



## GROUP REPORTING IN A CONVERGING WORLD: NAVIGATING IFRS, IFRS S1 S2, AND GHG PROTOCOL CORPORATE STANDARD

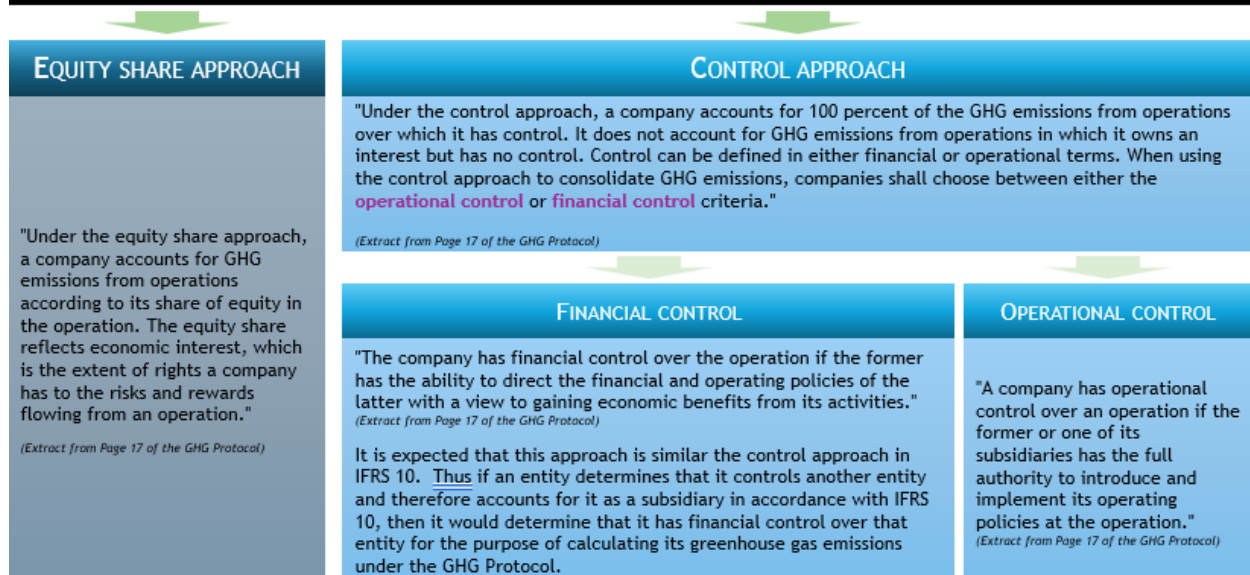
### *How Companies Can Align Financial, Sustainability, and Emissions Reporting Under Emerging Global Standards*

Under IFRS S1 (General Requirements for Disclosure of Sustainability-related Financial Information), a company must report its sustainability-related information for the same group of entities included in its financial statements. This means that if a parent company prepares consolidated financial statements under IFRS—which include the parent and all its subsidiaries—then its sustainability-related disclosures must also cover the same group (the entire consolidated group). In other words, the sustainability-related information should match the financial reporting boundary. This ensures consistency and helps users clearly understand how sustainability risks and opportunities affect the same group that is being reported on financially.

The GHG Protocol Corporate Standard defines “organisational boundaries” as the way a company decides which parts of its business to include when measuring its greenhouse gas (GHG) emissions. This decision is based on a chosen consolidation approach—either:

- The equity share approach (based on the company’s ownership in an operation), or
- The control approach (based on whether the company has financial or operational control).

## APPROACH TO SET THE ORGANISATIONAL BOUNDARY



This boundary sets the scope for which GHG emissions are counted:

- Scope 1: Direct emissions from operations the company owns or controls.
- Scope 2: Indirect emissions from purchased electricity, steam, heat, or cooling.
- Scope 3: All other indirect emissions from the company's value chain (e.g., suppliers, customers).

Under IFRS S2, a company can choose how it measures and classifies its greenhouse gas (GHG) emissions based on the options allowed in the GHG Protocol Corporate Standard. This choice—whether to use the equity share approach, financial control, or operational control—can lead to differences in how emissions are reported. Because of this, IFRS S2 (paragraph B27) requires companies to:

1. Explain which measurement approach they chose (e.g., equity share or control-based),
2. Give the reason for that choice, and
3. Describe how that choice supports the overall disclosure objective in IFRS S2 (paragraph 27), which is to provide useful information about the company's climate-related risks and opportunities.

### Example 1 - Simple Group Structure with Full Ownership

A parent company that owns 100% of a subsidiary. Neither the parent nor the subsidiary owns any other businesses. In this case, the reporting entity is the combined group—the parent and its subsidiary. When reporting greenhouse gas (GHG) emissions:

- Scope 1 emissions (direct emissions) include all emissions from both the parent and the subsidiary.
- Scope 2 emissions (indirect emissions from purchased electricity, heat, etc.) include emissions from both companies.
- Scope 3 emissions (other indirect emissions across the value chain) also include those from both companies.

Because the parent owns 100% of the subsidiary, all GHG emissions—Scopes 1, 2, and 3—are fully included in the group's sustainability reporting.

### **Example 2** - Including an Associate Through Operational Control

In this case, a parent company owns a subsidiary and also has an associate (a company it does not fully own or control financially). According to IFRS, only the parent and subsidiary are part of the reporting entity for financial reporting. However, for GHG emissions reporting under the GHG Protocol's control approach, it includes all entities—even if it doesn't fully own them. As a result:

- Scope 1 and Scope 2 emissions (direct emissions and emissions from energy use) from the parent, subsidiary, and associate are all included in the group's Scope 1 and 2 disclosures.
- Scope 3 emissions from all three entities (parent, subsidiary, and associate) are also included in the group's Scope 3 reporting.

