GREENHOUSE GAS PROTOCOL

Corporate Standard Technical Working Group

Subgroup 2, Meeting #10

GHG Protocol Secretariat team:
Hande Baybar, Iain Hunt, Allison Leach

September 30th, 2025

WORLD RESOURCES INSTITUTE

World Business Council for Sustainable Development

Meeting information

Record

This meeting is **recorded**.

Raise Hand

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Chat

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
Options for consolidation	75 minutes
Operational control approach revision	25 minutes
Wrap-up and next steps	10 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

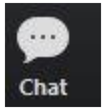
Zoom logistics and recording of meetings

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

Raise your hand in the participants feature and unmute yourself to speak

Use the chat function to type in your questions



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.***

GHG Protocol Decision-Making Criteria

1A. Scientific integrity	1B. GHG accounting and reporting principles	2A. Support decision making that drives ambitious global climate action	2B. Support programs based on GHG Protocol and uses of GHG data	3. Feasibility to implement
Ensure scientific integrity and validity, adhere to the best applicable science and evidence … and align with the latest climate science.	Meet the GHG Protocol accounting and reporting principles of **accuracy**, **completeness**, **consistency**, **relevance**, and **transparency**. Additional principles should be considered where relevant: conservativeness (for GHG reductions and removals), permanence (for removals), and comparability (TBD). …	Advance the public interest by informing and supporting decision making that drives ambitious actions by private and public sector actors to reduce GHG emissions and increase removals in line with global climate goals. …	Promote interoperability with key mandatory and voluntary climate disclosure and target setting programs … while ensuring policy neutrality. Approaches should support appropriate uses of the resulting GHG data and associated information by various audiences …	Approaches which meet the above criteria should be feasible to implement, meaning that they are accessible, adoptable, and equitable. … For aspects that are difficult to implement, GHG Protocol should aim to improve feasibility, for example, by providing guidance and tools to support implementation.

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.

Overview of process to finalize phase 1 preliminary outcome on optionality

The preliminary outcome on whether, and if so how, to maintain optionality in consolidation approaches:

1. Subgroup 2 indicative poll results
2. Full TWG indicative poll results
3. ISB feedback
4. Subgroup 2 meeting 9 *Sept 2nd*
5. Subgroup 2 open discussion meeting ***Sept 17th***
6. Subgroup 2 meeting 10 to finalize recommendation *Sept 30th* — ***Today***
7. ISB pulse check *Oct 15th*
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9. Subgroup 2 to finalize *Nov 4th*
10. **FINAL** recommendation for ISB decision *Nov 24th*

Legend: Subgroup 2 | Full TWG | ISB

Subgroup 1: Phase 1 progress

Topic		Preliminary outcome	Full TWG level of support	ISB level of support (Pulse check poll)
Corporate Standard objectives	Objectives statement	Draft Corporate Standard **objectives statement**	**47 of 47 support (100%)** 0 strong opposition (0%) 0 abstain (0%)	**11 of 12 support (92%)** 0 of 12 oppose (0%) 1 of 12 abstain (8%)
GHG accounting and reporting principles	Relevance and materiality	Update guidance on **relevance principle** to refer to the term "**materiality**" and provide **clarification on the relationship between relevance and materiality** as used in external programs (including with a supporting text box on materiality)	**41 of 47 support (87%)** 3 strong opposition (6%) 3 abstain (6%)	**11 of 12 support (92%)** 0 of 12 oppose (0%) 1 of 12 abstain (8%)
	Consistency and comparability	Update **consistency principle** to apply to **consistency in methods both over time for a single company and consistency in methods between companies** and divisions within companies. Update guidance for consistency principle to clarify relationship between consistency and comparability and how consistency in methods contributes to more comparable information (including with a supporting text box on comparability)	**40 of 47 support (85%)** 4 strong opposition (9%) 4 abstain (6%)	**10 of 12 support (83%)** 0 of 12 oppose (0%) 2 of 12 abstain (17%)
	Accuracy and conservativeness	Update guidance for **accuracy principle** to include language on **conservativeness** and when companies should consider using conservative methods (including with a supporting text box on conservativeness)	**43 of 47 support (91%)** 2 strong opposition (4%) 2 abstain (4%)	**10 of 12 support (83%)** 1 of 12 oppose (8%) 1 of 12 oppose (8%)
	Transparency and verifiability	**Outstanding question posed:** How should principles be updated to better distinguish between external transparency and verifiability? A. **Update transparency principle** to more clearly distinguish between external transparency and verifiability (including with a supporting text box on verifiability) B. Delineate **separate** transparency and verifiability principles	**35 of 47 support Option A (74%)** 10 strong opposition to Option A (21%) 2 abstain (4%)	*Not posed for pulse check*

All topics above will likely be brought to the ISB for decision in October.

Subgroup 1: Phase 2 progress

Full TWG feedback poll results on preliminary outcomes

Preliminary outcome	Full TWG survey results	Pending items
Companies that a have base year established for GHG reduction targets should have the **option to use the same year for their inventory base year or choose a different year**.	**45 of 47 support (96%)** 1 of 47 oppose (2%) 1 of 47 abstain (2%)	-
The **rolling base year option** as currently defined in the Corporate Standard **should be eliminated**.	**41 of 47 support (87%)** 2 of 47 oppose (4%) 4 of 47 abstain (9%)	-
Companies should be required to **establish a significance threshold** as part of their base year recalculation policy.	**43 of 47 support (91%)** 3 of 47 oppose (6%) 1 of 47 abstain (2%)	Whether the threshold must be quantitative or may be qualitative and/or quantitative
The Corporate Standard should **define a prescriptive quantitative significance threshold** for base year recalculation.	**40 of 47 support (85%)** 7 of 47 oppose (15%) 0 of 47 abstain (0%)	Whether to establish as a requirement or as a recommendation

Key questions addressed in Subgroup 1 Meeting 9
(Topic: options for base year recalculation when insufficient data available)

Question	Subgroup 1 poll results
Should **backcasting/proxy estimation methods** be the **preferred option** where a method can be applied to provide a reasonable estimate of base year emissions?	***Unanimous support*** (11 of 11) in the case of structural changes ***Majority support*** (9 of 11) in the case of other types of events
Should specifying backcasting/proxy estimation methods the preferred option be defined as a **requirement or as a recommendation**?	***Split opinions:*** 6 of 11 in favor of a requirement, 4 in favor of a recommendation, 1 abstention
Should **disclosure of no base year recalculation** be maintained as an option?	***Split opinions*** in the case of structural changes ***Split opinions*** in the case of other types of events
Should **reestablishing the base year to a more recent year** be maintained as an option?	***Majority support*** (7 of 10) in the case of structural changes ***Majority support*** (6 of 10) in the case of other types of events

The next meeting of Subgroup 1 will be held on November 11th, with a focus on an **emissions profile over time** and consideration of whether companies should be required or recommended to recalculate/report other years beyond the base year.

Subgroup 3: Phase 1 progress

Topic	Preliminary outcome from Full TWG feedback survey	ISB members level of support *Feedback survey following July 2025 meeting*
Scope 3 requirement*	• ***Majority support*** for **revised text** defining a scope 3 reporting requirement	**Support: 9 of 12**; Oppose: 2 of 12; Abstain: 1 of 12
Justifiable exclusions for scopes 1 and 2*	• ***Majority support*** for **maintaining scope 1 and scope 2 exclusions** and making the exclusions more prescriptive and quantitative	**Support: 8 of 12**; Oppose: 2 of 12; Abstain: 2 of 12
	• ***Majority support*** for defining **separate quantitative exclusion thresholds** for scopes 1, 2, and 3	**Support: 6 of 12**; Oppose: 2 of 12; Abstain: 4 of 12
	• ***Majority support*** for defining a **1% quantitative exclusion threshold** for scope 1 and scope 2	**Support: 6 of 12**; Oppose: 2 of 12; Abstain: 4 of 12
	• ***Majority support*** for requiring total scope 1 and scope 2 emissions to be **quantified to justify exclusions**	**Support: 7 of 12**; Oppose: 1 of 12; Abstain: 4 of 12
Less stringent scope 3 requirement	• ***Majority support*** for adopting the **SBTi company categorization approach**, pending its finalization, to define eligibility for a less stringent scope 3 requirement • ***Majority support*** for defining a less stringent scope 3 requirement as the **three most relevant scope 3 categories** • ***Majority support*** for operationalizing a less stringent scope 3 requirement with **conformance levels**, by reporter type	These preliminary outcomes were presented as a case study to the ISB in July as part of a broader discussion on whether it is the role of GHG Protocol to set different levels of reporting. **9 of 11 ISB members support GHG Protocol *recommending* different levels of reporting**

*These topics will likely be brought to the ISB for decision in October.

