

SUSTAINABILITY CLIMATE- RELATED DISCLOSURES

IPSASB Meeting – December 2023
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AGENDA

- 1. Objective and Scope:**
 - Impacts, Risks and Opportunities
- 2. Conceptual Foundations:**
 - Steps to Reporting
 - Materiality
- 3. Looking ahead**

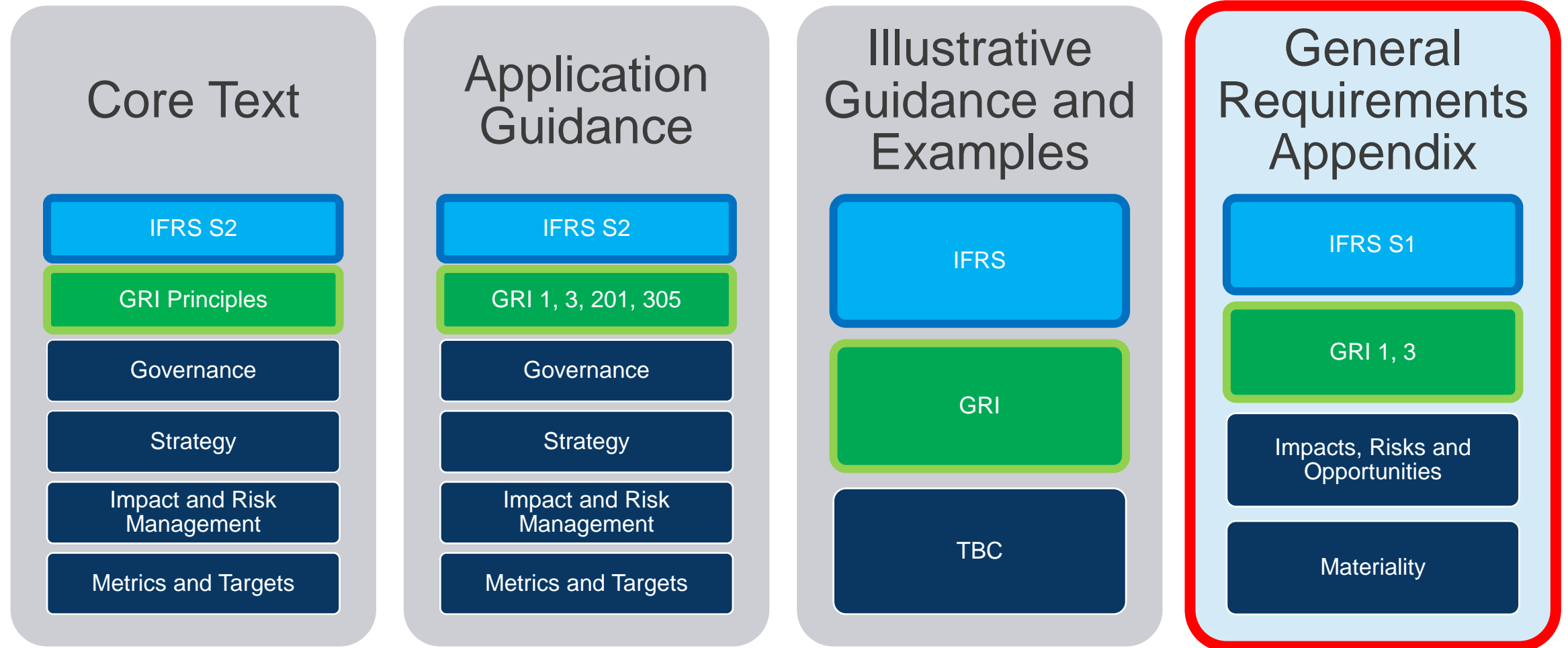
Approach to Drafting

Based on agreed upon Sustainability Reporting Framework and Processes:



Climate-related Disclosures Standard Structure

CP Feedback and IPSASB Conceptual Framework



Key messages from SRG

- Support for **standardization and high consistency** across public and private sector reporting
- Public sector guidance needs to consider **role and functions of government** particularly around policy and regulation
- Acknowledge challenge ahead for IPSASB, however, there are **no complete answers and the space continues to evolve**

Key messages from Oct 26 Education Session

- Preparers need **consistency and collaboration** across standard setters
- Materiality is driven by **stakeholders/users**
- Financial information is useful for understanding impacts and vice versa for both investors and non-investors

Impacts, Risks and Opportunities

CP: Building block approach to Sustainability Reporting

2

**MULTI-STAKEHOLDER
FOCUSED**
SUSTAINABILITY
REPORTING



INTEROPERABILITY

1

INVESTOR FOCUSED
SUSTAINABILITY
INFORMATION MATERIAL
TO ENTERPRISE VALUE



Impacts, risks and opportunities are needed for public sector

However, scope of impacts, risks and opportunities for public sector reporting may need adaptation

Impacts, Risks and Opportunities

Recommendation

- Include impacts, risks and opportunities in scope of reporting
- Align with GRI and ISSB definitions of impacts, risks and opportunities
- Modify risks and opportunities definition for the public sector context by referring to an entity's service delivery and financial commitments (RPG 1)

