



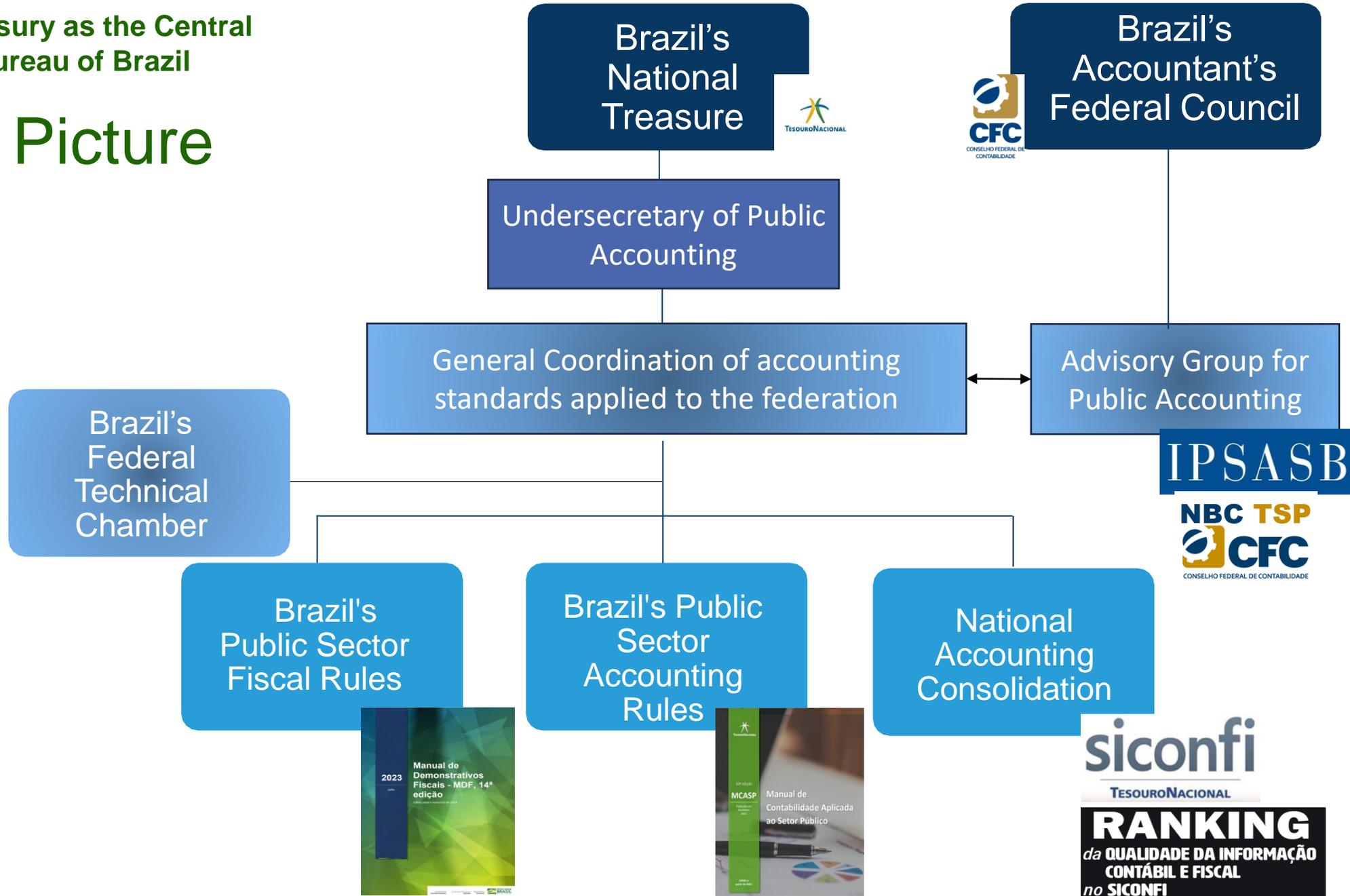
Brazil's Process for Developing Sustainability Report

IPSASB CAG Meeting
June 2024

About the National Treasury as the Central Accounting Standard Bureau of Brazil

The Bigger Picture

The Federal Constitution and the Fiscal Responsibility Law authorized the National Treasury to issue accounting standards to consolidate public accounts applicable to the Union, States and Municipalities.



PUBLIC SECTOR ACCOUNTING HANDBOOK

Sections:

Introduction

Part I - Budget Accounting Procedures

Part II – Accrual Accounting Procedures

Part III - Accounting for Specific Procedures

Part IV - National Chart of Accounts

Part V – Public Sector Financial Statements

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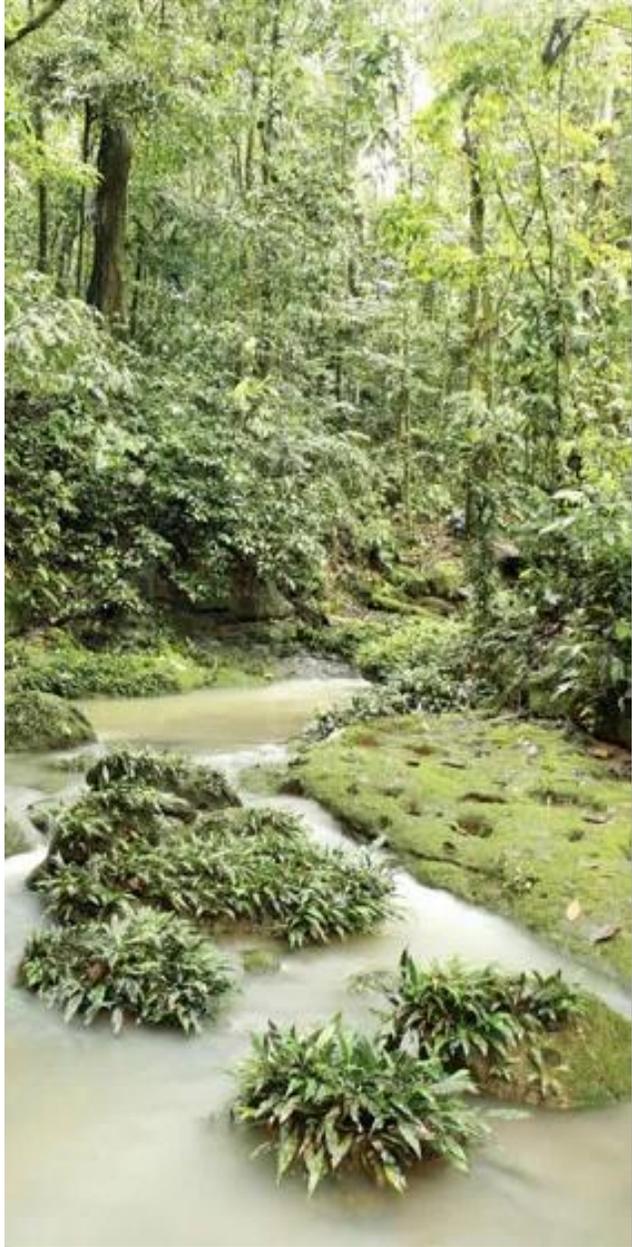
**Part 'x' – Public Sector Sustainability Finance
Report**



