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By email and online submission

Dear GHG Protocol Secretariat

Greenhouse Gas Protocol – Response to Survey on Need for GHG Protocol Corporate Standards and Guidance Updates

Deloitte Touche Tohmatsu Limited welcomes the opportunity to respond to the surveys issued for comment by the Greenhouse Gas Protocol (GHGP).

The GHGP's Standards and Guidance play an important role in enabling entities to measure and report their GHG emissions. In turn, these disclosures help investors and other stakeholders to assess an entity's carbon footprint and progress and performance against any GHG-related commitments.

The GHGP is increasingly referenced in reporting standards and regulations. It is the proposed default source of guidance for the measurement and disclosure of GHG emissions in the climate-related disclosure standard being developed by the International Sustainability Standards Board. GHG reporting, with reference to the GHGP, is also becoming mandatory in various jurisdictions (e.g., the proposed SEC climate rule and the draft European Sustainability Reporting Standards (ESRS)).

We have provided our responses to the survey questions via the online tool. Our response is limited to those questions which we felt were most appropriate to our role as an adviser and assurance provider to entities around the world. We have reproduced our responses to the questions we answered in the survey in the appendix.

In our responses, we emphasise aspects of the GHGP for which we believe there is a need for greater consistency. In particular, we recommend that the Corporate Standard should use terminology from widely-adopted financial reporting standards – notably IFRS Accounting Standards and U.S. GAAP, to the extent possible. We believe this is particularly important to promote connectivity of GHG emissions disclosures with financial reporting.

We further encourage GHGP to apply consistent terminology and guidance across and between its Standards and Guidance, to reduce the possibility for inconsistent application of the Standards and Guidance or misinterpretation of their requirements. In particular, we highlight the importance of

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consistency of content relating to Scope 3 GHG emissions between the Corporate Standard and the Corporate Value Chain (Scope 3) Standard.

We believe there is increasing demand from stakeholders, including investors, for comparability across entities. We expect this to continue as GHG reporting becomes mandatory in various jurisdictions (e.g., the proposed SEC climate rule and the draft European Sustainability Reporting Standards (ESRS)). However, we also recognise that GHG reporting is not prevalent in all jurisdictions and may remain voluntary in many jurisdictions for an extended period of time. The flexibility and optionality currently provided may ease application for preparers and encourage voluntary reporting. It may also provide standard setters and regulators the flexibility to mandate approaches or options that best reflect the needs of their jurisdiction. We therefore believe that the GHG Protocol should carefully consider input from stakeholders to understand the trade-offs between the benefits of increased comparability and the costs of reduced optionality and work with financial reporting standard setters and regulators to establish a balanced approach to concepts like determination of organizational boundaries.

If you have any questions concerning our comments, please contact Veronica Poole in London at +44 (0) 20 7007 0884.

Yours sincerely

A handwritten signature in black ink, appearing to read 'V. Poole', is positioned above the name and title of the sender.

Veronica Poole

Global IFRS and Corporate Reporting Leader
Deloitte Touche Tohmatsu Limited

Appendix

GHG Protocol Survey Response

Corporate Accounting and Reporting Standard

We have the following recommendations in response to the questions posed by the GHG Protocol in respect of the need to update the GHG Protocol Corporate Standard (the “GHG Corporate Protocol Standard” or the “Corporate Standard”).

Question 13 - Do you think there is a need to update the GHG Protocol Corporate Standard?

- a. No (no update needed)
- b. Minor update (limited updates, clarifications, additional guidance, or refresh needed)
- c. Major update (major changes or revisions needed)
- d. No opinion/Not sure

Deloitte Response: c. Major update (major changes or revisions needed)

Question 14 - Please explain your selection. You may enter brief comments here or submit a more detailed proposal using the proposal template.

We recommend the GHG Protocol reconsiders the accounting and reporting principles on page 7 of the Corporate Standard based on the stated objectives. This will require revisiting the objectives of the Corporate Standard through means such as stakeholder outreach to understand both preparers and users' needs to balance potential objectives such as (1) comparability between entities or (2) tracking an entity's GHG emissions over time. For example, when the Corporate Standard was issued, a primary objective may have been to provide a framework that entities can use to identify, track, and report their GHG emissions over time. This objective may have resulted in entities having more options on how to account and report GHG emissions, which may impact the ability for users to compare GHG emissions across entities. We believe there is increasing demand from stakeholders, including investors, for comparability across entities. We expect this to continue as GHG reporting becomes mandatory in various countries (e.g., the proposed SEC climate rule and the draft European Sustainability Reporting Standards (ESRS)).

To provide easier and more consistent application of the guidance, we recommend updating the terminology used in the Corporate Standard to align with widely applied accounting frameworks, in particular IFRS Accounting Standards and U.S. GAAP accounting, to the extent possible. This would help drive consistent and comparable reporting. For example, U.S. GAAP uses terminology for consolidation of joint venture models such as variable interest entities (VIEs) under FASB Accounting Standards Codification Topic 810. Under U.S. GAAP, an entity first assesses whether a joint venture is a VIE to apply the consolidation model in ASC 810. There are also nuances under U.S. GAAP for a jointly controlled entity and whether it primarily conducts its operations through a legal entity. Under IFRS 11, a joint arrangement consists of an arrangement in which two or more parties have joint control (decisions about relevant activities require the unanimous consent of the parties that collectively control the arrangement). IFRS 11 further establishes two types of joint arrangements: joint operations and joint ventures. A joint venture requires the use of a separate legal entity and the parties have rights to the net assets of the arrangement. In comparison to the standards above, in Chapter 3, the Corporate Standard uses the phrases, such as “joint financial control”, “non-incorporated joint ventures”, “incorporated joint ventures” and “associated/affiliated companies”. While U.S. GAAP and IFRS are not always fully aligned across some of the relevant concepts, to the extent that the Corporate Standard refers to concepts that are used in

these widely applied accounting frameworks, the Corporate Standard should use the same terminology and in the same manner as they are used in accounting frameworks in order to facilitate consistent application, avoid confusion and improve connectivity of reporting on financial and non-financial aspects of performance. Likewise, Table 1 and Table 2 of the Corporate Standard, along with related examples, need to be updated for current terminology used in U.S. GAAP and IFRS Accounting Standards.

Entities are permitted to report scope 3 GHG emissions under the GHG Protocol Corporate Standard or under the GHG Protocol Scope 3 Standard. However, the Corporate Standard is unclear as to what would constitute complete disclosure for scope 3 GHG emissions. We observe that there are differences among reporters of GHG emissions in their approach to inclusion of all or only certain activities within a specific scope 3 category when scope 3 GHG emissions are optionally disclosed under the Corporate Standard. We recommend providing clarity on whether, when reporting scope 3 GHG emissions optionally under the Corporate Standard, an entity is required to report an entire scope 3 category, or if it is permitted to report only selected activities within a respective scope 3 category.

While the GHG Protocol Scope 3 Standard defines how an entity should select a base year in relation to their scope 3 GHG emissions, the same clarity is not provided in the Corporate Standard. For example, in the Corporate Standard, there is no guidance on whether a scope 3 base year should be consistent with the base year set for scope 1 and scope 2 GHG emissions. If optional scope 3 reporting continues to be allowed in the Corporate Standard, we recommend clarifying what requirements are relevant to the scope 3 optional reporting, including when a base year is required, whether the selected base year can be different from scope 1 and scope 2, and whether it can be different for each scope 3 category.

