



# Corporate Standard Technical Working Group

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## Full TWG Meeting #2

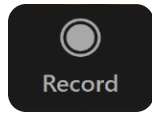
**GHG Protocol Secretariat team:**

Iain Hunt, Hande Baybar, Allison Leach

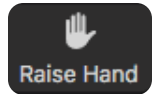
**March 4<sup>th</sup>, 2025**



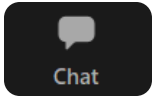
## Meeting information



This meeting is **recorded**.



Please use the **Raise Hand** function to speak during the call.



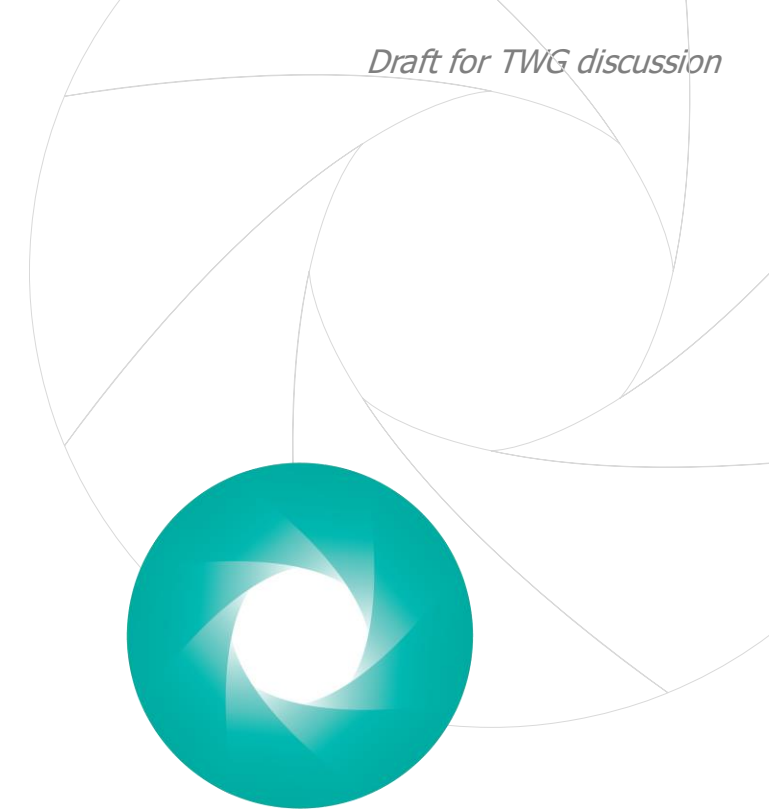
You can also use the **Chat** function in the main control.



Recording, slides, and meeting minutes will be shared after the call.

# Agenda

Introduction and housekeeping	15 minutes
Subgroup 1 preliminary outcomes	30 minutes
Subgroup 2 preliminary outcomes	30 minutes
Subgroup 3 preliminary outcomes	30 minutes
Wrap-up and next steps	15 minutes

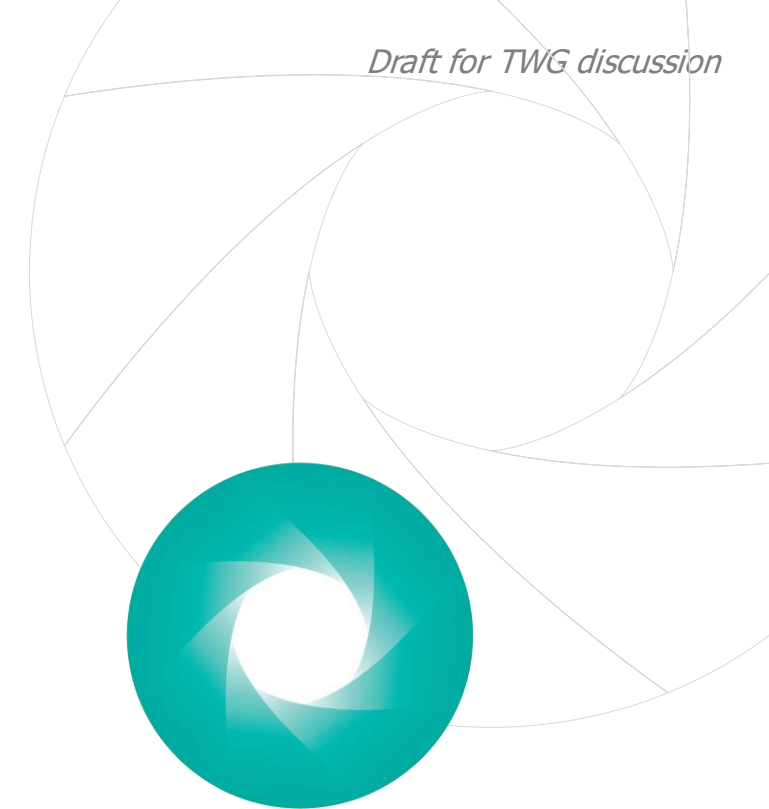


## GREENHOUSE GAS PROTOCOL



# Agenda

<b>Introduction and housekeeping</b>	<b>15 minutes</b>
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## GREENHOUSE GAS PROTOCOL



## Today's objectives

1. Share preliminary outcomes from Subgroup 1, Subgroup 2, and Subgroup 3
2. Collect TWG member feedback on proposed revisions including:
  1. **Subgroup 1:** Whether to adopt comparability as an objective of the Corporate Standard
  2. **Subgroup 2:** Whether to maintain optionality in consolidation approaches
  3. **Subgroup 3:** Whether to adopt a scope 3 reporting requirement in the Corporate Standard, and if so, how it should be defined

Consensus outcomes from the full TWG will be presented to the ISB in April

## Housekeeping: Guidelines and procedures

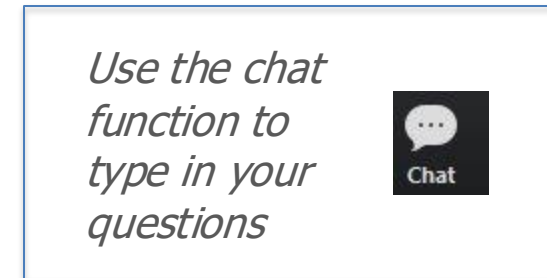
- We want to make **TWG meetings a safe space** – our discussions should be open, honest, challenging status quo, and ‘think out of the box’ in order to get to the best possible results for GHG Protocol
- Always **be respectful**, despite controversial discussions on content
- TWG members should **not disclose any confidential information** of their employers, related to products, contracts, strategy, financials, compliance, etc.
- In TWG meetings, **Chatham House Rule** applies:
  - “When a meeting, or part thereof, is held under the Chatham House Rule, participants are free to use the information received, but neither the identity nor the affiliation of the speaker(s), nor that of any other participant, may be revealed.”
- **Compliance and integrity** are key to maintaining credibility of the GHG Protocol
  - Specifically, all participants need to follow the **conflict-of-interest policy**
  - **Anti-trust rules** have to be followed; please avoid any discussion of competitively sensitive topics\*

\* Such as pricing, discounts, resale, price maintenance or costs; bid strategies including bid rigging; group boycotts; allocation of customers or markets; output decisions; and future capacity additions or reductions

# Zoom logistics and recording of meetings

## Zoom Meetings

- All participants are muted upon entry
- Please turn on your video
- Please include your full name and company/organization in your Zoom display name



**Meetings will be recorded and shared with all TWG members** for:

- Facilitation of notetaking for Secretariat staff
- To assist TWG members who cannot attend the live meeting or otherwise want to review the discussions

*Recordings will be available for a limited time after the meeting; **access is restricted to TWG members only.***

## Housekeeping: Summary of general feedback form responses

**22 responses** have been received through our general feedback form – thank you! Overarching themes include:

- Feedback on the scope of work presented in the Standard Development Plan
- Feedback on specific topics discussed in TWG meetings (note: this feedback is integrated into TWG meeting materials)
- Feedback related to TWG process

The list of submissions and Secretariat responses are tracked in the Shared TWG Folder in the Admin sub-folder

Please continue using the **Microsoft Form** for all feedback and questions



# Welcoming new TWG members

## Subgroup 1

- **Luis Carvajal**, Siemens Energy
- **Shaoqing Chen**, Sun Yat-sen University
- **Marine Kohler**, CentraleSupélec, Université Paris Saclay
- **Patrick Murphy**, Sierra Club, Climatebase
- **Emma Watson**, Science Based Targets Initiative

## Subgroup 2

- **Anna Grochowska**, EFRAG
- **Andy Law**, Hong Kong Institute of Certified Public Accountants
- **Trinity Makava Ncube**, Trinity Consultants
- **Barbara Porco**, Fordham University

## Subgroup 3

- **Tomoo Machiba**, Zeroboard, Inc.
- **Mamahloko Senatla**, Kenmare Resources
- **Max Sonnen**, Ecomatters
- **Zi (Christiana) Wang**, JD Logistics

## GHG Protocol mission and vision

- Our **mission** is to develop the most credible, accessible, and widely used greenhouse gas accounting and reporting standards and to proactively facilitate their global adoption and implementation.
- GHG Protocol's **vision** is that all private and public entities account for their GHG emissions, enabling an acceleration in reductions in line with the global warming limits required by climate science.

## Objectives of the revision

- Ensure the standard's **continued effectiveness** in meeting its objectives.
- **Promote interoperability** with key mandatory and voluntary climate disclosure and target setting programs and standards and with financial accounting and reporting standards, where relevant.
- **Incorporate advancements** in research and science, current uses of the standard and of resulting GHG inventory data, stakeholder feedback, and **best practices** in implementing the standard since it was published.
- **Improve coherence and integration** across GHG Protocol standards and guidance.
- **Provide additional guidance and clarifications** to reduce the need for interpretation, where possible.
- **Improve structure and presentation** where needed to improve user-friendliness, legal interpretation and ease of verification.
- **Editorial revisions** including refreshing presentation and design; deleting or replacing outdated text, references, case studies; and integrating amendments/annexes, where applicable.

