

September 8, 2022

International Public Sector Accounting Standards Board (IPSASB)
277 Wellington Street West
Toronto, ON Canada M5V 3H2

Re: Response to the IPSASB's Consultation Paper, Advancing Public Sector Sustainability Reporting

Thank you for the opportunity to provide input on the IPSASB's Consultation Paper, Advancing Public Sector Sustainability Reporting.

We recognize the increasing importance of sustainability reporting and commend the IPSASB for taking the lead on this initiative. While we broadly agree with the proposals put forward in the Consultation Paper, specific areas of feedback and suggestions are outlined in our response below.

The views outlined in this letter were informed by high-level outreach conducted with Canadian stakeholders through roundtable discussions held during summer 2022. This included consultations with auditors, Indigenous Peoples, representatives from varying levels of government (e.g., federal, provincial, and municipal governments), and other users. Where appropriate, we have highlighted and summarized specific views received by Canadians throughout our response.

To further contextualize our comments, the Canadian Auditing and Assurance Standards Oversight Council (AASOC) and Accounting Standards Oversight Council (AcSOC) recently approved the creation of a Canadian Sustainability Standards Board (CSSB), which aims to be operational by April 2023. The CSSB intends to work in tandem with the International Sustainability Standards Board (ISSB) to contribute to the development of a comprehensive global baseline of sustainability disclosure standards and to support the adoption of these standards in Canada. While it has not yet been determined whether the CSSB will specifically consider the public sector, this development may impact the extent to which PSAB engages with the IPSASB on sustainability reporting initiatives going forward.

We hope that you find our comments and insights below helpful.

Kind regards,



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RESPONSES TO SPECIFIC QUESTIONS

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.

Response

We agree that there is a need for global public sector specific sustainability reporting guidance and commend the IPSASB for taking the lead on this important initiative. As outlined in the Consultation Paper, the nature of the public sector requires sustainability reporting guidance that is broader than that of the private sector to reflect its unique role of regulation and stewardship, as well as to help assess the achievement of specific public policy objectives.

The development of global public sector specific sustainability reporting guidance could also function as a helpful baseline for countries around the world, who may wish to adapt the IPSASB's guidance for domestic sustainability reporting purposes.

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.

Response

We agree that the IPSASB is well positioned to develop global public sector specific sustainability reporting guidance. Notably, the Board's experience with standard setting and strong relationships with national standard setters and other international organizations will be an asset in this endeavor.

During our consultations, some Canadians reiterated the importance of the IPSASB utilizing diverse and relevant expertise in the development of public sector specific sustainability reporting guidance, including the use of experts on climate and the natural environment. It was noted that this would help to ensure that any sustainability reporting guidance developed by the IPSASB has a high level of credibility, buy-in, and support from the public.

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.

Response

As outlined in our response to Preliminary View 4, we are supportive of the IPSASB developing sustainability reporting guidance on climate-related issues. A listing of other specific topics and themes to be considered by the IPSASB is outlined below.

1) *Engagement with Indigenous Peoples and the United Nations Declaration on the Rights of Indigenous Peoples (UNDRIP)*

We strongly encourage the IPSASB to consult with and consider the perspectives of Indigenous Peoples in the development of public sector specific sustainability reporting guidance. The identification and perspective of Indigenous Peoples will be vital in the development of sustainability reporting guidance, particularly due to their robust knowledge and stewardship role in the preservation of the natural environment. As an example, biodiversity is typically found to be highest on lands managed or co-managed by Indigenous communities – this is illustrated by a National Geographic report from 2018 which found that Indigenous Peoples protect 80% of global biodiversity while comprising less than 5% of the world’s population.¹

The IPSASB should also consider the concept of Indigenous rights and engagement with Indigenous Peoples in accordance with the [United Nations Declaration on the Rights of Indigenous Peoples](#) (UNDRIP) as a sustainability reporting topic. This includes ensuring that sustainability reporting guidance developed is aligned with UNDRIP requirements, including the concept of “free, prior, and informed” consent. This type of reporting could help improve accountability among public sector entities around the world.

Our consultations with Indigenous Peoples have also highlighted that sustainability impacts, such as climate change, can often have a disproportionate impact on Indigenous communities, especially those in remote or northern areas. These impacts should be considered and assessed by the IPSASB as sustainability reporting guidance is being developed.

2) *Other Sustainability Topics and Themes*

Other sustainability topics of importance that should be considered by the IPSASB include reporting on intergenerational equity, food insecurity, the sustainable use of critical natural resources (e.g., water and trees), and diversity, equity, and inclusion initiatives.

