Greenhouse Gas Protocol
Corporate Standard Revisions
Phase 1 Progress Update
December 2025

Context:

The Greenhouse Gas Protocol (GHG Protocol) is undertaking a process to revise its suite of corporate standards, including the Corporate Standard (Revised Edition, 2004). This document provides an overview of progress on revisions under development related to phase 1 topics by the Corporate Standard Technical Working Group and the GHG Protocol Independent Standards Board. Phase 1 topics include Corporate Standard objectives, greenhouse gas accounting and reporting principles, organizational boundaries, and operational boundaries.

This document is provided for informational purposes only in line with GHG Protocol's objective to ensure a transparent standard development process. All revisions under development and proposed working draft standard text contained herein are subject to change and should not be construed as final nor relied upon as advice.

This document is a synthesis of information which has already been available to the public via Technical Working Group meeting materials posted to the GHG Protocol Standards Development and Governance Repository. The contents of this document are not subject to public consultation at this time. A complete draft revised Corporate Standard will be released in mid-2026 for public consultation, and will supersede any contents of this document.

Disclaimer:
GHG Protocol is not responsible for reliance on or actions taken based on the contents of this document and provisional text herein.

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1. Introduction

1.1. Purpose of this document

This Phase 1 Progress Update serves to summarize progress made by the Corporate Standard Technical Working Group (TWG) and the GHG Protocol Independent Standards Board (ISB) since the process to revise the GHG Protocol Corporate Accounting and Reporting Standard (Corporate Standard) via these bodies began in 2024. This document is provided to the public for informational purposes to give stakeholders insight into revisions under development and summarizes information available to the public via TWG meeting materials posted to the GHG Protocol Standards Development and Governance Repository (GHG Protocol Repository).

A full draft of the revised Corporate Standard will be released in mid-2026 for public consultation. In line with the GHG Protocol Standard Development and Revision Procedure, GHG Protocol requests that interested stakeholders hold comments related to the topics included in this document until the public consultation period. All revisions under development presented in this document, along with working draft text, are subject to change prior to the release of the public consultation draft.

This document covers topics addressed in phase 1 of the Corporate Standard revision process, including:

- Objectives of the Corporate Standard (section 2)
- GHG accounting and reporting principles (section 3)
- Organizational boundaries (section 4)
- Operational boundaries (section 5)

For each topic, the following information is provided:

- **Current approach**: A summary of current requirements and/or relevant recommendations or options in the Corporate Standard and other GHG Protocol standards
- **Summary of proposed revisions under development**: Summary of proposed revisions to the current approach, under development by the TWG and ISB
- **Proposed working draft text revisions**: Working draft text related to proposed updates to requirements and key guidance where relevant, with proposed draft changes from current GHG Protocol text shown in green
- **Options considered by TWG**: An overview of options considered by the TWG to address a given issue, before arriving at the approach under development by the TWG listed above
- **Rationale**: The rationale for the approach under development by the TWG in consideration of the GHG Protocol decision-making criteria
- **Pending items**: Any related outstanding revisions, including connections with topics addressed elsewhere in the standards revision process (including other scope of work items for the Corporate Standard revisions or revisions to other standards)

- **References**: Relevant TWG meetings are listed, and links to TWG meeting minutes and slides are provided in Appendix II. All TWG meeting materials are available in the GHG Protocol Repository.

1.2. Standards revision process

GHG Protocol is undertaking a coordinated process to update its corporate suite of standards across four workstreams: 1) the Corporate Standard, 2) Scope 2 Guidance, 3) Scope 3 Standard and Guidance, and 4) to provide new guidance on accounting and reporting for corporate actions and market instruments, building on existing GHG Protocol standards and guidance where relevant. Updates to the Corporate Standard will be published as the third edition to the document, replacing the second edition ("Revised Edition"), published in 2004.

The process to revise the corporate suite of standards is being implemented in partnership with the International Organization for Standardization (ISO), with the objective of producing a harmonized set of international standards for corporate/organization-level GHG accounting.

Refer to the GHG Protocol Standard Development and Revision Procedure for more information on the procedures to develop, revise, approve, and maintain GHG Protocol standards.

Global stakeholder survey

Between November 2022 and March 2023, GHG Protocol invited the public to provide feedback on the current suite of corporate standards and guidance, including the Corporate Standard. The GHG Protocol Secretariat received over 375 responses to the Corporate Standard survey, along with over 40 proposals related to topics in the Corporate Standard. For further information, refer to these links for summaries of survey responses and proposals received. Stakeholder feedback was used to develop the scope of work for standard revisions in the Standard Development Plan (SDP) for the Corporate Standard (see Appendix I for scope of work) and helped inform options considered by the TWG.

GHG Protocol governance

The process to revise the Corporate Standard has been implemented through GHG Protocol's governance structures, namely the Corporate Standard TWG and the ISB, with day-to-day management of the process by the GHG Protocol Secretariat. The Corporate Standard TWG supports the development of the technical content of the standard, with the ISB reviewing and making decisions on revisions recommended by the Corporate Standard TWG. Refer to the GHG Protocol Governance Overview for more information on governance structures and their respective roles. The Steering Committee (SC) will ratify the decision of the ISB to publish the final standard.

Corporate Standard TWG

The Corporate Standard TWG includes 58 members from over 20 countries and 5 continents, representing diverse areas of expertise and types of organizations including companies across sectors, consultants, governments, GHG programs, universities, and NGOs.

In the process to develop draft updates, the TWG is operating across three subgroups over two phases, as summarized below:

Subgroup	Phase 1 topics	Phase 2 topics
Subgroup 1	Objectives and principles	Tracking emissions over time
Subgroup 2	Organizational boundaries	Verification/assurance
Subgroup 3	Operational boundaries	Data/calculation methodology

Between September 2024 and the end of 2025, 37 meetings of the TWG have been held. All proposed revisions developed by a given subgroup are reviewed by the full TWG. Slides and minutes from each meeting are regularly posted to the GHG Protocol Repository and form the basis for this document.

The TWG has already started addressing some phase 2 topics. The complete draft of the revised Corporate Standard is scheduled to go to public consultation in mid-2026, with final publication of the third edition of the standard expected by the end of 2027.

ISO-GHG Protocol Partnership

In September 2025, GHG Protocol and ISO announced a strategic partnership to co-develop standards for GHG emissions accounting and reporting. The focus of the partnership is to jointly develop and harmonize standards related to corporate/organization-level carbon accounting, product carbon accounting, and project accounting. Members of ISO's technical community will join GHG Protocol's existing Technical Working Groups for Corporate Standard, Scope 2, Scope 3, and Actions and Market Instruments in Q1 2026 to support and strengthen the ongoing revisions. Work to date by the Corporate Standard TWG presented here predates the integration of TWG members from ISO's technical community. Answers to frequently asked questions on the ISO-GHG Protocol partnership are available on the GHG Protocol website.

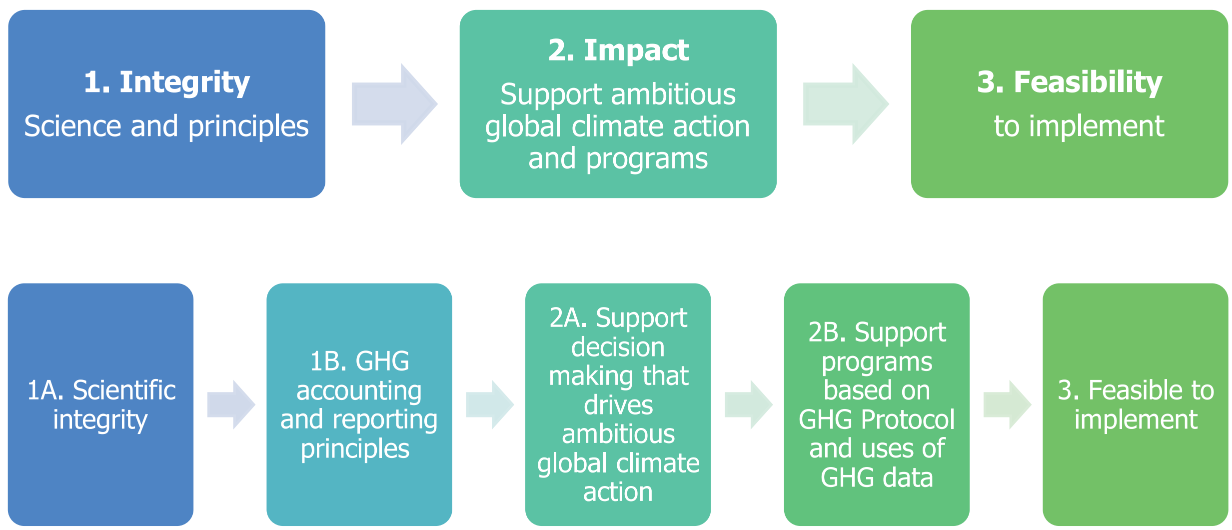
Public consultation process

A draft of the revised Corporate Standard is scheduled for release in mid-2026 for public consultation. In line with the Standard Development and Revision Procedure, the GHG Protocol Secretariat will not accept or process any feedback submitted prior to this formal consultation period.

This document is intended to outline the direction of travel for revisions based on the progress thus far, providing stakeholders with additional time to start considering potential proposed revisions in advance of the public consultation. In addition to feedback on the entire draft standard, the public consultation will specifically seek input on topics where TWG and ISB members expressed differing or opposing views. Please note that the content presented in this document is still subject to change prior to public consultation.

GHG Protocol decision-making criteria

Throughout the standard development and revision process, all governance and advisory bodies of the GHG Protocol follow the decision-making criteria approved by the ISB and SC and contained in Annex A to the Governance Overview (summarized below).



1.3. Summary of key proposed revisions to the Corporate Standard under development

Revisions under development by the TWG are summarized below by topic (and detailed further in later sections of this document).

Objectives and principles

Relevant chapters in the Corporate Standard: Introduction, chapter 1 (GHG Accounting and Reporting Principles), and chapter 2 (Business Goals and Inventory Design)

- Working draft updated **objectives statement** for the Corporate Standard, including language on supporting more comparable GHG information (Section 2)
- Updates to guidance for the **relevance principle** to provide clarification on relevance and how it relates to the concept of **materiality** as used in external programs (Section 3.1)
- Expanded applicability of the **consistency principle** to consistency in methodologies between units within companies and between companies (when relevant) in addition to over a time series, along with updated guidance to clarify the relationship between consistency in methodologies and **comparability** of resulting information (Section 3.3)
- Revised guidance for the **transparency principle** to better distinguish between external transparency and internal **verifiability** (Section 3.4)

- New guidance for the **accuracy principle** on **conservativeness** and when conservative approaches should be considered (Section 3.5)

Organizational boundaries

Relevant chapters in the Corporate Standard: chapter 3 (Setting Organizational Boundaries) and sections in chapter 4 (Setting Operational Boundaries) on leased assets

- **Set of requirements and recommendations** for defining **organizational boundaries** (Section 4.1) including:
    - Requirement to consolidate emissions based on **control** (eliminating the equity share approach)
    - Recommendation to consolidate emissions based on **financial control**
    - Recommendation for **additional reporting** of emissions under the reporting company's **operational control** not already captured under financial control when financial control provides an incomplete picture of a company's emissions
    - Maintain **operational control as a stand-alone option**
    - **Expanded disclosure requirements** for companies choosing not to follow the above recommendations (i.e., consolidation based on financial control, and where relevant additional reporting of emissions under operational control but not financial control)
- **Updates to the financial control** consolidation approach used for GHG accounting to align with **financial accounting consolidation** in a principles-based, Generally Accepted Accounting Principles (GAAP)-agnostic approach (Section 4.2)
- **Updates to the operational control** consolidation approach to clarify ambiguities and support the approach's consistent application. (Section 4.3)

Operational boundaries

Relevant chapter in the Corporate Standard: chapter 4 (Setting Operational Boundaries)

- Adopt a **scope 3 requirement** in the Corporate Standard that is harmonized with the Scope 3 Standard and defined with a quantitative exclusion threshold (Section 5.1)
- Make **scope 1 and scope 2 exclusions** more **prescriptive and quantitative**, defining a 1% quantitative exclusion threshold for scope 1 and a 1% quantitative exclusion threshold for scope 2 (Section 5.2).

