



Corporate Standard Technical Working Group

Subgroup 2, Meeting #8

GHG Protocol Secretariat team:

Hande Baybar, Iain Hunt, Allison Leach

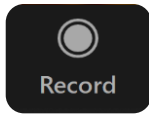
June 17th, 2025



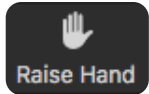
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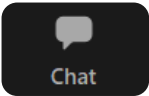
Meeting information



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	10 minutes
Follow up on financial control approach revision	45 minutes
Follow up on operational control approach revision	45 minutes
Wrap-up and next steps	15 minutes



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Agenda

Introduction and housekeeping **10 minutes**

Follow up on financial control approach revision 45 minutes

Follow up on operational control approach revision 45 minutes

Wrap-up and next steps 15 minutes



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Housekeeping: Guidelines and procedures

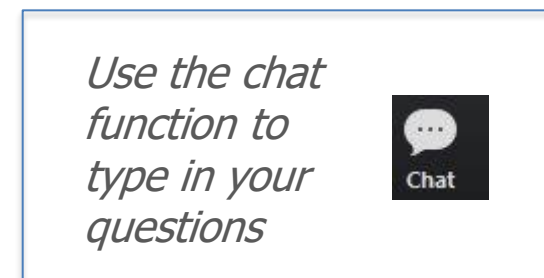
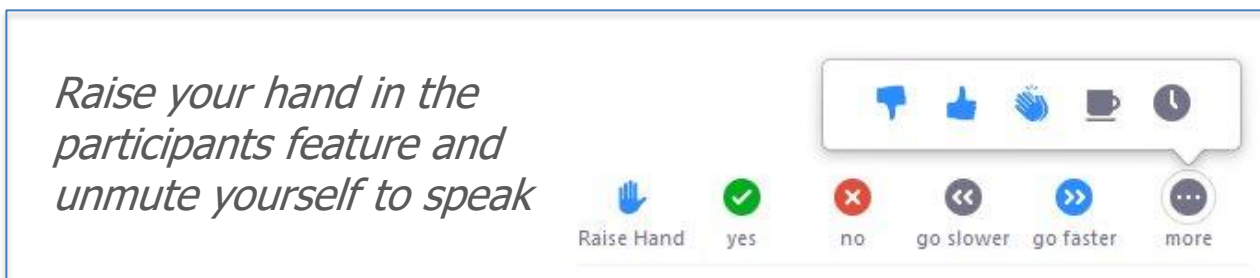
- We want to make **TWG meetings a safe space** – our discussions should be open, honest, challenging status quo, and ‘think out of the box’ in order to get to the best possible results for GHG Protocol
- Always **be respectful**, despite controversial discussions on content
- TWG members should **not 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

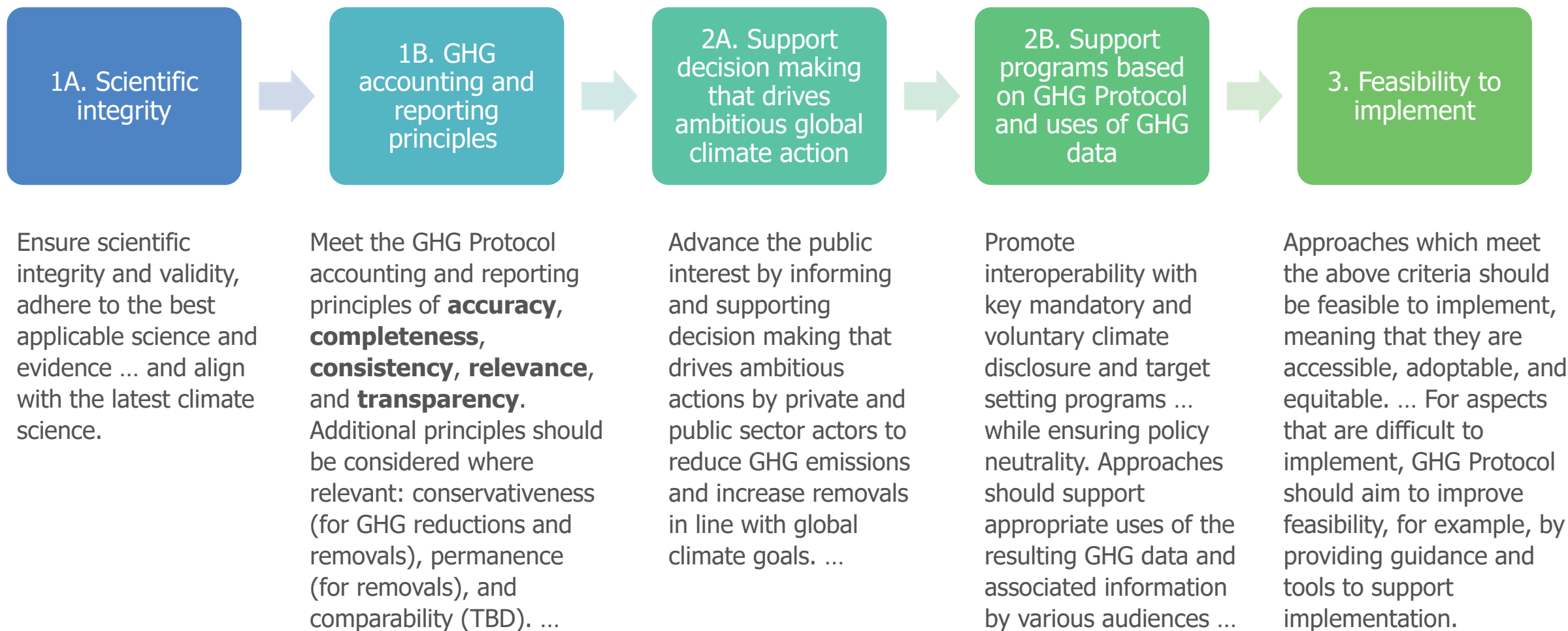
28 responses have been received through our general feedback form – thank you!

