

The background of the cover is a photograph of a suspension bridge with a wooden deck and metal railings, stretching across a deep valley filled with dense green forest. The sky is overcast with grey clouds. Two horizontal green lines are positioned above and below the main title text.

# Advancing Public Sector Sustainability Reporting

Consultation Paper May 2022

Comments due: September 9, 2022



This document was developed and approved by the International Public Sector Accounting Standards Board® (IPSASB®).

The objective of the IPSASB is to serve the public interest by setting high-quality public sector accounting standards and by facilitating the adoption and implementation of these, thereby enhancing the quality and consistency of practice throughout the world and strengthening the transparency and accountability of public sector finances.

In meeting this objective, the IPSASB sets International Public Sector Accounting Standards® (IPSAS®) and Recommended Practice Guidelines (RPGs) for use by public sector entities, including national, regional, and local governments, and related governmental agencies.

IPSAS relate to the general purpose financial statements (financial statements) and are authoritative. RPGs are pronouncements that provide guidance on good practice in preparing general purpose financial reports (GPFRs) that are not financial statements. Unlike IPSAS RPGs do not establish requirements. Currently all pronouncements relating to GPFRs that are not financial statements are RPGs. RPGs do not provide guidance on the level of assurance (if any) to which information should be subjected.

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## REQUEST FOR COMMENTS

This Consultation Paper, *Advancing Public Sector Sustainability Reporting*, was developed and approved by the International Public Sector Accounting Standards Board® (IPSASB®).

The proposals in this Consultation Paper may be modified in light of comments received before being issued in final form. **Comments are requested by September 9, 2022.**

Respondents are asked to submit their comments electronically through the IPSASB website, using the “[Submit a Comment](#)” link. Please submit comments in both a PDF and Word file. Also, please note that first-time users must register to use this feature. All comments will be considered a matter of public record and will ultimately be posted on the website. This publication may be downloaded from the IPSASB website: [www.ipsasb.org](http://www.ipsasb.org). The approved text is published in the English language.

### Guide for Respondents

The IPSASB welcomes comments on all of the matters discussed in this Consultation Paper, including all Specific Matters for Comment and Preliminary Views. Comments are most helpful if they indicate the specific paragraph or group of paragraphs to which they relate and contain a clear rationale.

The Specific Matters for Comment and Preliminary Views in this Consultation Paper are provided below. Chapter numbers identify the location of the Specific Matters for Comment and Preliminary Views in the text.

#### Preliminary View 1—Chapter 1

The IPSASB’s view is that there is a need for global public sector specific sustainability reporting guidance.

Do you agree with the IPSASB’s Preliminary View?

If not, please provide your reasons.

#### Preliminary View 2—Chapter 2

The IPSASB’s experience, processes and relationships would enable it to develop global public sector specific sustainability reporting guidance effectively.

Do you agree with the IPSASB’s Preliminary View?

If not, please provide your reasons.

#### Specific Matter for Comment 1—Chapter 3

If the IPSASB were to develop global public sector specific sustainability reporting guidance, please tell us what topics you see as most pressing in your jurisdiction and why these should be prioritized by the IPSASB.

### **Preliminary View 3—Chapter 3**

If the IPSASB were to develop global public sector-specific sustainability reporting guidance it proposes applying the framework in Figure 5.

In developing such guidance, the IPSASB would work in collaboration with other international bodies, where appropriate, through the application of its current processes.

Do you agree with the IPSASB's Preliminary View?

If not, please provide your reasons, explaining what alternatives you would propose, and why.

### **Preliminary View 4—Chapter 3**

If the IPSASB were to develop global public sector specific sustainability reporting guidance, it would address general sustainability-related information and climate-related disclosures as its first topics. Subsequent priority topics would be determined in the light of responses to this Consultation Paper as part of the development of its 2024-2028 Strategy.

Do you agree with the IPSASB's Preliminary View?

If not, please provide your reasons, explaining which topics the IPSASB should prioritize instead, and why.

### **Preliminary View 5—Chapter 4**

The key enablers identified in paragraph 4.2 are needed in order for the IPSASB to take forward the development of global public sector specific sustainability reporting guidance.

Do you agree with the IPSASB's Preliminary View?

If not, please provide your reasons, identifying which of the proposed key enablers you disagree with, and why.

### **Specific Matter for Comment 2—Chapter 4**

To what extent would you be willing to contribute financial or other support to the IPSASB for the development of global public sector specific sustainability reporting guidance?

# ADVANCING PUBLIC SECTOR SUSTAINABILITY REPORTING

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## Consultation Overview

Sustainable development can be defined as ‘development that meets the needs of the present without compromising the ability of future generations to meet their own needs’.<sup>1</sup> It covers a wide range of topics, spanning environmental, social and governance parameters. The 17 United Nations Sustainable Development Goals (SDGs) form an organizing framework for meeting human development goals, while mitigating the man-made effects of climate change and sustaining the ability of natural ecosystems to provide the natural resources and services on which the economy and society depend.

The profile of sustainability reporting has increased significantly. In the absence of internationally recognized guidance on sustainability reporting by public sector entities, individual jurisdictions are beginning to develop their own requirements. Global guidance is therefore necessary for consistency, to enhance comparability, and drive to a high quality of reporting for public sector entities. The IPSASB has prepared this document in response to the growing demands from its stakeholders for global sustainability reporting guidance for the public sector in order to contribute to the delivery of sustainable development and to address climate change.

The recent invitation in the World Bank report, ‘[Sovereign Climate and Nature Reporting: Proposal for a Risks and Opportunities Disclosure Framework](#)’, calls on the IPSASB to lead a consultative process to gain support for developing global public sector specific sustainability reporting guidance.

The aims of this public consultation process are to evaluate the demand from stakeholders for such guidance, as well as the degree of support for the IPSASB’s involvement in the process, the priority areas for guidance, and how this might be approached.

Within this Consultation Paper, it is proposed that the IPSASB should:

- Serve as the standard setter for global public sector specific sustainability guidance, drawing upon its experience, processes, and global relationships.
- Develop initial guidance focused on general disclosure requirements for sustainability-related information and climate-related disclosures.
- Approach guidance development at an accelerated pace, with a potential for releasing initial guidance by the end of 2023.

To this end, stakeholder support and commitment are essential. This consultation lays out what the IPSASB believes is necessary to get started now, and the resources, including additional funding commitments, required to deliver public sector specific sustainability reporting guidance in a timely manner.

The Board invites comments from stakeholders on the matters set out in this paper, and in particular the questions on pages 3 and 4. It is providing a 4-month consultation period, consistent with previous IPSASB strategic consultations. During this period, the IPSASB will also convene a series of stakeholder engagement events. The deadline for comments to be received is September 9, 2022. The Board will analyze all comments received by this date and develop its conclusions about the Board’s potential role and approach based on these comments.

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<sup>1</sup> Defined in the World Commission on Environment and Development’s 1987 Brundtland report ‘[Our Common Future](#)’

## Chapter 1: Public Sector Sustainability Reporting Guidance Drivers

1.1. This Chapter identifies and discusses the factors driving the need for public sector specific sustainability reporting. In particular:

- Global public interest;
- Major economic, environmental, social, and governance impact; and
- Capital markets significance.

This Chapter also considers the drivers for public sector specific sustainability reporting guidance, namely:

- Differences in public sector focus; and
- Challenges in applying private sector guidance.

### Global public interest

1.2. The public sector has a broad range of roles in relation to development that meets the needs of the present without compromising the ability of future generations to meet their own needs – i.e., sustainable development. Sustainable development is intended to promote a better economy where there is less waste and pollution, fewer emissions, more jobs, and a better distribution of wealth. The United Nations' Sustainable Development Goals (SDGs) comprise 17 goals for attaining the ideal sustainable society by 2030 (see [Appendix A](#)).

