

## Proposal template: Tracking emissions over time

This document includes PwC's supplemental proposal to the Greenhouse Gas Protocol on tracking emissions over time. It should be read in conjunction with our [summary letter](#), responses to the [Corporate Accounting and Reporting survey](#), [Scope 2 Guidance survey](#), [Scope 3 Standard](#) and [Scope 3 Calculation Guidance survey](#), and supplemental proposals on (1) [governance matters](#) and (2) [consistency with financial reporting](#).

Please refer to the Greenhouse Gas Protocol website for more information on the supplemental [proposal template](#).

### Template for submitting proposals related to GHG Protocol's *Corporate Standard*, *Scope 2 Guidance*, *Scope 3 Standard*, *Scope 3 Calculation Guidance* and market-based accounting approaches

#### RESPONDENT INFORMATION

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*If proposals are made publicly available, would you like your proposal to be made publicly available? Please write either "Yes" (make publicly available) or "No" (do not make publicly available).*

Yes

*If your proposal is made publicly available, would you like it to be made publicly available with attribution (with your name and organization provided) or anonymous (without any name or organization provided)? Please write either "With attribution" or "Anonymous".*

With attribution.

#### PROPOSAL AND SUPPORTING INFORMATION

1. *Which standard or guidance does the proposal relate to (Corporate Standard, Scope 2 Guidance, Scope 3 Standard, Scope 3 Calculation Guidance, general/cross-cutting, market-based accounting approaches, or other)? If other, please specify.*

Corporate Standard

2. *What is the GHG accounting and reporting topic the proposal seeks to address?*

Chapter 5, Tracking emissions over time

3. *What is the potential problem(s) or limitation(s) of the current standard or guidance which necessitates this proposal?*

The Corporate Standard requires reporting entities to choose and report a base year and base year emissions profile; however, little guidance is provided on selecting the appropriate base year. Any

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year can be designated as a base year, regardless of how far removed it is from the current reporting period as long as there is verifiable emissions information and the reporting entity reports the basis for selecting that base year. Further, we note that the relevance of base year emissions diminishes over time, especially when the reporting entity undergoes structural changes (such as additions, disposals, insourcing, and outsourcing). The current requirements to retroactively adjust base year emissions to reflect significant changes fail to meet the relevance, accuracy, and transparency criteria because (1) obtaining the data needed to restate information can be onerous for reporting entities, sometimes requiring significant estimates based on limited verifiable data, (2) guidance on how to determine which events should trigger a recalculation of the base year emissions is limited, leading to diversity in practice, and (3) the existing guidance does not distinguish among events that have a retrospective impact (such as prior period errors) and a prospective impact (such as acquisitions) on emissions, instead suggesting equal treatment for all such events.

We also note that unmodified base year information is a critical data point for users who are increasingly focused on progress against GHG emission reduction targets. Given the issues outlined above, we believe that disclosure of base year information should only be required when reporting entities select and report a target base year for its emissions reduction goals. In any other instance, the current requirement to disclose base year information does not serve to incentivize behavioral changes to reduce emissions, and may obscure GHG information necessary for users to draw meaningful conclusions.

#### 4. Describe the proposed change(s) or additional guidance.

GHG Protocol should remove the requirement to select and disclose a base year, and that base year's emissions information, except when reporting a base year in the context of emissions reduction goals. Instead, we believe the presentation of comparative information for the immediately preceding years, combined with enhanced disclosures, would reduce the burden on preparers and better serve the dual purpose of tracking emissions over time and promoting behavioral change. With the trend established by the most recent comparative periods, users will be able to more clearly understand actions taken by management, how those actions impact GHG emissions, and how the changes align with the entity's GHG emission reduction strategies.

Based on the above, we recommend the following revisions to the related guidance:

##### Comparative information

We recommend that GHG Protocol require reporting entities to disclose greenhouse gas emissions information as of the end of the current period, with comparative information provided for the preceding reporting period(s), consistent with the periods provided for other information presented in the report.

Although we do not believe base year data is useful on its own, as discussed in question 3, we believe it remains an important reference point in the context of an emissions reduction target. When base year information broadcasts the beginning of a reporting entity's journey toward reducing emissions, it should continue to be presented along with the GHG emissions target and accounting policies for selecting the base year and the factors that would lead a reporting entity to retrospectively adjust the base year information or to select an alternate base year.

##### Restatements of comparative and base year information

Consistent with financial reporting principles, there should be limited instances when prior year comparative and base year information should be restated. We believe this information should only be restated in the event of a material error or a change in GHG measurement policies. The nature of these events call for restatement because they compromise the comparability and consistency of the information presented. Changes in estimates impact only current and future performance and therefore should not trigger restatements. Refer to our [financial reporting template](#) for further discussion on the need to define and distinguish between measurement policies and estimates and details on proposed disclosures.

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### Robust disclosures

Consistent with financial reporting, we believe that robust disclosures about material changes between current and prior periods can achieve the objective of providing meaningful information about emissions over time, without the need to restate prior period. To provide users with the appropriate context, we recommend that GHG Protocol require disclosures specific to the nature of the transaction driving the change. For example, for mergers and acquisitions, disclosures may include how the transaction impacts the entity's greenhouse gas emissions strategy, the amounts of incremental GHG emissions from the date of acquisition, and a pro forma disclosure that reflects the GHG emissions information as though the transaction had occurred at the beginning of the earliest comparative period. In the event of divestments and disposals, we recommend disclosing information about the disposed operation, separate from the remaining business, for the current and comparative prior periods. These disclosures could be expanded to include information about transactions anticipated within 12 months (i.e., emissions related to assets held for sale).