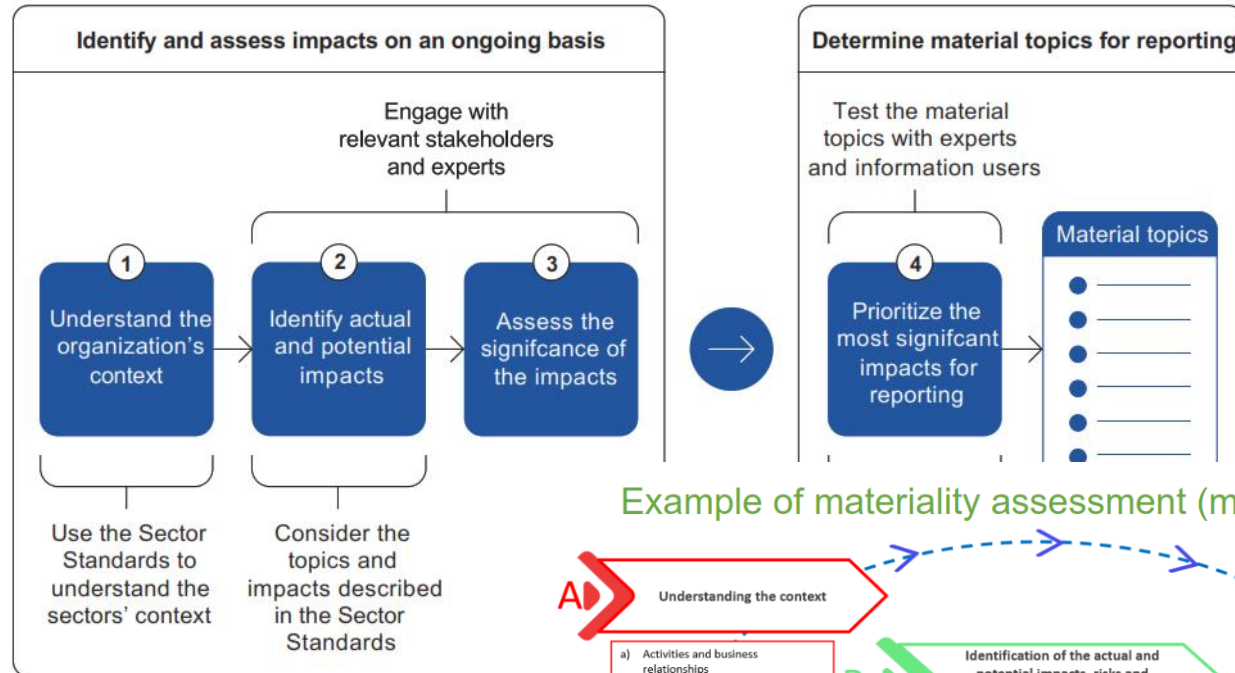
Current international definitions:

- ☐ **Impacts** are effects an entity has or could have on the *economy, environment and people* (GRI 1)
- ☐ **Climate-related Risks and Opportunities** are effects of climate change on an entity's *cash flows, access to capital, cost of capital* (IFRS S2)

Proposed public sector definitions:

- ☐ **Climate-related Impacts** are effects an entity has or could have on the *economy, environment and people*
- ☐ **Climate-related Risks and Opportunities** are effects of climate change on an entity's *service delivery and financial commitments*

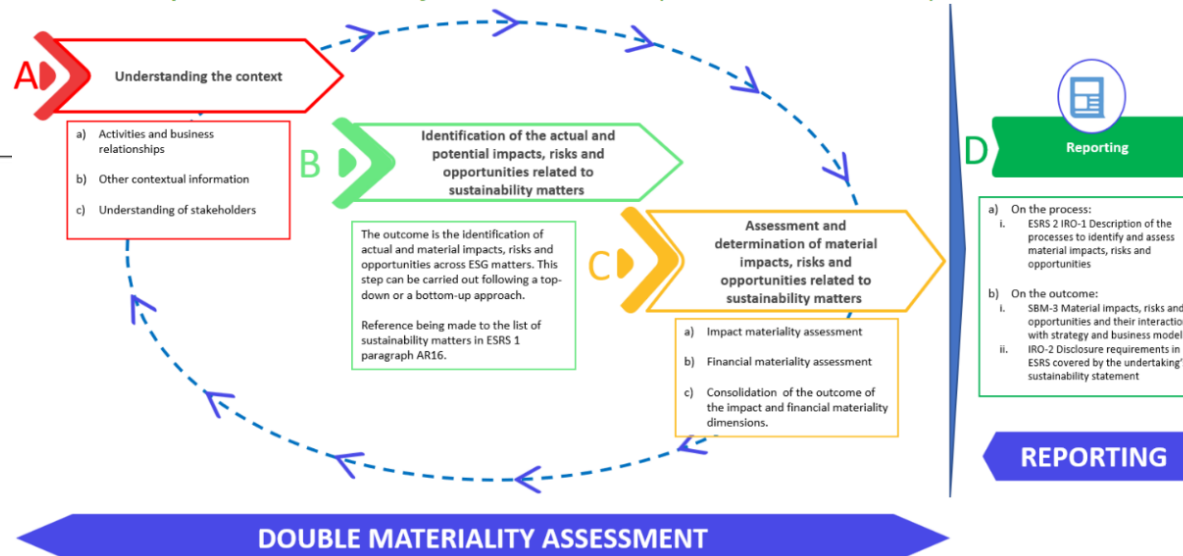
Steps to reporting



Steps for identifying reporting requirements



Example of materiality assessment (material matters)



Steps to reporting

Analysis

- Steps to reporting aims to synthesize the approaches of different frameworks in a simple principled manner.

