GREENHOUSE GAS PROTOCOL

Corporate Standard Technical Working Group

Full TWG Meeting #5

GHG Protocol Secretariat team:
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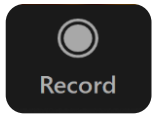
January 20th, 2026

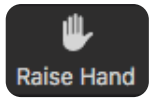
WORLD RESOURCES INSTITUTE

World Business Council for Sustainable Development

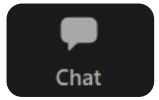
Meeting information



This meeting is **recorded**.



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



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

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

Agenda

• Introduction and housekeeping	10 minutes
• Subgroup 1: Base year recalculation	50 minutes
• Subgroup 3: Justifiable exclusions and data quality	50 minutes
• Subgroup 2: Consolidation approaches	20 minutes
• ISO partnership updates	10 minutes
• Wrap up and next steps	10 minutes

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Agenda

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ISO partnership updates	10 minutes
Wrap up and next steps	10 minutes

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Housekeeping: Guidelines and procedures

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

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

Zoom logistics and recording of meetings

Zoom Meetings

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

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.***

Today's objectives

1. Review preliminary outcomes on **base year recalculation** (Subgroup 1)
2. Finalize preliminary outcomes on **justifiable exclusions** (Subgroup 3)
3. Review preliminary outcomes on **data quality** (Subgroup 3)
4. Review proposed **package for setting organizational boundaries** (Subgroup 2)

Schedule of upcoming TWG meetings

Meeting type	Meeting #	Subgroup 1	Subgroup 2	Subgroup 3
Full TWG	5	January 20, 2026 **(TODAY)**		
Subgroup	12	February 24, 2026	February 3, 2026	February 10, 2026
Subgroup	13	March 24, 2026	March 3, 2026	March 10, 2026
Subgroup	14	April 21, 2026	March 31, 2026	April 7, 2026
Subgroup	15	*	April 28, 2026	May 5, 2026
Full TWG	6	May 19, 2026 (focus on Subgroup 1 topics)		
Full TWG	7	May 26, 2026 (focus on Subgroup 2 topics)		
Full TWG	8	June 2, 2026 (focus on Subgroup 3 topics)		

*To be rescheduled, with January 27th meeting canceled.

Meeting dates for 2026 are tentative. Calendar holds have been shared by the Secretariat. Meetings for the second half of 2026 to be scheduled.

Note: Subgroup 3 Task Force on a subset of phase 2 topics (calculation methods, emission factors, and disclosure requirements related to data and calculation methods) has meetings scheduled January 27 and February 17

Agenda

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• **Subgroup 1: Base year recalculation**	**50 minutes**
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• Wrap up and next steps	10 minutes

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Subgroup 1, Phase 2: Topics considered to date

Topic	Subtopics (topics to be discussed today in bold)	Relevant meetings
1. Selecting a base year	• Inventory base year and target base year • Rolling base year option • **Representativeness of base year** • **Base period/use of multi-year averages** • **Base year by emissions scope**	Meeting 6 Slides | Minutes
2. Base year recalculation policy and significance thresholds	• **Requirement to establish a significance threshold** • **Application of significance thresholds (by scope, types of events)** • **Definition of a prescriptive quantitative significance threshold**	Meeting 7 Slides | Minutes
3. Options for when data unavailable for base year recalculation	• Methods for proxy estimation of base year emissions • **Options for when data unavailable (proxy estimation, disclosure of no base year recalculation, reestablishing the base year)**	Meeting 9 Slides | Minutes
4. Emissions profile over time	• **Recalculated time series** • **Original/historical time series (without recalculation)** • **Target-relevant time series** • Emissions intensity time series	Meeting 10 Slides | Minutes
Follow up on topics addressed above		Meeting 11 Slides | Minutes

See Appendix A for supplemental background slides on Subgroup 1 topics addressed in this meeting.

Subgroup 1, Phase 2: Tracking emissions over time

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.4. Integration and update of **2005 amendment** "Base Year Recalculation Methodologies for Structural Changes" (Appendix E).
- D.5. Additional **guidance for estimating base year emissions** for acquired assets where records of emissions activities are limited or non-existent.
- D.6. Revisit **reporting requirements for base year recalculation** including whether changes due to structural changes versus methodological changes should be reported separately.
- D.7. Requirements and guidance for **tracking emissions intensity metrics over time**.
- D.8. Additional guidance on how to appropriately disclose the **reason(s) for changes in emissions over time**.
- D.9. Updates to **target-setting guidance** to bring up to date and facilitate interoperability with target setting programs (including SBTi).

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

Scope of work items included in today's meeting.

1

Selecting a base year

- Inventory base year and target base year
- Rolling base year option
- **Representativeness of base year**
- **Base period/use of multi-year averages**
- **Base year by emissions scope**

Selecting a base year: Current GHG Protocol requirements/recommendations

Corporate Standard, ch.5 (pp.35-36)

"Companies ***shall*** choose and report a base year* for which verifiable emissions data are available and specify their reasons for choosing that particular year."

"Most companies select a single year as their base year. However, it is also possible to choose an average of annual emissions over several consecutive years."

"Companies ***should*** choose as a base year the earliest relevant point in time for which they have reliable data."

** The Corporate Standard distinguishes between an inventory base year ("a historic datum against which a company's emissions are tracked over time") and a target base year ("the base year for defining a GHG target"). Unless otherwise noted, the term "base year" will refer to an inventory base year.*

Scope 2 Guidance, 9.1 (p.75)

[Dual reporting] companies "***should*** choose a year in which both market-based data and location-based data are available."

"Companies that have already set a base year set for scope 2 ***shall*** specify the method used to calculate it..."

Scope 3 Standard, 9.1 (p.100)

"Companies ***should*** establish a single base year for scope 1, scope 2, and scope 3 emissions..."

"However, companies that have already established a base year for scope 1 and scope 2 emissions ***may*** choose a more recent year for the scope 3 base year..."

Draft LSR Guidance, 12.2.3 (p.218)

Companies ***should***:

use a "representative year or period for which verifiable data exist."

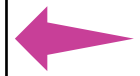
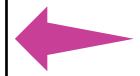
"consider setting a base period, rather than a single base year, for land emissions..."

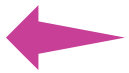
"aim to use the same base year for all scopes, metrics, and targets."

Provisions to be addressed today: Representativeness, use of multi-year averages, selection of base year(s) across scopes.

See Appendix A for supplemental background slides on Subgroup 1 topics addressed in this meeting.

Selecting a base year: Preliminary Subgroup 1 outcomes and poll results

Topic	Preliminary Subgroup 1 outcome	Subgroup 1 poll results	Full TWG poll results	
Inventory base year and **target base year**	The Corporate Standard should **distinguish between an inventory base year and a target base year**	**Support: 9 of 11 (82%)** Oppose: 0 of 11 (0%) Abstain: 2 of 11 (18%)		
	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**	**Support: 9 of 11 (82%)** Oppose: 1 of 11 (9%) Abstain: 1 of 11 (9%)	**Support: 45 of 47 (96%)** Oppose: 1 of 47 (2%) Abstain: 1 of 47 (2%)	
	Update guidance to specify that companies ***may*** **choose earliest year with verifiable data *or* target base year** as inventory base year	**Support: 7 of 11 (64%)** Oppose: 3 of 11 (27%) Abstain: 1 of 11 (9%)		
Rolling base year option	**Eliminate the rolling base year option** as currently defined in the Corporate Standard**.**	**Support: 10 of 11 (91%)** Oppose: 0 of 11 (0%) Abstain: 1 of 11 (9%)	**Support: 41 of 47 (87%)** Oppose: 2 of 47 (4%) Abstain: 4 of 47 (9%)	
Representativeness of base year	Establish a **requirement** ("*shall*" statement) that a base year be **representative of typical conditions or operations.**	**Requirement: 12 of 18 (67%)** Recommendation: 6 of 18 (33%) Abstain: 0 of 18 (0%)		
Base period/**multi-year averages**	**Maintain option** for companies to use a **multi-year average** to establish a **base period** in lieu of a single base year.	**Support: 13 of 18 (72%)** Oppose: 3 of 18 (17%) Abstain: 2 of 18 (11%)		
Base year by **emissions scope**	TBD: **Recommend** (but do not require) that companies establish a **single base year across scopes** (status quo as currently specified in Scope 3 Standard)	Recommendation (status quo): 10 of 18 (56%) Requirement: 7 of 18 (39%) Optional: 1 of 18 (6%) Abstain: 0 of 18 (0%)		

 Item to be addressed in today's meeting.

Selecting a base year: Discussion and polls

#	Question	Options
1.1	Do you support the following preliminary Subgroup 1 outcome? *Establish a **requirement** ("shall" statement) that a base year be **representative of typical conditions or operations.***	A. Support B. Oppose C. Abstain
1.2	Do you support the following preliminary Subgroup 1 outcome? ***Maintain option** for companies to use a **multi-year average** to establish a **base period** in lieu of a single base year.*	A. Support B. Oppose C. Abstain
1.3	Do you support the **status quo** (as currently specified in the Scope 3 Standard) of **recommending** (but not requiring) companies to establish a **single base year across the emissions scopes**?	A. Support B. Oppose C. Abstain

2

Base year recalculation policy and significance thresholds

- **Requirement to establish a significance threshold**
- **Application of significance thresholds (by scope, types of events)**
- **Definition of a prescriptive quantitative significance threshold**

Base year recalculation policy: Current Corporate Standard requirements

"Companies ***shall*** develop a base year emissions recalculation policy, and clearly articulate the basis and context for any recalculations. If applicable, the policy ***shall*** state any "significance threshold" applied for deciding on historic emissions recalculation."

Corporate Standard Chapter 5, p.35.

The following cases ***shall*** trigger recalculation of base year emissions:

- **Structural changes** in the reporting organization that have a significant impact on the company's base year emissions including:
  - Mergers, acquisitions, and divestments
  - Outsourcing and insourcing of emitting activities
- **Changes in calculation methodology** or improvements in the accuracy of emission factors or activity data that result in a significant impact on the base year emissions data.
- **Discovery of significant errors**, or a number of cumulative errors, that are collectively significant

Note: Guidance in chapter 5 also specifies when base year emissions are *not* to be recalculated (e.g., organic growth or decline).

See Appendix A for supplemental background slides on Subgroup 1 topics addressed in this meeting.

Base year recalculation policy and significance thresholds: Preliminary Subgroup 1 outcomes and poll results

Topic	Preliminary Subgroup 1 outcome	Subgroup 1 poll results	Full TWG poll results	
Significance threshold requirement	**Require** companies to establish a **significance threshold** as part of their base year recalculation policy.	**Support: 10 of 12 (83%)** Oppose: 1 of 12 (8%) Abstain: 1 of 12 (8%)	**Support: 43 of 47 (91%)** Oppose: 3 of 47 (6%) Abstain: 1 of 47 (2%)	
	A requirement to establish a significance threshold should specify that the threshold be **quantitative** (rather than allowing for a qualitative and/or qualitative threshold).	**Specify quantitative: 13 of 18 (72%)** Allow for qualitative and/or quantitative: 5 of 18 (28%) Abstain: 0 of 18 (0%)		←
Application of significance thresholds	Significance thresholds should apply **separately across each emissions scope**.	**Support: 9 of 12 (75%)** Oppose: 1 oppose (8%) Abstain: 2 of 12 (17%)		←
	A **single significance threshold** should apply cumulatively across **all types of events** triggering a base year recalculation.	**Support: 11 of 12 (92%)** Oppose: 0 of 12 (0%) Abstain: 1 of 12 (8%)		←
Prescriptive quantitative significance threshold	The Corporate Standard should define a **prescriptive quantitative significance threshold** for base year recalculation.	**Support: 8 of 11 (73%)** Oppose: 2 of 11 (18%) Abstain: 1 of 11 (9%)	**Support: 40 of 47 (85%)** Oppose: 7 of 47 (15%) Abstain: 0 of 47 (2%)	
	A prescriptive quantitative significance threshold should be defined as a **recommendation** ("should" statement).	**Support: 13 of 18 (72%)** Oppose: 2 of 18 (11%) Abstain: 3 of 18 (17%)		←
	A prescriptive quantitative significance threshold of **5%** should be defined separately for **each emissions scope**.	*Scope 1 and 2:* **Support: 8 of 12 (67%)** Oppose: 1 of 12 (8%) Abstain: 3 of 12 (25%) *Scope 3:* **Support: 8 of 12 (67%)** Oppose: 0 of 12 (0%) Abstain: 4 of 12 (33%)		

← Item to be addressed in today's meeting.

Base year recalculation policies and significance thresholds: Discussion and polls

#	Question	Options
2.1	Do you support the following preliminary Subgroup 1 outcome? *Require companies to establish a **quantitative significance threshold** as part of their base year recalculation policy.*	A. Support B. Oppose C. Abstain
2.2	Do you support the following preliminary Subgroup 1 outcome? *Significance thresholds should **apply separately across each emissions scope**.*	A. Support B. Oppose C. Abstain
2.3	Do you support the following preliminary Subgroup 1 outcome? *A **single significance threshold** should apply cumulatively across **all types of events** triggering a base year recalculation.*	A. Support B. Oppose C. Abstain
2.4	Do you support the following preliminary Subgroup 1 outcome? *A prescriptive quantitative significance threshold should be defined as a **recommendation** ("should" statement).*	A. Support B. Oppose C. Abstain

3

Options for when data unavailable for base year recalculation

- Methods for proxy estimation of base year emissions
- **Options for when data unavailable (proxy estimation, disclosure of no base year recalculation, reestablishing the base year)**

Options for when data unavailable for base year recalculation currently referenced in GHG Protocol standards

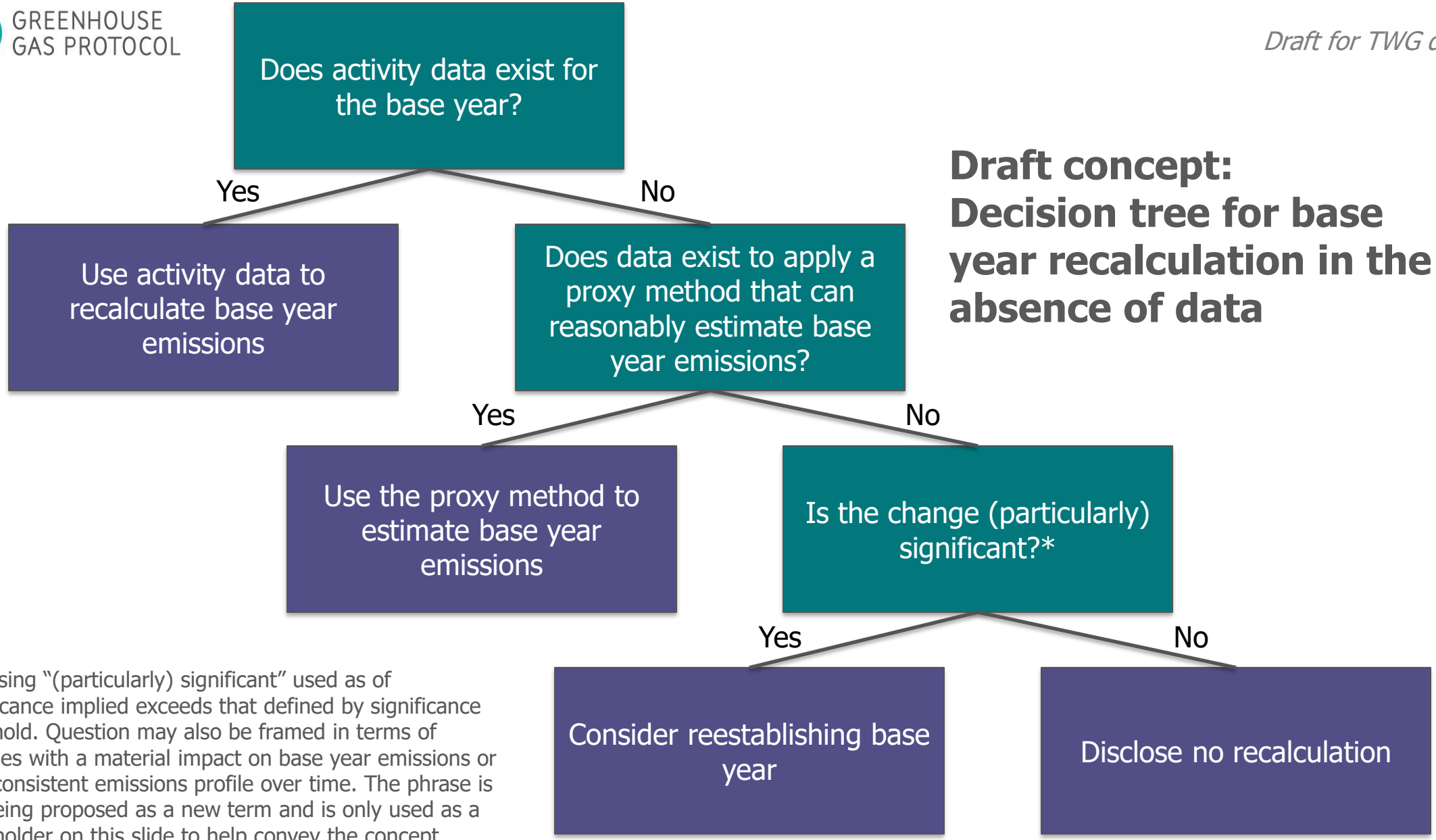
Option	Text from standards	Types of changes referenced in text
"Backcasting", proxy estimation*	"*If a company with a target acquires a company that did not have reliable GHG data in the target base year; **backcasting of emissions becomes necessary**, reducing the reliability of the base year.*" (Corporate Standard chapter 11, p.79) "*If the cumulative effect of adding or changing scope 3 categories or activities is significant, the company should include the new categories or activities in the base year inventory and **backcast data for the base year based on available historical activity data** (e.g., bill of materials data, spend data, product sales data, etc.).*" (Scope 3 Standard 9.3, p.105) "*Sometimes the more accurate data input may not reasonably be applied to all past years or new data points may not be available for past years. The company may then have to **backcast** these data points, or the **change in data source may simply be acknowledged without recalculation**.*" (Corporate Standard chapter 5, p.38; Scope 3 Standard 9.3, p.106)	Structural changes Changes in data/ methodology Changes in reporting boundary
Disclose no recalculation		Changes in data/ methodology
Reestablish base year	"*As an alternative to recalculating base year emissions in the event of a major structural change, companies may **reestablish the base year as a more recent year**.*" (Scope 3 Standard 9.3, p.104)	Structural changes

** The term "backcast" is used in the Corporate Standard but not defined. In the following slides "proxy estimation" will be used, with terminology to use in Corporate Standard text to be considered further as part of text revisions.*

Key takeaway: The Corporate Standard does not currently provide specific requirements or recommendations on what to do when sufficient data is unavailable for base year recalculation.

