationale

- Companies **must quantify 100% of emissions** to determine what quantity of emissions can be excluded
- Companies **may wish to exclude quantified emissions** from their inventory due to low quality (e.g., may not be assurable)

Level of support from Subgroup 3

15 members

- **10 of 15 members supported** the draft text in full
- 3 of 15 expressed concern about the point above

Note: This was not voted on separately as a question. It was part of draft text presented following discussion. The question was multi-choice.

Implications

- **Full quantification required** to calculate and justify exclusions
- Concern about use of low quality data to justify exclusions. Proposed solution: **Guidance needed** for full quantification of emissions stating companies should use best available data

Draft accounting and reporting requirements: Subgroup 3 Phase 1

Relevant chapter: Chapter 4, "Setting Operational Boundaries"

- Companies **shall** account for and report at least 99% of scope 1 emissions, 99% of scope 2 emissions, and 95% of total required^ scope 3 emissions.
- Companies **shall** not exclude any of the following:
  - More than 1% of scope 1 emissions
  - More than 1% of scope 2 emissions
  - More than 5% of required^ scope 3 emissions
- Companies **shall** quantify scope 1, scope 2, and required scope 3 emissions to justify exclusions.
- Companies **shall** disclose and justify the exclusion of any scope 1 emissions, scope 2 emissions, and required^ scope 3 emissions.
- Companies **should** account for and report all scope 1 and scope 2 emissions
- Companies **should include relevant*** scope 3 emissions falling within the 5% exclusion threshold
- Companies **should include optional** + scope 3 emissions, where relevant

^ *Required scope 3 emissions = minimum boundary scope 3 emissions*
* *Relevant emissions = defined by relevance principle and scope 3 relevance criteria*
\+ *Optional scope 3 emissions = any scope 3 emissions that fall outside the minimum boundary*

*Note: Based on **preliminary recommendations** from Subgroup 3 meeting 7 and Scope 3 TWG. All thresholds may be revisited after considering phase 2 topics (e.g., data quality).*

For more information, see Subgroup 3 Memo, Part 2

Subgroup 3
Part 2

Indicative poll: Justifiable exclusions for scopes 1 and 2

Question		Options
Do you support the following preliminary outcomes on **justifiable exclusions for scopes 1 and 2**?	**Whether to maintain exclusions:** • **Maintain** scope 1 and scope 2 exclusions • Make scope 1 and scope 2 exclusions **more prescriptive and quantitative**	Yes, fully support Yes, support with minor edits No Abstain
	Boundary for exclusions: • Define **separate quantitative exclusion thresholds** for scopes 1 and 2.	
	Value for exclusions: Define a **1% quantitative exclusion threshold** for scope 1 and a 1% quantitative exclusion threshold for scope 2 • *Companies **shall** account for and report at least 99% of scope 1 emissions, 99% of scope 2 emissions, and 95% of total required^ scope 3 emissions.* • *Companies **should** account for and report all scope 1 and scope 2 emissions.*	
	Justification of exclusions: **Total scope 1 and scope 2 emissions** shall be quantified to justify exclusions • *Companies **shall quantify** scope 1 and scope 2 emissions to justify exclusions.* • *Companies **shall disclose and justify** the exclusion of any scope 1 emissions and scope 2 emissions.*	

Draft text is italicized
^Required scope 3 emissions = minimum boundary scope 3 emissions as defined in the draft revision of the Scope 3 Standard

Subgroup 3 Phase 1
Part 3: Less stringent scope 3 requirement

1

Can the scope 3 reporting requirement be applied globally across all companies?

3A. **Yes,** All companies have the same scope 3 reporting requirement

3B. **No.**
Different scope 3 reporting requirements should be defined

A global scope 3 reporting requirement is defined

2

What **reporter type(s)**, if any, should different levels of scope 3 reporting requirements be defined for?