Question 18 - Do you propose revisiting or making any changes to the current requirements and guidance on organizational boundaries? (Reference: GHG Protocol Corporate Standard, chapter 3, “Setting Organizational Boundaries,” which allows companies to choose one of the following consolidation approaches: operational control, financial control, equity share).

- Yes
- No
- No opinion/not sure

Deloitte Response: Yes

Question 19 - Please explain your selection. You may enter brief comments here or submit a more detailed proposal using the proposal template.

We believe there is increasing demand from stakeholders, including investors, for comparability across entities. We expect this to continue as GHG reporting becomes mandatory in various jurisdictions (e.g., the proposed SEC climate rule and the draft European Sustainability Reporting Standards (ESRS)). However, we also recognize that GHG reporting is not prevalent in all jurisdictions and may remain voluntary in many jurisdictions for an extended period of time. The flexibility and optionality currently provided may ease application for preparers and encourage voluntary reporting. It may also provide standard setters and regulators the flexibility to mandate approaches or options that best reflect the needs of their jurisdiction. We therefore believe that the GHG Protocol should carefully consider input from stakeholders to understand the trade-offs between the benefits of increased comparability and the costs of reduced optionality and work with financial reporting standard setters and regulators to establish a balanced approach to determination of organizational boundaries.

Additionally, many entities currently use the “financial control” approach to set organizational boundaries; however, there is diversity in practice around how financial control is established. For example, in a

leased asset scenario where the landlord owns the building and leases space to tenants, the landlord has financial control over the building, but the tenants may have financial control over the daily operations and utilities, and therefore more guidance is needed to improve consistency of the approach to determination of financial control in such cases and the treatment of utilities for both the lessor and lessees. We also recommend including a more detailed and consistent definition of financial control to be used throughout the GHG Protocol Standards to facilitate more consistent outcomes in application. The Corporate Standard describes financial control on pages 17-18 in a variety of ways, which are not consistent with one another, draws on different accounting concepts (control, risks and rewards, substance) and may lead to different conclusions on whether financial control exists, including:

- a) “the company has financial control over the operation if the former has the ability to direct the financial and operating policies of the latter with a view to gaining economic benefits from its activities.”
- b) “the right to the majority of benefits of the operation, however these rights are conveyed.”
- c) “if it retains the majority risks and rewards of ownership of the operation’s assets.”
- d) “the company may have financial control over the operation even if it has less than a 50 percent interest in that operation. In assessing the economic substance of the relationship, the impact of potential voting rights, including both those held by the company and those held by other parties, is also taken into account”
- e) “This criterion is consistent with international financial accounting standards; therefore, a company has financial control over an operation for GHG accounting purposes if the operation is considered as a group company or subsidiary for the purpose of financial consolidation”

In addition, on pages 19 and 23, Table 1 and Table 2 should be updated to more clearly reflect financial statement accounting terminology, such as equity method investments and joint ventures. The tables currently use the terms, “associated companies”, “non-incorporated joint venture”, “incorporated joint venture”, and “wholly owned and joint operations”; these terms do not exist within U.S. GAAP or IFRS Accounting Standards. As regulatory standards, such as the proposed SEC climate rule, and the new ISSB standards may reference the GHG Protocol, we believe the Corporate Standard should align its financial control terminology with widely applied accounting frameworks, in particular U.S. GAAP and IFRS Accounting Standards, as such alignment would contribute to the goal of greater consistency and facilitate greater connectivity with financial reporting.

Many entities have set climate goals and targets using operational control boundaries under the GHG Protocol, rather than consistent with financial statement boundaries. If the operational control approach is to continue to be provided as an option, we believe the GHG Protocol should clarify what is meant by operational control and add specific indicators to enable consistent application of this concept in practice. Currently, the Corporate Standard defines operational control (on page 18) when an entity or one of its subsidiaries “has the full authority to introduce and implement its operating policies.” Other guidance regarding operational control includes a number of statements and examples instead of setting out clear indicators of when operational control exists:

- a) “It is expected that except in very rare circumstances, if the company or one of its subsidiaries is the operator of a facility, it will have full authority to introduce and implement its operating policies, and thus have operational control” (page 18)

- b) "Sometimes a company can have joint financial control over an operation, but not operational control. In such cases, the company would need to look at the contractual arrangements..." (page 18)
- c) "A group may own less than 50 percent of a venture's equity capital, but have operational control...on the other hand...a group may hold majority interest in a venture without being able to exert operational control...(when a majority partner has veto power)" (page 21)
- d) "the lessee only accounts for emissions from leased assets that it operates" (page 32)

As the above references "rare circumstances", we recommend that the indicators of operational control should enable consistent application of the Corporate Standard to complex ownership structures, veto rights, and general or limited partners. We also recommend that the Corporate Standard adds definitions of operational control for different types of assets (e.g., leased assets). The GHG Protocol may want to consider if entities should disclose their judgements related to determining their organizational boundary in order to provide more transparency.

Question 20 - Do you propose revisiting or making any changes to the current requirements and guidance on operational boundaries? (Reference: GHG Protocol Corporate Standard, chapter 4, "Setting Operational Boundaries," which defines scope 1, scope 2, and scope 3 emissions. Under the Corporate Standard, scope 1 and scope 2 are required at a minimum, while scope 3 is optional. Under the GHG Protocol Scope 3 Standard, scope 1, scope 2, and scope 3 emissions are required, with any exclusions required to be disclosed and justified).

- Yes
- No
- No opinion/not sure

Deloitte Response: Yes

Question 21 - Please explain your selection. You may enter brief comments here or submit a more detailed proposal using the proposal template.

If the Corporate Standard continues to allow optional scope 3 reporting, then additional clarity is needed on what and how scope 3 GHG emissions should be measured and reported. Scope 3 terminology in the Corporate Standard should also be made consistent with the GHG Protocol Scope 3 Standard. For example, clarity is needed on how the term 'scope 3 activities', which is used in the Corporate Standard, relates to the scope 3 Categories in the Scope 3 Standard.

We recommend revising the requirement to report CO₂ emissions from biomass/bioenergy separately from the inventory. Since the publication of the Corporate Standard, there have been advancements in measurement of GHG emissions, including GHG removals, that should enable the preparer to establish more reliably inventories of biomass/bioenergy and, in turn, would allow the GHG Protocol to modify the related reporting requirements and to provide specific guidance on reporting of GHG removals.

We suggest the GHG Protocol clarifies the concept of exclusions under the Corporate Standard and the Scope 2 Guidance. Specifically, both the Corporate Standard and the Scope 2 Guidance state that the principle of completeness is to "[a]ccount for and report on all GHG emission sources and activities within the chosen inventory boundary. **Disclose and justify any specific exclusions.**" (Emphasis added) The completeness principle describes the need to make a good faith effort to estimate and suggests that estimates should be performed in order to meet the principle. It also indicates that if estimates are at an

insufficient level of quality, exclusions may be necessary. Further, we observe that the reporting requirements in the Corporate Standard simply require the entity to disclose “any specific exclusions of sources, facilities, and/or operations” without providing guidance on how entities should consider and evaluate potential exclusions in order to maintain alignment with the completeness principle. Section 6.3 of the Scope 3 Accounting and Reporting Standard, including Table 6.1, provides criteria for determining the relevance of activities to ensure that the “inventory appropriately reflects the GHG emissions of the company and serves the decision-making needs of users.” To that end, we recommend the GHG Protocol provides guidance and illustrative examples to clarify acceptable exclusions under the Corporate Standard and the Scope 2 Guidance. Further, we suggest drawing a clearer connection by including “shall” and “should” statements to drive a higher level of consistency in the application of these concepts.