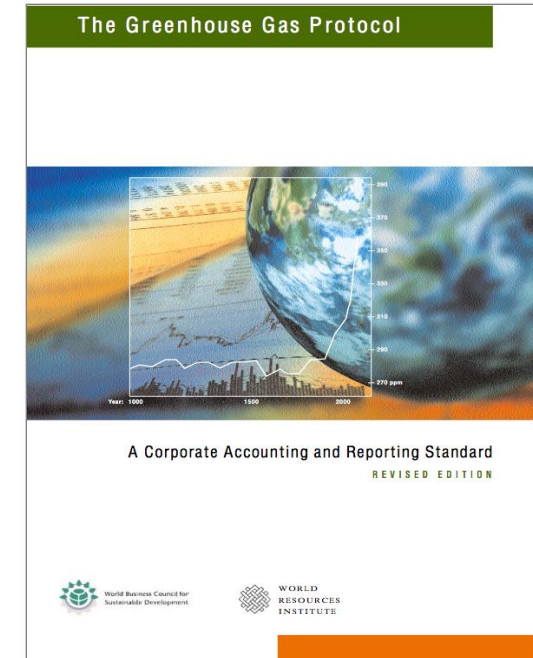
## Scope of Work Overview

### Scope of work:

- A. Objectives and principles ← Subgroup 1 Phase 1 topic
- B. Organizational boundaries ← Subgroup 2 Phase 1 topic
- C. Operational boundaries ← Subgroup 3 Phase 1 topic
- D. Tracking emissions over time
- E. Verification/assurance
- F. Data/calculation methodology
- G. Organization of the standards and internal/external harmonization

### Out-of-scope items:

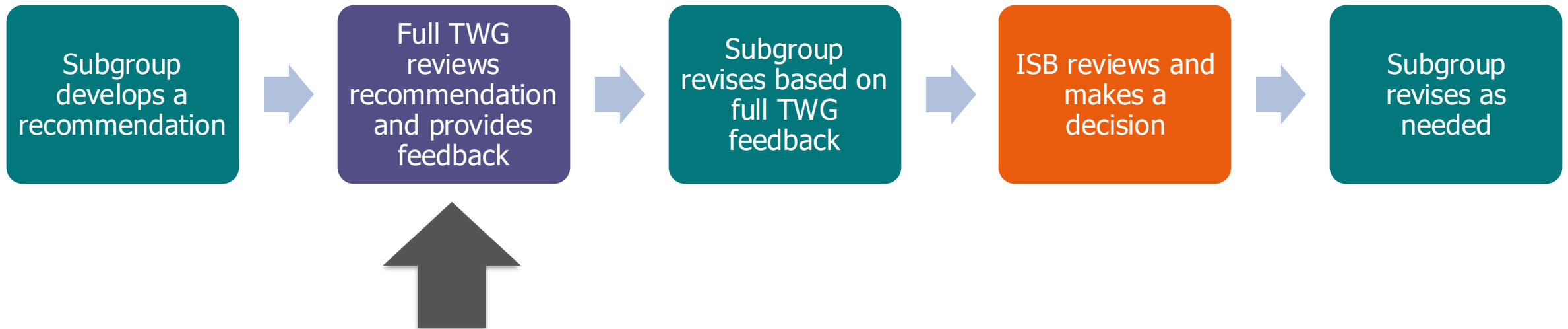
- H. Items addressed elsewhere by GHG Protocol
- I. Items for future consideration after standard revision
- J. Items outside of GHG Protocol's purview



**Corporate Standard**

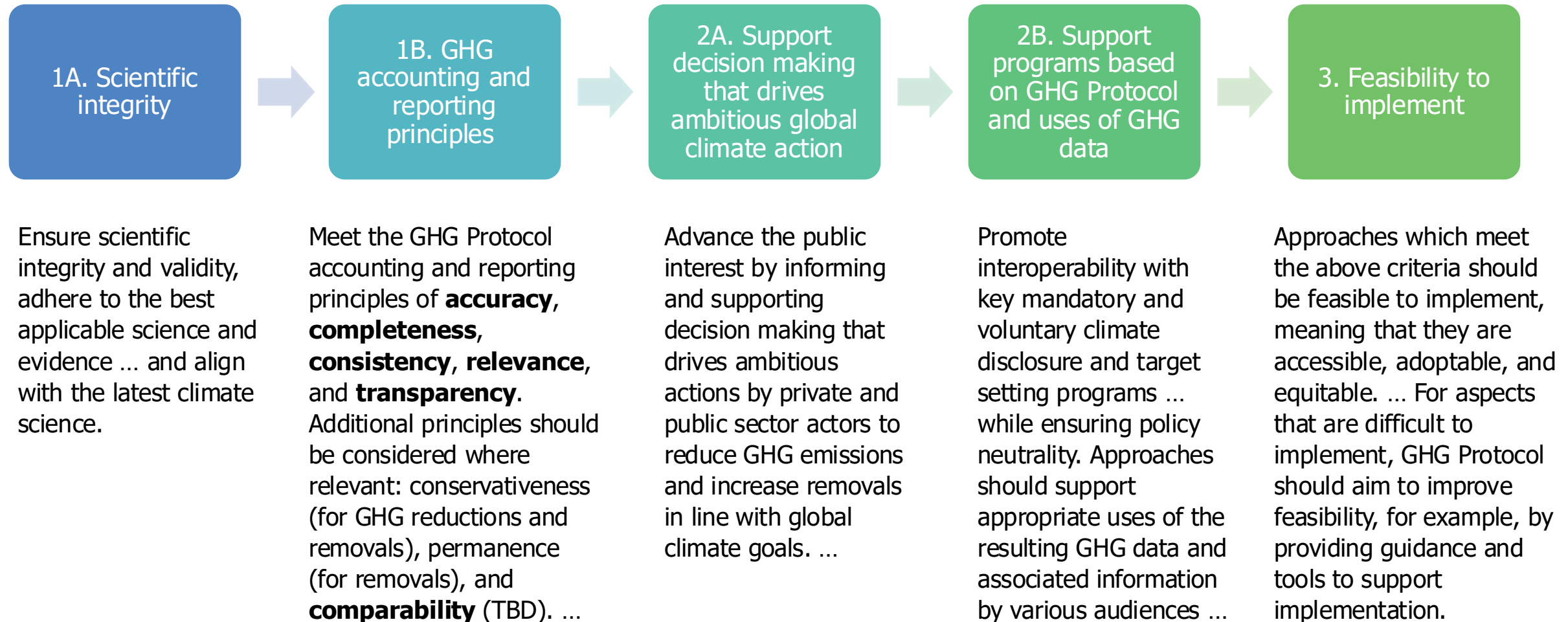
**→ Third Edition**

## Corporate Standard TWG process flow to develop recommendations



We are here with preliminary recommendations on Phase 1 topics

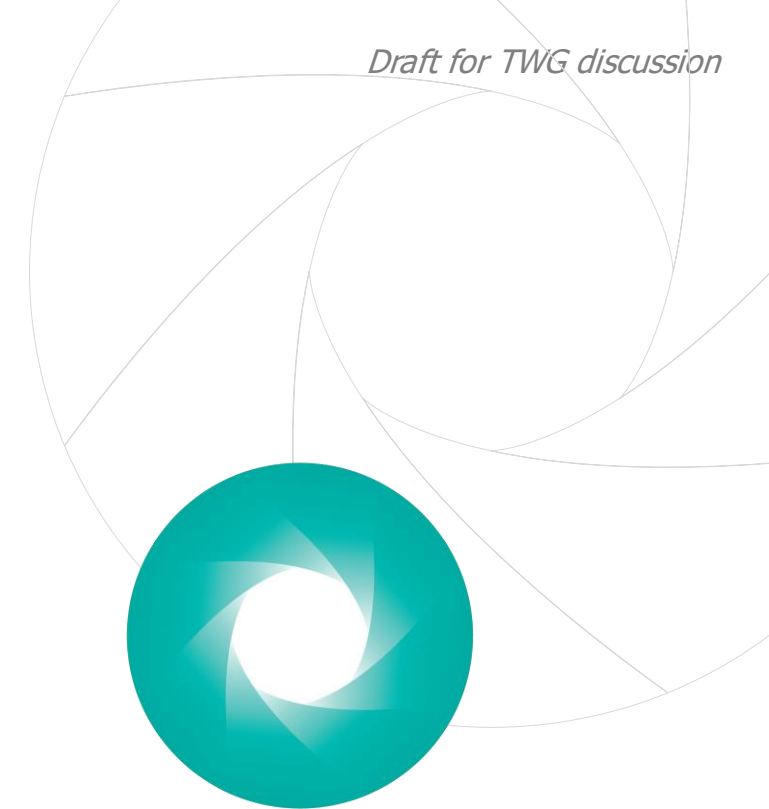
## GHG Protocol Decision-Making Criteria



*Note:* This is a summary version. For further details, refer to the full decision-making criteria included in the annex to the Governance Overview, available at <https://ghgprotocol.org/our-governance>.

