United Nations system

Chief Executives Board for Coordination

High-Level Committee on Management
Finance and Budget Network

25 February 2025

Feedback to IPSASB Exposure Draft

Main overarching feedback

The UN welcomes the SRS Exposure Draft 1, Climate-related disclosures and the opportunity to provide substantive input to the development of this standard. The UN considers the development of an international standard a great opportunity to significantly improve the scope and quality of climate-related reporting in the public sector and agrees that this is an urgent topic to be addressed. It believes that the success of such a standard requires a clear, consistent and simple reporting framework, that is ambitious in its purpose, yet cognizant of the differences and unique challenges for reporting that the public-sector experiences, compared with the private sector.

The UN agencies recognise the extensive work and consultation needed to develop a widely agreed sustainability reporting standard. Nonetheless, the **UN agencies believe there remain severe conceptual weaknesses and specific issues in the current Exposure Draft that significantly undermine its purpose and question if it can be recommended for adoption in the UN system**, in its current form. The UN agencies have compiled feedback related to each of the subject-matters (SM) nominated and summarised the key concerns with the Exposure Draft (ED) in the proceeding section.

Despite these concerns, the UN agencies believe an international public sector climate disclosure standard is needed. The objective of the feedback provided is to ensure that, in the end, the result is a standard and application guidance that appropriately addresses all material elements of climate-related impacts, risks and opportunities, and is sufficiently clear for implementation, enabling future assurance to be approached with confidence. The UN agencies believe that only if these criteria are satisfied will this new sustainability standard be widely adopted in the public sector. The UN agencies share significant climate-disclosure expertise and stand ready to engage in a collaborative process to strengthen the draft standard to ensure it can be recommended for adoption within the UN system.

Key conceptual concerns and specific issues

- **Document Structure**: In its current form the ED is difficult to read, interpret and apply. The complex structure of the document is unnecessary, with its three-tier approach. Rather than being application guidance, Appendix A1 creates additional confusion as guidance introduces new elements for consideration that are not aligned with the GHG Protocol.
- **Materiality**: The UN considers it a serious conceptual flaw to create a standard based on single financial materiality for public sector application. The single materiality approach is limiting when applied to the private sector (providing material information only for a subset of an entity's stakeholders). When applied in the public sector this is rendered even more inadequate. Many public sector entities are looking for guidance in disclosing climate risks and opportunities, but also to align their climate impact disclosure with international best practice. This is not possible without considering 'impact materiality' as a critical determinant of materiality.
- **Public Policy Program disclosure**: Although assessed to be not applicable to UN entities, which do not have sovereign powers, the standard loses focus through the inclusion of climate-related public policy programs. This policy angle, and the conceptual boundaries and suitable reporting timing requirements thereof, are poorly aligned with those of climate risks, opportunities and impacts. Furthermore, the disclosure requirement excludes the majority of public policy (only public policy with primary climate objectives are included) meaning it cannot be assessed to meet primary users information needs. To address this, it is recommended to remove the public policy disclosure requirements altogether for further consultation and development into a separate standard, as also expressed in the Alternative View.
- **Agreement with Alternative View**: In general, the UN is in agreement with the assessment and recommended course of action proposed in the Alternative View (AV.1-8). Separating policy program-related disclosure from IFRS S2 aligned disclosure will allow a clearer and more logical standard for each to be developed.
- **Timing of reporting**: On the specific issue of the time of publishing climate-related disclosures, the UN agencies would strongly suggest disconnecting the existing financial reporting from the new sustainability reporting requirements. While critical for the valuation of private sector entities, the concurrent timing is less relevant for primary users of general purpose financial disclosures of the public sector. Furthermore, as outlined below in SM.8 and SM.10, the detail and quality of available climate-related disclosures will be inhibited by adherence to this timeline - reducing their value to primary users. Considering the purpose,

magnitude, and complexity of public sector activities, it is strongly recommended to disconnect the specific reporting timing requirements, while maintaining the same reporting period covered to allow for clear linkages.

- **Adoption requirement**: the new Exposure Draft 1 on Climate-related disclosures, has been issued as an inaugural draft standard under the IPSASB Sustainability Reporting Standards series. Paragraph 6 of the ED1 states that an entity may apply this [draft] standard irrespective of whether the entity’s related general purpose financial statements are prepared in accordance with IPSAS or other generally accepted accounting principles or practices.