Question 22 - Do you propose revisiting or making any changes to the current requirements and guidance on leased assets? (Reference: “Categorizing GHG emissions from leased assets” available at <https://ghgprotocol.org/corporate-standard>)

- Yes
- No
- No opinion/not sure

Deloitte Response: Yes

Question 23 - Please explain your selection. You may enter brief comments here or submit a more detailed proposal using the proposal template.

The guidance on multi-tenant buildings and co-locations within the Corporate Standard is unclear or contradictory. According to the Scope 2 Guidance, the determination of whether emissions from a multi-tenant leased building are classified as scope 1 or scope 2 GHG emissions depends on which entity “operate[s] the building”. The definition of “operate the building” is unclear: for example, it is unclear whether the analysis differs if the tenant has thermostat control, chooses their own operating hours, or receives a separate bill from the landlord for utilities. In Figure 5 of the Corporate Standard, the scope of the GHG emissions depends on the selected consolidation criteria. “If the selected equity or control approach does not apply, then the company may account for emissions from leased assets, outsourcing, and franchises under scope 3” (Corporate Standard page 31). Further, the Scope 2 Guidance states, “The company with operational or financial control of the energy generation facility would report these emissions in their scope 1, following the operational control approach, while the consumer of the energy reports the emissions in scope 2.” It is unclear how the treatment of this energy may differ or be the same under operational or financial control approaches by the landlord or the tenant.

Additionally, the Scope 2 Guidance states “If a tenant can demonstrate that they do not exercise operational control in their lease, they shall document and justify the exclusion of these emissions.” We recommend that the Corporate Standard considers providing further guidance and examples related to scenarios in which a tenant can demonstrate they do not have control. Secondly it is unclear in co-locations which entity (co-location vendor or client) should report scope 2 GHG emissions and any associated renewable energy purchases. For example, in a co-located data center, co-location clients may have operational control over their equipment and the associated energy usage, while the vendor may have control over lighting and cooling systems. We suggest that the GHG Protocol aligns the Scope 2 Guidance and the Corporate Standard interpretations related to “operational control”. Additionally, if utilities are paid by the lessor and reimbursed by the lessee it is unclear how to classify GHG emissions under the financial control model (e.g., triple net leases and utilities that are directly metered). The GHG Protocol should consider the lessee practical expedients available under accounting standards that allow

to combine the lease and non-lease components for financial reporting purposes and determine how the Corporate Standard should apply to GHG emissions in such cases.

There are additional challenges regarding the definition of operational control. Applying the Corporate Standard, operational control is defined as “authority to introduce and implement its operating policies”. In the case of leased assets, additional guidance is needed to clarify the application of this definition. For example:

1. If the tenants operate the site on behalf of another party (their customers or vendors) but has the authority to implement operating policies, would there be any consideration around emission allocation?
2. If the tenants operate the site for their revenue-generating activities following the landlord operating policy and have no/little authority to influence the operating policy, would this still be considered as operational control?

In addition, we recommend that the Corporate Standard use IFRS Accounting Standards and FASB definitions for financing and operating leases. For example, in 2016, the IASB and FASB issued new lease standards (IFRS 16 and ASC 842, respectively). Differences between the two standards relate to lessee accounting as the IASB requires a single measurement model (finance leases under U.S. GAAP) and the FASB uses a two-class system (operating and finance leases). The Corporate Standard uses the term “capital lease” throughout, while neither the IFRS nor U.S. GAAP continue to use this term. For example, in Chapter 4, the Corporate Standard describes leased assets for lessees as:

“USING EQUITY SHARE OR FINANCIAL CONTROL: The lessee only accounts for emissions from leased assets that are treated as wholly owned assets in financial accounting and are recorded as such on the balance sheet (i.e., finance or capital leases).

USING OPERATIONAL CONTROL: The lessee only accounts for emissions from leased assets that it operates (i.e., if the operational control criterion applies).”

In general, among other criteria under U.S. GAAP, a lessee classifies a lease as a finance lease if the lessee has ownership characteristics of the underlying asset or is expected to purchase the underlying asset that a lessee is reasonably certain to acquire by exercising the purchase option. All other leased assets that do not meet the criteria of ASC 842-10-25-2 are operating leases. This approach is different from IFRS requirements whereby all leases are accounted for in a manner similar to a finance lease. We therefore believe that the GHG Protocol should carefully consider input from stakeholders to understand the trade-offs between the benefits of introducing consistency of the approach to GHG emissions from leased assets with accounting requirements for leases (though at the expense of the resulting differences between U.S. GAAP and IFRS reporters) and continuation of the current approach to GHG emissions from leased assets that is disconnected from the underlying accounting. The GHG Protocol should consider working with financial reporting standard setters and regulators to establish a balanced approach to treatment of GHG emissions from leased assets

Question 24 - Do you propose revisiting or making any changes to the current requirements and guidance on tracking emissions over time? (Reference: GHG Protocol Corporate Standard, chapter 5, “Tracking Emissions Over Time,” which provides requirements and guidance on choosing a base year and recalculating base year emissions for significant changes in the inventory to enable consistent tracking of emissions over time.)

- Yes
- No

- No opinion/not sure

Deloitte Response: Yes

Question 25 - Please explain your selection. You may enter brief comments here or submit a more detailed proposal using the proposal template.

Significance Threshold

Within chapter 5 of the Corporate Standard, tracking GHG emissions over time is affected by considerations of base year and an entity's "significance threshold." A "significance threshold" is used by entities to identify significant changes for reporting purposes. On page 35, the Corporate Standard states, "If applicable, the [entity's] policy shall state any 'significance threshold' applied for deciding on historic emissions recalculation." We suggest removing "if applicable" as we believe that all entities should establish a "significance threshold" as part of their policy to facilitate consistent application of that judgement over time.

In addition, the Corporate Standard also states, "it is the responsibility of the company to determine the 'significance threshold' that triggers base year GHG emissions recalculation and to disclose it." We suggest the Corporate Standard consider adding more specific disclosure requirements in respect of an entity's "significance threshold" as it is unclear, as currently written, if the GHG Protocol requires disclosures for either or both quantitative and qualitative thresholds.

We further recommend providing examples of qualitative and quantitative thresholds.

For quantitative thresholds, we recommend clarifying the definition of a quantitative significance threshold as the intent of the current definition is unclear. On page 37, the Corporate Standard mentions determining a significance threshold by referring to "GHG programs" and provides an example from the California Climate Action Registry using 10% of base year emissions as a threshold; however, on pages 69-70, the Corporate Standard introduces the concept of materiality and provides a materiality threshold example of 5%. We suggest that the GHG Protocol considers clarifying how materiality thresholds and significance thresholds should complement or affect one another. We suggest that the Corporate Standard should include updated examples illustrating a quantitative significance threshold and whether a range could be appropriate as a significance threshold. We also recommend that the GHG Protocol provides further guidance on how items below the significance threshold should be aggregated for the purposes of assessing errors, data improvements, and structural changes. For example, data may have changed below the significance threshold, but over time, the aggregation of the change over time may be greater than a significance threshold.

For qualitative thresholds, we suggest that the GHG Protocol considers adding examples of what is meant by qualitative thresholds. Consider explaining what may warrant a GHG emissions recalculation even if not quantitatively significant (greater than threshold). Additionally, it would be useful to provide guidance on how to treat a data change that is quantitatively significant but is not qualitatively significant.