Manual de
Contabilidade Aplicada
ao Setor Público

Disponível em: www.tesouro.gov.br/mcasp

Summary of Brazil's International Environmental Commitments



37% reduction in economy wide absolute GHG emissions by **2025**¹

50% reduction in economy wide absolute GHG emissions by **2030**¹

Climate neutrality by 2050

Elimination of illegal deforestation by 2028

Global Methane Pledge member, with
the goal of a 30% reduction in collective methane emissions by 2030 vs a 2020 baseline

ABC+ Plan aims to reduce absolute GHG Emissions (CO₂e) by

1.1 billion tons in the agriculture and livestock farming sector between
2020 and 2030

Recent Debates on Progress in Public Sector Financial Sustainability Reporting



May 2023

CReCER 2023 debates sustainability reports

Jun 2023

IPSASB initiates climate-related disclosures project

Sep 2023

IX Annual Forum of Government Accountants – FOCAL

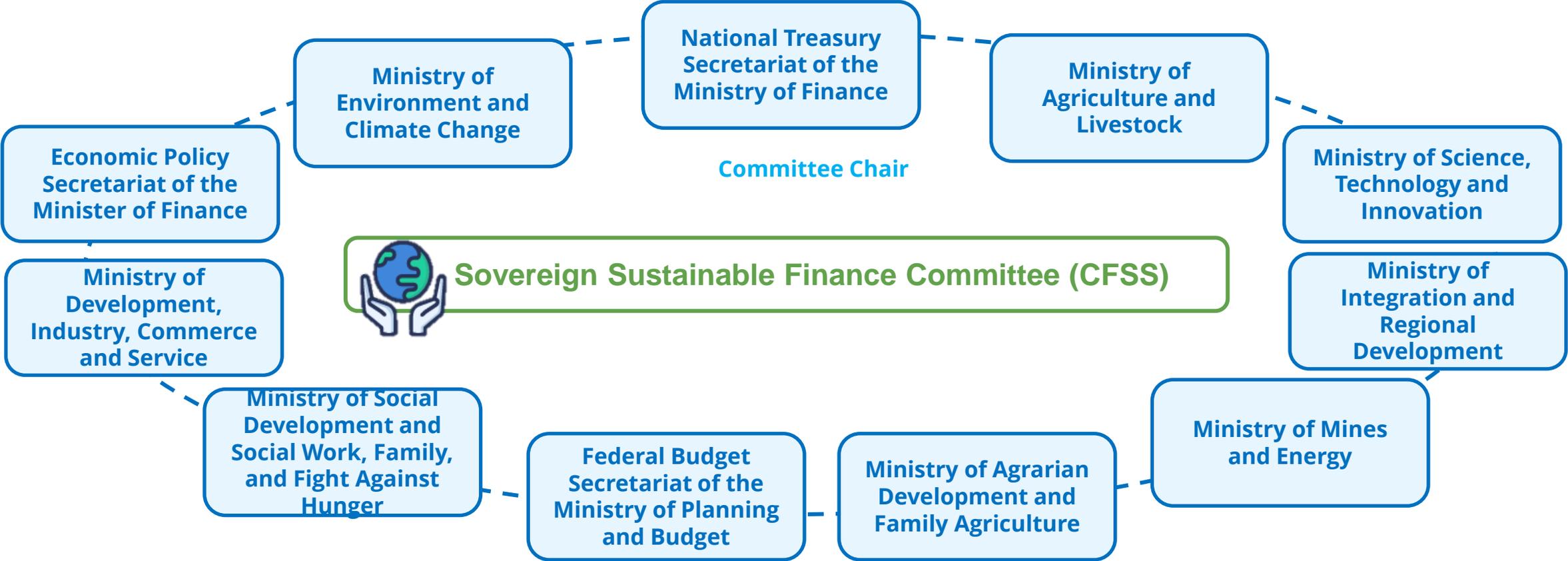
Nov 2023

IX Brazilian Seminar on Accounting and Costs Applied to the Public Sector - SBCASP

Mar 2024

OECD - Working Group on Financial Management and Reporting

The CFSS is a permanent collegiate body, established in 2023, whose main objective is to plan, implement and monitor any green, social or sustainability bonds issued under the Framework



