

Corporate Standard Meeting Minutes

Subgroup 2, Meeting #6

Date: 22 April 2025

Time: 08:00 – 10:00 EDT / 14:00 – 16:00 CET

Location: Virtual

Attendees

Technical Working Group Members

1. Christina Abbott, KPMG
2. John Altomonte, WWF-Philippines
3. Debbie Crawshawe, Department for Business and Trade, UK Government
4. Mónica Oleo Domínguez, Redeia
5. Anna Grochowska, EFRAG
6. Gijs Kamperman, TenneT
7. Eric Knachel, Deloitte
8. Bonar Laureto, EY Philippines
9. Andy Law, Hong Kong Institute of Certified Public Accountants
10. Trinity Makava Ncube, Trinity Consultants
11. Claire McCarthy, We Mean Business Coalition
12. Barbara Porco, Fordham University
13. Judy Ryan, External Reporting Board, New Zealand
14. Sheila Scott, Jacobs
15. Alisa Shumm, PwC
16. Meghan Sutter, Google
17. Margaret Weidner, Independence Point Advisors

Guests

None present

GHG Protocol Secretariat

1. Hande Baybar
2. Iain Hunt
3. Allison Leach
4. David Rich

Documents referenced

1. Slides for the Corporate Standard TWG Subgroup 2 meeting on 22 April 2025

Item	Topic and Summary	Outcomes
1	<p><i>Introduction and housekeeping</i></p> <p>The Secretariat welcomed TWG members to the meeting. The Secretariat provided a quick reminder on TWG housekeeping items, presented the objectives and the agenda for the meeting.</p>	No specific outcomes.
2	<p><i>Recap of phase 1 progress</i></p> <p>The Secretariat provided a brief recap of phase 1 progress to date, outlining the following topics to be presented to the ISB for decision and directional update on April 28th:</p> <ul style="list-style-type: none"> - Recommendation to revise the financial control approach to align with financial accounting (decision item) - Early direction to maintain optionality in consolidation approaches (as a directional update) 	No specific outcomes.
3	<p><i>Operational control approach: Key revision items</i></p> <p>The Secretariat provided an overview of the operational control approach revision process, along with a brief recap of the background highlighting stakeholder and TWG member feedback received to date.</p> <p>The Secretariat presented the key issues related to the operational control revision. An indicative poll was conducted to gauge TWG member opinions on whether the current definition of operational control should be maintained in the <i>Corporate Standard</i>, followed by a plenary discussion where members were invited to provide further input.</p>	<p>An indicative poll found <i>majority support</i> for fully revising the operational control definition in the Corporate Standard.</p> <p>The Secretariat will compile the examples shared on specific cases for evaluation during the operational control revision process and will invite TWG members to share additional specific examples as appropriate for the discussion via a follow up survey.</p>
4	<p><i>Introduction to leased assets</i></p> <p>The Secretariat provided a brief introduction to leased assets, including an overview of the current requirements and guidance on leased assets in the Corporate Suite of Standards, how leased assets are categorized under financial accounting frameworks, and with stakeholder and TWG member feedback received to date on leased assets.</p>	No specific outcomes.
	<p><i>Wrap-up and next steps</i></p> <p>The Secretariat shared next steps including the next Subgroup 2 meeting scheduled for May 20th, 2025.</p>	<p>The Secretariat will share meeting materials.</p> <p>The next meeting of Subgroup 2 is rescheduled for May 20th, 2025.</p>

Summary of discussion and outcomes

1. Introduction and housekeeping

- The Secretariat welcomed TWG members to the sixth meeting of Subgroup 2. The Secretariat provided a quick reminder on TWG housekeeping items, and presented the objectives and the agenda for the meeting (slides 1-11).

Summary of discussion

- No questions or comments provided by TWG members.

Outcomes (e.g. recommendations, options)

- No specific outcomes.

2. Recap of phase 1 progress

- The Secretariat provided a brief recap of phase 1 progress to date, outlining the following topics to be presented to the ISB for decision and directional updates on April 28th (slides 12-15):
 - Recommendation to revise the financial control approach to align with financial accounting (decision item),
 - Preliminary direction to maintain optionality in consolidation approaches (directional update).