Base Year

The GHG Protocol should consider more clearly defining "reliable data" as this term is used to identify the base year as the "earliest relevant point in time for which they have reliable data" (page 36 of the Corporate Standard). The Corporate Standard should consider addressing how to recalculate the base year when an acquisition occurs, and base year data is unavailable. Pages 37-38 of the Corporate Standard indicates "Similarly, current year emissions should be recalculated for the entire year to maintain consistency with the base year recalculation. If it is not possible to make a recalculation in the year of the

structural change (e.g., due to lack of data for an acquired entity), the recalculation may be carried out in the following year.” This wording would allow entities to report unavailable data in a subsequent year. We suggest that the GHG Protocol should clarify the circumstances when an entity may be able to claim that “it is not possible to make a recalculation” particularly in view of the potential requirement for entities to have this information assured. This will avoid the need for a difficult judgement to be exercised both by the preparer and the assurance provider whether the recalculation in the following year is an error.

Emissions Profile Over Time

Finally, we have suggestions for the GHG Protocol’s concept of “emissions profile over time”. For reporting purposes, only base year and current year are required. Based on the Corporate Standard, entities should disclose as part of its required information, the “...year chosen as base year, and an emissions profile over time that is consistent and clarifies the chosen policy for making base year emissions calculations” (page 63); entities can optionally disclose, “GHG emissions data for all years between the base year and the reporting year” (page 64). We suggest that GHG Protocol should consider stating explicitly which years should be disclosed in order to increase consistency and comparability. We also recommend adding additional guidance on performance tracking against a target by clarifying what an entity should report as part of its performance each year.

Question 26 - Do you propose revisiting or making any changes to the current requirements and guidance on verification or assurance? (Reference: GHG Protocol Corporate Standard, chapter 10, “Verification of GHG Emissions,” under which verification or assurance is recommended but not required.)

- Yes
- No
- No opinion/not sure

Deloitte Response: Yes

Question 27 - Please explain your selection. You may enter brief comments here or submit a more detailed proposal using the proposal template.

We observe that entities are increasingly seeking external assurance over their GHG emissions information to enhance confidence and trust in reported information. Some jurisdictions are introducing mandatory assurance of GHG emissions information. This reinforces the importance of the GHG Protocol’s work to ensure that the GHG Protocol Standards are developed with the characteristics of suitable criteria set out in the *International Standard on Assurance Engagements 3000 (Revised)* (ISAE 3000) and *International Standard on Assurance Engagements 3410 (as amended)* (ISAE 3410).

Question 28 - Do you propose revisiting, making any changes, or clarifying any other topics, requirements, or guidance in the Corporate Standard?

- Yes
- No
- No opinion/not sure

Deloitte Response: Yes

Question 29 - Please explain your selection. You may enter brief comments here or submit a more detailed proposal using the proposal template.

General

As GHG emissions reporting and disclosures become increasingly important, the GHG Protocol may be cited by policy makers and regulators and is likely to be used widely by entities. We recommend regular updates to the GHG Protocol standards. For example, Chapter 11 of the Corporate Standard on setting a GHG target should be updated to reflect current best practices.

GHG Emissions

We suggest the GHG Protocol updates the description of scope 1 and 2 GHG emissions “independent of any GHG trades such as sales, purchases, transfers, or banking of allowances” within the reporting requirements of the Corporate Standard (page 63) to align with terminology currently used in practice. Specifically, we recommend that “banking of allowances” should be replaced with “banking of carbon credits.”

Chapter 8 of the Corporate Standard covers how to account for GHG reductions; however, an update is needed related to terminology and definitions of various market-based mechanisms (offsets, carbon credits, RECs, inset credits, etc.) In addition, the GHG Protocol should consider adding clarity on whether and how current market mechanisms available can be used with a scope 1 inventory.

Additionally, the Corporate Standard should address calculation methodologies. There are examples for scope 3 GHG emissions in the Scope 3 Calculation Guidance, but there is limited guidance for calculating scope 1 and scope 2 GHG emissions. We recommend developing, incorporating or referencing examples or developing a separate calculation guidance document. For example, in the U.S., the Environmental Protection Agency or the EPA has released multiple methodology documents (e.g., stationary combustion, mobile emissions), however similar guidance is not provided within the GHG Protocol. It would be useful to consider if there are relevant concepts that would aid consistency of application and should be therefore included in the GHG Protocol or as separate guidance, or incorporated by reference (e.g., hierarchy of estimation methods). In addition, the GHG Protocol should consider adding further guidance on accounting for self-generated energy that is either consumed by the entity or exported to the grid.

Emissions Factors

The GHG Protocol should consider providing additional guidance around choosing appropriate emission factors. The Corporate Standard only mentions the use of published emission factors. We suggest adding clarity around the criteria used for choosing appropriate emission factors – e.g., geography and time. Further, while using local and region-specific emission factors for scope 2 is clear in Scope 2 Guidance, it is unclear in the Corporate Standard (i.e., are entities with global operations required to use region-specific emission factors for scope 1 as well?). It would be useful to consider adapting the scope 3 data quality chapter for application in the Corporate Standard. Also, we suggest adding clarity around using the most updated emission factors or at least matching the years of emission factors with reporting year (outside of requirements for global warming potential (GWP)). We recommend adding clarity on the requirements on updating emission factors, as available. In addition, the GHG Protocol should consider adding requirements to disclose the source of emission factors used, consistent with what is done in the Scope 3 Standard. We recommend that the Corporate Standard requires the same level of transparency as scope 3.

Global Warming Potential

We recommend clarifying whether to use Intergovernmental Panel on Climate Change's (IPCC) Assessment Report (AR) 5 or 6 for GWP. For ease of use, we recommend that the GHG Protocol consider stating, "GWP values published in the most recent IPCC Assessment Report." This would enable entities to recognize and use the latest IPCC Assessment report without having to specify in the GHG Protocol a specific version of the IPCC's Assessment Report.

In the "Corporate Value Chain Accounting Reporting Standard" (page 70) and "Required Greenhouse Gases in Inventories – Accounting and Reporting Standard Amendment" (page 1) state that entities may either use the IPCC GWP values agreed to by United Nations Framework Convention on Climate Change (UNFCCC) or the most recent GWP values published by IPCC. The GHG Protocol should consider adding clarity around the choice of GWP – AR5 or AR6. We recommend that guidance on GWPs be made consistent across the Corporate Standard and Scope 3 Standard. Additionally, in "Required Greenhouse Gases in Inventories" (page 6), it states that GHG Protocol incorporates UNFCCC/Kyoto Protocol inventory requirements to ensure consistency between national and corporate reporting practices. Under the UNFCCC national inventory reporting guidance, countries are currently using AR4 100-year GWP values but have plans to mandate the use of AR5 100-year GWP in 2024. Additionally, with AR6, the most recent IPCC AR finalized, there is further confusion as to which AR GWP entities should use. We suggest adding clarity around which AR GWP entities should use to ensure comparability and ways that historical years can be recalculated using more recent AR GWPs to ensure target tracking. Also, the GHG Protocol should consider adding clarity around use of GWPs for refrigerants that are not listed in IPCC AR. Examples of such guidance already exist and can be built upon (e.g., in the U.S. entities tend to refer to California Air Resource Board source on refrigerant GWPs).