4A. Differentiated scope 3 reporting levels should be open to all reporter types

4B. Company size
4C. Company sector
4D. New reporters
4E. Geography
4F. Other/combination of criteria

4G. NA – This is not the role of GHG Protocol
4H. NA – Scope 3 reporting should not be differentiated

A global scope 3 reporting requirement is defined in the Corporate Standard

3

If requirements are differentiated, how should the different scope 3 reporting requirement(s) be **defined** (by reporter type, if applicable)?

Options 5B – 5G,

with scope 3 reporting levels defined and open to all reporter types

5A. Make scope 3 optional *(NA for option 4A)*
5B. Any scope 3
5C. Any 3 scope 3 categories
5D. Supplier inventory (i.e., categories #1-8)
5E. Most relevant 3 scope 3 categories
5F. More flexible data quality requirements

Differentiated reporting, open to all reporters, is defined

4

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

6C. Guidance only

This **strategic question** will be brought to the ISB for discussion at July 28 meeting

Revision for discussion today

For discussion today

For discussion today

Subgroup 3
Part 3, Question 2

Eligibility for less stringent scope 3 requirement

Preliminary outcome

Original recommendation:

- Define different scope 3 reporting requirements for small companies, except for small companies from high-emitting sectors

Revised recommendation:

- **Adopt the SBTi company categorization approach**, pending its finalization, to define eligibility for a less stringent scope 3 reporting requirement

Rationale

- Company size can indicate **capacity**, and small companies typically have lower capacity
- **High-emitting companies** should be excluded
- The **SBTi company categorization approach** incorporates company size, emissions cap, and geography, a topic raised by TWG and ISB members
- **Alignment** with SBTi

Level of support from Subgroup 3

14 members

- **76% support revised recommendation**
- 7% support original recommendation
- 14% other
- 7% abstain

Implications

- **Interoperability concerns** with other external programs. **Proposed solution**: If reporters are reporting to a voluntary or mandatory program, then they would need to follow their program requirements.
- SBTi approach is still in **draft form** and is pending finalization
- **Cross-cutting:** Other workstreams are considering different eligibility requirements (e.g., kWh consumed) and may need to be harmonized

For more information, see Subgroup 3 Memo, Part 3, Question 2; Subgroup 3 Meeting 8 minutes and slides

SBTi draft 2.0 CNZS*: Company categorization as revised recommendation for defining eligibility for less stringent scope 3 requirement

Companies categorized into two types:

- A Category A
- B Category B

Considers:

- Number of employees
- Net annual turnover
- Balance sheet
- **Emissions cap**
- **Geography**

Companies are sorted into category A or B based on their size and the location of their headquarters

SCIENCE BASED TARGETS — DRIVING AMBITIOUS CORPORATE CLIMATE ACTION

	Company size				Company location[1]	
	Number of employees #	Net annual turnover $ or €	Balance sheet $ or €	Emissions (sc. 1 + 2) tCO_2e	High and upper-middle income countries	Low and lower-middle income countries
Large At least 1 criteria	>1,000	>450M	n/a	n/a	A	A
Medium At least 2 criteria	250 – 1,000	50 – 450M	>25M	n/a	A	B
Small At least 2 criteria and under CO_2e threshold	<250	<50M	<25M	<10,000	B	B

Based on World Bank classification

A medium company is considered to be based in low or lower-middle income country if it's HQ is in a low or lower-income country and it's turnover derived from high or upper-middle income countries is <50M ($ or€)

64 1. Based on World Bank Classification of countries
Note: Standard alignment with CSRD criteria: "Large" and "Medium" companies fall into the CSRD "Large" company group, and "Small" companies fall into the CSRD "Medium, small, and micro".