1.3. Public sector action is needed to bring about the widespread changes across the globe required to deliver the benefits of sustainable development to its citizens. Through its leadership and policy responsibilities, as well as the powers to regulate, and through subsidies and incentives, the public sector is in a unique position to encourage private sector businesses and individual citizens to change their behaviors to achieve the SDGs.

1.4. The recent [UN Intergovernmental Panel on Climate Change report](#) demonstrates the urgency of addressing climate change in particular. Sustainability reporting therefore covers a wide range of topics in which there is a significant level of public interest globally, spanning environmental, social, and governance parameters.

### Major economic, environmental, social, and governance impact

1.5. General government expenditure varies widely in its level and composition among countries. However, among OECD countries it averages over 40 percent of GDP in 2019,<sup>2</sup> and median public sector employment was over 20 percent worldwide in 2018.<sup>3</sup> Therefore, how and where governments spend money will be a significant factor in the successful delivery of the SDGs, including climate action targets. Public sector entities will have to adapt in both policy and operational terms to address the broad range of Environmental, Social and Governance (ESG) factors involved in SDG delivery as shown in Figure 1.

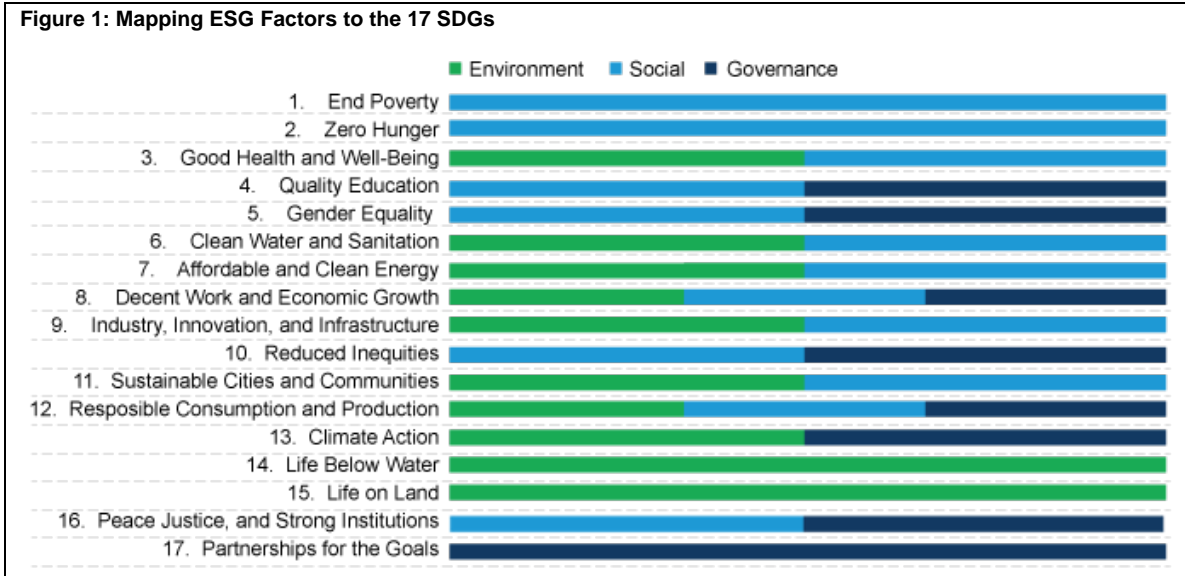
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<sup>2</sup> See 2021 OECD Report "Governments at a Glance 2021" <https://www.oecd-ilibrary.org/docserver/1c258f55-en.pdf?expires=1651673637&id=id&accname=quest&checksum=5E1A81B520FE00A8042C8F10A5C973ED>

<sup>3</sup> See World Bank website [https://govdata360.worldbank.org/indicators/haa733075?country=BRA&indicator=42305&viz=line\\_chart&years=2000,2017](https://govdata360.worldbank.org/indicators/haa733075?country=BRA&indicator=42305&viz=line_chart&years=2000,2017)



**Figure 1: Mapping ESG Factors to the 17 SDGs**



Delivering the SDGs will also present major Public Financial Management (PFM) challenges including decisions over taxation levels, expenditure allocation, and debt financing. These PFM challenges underline the significant need for high quality sustainability reporting by both governments as a whole, and individual public sector organizations, to ensure transparency and public accountability.

- 1.6. Beyond impacting sustainable development directly through its own behavior and activities, the public sector often also plays the role of regulator. Governments are in a unique position to influence sustainable development through changes in regulation, for example by requiring greater focus on minimizing emissions, influencing job creation, or by redistribution of wealth.

**Capital markets significance**

- 1.7. The January 2022 World Bank report on [‘Sovereign Climate and Nature Reporting: Proposal for a Risks and Opportunities Disclosure Framework’](#) states that sovereign bonds make up almost 40 percent of the US\$100 trillion global bond market, and public funding and financing make up a significant proportion of global financial activity. The report’s Executive Summary makes the case for sustainability reporting related to climate change by sovereign governments as follows:

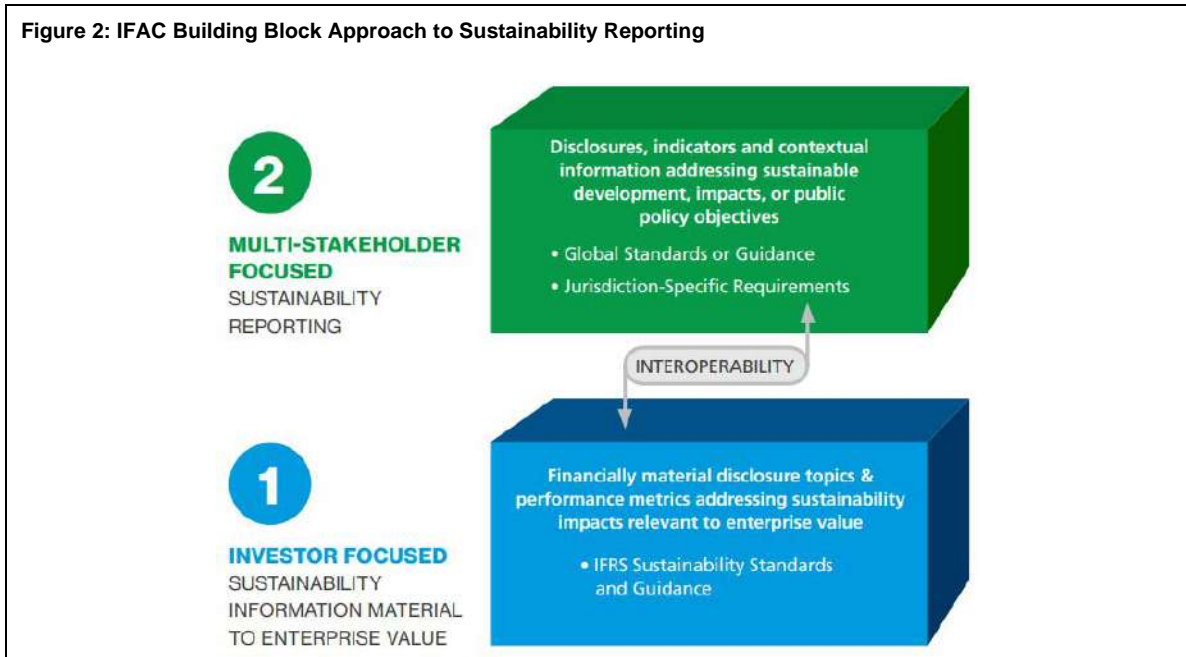
*‘The Paris Agreement states that addressing climate change will require “making finance flows consistent with a pathway towards low greenhouse gas emissions and climate resilient development.” Policy makers, scientists, and investors recognize that the global economy must evolve to a more sustainable model that reduces its impact on the Earth, adapts to the changes already locked in, and contributes to carbon sequestration, as well as restoring and reconnecting degraded and fragmented ecosystems. To be successful, global financial flows must align with these broad objectives. More specifically, trillions of dollars of financing is needed to achieve the climate change mitigation and adaptation goals laid out in Articles 2.1.a and 2.1.b of the Paris Agreement, as well as the emerging targets of the Post-2020 Global Biodiversity Framework (UNEP-CBD). Investors will play an important role in driving this alignment through the tools of capital allocation and engagement. Sustainability reporting can play a central role in driving capital to sustainable investments and away from environmentally harmful ones.’*