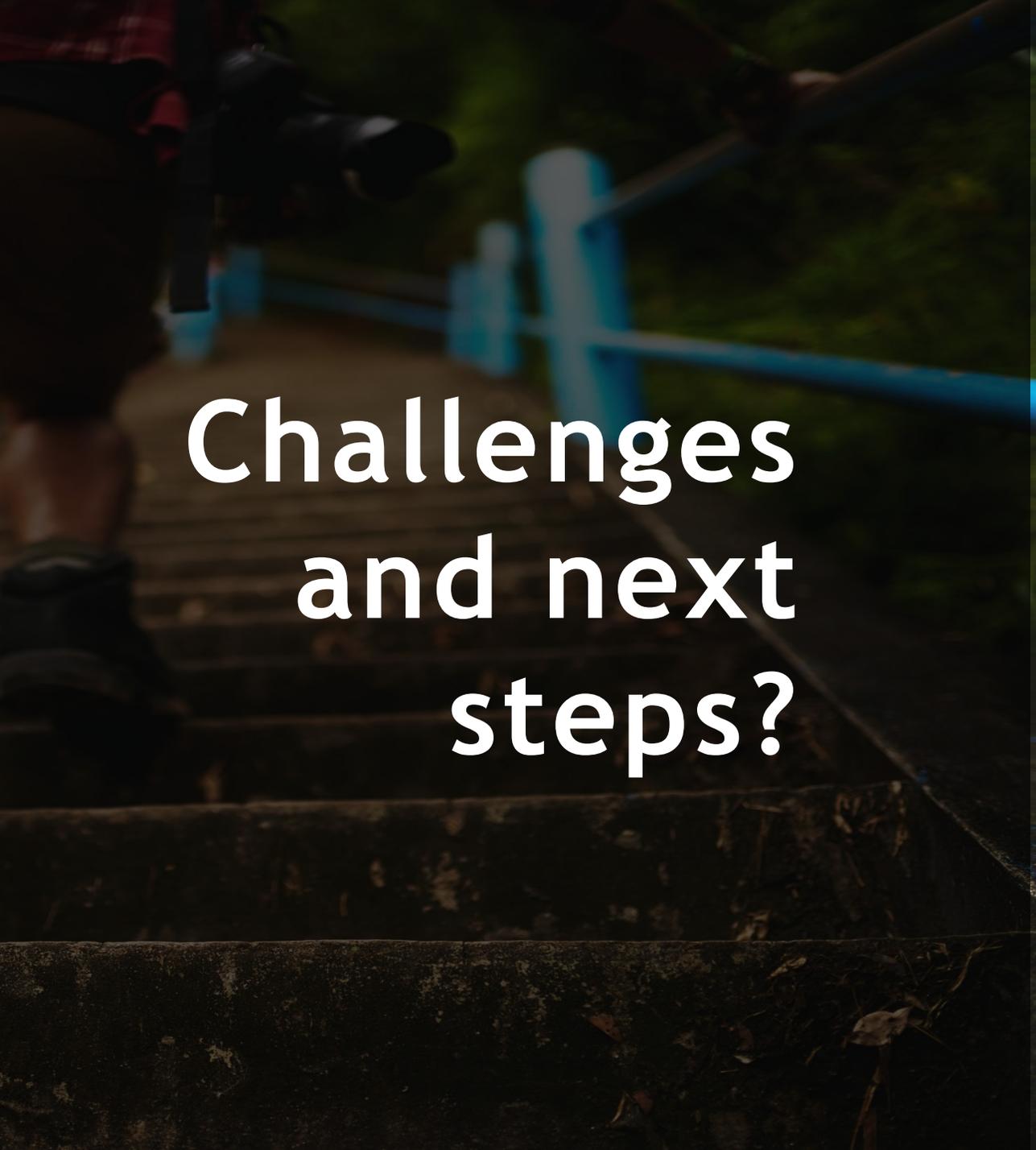
Responsibilities of the CFSS:

- ✓ Prepare the framework for issuance of Green, Social and Sustainability sovereign government bonds of the Federal Public Debt;
- ✓ Identify budget programs that meet the eligibility criteria established in the framework;
- ✓ Identify the exclusion criteria as well as other processes to identify and manage environmental and/or social risks associated with the projects, programs, assets and/or investments;
- ✓ Monitor the implementation of the framework; and
- ✓ Prepare the allocation and impact reports and other documents resulting from the issuance of sovereign green, social and sustainability bonds provided for in the Framework.



Basis for Sustainability Financial Reporting

- It addresses key financial aspects, such as revenues, expenses, and investments, highlighting the efforts and results achieved to promote sustainability in the government's areas of operation.



**Challenges
and next
steps?**

The background of the slide features a 3D-rendered maze made of light-colored, textured blocks. A small, dark silhouette of a person is walking through the maze, casting a shadow on the ground. The maze is composed of various rectangular paths and dead ends, creating a complex and challenging environment. The overall scene is dimly lit, with a soft glow emanating from the person's path.

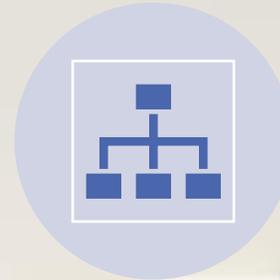
Challenges

- **Increase knowledge about the importance of sustainability;**
- **Improve the institutional arrangements and financial reporting capacity of the public sector;**
- **Establish better processes for designing and adopting sustainability standards;**
- **Improve manuals through federative technical assistance;**
- **Establish training, education, and ongoing professional development programs.**

Next Steps for all Federation



Develop structures and standards.



Integrate processes in the federated entities for the preparation of sustainability reports.



Adapt existing systems and processes to capture new types of relevant information.



Development of Sustainability skills in audit professionals.

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CEP: 70048-900
T +55 61 3412 3171
[National Treasury of Brazil — Tesouro Nacional \(www.gov.br\)](http://www.gov.br)

Thanks for your attention!