SBTi Corporate Net-Zero Standard V2.0 Consultation Draft

*SBTi draft 2.0 CNZS is currently under review following public consultation and is subject to change

Subgroup 3
Part 3, Question 3

Definition for less stringent scope 3 requirement

Preliminary outcome

Draft text:

- *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 will be considered, pending finalization from the Scope 3 TWG

Level of support from Subgroup 3

Support for "three most relevant scope 3 categories"

- **77% support** (62% strongly support)
- 8% neutral
- 15% strongly opposed

13 members

Rationale

- Promotes **relevance, completeness, and internal decision-making**
- Small companies can **focus their resources** on high-impact and strategic categories
- By reporting the top 3 scope 3 categories, most companies are expected to **report the majority of scope 3 emissions**

Implications

- **Interoperability concerns** with external programs that define scope 3 requirement differently. **Proposed solution**: If reporters are reporting to a voluntary or mandatory program, then they would need to follow their program requirements.
- **Relevance assessment** would need to be defined/adapted
- Relevance assessment **could be applied unevenly** and would not necessarily identify the top 3 categories by magnitude
- **Users of the data** less supported with less complete inventories

For more information, see Subgroup 3 Memo, Part 3, Question 3; Subgroup 3 Meeting 4 minutes and slides; Subgroup 3 Meeting 5 minutes and slides; Discussion paper 3.2

Subgroup 3
Part 3, Question 4

Operationalization for less stringent scope 3 requirement

Preliminary outcome

Operationalize a less stringent scope 3 reporting requirement with **conformance levels**, by reporter type

For example, two conformance levels could be defined:

- **Full conformance** (i.e., complete scope 3 reporting)
- **Partial/SME conformance** (i.e., less stringent scope 3 reporting pathway for eligible small companies)

Level of support from Subgroup 3

- **79% support** for conformance levels
- 7% prefer justifiable exclusions approach
- 7% prefer guidance only approach
- 7% abstained

14 members

Rationale

- Clearly defined conformance levels **support users of the data by promoting transparency**
- **Most interoperable** with external programs because programs could identify which conformance level is required for their disclosers

Implications

- **Interoperability implications** because external programs would need to update their text to refer to a specific conformance level
- **Cross-cutting**: Other workstreams (scope 2, scope 3) are also considering different levels of reporting for specific provisions.

For more information, see Subgroup 3 Memo, Part 3, Question 2; Subgroup 3 Meeting 8 minutes and slides

Subgroup 3
Part 3

Indicative poll: Less stringent scope 3 requirement

?

Question		Options
Do you support the following preliminary outcomes for a **less stringent scope 3 requirement**?	**Eligibility:** Adopt the **SBTi company categorization approach**, pending its finalization, to define eligibility for a less stringent scope 3 reporting requirement	Yes, fully support Yes, support with minor edits No Abstain
	Requirement: • *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	
	Operationalization: Operationalize a less stringent scope 3 reporting requirement with **conformance levels**, by reporter type	

Draft text is italicized

Subgroup 3, Phase 1: Summary of key outcomes and next steps

Scope 3 requirement provisionally adopted and defined

Justifiable exclusions for scopes 1 and 2 made prescriptive and more quantitative

Less stringent scope 3 requirement defined (eligibility, requirement, and operationalization)

Next steps

Finalize phase 1 topics

- **Justifiable exclusions:** Develop guidance on quantification of total scope 1 and 2 emissions
- **Less stringent scope 3 requirement**: Strategic decision from the ISB on whether it is the role of GHG Protocol to define different levels of reporting
- **Draft chapter 4**, "Setting Operational Boundaries"

On to phase 2!

- **Updates to data quality and uncertainty**
- Guidance on calculation methods and emission factors
- Other expanded disclosure requirements
- Required greenhouse gases and GWP updates
- Indirect climate forcers (e.g., from aviation)

Agenda

Introduction and housekeeping	10 minutes
Subgroup 1 preliminary phase 1 outcomes	30 minutes
Subgroup 2 preliminary phase 1 outcomes	40 minutes
Subgroup 3 preliminary phase 1 outcomes	40 minutes
Subgroup 1 preliminary phase 2 outcomes	**20 minutes**
Wrap-up and next steps	10 minutes

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Subgroup 1, phase 1: topics to be discussed today

Topic		Preliminary outcome
Base year selection	Inventory base year and target base year	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**.
	Rolling base year option	The **rolling base year option** as currently defined in the Corporate Standard **should be eliminated**.
Base year recalculation policy	Significance thresholds	Companies should be **required to establish a significance threshold** as part of their base year recalculation policy.
	Prescriptive quantitative significance threshold	The Corporate Standard should define a **prescriptive quantitative significance threshold** for base year recalculation.