Step 1

Understand the entity's context

- Important for public sector given its broader context, reach, activities and contributions to national commitments

Step 2

Identify actual and potential impacts, risks and opportunities

Step 3

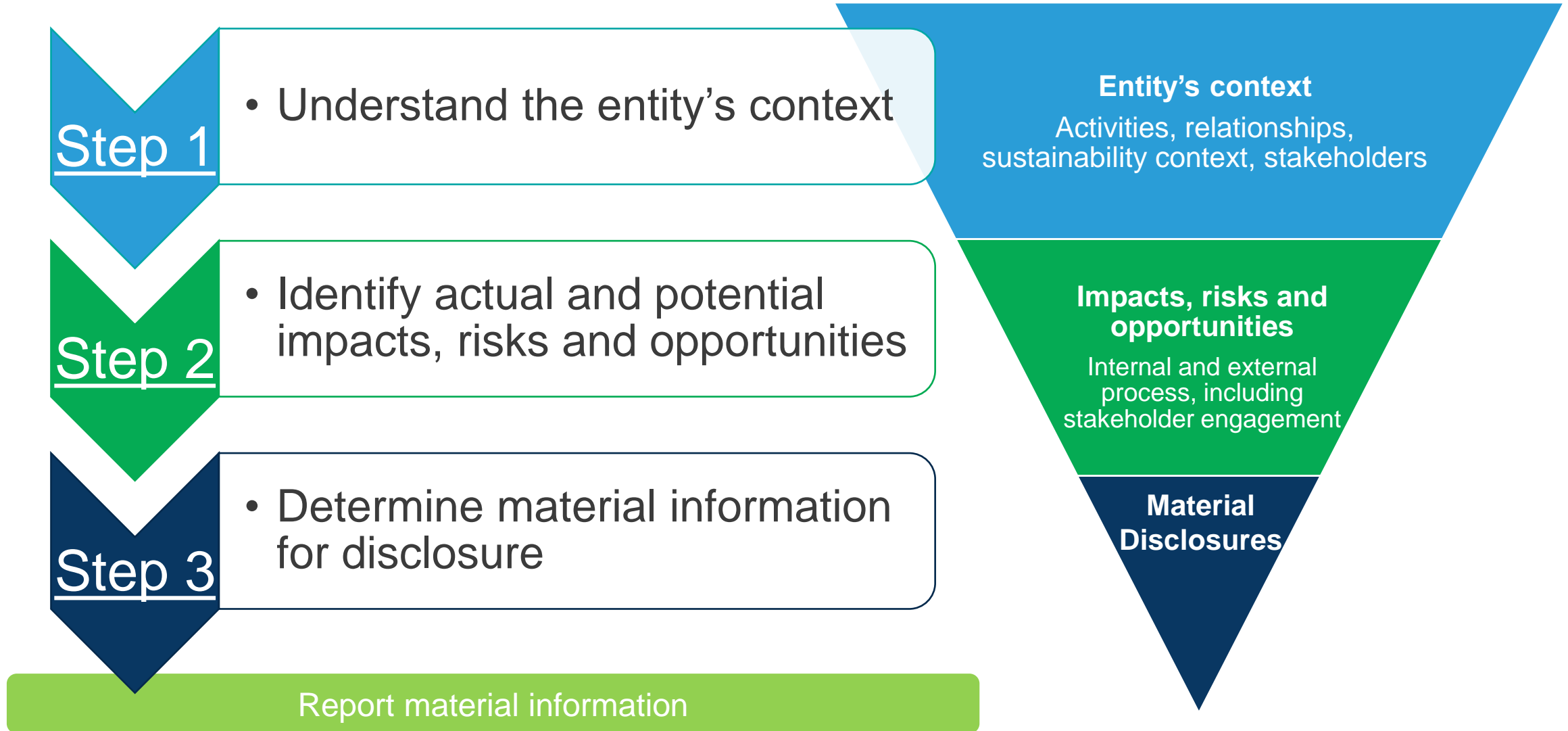
Determine material information for disclosure

- Process aligns with concepts of materiality in IPSASB Conceptual Framework

Recommendation

- Build guidance off IFRS S1 and GRI Standards:
 - Step 1 based on GRI 3
 - Step 2 and 3 based on IFRS S1 and layer in impacts and engaging stakeholders from GRI 1 and 3

Steps to reporting: Proposed approach



Materiality

Analysis

- Align the definition of materiality with the IPSASB CF
 - Users: Service recipients and Resource providers
 - Objectives: Decision making and accountability
 - Supports Connectivity with Financial Reporting
- Application guidance needed to address non-traditional sustainability-related information, consistent with GRI and ISSB, including guidance on assessing:
 - Qualitative information
 - Prospective future related information

Recommendation

- Align definition of materiality with IPSASB CF
- Provide guidance for assessing material climate-related information consistent with GRI and ISSB

Materiality

In the context of climate-related disclosures, information is material if omitting, misstating or obscuring it could reasonably be expected to influence the discharge of accountability by the entity, or the decisions that primary users make on the basis of the entity's general purpose financial reports prepared for that reporting period.