Summary of discussion

- No questions or comments provided by TWG members.

Outcomes (e.g. recommendations, options)

- No specific outcomes.

3. Operational control approach: Key revision items

- The Secretariat provided an overview of the operational control approach revision process, along with a brief recap of the background highlighting stakeholder and TWG member feedback received to date (slides 16-24).
- The Secretariat presented the key issues related to the operational control revision. An indicative poll was conducted to gauge TWG member opinions on whether the current definition of operational control should be maintained in the *Corporate Standard*, followed by a plenary discussion where members were invited to provide further input (slides 25-34).

Summary of discussion

- The Secretariat presented the current requirements and guidance on the operational control approach, including its main pros and cons. The Secretariat provided a brief background summarizing how the operational control approach is recognized in external programs, along with the stakeholder and TWG member feedback received to date on related revisions.
 - A member strongly agreed with the con related to the connectivity of operational control boundary with financial statements.
 - A member asked if IFRS S1 paragraph B38 would require employing financial control approach principles when setting the organizational boundary for GHG emissions disclosures.
 - The Secretariat noted that the intention to revise the financial control approach is to align “the reporting entity” with the one that is issuing the financial statements. This revision will aim to achieve consistent application of the referenced IFRS S1 requirement.

- Another member asked if the directions/outcomes of this revision process is communicated with the ISSB.
 - The Secretariat noted that the GHG Protocol Secretariat has periodic check-ins with ISSB and they are aware of the discussions on revising the financial control approach. ISSB is also an observing member of the Independent Standards Board (ISB) and has the opportunity to formally provide feedback.
- The Secretariat presented the key issues related to the operational control approach to guide the discussions on related revisions (slide 25). The summary of TWG discussion is presented per key issue below
 - **Indicative poll:** Prior to inviting the TWG members to provide input via a plenary discussion, the Secretariat conducted an indicative poll to gauge TWG member opinions on the following question: "Should the current definition of operational control be maintained in the Corporate Standard?".
 - There was *majority support* for not maintaining the current operational control definition and fully revising it (8 of 13 members).
 - There was *minority support* for maintaining the general definition of operational control, but revisiting the key terminology used in the definition (e.g., full authority, operating policies) (5 of 13 members).
 - **General discussion:**
 - A member asked what the overarching objective of the GHG Protocol was when establishing the operational control approach. They suggested that this could guide the discussions on its revision.
 - Several members supported this comment.
 - The Secretariat responded by noting that one of the main drivers of establishing the operational control approach was the aim to comply with environmental regulations.
 - A member added that the operational control approach also aimed to classify scopes 1 and 2 emissions based on the reporter's direct ability to manage those operations/emissions and the ease of collecting the related data.
 - A member, referring to the initial comment, suggested there may be alternative ways to frame operational control such as considering if the operator has a financial stake versus only holding an operating license.
 - Another member shared an example to support the above suggestion, where an entity could have a joint operation with another entity, to which it grants, through contractual agreement, the right to use an asset and to reflect the expenses and revenue generated by operating the asset. They noted that the revised definition for operational control should clarify which entity should account for GHG emissions associated with this asset under operational control.
 - A member suggested that operational control could be operationalized by first determining the reporting entity (as in the financial statements), and then applying a different criterion focused on establishing operational control.
 - A member shared a case where the reporting entity has a joint venture (JV) over which it has a controlling share and under the Corporate Standard definition and guidance they have operational control but the JV is located in another country and this limits having the full authority over implementing operational policies or having "operational control".
 - Another member noted that some companies base their organizational boundaries for GHG accounting on assets they own and then to exclude emissions from assets

where they do not own but operate under operational control. They suggested that clarifying the relationship between owning and operating an asset under operational control is needed.