  We appreciate additional clarification received from the IPSAS Board staff during the preparation of the UN’s feedback, which confirmed that IPSAS Standards and IPSASB SRS Standards are independent and can be applied separately. UN organizations can determine on their own effective date for IPSASB SRS Standards while maintaining compliance with IPSAS standards. We thank IPSASB staff for this important clarification and recommend incorporating this disclaimer into the standard’s including this disclaimer into the text of the standard’s text for clarity.

SM1: Public sector operations and regulatory role

This Exposure Draft requires a public sector entity to provide disclosures about (i) the climate-related risks and opportunities that are expected to affect its own operations, and (ii) climate-related public policy programs and their outcomes when an entity has responsibility for those programs and their outcomes (see paragraphs 3 and AG2.7–AG2.8). Do you agree the proposed approach meets the information needs of primary users (see paragraphs 1– 4)? If not, what alternative approach would you propose and why?

Separation of “outside-in” (risks and opportunities) and “inside-out” (impacts)

Proposal:

It is recommended to separate guidance on climate risk and opportunity management and climate impact mitigation into two distinct standards. Additionally, it is suggested that reassessment of scope 3 emissions is decoupled from the reassessment of climate risks and opportunities, “in light of a significant event” (AG1.83).

Justification:

The structure of the standard is based on the perspective of financial investments where investors need to access relevant information on the climate profile of the investment ("risks and opportunities"). This logic is not aligned with proposed metrics and targets for climate *impacts* and *mitigation efforts* of organisations and vice versa, the proposed metrics are not well-suited to quantify and support progress on climate risk and opportunity management. The two perspectives ("how does climate change impact an organization" vs. "how does an organization impact climate change") both merit their own disclosure on governance, strategy, metrics and targets.

SM2: Own Operations

The Exposure Draft primarily aligns disclosure requirements about an entity's own operations with private sector guidance (IFRS S1 General Requirements for Disclosure of Sustainability-related Financial Information and IFRS S2 Climate-related Disclosures), with public sector guidance, including a rebuttable presumption that entities use the GHG Protocol: A Corporate Accounting and Reporting Standard (2004), unless another established method of measuring its greenhouse gas emissions is more appropriate or required by a jurisdictional authority (see paragraph AG1.72). Do you agree with the proposed approach and guidance? If not, what alternative approach would you propose and why?

The standard should defer to the GHG Protocol consistently, and only state requirements that differ substantially from the protocol.

Proposal:

The standard should remove and avoid repeating or re-phrasing definitions and requirements from the GHG protocol related to emissions reporting, and simply defer to "the latest version" of the standard for requirements.

Where the GHG protocol is lacking in detail (see below) or the IPSASB Standard states a requirement that substantially differs from the protocol, then this should be stated specifically, elaborated on, and justified.

Justification:

Re-stating, rephrasing or only minorly editing Greenhouse Gas Protocol requirements (e.g. on materiality and boundary definitions) creates confusion and will make it hard for entities to align with both the protocol and the IPSAS standard. It also lengthens the standard unnecessarily and creates a risk of future misalignment if the protocol is updated.

Many entities already use the GHG protocol for GHG emissions reporting approaches and guidance and are familiar with its structure and language. Additionally, the expertise in the marketplace to assist entities with implementation is based upon the GHG protocol. Minor alterations, reworded requirements or subtle differences create more confusion than clarity and could lead to inadvertent non-compliance and a lack of comparability of the related disclosures. The UN understands there may be areas where the standard wishes to diverge from the protocol but thinks this would be best handled by specifically stating this divergence and commenting on the rationale for doing so.

The UN also acknowledges that some parts of the protocol are private sector-facing and thus difficult to interpret for public sector entities. It is these areas, described below, that the UN would like to see more detail and clarity from the IPSASB standard.

Missed opportunity to provide more detailed guidance for public-sector organisations, beyond GHG Protocol

Proposal:

Define and include more specific guidance for downstream and finance-related Scope 3 emissions reporting as part of the standard, including considering:

A. Additional practical guidance developed and provided to guide public entities in their Scope 3 disclosures,
B. Rephrasing of current requirements to reflect the actual practical challenges of extensive GHG reporting, as per our suggestions below,
C. Recognition that the comparability of the disclosures will be affected by the issues we outlined and will be limited especially in the first years of reporting.

