



The future of the GHG Protocol

12 March 2023

Global IFRS Institute | Sustainability reporting



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“As the future of global sustainability reporting takes shape, the GHG Protocol looks set to play an integral role in climate-related disclosures. But to play a full part its organisation needs to review how its standards are created and implemented, and to ensure that its governance is ready to meet the demands of the new reporting frameworks.”

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Standard setter for greenhouse gas emissions seeks views

The Greenhouse Gas (GHG) Protocol has invited views from its stakeholders on the need for updates to its Standards and Guidance.

The Protocol is referred to in the climate-related disclosure requirements being prepared by the International Sustainability Standards Board (ISSB), European Financial Reporting Advisory Group (EFRAG), and in the commentary accompanying the US Securities and Exchange Commission (SEC) proposal. This level of cross-reference underscores the importance of the GHG Protocol in measuring and reporting GHG emissions.

Reflecting this level of support and its widespread usage by companies, KPMG recommends three steps to updating the Standards and Guidance of the GHG Protocol.

The KPMG **response** to the proposal includes the following key points.

Interdisciplinary organisational structure and robust due process

The GHG Protocol pioneered the area of accounting and reporting of emissions; however, formal standard setters and regulatory bodies are picking up their roles in establishing reporting and disclosure requirements for nonfinancial sustainability information, and they do so with authority. These bodies establish standards for reporting that are intended to address the information needs of investors or, as in the case of European Sustainability Reporting Standards, a broad range of stakeholders.

To maintain its role as perhaps the preeminent body issuing guidance on how to measure GHG emissions, we believe the GHG Protocol requires a governance body comprising a range of stakeholders, with a constitution that includes a due process that is transparent and allows for stakeholder input. For example, the GHG Protocol could draw inspiration from the structure and due process of the IFRS® Foundation in setting IFRS Accounting Standards and now IFRS Sustainability Disclosure Standards.

Principles-based approach for flexibility and adaptation

Although an update to the GHG Protocol will undoubtedly result in improvements to the accounting and reporting of GHG emissions, inevitably additional interpretative guidance will be needed. Currently, organisations such as the Partnership for Carbon Accounting Financials (PCAF) and the Science Based

Targets initiative (SBTi) build on the GHG Protocol to develop supplementary guidance for companies.

Financial reporting standard setters use authoritative bodies tasked with interpreting the standards and developing guidance that supports the objectives of consistency and comparability between companies. For example, the IFRS Interpretations Committee is the interpretative body of the International Accounting Standards Board. An interpretations body would allow the standards to be more principles-based with supplemental guidance reacting more quickly to changing technologies and available methodologies.

We acknowledge that setting up this infrastructure will take time; meanwhile, we believe ongoing and active collaboration with standard setters, industry groups (e.g. PCAF) and other relevant organisations (e.g. SBTi) would be beneficial – to provide a path for preparers to align GHG measurement with climate-related disclosure requirements as they develop.

Alignment of organisational boundaries with the ‘reporting entity’ concept

Currently, the organisational boundaries available in the GHG Protocol do not align with the ‘reporting entity’ concept used for financial reporting except by coincidence. As the reporting of GHG emissions starts to play a role in companies’ annual reporting – in addition to other uses – facilitating alignment of the two concepts would harmonise with emerging disclosure requirements and enhance connectivity between GHG emissions inventories and an entity’s financial reporting.

We recommend exploring how the approaches to organisational boundaries could be updated to facilitate alignment with financial reporting while considering the needs of other stakeholders.

Find out more

Read our full [response](#) (PDF 288 KB) and high-level guides to the [ISSB](#), [EU](#) and [SEC](#) proposals.

Publication name: *The future of the GHG Protocol*

Publication date: March 2023

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