See Appendix A for supplemental background slides on Subgroup 1 topics addressed in this meeting.

Draft concept: Decision tree for base year recalculation in the absence of data



*Phrasing "(particularly) significant" used as of significance implied exceeds that defined by significance threshold. Question may also be framed in terms of changes with a material impact on base year emissions or on a consistent emissions profile over time. The phrase is not being proposed as a new term and is only used as a placeholder on this slide to help convey the concept.

Options for when data unavailable for base year recalculation: Preliminary Subgroup 1 outcomes and poll results

Draft for TWG discussion

Topic	Preliminary Subgroup 1 outcome	Subgroup 1 poll results	
Proxy estimation methods for base year emissions	Use of **historical activity data** and **scaling based on proxy data** should be specified as suitable methods for estimating base year emissions (with split opinions on other methods considered).	*Historical activity data:* **Support: 15 of 15 (100%)** Oppose: 0 of 0 (0%) Abstain: 0 of 0 (0%)	*Scaling based on proxy data:* **Support: 10 of 15 (67%)** Oppose: 5 of 15 (33%) Abstain: 0 of 15 (0%)
	TBD: Whether establishing a reliable GHG inventory for recent year(s) and the **scaling based on proxy data** (e.g., revenue) should be specified as the **preferred method for estimating base year emissions** (in the absence of historical emissions or activity data).	*For structural changes:* **Support: 10 of 17 (59%)** Oppose: 7 of 17 (41%) Abstain: 0 of 17 (0%)	*For other base year recalculation events:* **Support: 9 of 17 (53%)** Oppose: 8 of 17 (47%) Abstain: 0 of 17 (0%)
Application of proxy estimation methods as **preferred option**	**Proxy estimation methods** should be the **preferred option** (as opposed to reestablishing the base year or disclosure of no base year recalculation).	*For structural changes:* **Support: 13 of 15 (87%)** Oppose: 2 of 15 (13%) Abstain: 0 of 15 (0%)	*For other base year recalculation events:* **Support: 11 of 15 (73%)** Oppose: 1 of 15 (7%) Abstain: 3 of 15 (20%)
	Specification of **proxy estimation methods as preferred option** for situations when data is unavailable for base year recalculation should be defined as a **recommendation** ("should" statement).	Requirement: ("shall" statement): 4 of 17 (24%) **Recommendation ("should" statement): 11 of 17 (71%)** Abstain: 1 of 17 (6%)	
Disclosure of no base year recalculation as an option	TBD: Whether and in what situations is **disclosure of no base year recalculation** an appropriate option.	*For structural changes:* Support: 5 of 15 (33%) Oppose: 8 of 15 (53%) Abstain: 2 of 15 (13%)	*For other base year recalculation events:* Support: 4 of 15 (27%) Oppose: 7 of 15 (47%) Abstain: 4 of 15 (27%)
Reestablishing the base year as an option	**Reestablishing the base year should** be an available option in the case of **structural changes** (with split opinions in the case of other events triggering a base year recalculation events).	*For structural changes:* **Support: 9 of 15 (60%)** Oppose: 3 of 15 (20%) Abstain: 3 of 15 (20%)	*For other base year recalculation events:* Support: 7 of 15 (47%) Oppose: 4 of 15 (27%) Abstain: 4 of 15 (27%)
Decision tree	General agreement with draft **decision tree** of options for when data unavailable for base year recalculation	**Fully agree: 3 of 15 (20%)** **Agree with minor edits: 10 of 15 (67%)** Disagree: 1 of 15 (7%) Abstain: 1 of 15 (7%)	

Item to be addressed in today's meeting.

Options for when data unavailable for base year recalculation:
Discussion and polls

Discussion

Polls

#	Question	Options
3.1	Do you support the following preliminary Subgroup 1 outcome? ***Recommend*** *that companies develop* ***proxy estimates*** *of base year emissions (as a preference to reestablishing the base year or disclosing no recalculation of base year emissions)*	A. Support B. Oppose C. Abstain
3.2	Do you agree with the draft **decision tree** for base year recalculation in the absence of data?	A. Yes, fully agree B. Yes, agree with minor edits C. No D. Abstain

4

Emissions profile over time

- **Recalculated time series**
- **Original/historical time series (without recalculation)**
- **Target-relevant time series**
- Emissions intensity time series

Emissions profile over time: Current Corporate Standard requirements

Method	Required information ("shall")	Recommended information ("should")	Optional information ("may")
Original (historical) inventory time series: Annual historical reported emissions (with no recalculation for structural changes)	None	None	**All "actual" (i.e., original) emissions** as reported in respective years in the past (p.38)
Recalculated inventory time series: Annual emissions, with recalculation (including for structural changes)	**Base year emissions** (recalculated for structural changes, methodological changes, etc.) (p.35, p.63)	None	**Recalculated emissions** data **between the base year and the reporting year** (p.38, p.64)
Recalculated target relevant time series: Recalculated time series over relevant period for an active emissions reduction target	None (unless inventory base year used for targets)	None	Information on **emissions and performance in relation to a target** (p.85)
Emissions intensity time series: Emissions intensity per unit of physical activity or economic value	None	None	Relevant **ratio performance indicators** (p.63)

Key takeaways:

- The Corporate Standard only requires reporting of recalculated emissions for the base year.
- Reporting of all other historical GHG information is currently optional.

See Appendix A for supplemental background slides on Subgroup 1 topics addressed in this meeting.

Emissions profile over time: Reporting requirements from external programs

Program source	Reporting requirements
ISO 14064-1: 2018	• **Required information: GHG inventory for base year**, explanation of changes and **recalculation** of the base year or other historical GHG inventory (9.3.1) • **Recommended information:** GHG emissions and removals from the **previous reporting period**, GHG emission **intensity ratios** (9.3.2)
GRI 102: Climate Change 2025	• **Required information: Base year** emissions, context for any significant changes that triggered recalculations, previously reported base year emissions if base year emissions recalculated (102-4-h, 102-5-d, 102-6-d, 102-7-d)
SBTi Corporate Net-Zero Standard Version 2.0 (Draft for Second Public Consultation)	• **Required information** (base year recalculation): **Updated (target) base year GHG inventory** and reasons for recalculation (CNZS-C31) • **Required information** (performance reporting): **Emissions for each scope** in target base year after recalculations (if applicable), values in the target base year for **other applicable indicators** used to set targets (CNZS-C34)
IFRS S1, S2, GHG Emissions Disclosure Educational Material	• **Required information:** IFRS S1 requires the disclosure of "*comparative information in respect of the preceding period for all amounts disclosed in the reporting period*" (para.70). • Reported GHG information for the preceding year is *not* recalculated for structural changes (Question 13 in Educational Material)
ESRS E1 Climate Change Exposure Draft	• **Optional information:** "*A comparison of the undertaking's emissions over time may be performed by comparing current year emissions to a meaningful comparative, for example a GHG emission reduction target base year*" (AR 27 for para. 31 and para. 32)
CDP Full Corporate Questionnaire 2025, Module 7	• Fields to indicate whether **base year emissions** have been recalculated and whether other **past years' emissions** have been recalculated (7.1.3) • Fields to provide **base year and base year emissions** by scope and category (7.5)

Key takeaways:

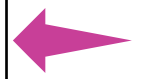
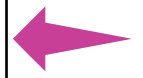
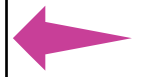
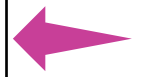
- Most programs with relevant requirements only require the reporting of recalculated emissions for the base year (or target base year for SBTi).
- IFRS S1 requires reporting of comparative information previous year *without recalculation.*
- Other time series information is generally optional.

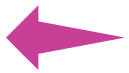
Financial accounting: Comparative information over time

Program source	Reporting requirements
IFRS 18: Presentation and Disclosure in Financial Statements	• **Required information:** "…an entity **shall provide comparative information** (that is, information **for the preceding reporting period**) for all amounts reported in the current period's financial statements." (Paragraph 31) In case of **change in** accounting **policy**, retrospective **restatement or reclassification**; an entity is required to disclose 3 financial statements: **the current year and the two preceding years**. (Paragraph 38) • **Recommended information:** "…an entity **may present a third statement** (or statements) of financial performance (thereby presenting the current reporting period, the preceding period and one additional comparative period). However, the entity is **not required to present a third statement**…" (Paragraph B15)
U.S. GAAP ASC 205-10-45: Other Presentation Matters	• **Required information:** N/A • **Recommended information:** "In any one year **it is ordinarily desirable** that the statement of financial position, the income statement, and the statement of changes in equity **be presented for one or more preceding years**, **as well as for the current year**." (205-10-45-2)
SEC Regulation 210.3-01 Consolidated balance sheets	• **Required information:** "There **must be filed**, for the registrant and its subsidiaries consolidated and for its predecessors, audited balance sheets as of the end of each of the **two most recent fiscal years**." (210.3-01 (a))

Key takeaways:
- A base year is not a relevant concept in financial accounting.
- No recalculation done for structural changes.
- Required reporting of prior years applies to recent years (e.g., last 3 years).

Emissions profile over time: Preliminary Subgroup 1 outcomes and poll results

Topic	Preliminary Subgroup 1 outcome	Subgroup 1 poll results	
Recalculated time series	Requirements/recommendations related to **the recalculated inventory time series** should be **maintained or made more stringent**.	**Maintain status quo (recalculation base year emissions): 7 of 17 (41%)** **Make more stringent (e.g., require more years): 8 of 17 (47%)** Make less stringent (e.g., change base year recalculation to recommendation): 2 of 17 (12%) Abstain: 0 of 17 (0%)	
	Define a **recommendation** that companies report recalculated emissions for **recent years** (e.g., last 1-3 years)	**Support: 14 of 14 (100%)** Oppose: 0 of 14 (0%) Abstain: 0 of 14 (0%)	
	Define a **recommendation** that companies report recalculated emissions for **other years relevant to reporting objectives**	**Support: 12 of 15 (80%)** Oppose: 1 of 15 (7%) Abstain: 2 of 15 (13%)	
Original/ historical time series (without recalculation)	Define a **recommendation** that companies report **original/historical emissions** (i.e., without recalculation) for prior years relevant to reporting objectives	**Support: 13 of 16 (81%)** Oppose: 3 of 16 (19%) Abstain: 0 of 16 (0%)	
Target-relevant time series	Define a **recommendation** that companies report information related to a **target-relevant time series** (e.g., recalculated emissions for target base year) if relevant (i.e., if a company has active targets)	**Support: 13 of 14 (93%)** Oppose: 1 of 14 (7%) Abstain: 0 of 14 (0%)	
Emissions intensity time series	TBD: Whether to maintain status quo of optional reporting of emissions intensity metrics (*Note: emissions intensity metrics will be addressed further in a future Subgroup 1 meeting)*	Require reporting of emissions intensity metrics: 4 of 17 (24%) Recommend reporting of emissions intensity metrics: 4 of 17 (24%) Optional reporting of emissions intensity metrics (status quo): 9 of 17 (53%)	

 Item to be addressed in today's meeting.

Emissions profile over time: Discussion and polls

#	Question	Options
4.1	Do you support the following preliminary Subgroup 1 outcome? ***Recommend*** *that companies report recalculated emissions for* ***recent years*** *(e.g., last 1-3 years).*	A. Support B. Oppose C. Abstain
4.2	Do you support the following preliminary Subgroup 1 outcome? ***Recommend*** *that companies report recalculated emissions for* ***other years relevant to reporting objectives.***	A. Support B. Oppose C. Abstain
4.3	Do you support the following preliminary Subgroup 1 outcome? ***Recommend*** *that companies report* ***original/historical emissions*** *(i.e., without recalculation) for prior years relevant to reporting objectives.*	A. Support B. Oppose C. Abstain
4.4	Do you support the following preliminary Subgroup 1 outcome? ***Recommend*** *that companies report information related to a* ***target-relevant time series*** *(e.g., recalculated emissions for target base year) if relevant (i.e., if a company has active targets)*	A. Support B. Oppose C. Abstain

Agenda

• Introduction and housekeeping	10 minutes
• Subgroup 1: Base year recalculation	50 minutes
• **Subgroup 3: Justifiable exclusions and data quality**	**50 minutes**
• Subgroup 2: Consolidation approaches	20 minutes
• ISO partnership updates	10 minutes
• Wrap up and next steps	10 minutes

GREENHOUSE GAS PROTOCOL

Subgroup 3 topics for today

1

Phase 1 wrap-up:

Justifiable exclusions

- Coordination with Scope 2 TWG
- De minimis provision

2

Phase 2:

Data quality

- Data quality tiers
- Uncertainty

3

Phase 2:

Disclosure requirements

- Disaggregated reporting by activity type

This has not yet been considered by Subgroup 3

1

Phase 1 wrap-up:

Justifiable exclusions

- Coordination with Scope 2 TWG
- De minimis provision

Subgroup 3, phase 1: Feedback received from ISB

Topic	Preliminary outcomes	Level of support** (ISB members at Meeting 15)	Feedback from ISB
Justifiable exclusions for scopes 1 and 2*	Prescriptive and **quantitative approach**	**Support: 9 of 11** (5 support with minor edits) Oppose: 2 of 11 Abstain: 0 of 11	**Support:** • Significant improvement over current ambiguity while maintaining practical feasibility **Opposition** (2 members): • **Opposition to a rules-based approach** and preference for maintaining the current principles-based approach • Concern about the **accuracy of the hotspot analysis**, which is needed to determine exclusion threshold • **Interoperability concerns** with external programs that use principles-based approach (e.g., materiality) • Question: If total emissions must be quantified, why not just report 100% of emissions? **Suggestions for revision:** • Consider **different exclusion threshold for scope 2** versus scope 1 due to market- and location-based methods • **Scope 2 TWG should consult** on the appropriate scope 2 threshold • **Explanation of the exclusion** should be disclosed • Consider a **de minimis** provision within the scope 1 and 2 exclusion thresholds
	Separate thresholds for scopes 1 and 2		
	1% emissions exclusion threshold		
	Require **total quantification** to justify exclusions		

See Appendix B for more information on the package of preliminary outcomes on justifiable exclusions

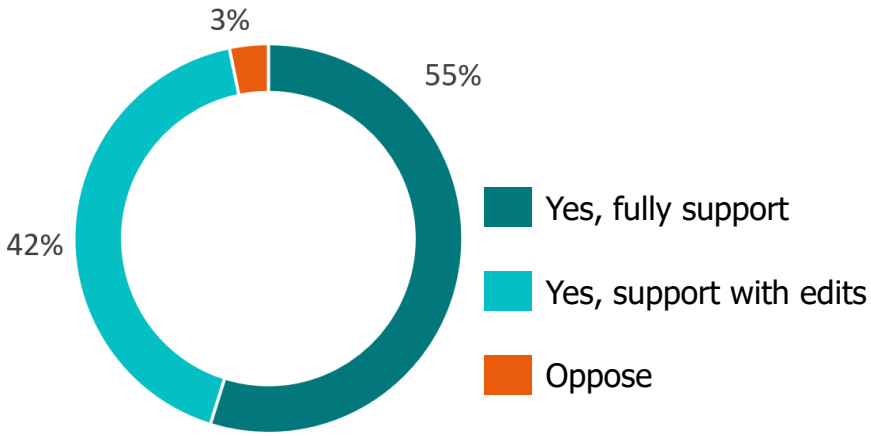
**Scope 3 TWG is separately recommending a 5% quantitative exclusion threshold for scope 3.*
***Three responses were received from observing entities, all of which indicated either full support or support with minor edits.*

Discussion with Scope 2 TWG

Scope 2 TWG poll results

Do you support the Corporate Standard TWG recommendation for justifiable exclusions for scopes 1 and 2?

97% of Scope 2 TWG members support



Feedback from Scope 2 TWG members

General feedback:

- **Assurance** rationale for requiring total quantification of emissions is compelling
- Same **boundary** should be used for exclusions for location-based and market-based approach
- Discussed the difference between scope 2 exemptions (for methodology) and exclusions (for completeness)

Suggestions for revision:

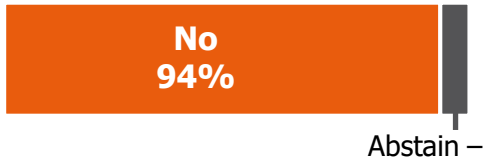
- **De minimis** provision should be included
- Limit justifiable exclusions to a **list of acceptable reasons**
- **MWh exclusion threshold** instead of or in addition to emissions exclusion threshold to ensure most electricity consumption is accounted for

Subgroup 3 feedback

1. Should justifiable exclusions be limited to a **defined list** of acceptable reasons?

16 members

2. Should an additional **MWh exclusion threshold** be defined for scope 2?



Note: De minimis to be discussed on following slides

For more information, see the minutes and slides from Scope 2 TWG Meeting 20

De minimis provision

Original subgroup 3 meeting 6 outcome

Majority support for combining de minimis emissions with a quantitative exclusion threshold for scopes 1 and 2.

Feedback received

- **ISB members**: Consider a de minimis provision within the scope 1 and 2 exclusion thresholds
- **Scope 2 TWG members**: De minimis is important to the application of the exclusion threshold, especially with assurance rationale

Proposed provision on "de minimis"

Companies may exclude de minimis emissions as part of the 1% exclusion threshold, provided that total exclusions (de minimis and non-de minimis) are not reasonably expected to exceed 1% of total scope 1 emissions or total scope 2 emissions.

