

FEDERAL ACCOUNTING STANDARDS ADVISORY BOARD

Board Meeting Minutes

December 13-14, 2022

Zoom for Government

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For research purposes, please see the briefing materials at www.fasab.gov. Briefing materials for each session are organized by topic; references to these topics in the minutes are hyperlinked.

Tuesday, December 13, 2022

Attendance

The following Federal Accounting Standards Advisory Board (FASAB or “the Board”) members were present throughout the meeting: Messrs. Scott (chair), Bell, and Dacey, Ms. Harper, and Messrs. McNamee, Patton, and Vicks. Ms. Johnson was represented throughout the meeting by Ms. Kearney. Ms. Bronner was not present on December 13 and was present except for brief absences on December 14. The executive director, Ms. Valentine, and general counsel, Mr. Kirwan, were present throughout the meeting. Ms. Valentine conducted a verbal roll call of the members.

Administrative Matters

- **Approval of Minutes**

The chair approved the October meeting minutes subsequent to the meeting.

- **Clippings and Updates**

Ms. Reese, Governmental Accounting Standards Board (GASB) senior project manager, provided a brief overview of the recent activities of the GASB.

Mr. Reese highlighted the following GASB projects:

- GASB held its annual liaison meeting with a panel of AICPA state and local government experts to update them on GASB's projects.
- Certain risk disclosures – The goal is to identify potential risks associated with concentration and constraints in the state and local government environment and consider developing disclosure requirements associated with those risks. The Board considered feedback on certain scope exclusions.
- Revenue and expense recognition – The goal is to develop a comprehensive, principles-based model that would establish categorization, recognition, and measurement guidance applicable to a wide range of revenue and expense transactions. GASB continued re-deliberations on the unit of account Preliminary Views and recognition of distinct goods or services, which represent a performance obligation.
- Reporting model – The goal is to enhance the effectiveness of the model in providing information that is essential for decision-making, enhance users' ability to assess a government's accounting, and address certain application issues. GASB continued re-deliberations discussing exposure draft (ED) feedback. The Board discussed the presentation of budgetary comparison information including budgetary variances, as well as inclusion of an analysis of significant variations in required supplementary information (RSI).
- Going concern uncertainties (GCU) and severe financial stress – GASB is working towards a proposal to address issues related to disclosures regarding going concern uncertainties and severe financial stress. The Board continued deliberations by discussing (1) the time element in the tentatively decided definition of GCU, (2) the time element in the assessment of relevant factors, and (3) substantial doubt within the context of the tentatively decided definition of GCU. The Board tentatively decided to use "probable" to clarify substantial doubt within the tentatively decided definition of GCU.

- Classification of non-financial assets – The goal is to reconsider the existing classification of non-financial assets and other related sub-classifications. GASB discussed the classification of non-financial investments and financial investments and of non-financial and other receivables. They tentatively decided not to require separate presentation on the face of the financial statements or add any new disclosure requirements.

Mr. Scott thanked Ms. Reese for keeping the Board informed of the GASB's activities.

Agenda Topics

- **Climate-Related Financial Reporting**

Ms. Gilliam, assistant director, introduced [topic A](#) on the climate-related financial disclosure framework. The objective of this session was to provide research to the Board to help develop the climate-related financial disclosure framework. At the June 2022 meeting, members had agreed to start with recommendations by the Task Force for Climate-related Financial Disclosures (TCFD) to develop this framework, with the understanding that it is a commercial-based model and there might be other models to consider. At the June 2022 meeting, the Board had also requested a task force to help with research.

Ms. Gilliam reviewed the TCFD recommendations, the make-up of the FASAB climate task force, and research done to date. The task force includes 65 preparers, users, auditors, and climate subject matter experts. Staff divided the task force into two working groups. The **agency working group** is collecting data about agencies' climate-related activity and reporting. Staff will present this research to the Board at a future meeting. The **TCFD working group** provided research for this meeting.

The TCFD research showed that, while many countries now require commercial entities such as banks, insurance companies, and a pension fund to adapt TCFD reporting to educate investors about climate-related risks and opportunities, only Canada is disclosing climate-related information in their financial reports.

Education Session: Government Climate Reporting Research

Ms. Gilliam introduced Ms. Corinne Dougherty, a partner with KPMG Environmental, Social, and Governance (ESG), and Wes Anderson, manager of business planning and finance at the Canadian City of Mississauga. The slide deck from the education session can be found in attachment 1 of the minutes.

Ms. Dougherty said the task force focused research on the voluntary reporting of TCFD by the Canadian cities of Toronto, Mississauga, Montreal, and Vancouver. Only crown corporations—government organizations that receive government funding and donations from not-for-profit organizations—with over a billion dollars in assets are

required to report TCFD starting in 2022. Crown corporations with assets valued under a billion dollars will start reporting according to TCFD in calendar year 2024.

Ms. Dougherty reviewed four additional climate and ESG models that the Canadian cities voluntarily use:

- **Global Reporting Initiative** is more expansive than climate and includes reporting for social and governance. It includes both quantitative and qualitative disclosures. Toronto and Mississauga use this model.
- **Sustainability Accounting Standards Board** reports on 77 specific industries for an investor audience, such as energy, transportation, and finance. Toronto uses this model.
- **Integrated Reporting Framework** covers an organization's strategy, governance, and performance. Toronto and Mississauga use this model. (The Sustainability Accounting Standards Board and the Integrated Reporting Framework have merged under the International Financial Reporting Standards Foundation).
- **United Nations Sustainable Development Goals** includes 17 goals that address people's well-being on the planet. Toronto and Mississauga use this model.

Major reasons the cities provide climate reporting include: 1) tracking sustainability and the effects of climate change on citizens; 2) providing transparency to citizens; 3) measuring progress on reaching net zero greenhouse gas emissions; 4) leading by example; and 5) being able to include climate-related cost in budget planning as a result of TCFD reporting.

Ms. Dougherty reviewed dashboards that summarized maturation of TCFD reporting for each Canadian city.

Successes: The cities found that gaining leadership commitment, making progress in reporting each year, collaborating among departments, increasing transparency to citizens, commenting on the global climate standards proposals, and receiving positive responses from credit rating agencies were all helpful for making climate reporting a success.

Challenges: The cities found that decentralization of organizations, lack of standardization of reporting frameworks and standards, data collection, timing of reporting (financial statement reporting does not align with the budget cycle), governance structure (who is responsible for the climate strategy and climate risk reporting), and lack of climate knowledge were all challenges for climate reporting.

These challenges are similar to the private sector.

Lessons learned: Educating staff on climate reporting, creating processes and controls for consistent and reliable data, setting global climate standards, engaging in working groups across cities, tracking climate spending for the budget process, communicating progress to citizens, and setting a detailed governance process for climate reporting were lessons learned for climate-reporting progress.

Ms. Dougherty concluded her presentation by thanking the following people for their help with her research: Sandra Califaretti, City of Toronto; Wes Anderson, City of Mississauga; Raoul Cyr and Baia Ouldslihan, City of Montreal; Lloyd Lee, City of Vancouver; and Richard Danis, Crown Corporation – International Development Research Center.

Ms. Dougherty then introduced Mr. Wes Anderson to present **Mississauga's ESG Reporting Journey**.

Mississauga is Canada's seventh largest city. It manages services such as fire, transit, roads, parks, urban forestry, storm water, libraries, and recreation. It has a diverse portfolio with an annual operating budget of approximately one billion dollars. It owns 60% or \$14.2 billion of the hard infrastructure within the municipal boundaries. This includes 5500 kilometers (3418 miles) of roads, 2000 kilometers (1243 miles) of storm water pipes, bridges, trucks, buses, etc.

Mr. Anderson and the city's chief financial officer (CFO) began the city's ESG reporting journey with the belief that the city is in the business of managing the effects of climate change and extreme weather and storms through its infrastructure while delivering benefits to a local and broader community. Once-in-a-century storms are now affecting the city's infrastructure more frequently. Residents demand that the city not only demonstrate value for tax dollars, but also climate impact on the environment to promote the quality of life. Therefore, reporting should go beyond traditional profit and loss and report directly on the impact of climate change and progress on adaptation and mitigation.

In 2019, the city's Council joined a number of Canadian cities in declaring a climate emergency. These cities recognized the important role they can play in fighting and adapting to climate change. Mississauga then released its climate change action plan, which identified significant reductions in greenhouse gas emissions, increases in renewable energy targets, and opportunities for resilient and green infrastructure. The city believed that regular reporting would help it to stay on track. However, performance reporting and progress updates went beyond tracking the plan's targets and began to include finance information.

To include ESG reporting throughout the city's financial reporting cycle, the city's initial planning included defining standards, processes, and the internal infrastructure needed, assessing the current state of accounting and reporting standards worldwide, and adopting the TCFD framework. However, the city realized that no single framework worked well. Therefore, the city built its own framework and transformed its financial

report by including TCFD disclosures, the United Nations Sustainable Development Goals, the Global Reporting Initiative, and the Integrated Reporting Framework.

The city is working hard to develop and build the capabilities to report using these frameworks. For example, the city is learning

- how emergency management strategies tie to the TCFD framework;
- how to report greenhouse gases;
- how to gather performance measurement data;
- how the information integrates with enterprise resource planning systems; and
- how to value natural infrastructure (trees and wetlands that deliver community benefits but do not appear on the income statement or balance sheet).

The city believes that TCFD is a powerful tool that helps to communicate progress about mitigating the effects of climate to protect the land and citizens. After three years of reporting TCFD, residents have commended the city on its commitment to climate change mitigation and adaptation. Investors and credit rating agencies have commended the city for providing its stakeholders with a broader financial performance overview by identifying risks that go beyond the norm for a Canadian municipality.

Mississauga plans to work closely with the Canadian Public Sector Accounting Standards Board to develop ESG reporting standards for the public sector, improve ESG accounting practices and valuations, and continue the journey from unaudited to audited note disclosures.

Ms. Gilliam thanked both Ms. Dougherty and Mr. Anderson for their presentations that provided the Board with very valuable information. She turned the meeting over to Mr. Scott to begin a member question and answer with the panel.

Members thanked both presenters for their presentations and for taking the time to join the Board meeting.

Member Questions for the Panelists:

What do stakeholders and users of the information want to know, in particular the younger generation?