Some Canadians also encouraged the IPSASB to leverage sustainability topics for the public sector from those previously established by the Global Reporting Initiative (GRI) standards. As outlined in the Consultation Paper, it was noted that these standards could already be used by an entity to report against progress made on the United Nations Sustainable Development Goals (see mapping document [here](#)).

¹ <https://www.nationalgeographic.com/environment/article/can-indigenous-land-stewardship-protect-biodiversity->

Further, certain Canadians recognized that future guidance may be needed to better understand how sustainability reporting would fit within the current financial reporting landscape, particularly as this type of reporting may fall outside the expertise of traditional accountants. Some Canadians also reiterated that sustainability reporting would be better suited for reporting outside of the financial statements given the broader nature of information being considered.

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.

Response

We agree with the IPSASB's approach to leverage international guidance, where appropriate, in the development of its sustainability reporting guidance. This approach could help to improve the time to market of standards and will ensure greater consistency and comparability across global sustainability reporting frameworks.

It is imperative that the IPSASB go beyond the ISSB's proposed focus on enterprise value in the development of any sustainability reporting guidance and we support the IPSASB's proposal for the development of broader public sector specific sustainability guidance (Block 2). However, the IPSASB should remain diligent to ensure that any guidance adapted from the ISSB (Block 1), or other relevant reporting frameworks, such as the GRI standards (Block 2), is appropriately modified for the public sector.

We would also highlight that the ISSB's proposals are currently at the Exposure Draft stage and subject to feedback from stakeholders around the world. As an example, from a Canadian perspective, a response letter has been submitted jointly from the [AASOC and AcSOC](#) which outlines concerns with certain elements of the ISSB's proposals, including the clarity of the materiality concept. Response letters to the ISSB outlining similar concerns have also been submitted by [CPA Canada](#) and the [Accounting Standards Board](#).

We encourage the IPSASB to review feedback received by the ISSB on their Exposure Drafts and to stay abreast of next steps as this could impact the speed at which relevant guidance can be leveraged and adapted for the public sector. We also urge the IPSASB to consider how materiality will be appropriately assessed and developed for the public sector if guidance in the ISSB's Exposure Drafts is used as a starting point.

Finally, for the development of function-specific metrics, we encourage the IPSASB to consider the unique needs of different types of public sector entities, including various levels of government (e.g., Indigenous governments and municipal governments). The IPSASB may also

want to consider the size of different public sector entities and the scalability of its sustainability reporting guidance for smaller, more resource-constrained entities.

Preliminary View 4:

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 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.

Response

We agree that developing guidance on general and climate-related disclosures is a logical first step in developing sustainability reporting guidance for the public sector.

As outlined in the Consultation Paper, we also agree that future sustainability projects should be determined based on the needs of public sector entities and not strictly follow projects or topics pursued by the ISSB or other global sustainability standard setters. We strongly support the link between the IPSASB's Natural Resources project and any initiative to develop sustainability reporting guidance, given the importance of natural assets to the sustainability conversation in the public sector.

In particular, during our consultations, many Canadians supported the development of guidance on climate-related disclosures as a priority and some expressed the viewpoint that this was a foundational sustainability topic. Certain Canadians in the municipal community also encouraged the IPSASB to develop climate-related guidance that was leveraged from the Task Force on Climate-related Financial Disclosures (TCFD).

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.

Response

While we agree broadly with the key enablers outlined, we would encourage the IPSASB to add sustainability expertise to its Board and/or oversight committee in addition to the establishment of the Sustainability Reference Group. We would also encourage the IPSASB to clarify the "new process of dialogue with national standard setters on public sector specific sustainability reporting" that it intends to implement.

From a procedural standpoint, the IPSASB should consider whether updates to its “Process for Reviewing and Modifying IASB Documents” and/or due process are required to reflect a scope beyond financial reporting if these proposals are pursued.

During our consultations, some Canadians additionally questioned whether a separate sustainability standards board should be developed for the public sector, similar to the structure established by the IFRS Foundation in the private sector. The establishment of a separate board may ultimately want to be considered in future depending on the extent and breadth of sustainability reporting guidance developed.

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?

Response

PSAB looks forward to collaborating with and providing feedback to the IPSASB, where appropriate, on its work surrounding the development of global public sector specific sustainability reporting guidance.

As outlined above, the creation of a CSSB was recently approved by the AASOC and AcSOC, with an aim to be operational by April 2023. While the remit and scope of the CSSB is still pending, the establishment of this Board may impact how, and to what extent, PSAB engages with the IPSASB on sustainability reporting initiatives going forward.