- **Non-content-related (process) feedback** will be addressed at the Secretariat's discretion and will be updated periodically by the Corporate Standard Secretariat team
- **Content-related feedback** will be addressed during the full TWG/subgroup meeting where the corresponding agenda item is discussed

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

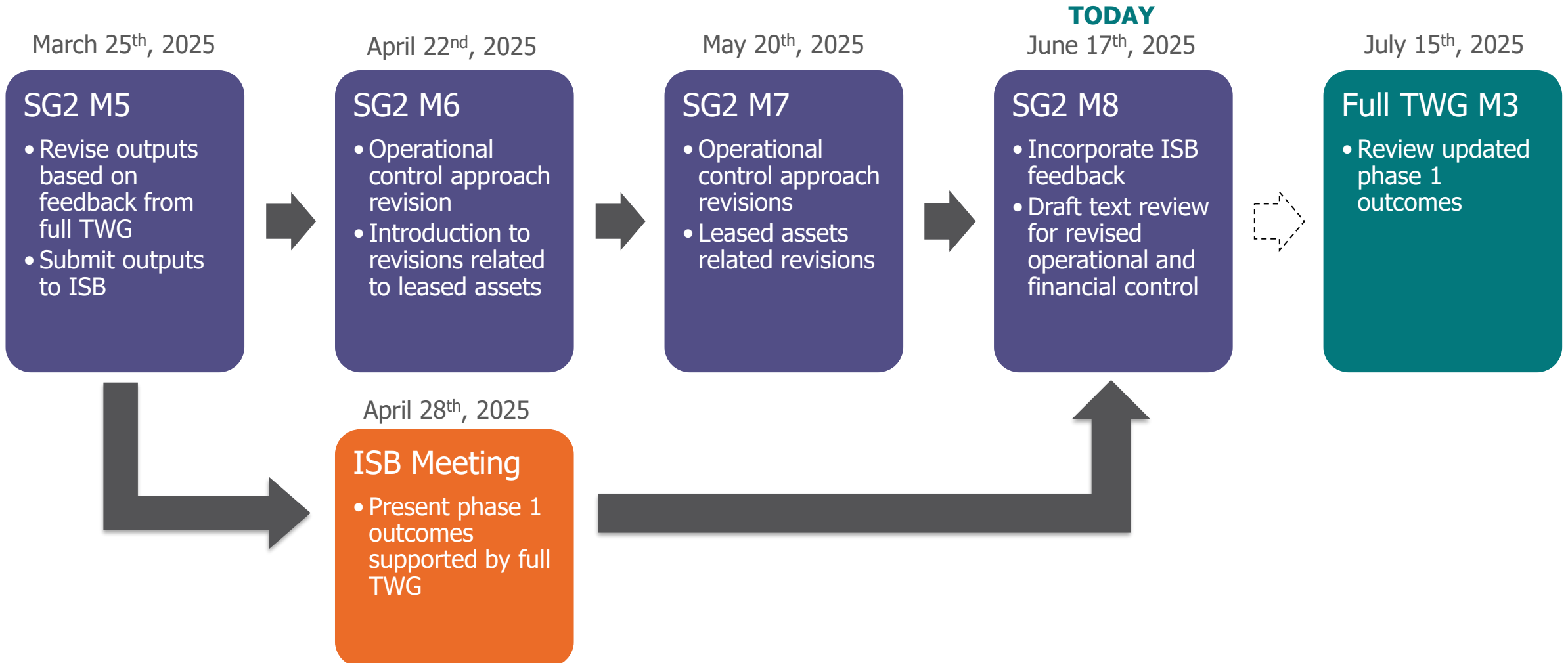
Please continue using the **Microsoft Form** for all feedback and questions

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>.

Upcoming Schedule



Status updates from Subgroups 1 and 3

	Subgroup 1	Subgroup 3
Recent topics discussed	<ul style="list-style-type: none"> Revisions to objectives and principles Revisions to requirements for base year selection and recalculation policy 	<ul style="list-style-type: none"> Justifiable exclusions for scopes 1 and 2 Revised text for scope 3 requirement (i.e., remove term “significant”)
Preliminary outcomes	<ul style="list-style-type: none"> <i>Majority support</i> for updates to principles related to relevance/materiality, consistency/comparability, and conservativeness <i>Majority support</i> for allowing companies to select inventory and target base years separately or together <i>Majority support</i> for defining a prescriptive quantitative significance threshold for base year recalculation 	<ul style="list-style-type: none"> <i>Majority support</i> for allowing exclusions for scopes 1 and 2 <i>Majority support</i> for establishing a quantitative exclusion threshold for scopes 1 and 2, with the most support for a 1% exclusion threshold
Next steps	<ul style="list-style-type: none"> Review draft text on objectives and principles Present outcomes to full TWG 	<ul style="list-style-type: none"> Finalize boundaries and quantitative value for scope 1 and 2 exclusion threshold(s) Finalize scope 3 requirement text

Today's objectives

1. Review the **revised financial control** approach-related updates including:
 - Proposed text the core element of the revised financial control approach
 - Key pending items such as treatment of different types of entities/assets (e.g., leased assets, associates, joint arrangements) and addressing application for investment entities
2. Review the **revised operational control** approach-related updates including:
 - Proposed text defining the core element of the revised operational control approach
 - Key pending items such as categorizing different types of assets (e.g., leased assets, franchises, licenses)



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.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).