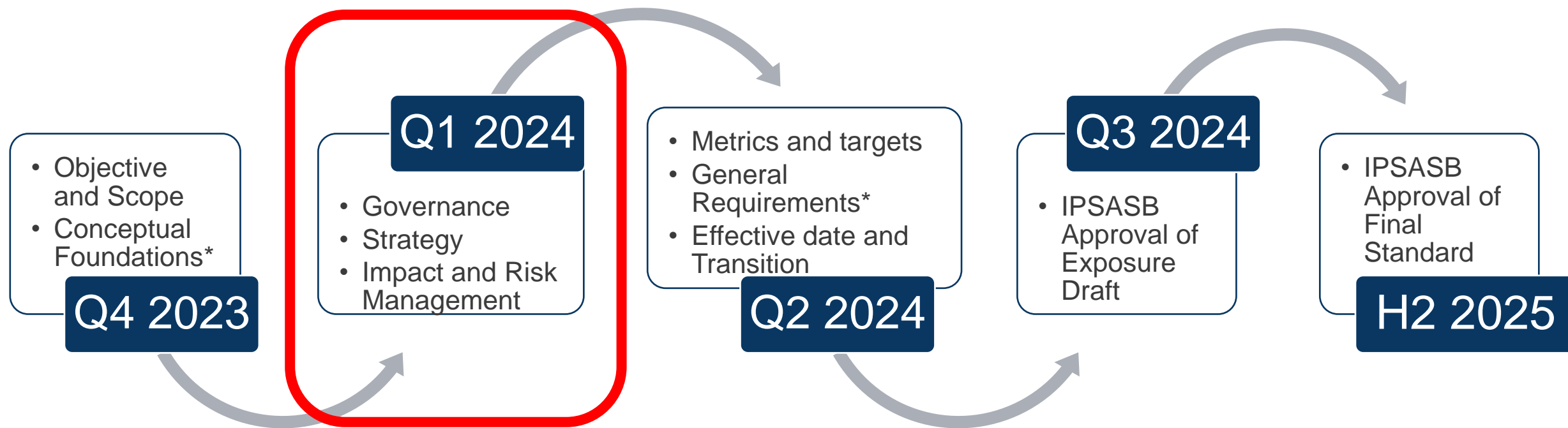


[Draft] IPSAS ED SRS [X], *Climate-related disclosures*

Page-by-Page Review

- Core text, General requirements for Climate-related Disclosures and related Application Guidance reflect the proposals from Agenda Items 6.2.1-6.2.3
- Basis of Conclusions included for reference

Timeline to final Climate-related Disclosure Standard



*IPSASB will incorporate general sustainability-related foundational concepts in this project, until a general sustainability-related disclosure project commences. Conceptual Foundations include impacts and materiality, and General requirements includes sources of guidance, timing and location of reporting, judgments, measurement and errors.

Issues identified in Project Brief

- ***Overarching Issues***

- Need for multistakeholder perspective
- Unique role of public sector entities, such as government as policy setter and regulator

- ***Governance***

- Differences in structure of governing bodies in public vs. private sector

- ***Strategy***

- Any additional disclosures or guidance needed for public sector entities that set policy and regulations, and how their strategies address climate-related impacts, risks and opportunities, including climate adaptation, mitigation and just transition plans
- Consider climate-scenario analysis guidance for public sector entities

- ***Impacts and Risk Management***

- Consider how to expand IFRS S2 disclosures beyond risk management processes and consider additional disclosures or guidance needed relating to the entity's actions, policies and commitments to address and manage the impacts, risks and opportunities identified

Governance

Governing body or individual responsible for oversight

- Terms of reference, mandates, role descriptions
- Skills and competencies
- How informed and take information into account
- Oversight of targets and remuneration policies

IFRS S2.6(a)

Management's role

- How oversight is exercised
- Use of controls and procedures
- Integration into other internal control functions

IFRS S2.6(b)