Mr. Anderson said the younger generation has high expectations of Mississauga's climate adaptation and mitigation commitments. For example, generation Y wants to know what the city has done to maintain and protect the green fleet (trees), which is part of the storm water infrastructure to protect their houses from flooding. The city's sustainability reporting helps to provide that information.

Ms. Dougherty said the city council is also a stakeholder that uses this information to make decisions about climate adaptation and mitigation.

Is Mississauga reporting the social aspects of ESG in addition to climate reporting?

Mr. Anderson said the city's sustainability report does include reporting for "social." The report includes details about human capital, intellectual capital from employees that provide sustainable procurement for an ethical supply chain, diversity and inclusion, and relationships with minorities and disadvantaged youth within the community. As a result, it provides an extensive qualitative story about the well-being of the community.

Ms. Dougherty said the Securities and Exchange Commission (SEC) is working on proposals to report on "social" through human capital disclosures. Globally, the European Union, through the Corporate Sustainability Reporting Directive (CSRD) is more expansive than climate reporting and includes disclosures related to social and governance topics. Therefore, the CSRD could affect U.S. companies that have operations in the European Union. The SEC has also proposed disclosures to report on cyber security, which addresses "governance" in ESG.

What is the broader picture for the United States relative to views on climate change and ESG reporting?

Ms. Dougherty said the United States has a net zero target of 2050. Many federal agencies issued adaptation plans with goals to mitigate the effects of climate change. There is a cost to the government and its operations with each climate event. In the last five years—based on information from the National Oceanic and Atmospheric Administration—on average, 17 events occurred per year that cost over \$1 billion each. From the accounting side, agencies can track emissions to report if they are meeting net zero targets and adaptation plan goals. If agencies are not meeting these goals, the data gained from climate reporting can help decision makers determine how to change operations to meet those goals. This will help prevent the global temperature from rising.

Should a standard-setting board target a single issuance for the framework or provide options for agencies to report according to their mission and potential impacts?

Ms. Dougherty said this question has challenged the industry for years. The basis behind the current proposed climate disclosures from the International Sustainability Standards Board (ISSB), SEC and CSRD is TCFD and the Greenhouse Gas Protocol. TCFD and the Greenhouse Gas Protocol are relevant for federal agencies and a good place to start.

Unique to the federal government is that each agency is like a different industry. Therefore, each agency could focus on different pieces of ESG reporting that are relevant to their mission. For example, the Office of Personnel Management and

Department of Labor could incorporate more “social” reporting; whereas the Department of Energy and Environmental Protection Agency could incorporate more “environmental” in their reporting.

How is relevant information determined?

Mr. Anderson said he and the CFO judged relevance with materiality and tied that to the city’s strategic planning documents and the priorities of city council commitments made through the budgeting process. Reports with meaningful actions and targets helped to answer the question of whether the city achieved what was committed to the community. For example, one of the forestry team’s strategic goals is to plant a million trees by 2030, with a cost of \$150,000 a year. This is a relevant and material metric for quantitative and qualitative reporting.

Ms. Dougherty said that private sector companies do materiality assessments by surveying stakeholders, including customers, investors, and employees.

How can standards help scope what climate information to include in agency financial reports and maintain a balance between standardization and management discretion by providing valuable information and reducing preparer burden?

Mr. Anderson said that flexibility between standardization and management discretion depends on what information is relevant to stakeholders. There is a delicate balance between what is meaningful and actually reportable based on available information. TCFD involves a lot of analytical rigor and controls in data sets to be able to meaningfully report and gain some level of assurance. For example, Mississauga’s stakeholders want to know how much carbon its trees are absorbing. However, the data is not available. Instead, the city can disclose the public tree inventory (for example, every tree, every species, and the value).

Mr. Anderson said Mississauga made a \$60 million natural capital asset investment over the last decade to replant and repair the ash trees devastated by the Emerald Ash Borer bug. These trees are part of a very important natural storm water infrastructure to protect citizens’ homes. Therefore, the city scoped the investment into reporting.

Are there incremental costs associated with this reporting and any push back as a result?

Ms. Dougherty said this is a common question around regulation reporting. There are upfront costs for an organization to transition to a lower-carbon economy. However, TCFD reports may also show organizational opportunities that can lead to efficient use of resources and possible cost savings.

Mr. Anderson said the city treated the implementation of climate reporting within the annual report much like the implementation of new accounting standards. The city established an incremental resources project team devoted to setting the policy

framework and determining the business units needed to be involved in aggregating, substantiating, and analyzing the information for the financial statements in the annual report.

Existing staff covered actual implementation costs. The executive leadership team endorses climate reporting, which is now a normal part of operations. There was no incremental cost to the organization—it was opportunity costs leveraged by the city.

Information Relevant to Members

Members agreed that staff should continue to analyze TCFD recommendations and monitor the standardization of other climate-reporting standards to find the balance between relevant information for users and preparer burden. Staff should present information to help identify the purpose, goals, and scope of climate reporting within the FASAB reporting model. Members want to understand how agencies calculate and track the cost and budget information for climate and what information CFO Act agencies are reporting based on the optional Office of Management and Budget Circular A-136, *Financial Reporting Requirements*, TCFD recommendations.

The meeting adjourned for lunch.

- **Leases – Omnibus Amendments**

Mr. Perry, senior analyst, directed the Board to [topic C](#) of the briefing materials. The briefing materials included a pre-ballot draft Statement of Federal Financial Accounting Standards (SFFAS), *Omnibus Amendments 2023: Leases-Related Topics II*. Mr. Perry summarized the briefing materials, reminding members that staff had consulted with the GASB staff on technical issues related to lease term and transfer of ownership guidance. GASB Statement No. 99, *Omnibus 2022*, addressed these matters. Staff recommended further improvements to the draft proposal in these areas to maintain appropriate alignment within SFFAS 54, *Leases*, as amended, and GASB Statement No. 87, *Leases*, as amended.

Staff presented a comparative analysis to the Board, explaining certain minor differences between staff's omnibus proposals and the analogous GASB omnibus amendments.

Staff recommended the following:

- Implementing similar omnibus amendments to those made by GASB in paragraph 19 of SFFAS 54. The amendment will clarify that improbable purchase options and payment-related matters are not relevant to cancelable period identifications.
- Implementing similar omnibus amendments to those made by GASB in paragraph 25 of SFFAS 54. The amendment further clarifies that options to purchase the underlying asset prior to the transfer of ownership are not

considered options to terminate for purposes of applying the criteria earlier in the paragraph.

- Bringing implementation guidance update candidates to the Accounting and Auditing Policy Committee (AAPC) related to these omnibus amendment topics.¹

Question 1 – Do members agree with staff’s recommendations? If not, do you prefer to more closely align with GASB’s omnibus actions? Members with such preference are asked to provide tentative reasoning to staff for consideration.

Members agreed with each of the three staff recommendations.

Question 2 – Do you agree with staff’s recommendation 2 option 1, or do you prefer option 2 or some other alternative, such as no omnibus action? Please explain.

Members agreed with staff’s recommendation 2 option 1 for reasons set forth in the briefing material. Members observed that the amendment adds clarity and reinforces the cross-reference to paragraph 19.

Question 3 – Do members have any comments on staff’s corresponding revisions to the summary and basis for conclusions (see attachment 2)?

Members provided minor technical and explanatory edits to the basis for conclusions paragraph A14. The Board decided to include language to address one ED respondent’s concern related to inconsistencies in valuation methods between sub-components related to selecting interest rates. The Board agreed that inconsistencies between sub-component valuation methods exist in many other areas of accounting and are not unique to leases. These differences can stem from other reasonable differences in sub-component accounting and valuation policies and procedures.

Ms. Kearney mentioned a meeting that she and the executive director had with NSF’s DCFO as a result of a discussion at a CFO Council meeting in which some CFOs expressed concerns about implementing SFFAS 54 in a timely manner. In response, the chair indicated that in its review of projects and implementation dates in February, the Board would be interested in hearing compelling factual evidence of any implementation issues that the agencies are experiencing.

Next steps: The Board agreed to move to a ballot draft. Staff will distribute a ballot copy of the draft pronouncement reflecting the finalizing changes made to the pre-ballot copy, along with ballots for members to submit.

¹ In 2023, the AAPC will update Technical Release 20, *Implementation Guidance for Leases*. These updates will include conforming amendments related to the Board’s omnibus actions under this project. Once approved by the AAPC, the updates to the Technical Release will be submitted to the Board for approval.

- **Leases – Reimbursable Work Agreements (RWAs)**

Mr. Perry, senior analyst, thanked members for their feedback and review of the extensive materials in [topic B](#) of the briefing materials. The briefing material included a pre-ballot draft Technical Bulletin (TB), *Intragovernmental Reimbursable Work Agreements*.

Mr. Perry summarized the comment letters. Mr. Perry expressed appreciation to the respondents for their insightful comments. The Board received 18 comment letters. Fifteen out of 18 commenters expressed general support for the proposed TB, two respondents expressed general disagreement, and one respondent did not specify.

Messrs. Scott and Perry explained that, to facilitate Board deliberations, the various areas of feedback discussed by respondents and the resulting staff recommendations would be discussed in the same order presented in the materials.

Item A / Recommendation 1: Some respondents provided feedback on how to improve the structural clarity of the proposal. Mr. Perry summarized staff's recommendation to enhance the understandability and navigability of the proposal with modifications to certain headers and the addition of sub-headers throughout.

Members generally agreed with the revisions and approved them after some additional discussion and revisions to one header. Members discussed other alternatives to reorganizing the document but ultimately agreed to the structure proposed. Ms. Valentine noted that the Board's documents, including TBs, are typically structured in a consistent and predictable manner. Staff recommends continuing this practice.

Item B / Recommendation 2: One respondent provided editorial suggestions to enhance the clarity of paragraph 12. Another respondent provided a technical comment on the paragraph related to its reference to paragraph 66 of SFFAS 54. Mr. Perry summarized staff's recommendation to implement the suggestions of these respondents in paragraphs 12-13.

A majority of the Board generally agreed with staff's recommendation. Several members provided editorial revisions to enhance the clarity of the recommended language. The Board requested that staff consult with General Services Administration (GSA) subject matter experts from the leases task force and determine whether potentially replacing the phrase "more-than-insignificant" under paragraph 13 with "significant" would result in changes in practice. Staff agreed to report to the Board on those discussions during day two of the Board meeting.