Justification:

The requirement to disclose material Scope 3 categories (AG1.74) provides a clear and ambitious framework for advancing important work in this area. However, the IPSASB ED rightfully acknowledges that the GHG Protocol was designed for the private sector and its application to the public sector is challenging, especially for downstream Scope 3. The IPSASB climate-related disclosure requirements offer an opportunity to provide guidance for the public sector on the reporting and management of value chain emissions linked to public service delivery. This would support efficient and meaningful adoption by public sector organizations and also harmonize Scope 3 disclosure approaches among public sector organizations.

The ED provides extensive disclosure requirements, but little practical guidance to public sector entities embarking on Scope 3 reporting. Some scope 3 categories – for example, ‘financed emissions’ (see AG1.104) - are lacking reporting methodologies. We expect that UN entities will need to develop tools and methodologies progressively; spend-based approximations will be initially used and replaced over time with actual data provided by value chain partners; UN entities will need to build internal capacity (both human resources and systems for collection of data).

Need to ensure consistency in Scope 3 CO_2 emissions from air travel

Proposal:

Inclusion of the ICAO Carbon Emissions Calculator (ICEC) as the standardized tool to provide secondary data on CO_2 emissions from air travel, to enhance consistency, comparability, and accuracy in measuring Scope 3 CO_2 emissions from air travel.

This proposed inclusion is suggested under Appendix A1 *Appliance Guidance –Own Operations*, within the section *Scope 3 greenhouse gas emissions, Data from specific activities within the entity’s value chain*, after paragraph AG1.96, as the new AG1.97 (page 37) with the following text:

“For the estimation of Scope 3 CO_2 emissions from air travel, entities should use the ICAO Carbon Emissions Calculator (ICEC) which is the official tool for all United Nations (UN) entities to quantify their air travel carbon footprint. The use of a common, transparent, impartial, and internationally approved methodology is necessary to facilitate the aggregation of air travel CO_2 emissions data from different organizations and guarantees integrity and consistency of reported emissions.”

Justification:

The ED provided some application guidance on the Scope 3 measurement framework (see AG1.92, AG1.97 and AG1.98) which described the estimation of Scope 3 greenhouse gas emissions using activity data (e.g., distance traveled) and emission factors to convert it into emissions estimates, prioritizing timely, technology-representative secondary data for accuracy. However, there was limited guidance on the tool to estimate Scope 3 CO_2 emissions from air travel which is important considering the availability of different methodologies and assumptions.

The ICEC is the official tool for all UN entities to quantify their air travel carbon footprint, in support of their environmental commitments, as reported in the annual Greening the Blue reports. The use of a common, transparent, impartial, and internationally approved methodology across the UN system facilitates the aggregation of air travel emissions data from different organizations and guarantees integrity and consistency of reported inventories. Hence, the inclusion of the ICEC as the standardized secondary data source for estimating greenhouse gas emissions from air travel will be a practical way to ensure data consistency and comparability.

The ICEC is limited to calculating the direct emissions released into the atmosphere by the aircraft engines during a flight. There is a substantial understanding of the components of aviation climate forcing, particularly. However, important uncertainties remain in quantifying some of the aviation non-climate terms and in the underlying physical processes. As a consequence, there is not yet an international scientific consensus on whether and how to quantify these non-emissions. For additional information on the ICEC, please visit https://www.icao.int/ or contact officeenv@icao.int.

SM3: Scope of Public Policy Programs (paragraph 3 and AG2.4–AG2.6)

This Exposure Draft requires disclosures about public policy programs with a primary objective to achieve climate-related outcomes. Do you agree with this approach and the scope of public policy programs included in required disclosures? If not, what alternative approach would you propose and why?

Disclosures for public-policy programs should be removed from the standard and incorporated into a separate standard, in-line with the Alternative View

Proposal:

It is strongly recommended to follow the Alternative View to remove the public-policy related disclosures for incorporation in a separate standard after revisiting needs for this specific area of high public interest.

Justification:

Firstly, it is deemed that the requirement for disclosures regarding climate-related public policy programs are not applicable for the UN as the UN does not have sovereign powers (IG1).

However, it is considered that the approach to only provide disclosures for public policy programs where climate is the primary purpose is insufficient for achieving the objective of allowing primary users to judge accountability and decision-making processes. This objective can only be achieved by assessing policies that have both climate-related purposes as well as policies that are not climate-related. Furthermore, the IFRS aligned disclosure of risks and opportunities are poorly aligned with the climate-related public policy disclosure (in terms of scope, useful time of disclosure and inter relation with the financial reporting), making the ED confusing and losing focus. It would be better to incorporate these existing requirements into a separate standard that covers all public policy programs.

