Corporate Standard Meeting Minutes

Full TWG, Meeting #2

Date: 4 March 2025

Option 1: 08:00 – 10:00 ET / 14:00 – 16:00 CET / 21:00 – 23:00 CHN

Option 2: 16:00 – 18:00 ET / 22:00 – 00:00 CET / 05:00 – 07:00 CHN

Location: Virtual

Attendees

Technical Working Group Members – Session 1 attendees

1. Christina Abbott, KPMG
2. Christa Anderson, WWF
3. Samuel Anuga, Academy of International Affairs (AIA), Germany
4. Catherine Atkin, Carbon Accountable and Stanford CodeX Climate Data Policy Initiative
5. Erika Barnett, Greenhouse Gas Management Institute
6. Tatiana Boldyreva, CDP
7. Jasper Chan, The Hong Kong and China Gas Company Limited
8. Shaoqing Chen, Sun Yat-sen University
9. Gonzalo Chiriboga, Central University of Ecuador
10. Robert Gray, DuPont
11. Anna Grochowska, EFRAG
12. Ron Hechelmann, University of Kassel
13. Burkhard Huckestein, German Environment Agency
14. Gijs Kamperman, TenneT
15. Micheline Khan, World Resources Institute
16. Eric Knachel, Deloitte
17. Marine Kohler, Centrale Supélec, Université Paris Saclay
18. Vincent Kong, Sun Hung Kai Properties
19. Suresh Krishna, Infosys Limited
20. Bonar Laureto, Ernst & Young Philippines
21. Andy Law, Hong Kong Institute of Certified Public Accountants
22. Felipe Martinez Rodriguez, Hydro
23. Claire McCarthy, We Mean Business Coalition
24. Brandon McNamara, Northern Arizona University
25. Philippe Missi Missi, UNFCCC Regional Collaboration Center West and Central Africa
26. Trinity Makava Ncube, Trinity Consultants
27. Sachin Nimablakar, Oak Ridge National Laboratory
28. Monica Oleo, Redeia
29. Joanne Richmond, CK Hutchison
30. Mamahloko Senatla, Kenmare Resources
31. Ann Sidhu, ESGright
32. Sheila Scott, Jacobs
33. Alisa Shumm, PricewaterhouseCoopers
34. Vicky Sullivan, Duke Energy
35. Heather Vainisi, Google
36. Margaret Weidner, Impact Pathways

Technical Working Group Members – Session 2 attendees

37. Inês Amorim, World Business Council for Sustainable Development
38. Rob Anderson, Department of Infrastructure, Transport, Regional Development, Communications and the Arts, Australia
39. Rebecca Berg, The Climate Registry
40. Rogelio Campos, Ministry of Environment, Peru
41. Luis Carvajal, Siemens Energy
42. Victoria Evans, Anthesis Group
43. Kia Hong Goh, Nanyang Technological University, Singapore
44. Tomoo Machiba, Zeroboard
45. Patrick Murphy, Sierra Club, Climatebase
46. Barbara Porco, Fordham University
47. Ann Radil, Watershed
48. Judy Ryan, External Reporting Board, New Zealand
49. Jay Shi, Proctor & Gamble

50. Monika Shrivastava, JSW Cement

Guests

None present

GHG Protocol Secretariat

1. Hande Baybar
2. Natalia Chebaeva
3. Alexander Frantzen
4. Adrianne Gilbride
5. Claire Hegemann
6. Iain Hunt
7. Allison Leach
8. Michael Macrae
9. David Rich

Documents referenced

1. Slides for the Corporate Standard Full TWG meeting on 4 March 2025
2. Preliminary outcomes memos for Subgroup 1, Subgroup 2, Subgroup 3 *[Internal]*

Item	Topic and Summary	Outcomes
1	***Welcome and housekeeping*** The Secretariat welcomed TWG members to the second full TWG meeting and briefly reviewed key housekeeping items from previous meetings. The introduction covered welcoming new TWG members, sharing the updated GHG Protocol Vision and Mission, reiterating the objectives of the revision process and Decision-Making Criteria, and presenting the meeting agenda and objectives.	No specific outcomes.
2	***Subgroup 1 preliminary outcomes*** The Secretariat presented preliminary outcomes and outstanding questions from Subgroup 1 on the following topics: uses of the Standard and GHG inventory data, objectives and business goals, GHG accounting and reporting principles, and comparability of GHG information. Indicative polls were conducted to gauge TWG member support on preliminary outcomes.	An indicative poll showed *majority support* for prioritizing all proposed use cases of the Corporate Standard and GHG inventory data shown on slide 17. An indicative poll showed *majority support* for all recommendations for updating Corporate Standard objectives shown on slide 18. An indicative poll showed *majority support* for all recommendations for updating business goals shown on slide 19. An indicative poll showed *majority support* for establishing comparability as an objective of the Corporate Standard.
3	***Subgroup 2 preliminary outcomes*** The Secretariat presented preliminary outcomes from Subgroup 2 on the following two main topics as part of revision consolidation approaches: alignment with financial accounting and optionality in consolidation approaches. Each preliminary outcome was presented with a brief background and indicative polls were conducted to gauge TWG member support.	An Indicative poll found *majority support* for revising the financial control approach to align with financial accounting by requiring companies that choose this approach to adopt the same consolidation model used in their financial disclosures. An indicative poll found *majority support* for eliminating the equity share approach. An indicative poll found *majority support* for maintaining optionality in consolidation approaches in the Corporate Standard.
4	***Subgroup 3 preliminary outcomes*** The Secretariat presented preliminary outcomes from Subgroup 3 on the following overarching question: Should scope 3 reporting be required in the Corporate Standard, and if so, how should it be defined? All preliminary outcomes were presented and indicative polls were conducted to gauge support.	An indicative poll found *majority support* for requiring scope 3 reporting in the Corporate Standard. An indicative poll found *majority support* for requiring all significant scope 3 emissions. An indicative poll found *split opinions* for defining "significance" with a cumulative 5% exclusion threshold relative to total scope 3 emissions. An indicative poll found *majority support* for GHG Protocol differentiating scope 3 reporting requirements.