Scope 3 TWG draft definition of "de minimis" emissions

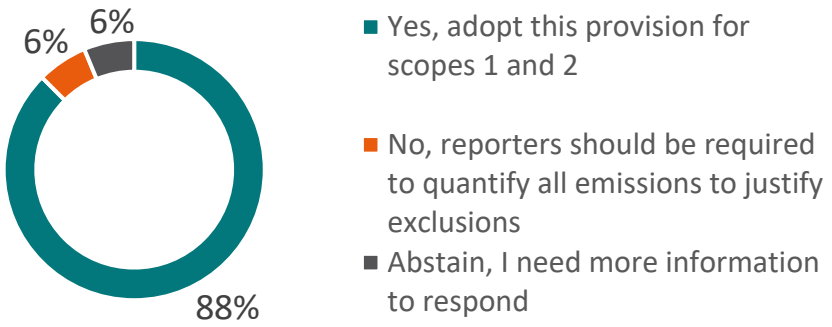
"De minimis emissions are emissions reasonably expected to be insignificant or negligible."

How it would work:

- Companies would NOT have to quantify de minimis emissions to exclude them
- De minimis emissions must be reasonably expected to fall below exclusion threshold
- Guidance on common cases would be provided

Subgroup 3 level of support:

Majority support for de minimis provision



16 members

See Appendix B for more details on de minimis in the Corporate Standard

Subgroup 3
Operational boundaries

De minimis provision

Preliminary outcome

Incorporate the following de minimis provision:

*Companies **may** exclude de minimis emissions as part of the 1% exclusion threshold, provided that total exclusions (de minimis and non-de minimis) are not reasonably expected to exceed 1% of total scope 1 emissions or total scope 2 emissions.*

De minimis emissions = Emissions reasonably expected to be insignificant or negligible.

Level of support from Subgroup 3

16 members

- **88% support** de minimis provision
- 6% - reporters shall quantify all emissions to justify exclusions
- 6% abstain

Rationale

- **Promotes feasibility** because reporters would NOT have to quantify de minimis emissions to exclude them.
- Supports reporters seeking **assurance** because a requirement to quantify 100% of emissions to justify exclusions may not be defensible for assurance.

Implications

- Without quantification, sources could be greater than expected.
- Guidance on common cases for de minimis sources would be provided.
- Cross-cutting: De minimis provision has been recommended by Scope 3 TWG for scope 3 emissions

For more information, see Subgroup 3 Meeting 11 minutes and slides

Justifiable exclusions and de minimis provision

Discussion

Poll questions

1. Do you support adopting a **de minimis provision** for the scope 1 and scope 2 exclusion threshold?
   a. Yes, fully support
   b. Yes, with minor edits
   c. No
   d. Abstain
2. Do you agree that **justification of exclusions** should **NOT** be limited to a **list of acceptable reasons** for exclusion?
   a. Yes, fully support
   b. Yes, with minor edits
   c. No
   d. Abstain
3. Do you agree that an additional **MWh exclusion threshold** should NOT be defined for **scope 2**?
   a. Yes, fully support
   b. Yes, with minor edits
   c. No
   d. Abstain

Proposed de minimis provision:

*Companies **may** exclude de minimis emissions as part of the 1% exclusion threshold, provided that total exclusions (de minimis and non-de minimis) are not reasonably expected to exceed 1% of total scope 1 emissions or total scope 2 emissions.*

2

Phase 2:

Data quality

- Data quality tiers
- Uncertainty

Subgroup 3 Phase 2:
F. Data/calculation methodology

Phase 2 topic	Meeting numbers	Status
F1. Updates to address **data quality and uncertainty**	Subgroup 3 Meetings 9, 10, 11	**Our focus today**
F2. Guidance on **calculation methods**	Task Force Meeting 2	Task Force topic*, in progress
F3. Guidelines for selecting appropriate **emission factors**	Task Force Meeting 3	Task Force topic*, in progress
F4. Expanded **disclosure requirements**	Task Force Meeting 4	Task Force topic*, not yet discussed
F5. Updates on **required GHGs** and global warming potential (**GWP**) values	Subgroup 3 Meetings 11, 12	In progress in Subgroup 3
F6. Other climate forcers	Subgroup 3 Meeting 14	Not yet discussed

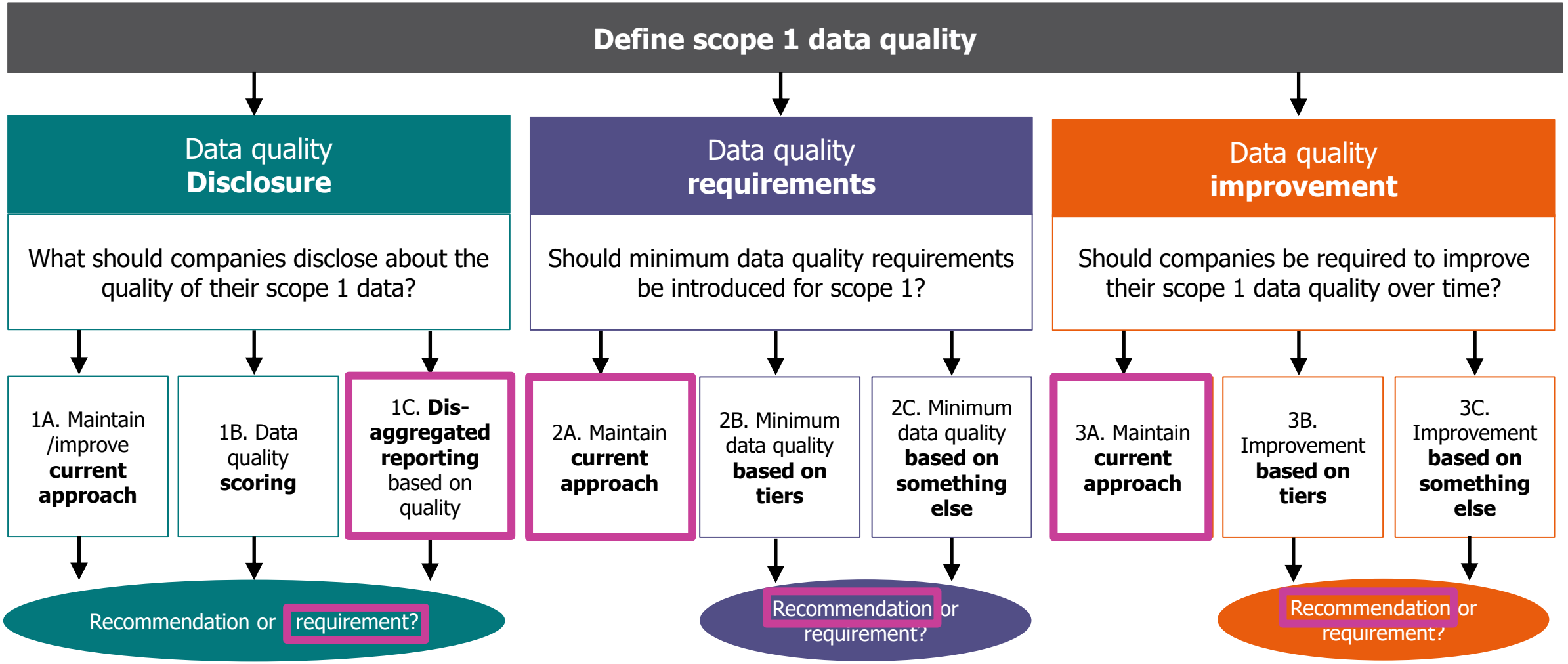
*Subgroup 3 Task Force will present recommendations to Subgroup 3 at Meeting 13

Subgroup 3 Phase 2: Preliminary outcomes on data quality

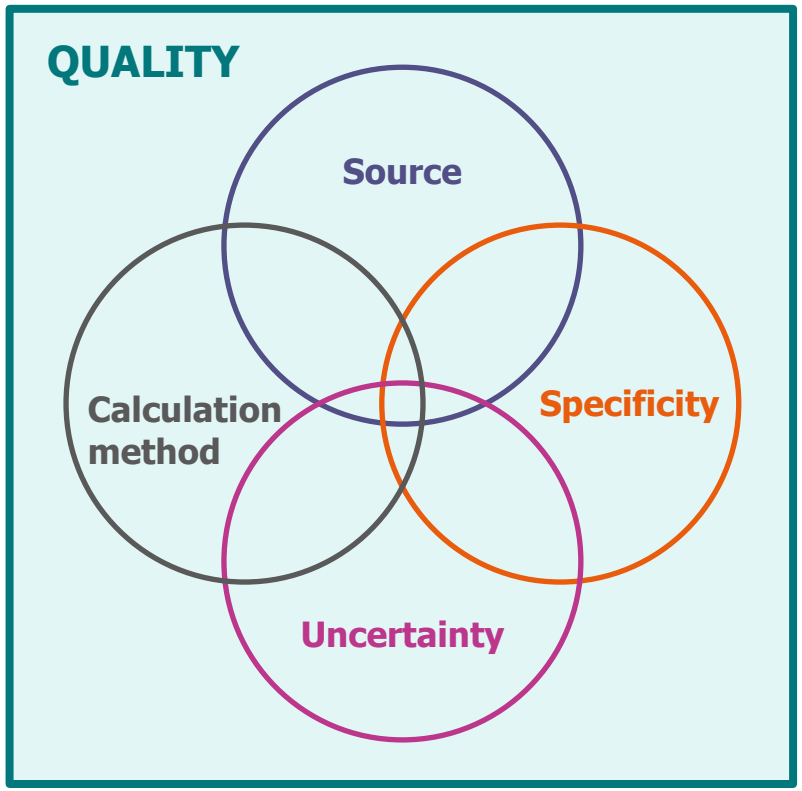
		Subgroup 3 preliminary outcomes:
Defining data quality	How should scope 1 data quality be defined?	**Define** scope-specific **data quality tiers**
Data quality **disclosure**	What should companies disclose about the quality of their scope 1 data?	**Require** disclosure of emissions by data quality tier
Data quality **requirements**	Should minimum data quality requirements be introduced for scope 1?	**Recommend** best available data be used*
Data quality **improvement**	Should companies be required to improve their scope 1 data quality over time?	**Recommend** data quality improvement over time*
Uncertainty	Should an uncertainty assessment be recommended? If so, what type?	**Recommend** uncertainty assessment, with the type left up to the reporter

**Split opinions; this is the outcome with the most support*

Subgroup 3 Phase 2: Conceptual diagram on data quality



Dimensions of data used to calculate GHG emissions



Dimension	Proposed definition
Source	Where the data comes from (e.g., supplier, database)
Specificity	Description of how applicable a data point is to the activity
Calculation methods	The approach used to calculate emissions (e.g., direct measurement, calculation)
Uncertainty	Quantitative definition: Measurement that characterizes the dispersion of values that could reasonably be attributed to a parameter. Qualitative definition: A general and imprecise term that refers to the lack of certainty in data and methodology choices, such as the application of non-representative factors or methods, incomplete data on sources and sinks, lack of transparency etc. *–Scope 3 Standard, page 141*

Data quality brings together all four dimensions and can therefore be complex to evaluate/quantify, classify, and communicate

= The degree to which the data and measurements are complete, reliable, and technologically, temporally, and geographically representative.

-See Scope 3 Standard Chapter 7, page 75

Adapted from Scope 3 TWG slide. For more information, see Subgroup 3 Meeting 9 slides

GHG Protocol context: Data quality

Corporate Standard

Optional information for reporting:

Information on the quality of the inventory (e.g., information on the causes and magnitude of uncertainties in emission estimates) and an outline of **policies in place to improve inventory quality**. (see chapter 7).

-*Corporate Standard*, page 63

Note: There are currently no data quality requirements; only guidance and recommendations

Scope 3 Standard: Data quality indicators

Table [7.6] Data quality indicators

Indicator	*Description*
Technological representativeness	The degree to which the data set reflects the actual technology(ies) used
Temporal representativeness	The degree to which the data set reflects the actual time (e.g., year) or age of the activity
Geographical representativeness	The degree to which the data set reflects the actual geographic location of the activity (e.g., country or site)
Completeness	The degree to which the data is statistically representative of the relevant activity. Completeness includes the percentage of locations for which data is available and used out of the total number that relate to a specific activity. Completeness also addresses seasonal and other normal fluctuations in data.
Reliability	The degree to which the sources, data collection methods and verification procedures[2] used to obtain the data are dependable.

Program requirements for data quality across scopes

Program	Data quality requirements
GHG Protocol	**Information on the quality of the inventory** (e.g., information on the causes and magnitude of uncertainties in emission estimates) and an outline of policies in place to improve inventory quality. *–Corporate Standard, page 63*
IFRS S2	29 (iii) disclose the approach it uses to measure its greenhouse gas emissions (see paragraphs B26–B29) including: (1) the **measurement approach, inputs and assumptions** the entity uses to measure its greenhouse gas emissions -*IFRS S2, page 14*
ESRS 2	*Disclosure Requirement BP-2 – Disclosures in relation to specific circumstances* 11. In accordance with ESRS 1 section 7.2 Sources of estimation and outcome uncertainty, the undertaking shall: (b) in relation to each quantitative metric and monetary amount identified: i. disclose information about the sources of measurement uncertainty (for example, the dependence of the amount on the outcome of a future event, on a measurement technique or on the availability and **quality of data** from the entity's upstream and/or downstream value chain); and ii. disclose the **assumptions, approximations and judgements** the entity has made in measuring it. -*ESRS 2, page 42-45*
GRI 102: Climate Change 2025	• The organization **shall report** standards, methodologies, assumptions, and calculation tools used, including the source of the emission factors used. *–GRI 102, Requirement 102-5-f, page 25* • The organization **should explain** why the standards, methodologies, assumptions, and calculation tools were chosen, including the source of the emission factors used. *–GRI 102, Guidance to 102-5-f, page 27*
SBTi CNZS	Data quality: Companies **should** select **data that is the most complete, reliable, and representative** in terms of technology, time, and geography. *–SBTi CNZS, page 22*
SBTI CNZS *draft v2.0*	CNZS-C10: Companies **shall aim to improve quality** and traceability of their GHG emissions data over time. *–CNZS draft v2, page 45*

Take-away:

External programs have data quality disclosure requirements, but there are not prescriptive requirements for minimum data quality.

Program requirements for direct emissions – a summary

Program	Full name	Level of application	Approach used
US EPA GHGRP	US EPA Greenhouse Gas Reporting Program, Subpart C	Facility level	• Stationary combustion: **Tiers based on data specificity** • Industry: Sector-specific guidance
EU ETS	EU Emissions Trading System	Facility level	**Three types of tiers**: • Direct measurement (**uncertainty**) • Fuel or material quantity (**uncertainty**) • Emission factors (**data specificity**)
IPCC	IPCC Guidelines for National GHG Inventories (2006, 2019 refinement)	National level	• **Three tiers based on data specificity and method** • Sector-specific guidance for 3 tiers
TCR	The Climate Registry General Reporting Protocol	Company/ organization level	• **Different levels of methods** are specified • Mobile combustion example: Method A (actual fuel use) and Method B (estimation based on distance) • "Simplified estimation methods" in some cases

Take-away:
Direct emissions programs define **data quality tiers** based on data specificity, method, and uncertainty.

Subgroup 3 preliminary outcome: Data quality tiers

Subgroup 3 preliminary outcome: **Define scope 1 data quality with three data quality tiers**

Tier name	Definition	Examples**
Measured*	Quantitative data obtained directly from **monitoring or measurement** of processes at a facility or activity level (including direct monitoring and measured energy content of fuel)	• Continuous Emissions Monitoring System (CEMS) • Periodic sampling with sensors • Energy or carbon content of fuel • Mass balance method • Stoichiometry method
Specific*	Emissions calculated using **specific activity data** *and* **specific emission factors**	• Volume/weight of fuel with fuel-specific emissions factor • Volume of refrigerant leaked • Physical emissions modeled in chemical or physical modeling
Other	Emissions calculated using any other data (e.g., partially specific, non-specific, EEIO/spend-based)	• Estimated fuel consumption • Industry average emission factors • Spend-based emission factors • Volume/weight of material produced

Unclassified: To promote feasibility, reporters would also have the option to report data as "unclassified"
Scope 3 tiers are the following: Specific, partially- or non-specific, and EEIO/spend-based

*Rules documents for defining "measured" and "specific" tiers are under development.
**Examples given are not comprehensive.

Data quality tiers: Example templates for scopes 1 and 3

Scope 1 data quality example template

Source	GHG emissions (tCO_2e)
Scope 1	**100**
Measured	20
Specific	70
Other	10
Unclassified	0

Scope 1 "other" tier includes scope 3 partially- or non-specific and EEIO/spend-based

Scope 3 data quality example template

Category	GHG emissions (tCO_2e)	% provided by value chain partners*	% not provided by value chain partners
Category 1	**100**	**15%**	**85%**
Specific	10		
Partially- or non-specific	30		
EEIO/spend based	55		
Unknown/unclassified	5		
Category 2 (…)			

Scope 3 "specific" tier includes scope 1 measured and specific tiers

Numbers are for demonstration purposes only
*Current requirement in Scope 3 Standard for data quality

Data quality tiers: Subgroup 3 level of support

Polls on data quality tiers:

Subgroup 3 iterated on and revised the data quality tiers across multiple meetings

Preliminary outcome	Meeting	Subgroup 3 survey results*
Majority agreement that the Scope 3 TWG proposal on **disaggregated reporting by data specificity** can and should be extended to scope 1.	Subgroup 3 Meeting 9	**9 of 12 support (75%)** 2 of 12 neutral (17%) 0 of 12 oppose (0%) 1 of 12 abstain (8%)
Majority agreement that **revisions are needed** to the Scope 3 TWG proposal to extend it to scope 1	Subgroup 3 Meeting 9	**4 of 12 – minor revisions (33%)** **3 of 12 – major revisions (25%)** 5 of 12 abstain (42%)
Majority support for revising the Scope 3 TWG proposal to add a new "measured" tier, defining the data quality tiers as follows: • **Measured, specific, non-specific, unclassified**	Subgroup 3 Meeting 10	**10 of 15 support (67%)** 2 of 11 – Scope 3 TWG proposal (13%) 1 of 11 – Principles approach (7%) 1 of 11 – Calculation method (7%) 1 of 11 abstain (7%)
Majority support for defining **scope-specific data quality tiers** (i.e., measured, specific, other for scope 1).	Subgroup 3 Meeting 11	**10 of 16 – scope-specific tiers (63%)** 5 of 16 – uniform tiers across scopes (31%) 1 of 16 abstain (6%)
Majority support for defining the **measured** data quality tier as direct monitoring and other direct measurements.	Subgroup 3 Meeting 11	**11 of 16 support (69%)** 4 of 16 prefer direct monitoring only (25%) 1 of 16 abstain (6%)
Majority support for defining the measured data quality tier with a **definition** drafted by the Scope 3 Secretariat	Subgroup 3 Meeting 11	**11 of 16 support (69%)** 2 of 16 – ISO primary data definition (13%) 2 of 16 – Scope 3 Std definition (13%) 1 of 16 abstain (6%)

Subgroup 3
Data quality

Data quality **disclosure**

Preliminary outcome

Companies **shall** report scope 1 inventory emissions disaggregated by the **specificity** of the data, in **three tiers**:

- **Measured** (i.e., quantitative data from monitoring or measurement)
- **Specific** (i.e., activity data AND emission factors specific to the emissions source)
- **Other** (e.g., industry averages, spend-based emission factors)

Companies **may** report any emissions source as "unclassified."