Agenda

Introduction and housekeeping

10 minutes

**Follow up on financial control approach
revision**

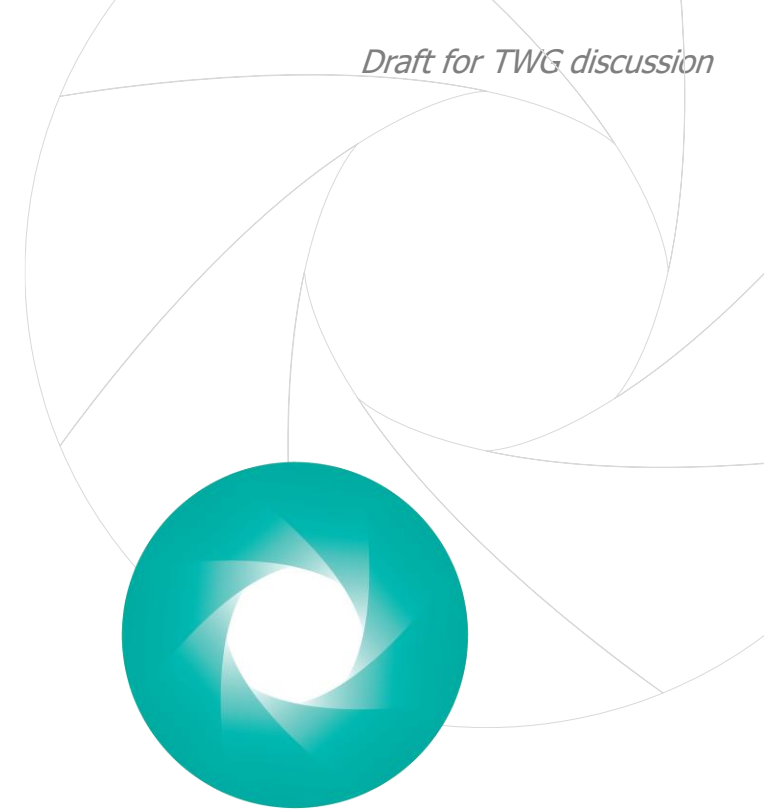
45 minutes

Follow up on operational control approach
revision

45 minutes

Wrap-up and next steps

15 minutes



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Overview: Financial control approach revision

Recommendation of CS TWG

Revise the financial control approach to align with financial accounting

Unanimous support

for revising the financial control approach to align with financial accounting by requiring companies to adopt **the same consolidation method as in their financial statements**

Feedback from ISB members and observing entities for further consideration

- Concern around **interoperability**
- Consider **how different entity/asset types are treated** under the revised financial control approach
 - Associates
 - Joint arrangements
 - Non-controlling interest
 - Leased assets

Key pending items*

related to approach definition

How to address:

- Entities that **do not issue** (consolidated) **financial statements** – *further guidance needed*
- **Investment entities** – *further guidance or separate accounting and/or reporting requirements needed*

* Other pending items (that will not be addressed in this meeting) are listed later in this section.



Discussion: Do you have any questions or concerns about this overview?



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Proposed text: Defining the financial control approach - Overview

The proposed text aims to **define the core element** of the revised financial control approach.

Current text defining financial control approach in the *Corporate Standard (2004)*:

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

Under this criterion, the economic substance of the relationship between the company and the operation takes precedence over the legal ownership status, so that the company may have financial control over the operation even if it has less than a 50 percent interest in that operation."

Proposed text* for defining financial control approach in the *Corporate Standard*:

*"Entities using the financial control approach shall account for GHG emissions from **the same group of entities and operations** consolidated in the entity's consolidated financial statements."*

*This organizational boundary is **defined by the financial accounting and reporting standard applied in the entity's financial reporting**, and includes wholly-owned subsidiaries and operations, as well as investees that are not wholly-owned but whose assets, liabilities, costs, and revenues are consolidated in the financial statements in accordance with the applicable accounting standards."*

* The proposed text represents a **complete rewrite** rather than a revision of the current standard. It is based in part on the recommendation of the volunteer group working on proposed edits in line with Subgroup 2 input.



Addressing ISB feedback - Treatment of different types of entities and assets

Feedback from ISB members and observing entities:

Consider how different entity/asset types are treated under the revised financial control approach

Type	Explanation	Treatment for GHG accounting* under financial control approach (with key rationale)
Associates	An entity over which the investor has significant influence (presumed 20% to 50% ownership) - <i>IFRS 28</i> and <i>ASC 232</i>	<p>Rationale: Not consolidated in financial statements (<i>accounted using equity method</i>)</p> <p>Approach: To be accounted for under scope 3 category 15</p>
Non-controlling interest	Equity in a subsidiary not attributable, directly or indirectly, to a parent (<i>sometimes called minority interest</i>) - <i>IFRS 10</i> and <i>ASC 810</i>	<p>Rationale: Not consolidated and separately reported as equity component in balance sheet</p> <p>Approach: To be accounted for under scope 3 category 15</p>

* Based on Subgroup 2 discussions.



Discussion: Do you agree with these approaches?



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Addressing ISB feedback - Treatment of different types of entities and assets

Feedback from ISB members and observing entities:

Consider how different entity/asset types are treated under the revised financial control approach

Type	Explanation	treatment/question for GHG accounting under financial control approach (with key rationale)
Joint arrangements	Joint ventures (joint control)	<p>Rationale:</p> <ul style="list-style-type: none"> Not <u>typically</u> consolidated in financial statements except in <u>rare</u> cases under US GAAP where one partner has controlling financial interest (<i>mostly accounted for using equity method</i>) However, if partners have <u>joint control</u> over the JV and the Corporate Standard currently requires consolidation based on equity share <p>Approach: Proportionate consolidation under scopes 1 and 2 based on equity share</p>
	Joint operations (only in IFRS)	<p>Rationale: Consolidated in financial statements based on assets controlled (<i>similar to proportionate consolidation</i>)</p> <p>Approach: Proportionate consolidation under scopes 1 and 2 aligned with financial statements (<i>based on assets controlled, consistent with financial consolidation</i>)</p>



Discussion: Do you agree with suggested approaches?