		An indicative poll found *majority support* for limiting eligibility for the differentiated scope 3 reporting requirement to small companies, except for small companies from high-emitting sectors.
5	***Wrap-up and next steps*** The Secretariat shared a summary of next steps including the schedule for upcoming meetings and the sharing of a post-meeting feedback survey.	The Secretariat will share post-meeting materials, including final slides and meeting minutes. Feedback surveys will be shared with all TWG members on preliminary outcomes from Subgroup 1, Subgroup 2, and Subgroup 3 and on the TWG process. TWG feedback will go back to the subgroups for consideration. The Secretariat will share revised meeting dates for the remainder of 2025.

Summary of discussion and outcomes

1. Welcome and housekeeping

- The Secretariat welcomed TWG members to the second full TWG meeting and briefly reviewed key housekeeping items from previous meetings. The introduction covered welcoming new TWG members, sharing the updated GHG Protocol Vision and Mission, reiterating the objectives of the revision process and Decision-Making Criteria, and presenting the meeting agenda and objectives (Slides 1-14).

<u>Summary of discussion</u>

- No TWG member comments were received.

<u>Outcomes (e.g. recommendations, options)</u>

- No specific outcomes.

2. Subgroup 1 preliminary outcomes

- The Secretariat presented preliminary outcomes and outstanding questions from Subgroup 1 on the following topics: uses of the Standard and GHG inventory data, objectives and business goals, GHG accounting and reporting principles, and comparability of GHG information. Indicative polls were conducted to gauge TWG member support on all preliminary outcomes presented. (Slides 15-26)

<u>Summary of discussion</u>

- The Secretariat presented preliminary Subgroup 1 outcomes and outstanding questions related to the following topics. Feedback is organized below by topic.
    - Uses of the Corporate Standard and GHG inventory data
    - Corporate Standard objectives
    - Business goals

- GHG accounting and reporting principles
- Comparability of GHG information

Uses of the Corporate Standard and GHG inventory data: The Secretariat presented the preliminary Subgroup 1 outcome to identify a list of priority use cases for the Corporate Standard and GHG inventory data (list on slide 17). The Secretariat noted that the intent of producing the list is to have as a reference point to go back to when future questions arise related to considering uses and purposes served by any proposed revisions.

- **Preliminary Subgroup 1 outcome:** *Majority support* by Subgroup 1 members for a list of priority use cases (noting that there were some subsequent changes to framing and delineation of use cases following Subgroup 1 polls, indicated in Slide 17).
- **Discussion:**
  - TWG members asked if wording of the use cases would be refined for a final draft, including if some of the items could be combined. The Secretariat noted that refined wording will be considered for any text that is included in the draft Standard and emphasized that the purpose of the list is to serve as a reference point when considering use cases served by revisions.
  - TWG members asked about the verification/assurance use case listed and whether it refers to the Corporate Standard providing "suitable criteria". The Secretariat noted that the intent of listing the use case was to capture the increased demand for GHG inventories to be verified or assured, but that the wording for the use case could be revised.
  - One TWG member expressed concern with the provision of data to customers as a use case, as the data required may be more granular than that provided in a corporate inventory. Another member noted that customers often need scope 1 and 2 data from their suppliers, the provision of which is supported by the Corporate Standard.
- **Indicative poll:** TWG members were asked if they support prioritizing each of the use cases listed in the table below as part of revisions to the Corporate Standard, with a *majority* of respondents indicating support for each, detailed below.

Use case	Support	Oppose	Abstain
Internal uses of GHG data to help inform decisions to manage/reduce emissions	41	0	2
Use of the Standard in policy and in mandatory reporting programs	41	0	2
Voluntary reporting, and use of the Standard in voluntary reporting programs	40	1	2
Assurance, use of the Standard for requirements/criteria to verify/assure GHG inventories against	38	2	3
Target setting, use of the Standard in target setting programs, and use of GHG inventory data in setting and monitoring progress against targets	42	0	1
Provision of GHG data to customers/value chain partners (e.g., for their scope 3 reporting)	41	1	1
Provision of GHG data to investors	36	2	5

Corporate Standard objectives: The Secretariat presented the preliminary Subgroup 1 outcome to revise objectives defined in the introduction to the Corporate Standard, including recommendations to retain or eliminate existing objectives and to propose new objectives (listed on slide 18). The Secretariat noted that Subgroup 1 has also had more detailed discussions related to the wording of objectives, but that this level of detail will not be considered during this meeting.

