

# Corporate Standard Meeting Minutes

## Subgroup 3, Meeting #2

Date: 17 December 2024

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

Location: Virtual

## Attendees

### Technical Working Group Members

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

### Guests

None present

### GHG Protocol Secretariat

1. Allison Leach
2. Iain Hunt
3. Hande Baybar
4. Natalia Chebaeva
5. David Rich

## Documents referenced

1. Slides for the Corporate Standard Subgroup 3 meeting on 17 December 2024
2. Corporate Standard Discussion Paper 3.1 on a Scope 3 requirement, Questions #1-3

Item	Topic and Summary	Outcomes
1	<b><i>Welcome and housekeeping</i></b> The Secretariat welcomed TWG members and briefly reviewed housekeeping items from previous meetings.	No specific outcomes.
2	<b><i>Recap from meeting #1</i></b> The Secretariat summarized the outcomes of meeting 1 on a scope 3 requirement and clarified how the Corporate Standard and Scope 3 Technical Working Groups will coordinate.	The Secretariat will draft memos on relevant Scope 3 TWG and Corporate Standard TWG updates to be shared as needed with TWG members across workstreams
3	<b><i>What should the scope 3 reporting requirement be?</i></b> The Secretariat presented the background and proposed options for defining a scope 3 requirement in the Corporate Standard. Breakout group discussions considered this question by reviewing the Secretariat's analysis of the GHG Protocol decision-making criteria. Two indicative polls were held to first define the scope 3 reporting requirement, and then to gauge support for a quantitative exclusion threshold that was defined by the Scope 3 Technical Working Group.	An indicative poll found majority support for requiring all significant scope 3 emissions in the Corporate Standard.  An indicative poll found majority support for defining a cumulative 5% exclusion threshold, relative to total scope 3.  The terminology for significant/magnitude/size will be refined and clarified.
4	<b><i>Can the scope 3 reporting requirement be applied globally across all companies?</i></b> The Secretariat presented the background for considering whether the defined scope 3 reporting requirement should be applied globally or differentiated in some way. An indicative poll was held where TWG members expressed support for considering differentiated scope 3 reporting options.	An indicative poll found majority support for exploring differentiated scope 3 reporting requirements.
5	<b><i>Wrap-up and next steps</i></b> The Secretariat summarized the plan for the next meeting and the next steps. The next meeting of Subgroup 3 is scheduled for Tuesday January 28, 2025, at 09:00 ET / 15:00 CET.	The Secretariat will share final meeting materials.  The Secretariat will share a discussion paper and meeting feedback survey in early January 2025.

## Summary of discussion and outcomes

### 1. Welcome and housekeeping

- The Secretariat welcomed TWG members and briefly reviewed housekeeping items from previous meetings. (Slides 1-8)

#### Summary of discussion

- The Secretariat reminded TWG members of housekeeping items and provided an overview of general feedback received to date via the Corporate Standard TWG Feedback Form.

#### Outcomes (e.g. recommendations, options)

- No specific outcomes.

## 2. Recap from meeting #1

- The Secretariat summarized the outcomes of meeting 1 on a scope 3 requirement and clarified how the Corporate Standard and Scope 3 Technical Working Groups will coordinate. (Slides 9-13)

### Summary of discussion

- The Secretariat summarized the key outcome from meeting 1, which was unanimous consensus support that scope 3 reporting should be required in the Corporate Standard. The following meetings will now work to define the scope 3 reporting requirement.
- In response to Technical Working Group (TWG) member questions, the Secretariat clarified how the Corporate Standard TWG and Scope 3 TWG will coordinate and stay connected. First, the Secretariat meets regularly across workstreams to discuss cross-cutting topics. Second, the Secretariat members from each workstream attend each other's meetings to listen to the discussion and provide context as needed. Third, outcomes from each workstream will be shared with the other workstream for input and discussion.
- Multiple TWG members asked what would happen if the Corporate Standard and Scope 3 TWGs have different recommendations on a cross-cutting topic. The Secretariat responded that the two TWGs would first try to reach a harmonized recommendation, and if that were not possible, then the TWGs would consider recommending different sets of requirements and guidance in the two standards.

### Outcomes (e.g. recommendations, options)

- The Secretariat will draft memos on relevant Scope 3 TWG and Corporate Standard TWG updates to be shared as needed with TWG members across workstreams.