Level of support from Subgroup 3

- **75% support**
- 17% neutral
- 0% oppose
- 8% abstain

12 members

Question asked about extending scope 3 data quality tiers to scope 1

Rationale

- **Promotes transparency** of the inventory
- Supports **users of the data** by allowing them to interpret emissions results
- **Feasibility** is supported with the option to report data as "unclassified"

Implications

- Data management can be onerous, particularly for SMEs; costs can divert from decarbonization
- Measured and specific tiers are (together) aligned with ISO's primary data, but otherwise not directly aligned with other standards (e.g., ISO 14083).

For more information, see Subgroup 3 Meeting 9, 10, and 11 minutes and slides

Subgroup 3
Data quality

Data quality **requirements**

Preliminary outcome

Maintain **recommendation** that companies should use the best available data.

No minimum data quality requirements were defined.

Note: Split opinions. The above is the majority outcome.

Level of support from Subgroup 3

16 members

Split opinions, with the most support for a general recommendation

- **56% support general recommendation**
- 13% - Recommend X% is "measured" tier
- 31% - Recommend that X% is "measured" OR "specific"
- 0% Abstain

Rationale

- **Promotes accuracy** with recommendation to use best available data.
- **Promotes feasibility** by not setting any minimum data quality requirements (e.g., emission factors, methods).
- **Transparency** of data quality is already addressed through the proposed requirement to disaggregate emissions data by data quality tiers.

Implications

- **Aligned** with external programs, which also do not have any minimum data quality requirements.
- Calculation method and emission factor **guidance for scope 1** is under development in the Subgroup 3 Task Force.

For more information, see Subgroup 3 Meeting 10 and 11 minutes and slides

Subgroup 3
Data quality

Data quality **improvement**

Preliminary outcome

Maintain recommendation that companies should improve data quality over time.

No requirements for improving data quality were defined.

Note: Split opinions. The above is the majority outcome.

Level of support from Subgroup 3

16 members

Split opinions, with the most support for a general recommendation

- **56% support general recommendation**
- 13% – Recommend reporters increase % "measured" tier
- 31% – Recommend reporters increase % "measured" OR "specific" tier
- 0% Abstain

Rationale

- **Promotes accuracy** with recommendation to improve data quality.
- **Feasibility** is promoted by not setting any requirements for improving data quality.
- Data quality improvements can be tracked through disaggregated reporting of emissions by **data quality tiers**.

Implications

- --

For more information, see Subgroup 3 Meeting 10 and 11 minutes and slides

Subgroup 3
Data quality

Uncertainty

Preliminary outcome

Recommend that companies complete an uncertainty assessment.

Leave the type of uncertainty assessment up to the **discretion of the reporter**.

Level of support from Subgroup 3

16 members

Recommend uncertainty assessment:

69% Recommend uncertainty assessment
19% - Define but do not specifically recommend
13% Abstain

Leave type up to reporter:

69% – Leave up to the reporter
19% - Quantitative method
0% – Qualitative method
0% - Specific method
13% - Abstain

Rationale

- **Promotes transparency** of the emissions results.
- **Supports users of the data** in understanding the accuracy of the inventory.
- **Promotes feasibility** by allowing companies to select which type of uncertainty assessment they conduct.

Implications

- Uncertainty assessment is not specifically recommended in the Corporate Standard, so this would be a step forward.
- GHG Protocol provides two uncertainty assessment tools: Pedigree Matrix and Gaussian Method.
- The Scope 3 TWG proposed requiring an uncertainty assessment, contingent on GHG Protocol developing the uncertainty methodology. Since that is out of scope for this revision, the Scope 3 TWG is considering a way forward.

For more information, see Subgroup 3 Meeting 10 and 11 minutes and slides

Data quality and uncertainty

Discussion

Poll questions

*These questions had split opinions and therefore reflect the majority outcome

Topic	Poll question	Options
Data quality tiers	1. Do you support the proposed **data quality tiers** for scope 1 (i.e., measured, specific, other, unclassified)?	a. Yes, fully support b. Yes, with minor edits c. No d. Abstain
Scope 1 data quality tiers	2. Do you support defining **scope-specific tiers** (i.e., different tiers for scope 1 versus scope 3)?	a. Yes, fully support b. Yes, with minor edits c. No d. Abstain
Data quality disclosure	3. Do you support **requiring the disaggregation** of scope 1 emissions results by data quality tier?	a. Yes, fully support b. Yes, with minor edits c. No d. Abstain
Data quality recommendation*	4. Do you support maintaining a **general recommendation** that companies should use the best available data?*	a. Yes, fully support b. Yes, with minor edits c. No d. Abstain
Data quality improvement*	5. Do you support maintaining a **general recommendation** that companies should improve data quality over time?*	a. Yes, fully support b. Yes, with minor edits c. No d. Abstain
Uncertainty	6. Do you supporting adopting a **recommendation** that companies complete an uncertainty assessment, and that the type of uncertainty assessment should at the **discretion of the reporter**?	a. Yes, fully support b. Yes, with minor edits c. No d. Abstain

3

Phase 2:

Disclosure requirements

- Disaggregated reporting by activity type

This has not yet been considered by Subgroup 3

Disaggregated reporting by activity type

GHG Protocol context

Corporate Standard:

- Companies are only required to report TOTAL scope 1 emissions
- Companies are required to **disaggregate scope 1 emissions by GHG**

Scope 3 Standard:

- Companies are required to report emissions disaggregated **by scope 3 category**

Discussion

Poll question

1. Should companies be required to report scope 1 emissions **disaggregated by activity type**?
   a. Yes
   b. No
   c. Abstain, I need more information to respond

Activity type	Scope 1 emissions
Stationary combustion	…
Mobile combustion	…
Process emissions	…
Fugitive emissions	…

Agenda

• Introduction and housekeeping	10 minutes
• Subgroup 1: Base year recalculation	50 minutes
• Subgroup 3: Justifiable exclusions and data quality	50 minutes
• **Subgroup 2: Consolidation approaches**	**20 minutes**
• ISO partnership updates	10 minutes
• Wrap up and next steps	10 minutes

GREENHOUSE GAS PROTOCOL

Overview: Subgroup 2 phase 1 topics and progress

Topic	Subgroup 2 recommendations (preliminary)	Full TWG outcome	ISB pulse check
Optionality in consolidation	**Maintain optionality for consolidation approaches** between financial control and operational control	Majority support	**Support: 10 of 12** Oppose: 1 of 12 Abstain: 1 of 12
Proposed package for consolidation	***1. Require*** consolidation based on **control** ***2. Recommend*** **financial control** ***3. Recommend*** **operational control add-on reporting** for emissions that are **under operational control, but not financial control** for sufficient/fair presentation ***4. Maintain*** **operational control** as a stand-alone option that companies may apply	Majority support *(86%)*	**Support: 11 of 11** *(5 with minor edits)* Oppose: 0 of 12 Abstain: 1 of 12
Operational control revision	**Operational control should be maintained,** and the definition should be fully revised	Majority support	**Support: 10 of 12** Oppose: 1 of 12 Abstain: 1 of 12
	Working draft text defining operational control as the basis for the revision direction	Majority support	**Support: 11 of 12** Oppose: 0 of 12 Abstain: 1 of 12
Financial control revision	**Financial control approach should be revised to align with financial accounting**	Unanimous support	Provisionally approved
	Working draft text defining the financial control approach as the basis for the revision direction	Majority support	**Support: 11 of 12** Oppose: 0 of 12 Abstain: 1 of 12

Full Package Reminder

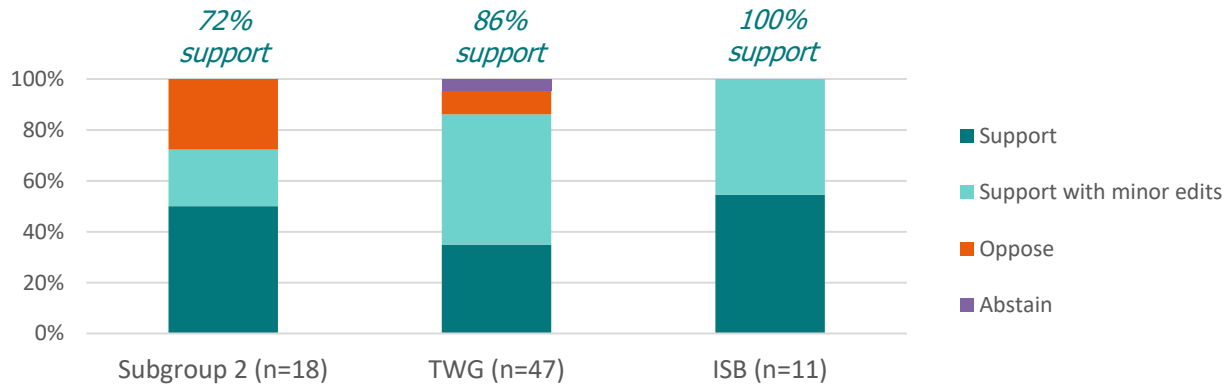
Proposed package for setting organizational boundaries

Preliminary outcome

1. *Require* consolidation based on **control**
2. *Recommend* **financial control**
3. *Recommend* **add-on reporting** under **operational control** where relevant
4. Maintain **operational control** as a **standalone option** where relevant
5. **Disclosure requirement** on rationale for applying a different approach

Note: *Revisions also include updates to the definitions of financial control and operational control.*

Level of support



Rationale

- Maintain optionality to **support diverse applications** of the standard
- **Promote standardization** and **enhance comparability** of GHG information
- Recommend a **best practice approach** for companies to disclose a **complete picture of emissions** and **promote transparency**

Implications

- Recommended best practice approach **more complex** than status quo *(if add-on reporting applies)*
- Continued **coordination with external programs** needed to promote **interoperability**
- Some **optionality maintained**, not all reporters expected to adopt recommended best practice approach
- Equity share approach **eliminated**

Package of proposed revisions to setting organizational boundaries *updated*

Package item #	Working draft text	Notes
1. *Require* consolidation **based on control**	Companies ***shall*** account for and report their consolidated GHG emissions based on **control**. Control can be **defined in terms of financial control and/or operational control.**	**Equity share** approach **eliminated**
2. *Recommend* **financial control**	Companies ***should*** apply the financial control consolidation approach, whereby companies account for and report on all required GHG emissions from entities under the reporting company's financial control (i.e., included in their consolidated financial statements).	**Future-proof alignment** of financial control approach with financial accounting with a **GAAP-agnostic principle-based definition**
3. *Recommend* **add-on reporting** under **operational control** where relevant	Additionally, when financial control fails to provide a **[fair and complete representation]** of their GHG emissions, companies ***should*** **separately** account for and report on **all required emissions** from entities, operations, and assets **under the reporting company's operational control that are not under financial control**	**PENDING ITEMS**: 1. **Where relevant**: Define/clarify/alternative term 2. **Separate** from **or included** in inventory values 3. **All required: Scopes 1 and 2 only, or including scope 3**
4. Maintain **operational control** as a **standalone/separate option** where relevant	Companies ***may*** apply the operational control consolidation approach **in lieu of financial control**, whereby companies account for and report on all required GHG emissions from entities, operations, and assets **under the reporting company's operational control**.	Operational control **under revision** to provide further clarity for consistent application while maintaining its purpose
5. Disclosure requirement on rationale for the approach applied	Companies shall disclose the chosen consolidation approach. Companies choosing not to apply the recommendations to consolidate emissions (item #2 and #3) ***shall*** disclose their **rationale for choosing a different approach**. The rationale ***should*** include the outcomes of a **screening assessment** comparing the entities, operations, and assets under the reporting company's financial control and operational control.	Providing **flexibility** for reporters while promoting **transparency** for the user of GHG data **PENDING ITEM:** 4. whether to **recommend** companies to disclose their **screening assessment outcomes**

Topic **excluded** from the package due to **strong opposition**:
Providing **jurisdictional relief** allowing companies to apply jurisdictionally required consolidation approach if differs from the CS.

Pending items on recommended additional reporting-operational control (item #3)

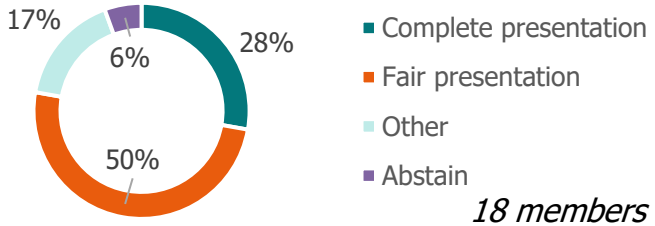
1 Term to clarify when the additional reporting under operational control should apply

Initial terminology: when relevant

Alternatives discussed by SG2:

- **Sufficient representation** (SG2 member)
- **Complete representation** (based on GHGP completeness principle)
- **Fair representation** (used in financial accounting and used to be referenced in ESRS (no longer))
- **New option:** fair and complete representation

Subgroup 2 level of support: *split opinion*



18 members

2 How should this additional reporting take place?

Options under consideration:

- **Separate** from the inventory as an additional information to provide full transparency for emissions under financial and operational control while keeping the inventory values based on only one control approach
- **Included in the inventory** but provided with the following **disaggregation** to assist users of disclosed data to guide informed decision-making
  - Emissions under **financial control only**
  - Emissions under **operational control only**
  - Emissions under **both financial and operational control**

Subgroup 2 level of support: *split opinion*

- **Separate** report: 10 of 18 (56%)
- Include **in inventory**: 6 of 18 (33%)
- Abstain: 2 of 18 (11%)

3 Operational boundaries for additional reporting

Options under consideration:

- **Scopes 1 and 2 only**
  - **Pros: Promote feasibility**; Report key actionable emissions under control
  - **Con**: **Not consistent** with the inventory operational boundaries
- **Scope 3 included (all scopes)**
  - **Pro:** Consistent with inventory boundaries
  - **Con:** Feasibility challenges

Subgroup 2 level of support: *majority support*

- **Scope 1 and 2 only**: **11 of 18 (61%)**
- Scope 3 included: 3 of 18 (17%)
- Abstain: 4 of 18 (22%)

For more information, see Subgroup 2 Meeting 11 minutes and slides

Any clarifying questions?

Pending items on requirements/recommendations on disclosure (item #5)

4 Whether to recommend companies to do/disclose a screening assessment

Feedback:

- Clarify **financial and operational control are not equal options** and **prevent companies from using operational control as a loophole** and encourage **sufficient justification** on if/why they don't apply the recommended approach

Option under consideration:

- Whether to ***recommend*** companies to disclose the outcomes of a **screening assessment comparing their organizational boundaries** under financial and operational control as part of justifying their applied approach *(if different from the recommended approach)* – i.e., items #2 and #3

Subgroup 2 level of support: *majority support*

- **Support for recommending screening assessment as justification: 14 of 19 (74%) –** *5 with minor edits*
- Oppose recommending screening assessment: 5 of 19 (26%)
- Abstain: 0 of 19 (0%)

19 members

5 Additional pending discussion: Should **flexibility to apply different consolidation approaches at different levels** of organization be provided (i.e., revise current approach)?

Current approach in the Corporate Standard:

"Once a corporate consolidation policy has been selected, it ***shall*** be **applied to all levels** of the organization."

Options under consideration:

- **Maintain current approach** and require the **same consolidation approach** to be applied at both parent and subsidiary levels
- **Revise current approach** and **provide flexibility** for different consolidation approaches to be applied (and transparently disclosed) at different levels of the organization

Subgroup 2 level of support: *split opinions*

- **Maintain current approach** – maintain consistency: 10 of 18 (56%)
- Revise current approach to provide flexibility: 5 of 18 (28%)
- Abstain: 3 of 18 (17%)

18 members

For more information, see Subgroup 2 Meeting 11 minutes and slides

Any clarifying questions?

Poll questions

Pending items on proposed package

#	Question	Options*
1	What **alternative terminology** would you recommend to replace "where relevant" while referring to when the **additional recommended reporting based on operational control** should apply? (package item #3)	A. Complete representation B. Fair representation C. Fair and complete representation D. Sufficient representation
2	Should emissions under operational control but not under financial control be recommended as a **separate disclosure**, **or included in the total inventory** with disaggregated disclosure? (package item #3)	A. Separately reported B. Included and disaggregated in the inventory
3	Do you support the Subgroup 2 outcome on recommending separate add-on reporting based on operational control (outside the financial control boundary) to **be limited to scope 1 and 2**? (package item #3)	A. Yes, support (proposed package) B. No, also include Scope 3
4	Do you support the Subgroup 2 outcome on **recommending** companies to **disclose the outcomes of their screening assessment** comparing their organizational boundaries under financial and operational control **as part of justifying their applied approach** (if different from the recommended approach)? (package item #5)	A. Yes, fully support (proposed package) B. Yes, support with minor edits C. No, don't recommend a disclosure of screening assessment outcomes as part of justification for not following the recommended consolidation approach
5	Should the current approach be revisited to **provide flexibility** for applying **different consolidation approaches at different levels** (i.e., parent and subsidiary levels) of the organization?	A. Maintain current approach B. Revise current approach to provide flexibility for application of different consolidation approaches at different levels of the organization

** All poll questions also include the option to 'Abstain'*

Agenda

• Introduction and housekeeping	10 minutes
• Subgroup 1: Base year recalculation	50 minutes
• Subgroup 3: Justifiable exclusions and data quality	50 minutes
• Subgroup 2: Consolidation approaches	20 minutes
• **ISO partnership updates**	**10 minutes**
• Wrap up and next steps	10 minutes

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ISO-GHG Protocol partnership updates

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Agenda

• Introduction and housekeeping	10 minutes
• Subgroup 1: Base year recalculation	50 minutes
• Subgroup 3: Justifiable exclusions and data quality	50 minutes
• Subgroup 2: Consolidation approaches	20 minutes
• ISO partnership updates	10 minutes
• **Wrap up and next steps**	**10 minutes**

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Next steps

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	• Fill out post-meeting **feedback survey** *(deadline to be confirmed)*	• Subgroup 1: February 24 • Subgroup 2: March 3 • Subgroup 3: February 10

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Thank you!