1.8. It further comments that this:

*‘...would assist sovereigns looking to attract investment by enabling them to produce comprehensive, regular, standardized, and, eventually, forward-looking disclosures of their climate- and nature related risks and opportunities. Sovereign reporting would help meet the needs of investors who are increasingly requesting such disclosures for all asset classes in their portfolios so that they can measure portfolio alignment with the Paris Agreement’.*

**Differences in public sector focus**

- 1.9. In November 2021, the formation of the International Sustainability Standards Board (ISSB) was announced at COP26.<sup>4</sup> The ISSB’s remit is to issue standards that deliver a comprehensive global baseline of sustainability-related financial disclosures for the capital markets.
- 1.10. No equivalent international body has yet been tasked with considering global sustainability reporting standards to meet the reporting needs of the public sector.
- 1.11. The breadth of the public sector and its broad range of accountability obligations to its stakeholders will result in a different focus in the sustainability-related information users want from a public sector entity compared with a major private sector company. In its May 2021 paper, [Professional Accountants Leading Reporting and Assurance on Sustainability](#), the International Federation of Accountants (IFAC) proposed that sustainability reporting issues could be developed in two ‘Blocks’ as described in Figure 2:



<sup>4</sup> The [UN Climate Change Conference in Glasgow](#) (COP26) brought together 120 world leaders and over 40,000 registered participants. For two weeks, the discussed all facets of climate change — the science, the solutions, the political will to act, and clear indications of action.

- 1.12. For the purposes of the public sector, Block 1 information would address the finances available to an entity to meet its service delivery objectives and financial commitments on a sustainable basis. It identifies those sustainability factors material to its short, medium, and long-term value. This concept is pertinent in the public sector as investment in sustainable development will need to be funded through a combination of reductions in other expenditure, additional taxes, and/or borrowing.
- 1.13. Block 2 enables multi-stakeholder reporting on sustainable development. It includes performance targets and quantitative metrics for material sustainability factors, both cross-industry and industry-specific. It is likely to receive greater focus in the public sector than in the private sector. This is due to the broader impact public sector organizations have on all sustainability issues by way of regulations, laws, etc. and the importance of the public sector in achieving the SDGs and/or other specific public policy objectives.

**Challenges in applying private sector guidance**

- 1.14. The IPSASB's objective is to serve the public interest by developing high-quality accounting standards and other material for use by public sector entities around the globe in the preparation of general-purpose financial reports. In developing guidance, the IPSASB draws, where appropriate, on the pronouncements of the global private sector standard setter – the International Accounting Standards Board (IASB). In doing so, it faces the challenge of addressing the following critical differences from the private sector that are summarized in the Preface to the IPSASB's [Conceptual Framework for General Purpose Financial Reporting by Public Sector Entities](#) (the Conceptual Framework):
- Volume and significance of non-exchange transactions;
  - Importance of the approved budget;
  - Nature of public sector programs and longevity of the public sector;
  - Nature and purpose of assets and liabilities in the public sector;
  - Regulatory role of public sector entities; and
  - Relationship to statistical reporting.
- 1.15. As a result, over a third of the IPSASB's pronouncements are wholly or mainly public sector specific. These sector-specific factors are also likely to impact on public sector sustainability reporting and will need to be addressed to promote consistency and comparability. The exact nature of sustainability reporting guidance needed for the public sector is unclear at this time, whether it is a framework, standards, guidelines, or some mix of all, so the remainder of the document uses the generic term “sustainability reporting guidance” to encompass all potential guidance forms.

**Preliminary View 1**

The IPSASB's view is that there is a need for global public sector specific sustainability reporting guidance.

Do you agree with the IPSASB's Preliminary View?

If not, please provide your reasons.

## Chapter 2: Strategic Fit for the IPSASB

2.1. The IPSASB has 25 years of experience in developing financial reporting guidance. The following factors demonstrate why the IPSASB is already well-placed to develop global public sector specific sustainability reporting guidance effectively:

- The Conceptual Framework addressing non-financial information;
- Existing relevant guidance;
- Current guidance development projects;
- High-quality processes and global relationships; and
- Potential to start now.

### The Conceptual Framework addressing non-financial information

2.2. The Conceptual Framework was developed to respond to users’ information needs. The scope of the Conceptual Framework is more comprehensive than that encompassed by General Purpose Financial Statements (GPFs) because it extends to General-Purpose Financial Reports (GPFRs). GPFRs are broader than GPFs because they can include information that enhances, complements, and supplements the GPFs. The broad scope of the Conceptual Framework would therefore already support the development of global public sector specific sustainability reporting guidance.

Table 1: Applicability of Chapters in Conceptual Framework to GPFs and GPFR

Chapter	General Purpose Financial Statements	General Purpose Financial Reports
<b>Chapter 1: Role and Authority of the Conceptual Framework</b>	✓	✓
<b>Chapter 2: Objectives and Users of General Purpose Financial Reporting</b>	✓	✓
<b>Chapter 3: Qualitative Characteristics</b>	✓	✓
<b>Chapter 4: Reporting Entity</b>	✓	✓
<b>Chapter 5: Elements in Financial Statements</b>	✓	-
<b>Chapter 6: Recognition in Financial Statements</b>	✓	-
<b>Chapter 7: Measurement of Assets and Liabilities in Financial Statements</b>	✓	-
<b>Chapter 8: Presentation in General Purpose Financial Reports</b>	✓	✓



## Existing relevant guidance

- 2.3. Given that sustainability reporting is likely to extend beyond the GPFSSs, the IPSASB’s experience in developing guidance for GPFRs is also relevant in the development of broader reporting information for the public sector. The IPSASB suite of literature already includes guidance that is directly relevant to broader financial reporting:
- [Recommended Practice Guideline 1, Reporting on the Long-term Sustainability of an Entity’s Finances](#) (RPG 1)<sup>5</sup>
  - [Recommended Practice Guideline 2, Financial Statement Discussion and Analysis](#) (RPG 2)<sup>6</sup>
  - [Recommended Practice Guideline 3, Reporting Service Performance Information](#) (RPG 3)<sup>7</sup>
- 2.4. Although some amendments could enhance the direct relevance to sustainability reporting, all three RPGs can already be applied to sustainability reporting. In particular RPG 1 and RPG 3 already provide relevant guidance that can be used now (see IPSASB [Staff Q&A](#) for details on relevance).

## Current guidance development projects

### *Reporting Sustainability Program Information*

- 2.5. Responses to the 2021 [Mid-Period Work Program Consultation](#) indicated a need to add a project on sustainability reporting. Such calls suggest that the IPSASB’s track record and expertise in standard-setting and its established relationships with key organizations<sup>8</sup> could be leveraged to deliver timely sustainability reporting guidance for the public sector.
- 2.6. Discussions with stakeholders highlighted that the IPSASB could advance sustainability reporting in the short-term by undertaking a limited-scope project to address the urgent need to enhance the usefulness of financial reporting information for policy formulation and green budgeting decisions. Such a project could build on the guidance in [RPG 3 - Reporting Service Performance Information](#), which could help entities in considering whether proposed expenditures would positively or negatively contribute to climate change policies and objectives. Accordingly, the IPSASB has committed resources in 2022 to commence this ‘Reporting Sustainability Program Information’ project.

