

Corporate Standard Meeting Minutes

Subgroup 2, Meeting #1

Date: 19 November 2024

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

Location: Virtual

Attendees

Technical Working Group Members

1. Alisa Shumm, PwC
2. Christina Abbott, KPMG
3. Claire McCarthy, We Mean Business Coalition
4. Eric Knachel, Deloitte
5. Gijs Kamperman, KLM
6. Goh Kia Hong, Nanyang Technological University, Singapore
7. Heather Vainisi, Google
8. John Altomonte, WWF-Philippines
9. Judy Ryan, External Reporting Board, New Zealand
10. Margaret Weidner, Impact Pathways
11. Monica Oleo, Redeia
12. Rubens Ferreira, Carbonauta Ltda
13. Sheila Scott, Jacobs
14. Vincent Kong, Sun Hung Kai Properties
15. Debbie Crawshawe, Department of Business and Trade, UK Government

Guests

None present

GHG Protocol Secretariat

1. Hande Baybar
2. Iain Hunt
3. Allison Leach
4. David Rich
5. Natalia Chebaeva
6. Claire Hegemann

Documents referenced

1. Slides for the Corporate Standard TWG Subgroup 2 meeting on 19 November 2024

Item	Topic and Summary	Outcomes
1	<i>Introduction and housekeeping</i> The GHG Protocol Secretariat welcomed TWG members to the first meeting of Subgroup 2. Members provided brief self-introductions. The Secretariat reviewed TWG housekeeping items introduced during the October 22nd meeting and responded to process-oriented questions submitted by TWG members prior to the meeting.	No specific outcomes.
2	<i>Consolidation approaches: Background and context</i> The Secretariat provided an overview of relevant background and context related to consolidation approaches, including how they are defined in the Corporate Standard; the extent to which each approach has been adopted; the current landscape of mandatory and voluntary programs referring to the Corporate Standard in organizational boundary setting; and stakeholder feedback received.	No specific outcomes.
3	<i>Revisions to organizational boundaries</i> The Secretariat presented an overview of the need for revisions to the consolidation approaches in the Corporate Standard, and introduced the first topic for discussion: Alignment with financial accounting. TWG members responded to an informal poll to show the diversity of expertise. An overview on financial accounting standards was presented, followed by a discussion on the first question around the level of alignment with financial accounting. TWG members responded to an indicative poll choosing between minimal, better or full alignment with financial accounting while specifying any other options/suggestions they have.	Consider identifying any research or mapping exercise comparing local financial accounting standards (Generally Accepted Accounting Principles, GAAP) and how they are similar/different from the two leading financial accounting standards (IFRS and/or U.S. GAAP). Further discussion on better/full alignment with financial accounting from the lens of how alignment with financial accounting should be put in place (question 2, slide 47) (to be addressed in the upcoming Subgroup 2 meeting on Dec 10th).
4	<i>Wrap-up and next steps</i> The Secretariat shared next steps for Subgroup 2, with the next meeting scheduled for Tuesday, December 10th at 14:00 CET.	The Secretariat to share meeting materials. TWG members to complete feedback survey on alignment with financial accounting.

Summary of discussion and outcomes

1. Introduction and housekeeping

- The Secretariat welcomed TWG members to the first Subgroup 2 meeting. TWG members provided brief self-introductions. The Secretariat briefly recapped housekeeping items, Subgroup 2 scope of work, and the Decision-making criteria and hierarchy that were first introduced in the first full TWG meeting on October 22nd.

Summary of discussion

- The Secretariat provided responses to questions related to the TWG process submitted prior to the meeting via a general feedback form.
 - Decision-making criteria: One TWG member submitted a question on the rating scale used to apply the GHG Protocol decision-making criteria to evaluating options, noting that the example slides presented to the Corporate Standard TWG used a 3-tier scale whereas those presented to the Scope 2 TWG used a 5-tier scale. The Secretariat clarified that the deviation was not intentional and that while a simple representation was used to present the application of the decision-making criteria to the TWG, a more granular rating scale might be used in practice.
 - Informal communication: A TWG member submitted a question asking if a platform to facilitate informal communication between members will be set up. The Secretariat responded that the Secretariat will not play any role in facilitating an informal communication channel among TWG members, but that TWG members may choose to set a platform on their own. They may invite the Secretariat staff to join the platform, but the Secretariat will not commit to actively monitoring or responding to any communications via such a platform.
- One TWG member asked how many subgroup sessions were planned for discussion on organizational boundaries. The Secretariat responded that the target is to have a draft proposal on organizational boundaries by the next full Corporate Standard TWG meeting in March and to have final proposal submitted to the Independent Standards Board by June 2025.

Outcomes (e.g. recommendations, options)

- No specific outcomes.