Item C / Recommendation 3: One respondent suggested that the Board provide examples of relevant factors to consider when determining whether the lessee is expected to be the predominant beneficiary of the economic benefits and services resulting from the reimbursable work. Mr. Perry reiterated staff's rationale (discussed in the briefing materials) for not defining the term "predominant beneficiary," and instead

including additional language under paragraph 14 of the proposal to more thoroughly explain relevant factors to consider.

Members generally agreed with staff's recommendation.

The session adjourned at 3:45 p.m. in preparation for the steering committee meeting.

Adjournment

The Board meeting adjourned for the day at 3:45 p.m.

- **Steering Committee Meeting**

The Committee reviewed updated budget estimates for fiscal year 2024. The fiscal year 2024 budget discussion will continue at the next meeting. The Committee also discussed other administrative matters.

Wednesday, December 14, 2022

Agenda Topics

- **Management's Discussion and Analysis**

Ms. Gilliam introduced [topic D](#), management's discussion and analysis (MD&A). The goal of the session was to finalize the Board's intent for the proposed standards and related basis for conclusions.

Question 1 – Do members agree with the Purpose of the MD&A paragraph?

Members provided minor edits to the "purpose" of the MD&A paragraph.

Question 2 – Do members agree that the proposed standard for Balanced meets the Board's intent and that the basis for conclusions adequately explains that intent?

A member requested that "and/or" be removed from the "balanced" proposed standard and basis for conclusions. Therefore, staff updated all of the proposed standards to remove "and/or."

Members also agreed with updating the proposed basis for conclusions for "balanced" to refer to Statement of Federal Financial Accounting Concepts (SFFAC) 3, *Management's Discussion and Analysis*, in the past tense because these references will not be that evident when rescinded. The original pronouncement of SFFAC 3 is still available on the FASAB website under the resources tab.

Question 3 – Do members agree that the proposed standard for Concise meets the Board's intent and that the basis for conclusions adequately explains that intent?

For the proposed “concise” standard and basis for conclusions, members requested minor edits to clarify how to summarize information in MD&A and how to use references for detailed information inside general purpose federal financial reports and other required unaudited government documents. The Board also clarified the intent for reducing boilerplate language to include only relevant information for prior, current, and future reporting periods.

Question 4 – Do members agree that the proposed standard for Understandable meets the Board’s intent and that the basis for conclusions adequately explains that intent?

For the proposed “understandable” standard and the basis for conclusions, members requested minor edits to clarify the intent for organizing information and knowledge background for users in relation to the U.S. government operations and financial or accounting background.

Question 5 – Do members agree that the proposed standard for Organization and Mission meets the Board’s intent and that the basis for conclusions adequately explains that intent?

Members did not have any additional edits for the intent of the proposed “organization and mission” standard or basis for conclusions.

Question 6 – Do members agree that the proposed standard for Financial Position and Condition meets the Board’s intent and that the basis for conclusions adequately explains that intent?

Members discussed and decided not to update the intent by including tax expenditures.

Members agreed to remove “significant stewardship investments” from the intent of the proposed “financial position and condition” standard because SFFAS 57, *Omnibus Amendments 2019*, rescinded all guidance and the definition. Members agreed to language for the proposed basis for conclusions drafted by one member. Members also agreed to add a question for respondents about the explanation in the basis for conclusions.

Question 7 – Do members agree that the proposed standard for Performance meets the Board’s intent and that the basis for conclusions adequately explains that intent?

Members requested that the proposed “performance” basis for conclusions include linking performance to cost. Members also wanted the basis for conclusions to include whether key performance achievements resulted in cost savings for the agency.

Next steps: Staff will present the updated draft ED to the Board at the February 2023 meeting.

- **Reexamination of Existing Standards**

Ms. Batchelor, assistant director, introduced [topic E](#) by providing a summary of previous Board meeting deliberations on the reexamination of existing standards project. She reminded members that the Board agreed that soliciting feedback through an Invitation to Comment (ITC) would be the first step to the reexamination project. The Board also generally agreed with dividing the ITC into the following three categories:

- FASAB generally accepted accounting principles (GAAP) hierarchy
- Reexamination of FASAB standards
- Codification of FASAB standards and/or Handbook improvement

Ms. Batchelor explained that since the Board's last discussion of the topic, staff had continued work on the Board-approved plan and drafted an ITC. Staff shared the draft ITC with the CFO Council, Financial Statement Audit Network, certain independent public accounting representatives, sponsor² Board member representatives, staff from other standard setters, and FASAB staff. This target audience gave feedback to Ms. Batchelor that the draft ITC provided an understanding of the topics as well as how the three categories were related. In summary, the feedback was very helpful and improved the document. For example, the feedback assisted staff with streamlining the document. The feedback also assisted staff with providing a more neutral and balanced tone throughout the document. Staff also reduced the number of questions, being mindful of respondent burden. However, certain suggestions would be most appropriate for Board discussion and deliberation.

Ms. Batchelor noted that all Board members, except one, had provided responses to the staff questions. Ms. Batchelor explained that certain members were concerned about the length of the ITC and burden imposed on stakeholders. Some members had suggested issuing separate ITCs. She explained that there were various comments from members and she believed that members would benefit from walking through the questions and hearing each other's views before making a final assessment. For example, certain decisions may affect the length of the ITC and number of questions, so the Board could walk through these issues before discussing the higher-level aspects of the ITCs.

An ITC is a vehicle to solicit feedback and gather information from FASAB's stakeholders, so it is critical that the questions are clear and will provide the Board with the information that it is seeking. The narrative is important so stakeholders have an understanding of the context of the questions and are prepared to respond. It is not an ED or presentation of draft guidance for comment. It is very important to remember that the ITC is a data-gathering tool, and the Board is not presenting a position. One member explained that the Board might need to discuss the length of time provided to

² Staff requested FASAB's sponsor members to coordinate obtaining feedback from the appropriate offices within their organizations.

respond. A much longer response time for stakeholders than usual—potentially 6 months—might allow time for respondents to adequately respond due to the length and questions.

Question 1 – Do Board members have any specific questions regarding staff’s outreach to organizations for preliminary feedback on the draft ITC?

The members did not have any questions regarding the outreach.

Question 2 – Do Board members have thoughts on the areas identified that staff believed Board discussion was warranted:

- **Any significant change to GAAP hierarchy**

Ms. Batchelor explained the Board previously agreed that the GAAP hierarchy should be included in the ITC. Based on the draft, there were mixed views regarding the placement and the level of detail and specificity of questions regarding level D. Certain members were comfortable with keeping the GAAP hierarchy section where it is as the first topic; other members suggested it should be a separate ITC and go out before the re-examination ITC. Other members suggested scaling back the GAAP hierarchy information and including it with the reexamination section. Mr. Scott opened the discussion up for comments. After discussion, the majority of members generally agreed that the GAAP hierarchy should be included first. Comments included the following:

- Most members believed the GAAP hierarchy should be the first topic because that input affects the reexamination of existing standards portion.
- Although in agreement regarding the GAAP hierarchy, certain members viewed the codification portion as something that could be separated from the other sections.
- While in agreement that the GAAP hierarchy should be addressed first, one member noted concern with the volume and length of the ITC. The member suggested using round tables to solicit feedback for portions of the ITC.
- Two members noted concern that focusing on the GAAP hierarchy would detract or delay the reexamination of other standards. A preferred approach would be to include specific questions regarding SFFAS 34, *The Hierarchy of Generally Accepted Accounting Principles, Including the Application of Standards Issued by the Financial Accounting Standards Board*, in the reexamination section.

Based on the Board feedback, the majority of members preferred to maintain the GAAP hierarchy section first in the ITC. Ms. Batchelor asked if the Board had any specific thoughts regarding the detail in the narrative and questions pertaining to level D GAAP.

Mr. Dacey explained that he was familiar with the issues and there are clarifications to make but suggested he would have his edits ready for the February Board meeting. Members agreed that any decisions regarding level D detail should wait until Mr. Dacey provides the additional information.

Considering the majority of the Board agreed that the GAAP hierarchy should be a separate section listed first, one member suggested the Board release a narrow ITC on the GAAP hierarchy in the spring. Combining the topics may delay the timeline, which would then run into the busy season for preparers and auditors. However, the Board could fast track the GAAP hierarchy section for a spring release and then finalize the ITC on the reexamination later this year (perhaps early winter). In the meantime, the Board would have the opportunity to receive and analyze the comments on the GAAP hierarchy ITC. The members agreed to make that decision after hearing Mr. Dacey's information in February.

- **Ranking the approaches may be difficult to conceptualize**

Ms. Batchelor explained that the Board had previously agreed to solicit feedback on the various approaches to the reexamination project. In developing the ITC and getting feedback from the target audience, staff determined that conceptualizing this might be difficult for respondents (especially without knowing all the topics that have been identified). Staff recommended not including the discussion and questions on ranking the approaches. The Board will determine the appropriate approach based on the information received, along with other factors. Most members were in general agreement with staff's recommendation. Comments included the following:

- How the Board organizes and addresses the issues is not something that needs to be addressed in the ITC.
- The Board should have flexibility to prioritize and group topics as it sees fit.
- Question 2.5 and the majority of the detailed discussion regarding the approaches should be removed from the narrative, but questions that assist with identifying particular topics should stay. The topics that would be informative to our prioritization should stay.

- **Survey vs ITC**

One member questioned the approach of an ITC versus a survey. Most members noted that staff had incorporated many different types of questions, so a survey is not necessary. After discussion, the Board agreed to use an ITC.

**Question 3 – Does the draft ITC overlook key questions that may assist the Board in determining decisions with the reexamination project and related topics?
Please consider the questions for each section in the draft ITC: FASAB GAAP**

Hierarchy, Potential Reexamination Approaches (of FASAB Standards), and Codification of FASAB Standards and/or Handbook Improvements.