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Appendix A

Supplemental slides on Subgroup 1 topics on base year recalculation

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Requirements for establishing a base year across programs and standards

*Note: requirements for SBTi, IFRS, and ESRS all pertain to **target base years***

SCIENCE BASED TARGETS	ISO	IFRS	ESRS	GRI
SBTi Corporate Net-Zero Standard (v1.2)*	ISO 14064-1: 2018	IFRS S2 Climate-related Disclosures	ESRS E1 Climate Change	GRI Climate Change Exposure Draft
Criterion C-16 (p.10)	6.4.1 (pp.10-11)	Paragraph 33(e) (p.16)	Paragraph 34(c) (p.78), Paragraph AR 25(a) (p.92)	CC-4-d (p.23), GH-1-d (p.27), GH-2-d (p.30), GH-3-d (p.34)
"The base year ***shall*** be no earlier than 2015. The company ***shall*** use the same base year for its long-term science-based targets as its near-term science-based targets. Scope 1 and scope 2 targets ***shall*** use the same base year."	"The organization ***shall*** establish a historical base year for GHG emissions and removals for comparative purposes or to meet GHG programme requirements or other intended uses of the GHG inventory."	"For each target, the entity ***shall*** disclose… …the base period from which progress is measured" (IFRS S2 requires companies to *measure* GHG emissions in accordance with the GHG Protocol)	"The undertaking ***shall*** disclose its current base year and baseline value, and from 2030 onwards, update the base year for its GHG emission reduction target every five-year period thereafter." (If undertaking has set GHG emission reduction targets)	"The organization ***shall*** report the base year for the calculation, including the rationale for choosing it." (Requirement specified separately for scope 1, scope 2, and scope 3, and for both inventory base year and target base year)

* Detailed requirements and recommendations from both the current SBTi Corporate Net-Zero Standard (v.1.2) and the Version 2.0 Consultation Draft, released in March 2025, will be reviewed.

Specific requirements/recommendations for base year selection across standards and programs

Criterion	GHG Protocol Corporate Standard	SBTi Corporate Net-Zero Standard (v.1.2)*	SBTi Corp. NZ Std. (v.2.0 Consult. Draft)*	ISO 14064: 2018	IFRS S2 Climate-related disclosures*	ESRS E1 Climate change*	GRI Climate Change Exposure Draft
Recency of base year	Should be earliest relevant point in time with reliable data	No earlier than 2015	No earlier than 3 years before submission for initial validation	Not specified	Not specified	Must not precede first reporting year of target period by more than 3 years	Not specified
Use of multi-year averages	Option to use average over consecutive years	Not permitted unless specified in relevant sector-specific guidance	Not specified, with no change from v1.2 noted	Part of year or multi-year averages permitted	Not specified, term "base period" used rather than "base year"	Allowance for 3-year average if increases representativeness	Not specified
Use of same or different base years across scopes	Recommendation for single base year across scopes (Scope 3 Standard)	Same for scope 1&2 required, same for scope 3 recommended	Consistent base year across all indicators required	Scopes framework not used in ISO, differentiation by category not noted	Not specified	Not specified	Not specified
Representative-ness of "typical" operations	Addressed indirectly by option to use multi-year average	Base year emissions should be representative of typical profile	Requirement to select base year reflecting typical operations	Not specified, but data must be representative of reporting boundary	Not specified	Requirement to explain how representativeness ensured	Not specified
Data reliability/ verifiability	Requirement for verifiable emissions data	Emissions data should be accurate and verifiable	Must accurately reflect company's performance	Base year with verifiable GHG data required	Not specified	Not specified	Not specified
Rolling base year/updates to base year over time	Option for rolling base year	Not specified	Use of target year from previous cycle as base year for new cycle	Organizations may change base year, but changes must be justified	Not specified	Base year for reduction targets updated every 5 years after 2030	Not specified

Consistent with GHG P | Additional requirements | Divergent from GHG P | Criterion not specified

* Requirements/recommendations for **target base years**

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Draft for TWG discussion

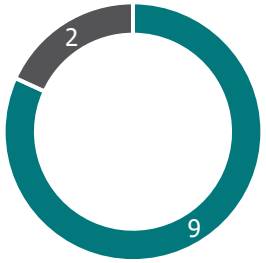
GHG Protocol decision-making criteria analysis (DRAFT)

Question 2. Should companies choose inventory and target base years separately or together as a single base year?

Criterion	A. Companies *should* choose inventory base year and target base year separately	B. Companies *may* choose the same year for both inventory and target base year or *may* choose different years	C. Companies *should* choose the same *year* for both inventory and target base year
Scientific integrity	N/A	N/A	N/A
GHG accounting and reporting principles	**Pros:** Promotes *completeness* (i.e., more complete information related to companies' historical emissions) **Cons:** May pose practical challenges to achieving *consistency* and *accuracy* if companies recommended to choose earliest year with verifiable data	**Pros:** Flexibility allows companies to choose approach that facilitates most *relevant* information to internal and external stakeholders, may help mitigate challenges from option A related to consistency and accuracy **Cons:** May hinder *completeness* (of accounting for a companies' historical emissions) for some reporters	**Pros:** May help mitigate challenges from option A related to consistency and accuracy **Cons:** May inhibit *relevance* by focusing on a single purpose for tracking emissions against a base year and *completeness* (of accounting for companies' historical emissions)
Support decision-making that drives ambitious global climate action	**Pros:** Facilitates more complete information related to companies' historical emissions profiles **Cons:** May deemphasize target setting	**Pros:** Gives companies option to focus efforts related to tracking emissions over time on target setting **Cons:** Potential for less complete information related to historical emissions may inhibit accountability	**Pros:** Emphasizes target setting and providing information for forward-looking climate action **Cons:** Potential for less complete information related to historical emissions may inhibit accountability
Support programs based on GHG Protocol and uses of GHG data	**Pros:** Distinguishing between inventory and target base years not anticipated to negatively impact interoperability with target setting programs, provision of information for uses beyond target setting context	**Pros:** Flexible approach can help serve different stakeholders' information needs (including related to target setting) **Cons:** Flexibility in approaches may inhibit comparability of reported information and lead to confusion for users of GHG data	**Pros:** Supports uses related to target setting programs **Cons:** Inhibits uses benefitting from a longer time series (assuming that target base years will typically be recent years)
Feasibility to implement	**Cons:** Companies participating in target setting programs may have to maintain two base years, practical challenges with recalculating emissions for distant base years	**Pros:** Flexibility helps mitigate challenges cited for options A and C	**Pros:** May mitigate practical challenges with base year emissions recalculation (assuming recent base years) **Cons:** Approach does not address needs of companies not participating in external target setting programs/implicitly requires companies set targets

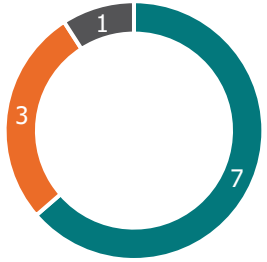
Base year selection: feedback survey results (n=11)

The Corporate Standard should **distinguish between** an inventory base year and a target base year



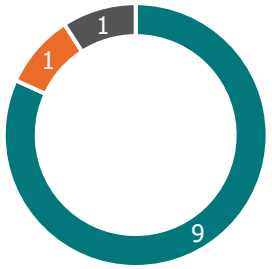
Comments:
- Provides flexibility for different companies in telling their stories
- Targets often set later
- If inventory base year is first year of inventory, defining an inventory base year does not add value

Guidance on the **recency/timing** of an (inventory) base year such that companies may select the earliest year with verifiable data or target base year



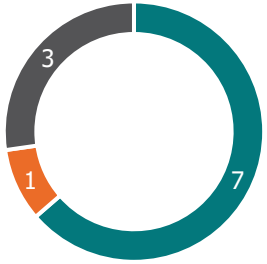
Comments:
- Inventory base year should be earliest year with verifiable data
- Earliest year shouldn't be specified, considering improvements in inventory quality over time

Companies should have the **flexibility** in choosing whether to select inventory and target base years **separately or together**



Comments:
- Inventory and target base years shouldn't be the same
- GHG P's role should be to provide inventory requirements – base year for target separate from this
- Support for providing flexibility
- Target setting should be encouraged

The **rolling base year** option should be maintained but updated such that a base year should only be rolled forward at longer intervals (e.g., every 5-10 years)



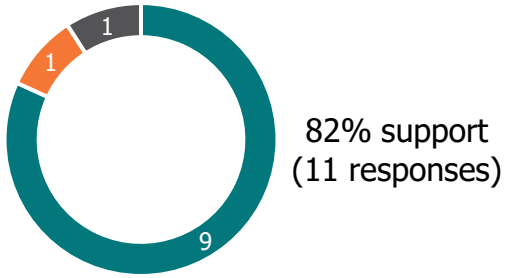
Comments:
- Requests to discuss further
- Reestablishing a base year every 5 years not the same as a rolling base year
- Rolling base year not suitable for tracking progress over time

■ Support ■ Oppose ■ Abstain

Inventory base year and target base year

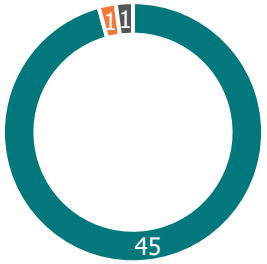
Preliminary outcome: Companies that have a base year established for GHG reduction targets should have the **option to use the same year for their inventory base year or choose a different year**.

Subgroup 1 level of support



82% support
(11 responses)

Full TWG level of support



96% support
(47 responses)

■ Support ■ Oppose ■ Abstain

Comments (support):

- Flexible approach to **accommodate varied circumstances**

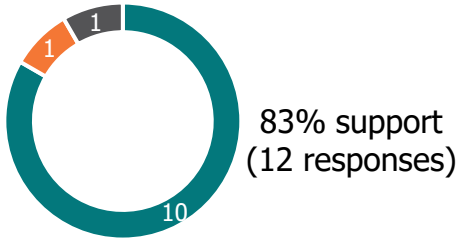
Comments (strong opposition):

- Corporate Standard should provide **requirements for inventory base year**, regardless of whether a company has a target or not. Inventory base year should be **earliest representative year with reliable data** to provide **transparency** on historical emissions.

Rolling base year option

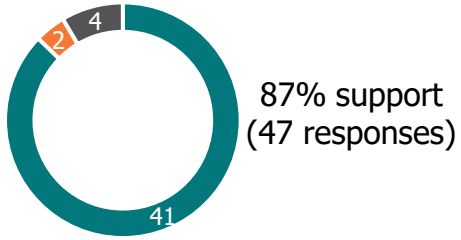
Preliminary outcome: The **rolling base year option** as currently defined in the Corporate Standard **should be eliminated**.

Subgroup 1 level of support



83% support
(12 responses)

Full TWG level of support



87% support
(47 responses)

■ Support ■ Oppose ■ Abstain

Comments (support):

- Enhances **consistency and transparency** in reporting
- Reduces **risk of companies manipulating base years** to mask poor performance

Comments (strong opposition):

- **Depends on how option is defined**: rolling base year every year may be eliminated but allowing a base year to be rolled over longer time intervals should remain on the table
- Rolling base year may better allow for tracking mitigation efforts in **sectors subject to rapid change**

Reasons triggering base year recalculation: current GHG Protocol requirements

Corporate Standard, ch.5 (pp.35-36)

The following cases ***shall*** trigger recalculation of base year emissions:

- **Structural changes** in the reporting organization that have a significant impact on the company's base year emissions including:
  - Mergers, acquisitions, and divestments
  - Outsourcing and insourcing of emitting activities
- **Changes in calculation methodology** or improvements in the accuracy of emission factors or activity data that result in a significant impact on the base year emissions data.
- **Discovery of significant errors**, or a number of cumulative errors, that are collectively significant

Reasons triggering base year calculation referenced in other documents, but *not* in Corporate Standard:

Scope 2 Guidance, 9.2 (p.76)

Recalculation of a **market-based total** if scope 2 base year chosen only calculated according to location-based method

Scope 3 Standard, 9.3 (p.104)

Changes in **categories or activities** included in the scope 3 inventory

Draft LSR Guidance, 12.8.1 (p.236)

Changes in the **categories or activities** included in the inventory

Base year recalculation: relevant requirements from external programs

Draft for TWG discussion

SBTi Corporate Net-Zero Standard (v1.2)* Criterion C-32 (p.13)	SBTi Corporate Net-Zero Standard (v2.0 Consultation Draft)* Criterion C-11 (p.46)	ISO 14064-1: 2018 6.4.2 (p.11)	ESRS E1 Climate Change Paragraph AR 25(b) (p.92)	GRI Climate Change Exposure Draft CC-4-d (p.25), GH-1-d (pp.28-29)
"A company's base year emissions recalculation policy must include a **significance threshold of 5% or less** that is applied to emission recalculations or in the absence of a base year emissions recalculation policy, a company must agree to apply a 5% significance threshold for emission recalculations."	"Significant" events where companies ***shall*** recalculate base year emissions: • Structural changes • Methodological changes • Shifts from scope 1 and 2 to scope 3 • Discovery of errors Companies ***shall*** recalculate "when the cumulative impact of one or several base year emissions recalculation events results in a variation of **5% or more** in any scope 1, scope 2, or scope 3 category"	"Substantial" events where companies ***shall*** recalculate base year emissions: • Structural changes • Methodological changes • Discovery of errors "The organization ***shall not*** recalculate its base-year inventory to account for changes in facility production levels, including opening or closing of facilities."	"the baseline value and base year ***shall not*** be changed unless significant changes in either the target or reporting boundary occur. In such a case, the undertaking ***shall*** explain how the new baseline value affects the new target, its achievement and presentation of progress over time."	"Significant" events where companies ***should*** recalculate base year emissions: • Structural changes • Methodological changes • Discovery of errors

Draft for TWG discussion

GHG Protocol decision-making criteria analysis (DRAFT): Question 2

Should the Corporate Standard define a prescriptive quantitative significance threshold for base year recalculation?

Criterion	A. No, the Corporate Standard should not define a prescriptive quantitative significance threshold	B. Yes, the Corporate Standard should define a required quantitative significance threshold	C. Yes, the Corporate Standard should define a recommended or default quantitative significance threshold
Scientific integrity	N/A	N/A	N/A
GHG accounting and reporting principles	**Pros:** Flexibility for companies to define recalculation policies most *relevant* to their needs. **Cons:** Inhibits *transparency* and *accurate* emissions profiles over time	**Pros:** Promotes *transparency* and *accuracy* **Cons:** Inhibits *relevance*	**Pros:** Maintains some flexibility for companies to define recalculation policies most relevant to their needs while promoting better *transparency* and *accuracy* of emissions profiles over time
Support decision-making that drives ambitious global climate action	**Pros:** Flexibility may help serve internal decision-making needs **Cons:** Diversity of practices may obscure an accurate picture of changes over time, inhibiting both internal and external decision-making	**Pros:** Standardized approach can contribute to accurate profiles of emissions over time, promoting better internal and external decision-making **Cons:** Rigid approach may detract from providing information serving internal decision-making needs	**Pros:** A more standardized approach (as compared to status quo) can contribute to accurate profiles of emissions over time, promoting better internal and external decision-making, some flexibility still provided allowing organizations to adapt to their own decision-making needs
Support programs based on GHG Protocol and uses of GHG data	**Pros:** No anticipated risks related to interoperability with programs **Cons:** Inhibits comparability of information	**Pros:** Promotes comparability of information **Cons:** Risks interoperability with programs who require a different significance threshold	**Pros:** Promotes comparability of information **Cons:** *Some* risk of inhibiting interoperability of programs, but less than in case of defining a required threshold
Feasibility to implement	**Pros:** Status quo, no anticipated implementation challenges	**Pros:** Helps simplify process of developing a base year recalculation for companies who do not already have one **Cons:** Will require companies to update their base year recalculation policies, may lead to increased instances of recalculation for some companies	**Pros:** Helps simplify process of developing a base year recalculation for companies who do not already have one **Cons:** Will prompt companies to update their base year recalculation policies but not require them to do so

Meeting 7 feedback survey results (n=12 responses)

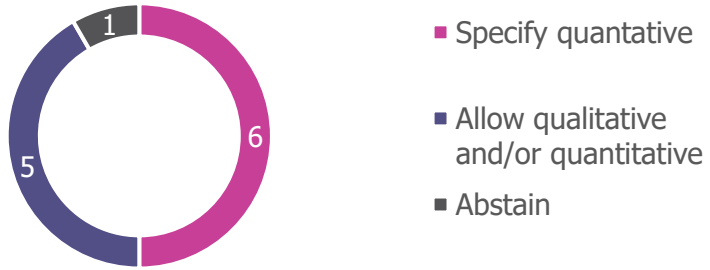
Majority support for **eliminating the rolling base year option** as currently defined in the Corporate Standard	**10 support** / 1 oppose / 1 abstain
Majority support that the Corporate Standard to **require companies to establish a significance threshold** as part of their base year recalculation policy	**10 support** / 1 oppose / 1 abstain
Split opinions on whether requirement for a significance threshold (if adopted) should specify a **quantitative significance threshold or allow for a qualitative and/or quantitative significance threshold**	6 require quantitative / 5 allow qualitative and/or quantitative / 1 abstain
Majority support that the Corporate Standard establish a **prescriptive quantitative significance threshold**	**8 support** / 2 oppose / 2 abstain
Split opinions on whether a prescriptive quantitative significance threshold be a **requirement or a recommendation**	5 requirement / 7 recommendation / 0 abstain
Majority support that significance thresholds should apply **separately by scope**	**9 support** / 1 oppose / 2 abstain
Majority support that a **single significance threshold should apply cumulatively across all types of events** triggering base year recalculation	**11 support** / 0 oppose / 1 abstain
Majority support for a **5% significance threshold for scopes 1 and 2** if a prescriptive quantitative threshold defined	**8 support** / 1 oppose / 3 abstain
Majority support for a **5% significance threshold for scope 3** if a prescriptive quantitative threshold defined	**8 support** / 0 oppose / 4 abstain

Includes 12 responses received by COB on Tuesday, June 17th.

