

PULSAR



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Development of sustainability related financial reporting standards

The implications of Sustainability Reporting on PSA

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Development of sustainability related financial reporting standards

Agenda

1. Development at international level
2. Implementing sustainability reporting:
The implications of Sustainability Reporting on PSA
 - 4 country cases
3. Recommendations



Development at international level



Development at international level

2023: IPSASB confirms next steps

- March 2023: Approval of the updated RPG 1 and 3
- June 2023: Decision to start standard setting work
- September 2023: Approval of project brief for the development of standard on “Climate-related disclosures” and kick-off

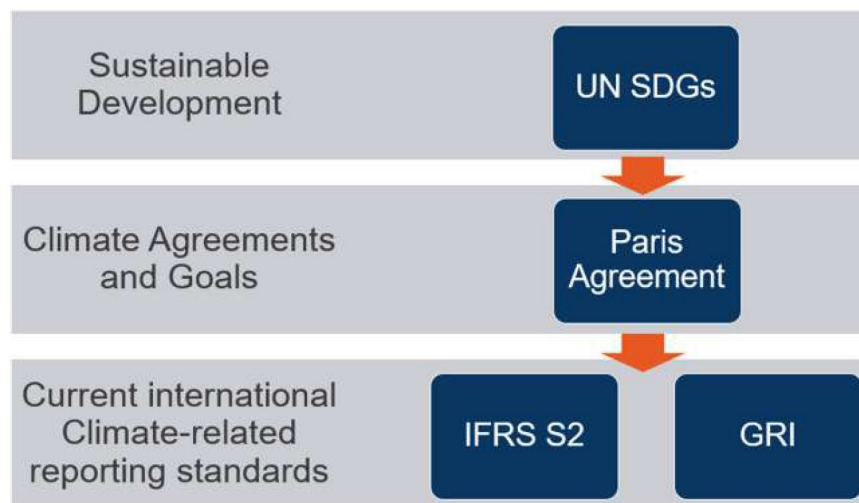
IPSASB		International Public Sector Accounting Standards Board®	277 Wellington Street West, Toronto, ON M5V 3H2 T + 1 (647) 825-3171 F +1 (416) 977-8585 www.ipsasb.org
Meeting:	International Public Sector Accounting Standards Board	Agenda Item	For:
Meeting Location:	Zurich, Switzerland	13	<input type="checkbox"/> Approval
Meeting Date:	September 12–15, 2023		<input checked="" type="checkbox"/> Discussion
			<input type="checkbox"/> Information
CLIMATE-RELATED DISCLOSURES			
Project summary	The project objective is to develop a public sector climate-related disclosures standard, separate from the current suite of IPSAS, to meet the needs of users of public sector sustainability reports (service recipients and resource providers) and ensure better transparency, accountability and enable improved decision-making.		
Project staff lead	• Celine Chan, Senior Manager		
Task Force members	The IPSASB agreed to establish a Climate Topic Working Group. Members of the group will be confirmed after the September 2023 Board meeting and will begin meeting in October 2023.		
Meeting objectives	Topic	Agenda Item	
Project management	Climate-related Disclosures: Exposure Draft Dashboard	13.1.1	
	Instructions up to Previous Meeting	13.1.2	
	Decisions up to Previous Meeting	13.1.3	
	Climate-related Disclosures: Project Roadmap	13.1.4	
Decisions required at this meeting	Climate-related Disclosures – Project Plan and Timeline	13.2.1	
	Key Public Sector Sustainability Reporting Concepts and Terms	13.2.2	
Other supporting items	[Draft] SRS X: Climate-related Disclosures	13.3.1	

Prepared by: Celine Chan (August 2023)

Development at international level

IPSASB Progress since November 2023

- Building blocks for targets and metrics



Source: IPSASB, March 2024, Agenda Item 10

Development at international level

IPSASB Progress since November 2023

- Decision to:
 - Follow IFRS S2 (plus some general elements of S1) for government entity's own operations;
 - Develop IPSASB guidance for government entity's policy setting activities affecting other entities.
- Materiality:
 - To use the definition of materiality from the IPSASB-CF, i.e., not to define a specific concept of materiality for sustainability reporting.
- Consider entity's impacts, risks and opportunities related to climate change.
- Discuss ED on Climate-related disclosures in June 2024, approval and issuing for comments in H2 2024 (in line with 2023 project brief).