Reporting GHG Emissions

We recommend the GHG Protocol considers clarifying how GHG emissions data must be reported for "each scope and for all seven GHGs separately" as there is diversity in practice in the presentation of this data. Chapter 9 of the Corporate Standard (page 63) includes the following two requirements as separate bullets: 1) GHG emissions data separately for each scope and 2) emissions data for all GHGs separately in metric tonnes and in tonnes of CO₂e. We observe that this can be interpreted to mean that emissions from each GHG are required to be reported by scope (i.e., these two disclosure requirements should be considered together) or, alternatively, each GHG is required to be reported in total and GHG emissions data by scope is also presented in total (i.e., these two disclosure requirements are distinct). Further clarity and guidance on the intent of these requirements would increase consistency and comparability across entities.

Additionally, we suggest including the Corporate Standard Amendment, which covers reporting on nitrogen trifluoride, NF₃, into the next iteration of the Corporate Standard.

Offsets

We believe there should be additional clarity around market mechanisms and the impact on global emissions reporting. For example, entities in the aviation industry are increasingly offering corporate customers Sustainable Aviation Fuel (SAF) certificates to enable them to compensate for their GHG emissions from air travel. It would be useful to provide guidance with respect to the accounting and reporting requirements for these and other similar certificates or offsets.

Scope 2 Guidance

We have the following recommendations with respect to updates to the GHG Protocol Scope 2 Guidance.

Question 13 - Do you think there is a need to update the GHG Protocol *Scope 2 Guidance*?

- **No (no update needed)**
- **Minor update (limited updates, clarifications, additional guidance, or refresh needed)**
- **Major update (major changes or revisions needed)**
- **No opinion/Not sure**

Deloitte Response: Major update (major changes or revisions needed)

Question 14 - Please explain your selection. You may enter brief comments here or submit a more detailed proposal using the proposal template.

We recommend that the GHG Protocol considers integrating the GHG Protocol Scope 2 Guidance (the “Scope 2 Guidance”) into the GHG Protocol Corporate Standard (the “Corporate Standard”) such that there is a consolidation of the scope 2 requirements and guidance into a single standard. Given that the Scope 2 Guidance was introduced as an amendment to the Corporate Standard but the Corporate Standard remained as it was initially published, there are areas of inconsistency between the two. For example, to quantify scope 2 GHG emissions, Appendix A of the Corporate Standard recommends that entities obtain source/supplier specific emission factors for the electricity purchased. While the concept of supplier-specific emission factors is in both the Corporate Standard and the Scope 2 Guidance, the Corporate Standard does not include the context and framework necessary for an entity to appropriately apply the guidance under the market-based method. Additionally, while the concept of emission factors is introduced in the Corporate Standard, the guidance lacks the granularity of the Scope 2 Guidance which includes the hierarchy of emission factors and the Scope 2 Quality Criteria for the location-based and market-based methods. Similarly, guidance over steam, heating, and cooling emissions in the Corporate Standard is not comprehensive and is more clearly reflected in the Scope 2 Guidance. In summary, we believe that a single standard covering scope 1 and scope 2 accounting and reporting requirements would enhance usability for entities and we recommend that the Scope 2 Guidance be integrated into the Corporate Standard.

Question 17 - Do you think there is a need for updates related to the scope 2 market-based method?

- a. **No (no update needed)**
- b. **Minor update (clarifications or additional guidance needed)**
- c. **Major update (major changes or revisions needed)**
- d. **No opinion/Not sure**

Deloitte Response: Major update (major changes or revisions needed)

Question 18 - Please explain your selection. You may enter brief comments here or submit a more detailed proposal using the proposal template.

Scope 2 Quality Criteria

We recommend clarifying the Scope 2 Quality Criteria to better differentiate between Quality Criteria 1, 2 and 3. The additional guidance on Scope 2 Quality Criteria outlined in Section 7.5 relating to Criteria 1, 2, and 3 have overlapping themes and use similar terminology which can cause diversity in the application of

the Quality Criteria amongst entities. For example, all three criteria include an element of 'retirement' as shown below: (**emphasis added**)

- “all instruments shall be **retired** for a full claim on the MWh” (Criteria 1)
- “Companies should check with their electricity supplier or relevant policy-making bodies to ensure that the certificates are claimed, paired, or **retired** in compliance with applicable jurisdictional or program requirements.” (Criteria 2)
- “Ensuring that instruments are **retired**, redeemed, or claimed to support a consumer claim can be done through a tracking system, an audit of contracts, third-party certification, or may be handled automatically through other disclosure registries, systems, or mechanisms.” (Criteria 3)

In addition, Criteria 1 discusses the principle of a fully aggregated **claim**, in which no other instrument can be generated from the same MWh which conveys consumer **claims** regarding any of the environmental attributes of the energy. Similarly, Criteria 2 is titled “Unique **claims**” and requires that companies ensure that the instrument being used by the reporting entity for a GHG emission rate **claim** is the only and sole one that does so. Lastly, Criteria 3 requires entities to ensure that instruments are **claimed**, as noted in the excerpt above. The use of 'claim' in each criterion appears to have overlapping meaning and both Criteria 1 and 2 can be interpreted as a requirement that the instrument is a 'unique claim'. We suggest clearly differentiating what the core principle of each criterion is as well as the unique requirement each criterion places on a reporting entity. Additionally, consider adding details about or examples of what types of support an entity should obtain in order to assert each criterion has been met.

Guidance for Utilities

The Scope 2 Guidance has some comingling of reporting entity requirements (for purposes of calculating inventory emissions) with utility company requirements (primarily for assisting consumers with their compliance with the reporting requirements by making emission factor data available). We recommend a separation of the guidance for the different types of users. For example, the Scope 2 Quality Criteria 1 through 5 and 7 apply to consumers of purchased electricity, whereas Criteria 6 and 8 apply to utilities. Thus, Criterion 6 is not in addition to Criteria 1 through 5 as indicated in Table 7.1, but rather is a separate criterion. As entities use the Quality Criteria for either the purpose of reporting their own emissions (as a consumer) or for the purpose of providing emissions factors to reporting entities (utilities), all 8 criteria would not be applicable for one purpose or the other (except for disclosing if residual mix is not available) and thus the numbering convention and headings can lead to lack of understanding and inconsistent application.

Market-Based Scope 2 Data Hierarchy

With regards to the market-based scope 2 data hierarchy, we believe there is lack of clarity relating to the required emission factors to be used and what actions entities should take to determine whether supplier or residual mix emissions factors are available and required to be used in calculating scope 2 market-based emissions. For example, Section 1.5.1 of the Scope 2 Guidance states that “Companies **should** consult the hierarchy of emissions factors for both location-based and market-based methods. **Any data on those hierarchies** (including location-based emissions factors in the absence of contractual information) **is acceptable.**” However, Table 5.2 of the Scope 2 Guidance notes that entities “**shall** use the most accurate and appropriate emission factors listed in the emission factor hierarchy for each method...” Additionally, Section 6.5 explains that “Companies **should** use the most appropriate, accurate, precise, and highest quality emissions factors available for each method”. It also clarifies in Section 6.5 that the scope 2 data hierarchy does not represent a preferred hierarchy of procurement methods, rather, it represents a hierarchy of instruments based on the most precise to least precise. Furthermore, Section 6.2 of the Scope 2 Guidance states that data in the market-based hierarchy other than contractual instruments **shall**

be used as an alternative, suggesting that they are alternatives if a more precise emission factor is not available rather than options an entity may choose from. Considering the examples above that demonstrate that additional clarity is warranted, we suggest that the GHG Protocol provides clarity on the required emission factors to be used by addressing the following:

- Is an entity required to follow the hierarchy and apply the emissions factor data sources from most precise to least precise (based on meeting the Scope 2 Quality Criteria and availability of the emissions factors)?
- What actions is an entity expected to take to seek supplier-specific factors and what information is required to be obtained before electing to move down to the next level of the hierarchy?
- Conversely, may an entity elect to skip levels of the hierarchy and select which emission factor in the hierarchy to use and still comply the Scope 2 Guidance?