Subgroup 3: Phase 2 plan and progress

Topic	How to address	Meeting # or timeline	Progress to date
F1. Data quality and uncertainty	**Subgroup 3 meetings**	SG3 meetings 9 & 10	• Majority support for **disaggregated reporting based on data quality** • Next meeting: **Define data quality tiers**; start discussing uncertainty
F2. Guidance on calculation methods	**Task force**	• October – January: Monthly meetings • February: Task force reports out to Subgroup 3, meeting 13	• 13 volunteers for task force
F3. Guidelines for selecting appropriate emission factors			
F4. Expanded disclosure requirements			
F5. Required GHGs and GWPs	**Subgroup 3 meetings**	SG3 meetings 11 & 12	NA
F6. Other indirect climate forcers	**Subgroup 3 meetings**	SG3 meeting 14	NA

Today's objectives

1. Follow-up on **options for consolidation**
   - Review **ISB feedback** and **Subgroup 2 level of support**
   - Review **proposed option for consolidation** based on feedback received to date
2. Review **revisions** to the **operational control approach**:
   - Review **feedback from SG2 and ISB** on operational control approach
   - Review the **proposed structure for the operational control approach**

Achieving the objectives of today's meeting is critical to reaching a preliminary Subgroup 2 outcome on organizational boundary setting, which will be presented to the full TWG and ISB (pulse check) in October.

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).

Source: Corporate Standard – Standard Development Plan, Section 5B: Scope of work for the standard revision

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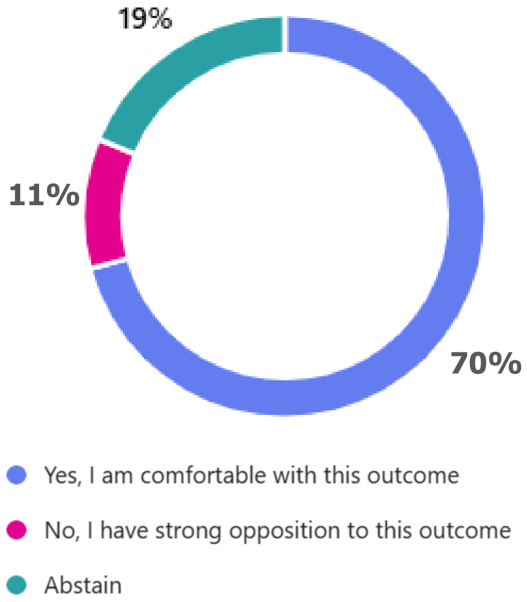
Legend: Subgroup 2 | Full TWG | ISB

Feedback from full TWG and ISB on optionality in consolidation approaches

Full TWG feedback *(post meeting survey)*

Majority support **for maintaining optionality** in consolidation approaches between the revised financial control and operational control approaches.



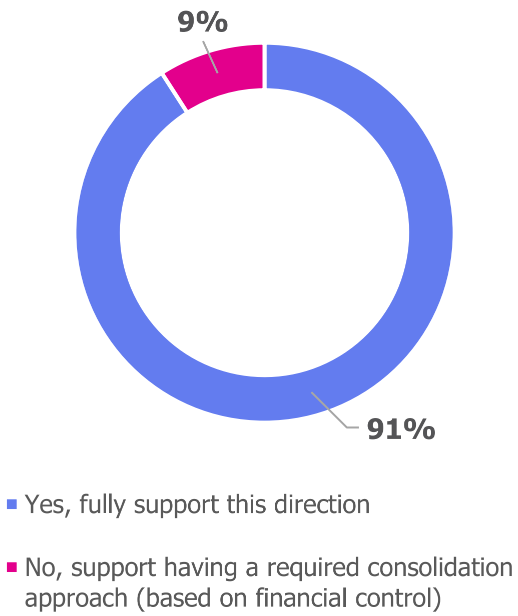
47 responses

Key feedback:

- **Request for clarification on how the two approaches differ**
- Support for **maintaining** to serve different reporting purposes
- Support for **recommending** financial control as part of optionality
- Support for **requiring** financial control due to challenges to set a standardized definition for operational control and to align with financial information
- Optionality **hinders comparability**
- **Concern** on eliminating **equity share**

ISB feedback (new)

Majority support **for maintaining optionality** between the revised financial control and operational control approaches



11 responses

Key feedback:

- The **level of complexity** varies with the size and characteristics of companies. Therefore, **flexibility and options should be provided** along with detailed guidance.

Opposition (1 member):

- Financial control should be required so that companies bearing majority financial risks should avoid reporting zero emissions.
- **Interoperability** with external programs should be maintained.

Options considered for optionality in consolidation approaches (Meeting 9)

Option 1	Option 2	Option 3	Option 4	Option 5
Financial & operational control as equal options	**Recommend financial control**	**Combined (layered) consolidation approach** (recommendation or requirement)	**Dual consolidation approaches** (recommendation or requirement)	**Require financial control approach**
Companies *may* choose between financial control and operational control.	Companies *should* apply financial control but *may* apply operational control.	Companies *shall/should* apply financial control and *shall/should/may* also separately report emissions under operational control but not financial control.	Companies *shall/should* report according to financial control and *shall/should/may* also separately report according to operational control, if applicable.	Companies *shall* apply financial control.
Financial control *"may"*	Financial control *"should"*	Financial control *"shall/should"*	Financial control *"shall/ should"*	Financial control *"shall"*
OR	**OR**	**AND**	Operat-ional control *"shall/ should/ may"*	
Operational control *"may"*	Operational control *"may"*	Operational control (non-consolidated)* *"shall/should/may"*		

Options 3 and 4 are analyzed in the following slides **as recommendations** (i.e., using "should" statements) based on the *majority support* from TWG and ISB to maintain optionality in consolidation. If there is support for either option 3 or 4, framing as requirements (using "shall" statements) will be considered further.

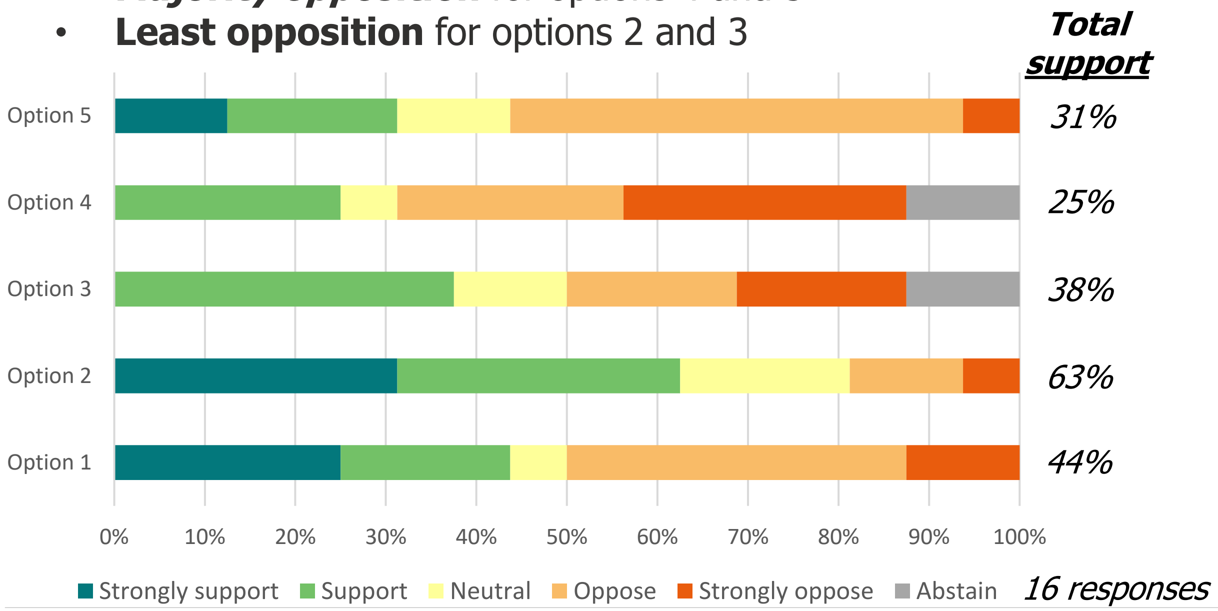
* Only emissions for entities/assets/operations under operational control but *not* financial control (i.e., non-consolidated).