Implementing sustainability reporting: The implications of Sustainability Reporting on PSA



Implementing sustainability reporting: The implications of Sustainability Reporting on PSA

Methodology

- Theoretical analysis, in particular analysis of the Basis for Conclusions (BC) and the IPSASB meeting minutes
- 4 country cases of countries which are advanced in using IPSAS (or IFRS) as the conceptual basis of their financial reporting and have a history of preparing (broader) GPFR presenting sustainability-related information

- United Kingdom



- New Zealand



- Switzerland

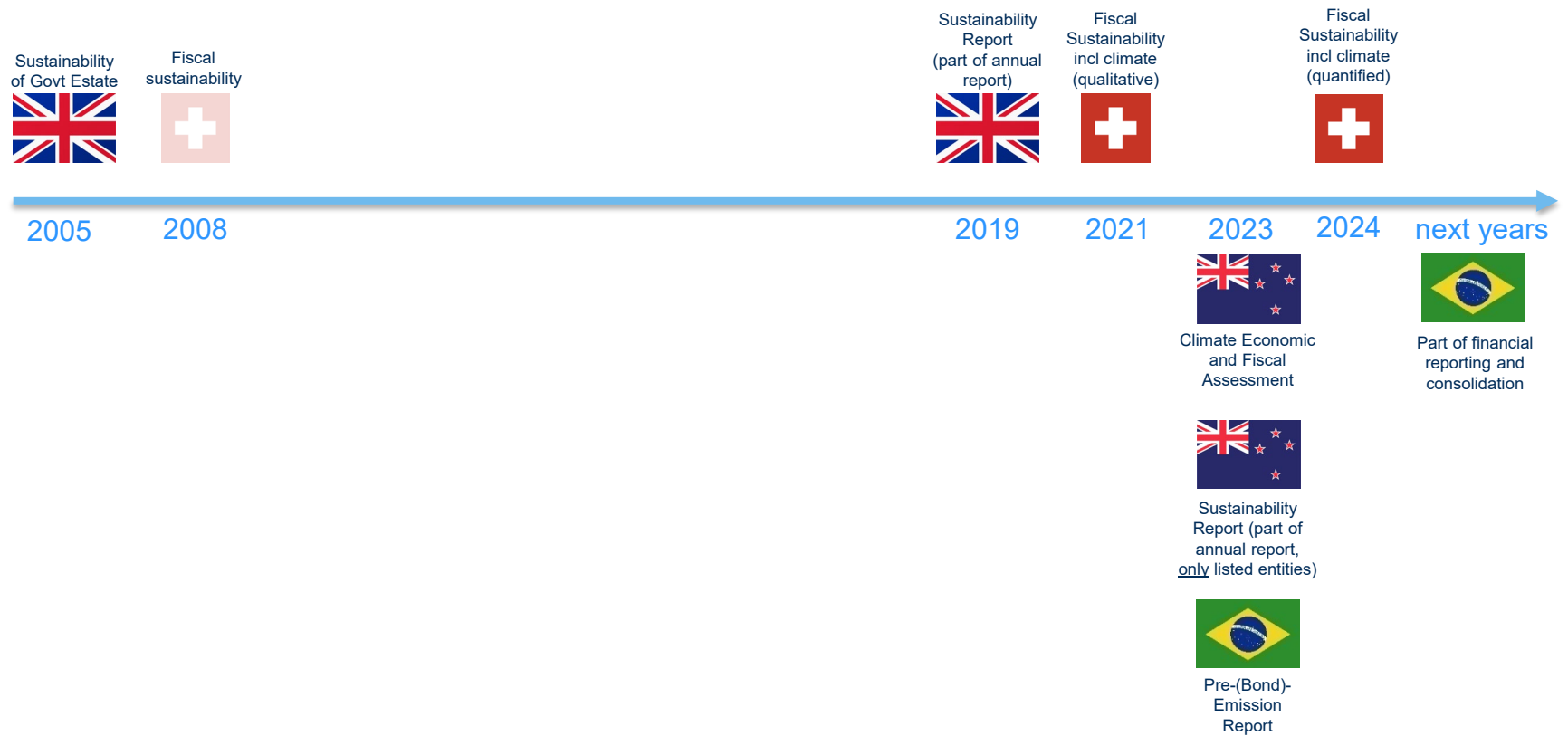


- Brazil










Implementing sustainability reporting: The implications of Sustainability Reporting on PSA

History



Implementing sustainability reporting: The implications of Sustainability Reporting on PSA

Rationale for implementing sustainability reporting

		Legal requirement	
		No	Yes
Support from government authorities	No		
	Yes	 Pre-(Bond)-Emission Report  Part of financial reporting and consolidation  Fiscal Sustainability incl climate (quantified)  Climate Economic and Fiscal Assessment	 Sustainability Report (part of annual report)  Fiscal Sustainability Report  Sustainability Report (part of annual report, <u>only</u> listed entities)

Implementing sustainability reporting: The implications of Sustainability Reporting on PSA