2. Progress on updates to Corporate Standard objectives

Key highlights on revisions under development to the Corporate Standard objectives

- Working draft updated **objectives statement** for the Corporate Standard, including proposed language on supporting more comparable GHG information

Current approach

The introduction to the Corporate Standard lists five objectives, stating that "*the standard and guidance were designed with the following objectives in mind*":

- "*To help companies prepare a GHG inventory that represents a true and fair account of their emissions, through the use of standardized approaches and principles*
- *To simplify and reduce the costs of compiling a GHG inventory*
- *To provide business with information that can be used to build an effective strategy to manage and reduce GHG emissions*
- *To provide information that facilitates participation in voluntary and mandatory GHG programs*
- *To increase consistency and transparency in GHG accounting and reporting among various companies and GHG programs.*" (Corporate Standard, page 3)

The Corporate Value Chain (Scope 3) Accounting and Reporting Standard (2011) ("Scope 3 Standard") lists a similar but more concise list of three objectives:

- "*To help companies prepare a true and fair scope 3 GHG inventory in a cost-effective manner, through the use of standardized approaches and principles*
- *To help companies develop effective strategies for managing and reducing their scope 3 emissions through an understanding of value chain emissions and associated risks and opportunities*
- *To support consistent and transparent public reporting of corporate value chain emissions according to a standardized set of reporting requirements*" (Scope 3 Standard, page 4)

The Scope 3 Standard also includes a statement describing the primary goal of the standard:

> "*The primary goal of this standard is to provide a standardized step-by-step approach to help companies understand their full value chain emissions impact in order to focus company efforts on the greatest GHG reduction opportunities, leading to more sustainable decisions about companies' activities and the products they buy, sell, and produce.*" (Scope 3 Standard, page 4)

Summary of proposed revisions under development

Revisions under development entail a more concise objectives statement than the list in the current Corporate Standard. The proposed revised statement first describes the primary goal of the standard, which is helping companies develop and maintain a GHG inventory. The statement then notes two related objectives of GHG inventories that the standard aims to support, related to internal uses of data to inform emission reduction strategies and to external reporting of GHG emissions.

The primary substantive proposed change is a recognition that the Corporate Standard aims to support better comparability of reported GHG information. Refer to Section 3.3 for more information on comparability as implemented in proposed updates to the consistency principle.

Proposed working draft text revisions

Updated objectives statement (working draft):

The primary goal of the Corporate Standard is to help companies and other organizations[1] develop and maintain a relevant, complete, consistent, accurate, and transparent GHG inventory, using standardized approaches and principles, in order to:

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

Options considered by TWG

The TWG reviewed each of the objectives currently listed in the Corporate Standard to consider each objective's continued relevance as the GHG accounting and reporting ecosystem has evolved since the standards were last updated. The TWG also specifically considered whether to include comparability of GHG information among the objectives.

Rationale

Framing of the objectives statement: The proposed objectives statement aims to highlight the primary goal that the standard itself aims to achieve and connect this to two more specific objectives supporting key uses of GHG information produced by following the standard. The key uses cited acknowledge the role of the standard in helping companies prepare information to serve their internal objectives for managing and reducing emissions while also recognizing the demand for disclosure of GHG information to external stakeholders.

Supporting better comparability of GHG information: By recognizing the standard's role in supporting more comparable GHG information, the proposed objectives statement seeks to consider

[1] The Corporate Standard applies to companies and other types of organizations that give rise to GHG emissions (e.g., NGOs, government agencies, and universities). Throughout this document, the word "company" is in working draft text in reference to any type of organization applying the standard. As part of the standards revision process, alternative terms are under consideration, including "entity" and "organization."

uses of GHG data by stakeholders external to reporting companies (e.g., investors) and respond to stakeholder feedback highlighting the need for greater comparability. By using qualifying language on supporting *more* comparable information, the statement aims to acknowledge that perfect comparability may not be achievable. The 'pending items' subsection below provides more information on implementing the comparability objective in other standard revisions.

Other minor proposed updates: Below are notes on the rationale for other minor proposed updates included in the working draft objectives statement:

- A reference to GHG accounting and reporting principles is proposed to replace the phrase "true and fair" in the first objective in the current standard. This update would use terms that are defined elsewhere in the standard and are better understood by a range of different users of the standard.
- A reference to helping companies "develop and maintain" a GHG inventory is proposed to replace the reference to helping companies "prepare" a GHG inventory. This change intends to highlight that developing a GHG inventory as a one-time exercise is insufficient, and that an inventory should be maintained, improved upon, and used to track progress over time.
- Proposed revisions include removing the reference to reducing costs included in the second objective currently listed in the standard as the objective is considered to be less relevant in the present context compared to when the Corporate Standard was first developed. By virtue of creating a standard when none existed (along with guidance, calculation tools and other resources produced by GHG Protocol), the original Corporate Standard served to reduce the costs of developing of GHG inventory by providing a roadmap for companies to follow. GHG Protocol's efforts to promote harmonization across the GHG accounting and reporting ecosystem during the revisions process, including but not limited to the partnership with ISO, aim to streamline reporting and thus reduce costs.
- A reference to "tracking progress over time" is proposed after "developing an effective strategy" to emphasize that a GHG inventory not only provides information to help companies develop mitigation strategies but also to monitor progress over time.

See Appendix III for the level of support from the ISB on the direction of proposed revisions to Corporate Standard objectives.

Pending items

The proposed working draft objectives statement will be integrated into the introductory chapter of the Corporate Standard, which is currently under development.

The objective of supporting more comparable GHG information is being considered in the standards update process on a case-by-case basis for each prospective revision. This entails weighing the respective merits of limiting optionality to advance comparability versus the other purposes served by providing multiple options using the GHG Protocol decision-making criteria. Revisions under development that would move in the direction of greater standardization, in part to promote more comparable information, include a proposal to limit options for setting organizational boundaries (see

Section 4.1), a proposed scope 3 requirement (Section 5.1) and a proposal to more prescriptively define justifiable exclusions (Sections 5.1 and 5.2).

References

See Appendix II for a full list of meeting materials, including links to meeting slides and minutes. The topic of Corporate Standard objectives was covered at Full TWG meetings 2 and 3, and Subgroup 1 meetings 1, 2, 3, 4, 5, and 8.

3. Progress on updates to GHG accounting and reporting principles

The Corporate Standard defines the following five GHG accounting and reporting principles, with current definitions of each principle provided in the sections below:

- Relevance
- Completeness
- Consistency
- Transparency
- Accuracy

These principles are "*intended to underpin and guide GHG accounting and reporting to ensure the reported inventory represents a faithful, true, and fair account of a company's emissions*" (Scope 3 Standard, page 23).

The Scope 3 Standard includes the same five principles, with identical definitions to those in the Corporate Standard unless otherwise noted in the sections below. The draft Land Sector and Removals Guidance (2022)[2] also includes three additional principles: conservativeness and permanence, which are required for accounting and reporting on CO_2 removals, and comparability, which is a recommended principle.

[2] This document refers to the Draft Land Sector and Removals Guidance (2022) as it predates the planned publication of the final Land Sector and Removals Standard on January 30th, 2026.

Key highlights on revisions under development to GHG accounting and reporting principles

- Updates to guidance for the **relevance principle** to provide clarification on relevance and how it relates to the concept of **materiality** as used in external programs (Section 3.1)
- Expanded applicability of the **consistency principle** to consistency in methodologies between units within companies and between companies (when relevant) in addition to over a time series, along with updated guidance to clarify the relationship between consistency in methodologies and **comparability** of resulting information (Section 3.3)
- Revised guidance for the **transparency principle** to better distinguish between external transparency and internal **verifiability** (Section 3.4)
- New guidance for the **accuracy principle** on **conservativeness** and when conservative approaches should be considered (Section 3.5)

References

See Appendix II for a full list of meeting materials, including links to meeting slides and minutes. The topic of GHG accounting and reporting principles was covered at Full TWG meetings 2 and 3, and Subgroup 1 meetings 3, 4, 5, and 8.

3.1. Relevance principle: Guidance on materiality

Current approach

The Corporate Standard defines the relevance principle as follows:

> "*Ensure the GHG inventory appropriately reflects the GHG emissions of the company and serves the decision-making needs of users – both internal and external to the company*." (Corporate Standard, page 7)

The term "materiality" is currently used in Chapter 10 of the Corporate Standard in the context of "material discrepancies" in verification where "*information is considered to be material if, by its inclusion or exclusion, it can be seen to influence any decisions or actions taken by users of it.*" (Corporate Standard, page 69)

Summary of proposed revisions under development

The proposed revision would update the guidance for the relevance principle to reference the related term "materiality." Supporting text on materiality under development intends to clarify that while the Corporate Standard does not currently define any specific accounting or reporting requirements on the basis of materiality, some external programs do and may define the concept in terms of financial materiality, impact materiality, or double materiality. No revisions are currently proposed to the definition of the relevance principle.

Proposed working draft text revisions

Working draft revisions to the guidance for the relevance principle (including supplemental text on materiality) are underway by the TWG as described in the above subsection, with proposed text to be provided in the draft for public consultation.

Options considered by TWG

The TWG considered whether to update guidance for the relevance principle to provide reference to materiality as a related concept. The TWG also discussed the current use of the term "materiality" in chapter 10 of the Corporate Standard related to "material discrepancies" in the verification of GHG inventories. The latter usage will be further considered in phase 2 of revisions related to verification and assurance.

Rationale

Providing clarifying language on the concept of materiality as it applies in external programs referring to the Corporate Standard seeks to:

- Promote interoperability of program requirements with those in the Corporate Standard
- Support reporters subject to or participating in external programs

The current proposed revisions under development to the relevance principle do not imply the establishment of any accounting or reporting requirements on the basis of materiality (nor do they preclude them). One key Phase 1 revision entails the adoption of quantitative thresholds for justifiable exclusions (see Section 5), an approach that applies uniformly across companies and does not entail company-specific evaluations on the basis of materiality.

See Appendix III for the level of support from the ISB on the direction of proposed revisions to the relevance principle to reference materiality.

Pending items

The proposed working draft text will be finalized and integrated as part of an updated chapter on GHG accounting and reporting principles. Proposed updates may require further revisions based on any updates that occur later during the revisions process that relate to materiality. Specifically, the topic of verification and assurance is part of the phase 2 scope of work for the Corporate Standard, and there may be further consideration of the use of the term "materiality" in this context.[3]

3.2. Completeness principle: Updates to align with revisions to operational boundaries

Current approach

The Corporate Standard defines the completeness principle as follows:

> "*Account for and report on all GHG emission sources and activities within the chosen inventory boundary. Disclose and justify any specific exclusions*." (Corporate Standard, page 7)

The Scope 3 Standard includes a nearly identical definition, with the only difference being the removal of the word "chosen" in reference to the inventory boundary.

Summary of proposed revisions under development

Revisions to the completeness principle are under development with the intention of aligning with proposed updates to operational boundaries, including a scope 3 requirement (see Section 5.1) and the use of quantitative thresholds to define justifiable exclusions (see Section 5.2). These proposed revisions include removal of the word "chosen" in reference to the inventory boundary in the principle's definition and updated language under development for the guidance.

Proposed working draft text revisions

The proposed working draft text for the definition of the completeness is shown below, with changes from current Corporate Standard text in *green* and removed text with a ~~*strikethrough*~~.

Account for and report on all GHG emissions, from sources and activities within the ~~chosen~~ inventory boundary. Disclose and justify any exclusions.

Working draft revisions to the guidance for the completeness principle are underway by the TWG as described in the above subsection, with proposed text to be provided in the draft for public consultation.

Options considered by TWG

No specific revisions were proposed to the completeness principle, beyond those to align with updated requirements proposed for operational boundaries.

[3] Scope of Work item E.3 includes considering additional clarification regarding the concept of materiality and materiality thresholds. Refer to Appendix I for the full scope of work from the Standard Development Plan for the Corporate Standard.

Rationale

Proposed text revisions are intended to align with updates under development to requirements for setting operational boundaries (see Section 5 for more information). This includes removing the word "chosen" in reference to the inventory boundary in the principle's definition as proposed updates to requirements for defining the inventory boundary are moving in the direction of more prescriptiveness (e.g., required scope 3 emissions reporting).