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Addressing ISB feedback - Treatment of different types of entities and assets

Feedback from ISB members and observing entities:

Consider how different entity/asset types are treated under the revised financial control approach

Leased assets

Subgroup **discussions to date** based on:

- **Updated definition** for leased assets in financial accounting: Based on “**the right to use**” the asset
- **Categories of leases:** **finance lease** and **operating lease**
- **Different accounting rules** for leases in financial accounting (IFRS vs. US GAAP) on how a **lessee** classifies a lease (*IFRS only allows the lessee to classify a lease as finance lease*)

Key outcome so far (*operational control perspective*):

Lease agreements give the lessee **the right to (direct the) use** the leased asset, and associated GHG emissions **should** be **consolidated by the lessee using operational control** approach

Remaining question to address today (*financial control perspective*):



How should GHG emissions from leased assets be categorized under the revised financial control approach?

- How to treat **finance leases** and **operating leases** from both the **lessee** and **lessor** perspectives?

* Overview on how leased assets are defined and categorized in leading financial accounting frameworks is provided in the Appendix.



Discussion: Please share your insights on how to address this question.



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Proposed text: Defining the financial control approach - Discussion

The proposed text aims to **define the core element** of the revised financial control approach.


Proposed text for defining financial control approach in the *Corporate Standard*:

*"Entities using the financial control approach shall account for GHG emissions from **the same group of entities and operations** consolidated in the entity's consolidated financial statements.*

*This organizational boundary is **defined by the financial accounting and reporting standard applied in the entity's financial reporting**, and includes wholly-owned subsidiaries and operations, as well as investees that are not wholly-owned but whose assets, liabilities, costs, and revenues are consolidated in the financial statements in accordance with the applicable accounting standards."*



Supporting outcomes to finalize

- **Proposed definition**
Question 1: Do you have **any questions or concerns about the proposed text?**
- **Not-wholly owned but consolidated investees**
 **Question 2:** ***Shall*** or ***should*** separately **report** GHG emissions associated with **other parties owning minority interest** in the same entity/asset (*especially scopes 1 and 2*)?
(Please note that this does not refer to minority interests held by the reporting entity in other investees.)



Discussion: Do you have any other comments on defining financial control approach?



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Key pending items

Overview

Entities that do not issue consolidated financial statements

Entities that are **not subject to preparing and/or publishing** financial statements

Investment entities

Entities **measuring investments at fair value** through profit and loss (FVTPL)

Investing in financial assets **is the core business purpose/activity**

Key questions

1. What **additional guidance** should be provided to this group of entities? (*options not mutually exclusive*)

- A. General referral** to jurisdictionally applicable financial accounting standard
- B. Specific guidance**/examples to be provided in the Corporate Standard
- C. Recommend/refer to** operational control approach*

2. How can the **specific nature of investment entities** be addressed when applying financial control to account for these emissions under scope 3 category 15?

- A. Specific **requirements**
- B. Specific **guidance**

* Subject to finalizing recommendation on optionality in consolidation approaches.

 **Discussion: Please share your insights on how to address these questions.**



Other pending items and next steps

#	Other pending items
1	Further key guidance to be included in the text
2	Additional reporting requirements (<i>qualitative and quantitative</i>)
3	Handling structural changes (e.g., acquisitions and divestments) to the reporting entity (e.g., accounting for emissions as of date of transaction or other)
4	Addressing presentation of other accounting specific items (multi-party/collaborative arrangements, undivided interests, others)

Next steps

The Secretariat will:

- Collect member **input on the pending items and proposed text** via a follow up survey
- Present the outcomes to full CS TWG
- Share the **revised extended proposed text** for members to review

Discussion



Please share comments related to revised text defining financial control approach, including related to:

- Whether **TWG member feedback** related to revising the financial control approach definition has been sufficiently addressed.

Poll question



Do you support the proposed text to define the core element of financial control approach?

- A. Yes, I **support** the overall text
- B. Yes, I **support** the overall text **but** have **minor revision suggestions**
- C. No, I **strongly oppose** the proposed text
- D. Abstain

Proposed text for defining financial control approach in the *Corporate Standard*:

*"Entities using the financial control approach shall account for GHG emissions from the **same group of entities and operations consolidated in the entity's consolidated financial statements.**"*

*This organizational boundary is **defined by the financial accounting and reporting standard applied in the entity's financial reporting,** and includes wholly-owned subsidiaries and operations, as well as investees that are not wholly-owned but whose assets, liabilities, costs, and revenues are consolidated in the financial statements in accordance with the applicable accounting standards."*

Agenda

Introduction and housekeeping	10 minutes
Follow up on financial control approach revision	45 minutes
Follow up on operational control approach revision	45 minutes
Wrap-up and next steps	15 minutes



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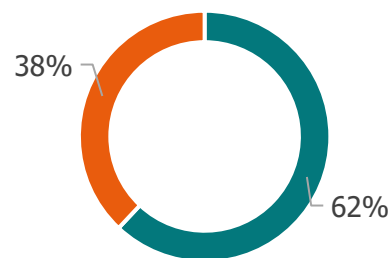


Overview: Operational control approach revision

Subgroup 2 feedback

Operational control definition

Should the current definition of operational control be maintained?



■ No, it should be fully revised

■ Yes, the general definition should be maintained, but key terms (e.g., full authority, operating policies) should be revised

* Does not include items considered to operationalize the revised operational control approach.