Subgroup 2 level of support for options considered for consolidation

Option 1	Option 2	Option 3	Option 4	Option 5
Financial & operational control as equal options	Recommend financial control	Combined (layered) consolidation approach (as recommendation)	Dual consolidation approaches (as recommendation)	Require financial control approach

Level of support for options
(In meeting poll and post meeting survey results combined)

- ***Majority support*** for option 2
- ***Majority opposition*** for options 4 and 5
- **Least opposition** for options 2 and 3



Feedback *(post meeting survey)*

- **Options 2 and 3 could be merged** to maintain stand-alone optionality while recommending financial control approach, with add-on operational control where needed
- **Option 3** is currently adopted in France as good practice*
- **Option 4** provides four scope 2 results (location and market-based) potentially inhibiting informed decision-making
- **Options 4 and 5** are the **most challenging** to implement as they necessitate reporters currently using operational control to:
  - Rewrite accounting policies and procedures
  - Re-calculate base year emissions
  - Reassess decarbonization roadmaps
  - Revise overall strategies
  - Update Transition Plans
  - **Obtain assurance** on revised organizational boundary

* French Environmental Code – article L. 229-25 methodo_BEGES_decli_07.pdf, page 20.

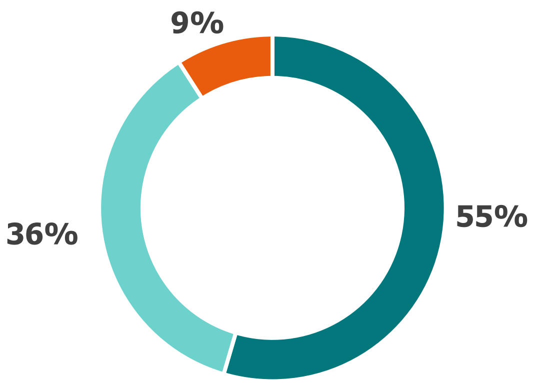
Discussion: GHG Protocol decision-making criteria analysis (UPDATED DRAFT)

Criterion	Option 1: Financial control and operational control as equal options	Option 2: Financial control as recommended option	Option 3: Combined (layered) consolidation (as recommendation)	Option 4: Dual consolidation approaches (as recommendation)	Option 5: Require financial control
Scientific integrity	N/A	N/A	N/A	N/A	N/A
GHG accounting and reporting principles	**Pros:** Promotes relevance **Cons:** May inhibit completeness, transparency, and consistent reporting across companies	**Pros:** Somewhat promotes relevance; promotes consistent reporting across companies **Cons:** Continued risk to potentially inhibit completeness and transparency	**Pros:** Promotes completeness and transparency	**Pros:** Promotes completeness and transparency	**Pros:** Ensures consistent reporting across companies **Cons:** May inhibit relevance, completeness and transparency
Support decision-making that drives ambitious global climate action	**Pros:** Provides flexibility for users and programs to choose/require the approach best fitting **Cons:** May inhibit decision-making if the chosen approach fails to meet stakeholder expectations	**Pros:** Continued flexibility while promoting a more standardized approach use **Cons:** May inhibit decision-making if the chosen approach fails to meet stakeholder expectations	**Pros:** Promotes decision-making (provides complete emissions profile)	**Pros:** Promotes decision-making (provides fair presentation of emissions profile)	**Pros:** Promotes consistent decision-making by providing a standardized consolidation **Cons:** May inhibit decision-making if financial control fails to meet stakeholder expectations or present complete/fair emissions
Support programs based on GHG Protocol and uses of GHG data	**Pros:** Promotes interoperability with external programs **Cons:** Risk of double counting/under-counting or not counting of emissions; inhibits comparability	**Pros:** Promotes interoperability with external programs **Cons:** Risk of double counting/under-counting or not counting of emissions;	**Pros:** Promotes greater standardization; Eliminates risk of under-counting or not counting of emissions **Cons:** Potential risk to interoperability with programs	**Pros:** Aligns with ESRS E1 exposure draft, promotes greater standardization; Eliminates risk of under-counting or not counting of emissions **Cons:** Potential risk to interoperability with other programs (e.g., IFRS)	**Pros:** Promotes greater standardization **Cons:** Risk interoperability with programs allowing optionality
Feasibility to implement	**Pros:** Least impact, closest to status quo **Cons:** Remaining ambiguities in defining operational control, question of whether approach should be applicable at entity level	**Pros:** Minimal impact compared to other options, maintaining both control approaches as options **Cons:** Remaining ambiguities in defining operational control, question of whether approach should be applicable at entity level	**Pros:** May help facilitate application of financial control at entity level and operational control at asset level; allowing opting out and apply single consolidation **Cons:** Complex approach with (significant) implementation challenges	**Pros:** Allowing companies to opt out and apply single consolidation **Cons:** Complex approach with (significant) implementation challenges	**Pros:** Maintains feasibility for current users of the approach **Cons:** Requires many companies to change consolidation approach, posing feasibility challenges

Subgroup 2 level of support and feedback on the draft DMC analysis

Subgroup 2 level of support

Majority agreement on the revised draft analysis of options based on decision-making criteria



- Yes, I agree with the analysis
- Yes, I agree with the overall analysis, but have minor revision suggestions
- No, I strongly disagree with the analysis and have major revision suggestions
- Abstain

11 responses

Subgroup 2 feedback

- The analysis of "**supporting programs based on the GHG Protocol and uses of data**" should focus on assessing the **risk of under-counting or not counting emissions**, rather than on the risk of double-counting.
  → **Response**: Table has been revised incorporating this suggestion.
- **Option 5** assessment for "**GHG accounting and reporting principles**" should be pale yellow (i.e., indicating mixed alignment) as requiring or applying only financial control **may inhibit completeness and transparency** if there are material emissions under operational control only.
  → **Response**: Table has been revised incorporating this suggestion.
- Debate on whether "**feasibility to implement" for option 5** should receive a **more favorable color coding** than dark orange.
  → **Response**: Option 5 is a requirement, providing no flexibility for user to implement an alternative, better suited consolidation approach where relevant, hence potentially least feasible to implement.

Please find the revisions marked as text in green indicates latest additions, and red indicates deletions on the previous slide.

Pre-Read

Summary: TWG open discussion on options for consolidation (September 17th)

- **Revisions** to the Corporate Standard (e.g., consolidation approach updates) will **need to be applied to base year emissions** to ensure consistency over time
- **Revisions to the existing consolidation approaches** will require companies to **reassess their organizational boundaries** even if they continue to use the same approach
- Some participants suggested that **switching from operational control to financial control** without offering optionality will place a **significant burden on companies** and **may significantly inhibit relevance and completeness**
- Discussion and clarifying question on **how options 3 and 4 will be implemented as recommendation**
- **An example** from O&G sector was shared **highlighting the difference between applying equity share vs. operational control**
- Discussion and clarifying questions on the **draft analysis of options considered for consolidation** based on the decision-making criteria
- Suggestions for a **transition in consolidation approach** from a recommended option 2 to required option 3 or option 5 **over the short- to medium-term**
- Suggestions for GHG Protocol and the Corporate Standard to provide options while **recommending a best practice approach and leave it to programs to set requirements** aligned with their objectives, maintaining interoperability
- Discussion on how **joint ventures and cases where joint operational control is in place** could be addressed
- Some participants highlighted the increasing investor needs for **comparable information**

This slide is provided as a pre-read and will not be presented during the meeting in detail.