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Appendix



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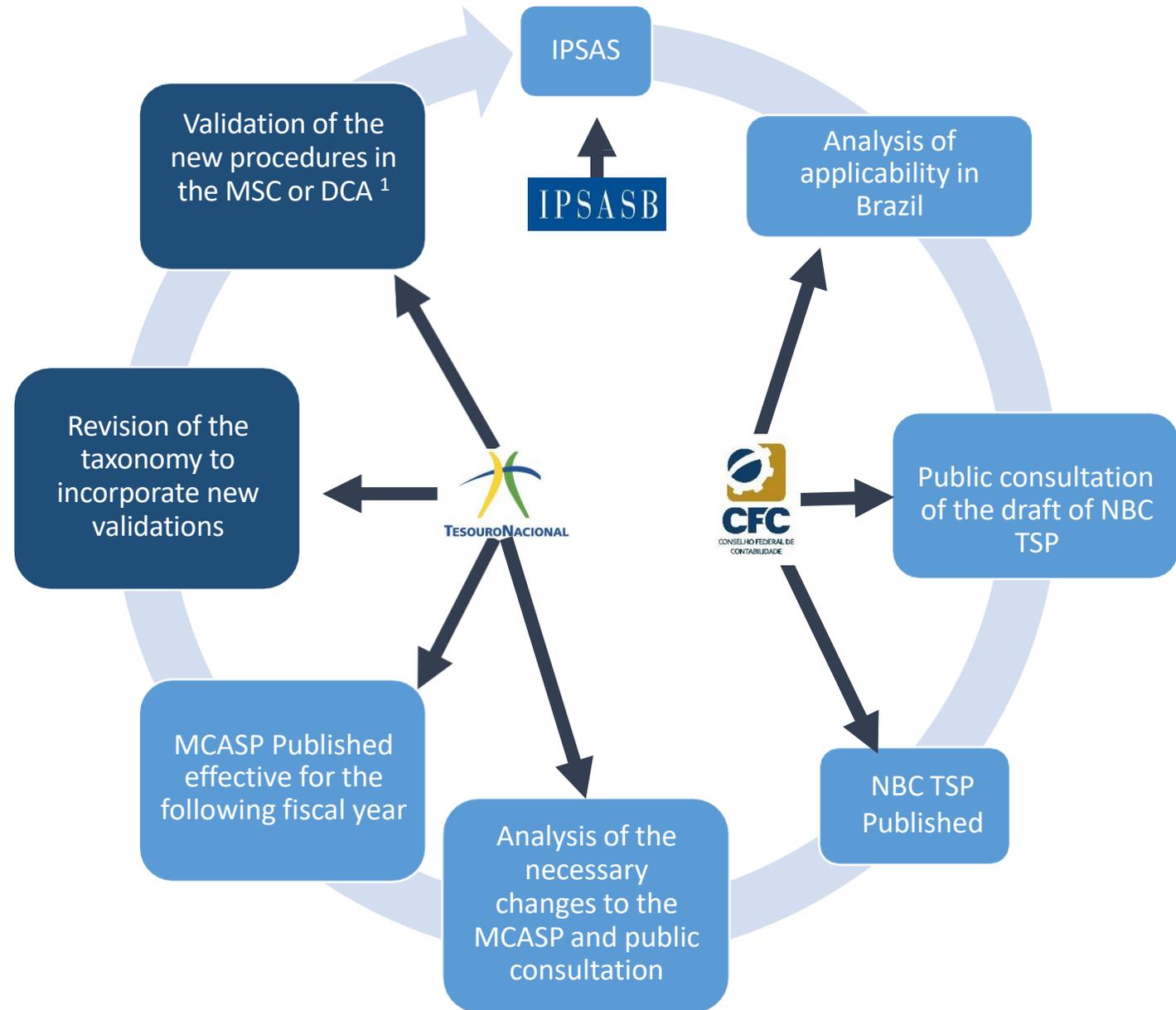
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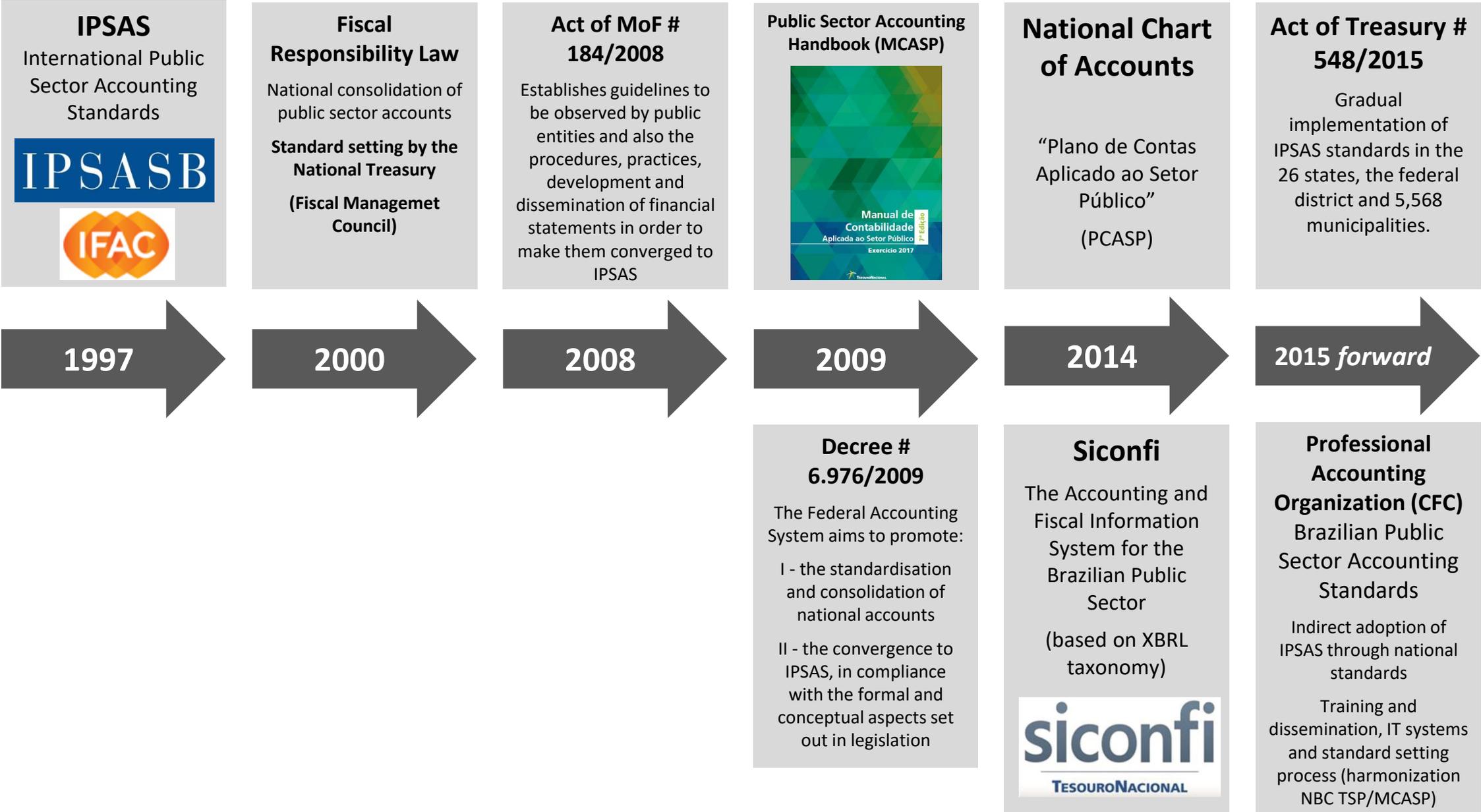
Brazil's Experience in drawing on IPSAS

IPSAS Convergence Process in the Brazilian Public Sector



Note: ¹ Type of standardized table for receiving information from Brazilian States and Municipalities