Subgroup 2 feedback

Revising the operational control definition

Key suggestions:

- Focus on: “**Ability/authority to direct/control/influence**” emissions generating activities and
- Incorporate ability to **influence emissions-related strategic decisions**

Key pending items*

To be discussed today

- **Defining operational control** for **different types of assets** (e.g., joint arrangements, franchises, licenses, co-locations)
- What **level of detail** should the **standard text include** to support entities in applying the operational control approach across different scenarios (e.g., multi-party arrangements or leased assets)?



Discussion: Do you have any questions or concerns about this overview?



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Proposed text: Operational control definition

Current definition

*Corporate Standard Revised Edition
(2004), p.18*

"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."

Proposed revision

based on Subgroup 2 input

*"An **entity*** has operational control over an operation if it, or one of its subsidiaries, has the **ability to direct or substantially influence the policies, processes, and practices that determine the operation's greenhouse gas emissions**—regardless of legal ownership or formal authority structures."*

*In arrangements involving **multiple parties**, the entity with **more substantial** authority or practical ability to direct or influence emissions-related decisions **shall** be considered to have operational control."*

We will examine the proposed text by posing key questions in the following slides

Text in **green** indicates major changes from the current definition.

* Use of the terminology "entity" is subject to further internal assessment/alignment.



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Questions to guide today's discussion on operational control approach revision

#	Question
1	Do you have any questions or concerns about the proposed text to define operational control ?
2	Does the text clarify how operational control is determined in multi-party arrangements ?
3	How should consolidation in multi-party arrangements be required under operational control?
4	What specific indicators should be determined to support application of operational control approach?
5	Should specific indicators be of part of the requirements or the key guidance ?



Proposed text: Operational control core definition

Proposed revision

based on Subgroup 2 input

*"An **entity*** has operational control over an operation if it, or one of its subsidiaries, has the **ability to direct or substantially influence** the **policies, processes, and practices that determine the operation's greenhouse gas emissions**—regardless of legal ownership or formal authority structures.*

*In arrangements involving **multiple parties**, the entity with **more substantial** authority or practical ability to direct or influence emissions-related decisions **shall** be considered to have operational control."*



Key items to consider – Core definition

- **Question 1:** Do you have **any** questions or concerns about the proposed text to define operational control?
 - Is there anything missing?

Text in **green** indicates major changes from the current definition.

* Use of the terminology "entity" is subject to further internal assessment/alignment.



Discussion: Do you have any questions or concerns about this language?



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Operational control approach – further considerations

Proposed revision

based on Subgroup 2 input

*"An **entity*** has operational control over an operation if it, or one of its subsidiaries, has the **ability to direct or substantially influence the policies, processes, and practices that determine the operation's greenhouse gas emissions**—regardless of legal ownership or formal authority structures.*

*In arrangements involving **multiple parties**, the entity with **more substantial authority or practical ability to direct or influence emissions-related decisions** **shall** be considered to have operational control."*



Key items to consider - Approach to consolidation

Question 2: Does the text **clarify how operational control is determined** in **multi-party arrangements**?



Question 3: How should **consolidation in multi-party arrangements** be required under operational control?

Consolidation options	Pros	Cons
The party with "the most substantial authority/influence" consolidates 100% of emissions	Ensures scopes 1 and 2 emissions are accounted for (once)	Risk of a loophole: Not accounting for emissions due to ambiguity to determine "the most substantial authority/influence"
ALL parties with substantial authority/influence consolidates 100% of emissions	All parties having some sort of operational control takes full responsibility of emissions; avoids no counting of emissions	Double/multi-counting of scopes 1 and 2 emissions
Proportionate consolidation	Each party with some sort of operational control takes responsibility for associated emissions	Challenge to determine % for consolidation



Discussion: Please share your insights on how to address these questions.



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Operational control approach – further considerations

Proposed revision

based on Subgroup 2 input

*"An **entity*** has operational control over an operation if it, or one of its subsidiaries, has the ability to direct or substantially influence the policies, processes, and practices that determine the operation's greenhouse gas emissions—regardless of legal ownership or formal authority structures.*

*In arrangements involving **multiple parties**, the entity with **more substantial** authority or practical ability to direct or influence emissions-related decisions **shall** be considered to have operational control."*



Key items to consider - Specific indicators

Question 4: What **specific indicators** should be determined to provide:

- **clear, standardized set or pool of indicators** to assess operational control
 - > **Example indicator in the CS:** Operating license holder
- clarity on how to **weigh authority vs. influence** in practice



Question 5: Should **specific indicators** be of part of:

- Requirements** – against which the reporter **shall substantiate adherence** (*i.e., the party meeting all/at least one of the specific indicators will be assumed to have operational control*)
- Key guidance** – to **support users** in applying operational control



Discussion: Please share your insights on how to address these questions.



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Key pending items for operational control – for today's discussion

Definition/treatment of different types of assets

(e.g., franchises, licenses, co-locations)

- Joint arrangements
- Franchises
- Licenses
- Co-locations (e.g., data centers, multi-tenant offices)
- Other?

Level of detail needed as Standard text or key guidance

- Reporting requirements (*e.g., documentation on determining the party with the most substantial authority*)
- Asset-type or multi-party arrangement specific guidance
- Alignment with financial accounting terminology
- Other?



Discussion: Do you have any questions or suggested additions to these?