Ms. Batchelor explained that she had received a few questions to add from members but wanted to open this up for discussion. A challenge for staff is finding the right balance. Staff explained that members note the ITC is lengthy and the number of questions may be a burden to stakeholders, yet there have been suggestions for additional questions. Staff would like to know members' thoughts on additional questions, while being cognizant of stakeholder burden. Mr. Scott opened the floor for discussion. Comments included the following:

- A member suggested that questions might need to be clarified so the respondents provide the appropriate detail. For example, the questions should be explicit and request respondents to state the specific areas of the Statement that are of concern. Members agreed that requesting a specific level of detail or area of concern in the standards is imperative.
- Another member suggested asking respondents about implementation versus ongoing reporting challenges. Understanding the nature of the problem would assist the Board with prioritization of issues and with assessing whether the Board decides to do a codification or other enhancement to improve the usability of FASAB standards.
- The members agreed that the ITC is the first step. The Board expects that round table meetings will be necessary to further assess the results.
- The Board discussed question 2.3a, which includes a truncated version of appendix A of the draft ITC. This appendix details how the 60 SFFASs result in 27 "new topic" standards. In other words, those SFFASs do NOT amend, rescind, defer, or otherwise modify existing guidance. Certain members suggested that asking respondents about each of the 27 topics might not be necessary and preferred to request that respondents rank the topics (five or ten) in order of importance. The ITC could allow for more if necessary. Ms. Batchelor was open to both approaches but did not envision a huge time savings if the goal was to alleviate the burden. She explained this might be the one opportunity stakeholders have to go through such an exercise and opine on these topic areas. Another member suggested that it might be preferred if the response options are limited to three instead of five, which would ease burden but still allow for a response to all. The three options could be "high," "medium/low," and "none" or something similar and this would make it easier for respondents and the Board to assess consistently.
- The Board agreed that the most important details are examples explaining why FASAB should reexamine a particular topic or Statement. Therefore, it is essential FASAB word these questions in a manner that will generate this information.

- The Board discussed whether SFFASs that have not been implemented should be included in the ITC as a topic for reexamination. Although one member believed that nothing should be excluded from receiving feedback, the majority of the Board agreed that those SFFASs should be excluded but an explanation should be provided. The Board also agreed that current projects (such as the project relating to SFFAS 15, *Management's Discussions and Analysis*) and certain SFFAS due to the scope (SFFAS 56, *Classified Activities*) should be excluded with explanation. The Board noted that stakeholders would be given an opportunity to provide comments on these areas as the ITC will provide an opportunity for other comments.

Question 4 – Does the draft ITC provide the appropriate number and the right balance of questions? If NO, please provide feedback or suggested improvements.

The Board discussed this question in conjunction with questions 1-3. Members suggested edits to streamline various areas of the ITC and the questions. The Board did not have an opportunity to discuss the last portion of the ITC: Codification of FASAB Standards and FASAB Handbook Improvements.

Some members were concerned about the length and burden to stakeholders. The Board discussed the possibility of issuing more than one ITC but made no decision.

Question 5 – Do you have any other feedback or suggested improvements to the content or questions in the draft ITC.

The Board discussed this question in conjunction with questions 1-3.

Next steps: Although the Board did not have an opportunity to discuss the last section of the ITC, staff will incorporate the agreed upon changes to the first two sections of the draft ITC. Mr. Dacey agreed to provide additional information regarding the GAAP hierarchy and level D issues. The Board will determine if it issues one or two ITCs after reviewing the next version and considering the additional information.

The meeting adjourned for lunch.

- **Leases – RWAs (continued)**

Item B / Recommendation 2 (continued): Mr. Perry summarized follow-up consultations with GSA following yesterday's RWA session. Based on staff's summary of these consultations, the Board determined that replacing the phrase "more-than-insignificant" under paragraph 13 with "significant" would not result in changes in practice. Members also agreed to the suggestion of a member to change the passive language under paragraphs 12-13 to active language.

One member expressed that there may be additional opportunities to improve the flow of the guidance under the scope and applicability section. (*Staff note:* The paragraph numbers referenced in these minutes were subsequently changed based on follow-up consultations with members to improve the flow of the section.)

Item D / Recommendation 4: Members agreed to remove paragraph 20 from the draft guidance, as the paragraph was not necessary to the guidance and inadvertently caused confusion among some respondents to the exposure draft.

Item E / Recommendation 5: One member expressed that paragraphs 25 and 31 could be interpreted as a requirement as written. Mr. Perry suggested revised phrasing to make a more passive statement regarding the idea that inter-entity coordination can facilitate the elimination of inter-entity balances. Members agreed to this change. Members also agreed to staff's recommendation to cite paragraphs 108-113 of SFFAS 4, *Managerial Cost Accounting Standards and Concepts*, in the related footnotes to these two paragraphs.

Item F: Members agreed with staff's recommendation not to include a flow chart to accompany the technical guidance based on reasons set forth in the briefing materials.

Item G: Several members agreed with staff's analysis in the briefing materials. Members elected to continue with the proposed approach, given its consistency with existing GAAP.

Item H: Members agreed with staff's analysis in the briefing materials.

Item I: Members agreed with staff's analysis under item I.b of the briefing materials.

Item J: Members agreed to remove paragraph 15 from the authoritative section while adding discussion to the basis for conclusions about the Board's general views with respect to negotiating with intragovernmental trading partners to mitigate intragovernmental elimination differences.

Item K: Members generally agreed with staff's analysis and recommendations in the briefing materials.

Next steps: Following the meeting, staff will consult with the one member on opportunities to clarify the flow of paragraphs 8-14. Staff will circulate a "near-final" review copy following these consultations and, after implementing any follow-up edits from members and final proofing revisions, staff will circulate a final review copy of the proposed TB. If a majority of members do not object to its issuance during the review period, staff will submit the TB for congressional review. Thereafter, FASAB will issue the TB final pronouncement.

- **SFFAS 38 – Omnibus Amendments**

Ms. Lee, senior analyst, introduced [topic F](#) to discuss the omnibus amendments to SFFAS 38, *Accounting for Federal Oil and Gas Resources*. At the August 2022

meeting, the Board unanimously agreed to leave the reporting requirements in SFFAS 38 and TB 2011-1, *Accounting for Federal Natural Resources Other than Oil and Gas*, as RSI and tasked Ms. Lee to draft the amendments. The goal of the session was to discuss proposed edits and comments on the draft EDs of the amendments to SFFAS 38 and TB 2011-1.

Question 1 – Do members agree with the draft Omnibus Amendments 2023 and TB 2023-X EDs?

Members agreed with the proposed draft SFFAS 38 omnibus amendments and TB 2023-X EDs and provided mostly editorial suggestions and comments. In the executive summary, one member pointed out that the objective of the proposed amendments is to retain the reporting requirements in RSI, not to eliminate the requirement as there is no requirement to transition from RSI to basic information. Another member questioned the inclusion of the materiality statement in the documents when the amendment was only to retain the reporting requirements in RSI. Ms. Valentine responded that the Board normally would include the materiality statement in all documents to be consistent.

In the basis for conclusions section of the proposed SFFAS 38 omnibus amendments, one member pointed out that the increased cost of transitioning the reporting requirements from RSI to basic information would not be just to the Department of the Interior but to the federal community as a whole. The member also suggested referencing related benefits to the increased costs associated with the transition. Another member reminded the Board that it was not cost-benefit considerations that posed a significant challenge to moving the information to basic. The challenge related to the reliability of the measurements and the inability to make improvements. Members cautioned about discussing audit- or budget-related challenges in accounting standards. Members also cautioned about directly linking the effect of clean energy initiatives to oil and gas or other natural resources productions and suggested simply laying out the uncertainties about the reliability of the estimates.

One member suggested including the reasons for other standard setters requiring supplementary information instead of basic presentation for oil and gas reporting. However, Ms. Lee reminded members that only the Financial Accounting Standards Board and SEC require supplementary information. Others standard setters either do not have guidance yet or determined that oil and gas reporting does not apply to their jurisdiction. Members agreed to leave the reasons out.

Other editorial suggestions from the members on the SFFAS 38 omnibus amendments included simplifying or clarifying the wording, consistently including or excluding effective dates, consistently using the phrases “in RSI” or “as RSI”, correcting the year of the original intent in SFFAS 38, and removing sentences that are irrelevant or might not be factual.

On the proposed amendments to TB 2011-1, members stated that in the basis for conclusions it was not apparent that reliability related to other natural resources was a challenge. Ms. Lee responded that the basis for conclusions as written was based on

the GAAP hierarchy. Technical 2011-1 applies the reporting requirements in SFFAS 38 to other natural resources that are in long-term agreements and are measureable. Since the Board is proposing to amend SFFAS 38 to remain as RSI presentation, FASAB will need to make corresponding updates to the TB as well. The member cautioned that without discussing the reliability related to other natural resources, the Board might need to revisit the topic in the future. The member suggested including the rationale for amending the TB explicitly and tasked Ms. Lee with reaching out to Interior to obtain additional information on the reliability of estimates related to other natural resources.

Next steps: Ms. Lee will reach out to Interior to obtain more information on estimates on coal. Ms. Lee will update the documents to include the rationale to amend TB 2011-1 and will incorporate the Board's other suggested edits to both documents.

Adjournment

The Board meeting adjourned for the day at 4:45 p.m.

Attachment 1



Climate-Related Financial Reporting Project

December 13, 2022 - Board Meeting

9:15am - Noon

Robin M. Gilliam, CPA, PMP
Assistant Director & Project Lead

Today's Agenda

- ▶ Project Overview (1/2 hour)
- ▶ Education Session: Government Climate Reporting Research (1 hour)
- ▶ Break (15 minutes)
- ▶ Member Q&A with Panel (1/2 hour)
- ▶ Recommendations & next steps (1/2 hour)

Project Overview

Project Goal:

to develop a climate-related financial disclosure framework

At the June 23, 2022, meeting the Board agreed to

- 1) start with TCFD recommendations in developing the federal climate-related financial disclosure framework, with the understanding that it is a commercial based model and other models may be available.
- 2) form a task force comprised of preparers, users, and subject matter experts, and

What is TCFD?

- ▶ The Financial Stability Board (FSB) created TCFD in response to a 2015 request from the G20 Finance Ministers and Central Bank Governors to develop recommendations on the types of information that companies should disclose to support investors, lenders, and insurance underwriters in appropriately assessing and pricing a specific set of risks—risks related to climate change.
- ▶ In 2017, the TCFD released climate-related financial disclosure recommendations designed to help companies provide better information to support informed capital allocation.