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## GREENHOUSE GAS PROTOCOL



## Subgroup 1, phase 1: summary of preliminary outcomes

Topic	Key preliminary outcomes	Requested input from full TWG
1. <b>Uses</b> of the Corporate Standard and GHG inventory data	<ul style="list-style-type: none"> <li>Preliminary <b>list of priority use cases</b> for the Corporate Standard and GHG inventory data developed</li> </ul>	<ul style="list-style-type: none"> <li>Confirm list of priority use cases with full TWG</li> </ul>
2. Corporate Standard <b>objectives</b> and business goals	<ul style="list-style-type: none"> <li>Preliminary recommendations on <b>retaining/eliminating/adding new</b> objectives and business goals</li> </ul>	<ul style="list-style-type: none"> <li>Confirm Subgroup 1 recommendations with full TWG</li> </ul>
3. GHG accounting and reporting <b>principles</b>	<ul style="list-style-type: none"> <li><b>Split opinions on key issues identified</b> (materiality, verifiability, conservativeness)</li> </ul>	<ul style="list-style-type: none"> <li>Invite input from full TWG via feedback survey on key issues</li> </ul>
4. <b>Comparability</b> of GHG information	<ul style="list-style-type: none"> <li><b>Majority support</b> for comparability as an <b>objective</b></li> <li><b>Split opinions</b> on comparability as <b>principle</b></li> </ul>	<ul style="list-style-type: none"> <li>Confirm addition of comparability as objective</li> <li>Invite input from full TWG via feedback survey on comparability as a principle</li> </ul>

To be addressed via live poll during meeting  
To be addressed via feedback survey following meeting



## 1. Uses: Priority use cases for *Corporate Standard* and GHG inventory data

(based on Subgroup 1 member input)

- Internal uses of GHG data to help inform decisions to **manage/reduce emissions**
- Use of the Standard in policy and in **mandatory reporting** programs
- Voluntary reporting, and use of the Standard in **voluntary reporting** programs\*
- **Assurance**, use of the Standard for requirements/criteria to verify/assure GHG inventories against
- **Target setting**, use of the Standard in target setting programs, and use of GHG inventory data in setting and monitoring progress against targets
- Provision of GHG data to **customers/value chain partners**<sup>+</sup> (e.g., for their scope 3 reporting)
- Provision of GHG data to **investors**\*



**Indicative poll:** Do you support the above list of priority use cases?

\* Uses suggested by Subgroup 1 members subsequent to poll confirming support for preliminary list.

+ “Value chain partners” added for more inclusive framing

## 2. Objectives: Preliminary recommendations on *Corporate Standard* objectives

Corporate Standard objective	Preliminary Subgroup 1 recommendation
1. To help companies prepare a GHG inventory that represents a true and fair account of their emissions, through the use of standardized approaches and principles	<b>Retain</b> (with modifications)
2. To simplify and reduce the costs of compiling a GHG inventory	<b>Eliminate</b> (or combine with #1)
3. To provide business with information that can be used to build an effective strategy to manage and reduce GHG emissions	<b>Retain</b> (with modifications)
4. To provide information that facilitates participation in voluntary and mandatory GHG programs	<b>Retain</b> (with modifications or combine with #5)
5. To increase consistency and transparency in GHG accounting and reporting among various companies and GHG programs	<b>Retain</b> (with modifications or combine with #4)
6. Integration of sustainability/financial information and/or the provision of GHG information to investors/financial markets	<b>Proposed new objective</b> (note: split opinion)
7. Supporting emission reduction target setting and monitoring	<b>Proposed new objective</b>



**Indicative poll:** Do you support the preliminary recommendations for updating *Corporate Standard* objectives summarized above?

Note: Comparability as an objective to be considered later.

## 2. Objectives: Preliminary recommendations on business goals

Business goal	Preliminary Subgroup 1 recommendations
1. Managing GHG risks and identifying reduction opportunities	<b>Retain</b> (with modifications)
2. Public reporting and participation in voluntary GHG programs	<b>Retain</b> (but combine with #3)
3. Participating in mandatory reporting programs	<b>Retain</b> (but combine with #2)
4. Participating in GHG markets	<b>Eliminate</b>
5. Recognition for early voluntary action	<b>Eliminate</b>
6. Engaging with value chain partners on GHG reduction opportunities	<b>Proposed new business goal</b>
7. Identifying GHG reduction opportunities, setting GHG targets, and tracking progress over time	<b>Proposed new business goal</b>



**Indicative poll:** Do you support the preliminary recommendations for updating business goals defined in the *Corporate Standard* above?

### 3. Principles: Status update

(Please refer to Appendix I slides and Discussion Paper on GHG Accounting and Reporting Principles for more detail)

#### Principles defined in *Corporate Standard*

- Relevance
- Completeness
- Consistency
- Transparency
- Accuracy

#### Status update:

- Preliminary feedback from Subgroup 1 members provided
- No suggestions for eliminating principles
- Key issues identified: materiality and verifiability

#### Principles introduced in LSR (draft *Land Sector and Removals Guidance*)

Required for removals accounting:

- Conservativeness
- Permanence

Recommend for emissions and removals accounting:

- Comparability

#### Status update:

- Preliminary feedback from Subgroup 1 members provided on applicability of conservativeness and permanence for inventory accounting
- Comparability discussed as separate agenda scope of work items

#### Key issues identified

#### Materiality:

- Should current use of term “materiality” in *Corporate Standard* related to verification be maintained?
- Should use of the term be expanded in relation to the relevance principle or as a new principle?

#### Verifiability:

- Should principles be updated to refer to verifiability, either via transparency principle or as a new principle?

#### Status update:

- Preliminary polls on the above showed *split opinions*

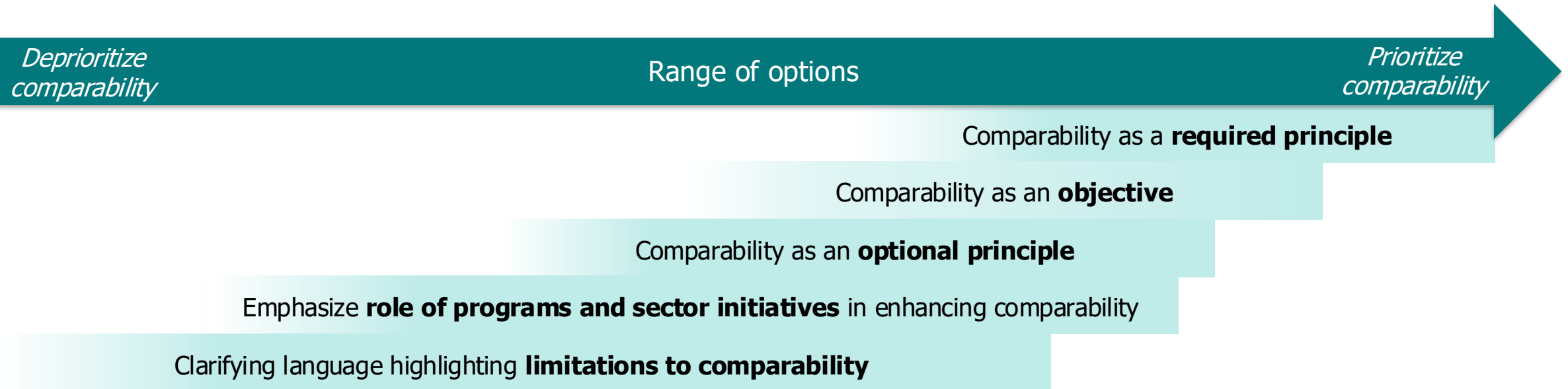


**Next step:** Request for input on key issues via feedback survey

## 4. Comparability: introduction

### Considerations:

- Extent to which is comparability **achievable** through standard setting
- **Role** of GHG Protocol versus programs/sector initiatives
- **Appropriateness** of comparing inventories (versus, say, performance metrics)
- **Implications** *if* comparability deemed a priority (e.g., limiting optionality)



## 4. Comparability: key preliminary outcomes

### Prioritizing comparability as part of Standard updates

*Majority support* for **prioritizing enhancing 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

### Comparability as an **objective**

*Majority support* for including comparability among Corporate Standard **objectives**

### Comparability as a **principle**

*Low support* for adopting comparability as an **optional/recommended principle** (as in draft Land Sector and Removals Guidance)

*Split opinions* for adopting comparability as a **required principle**

## 4. Comparability: Subgroup 1 member input related to pros/cons of establishing comparability as an objective and/or a principle

	Pros	Cons
Comparability as an objective	<ul style="list-style-type: none"> <li>Stakeholders <b>already compare GHG information</b> and will continue to have a need to do so</li> <li>Comparable GHG information necessary for <b>decision-making to drive climate action</b></li> <li>Best way to help <b>orient the Standard</b> toward enhancing better comparability</li> <li>Help <b>spur conversations within industry groups</b> to develop more prescriptive guidance</li> <li>External programs have requirements intended to improve <b>integration of GHG and financial information</b>, also enhancing comparability</li> </ul>	<ul style="list-style-type: none"> <li>Prioritizing comparability <b>shouldn't disincentivize companies from producing complete and accurate inventories</b> when companies are aware that they may be compared with under-reporting peers</li> </ul>
Comparability as a principle	<ul style="list-style-type: none"> <li>Some pros cited for comparability as an objective may also apply</li> </ul>	<ul style="list-style-type: none"> <li>Comparability is <b>not a concept that preparers can directly achieve</b> in inventory development, but comparability can be enhanced by following existing principles</li> <li>Operationalizing comparability may <b>require a considerable reformulation of the Standard</b></li> </ul>

## 4. **Comparability:** potential implications of operationalizing

(based on Subgroup 1 discussions)

- **Limiting optionality** in areas including:
  - Consolidation approaches
  - Selection of scope 3 categories to report
  - Definition of justifiable exclusions from inventory
  - Base year recalculation policies
- Measures to **align GHG and financial information**
- **Requiring scope 3** emissions reporting
- **Additional guidance** on when it is/is not appropriate to compare
- **Enhanced reporting requirements** (e.g., related to how emissions data is disaggregated)



## 4. Comparability: Request for feedback from full TWG



### Indicative poll:

Do you support the preliminary Subgroup 1 outcome of establishing comparability as an **objective**?