We suggest providing clarity on this topic and believe this guidance would be consistent with objectives around consistency of reporting across entities.

Residual Mix Emission Factors

With regards to sources of residual mix emission factors, Table 6.3 of Scope 2 Guidance specifies the use of subnational or national residual mix factors along with example databases for European countries. Consider updating the example databases with more recent databases (i.e., Association of Issuing Bodies (AIB) European residual mixes). Secondly, the GHG Protocol should consider providing guidance to assess the reliability of residual mix emission factors by providing criteria that an entity should evaluate to determine if the residual mix emission factors are reliable and should be used. For example, Green-e® is a source of residual mix emissions factors in the U.S. but it only accounts for Green-e® registered RECs and does not account for all other renewable energy purchasing claims by consumers on the grid.

It would also be useful to provide guidance on the treatment of N₂O and CH₄ when residual mix emission factors or supplier-specific factors only provide CO₂ factors. Residual mix emission factors from the Association of Issuing Bodies (AIB) and Green-e® are utilized by many entities as reliable sources but they only provide CO₂ residual mix factors. Section 6.11.4 of the Scope 2 Guidance states that “companies should not attempt to calculate their own residual mix” and when residual mix factors are not available, entities can document this and use unadjusted grid emission factors (used for location-based). We suggest developing guidance on how entities can address a lack of residual mix factors for other greenhouse gases and if the hierarchy is to be used, to be more explicit so it is clear to entities how to perform the calculations.

Other Topics

Finally, we recommend providing guidance on applying the Scope 2 Guidance to the following specific activities:

- REC swaps practices: If a reporting entity produces RECs from their renewable energy power plant (for example, solar energy) and swaps those RECs with RECs from another entity that generates RECs (for example, from hydropower) how should the exchanged RECs be accounted for under the market-based method?
- Nuclear energy emissions: Consider providing guidance regarding how energy from nuclear plants (for example, through supplier-specific contract and/or energy attribute certificates) is accounted for in the scope 2 inventory under the market-based method and in the scope 3 inventory.
- Biogas Certificates: Clarifying guidance related to biogas certificates and whether they can be reported as a reduction of the emissions inventory.

Question 19 - Do you think there is a need for updates related to the dual reporting requirement, i.e., to report scope 2 emissions using both the location-based method and market-based method?

- a. No (no update needed)
- b. Minor update (clarifications or additional guidance needed)
- c. Major update (major changes or revisions needed)
- d. No opinion/Not sure

Deloitte Response: Major update (major changes or revisions needed)

Question 20 - Please explain your selection. You may enter brief comments here or submit a more detailed proposal using the proposal template.

We recommend that the GHG Protocol considers creating a qualitative approach for evaluating the quality of available emissions factors in advance of calculating emissions under the dual-reporting requirement to reduce the reporting burden on entities with no or trivial amounts of contractual instruments or that have limited access to supplier specific or residual mix emissions factors. Section 6.2 of the Scope 2 Guidance explains that “the presence of contractual information in any market where a company has operations triggers the requirement to report according to the market-based method.” As renewable markets have expanded, this requirement would now apply to a large majority of entities. For entities that have large geographic coverage and limited contractual instruments, calculating emissions according to the market-based method can be a cumbersome activity (i.e., collecting supplier and residual mix factor data). Furthermore, in calculating market-based emissions, Section 1.5.1 of the Scope 2 Guidance recognizes that using location-based emissions factors is acceptable.

While the intention of the two accounting methods for scope 2 GHG emissions was to provide decision-useful information related to electricity that entities have purposefully chosen (or their lack of choice), such value is diminished when the resulting emissions from the two methods are virtually the same.

We acknowledge that the Corporate Standard provides guidance on the concept of materiality within the completeness principle, stating that “in order to utilize a materiality specification, the emissions from a particular source or activity would have to be quantified to ensure they were under the threshold. However, once emissions are quantified, most of the benefit of having a threshold is lost.” While this concept is presented in the context of a comprehensive and meaningful emissions inventory, the same concept could be applied in the context of scope 2 reporting under the market-based method in that the benefit of a threshold may be lost once the emissions are quantified. As a result, we are not proposing that a threshold be created to address this area of challenge.

However, we would propose that the GHG Protocol considers creating a qualitative framework or approach that allows entities to qualitatively evaluate the applicable market-based method emissions factors using the Scope 2 Quality Criteria before calculating emissions using the market-based method in order to determine whether such approach would result in emissions that could be materially different (as defined by the GHG Protocol) than those reported using the location-based method. Under this approach, entities would determine if reliable supplier/utility-specific and residual mix emission factors are available to support the market-based method as intended and, if not, the reporting entity would not need to undertake performing the market-based calculation.

We suggest that if such an approach is provided within the GHG Protocol, required disclosure as to the considerations and approach taken by management, including why the entity is not reporting under the market-based method, would be critical to users of the reported information. We would also propose that the guidance include illustrative disclosure examples to clarify expected reporting.

This recommendation is premised on the limited availability of appropriate, accurate, precise, and high-quality supplier/utility-specific and residual mix emission factors. As such information becomes more accurate, precise, or widely available, the need for such a qualitative approach will no longer be necessary.

Chapter 7, Criteria 4 “Vintage” states all contractual instruments shall “Be issued and redeemed as close as possible to the period of energy consumption to which the instrument is applied.” Common practice today is for an organization to match some amount of their annual electric consumption load with Energy Attribute Certificates (EACs) produced in the same reporting year.

Question 38 - What are the trade-offs between continuing this practice as compared to introducing a more specific quality criteria than “as close as possible”? Should this quality criteria be made more specific (e.g., to specify it must be within the same year, month, hour, etc.) or remain unchanged? Please briefly explain or use the proposal template for a detailed reply.

We recommend that the GHG Protocol defines “as close as possible to the period of energy consumption” to create consistency in accounting and reporting across entities. We propose that this definition includes explicit guidance on the timeframe with which a contractual instrument must be issued and redeemed relative to the energy consumption to which it is applied and may include an acceptable range based on the instrument type or characteristics of the instrument. We observe that there are other available sources of guidance currently in the marketplace that provide an explicit timeframe that we suggest the GHG Protocol considers when contemplating revisions.

We further propose that additional guidance be developed for the “Criteria 4. Vintage” to explain why this concept is important in accounting and reporting for emissions. This approach of explaining the objective of, or the principle underlying a requirement exists elsewhere throughout the Corporate Standard and Scope 2 Guidance and we see this as an important way to ground users to the purpose of such requirements.

Another area that would benefit from clarity relates to the challenges in practice of entities obtaining documentation of redemptions during the reporting timeframe. For example, documentation evidencing that an energy attribute certificate has been redeemed may not be available to the entity before their GHG inventory is reported. We suggest that the GHG Protocol provides guidance as to the definition of “retirement” and at what point in time a credit is determined to be retired. Likewise, we suggest providing guidance as to how appropriate redemption of contractual instruments must be evidenced by the entity in order to make an appropriate claim to the contractual instrument within their GHG inventory.

Chapter 7: Scope 2 Quality Criteria presents eight specific quality criteria.