SM4: Public Sector-Specific Definitions (paragraph 7)

This Exposure Draft provides public sector-specific definitions and related guidance for: (a) Public policy programs; (b) Public policy program outcomes; and (c) Climate-related public policy programs. Do you agree with the proposed public sector-specific definitions and guidance? If not, what alternative definitions would you propose and why?

Proposal:

Remove from standard.

Justification:

In accordance with feedback on SM3, it is recommended to remove public policy-related component fully from the standard to sharpen the focus of the SRS1 and allow the development of a robust public policy standard.

SM 5: Strategy for Climate-related Public Policy Programs (paragraphs 12 and AG2.24–AG2.31)

This Exposure Draft proposes disclosure requirements about an entity's strategy for climate-related public policy programs which include information that enables primary users to understand the entity's strategy and decision-making, anticipated challenges to achieving intended outcomes and financial implications of the climate-related public policy program. Do you agree that the disclosure requirements on strategy for climate-related public policy programs meet the information needs of primary users? If not, what alternative approach would you propose and why?

No feedback (see feedback on SM 3)

SM 6: Metrics and Targets for Climate-related Public Policy Programs (paragraphs 26–27 and AG2.34–AG2.44)

This Exposure Draft proposes to require disclosures about metrics and targets, including (a) the change in greenhouse gas emissions reasonably attributed to climate-related public policy programs and (b) other metrics to measure and monitor performance in relation to climate-related public policy programs. Do you agree these disclosures meet the information needs of primary users of the report (see paragraph 26)? If not, what alternative approach would you propose and why?

No feedback (see feedback on SM 3)

SM 7: Conceptual foundations (paragraphs B2–B15)

This Exposure Draft includes conceptual foundations aligned with the IPSASB Conceptual Framework including the definition of materiality (see paragraphs B8–B10) and primary users of public sector general purpose financial reports (see paragraphs B.AG28–B.AG33). Do you agree that the proposed definition of materiality based on the IPSASB Conceptual Framework meets the information needs of primary users for climate-related disclosures? If not, what alternative approach would you propose and why?

Separation of disclosures based on financial materiality and impact materiality, with consideration of the double-materiality concept

Proposal:

Separate climate impact disclosure (impact of entity on climate), from the remaining disclosure (impact of climate on entity) to allow clear definition of objective, instructions and materiality for each.

Remove AG1.82, due to misalignment with GHG protocol.

Justification:

The current definition of materiality is limited to disclosing information that has an impact on the long-term fiscal sustainability of an entity and its ability to discharge its mandate. While recognizing the IPSASB's desire to maintain a single definition of materiality across the IPSAS standards, from a perspective of climate-impact disclosure the proposed definition of materiality is severely limiting. If GHG emission reporting (16a) is separated from the risks and opportunities disclosure, this would allow a much clearer and more concise statement of materiality for each.

If this approach is followed, the materiality applicable for GHG emission disclosure can be explicitly stated as an additional point after B10. Materiality for GHG emission disclosure should be based on the GHG Protocol standard, with magnitude of the emissions being the major determinant of materiality. This would also allow the unnecessarily complicated and long additional guidance on materiality to be simplified. AG1.82 introduces the concept that the categories of Scope 3 emissions to report could be based on management judgement of cost or capacities, which should also be removed.

SM 8: General requirements (paragraphs B16–B46)

This Exposure Draft includes general requirements aligned with private sector guidance (IFRS S1) including the requirements for (a) an entity to include its climate-related disclosures in its general purpose financial reports (see paragraphs B22–B25) and (b) an entity to report its climate-related disclosures at the same time as its related financial statements (see paragraphs B26–B31). Do you agree that the disclosure requirements proposed in the general requirements are appropriate for public sector entities? If not, what alternative approach would you propose and why?

Climate-related disclosure should not be required to report at the same time as financial statements due to their different perspectives and the nature of data included in each.

Proposal:

Considering the resource challenges and the value chain dependencies outlined in the justification below, the expectation to align the disclosure does not seem reasonable, and it will require a disproportionate effort that largely offsets the benefits of same-time reporting. Two alternative approaches are suggested:

A. The preferred approach is to turn the transition provision under 31 (a) into the regular reporting requirement: “Entities are to provide climate-related disclosures, when available and within nine months of the end of the annual reporting period” ; or alternatively,

B. It is suggested to mitigate at least the issue of dependency on time-lagged and other entities’ GHG information, which will create a de facto impossibility to have value chain emission information available within the set timeframe. If climate-related disclosures are to be presented at the same time as the related general purpose financial reports (i.e. financial statements), language should be included to specify that entities should report the scope 3 information available at the time of the publication of the financial statements.