Pending items

The proposed working draft text will be finalized and integrated as part of an updated chapter on GHG accounting and reporting principles.

3.3. Consistency principle: Expanded applicability and guidance on comparability of GHG information

Current approach

The Corporate Standard defines the consistency principle as follows, with the principle applying specifically to the use of consistent methodologies over a time series:

> "*Use consistent methodologies to allow for meaningful comparisons of emissions over time. Transparently document any changes to the data, inventory boundary, methods, or any other relevant factors in the time series.*" (Corporate Standard, page 7)

The draft Land Sector and Removals Guidance (2022) includes an optional comparability principle, which is recommended "where relevant" and defined as follows:

> "*Apply common methodologies, data sources, assumptions, and reporting formats such that the reported GHG inventories from multiple companies can be compared.*" (draft Land Sector and Removals Guidance (2022), page 20)

Summary of proposed revisions under development

Proposed revisions under development would expand the consistency principle to also apply to the use of consistent methodologies between different divisions within a single reporting company and between different reporting companies (when relevant) over a single reporting period. Proposed updated guidance includes supporting text on comparability intended to provide clarification on the relationship between consistency in methodologies and enhanced comparability of resulting GHG information. Proposed supporting text on comparability also aims to highlight the following:

- The role that the Corporate Standard plays in facilitating a degree of comparable information through providing a standardized framework for developing a GHG inventory and the role that external programs can play in enhancing comparability further by limiting optionality to a greater degree than in the Corporate Standard

- Limitations to the provision of comparable information through the application of consistent methods alone, given differences between companies (e.g., differences in sector, product portfolios, organizational structures, geography, etc.)

Proposed working draft text revisions

Working draft text proposed for the expanded definition of the consistency principle is shown below, with changes from current Corporate Standard text shown in *green*.

Use consistent methodologies to allow for meaningful comparisons of GHG emissions, over time, between divisions within the company, and across multiple companies where relevant. Transparently document any changes to the data, inventory boundary, methods, or any other relevant factors in the time series.

Working draft revisions to the guidance for the consistency principle (including supplemental text on comparability) are underway by the TWG as described in the above subsection, with proposed text to be provided in the draft for public consultation.

Options considered by TWG

*The option provisionally recommended by the TWG is shown in **bold**.*

In response to stakeholder requests to address the need for more comparable GHG information, the following options for updating GHG accounting and reporting principles were considered:

- No updates to principles, with updates made to Corporate Standard objectives only, providing language on supporting better comparability of GHG information (see Section 2 for more information)
- **Expand definition of consistency principle to apply to consistency in methodologies between divisions within a company and between different companies (when relevant)**
- Establish a recommended or optional comparability principle (approach taken in the draft Land Sector and Removals Standard (2022))
- Establish a required comparability principle

Rationale

Updates under development are intended to support stakeholder needs for more comparable information and a related proposed Corporate Standard objective to advance comparability. The approach of expanding the applicability of the consistency principle seeks to provide a clear distinction between consistency in methodologies as part of preparing a GHG inventory and comparability of resulting GHG information. The proposed approach also aims to align with how the concepts of consistency and comparability are defined in financial reporting[4], and by extension relevant external programs/standards including IFRS S1[5] and ESRS 1[6] per text excerpted below:

> "*Comparability is the qualitative characteristic that enables users to identify and understand similarities in, and differences among, items.*"
>
> "*Consistency, although related to comparability, is not the same. Consistency refers to the use of the same methods for the same items, either from period to period within a reporting entity or in a single period across entities. Comparability is the goal; consistency helps to achieve that goal.*"

While the proposed approach expands the applicability of the consistency principle, both the principle's definition and guidance maintain language emphasizing the importance of consistency over a time series and how to apply the principle in this context.

See Appendix III for the level of support from the ISB on the direction of proposed revisions to the consistency principle and comparability of GHG information.

Pending items

The proposed draft text will be finalized and integrated as part of an updated chapter on GHG accounting and reporting principles.

The proposed approach differs from the one taken in the draft Land Sector and Removals Guidance (2022). Given the respective timelines for publishing the forthcoming Land Sector and Removals Standard and updating the Corporate Standard, updates to the Land Sector and Removals Standard to harmonize with the Corporate Standard approach will be reviewed when the Land Sector and Removals Standard is next updated if the approach proposed here is adopted in the Corporate Standard.

3.4. Transparency principle: Distinguishing between transparency and verifiability

Current approach

The Corporate Standard defines the transparency principle as follows, which includes language related to both external transparency to stakeholders and internal verifiability:

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[4] Conceptual Framework for Financial Reporting (Chapter 2, 2.24-2.29)

[5] IFRS S1 General Requirements for Disclosure of Sustainability-related Financial Information (Appendix D, D17-D20)

[6] ESRS 1 General Requirements (Appendix B, QC10-QC12)

"*Address all relevant issues in a factual and coherent manner, based on a clear audit trail. Disclose any relevant assumptions and make appropriate references to the accounting and calculation methodologies and data sources used.*" (Corporate Standard, page 7)

Summary of proposed revisions under development

Proposed revisions under development to the transparency principle seek to preserve the scope of content captured in the principle's definition and related guidance, but with proposed updated language intended to more clearly delineate between external transparency and internal verifiability as separate but related concepts.

Proposed working draft text revisions

Working draft proposed text for the definition of the transparency principle is shown below, with changes from current Corporate Standard text in *green*.

Ensure that GHG reporting contains all information relevant to users including but not limited to assumptions, limitations, exclusions, and references to accounting and calculation methodologies and data sources used. Present all information in a clear, factual, neutral, and understandable manner. Maintain clear documentation (i.e., an audit trail) to enable internal reviewers and external verifiers to attest to the credibility of reported GHG information.

Working draft revisions to the guidance for the transparency principle are underway by the TWG as described in the above subsection, with proposed text to be provided in the draft for public consultation.

Options considered by TWG

*The option provisionally recommended by the TWG is shown in **bold**.*

To better distinguish between external transparency and internal verifiability, the following options were considered by the TWG:

- **Make updates within the transparency principle to better distinguish between external transparency and internal verifiability**
- Delineate separate transparency and verifiability principles

Rationale

The revisions proposed seek to preserve the scope of content for the transparency principle, capturing elements of both external transparency and internal verifiability, while avoiding the introduction of a new principle. Proposed reorganization to better distinguish between these two concepts is intended to provide clarity to users of the standard on what application of the transparency principle entails. Making revisions with the transparency principle intends to highlight clear documentation as a key element of ensuring both internal verifiability of GHG information and transparent external reporting. Proposed revisions intend to recognize the greater importance of verifiability compared to when the current standard was released, noting increased expectations for GHG inventories to be verified or assured.

Pending items

The proposed working draft text will be finalized and integrated as part of an updated chapter on GHG accounting and reporting principles.

Updates related to the topic of verification and assurance (current Corporate Standard chapter 10) will be considered during phase 2 of revisions. See scope of work items E.1-E.6 in Appendix I for more information.

3.5. Accuracy principle: Guidance on conservativeness

Current approach

The Corporate Standard defines the accuracy principle as follows:

> "*Ensure that the quantification of GHG emissions is systematically neither over nor under actual emissions, as far as can be judged, and that uncertainties are reduced as far as practicable. Achieve sufficient accuracy to enable users to make decisions with reasonable assurance as to the integrity of the reported information*." (Corporate Standard, page 7).

The definition of the accuracy principle in the Scope 3 Standard) includes one wording change from the definition in the Corporate Standard, replacing "assurance" with "confidence."

The draft Land Sector and Removals Guidance (2022) includes a conservativeness principle that companies accounting and reporting on CO_2 removals are required to follow:

> "*Use conservative assumptions, values, and procedures when uncertainty is high. Conservative values and assumptions are those that are more likely to overestimate GHG emissions and underestimate removals*." (draft Land Sector and Removals Guidance (2022), page 20)

Summary of proposed revisions under development

The primary update proposed to the accuracy principle is to add language to the guidance specifying that when uncertainty is high and accurate estimates are not practicable, conservative estimates should be used when relevant to the objectives of the GHG inventory. Proposed revisions include the addition of supplemental text with guidance on conservativeness, in part adapting language from the GHG Protocol Policy and Action Standard (2014). Updates under development to guidance intend to highlight the following:

- Emphasize that accuracy should be pursed as far as possible, but once uncertainty can no longer be reduced, conservative estimates should be used if relevant to the objectives of the inventory.

- Specify that conservativeness entails overestimating emissions and underestimating emissions reductions over a time series (i.e., meaning that base year emissions should not be overestimated).
- Emphasize that conservativeness should not be a substitute for collecting accurate data or for improving data systems.
- Acknowledge that for some inventory objectives, neutral estimates should be prioritized over conservative ones.

Proposed working draft text revisions

Working draft revisions to the guidance for the accuracy principle (including supplemental text on conservativeness) are underway by the TWG as described in the above subsection, with proposed text to be provided in the draft for public consultation.

Options considered by TWG

*The option provisionally recommended by the TWG is shown in **bold**.*

The TWG considered the following options:

- No change to principles (i.e., do not provide a reference to conservativeness in accuracy nor adopt a conservativeness principle)
- Add a conservativeness principle
- **Update accuracy principle to provide guidance on conservativeness and when the application of conservative approaches should be considered**

Rationale

Proposed updates to guidance indicating that companies should use conservative methods when uncertainty is high in lieu of adding a conservativeness principle is intended to frame conservativeness as a recommendation rather than a requirement. Revisions under development also include proposed language noting that whether and to what extent conservativeness should be applied depends on the objectives served by the GHG inventory, intended to recognize that there may be circumstances where unbiased estimates should be prioritized.

The proposed guidance on conservativeness emphasizes that accuracy should be pursued to the extent possible and that conservativeness only be applied in instances where accurate estimates are not practicable. Hence, proposed language on conservativeness is framed with the intention of avoiding conflict with the accuracy principle. Qualifying language is proposed to emphasize that for base year emissions, the application of conservativeness entails underestimation so that emissions reductions over time are not overstated.

Recommending the application of conservative approaches seeks to avoid the understatement of emissions in instances of high uncertainty. Advising companies to apply conservative approaches when uncertainty is high intends to provide an incentive to obtain higher quality data and reduce uncertainty.

See Appendix III for the level of support from the ISB and a summary of opposing views from ISB members on the direction of revisions to the accuracy principle and reference to conservativeness.

Pending items

The proposed draft text will be finalized and integrated as part of an updated chapter on GHG accounting and reporting principles.

When to apply conservative approaches is contingent on an understanding of uncertainty, with updates related to uncertainty underway as part of phase 2 revisions.[7]

4. Progress on updates to organizational boundaries

Organizational boundaries define those businesses and operations that constitute the organization for the purpose of accounting and reporting GHG emissions. To set organizational boundaries, a company chooses a GHG consolidation approach and applies it consistently.

Key highlights on revisions under development to organizational boundaries

- **Set of requirements and recommendations** under development for defining organizational boundaries (Section 4.1) including but not limited to the proposed elimination of the equity share approach and recommending the financial control approach as the primary basis for consolidating GHG emissions
- **Proposed updates to the financial control** consolidation approach intended to ensure a future-proof alignment with companies' and other organizations' financial accounting consolidation, using a principles-based, GAAP-agnostic approach (Section 4.2)
- **Proposed updates to the operational control** consolidation approach intended to clarify ambiguities and support the approach's consistent application (Section 4.3)

[7] Scope of work item F.1 in entails updates to address data quality and uncertainty including consideration of additional disclosure requirements related to data quality and uncertainty and additional guidance on developing uncertainty estimates. See Appendix I for the full scope of work for Corporate Standard revisions.