Governance

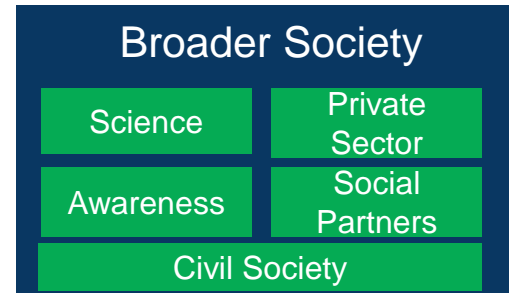
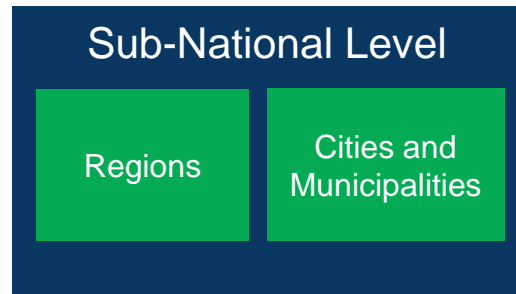
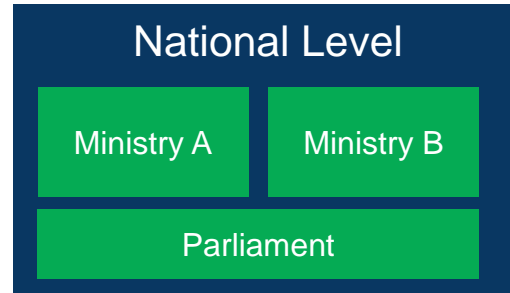
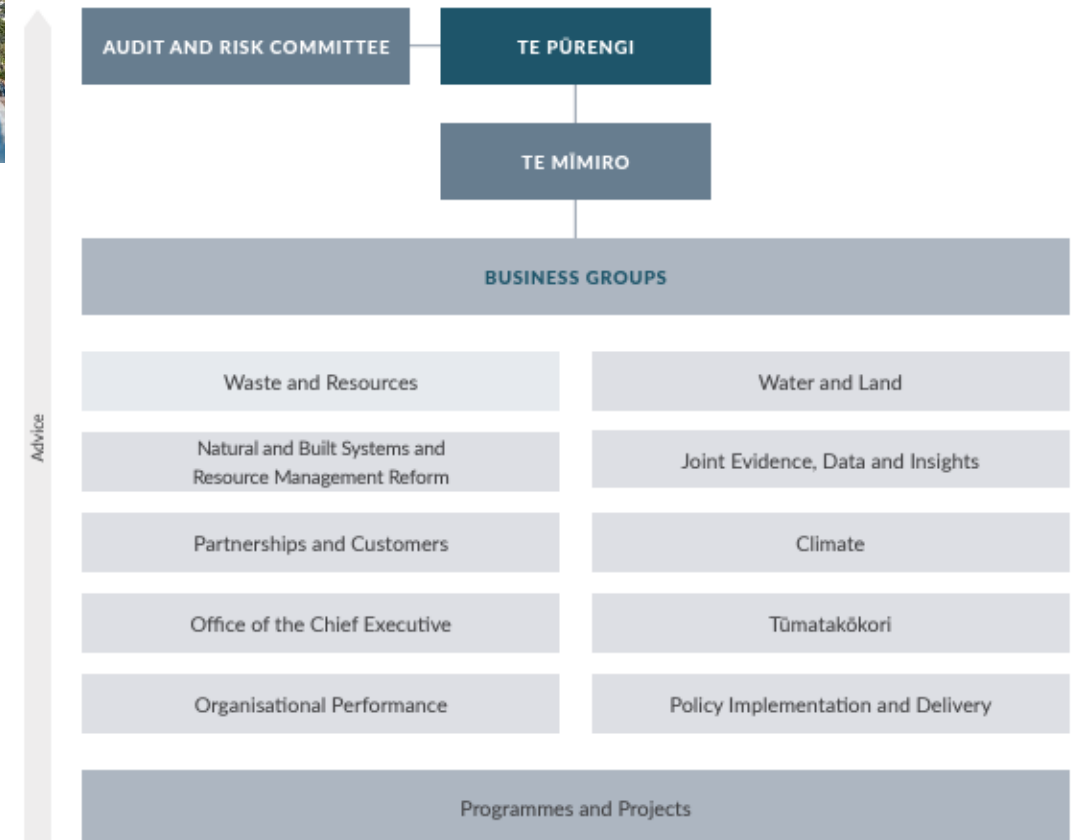


FIGURE 2: THE MINISTRY FOR THE ENVIRONMENT'S GOVERNANCE MODEL AND LEADERSHIP TEAMS

Ministry for the Environment Governance Model (as at May 2021)



Strategy

Climate-related risks and opportunities

- Describe the risks and opportunities identified
- Explain whether they are physical or transition risks
- Specify the time horizons

IFRS S2.10-12

Business model and value chain

- Describe effects of risks and opportunities on business model and value chain
- Concentration e.g. geography, asset type

IFRS S2.13

Strategy and decision-making

- Changes to the business model
- Mitigation and adaptation efforts
- Transition plan
- Plans to achieve targets
- Resourcing for these plans and activities
- Progress on these plans and activities

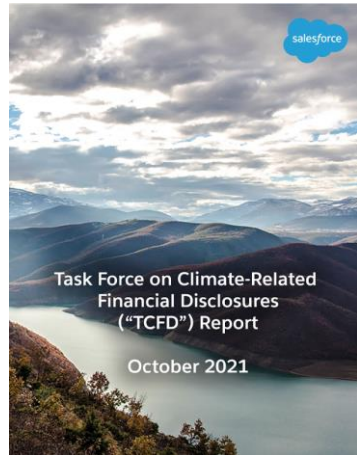
IFRS S2.14

Financial position, performance and cash flows

- Current effects including on assets and liabilities
- Anticipated effects including investment and disposal plans, sources of funding

IFRS S2.15-21

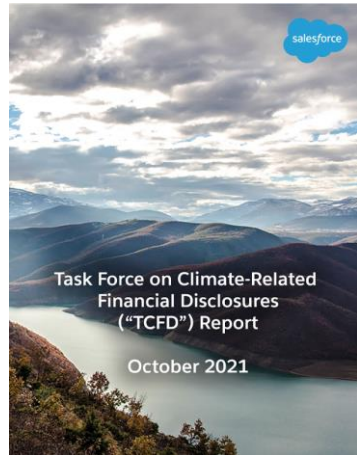
Strategy



2. Executive Summary

Report Section	Highlights
Strategy	<p>We focus on climate action and helping our customers accelerate to Net-Zero. There are three core tenets to our strategy:</p> <ul style="list-style-type: none">• What we do: Products like the Salesforce Sustainability Cloud can help customers manage their carbon emissions and develop their climate action strategies.• How we do it: We integrate sustainability into all aspects of our business by being a Net-Zero company, achieving 100 percent renewable energy for our operations, working to achieve our 1.5°C-aligned Science-Based Target and collaborating with our vendors to decarbonize our supply chain.• Our Influence: We strive to have a positive climate influence on society through multi-stakeholder engagement with governments, suppliers, customers, stockholders, employees and peers.