- **Preliminary Subgroup 1 outcome:** *Majority support* for all suggestions to retain/eliminate/propose new objectives listed, with the exception of proposed new Objective #6, where Subgroup 1 members expressed split opinions.
- **Discussion:**
    - Some TWG members expressed reservations with both proposed new objectives listed, suggesting further consideration of what the implications of adding these would be. Some members highlighted specific concern with reference to the integration of sustainability and financial information in proposed new objective #6. One TWG member suggested that the wording could be softened to allay this concern by framing around the provision of useful information to investors.
    - One TWG member noted that the framing of proposed new objective #7 on target setting and monitoring might not adequately capture suggestions from some TWG members for an objective related to tracking emissions over time. Other TWG members suggested that proposed new objective #7 could be combined with either existing objective #3 or objective #4.
    - One TWG member asked why elimination of objective #2 was proposed. The Secretariat noted that Subgroup 1 had discussed how the introduction of the Corporate Standard when no standard previously existed served the purpose of reducing the cost of compiling a GHG inventory and that the objective arguably has already been achieved.
    - One TWG member suggested combining objective #1 with objective #5.
- **Indicative poll:** TWG members were asked if they support each of the preliminary Subgroup 1 recommendations to revise Corporate Standard objectives in the table below, with a *majority* of respondents indicating support for each, detailed below.

Recommendation to revise objectives	Support	Oppose	Abstain
Retain objective #1	48	0	0
Eliminate objective #2	34	8	6
Retain objective #3	45	1	2
Retain objective #4	47	1	0
Retain objective #5	47	1	0
Proposed new objective #6	29	6	13
Proposed new objective #7	39	2	7

Business goals: The Secretariat presented the preliminary Subgroup 1 outcome to revise business goals detailed in chapter 2 of the Corporate Standard, including recommendations to retain or eliminate existing business goals and to propose new business goals (listed on slide 19).

- **Preliminary Subgroup 1 outcome:** *Majority support* for all suggestions to retain/eliminate/propose new business goals listed.
- **Discussion:**
    - One TWG member suggested that proposed new business goals #6 and #7 overlap with existing goal #1.
    - One TWG member asked for clarification on goal #2 on recognition for voluntary early action. The Secretariat noted that when the Corporate Standard was last updated in 2004, the practice of accounting and reporting of corporate GHG emissions was less mature and that arguably the time for "voluntary early action" has passed. Several TWG members expressed support for this interpretation.
    - One TWG member questioned whether GHG risks are the subject of the Corporate Standard as indicated in goal #1.

  - One TWG member suggested that it's not necessary to break out the different types of programs that companies participate in (e.g., voluntary reporting, mandatory reporting, target setting).
  - One TWG member asked about the reasoning for eliminating goal #4 on participating in GHG markets. The Secretariat noted that most carbon markets do not operate on an entity-basis and therefore corporate GHG inventories are not the most appropriate type of GHG data to use in carbon markets. The member shared that a forthcoming emissions trading scheme in Japan will be based on corporate reporting of scope 1 and 2 emissions, but following the country's national reporting standard.
  - One TWG member questioned whether business goals needed to be defined in the Corporate Standard, with the Secretariat noting that presenting business goals in conjunction with priority use cases is being considered as the two are related.
- **Indicative poll:** TWG members were asked if they support each of the preliminary Subgroup 1 recommendations to revise business goals in the table below, with a *majority* of respondents indicating support for each, detailed below.

Recommendation to revise business goals	Support	Oppose	Abstain
Retain goal #1	45	1	1
Retain and combine goals #2 and #3	44	0	3
Eliminate goal #4	36	4	7
Eliminate goal #5	37	3	7
Proposed new goal #6	45	1	1
Proposed new goal #7	45	1	1

  - One TWG member specified that they were abstaining from the question on goal #6 on engaging with value chain partners, noting that reductions will require financing, with implications to market instruments, under the purview of the Actions and Market Instruments TWG.

GHG accounting and reporting principles: The Secretariat shared an update on the status of Subgroup 1 discussions on GHG accounting and reporting principles, highlighting two key issues that have been raised: materiality and verifiability. Polls of Subgroup 1 members on these topics have indicated split opinions, with the Secretariat requesting feedback on these from the full TWG via a post-meeting feedback survey.

