

Recalculation of base year emissions

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To ensure a faithful representation and comparability over time, significant changes in the GHG inventory should lead to a recalculation of historic emissions. There are several triggers that could cause significant changes in GHG emissions:

- **Structural changes:** A structural change is the transfer of ownership or control of emissions generating activities or operations from one company to another. This includes mergers, acquisitions or divestments. It also includes out-sourcing or insourcing of emitting activities.
- **Changes in calculation methodology:** A change in calculation methodology, for example caused by improvements in the accuracy of emission factors, changes to the reporting boundary or by using data from a different data provider.
- **Significant errors:** The discovery of significant errors (including mathematical mistakes, mistakes in applying definitions for metrics or targets, oversights or misinterpretations of facts and fraud) or a number of cumulative errors that are collectively significant.

These triggers are evaluated on a yearly basis.

For large organisations like a.s.r., structural changes and changes in calculation methodologies are common occurrences. Rather than requiring a baseline adjustment whenever insignificant changes occur, GHG Protocol recommends that organizations set a significance threshold. In line with the Science-Based Targets initiative Financial Institutions Near Term (FINT) Guidance v2.0, the significance threshold is plus or minus 5% change relative to the total reported target baseline emissions.

In case at least one of the triggers occurs, the consequences related to the significance threshold are as follows:

- a) In case of **>5%** change, mandatory recalculation of base year emissions takes place. This means that the base year emissions are adjusted (by adding or subtracting emissions) to reflect the most current situation (e.g. structural changes, updated calculation methodology and correction for significant errors).
- b) If there is **<5%** change, recalculation is not mandatory. Case by case the recalculation of base year emissions will be considered according to the GHG accounting principles.

In line with GHG Protocol, the following events will not trigger base year emissions recalculation:

- **Emission factor or activity data changes reflecting real changes in emissions:** No recalculation will take place as a result of changes to emissions as a result of real world changes. For example, a change in the emission factors used as a result of the lease fleet changing from ICEs to electric vehicles.
- **Acquisition/divestment of facility not existing in base year:** If the acquired/divested facility came into existence after the base year was set, no recalculation of the base year is required, but the emissions should be included in reporting starting in the relevant year.
- **Outsourcing/insourcing of emissions covered by the same target:** Outsourcing/insourcing does not trigger a recalculation, but only a reporting of emissions under a different scope if they are covered by the same target. For example, if the company has a emission reduction target on scope 1 + 2 emissions combined and it used to generate its own heat by burning wood pellets (scope 1), but switches to buying renewable electricity (scope 2), this will not trigger a recalculation.
- **Organic growth or decline:** Increases or decreases in production output, changes in product mix and closures or openings of operating units that are owned or controlled by the company are considered organic growth or decline. This will impact real world emissions and therefore does not trigger a recalculation.