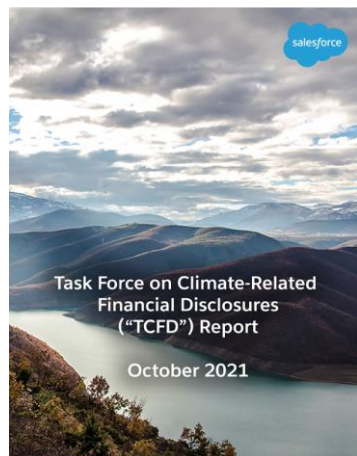
Strategy



5.2 Summary of climate opportunities and risks²

Category	Classification	Opportunity / Risk ³	Time Horizon ⁴
Opportunity	Expand service offerings / leverage our technology for climate action	Empower our stakeholders to accelerate climate action by leveraging the Salesforce platform while enhancing credibility and brand value through partnerships for our technology.	Short term to long term
	Effective human capital management	Our sustainability initiatives have the potential to improve employee health, wellness, resilience, engagement, recruiting and retention.	Short term
	Enhanced reporting infrastructure	A meaningful and deliberate climate action strategy supported by a well-managed governance, risk management and reporting processes could allow us to better understand and manage our performance.	Short term to medium term
Transition Risk	Policy and legal risk	Regulation and/or pricing of greenhouse gas ("GHG") emissions, energy and fuel cost and energy policy could increase expenses related to our data centers, real estate operations, business travel and supplier pricing.	Medium term
	Reputational risk	Failing to take climate action, or being perceived to be failing to take climate action, may hurt our reputation.	Short term
Physical Risk	Acute and chronic physical risks	Increased frequency and severity of extreme weather events including tropical cyclones (hurricanes and typhoons), flooding, wildfire, drought and heatwaves or long-term changes in climate and weather patterns can affect the physical safety and security of our employees and our infrastructure for the delivery of our services.	Short term to long term

Strategy



Risk Classification (time horizon)	Specific risk and mitigation strategy examples
Policy and legal risk (medium term)	<p>Regulation and/or pricing of GHG emissions, energy and fuel cost and energy policy may increase expenses related to our data centers, real estate operations and supplier pricing.</p> <p>Reaching 100 Percent Renewable Energy</p> <ul style="list-style-type: none"> Salesforce achieved 100 percent renewable energy in fiscal 2022 by executing our Clean Energy Strategy. To achieve this goal, we invested in high-quality renewable energy projects around the world that contribute to the decarbonization of the global electric grid. Our approach also helps to reduce our carbon pricing risk. <p>Science-Based Target</p> <ul style="list-style-type: none"> We are committed to a 1.5°C future and have set our own Science-Based Target approved by the Science-Based Targets Initiative. We focus on reducing emissions wherever possible, increasing renewable energy procurement and working with our suppliers to set their own Science-Based Targets. These initiatives seek to reduce our own emissions in line with a 1.5°C target, as well as our Scope 3 emissions, mitigating policy risks and contributing to the shared goal of global climate action. <p>Sustainable and efficient operations</p> <ul style="list-style-type: none"> Real Estate: We consider sustainability as part of our major real estate expansions and reductions. Our operations strategy prioritizes green building certifications as part of our real estate process and pursues innovative pilot solutions such as battery storage to operate high-performance, sustainable buildings. Resource efficiency has guided and continues to guide our electricity procurement decisions. We continue to improve our global design standards to reduce waste, optimize for LEED® (and other leading green building standards) and lower our energy and water consumption. We infuse sustainability into the very beginning of our real estate process by incorporating sustainability criteria as part of initial site search, prioritizing green-certified buildings and negotiating green lease terms for new and existing buildings. Infrastructure: Our multi-tenant cloud computing model, including Project Hyperforce, has a much smaller environmental footprint than traditional IT hardware and software. By sharing computing resources among a large number of customers, we achieve enormous economies of scale, especially when it comes to carbon and energy consumption. We deliver our customers a completely carbon neutral cloud by offsetting the emissions we cannot reduce through other operational sustainability initiatives via high-quality carbon offset programs.

Strategy – Climate Resilience

Assessment

- Implications for strategy and business model
- Significant areas of uncertainty
- Capacity to adjust or adapt
- Effects on planned mitigation, adaptation and opportunities

IFRS S2.22(a)

Methodology - Inputs

- Scenarios, source and range
- Association with transition or physical risks
- Alignment with international agreements
- Rationale
- Time horizons
- Scope of operations
- Reporting period

IFRS S2.22(b)(i)

Assumptions

- Jurisdictional policies
- Macroeconomic trends
- National or regional level variables
- Energy usage and mix
- Developments in technology

IFRS S2.22(b)(ii)

Commensurate

- TCFD stages of progression



IFRS S2.B1-B18

Strategy

5.5A Physical risk scenario analysis

Physical risk - Scenario selection and assumptions

Physical risk could affect our operations both based on the location of our infrastructure, such as our data centers, as well as the location of our employees.