4.1. Set of requirements and recommendations for setting organizational boundaries

Current approach

Chapter 3 of the Corporate Standard defines approaches for consolidating GHG emissions, allowing companies to select between the equity share, financial control, and operational control consolidation approaches:

> "*For corporate reporting, two distinct approaches can be used to consolidate GHG emissions: the equity share and the control approaches. Companies shall account for and report their consolidated GHG data according to either the equity share or control approach…*" (Corporate Standard, page 17)
>
> "*Under the equity share approach, a company accounts for GHG emissions from operations according to its share of equity in the operation*." (Corporate Standard, page 17)
>
> "*Under the control approach, a company accounts for 100 percent of the GHG emissions from operations over which it has control. It does not account for GHG emissions from operations in which it owns an interest but has no control. Control can be defined in either financial or operational terms. When using the control approach to consolidate GHG emissions, companies shall choose between either the operational control or financial control criteria*." (Corporate Standard, page 17)

Chapter 9 of the Corporate Standard provides reporting requirements related to organizational boundaries:

> Required information: "*An outline of the organizational boundaries chosen, including the chosen consolidation approach*" (Corporate Standard, page 63)

Section 5.2 of the Scope 3 Standard also includes text describing the application of consolidation approaches across the emissions scopes:

> "*Companies should use a consistent consolidation approach across the scope 1, scope 2, and scope 3 inventories…*" (Scope 3 Standard, page 28)
>
> "*Scope 3 includes:*
>
> - *Emissions from activities in the value chain of the entities included in the company's organizational boundary*
> - *Emissions from leased assets, investments, and franchises that are excluded from the company's organizational boundary but that the company partially or wholly owns or controls*" (Scope 3 Standard, page 29)

Summary of proposed revisions under development

Revisions under development to the current method for setting organizational boundaries include proposed new requirements and recommendations for consolidation, which consists of a two-step assessment provided as best practice for defining a comprehensive organizational boundary for GHG accounting.

Updates under development to the requirements and recommendations for setting organizational boundaries include the following key proposed revisions:

- **Requirement for consolidation of GHG emissions based on control (i.e., elimination of the equity share approach as an option).**
- **Recommendation that companies consolidate GHG emissions based on financial control**, with a revised definition of financial control aiming to align with consolidation method used in financial accounting. (Section 4.2 provides more information on proposed revisions under development to the financial control approach and alignment with financial accounting.)
- **Recommendation that companies also separately report emissions under operational control which are not under financial control when financial control does not provide a sufficiently comprehensive picture of a company's emissions.** (Section 4.3 provides more information on proposed revisions under development to the operational control approach.)
- **Maintain the operational control approach as a standalone option[8]**.
- **Expanded disclosure requirements** proposed to specifically apply in the event that a company chooses not to follow (1) the recommendation to consolidate emissions according to financial control and/or (2) the recommendation for additional reporting of emissions under operational control (not under financial control) where relevant.

Proposed working draft text revisions

The proposed working draft revisions to the current Corporate Standard defining how companies establish organizational boundaries are shown in *green*.

*Companies **shall** account for and report their consolidated GHG emissions based on control. Control can be defined in terms of financial control and/or operational control.*

*Companies **should** apply the financial control consolidation approach, whereby companies account for and report on all required GHG emissions from entities under the reporting company's financial control (i.e., included in their consolidated financial statements).*

*Additionally, when financial control fails to provide a [fair presentation / sufficient representation] of their GHG emissions, companies **should** separately account for and report on all required emissions from entities, operations, and assets under the reporting company's operational control that are not under financial control.*

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[8] Further clarification and guidance on cases where companies may apply operational control is under discussion by the TWG and will be provided at the public consultation.

*Companies **may** apply the operational control consolidation approach in lieu of financial control*[9]*, whereby companies account for and report on all required GHG emissions from entities, operations, and assets under the reporting company's operational control.*

*Companies **shall** disclose the chosen consolidation approach. Companies choosing not to apply the recommendations to consolidate emissions based on financial control and/or separately report emissions under operational control (not already included under financial control) **shall** disclose their rationale for choosing a different approach. The rationale **should** include the outcomes of a screening assessment comparing the entities, operations, and assets under the reporting company's financial control and operational control.*

Options considered by TWG

Responses to the Corporate Standard stakeholder survey indicated diverse points of view on the topic of consolidation approaches, ranging from maintaining optionality in order to meet the diverse needs of users to requiring a single approach to promote better comparability of reported GHG information across companies. In response to stakeholder feedback, the TWG reviewed the topic of optionality in consolidation approaches according to the following three steps.

<u>1. Whether to maintain or eliminate each of the consolidation approaches</u>

The TWG first considered the general question of whether to maintain or restrict optionality in consolidation approaches, along with the respective merits of each of the three consolidation approaches currently specified as options. These discussions indicated general support for maintaining some level of optionality and for eliminating the equity share approach.

<u>2. Options for maintaining financial control and operational control as options</u>

The TWG then considered the options below as ways to implement the financial control and operational control approaches.

*Options provisionally recommended by the TWG are shown in **bold**.*

Option #	Option	Example text
1	Financial control and operational control as equal options	*Companies may choose between financial control and operational control.*
2	**Recommend financial control**	***Companies should apply financial control but may apply operational control.***

[9] Further clarification and guidance on cases where companies may apply operational control is under discussion by the TWG and will be provided at the public consultation.

3	**Recommend combined (layered) consolidation approach***	***Companies should apply financial control and should also separately report emissions under operational control but not financial control.***
4	Dual consolidation approaches*	*Companies should report according to financial control and should also separately report according to operational control, if applicable.*
5	Require financial control approach	*Companies shall apply financial control.*

* Options 3 and 4 were evaluated with further sub-options (i.e., "shall" for requirement, "should" for recommendation, and "may" for available option. Following an initial assessment, the TWG primarily evaluated these options as recommendations using "should" statements.

3. Revisions for defining organizational boundaries

The proposed revisions under development presented here are based on both option 2 (with financial control established as the preferred approach and representing the primary recommended basis for consolidation) and option 3 (with a recommendation for additional reporting under operational control when financial control does not provide a sufficiently comprehensive picture of a company's emissions). These two options received the highest level of support from the TWG, and the following takeaways from subsequent discussion which informed the details of the proposed set of requirements and recommendations:

- Financial control should be the primary recommended basis for setting organizational boundaries
- Operational control continues to serve an important purpose and should remain available

Rationale

Best practice recommendation promoting completeness and transparency: The proposed approach under development seeks to recognize that the recommended financial control approach may not always provide a sufficiently comprehensive picture of GHG emissions under a company's control. In such cases, additional separate reporting based on operational control (for activities not under financial control) is recommended with the intention of promoting a comprehensive view of GHG emissions, enhancing transparency, and supporting informed decision-making. Separate reporting would mean that these additional emissions (under operational control but not under financial control) would not be included in the total inventory emissions figures but would be presented separately as a complementary information.

Standardization and comparability: The proposed updates—recommending the financial control approach as the basis for GHG consolidation—aim to respond to the increased stakeholder need to:

- Establish better alignment between GHG accounting and financial accounting
- Enhance comparability of disclosed GHG information across companies

- Promote standardization in GHG accounting and reporting

Interoperability with external programs: Maintaining interoperability with external programs remains a priority. External standards (e.g., IFRS S1 and S2, ESRS E1, SBTi) have nuanced differences[10] in their requirements and guidance for consolidating GHG emissions. By continuing to provide options for consolidating GHG emissions, the proposed revisions under development are intended to be interoperable with these standards and give companies the means to comply with different program requirements.

Optionality and flexibility: Maintaining optionality for consolidation is a priority to support diverse applications of the standard in line with the proposed revisions to the objectives of the Corporate Standard (see Section 2). While the recommended best practice approach would be encouraged, it is recognized that it may not provide a one-size-fits-all solution. Therefore, the operational control approach would be maintained as a standalone option.

Elimination of the equity share approach: Only a small minority (2%) of companies publicly disclosing emissions to CDP in 2023 chose to use the equity share approach. Eliminating this approach would simplify the step of defining organizational boundaries and facilitate more consistency in approach and more comparable information. Moreover, the revised financial control approach, together with the proposed scope 3 requirement (see Section 5.1), would require emissions that are currently captured under equity share to be fully accounted for as follows:

- <u>Equity in entities under financial control</u>: Associated GHG emissions would be consolidated 100% in line with financial accounting principles for consolidated entities (not based on percentage equity)
- <u>Equity in entities not under financial control</u>: Associated emissions would be reported under scope 3 category 15 (investments) based on percentage equity owned by the reporting company

See Appendix III for the level of support from the ISB on the direction of revisions to requirements and recommendations for setting organizational boundaries.

[10] External programs adopt different approaches to setting organizational boundaries for GHG emissions. While key mandatory standards (e.g., IFRS S1, ESRS 1) generally require sustainability reporting boundaries to align with financial reporting, their rules for measuring and reporting GHG emissions differ. Some prescribe a single consolidation method (e.g., ESRS E1 requires financial control), whereas others offer flexibility—such as allowing companies to choose between equity share or control (i.e., financial or operational) (e.g., IFRS S2)—to define boundaries. Additionally, the ESRS standards are currently under revision with expected changes to the requirements and guidance on setting organizational boundaries for GHG emissions.

Pending items

- Minor edits will be implemented on the working draft text including but not limited to revisiting key terms such as "fair / complete / sufficient presentation" to further clarify to which cases the additional reporting under operational control (that are not under financial control) recommendation may apply.
- Details of recommended additional separate reporting based on operational control that are not already included under financial control will be finalized, including but not limited to whether the recommendation entails reporting of scope 1 and 2 emissions only or emissions across all scopes.
- Guidance on cases where the operational control approach may be appropriate to apply in lieu of financial control will be developed.
- Key guidance on how the revised approach to setting organizational boundaries should be applied including but not limited to details for a screening assessment comparing entities, operations and assets under the reporting company's financial control and operational control boundaries to guide decision-making.
- Continued coordination with external programs to ensure interoperability is maintained.
- The working draft text will be revisited and finalized once the revised definitions for the financial control and operational control approaches are complete, and will be integrated into the chapter of the Corporate Standard on setting organizational boundaries, which is currently under development.

References

See Appendix II for a full list of meeting materials, including links to meeting slides and minutes. The topics of optionality in consolidation approaches and the proposed revisions under development for setting organizational boundaries were covered at Full TWG meetings 2, 3, and 4, and Subgroup 2 meetings 3, 4, 5, 9, 10 and 11.

4.2. Updates to financial control approach and alignment with financial accounting

Current approach

Chapter 3 of the Corporate Standard defines financial control as follows:

> *"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.**
>
> ** Financial accounting standards use the generic term "control" for what is denoted as "financial control" in this chapter."* (Corporate Standard, pages 17 and 23)
>
> *"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. In assessing the economic substance of the relationship, the impact of potential voting rights, including both those held by the company and those held by other parties, is also taken into account."* (Corporate Standard, page 17)

Table 5.2 of the Scope 3 Standard also includes text describing financial control:

> *"Under the financial control approach, a company accounts for 100 percent of the GHG emissions over which it has financial control. It does not account for GHG emissions from operations in which it owns an interest but does not have financial control."* (Scope 3 Standard, page 29)

Summary of proposed revisions under development

Revisions under development aim to update the definition of the financial control approach to align with financial consolidation (i.e., a company has financial control over an entity if the entity is consolidated in the company's financial statements). The proposed revised definition would require companies to apply the same financial accounting standard used for their consolidated financial statements (i.e., a GAAP-agnostic approach). Hence, the proposed revised approach would be principles-based and would not define any prescriptive criteria for financial control.

The revisions would also update terminology to align with language commonly used in financial accounting.

Proposed working draft text revisions

The proposed working draft revisions to the current Corporate Standard defining the financial control approach are shown in *green*.

A company has financial control over an entity or operation if it consolidates the latter in its financial statements. The reporting company applying the financial control approach therefore ***shall*** *define its organizational boundary for GHG accounting using the same methods adopted in its consolidated financial statements. GHG emissions associated with entities and operations that are consolidated in the reporting company's consolidated financial statements, whether as a single entity or a consolidated group of entities, shall be accounted for under scope 1, scope 2 and scope 3, as applicable.*

This organizational boundary is defined by the financial accounting and reporting standard applied in the company'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.