TCFD Recommended Risks & Opportunities

TCFD REVIEW (cont.)

► Transition Risks

Transitioning to a lower-carbon economy may entail extensive policy, legal, technology, and market changes to address mitigation and adaptation requirements related to climate change. Depending on the nature, speed, and focus of these changes, transition risks may pose varying levels of financial and reputational risk to organizations.

► Climate-Related [transition] Opportunities

Efforts to mitigate and adapt to climate change also produce opportunities for organizations, for example, through resource efficiency and cost savings, the adoption of low-emission energy sources, the development of new products and services, access to new markets, and building resilience along the supply chain.

► Physical Risks

Physical risks resulting from climate change can be event driven (acute) or longer-term shifts (chronic) in climate patterns. Physical risks may have financial implications for organizations, such as direct damage to assets and indirect impacts from supply chain disruption.

TCFD Framework

TCFD REVIEW (cont.)

The TCFD recommendations are structured around **four thematic areas** that represent core elements of how organizations operate, **broken into 11 supporting climate-related disclosures**.

TCFD Recommended Framework

TCFD REVIEW (cont.)

TCFD Recommended Disclosures

The Task Force developed 11 recommended disclosures across the four recommendations

Governance	Strategy	Risk Management	Metrics and Targets
Disclose the company's governance around climate-related risks and opportunities.	Disclose the actual and potential impacts of climate-related risks and opportunities on the company's businesses, strategy, and financial planning where such information is material.	Disclose how the company identifies, assesses, and manages climate-related risks.	Disclose the metrics and targets used to assess and manage relevant climate-related risks and opportunities where such information is material.
Recommended Disclosures	Recommended Disclosures	Recommended Disclosures	Recommended Disclosures
a) Describe the board's oversight of climate-related risks and opportunities.	a) Describe the climate-related risks and opportunities the company has identified over the short, medium, and long term.	a) Describe the company's processes for identifying and assessing climate-related risks.	a) Disclose the metrics used by the company to assess climate-related risks and opportunities in line with its strategy and risk management process.
b) Describe management's role in assessing and managing climate-related risks and opportunities.	b) Describe the impact of climate-related risks and opportunities on the company's businesses, strategy, and financial planning.	b) Describe the company's processes for managing climate-related risks.	b) Disclose Scope 1, Scope 2, and, if appropriate, Scope 3 greenhouse gas (GHG) emissions, and the related risks.
	c) Describe the resilience of the company's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario.	c) Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the company's overall risk management.	c) Describe the targets used by the company to manage climate-related risks and opportunities and performance against targets.

CLIMATE TASK FORCE (CTF)

Will help with research to address the following questions identified by the Board at June 2022 meeting:

1. Which governments are using TCFD for disclosures in their financial reports? How are these governments implementing TCFD, the challenges, and lessons learned?
2. What are the common themes from the 10K+ comment letters received by U.S. Securities and Exchange Commission (SEC) on the proposed climate-related reporting rules?
3. What types of reporting are federal agencies currently using to comply with the various climate-related Executive Orders and legislative acts?
4. What information will federal financial statement users find useful as it relates to climate risk?

CTF Working Groups

1. Agency Working Group

- ▶ Collecting data about agency's climate-related activity to address question #3 - *what types of reporting are federal agencies currently using to comply with the various climate-related Executive Orders and legislative acts*. This working group is currently researching this information.

2. TCFD Working Group

- ▶ Collected data about how governments are adapting TCFD recommendations for including climate-related financial disclosures in their financial reports. *This information answers question #1 - Which governments are using TCFD for disclosures in their financial reports. How are these governments implementing TCFD, the challenges, and lessons learned?*

NOTE: working groups are dynamic and may change to address Board questions and concerns.

CTF - TCFD Working Group

The research shows that

- ▶ Most countries are requiring commercial entities, such as, banks, insurance companies, and pension funds to adapt TCFD in climate risk reporting to educate investors, but are **not including** climate-related financial disclosures in their own financial statements. (Attachment 2: *Governments Requiring Commercial Entities to Adapt TCFD for Climate-Related Financial Disclosures about Climate Risk for Investors*)
- ▶ Canada is currently the only government implementing TCFD recommendations in their financial statements. (Attachment 3: *Governments that are Adapting TCFD for Climate-related Financial Disclosures in Their Financial Statements*)

Education Session

Disclaimer

- ▶ Views expressed are those of the speaker
- ▶ The Board expresses its views in official publications

Government Climate Reporting Research

Panel (full bios are on pages 6-7 in the Topic A memorandum)

- ▶ Corinne Dougherty, Partner, KPMG ESG
- ▶ Wes Anderson, Manager of Business Planning & Finance, Canadian City of Mississauga

Discussion

- ▶ How Canadian cities are using TCFD for climate-related financial disclosures in their financial reports
- ▶ Successes & challenges with implementing TCFD
- ▶ Lessons learned with TCFD

Member Action Item

Please take notes on anything relevant from Canadian climate reporting that you would like the Board to consider for the US climate-related financial disclosure framework.

Government Climate Reporting Research

FASAB Board Meeting

December 13, 2022



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Introduction



Corinne Dougherty

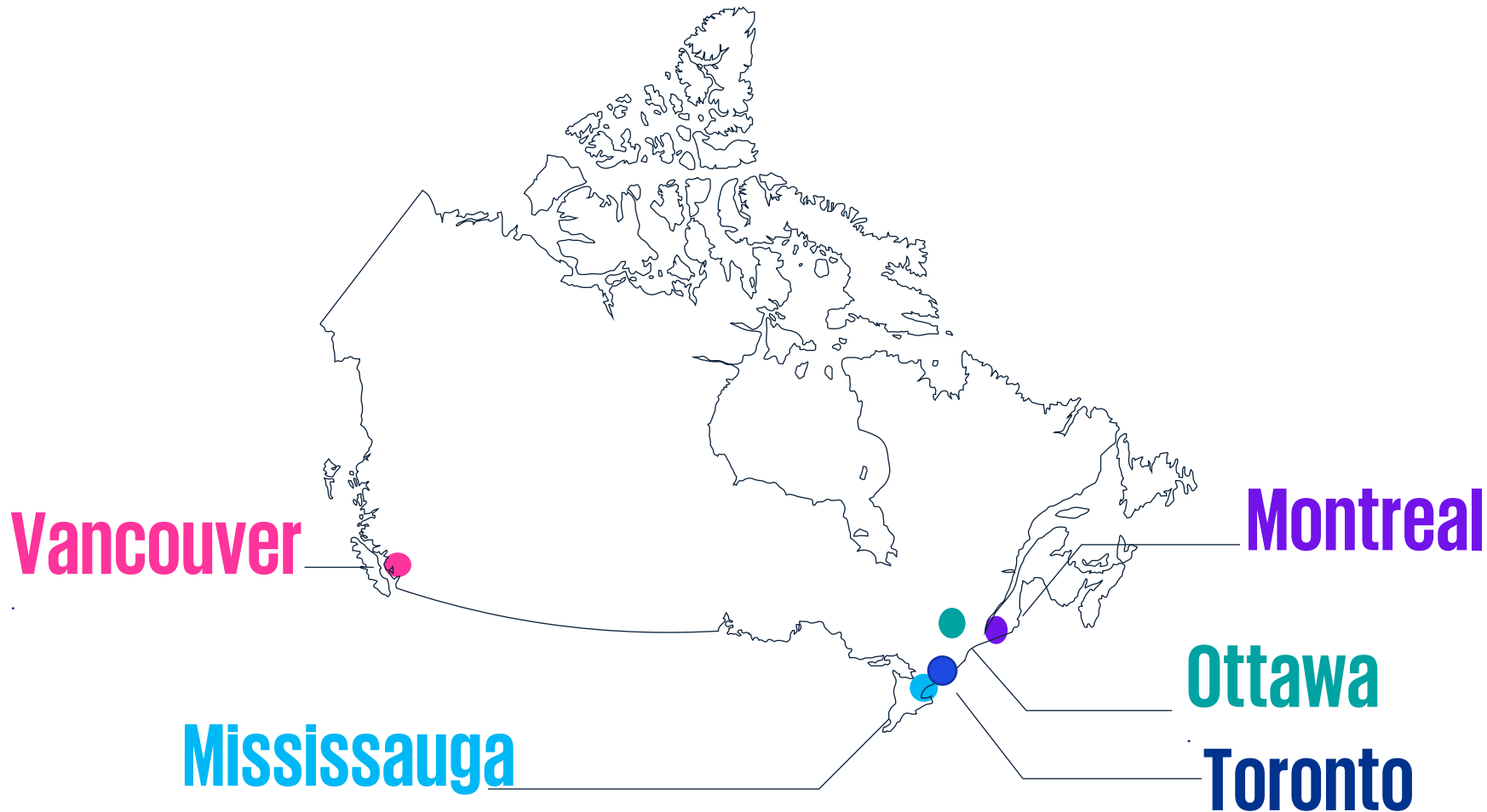


Partner
KPMG ESG
cdougherty@kpmg.com

Agenda

- 01** Overview
- 02** Summary of climate reporting
- 03** Reasons for reporting
- 04** City dashboards
- 05** Successes & challenges
- 06** Lessons learned

Canadian climate reporting research overview



Levels of Government

FEDERAL

- Departments
- Agencies
- Crown Corporations

PROVINCIAL

- Government of Ontario
- Government of British Columbia

MUNICIPAL

- City of Mississauga
- City of Montreal
- City of Toronto
- City of Vancouver

Summary of Canadian climate/ESG reporting

	TCFD	GRI	SASB*	<IR>*	UN SDGs
City of Mississauga ¹	✓	✓		✓	✓
City of Montreal ²	✓				
City of Toronto ³	✓	✓	✓	✓	✓
City of Vancouver ⁴	✓				
Crown Corporation - International Development Research Center ⁵	✍				
<div>  Currently reporting  Planning to report in the future </div>					