Potential exposure	Scope	Assessment
Infrastructure	Out of scope	As part of our business continuity and service delivery program, we assess our internal infrastructure, including data centers, and their resilience to the physical risk of climate change. At this time, we have concluded that appropriate redundancies are in place at our data centers, or at the public cloud providers we utilize, to ensure resiliency over the short, medium and long term.
Employees	In Scope	Recent events, including the COVID-19 pandemic and wildfires along the west coast of the United States, have demonstrated that the exposure to the physical risks of climate change have the potential to impact our employees, especially as they work from home and as we shift into a work from anywhere environment.

In order to assess our employee’s exposure to the physical risks of climate change we selected a sample of key Salesforce locations based on our largest office sites by employee number. We then assessed the exposure of each location to physical climate risk categories⁸ under various climate scenarios⁹ and time horizons¹⁰.

Physical risk - Scenario analysis results

Our employees are already experiencing, and will continue to experience, the effects of their exposure to the physical risks associated with climate change. We believe we are effectively managing these risks, to the extent possible, through a combination of our GS&S programs and green building strategy.

For example, based on the physical risk categories assessed:

- On a global basis, our employees face the greatest exposure to water-stress, wildfires and cold waves.

5.5B Carbon pricing risk scenario analysis

Carbon pricing - Scenario selection and assumptions

We performed an analysis on carbon pricing risk to help inform our sustainable operations goals and our efforts to decarbonize our supply chain. Our carbon pricing risk analysis contemplates how our future operating costs are impacted by a range of Salesforce-specific and low-carbon economy drivers, such as growth in electricity consumption and electricity prices, value chain emissions and carbon prices.

Momentum around carbon pricing continues to [increase](#) as countries strive to reach their Nationally Determined Contributions (“NDCs”) under the framework of the Paris Agreement. We assessed the impact that the price of carbon could have on Salesforce’s business, and stress tested against strategies we have implemented today, including our 100 percent renewable energy program and Science-Based Target.

We utilized S&P Global Trucost’s Carbon Pricing Tool. This tool includes a database of over 100 current prices on carbon in various regions, including emissions trading schemes, direct carbon taxes and fuel taxes. The tool models three scenarios for future carbon pricing (High, Moderate, Low) based on the Organization for Economic Co-operation and Development and International Energy Agency data.

The delta between the modeled future carbon price and existing pricing schemes to date is considered the “carbon price risk premium” that could impact our operating margin.

Carbon pricing - Scenario analysis results

The results of this analysis suggest that carbon pricing is unlikely to have a material impact on our business. Carbon pricing risk is further mitigated by our sustainability strategy, which includes our commitment to help our suppliers set their own Science-Based Targets.

The following table summarizes our carbon pricing scenario analysis results:

Emissions Scope	Risk	Details/Mitigation
Scope 1	Low under all scenarios	Due to the nature of our business as a software and services company, our Scope 1 emissions are relatively low and direct exposure to carbon pricing is negligible.
Scope 2	Low based on pass-through modeling	As part of our climate strategy, we enter into long-term virtual power purchasing agreements (“VPPAs”). Our VPPA contracts are a financial hedge against rising power costs from our utility suppliers, mitigating this risk. Additionally, we engage in advocacy for the decarbonization of the electric grid through partnerships such as the Renewable

Risk Management

Risk processes

- Inputs and parameters used
- Informed by climate-related scenarios
- Assessment of nature, likelihood and magnitude
- Prioritization of climate-related to other risks
- Monitoring
- Changes to process

IFRS S2.25(a)

Opportunities Process

- Processes to identify, assess, prioritize and monitor
- Informed by climate-related scenarios

IFRS S2.25(b)

Integration

- Extent of integration with overall risk management

IFRS S2.25(c)

Risk Management



The City's ERM Governance Structure

Top Down Approach

Assessment and management of strategic risks to achieve the City's objectives

Risk Management Responsibilities

- Overall Risk Management Responsibility
- Review key risks and mitigation strategies and ensure risk management effectiveness
- Incorporate risk mitigation into long-term strategies
- Report significant risks to Council

Internal Audit
Support management in the process by:

- ✓ Monitoring
- ✓ Facilitating
- ✓ Reporting
- ✓ Recommending Improvements
- ✓ Identify additional and emerging risks to Senior Leadership team

Risk Management Function

City Manager

- Determine Risk Profile and review risk responses
- Formulate strategy to execute on risk mitigation and incorporate into long term strategies

Enterprise Risk Management

Top 10 Risks

Risk Monitoring and Reporting

Risk Response Validation

Risk Mitigation Plan and Risk Indicators

Senior Leadership Team

- Identify, assess, and evaluate risks in achieving strategic objectives
- Set risk priorities for Business Unit
- Prepare and update the Business Unit risk responses