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Key pending item – Defining operational control for different asset types

Asset type	Approach for applying operational control	Key questions
Joint arrangements	<p>Based on the current operational control approach;</p> <p>The party that meets the <i>(proposed)</i> operational control criteria <i>(the entity with the more substantial authority/ability to direct or influence emissions-related decisions)</i> should report 100% of the associated emissions under scopes 1 and 2.</p>	<p>Question 1: Does this approach fairly reflect responsibility and influence over GHG emissions in joint operations?</p> <p>Question 2: Would proportionate accounting better align with shared decision-making or financial reporting practices? If so, how can we define % for consolidation?</p> <p>Question 3: Are there specific types of joint arrangements <i>(ventures or operations)</i> where this approach does not apply?</p>

Key pending item – Defining operational control for different asset types

Asset type	Overview for applying operational control	Key question
Franchises	The party -whether franchisor or franchisee - that meets the operational control criteria should report 100% of the franchise's emissions under scopes 1 and 2.	Are there any specific franchise arrangements that should be identified or detailed in the definition or key guidance for applying the operational control approach?
Licenses	The party -whether licensor or licensee - that meets the operational control criteria should report 100% of the emissions associated with the license under scopes 1 and 2.	Are there any specific licensing arrangements that should be identified or detailed in the definition or key guidance for applying the operational control approach?
Co-locations (e.g., data centers*, multi-tenant offices)	The party -whether landlord, tenant, or facility manager - that meets the operational control criteria (<i>the party with more substantial authority/ability to direct or influence emissions-related decisions</i>) should report 100% of the emissions associated with the co-located space under scope 1 and 2.	Are there any specific co-location arrangements that should be identified or detailed in the definition or key guidance for applying the operational control approach?

* A discussion paper on data centers will be shared as a follow-up to this discussion.

 **Discussion: Please share your insights on how to address these questions.**

Key pending items – Level of detail needed in standard text and key guidance

#	Component	Key considerations for setting the right level of detail in the Standard and key guidance
1	Reporting requirements	<ul style="list-style-type: none"> Include expectations for documentation, disclosures, and treatment of ambiguous cases <p><i>Example:</i> The entity <i>shall/should</i> disclose any judgement made while interpreting the criteria to apply operational control together with accompanying evidence/documentation to substantiate the judgement made</p>
2	Asset-type or multi-party arrangement specific guidance	<ul style="list-style-type: none"> Provide tailored guidance and accompanying key examples for leases, franchises, licenses, co-locations, and joint arrangements Emphasize how to determine the party with greater authority in overlapping or complex control structures
3	Alignment with financial accounting terminology	<ul style="list-style-type: none"> Help users navigate differences between financial control and operational control and broadly between financial accounting and GHG accounting
4	Other?	

 Discussion: Please share your insights on how to address these items.

Discussion



Please share comments related to **revised text defining operational control**, including related to:

- Whether **TWG member feedback** related to revising the definition of operational control **has been sufficiently addressed**.
- What **additional text** (as standard text or key guidance) is needed to support reporters in applying operational control approach?

Poll question



Do you support the proposed text to define operational control?

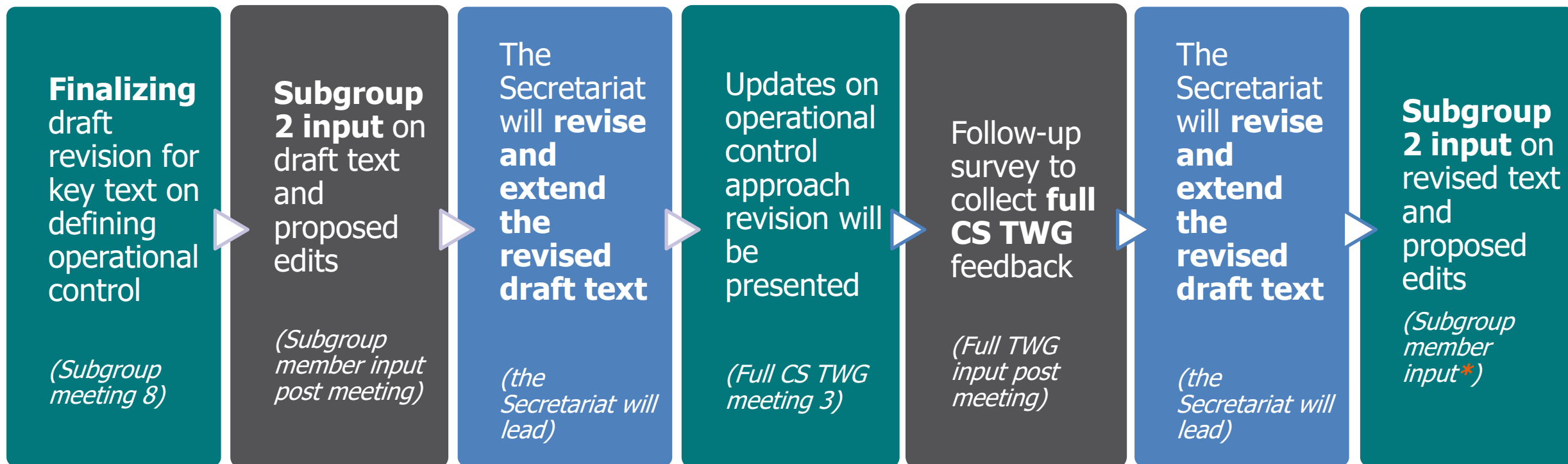
- A. Yes, I **support** the overall text
- B. Yes, I **support** the overall text **but** have **minor revision suggestions**
- C. No, I **strongly oppose** to the proposed text
- D. Abstain

Proposed text for defining operational control in the *Corporate Standard*:

*"An entity has operational control over an operation if it, or one of its subsidiaries, has the **ability to direct or substantially influence** the **policies, processes, and practices that determine the operation's greenhouse gas emissions**—regardless of legal ownership or formal authority structures.*

*In arrangements involving **multiple parties**, the entity with the **more substantial** authority or practical ability to direct or influence emissions-related decisions shall be considered to have operational control."*

Next steps: Operational control approach revision



Today

* An ad-hoc meeting could be organized depending on the need for further discussion.