Our successful Experience



Brazilian Standards Converged to IPSAS

CURRENT STAGE OF THE BRAZILIAN PROCESS OF CONVERGENCE TO IPSAS			
IAS/IFAC	IPSAS Name	Brazilian Standard	Brazilian Name
There is no number	Conceptual Framework	<u>NBC TSP ESTRUTURA CONCEITUAL</u>	Estrutura Conceitual para Elaboração e Divulgação de Informação Contábil de Propósito Geral pelas Entidades do Setor Público
IAS/IFAC	IPSAS Name	Brazilian Standard	Brazilian Name
1	Presentation of Financial Statements	<u>NBC TSP 11</u>	Apresentação das Demonstrações Contábeis
2	Cash Flow Statements	<u>NBC TSP 12</u>	Demonstração dos Fluxos de Caixa
3	Accounting Policies, Changes in Accounting Estimates and Errors	<u>NBC TSP 23</u>	Políticas Contábeis, Mudança de Estimativa e Retificação de Erro
4	The Effects of Changes in Foreign Exchange Rates	<u>NBC TSP 24</u>	Efeitos das Mudanças nas Taxas de Câmbio e Conversão de Demonstrações Contábeis
5	Borrowing Costs	<u>NBC TSP 14</u>	Custos de Empréstimos
9	Revenue from Exchange Transactions	<u>NBC TSP 02</u>	Receita de Transação com Contraprestação
12	Inventories	<u>NBC TSP 04</u>	Estoques
14	Events After the Reporting Date	<u>NBC TSP 25</u>	Evento Subsequente
16	Investment Property	<u>NBC TSP 06</u>	Propriedade para Investimento
17	Property, Plant and Equipment	<u>NBC TSP 07</u>	Ativo Imobilizado
18	Segment Reporting	<u>NBC TSP 27</u>	Informações por Segmento.
19	Provisions, Contingent Liabilities and Contingent Assets	<u>NBC TSP 03</u>	Provisões, Passivos Contingentes e Ativos Contingentes
20	Related Party Disclosures	<u>NBC TSP 22</u>	Divulgação sobre Partes Relacionadas

Brazilian Standards Converged to IPSAS

IPSAS/IFAC	IPSAS Name	Brazilian Standard	Brazilian Name
21	Impairment of Non-cash-generating Assets	<u>NBC TSP 09</u>	Redução ao Valor Recuperável de Ativo Não Gerador de Caixa
22	Disclosure of Financial Information about the General Government Sector	<u>NBC TSP 28</u>	Divulgação de informação Financeira do Setor Governo Geral.
23	Revenue from Non-exchange Transactions (Taxes and Transfers)	<u>NBC TSP 01</u>	Receita de Transação sem Contraprestação
24	Presentation of Budget Information in Financial Statements	<u>NBC TSP 13</u>	Apresentação de Informação Orçamentária nas Demonstrações Contábeis
26	Impairment of Cash-generating Assets	<u>NBC TSP 10</u>	Redução ao Valor Recuperável de Ativo Gerador de Caixa
27	Agriculture	<u>NBC TSP 26</u>	Ativo Biológico e Produto Agrícola
28	Financial Instruments: Presentation	<u>NBC TSP 30</u>	Instrumentos Financeiros: Apresentação.
29	Financial Instruments: Recognition and Measurement	<u>NBC TSP 32</u>	Instrumentos Financeiros: Reconhecimento e Mensuração (Contabilidade de <i>Hedge</i> - Aplicação Residual).
30	Financial Instruments: Disclosures	<u>NBC TSP 33</u>	Instrumentos Financeiros: Divulgações.
31	Intangible Assets	<u>NBC TSP 08</u>	Ativo Intangível
32	Service Concession Arrangements: Grantor	<u>NBC TSP 05</u>	Contratos de Concessão de Serviços Públicos: Concedente
34	Separate financial statements	<u>NBC TSP 16</u>	Demonstrações Contábeis Separadas
35	Consolidated financial statements	<u>NBC TSP 17</u>	Demonstrações Contábeis Consolidadas

Brazilian Standards Converged to IPSAS

IPSAS/IFAC	IPSAS Name	Brazilian Standard	Brazilian Name
36	Investments in associates	<u>NBC TSP 18</u>	Investimento em Coligada e em Empreendimento Controlado em Conjunto
37	Joint Arrangements	<u>NBC TSP 19</u>	Acordos em Conjunto
38	Disclosure of interest in other entities	<u>NBC TSP 20</u>	Divulgação de Participações em Outras Entidades
39	Employee Benefits	<u>NBC TSP 15</u>	Benefícios a Empregados
40	Public Sector Combinations	<u>NBC TSP 21</u>	Combinações No Setor Público
41	Financial Instruments	<u>NBC TSP 31</u>	Instrumentos Financeiros: Reconhecimento e Mensuração.
42	Social benefits	<u>NBC TSP 29</u>	Benefícios Sociais.
43	Leases	In the process of convergence	Arrendamentos
44	Non-current Assets Held for Sale and Discontinued Operations.	In the process of convergence	To be created
45	Property, Plant, and Equipment	<u>NBC TSP 07¹</u>	Ativo Imobilizado
46	Measurement	In the process of convergence	To be created
47	Revenue	<u>NBC TSP 02 and NBC TSP 01¹</u>	Receitas
48	Transfer Expenses	In the process of convergence	To be created
49	Retirement Benefit Plans	In the process of convergence	To be created
Note:	¹ It'll need to be reviewed		

Brazilian Standards Converged to IPSAS

Technical Statement Issued to facilitate the implementation of Converged IPSAS			
IPSAS	IPSAS Name	Technical Statement	Brazilian Name
19	Provisions, Contingent Liabilities and Contingent Assets	CTSP 01	Provisões, Passivos Contingentes e Ativos Contingentes.
1	Presentation of Financial Statements - Notes	In the process of Validation	Notas Explicativas

Brazilian Standards without corresponding IPSAS			
There are no IPSAS	Costs in the public sector	NBC TSP 34	Custos no Setor Público.