- One TWG member asked for clarification regarding the consistency principle and whether it refers to consistency over time or between reporting organizations. The Secretariat clarified that it refers to the former, with another TWG member adding that Subgroup 1 has discussed whether that framing of consistency should be maintained.
- One TWG member provided feedback on the evaluation of GHG accounting and reporting principles in relation to concepts in external frameworks provided in the discussion paper on the topic and shared an additional resource to consider: https://standards.xrb.govt.nz/standards-navigator/nz-cs-3/#Principles
- One TWG member asked why the Land Sector and Removals Guidance (LSR) has different principles and whether LSR is intended to be part of the corporate standards suite. The Secretariat clarified that LSR is part of the corporate suite, but with additional requirements and guidance for accounting for land sector emissions and carbon removals. The principles of conservativeness and permanence apply only to removals accounting.

Comparability: The Secretariat introduced the topic of comparability of GHG information, providing an update on the status of Subgroup 1 discussion on the topic and preliminary outcomes.

- **Preliminary Subgroup 1 outcomes:** Preliminary outcomes from polls conducted in Subgroup 1 are summarized below.

- *Majority support* for prioritizing comparability when considering updates to the Corporate Standard
- *Majority agreement* that both GHG Protocol and programs/sector initiatives have roles to play in enhancing comparability
- *Majority support* for including comparability among Corporate Standard objectives
- *Low support* for adopting comparability as an optional/recommended principle
- *Split opinions* for adopting comparability as a required principle

- **Discussion:**
  - One TWG member noted that ESRS specifies comparability as one of the qualitative characteristics of information in a sustainability statement. Another TWG member asked if EFRAG considers comparability to be something that companies can apply, with the first member responding that it's seen as a mandatory principle by EFRAG. Another TWG member noted that EFRAG might not be fully aware of limitations to comparability for scope 3 emissions.
  - One TWG member highlighted comments from Subgroup 1 discussions related to limitations to comparability for scope 3.
  - One TWG member asked about what differentiates an objective versus a principle. The Secretariat clarified that while the terms are not specifically defined in GHG Protocol standards, objectives refer to aims that the standard intends to achieve while principles represent foundational concepts that reporting companies are required to apply in the development of their GHG inventories. One TWG member expressed that the objectives of the Corporate Standard are currently almost hidden and that more specifically highlighting them may require further explanation on the interaction between objectives and principles.
  - One TWG member expressed support for comparability as an objective but suggested that a more in-depth analysis of how a principle would work is required. They added that if comparability can be operational for reporting companies, making it a required principle would be useful.
  - One TWG member asked if there could be a delayed adoption of a principle. The Secretariat noted that delayed implementation of some requirements has been considered during the revisions process, but not specifically with respect to principles.
  - One TWG member asked whether comparability is being considered as an objective of the Standard itself or for the use of the Standard. The Secretariat specified that the provision of comparable GHG information is being considered as an objective of the Standard and thus that enhancing conditions of comparability would be a consideration for developing revisions.
  - One TWG member highlighted the need to limit optionality as a con for adopting a comparability principle.
  - One TWG member asked why Subgroup 1 members expressed low support for comparability as an optional or recommended principle. The Secretariat noted that members had questioned what purpose a principle, if left optional, would achieve.
- **Indicative poll:** TWG members were asked if they support the Subgroup 1 outcome to recommend establishing comparability as an objective of the Corporate Standard.
  - **37 of 49 TWG members supported this outcome**
  - 4 TWG members opposed
  - 8 TWG members abstained
- The Secretariat requested input from TWG members on whether to adopt a comparability principle via a post-meeting feedback survey.

<u>Outcomes (e.g. recommendations, options)</u>

- An indicative poll showed *majority support* for prioritizing all proposed use cases of the Corporate Standard and GHG inventory data shown on slide 17.
- An indicative poll showed *majority support* for all recommendations for updating Corporate Standard objectives shown on slide 18.
- An indicative poll showed *majority support* for all recommendations for updating business goals shown on slide 19.
- An indicative poll showed *majority support* for establishing comparability as an objective of the Corporate Standard.

3. Subgroup 2 preliminary outcomes

- The Secretariat presented preliminary outcomes from Subgroup 2 on the following two main topics: alignment with financial accounting and optionality in consolidation approaches. Each preliminary outcome was presented with a brief background and indicative polls were conducted to gauge TWG member opinions. (Slides 27-40)

Summary of discussion

- The Secretariat opened the section by briefly reviewing the current three consolation approaches. The preliminary outcomes from Subgroup 2 on revising consolidation approaches were presented based on the following two main topics: Alignment with financial accounting and optionality in consolidation approaches. TWG comments are organized below by main topic.