### In post-meeting feedback survey:

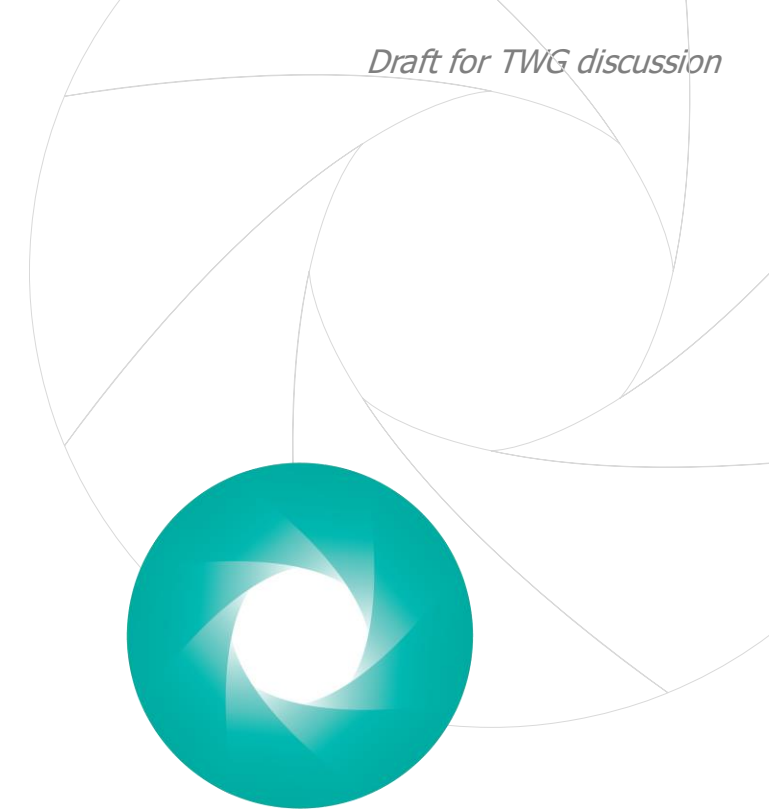
Do you support adopting a comparability **principle** in the *Corporate Standard*?

## Subgroup 1, phase 1: next steps

Topic	Next steps
1. <b>Uses</b> of the Corporate Standard and GHG inventory data	<ul style="list-style-type: none"> <li>Align across discussions in different workstreams related to uses and purposes</li> </ul>
2. Corporate Standard <b>objectives</b> and business goals	<ul style="list-style-type: none"> <li>Revisions to text related to objectives and business goals (<i>Corporate Standard</i> introduction, chapter 2)</li> </ul>
3. GHG accounting and reporting <b>principles</b>	<ul style="list-style-type: none"> <li>Follow-up discussion considering input from full TWG on key issues</li> <li>Revisions to text related to principles (<i>Corporate Standard</i> chapter 1)</li> </ul>
4. <b>Comparability</b> of GHG information	<ul style="list-style-type: none"> <li>Further review of comparability as a principle considering input from full TWG</li> </ul>

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## GREENHOUSE GAS PROTOCOL



## GHG Protocol Corporate Standard: current requirements

Companies *shall* account for and report their consolidated GHG data according to either the **equity share**, **financial control**, or **operational control approach**:

Under the **equity share approach**, a company accounts for GHG emissions according to its share of equity in the operation.

Under the two **control approaches**, a company accounts for 100% of the GHG emissions from operations over which it has control.

A company has **financial control** over the operation if the former has the ability to direct the financial and operating policies for the latter with a view to gaining economic benefits from its activities.

A company has **operational control** over an operation if the former or one of its subsidiaries has the full authority to introduce and implement its operating policies at the operation.

# Process for reviewing Organizational Boundaries

**Main topics** that guide the review of consolidation approaches are:

**Alignment with financial accounting**

**Preliminary outcome**

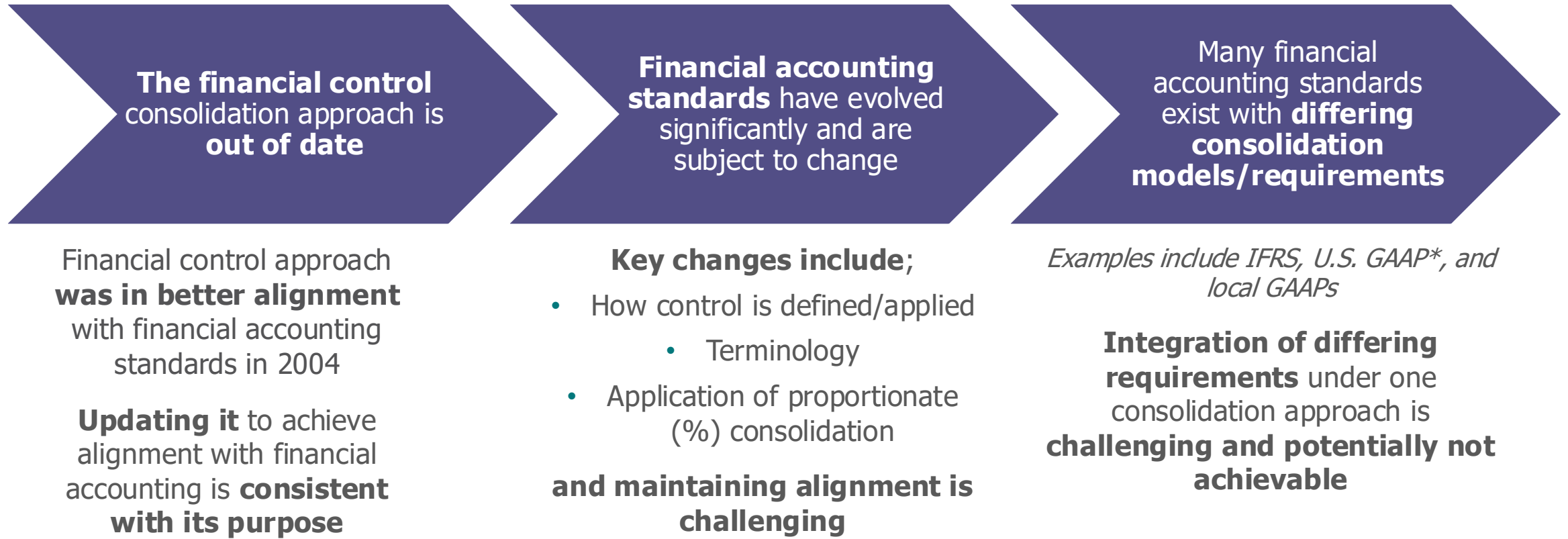
*Consensus* on **revising financial control approach**  
to align with financial accounting

**Optionality  
in consolidation approaches  
(ongoing)**

**Preliminary direction**

*Majority support* for **maintaining optionality**  
Further discussion pending on "How?"

# Why does the financial control approach need to be updated?



Early discussions started with potential **levels of alignment** and **level of prescriptiveness**

\* GAAP: Generally Accepted Accounting Principles

## Alignment with financial accounting: Consensus on Option C

### Revising financial control approach

How can/should **alignment with financial accounting** be achieved?

**A. Incorporate all (inc. differing) requirements** of current financial accounting standards

**Multiple paths** to define control based on differing consolidation requirements of **leading & local financial standards**

**B. Choose one financial accounting standard** and apply its consolidation requirements

Adopt the **consolidation model of the chosen financial accounting framework** (i.e., IFRS)

**C. Require companies choosing financial control to apply same consolidation** as their financial disclosures

**Do not define control** criteria but require the **users choosing financial control approach to adopt the same consolidation model** used in their **financial disclosures**

→ **Unanimous support**



**Please share in the chat** if you have any clarifying questions related to this outcome.

\* The options have been reframed based on Meeting 1 TWG input

## Poll: alignment with financial accounting



### Indicative poll

**Do you support the following subgroup 2 outcome?**

- **The financial control approach should be revised to align** the consolidation for GHG accounting with the reporting companies' financial disclosures



# Process for reviewing Organizational Boundaries

**Main topics** that guide the review of consolidation approaches are:

**Alignment with financial accounting**

**Preliminary outcome**


*Consensus* on **revising financial control approach**  
to align with financial accounting

**Optionality  
in consolidation approaches  
(ongoing)**

**Preliminary direction**

*Majority support* for **maintaining optionality**  
Further discussion pending on "How?"

## Process for evaluating optionality in consolidation approaches



Evaluate each of the  
three current  
consolidation approaches

- Current **adoption** rates
- **Pros and cons**
- Requirements and guidance of **external programs**

Consider whether to  
maintain optionality or  
require a single approach

### **Key questions:**

- If optionality is maintained, then **how?**
- If a single approach is required, **which approach should it be?**

## Evaluation of current consolidation approaches

Approach	Adoption rate (based on 2023 CDP public disclosures)	Key highlights on external programs
<b>Equity share</b>	Least adopted (2%)	<ul style="list-style-type: none"> <li>Not referenced (i.e., CSRD) or not permitted (i.e., PCAF) by some external programs</li> </ul>
<b>Financial control</b>	Second most adopted (23%)	<ul style="list-style-type: none"> <li>Aligned/interoperable with external programs (e.g., IFRS S1, CSRD) <i>(following revision to align with financial accounting)</i></li> </ul>
<b>Operational control</b>	Most adopted (68%)	<ul style="list-style-type: none"> <li>Interoperable with most external programs (e.g., IFRS S2, GRI)</li> <li>Required as an add-on approach by some mandatory programs (e.g., CSRD)</li> </ul>

→ **Early outcomes from the Scope 3 TWG: *Directional consensus on***

GHG Protocol should not permit FIs\* or non-FIs that account for category 15 emissions to use the equity share consolidation approach

\*FIs = Financial Institutions

## Revisiting optionality in consolidation approaches

### Equity share

Equity share approach will be **eliminated** based on initial evaluation

*Majority support for eliminating*

**Status: Pending final evaluation whether to maintain or eliminate**

### Financial control *(revised)*

Financial control approach will be **revised to achieve alignment with financial accounting**

*Unanimous support for revising and maintaining*

**Status: Initial text revision progress initiated**

### Operational control *(revised)*

Operational control approach will be **revised to address stakeholder feedback**

*Majority support for revising and maintaining*

**Status: Text revision to be planned**

*Initial support for eliminating **will be finalized** once the financial control text is revised*

**SO**

*Focus for **evaluating optionality** has been based on maintaining revised financial and operational control approaches only*

## **Poll: Evaluating preliminary assessment on current consolidation approaches**



### **Indicative poll:**

Do you support the following preliminary subgroup 2 outcome?