Access to all Brazilian Converged IPSAS: <https://cfc.org.br/tecnica/normas-brasileiras-de-contabilidade/nbc-tsp-do-setor-publico/>

Report of Brazil's Federal Government Converged to IPSAS

- a) Ipsas 1 (Presentation), Ipsas 34 (Separate) and Ipsas 35 (Consolidated Financial Statements)
- b) Ipsas 4 (The Effects of Changes in Foreign Exchange Rates)
- c) Ipsas 23 (Revenue from NonExchange Transactions (Taxes and Transfers) and Ipsas 41 Financial Instruments
- d) Ipsas 17 (Property, Plant and Equipment).
- e) Ipsas 19 (Provisions) and Ipsas 39 (Employee Benefits)

ASSETS	31/12/2023
Current-Assets	406.554
Cash-and-Cash-Equivalents	363.378
Short-Term-Receivables	35.804
Temporary-Short-Term-Investments	12
Inventories	7.288
Non-Current-Assets-Held-for-Sale	27
Equity-Variations-Paid-in-Advance	46
Non-Current-Assets	1.117.230
Long-Term-Assets	453.167
Long-Term-Receivables	448.625
Temporary-Long-Term-Investments	4.534
Inventories	0
Prepaid-Expenses	7
Investments	180.867
Property, Plant and Equipment	480.377
Intangible-Assets	2.819
TOTAL-ASSETS	1.523.784
NET-ASSETS-AND-LIABILITIES	
Current-Liabilities	508.786
Labor, Pension and Welfare Short-Term-Obligations	17.849
Short-Term-Borrowings	374.822
Short-Term-Suppliers-and-Payables	738
Short-Term-Fiscal-Obligations	6
Short-Term-Transferences-Obligations-for-Other-Governments	2.105
Short-Term-Provisions	61.475
Other-Short-Term-Obligations	51.791
Non-Current-Liabilities	2.168.788
Labor, Pension and Welfare Long-Term-Obligations	2.808
Long-Term-Borrowings	1.451.535
Long-Term-Suppliers-and-Payables	82
Long-Term-Fiscal-Obligations	5
Long-Term-Transferences-Obligations-for-Other-Governments	7.826
Long-Term-Provisions	684.129
Other-Long-Term-Obligations	22.273
Deferred-Income	128
TOTAL-LIABILITIES	2.677.574
Net-Assets	(1.153.789)
Equity	1.483
Share-Application-Money-Pending-Allotment	6
Capital-Reserves	4
Adjustment-of-Fair-Value	(12.530)
Profit-Reserves	-
Other-Reserves	162.212
Retained-Earnings	(1.300.841)
(-)-Stocks-/Shares-in-Treasury	(140)
Cumulative-Translation-Adjustments	(3.983)
TOTAL-NET-ASSETS-AND-LIABILITIES	1.523.784



Instruments of success

1) Electronic National Consolidation Mechanism (SICONFI)

- Federal Decree 10.540/2020 (all levels of government) - single system at the government level; general rules for accounting software

Access to Siconfi: <https://siconfi.tesouro.gov.br/siconfi/index.jsf>

2) Ranking of the quality of accounting and fiscal information

- “Soft monitoring” - annual publication with all levels of government

Access to Ranking: <https://ranking-municipios.tesouro.gov.br/>

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Current thinking on sustainability reporting for the public sector in Brazil



sustainable development plan for the country

Key Pillars of Brazil's Federal Development Strategy




Economic

- Achieve sustained economic growth and job creation, focusing on productivity gains, allocative efficiency and the recovery of fiscal balance
- **New Fiscal Framework** in 2023



Social

- Promote well-being, family, citizenship and social inclusion, with a focus on equal opportunities and access to quality public services through income generation and the reduction of social and regional inequalities
- The **Bolsa Família Program**, the largest income transfer program in Brazil, has **lifted 18.5mm families**



Core Pillar:

Raise the income & quality of life of the Brazilian population by productivity gains and technology innovation while reducing social & regional inequalities



Institutional

- Improve public governance with a focus on the effective delivery of services to citizens and the improvement of the business environment, guaranteeing sovereignty and promoting national interests



Environmental

- Promote the conservation and sustainable use of natural resources, with a focus on improving environmental quality as one of the fundamental aspects of people's quality of life, reconciling the preservation of the environment with economic and social development
- Brazil is committed to **Zero illegal deforestation** by 2028



Infrastructure

- Foster the development of infrastructure, with a focus on gaining competitiveness and improving the quality of life, ensuring environmental sustainability and providing national and international integration
- On the sanitation front, Brazil is committed to **99% of the population with access to drinking water** supply and **90% of the**

The Federative Republic of Brazil has developed a Framework for the issuance of green, social and sustainability government bonds in the global market

This framework establishes the obligations that the Republic must comply with as an issuer for any Sovereign Green, Social and Sustainability Bond

- Green, Social and Sustainability bonds will allow the country to capture funds to finance budget programs and projects that generate positive environmental and/or social impacts based on the strategy for the fulfillment of the Sustainable Development Goals
- The Federal Government commits to transparently and responsibly allocate an amount equal to the net proceeds of any Green, Social or Sustainability Bond to eligible categories of projects and initiatives (budgetary programs and projects), which promote sustainability and contribute to the mitigation of climate change, the conservation of natural resources and/or to social development

Alignment with Market Principles



This Framework follows internationally accepted voluntary best practice guidelines for transparency, disclosure and integrity:

- ICMA Green Bond Principles, 2021 (“GBP”)
- ICMA Social Bond Principles, 2023 (“SBP”)
- ICMA Sustainability Bond Guidelines, 2021 (“SBG”)



The Framework and the Second Party Opinion are available on the Treasury's website¹



Brazil has obtained a Second Party Opinion from Sustainalytics

Eligible Project Categories in Brazil's Sustainable Bond Framework

Eligible Green Project Categories :



**Pollution Prevention
& Control**



**Renewable
Energy**



**Energy
Efficiency**



**Clean
Transport**



**Sustainable
Management of
Living Natural
Resources &
Land Use**



**Terrestrial &
Aquatic
Biodiversity
Protection**



**Sustainable
Water &
Wastewater
Management**



**Climate
Change
Adaption**



**Circular economy
adapted products,
production
technologies &
processes**

Eligible Social Project Categories :



**Social-Economic
Development
and
Empowerment**



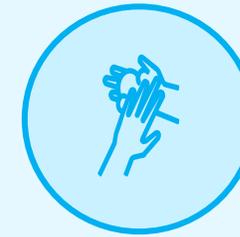
**Food Security
and
Sustainable
Food Systems**