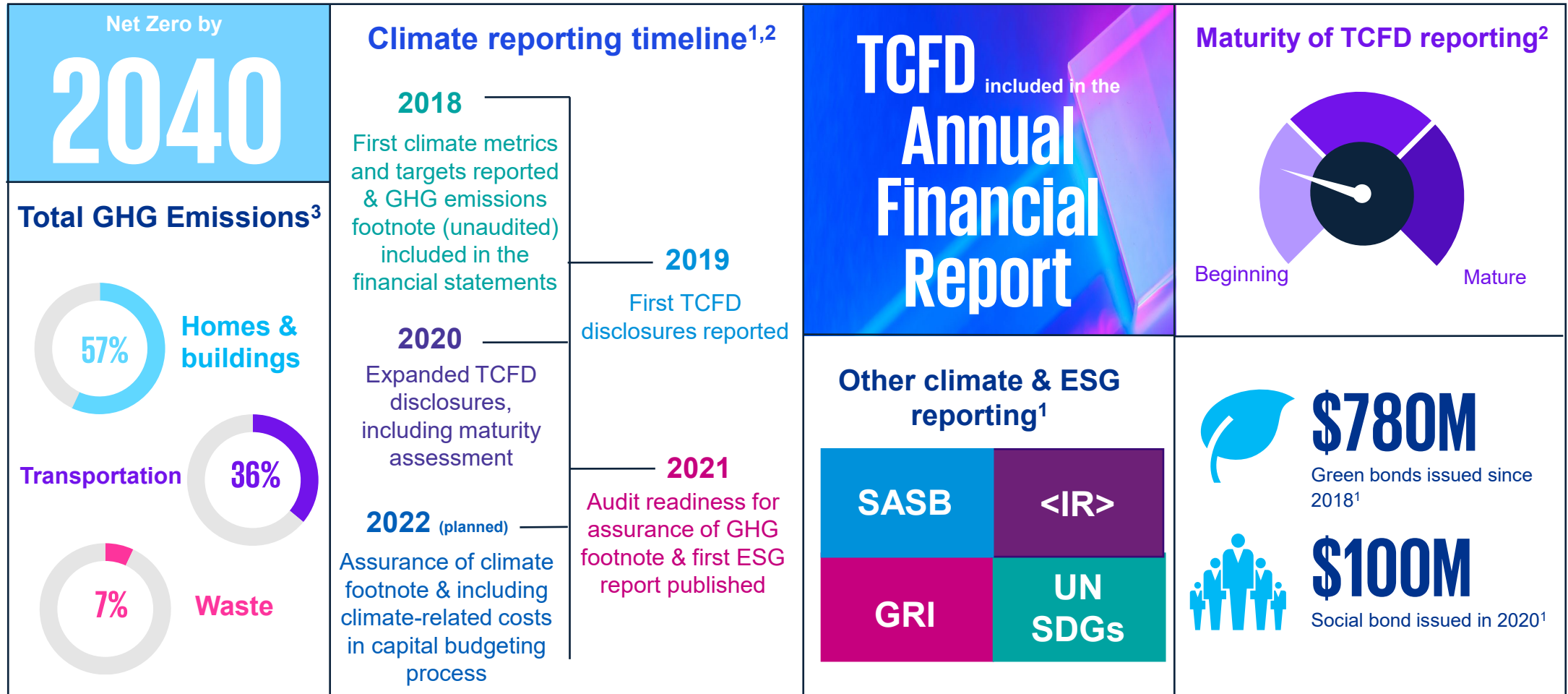
* SASB and <IR> have been consolidated into the IFRS Foundation

Sources: (1) City of Mississauga Annual Financial Reports, [Finance reports – City of Mississauga](#); (2) City of Montreal 2021 Annual Financial Report: [Annual Financial Report \(montreal.ca\)](#); (3) City of Toronto ESG reports, [Environmental, Social & Governance Performance Report – City of Toronto](#) and City of Toronto Annual Financial Reports, [Annual Financial Report – City of Toronto](#); (4) Annual Financial Reports: [Financial reports and information | City of Vancouver](#); (5) Canadian Government 2021 Budget Chapter 5: A Healthy Environment for a Healthy Economy: [Part 2 - Creating Jobs and Growth | Budget 2021](#)

Reasons for climate reporting



City of Toronto



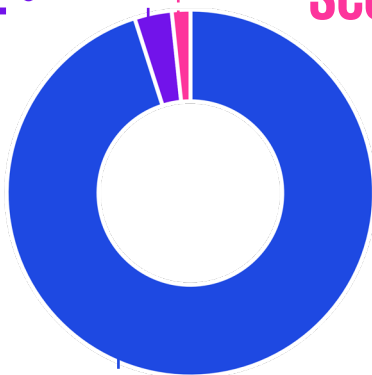
Sources: (1) City of Toronto ESG reports, [Environmental, Social & Governance Performance Report – City of Toronto](#); (2) City of Toronto Annual Financial Reports, [Annual Financial Report – City of Toronto](#); (3) TransformTO website, [TransformTO – City of Toronto](#)

City of Mississauga



Total GHG Emissions²

Scope 2 • Scope 3



• Scope 1

Net Zero by

2050

TCFD included in Financial and Sustainability Report

Additional climate & ESG reporting standards and frameworks²

GRI

<IR>

UN
SDGs

2020

Started TCFD
reporting²

Additional sustainability reporting topics²

Human
Capital

Manufactured
Capital

Social &
Relationship
Capital

Natural
Capital

Sources: (1) City of Mississauga Sustainability report, [Financial and Sustainability Report 2021 \(mississauga.ca\)](https://www.mississauga.ca/sustainability); (2) City of Mississauga Annual Financial Reports, [Finance reports – City of Mississauga](#)



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City of Montreal

Greenhouse Gas (GHG) Emissions

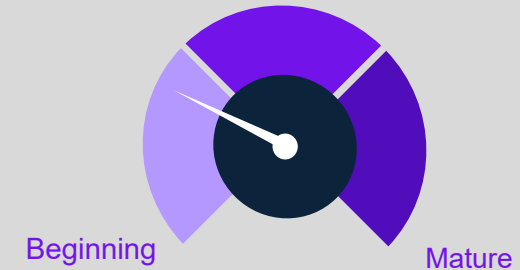
GHG emissions have been tracked since 2013. The majority of GHG emissions are from transportation, residential and industrial sources.¹



2019

Started TCFD reporting¹

Maturity of TCFD reporting¹



TCFD included in
the **Annual
Financial Report**

**CDP "A"
List City²**

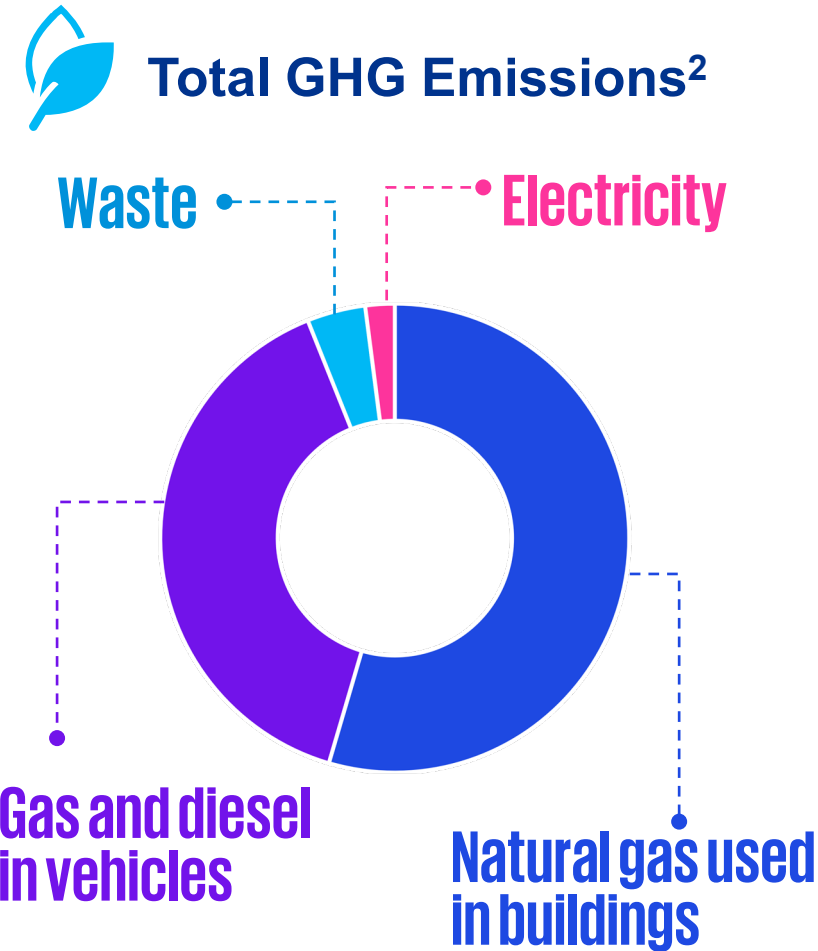
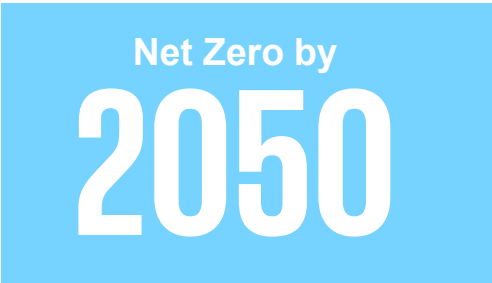
Climate Budget Project

Part of the C40 Pilot, which provides participating cities with advice for preparing a climate budget.¹

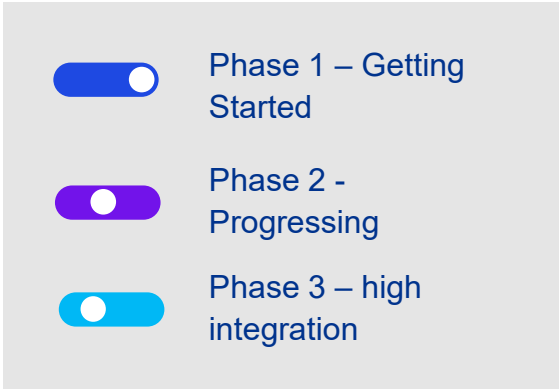


Source: (1) City of Montreal 2021 Annual Financial Report: [Annual Financial Report \(montreal.ca\)](https://montreal.ca/annual-financial-report); (2) CDP website [Cities scores - CDP](https://www.cdp.net/en/cities)