2. Consolidation approaches: Background and context

- The Secretariat provided an overview of background and context relevant to updating consolidation approaches provided in the Corporate Standard. This included:
 - An overview of framework provided in the Standard for setting organizational boundaries and consolidation approach options (slides 20-21)
 - Statistics on the current level of adoption for each approach, together with regional and industry breakdown and key highlights and role of consolidation approaches (slides 22-26)
 - A review of policies, programs, standards and frameworks that reference the Corporate Standard for organizational boundary setting (slides 27-40)
 - A summary of stakeholder feedback received related to objectives (slides 41-42)

Summary of discussion

- One TWG member asked how the current financial control approach is now outdated and not consistent with financial consolidation, and suggested that hearing the difference from financial accounting experts in the TWG will be useful. The Secretariat addressed this question while providing

an overview on financial accounting standards (slides 51-52) and explained that the criteria to define control in financial accounting standards now differ from the criteria defined for financial control.

- After sharing a list of mandatory and voluntary policies, programs, standards and frameworks that reference the Corporate Standard (meeting slide 27), the Secretariat asked TWG members to share any other examples that they are aware of. Examples cited by TWG members included:
 - The Partnership for Carbon Accounting Financials (PCAF) – Part B
 - Task Force on Climate-Related Financial Disclosures (TCFD)
 - UK Streamlined Energy and Carbon Reporting (SECR) – Annex A, emphasizing that some references such as ISSB is outdated as the document was published in 2019.
- One TWG member noted that ISO is currently looking to review 14064-1, and asked if the GHG Protocol is working with them. The Secretariat responded that the GHG Protocol are in active discussions with ISO, but there are no specific outcomes to be shared at this juncture.

Outcomes (e.g. recommendations, options)

- No specific outcomes.

3. Revisions to organizational boundaries

- The Secretariat presented the need for considering revisions to the Corporate Standard organizational boundaries based on relevant research and stakeholder feedback (slide 44), and invited TWG members to comment.
- The Secretariat presented the proposed main topics (slide 45) and underlying main questions and options that will guide TWG discussions on the matter (slides 46-48).
- The first topic for discussion was alignment with financial accounting. The Secretariat presented the main question and context around alignment with financial accounting (slides 49-54).
- The Secretariat launched two informal polls using the Zoom polling feature to:
 - highlight/ display the diverse expertise in the room to cover the main discussion topics, and
 - gauge TWG member opinions on the level of alignment with financial accounting they believe the Corporate Standard should put in place.

Summary of discussion

- When prompted to comment on the reasons for revising consolidation approaches in the Corporate Standard, TWG members contributed the following:
 - It is important to prioritize support for mandatory GHG emissions reporting programs which requires certainty, clarity, and principles that can be assessed by regulators. The objectives, language, and principles must be much tighter. The Secretariat clarified that the Subgroup 1 is considering the questions around the language and objectives of the Corporate Standard.
- The Secretariat launched an informal poll to display the diverse expertise in the Technical Working Group Subgroup 2 on the main discussion topics via a multiple selection question. The result showed that there is a balanced expertise of financial accounting/reporting/audit and GHG accounting/reporting and environmental compliance.
- One member stated that the revision process should update the financial control consolidation approach to align with requirements set by mandatory climate disclosure requirements (e.g., IFRS and others). The Secretariat clarified that once we agree on the level of alignment with financial accounting practices, the following question will be on how to implement it (e.g., refine an existing consolidation approach – i.e., financial control, or create a new approach).
- The Secretariat presented a conceptual question to start the initial discussion on alignment with financial accounting: To what extent can and should a consolidation approach align with financial accounting? Minimal/better/full alignment (slide 47).

- One TWG member sought clarity on the context around better alignment. The Secretariat clarified that it is a continuum from minimal alignment to full alignment and any revision beyond updating the outdated terminology currently used in defining consolidation approaches in the Corporate Standard but falls short of fully incorporating/referencing the current financial accounting practices will fall under this category.
- Another TWG member noted that the disconnect between current financial control consolidation approach and financial accounting standards is due to the Corporate Standard being associated with an outdated IFRS standard. The decisions about control from a financial control perspective are now different than how it is described in the Corporate Standard. The financial control approach was initially intended to better align with then applicable financial accounting frameworks, but is now out of date.
- The Secretariat presented an overview on financial accounting standards/frameworks used today (slide 50), focusing on a high-level comparison of the two leading standards, IFRS and U.S. GAAP (slide 51). These two financial accounting standards were then compared to the three consolidation approaches provided in the Corporate Standard (slide 52). The Secretariat also highlighted that there are several other national or regional financial accounting standards (Generally Accepted Accounting Principles – GAAPs) used around the world.
 - One TWG member asked if there was a comparison or mapping of consolidation requirements of local GAAPs other than IFRS and U.S. GAAP was available. The Secretariat responded that it is not aware of such a comparison and invited other TWG members to share if they know of a study on this that they can reference. One TWG member mentioned they can share a resource on comparison of consolidation models used in IFRS vs U.S. GAAP, however later they confirmed that the Secretariat already provided reference to these studies in slide 67.
- One TWG member shared a question asking if IFRS and/or U.S. GAAP was planning on any further updates and changes. The Secretariat will address this question in the next Subgroup 2 meeting.
- One TWG member suggested that better alignment can be introduced through the concept of “reporting entity” used in the financial reporting world, by letting a reporting entity’s financial statement accounting standard determine the consolidation (i.e., which entities to include in their organizational boundaries for GHG emissions consolidation). Rather than choosing a financial accounting standard (i.e., GAAP) to align with, this approach would require/allow the reporting entity to follow the GAAP they use for their financial statements.
 - Several TWG members supported this idea and suggested this should be explored/discussed further. Adding that choosing and fully aligning with one of the leading financial reporting standards would be a significant work and will receive resistance from many companies using another financial accounting standard.
 - Another TWG member supported this statement adding that the starting point of alignment with financial accounting can be with a principle that requires companies to report their GHG emissions using the same entity as their consolidated financial statements, then supporting this with a series of principles that explain emissions reporting for the different elements of the consolidated group (e.g., associates, minority interests). The Secretariat confirmed this is one of the options under consideration to be discussed further in the upcoming Subgroup 2 meeting.
- One TWG member noted that ‘interoperability’ with mandatory climate disclosure programs can be achieved by permitting optionality such that it permits reporting ‘in accordance with the GHG Protocol’ and also adhere to potentially different organizational boundary setting requirements of a jurisdictional requirement. Supplementing that, guidance on how to evaluate operational control (at entity level) and, separately operational control at the asset level such as for leased assets.
 - The Secretariat asked to clarify if the TWG member was suggesting a layered approach similar to that for ESRS, wherein emissions consolidation has to align with financial consolidation, but with a separate reporting requirement for facilities under operational control but outside of the consolidated entity. The TWG member responded that they were not proposing to follow ESRS but to provide the building block that permits pivoting to let the regulatory requirement fill the gap to meet its needs.