Alignment with financial accounting:

- **Preliminary Subgroup 2 outcome**: *Unanimous support* for revising the financial control consolidation approach to align with financial accounting by requiring companies that choose the financial control approach to adopt the same consolidation model used in their financial disclosures.
- **Discussion:** The Secretariat presented a high-level summary of how the Subgroup 2 discussions on aligning one of the consolidation approaches with financial accounting standards have developed and provided the following question and preliminary outcomes for consideration: How can and should the financial control approach be revised to achieve alignment with financial accounting? TWG members did not provide further comments.
- **Indicative Poll**: The Secretariat conducted an indicative poll asking whether TWG members support the preliminary Subgroup 2 outcome: **Revise the financial control approach to align with financial accounting** by requiring companies that choose this approach to adopt the same consolidation model used in their financial disclosures.
    - **40 of 48 TWG members supported this outcome**
    - 2 TWG members opposed this outcome
    - 6 TWG members abstained

Optionality in consolidation approaches:

- This main topic was covered in 2 subsections:
    - Evaluation of current consolidation approaches (optionality part 1)
    - Optionality in consolidation approaches (optionality part 2)

Optionality part 1. Evaluation of current consolidation approaches:

- **Preliminary Subgroup 2 outcome**: Initial *majority support* for eliminating the equity share approach. The Secretariat noted that this initial preliminary outcome will be finalized once the financial control approach text revision is at a more advanced stage.
- **Discussion**:

- Several TWG members stated that the operational control approach needs to be revised to provide a clear definition and further guidance to ease its application (e.g., refer not only to the "full authority to introduce and implement operating policies" but also incorporate cases where there is shared operational control). The Secretariat stated that the operational control approach revision will be covered in future Subgroup 2 meetings. Therefore, considerations on optionality in consolidation approaches should acknowledge that the operational control approach will be revised to provide clarity.
- A TWG member asked about the main reasoning behind revising and maintaining the operational control approach. The Secretariat noted that the operational control approach is the most widely adopted approach (68% based on CDP 2023 public disclosures) and is referred to by external programs.
- Several TWG members noted that since operational control is currently the most adopted consolidation approach, removing it would not only be disruptive for companies currently using it, but could also discourage new and voluntary reporters from accounting for their GHG emissions if the revised financial control approach does not fit with their reporting objectives.
- A TWG member added that many reporters use the operational control approach to set their emissions reduction targets and eliminating it would be disruptive for the short-term emission reduction targets.
- A TWG member noted that eliminating the operational control approach would impact interoperability with external programs. The example they gave was CSRD, which, in addition to an initial application of the financial control approach for consolidated entities, it then requires the operational control approach to be applied for non-consolidated entities..
- A TWG member asked whether the operational control approach as it is currently defined in the Corporate Standard is consistent with IFRS's criteria to establish control. One TWG member responded by highlighting key aspects of the IFRS control definition including the power over investee, exposure to variable returns, and ability to affect these returns. They stated that these are not captured by the operational control approach. Another TWG member responded by saying that financial accounting standards are based on ownership and economic interest, neither of which are recognized as part of the operational control definition in the Corporate Standard.
- A TWG member asked for clarification on why Partnership for Carbon Accounting Financials (PCAF) does not permit the use of the equity share approach. The Secretariat noted that this was mainly done to ensure that emissions associated with investments fall under scope 3 category 15, rather than under scope 1 and 2, as they do for equity share. Another TWG member noted that the PCAF Standard aims to provide a methodology for calculating scope 3 category 15 emissions.
- Several TWG members highlighted that the revised financial control approach supports regulators and mandatory reporters as it better aligns with their objectives.
- A TWG member noted that the revised financial control text should provide guidance on how to interpret certain financial accounting principles such as non-controlling interests while consolidating GHG emissions.
- Another TWG member said they think that for SMEs, an inventory using financial and operational control would be largely the same. This TWG member further stated that they believe adopting the revised financial control approach could potentially be easier for SMEs as it will align with their financial disclosures, whereas adopting operational control may in some cases require further additional considerations to determine.

- **Indicative poll:** The Secretariat conducted an indicative poll asking whether TWG members support the initial preliminary Subgroup 2 outcome: **The equity share approach should be eliminated in the Corporate Standard.**
    - **39 of 50 TWG members supported this outcome**
    - 3 TWG members opposed this outcome
    - 8 TWG members abstained

Part 2. Optionality in consolidation approaches:

- **Preliminary Subgroup 2 outcome**: *Majority support* for maintaining optionality in consolidation approaches in the Corporate Standard. Further discussion on how optionality should be maintained will be covered in future Subgroup 2 meetings.
- **Discussion**:
    - A TWG member noted that there are many advantages to removing optionality and requiring the revised financial control approach. However, they added that maintaining optionality would be more useful when supported with guidance on how it reconciles with external programs.
    - A TWG member suggested that if optionality in consolidation approaches in the Corporate Standard were to be removed and the decision was to eliminate the operational control approach, a grace period should be defined to ease the transition for reporters currently adopting the operational control approach. The Secretariat noted that a potential phase-in period will be considered holistically, not just for certain aspects/changes, during this revision process. Another TWG member added that even if a grace period was to be defined, it would not be sufficient to allow transition for companies whose short-term goals (e.g., 2030) are based on operational control.
    - A TWG member noted that the level of standardization directly influences comparability, adding that maintaining optionality will impact comparability of GHG inventories across different companies. The Secretariat reminded members that Subgroup 1 is currently looking into to what extent comparability should be prioritized in the Corporate Standard. The Secretariat noted that the recommendation on the level of comparability will influence the level of optionality to be provided.
    - A TWG member suggested that Option 2 (specifying a preferred/recommended approach) could encourage companies to gradually transition to adopting the revised financial control approach and can in time influence removing optionality and requiring this approach. Another TWG member agreed and added that this could help simplify and standardize GHG reporting. They added that sudden removal of optionality would result in an additional burden for companies having to switch their consolidation approaches.
- **Indicative poll**: The Secretariat conducted an indicative poll to ask whether TWG members support the preliminary Subgroup 2 outcome: **Maintaining optionality in consolidation approaches in the Corporate Standard**.
    - **34 of 50 TWG members supported this outcome**
    - 5 TWG members opposed this outcome
    - 11 TWG members abstained
- **Discussion about the indicative poll:**
    - A TWG member asked if it was possible for them to vote for each of the four options considered under the main question on optionality in consolidation approaches. The Secretariat clarified that the indicative question only asked whether the TWG members support the preliminary outcome (maintaining optionality in consolidation approaches) and invited the TWG members to share their comments on the four options considered as part of the main question. The TWG member noted that they believe further impact assessment on