In conclusion, UN feedback is that it is critically important to recognize the differences between the requirements and ensure that expectations for the connectivity reflect such differences without posing undue risks. Further, the revision of the definition of materiality as proposed under the response to SM7 further supports the preferred approach to delink the requirements related to the timing of the two sets of disclosures. Explanations about the connectivity between the two reports will help UN respondents to assess if the proposal to report on its climate -related disclosures at the same time as financial statements is suitable. Finally, in view of some important differences between the requirements for the financial statements and for climate-related disclosures, the assurance requirements that are expected to be applied to climate related disclosures cannot be the same as they are currently on the financial statements, and assurance related to the climate-related disclosures should not adversely impact unqualified audit opinion of the organizations' audited financial statements.

Justification:

Considering the reporting period

The standard should state explicitly in paragraphs B16-B46 that the reporting period of climate-related disclosure should be the same as those of the financial statements. The UN agrees with this principle.

Considering the relationship between the two statements

The proposed requirement to report an entity's climate-related disclosures at the same time as its financial statements requires further explanation, starting from the explanation on how the two are connected. Currently, the ED does not explain the connectivity and/or requirement for such. Entity's financial statements present information on the entity's financial position and performance, to the extent financial transactions arise from past events and lead to recognition of assets/liabilities. The information in the financial statements is essentially past-looking. Contrary to this, the requirements in the ED on climate-related disclosures are forward-looking and expands to areas which are not covered in the entity's financial statements (such as strategy, governance, etc.).

The only potential overlap identified in the ED arises from the requirement to disclose information on how climate-related risks and opportunities affect an entity's financial position, performance and cash flows. While relevant for the valuation of private sector entities, this connection is considered to be much less relevant for the climate-related disclosure of public sector entities. Furthermore, inherently climate-related risks and opportunities are exposed to greater uncertainty compared to the level of uncertainty that impacts assumptions on the recognized financial transactions in the financial statements.

While it is recognised that in the private sector it is helpful to have both reports at the same time - so that primary users can accurately assess company information (e.g. valuation) with full knowledge of all material elements – this does not apply so strongly to public-sector organizations and a greater priority should be allocated to achieving reporting with the highest accuracy, primacy of data and completeness of information. Specifically, within in the United Nations system, it is more likely that an organization's constituent bodies would use the climate-related disclosures in consideration of budget and resource allocation proposals, the timing of which differs greatly between organizations, rather than in the evaluation of financial statements.

Considering the availability and verifiability of data

The availability of verifiable data for climate-related disclosures and for financial transactions is different, and for this reason the ED makes certain permitted assumptions and simplifications on the climate-related data if obtaining verifiable data without undue cost is not possible. In view of such important differences between the requirements for the financial statements and for climate-related disclosures, the assurance requirements that are expected to be applied to climate related disclosures cannot be the same as they are currently on the financial statements.

Furthermore, this requirement will be even more difficult to comply with for entities heavily reporting Scope 3 emissions, which relies on collecting value chain information upstream and downstream. As the UN improves its Scope 3 reporting to obtain activity data from value chain partners (rather than estimating emissions based on financial data), it will take more time to obtain information from its value chain partners on their Scope 1 and 2 disclosures. This links to the requirement for timely and representative data (AG1.98), where it will not always (for some time at least) be practically implementable that secondary data on activities and emissions are collected on an annual basis. In conclusion, UN feedback is that it is critically important to recognize the differences between the requirements and ensure that expectations for the connectivity reflect such differences without posing undue risks. Explanations about the connectivity between the two reports will help UN respondents to assess if the proposal to report on its climate -related disclosures at the same time as financial statements is suitable.

SM 9: Transition (paragraphs 30–33)

This Exposure Draft proposes to provide transitional relief only in the first year of adoption (see paragraphs 30–33) for disclosures relating to an entity's own operations and where applicable, relating to climate related public policy programs and their outcomes. Do you agree that the proposed transition provisions approach should be applicable to both own operations and climate-related public policy programs? If not, what alternative approach would you propose and why?