## 3. What should the scope 3 reporting requirement be?

- The Secretariat presented a summary of relevant background and proposed options for defining a scope 3 reporting requirement in the Corporate Standard. Breakout group discussions considered this question by reviewing the Secretariat's analysis of the GHG Protocol decision-making criteria. Two indicative polls were held to first define the scope 3 reporting requirement, and then to gauge support for a quantitative exclusion threshold that was defined by the Scope 3 Technical Working Group. (Slides 14-36)

### Summary of discussion

- The Secretariat introduced a question to the subgroup: What should the scope 3 reporting requirement be? The Secretariat proposed the following options: All scope 3 emissions, all relevant scope 3 emissions, and all significant scope 3 emissions. The Secretariat presented the GHG Protocol context and current language, relevant research, how external programs define a scope 3 reporting requirement, relevant stakeholder survey feedback, pre-meeting feedback from the subgroup, and relevant outcomes from the Scope 3 TWG.
- External programs with scope 3 reporting requirements:
  - A TWG member asked if the ESRS E1 scope 3 reporting requirement requires companies to meet all criteria for relevance/significance. The Secretariat clarified that ESRS E1 does not require the consideration of any specific criteria, but rather states that companies should consider double-materiality and significance (broadly defined to include criteria like magnitude) when screening scope 3 categories. A TWG member observed that the ESRS E1 significance definition is unclear and open to interpretation.
  - A TWG member noted that reporters using ISO should evaluate emissions sources for significance using all criteria that the company has included in their pre-determined self-defined significance criteria. They also suggested that a list identifying relevant emissions by economic activity could help with identifying significant sources.
- Relevance:

- The Secretariat clarified that the Scope 3 TWG's preferred option is to define relevance as meeting at least one of the relevance criteria.
- Data uncertainty:
  - Several TWG members asked how uncertainty will be considered. The Secretariat stated that the Scope 3 TWG is considering uncertainty in terms of inventory quality, not in terms of setting inventory boundaries.
  - A TWG member noted that the default model uncertainty for LCA is 10%, and that uncertainty should be considered when setting a quantitative threshold for exclusion.
- Quantitative significance threshold:
  - A TWG member noted that if the option for "all significant emissions" is selected, then data uncertainty across different aspects of scope 3 calculations should be considered.
  - A TWG member suggested considering quantitative thresholds from other sectors.
  - Multiple TWG members noted that screening emissions against a quantitative exclusion threshold would necessitate calculating emissions across all sources, and they asked if additional guidance would be provided for the screening. The Secretariat responded that the Scope 3 TWG is considering guidance on hotspot analysis. The methods, scope, feasibility, and frequency (e.g., annual) for hotspot analysis will be considered.
  - A TWG member asked if the hotspot analysis guidance would include both upstream and downstream emissions. The Secretariat responded that the current consideration is to include both upstream and downstream emissions within the minimum boundaries; however, it is currently being discussed whether optional activities should be included.
- Decision-making criteria breakout group discussion, organized by proposed options:
  - Option 2A: All scope 3 emissions are required
    - A TWG member noted that feasibility is very low for this option, and suggested changing its feasibility assessment from yellow to orange (least aligned).
  - Option 2B: All relevant scope 3 emissions are required
    - A TWG member suggested that the principle "completeness" should be listed as a "con" for this option. A TWG member commented on the frequency of a significance threshold analysis, stating that emissions could be missed if the significance analysis is not conducted annually.
    - A TWG member suggested that this option should be changed from yellow to green (most aligned) for the criteria "support decision-making that drives ambitious global climate action" given the broad scope of the relevance criteria.
    - A TWG member suggested that this option is as interoperable with external programs as option 2C and should also be categorized as green (most aligned).
    - A TWG member suggested that feasibility is promoted due to the opportunity to provide more comprehensive guidance to companies defining relevance.
  - Option 2C: All significant scope 3 emissions are required
    - A TWG member suggested a hybrid option: Companies shall report significant emissions, and should also report relevant emissions. Given support for this proposal, it was added to the indicative poll. The Secretariat clarified that this approach would likely be the default anyway, but that it would be helpful to gauge support.
    - A TWG member noted that feasibility is further hindered due to the additional data requirements for the significance assessment.
  - All three breakout groups reported that they generally supported the DMC analysis and that their groups all preferred option 2C: All significant emissions. All breakout groups agreed that option 2A (all emissions) was not feasible and overly burdensome, and most of their discussion focused on options 2B (all relevant emissions) and 2C (all significant emissions).
- An indicative poll was held asking: "What should the scope 3 reporting requirement be?"
  - There was majority support for "all significant emissions" (13 of 14 TWG members). These answers were divided between a hybrid option (requiring significant emissions and recommending relevant emissions; 10 of 14 TWG members) and the original option (requiring significant emissions; 3 of 14 TWG members).
  - 1 of 14 TWG members expressed support for "all relevant emissions."