Consolidation approaches: Where they align and diverge

In the next few slides, we'll consider:

How the equity share approach fits within the revised financial control approach

How the revised financial control approach diverges from the operational control approach

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How equity share is reflected under revised financial control approach

Equity type	Consolidation under current equity share	Consolidation under revised financial control
Equity in entities under financial control	Scope 1 (equity %)	Scope 1 (100%)
	Scope 2 (equity %)	Scope 2 (100%)
	Scope 3 (equity %)	Scope 3 (100%)
Equity in entities not under financial control	Scope 1 (equity %)	Scope 3 Category 15 (equity %)
	Scope 2 (equity %)	
	Scope 3 (equity %)	

Key arguments for eliminating equity share

→ **The revised financial control clarifies** how emissions are accounted for in equity in non-controlled investees, **avoiding undercounting** (i.e., full consolidation vs. consolidation based on % equity)

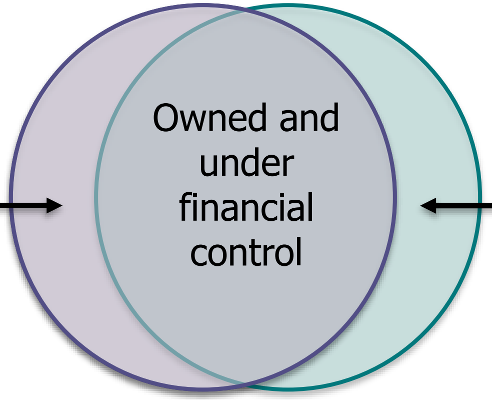
→ **Additional requirement** ("shall") **or guidance** ("should" or "may") for disaggregated reporting or additional information on equity owned could be implemented to **promote transparency**

→ **Scope 3 will be required - addressing the risk of emissions not being accounted** for equity in entities not under financial control

Do you have any questions or comments?

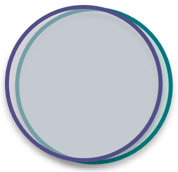
Comparison of reporting under financial control and equity share

Under financial control only
(minority interests held by other companies)

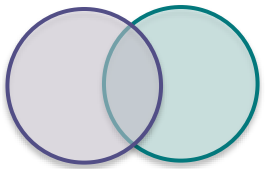


Owned but not under financial control
(minority interests)

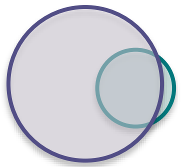
Case 1
Financial control and equity share mostly overlap



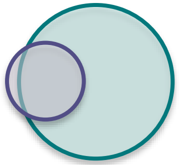
Case 2
Financial control and equity share do not overlap



Case 3
Financial control > equity share



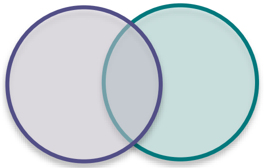
Case 4
Equity share > financial control



Case	Emissions under financial control (FC) and equity share (ES)			Emissions reported under financial control		Emissions reported under equity share
	Under FC only	**Under ES only**	**Under both FC and ES**	**As S1+S2+S3** Cats.1-14	**As scope 3 category 15**	**As S1+S2+S3**
Case 1	5	5	90	95	5	95
Case 2	40	40	20	60	40	60
Case 3	90	5	5	95	5	10
Case 4	5	90	5	10	90	95

→ For the same reporting entity, **direct emissions reported under the financial control approach will typically be higher than those reported under the equity share approach**, because financial control requires full consolidation.

Case:
Financial and operational control do not overlap



Example: How financial control and operational control diverge

Scenario: A **real estate investment firm owns a commercial building** and contractually **appoints a property management company to operate the building**.

	Real estate firm	Property management company
Who owns the building and has financial control over it?	✓	
Who implements operating policies and manages day-to-day operations, therefore has operational control in place?		✓
Who holds supplier contracts?		✓
Who reports scope 1 and scope 2 emissions under financial control?	✓	
Who reports scope 1 and scope 2 emissions under operational control?		✓

→ **If the property manager applies the financial control approach, they will not report any scope 1 and 2 emissions from the building.**

Do you have any questions or comments?

Updating consolidation approaches: key takeaways

Takeaway #1:

Financial control (align with financial consolidation) should be the **primary basis** for defining organizational boundaries for GHG inventories

- Establishing a **common basis** promotes **standardization**, more **consistent reporting**, and **more comparable** GHG information
- Basis in financial consolidation **supports key uses of GHG data** by external stakeholders (i.e., investors) and **regulatory reporting programs**

Takeaway #2:

Consolidation/reporting based on **operational control** (pending final revisions) **remains relevant** and should have a role to play in some cases

- **Financial control may not always provide a fair presentation** of an entity's emissions
- Entities have different objectives and needs for developing their GHG inventories (e.g., **internal purposes** to inform emission reduction efforts or other voluntary purposes) which may be **best served by operational control**

Do you have any questions or comments about these key takeaways?

Intro: Proposed package for updating organizational boundary setting

Option 2

Recommend financial control

Financial control *"should"*

OR

Operational control *"may"*

+

Option 3

Combined (layered) consolidation approach
(recommendation or requirement)

Financial control *"shall/should"*

AND

Operational control (non-consolidated)* *"shall/should/may"*

→

Proposed merged approach based on *control*:

1. ***Require*** consolidation based on **control**
2. ***Recommend* financial control**
3. ***Recommend* operational control add-on**: Recommend separate reporting of emissions that are **under operational control but not financial control**, ***if*** *financial control alone fails to provide complete emissions profile*
4. ***Maintain* operational control** as a stand-alone option that companies may apply ***if*** *the recommended approach does not align with their reporting purposes*

Rationale behind the proposed consolidation package

Proposed package based on *control*:

1. ***Require*** consolidation based on **control**
2. ***Recommend* financial control**
3. ***Recommend* operational control add-on**: Recommend separate reporting of emissions that are **under operational control but not financial control**, ***if*** *financial control alone fails to provide complete emissions profile*
4. ***Maintain* operational control** as a stand-alone option that companies may apply ***if*** *the recommended option does not align with their reporting objectives*

→ Providing optionality for consolidation is a priority to **support diverse applications of the standard** in line with the **draft revised objectives statement***

→ Increasing need to **enhance comparability** across companies and **promote standardization**

→ **Recommend a best-practice approach** for companies to **disclose a complete picture of GHG emissions** to **maximize transparency and informed climate action** while allowing companies the **flexibility** to choose the method that best aligns with their reporting objectives

→ Maintain **interoperability** with external programs

→ ***Majority support*** from Subgroup 2 and full TWG for the **revised financial control approach to be the preferred approach**

This key feedback was reflected in the level of support for the options presented, helping to shape the proposed consolidation package.

Please see the draft revised objectives statement in the Appendix.

Overview: Proposed package for updating organizational boundary setting

(based on option 2 and option 3, along with updates to definitions of financial control and operational control)

1. Require consolidation **based on control**	Companies ***shall*** set their organizational boundaries **based on control**.
2. Recommend financial control	Companies ***should*** apply the **financial control consolidation approach**, accounting for and reporting on 100% of emissions from entities under financial control (i.e., in their consolidated financial statements).
3. Recommend add-on reporting under **operational control** where relevant	Additionally, companies ***should*** account for and report on 100% of emissions from entities, operations, and assets **under operational control** that are **not already included under financial control** *where relevant* (e.g., where financial control does not provide a sufficiently complete picture of their GHG emissions).
4. Maintain **operational control as a standalone option** where relevant	In some cases, companies ***may*** apply the **operational control consolidation approach** in lieu of financial control, accounting for and reporting on 100% of emissions from entities, operations, and assets under operational control, **when *relevant* to the objectives of the GHG inventory** (e.g., for internal uses to inform emission reduction strategies).
5. Allow **jurisdictionally required consolidation** approach	Companies who are subject to jurisdictional requirements that are incompatible with the above ***may*** apply jurisdictional requirements for setting organizational boundaries.
6. Disclosure requirement	Companies who choose not to apply recommendations #2 and #3 above (i.e., consolidation based on financial control, additional reporting under operational control, respectively) ***shall*** disclose their reasons for applying a different approach.