### *Consultation Paper on Natural Resources*

- 2.7. The term “natural resources” covers a wide range of items. In general, the term is understood to include resources that exist without any actions of humankind, such as sunlight, air, water, land,

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<sup>5</sup> RPG1 provides guidance on broader disclosures about long-term fiscal sustainability and includes guidance on the projection of inflows and outflows based on assumptions regarding policy decisions, future economic conditions, and other conditions.

<sup>6</sup> RPG2 recommends the provision of information on the external trends, risks, and uncertainties that are impacting or may impact a public sector entity’s financial position, financial performance, and cash flows.

<sup>7</sup> RPG3 provides good-practice recommendations on reporting information on the services that a public entity provides, its service performance objectives, and the extent of its achievement of those objectives. Climate change is relevant to the extent that it is affecting or may affect the services performed by the sovereign entity and the extent to which it is achieving its service performance objectives.

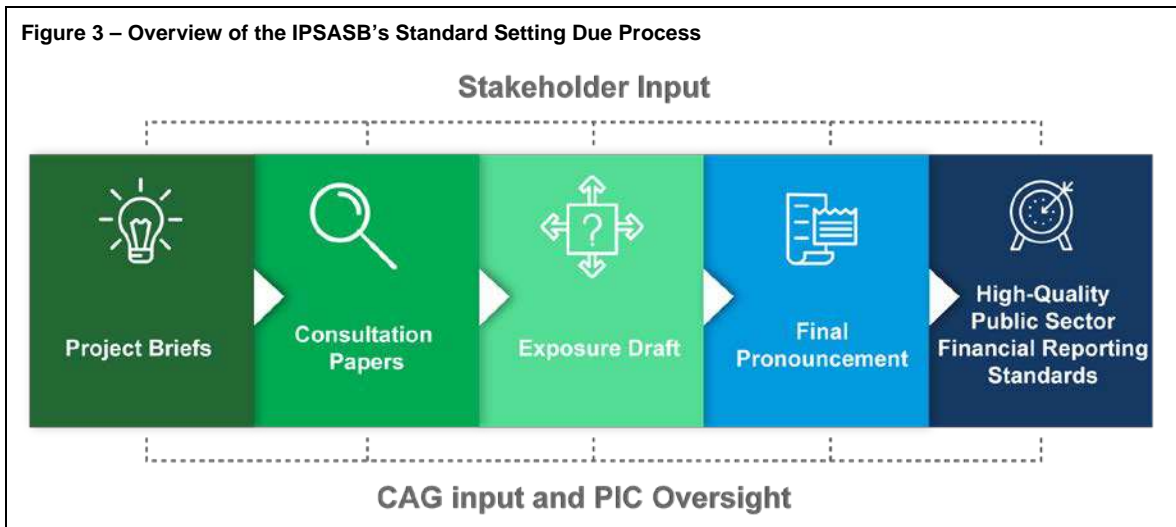
<sup>8</sup> Such as the IFRS Foundation, and by extension the newly established International Sustainability Standards Board (ISSB), international and regional organizations, global regulators and various governments.

all minerals, along with all vegetation, and animal life. They can exist as part of the natural environment or be protected in nature reserves. Stronger management of natural resources will play an important role in delivering several of the SDGs.

- 2.8. With no explicit IPSAS guidance for natural resources at present, the IPSASB’s Natural Resources project aims to develop accounting requirements to support the management of natural resources. The [Natural Resources Consultation Paper](#) which has been issued alongside this consultation, considers the issues involved in reporting on natural resources using the examples of subsoil resources, water and living resources. In all three cases, it considers the guidance potentially required for their reporting in financial statements and in broader financial reports, including from a sustainability perspective.

**High-quality processes and global relationships**

- 2.9. The IPSASB’s existing strategic objective is to strengthen PFM globally through increasing adoption of accrual-based International Public Sector Accounting Standards (IPSAS). IPSAS seek to improve both the quality and comparability of financial information reported by public sector entities around the globe.<sup>9</sup> The IPSASB recognizes the significant benefits of achieving consistent and comparable financial information across jurisdictions and it believes IPSAS play a key role in enabling these benefits to be realized.
- 2.10. The IPSASB has long-standing international standard-setting experience, as well as an established due process<sup>10</sup>, summarized in Figure 3 below, that focuses on transparency, broad consultation, and accountability. Such an approach could be deployed to reduce complexity and achieve greater consistency in global public sector specific sustainability reporting by being applied to the development of sector specific sustainability reporting guidance.



- 2.11. The IPSASB maintains strong international relationships with governments, international and regional organizations (including the International Federation of Accountants), regulators and national standard-setters. It works closely with such stakeholders in its standard-setting activities, as well as in its implementation support. The IPSASB believes leveraging these current

<sup>9</sup> See the IPSASB’s [Terms of Reference](#).

<sup>10</sup> See the IPSASB’s [Due Process](#).

relationships could further help achieve global consistency and reduced complexity in sustainability reporting.

- 2.12. To date, the IPSASB has engaged in dialogue with several key stakeholders.<sup>11</sup> The IPSASB was strongly encouraged to act urgently to promote dialogue on the issue of public sector specific sustainability reporting and the need for sector specific guidance to encourage this reporting.

**Potential to start now**

- 2.13. The importance of public sector action to address sustainability, combined with the urgency of the need for public sector-specific sustainability reporting guidance identified in Chapter 1, has led the IPSASB to the view that ‘getting started now’ is critical. In the IPSASB’s view the most appropriate and viable approach to achieve this is for it to draw upon its relevant experience and existing processes.
- 2.14. An alternative of forming a separate public sector board equivalent to the ISSB dedicated to producing public sector focused guidance has some appeal in theory. However, in practice such a board would need to be established from scratch which would require the constitution, funding model setup, and operationalization of such a board and related oversight arrangements before work can begin. This approach would therefore fall short of providing a timely response to the urgent need for public sector specific guidance.
- 2.15. The proposed approach in paragraph 2.13 does not preclude the establishment of a separate public sector specific sustainability reporting board in the future, should it be required by the breadth of ongoing standard setting work.

**Preliminary View 2**

The IPSASB’s experience, processes and relationships would enable it to develop global public sector specific sustainability reporting guidance effectively.

Do you agree with the IPSASB’s Preliminary View?

If not, please provide your reasons.

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<sup>11</sup> The IPSASB has engaged in dialogue with representatives from the World Bank, IFAC, the OECD and the IPSASB’s own Consultative Advisory Group, and Public Interest Committee.

## Chapter 3: Public Sector Approach

- 3.1. The development of sustainability reporting guidance for the public sector will require a tailored approach that balances its unique needs with the urgency of stakeholder demands. This Chapter highlights the principal elements of the approach the IPSASB proposes to apply in achieving this balance if it were to develop global public sector specific sustainability reporting guidance. In particular:
- Addressing public sector specific issues;
  - Making use of international guidance; and
  - Starting guidance development.

### Addressing public sector specific issues

- 3.2. The public sector's broader responsibilities and activities discussed in Chapter 1 will mean that the balance between the topics addressed in Building Blocks 1 and 2 (see Figure 1 and the related discussion in paragraphs 1.11 to 1.13) will be different to the private sector. In the private sector, there will be a greater focus on the financial information that is material to enterprise value (Block 1). In the public sector, there is likely to be a greater diversity of user needs, meaning a broader range of guidance may be necessary to meet the more diverse demands of the various user groups, including reporting on progress towards the SDGs and/or other specific public policy objectives (Block 2).
- 3.3. Additional areas that may require prioritization in terms of the development of global public sector specific sustainability reporting guidance could include:
- Sustainable Development Goals (SDGs);
  - Interface with the Natural Resources project;
  - Complete sector versus entity;
  - Materiality; and
  - Data for statistical reporting.