The equity share approach **should be eliminated**

# Optionality in consolidation approaches

## Question: Should optionality be maintained?

Yes		No	
<p><b>1. Yes</b> Maintain optionality with <b>all options equal</b></p> <p>Companies shall/may choose between:</p> <ul style="list-style-type: none"> <li>• Revised financial control</li> <li>• Revised operational control</li> </ul> <p>→ <i>Majority support</i> for <b>maintaining optionality</b></p> <p>→ <i>Split opinions</i> on <b>how to maintain</b> optionality</p>	<p><b>2. Yes</b> Maintain optionality and specify a <b>preferred approach</b></p> <p>Companies <i>shall/should</i> use (revised) financial control approach but <i>may</i> use (revised) operational control approach</p>	<p><b>3. No</b> Require a <b>layered approach</b> (e.g., ESRS E1 layered approach)</p>	<p><b>4. No</b> Require <b>(revised) financial control</b> approach</p>

## Poll: Optionality in consolidation approaches



### Indicative poll:

Do you support the following outcome?

→ **Optionality** in consolidation approaches  
**should be maintained**

*(choice between the **revised financial control**  
and the **revised operational control**  
approaches)*



### In post-meeting feedback survey:

What do you think on the following?

1. How should optionality be maintained?
2. Which approach should be recommended *if* we establish a **preferred approach**?
3. Which consolidation approach should be **required** *if* optionality were to be **removed**?

## Next steps – Subgroup 2 *(Phase 1)*

Financial control approach text revision

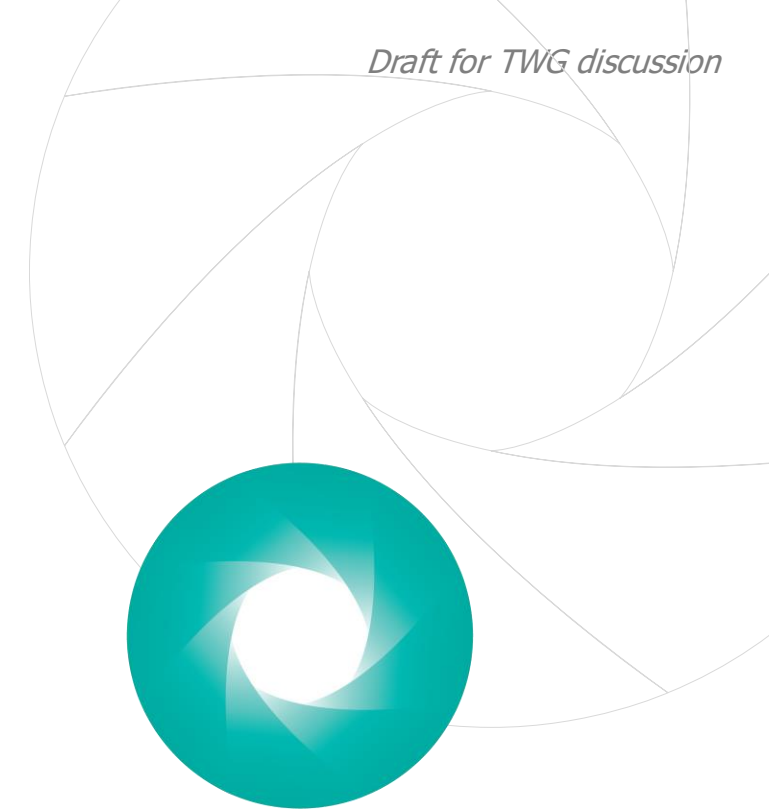
- Operational control approach revision discussions
- Operational control approach text revision

Scope of work items B.2 and B.3



# Agenda

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## GREENHOUSE GAS PROTOCOL



## Subgroup 3, Phase 1: Operational Boundaries

The big question:

**Should scope 3 reporting be required in the Corporate Standard,  
and if so, how should it be defined?**

Part 1:

**Whether to adopt a scope 3 requirement  
in the Corporate Standard**

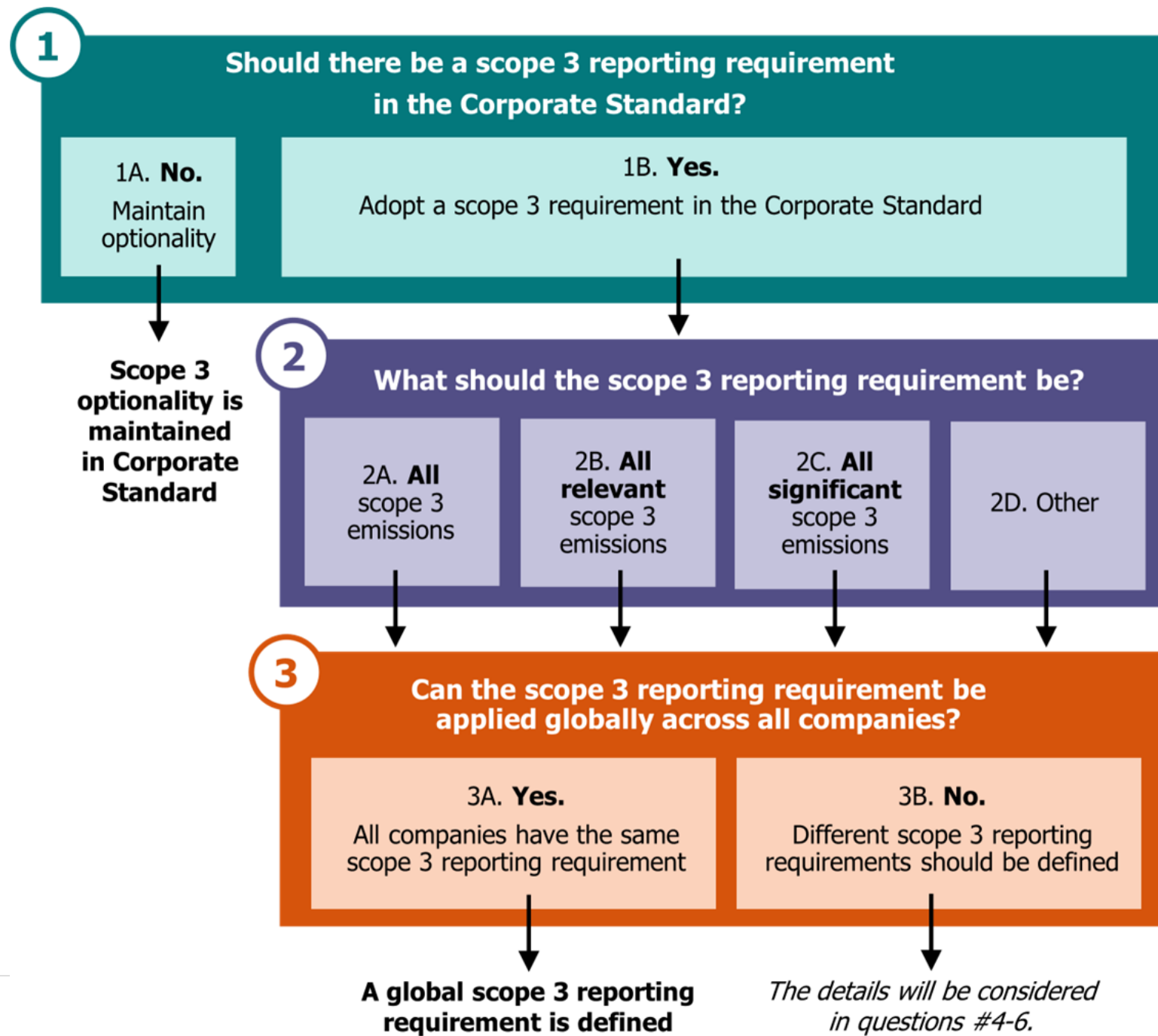
*Questions #1-3*

Part 2:

**Whether to differentiate the scope 3  
requirement by reporter type**

*Questions #4-6*

**Part 1:**  
Questions  
#1-3



## Question 1: Should there be a scope 3 reporting requirement in the Corporate Standard?

### Option 1A: No. **Maintain optionality**

- Scope 3 would continue to be optional in the Corporate Standard
- **Two levels of conformance** in GHG Protocol:
  - Corporate Standard → Scope 3 optional
  - Scope 3 Standard → Scope 3 required

### Option 1B: Yes. **Adopt a scope 3 requirement** in the Corporate Standard

- Scope 3 would be required in some form
- Details would be determined in the following questions (e.g., definition, differentiation).

Unanimous support for “Yes”:

**Adopt a scope 3 reporting requirement in the Corporate Standard**

## Question 2: What should the scope 3 reporting requirement be?

Option 2A:  
**All** scope 3 emissions

All emissions within the **minimum boundary**, as defined for each scope 3 category

**Justifiable exclusions** are currently allowed

Option 2B:  
All **relevant** emissions

Relevance is a **GHG accounting & reporting principle**

**6 relevance criteria** defined in Scope 3 Standard

Option 2C:  
All **significant** emissions

Equivalent to **relevance criterion of size**

Emissions that *"... contribute significantly to the company's total anticipated scope 3 emissions."*

## Question 2: Preliminary outcomes

Majority support for requiring **all significant scope 3 emissions**

### How to define “significant emissions”

Majority support for defining significance with **cumulative 5% exclusion threshold** relative to total scope 3 emissions

Proposed quantitative exclusion threshold was an **input from the Scope 3 TWG**

Scope 3 TWG considered the following:

- Percentage and/or absolute emissions
- Per activity and/or cumulative
- Denominator
- Threshold value

### Next steps

- Guidance for hotspot analysis to determine 5% exclusion
- Finalize 5% exclusion threshold recommendation

## Poll questions: Preliminary outcomes on questions #1-2



### Indicative poll

#### Do you support the following subgroup 3 outcomes?

1. Scope 3 reporting should be **required** in the Corporate Standard
2. All **significant** scope 3 emissions should be required
3. “Significance” should be defined with a cumulative **5% exclusion threshold** relative to total scope 3 emissions



Please share feedback in the chat

## Subgroup 3, Phase 1: Operational Boundaries

The big question:

**Should scope 3 reporting be required in the Corporate Standard,  
and if so, how should it be defined?**

Part 1:

**Whether to adopt a scope 3 requirement  
in the Corporate Standard**

*Questions #1-3*

Part 2:

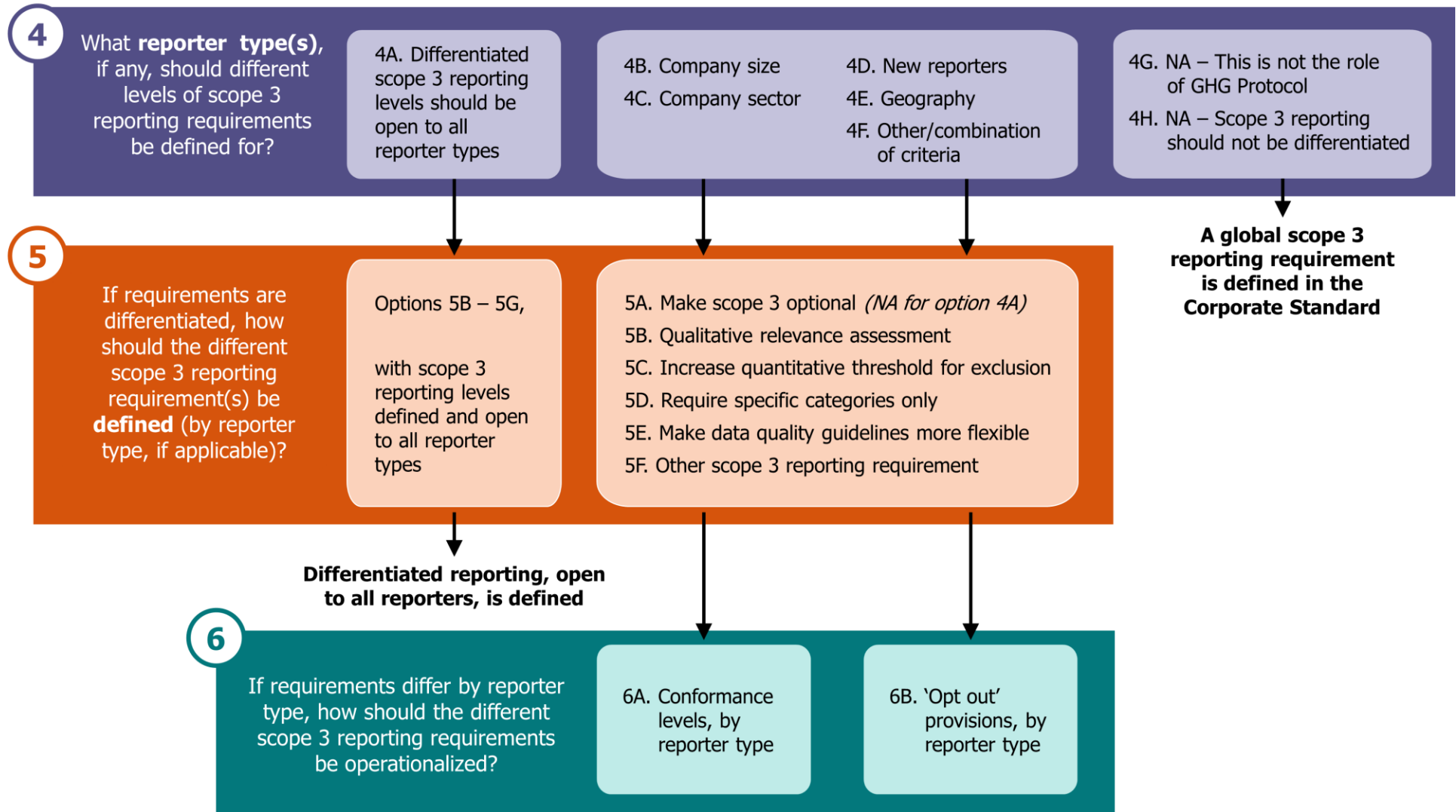
**Whether to differentiate the scope 3  
requirement by reporter type**

*Questions #4-6*



## Part 2: Questions #4-6

If different scope 3 reporting requirements are to be defined...



## Question 4: What reporter type(s), if any, should different levels of scope 3 reporting requirements be defined for?

**Differentiated,  
open to all reporter types**  
*Option 4A*

**Differentiated,  
by reporter type**  
*Options 4B - 4F*

**Not differentiated**  
*Options 4G-4H*

4A. Differentiated scope 3 reporting levels should be open to all reporter types

Different levels of scope 3 reporting should be defined for one or more of the following:

4B. Company size

4C. Company sector \*

4D. New reporters

4E. Geography

4F. Other/combination of criteria

Scope 3 reporting should NOT be differentiated because:

4G. NA – This is not the role of GHG Protocol

4H. NA – Scope 3 reporting should not be differentiated

\*4C was defined as *excluding* small companies in high-emitting sectors

## Question 4: Preliminary outcomes

Majority support for differentiating scope 3 reporting requirements for **small companies**, except for small companies in **high-emitting sectors**

### Goals of the differentiated pathway

- Provide a more **feasible** scope 3 reporting option
- **Limit eligibility** to less advanced reporters

### The role of **GHG Protocol**

Majority support that **GHG Protocol should define differentiated reporting requirements**, as opposed to external programs

### Next steps

- Define small companies and high-emitting sectors
- Consider other eligibility criteria (e.g., emissions cap)

## Question 5: : How should the differentiated scope 3 reporting requirement be defined?

**Make scope 3 optional**  
*Option 5A*

**Adjust relevance requirements**  
*Options 5B-5C*

**Require specific categories**  
*Option 5D*

**More flexible data quality guidelines**  
*Option 5E*

5A. **“Should” (instead of “shall”)** report all significant scope 3 emissions

5B. Require **relevant emissions**, using qualitative assessment

5C. Increase **quantitative exclusion threshold** (e.g., from 5% to 10%)

5D. Require **specific categories** only (e.g., category 1 only, upstream only)

5E. Make **data quality guidelines more flexible**, pending outcomes from Scope 3 TWG

Should a differentiated scope 3 reporting pathway be a temporary or permanent option?

→ Split opinions



Feedback to be requested in post-meeting feedback survey

## Poll questions: Preliminary outcomes on questions #3-6



### Indicative poll

#### Do you support the following subgroup 3 outcomes?

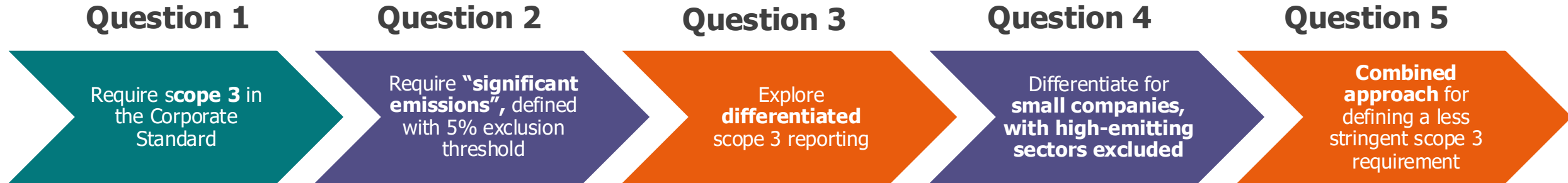
1. Scope 3 reporting **should be differentiated** and defined by the GHG Protocol
2. A differentiated scope 3 reporting pathway should be available for **small companies**, except for small companies in **high-emitting sectors**

---

#### *Preliminary outcome to be considered in post-meeting feedback survey:*

*The **differentiated scope 3 requirement** should require relevant emissions and/or specific categories, and it should allow for a quantitative exclusion threshold and data quality flexibility*

## Subgroup 3, Phase 1: Summary of key outcomes and next steps



### Next steps

#### Finalize scope 3 requirement recommendations

- **Answer question 6:** How should the different scope 3 reporting requirements be **operationalized**?\*
- **Finalize the recommendations and the details**

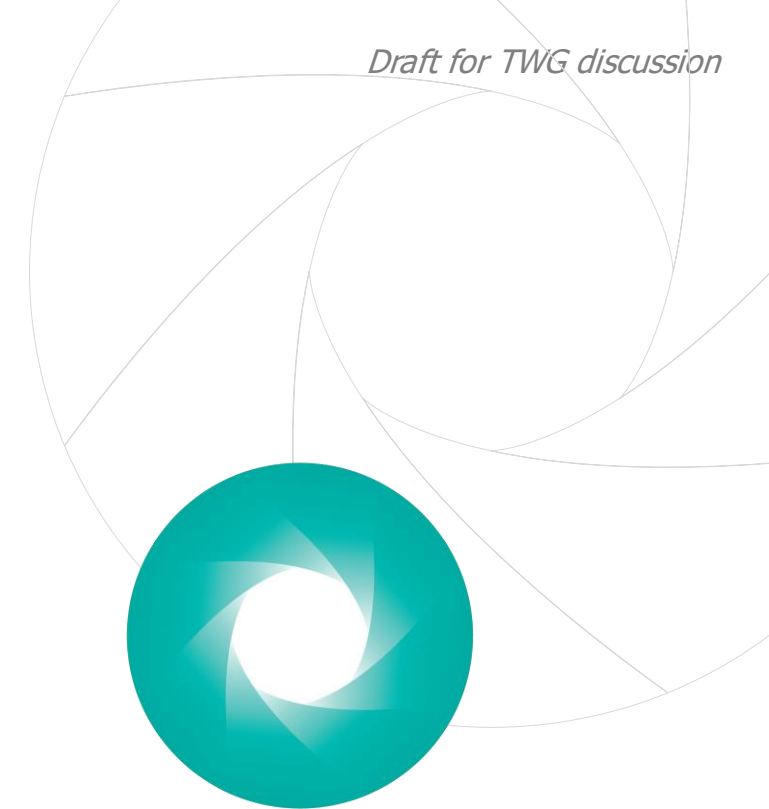
#### Complete remaining Phase 1 Scope of Work

*C.1. Consider providing more prescriptive requirements or additional guidance regarding **justifiable exclusions** from an inventory boundary and expanding disclosure requirements related to exclusions*