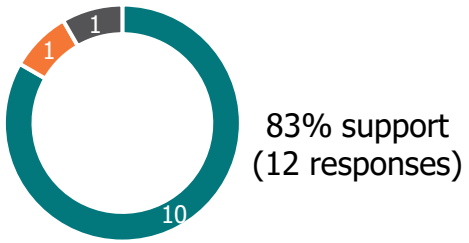
Significance threshold requirement

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

Subgroup 1 poll: Require a quantitative significance threshold or allow qualitative and/or quantitative

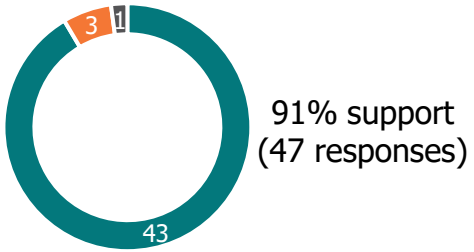


Subgroup 1 level of support



83% support
(12 responses)

Full TWG level of support



91% support
(47 responses)

Support Oppose Abstain

Comments (support):

- Support for requiring a **quantitative** significance threshold: promotes standardization, comparability, and reduces need for interpretation
- Support for allowing **qualitative and/or quantitative** significance thresholds, but qualitative thresholds still need to clearly indicate what leads a particular factor to be above or below the threshold
- Support, but thresholds should focus more on the **materiality** of emissions
- Support, but significance thresholds need to be considered in relation to **uncertainty**
- Support, but more **guidance** is needed as base year recalculation can be challenging for users

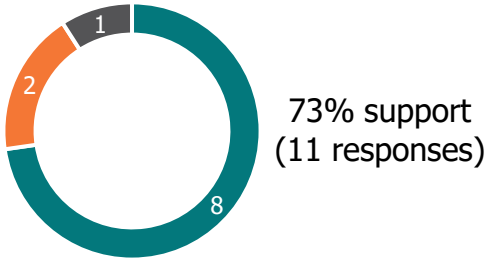
Comments (strong opposition):

- **Opposition to requiring** base year recalculation
- Base year recalculation should be the **purview of target setting standards**, not GHG accounting standards
- Some companies **recalculate emissions whenever there's been a significant acquisition** – judgement not based on a significance threshold for emissions

Prescriptive quantitative significance threshold

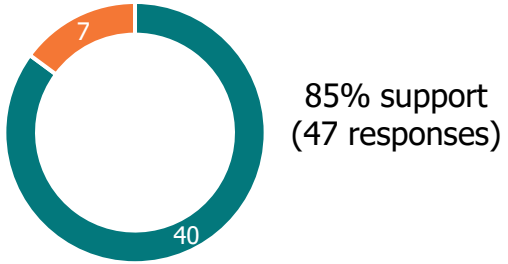
Preliminary outcome: The Corporate Standard should define a **prescriptive quantitative significance threshold** for base year recalculation.

Subgroup 1 level of support



73% support
(11 responses)

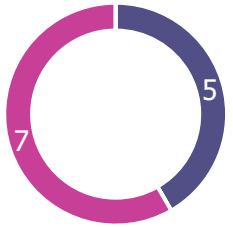
Full TWG level of support



85% support
(47 responses)

■ Support ■ Oppose ■ Abstain

Subgroup 1 poll: Prescriptive quantitative significance threshold as requirement or recommendation



■ Requirement
■ Recommendation
■ Abstain

Comments (support):

- Support for a **requirement**: Ensure consistent application among companies and enhance comparability, ensure that companies recalculate their base year emissions, consider matching with requirements in other standards (e.g., SBTi)
- Support for a **recommendation**: Appropriate balance between standardization and flexibility, significance threshold should be based on materiality to company

Comments (strong opposition):

- **Opposition to requiring** base year recalculation, should be role of target setting standards
- Support for taking a **principles-based approach**, allowing companies to judge significance according to their own set of facts and circumstances
- Risk that **level of uncertainty** for calculated emissions exceeds the significance threshold
- Request to see **examples**
- Suggestion to further discuss the **types of changes triggering base year recalculation**, not just the size

Methods for "backcasting" or estimating base year emissions where emissions data unavailable

Draft for TWG discussion

Aggregated list of methods including those posed by Subgroup 1 members and those listed in IPCC Guidelines

Method	Description	Applicability	Data requirements	Quality rating[1]	Data feasibility rating[2]	Method feasibility rating[3]
Historical activity data	Use historical activity data and emission factors, where available, to calculate emissions	Any type of change	Activity data and emission factors for base year	High	Low	High
Similar assets as proxy	Base on a subset of assets or activities under consideration, or similar assets within the company or industry	Structural changes	Data for reasonably similar assets	Medium	Medium	Medium
Scale based on proxy data	Scale based on a proxy variable (e.g., revenue, production output), similar to IPCC surrogate data method	Structural changes	Data for a reasonable proxy variable	Medium	High	Medium
Overlap technique	IPCC overlap technique, use relationship between emissions calculated using previous and new/improved methods for years where data exists for both to scale base year emissions	Methodological changes	Data to apply both previous and new/improved methods	Medium	Medium	Low
Trend extrapolation	IPCC trend extrapolation technique, use trend in emissions over years where data exists to extrapolate back to base year	Any type of change	A time series from which base year emissions can be reasonably extrapolated	Medium	Medium	Low
Industry average emissions intensity	Apply industry-specific emissions intensity per unit revenue	Structural changes	Emissions intensity figures that can be reasonably applied	Low	High	Medium

1. **Quality rating:** Potential for producing data that reasonably represents actual emissions during the base year/ reasonably provides for a consistent time series
2. **Data feasibility rating:** Likelihood of having adequate data to reasonably apply method
3. **Method feasibility rating:** Feasibility of implementing method for a range of reporters

**** Preliminary Secretariat ratings – intended as staring point only for discussion***

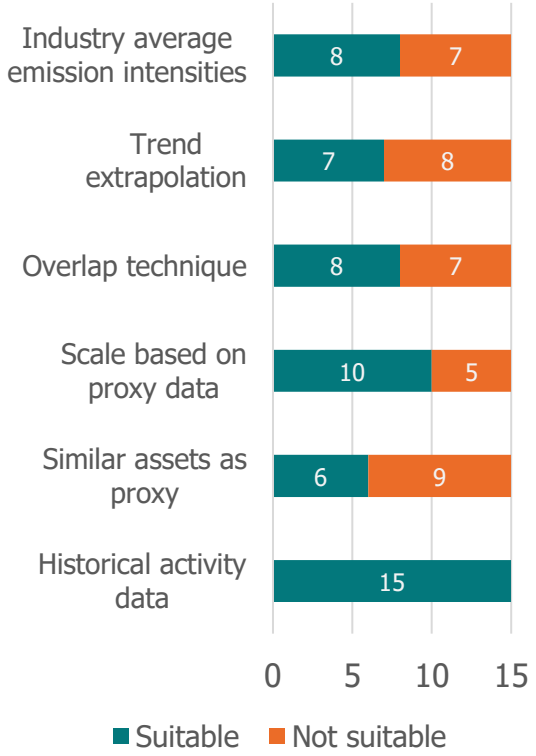
Summary: Options for companies when data is unavailable for base year recalculation

(Preliminary Secretariat analysis)

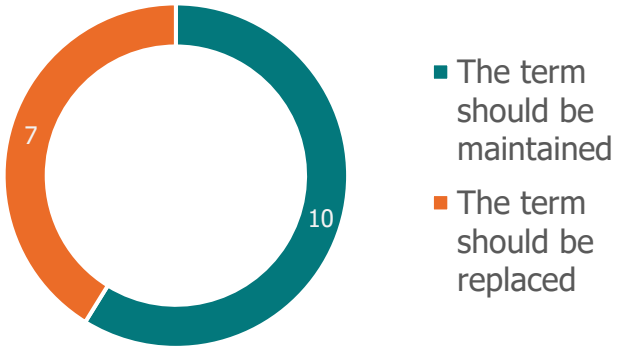
Option	Pros	Cons	Circumstances where most applicable
"Backcasting"/ proxy estimation of base year emissions	• Promotes a **complete and consistent** emissions profile over time	• **Uncertainty** in estimates • Challenges with **auditing** • **Feasibility challenges** and level of effort for companies	Where data exists to apply a proxy estimation method* to develop a reasonable estimate of base year emissions *See previous slide for analysis of proxy estimation methods
Disclose no recalculation	• Allows companies to prioritize efforts to addressing **most significant changes**	• **Inhibits a consistent profile** over time • Provides an "**easy out**" for companies to avoid recalculation	Where change is relatively insignificant/does not have a material impact on overall base year emissions and consistent profile over time
Reestablish base year	• Promotes **consistency** (but over a shorter timeframe) • Allows companies to prioritize tracking of emissions for **more recent years** if historical data is no longer relevant	• **Inhibits a complete** emissions profile over time • Undermines **transparency and accountability** • **Inhibits comparisons** between companies	Where change is (particularly) significant/ has a material impact on overall base year emissions and consistent profile over time and where a reasonable estimate cannot be made

Subgroup 1 Meeting 9 survey results: "Backcasting" and methods for estimating base year emissions in the absence of emissions data

Which methods should be specified as suitable methods for "backcasting" or estimating base year emissions?



Should the term "backcast" be maintained or replaced?



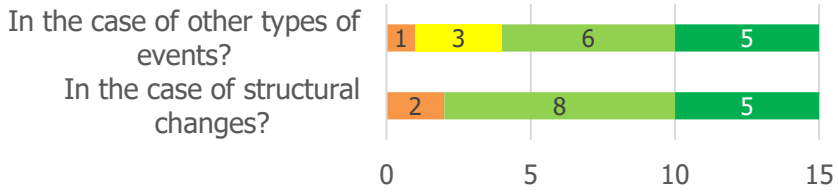
- *Majority support* for specifying **historical activity data** and **scaling based on proxy data** as suitable methods
- *Split opinions* on **other methods** considered
- *Split opinions* whether to maintain term "**backcast**"

Summary of member comments

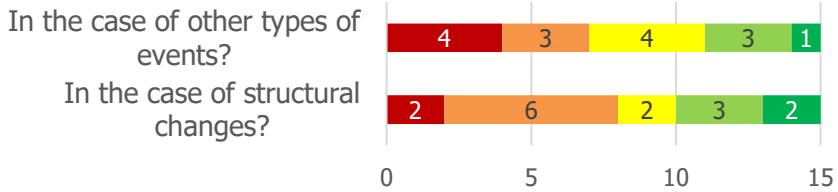
- A technical/descriptive or method for backcasting should be provided
- Backcasting should start with determining the current inventory
- Building an historical inventory with economic data or other proxy estimates won't be consistent with the current inventory
- A ranking of methods should be established according to data quality, representativeness, and reliability
- The same definition of "backcasting" as IPCC's should be used
- Using the term "backcasting" is not necessary as the Corporate Standard does not require a complete time series with intervening years
- While using historical activity data is preferable, it will typically not be available
- Custom proxies should be avoided for the sake of comparability
- Trend extrapolation requires at least two years' data, which may not be feasible
- Quality of methods may vary by scope
- If industry averages are used, justification should be required
- Corporate Standard should provide a limited menu of approved methods

Subgroup 1 Meeting 9 survey results: Options for base year recalculation in the absence of sufficient data

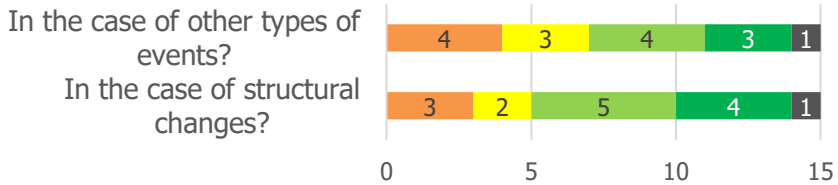
Should backcasting/proxy estimation methods be the preferred option?



Should disclsoure of no base year recalucation be maintained as an option?

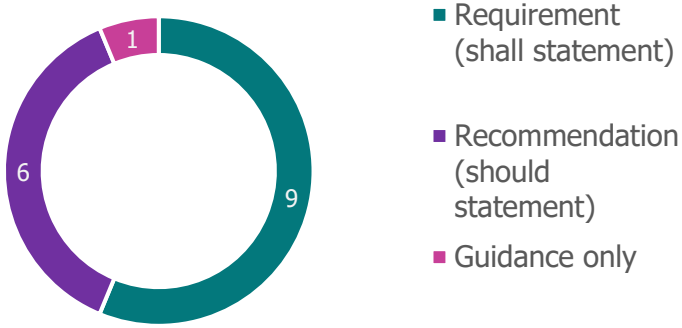


Should reestablishing the base year be maintained as an option?



Strongly disagree Disagree Neutral Agree Strongly agree Abstain

If backcasting/proxy estimation methods is specified as the preferred option, how should it be defined?

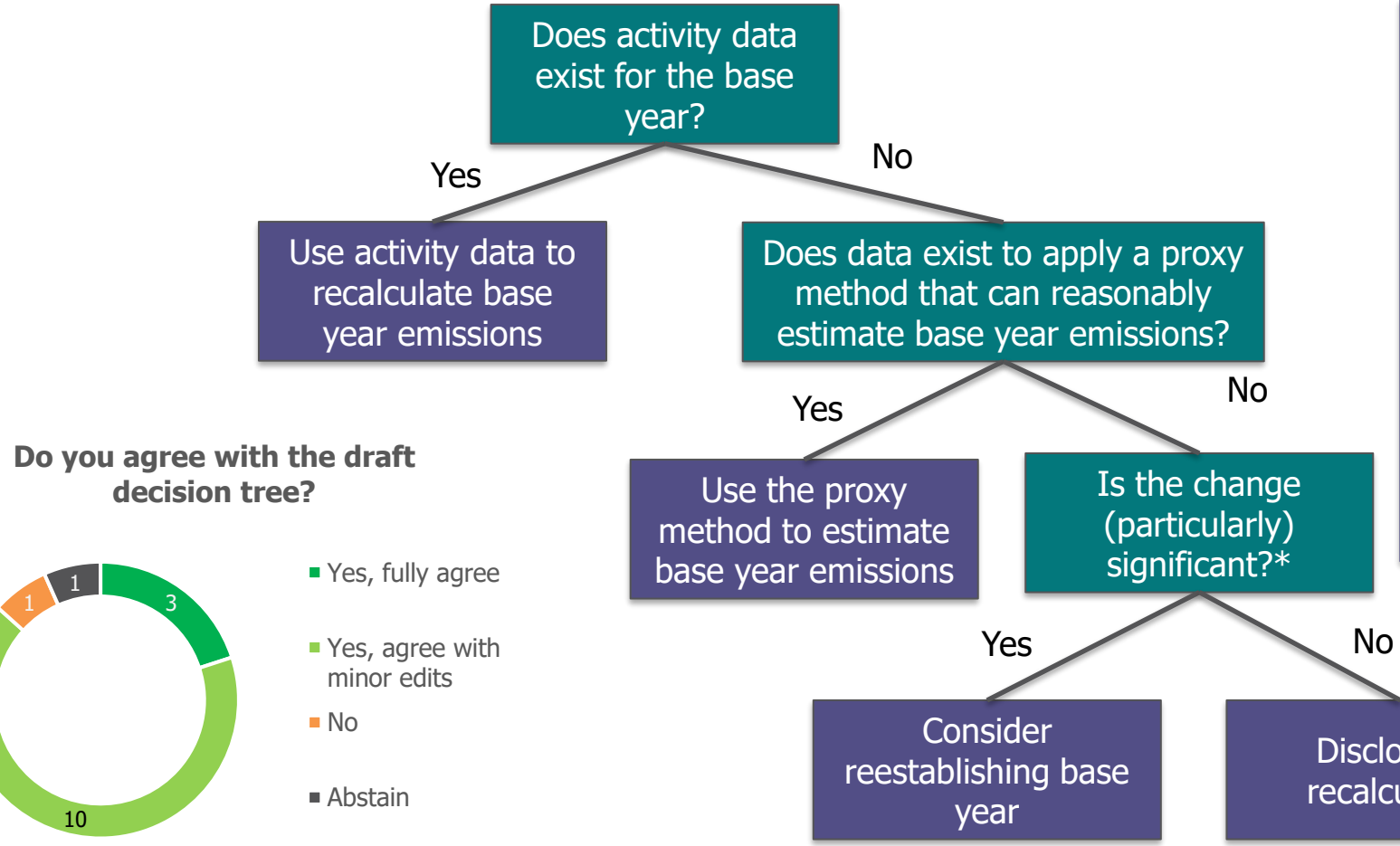


Summary of member comments

- Disclosure of no recalculation should not be considered a viable option as it leads to inconsistency and has implications for target tracking

- *Majority support* that **backcasting/proxy estimation methods** should be the **preferred option** for both structural changes and other types of events
- *Split opinions* on whether backcasting/proxy estimation methods should be defined as a **requirement** or a **recommendation**
- *Split opinions* on maintaining **disclosure of no base year recalculation** as an option
- *Majority support* that **reestablishing the base year** should be an option for **structural changes**, *split opinions* for other types of events

Subgroup 1 Meeting 9 survey results: Draft decision tree for base year recalculation in the absence of data



Do you agree with the draft decision tree?

Summary of member comments

- Overall support for decision tree
- Examples for each case should be provided
- Consider noting that while errors may not be significant when discovered, they may accumulate over time
- Estimating base year emissions requires emission factors (not just activity data), which will often be unavailable for scope 3

Methods of tracking GHG emissions over a time series

Method	Information provided	Information excluded
Original (historical) inventory time series: Annual historical reported emissions (with no recalculation*) * *An original (historical) inventory time series specifically does not involve recalculation for structural changes. However, it may be argued that recalculation for methodological changes and discovery of error remains necessary to ensure a consistent and accurate time series.*	• A record of a company's original historical emissions, which can be summed to estimate cumulative emissions (by scope/category) • Changes in emissions that are attributable to activities in the company's inventory boundary	• Changes in emissions to the atmosphere (as distinguished from a change in ownership or control of emissions-generating activities, i.e., structural changes)
Recalculated inventory time series: Annual emissions, with recalculation	• Changes in emissions to the atmosphere (as distinguished from a change in ownership or control of emissions-generating activities)	• Record of the company's original historical emissions
Recalculated target-relevant time series: Recalculated time series over relevant period for an active emissions reduction target	• Progress toward achieving a target	• Historical emissions over a longer time series than the target period
Emissions intensity time series: Emissions intensity per unit of physical activity or economic value	• Changes in emissions performance relative to a selected metric	• Changes in absolute emissions

Note: All methods above are examples of tracking GHG inventory data over a time series. The list does not include consequential methods for estimating changes in emissions from a baseline scenario.