An indicative poll will be conducted for each topic above.

Subgroup 1, phase 2
Base year selection

Inventory base year and target base year

Preliminary outcome

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.**

Rationale

- Maintain inventory base year as a concept encouraging companies to **track emissions over longer timeframes**
- **Flexibility** for companies participating in target setting programs to have to **maintain only one base year**
- **Support target setting** as use case

Level of support

Corporate Standard should continue to distinguish between inventory and target base years

- **82% support**
- 9% oppose
- 9% abstain

11 members

Option to use same year for inventory base year as target base year or choose a different year

- **82% support**
- 9% oppose
- 9% abstain

11 members

Implications

- **Recency/timing of base year:** companies may follow target setting program guidance rather than selecting earliest year with verifiable data
- Base years may be periodically **reset with target setting cycles**
- As more companies align inventory and target base years, fewer companies are likely to maintain a **longer emissions profile over time**

For more information, see slides section 2.1 of outcomes memo.

Subgroup 1, phase 2
Base year selection

Rolling base year option

Preliminary outcome

The rolling base year* option as currently defined in the Corporate Standard **should be eliminated**.

** **Rolling base year:** "With a rolling base year, the base year rolls forward at regular time intervals, usually one year, so that emissions are always compared against the previous year".*

Rationale

- Rolling base year option **inhibits transparency and a consistent emissions profile over time** as companies only compare their emissions to the previous year's
- Option as currently defined in Corporate Standard **not used in relevant external programs** (e.g., SBTi)

Level of support

- **83% support**
- 8% oppose
- 8% abstain

12 members

Implications

Purpose of rolling base year option is to **mitigate challenges with recalculation of base year emissions** for companies with frequent acquisitions or divestments. Options for companies when sufficient data is unavailable for base year emissions recalculation will be reviewed by Subgroup 1.

For more information, see slides section 2.2 of outcomes memo.

Subgroup 1, phase 2
Base year recalculation

Base year recalculation policy and significance thresholds

Preliminary outcome

Companies should be **required to establish a significance threshold** as part of their base year recalculation policy.

To be resolved*: whether significance threshold must be* ***quantitative*** *or may be* ***qualitative and/or quantitative***

Rationale

Reduce ambiguity and provide greater standardization for what a base year recalculation policy should entail

Level of support

Companies should be **required** to establish a significance threshold

- **93% support**
- 7% oppose
- 0% abstain

13 members

Whether significance threshold must be **quantitative** or may be **qualitative and/or quantitative**

- 50% quantitative
- 42% qualitative and/or quantitative
- 8% abstain

12 members

Implications

- All companies will have to establish a significance threshold to be in **conformance** with the Corporate Standard.
- Establishment of a **prescriptive quantitative significance** threshold (as a requirement or recommendation) also under consideration by Subgroup 1 (see topic 4.3).

For more information, see section 3.1 of outcomes memo.

Subgroup 1, phase 2
Base year recalculation

Prescriptive quantitative significance threshold

Preliminary outcome

The Corporate Standard should define a **prescriptive quantitative significance threshold** for base year recalculation.

To be resolved: *Whether a prescriptive quantitative significance threshold should be defined as a* ***requirement*** *or a* ***recommendation****.*

Rationale

- Provide **further standardization**, help promote better comparability of reported information
- **Simplify process** for developing a base year recalculation policy for companies who do not have one

Level of support

The Corporate Standard should establish a **prescriptive quantitative significance threshold**

- **77% support**
- 23% oppose
- 0% abstain

13 members

Whether it should be a **requirement or recommendation**

- 42% requirement
- 58% recommendation
- 0% abstain

12 members

Implications

- **Reduces flexibility**, companies using a different significance threshold value (or not using a quantitative significance threshold) may/will need to **update their base year recalculation policies**.
- Potential **risk of inhibiting interoperability with programs** who require a different significance threshold.