options 3 and 4 (removing optionality and requiring a specific or a layered consolidation approach) could be useful in helping them determine their level of support for this outcome.
  - A TWG member asked whether by supporting this outcome they would still get the chance to support Option 2 (maintaining optionality by specifying a preferred/recommended approach). The Secretariat clarified that the poll question asks support on maintaining optionality in consolidation approaches and includes both Option 1 (keeping all options equal) and Option 2 (specify a preferred/recommended approach). The Secretariat added that Subgroup 2 will then further discuss whether to recommend Option 1 or 2.
  - A TWG member asked whether Option 3 (requiring a layered approach) should be considered to be maintaining optionality. The Secretariat responded that a layered approach is the application of multiple consolidation approaches to capture different (more holistic) parts of the organizational structure. The Secretariat gave the example of the ESRS E1 layered approach saying that the first step is to apply the revised financial control approach to the group of entities included in the financial statements, but then, as a second step, non-consolidated entities or arrangements are included in the scope based on operational control. Therefore, this is a single requirement including a layered application of multiple consolidation approaches.

Outcomes (e.g., recommendations, options)

- An Indicative poll found *majority support* for revising the financial control approach to align with financial accounting by requiring companies that choose this approach to adopt the same consolidation model used in their financial disclosures.
- An indicative poll found *majority support* for eliminating the equity share approach.
- An indicative poll found *majority support* for maintaining optionality in consolidation approaches in the Corporate Standard.

4. Subgroup 3 preliminary outcomes

The Secretariat presented preliminary outcomes from Subgroup 3 on the following overarching question: Should scope 3 reporting be required in the Corporate Standard, and if so, how should it be defined? All preliminary outcomes were presented and indicative polls were conducted to gauge support. (Slides 41-54)

Summary of discussion

Summary of questions posed to TWG

- The Secretariat presented the following five questions and preliminary outcomes for consideration. Feedback is organized below by question.
  - **Scope 3 reporting requirement:** Should there be a scope 3 reporting requirement in the Corporate Standard?
  - **Defining the scope 3 reporting requirement:** What should the scope 3 reporting requirement be?
  - **Reporter types:** What reporter type(s), if any, should different levels of scope 3 reporting requirements be defined for?
  - **Defining a differentiated scope 3 reporting requirement:** How should the differentiated scope 3 reporting requirement be defined?

Scope 3 reporting requirement: Should there be a scope 3 reporting requirement in the Corporate Standard?

- **Preliminary Subgroup 3 outcome**: *Unanimous support* for the following preliminary outcome:
  - Scope 3 reporting should be required in the Corporate Standard.
- **Discussion:**
  - A TWG member asked whether adopting a scope 3 reporting requirement in the Corporate Standard would mean that the Corporate Standard and Scope 3 Standard would be integrated. The Secretariat clarified that the organization of the documents is still under consideration, but that internal harmonization is a goal of the revisions process.
  - A TWG member asked whether requiring scope 3 could reduce attention on scope 1 and 2, given that scope 3 is often larger than scope 1 and 2. The Secretariat responded that requiring scope 3 wouldn't lessen the emphasis on scopes 1 and 2.
  - A TWG member asked whether it is appropriate for GHG Protocol to set reporting requirements. The Secretariat clarified that GHG Protocol is an accounting and reporting standard, and that the "reporting requirements" from GHG Protocol indicate what is needed for a company to report in conformance with GHG Protocol. The level to which GHG Protocol should set reporting requirements is being considered, and is especially relevant in considering differentiated levels of scope 3 reporting requirements.
  - Several TWG members noted that reporters have less influence over their scope 3 emissions than their scope 1 and 2 emissions.
  - A TWG member expressed concern that emerging and developing market companies could struggle with a scope 3 reporting requirement given a lack of data and limited resources. The TWG member further noted that upstream suppliers from developing markets might not be able to provide complete supplier-specific emissions factors. The Secretariat noted that differentiating scope 3 reporting by geography was considered and will be discussed later in the meeting.
  - A TWG member indicated that they oppose requiring scope 3 reporting because they think it is inconsistent with the GHG Protocol mission statement of achieving "broad adoption," it does not support several of the decision-making criteria (i.e., does not support the decision-making process, does not support policy neutrality), and it is not in alignment with recent proposed changes from the US SEC and EU CSRD to simplify greenhouse gas emissions reporting. They further noted that GHG Protocol should aim to create value for businesses to complete their GHG inventory.
  - A TWG member expressed concern that requiring scope 3 reporting could discourage voluntary reporting.
  - A TWG member noted that requiring scope 3 reporting reduces the risk of companies outsourcing key emissions from scopes 1 and 2.
  - A TWG member noted that requiring scope 3 could have implications for significance thresholds for recalculating the base year due to a methodology change. The Secretariat clarified that this topic will be covered in Subgroup 1 in Phase 2.
- **Indicative poll:** TWG members were asked if they support the following preliminary outcome: Scope 3 reporting should be required in the Corporate Standard.
  - **40 of 49 TWG members supported the outcome**
  - 4 TWG members opposed the outcome
  - 5 TWG members abstained