### Specific Matter for Comment 1

If the IPSASB were to develop global public sector specific sustainability reporting guidance, please tell us what topics you see as most pressing in your jurisdiction and why these should be prioritized by the IPSASB.

### Making use of international guidance

#### *Financial Sustainability-related Information – Block 1*

- 3.4. In March 2022, the ISSB issued Exposure Drafts of its proposed first two IFRS Sustainability Disclosure Standards. The full nature and extent of the guidance that the ISSB will issue, and its potential applicability in the public sector context are currently uncertain. However, based on the IPSASB's initial review of the prototype standards, supplemented by IPSASB Staff's review of the changes between these and the Exposure Drafts, the IPSASB believes it may be possible to draw on these in developing the first public sector specific sustainability reporting guidance, as they largely align with the priorities of the IPSASB and could potentially be adapted quickly and efficiently for the public sector as shown in Figure 4.





3.5. If it were to take this approach, the IPSASB's should be able to apply its well-established [Process for Reviewing and Modifying IASB Documents](#) to address the public sector context. This process guides the IPSASB's decision-making as to whether to incorporate the IASB guidance directly in its public sector guidance, or whether adaptations or even a new pronouncement are necessary.

*Broader sustainability-related Information – Block 2*

3.6. If it decided to develop guidance for reporting on broader sustainability-related issues as well as function-specific metrics the IPSASB could draw on other sources of international guidance ahead of any relevant planned ISSB work such as:

- a. **Global Reporting Initiative (GRI).** GRI Standards developed by the Global Sustainability Standards Board (GSSB) cover a broad range of ESG topics and could serve as basis for guidance to support reporting against SDGs. The standards are generic and intended for use across all economic sectors. GRI has started a program of developing sector standards to apply its guidance to particular industries and has recently announced its plans to coordinate their work program and standard setting activities with the ISSB.<sup>12</sup> However, it does not currently have plans to produce guidance for the public sector.

An overview of the guidance developed by GRI is provided in [Appendix B](#).

- b. **European Commission (EC).** The Corporate Sustainability Reporting Directive (CSRD) aims to ensure investors are provided with the information they need to consider ESG topics in their investment decisions, as well as to meet the requirements under the Sustainable Finance Disclosure Regulation. The CSRD will also enable civil society organizations, trade unions, and other stakeholders to assess companies' impacts on society and the environment.<sup>13</sup>

<sup>12</sup> See IFRS Foundation announcement at the following link: <https://www.ifrs.org/news-and-events/news/2022/03/ifrs-foundation-signs-agreement-with-gri/>

<sup>13</sup> The CSRD is currently in the pipeline for approval under a co-decision process involving both the European parliament and the European Councils.

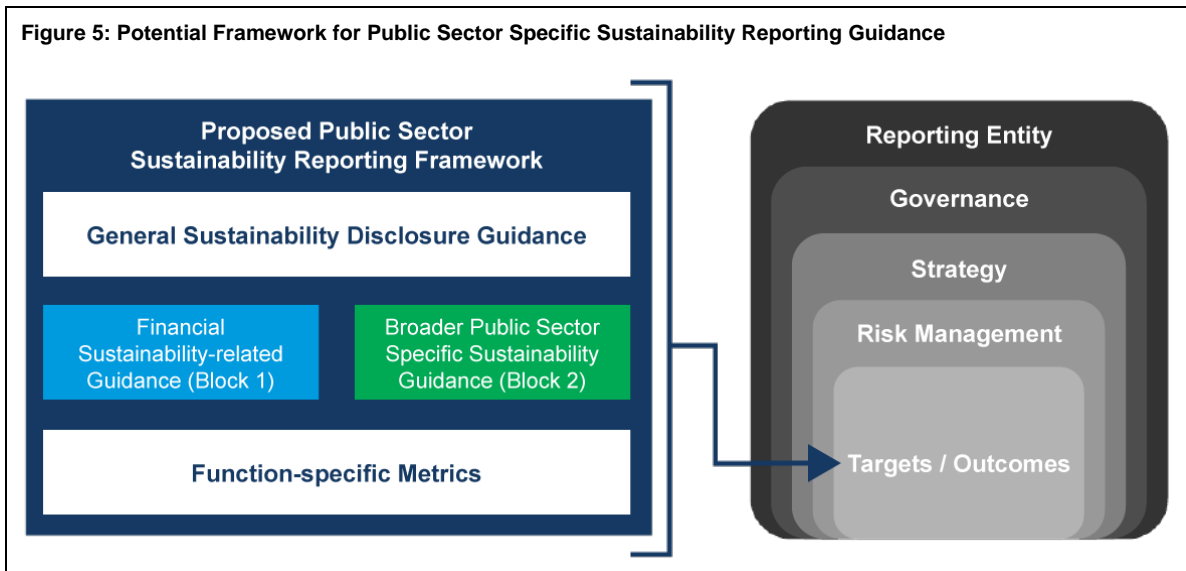
3.7. The extent to which GRI and/or EC CSRD guidance could also be drawn on to develop global public sector specific sustainability reporting guidance would need to be determined in the light of current guidance and/or their future guidance direction and plans, which continue to evolve quickly.

*Framework for public sector specific sustainability reporting guidance*

3.8. Based on an initial review of the ISSB’s Exposure Drafts of draft IFRS Sustainability Disclosure Standards on [General Requirements for Disclosure of Sustainability-related Financial Information](#) and [Climate-related Disclosures](#), it appears possible that a public sector specific sustainability reporting framework could adopt a similar overall approach as follows:

- a. **General Sustainability Disclosure Requirements and Financial Sustainability-related Guidance:** guidance developed to address public sector context, drawing where appropriate on approaches used in ISSB guidance, where available;
- b. **Broader Public Sector Specific Sustainability-related Guidance:** new guidance or guidance based on adapted versions of relevant international guidance with necessary terminology changes and/or tailored public sector specific material; and
- c. **Function-specific Metrics:** new guidance for the various forms of public sector entity to address the specificities of their functions and governance, drawing on ISSB and/or other international guidance where there is a potential for it to be adapted for the functions undertaken by public sector organizations.

3.9. The resulting proposed public sector specific sustainability reporting framework is shown in Figure 5 below. The proposed framework would be consistent with the [Task Force on Climate-related Financial Disclosures \(TCFD\) recommendations](#) by enabling the reporting entity to disclose the governance, strategy and risk management arrangements it adopts to manage and monitor delivery of its defined targets / outcomes. It would also support implementation of the [International Framework: Good Governance in the Public Sector](#).



### Preliminary View 3

If the IPSASB were to develop global public sector specific sustainability reporting guidance it proposes applying the framework in Figure 5.

In developing such guidance, the IPSASB would work in collaboration with other international bodies, where appropriate, through the application of its current processes.

Do you agree with the IPSASB's Preliminary View?

If not, please provide your reasons, explaining what alternatives you would propose, and why.

### Starting guidance development

3.10. During its strategic discussions, the IPSASB concluded that developing sustainability reporting guidance satisfies three of the four criteria for project prioritization identified in its [2019-2023 Strategy](#):

- **Prevalence.** Whether the financial reporting issue is widespread globally amongst public sector entities.
- **Consequences.** Whether the issue impairs the ability of the financial statements to provide useful information for accountability and decision making.
- **Urgency.** Whether the emerging issue has recently gained prominence and therefore requires consideration in the near term.