For more information, see section 3.2 of outcomes memo.

Subgroup 1, phase 1
Tracking emissions over time

Indicative poll

?

Question		Options
Do you support the following **Subgroup 1 outcomes**?	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**	Yes, fully support Yes, support with minor edits No Abstain
	The rolling base year option as currently defined in the Corporate Standard **should be eliminated**	
	Companies should be **required to establish a significance threshold** as part of their base year recalculation policy	
	The Corporate Standard should define a **prescriptive quantitative significance threshold** for base year recalculation	

Agenda

Introduction and housekeeping	10 minutes
Subgroup 1 preliminary phase 1 outcomes	30 minutes
Subgroup 2 preliminary phase 1 outcomes	40 minutes
Subgroup 3 preliminary phase 1 outcomes	40 minutes
Subgroup 1 preliminary phase 2 outcomes	20 minutes
Wrap-up and next steps	**10 minutes**

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Corporate Standard TWG process flow to develop recommendations

Subgroup develops a recommendation → Full TWG reviews recommendation and provides feedback → Subgroup revises based on full TWG feedback as needed → ISB reviews and provides feedback and/or decision → Subgroup revises as needed

We are here with preliminary outcomes on Phase 1 topics

Phase 1 topics will be presented to ISB for pulse check later this month

And we are here for a few topics that have already been to the ISB

Next steps

We will return to subgroups to finalize Phase 1 outcomes and move forward with Phase 2

Items to be shared by GHG Protocol Secretariat:	TWG member action items:	Next subgroup meeting dates
• Final slides, minutes, and recording from this meeting • Feedback survey on outcomes presented today	• Review outcomes memos • Fill out post-meeting **feedback survey** *(deadline to be confirmed)*	• Subgroup 1: September 2nd • Subgroup 2: September 9th • Subgroup 3: September 16th

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GAS PROTOCOL

Thank you!

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Appendix I – Subgroup 1

GREENHOUSE GAS PROTOCOL

Scope of work: objectives (Subgroup 1, phase 1)

Relevant chapters: Introduction, chapter 1 (GHG Accounting and Reporting Principles), and chapter 2 (Business Goals and Inventory Design)

A.1. **Revisit stated objectives** of the Corporate Standard in consideration of the following:

- Use of the standard in voluntary and mandatory **GHG reporting programs**.
- Use of the standard in **target-setting programs** (e.g., Science Based Targets Initiative – SBTi).
- Increased **integration** of sustainability and financial information.
- Increased demands for GHG inventories to be **verified/assured**.
- **Use of the standard by stakeholders** including reporting organizations, preparers, assurance providers, and policymakers.
- **Use of GHG inventory data by stakeholders** including reporting organizations, investors, customers, and regulators.
- Better facilitating **comparability** across inventories from different reporting organizations.
- The **range of reporting organizations** using the standard globally.

A.2. Develop **clarifying language** for uses that the Corporate Standard and GHG inventory data are not intended for and delineate the respective roles of the GHG Protocol and reporting programs, target setting programs, etc.

Scope of work: principles (Subgroup 1, phase 1)

Relevant chapters: Introduction, chapter 1 (GHG Accounting and Reporting Principles), and chapter 2 (Business Goals and Inventory Design)

A.3. Revisit **GHG accounting and reporting principles** defined in chapter 1 of the Corporate Standard in consideration of the following:

- Any updates to stated **objectives**.
- Use of the term **"materiality"** in the Corporate Standard beyond the current use case related to verification/assurance and reconciliation of the terms "materiality" and "significance" vis-à-vis the principle of relevance.
- Principles introduced in the draft GHG Protocol **Land Sector and Removals Standard**: conservativeness, permanence (of removals), and comparability (optional).
- **Financial accounting principles** such as those from the Financial Accounting Standards Board's Generally Accepted Accounting Principles of the United States of America (U.S. GAAP) or the International Accounting Standards Board's International Financial Reporting Standards (IFRS).