Do you have any clarifying questions?

How the proposed option for consolidation works in practice

	Consolidated entities	Non-consolidated entities and contractual arrangements
Under operational control of reporting entity	**Boundary A** ***Shall***	**Boundary C** ***Should*** (as separate or disaggregated add-on)
Not under operational control of entity	**Boundary B** ***Should***	**Boundary D** (Reported under Scope 3, Category 15)

APPROACH	BOUNDARY
Recommended best practice approach: Financial control (***should***) with operational control add-on (***should***, where relevant)	**(A + B) + C** as an add-on, *where relevant*
Minimum recommended approach: Financial control only (***should***)	**A + B**
Optional approach: Operational control only (***may***, where relevant)	**A + C**

Mapping external program requirements to proposed approach

External program requirements	Proposed ("best practice") approach
Both **IFRS S1** and **ESRS 1** require boundaries for sustainability statement to be the **same as for financial statements**.	Aligns with revised definition of **financial control** consolidation approach (recommended step 1 under "best practice" approach).
IFRS S2 allows choice between **equity share**[1] **and control** and requires **disaggregation of scope 1 and 2 emissions** between consolidated group and other investees.	Additional recommendation to **separately report emissions under operational control** from entities outside of consolidated group is interoperable with **IFRS'** disaggregated reporting requirement.
ESRS E1 (v1.6 Exposure Draft) requires organizational boundary to align with that for financial statements (GHG Protocol's financial control approach)	Aligns with revised definition of **financial control** consolidation approach (recommended under "best practice approach").
ESRS E1 (v1.6 Exposure Draft) requires separate full scope 1 and 2 reporting under operational control under certain circumstances	"Best practice" approach recommends **separate reporting under operational control**[2]

1. Equity share approach to be eliminated, but emissions from investees not under control must be reported under scope 3, category 15.
2. Proposed "best practice" approach recommends separate reporting of emissions under operational control but *not* financial control, whereas proposed requirement from ESRS E1 v1.6 Exposure Draft entails reporting all emissions under operational control where relevant.

GHG Protocol decision-making criteria analysis of the proposed approach

Current approach for consolidation in the Corporate Standard and the proposed package for consolidation are analyzed based on the decision-making criteria. It combines the **strength option 3** provides for aligning with GHG Protocol principles.

Criterion	**Current approach** **Current approach to consolidation in Corporate Standard** Equity share/Financial control/Operational control	**Proposed approach** **Financial control as recommended** option with separate **add-on operational control, or stand-alone operational control** where relevant
Scientific integrity	N/A	N/A
GHG accounting and reporting principles	**Pros:** Promotes relevance **Cons:** May inhibit completeness, transparency, and consistent reporting across companies	**Pros:** Promotes relevance, completeness, transparency and consistent reporting across companies
Support decision-making that drives ambitious global climate action	**Pros:** Provides flexibility for users and programs to choose/require the approach best fitting **Cons:** May inhibit decision-making if the chosen approach fails to meet stakeholder expectations	**Pros:** Balancing flexibility with a standardized approach supports better decision-making by ensuring a complete emissions profile. **Cons:** May inhibit decision-making if the chosen approach fails to meet stakeholder expectations
Support programs based on GHG Protocol and uses of GHG data	**Pros:** Promotes interoperability with external programs **Cons:** Risk of under-counting or not counting of emissions; inhibits comparability	**Pros:** Promotes greater standardization (financial control as primary basis); Eliminates risk of under-counting or not counting of emissions; allows for disclosure of data points compliant with external program requirements **Cons:** Continued coordination is needed to maintain interoperability with external programs (e.g., IFRS)
Feasibility to implement	**Pros:** Status quo **Cons:** Ambiguities in defining operational control	**Pros:** May help facilitate application of financial control at entity level and operational control at asset level; allowing stand-alone use of financial and operational control where relevant can ease implementation **Cons:** Recommended "best practice" approach is complex and may pose feasibility challenges

Do you have any clarifying questions or comments?

Discussion: Proposed package for updating consolidation approaches

(based on option 2 and option 3, along with updates to definitions of financial control and operational control)

Group Discussion

Questions:

1. **What do you think** of the proposed package for consolidation and do you have **any suggestions for improving** the proposed approach?
2. Do you support **recommending a separate add-on reporting of emissions where operational control** is in place **without financial control**, where relevant?
3. Do you support **specifying situations in which companies may choose** to apply **operational control** only?

1. Require consolidation **based on control**

2. Recommend financial control

3. Recommend additional reporting under **operational control** where relevant

4. Maintain **operational control as a standalone option** where relevant

5. Allow **jurisdictionally required consolidation** approach

6. Disclosure requirement on rationale for choosing the approach applied

Poll: Proposed package for recommended consolidation

Poll question

Question:

Do you support the proposed package for consolidation?

- *Yes, I fully support the proposed package*
- *Yes, I support the proposed package, but have suggested minor edits*
- *No, I strongly oppose the proposed package*
- *Abstain*

1. Require consolidation **based on control**

2. Recommend financial control

3. Recommend additional reporting under **operational control** where relevant

4. Maintain **operational control as a standalone option** where relevant

5. Allow **jurisdictionally required consolidation** approach

6. Disclosure requirement on rationale for choosing the approach applied

Agenda

Introduction and housekeeping	10 minutes
Options for consolidation	75 minutes
Operational control approach revision	**25 minutes**
Wrap-up and next steps	10 minutes

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Initial proposed text: Operational control definition (Meeting 9)

Current definition *Corporate Standard Revised Edition (2004), p.18*	**Initial proposed revision** *based on Subgroup 2 input*
"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."	*"An entity has operational control over an operation if it, or one of its subsidiaries, has the power or practical ability to direct or implement the policies, processes, or day-to day activities of the operation, particularly those that impact the operation's greenhouse gas emissions – regardless of legal ownership or formal authority structures.* *In arrangements involving multiple parties, the entity with the greatest power or practical ability to direct or implement policies, processes, day-to-day activities or emissions-related decisions shall be considered to have operational control."*

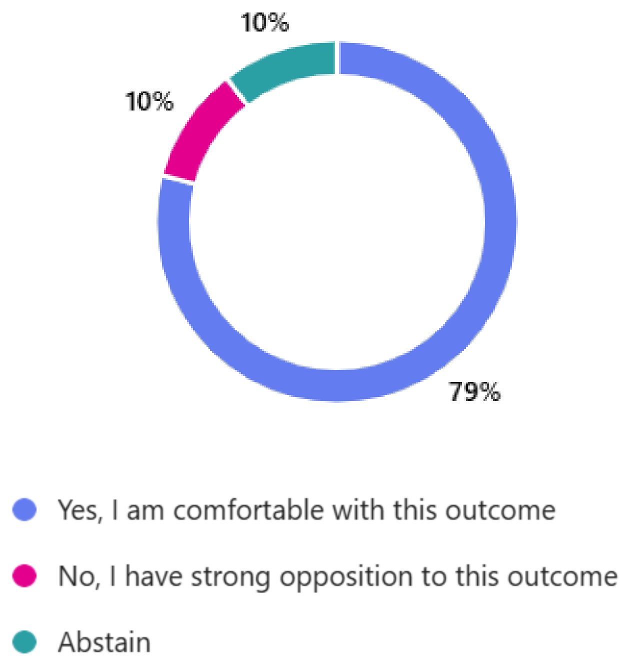
The following slides outline the rationale for the revision, the level of support from TWG and ISB, and key feedback on further revisions

Text in green indicates major changes from the current definition.
* Use of the terminology "entity" is subject to further internal assessment/alignment.