**Employment
Generation**



**Access Essential Services:
Affordable Housing**



**Access to Basic
Infrastructure**

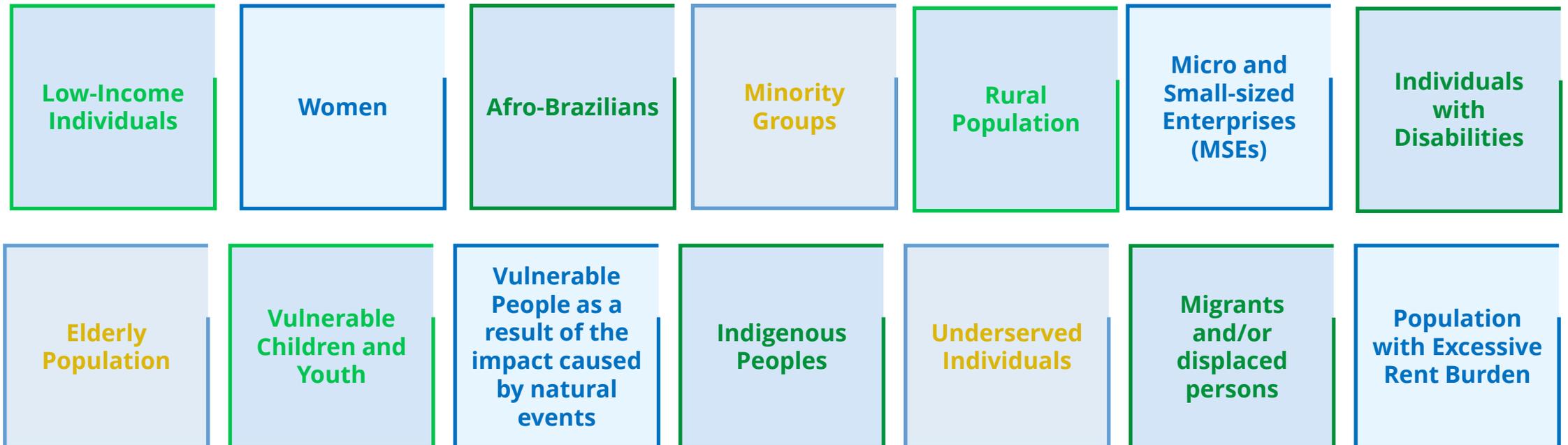
Target Population for Eligible Social Project Categories



- Brazil has a unified instrument known as the **Single Registration** (Cadastro Único), to **identify the most vulnerable individuals and families** in the country and **develop public policies** targeted for this population
- This registration is a **comprehensive map of low-income families** in Brazil to help policy makers understand where they live and what they need to improve their lives
- Families living on a monthly income of up to half the minimum wage per person can be registered in the Single Registration

Target Population in Brazil's Sustainable Bond Framework

Social Programs that use the Single Registration as a source to determine eligibility and prioritize vulnerable



Pre-Issuance: Indicative Resource Allocation Report



- *The Brazilian ESG framework has been designed for a sustainable bond, based on a **Use of Proceeds (UoP) Structure**, instead of a **sustainability-linked bonds (SLB)***
- *The composition for the UoP needs to consider the bond as part of a **medium-term issuances program**, as well as a **benchmark size** for each bond to ensure it has proper liquidity and pricing.*

Table 1. . Indicative Range for Resource Allocation after the issuance (by type)

Expense Type	Lower limit	Upper limit
Green	50%	60%
Social	40%	50%

Table 2. Indicative Range for Resource Allocation for Green and Social Expenditures

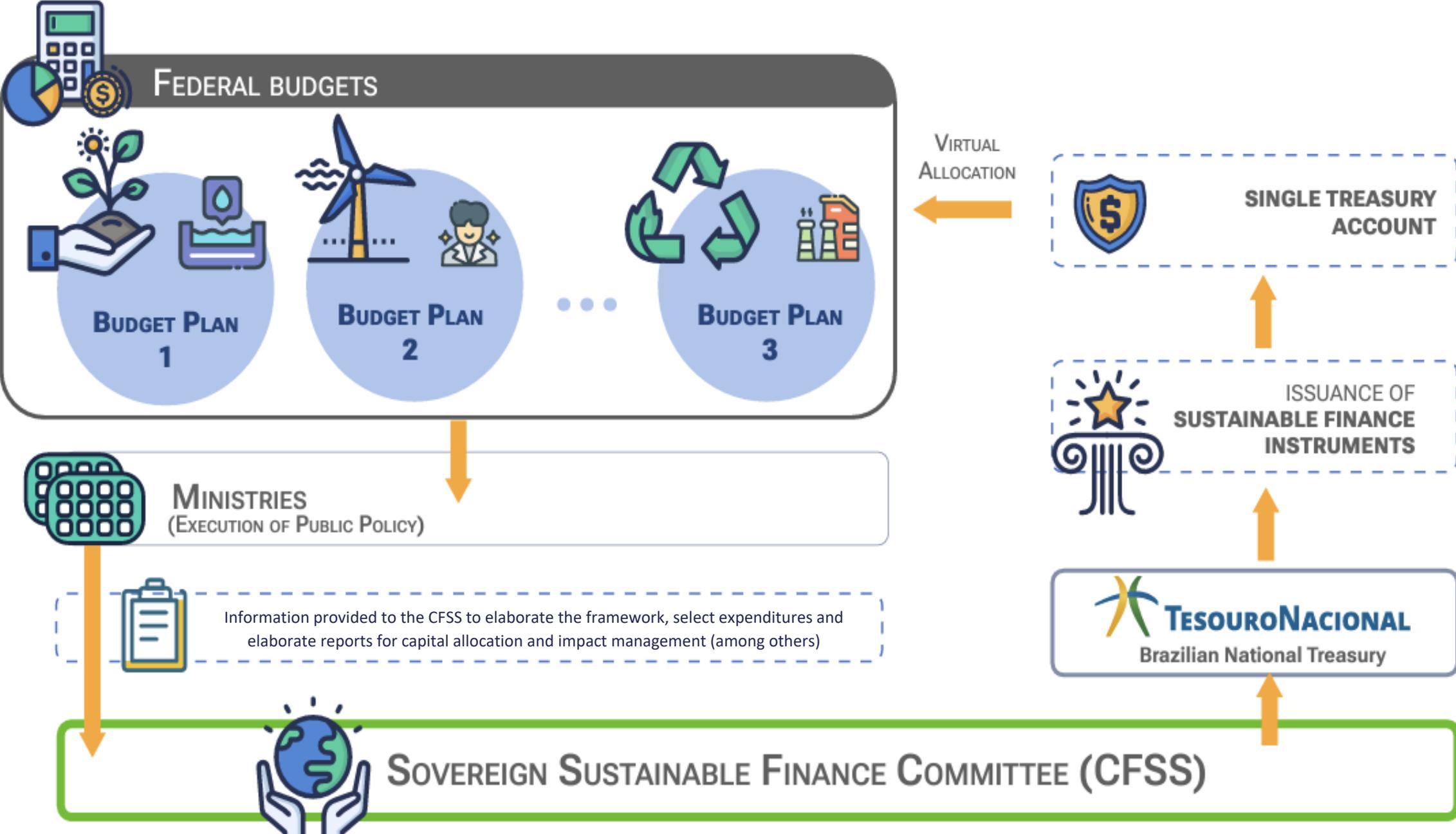
Green Categories*	Range ¹	Impacted SDGs
Terrestrial and aquatic biodiversity	11% - 18%	13 CLIMATE ACTION, 14 LIFE BELOW WATER, 15 LIFE ON LAND
Clean transport	20% - 25%	7 AFFORDABLE AND CLEAN ENERGY, 9 INDUSTRY, INNOVATION AND INFRASTRUCTURE
Renewable energy	15% - 20%	13 CLIMATE ACTION, 7 AFFORDABLE AND CLEAN ENERGY
Sustainable management of living and natural resources and land use	3% - 6%	13 CLIMATE ACTION, 14 LIFE BELOW WATER, 15 LIFE ON LAND
Adaptation to climate change	0,5% - 0,8%	13 CLIMATE ACTION, 11 SUSTAINABLE CITIES AND COMMUNITIES
Control of GHG emissions	0,1% - 0,2%	13 CLIMATE ACTION