So, even though the associate isn't part of the financial reporting group, it's still included in GHG disclosures because the parent has operational control over it.

According to IFRS S2 paragraph 29(a)(iv), companies must separately disclose (or "disaggregate") their Scope 1 and Scope 2 greenhouse gas (GHG) emissions based on the structure of their group.

In this example, the reporting entity breaks down its GHG emissions into two parts:

#### *Consolidated accounting group:*

This includes the parent company and its fully owned subsidiary—entities that are part of the consolidated financial statements.

- The company reports their Scope 1 and Scope 2 emissions in one line.

#### *Other investees not in the consolidated group:*

This includes the associate, which is not fully owned and not consolidated in the financial statements, but is still included in GHG reporting due to operational control.

- The company reports the Scope 1 and Scope 2 emissions from the associate separately.

This disaggregation helps users understand which emissions come from fully owned operations and which come from other entities the company influences but does not fully control financially.

### **Example 3** - Operational Control Only Over the Subsidiary

In this scenario: The parent company has operational control over its subsidiary. The parent does not have operational control over its associate.

#### *What this means for GHG emissions reporting:*

- The company includes Scope 1 and Scope 2 emissions from the parent and subsidiary in its GHG reporting—because it controls their operations.
- It does not include the associate's Scope 1 and 2 emissions, since it doesn't have operational control over the associate.

- Scope 3 emissions include:
  - Indirect emissions from the parent and subsidiary (e.g., from purchased goods, travel, waste, etc.).
  - Relevant emissions from the associate, such as financed emissions—those related to the company's investment in the associate.

*Disaggregation Disclosure:*

Under IFRS S2 paragraph 29(a)(iv), the company must disclose where its emissions are coming from:

- Since all Scope 1 and Scope 2 emissions are from the consolidated accounting group (the parent and subsidiary),
- And there are no Scope 1 or 2 emissions from investees outside the group (like the associate),
  - The company discloses that 100% of its Scope 1 and 2 emissions come from its consolidated group.

**Example 4** - Equity Share Approach

In this scenario: A parent company owns 100% of a subsidiary and 40% of an associate. The parent does not have operational or financial control over the associate. The company chooses to report its GHG emissions using the equity share approach (rather than the control-based approach).

*GHG Emissions Reporting:*

- Scope 1 and Scope 2 emissions:
  - 100% of emissions from the parent and wholly owned subsidiary
  - 40% of emissions from the associate (based on ownership share)
- Scope 3 emissions:
  - Include all applicable indirect emissions (e.g., purchased goods, business travel, waste, etc.)
  - Note: Financed emissions related to the associate might not be double-counted here, since 40% of its direct emissions are already included under Scopes 1 and 2.

If you have any questions about the information in this newsletter, please speak to your usual BDO contact or get in touch with BDO in Thailand's IFRS team at [ifrsthailand@bdo.th](mailto:ifrsthailand@bdo.th).

## GHG Emissions Reporting - Summary Table of Scenarios

Example	Ownership Structure	Control	Approach Used	Scope 1 & 2 Reporting	Scope 3 Reporting	Disaggregation per IFRS S2
1	Parent owns 100% of Subsidiary	Parent has control over Subsidiary	Financial consolidation / Measurement approach (IFRS S1)	100% of parent and subsidiary emissions included	Scope 3 emissions of parent and subsidiary included	All Scope 1 & 2 emissions attributed to consolidated accounting group
2	Parent owns 100% of Subsidiary and has an Associate	Parent has operational control over both	Operational control (GHG Protocol)	Scope 1 & 2 emissions of parent, subsidiary, and associate included	Scope 3 emissions of all three entities included	Scope 1 & 2 emissions disaggregated between: <ul style="list-style-type: none"> <li>• Consolidated group (parent + sub)</li> <li>• Other investees (associate - 100%)</li> </ul>
3	Parent owns 100% of Subsidiary and has an Associate	Parent has control only over Subsidiary	Operational control (GHG Protocol)	Scope 1 & 2 emissions of parent and subsidiary only	Scope 3 includes: <ul style="list-style-type: none"> <li>• Parent and subsidiary</li> <li>• Relevant emissions from associate (e.g., financed emissions)</li> </ul>	All Scope 1 & 2 emissions attributed to consolidated accounting group
4	Parent owns 100% of Subsidiary and 40% of Associate	No control over Associate	Equity share approach (GHG Protocol)	Scope 1 & 2 emissions: <ul style="list-style-type: none"> <li>• 100% of parent and subsidiary</li> <li>• 40% of associate</li> </ul>	Scope 3 includes applicable emissions; avoid double-counting associate if already included in S1/S2	Scope 1 & 2 disaggregated: <ul style="list-style-type: none"> <li>• Consolidated group (parent + sub)</li> <li>• Other investees (associate - 40%)</li> </ul>

This newsletter has been carefully prepared, but it has been written in general terms and should be seen as broad guidance only. The publication cannot be relied upon to cover specific situations, and you should not act, or refrain from acting, upon the information contained therein without obtaining specific professional advice. Neither BDO Audit Company Limited nor its respective partners, employees and/or agents accept or assume any liability or duty of care for any loss arising from any action taken or not taken by anyone in reliance on the information in this publication or for any decision based on it.