Subgroup 1, Meeting 10 poll results: Recalculated time series

How should requirements/ recommendations related to the recalculated inventory time series be updated?	**Maintain status quo (require recalculation of base year emissions only)**	**7 of 17 (41%)**
	Make more stringent (e.g., require more years)	**8 of 17 (47%)**
	Make less stringent (e.g., change base year recalculation to recommendation)	2 of 17 (12%)

Which years shall/should be recalculated/ reported in addition to the base year?	**Leave to discretion of company based on reporting objectives**	**7 of 17 (41%)**
	Recent year(s) (e.g., last 1 year, last 3 years)	**6 of 17 (35%)**
	Some years – other (e.g., specific years, every 3rd year in series)	2 of 17 (12%)
	All intervening years	1 of 17 (6%)
	Other	1 of 17 (6%)

In general, how should recalculation/reporting of other years in the time series (beyond the base year) be specified?	Optional ("may" statement) – status quo	4 of 15 (27%)
	Recommendation ("should" statement)	**9 of 15 (60%)**
	Requirement ("shall" statement)	2 of 15 (13%)

Member comments:

- A full time series is essential – estimation methods can ease the burden for companies
- A recalculated time series should be recommended only considering varying capacities of companies
- Reporting recent years helps for quality control for evaluating recalculations
- Recalculation should be optional for consistency with financial accounting

*Most supported options shown in **orange**.*

Subgroup 1, Meeting 10 poll results: Original time series

How should specifications for reporting original (historical) inventory time series (without recalculation) be updated?	Optional reporting of original/historical emissions (status quo)	4 of 17 (24%)
	Recommended reporting of original (historical) emissions	**10 of 17 (59%)**
	Required reporting of original (historical) emissions	3 of 17 (18%)

If reporting of original (historical) inventory time series (without recalculation) is required/ recommended, to which years should the provision apply?	Base year only	4 of 17 (24%)
	All years since base year	**7 of 17 (41%)**
	Some years	4 of 17 (24%)
	N/A – I do not support a requirement/recommendation to report the original (historical) inventory time series	2 of 17 (12%)

Member comments:

- Information on the original time series without recalculation should be available from prior reports
- Reporting should be recommended but not required considering varying capacities of companies
- Original time series should be reported from target year onwards or prior 2-4 years, for consistency with other environmental/social data points

*Most supported options shown in **orange**.*

Subgroup 1, Meeting 10 poll results: Other methods

How should specifications for reporting a target-relevant time series be updated (noting that the Corporate Standard is not a target setting standard)?	No specification needed (Corporate Standard is not a target setting standard)	3 of 17 (18%)
	Optional reporting of target-relevant time series	4 of 17 (24%)
	Recommended reporting of target-relevant time series (if applicable)	**8 of 17 (47%)**
	Required reporting of target-relevant time series (if applicable)	2 of 17 (12%)

How should specifications for reporting of emissions intensity metrics be updated?	Required reporting of emissions intensity metrics	4 of 17 (24%)
	Recommended reporting of emissions intensity metrics	4 of 17 (24%)
	Optional reporting of emissions intensity metrics (Status quo – optional reporting of ratio indicators)	**9 of 17 (53%)**

Member comments:

- While the Corporate Standard is not a target setting standard, tracking progress against targets is a crucial use of GHG inventory data
- Reporting should be recommended but not required considering varying capacities of companies
- Need to discuss further the denominator used whether denominator would be recalculated (*Note: as framed in Meeting 10, discussion on intensity metrics assumed no recalculation of the numerator or denominator*)

*Most supported options shown in **orange**.*

Appendix B

Supplemental slides on Subgroup 3 topics related to justifiable exclusions and data quality

GREENHOUSE GAS PROTOCOL

Subgroup 3, phase 1: Package of proposed revisions agreed by TWG

Topic		Preliminary outcome
Justifiable exclusions for scopes 1 and 2	Prescriptive and **quantitative approach**	• **Maintain** scope 1 and scope 2 exclusions • Make scope 1 and scope 2 exclusions **more prescriptive and quantitative**
	Separate thresholds for scopes 1 and 2	• Define **separate quantitative exclusion thresholds** for scopes 1 and 2.
	1% emissions exclusion threshold	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.* *Note: Scope 3 TWG is separately recommending a 5% quantitative exclusion threshold for scope 3*
	Require **total quantification** to justify 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.* • *Companies **should** use the best available data to quantify total emissions to justify exclusions.* • *Companies **may** quantify total emissions to justify exclusions using any method.*

**Scope 2 TWG discussed proposed quantitative exclusion threshold at November TWG meeting*

GHG Protocol context: Corporate Standard and "de minimis"

Current language in the Corporate Standard

De minimis is defined in the context of verification:

"*A materiality threshold is not the same as* ***de minimis emissions, or a permissible quantity of emissions that a company can leave out of its inventory****.*"
-page 69-70

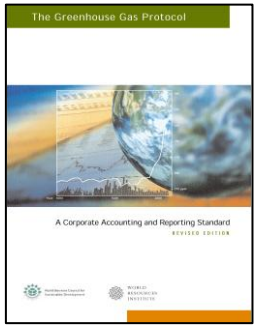
"Rule of thumb" that is misinterpreted:

"*As a rule of thumb, an error is considered to be* ***materially misleading if its value exceeds 5%*** *of the total inventory for the part of the organization being verified."*
-page 69

Note: "De minimis" is only mentioned in passing twice in the Corporate Standard in the context of verification, and is not mentioned once in any other GHG Protocol Standard

Key points:

- The concept of "de minimis" is **not currently used in defining justifiable exclusions**
- Material discrepancy for verification is often **misinterpreted** as a permissible 5% exclusion from the GHG inventory



Draft for TWG discussion

F. Data/calculation methodology (Subgroup 3, Phase 2)

Relevant chapters: chapter 6 (Identifying and Calculating GHG Emissions), chapter 7 (Managing Inventory Quality), and chapter 9 (Reporting GHG Emissions)

F.1. Updates to address **data quality and uncertainty** to consider:
- Data quality requirements and additional guidance related to the use of proxies or estimates.
- A data quality hierarchy.
- Additional disclosure requirements related to data quality and uncertainty.
- Additional guidance on developing uncertainty estimates.

Our focus today

F.2. Additional **guidance on calculation methods** and their applicability and consider providing a hierarchy of calculation methods.

F.3. Guidelines for **selecting appropriate emission factors** and disclosure requirements for emission factor sources.

F.4. Expanded **disclosure requirements** related to data sources, significant assumptions, descriptions of methodologies used, and disaggregating emissions obtained using different data collection and calculation methods (e.g., primary versus secondary data).

Subgroup 3 Task Force topics

Draft for TWG discussion

F. Data/calculation methodology, continued (Subgroup 3, Phase 2)

F.5. Updates to current requirements in the *Corporate Standard* on **required GHGs and global warming potential (GWP) values**:

- Integration and update of 2013 amendment on required GHGs into *Corporate Standard*.
- Revisit which GHGs companies are required to report on, considering GHGs not governed by the United Nations Framework Convention on Climate Change (UNFCCC).
- Revisit requirement for companies to report emissions from each required GHG individually.
- Clarification regarding which Intergovernmental Panel on Climate Change (IPCC) Assessment Report (AR) should be used for GWP values.
- Revisit the 100-year GWP as the only required metric and consider additionally a 20-year GWP, particularly for short-lived GHGs such as methane.

Progress made on required GHGs at December Subgroup 3 meeting

F.6. Accounting for **indirect climate forcers including radiative forcing in aviation**.

Data quality disaggregation: Methodology definitions

Draft definitions for direct monitoring, mass balance method, and stoichiometry method

Term	Definitions	Source	Examples
Direct monitoring	Emission data obtained only from physical direct monitoring/measurement	Secretariat draft	• Continuous Emissions Monitoring System (CEMS) • Periodic sampling with sensors, scaled to annual emissions 
Mass balance method*	Approach based on the conservation of mass in which a quantity can be estimated based on the inputs, outputs, generation, consumption, and accumulation of a product within a system.	Secretariat draft	• Refrigerant leakage can be calculated based on the storage inventory, purchases and sales of refrigerants, and any changes in refrigerant equipment capacity 
Stoichiometry method	Approach based on chemical reaction equations in which emissions are calculated based on the atomic mass of the reactants and products. This method assumes perfect conversion, but system efficiencies can be applied separately.	Secretariat draft	• Calculate the amount of CO_2 combusted based on the carbon content of natural gas. $CH_4+O_2 \rightarrow CO_2+H_2O$ • Calculate the amount of CO_2 released during the calcination step of cement production, where $CaCO_3$ decomposes into CaO and CO_2 

*The revised LSR Standard defines mass balance in the context of a chain-of-custody model, which is not relevant to the mass balance method for calculating emissions

Sources: GHG Protocol Guidance on Stationary Combustion, GHG Protocol HFC Tool, EPA GHG Inventory Guidance: Direct Emissions from Stationary Combustion Sources, EPA Direct Fugitive Emissions

Subgroup 3: Phase 2 indicative poll results on data quality disaggregation

	Preliminary outcome	Meeting	Subgroup 3 survey results*	Pending items
Data quality tiers	*Majority agreement* that the Scope 3 TWG proposal on **disaggregated reporting by data specificity** can and should be extended to scope 1.	Subgroup 3 Meeting 9	**9 of 12 support (75%)** 2 of 12 neutral (17%) 0 of 12 oppose (0%) 1 of 12 abstain (8%)	• Full TWG polls • "Specific" tier rules are under review • "Measured" tier rules are under development
	Majority agreement that **revisions are needed** to the Scope 3 TWG proposal to extend it to scope 1	Subgroup 3 Meeting 9	**4 of 12 – minor revisions (33%)** **3 of 12 – major revisions (25%)** 5 of 12 abstain (42%)	
	Majority support for revising the Scope 3 TWG proposal to add a new "measured" tier, defining the data quality tiers as follows: • **Measured, specific, non-specific, unclassified**	Subgroup 3 Meeting 10	**10 of 15 support (67%)** 2 of 11 – Scope 3 TWG proposal (13%) 1 of 11 – Principles approach (7%) 1 of 11 – Calculation method (7%) 1 of 11 abstain (7%)	
	Majority support for defining scope-specific data quality tiers (i.e., measured, specific, other for scope 1).	Subgroup 3 Meeting 11	**10 of 16 – scope-specific tiers (63%)** 5 of 16 – uniform tiers across scopes (31%) 1 of 16 abstain (6%)	
	Majority support for defining the measured data quality tier as direct monitoring and other direct measurements.	Subgroup 3 Meeting 11	**11 of 16 support (69%)** 4 of 16 prefer direct monitoring only (25%) 1 of 16 abstain (6%)	
	Majority support for defining the measured data quality tier with a definition drafted by the Scope 3 Secretariat	Subgroup 3 Meeting 11	**11 of 16 support (69%)** 2 of 16 – ISO primary data definition (13%) 2 of 16 – Scope 3 Std definition (13%) 1 of 16 abstain (6%)	

**Preliminary results. Indicative poll results include live meeting polls and follow-up survey results.*

Subgroup 3: Phase 2 indicative poll results on other data quality topics

	Preliminary outcome	Meeting	Subgroup 3 survey results*	Pending items
Data quality	*Split opinions*, with the most support for a general **recommendation that reporters use best available data**.	Subgroup 3 Meeting 11	**9 of 16 – General recommendation (56%)** 2 of 16 – Recommend X% is "measured" tier (13%) 5 of 16 – Recommend that X% is "measured" OR "specific" tier (31%) 0 of 16 – Abstain (0%)	Full TWG poll
	Split opinions, with the most support for a **general recommendation** that reporters **improve data quality over time**.	Subgroup 3 Meeting 11	**9 of 16 – General recommendation (56%)** 2 of 16 – Recommend reporters increase % "measured" tier (13%) 5 of 16 – Recommend reporters increase % "measured" OR "specific" tier (31%) 0 of 6 – Abstain (0%)	Full TWG poll
Uncertainty	*Majority support* for **recommending an uncertainty assessment**	Subgroup 3 Meeting 11	**11 of 16 – Recommend uncertainty assessment (69%)** 3 of 16 – Define but do not specifically recommend (19%) 2 of 16 – Abstain (13%)	Full TWG poll
	Majority support for leaving the type of uncertainty assessment **up to the discretion of the reporter**.	Subgroup 3 Meeting 11	3 of 16 – Quantitative method (19%) 0 of 16 – Qualitative method (0%) 0 of 16 – Specific method (e.g., Gaussian, Pedigree matrix) (0%) **11 of 16 – Leave up to the reporter (69%)** 2 of 16 – Abstain (13%)	Full TWG poll

**Preliminary results. To be updated as more survey results are available.*

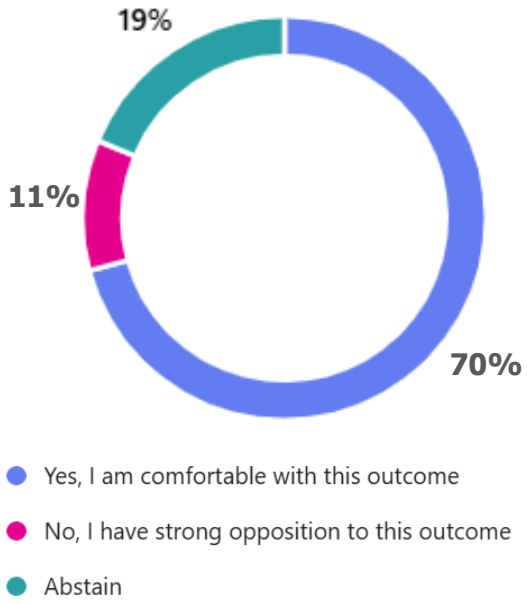
Appendix C

Supplemental slides on Subgroup 2 topic: package for setting organizational boundaries

GREENHOUSE GAS PROTOCOL

Feedback from full TWG and ISB on optionality in consolidation approaches

Full TWG feedback *(post meeting survey)*

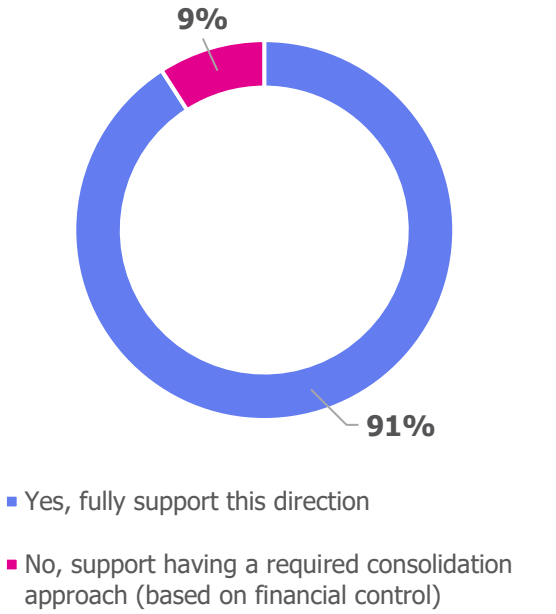


47 responses

Key feedback:

- **Request for clarification on how the two approaches differ**
- Support for **maintaining** to serve different reporting purposes
- Support for **recommending** financial control as part of optionality
- Support for **requiring** financial control due to challenges to set a standardized definition for operational control and to align with financial information
- Optionality **hinders comparability**
- **Concern** on eliminating **equity share**

ISB feedback



12 responses

Key feedback:

- The **level of complexity** varies with the size and characteristics of companies. Therefore, **flexibility and options should be provided** along with detailed guidance.

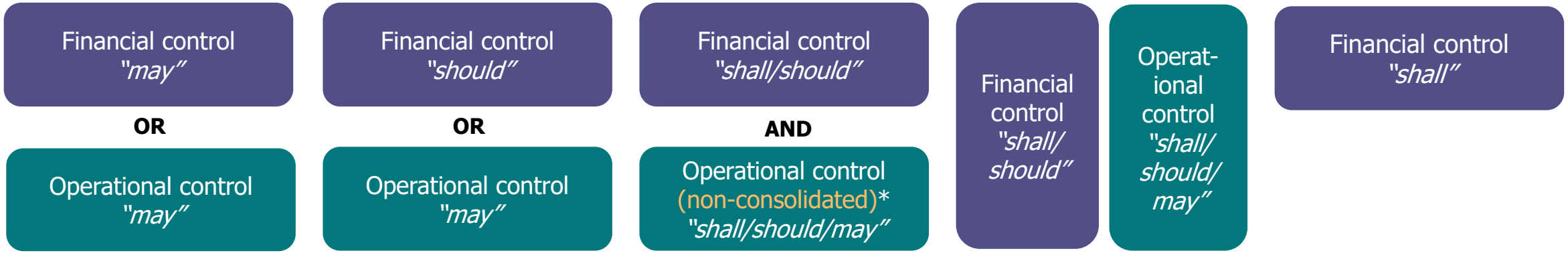
Opposition (1 member):

- Financial control should be required so that companies bearing majority financial risks should avoid reporting zero emissions.
- **Interoperability** with external programs should be maintained.

Both TWG and ISB members expressed majority support for maintaining optionality between financial control and operational control.

2 Options considered for optionality in consolidation approaches

Option 1	Option 2	Option 3	Option 4	Option 5
Financial & operational control as equal options	**Recommend financial control**	**Combined (layered) consolidation approach** (recommendation or requirement)	**Dual consolidation approaches** (recommendation or requirement)	**Require financial control approach**
Companies *may* choose between financial control and operational control.	Companies *should* apply financial control but *may* apply operational control.	Companies *shall/should* apply financial control and *shall/should/may* also separately report emissions under operational control but not financial control.	Companies *shall/should* report according to financial control and *shall/should/may* also separately report according to operational control, if applicable.	Companies *shall* apply financial control.



Options 3 and 4 were analyzed in the following slides **as recommendations** (i.e., using "should" statements) based on the *majority support* from TWG and ISB to maintain optionality in consolidation. Please see appendix for an analysis of options according to the GHG Protocol decision-making criteria.