- A follow-up indicative poll was held asking: "Do you support the following outcome from the Scope 3 TWG, Subgroup B on defining a magnitude/significance threshold: 'Cumulative 5% exclusion threshold, relative to total scope 3?'"
  - There was majority support for "Yes, as is" (13 of 15 TWG members)
  - There was some support for "Yes, but I think the percent should be different" (2 of 15 TWG members). These TWG members clarified that 5% could be reasonable, but they would like the opportunity to discuss further.

#### Outcomes (e.g., recommendations, options)

- An indicative poll found majority support for requiring all significant scope 3 emissions in the Corporate Standard.
- An indicative poll found majority support for defining a cumulative 5% exclusion threshold, relative to total scope 3.
- The terminology for significant/magnitude/size will be refined and clarified.

#### **4. Can the scope 3 reporting requirement be applied globally across all companies?**

- The Secretariat presented a summary of relevant background for considering whether the defined scope 3 reporting requirement should be applied globally or differentiated in some way. An indicative poll was held where TWG members expressed support for considering differentiated scope 3 reporting options. (Slides 37-46)

#### Summary of discussion

- The Secretariat introduced a question to the subgroup: Can the scope 3 reporting requirement be applied globally across all companies? The Secretariat proposed the following options: Yes (all companies have the same scope 3 reporting requirement), No (different scope 3 reporting requirements should be defined by GHG Protocol), and No (but the requirements should be defined by external programs). The Secretariat presented the GHG Protocol context and current language, relevant research, relevant external, relevant stakeholder survey feedback, and pre-meeting feedback from the subgroup.
- A TWG member asked whether GDP might be considered as a way to differentiate scope 3 reporting requirements. The Secretariat clarified that GDP and other factors related to geography would be considered in future meetings if there is support for differentiation.
- A TWG member suggested that the requirements could be defined based on the purpose of reporting (e.g., emissions disclosure, target-setting).
- A TWG member noted that differentiated scope 3 reporting would reflect the CBDR (common but differentiated responsibilities) principle established by the UNFCCC.
- An indicative poll was held asking: "Can the scope 3 reporting requirement be applied globally across all companies?" The Secretariat suggested TWG members answer to indicate whether they think differentiated reporting should be explored (and not necessarily as a final definitive preference on differentiated scope 3 reporting defined by GHG Protocol).
  - There was majority support for "No. Different scope 3 reporting requirements should be defined by GHG Protocol" (11 of 14 TWG members)
  - There was some support for "Yes. All companies have the same scope 3 reporting requirements (3 of 14 TWG members)
  - There was no support for "No, but the requirements should be defined by external programs [not GHG Protocol]"
- The Secretariat proposed reorganizing the discussion on scope 3 differentiated reporting to first discuss the need for differentiating by reporter type. TWG members expressed support for this change.

#### Outcomes (e.g., recommendations, options)

- An indicative poll found majority support for exploring differentiated scope 3 reporting requirements.

## 5. Wrap-up and next steps

- The Secretariat summarized the plan for the next meeting and the next steps. The next meeting of Subgroup 3 is scheduled for Tuesday January 28, 2025, at 09:00 ET / 15:00 CET. (Slides 47-50)

### Summary of discussion

- The Secretariat provided an overview of the topic for the next meeting:
  - Meeting 3, January 28<sup>th</sup>: Consider what a differentiated scope 3 reporting requirement would look like (e.g., conformance levels, differentiation by reporter type).

### Outcomes (e.g., recommendations, options)

- The next Subgroup 3 meeting is scheduled for Tuesday January 28<sup>th</sup> 2025 at 9:00 ET / 15:00 CET.
- The Secretariat will share final meeting materials: Final slides, minutes, and the recording from December 17<sup>th</sup> meeting.
- The Secretariat will share a discussion paper and meeting feedback survey in early January 2025.
- TWG members will review the materials and complete the feedback survey on a differentiated scope 3 reporting requirement.

## Summary of written submissions received prior to meeting

- TWG members were invited to respond to an asynchronous feedback survey prior to the meeting, with 14 responses received. Topics covered included:
  - Whether TWG members had any questions or concerns about the outcome of the first Subgroup 3 meeting (i.e., consensus support for a scope 3 requirement in the Corporate Standard).
  - Early feedback on and whether any additional options should be considered for the question: "What should the scope 3 reporting requirement be?"
  - Early feedback on pros and cons for the question: Can the scope 3 reporting requirement be applied globally across all companies?"
- Results of the feedback survey were used to inform the proposed options and GHG Protocol decision-making criteria analysis for the December 17<sup>th</sup> meeting, with relevant results summarized in the meeting slides.