3.11. While the sustainability reporting space potentially covers many ESG topics, climate change appears to draw broad support and is the area stakeholders continue to emphasize a need for timely action. To satisfy the IPSASB's fourth criterion, Feasibility<sup>14</sup>, if it were to develop global public sector specific sustainability reporting guidance, the IPSASB would propose to build off the ISSB's two proposed initial IFRS Sustainability Disclosure Standards to develop the first public sector specific sustainability reporting guidance. This would allow the IPSASB to move quickly and efficiently to address the urgent need for public sector climate reporting guidance to support delivery of SDG Goal 13 (Climate Action), within the context of an overarching public sector specific sustainability reporting framework.

### Preliminary View 4

If the IPSASB were to develop global public sector specific sustainability reporting guidance, it would address general requirements for sustainability-related information and climate-related disclosures as its first topics. Subsequent priority topics would be determined in the light of responses to this Consultation Paper as part of the development of its 2024-2028 Strategy.

Do you agree with the IPSASB's Preliminary View?

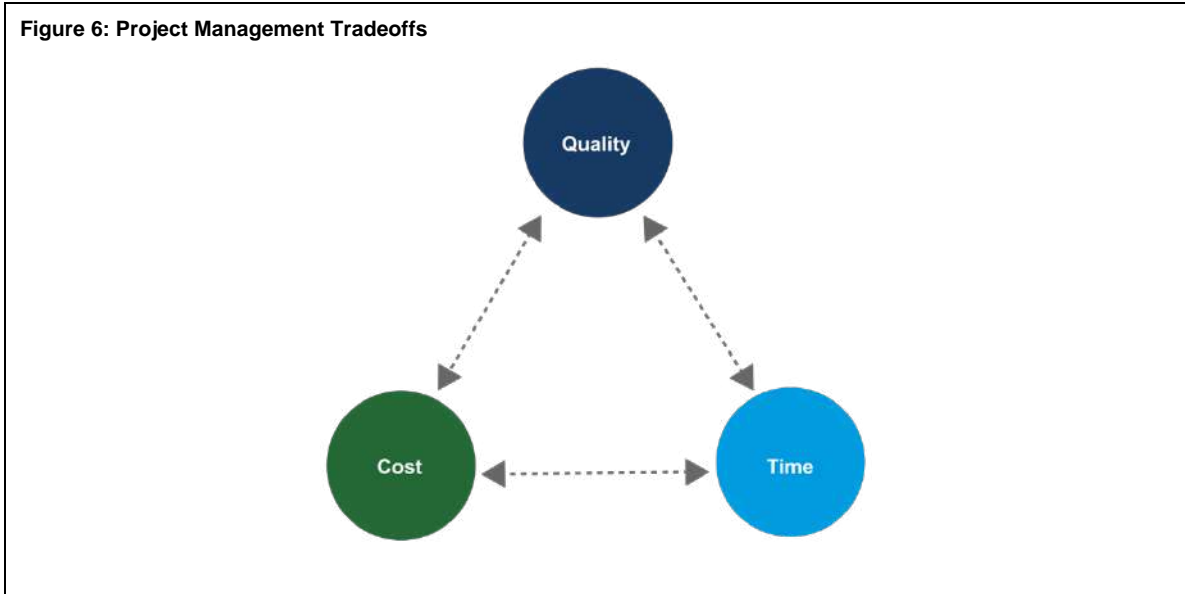
If not, please provide your reasons, explaining which topics the IPSASB should prioritize instead, and why.

<sup>14</sup> The Feasibility criterion considers whether a technically sound solution to the issue can be developed with a reasonable time period and current resource constraints without impacting adversely on the completion of other projects.

## Chapter 4: Key Enablers

- 4.1. If the IPSASB were to develop global public sector specific sustainability reporting guidance its approach to delivering such guidance as quickly and efficiently as possible would be based on striking the right balance between quality, timeliness, and cost.

**Figure 6: Project Management Tradeoffs**



- 4.2. This Chapter describes the key enablers required to successfully execute the approach proposed in Chapter 3. The extent to which these key enablers individually and/or collectively become available could also become risks that could impact the extent of the guidance that IPSASB could deliver and how fast it could do this. The key enablers include:
- Appropriate resourcing;
  - Experienced and active Sustainability Reference Group to advise the IPSASB;
  - Effective and efficient use of IPSASB Member time;
  - Coordination with other international sustainability standard setters; and
  - Dialogue with national standard setters.

### Appropriate resourcing

- 4.3. The IPSASB is committed to continuing to develop and maintain its suite of financial reporting guidance. The majority of the financial and human resources currently available to the IPSASB are allocated to this objective. Development of global public sector specific sustainability reporting guidance would be a significant addition to the Board’s work program.
- 4.4. As presented in Chapter 2, the IPSASB would intend to leverage its existing leadership, board, oversight, and advisory arrangements, as well as the current operating infrastructure in order to advance its sustainability work. Notwithstanding this, the IPSASB would require additional resources to deliver sustainability reporting guidance, in a timely manner, while continuing to deliver on its current financial reporting work program. The IPSASB’s current primary funding source is not able to meet this additional resource need.



- 4.5. The IPSASB is committed to the principle of diversified funding over time and envisions that any new sources of funding would be earmarked deployment for the specific purpose of advancing its sustainability work, rather than its financial reporting guidance program. Any such additional sustainability reporting funding arrangements would be required to preserve and not interfere with the independent decision making of the IPSASB in its work.
- 4.6. The additional resources needed by 2023 to take forward the development of public sector specific sustainability reporting guidance would need to be sufficient to enable the IPSASB to establish a small, highly qualified, dedicated technical staff team to lead sustainability reporting guidance development, as well as to support stakeholder engagement and the operations of a new Sustainability Reference Group.

#### **Experienced and active Sustainability Reference Group to advise the IPSASB**

- 4.7. The initial sustainability guidance development approach would need to be supported by the creation of a Sustainability Reference Group comprising a range of stakeholders including sustainability experts and those with relevant scientific expertise. As potential users of this guidance, investors in government bonds should also be engaged. The Sustainability Reference Group could also help to ensure that the guidance could be effectively implemented.

#### **Effective and efficient use of IPSASB Member time**

- 4.8. The IPSASB members, with the exception of the Chair, are all volunteers. To achieve success across a broader work program, the IPSASB would have to maintain the recent efficiencies in program delivery it has fostered throughout its time working in the virtual environment to avoid significant additional commitments on Board member time.
- 4.9. During internal discussions, IPSASB members have indicated they are keen to add sustainability to their work program. However, in maintaining an appropriate balance between its sustainability and financial reporting work, the IPSASB would nevertheless have to be mindful of the capacity constraints inherent in its current Board structure. The effective deployment of staff and use of the Sustainability Reference Group would be essential to maintaining this balance.

#### **Coordination with other international sustainability reporting standard setters**

- 4.10. The IPSASB is experienced in collaborating with other international organizations in determining the extent to which existing guidance can be appropriately modified to be fit for purpose as international public sector guidance. Applying this approach to leverage international guidance where available has proven to minimize overall development time for public sector guidance.
- 4.11. As stated in Preliminary View 3, the IPSASB would draw on existing international guidance, where appropriate, through the application of its current processes. It would also seek to engage with the statistical community to maximize the extent to which the information prepared in accordance with its global public sector specific sustainability reporting guidance could also be drawn on for statistical reporting purposes.

#### **Dialogue with national standard setters**

- 4.12. Some national standard setters are developing public sector specific sustainability reporting frameworks, standards, and metrics. The IPSASB is currently establishing a new process of regular dialogue with national standard setters on public sector specific sustainability reporting.