Agenda

Introduction and housekeeping	10 minutes
Follow up on financial control approach revision	40 minutes
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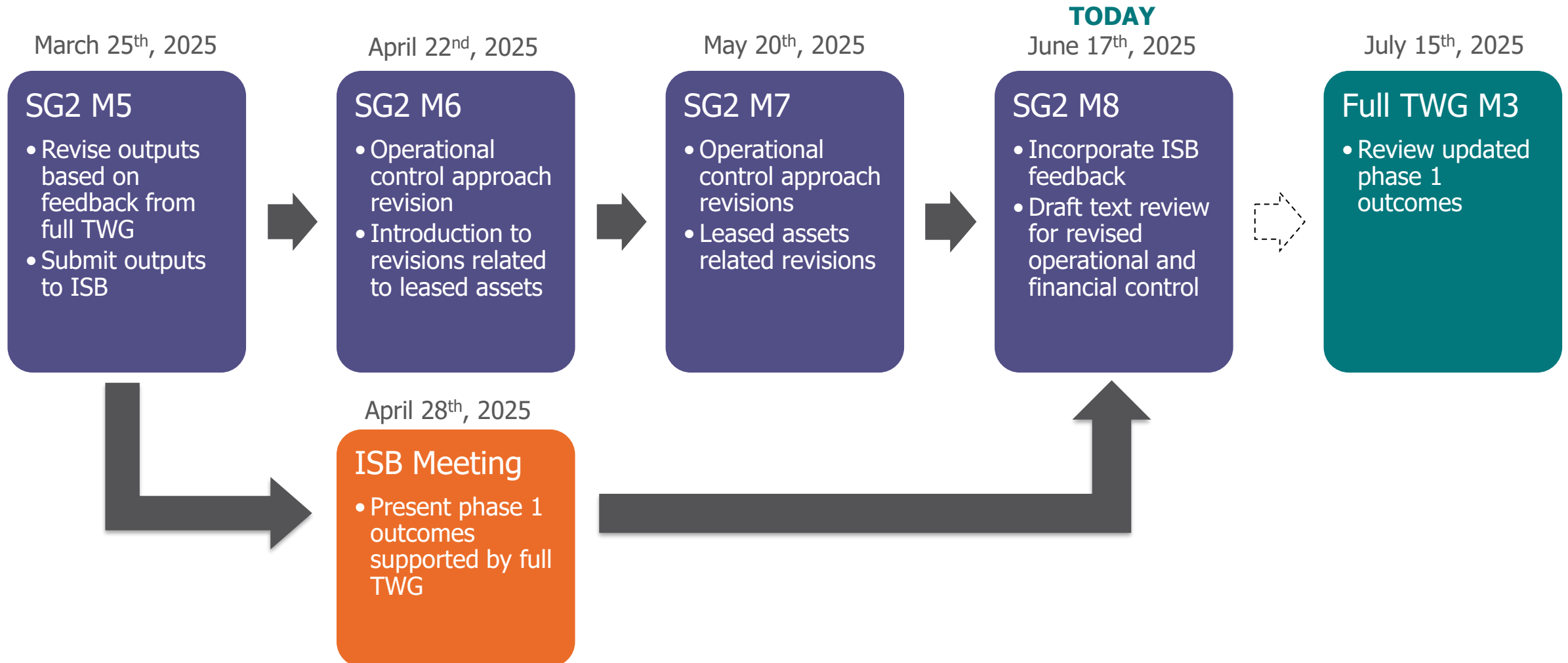
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Upcoming Schedule



Next steps

Items to be shared by GHG Protocol Secretariat

- Final slides, minutes, and recording from this meeting
- Feedback survey
- Draft text review

TWG member action items

Respond to meeting follow up survey (*deadline to be confirmed*)

Next meeting date

Full TWG meeting on Tuesday, July 15th

Extended meeting duration with a **30 minutes earlier start**

- **Option 1:** 07:30-10:00 ET, 13:30-16:00 CET, 19:30-22:00 CHN
- **Option 2:** 15:30-18:00 ET, 21:30-00:00 CET, 03:30-06:00 CHN
Wednesday, July 16th

GHG Protocol Standards Team – Secondment opportunity

Arrangement

Secondees will operate as members of the GHG Protocol team, housed within the World Resources Institute or the World Business Council for Sustainable Development (WBCD), and will work closely with the GHG Protocol Secretariat. All secondments will be for a minimum of six months, during which time the secondee will work exclusively for the GHG Protocol, without duties or responsibilities to their home organization. Secondees are to be fully funded by their home organization, except for any project-specific costs incurred (i.e. project travel, etc), and will be subject to WRI's or WBCSD's Secondment Agreement terms and conditions.

Details of the GHG Protocol
secondment opportunities:

[Link](#)

We encourage those
interested to review the
details and consider applying
or sharing within your
networks.

Thank you!

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Change log

This slide documents any changes between the draft version shared with TWG members prior to the meeting, and the final version presented on June 17th, 2025.

Slide #	Change	Details
16	Revised	Clarification on framing and revised definition for non-controlling interest
17	Revised	Clarification on framing

Appendix



GREENHOUSE GAS PROTOCOL



WORLD
RESOURCES
INSTITUTE



World Business
Council
for Sustainable
Development

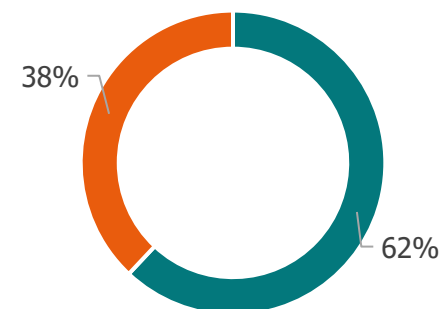
Operational control approach – TWG feedback received to date*

- **Suggested revisions:**

- **Fully revise** the current **definition** of “operational control”
 - Key terminology such as “**full authority**” and “**operating policies**” are not clear
 - The definition could be based on the entity’s “**ability to control (influence)**” **GHG emissions** the most
 - Distinguish between “**operationally control an entity**” and “**operate an asset**”
- Providing **robust examples where needed** to better guide the user in when to choose and how to apply operational control approach

Meeting 6 Poll Result (n:13)

Should the current definition of operational control be maintained?