- **Key terminology – full authority:**

- Based on the indicative poll results showing *majority support* to fully revise the operational control definition, the Secretariat reframed the proposed discussion on this key issue to evaluate what is and is not working with the use of the term “full authority”, and what alternative concepts or terminology could be used to revise the definition.
- A member suggested that prior to focusing on specific text evaluation/revision related to the current operational control definition, the TWG should work through a few practical examples to align on the key revision needs. Several members supported this suggestion.
- A member shared the following example for evaluation: If an entity has a duty to operate the facility on a day-to-day basis, yet has no ability to implement infrastructure to reduce GHG emissions, would this entity meet the criteria for having operational control?
 - A member responded by suggesting that, under the current definition, the answer to this question would be yes.
 - A member noted that there can also be cases where the entity holding the operating license delegates the responsibility to operate the facility to another party. They pointed out that further clarification is needed on whether the operational control lies with the operating license holder or the day-to-day operator.
- A member shared an example case where the terminology “(full) authority” may not reflect operational control: An entity has designed and owns a shipping vessel, but hires an ‘operator’ to captain and crew the vessel for shipping its product. The captain has the authority to establish many of the policies to safely operate and navigate the vessel. Should the ‘operator’, who holds the operating license, be considered to have operational control?
- A member asked whether the details on stakeholder feedback received prior to the revision process through the global stakeholder survey was available.
 - The Secretariat shared the following link to the survey summary document: <https://ghgprotocol.org/sites/default/files/2024-03/Corporate-Standard-Survey-Summary-Final.pdf> and referred the members to Section B6 for feedback received on existing consolidation approaches.
- A member shared their understanding of the term “full authority” being related to implementing operating policies and suggested to reconsider if the authority should be tied to implementing policies or influencing operations.
 - Several members supported this suggestion and suggested that “influence” is a broad term and they agreed that it should be specified as the ability to direct and right to control the operations.
 - A member added that the term “influence” is often used to determine scope 3 boundaries, especially when it comes to influence over the supply chain, and could be misinterpreted.
 - A member proposed the following definition: “A company has operational control over an asset if the former or one of its subsidiaries has the right to control the use of an identified asset.” They added that this is consistent with financial accounting terminology.

- Another member noted that the right to use an asset can still apply where the asset is subleased to a third party and therefore, it should be further clarified in the proposed text above.
- **Key terminology – operating policies:**
 - A member noted that the current definition of operational control on being able to introduce and implement “operating policies”. They added that there is a difference between the ability to introduce and implement operating policies and the ability to influence the resulting GHG emissions. They suggested that it should be clarified whether the operational control criteria should focus on the ability to influence emissions or on the ability to implement operating policies.
 - A member suggested that the focus on “operating policies” does not capture the essence of operational control from a GHG emissions accounting perspective and is often interpreted differently since there is an absence of agreed upon definition. Several members agreed.
 - A member referred to the current text in the Corporate Standard, page 18 (on slide 28), “Except in rare circumstances, operator of a facility will have operational control”, and noted that a similar exception is also provided in Appendix F on operating leases. They suggested that the group should point out and discuss what those rare cases are to better guide the revision needs.
 - A member asked whether key terminologies used in the current operational control definition such as “operator of a facility” or “operating licence” come from financial accounting standards/terminology at the time.
 - Another member responded by noting that these terminologies are not used in financial accounting.
- **Defining specific indicators to determine operational control:**
 - A member suggested that the existence of a third party recognizing an entity as the operator could be an indicator to determine operational control or who the operator is.
 - Another member suggested that permit holders (e.g., air permits) for large emissions sources could be another specific indicator.
 - A member suggested that specific indicators should include how different asset types, such as joint ventures, leases and franchises, should be evaluated when determining operational control.
 - The Secretariat noted that these could help inform further guidance, while also emphasizing that the Corporate Standard revision scope of work does not include generating an exhaustive list of indicators for evaluating different asset types.
 - The member agreed and suggested that the indicators/additional guidance could cover more common arrangements for different asset types mentioned.
 - A member suggested that defining high-level sector-specific indicators capturing the similarities or key differences of applying operational control could be useful. They provided an example from the food & beverage sector noting that they often have facilities/entities in different regions across which the terms operating policies, operating license or an operator could be defined or treated differently.
- **Increasing transparency through additional reporting requirements:**
 - A member supported the idea of defining a reporting requirement where the reporting entity is asked to disclose the rationale behind the chosen consolidation approach, along with the judgments and assumptions made while applying it.