Level of support from full TWG and ISB on operational control revisions

Full TWG support *(post meeting survey)*

Majority support for the preliminary text as direction for revising the **definition of operational control**



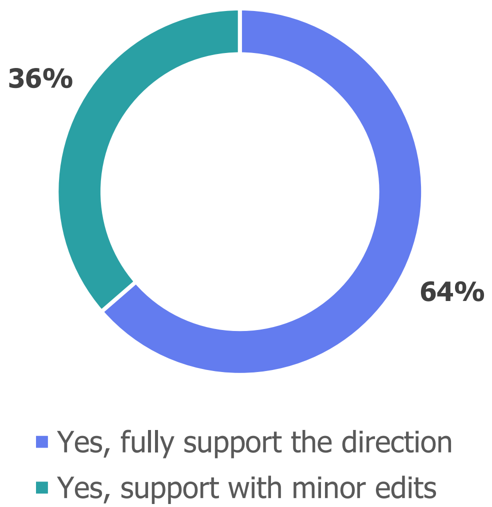
Detailed feedback from full TWG is provided in the Appendix

47 responses

ISB support *(pulse check)*

Majority support for the proposed direction for the revised **definition of operational control**

- Support **subject to improved definition** of operational control and **confirmation with key external stakeholders** on interoperability (e.g., ISSB, EFRAG, GRI)



11 responses

Revised operational control text (Meeting 9)

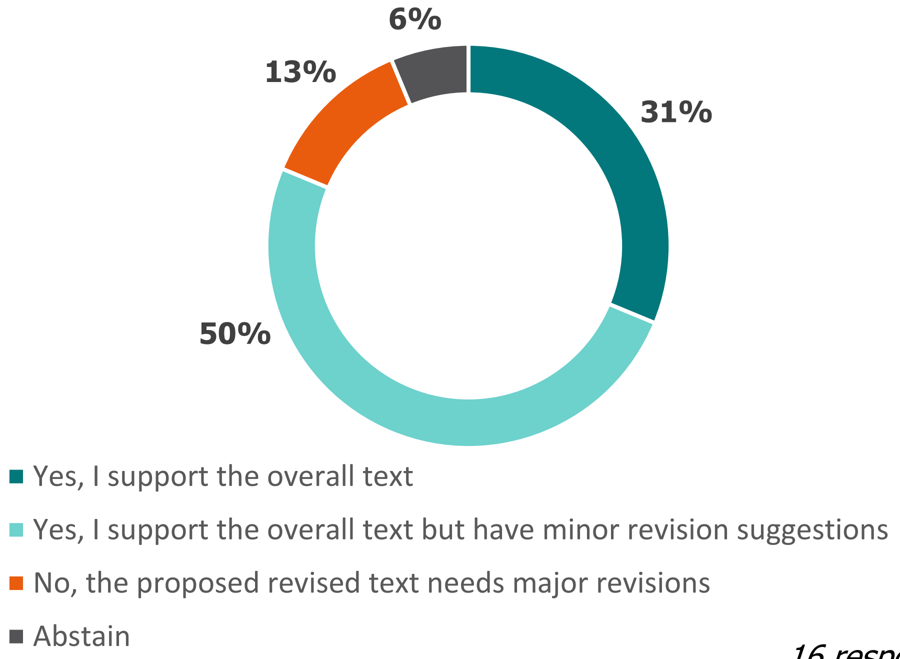
Initial proposed text *based on Subgroup 2 input*	Revised proposed text * *based on full TWG and ISB input*
"An entity has operational control over an operation if it, or one of its subsidiaries, has the power or practical ability to direct or implement the policies, processes, or day-to day activities of the operation, particularly those that impact the operation's greenhouse gas emissions – regardless of legal ownership or formal authority structures. *In arrangements involving multiple parties, the entity with the greatest power or practical ability to direct or implement policies, processes, day-to-day activities or emissions-related decisions shall be considered to have operational control."*	*"An [organization/entity/company] has operational control over an [operation, entity or a contractual arrangement] if ~~it, or one of its subsidiaries,~~ the former has the power or practical ability to direct ~~or~~, implement or influence the latter's policies, processes, or day-to day activities ~~of the operation, particularly those that impact the operation's greenhouse gas emissions~~ –regardless of legal ownership or formal authority structures.* *In arrangements involving multiple parties, the entity with the greatest power or practical ability to direct or implement policies, processes, or day-to-day activities ~~or emissions-related decisions~~ shall be considered to have operational control."*

Text in [brackets] include alternative language, text in green indicates latest additions, and ~~red~~ indicates deletions.
* Please find the clean version of the revised proposed text on slide 25.

Subgroup 2 follow-up survey outcomes: Level of support for the revised operational control definition

Subgroup 2 support *(post meeting survey)*

Majority support for the revised text **defining operational control**



16 responses

Subgroup 2 feedback

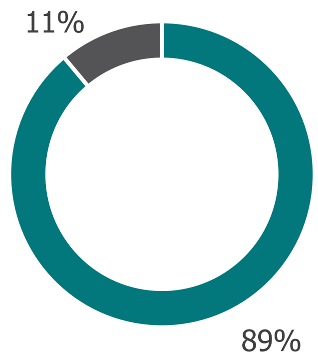
- **Suggested minor text edits**
- **Defining operational control when joint operational control is in place**: In **joint control arrangements**, each party should account for their **share of GHG emissions** from the operation, entity, or asset. To **clarify ownership and responsibility**, parties may establish contractual agreements outlining how emissions ownership and management duties are divided.
- **Key guidance for multi-party arrangements:** Essential to provide **criteria to identify which party has the greatest power/ability** to influence operations. For example, in a landlord/tenant setup, the party that holds the contract with the energy supplier may be considered to have the most influence.

Subgroup 2 follow-up survey outcome on challenges of operational control concept

Subgroup 2 level of support and feedback on **challenges associated with the operational control concept**:

1. The definition is **still open to interpretation**

Majority agreement for allowing some degree of subjectivity while defining operational control

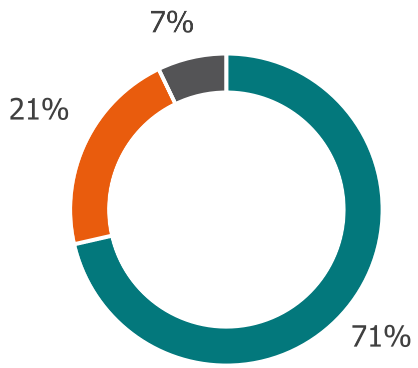


- Yes - I support allowing some degree of subjectivity, provided it is addressed through clear guidance and indicators to the extent feasible
- Abstain

18 responses

2. Does operational control **apply at the entity level?**

Majority agreement on operational control being applicable at the entity level

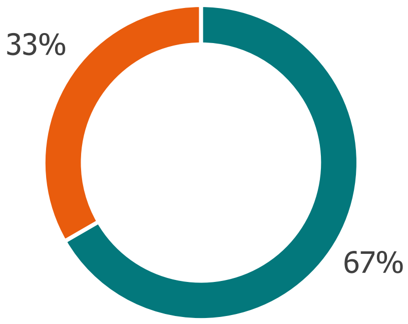


- Yes, operational control can apply at the entity level
- No, operational control cannot apply at the entity level
- Abstain

14 responses

3. Focus on control/impact on GHG emissions

Majority support for considering control over GHG emissions while defining operational control



- Yes, I support considering the control/impact on GHG emissions when defining operational control
- No, I oppose focusing the definition of operational control on control/impact on GHG emissions

15 responses

Do you have any questions or comments on these outcomes?

Poll question: Do you agree with these outcomes?

Proposed structure for the operational control approach text

Broad and inclusive definition
(current working draft text paragraph 1 on slide 39)

Short principles-based clarification for complex and multi-party arrangements
(current working draft text paragraph 2 on slide 39)

Specific reporting requirements in addition to the overarching requirement on disclosing the rationale for choosing the approach
(e.g., judgement applied, how the boundary differs from financial control)

Definition of key terms (TBD)

Key guidance
(e.g., categorization of emissions from co-locations and leased assets)

Do you have any questions or comments on the proposed structure?