5. *Please explain how the proposal aligns with the GHG Protocol decision-making criteria and hierarchy (A, B, C, D below), while providing justification/evidence where possible.*
  - A. *GHG Protocol accounting and reporting approaches shall meet the GHG Protocol accounting and reporting principles (see Annex for definitions):*
    - *Accuracy, Completeness, Consistency, Relevance, Transparency*
    - *Additional principles for land sector activities and CO<sub>2</sub> removals: Conservativeness, Permanence, and Comparability if relevant*

We believe that our recommendations meet GHG Protocol accounting and reporting principles as follows:

- Restricting the types of events that result in restating previously reported information maintains the integrity of information, thus enhancing accuracy and period-over-period consistency.
  - Requiring enhanced disclosures places the onus on management to provide the context that users need to understand the impact of material events on reported GHG emissions.
  - Base year information, especially when the base year is more than several years removed from the present time, does not contribute to the user's ability to assess the reporting entity's performance and emissions profile over time. Providing comparative information for recent reporting periods, with proper context on any changes between the comparative periods and the current reporting period, may better achieve this purpose.
  - Removing the disclosure of base year information, unless in the context of a GHG emissions target, supports the objective of presenting only the most relevant information.
- B. *GHG Protocol accounting and reporting approaches shall align with the latest climate science and global climate goals (i.e., keeping global warming below 1.5°C). To support this objective (non-exhaustive list):*
    - *Direct emissions reported in a company's inventory should correspond to emissions to the atmosphere. Reductions in direct emissions reported in a company's inventory should correspond to reductions in emissions to the atmosphere.*
    - *Indirect emissions reported in a company's inventory should in the aggregate correspond to emissions to the atmosphere. Reductions in indirect emissions reported in a company's inventory should in the aggregate correspond to reductions in emissions to the atmosphere.*

We believe that our recommendations promote enhanced accountability by improving the clarity and consistency of disclosures and usefulness of reported information.

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- C. *GHG Protocol accounting frameworks should support ambitious climate goals and actions in the private and public sector.*
- *Would this proposal enable organizations to pursue more effective GHG mitigation/decarbonization efforts as compared to the existing standards and guidance? If so, how?*
  - *Would this proposal better inform decision making by reporting organizations and their stakeholders (e.g. related to climate-related financial risks and other relevant information associated with GHG emissions reporting)?*

We believe that our recommendations related to tracking emissions over time would foster transparency and consistency within the sustainability reporting environment. Our proposal, through advocating for enhanced disclosure, considers that information is most useful when provided with appropriate context. We also believe that our recommendation to retain the disclosures of base year information when relevant to emissions reduction targets promotes management accountability in managing a GHG emissions profile over time.

- D. *GHG Protocol accounting frameworks which meet the above criteria should be feasible. (For aspects of accounting frameworks that meet the above criteria but are difficult to implement, GHG Protocol should provide additional guidance and tools to support implementation.)*
- *What specific information, data or calculation methods are required to implement this proposal (e.g., in the case of scope 2, data granularity, grid data, consumption data, emission information, etc.)? Would new data/methods be needed? Are current data/methods available? How would this be implemented in practice?*
  - *Would this proposal accommodate and be accessible to all organizations globally who seek to account for and report their GHG emissions? Are there potential challenges which would need to be further addressed to implement this proposal globally? What would be the potential solutions?*

The proposed approach would not require entities to obtain any data beyond that already needed to apply existing guidance. In fact, our proposal would reduce the burden on reporting entities by minimizing the extent of historical information to reflect structural changes.

6. *Consistent with the hierarchy provided above, are there potential drawbacks or challenges to adopting this proposal? If so, what are they?*

As noted in our responses to questions 3 and 4, we believe these recommendations will enhance reporting of emissions information by clarifying and expanding existing guidance.

7. *Would the proposal improve alignment with other climate disclosure rules, programs and initiatives or lead to lack of alignment? Please describe.*

In light of the climate-related reporting proposals put forth by the Corporate Sustainability Reporting Directive (CSRD), International Sustainability Standards Board (ISSB), and the Securities and Exchange Commission (SEC), GHG emissions information is expected to increasingly be reported together with financial information, emphasizing the need for better alignment between financial reporting and GHG emissions reporting frameworks. Our proposal would enhance interoperability of the standards. Further, given that the impact of changes due to errors, estimates, policies, and reporting entity structure would continue to be reflected and more clearly reported and disclosed, existing users of this information would not be disadvantaged.

8. *Please attach or reference supporting evidence, research, analysis, or other information to support the proposal, including any active research or ongoing evaluations. If relevant, please also explain how the effectiveness of the proposal can be evaluated and tracked over time.*

Not applicable.

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9. *If applicable, describe the process or stakeholders/groups consulted as part of developing this proposal.*

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10. *If applicable, provide any additional information not covered in the questions above.*

Not applicable.