City of Vancouver



Maturity of TCFD reporting¹



Sources: (1) Annual Financial Reports: [Financial reports and information | City of Vancouver](#); (2) Climate Emergency Action Plan: [Climate Emergency Action Plan | City of Vancouver](#)

Successes in climate reporting



Challenges in climate reporting



Lessons learned



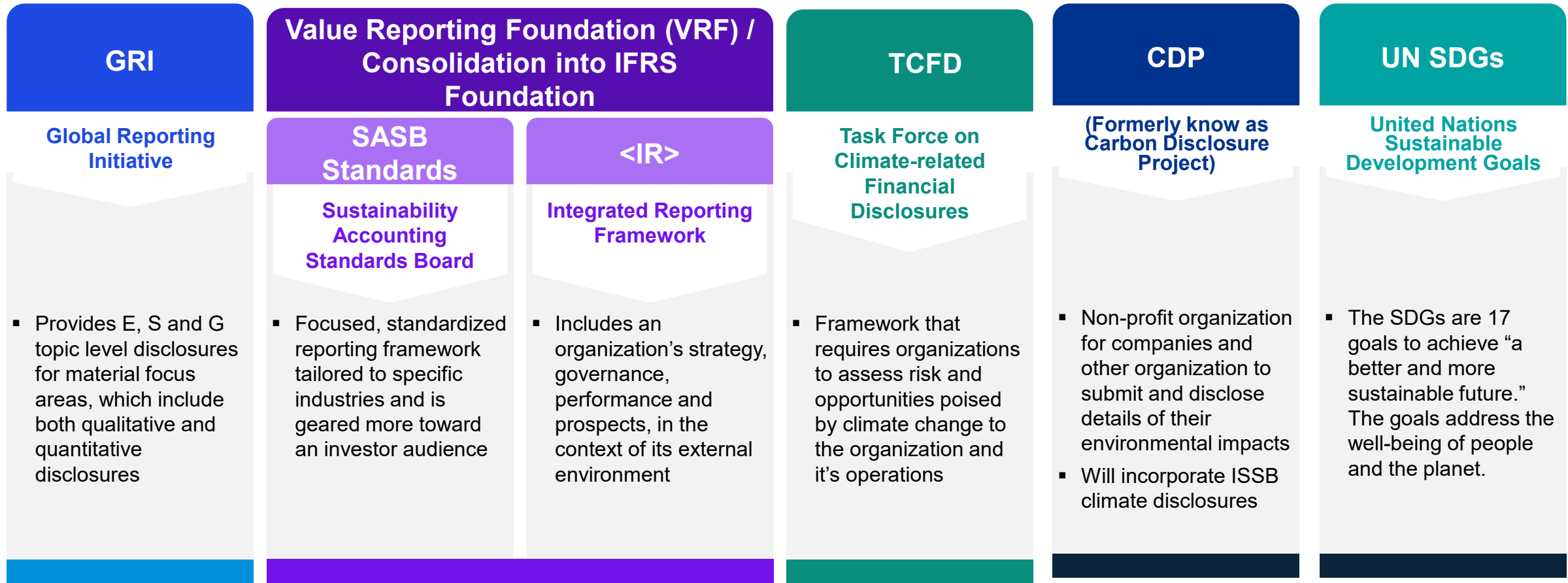
Thank you

- **Wes Anderson, City of Mississauga**
- **Sandra Califaretti, City of Toronto**
- **Raoul Cyr, City of Montreal**
- **Richard Danis, Crown Corporation - International Development Research Center**
- **Llyod Lee, City of Vancouver**
- **Baia Ouldsliman, City of Montreal**

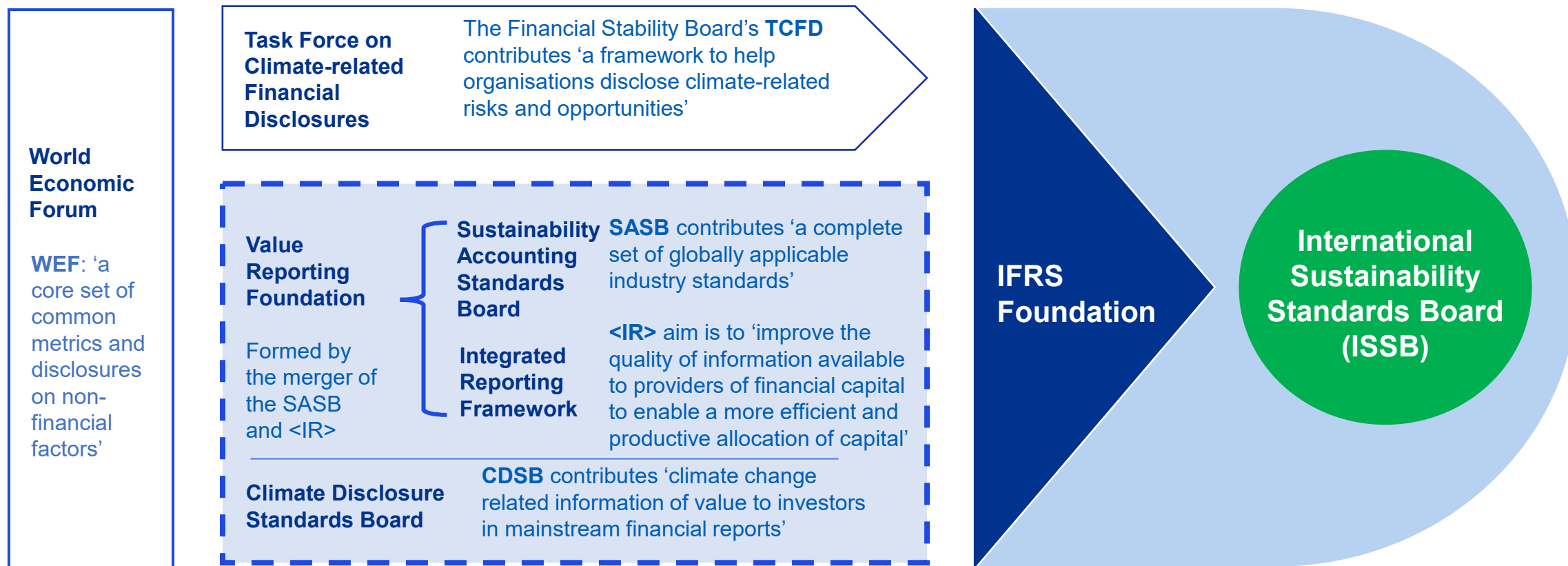
Appendix

Standards and frameworks

Leading ESG guidance and reporting frameworks



International Sustainability Standards Board



— — Resources consolidated into the IFRS Foundation

ISSB: Feedback on general and climate proposals

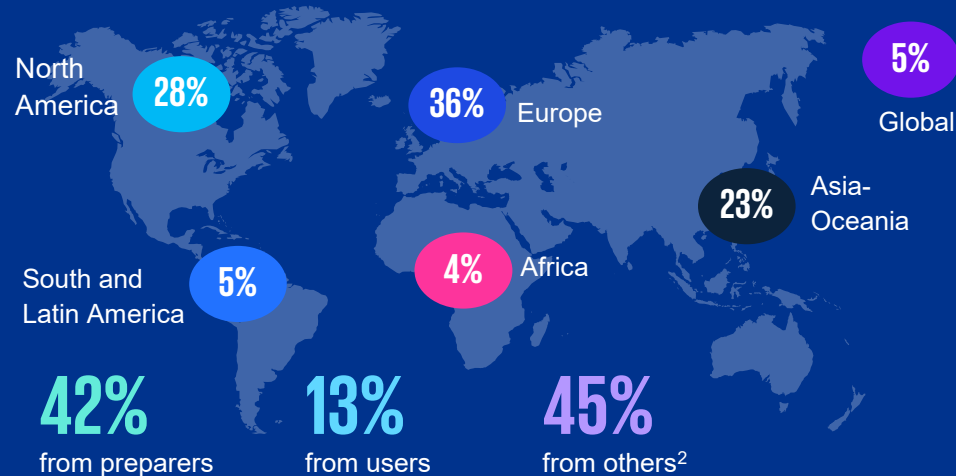
1,435

comment letters and
survey responses

Almost all respondents
supported:¹

- Building on the **TCFD framework**
- Creating a **global baseline**
- Achieving **interoperability** with US and EU requirements

Engagement from across the globe



1. This slide summarises the ISSB's own analysis of feedback received. 'Almost all' is defined as 'all except a very small minority'. Interoperability with EFRAG and SEC proposals was highlighted as important by almost all European and US respondents respectively.
2. Including public interest groups, accountants and academics, standard setters, regulators and policy-makers.

Action list

key areas chosen for
redeliberation

GENERAL REQUIREMENTS

- ✓ **Scope and breadth of reporting** – Five topics including application of materiality, value chain reporting, the meaning of terms including 'enterprise value' and 'significant' and **identifying sustainability-related risks and opportunities and disclosures** *;
- ✓ **Connected information*** between topics and with the financial statements, plus IASB collaboration
- ✓ **Frequency of reporting*** including location requirements
- ✓ **Updating estimates*** in comparative information