Poll question: Do you agree with the proposed structure?

Next steps for revising the operational control text

The Secretariat will **revise the draft text** based on inputs received to date addressing key pending items

Updates will be presented to collect **Subgroup member feedback ***

Subgroup 2 Meeting 11 in November

The Secretariat will **edit the revised draft text**

Updated text will be **presented** to the full TWG and a **follow-up survey** to collect **full TWG feedback**

Early 2026, TBD

The Secretariat will **finalize the text for revised financial control approach** to present to the ISB

TBD

* The revised draft text will be presented along with example cases for Subgroup 2 members to review and test its applicability.

The core text defining operational control (current working draft) will be presented to the ISB in November as part of the decision vote on the consolidation recommendation.

Agenda

Introduction and housekeeping	10 minutes
Options for consolidation	75 minutes
Operational control approach revision	25 minutes
Wrap-up and next steps	**10 minutes**

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Upcoming Schedule

The preliminary outcome on whether, and if so how, to maintain optionality in consolidation approaches:

1. Subgroup 2 indicative poll results
2. Full TWG indicative poll results
3. ISB feedback
4. Subgroup 2 meeting 9 *Sept 2nd*
5. Subgroup 2 open discussion meeting ***Sept 17th***
6. Subgroup 2 meeting 10 to finalize recommendation *Sept 30th*
7. **Next step** — ISB pulse check *Oct 15th*
8. Full TWG indicative poll *Oct 21st*
9. Subgroup 2 to finalize *Nov 4th*
10. **FINAL** recommendation for ISB decision *Nov 24th*

The preliminary outcomes will be presented to the ISB in October for pulse check and in November for decision

Legend: Subgroup 2 | Full TWG | ISB

Next steps

Items to be shared by GHG Protocol Secretariat	TWG member action items	Next meeting date
• Final slides, minutes, and recording from this meeting • Feedback survey • Draft text review for proposed approach for consolidation	Respond to meeting follow up survey *(deadline to be confirmed)*	• **Full TWG** meeting on Tuesday, October 21st • **Subgroup 2** meeting on Tuesday, November 4th

GREENHOUSE GAS PROTOCOL

Thank you!

Hande Baybar, baybar@wbcsd.org

Iain Hunt, iain.hunt@wri.org

Allison (Alley) Leach, allison.leach@wri.org

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 September 30th, 2025.

Slide #	Change	Details
8	Revised slide	Graph order update – no changes to content
16		
45		
29	Revised slide	Minor revision for clarification
54	New slide	Addition of revised draft objectives statement (Subgroup 1 preliminary outcome)

Appendix

GREENHOUSE GAS PROTOCOL

ISB slide

Whether to **maintain optionality in consolidation approaches**

Initial evaluation *(early direction)*

Majority support for **maintaining optionality** in consolidation approaches. Follow-up polls showed support for:

1. **Eliminate** the **equity share** approach
2. Maintain and **update** the **operational control** approach
3. Define the **revised financial control** as a **preferred/recommended** approach

Rationale for maintaining optionality *(keep operational control)*

- **Interoperability** with programs providing optionality (e.g., IFRS, SBTi) and requiring a single or a layered approach (e.g., CSRD requires financial control and in addition calls for the value of assessing operational control-based emissions).
- **Operational control** is the **most adopted** approach for reporting and target-setting (both mandatory and voluntary reporters), and may **serve a distinct purpose** (e.g., alignment with environmental compliance).
- **Flexibility** for programs and users to choose the approach that serves their program and reporting objectives; promotes **relevance.**

Level of support

For **maintaining optionality** in consolidation approaches

Subgroup 2:

- **90% support**
- 0% oppose
- 10% abstain

10 members

Full TWG *(March and July)*

- **81% → 66% support**
- 0% → 22% oppose
- 7% → 12% abstain

42 and 41 members

Rationale for eliminating optionality *(require financial control)*

- Aligning **financial control approach** with financial accounting **addresses gaps** that previously necessitated operational control and equity share.
- **Operational control** approach has **loopholes** that allow companies to outsource and avoid accounting for emissions.
- **Key terms** used in defining **operational control have ambiguities**
- Financial control applies at entity-level whereas **operational control mostly applies at operation/asset level** (intertwined with operational boundary setting); therefore, may not be appropriate for entity-level consolidation.

For more information, please see section 2.3 of outcomes memo and Subgroup 2 meeting 4 minutes and presentation

Updates to organizational boundary requirements from select programs

	IFRS	ESRS	SBTi
Current requirements	**"Reporting entity" (IFRS S1):** "*An entity's sustainability-related financial disclosures shall be for the **same reporting entity as the related financial statements***" (par.20) **"Measurement approach" (IFRS S2):** Requirement to **disclose approach used (equity share or control)**, and reasons for choosing approach (par.B27), requirement to **disaggregate** scope 1 and 2 emissions between consolidated accounting group and other investees (par.29(a)(iv))	**"Reporting undertaking" (ESRS 1):** "*The sustainability statement shall be for the **same reporting undertaking as the financial statements***" (par.62) **GHG disclosures (ESRS E1):** Reference to ESRS 1 par.62-67 for GHG disclosures (i.e., disclosure for **same reporting undertaking as in financial statements**) with additional reporting requirement of scope 1 and 2 emissions from entities[1] under **operational control** (par.46), requirement to disaggregate between scope 1 and 2 emissions from consolidated accounting group and other investees (par.50)	**Target boundary and inventory boundary (Corporate Net-Zero Standard v1.2):** "A company **must select a single consolidation approach as outlined in the GHG Protocol Corporate Standard** (operational control, financial control or equity share) to (i) determine its organizational boundary, (ii) calculate its GHG emissions inventory and (iii) define its science-based target boundaries. The organizational boundary **should align with the company's financial reporting**."
Proposed updates to requirements in exposure drafts	**No proposed changes** in *Amendments to Greenhouse Gas Emissions Disclosures: Proposed Amendments to IFRS S2*, Exposure Draft	**Emissions reporting boundary (ESRS E1 v1.6 Exposure Draft):** "*The organisational boundary to be used in disclosing [GHG emissions] **shall be the reporting undertaking**… which is **equivalent to the financial control** (consolidation) boundary of the GHG Protocol*" (AR 19), requirement to separately report scope 1 and scope 2 emissions based on **operational control** when "*due to specific facts and circumstances*" financial control "*fails to convey a fair presentation of emissions deriving from operated assets that are outside of the reporting undertaking*"	**Two options under consideration for defining organizational and operational boundaries (Corporate Net-Zero Standard v2.0 consultation draft):** • **Option 1**: Organizational and operational boundaries **defined according to GHG Protocol Corporate Standard** • **Option 2**: Organizational and operational boundaries are **consistent with scope of entities[2] in financial statements**

1. "associates, joint ventures, unconsolidated subsidiaries (investment entities) and contractual arrangements that are joint arrangements not structured through an entity (i.e., jointly controlled operations and assets)
2. "entities, operations, assets and other holdings"

External program requirements: key points

“Reporting entity” concept and alignment of reporting boundaries with that for consolidated financial statements

- Both **IFRS S1 and ESRS 1** require sustainability statements to be for the **same reporting entity as consolidated financial statements**
- The **ESRS E1** exposure draft specifies that this equates to the GHG Protocol **financial control** consolidation approach
- One option under consideration in the **SBTi Corporate Net-Zero Standard** v2.0 consultation draft is to require boundaries to be set to **align with consolidated financial statements**

GHG Protocol: Defining organizational boundaries to align with consolidated financial statements aligns with **proposed updates to financial control approach** (provisionally) agreed upon by Corporate Standard TWG and ISB