- Another member asked about the aim for asking the reporting entity to disclose any judgements made while applying the chosen consolidation approach.
 - The Secretariat responded that the stakeholder feedback suggests the operational control criteria is open to interpretation and is not applied consistently, therefore, requiring the reporting entities to disclose further information on how they applied the chosen consolidation approach would increase transparency and help the user of the GHG data.
- Another member suggested that the example reporting requirement shared on slide 30 could be further elaborated by requiring the companies to disclose if, and if so, how, the organizational boundary set for GHG accounting differs from its consolidated financial statements. They noted that this addition could help users of the GHG data to better understand the connectivity with financial information. They added that, in addition to this, if the reporting entity chooses the operational control approach, requiring them to disclose which assets are under their both financial and operational control and which assets are only under operational control could provide additional transparency to the stakeholders.
 - Another member responded by noting that this requirement will result in asking companies to apply both financial and operational control to conform and is counter to the concept of optionality.
 - Another member noted that this requirement will apply to both financial and operational control based consolidations and suggested that in cases where the financial control approach is applied, it would add value to require the reporting entity to disclose if applying the financial statement boundaries does not result in fair reporting of GHG emissions, what the divergence was.
- **Further guidance:**
 - Members expressed that the priority should be given to revising the operational control definition first to be able to evaluate the further guidance needed to help reporting entities in applying the revised operational control criteria more consistently.
 - No specific member comments were received.
- **Potential overlap/difference between the operational and financial control approaches:**
 - The Secretariat opened the discussion by asking whether the financial and operational control approaches serve distinct purposes.
 - Members who commented agreed that they do serve distinct purposes.
 - Several members noted that there is a significant overlap between the financial and operational control approaches, where in majority of the cases, an entity will have both financial and operational control over an operation. They added that, the areas or specific cases where they do not overlap needs a close attention to better guide the revision process and needs for the operational control approach.
 - A member noted that one of the challenges with operational control comes from applying one high-level definition to various scenarios and suggested that there are scenarios where operational and financial control typically differ (e.g., franchises, joint ventures and Variable Interest Entities (VIEs)), and by evaluating these, the TWG could clarify how to define operational control for those together with what further guidance could be provided for the users to consistently apply operational control.

- A member gave an example from the real estate sector, noting that they often apply operational control due to the challenge of collecting data from tenants.
- A member suggested that there are two main considerations the group needs to take into account: 1) The appropriateness of applying the financial statement (consolidation) boundary to GHG accounting, ensuring there are no potential mismatches of concepts (e.g., leased assets, franchises etc.), and 2) Recognizing the reporting objectives or organizational structures where the operational control is a more appropriate consolidation approach. They suggested that these two issues need to be evaluated separately. Several members supported this comment.
- A member noted that there are three ways that an entity can exhibit control over an operation:
 1. Operation is under both operational and financial control (simple case)
 2. Operation is under operational control but not financial control
 3. Operation is under financial control but not operational control

They summarized their understanding of the current Corporate Standard approach for operational control is aggregating cases 1 and 2, and for financial control, aggregating cases 1 and 3. They added that cases 2 and 3 are often encountered in some industries and their choice of applying financial or operational control will have considerable impact on which GHG emissions get double- or under-accounted.

- The Secretariat confirmed that the presentation of this key issue on potential overlap between the two control consolidation approaches is in fact to highlight and focus on the areas where they do not overlap.
- Another member suggested that the current optionality between the two control approaches (having two different paths) should be reconsidered and revised into one path where the reporting entity first start with applying the financial control approach and define if and how the boundary diverges when operational control criteria is additionally applied to it. Referring to the three ways an entity can exhibit control over an operation, as mentioned in the earlier comment, this particular path can help determine when cases 2 and 3 apply and provide clarity to the stakeholders.
- Another member suggested that the goal should not be to compare the two approaches since the group agrees they serve distinct purposes. They added that the goal should be to provide the tools (two consolidation approach options) to enable the reporting entities to effectively account for and manage their GHG emissions.
- Another member responded to this by referring to the GHG Protocol's Decision-Making Criteria on supporting ambitious global climate action. They added that, potential over- and undercounting of GHG emissions will undermine this goal/criteria hence clarification on how the two control approaches diverge or in other words when they should be used is an essential need for this revision process.
 - The Secretariat referred the members to slide 8 (can be found in Annex A in <https://ghgprotocol.org/sites/default/files/2024-09/Governance-Overview.pdf>) as a reminder of the Decision-Making Criteria and highlighted that the referenced criterion "GHG Protocol accounting frameworks should accurately and completely measure emissions such that the resulting GHG data informs effective