The objective is to facilitate information sharing to inform the IPSASB's global view on emerging public sector specific sustainability reporting guidance and their use in various jurisdictions. This should allow the IPSASB to discuss its thinking with national standard setters in order to develop a shared understanding of public sector issues and user needs, and potentially draw on elements of their guidance in its own proposed global sustainability reporting guidance development work.

**Preliminary View 5**

The key enablers identified in paragraph 4.2 are needed in order for the IPSASB to take forward the development of global public sector specific sustainability reporting guidance.

Do you agree with the IPSASB's Preliminary View?

If not, please provide your reasons, identifying which of the proposed key enablers you disagree with, and why.

**Specific Matter for Comment 2**

To what extent would you be willing to contribute financial or other support to the IPSASB for the development of global public sector specific sustainability reporting guidance?

## Chapter 5: Next Steps

### 2022

- 5.1. Between May and September 2022, the IPSASB will lead a global consultation on advancing public sector specific sustainability reporting. Regardless of the outcome of this consultation, the IPSASB has committed resources throughout the remainder of 2022 to:
- Continue delivery of its financial reporting guidance work program;
  - Commence a ‘Reporting Sustainability Program Information’ project;
  - Lay the groundwork for establishing the Sustainability Reference Group in early 2023 (by identifying potential members, developing governance processes, etc.);
  - Analyze responses to this Consultation Paper and
  - Perform a resource gap analysis.
- 5.2. By the end of 2022, the IPSASB intends to conclude its review and deliberation of responses to this Consultation Paper to determine the extent to which it would be able to take on the development of global public sector specific sustainability reporting guidance.

### 2023 and beyond

- 5.3. The IPSASB recognizes the urgency of this initiative and aspires to develop global public sector specific sustainability reporting guidance at an accelerated pace. Subject to the IPSASB’s determinations stemming from the review of the responses to the Consultation Paper at the end of 2022, it could start in 2023 should the resources be available.
- 5.4. The following is an indicative program for the development and issuance of the first global public sector specific sustainability reporting guidance should the IPSASB decide to move forward with this initiative.

**Table 2: Indicative program for development of global public sector specific sustainability reporting guidance**

Sustainability Reporting Phase	Activity
Exposure Draft Phase	<p>Review first of IFRS Sustainability Disclosure Standards.</p> <p>Develop draft public sector specific sustainability reporting guidance, by adapting the IFRS SDS drawing on the advice of the Sustainability Reference Group.</p> <p>Public consultations on first draft(s) of public sector specific sustainability reporting guidance.</p>
Final Pronouncements Phase	<p>Publish final version(s) of first public sector specific sustainability reporting guidance.</p>

- 5.5. While the IPSASB proposes to develop guidance at an accelerated pace in 2023, the specific timeline will be subject to resource availability and the progress on other international developments.

- 5.6. During 2023, the IPSASB intends to continue delivering on its financial reporting work program while also developing and consulting on its proposed 2024-2028 Strategy. Subject to the IPSASB's decisions in late 2022, this proposed Strategy could include the IPSASB's approach and program to further develop public sector specific sustainability reporting guidance.

**How to comment**

- 5.7. Responses to this consultation will help inform the IPSASB's thinking on how public sector sustainability reporting can best be advanced to serve the public interest. The IPSASB will consider all comments submitted by September 9, 2022.
- 5.8. Respondents are asked to submit their comments electronically through the IPSASB website, using the "[Submit a Comment](#)" link. Please submit comments in both a PDF and a Word file.
- 5.9. All comments will be considered a matter of public record and will be posted on the IPSASB website. The IPSASB will carefully consider all feedback and discuss responses at its public meetings after the comment period has ended.

## Appendix A: UN Sustainable Development Goals

The 2030 Agenda for Sustainable Development, adopted by all United Nations Member States in 2015, provides a shared blueprint for peace and prosperity for people and the planet, now and into the future. At its heart are the 17 Sustainable Development Goals (SDGs), which are an urgent call for action by all countries - developed and developing - in a global partnership. They recognize that ending poverty and other deprivations must go hand-in-hand with strategies that improve health and education, reduce inequality, and spur economic growth – all while tackling climate change and working to preserve our oceans and forests. For further information see <https://sdgs.un.org/goals>.

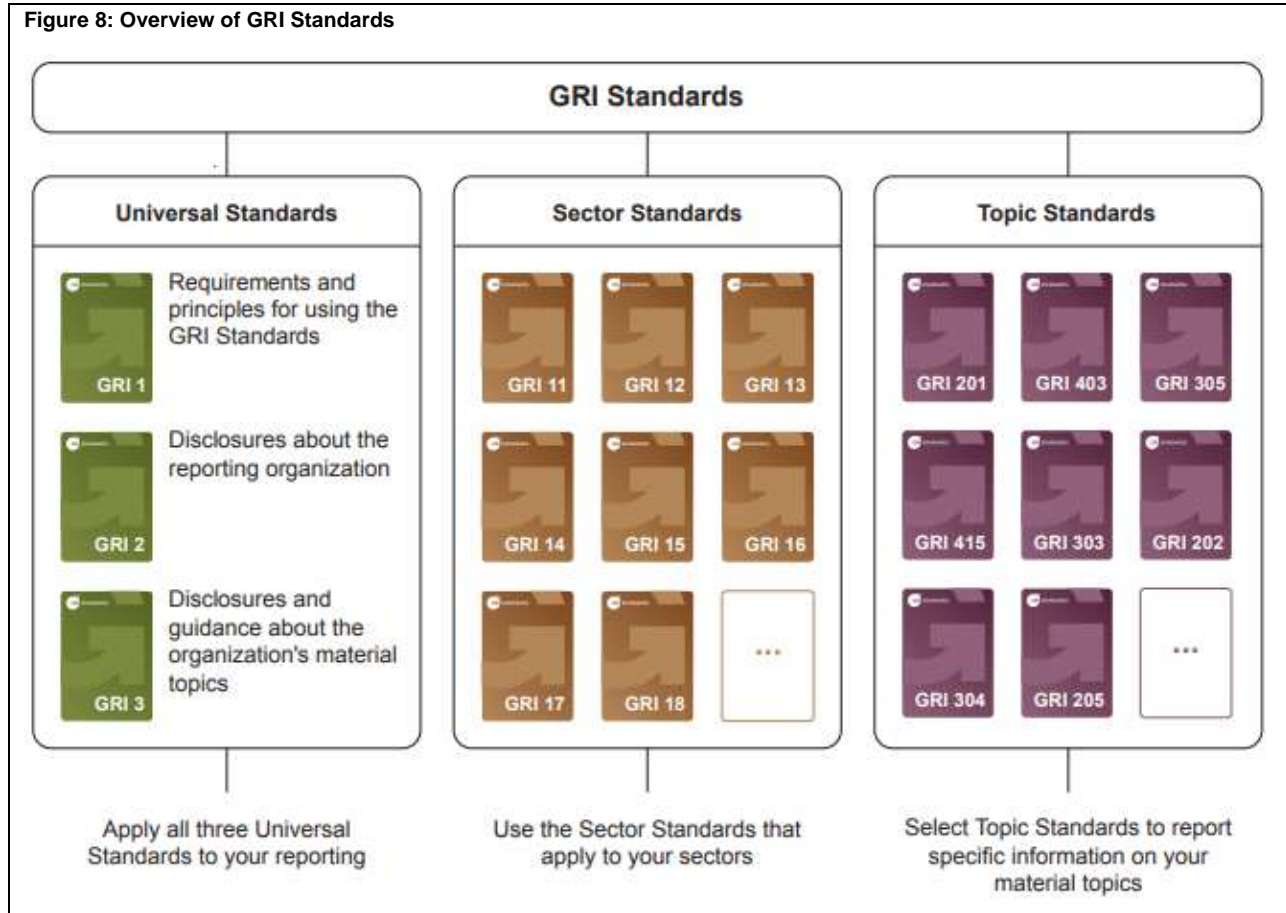
Figure 7: UN Sustainable Development Goals



## Appendix B: Global Reporting Initiative Guidance

The Global Reporting Initiative (GRI) standards cover a broad range of Environmental, Social and Governance (ESG) topics. They can be used to help report against the UN SDGs. However, they are generic standards intended for use across all economic sectors. While GRI has started a program of developing sector standards to apply its generic guidance to particular industries, there is no plan yet to produce guidance for the public sector.