Enterprise Risk Assessment and Risk Treatment

Individual Risks

Strategic Risks	Operational/ Environment Risks	Financial Risks	Reputational Risks
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Division Heads/ Business Units

Risk Assessment Facilitation

Bottom Up Approach

Cross-functional workshops identify and prioritize risks

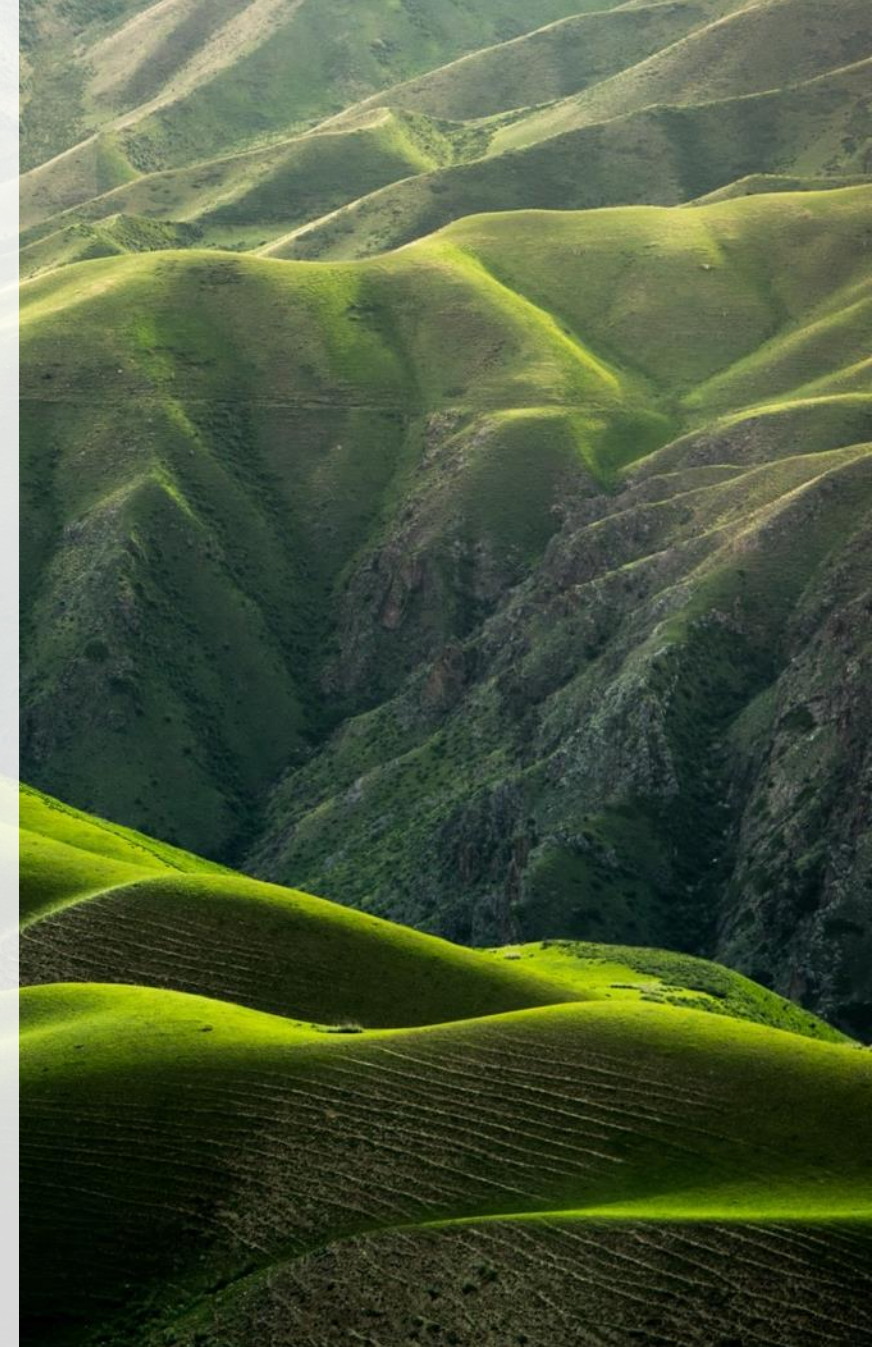


Governance

- How are public sector governance structures and bodies similar to private sector governance structures?
- How are public sector governance structures and bodies different from private sector governance structures? What adaptations would therefore be needed for the public sector context?

Strategy

- How is public sector strategy similar to private sector strategies?
- How is public sector strategy different from private sector strategies? What adaptations would therefore be needed for the public sector context?
- To what extent would the public sector's role as regulator and policy setter need to be addressed? If so, how?





Impact and Risk Management

- How may public sector risk management processes be similar to the private sector?
- How may public sector risk management processes differ from the private sector?
What adaptations would therefore be needed for the public sector context?

A large, leafy tree with a thick trunk stands in a grassy field under a blue sky with light clouds. The tree's canopy is dense and green, with some branches extending outwards. The ground is covered in tall, green grass. The sky is a clear blue with some wispy white clouds.

BREAKOUT GROUPS

A large, mature tree with a thick, textured trunk and a wide, spreading canopy of green leaves stands in a lush green field. The sky is a clear blue with some light, wispy clouds. The overall scene is bright and sunny, suggesting a clear day.

REPORT BACK