The UN welcomes the transition provisions, and giving the novelty and complexity of the requirements, recommends extending the transitional provisions beyond first adoption year.

SM 10: Other Comments

Do you have any other comments on the proposed Exposure Draft?

The UN welcomes the specific requirement to report scope 2 emissions using a location-based approach

Justification:

The requirement to report Scope 2 emissions using a location-based approach (AG1.78) provides clear guidance on a complex reporting aspect and will increase comparability among disclosures and support strategic mitigation efforts.

Further clarity and simplicity needed on the operational boundary definitions with respect to "own operations".

Proposal:

The standard should leverage the definition of "value chain" as defined by the GHG Protocol as the principle element for setting boundaries for emissions reporting and should remove the complex set of related definitions that define boundaries – own operations, operational model, value chain.

Justification:

The ED lacks clear guidance and direction on the boundaries around "own operations". It defines this boundary by:

- First defining, "own operations include all activities in an entity's operational model", (pg. 9),
- Subsequently defining an "operational model is an entity's system of transforming inputs through its activities into outputs and outcomes that aims to fulfill the entity's objectives", then,

- Finally defining "value chain as the full range of interactions, resources and relationships related to a reporting entity's operational model and the external environment in which it operates".

Given that most public-sector entities will be familiar with the GHG Protocol standard and likely already using it to inform emissions accounting approaches, it would make sense to simplify the boundary definition approach to emissions along the "value chain", as defined by the GHG protocol.

This would avoid confusion amongst entities as to how the ED's definitions differ (if substantially) from the GHG Protocol and which boundary should be used for reporting. This would increase comparability, consistency and quality of reporting.

Clarity needed on whether the reporting of targets is mandatory, if an organisation has not yet developed targets.

Proposal:

The standard should clearly state whether reporting targets is mandatory, even if an entity has not yet developed or set targets.

Justification:

This distinction is not clear, or at least should be clearly stated towards the front of the document (paragraph 21).

The standard should request more detail on carbon offsets, to verify quality, and should consider reporting actual offsets, with an appropriate time-lag, as opposed to 'planned' offsets only.

Proposal:

Disclosure of offsetting approaches should be required to validate claims resulting from actual offsetting activities in the reporting year, including proof of cancellation/withdrawal, certification/standard of procured credits and supplying project, project technology and project location if applicable. Serial numbers of credits and information of the registry platform that has enabled the transaction should be disclosed.

Two approaches are suggested:

A. Disclosures of actual offsets for a given reporting period (as described above) takes place within a specified time-frame after the release of financial statements.

B. Disclosures of actual offsets takes place at the same time as financial statements, but for the previous reporting period, in addition to planned offsets for the same reporting period.

Justification:

This form of disclosure would be substantially more insightful and relevant to primary users than planned offsets.

Firstly, the materiality of information on the quality, vintage and specific details of purchased credits is superior to that of planned offsetting, which can and will change over the course of the year. Proof of cancellation/withdrawal is also of particular relevance. Primary users need to be aware of whether a reporting entity's approach to offsetting is credible, consistent and follows best-practice.

The standard should provide clarity on whether the alignment of climate-related disclosures and financial statements applies to GHG emissions reporting too.

Proposal:

The standard should specifically state whether the alignment of climate-related disclosures as regards data consistency, assumptions and clear linkage of comparable information (e.g. number/type of assets) applies to GHG emissions reporting.

Justification:

AG1.107 describes the need for close alignment of data consistency, assumptions and linkages to amounts reported under climate-related disclosures and financial statements themselves. Although it specifies this applies only to paragraphs 17.b-f, paragraph 17.e. references carbon pricing. The introduction of carbon pricing by an entity is a mitigation measure for carbon emissions and relates to a reduction of climate impacts (by an entity), not addressing risks and opportunities. If the intention of this requirement is to make clear in disclosure reporting how internal ‘revenue’ from carbon pricing measures feature in financial reporting, then the UN accords the approach but would stress it should state this explicitly.

Were AG1.107 to apply to GHG emissions, this would be a problem related to how the GHG Protocol allows entities to consolidate emission sources and define boundaries. The GHG Protocol allows entities to choose different consolidation approaches for the purposes of emissions calculation and reporting: equity share, financial control and operational control. Accordingly, an entity that consolidates emissions based on operational control, may result in aggregations, and amounts that differ from financial statements by nature. Thus, such linkages described in AG1.107 might not be possible or appropriate.