- The Secretariat launched an indicative poll using the Zoom polling feature to gauge TWG members' opinion on to what extent can and should a consolidation approach (existing or new) align with financial accounting, with results shown below. It should be noted that, the members who selected the option "other" provided a unanimous response indicating support for a form of full alignment by requiring the reporting entity to adopt the same consolidation model used in their applicable/local GAAP.

Level of alignment with financial accounting	Response %
Minimal alignment	7%
Better alignment	47%
Full alignment	20%
Other	27%

- One TWG member stated that requiring the reporting entity to adopt the consolidation required via their local GAAP establishes alignment with financial accounting, and is less prescriptive. They added that alignment with financial accounting would improve the ability to use intensity metrics in a comparable way and to use the structures/framework set in place in a company already.
 - The Secretariat added that supporting guidance may be needed for companies who are not mandated to publish consolidated financial statements or have differing reporting objectives, adding that most companies reporting to CDP are currently using operational control approach. A TWG member shared their concern around the aim to meet the needs of voluntary reporters at the expense of meeting the needs of mandatory reporters.
- One TWG member suggested that it would be less feasible for many reporters to adopt better financial alignment. The Secretariat stated that better alignment with financial accounting can be relatively easy for companies who are advanced in their financial reporting journeys but can be relatively less feasible for the others.
- Another TWG member noted that the level of alignment with financial accounting should be considered from a lens of maintaining optionality as well. Further adding that requiring/allowing the company to adopt the consolidation requirements of their locally applicable GAAP leads to full alignment and is both logical and implementable.

Outcomes (e.g. recommendations, options)

- Consider identifying any research or mapping exercise comparing local GAAPs and how they are similar/different from IFRS and/or U.S. GAAP
- Provide update on planned revisions to leading financial accounting standards in the upcoming Subgroup 2 meeting (to be held on Dec 10th, 2024).
- Further discussion on better/full alignment from the lens of the second question which focuses on how the alignment with financial accounting should be put in place (slide 47) - to be addressed in the upcoming Subgroup 2 meeting on Dec 10th.

4. Wrap-up and next steps

The Secretariat summarized next steps (slide 57), with the next meeting of Subgroup 2 scheduled for Tuesday, December 10th at 08:00 ET / 14:00 CET.

Summary of discussion

N/A

Outcomes (e.g. recommendations, options)

- The next Subgroup 2 meeting is scheduled for Tuesday, December 10th at 08:00 ET / 14:00 CET.
- The Secretariat to share the following materials with Subgroup 2 members: final slides, minutes, and recording from November 19th meeting, discussion paper on Corporate Standard consolidation approaches, feedback survey on alignment with financial accounting.
- TWG members to complete feedback survey on alignment with financial accounting (deadline to be communicated).

Summary of written submissions received prior to meeting

- One TWG member submitted feedback related to other examples for policies, programs, and standards providing requirements and guidance for setting organizational boundaries for GHG inventories (slide 27) stating that the UK Government has a mandatory Streamlined Energy and Carbon Reporting scheme (known as SECR) which requires quoted companies, large unquoted companies and LLPs to report on their scope 1 and 2 emissions (as a minimum) and references the GHG Protocol Corporate Standard (and Corporate Value Chain Standard) as the basis for the Government guidance.
- The Secretariat addressed this feedback during the meeting while presenting the mentioned content, noting the stated UK mandatory scheme.