* Only emissions for entities/assets/operations under operational control but *not* financial control (i.e., non-consolidated).

Discussion: GHG Protocol decision-making criteria analysis (UPDATED DRAFT)

Criterion	Option 1: Financial control and operational control as equal options	Option 2: Financial control as recommended option	Option 3: Combined (layered) consolidation (as recommendation)	Option 4: Dual consolidation approaches (as recommendation)	Option 5: Require financial control
Scientific integrity	N/A	N/A	N/A	N/A	N/A
GHG accounting and reporting principles	**Pros:** Promotes relevance **Cons:** May inhibit completeness, transparency, and consistent reporting across companies	**Pros:** Somewhat promotes relevance; promotes consistent reporting across companies **Cons:** Continued risk to potentially inhibit completeness and transparency	**Pros:** Promotes completeness and transparency	**Pros:** Promotes completeness and transparency	**Pros:** Ensures consistent reporting across companies **Cons:** May inhibit relevance, completeness and transparency
Support decision-making that drives ambitious global climate action	**Pros:** Provides flexibility for users and programs to choose/require the approach best fitting **Cons:** May inhibit decision-making if the chosen approach fails to meet stakeholder expectations	**Pros:** Continued flexibility while promoting a more standardized approach use **Cons:** May inhibit decision-making if the chosen approach fails to meet stakeholder expectations	**Pros:** Promotes decision-making (provides complete emissions profile)	**Pros:** Promotes decision-making (provides fair presentation of emissions profile)	**Pros:** Promotes consistent decision-making by providing a standardized consolidation **Cons:** May inhibit decision-making if financial control fails to meet stakeholder expectations or present complete/fair emissions
Support programs based on GHG Protocol and uses of GHG data	**Pros:** Promotes interoperability with external programs **Cons:** Risk of under-counting or not counting of emissions; inhibits comparability	**Pros:** Promotes interoperability with external programs **Cons:** Risk of under-counting or not counting of emissions;	**Pros:** Promotes greater standardization; Eliminates risk of under-counting or not counting of emissions **Cons:** Potential risk to interoperability with programs	**Pros:** Aligns with ESRS E1 exposure draft, promotes greater standardization; Eliminates risk of under-counting or not counting of emissions **Cons:** Potential risk to interoperability with other programs (e.g., IFRS)	**Pros:** Promotes greater standardization **Cons:** Risk interoperability with programs allowing optionality
Feasibility to implement	**Pros:** Least impact, closest to status quo **Cons:** Remaining ambiguities in defining operational control, question of whether approach should be applicable at entity level	**Pros:** Minimal impact compared to other options, maintaining both control approaches as options **Cons:** Remaining ambiguities in defining operational control, question of whether approach should be applicable at entity level	**Pros:** May help facilitate application of financial control at entity level and operational control at asset level; allowing opting out and apply single consolidation **Cons:** Complex approach with (significant) implementation challenges	**Pros:** Allowing companies to opt out and apply single consolidation **Cons:** Complex approach with (significant) implementation challenges	**Pros:** Maintains feasibility for current users of the approach **Cons:** Requires many companies to change consolidation approach, posing feasibility challenges

2 Updating consolidation approaches: key takeaways

Takeaway #1:

Financial control (align with financial consolidation) should be the **primary basis** for defining organizational boundaries for GHG inventories

- Establishing a **common basis** promotes **standardization**, more **consistent reporting**, and **more comparable** GHG information
- Basis in financial consolidation **supports key uses of GHG data** by external stakeholders (i.e., investors) and **regulatory reporting programs**

Takeaway #2:

Consolidation/reporting based on **operational control** (pending final revisions) **remains relevant** and should have a role to play in some cases

- **Financial control may not always provide a fair presentation** of an entity's emissions
- Entities have different objectives and needs for developing their GHG inventories (e.g., **internal purposes** to inform emission reduction efforts or other voluntary purposes) which may be **best served by operational control**

Do you have any questions or comments about these key takeaways?

3 Intro: Proposed package for updating organizational boundary setting

Option 2

Recommend financial control

Financial control *"should"*

OR

Operational control *"may"*

+

Option 3

Combined (layered) consolidation approach
(recommendation or requirement)

Financial control *"shall/should"*

AND

Operational control (non-consolidated)* *"shall/should/may"*

→

Proposed merged approach based on *control*:

1. ***Require*** consolidation based on **control**
2. ***Recommend*** **financial control**
3. ***Recommend*** **operational control add-on**: Recommend separate reporting of emissions that are **under operational control but not financial control**, ***if*** *financial control alone fails to provide complete emissions profile*
4. ***Maintain*** **operational control** as a stand-alone option that companies may apply ***if*** *the recommended approach does not align with their reporting purposes*
5. ***Disclosure requirement*** *on rationale for the approach applied*

How the proposed package for consolidation works in practice

	Consolidated entities (under financial control)	Non-consolidated entities and contractual arrangements
Under operational control of reporting entity	**Boundary A** ***Shall***	**Boundary C** ***Should*** (as separate or disaggregated add-on)
Not under operational control of entity	**Boundary B** ***Should***	**Boundary D** (Reported under Scope 3, Category 15)

APPROACH	BOUNDARY
Recommended best practice approach: Financial control (***should***) with operational control add-on (***should***, where relevant)	**(A + B) + C** as an add-on*, *where relevant*
Minimum recommended approach: Financial control only (***should***)	**A + B**
Optional approach: Operational control only (***may***, where relevant)	**A + C**

* Recommended separate add-on on other operational control emissions is proposed to cover scope 1 and 2 *(to be discussed further)*.

Reflection: Rationale behind the proposed consolidation package

Proposed package based on *control*:

1. ***Require*** consolidation based on **control**
2. ***Recommend*** **financial control**
3. ***Recommend*** **operational control add-on**: Recommend separate reporting of emissions that are **under operational control but not financial control**, ***if*** *financial control alone fails to provide complete emissions profile*
4. ***Maintain*** **operational control** as a stand-alone option that companies may apply ***if*** *the recommended option does not align with their reporting objectives*
5. ***Disclosure requirement*** *on rationale for the approach applied*

→ Providing optionality for consolidation is a priority to **support diverse applications of the standard** in line with the **draft revised objectives statement***

→ Increasing need to **enhance comparability** across companies and **promote standardization**

→ **Recommend a best-practice approach** for companies to **disclose a complete picture of GHG emissions** to **maximize transparency and informed climate action** while allowing companies the **flexibility** to choose the method that best aligns with their reporting objectives

→ Maintain **interoperability** with external programs

→ ***Majority support*** from Subgroup 2 and full TWG for the **revised financial control approach to be the preferred approach,** if there is a preferred option

This key feedback was reflected in the level of support for the options presented, helping to shape the proposed consolidation package.

* Please see the draft revised objectives statement in the Appendix.

Draft for TWG discussion

GHG Protocol decision-making criteria analysis of the proposed approach

Current approach for consolidation in the Corporate Standard and the proposed package for consolidation are analyzed based on the decision-making criteria. It combines the **strength option 3** provides for aligning with GHG Protocol principles.

Criterion	Current approach **Current approach to consolidation in Corporate Standard** Equity share/Financial control/Operational control	Proposed approach **Financial control as recommended** option with separate **add-on operational control, or stand-alone operational control** where relevant
Scientific integrity	N/A	N/A
GHG accounting and reporting principles	**Pros:** Promotes relevance **Cons:** May inhibit completeness, transparency, and consistent reporting across companies	**Pros:** Promotes relevance, completeness, transparency and consistent reporting across companies
Support decision-making that drives ambitious global climate action	**Pros:** Provides flexibility for users and programs to choose/require the approach best fitting **Cons:** May inhibit decision-making if the chosen approach fails to meet stakeholder expectations	**Pros:** Balancing flexibility with a standardized approach supports better decision-making by ensuring a complete emissions profile. **Cons:** May inhibit decision-making if the chosen approach fails to meet stakeholder expectations
Support programs based on GHG Protocol and uses of GHG data	**Pros:** Promotes interoperability with external programs **Cons:** Risk of under-counting or not counting of emissions; inhibits comparability	**Pros:** Promotes greater standardization (financial control as primary basis); Eliminates risk of under-counting or not counting of emissions; allows for disclosure of data points compliant with external program requirements **Cons:** Continued coordination is needed to maintain interoperability with external programs (e.g., IFRS)
Feasibility to implement	**Pros:** Status quo **Cons:** Ambiguities in defining operational control	**Pros:** May help facilitate application of financial control at entity level and operational control at asset level; allowing stand-alone use of financial and operational control where relevant can ease implementation **Cons:** Recommended "best practice" approach is complex and may pose feasibility challenges

Subgroup 2

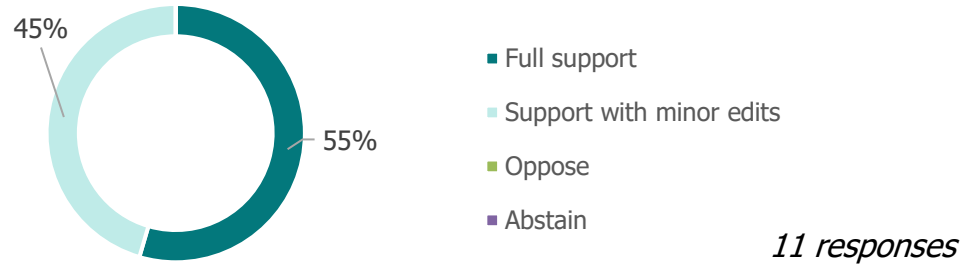
Proposed package for setting organizational boundaries

Preliminary outcome

1. *Require* consolidation based on **control**
2. *Recommend* **financial control**
3. *Recommend* **add-on reporting** under **operational control** where relevant
4. Maintain **operational control** as a **standalone option** where relevant
5. **Disclosure requirement** on rationale for the approach applied

Note: *Revisions also include updates to the definitions of financial control and operational control.*

ISB level of support



11 responses

ISB member and observing entity feedback

- **Concerns** on referring to "control" only when stating the **requirement** *(item #1)*
- Overall **support** for **recommending financial control** *(item #2)*
- **Add-on separate reporting** based on operational control in addition to financial control could be **confusing** – **stakeholders give mixed feedback** on an add-on and more complicated consolidation methods *(item #3)*
- **Concerns on interoperability** with key external programs
- **Operational control** as a **standalone** option is **not ideal** but **ok to maintain** since it is a **"may" statement** *(item #4)*
- **Disclosure requirement** needs to be **clearly defined** to specify that it refers to the **application of operational control** as a standalone option, rather than the recommended approach, and is **not a wildcard** allowing any other consolidation method to be used and justified *(item #5)*

Item #1 — Require consolidation based on control

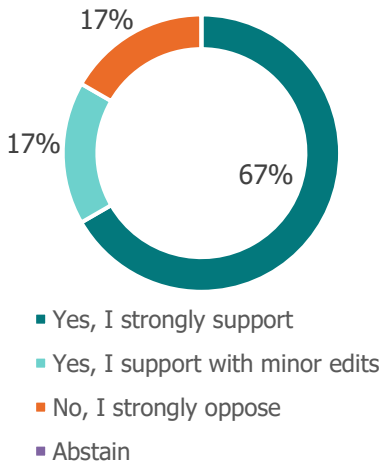
Current text in Corporate Standard *(ch. 3)*

*"Companies **shall** account for and report their consolidated GHG data according to **either the equity share or control approach** as presented below."*

Proposed text as example

*"Companies **shall** account for and report 100 percent of their consolidated GHG data according to [the] [a] **control approach** as presented below. Control is **defined in terms of financial control or operational control**."*

Subgroup 2 level of support



83% support

18 responses

Key feedback:

- Referring to "**control" only could be confusing**
- Statement becomes redundant by eliminating equity share approach

Rationale

- Providing a **clear requirement** for consolidation using a "shall" statement
- Emissions from **equity in non-controlled entities** are **now required** to be reported **under scope 3, Category 15**, rather than scope 1 or 2 (due to scope 3 reporting requirement)
- The **revised financial control approach definition** includes language that clarifies that equity in non-controlled entities are reported under scope 3, category 15

Item #2 — Recommend financial control

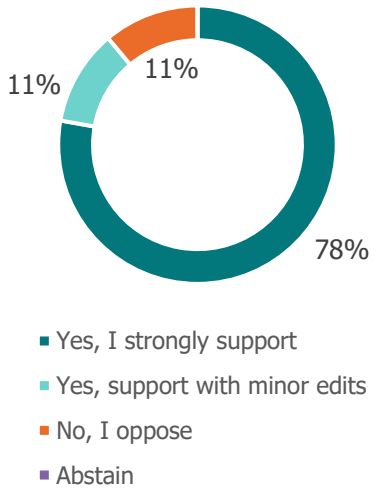
Current text in Corporate Standard *(ch. 3)*

*"When using the control approach to consolidate GHG emissions, companies **shall choose** between **either the operational control or financial control** criteria."*

Proposed text as example

*"Companies **should** apply the financial control consolidation approach, accounting for and reporting on 100% of emissions from **entities under financial control** (i.e., in their consolidated financial statements)."*

Subgroup 2 level of support



89% support

18 responses

Key feedback:

- Consider **renaming the** concept of **financial control** as the **reporting entity/undertaking** to align with financial accounting terminology

Rationale

- ***Majority support*** from Subgroup 2 and full TWG for the revised **financial control approach to be the preferred** approach **if** a preferred approach is defined
- Addressing the increasing need to **enhance comparability across companies** by aligning GHG emissions boundary with financial accounting
- Recommending an approach aims to **promote standardization without requiring a single approach** and restricting the applicability of the standard
- **Supports interoperability** with key external programs (e.g., IFRS and ESRS) requiring the reporting boundary to be aligned with financial statements (i.e., same reporting entity)

Item #3 — Recommend add-on operational control where relevant *

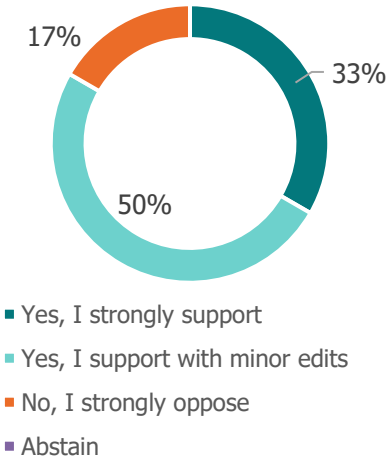
Current text in Corporate Standard *(ch. 3)*

*"When using the control approach to consolidate GHG emissions, companies **shall choose** between **either the operational control or financial control** criteria."*

Proposed text as example

*"Additionally, companies **should** account for and report on 100% of scope 1 and 2 emissions from entities, operations, and assets **under operational control that are not already included under financial control where relevant**** (e.g., where financial control does not provide a sufficiently complete picture of their GHG emissions)."*

Subgroup 2 level of support



83% support

18 responses

Key feedback:

- "**where relevant**" needs to be more specifically defined

Rationale

- Financial control and operational control boundaries **may diverge significantly** in some cases
- To ensure **complete emissions disclosure**, separate add-on reporting of emissions **outside the financial control boundary**—but associated with **operationally controlled entities or assets**—may be needed where excluding them would result in an **incomplete emissions profile** (based on completeness and relevance principles) and **inhibit informed decision-making**

* Operational control approach is **under revision** to **provide further clarity for consistent application** while maintaining its purpose
** Alternative and more specific terminology could be "**sufficiently complete**" or "**fair presentation**".

Item #4 — Maintain operational control as standalone option *

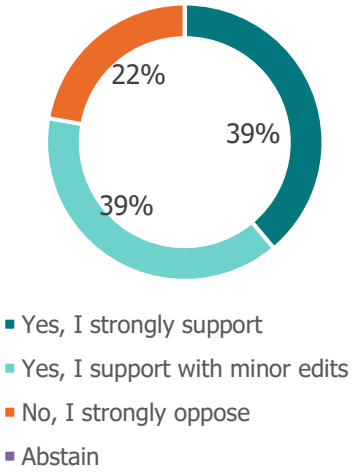
Current text in Corporate Standard *(ch. 3)*

*"When using the control approach to consolidate GHG emissions, companies **shall choose** between **either the operational control or financial control** criteria."*

Proposed text as example

*"Companies **may** apply the operational control consolidation approach **in lieu of financial control****, accounting for and reporting on 100% of emissions from entities, operations, and assets **under operational control**."*

Subgroup 2 level of support



78% support

18 responses

Key feedback:

- ***May*** statements are often not adopted by the user who opt for ***shall*** and ***should*** statements.
- **Example cases** on when this recommendation applies should be provided as **guidance**.

Rationale

- **Maintaining optionality** in consolidation approaches **is;**
  - **a priority to support diverse applications of the standard** in line with the revised draft **objectives statement*****
  - Necessary to **support interoperability** with external programs
- Allowing companies the option to **choose the method that best aligns with their reporting objectives while recommending a best-practice approach** as recommendation/guidance

* Operational control approach is **under revision** to **provide further clarity for consistent application** while maintaining its purpose
** The situations where operational control may be applied in lieu of financial control will be discussed further and **specified in guidance**.
*** Please see the revised draft objectives statement in the Appendix.

Item #5 — Disclosure requirement on rationale for the approach applied

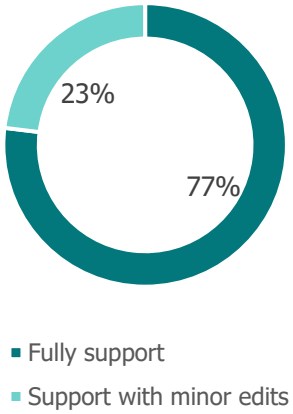
Current text in Corporate Standard *(ch. 9)*

*"**Required information:** An outline of the organizational boundaries chosen, including the chosen consolidation approach."*

Proposed text as example

*"Companies **who choose not to apply recommendations #2 and #3** (i.e., consolidation based on financial control, additional reporting under operational control, respectively) **shall disclose their rationale for choosing a different approach**."*

Subgroup 2 level of support



100% support

13 responses

Key feedback:

- **Language** needs to be **carefully framed to make it clear** that organizations are not free to choose between the two approaches
- Could include disclosure on **whether the same consolidation approach** applied at both **parent and subsidiary** levels

Rationale

- **Promotes standardization** by requiring a rationale when the recommended best practice approach is not applied
- **Promoting transparency** to **users** of GHG data