individual and systemwide GHG mitigation action in line with global climate goals.”

- Another member invited the members representing companies in Subgroup 2 to share specific examples to understand the cases where the two approaches could diverge rather than discussing theoretical examples.
- Another member noted that there were several, some overlapping, examples shared through the chat and asked if the Secretariat could compile these examples so the members can evaluate.
- The Secretariat confirmed that the examples shared during the meeting will be compiled and shared with the members.

Outcomes (e.g. recommendations, options)

- An indicative poll found *majority support* for fully revising the operational control definition in the Corporate Standard (8 of 13 TWG members).
- The Secretariat will compile the examples shared on specific cases for evaluation during the operational control revision process and will invite TWG members to share additional specific examples as appropriate for the discussion via a follow up survey.

4. Introduction to leased assets

- The Secretariat provided a brief introduction to leased assets, including an overview of the current requirements and guidance on leased assets in the Corporate Suite of Standards, how leased assets are categorized under financial accounting frameworks, and with stakeholder and TWG member feedback received to date on leased assets (slides 35-46).

Summary of discussion

- Several members highlighted that the *Corporate Standard* Appendix F amendment was based on the financial accounting standards applicable at the time and now needs to be revised. They also suggested that it should not be the GHG Protocol’s role to define its own basis for categorizing leases as finance or operating leases, and that it should instead adopt existing financial accounting principles.
 - A member added that the categorization applied to leased assets across different local Generally Accepted Accounting Principles (GAAPs) could differ, and suggested that once it is determined that there is a leased asset, it could be expected that the lessee has operational control. They referred to the existing guidance in the Corporate Standard Appendix F: “The lessee is considered not to have ownership or financial control but to have operational control of the leased asset.” and pointed out that exceptions to this guidance should be further evaluated to inform the leased asset definition and related revision process.
 - The Secretariat asked whether this consideration is limited to the operational control revision or also applies to the revised financial control approach.
 - The member responded by saying that the categorization is more straightforward when it comes to applying the revised financial control approach as the asset would be included in the organizational boundary for GHG accounting if it is consolidated in the financial statements.
 - A member, referring to the differences in how financial accounting standards categorize leased assets, noted that this is a recognized risk of disparity across local GAAPs.

- A member shared their high-level notes on differences between U.S. GAAP and IFRS in recognizing leased assets, including the scope and exclusions, evaluation of lease term (e.g., short-term lease).

Outcomes (e.g. recommendations, options)

- No specific outcomes.

5. Wrap-up and next steps

- The Secretariat shared next steps including the next Subgroup 2 meeting scheduled for May 20th, 2025 (slides 47-50).

Summary of discussion

- N/A

Outcomes (e.g. recommendations, options)

- Final meeting materials including slides, minutes, and recording to be shared by the Secretariat.
- The next meeting of Subgroup 2 is scheduled for Tuesday, May 20th, 2025, at 08:00 EDT / 14:00 CEST / 20:00 CHN.

Summary of written submissions received prior to meeting

- The Secretariat received 2 written submissions prior to the meeting on topics covered:
 - A member suggested clarifying the definition of what it means to operationally control an asset from a GHG accounting standpoint and shared some examples. This comment was reflected in the meeting slides.
 - A member suggested revising or clarifying key terms used in defining operational control criteria to better reflect complex organizational structures and/or multi-party arrangements, and shared a sector specific example. This comment was reflected in the meeting slides.