Question 40 - Please provide any additional considerations related to any of these criteria and/or potential additional criteria that could improve the application of location-based and/or market-based Scope 2 reporting (see *Scope 2 Guidance, Chapter 4 for additional detail on how these methods contribute to GHG reductions in the electricity sector*). Please briefly explain or use the proposal template for a detailed reply.

We recommend that the GHG Protocol provides further considerations to inform the determination of countries being within or outside of the market boundary for purposes of Criteria 5 of the Scope 2 Quality Criteria. For example, the additional guidance currently provided for Criteria 5 of the Scope 2 Quality Criteria within Section 7.5 states, “Where multiple countries or jurisdictions form a single market, a consistent means of tracking and retiring certificates, and calculating a residual mix, needs to be present in order to prevent double counting of GHG emission rates among electricity consumers. Accurate residual mixes should take into account the energy and emission mixes of all geopolitical entities engaged in trading certificates.” We believe this guidance, as currently written, could infer that

if a residual mix factor does not exist for a group of countries or jurisdictions, then a single market does not exist. Therefore, further clarity and considerations in this area would be helpful to mitigate diversity in application. Additionally, there are some countries where renewable energy products are not available for purchase and therefore market matching is not possible. Section 7.3 of the Scope 2 Guidance states, “If a reporting entity’s energy purchases did not meet all Scope 2 Quality Criteria, the entity may note this separately. This note should detail which Criteria have been met, with details of why the remaining Criteria have not.” While this provides an optional qualitative disclosure, it does not describe how the quantitative amounts may be presented or disclosed. We recommend that the GHG Protocol elevates this qualitative disclosure from optional to required and suggest adding guidance as to how this should be presented to aid in consistency and comparability of presentation.

We observe that there are other available sources of guidance currently in the marketplace that provide guidance to inform the determination of countries being within or outside of the same market boundary and we suggest the GHG Protocol considers these sources when contemplating revisions.

Corporate Value Chain (Scope 3) Standard and Scope 3 Calculation Guidance

We have the following recommendations with respect to updates to the Scope 3 Standard and Scope 3 Technical Calculation Guidance.

Question 13 - Do you think there is a need to update the GHG Protocol Corporate Standard/GHG Protocol Corporate Value Chain (Scope 3) Standard? (This appears in both the Corporate and Scope 3 surveys.)

- No (no update needed)
- Minor update (limited updates, clarifications, additional guidance, or refresh needed)
- Major update (major changes or revisions needed)
- No opinion/Not sure

Deloitte Response: Major update (major changes or revisions needed)

Question 14 - Please explain your selection. You may enter brief comments here or submit a more detailed proposal using the proposal template.

The GHG Protocol Scope 3 Standard (the “Scope 3 Standard”) should be modified, where appropriate, to enhance comparability amongst entities when reporting scope 3 GHG emissions. We have observed regulators are leveraging the GHG Protocol when developing rules over sustainability reporting. This raises the importance of enhancing comparability across entities. Our comments below address specific areas of the Scope 3 Standard where consistency and comparability across entities could be improved.

Optionality currently exists when setting a base year for scope 3 GHG emissions in section 9.1 of the Scope 3 Standard. Entities may report a single base year for all scope 3 GHG emissions or can select different base years for individual scope 3 categories. While this optionality is permitted, the Scope 3 Standard also suggests that entities should establish a single base year for all scope 3 categories. Entities lack clarity as to when it is appropriate to select individual base years by scope 3 category versus setting a base year for all scope 3 categories. This lack of clarity may result in difficulties when entities obtain assurance over their scope 3 base year(s) and emissions. We suggest either developing guidance to clarify when it is appropriate for an entity to select individual base years by scope 3 category or removing this option to enhance consistency and comparability.

An increasing number of entities are setting scope 3 targets and reporting progress through their annual GHG inventories. However, these entities may be using secondary data when collecting data for their inventory which makes tracking performance against targets challenging – for both preparers of GHG information and for the assurers or verifiers of the information. We recommend providing additional guidance on when and how entities should collect high quality data along with examples that demonstrate best practices. This guidance would enhance performance tracking and increase transparency into the entity’s inventory. We recommend integrating the GHG Protocol Corporate Standard, Scope 2 Guidance and the Scope 3 Standard to improve consistency across the accounting and reporting requirements, maximize clarity for users, and improve the quality of GHG inventory reports. Additionally, as investors become more focused on sustainability reporting, there will need to be greater comparability across entities.

Additionally, there are numerous scope 3 categories where refinement would be valuable to provide additional clarity and usefulness for entities. For example, Category 1, Purchased goods and services, is a broad category which may include a significant amount of scope 3 GHG emissions for many entities. We suggest the GHG Protocol evaluates the cost-benefit of developing more detailed guidance across the scope 3 categories to provide the most decision-useful information to users. Further, Category 14, Franchises, provides guidance focused primarily on franchise owners. However, this category is intended

to apply to licensors as well. Additional guidance on when and how to account for emissions from licensees and sub-licensees would be valuable, particularly for entities in the apparel, retail, and homecare sectors where licensing arrangements are common. With respect to Category 15, Investments, clarity on which organizations should account for emissions from investing and lending is needed as well as more clarity on which activities each type of organization must include in an inventory. Additionally, there is a growing practice where entities are purchasing renewable energy products on behalf of their tenants and suppliers. Clarity on if and how to account for these purchases in Categories 1, Purchased goods and services, and 13, Downstream leased assets, would be valuable. This additional clarity would contribute to consistency, accuracy and transparency of scope 3 GHG reporting.

Question 15 - Does your company/organization or industry face any specific challenges in complying with the GHG Protocol Corporate Value Chain (Scope 3) Standard requirements and guidance? If yes, please describe each challenge and the solutions you would propose for addressing the challenge. You may enter brief comments here or submit a more detailed proposal using the proposal template.

In Section 6.3 of the Scope 3 Standard, entities are permitted to exclude scope 3 activities from their inventories if those activities are disclosed and justified. The Scope 3 Standard provides seven criteria to consider when identifying relevancy including: size, influence, risk, stakeholders, outsourcing, sector guidance, and other. In our view of the guidance, we do not believe the relevancy criteria provide sufficient clarity for preparers of scope 3 GHG inventories, nor for assurance providers who must evaluate the appropriateness of the exclusion. We suggest further clarity on determining relevance of scope 3 activities to ensure the completeness of an entity's scope 3 GHG inventory. Further, the Scope 3 Standard references "sector guidance" as a criterion for determining if a scope 3 activity is relevant. However, there is no reference to which, if any, sector guidance has been deemed appropriate. We suggest amending the Scope 3 Standard to include references to specific sector guidance which is deemed appropriate or developing independent sector guidance if none exists. In the absence of such guidance, comparability across entities may be difficult to achieve.

As noted, there are significant complexities and estimates involved in determining scope 3 GHG emissions. We believe the Scope 3 Standard would benefit from additional guidance and clarity regarding the minimum boundaries, calculation methods, and how to apply those methods for scope 3 categories. We recommend updating the minimum and optional boundary tables to be all inclusive of activities which are expected, or recommended, to be reported. For example, the Scope 3 Standard notes that hotel usage for employee travel is an optional boundary to be reported; however, it is not mentioned in the summary table. Providing a more comprehensive table will enhance comparability and consistency across entities.