GHG emissions associated with an investee that is not wholly-owned, but is consolidated in the financial statements by the reporting company, are consolidated in the GHG inventory using the same methods as financial accounting. The reporting company ***should*** *provide an additional (separate) disclosure of the investee's emissions included in the GHG inventory, separated by owned interests and minority interests held by other parties.*

*GHG emissions associated with entities and operations in which the reporting company has an interest but lacks financial control—such as equity method investments under U.S. GAAP or IFRS (e.g., unconsolidated investees, associates, joint ventures)—**shall** be excluded from scope 1 and scope 2 emissions and accounted for under scope 3, category 15.*

Options considered by TWG

*Option provisionally recommended by the TWG is shown in **bold**.*

In response to stakeholder requests to align with financial accounting frameworks and terminology, the following options for revising the financial control approach were considered for consolidation purposes:

1. Incorporate all (including differing) requirements of current financial accounting standards: Multiple pathways to define control based on differing definitions and consolidation requirements of leading and local financial accounting standards
2. Choose one financial accounting standard and apply its consolidation requirements in the Corporate Standard: Adopt the consolidation model of the chosen accounting framework (e.g., IFRS, U.S. GAAP, other national/regional GAAPs)
3. **Require companies choosing financial control to apply the same consolidation as their financial disclosures (i.e., do not define financial control criteria but require users choosing the financial control approach to adopt the same consolidation model used in their financial disclosures)**

Rationale

Alignment with financial accounting: The financial control approach was initially designed to be consistent with international financial accounting standards and most closely resembles the consolidation models used in leading financial frameworks (e.g., IFRS, U.S. GAAP) as it is based on gaining economic benefit from the activities of operations under control. The proposed revision aims to bring the financial control approach into better alignment with current financial accounting frameworks. The revisions under development would also update terminology to reflect language commonly used in financial accounting, enabling greater consistency in defining organizational boundaries between GHG emissions accounting and financial accounting. This change would help companies to leverage their financial accounting framework to consistently apply to GHG emissions disclosures in a landscape of diverse financial accounting frameworks (e.g., IFRS, U.S. GAAP, or other national/regional GAAPs).

Future-proof GAAP-agnostic definition: Revisions under development to the financial control approach would help ensure organizational boundary setting for GHG accounting and reporting remains aligned with financial accounting standards (GAAPs) in a future-proof manner, while recognizing the diversity and ongoing evolution of global and local financial accounting standards and their requirements and guidance on consolidation. Adopting a GAAP-agnostic definition would enable companies to align GHG inventory consolidation with their financial statements regardless of the financial accounting standard applied.

Principles-based definition for clarity: To maintain consistency with financial statements, the working draft definition aims to focus on consolidated versus non-consolidated companies rather than prescribing rules for specific accounting categories (e.g., associates, joint arrangements), which vary across frameworks. The revisions under development also aim to clarify that GHG emissions from non-consolidated companies are to be reported under scope 3, category 15.

Interoperability with external programs: Revisions under development would support conformance with mandatory programs (e.g., IFRS S1 and S2, ESRS 1) that require the boundaries applied to GHG emissions statements to match the reporting entity issuing (consolidated) financial statements. Continued coordination would still be needed to maintain interoperability with external programs.

See Appendix III for the level of support from the ISB on the direction of proposed updates to the financial control approach and alignment with financial accounting.

Pending items

- The definition of the financial control approach will be finalized.
- Requirements/guidance for investment entities will be developed.
- Guidance on categorizing leased assets will be revised.
- Examples of how different accounting categories (e.g., joint operations, associates) are consolidated as per the rules set out by the leading financial accounting frameworks (e.g., U.S. GAAP and/or IFRS) will be developed.
- Reporting requirements and key guidance will be developed to support consistent application and transparency.
- The proposed working draft text will be integrated into the chapter of the Corporate Standard on setting organizational boundaries, which is currently under development.

References

See Appendix II for a full list of meeting materials, including links to meeting slides and minutes. The topic of revisions to the financial control approach was covered at Full TWG meetings 2 and 3, and Subgroup 2 meetings 1, 2, 3, 5, 8 and 9.

4.3. Updates to operational control approach

Current approach

Chapter 3 of the Corporate Standard defines operational control as follows:

> *"A company has operational control over an operation if the former or one of its subsidiaries (see Table 1 for definitions of financial accounting categories) has the full authority to introduce and implement its operating policies at the operation. This criterion is consistent with the current accounting and reporting practice of many companies that report on*

emissions from facilities, which they operate (i.e., for which they hold the operating license)." (Corporate Standard, page 18)

"Under the operational control approach, a company accounts for 100% of emissions from operations over which it or one of its subsidiaries has operational control." (Corporate Standard, page 18)

Summary of proposed revisions under development

The proposed revisions to the definition of operational control would preserve the original purpose of the operational control concept while expanding it to clarify what qualifies as operational control.

Revisions under development would replace ambiguous terms such as "full authority" and "operating policies" with more precise and detailed alternatives: "power and practical ability" and "policies, processes, or day-to day activities of the operation, particularly those that impact the operation's greenhouse gas emissions," respectively. This change would also introduce a clear link between operational control criteria for GHG emissions accounting and the consideration of control over, and direct impact on, GHG emissions.

Additionally, the proposed working draft definition encompasses multi-party arrangements, aiming to address the added complexity of determining operational control in such contexts.

Proposed working draft text revisions

Revisions under development to the current Corporate Standard or Scope 3 Standard defining operational control are shown in *green*.

A company has operational control over an operation, entity and/or a contractual arrangement if the former directly or indirectly has the power or practical ability to direct or implement 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.*

Options considered by TWG

*Options provisionally recommended by the TWG are shown in **bold**.*

In response to stakeholder requests to update the operational control approach to provide further clarity for its consistent application, the following options for revising the operational control approach were considered:

- **The current operational control definition should be fully revised while maintaining its purpose**

- The general definition of operational control should be maintained, but key terms (e.g., full authority, operating policies) should be revised

After agreeing that the definition of the operational control approach should be fully revised, the TWG considered the following questions:

1. Should some degree of subjectivity (i.e., application of judgement) be allowed while defining operational control?
   - **Yes, some degree of judgement should be allowed, provided it is addressed through clear guidance to the extent feasible.**
   - No, the operational control definition should be objective and precise to avoid application of judgement

2. Is the concept of operational control applicable at the entity level (in addition to the asset level)?
   - **Yes, the operational control concept is applicable at the entity level**
   - No, the operational control concept is not applicable at the entity level

3. Should the control/impact on GHG emissions be specifically referenced in the definition of operational control?
   - **Yes, the definition of operational control should reference control/impact on GHG emissions**
   - No, the definition of operational control should not reference control/impact on GHG emissions

Rationale

Clarity in terminology: Stakeholder feedback suggested that key terms in the current definition of operational control are ambiguous and not easily applicable across diverse organizational structures. The proposed revisions under development would replace these terms with clearer language— to improve consistent application and avoid misinterpretation.

Focus on ability to control/impact GHG emissions: The proposed revisions under development would include emphasis on a company's ability to control/impact GHG emissions rather than control over operating policies overall, which could cover a wide range of policies. This shift would aim to clarify that operational control is linked to the company's capacity to directly control/impact emissions outcomes.

Entity level perspective: While the operational control has its roots in environmental health and safety reporting, which typically applies at the facility level, the proposed revisions under development aim to clarify that the approach is applicable at an entity level (i.e., company or organization level). This revision would reiterate that organizational boundaries are set at the entity level.

See Appendix III for the level of support from the ISB on the direction of proposed updates to the operational control approach.

Pending items

- Minor edits will be implemented on the working draft proposed text including but not limited to reevaluating the new key terms introduced (e.g., greatest power, ability) together with finalizing their definitions.
- Guidance on categorizing leased assets will be revised.
- Reporting requirements, key guidance and examples where relevant, including but not limited to how operational control should be assessed and the treatment of different asset types (e.g., leased assets) will be developed.
- The proposed working draft text will be integrated into the chapter of the Corporate Standard on setting organizational boundaries, which is currently under development.

References

See Appendix II for a full list of meeting materials, including links to meeting slides and minutes. The topic of revisions to the operational control approach was covered at Full TWG meetings 2, 3 and 4, and Subgroup 2 meetings 3, 6, 7, 9, 10 and 11.

5. Progress on updates to operational boundaries

Operational boundaries are the boundaries that determine the direct and indirect emissions associated with operations owned and/or controlled by the reporting company. The two topics under development for revision are a scope 3 requirement and justifiable exclusions for scopes 1 and 2 (see Appendix I for full scope of work).

Key highlights on revisions under development for operational boundaries

- Adopt a **scope 3 requirement** in the Corporate Standard that is harmonized with the Scope 3 Standard and defined with a quantitative exclusion threshold (Section 5.1)
- Make **scope 1 and scope 2 exclusions more prescriptive and quantitative**, defining a 1% quantitative exclusion threshold for scope 1 and a 1% quantitative exclusion threshold for scope 2* (Section 5.2).

**Under review with the Scope 2 TWG*

5.1. Scope 3 requirement

Current approach

GHG Protocol defines two levels of conformance:

- Conformance with the Corporate Standard (2004)

- Conformance with the Corporate Value Chain (Scope 3) Accounting and Reporting Standard (2011)

In the Corporate Standard, scope 3 reporting is optional. In the Scope 3 Standard, scope 3 reporting is required. Companies may choose whether to report in conformance with the GHG Protocol Corporate Standard (i.e., scope 3 is optional), or to report in conformance with the GHG Protocol Scope 3 Standard (i.e., scope 3 is required).

The Corporate Standard currently has the following requirements for reporting by scope:

- "*Companies **shall** separately account for and report on scopes 1 and 2 at a minimum*." (Corporate Standard, page 25)
- "*Scope 3 is an **optional** reporting category that allows for the treatment of all other indirect emissions*." (Corporate Standard, page 25)

The Scope 3 Standard currently has the following requirements for reporting by scope:

- "*Companies **shall** account for all scope 3 emissions and disclose and justify any exclusions*." (Scope 3 Standard, page 59)
- "*Companies **shall** account for emissions from each scope 3 category according to the minimum boundaries provided in table 5.4*." (Scope 3 Standard, page 59)
- "*Companies **may** include emissions from optional activities within each category*." (Scope 3 Standard, page 60)
- "*Companies **may** exclude scope 3 activities from the inventory, provided that any exclusion is disclosed and justified*." (Scope 3 Standard, page 60)

Summary of proposed revisions under development

This proposed revision would require scope 3 emissions accounting and reporting for Corporate Standard conformance.

With this proposed revision, the Corporate Standard would be brought into alignment with the Scope 3 Standard and many climate programs and other standards that already require scope 3 reporting (e.g., IFRS S2, ESRS E1, ISO 14064-1:2018, GRI, SBTi). This proposed revision would result in a single set of harmonized boundary requirements across the corporate suite of GHG Protocol standards.

The Corporate Standard TWG and Scope 3 TWG separately considered how to define the scope 3 requirement, with the Corporate Standard TWG taking a bigger picture approach and the Scope 3 TWG defining the details of the requirement. Both TWGs recommended a more prescriptive and quantitative approach, defining the scope 3 requirement with a proposed quantitative exclusion threshold of 5%. This would mean that companies would be required to report at least 95% of required scope 3 emissions. This scope 3 requirement would apply to all required (formerly, "minimum boundary") scope 3 emissions as specified in the Scope 3 Standard.

The Scope 3 TWG has considered additional details on the topics of scope 3 boundaries and requirements; see all Scope 3 TWG Subgroup B meeting materials on the GHG Protocol Repository for further information.

Proposed working draft text revisions

The following text is a proposed working draft that would replace previous guidance in the Corporate Standard on scope 3 reporting. Proposed changes are shown in green.

- *Companies **shall** account for and report at least 95% of total required[11] scope 3 emissions.*
- *Companies **shall not** exclude more than 5% of required scope 3 emissions (the "5% exclusion threshold").*
- *Companies **may** exclude a scope 3 category or activities within a scope 3 category, as long as total exclusions across all scope 3 categories do not exceed the 5% exclusion threshold.*
- *Companies **may** exclude de minimis emissions as part of the 5% exclusion threshold, provided that total exclusions (de minimis and non-de minimis) are not reasonably expected to exceed said 5%).*
- *Companies **should** include relevant[12] scope 3 emissions falling within the 5% exclusion threshold*
- *Companies **should** include optional[13] scope 3 emissions, where relevant*

See the pending items section for discussion on a more feasible scope 3 requirement for small and medium-sized enterprises (i.e., SMEs), which has been recommended by the Corporate Standard TWG but has not yet been considered by the ISB. Further requirements and guidance for defining the scope 3 boundary are discussed in Section 5.2 on justifiable exclusions.