CLIMATE

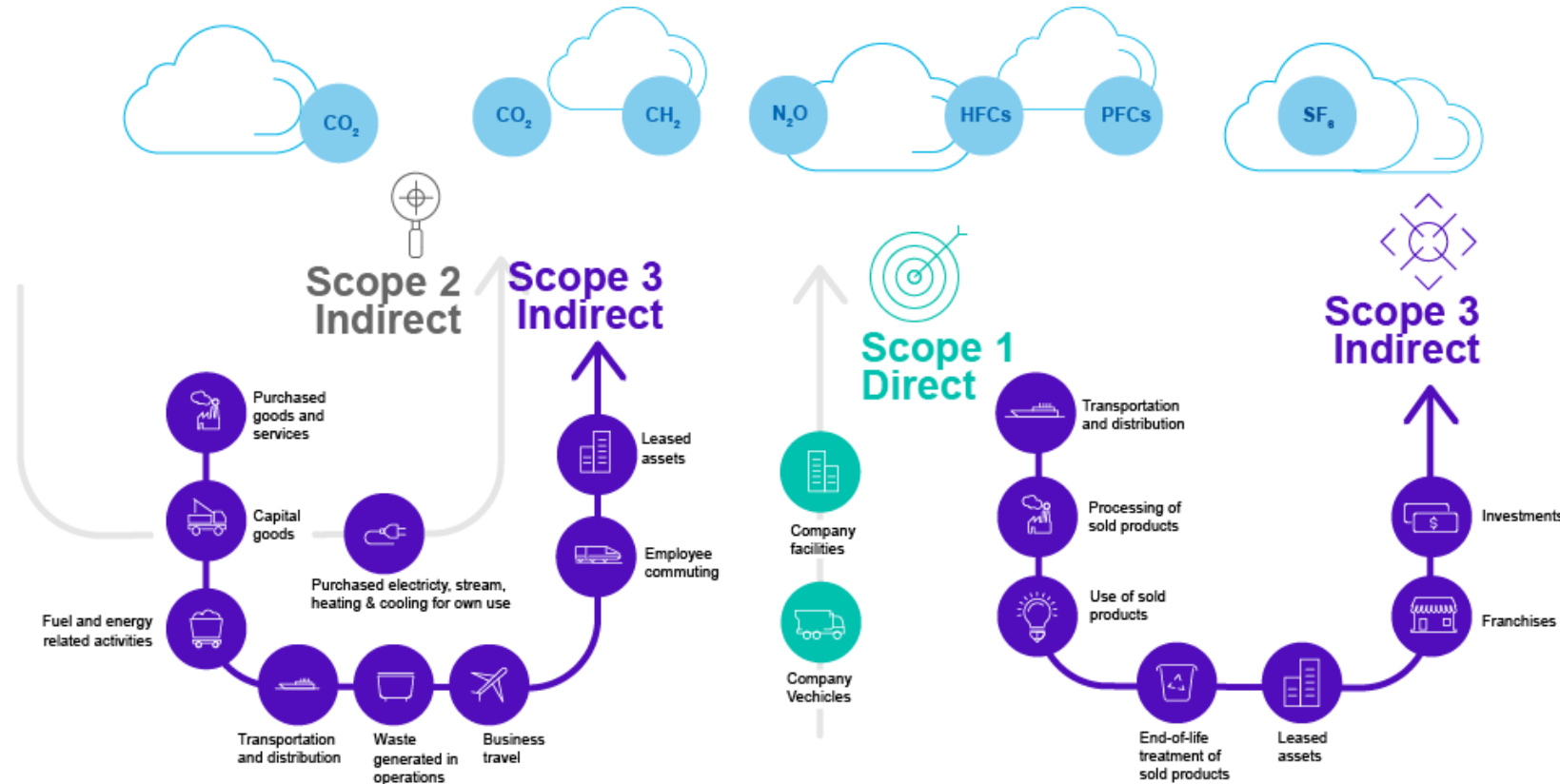
- ✓ Disclosures on **strategy, decision making, and transition plans and targets***
- ✓ **Climate resilience and scenario analysis***
- ✓ **GHG emissions**, particularly Scope 3 and measurement methods
- ✓ **Industry-based topics**, including financed and facilitated emissions

CROSS CUTTING

- ✓ **Interoperability** of the standards for all types of global company
- ✓ **Financial effects*** of sustainability- and climate-related risks and opportunities

*Discussed in the November meeting

The scopes of greenhouse gas emissions



Scope 1:
Emissions from company-owned operations

Scope 2:
Emissions from purchased electricity, steam, heat, or cooling

Scope 3:
Emissions from a company's value chain

Upstream activities ➡

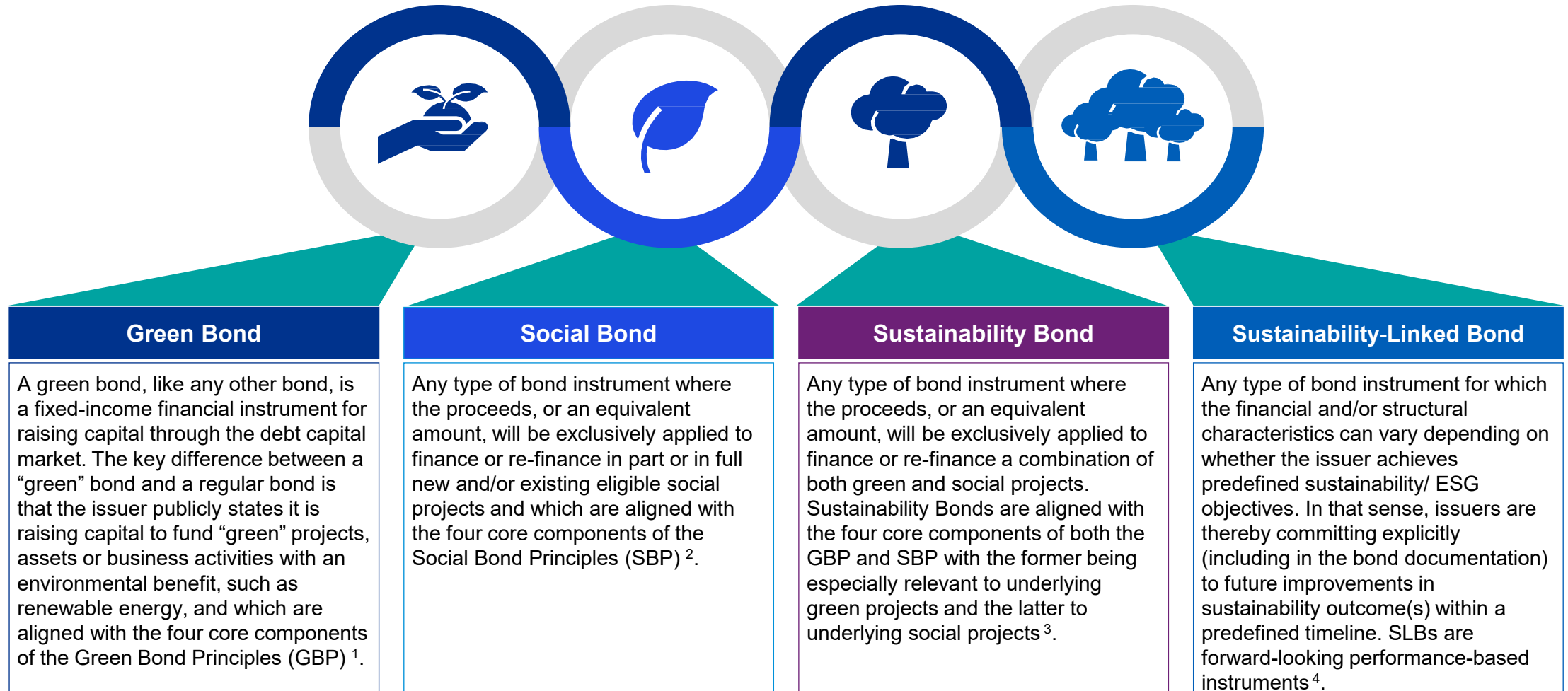
Reporting company ➡

Downstream activities ➡

Source: Environmental Protection Agency. Greenhouse Gases at EPA. [Greenhouse Gases at EPA | US EPA](https://www.epa.gov/greenhouse-gases)

What are green, social, sustainability (GSS) and sustainability-linked bonds (SLB)?

Standard bonds with a bonus “green” and/or “social” benefits feature



1. ICMA Group, [Green Bond Principles June 2021](#)

2. ICMA Group, [Social Bond Principles June 2021](#)

3. ICMA Group, [Sustainability Bond Guidelines June 2021](#)

4. ICMA Group, [Sustainability-Linked Bond Principles June 2020](#)

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- Annual Financial Reports: [Finance reports – City of Mississauga](#)

City of Montreal

- 2021 Annual Financial Report: [Annual Financial Report \(montreal.ca\)](#)

City of Toronto

- ESG reports: [Environmental, Social & Governance Performance Report – City of Toronto](#)
- Annual Financial Reports: [Annual Financial Report – City of Toronto](#)
- TransformTO (climate strategy): [TransformTO – City of Toronto](#)

City of Vancouver

- Annual Financial Reports: [Financial reports and information | City of Vancouver](#)
- Climate Emergency Action Plan: [Climate Emergency Action Plan | City of Vancouver](#)

Other

- Canadian Government 2021 Budget Chapter 5: A Healthy Environment for a Healthy Economy: [Part 2 - Creating Jobs and Growth | Budget 2021](#) (specifically section Strengthening Public Climate-related Disclosures)
- CPA Canada TCFD guidance for public sector organizations: [A guide to adopting the TCFD recommendations for cities \(cpacanada.ca\)](#)
- CDP website [Cities scores - CDP](#)



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An inside look into climate reporting for the City of Mississauga



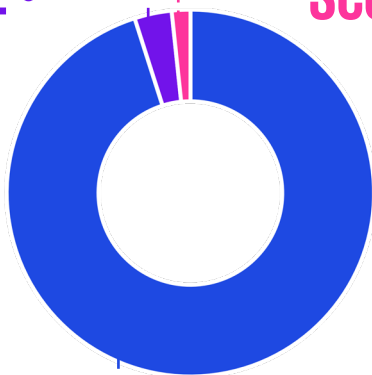
Wes Anderson - Manager of Business Planning & Financial
Services at the Canadian City of Mississauga

City of Mississauga



Total GHG Emissions²

Scope 2 • Scope 3



• Scope 1

Net Zero by

2050

TCFD included in Financial and Sustainability Report

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15 MINUTE BREAK

Member Q & A with Panel



½ hour

Climate-related Financial Disclosure Framework Discussion

What information is relevant
for FASAB to consider for
developing the
US climate-related
financial disclosure framework?

½ hour

Next Steps: Potential Schedule

Board Meeting	Subject	Note/Goal
February 2023	<p>SEC</p> <ul style="list-style-type: none">• common themes from comment letters• Status of published/publishing rules	<p>Does not depend on rules being published</p> <p>[question #2]</p>
April 2023	<ul style="list-style-type: none">• OMB budget update• Sustainability.gov update• Agency Climate-Related Activity	<p>Agencies present inventory of activity by EO and Acts(adaptation & mitigation) [question #1]</p>
June 2023	<ul style="list-style-type: none">• Other climate models• How commercial entities are accounting for climate in financial statements and/or disclosures?	