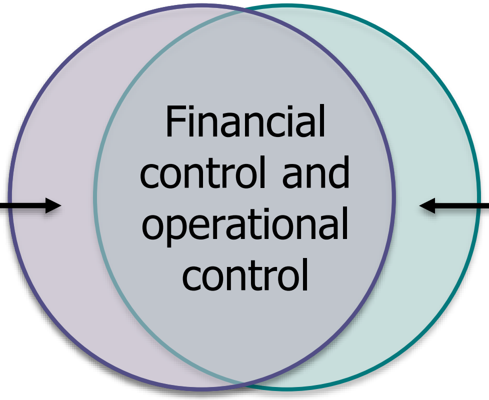
Application of operational control

- **IFRS S2** allows **choice of consolidation approaches** in Corporate Standard (2004), including operational control[1]
- **ESRS E1** requires an **additional disclosure** of scope 1 and 2 emissions from entities under operational control not part of the consolidated group (i.e., **layered requirement** to report under operational control).
- The **ESRS E1** exposure draft amended the requirement, specifying that reporters **separately disclose (total) scope 1 and 2 emissions under operational control** when financial control fails to provide a fair presentation of emissions from operated assets in addition to applying financial control (i.e., **dual reporting** under financial control and operational control)

1. Reporters required to disclose reasons for choice and to disaggregate scope 1 and 2 emissions between consolidated accounting group and other investees

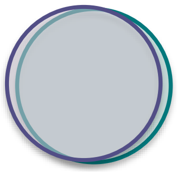
Scenarios to demonstrate the application of options under consideration

Financial control only

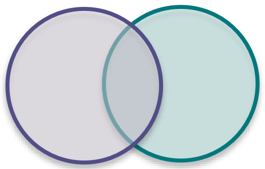


Operational control only

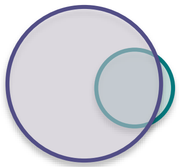
Case 1
Financial and operational control mostly overlap



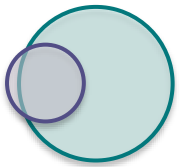
Case 2
Financial and operational control do not overlap



Case 3
Financial control > operational control



Case 4
Operational control > financial control



Case	**Emissions under financial control (FC) and operational control (OC)**			**Emissions reported under each option**				
	Under FC only	**Under OC only**	**Under both FC and OC**	**Option 1** FC and OC as equal options	**Option 2** FC recommended	**Option 3** Combined approach	**Option 4** Dual reporting	**Option 5** FC required
Case 1	5	5	90	95	95	95+5=100	95 / 95	95
Case 2	40	40	20	60	60	60+40=100	60 / 60	60
Case 3	90	5	5	95 or 10	**95** or 10	95+5=100	95 / 10	95
Case 4	5	90	5	10 or 95	**10** or 95	10+90=100	10 / 95	10

GREENHOUSE GAS PROTOCOL

Subgroup 1

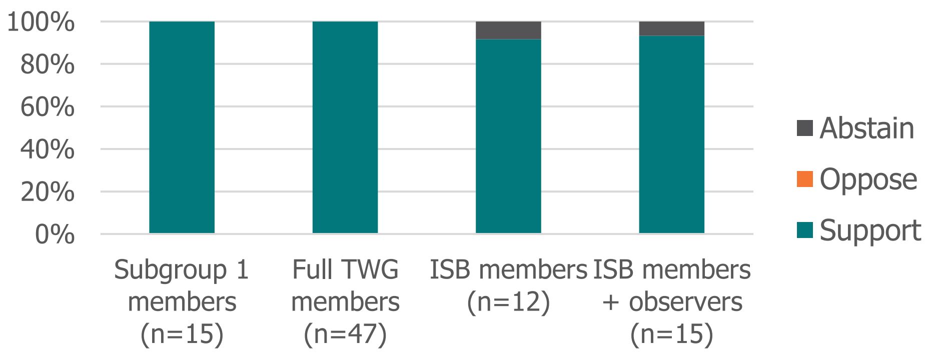
Corporate Standard revised **objectives statement**

Draft objectives statement

The primary goal of the Corporate Standard is to ***help companies develop and maintain a relevant, complete, consistent, accurate, and transparent GHG inventory****, using standardized approaches and principles in order to:*

- *Provide companies with* ***information that can be used to develop an effective strategy to manage and reduce GHG emissions*** *and track implementation progress*
- *Support more* ***transparent and comparable reporting*** *of GHG emissions according to a standardized set of accounting and reporting requirements*

Level of support



Rationale

- **Incremental updates** to current objectives listed in Corporate Standard with updated format to **highlight a primary goal** in connection with key uses of GHG information supported
- Responds to stakeholder requests for more **comparable GHG information**

Implications

- Supporting **more comparable reporting of GHG information** recognized as an objective

WORLD RESOURCES INSTITUTE

World Business Council for Sustainable Development

ISB slide

Revising the **operational control approach**

Preliminary outcome

- The current **definition** should be **fully revised**
- **Working draft text for defining "operational control"** (see next slide) is **under review**
  - Feedback from the full TWG and ISB will inform the text finalization

Rationale for revision

- Key terms used in the current definition such as **full authority** and **operating policies** were open to interpretation and not applicable to many organizational structures.
- The definition should be based on the entity's **ability to control GHG emissions** the most rather than control over operating policies

Level of support

Majority support for fully revising the current definition of operational control

Subgroup 2:

- **88% support** *(47% support with minor edits)*
- 12% oppose
- 0% abstain

17 members

Full TWG *(July meeting)***:**

78% support *(35% support with minor edits)*

3% oppose

20% abstain

40 members

Implications

- The concept of operational control poses a challenge to distinguish between "**operationally controlling an entity**" and "**operating an asset**"
- The revised operational control and financial **control approaches will be aligned in most cases:** potential for **user confusion,** and the **concern about maintaining** the approach
- Continued concerns about how to define **(the greatest) power**, clarify the focus on **control over emissions** *(on proposed reference text)*

For more information, please see section 2.4 of outcomes memo and Subgroup 2 meeting 8 minutes and presentation

Detailed key feedback from full TWG on operational control revisions

- **General support for the direction of the update**
- **Proposed definition is still subjective and open to interpretation:**
  - The term **"(more/greatest) power"** could be **subjective** and **impractical to assess**, making **assurance challenging.** It is also not applicable where there is 50/50 operational control
  - Clear and standardized definition is needed to **avoid companies from downplaying their authority/power**
  - Clarification needed on what is meant by **operating policies**
  - Specific indicators could be set (e.g., who pays for the energy, who chooses the equipment, who manages and maintains, who introduces operating policies)
  - **Align the definition of control** with the financial and legal control concepts
- **Entity-level vs. asset-level:** Operational control should be assessed at **entity level not at operational/asset level**
- **Reference to control/impact on GHG emissions**
  - Should **be maintained –** The ability to control should focus on GHG emissions
  - Should **not be maintained** - it introduces unnecessary ambiguity
- **Recent updates to external programs (i.e., ESRS E1) should be considered**
- **Additional reporting requirements** (rationale of choosing the approach)
- **Additional guidance and examples needed:**
  - Clarification needed on how operational control would apply in complex contractual and multi-party arrangements
  - Provide practical examples to illustrate how this differs from financial control
  - Categorization of leased assets
- **Other alternatives: Proportionate consolidation** or a **multi-step assessment method** should be applied

GREENHOUSE GAS PROTOCOL

Overview of latest updates on text defining operational control

Initial proposed text (as presented at full TWG Meeting 3)	**What has changed**	**Revised proposed text** (New text)	**The rationale**
Reference to "**an/the operation**"	Extended and rephrased	To include "**an [operation/entity or contractual arrangement]**" **Related rephrasing:** Introducing "the former and "the latter"	Enable consistent approach to **organizational boundary setting**
Reference to "…impact the operation's **greenhouse gas emissions**" and "**emissions-related decisions**"	Deleted	-	Avoid introducing **subjective new concepts** and **further complexity**
Reference to "***or one of its subsidiaries***"	Deleted	-	To simplify and avoid reference to intermediaries
-	New addition	Reference to "**influence**" in addition to "direct and implement policies, processes…."	Enable **parties with informal or soft power to take responsibility** of emissions

Remaining challenges

- Usage or replacement of the term **"(greatest) power"**
- How to address cases where there is **50/50 operational control**
- Clarification for cases where the day-to-day **operator is different from the party with power**