Options considered by TWG

*Options provisionally recommended by the TWG are shown in **bold**.*

1. Should scope 3 reporting be required in the Corporate Standard?

- No. Maintain Corporate Standard optionality for scope 3 reporting.
- **Yes. Adopt a scope 3 reporting requirement in the Corporate Standard.**

2. What should the scope 3 reporting requirement be?

- Companies shall account for all scope 3 emissions
- Companies shall account for all relevant scope 3 emissions (i.e., qualitative approach)

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[11] Required scope 3 emissions: scope 3 emissions included in the minimum boundary of each category

[12] Relevant scope 3 emissions: defined by relevance principle and scope 3 relevance criteria

[13] Optional scope 3 emissions: any scope 3 emissions that fall outside the minimum boundary

- **Companies shall account for all significant* scope 3 emissions (i.e., quantitative approach)**

*The Corporate Standard TWG originally recommended that all "significant" scope 3 emissions be required, with "significant" defined on a quantitative basis using an exclusion threshold. However, due to conflicting definitions of "significant" across climate disclosure programs and other greenhouse gas accounting standards, the term "significant" was removed and the proposed requirement was revised to state the exclusion threshold directly.

Rationale

Requiring scope 3 emissions reporting would bring GHG Protocol into alignment with most climate programs, promote complete and transparent reporting, and support decision-making that drives ambitious global climate action.

Alignment with external programs: By requiring scope 3, the Corporate Standard would be adopting the status quo that has been established by many climate programs and standards. Reporting scope 3 emissions would not represent a major change for many companies because most climate disclosure programs (e.g., IFRS S2, ESRS E1), target-setting programs (e.g., SBTi), and other greenhouse gas accounting standards (e.g., ISO 14064-1:2018, GRI) already require it.

Complete and transparent reporting: The inclusion of scope 3 emissions would promote more complete and transparent reporting of the greenhouse gas emissions attributable to and associated with a reporting company's business activities, which in turn would support more informed decision-making based on a reporting company's complete scope 1, scope 2, and scope 3 GHG inventory.

Global climate action: Comprehensive reporting across scopes 1, 2, and 3 would give each company visibility into the emissions related to its own activities and value chain. Requiring companies to report their scope 3 emissions would support decision-making that drives global climate action through identification and prioritization of all significant emissions attributable to or associated with a reporting company's business activities using a quantitative approach to setting the scope 3 boundary.

Influence across the value chain: A company's impacts, risks, and opportunities related to GHG emissions and climate change depend on their upstream and downstream impacts, not only their own operations. Scope 3 emissions represent significant opportunities for strategic engagement and management for companies to make key decisions or influence choices concerning the selection of suppliers and other value chain partners, material inputs, investments, and product types and design. Requiring scope 3 emissions would ensure companies have insight into their value chain opportunities.

Interoperability with external programs: The proposed scope 3 requirement would move from a qualitative approach to a more prescriptive, consistent, and comparable approach by defining a quantitative exclusion threshold. See the rationale in Section 5.2 for more information on interoperability between the proposed quantitative exclusion threshold and the qualitative approaches to materiality used by other programs.

Feasibility considerations: The definition of the scope 3 disclosure requirement seeks to address feasibility concerns by allowing companies to exclude up to 5% of their emissions (i.e., "Companies shall account for and report at least 95% of total required scope 3 emissions") and to use any estimation method as a basis for quantifying exclusions (Section 5.2 provides more information). The proposed Scope 3 Standard revisions under development would also allow flexibility in data and methods to be used.

Feasibility is being further addressed through the recommendation of a less stringent scope 3 reporting requirement for SMEs. See the pending items section for more information.

Harmonization: A single scope 3 requirement for both the Corporate Standard and Scope 3 Standard seeks to promote harmonization and integration across the corporate suite of GHG Protocol standards as well as with external initiatives, enabling clearer and more consistent accounting and reporting requirements for companies.

See Appendix III for the level of support from the ISB on the direction of revisions for the proposed scope 3 requirement.

Pending items

Less stringent scope 3 requirement for SMEs: To promote feasibility for companies and organizations with lower capacity and resources, the Corporate Standard TWG has recommended a less stringent scope 3 reporting requirement for small and medium-sized enterprises (SMEs). This proposal, which is supported by the Corporate Standard TWG but has not yet been reviewed by the ISB, has the following components:

- Define a less stringent scope 3 reporting requirement for SMEs.
- Define eligible SMEs using criteria for company size and geography. The less stringent scope 3 requirement would only be available to companies that are not subject to a mandatory climate disclosure rule.
- The following reporting requirements were proposed by the TWG:
    - *Eligible SMEs **shall** report at least the three most relevant scope 3 categories.*
    - *Eligible SMEs **should** report all scope 3 categories.*
- Operationalize a less stringent scope 3 requirement with conformance levels by reporter type.

The rationale for a less stringent scope 3 requirement for SMEs is to promote feasibility for companies and organizations with lower capacity and resources. The more flexible scope 3 reporting requirement for SMEs would promote relevance and support internal decision-making, while also allowing SMEs to focus their resources on the three most relevant categories. It would however limit the completeness and decision-usefulness of the reported emissions data by providing only a partial scope 3 inventory.

The role of GHG Protocol in defining different levels of reporting: Before considering the proposal for a less stringent scope 3 requirement for SMEs, the ISB is considering broader questions about the role of GHG Protocol in defining different levels of reporting for different types of organizations. This discussion acknowledges that the greenhouse gas accounting landscape has changed since the Corporate Standard was last revised and aims to bring clarity to the role of GHG Protocol as it relates to other programs. Early discussions have indicated support for recommending different levels of reporting to external programs, but discussions are still ongoing.

Applicability to other programs: Although efforts have been made to facilitate interoperability between the proposed revisions and other climate programs, there are differences in accounting and reporting requirements across programs. To avoid stakeholder confusion, the ISB will consider incorporating a statement clarifying that reporters for other programs should follow the requirements of those programs (e.g., mandatory preparers for IFRS S2, ESRS E1). For example, such a statement could clarify that IFRS S2 reporters should follow the IFRS S2 requirements for materiality when assessing scope 3 exclusions for reporting to IFRS S2.

Revised chapter: The proposed draft text will be finalized and integrated as part of an updated chapter on setting operational boundaries.

References

See Appendix II for a full list of meeting materials, including links to meeting slides and minutes. The topic of a scope 3 requirement was covered at Full TWG meetings 2 and 3, and Subgroup 3 meetings 1, 2, 3, 4, 5, 7, and 8.

5.2. Justifiable exclusions for scopes 1 and 2

Current approach

Exclusions are currently allowed in the Corporate Standard using a qualitative principles-based approach. Reporters in conformance are required to follow the five greenhouse gas accounting and reporting principles. The completeness principle specifies that exclusions must be justified and disclosed.

- "*Reported information* ***shall*** *be relevant, complete, consistent, transparent and accurate."* (Corporate Standard, page 63)
- Completeness principle: "*Account for and report on all GHG emission sources and activities within the chosen inventory boundary. Disclose and justify any specific exclusions*." (Corporate Standard, page 7)

The guidance on the completeness principle further states:

- "*For cases where emissions have not been estimated, or estimated at an insufficient level of quality, it is important that this is transparently documented and justified*." (Corporate Standard, page 8)

Reporters are required to disclose any exclusions:

- <u>Required information</u>: "*Any specific exclusions of sources, facilities, and / or operations.*" (Corporate Standard, page 63)

The Scope 3 Standard revised this exclusions language as follows:

- *"Companies **may** exclude scope 3 activities from the inventory, provided that any exclusion is disclosed and justified."* (Scope 3 Standard, page 60)

"De minimis emissions" are currently defined in the Corporate Standard in the context of verification as *"a permissible quantity of emissions that a company can leave out of its inventory"* (Corporate Standard, page 70). However, the concept of "de minimis emissions" is not currently used in defining justifiable exclusions in the Corporate Standard. In addition, the guidance on the completeness principle in the current text advises against defining a minimum emissions accounting threshold, noting that it can lead to underestimation and that its benefits are negated by needing to quantify emissions to ensure they are below the threshold (Corporate Standard, page 8).

Summary of proposed revisions under development

This proposed revision would adopt a more prescriptive and quantitative approach that defines separate quantitative exclusion thresholds for scopes 1, 2, and 3 to justify exclusions. The proposed quantitative exclusion thresholds (i.e., permitted exclusions) are 1% for scope 1 emissions, 1% for scope 2 emissions,[14] and 5% for required scope 3 emissions. This would mean that companies may exclude up to 1% of scope 1 emissions from their inventory, for example. The proposed revision would not limit what sources can be excluded as long as the excluded emissions are below the exclusion threshold. This proposed revision would also include a recommendation that companies should report total scope 1 emissions and total scope 2 emissions.

This proposed revision would require companies to quantify total emissions to justify exclusions. Reporters should use best available data for the total quantification, but they may use any method to estimate total emissions to justify exclusions. Finally, reporters would be required to disclose and justify any exclusions.

The TWG recommends that the concept of de minimis emissions be formalized and included within the quantitative exclusion thresholds for scopes 1 and 2. See the pending items section for more information.

The Scope 3 TWG has considered additional details on the topic of boundary setting and exclusions for scope 3 reporting; see the Scope 3 TWG Subgroup B meeting materials on the GHG Protocol Repository for further details on the scope 3 requirements and recommendations.

[14] The scope 2 exclusion threshold of 1% was recommended by the Corporate Standard TWG and is currently under review by the Scope 2 TWG.

Proposed working draft text revisions

The following text is a proposed working draft that replaces previous requirements and guidance on exclusions in the Corporate Standard, Scope 2 Guidance, and Scope 3 Standard. Proposed changes are shown in green.

Scope 1, 2, and 3 accounting and reporting requirements:

- *Companies **shall** account for and report at least 99% of scope 1 emissions, 99% of scope 2 emissions, and 95% of total required scope 3 emissions.*
- *Companies **shall not** exclude any of the following:*
  - *More than 1% of scope 1 emissions*
  - *More than 1% of scope 2 emissions*
  - *More than 5% of required scope 3 emissions*

Justification of exclusions:

- *Companies **shall** disclose and justify the exclusion of any scope 1 emissions, scope 2 emissions, and required scope 3 emissions.*
- *Companies **shall** quantify scope 1, scope 2, and required scope 3 emissions to justify exclusions.*
- *Companies **should** use the best available data to quantify total emissions to justify exclusions.*
- *Companies **may** quantify total emissions to justify exclusions using any method.*

Recommendation to report all emissions:

- *Companies **should** account for and report all scope 1 and scope 2 emissions*
- *Companies **should** include relevant scope 3 emissions falling within the 5% exclusion threshold*
- *Companies **should** include optional scope 3 emissions, where relevant*

Options considered by TWG

*Options provisionally recommended by the TWG are shown in **bold**.*

1. Should justifiable exclusions be maintained in scopes 1 and 2?

- Yes, maintain current guidance (principles-based approach)
- **Yes, and make more prescriptive and quantitative (rules-based approach)**
- Yes, and make more prescriptive and qualitative (principles-based approach)
- No, prohibit exclusions

2. Should "de minimis" emissions be formalized and allowed?

- Yes, formally define and allow "de minimis emissions" as a distinct pathway for exclusions
- **Yes, and include "de minimis" within a quantitative exclusion threshold**
- No, maintain current guidance, which has no explicit statement on de minimis emissions
- No, explicitly prohibit de minimis emissions

3. How should the boundary for a quantitative exclusion threshold be set across scopes?

- Cumulative exclusion threshold across scopes 1, 2, and 3
- Cumulative exclusion threshold for scopes 1 and 2, with a separate threshold for scope 3
- **Separate exclusion threshold for scopes 1, 2, and 3**

4. What value should be used to define the quantitative exclusion thresholds for scopes 1 and 2?

- No exclusions
- 0.5%
- **1%**
- 2%
- 5%

5. Should companies be required to adhere to any minimum data quality requirements when quantifying their total emissions to justify exclusions?