*Although the individual values for each category may vary within the range shown above, the sum of the categories must always be at least 50% and at most 60%.

Social categories**	Range ¹	Impacted SDGs
Combating poverty	30% - 40%	1 NO POVERTY, 10 REDUCED INEQUALITIES
Food security and sustainable food systems	10% - 17%	2 ZERO HUNGER

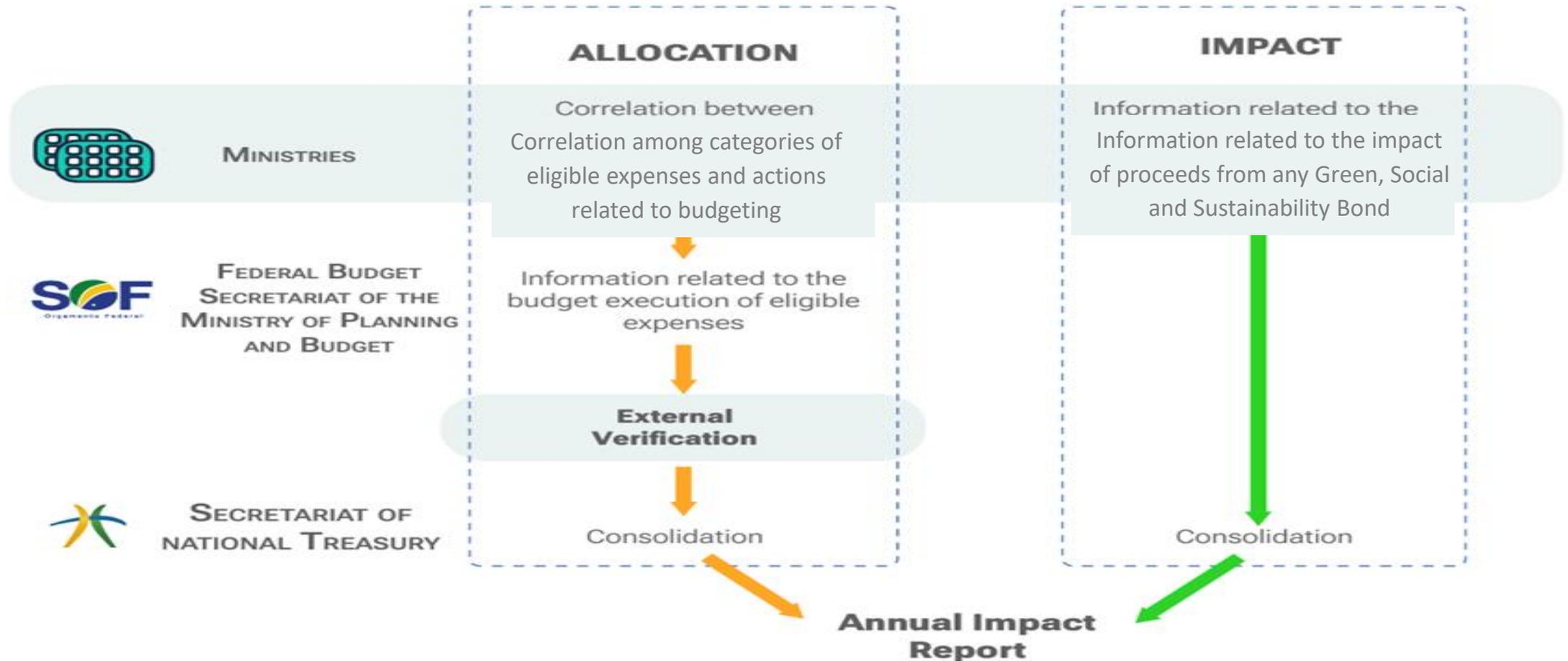
¹ The minimum and maximum limits of the sub-items in Table 2 are indicative, and the provisions of section 5 of Brazil's Sovereign Sustainable Bond Framework must also be observed.

The CFSS plays a crucial role in the assessment and selection of eligible expenses...



... and will be responsible for consolidating and publishing the Allocation and Impact Reports for Sustainable issuances

- ✓ The report(s)¹ will be published **annually until the full allocation of the net proceeds** of the applicable green, social or sustainable bond, with the first publication within one year after the issuance of the respective bond and every 12 months thereafter.
- ✓ The reports will be made publicly available on the website of the National Treasury Secretariat



Sustainable Taxonomy of Brazil

- The establishment of a Sustainable Taxonomy in Brazil is a fundamental national public policy for sustainable and inclusive development.
- This Action Plan proposes objectives, a general structure, principles and safeguards, under consideration of the relevant sectors, that corresponds to the most important national and international commitments in favor of the life of all species.
- The Plan will guide all stakeholders toward a new dynamic economy capable of generating decent work, promoting competitiveness and productivity, tackling environmental and climate challenges, and reducing inequalities in all their dimensions.