Defining the scope 3 reporting requirement: What should the scope 3 reporting requirement be?

- **Preliminary Subgroup 3 outcome**: *Majority support* for the following two preliminary outcomes:

  - All significant scope 3 emissions should be required
  - "Significance" should be defined with a cumulative 5% exclusion threshold. *Note: The 5% exclusion threshold is preliminary and will be revisited later in the revision process.*
- **Discussion:**
  - A TWG member asked what defining the requirement as "all significant emissions" would mean for the relevance criteria in the Scope 3 Standard. The Secretariat clarified that relevant emissions would still be recommended.
  - A TWG member asked if the proposed exclusion threshold defining significance (i.e., cumulative 5% exclusion relative to total scope 3 emissions) would be for the base year or for all years and whether it would be by activity or category. The Secretariat noted that proposed guidance for applying the exclusion threshold is forthcoming from the Scope 3 TWG, and that the current proposed exclusion threshold is on a cumulative basis.
  - A TWG member noted that the 5% exclusion threshold is not in alignment with SBTi. The Secretariat clarified this by sharing that a 5% exclusion threshold is used by SBTi for reporting a complete scope 3 inventory, whereas a different exclusion threshold (33%) is used for setting scope 3 near-term science-based targets.
  - Several TWG members asked whether reporters would need to estimate their full inventory to determine the 5% exclusion threshold, and if so, why not just report the full inventory. The Secretariat clarified that the exclusion threshold approach does require a hotspot analysis of the full inventory, and the Scope 3 TWG is preparing guidance for this hotspot analysis. The Secretariat responded that reporters might want to exclude 5% due to reasons like low quality data.
  - A TWG member asked if Subgroup 3 considered only requiring specific categories. The Secretariat confirmed that this option was considered, but it did not have majority support.
  - A TWG member noted that because scope 3 is challenging to measure, many companies prioritize easier categories and overlook relevant categories. They further flagged the IFRS proportionality clause of "*all reasonable and supportable information available… without undue cost or effort*" that applies to IFRS S2 scope 3 reporting.
  - Several TWG members suggested increasing the 5% quantitative exclusion threshold, such as to 20%. The Secretariat clarified that the 5% proposal is preliminary and will be revisited.
  - A TWG member suggested that scope 3 reporting should only be required if scope 3 makes up more than 40% of a company's total (scope 1+2+3) emissions.
  - A TWG member asked whether an exclusion threshold will also be considered for scopes 1 and 2. The Secretariat clarified that scope 1 and scope 2 exclusion thresholds will be considered later in the process by Subgroup 3.
  - A TWG member suggested that requiring intensity metrics or product/service emissions would be very helpful for scope 3. The Secretariat said that intensity metrics will be considered in Phase 2 by Subgroup 1.
  - A TWG member said they would support the approach suggested in a proposal from the stakeholder survey feedback process, which proposed to 'provide clarification on minimum boundaries for optional scope 3 reporting under the Corporate Standard.'
- **Indicative poll:** TWG members were asked if they support the following preliminary outcome: All significant scope 3 emissions should be required.
  - **38 of 49 TWG members supported this outcome**
  - 5 TWG members opposed this outcome
  - 6 TWG members abstained
- **Indicative poll:** TWG members were asked if they support the following preliminary outcome**:** "Significance" should be defined with a cumulative 5% exclusion threshold.

- **24 of 49 TWG members supported this outcome**
- 11 TWG members opposed this outcome
- 14 TWG members abstained
  - Several TWG members shared that they abstained from the indicative poll on a 5% exclusion threshold because they need more information for an informed opinion.

Differentiated scope 3 reporting: Should scope 3 reporting be differentiated in some way?