- Yes, define minimum data quality requirements
- **No, but recommend the use of best available data**

Rationale

Completeness, transparency, and comparability: Stakeholder survey feedback and TWG members expressed concern about the current qualitative approach to exclusions, which is subjective and results in inventories that could be missing significant emissions sources, are non-transparent, and are non-comparable across companies. More prescriptive and quantitative exclusion thresholds would promote completeness, transparency, and comparability.

Feasibility: The proposed approach would retain the ability and flexibility of companies to exclude minor sources of emissions from their GHG inventory, with flexibility on which sources are excluded as long as they are justified and do not exceed 1% of emissions. This would allow companies to reduce the time spent collecting high quality data for a small percentage of emissions. To ease compliance burdens, companies would be permitted to use any calculation method when quantifying total emissions to justify exclusions.

1% exclusion threshold for scopes 1 and 2: A low quantitative threshold would promote a balance between completeness and feasibility. Allowing flexibility with a 1% exclusion threshold would help ensure companies can report high quality, credible, and decision-useful GHG inventories. Lower thresholds for scopes 1 and 2 versus scope 3 are justified given the better data availability for scope 1 and 2 emission sources. The 1% threshold was further supported by disclosures to CDP, in which most companies that report exclusions disclosed that they used an exclusion threshold of 1% for scopes 1 and 2.

Public reporting: Although companies are required to quantify 100% of emissions to justify exclusions, reporters may wish to exclude low-quality estimates (for small emissions sources only) from public reporting. The proposed exclusion threshold would allow companies to keep these small sources internal and exclude them from public reports, targets, and performance tracking. This approach seeks to strike an appropriate balance between accuracy and completeness.

Assurance: It has been suggested that if companies are required to quantify 100% of emissions to justify exclusions, then companies should just report 100% of emissions. However, a requirement to report 100% of emissions would not be defensible from an assurance perspective. An auditor would only need to identify any unreported emission (no matter how small) and the reporter would no longer be in conformance with the standard. The flexibility to disclose and justify exclusions below the exclusion threshold would give reporters coverage for verification and assurance. To promote completeness, the proposed text includes a recommendation (but not a requirement) to report all emissions.

Interoperability with external programs: The proposed revision intends to facilitate interoperability with programs that use a qualitative approach to materiality (e.g., IFRS S2, ESRS E1) because emissions below the quantitative exclusion threshold will usually also be immaterial (and vice versa). In the rare cases where an emission source is below the exclusion threshold and is considered material, companies should follow the recommendation to report all scope 1 emissions, scope 2 emissions, and required scope 3 emissions. The proposed revisions would also facilitate interoperability with programs that set different quantitative exclusion thresholds for scope 1, 2, and 3 emissions (e.g., draft SBTi Corporate Net Zero Standard v2.0) through the requirement to quantify total emissions to justify exclusions.

See Appendix III for the level of support from the ISB and a summary of opposing views from ISB members on the direction of revisions to justifiable exclusions for scopes 1 and 2.

Pending items

Scope 2 exclusion threshold: The scope 2 exclusion threshold of 1% was recommended by the Corporate Standard TWG and is under review by the Scope 2 TWG. The threshold is subject to change following feedback from the Scope 2 TWG.

De minimis emissions: The Corporate Standard TWG recommends that "de minimis emissions" (defined in the Corporate Standard as a "permissible quantity of emissions that a company can leave out of its inventory") should be formalized and included within a quantitative exclusion threshold. However, the Corporate Standard TWG also recommends that de minimis[15] emissions sources should be quantified for scopes 1 and 2 to justify their exclusion. The Scope 3 TWG has proposed to add the following provision and associated language regarding de minimis emissions for the proposed scope 3 quantitative exclusion threshold:

- *"Companies **may** exclude de minimis emissions as part of the 5% exclusion threshold, provided that total exclusions (de minimis and non-de minimis) are not reasonably expected to exceed 5%."*

[15] De minimis is defined in the Merriam-Webster dictionary as "lacking significance or importance: so minor as to merit disregard."

- *"De minimis emissions are emissions reasonably expected to be insignificant or negligible. An example of de minimis emissions could be the scope 3 category 1 emissions attributable to office supplies used by a reporting company. Companies **may** exclude de minimis emissions as part of the 5% exclusion threshold. Companies may use prior studies, modeling, proxy measures, other evidence, or expert judgment to assess de minimis emissions. Companies **should** reasonably expect de minimis emissions to be insignificant or negligible. If a company does not reasonably expect potentially insignificant or negligible emissions to be de minimis, then the company **shall** quantitatively assess said emissions to determine that the emissions are de minimis. The cumulative total of de minimis and non-de minimis exclusions **shall not** exceed the 5% exclusion threshold."*

See draft revision B5 in the Scope 3 TWG Subgroup 3 meeting materials in the GHG Protocol Repository for further information.

Following feedback from the ISB, the Corporate Standard TWG is considering a similar provision on de minimis emissions for scope 1 and scope 2 exclusions.

Applicability to other programs: Although efforts have been made to facilitate interoperability between the proposed revisions and other climate programs, there are differences in accounting and reporting requirements across programs. To avoid stakeholder confusion, the ISB will consider incorporating a statement clarifying that reporters for other programs should follow the requirements of those programs (e.g., mandatory preparers for IFRS S2, ESRS E1). For example, such a statement could clarify that IFRS S2 reporters should follow the IFRS S2 requirements for materiality when assessing exclusions for reporting to IFRS S2.

Revised chapter: The proposed working draft text will be finalized and integrated as part of an updated chapter on setting operational boundaries.

References

See Appendix II for a full list of meeting materials, including links to meeting slides and minutes. The topic of justifiable exclusions was covered at Full TWG meetings 3 and 4, and Subgroup 3 meetings 6, 7, 8, 10, and 11.

6. Appendices

I. Scope of work from Standard Development Plan

The following is a list of topics to be considered during the standard revision process. This scope of work is subject to change during the revision process.

A. Objectives and principles

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

A.1. Revisit stated objectives of the *Corporate Standard* in consideration of the following:
- Use of the standard in voluntary and mandatory GHG reporting programs.
- Use of the standard in target-setting programs (e.g., Science Based Targets Initiative – SBTi).
- Increased integration of sustainability and financial information.
- Increased demands for GHG inventories to be verified/assured.
- Use of the standard by stakeholders including reporting organizations, preparers, assurance providers, and policymakers.
- Use of the resulting GHG inventory data by stakeholders including reporting organizations, investors, customers, regulators, and NGOs.
- Better facilitating comparability across inventories from different reporting organizations.
- The range of reporting organizations using the standard globally.

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

A.3. Revisit GHG accounting and reporting principles defined in chapter 1 of the *Corporate Standard* in consideration of the following:
- Any updates to stated objectives.
- Use of the term "materiality" in the *Corporate Standard* beyond the current use case related to verification/assurance and reconciliation of the terms "materiality" and "significance" vis-à-vis the principle of relevance.
- Principles introduced in the draft GHG Protocol *Land Sector and Removals Standard*: conservativeness (for removals), permanence (of removals), and comparability (optional).
- Financial accounting principles such as those from the Financial Accounting Standards Board's Generally Accepted Accounting Principles of the United States of America (U.S. GAAP) or the International Accounting Standards Board's International Financial Reporting Standards (IFRS).

B. Organizational boundaries

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, including the 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 update 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 where possible (e.g., terminology used by U.S. GAAP and IFRS).

C. Operational boundaries

Relevant chapters: chapter 4 (Setting Operational Boundaries)

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

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

D. Tracking emissions over time

Relevant chapters: chapter 5 (Tracking Emissions Over Time), chapter 8 (Accounting for GHG Reductions), and chapter 11 (Setting GHG Targets)

D.1. Updates to requirements and guidance for selecting a base year.

D.2. Updates to requirements and guidance for developing a base year recalculation policy and defining a significance threshold and related disclosure requirements.

D.3. Revisit optionality of reporting emissions for all years included in a GHG statement in addition to the base year to enable tracking of an emissions profile over time.

D.4. Integration and update of 2005 amendment "Base Year Recalculation Methodologies for Structural Changes" (Appendix E).

D.5. Additional guidance for estimating base year emissions for acquired assets where records of emissions activities are limited or non-existent.

D.6. Revisit reporting requirements for base year recalculation including whether changes due to structural changes versus methodological changes should be reported separately.

D.7. Requirements and guidance for tracking emissions intensity metrics over time.

D.8. Additional guidance on how to appropriately disclose the reason(s) for changes in emissions over time.

D.9. Updates to target-setting guidance to bring up to date and facilitate interoperability with target setting programs (including SBTi).

E. Verification/assurance

Relevant chapters: chapter 7 (Managing Inventory Quality) and chapter 10 (Verification of GHG Emissions)

E.1. Consider introducing a verification or assurance requirement to the *Corporate Standard* (based on criteria such as scope coverage, level of assurance, frequency and phase-in period, and differentiation by company size or sector).

E.2. Consider whether a verification/assurance standard or guidance document for assurers should be developed by the GHG Protocol.

E.3. Additional clarifications in chapter 10 of the *Corporate Standard* including:
- Clearer distinctions between verification and assurance.
- More detailed descriptions of what different levels of assurance (e.g., limited assurance, reasonable assurance) entail and related procedures performed by assurance provider.
- Clarity regarding the concept of materiality and materiality thresholds.
- How and when historical data should be reassured when there are structural and methodological changes.

E.4. Additional guidance related to data credibility and internal controls to help companies prepare for assurance.

E.5. Consider reference to verification or assurance standards in use that have been developed since the last revision of the *Corporate Standard.*

E.6. Guidance related to qualifications for third-party verification or assurance providers.

F. Data/calculation methodology

Relevant chapters: chapter 6 (Identifying and Calculating GHG Emissions), chapter 7 (Managing Inventory Quality), and chapter 9 (Reporting GHG Emissions)

F.1. Updates to address data quality and uncertainty to consider:
- Data quality requirements and additional guidance related to the use of proxies or estimates.
- A data quality hierarchy.
- Additional disclosure requirements related to data quality and uncertainty.
- Additional guidance on developing uncertainty estimates.

F.2. Additional guidance on calculation methods and their applicability and consider providing a hierarchy of calculation methods.

F.3. Guidelines for selecting appropriate emission factors and disclosure requirements for emission factor sources.

F.4. Expanded disclosure requirements related to data sources, significant assumptions, descriptions of methodologies used, and disaggregating emissions obtained using different data collection and calculation methods (e.g., primary versus secondary data).

F.5. Updates to current requirements in the *Corporate Standard* on required GHGs and global warming potential (GWP) values:
- Integration and update of 2013 amendment on required GHGs into *Corporate Standard*.
- Revisit which GHGs companies are required to report on, considering GHGs not governed by the United Nations Framework Convention on Climate Change (UNFCCC).
- Revisit requirement for companies to report emissions from each required GHG individually.
- Clarification regarding which Intergovernmental Panel on Climate Change (IPCC) Assessment Report (AR) should be used for GWP values.
- Revisit the 100-year GWP as the only required metric and consider additionally a 20-year GWP, particularly for short-lived GHGs such as methane.

F.6. Accounting for indirect climate forcers including radiative forcing in aviation.

G. Organization of the standards and internal/external harmonization

G.1. Consider reorganization of *Corporate Standard* including how requirements and guidance on a given topic are integrated versus separated and use of numbered requirements and paragraphs.

G.2. Integration of outputs from other workstreams in the standards updates process (Scope 2, Scope 3, Actions and Market Instruments, Land Sector and Removals) as appropriate to ensure internal harmonization across GHG Protocol standards and guidance.

G.3. Consolidation of all core requirements across the suite of standards into *Corporate Standard.*

G.4. Holistic review of interoperability with voluntary and mandatory disclosure programs.

H. Out-of-scope items addressed elsewhere by GHG Protocol

H.1. Specific updates to accounting and reporting for scope 2 emissions included in Scope 2 Standard Development Plan.

H.2. Specific updates to accounting and reporting for scope 3 emissions included in Scope 3 Standard Development Plan.

H.3. Accounting for emissions of biogenic CO_2, addressed in the *Land Sector and Removals Standard* process.

H.4. Accounting for CO_2 removals, addressed in the *Land Sector and Removals Standard* process.