\*See Appendix III for details on question 6

# Agenda

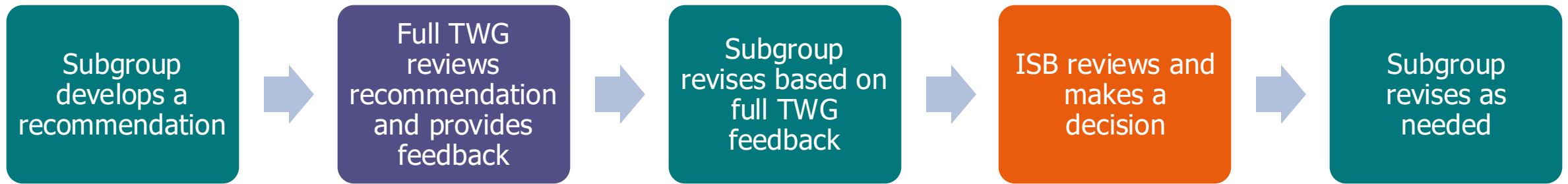
Introduction and housekeeping	15 minutes
Subgroup 1 preliminary outcomes	30 minutes
Subgroup 2 preliminary outcomes	30 minutes
Subgroup 3 preliminary outcomes	30 minutes
<b>Wrap-up and next steps</b>	<b>15 minutes</b>



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## Corporate Standard TWG process flow to develop recommendations



Next, we are going back to subgroups to revise recommendations based on your feedback



## Next steps

We will return to subgroups to finalize Phase 1 outcomes and start Phase 2

**Following schedule revisions\*, the next full CS TWG meeting will be July 29<sup>th</sup>**

### Items to be shared by GHG Protocol Secretariat:

- Final slides, minutes, and recording from this meeting
- Feedback survey on outcomes presented today
- Revised schedule of meetings

### TWG member action items:

- Review outcomes memos and discussion papers
- **Fill out post-meeting feedback survey by EOD on Sunday, March 16<sup>th</sup>**

### Next subgroup meeting dates

- Subgroup 1: March 18<sup>th</sup>
- Subgroup 2: March 25<sup>th</sup>
- Subgroup 3: April 1<sup>st</sup>

*Please keep in mind daylight savings for March meetings*

\*Revised meeting dates for 2025 to be shared soon

# Thank you!

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## Change log

This slide documents any changes between the draft version shared with TWG members on February 25<sup>th</sup>, 2025, and the final version presented on March 4<sup>th</sup>, 2025.

Slide #	Change	Details
Slide 9	New slide	Welcoming new TWG members
Slide 10	New slide	GHG Protocol's Vision and Mission
Slide 16	Revised slide	Minor wording changes
Slide 17	Revised slide	Reference to "value chain partners" added to next-to-last bullet
Slide 28	New slide	Summary of current consolidation approaches
Slide 39	Revised slide	Minor wording addition to poll question text
Slide 50	Revised slide	Minor wording changes

# Appendix I – Subgroup 1



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## Scope of work: objectives

*Relevant chapters: Introduction, chapter 1 (GHG Accounting and Reporting Principles), and chapter 2 (Business Goals and Inventory Design)*

**A.1. Revisit stated objectives** of the Corporate Standard in consideration of the following:

- Use of the standard in voluntary and mandatory **GHG reporting programs**.
- Use of the standard in **target-setting programs** (e.g., Science Based Targets Initiative – SBTi).
- Increased **integration** of sustainability and financial information.
- Increased demands for GHG inventories to be **verified/assured**.
- **Use of the standard by stakeholders** including reporting organizations, preparers, assurance providers, and policymakers.
- **Use of GHG inventory data by stakeholders** including reporting organizations, investors, customers, and regulators.
- Better facilitating **comparability** across inventories from different reporting organizations.
- The **range of reporting organizations** using the standard globally.

**A.2.** Develop **clarifying language** for uses that the Corporate Standard and GHG inventory data are not intended for and delineate the respective roles of the GHG Protocol and reporting programs, target setting programs, etc.

## Scope of work: principles

*Relevant chapters: Introduction, chapter 1 (GHG Accounting and Reporting Principles), and chapter 2 (Business Goals and Inventory Design)*

**A.3.** Revisit **GHG accounting and reporting principles** defined in chapter 1 of the Corporate Standard in consideration of the following:

- Any updates to stated **objectives**.
- Use of the term “**materiality**” in the Corporate Standard beyond the current use case related to verification/assurance and reconciliation of the terms “materiality” and “significance” vis-à-vis the principle of relevance.
- Principles introduced in the draft GHG Protocol **Land Sector and Removals Standard**: conservativeness, permanence (of removals), and comparability (optional).
- **Financial accounting principles** such as those from the Financial Accounting Standards Board’s Generally Accepted Accounting Principles of the United States of America (U.S. GAAP) or the International Accounting Standards Board’s International Financial Reporting Standards (IFRS).

# Principles: summary of Subgroup 1 discussions and identification of key issues

## Principles defined in *Corporate Standard*

GHG accounting and reporting principle	Input from Subgroup 1 members
<b>Relevance</b>	<ul style="list-style-type: none"> <li>• <b>Key issue:</b> Consideration of term “materiality” as part of relevance principle or as new principle</li> </ul>
<b>Completeness</b>	<ul style="list-style-type: none"> <li>• Reconsider phrase “within the chosen inventory boundary” as setting appropriate boundaries should be part of a completeness check</li> </ul>
<b>Consistency</b>	<ul style="list-style-type: none"> <li>• Maintain current framing related to consistency over time</li> <li>• Consider tradeoffs between consistency over time and improving completeness and accuracy</li> </ul>
<b>Transparency</b>	<ul style="list-style-type: none"> <li>• <b>Key issue:</b> Consideration of <b>verifiability</b>, either as part of transparency principle or as a new principle</li> </ul>
<b>Accuracy</b>	<ul style="list-style-type: none"> <li>• Need to disentangle distinct concepts of bias, accuracy, and uncertainty</li> <li>• Remove phrase “reasonable assurance”, consider replacing with “reasonable confidence” as in other GHG Protocol standards</li> <li>• Capture intent of improving accuracy over time</li> </ul>

## Principles introduced in draft *Land Sector and Removals Guidance (LSR)*

GHG accounting and reporting principle	Input from Subgroup 1 members
<b>Conservativeness</b> (removals accounting only)	<ul style="list-style-type: none"> <li>• Contrasting feedback including: <ul style="list-style-type: none"> <li>• Consideration of wider use in cases of high uncertainty</li> <li>• Consideration of appropriateness within corporate suite as a consequential principle, potential for introducing bias</li> </ul> </li> </ul>
<b>Permanence</b> (removals accounting only)	<ul style="list-style-type: none"> <li>• Consider appropriateness withing corporate suite as a consequential principle</li> </ul>
<b>Comparability</b> (recommended in LSR)	<ul style="list-style-type: none"> <li>• <i>To be discussed as part of next agenda item.</i></li> </ul>

\*Conservativeness and permanence were introduced in the *Land Sector and Removals Guidance* to apply specifically to removals accounting, an issue beyond the scope of the *Corporate Standard* TWG. Feedback related to the topic will be shared with the LSR team.

## Principles: key issues

### Materiality

Current use of term in *Corporate Standard* in the context of “**material discrepancies**” in **verification**

IFRS S1: Materiality as an “**entity-specific**” **aspect of relevance**

**Varying definitions/uses:** financial materiality, impact materiality, double materiality

**Split opinions** among Subgroup 1 members on both maintaining current use related to verification and expanding usage related to relevance principle

### Verifiability

Defined as **principle or equivalent in external frameworks** (*Conceptual Framework for Financial Reporting*, GRI 1: Foundation)

Intersection principles of transparency and accuracy  
**Split opinions** on updating principles to more specifically refer to verifiability

**Low support** for defining a new verifiability principle



## 4. Comparability: definitions across frameworks

<p>GHG Protocol Land Sector and Removals Guidance (draft)</p>	<p>“<b>Apply common methodologies, data sources, assumptions, and reporting formats</b> such that the reported GHG inventories can be compared across multiple companies, as well as internally within each company.”</p>
<p>IPCC Guidelines for National GHG Inventories</p>	<p>“The national greenhouse gas inventory is reported in a way that allows it to be compared with national greenhouse gas inventories for other countries. This <b>comparability should be reflected in appropriate choice of key categories...</b> and in the <b>use of the reporting guidance and tables and use of the classification and definition of categories of emissions and removals...</b>”</p>
<p>Conceptual Framework for Financial Reporting</p>	<p>“<b>Comparability is the qualitative characteristic that enables users to identify and understand similarities in, and differences among, items.</b> Unlike the other qualitative characteristics, comparability does not relate to a single item. A comparison requires at least two items...”</p> <p>Consistency, although related to comparability, is not the same. Consistency refers to the use of the same methods for the same items, either from period to period within a reporting entity or in a single period across entities. <b>Comparability is the goal; consistency helps to achieve that goal.</b>”</p>
<p>GRI 1: Foundation 2021</p>	<p>“The organization shall <b>select, compile, and report information consistently</b> to enable an analysis of changes in the organization’s impacts over time and an analysis of these impacts relative to those of other organizations.”</p>

# Appendix II – Subgroup 2



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## B. Organizational boundaries - Scope of work (Phase 1)

*Relevant chapters: chapter 3 (Setting Organizational Boundaries) and sections in chapter 4 (Setting Operational Boundaries) on leased assets.*

### B.1. Revisit options for defining organizational boundaries to consider:

- Whether to **maintain the three consolidation options** currently available (operational control, financial control, equity share), **eliminate any of the three options, or narrow to a single required approach** to promote consistency and comparability.
- Adjusting an existing approach or introducing a new approach that better **harmonizes with financial accounting** and/or with requirements of voluntary and mandatory reporting programs.
- Specifying a **preferred consolidation approach** or **hierarchy of preferred options**.
- Developing criteria to **guide organizations in selecting the most appropriate consolidation approach** for different situations.