Identification of the main stakeholders



Source: MoiraM - stock.adobe.com

Legislative branch



Sustainability Report
(part of annual report)



Fiscal Sustainability
incl climate
(quantified)



Source: scanrail - stock.adobe.com

Pre-(Bond)-
Emission
Report



Sustainability
Report (part of
annual report,
only listed entities)



Source: Love Mohammad - stock.adobe.com

Financial markets



Source: chiew - stock.adobe.com

Executive branch



Sustainability Report
(part of annual report)



Climate
Economic
and Fiscal
Assessment



Part of financial
reporting and
consolidation

Implementing sustainability reporting: The implications of Sustainability Reporting on PSA

Governance structure for standard setting



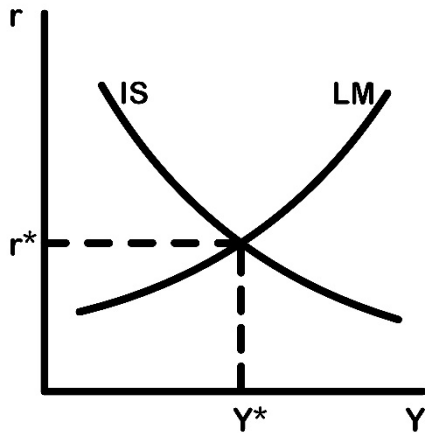
Source: Andrey Popov - stock.adobe.com

Same as for Accounting/Financial Reporting



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Professions involved in preparation



Source: Marco - stock.adobe.com

Economists



Source: WINDCOLORS - stock.adobe.com

Interdisciplinary

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Decisions on reform strategy and roadmap

Top-Down

By instructions given through government greening decisions



Bottom-Up

By initiative of the prepares



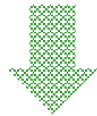
Implementing sustainability reporting: The implications of Sustainability Reporting on PSA

Materiality



Implies reporting the impacts on environment and society

Inside-out



Impact materiality*



Climate Economic
and Fiscal
Assessment

Implies reporting the impacts both inside-out and outside-in

* Standard-setters tend to avoid the term Double Materiality



Outside-in

Implies reporting the impacts on the entity's financial situation and performance



Sustainability Report (part of annual report, only listed entities)







Pre-(Bond)-Emission Report



Fiscal Sustainability incl climate (quantified)

Implementing sustainability reporting: The implications of Sustainability Reporting on PSA

Connectivity of sustainability information (non-financial information) with budgeting, financial reporting and GFS

Case	Sustainability information (non-financial information) in connectivity with:		
	Budgeting	Financial Reporting	GFS
UK 	Same publication, but only weakly linked	Same publication, but only weakly linked	Not linked neither with GFS framework nor report.
NZ 	Not linked	Same publication for listed entities, meanwhile Climate Economic and Fiscal Assessment is a separate report for the national entities.	Not linked neither with GFS framework nor report.
CH 	It is part of the legislature planning documents	Not linked	Same scope (GGS) and data input for report
BR 	Not linked	One-off report for bond issue. Pending the ongoing report	Pending ongoing report

Implementing sustainability reporting: The implications of Sustainability Reporting on PSA

Change management activities carried-out



Manuals, and decentralized IT and training, if any



Manuals, IT and training only for listed entities, offered by private sector



Studies and Internal Guidelines



Pending

Bottom line: Relatively weak, due to limited scope and/or «work in progress»

Recommendations



Recommendations

Reiterated recommendations from First Technical Note

- R1: Use *SDG* and *Paris Agreement* as a reference point
- R3: As a consequence of the broad definition of stakeholders, use *impact materiality*. However, be cautious about inclusion of up- and downstream activities in the value chain because of public sector characteristics.
- R6: Given the legal obligations governments entered in the name of the entire country, elaborate at the relationship between jurisdictional reporting and entity reporting. Distinguish entity itself and its role as a policy setter.



Source: Naj - stock.adobe.com

Recommendations

New recommendations

- R11: Expect IPSASB entity reporting standard to be based on IFRS S2 with general elements of IFRS S1. Expect IPSASB own guidance for effects of government entity's policy setting activities affecting other entities.
- R12: Consider the concept of Impact Materiality in standard-setting activities by IPSASB and national standard setters.
- R13: Early moves on sustainability reporting should have strong support from government authorities considering the commitments made in international agreements (i.e., SDG and the Paris Agreement). Legal foundation for reporting is, however, less necessary for a first experimental phase.



Source: lovelyday12 - stock.adobe.com

Recommendations

New recommendations

- R14: Define connectivity to budgeting, financial reporting and GFS.
- R15: Define role of accounting/ accountants, based on connectivity.
- R16: Change management should be given due attention.



Source: artrachen - stock.adobe.com



EQUIS
since 2023

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