H.5. Role of market-based instruments in GHG reporting, included in Actions and Market Instruments Standard Development Plan.
H.6. Role of project or intervention accounting methods in GHG reporting, included in Actions and Market Instruments Standard Development Plan.
H.7. User manual for compiling and calculating GHG inventories according to the *Corporate Standard*, under development separately via GHG Protocol Technical Support in coordination with the standards updates process.
H.8. Updates to emission factors and calculation tools, under development via GHG Protocol Technical Support in coordination with the standards updates process.

I. Out-of-scope items for future consideration after standard revision

I.1. Development of a new scope 1 calculation guidance document.
I.2. Development of new standard and/or guidance document for assurance providers.
I.3. Development of new case studies, to be published separately from the Third Edition of the *Corporate Standard*.

J. Out-of-scope items outside of GHG Protocol's purview

J.1. Development of new emission factors.
J.2. Development of program-specific rules and requirements for GHG reduction targets.
J.3. Development of sector-specific guidance.

II. Corporate Standard TWG meeting materials

Full TWG meeting materials

Meeting #	Relevant meeting topics	Link to slides	Link to minutes
Full TWG Meeting 1 *October 22, 2024*	Overview of scope of work	Meeting 1 slides	Meeting 1 minutes
Full TWG Meeting 2 *March 4, 2025*	Preliminary outcomes on: • Corporate Standard objectives • GHG accounting and reporting principles • Revising the financial control approach to align with financial accounting • Optionality in consolidation approaches *(initial assessment)* • a scope 3 requirement and a less stringent option	Meeting 2 slides	Meeting 2 minutes
Full TWG Meeting 3 *July 15, 2025*	Preliminary outcomes on: • Corporate Standard objectives statement (revised) • GHG accounting and reporting principles (revised) • Revisions to the financial and operational control approaches • Revisions on how optionality should be maintained • Revisions to preliminary outcomes on a scope 3 requirement • Justifiable exclusions for scopes 1 and 2 • Base year selection and base year recalculation policy (phase 2 topics)	Meeting 3 slides	Meeting 3 minutes
Full TWG Meeting 4 *October 21, 2025*	• Revisions to the requirements and recommendations for setting organizational boundaries • Revisions to preliminary outcomes on justifiable exclusions for scopes 1 and 2	Meeting 4 slides	Meeting 4 minutes

Subgroup 1 meeting materials

Meeting #	Meeting topics	Link to slides	Link to minutes
Subgroup 1 Meeting 1 *November 12, 2024*	• Uses of the Corporate Standard • Uses of GHG inventory data • Introduce objectives	Meeting 1 slides	Meeting 1 minutes
Subgroup 1 Meeting 2 *December 3, 2024*	• Corporate Standard objectives • Business goals	Meeting 2 slides	Meeting 2 minutes
Subgroup 1 Meeting 3 *January 14, 2025*	• GHG accounting and reporting principles • Comparability of GHG information	Meeting 3 slides	Meeting 3 minutes
Subgroup 1 Meeting 4 *February 4, 2025*	• Follow up on principles • Follow up on comparability	Meeting 4 slides	Meeting 4 minutes
Subgroup 1 Meeting 5 *March 18, 2025*	• Review outcomes from full TWG meeting • Outstanding items related to principles	Meeting 5 slides	Meeting 5 minutes
Subgroup 1 Meeting 6 *April 15, 2025*	• Phase 2 kick-off • Base year selection	Meeting 6 slides	Meeting 6 minutes
Subgroup 1 Meeting 7 *May 13, 2025*	• Base year selection, continued • Base year recalculation policy and significance thresholds	Meeting 7 slides	Meeting 7 minutes
Subgroup 1 Meeting 8 *June 10, 2025*	• Draft objectives statements • Wrap up pending items related to principles	Meeting 8 slides	Meeting 8 minutes
Subgroup 1 Meeting 9 *September 16, 2025*	• Options for instances when insufficient data is available for base year recalculation	Meeting 9 slides	Meeting 9 minutes
Subgroup 1 Meeting 10 *November 25, 2025*	• Emissions profile over time	Meeting 10 slides	Meeting 10 minutes
Subgroup 1 Meeting 11 *December 16, 2025*	• Follow-up on phase 2 topics covered to date	Meeting 11 slides to be posted to repository	Meeting 11 minutes to be posted to repository

Subgroup 2 meeting materials

Meeting #	Meeting topics	Link to slides	Link to minutes
Subgroup 2 Meeting 1 *November 19, 2024*	To what extent should a consolidation approach align with financial accounting?	Meeting 1 slides	Meeting 1 minutes
Subgroup 2 Meeting 2 *December 10, 2024*	How can/should alignment with financial accounting be achieved?	Meeting 2 slides	Meeting 2 minutes

Subgroup 2 Meeting 3 *January 21, 2025*	Evaluating current consolidation approaches and optionality in consolidation approaches	Meeting 3 slides	Meeting 3 minutes
Subgroup 2 Meeting 4 *February 11, 2025*	Should optionality in consolidation approaches be maintained?	Meeting 4 slides	Meeting 4 minutes
Subgroup 2 Meeting 5 *March 25, 2025*	Evaluating full TWG outcomes on alignment with financial accounting and optionality in consolidation approaches	Meeting 5 slides	Meeting 5 Minutes
Subgroup 2 Meeting 6 *April 22, 2025*	Key revision items for the operational control approach and introduction to leased assets	Meeting 6 slides	Meeting 6 Minutes
Subgroup 2 Meeting 7 *May 20, 2025*	Objectives and scope of operational control approach revision and case studies on operational control and leased assets	Meeting 7 slides	Meeting 7 Minutes
Subgroup 2 Meeting 8 *June 17, 2025*	Follow-up on financial control and operational control approach revisions	Meeting 8 slides	Meeting 8 Minutes
Subgroup 2 Meeting 9 *September 2, 2025*	Evaluating full TWG outcomes on the proposed draft text for the revised financial control and operational control, and reframed options for consolidation	Meeting 9 slides	Meeting 9 minutes
Subgroup 2 Meeting 10 *September 30, 2025*	Proposed package for consolidation	Meeting 10 slides	Meeting 10 minutes
Subgroup 2 Meeting 11 *November 4, 2025*	Revisions to proposed package for consolidation	Meeting 11 slides	Meeting 11 minutes

Refer to the discussion paper on consolidation approaches for more information.

Subgroup 3 meeting materials

Corporate Standard TWG Subgroup 3 meetings related to a scope 3 requirement and justifiable exclusions for scopes 1 and 2:

Meeting #	Relevant meeting topics	Link to slides	Link to minutes
Subgroup 3 Meeting 1 *November 26, 2024*	Should scope 3 reporting be required in the Corporate Standard?	Meeting 1 slides	Meeting 1 minutes

Subgroup 3 Meeting 2 *December 17, 2024*	Defining a scope 3 reporting requirement	Meeting 2 slides	Meeting 2 minutes
Subgroup 3 Meeting 3 *January 28, 2025*	A less stringent scope 3 reporting requirement: Eligibility	Meeting 3 slides	Meeting 3 minutes
Subgroup 3 Meeting 4 *February 18, 2025*	Defining a less stringent scope 3 reporting requirement	Meeting 4 slides	Meeting 4 minutes
Subgroup 3 Meeting 5 *April 1, 2025*	Defining a less stringent scope 3 reporting requirement, continued	Meeting 5 slides	Meeting 5 minutes
Subgroup 3 Meeting 6 *April 29, 2024*	Justifiable exclusions for scopes 1 and 2	Meeting 6 slides	Meeting 6 minutes
Subgroup 3 Meeting 7 *May 27, 2025*	• Revision to scope 3 reporting requirement • Interoperability, boundary, and value for justifiable exclusions for scopes 1 and 2	Meeting 7 slides	Meeting 7 minutes
Subgroup 3 Meeting 8 *June 24, 2025*	• Operationalizing and eligibility revision for less stringent scope 3 requirement • Boundary and value for justifiable exclusions for scopes 1 and 2	Meeting 8 slides	Meeting 8 minutes
Subgroup 3 Meeting 9 *September 9, 2025*	Phase 2 topics introduced (data quality)	Meeting 9 slides	Meeting 9 minutes
Subgroup 3 Meeting 10 *October 7, 2025*	Minimum data quality requirements for total quantification of emissions to justify scope 1 and 2 exclusions	Meeting 10 slides	Meeting 10 minutes
Subgroup 3 Meeting 11 *December 9, 2025*	• Justifiable exclusions and de minimis emissions • Phase 2 topics (data quality, required greenhouse gases)	Meeting 11 slides	Meeting 11 minutes

Discussion papers related to a scope 3 requirement:

Discussion paper #	Title	Link to discussion paper
Discussion paper 3.1	Scope 3 requirement, questions #1-3 Whether and how to define a scope 3 requirement	Discussion paper 3.1
Discussion paper 3.2	Scope 3 requirement, questions #4-6 Different levels of scope 3 reporting	Discussion paper 3.2, version 2

III. ISB level of support and opposing views on proposed revisions under development by TWG

ISB views including the pulse check poll results and opposing views are summarized below by topic. The majority views of ISB members are expressed in the rationale section for each topic in the main body of this document.

A. Objectives and principles

Topic	ISB level of support	Opposition/concerns from ISB members, if relevant
Corporate Standard objectives *Section 2*	**Support: 11 of 12** (2 support with minor edits) Oppose: 0 of 12 Abstain: 1 of 12 *Pulse check poll held at ISB meeting 13 on July 29th, 2025*	• No opposition was expressed.
Relevance principle: Guidance on materiality *Section 3.1*	**Support: 11 of 12** (1 support with minor edits) Oppose: 0 of 12 Abstain: 1 of 12 *Pulse check poll held at ISB meeting 13 on July 29th, 2025*	• No opposition was expressed.
Consistency principle: Expanded applicability and guidance on comparability of GHG information *Section 3.3*	**Support: 10 of 12** (3 support with minor edits) Oppose: 0 of 12 Abstain: 2 of 12 *Pulse check poll held at ISB meeting 13 on July 29th, 2025*	• No opposition was expressed.
Accuracy principle: Guidance on conservativeness *Section 3.5*	**Support: 10 of 12** (1 support with minor edits) Oppose: 1 of 12 Abstain: 1 of 12 *Pulse check poll held at ISB meeting 13 on July 29th, 2025*	• Information should be unbiased/neutral rather than conservative

B. Organizational boundaries

Topic	ISB level of support	Opposition/concerns from ISB members, if relevant
Package of requirements and recommendations for setting organizational boundaries *Section 4.1*	**Support: 11 of 11** (5 support with minor edits) Oppose: 0 of 11 Abstain: 0 of 11 *Pulse check held at ISB meeting 15 on October 15th, 2025*	• No opposition was expressed.
Updates to financial control approach and alignment with financial accounting *Section 4.2*	**Support: 10 of 10** Oppose: 0 of 10 Abstain: 0 of 10 *Pulse check poll held at ISB meeting 9 on April 28th, 2025*	• No opposition was expressed.
Updates to operational control approach *Section 4.3*	**Support: 11 of 12** (4 support with minor edits) Oppose: 0 of 12 Abstain: 1 of 12 *Pulse check poll held at ISB meeting 13 on July 29th, 2025*	• No opposition was expressed.

C. Operational boundaries

Topic	ISB level of support	Opposition/concerns from ISB members, if relevant
Scope 3 reporting requirement *Section 5.1*	**Support: 10 of 11** Oppose: 0 of 11 Abstain: 1 of 11 *Pulse check held at ISB meeting 9 on April 28th, 2025*	• No opposition was expressed.
Justifiable exclusions for scopes 1 and 2 *Section 5.2*	**Support: 9 of 11** (5 support with minor edits) Oppose: 2 of 11 Abstain: 0 of 11 *Pulse check poll held at ISB meeting 15 on October 15th, 2025*	• Opposition to a rules-based approach and preference for maintaining the current principles-based approach. • Concern about the accuracy of the hotspot analysis, which is needed to determine exclusion threshold. • Interoperability concerns with external programs that use principles-based approach (e.g., materiality). • Concern about the feasibility of an exclusion threshold and the risk of creating substantial burden for preparers. • Concern that if total emissions must be quantified, why not report 100% of emissions? (See Section 5.2 rationale for more information)