Figure 8: Overview of GRI Standards





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# Advancing Public Sector Sustainability Reporting

## Consultation Overview

Sustainable development can be defined as ‘development that meets the needs of the present without compromising the ability of future generations to meet their own needs’.<sup>1</sup> It covers a wide range of topics, spanning environmental, social and governance parameters. The 17 United Nations Sustainable Development Goals (SDGs) form an organizing framework for meeting human development goals, while mitigating the man-made effects of climate change and sustaining the ability of natural ecosystems to provide the natural resources and services on which the economy and society depend.

The profile of sustainability reporting has increased significantly. In the absence of internationally recognized guidance on sustainability reporting by public sector entities, individual jurisdictions are beginning to develop their own requirements. Global guidance is therefore necessary for consistency, to enhance comparability, and drive to a high quality of reporting for public sector entities. The IPSASB has prepared its document, [Advancing Public Sector Sustainability Reporting](#), in response to the growing demands from its stakeholders for global sustainability reporting guidance for the public sector in order to contribute to the delivery of sustainable development and to address climate change.

The recent invitation in the World Bank report, [‘Sovereign Climate and Nature Reporting: Proposal for a Risks and Opportunities Disclosure Framework’](#), calls on the IPSASB to lead a consultative process to gain support for developing global public sector specific sustainability reporting guidance.

The aims of this public consultation process are to evaluate the demand from stakeholders for such guidance, as well as the degree of support for the IPSASB’s involvement in the process, the priority areas for guidance, and how this might be approached.

Within this Consultation Paper, it is proposed that the IPSASB should:

- Serve as the standard setter for global public sector specific sustainability guidance, drawing upon its experience, processes, and global relationships.
- Develop initial guidance focused on general disclosure requirements for sustainability-related information and climate-related disclosures.
- Approach guidance development at an accelerated pace, with a potential for releasing initial guidance by the end of 2023.

To this end, stakeholder support and commitment are essential. This consultation lays out what the IPSASB believes is necessary to get started now, and the resources, including additional funding commitments, required to deliver public sector specific sustainability reporting guidance in a timely manner.

The Board invites comments from stakeholders on the matters set out in its consultation paper, [Advancing Public Sector Sustainability Reporting](#), and in particular the questions on pages 3 and 4. It is providing a 4-month consultation period, consistent with previous IPSASB strategic consultations. During this period, the IPSASB will also convene a series of stakeholder engagement events. The deadline for comments to be received is September 9, 2022. The Board will analyze all comments received by this date and develop its conclusions about the Board’s potential role and approach based on these comments.

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<sup>1</sup> Defined in the World Commission on Environment and Development's 1987 Brundtland report [‘Our Common Future’](#)



## *Consultation Paper, Advancing Public Sector Sustainability Reporting*

*This summary provides an overview of the Consultation Paper, Advancing Public Sector Sustainability Reporting*

**Project Objective:**

To undertake a consultation related to the development of global public sector specific sustainability reporting guidance.

**Project Stage:**

This consultation is the International Public Sector Accounting Standards Board® (IPSASB®)'s first step in responding to the growing demand from stakeholders for guidance addressing the issues governments are facing related to climate change and supporting sustainable development.

**Comment Deadline:**

This consultation is open for public comment until September 9, 2022. The urgent nature of this consultation requires all responses be submitted by the deadline to be considered.

**How To Respond:**

Respondents are asked to submit their comments electronically through the IPSASB website, using this [link](#). Please submit comments in both a PDF and Word file. All comments will be considered a matter of public record and will ultimately be posted on the website.

## Why Begin Sustainability Reporting Now?

Sustainability reporting covers a wide range environmental, social and governance topics.

The Public Sector will play an important role in addressing sustainability issues.

### Project Drivers

The public sector has a broad range of roles in relation to development that meets the needs of the present without compromising the ability of future generations to meet their own needs – i.e., sustainable development. Sustainable development is intended to promote a better economy where there is less waste and pollution, fewer emissions, more jobs, and a better distribution of wealth. The United Nations' Sustainable Development Goals (SDGs) comprise 17 goals for attaining the ideal sustainable society by 2030

Public sector action is needed to bring about the widespread changes across the globe required to deliver the benefits of sustainable development to its citizens. Through its leadership and policy responsibilities, as well as the powers to regulate, and through subsidies and incentives, the public sector is in a unique position to encourage private sector businesses and individual citizens to change their behaviors to achieve the SDGs.

### Why the IPSASB Undertook this Project

The profile of sustainability reporting has increased significantly. In the absence of internationally recognized guidance on sustainability reporting by public sector entities, individual jurisdictions are beginning to develop their own requirements. Global guidance is therefore necessary for consistency, to enhance comparability, and drive high quality reporting for public sector entities. The IPSASB has prepared this document in response to the growing demands from its stakeholders for global sustainability reporting guidance for the public sector to contribute to the delivery of sustainable development and to address climate change.

## Proposals and Input Needed

The public sector requires relevant guidance that is fit for its purposes, to support transparency, accountability and which provides information to support better decisions.

The consultation sets out proposals for stakeholder input on how the IPSASB can move with urgency to develop international public sector guidance by building off its existing processes and procedures, while building off relevant international guidance developed for the private sector.

### Consultation Aims and Proposals

This consultation will evaluate the demand from stakeholders for public sector sustainability reporting guidance. It will also assess the degree of support for the IPSASB’s involvement in the development process, highlight the priority areas where guidance is needed, and capture input on how guidance development might be approached.

Within this Consultation Paper, it is proposed that the IPSASB should:

- Serve as the standard setter for global public sector specific sustainability guidance, drawing upon its experience, processes, and global relationships.
- Develop initial guidance focused on general disclosure requirements for sustainability-related information and climate-related disclosures, building off private sector Standards where appropriate.
- Approach guidance development at an accelerated pace, with the potential for releasing initial guidance by the end of 2023.

### Stakeholder Input

Stakeholder support and commitment are essential to the development of international sustainability reporting guidance. This consultation lays out what the IPSASB believes is necessary to get started now, and the resources, including additional funding commitments, required to deliver public sector specific sustainability reporting guidance in a timely manner.



## Next Steps

Please tell us whether you agree with our proposals and which sustainability reporting topics are most pressing in your jurisdiction.



### How Can I Comment on the Proposals?

The CP requests comments on the Preliminary Views (PVs) and Specific Matters for Comment (SMCs) on which the IPSASB is seeking views.

Respondents may choose to answer all PVs and SMCs or just a selected few. The IPSASB welcomes comments on any other matters within the scope of the project that respondents think it should consider in forming its views.

Respondents are asked to submit their comments electronically through the IPSASB website, using the [link](#). Please submit comments in both a PDF and a Word file.

All Comments will be considered a matter of public record and will be posted on the IPSASB website.

The IPSASB will carefully consider all feedback and discuss responses at its public meetings after the comment period has ended.

### Stay Informed

The IPSASB's website will indicate the meetings at which feedback on the CP will be discussed. The dates and the locations of the 2022 meetings are available at:

<https://www.ipsasb.org/meetings>

To stay up to date about the project, please visit:

<https://www.ipsasb.org/focus-areas/sustainability-reporting>