We have observed that entities have difficulties interpreting the requirements for activities to be included within scope 3 categories. For example, preparers frequently seek guidance on how to properly classify emissions between Category 4, Upstream transportation and distribution, and Category 9, Downstream transportation and distribution. We suggest providing additional guidance to ensure preparers are consistently classifying emissions between these two categories. Similarly, the guidance also lacks clarity in reporting emissions in Category 6, Business travel. Preparers of sustainability reports struggle to understand the nuances of what emissions should be reported under Category 6, Business travel. There is ambiguity in what constitutes business travel, especially when compared to Category 7, Business commuting, and therefore additional guidance to clarify the required activities would provide for greater consistency in reporting. Further, the Scope 3 Standard could clarify how certain investments or assets should be accounted for in Category 15, Investments. For example, a question that arises in practice is how emissions should be accounted for by corporate sponsors associated with pension plan assets. Overall, the GHG Protocol should consider adding illustrative case studies, similar to what is available in

the GHG Protocol Corporate Standard, to the Scope 3 Standard to aid in the practical application of the Scope 3 Standard and provide clarity on matters such as those outlined above.

We have also been in discussion with numerous investment managers and asset managers regarding how to account for emissions associated with their investments. The investment and asset management organizational structures are complex, and those complexities may not be fully contemplated within the Scope 3 Standard. Other organizations, such as the Partnership for Carbon Accounting Financials (“PCAF”) have begun to develop interpretive guidance for these entities; however, additional guidance and clarity is needed. We have observed the GHG Protocol has reviewed the interpretative guidance issued by PCAF. We recommend considering if adoption and expansion of this interpretive guidance would provide greater clarity to the investment and asset management community.

Lastly, the Scope 3 Standard does not address how insets and supply chain interventions should be considered when determining scope 3 GHG emissions. Currently, the Scope 3 Standard only addresses accounting for emissions reductions within an entity’s scope 3 value chain with two options: 1) use inventory method accounting for GHG reductions by comparing changes in the entity’s actual emissions inventory over time relative to a base year or 2) use project method accounting for GHG reductions by quantifying impacts from individual GHG mitigation projects and reporting the GHG reductions separately from the entity’s GHG inventory. As more market-based mechanisms (insets/supply chain interventions and carbon credits) evolve, we have observed an increase in questions raised around how to account for these market-based mechanisms in an entity’s GHG inventory and target tracking. We recommend publishing guidance on how entities should consider insets and supply chain interventions. Additionally, we recommend aligning the Scope 3 Standard with the Land Sector and Removals Guidance to include definitions of insets and supply chain interventions, emissions reductions or removals, differences between insets and offsets and how the emissions reductions and removals from either insets or offsets can be accounted for in a GHG inventory and target tracking.

Question 21 - Do you think there is a need to update the GHG Protocol Scope 3 Calculation Guidance?

- **No (no update needed)**
- **Minor update (limited updates, clarifications, additional guidance, or refresh needed)**
- **Major update (major changes or revisions needed)**
- **No opinion/Not sure**

Deloitte Response: Major update (major changes or revisions needed)

Question 22 - Please explain your selection. You may enter brief comments here or submit a more detailed proposal using the proposal template.

We have observed that calculating scope 3 GHG emissions is the most challenging area for preparers of GHG emissions inventories and the assurers of the reported amounts. This is, in part, due to the complexities and estimates required to complete a scope 3 GHG emissions inventory. Since the original publication of the Scope 3 Standard, there have been enhancements (e.g., data sources, emission factors, tools, and guidance) in how entities collect and calculate their scope 3 GHG emissions. We recommend considering if the enhancements currently available to entities comply with the requirements in the Scope 3 Standard and if so, suggest listing these sources and updating that list periodically. We recommend referencing the location of those sources on the GHG Protocol website to demonstrate the GHG Protocol views these sources as authoritative. This will enable preparers to use appropriate sources.

We have also observed several key areas where additional guidance or clarification in the GHG Protocol Scope 3 Calculation Guidance would be beneficial.

- Remote and hybrid working arrangements are becoming more prevalent, however there is currently no guidance on how to account for these arrangements. We recommend considering if guidance, including calculation methodology, would benefit the preparers of sustainability reports in assessing emissions from such arrangements.
- The GHG Protocol does not require customers to report emissions from the manufacturing of infrastructure utilized in the production of electricity or natural gas they consume in their operations (e.g., the emissions generated by the construction of a power plant). However, this scope exception may not be clear to all users and therefore we recommend clarification in the Standard.
- Sector-specific examples of cradle-to-gate emissions for each scope 3 category, as applicable. This is another frequent area where preparers frequently seek guidance to understand the concept of cradle-to-gate. Examples are effective ways to provide preparers with practical application of the guidance.
- Calculating emissions from reuse and repair, or similar circular business models. There have been advancements in technologies and initiatives relating to sequestration of CO₂ which have encouraged entities to make investments in nature-based solutions and technological CO₂ removal technology. Consider clarifying and including examples on how entities should calculate emissions from activities that sequester CO₂.

Question 25 - Should any scope 3 calculation methods be changed? You may enter brief comments here or submit a more detailed proposal using the proposal template, including which scope 3 category or categories the comment pertains to.

The Scope 3 Calculation Guidance provides a variety of methods that may be used when calculating scope 3 GHG emissions. We have noted that additional guidance or clarification may be needed as some existing calculation methodologies are unclear and may not be sufficiently precise. For example, many entities leverage spend-based methods for Category 1, Purchased goods and services, and Category 2, Capital goods, due to data availability. However, the spend-based calculation may not address the impact of inflation, deflation, or regional specificity. For Categories 10 (Processing of sold products), 11 (Use of sold products) and 12 (End-of-life treatment of sold products), entities may resort to making many assumptions due to lack of downstream data availability and information on product use. Additional sector-specific guidance on how to calculate downstream emissions would provide better clarity for preparers and enable consistency in how emissions are measured across entities. Further, the Scope 3 Calculation Guidance provides for a hybrid calculation method, which we observe is difficult to apply given the combination of primary and secondary data. Clarity and additional examples on how to apply this calculation method is needed to better enable the use of this method and create consistent application across entities. We recommend providing current best-practice examples of how entities can calculate scope 3 GHG emissions.

Lastly, the Scope 3 Standard allows for the optional inclusion of emissions from Radiative Forcing for air travel. The GHG Protocol should consider if the science behind the Radiative Forcing (RF) multipliers is mature enough to support accurate calculations of air travel emissions. If so, additional clarity and guidance around the use of such multipliers would improve the comparability of reporting such emissions.

Question 28 - Are there new resources, tools, or databases that you think need to be developed to support companies in applying the Scope 3 Standard?

High quality emission factors are critical in the calculation of credible scope 3 GHG emissions inventories. Entities rely on using spend data and economic intensity-based emission factors to develop a scope 3 base year inventory and track smaller emissions sources over time. We recommend the GHG Protocol considers developing, or supporting the development and adoption of, publicly available economic intensity-based emission factors across sectors and geographies. This would provide high-quality, publicly available economic intensity-based emission factors across sectors and geographies and will enable more comparable, consistent, and transparent reporting. Current databases used for spend-based emission estimation may lack the transparency needed for stakeholders to assess the data used. In addition, preparers, assurers, and users may also benefit from increased availability of primary data specific to suppliers and customers to enable reliable performance tracking for entities. Therefore, we recommend that the GHG Protocol also provides additional guidance to enable the collection of supplier specific data, across the value chain, by the entities.

Given common use of the Scope 3 Evaluator, an update to this tool would be valuable, with the inclusion of the most current emissions factors and more granular emissions factors for Category 1, Purchased goods and services, disaggregated by material and region, where possible. Additional tools or guidance for calculating product-use phase emissions would be useful as well to create more consistency in approaches across entities.