## B. Organizational boundaries – Scope of work (Phase 1)

**B.2. Updates, clarifications, and additional guidance** related to existing consolidation approaches including:

- Further clarification on defining **operational control**, addition of specific indicators to facilitate more consistent application, and **definitions for different types of assets** (e.g., leases, licenses, franchises).
- Reconsideration of **multi-party arrangements** to consider factors beyond who controls a facility.
- Updates and clarifications related to **joint ventures and minority interests**.
- Integration and revision of [2006 amendment “Categorizing GHG Emissions Associated with Leased Assets” \(Appendix F\)](#).
- Additional **guidance on classification of leased assets**, including allocation of emissions between lessor and lessee, emissions from purchased heating for leased assets, and in cases of multi-tenant buildings and co-locations.

**B.3.** Update terminology used in chapter 3 of the *Corporate Standard* to be **more consistent with current terminology used in financial accounting** (e.g., terminology used by U.S. GAAP and IFRS).

# Summary of requirements and guidance on organizational boundaries from **Mandatory** frameworks and programs

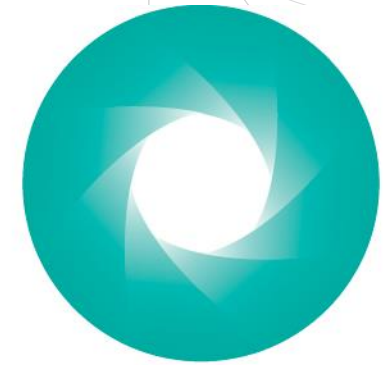
Mandatory Program	Organizational boundary setting
IFRS S1 & S2	<ul style="list-style-type: none"> <li>- IFRS S1 <b>requires alignment with financial statements</b></li> <li>- IFRS S2 <b>allows choice</b> between <b>either equity share or control approach</b> as per GHG Protocol, <b><u>unless other approach is required</u></b> by jurisdictional authority or an exchange</li> </ul>
ESRS 1 & ESRS E1 (EU CSRD)	<ul style="list-style-type: none"> <li>- ESRS 1 <b>requires</b> sustainability statement for <b>the same reporting entity</b> as <b>financial statements</b></li> <li>- ESRS E1 <b>requires</b>:               <ul style="list-style-type: none"> <li>• <b>consistent organizational boundary adoption</b> for consolidated entities <b>as in financial statements</b></li> <li>• <b>non-consolidated entities and contractual arrangements</b> not structured through entity will be included based on <b>operational control approach</b></li> </ul> </li> </ul>
US SEC Climate Rule	<p><b>Allows for a choice</b> of consolidation approaches if the organizational boundaries materially differ from the scope of entities and operations included in the registrant’s consolidated financial statements, the registrant must provide a brief explanation</p>
California Senate Bill 253 & 219	<p>Consolidation at group level (consistent with financial statements) is <b>optional</b> <b>Requirement</b> to disclose emissions <b>pursuant to the GHG Protocol standards</b></p>

Please see this [Overview of GHG Protocol Integration in Mandatory Disclosure Rules \(Revised October 2024\)](#) for more information.

# Summary of requirements and guidance on organizational boundaries from **Voluntary** frameworks and programs

Voluntary Program	Organizational boundary setting
ISO 14064-1	Allows for a choice of consolidation approaches
GRI	Allows for a choice of consolidation approaches <b>(If the scope of entities covered differs from financial statements, explanation is required)</b>
CDP	Allows for a choice of consolidation approaches <i>(The rationale for the choice needs to include if the same consolidation approach used as in financial accounting)</i>
SBTi	Allows for a choice of consolidation approaches <i>(strongly recommends same scope as financial statements)</i>
PCAF	Allows for a choice between <b>financial control</b> and <b>operational control</b> <i>(equity share is not allowed)</i>

# Appendix III – Subgroup 3



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## Scope of work, Phase 1

*Relevant chapters: Chapter 4 (Setting Operational Boundaries)*

**C.1.** Revisit current operational boundary requirements in chapter 4 of the *Corporate Standard* to **consider requiring scope 3 emissions reporting**, such as through a comprehensive requirement across reporting organizations and scope 3 categories, or with a differentiated or phased approach based on criteria such as an organization's size or sector, the significance of a company's scope 3 emissions, or by scope 3 categories.









**C.2.** Consider providing more prescriptive requirements or additional guidance regarding **justifiable exclusions** from an inventory boundary and expanding disclosure requirements related to exclusions.

**Our focus to date has been on C.1:  
Consider requiring scope 3 emissions reporting**





[Corporate Standard Development Plan](#), Section 5: Scope of work for the standard revision











## External programs: How scope 3 requirement is defined

	Name	Type	Scope 3 requirement	
	<b>IFRS S2</b>	Climate disclosure mandate	<b>Required</b> , subject to jurisdictional adoption	→ "Material information"
	<b>ESRS E1</b>	Climate disclosure mandate	<b>Required</b> , if climate change topic deemed material, based on double materiality assessment	→ Significant* categories
	<b>US SEC</b>	Climate disclosure mandate	<b>Optional</b>	
	<b>California CA SB 253, 219</b>	Climate disclosure mandate	<b>Required</b> in legislation	→ Not yet written
	<b>CDP</b>	Voluntary reporting program	<b>Optional</b>	→ >95% guidance
	<b>SBTi</b>	Target-setting initiative	<b>Required</b> , as "complete scope 3 inventory"	→ >95% scope 3 required
	<b>ISO 14064-1:2018</b>	GHG Standard	<b>Required</b>	→ Significant* emissions
	<b>GRI</b>	GHG Standard	<b>Required</b> in exposure draft	

## External programs: How scope 3 requirement is defined

	Name	Type	Scope 3 requirement	Terminology definition
	<a href="#"><u>IFRS S2</u></a>	Climate disclosure mandate	Reporters <b>shall consider</b> the 15 GHG Protocol categories, report <b>material information</b> , and <b>disclose</b> which categories are reported	<b>Material information</b> is defined in <a href="#"><u>IFRS S1</u></a> , which applies to all of IFRS S2. <i>"Information is material if omitting, misstating, or obscuring that information could reasonably be expected to influence decisions that primary users ... make on the basis of those reports"</i>
	<a href="#"><u>ESRS E1</u></a>	Climate disclosure mandate	Required to screen the 15 GHG Protocol categories and report if <b>significant</b>	<b>Significant</b> = based on the <b>magnitude</b> of their estimated GHG emissions and <b>other criteria</b> provided by GHG Protocol Scope 3 Standard, such as financial spend, influence, related transition risks and opportunities or stakeholder views <i>[similar to GHG Protocol definition of relevance]</i>
	<a href="#"><u>SBTi</u></a>	Target-setting initiative	Scope 3 reporting is required, with <b>&gt;95%</b> of scope 3 emissions reported	<b>Complete</b> = "Companies shall not exclude more than 5% of emissions from their total scope 3 GHG inventory"
	<a href="#"><u>ISO 14064-1:2018</u></a>	GHG Standard	Reporters shall include <b>significant</b> indirect emissions in their inventory	<b>Significant</b> = Pre-determined criteria, defined by the organization. Criteria may include magnitude, influence, risk, data quality, concern of interested parties. <i>[similar to GHG Protocol definition of relevance]</i>

	Name	Type	How the requirement is differentiated	What the differentiated requirement is
	<b>IFRS S2</b>	<b>Climate disclosure mandate</b>	<ul style="list-style-type: none"> <li>Open to <b>all companies</b></li> <li>Transition relief is for <b>new reporters</b></li> </ul>	<ul style="list-style-type: none"> <li>IFRS <b>proportionality</b> and <b>impracticability</b> clause</li> <li><b>1 year</b> transition relief for reporting <b>scope 3</b> emissions</li> </ul>
	<b>ESRS E1</b>	<b>Climate disclosure mandate</b>	<b>Small companies</b> (<750 employees) that are <b>new reporters</b>	<b>Scope 3 reporting is optional</b> for first year of preparation of their sustainability statement
	<b>US SEC</b>	<b>Climate disclosure mandate</b>	<b>Company size</b> , based on market value	<b>All emissions disclosure is optional</b> for small companies (Smaller Reporting Companies, Emerging Growth Companies)
	<b>California CA SB 253, 219</b>	<b>Climate disclosure mandate</b>	NA - Not yet written	NA - Not yet written
	<b>CDP</b>	<b>Voluntary reporting program</b>	<ul style="list-style-type: none"> <li><b>SMEs</b>, defined with headcount + revenue</li> <li>Sector guidance</li> </ul>	<ul style="list-style-type: none"> <li><b>Unique SME questionnaire</b> that is simplified and streamlined</li> <li>Sector-specific guidance available</li> </ul>
	<b>SBTi</b>	<b>Target-setting initiative</b>	<ul style="list-style-type: none"> <li><b>SMEs</b>, defined with multiple criteria</li> <li>Sector guidance</li> </ul>	<ul style="list-style-type: none"> <li>SME target-setting pathway, where <b>scope 3 target is optional</b></li> <li><b>Sector-specific</b> guidance with exceptions to cross-sector requirements</li> </ul>
	<b>ISO 14064-1:2018</b>	<b>GHG Standard</b>	NA	NA
	<b>GRI</b>	<b>Climate Reporting Standard</b>	Sector guidance	Sector Standards available with some GHG guidance

Note: Approaches referenced in table are not limited to scope 3

\*SME = Small- and medium-sized enterprises

## Question 6: : How should the different scope 3 reporting requirements be operationalized?

### **Conformance levels**, by reporter type *Option 6A*

**Two conformance levels** would be defined:

- Complete scope 3 reporting
- Differentiated scope 3 reporting pathway for small companies

### **'Opt out' provisions**, by reporter type *Option 6B:*

A **global scope 3 requirement** would be maintained

An **'opt out' provision** would be defined, only for small companies, with high-emitting sectors excluded

**For example:**

Small companies *may* exclude X from their scope 3 inventory

A brief discussion was held, and **opinions were split**  
This question will be taken up in the **next Subgroup 3 meeting**