- **Preliminary Subgroup 3 outcome**: *Majority support* for the following preliminary outcome:
  - Scope 3 reporting should be differentiated and defined by the GHG Protocol. *Note: Subgroup 3 members indicated support for exploring differentiated scope 3 reporting.*
- **Discussion**:
  - A TWG member asked why GHG Protocol should define differentiated reporting requirements. The Secretariat said that Subgroup 3 prefers a differentiated approach for scope 3 reporting to provide a more feasible reporting pathway for less advanced reporters, such as small companies.
  - A TWG member said they do not think that GHG Protocol should set different requirements based on criteria like company size and that it should instead be left to external organizations, such as governments and target-setting organizations.
  - A TWG member said that they thought that GHG Protocol should not define differentiated requirements, but rather provide a discussion of how external programs (e.g., mandatory disclosure rules) might do so.
- **Indicative poll:** TWG members were asked if they support the following preliminary outcome: Scope 3 reporting should be differentiated and defined by the GHG Protocol
  - **38 of 49 TWG members supported this outcome**
  - 7 TWG members opposed this outcome
  - 4 TWG members abstained

Reporter types eligibility for differentiated scope 3 reporting: What reporter type(s), if any, should different levels of scope 3 reporting requirements be defined for?

- **Preliminary Subgroup 3 outcome**: *Majority support* for the following preliminary outcome:
  - A differentiated scope 3 reporting pathway should be available for small companies, except for small companies in high-emitting sectors. *Note: Details and definitions still need to be finalized.*
- **Discussion:**
  - A TWG member asked how "company size" would be defined and noted that, if based on finances, different currencies would need to be considered. The Secretariat clarified that company size will be defined at a later stage, but noted that criteria being considered include head count, revenue, and national definitions for small- and medium-sized enterprises.
  - A TWG member said that they support differentiation for small companies and excluding high-emitting sectors, and that they would also like to see differentiation available for specific geographies. They noted that they abstained from the poll for this reason.
  - A TWG member suggested that since GHG emissions affect the climate regardless of the company size, reporting should not be differentiated.
  - A TWG member suggested that limiting the eligibility criteria to company size only would be more practical and appropriate. They also indicated that if it is too challenging to set appropriate thresholds for differentiation, then they would also support requiring all companies to report to a global scope 3 reporting requirement (i.e., no differentiation).

- A TWG member asked if "company size" could be defined using external program definitions or financial reporting definitions. It was clarified that this is being considered but is challenging because different programs set different company size thresholds.
- A TWG member expressed concern about reporting loopholes, noting that many countries are narrowing the scope of quantification in industry-specific GHG accounting standards.

- **Indicative poll:** TWG members were asked if they support the following preliminary outcome: A differentiated scope 3 reporting pathway should be available for small companies, except for small companies in high-emitting sectors
  - **31 of 49 TWG members supported this outcome**
  - 6 TWG members opposed this outcome
  - 12 TWG members abstained

Defining a differentiated scope 3 reporting requirement: How should the differentiated scope 3 reporting requirement be defined?
  - This topic was presented briefly given that there is not yet a consensus preliminary outcome from Subgroup 3. The question has two parts: Defining the differentiated scope 3 reporting requirement and determining whether the requirement would be a temporary or permanent option for eligible companies.
  - A TWG member said that they support a differentiated scope 3 reporting requirement being a permanent option for companies that remain small.

Outcomes (e.g., recommendations, options)

- An indicative poll found *majority support* for requiring scope 3 reporting in the Corporate Standard.
- An indicative poll found *majority support* for requiring all significant scope 3 emissions.
- An indicative poll found *split opinions* for defining "significance" with a cumulative 5% exclusion threshold relative to total scope 3 emissions.
- An indicative poll found *majority support* for GHG Protocol differentiating scope 3 reporting requirements.
- An indicative poll found *majority support* for limiting eligibility for the differentiated scope 3 reporting requirement to small companies, except for small companies from high-emitting sectors.

5. Wrap-up and next steps

- The Secretariat shared a summary of next steps including the schedule for upcoming meetings and the sharing of a post-meeting feedback survey. (Slides 55-58)

Summary of discussion

- The Secretariat opened the floor for discussion on any topics related to the Corporate Standard TWG.
- A TWG member asked for clarification on the aim of the standards revision, such as on the level of revision to the existing text. The Secretariat said that feedback is welcome on this topic via the general feedback form.
- A TWG member noted that some of the preliminary outcomes and decisions are of a higher order and require more time and discussion, such a scope 3 reporting requirement.
- A TWG member noted that several preliminary outcomes are very prescriptive (e.g., cumulative 5% exclusion threshold for scope 3 reporting), and suggested that the TWG should consider how prescriptive GHG Protocol should be.

<u>Outcomes (e.g., recommendations, options)</u>

- The Secretariat will share post-meeting materials, including final slides and meeting minutes.
- Feedback surveys will be shared with all TWG members on preliminary outcomes from Subgroup 1, Subgroup 2, and Subgroup 3 and on the TWG process.
- TWG feedback will go back to the subgroups for consideration.
- The Secretariat will share revised meeting dates for the remainder of 2025.

Summary of written submissions received prior to meeting

- TWG members were invited to respond to outcomes memos from each subgroup prior to the meeting, with 6 responses received. Topics covered included:
  - Subgroup 1 preliminary outcomes
  - Subgroup 2 preliminary outcomes
  - Subgroup 3 preliminary outcomes
- Feedback received was incorporated into the meeting materials and minutes where relevant.