- No, it should be fully revised
- Yes, the general definition should be maintained, but key terms (e.g., full authority, operating policies) should be revised

* Includes Corporate Standard full TWG and Subgroup 2 member comments received to date.

Operational control approach – TWG feedback received to date*

- **Points for consideration:**

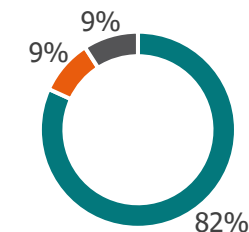
- Cases where entities **have financial control** of an asset **but not operational control** and vice-versa
- Operational control has its **roots in environmental health and safety reporting**
- The timeline for entities using operational control for **mid-term external commitments** (e.g., 2030 SBTs) and regulatory disclosures (e.g., CSRD) **should not be disrupted** by the Corporate Standard revisions
- Companies using the operational control approach for **mid-term targets** (e.g., 2030 SBTs) or regulatory disclosures (e.g., CSRD), **should be given enough time to adopt** the revised Corporate Standard **without disrupting** their current accounting and disclosure needs

* Includes Corporate Standard full TWG and Subgroup 2 member comments received to date.

Operational control approach – SG2 Meeting 6 follow up survey outcomes

Feedback on “operational control definition”	Suggested revised definition or consideration
<p>STRONG OPPOSITION TO FULLY REVISE THE OPERATIONAL CONTROL DEFINITION: Suggestion to revise the existing definition to add clarity to avoid confusion and unnecessary burden on entities currently applying operational control.</p> <p>SUGGESTION to revise existing definition and key terminology</p>	<p>Definition: “A company has operational control over an operation if the former or one of its subsidiaries has significant authority to introduce and implement its day-to-day operating policies and / or design decisions significantly influencing operations at the operation, such as those required for environmental compliance. The following are examples of indicators of operational control and “day to day operating policies”....”</p>
<p>SUGGESTION to revise definition (especially the key terminology “full authority”) With the aim to acknowledge varying structures, governance rules and capacity especially in global south</p>	<p>Definition: “A company is considered to have operational control over an operation if it, or one of its subsidiaries, has the full authority to direct and implement operational and environmental policies, including the ability to introduce and enforce health, safety, and environmental (HSE) standards, manage day-to-day activities, and make decisions on operational performance.”</p>
<p>SUGGESTION to expand the current definition</p>	<p>Definition: “A company has operational control over an operation if it has the practical ability to direct or significantly influence the operation's environmental, and/or safety-related policies and practices, regardless of legal ownership or formal authority structures.”</p> <p>Consideration: Who has operational control? The entity that sets operating budget and sets high level operating policy or the hired operator that makes day-to-day operating decisions within that budget and in line with overall policy, but still has the authority to choose products</p>

Do you support fully revising the operational control definition? (n: 11)



- Yes, I support this outcome.
- No, I strongly oppose this outcome.
- Abstain, I need more information/discussion to decide.

Operational control approach – SG2 Meeting 6 follow up survey outcomes

Other feedback	Suggestion
<p>CONCERN on how would entities that don't issue financial statements adopt consolidation approaches based on the "revised" definitions/guidance</p>	<p>The reporting entity can always be the same as the one issuing financial statements. Financial control or operational control can then be applied to that reporting entity. However, the question is: What further guidance can/should be provided to entities that are not required to issue a financial statement?</p>
<p>SUGGESTION for additional guidance</p>	<p>Illustrative disclosure examples can be provided guiding companies to evaluate their specific organizational structure on a case-by-case basis</p> <p>Main argument: Key operating policies or the exercise to have operational control may differ across different asset types and industries. Therefore, require the disclosure of the rationale & assumptions applied while implementing operational control rather than trying to incorporate an exhaustive list of cases to fit into a "detailed" definition for operational control.</p>
<p>SUGGESTION to evaluate how kick-out/ removal rights should be considered</p>	<p>Evaluation of kick-out rights is a key evaluation in VIE and JV assessments. There is a need for guidance here on which takes priority when evaluating operational control.</p>
<p>SUGGESTION not to focus on double-under reporting</p>	<p>It is unavoidable as long as there is optionality in consolidation approaches</p>

Leased assets – Categorization in leading financial accounting frameworks

There are differences in classifying and accounting for leased assets in financial statements.

IFRS*

- **Definition:** A contract, or part of a contract, that conveys “**the right to use**” an asset (the underlying asset) for a period of time in exchange for consideration.
- **Application: Property, plant and equipment and other assets¹, with limited exclusions.**
- **Categories of leased assets:**
 - **Finance lease:** Substantial transfer of **all the risks and rewards** incidental to **ownership** of an underlying asset
 - **Operating lease:** Leases other than finance lease
- **Lease classification (lessee): only Finance lease**

U.S. GAAP**

- **Definition:** A contract, or part of a contract, that conveys the “**right to control the use**” of an identified asset for a period of time in exchange for consideration.
- **Application: Property, plant and equipment.** Unlike IFRS Accounting Standards, the scope **excludes** leases of inventory, leases of assets under construction and all leases of intangible assets.
- **Categories of leased assets:**
 - **Finance lease:** The lease **transfers ownership** of the underlying asset to the lessee by the end of the lease term.
 - **Operating lease:** Leases other than finance/sales-type/direct financing lease
- **Lease classification (lessee): Finance lease or Operating lease**

*IFRS 16 – Leases (2016)

**ASC 842 - Leases (2016)

¹ Such as intangible assets and inventory.