Scope of work: Tracking emissions over time (Subgroup 1, phase 2)

Relevant chapters: chapter 5 (Tracking Emissions Over Time), chapter 8 (Accounting for GHG Reductions), chapter 11 (Setting GHG targets)

D.1. Updates to requirements and guidance for **selecting a base year**.

D.2. Updates to requirements and guidance for developing a **base year recalculation policy** and defining a **significance threshold** and related disclosure requirements.

D.3. Revisit **optionality of reporting emissions for all years included in a GHG statement** in addition to the base year to enable tracking of an emissions profile over time.

D.3. Integration and update of **2005 amendment** "Base Year Recalculation Methodologies for Structural Changes" (Appendix E).

D.4. Additional **guidance for estimating base year emissions** for acquired assets where records of emissions activities are limited or non-existent.

D.5. Revisit **reporting requirements for base year recalculation** including whether changes due to structural changes versus methodological changes should be reported separately.

D.6. Requirements and guidance for **tracking emissions intensity metrics over time**.

D.7. Additional guidance on how to appropriately disclose the **reason(s) for changes in emissions over time**.

D.8. Updates to **target-setting guidance** to bring up to date and facilitate interoperability with target setting programs (including SBTi).

Appendix II – Subgroup 2

GREENHOUSE GAS PROTOCOL

WORLD RESOURCES INSTITUTE
World Business Council for Sustainable Development

B. Organizational boundaries - Scope of work (Phase 1)

Relevant chapters: chapter 3 (Setting Organizational Boundaries) and sections in chapter 4 (Setting Operational Boundaries) on leased assets.

B.1. Revisit options for defining organizational boundaries to consider:

- Whether to **maintain the three consolidation options** currently available (operational control, financial control, equity share), **eliminate any of the three options**, **or narrow to a single required approach** to promote consistency and comparability.
- Adjusting an existing approach or introducing a new approach that better **harmonizes with financial accounting** and/or with requirements of voluntary and mandatory reporting programs.
- Specifying a **preferred consolidation approach** or **hierarchy of preferred options**.
- Developing criteria to **guide organizations in selecting the most appropriate consolidation approach** for different situations.

B. Organizational boundaries – Scope of work (Phase 1)

B.2. **Updates, clarifications, and additional guidance** related to existing consolidation approaches including:

- Further clarification on defining **operational control**, addition of specific indicators to facilitate more consistent application, and **definitions for different types of assets** (e.g., leases, licenses, franchises).
- Reconsideration of **multi-party arrangements** to consider factors beyond who controls a facility.
- Updates and clarifications related to **joint ventures and minority interests**.
- Integration and revision of 2006 amendment "Categorizing GHG Emissions Associated with Leased Assets" (Appendix F).
- Additional **guidance on classification of leased assets**, including allocation of emissions between lessor and lessee, emissions from purchased heating for leased assets, and in cases of multi-tenant buildings and co-locations.

B.3. Update terminology used in chapter 3 of the *Corporate Standard* to be **more consistent with current terminology used in financial accounting** (e.g., terminology used by U.S. GAAP and IFRS).

Appendix III – Subgroup 3

GREENHOUSE GAS PROTOCOL

Scope of work, Phase 1

Relevant chapters: Chapter 4 (Setting Operational Boundaries)

C.1. Revisit current operational boundary requirements in chapter 4 of the *Corporate Standard* to **consider requiring scope 3 emissions reporting**, such as through a comprehensive requirement across reporting organizations and scope 3 categories, or with a differentiated or phased approach based on criteria such as an organization's size or sector, the significance of a company's scope 3 emissions, or by scope 3 categories.

C.2. Consider providing more prescriptive requirements or additional guidance regarding **justifiable exclusions** from an inventory boundary and expanding disclosure requirements related to exclusions.

Our focus to date has been on C.1:
Consider requiring scope 3 emissions reporting

Corporate Standard Development Plan, Section 5: Scope of work for the standard revision