



<b>Project:</b>	<b>Sustainability Reporting</b>	<b>Meeting</b>	AASB June 2022 (M188)
<b>Topic:</b>	<b>Overview of IPSASB Consultation Paper <i>Advancing Public Sector Sustainability Reporting</i></b>	<b>Agenda Item:</b>	4.2
		<b>Date:</b>	6 June 2022
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		<b>Decision-Making:</b>	Medium
		<b>Project Status:</b>	Initial consideration of IPSASB's proposals

## Background and objectives of this staff paper

- 1 The IPSASB issued a Consultation Paper (CP) [Advancing Public Sector Sustainability Reporting](#) for comment until 9 September 2022. At its May 2022 meeting, the Board decided to respond to the CP formally.
- 2 Consistent with recent comment letters to the IFRS Foundation, the comment letter will be joint with the FRC and the AUASB.<sup>1</sup>
- 3 Accordingly, the objectives of this staff paper are for the Board to:
  - (a) discuss the IPSASB's Preliminary Views explained in the CP; and
  - (b) consider the next steps and timeline for finalising the joint comment letter.

## Attachment

Agenda paper 4.2.1 IPSASB Consultation Paper *Advancing Public Sector Sustainability Reporting*  
[supporting documents folder]

## Introduction

- 4 The IPSASB has reached five preliminary views regarding sustainability reporting, namely:
  - Preliminary View 1 – There is a need for global public-sector-specific sustainability reporting guidance.
  - Preliminary View 2 – The IPSASB's experience, processes and relationships would enable it to develop global public-sector-specific sustainability reporting guidance effectively.
  - If the IPSASB were to develop global public-sector-specific sustainability reporting guidance, the IPSASB would:
    - Preliminary View 3 – Apply a similar approach as the ISSB in developing public-sector-specific sustainability reporting guidance in phases.

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1 The Board submitted joint comment letters with the FRC and AUASB in responding to the IFRS Foundation's *Consultation Paper on Sustainability Reporting* (September 2020), and Exposure Draft *Proposed Targeted Amendments to the IFRS Foundation Constitution to Accommodate an International Sustainability Standards Board to Set IFRS Sustainability Standards* (April 2021).

- Preliminary View 4 – Address general requirements for sustainability-related information and climate-related disclosures as its first topics.
  - Preliminary View 5 – Require five enablers to succeed in developing global public-sector-specific sustainability reporting guidance.
- 5 The IPSASB’s Preliminary Views are discussed below. Each section includes a high-level summary of the IPSASB’s rationale for reaching its preliminary view.
- 6 The staff’s proposed next steps and the timeline to finalise the comment letter are discussed in paragraph 25 below, including planned targeted outreach to public sector stakeholders.

**IPSASB Preliminary View 1: There is a need for global public-sector-specific sustainability reporting guidance**

- 7 The IPSASB is of the view that there is a need for global public-sector-specific sustainability reporting guidance, because:
- (a) how and where governments spend money is an important factor in the successful delivery of the 17 United Nations’ Sustainable Development Goals (SDGs). Public sector entities will have to adapt their policies and operational procedures to address Environmental, Social and Governance (ESG) issues;
  - (b) the broad range of accountability obligations the public sector has to its stakeholders will result in a different focus on the sustainability-related information users want from a public sector entity compared with a private sector entity; and
  - (c) there would be challenges in applying private sector sustainability guidance in the public sector due to the different nature of some public sector activities. For example, the volume and significance of non-exchange transactions, the longevity of many public sector programs, the public sector’s regulatory role in a jurisdiction, and the relationship between public sector financial reporting and statistical reporting.
- 8 The IPSASB considers that, similar to accounting standards, there would be public-sector-specific factors associated with sustainability reporting that need to be addressed to promote consistency and comparability.

**IPSASB’s question regarding 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 Primary View 1? If not, please provide your reasons.

- 9 **Preliminary staff view:** Staff agree with the IPSASB’s rationale for reaching the view that there is a demand for global public-sector-specific sustainability reporting guidance. The IPSASB rationale is in line with the feedback provided by some Australian public sector stakeholders received on ITC 46 AASB *Agenda Consultation 2022–2026*.

**IPSASB Preliminary View 2: The IPSASB’s experience, processes and relationships would enable it to develop global public-sector-specific sustainability reporting guidance effectively**

- 10 The IPSASB considers that it is well-placed to develop global public-sector-specific sustainability reporting guidance, because it has:
- (a) 25 years of experience in developing financial reporting guidance, which would also be relevant in the development of broader reporting information for the public sector beyond general purpose financial statements;
  - (b) good track record and expertise in standard setting and has established relationships

with key organisations that could be leveraged to deliver timely sustainability reporting guidance for the public sector;

- (c) developed a Conceptual Framework<sup>2</sup> and guidance<sup>3</sup> that addresses the presentation of non-financial information in general purpose financial reports, including sustainability issues; and
- (d) commenced a project that would address financial reporting issues associated with natural resources, which includes consideration from a sustainability perspective.<sup>4</sup>

11 The IPSASB acknowledged that forming a separate public sector board equivalent to the ISSB dedicated to producing sustainability guidance would have some appeal in theory. However, such a new board would require a constitution, funding model, and an oversight structure to be established before commencing any standard-setting work. Given the urgency of the need for public-sector-specific sustainability reporting guidance, the IPSASB is of the view that it would be the most appropriate body to commence the development of such guidance, drawing upon its existing processes.

12 The CP also noted that if the IPSASB were to commence the development of public-sector-specific sustainability reporting guidance, it does not preclude the establishment of a separate public-sector-specific sustainability reporting board in the future.

**IPSASB’s question regarding Preliminary View 2**

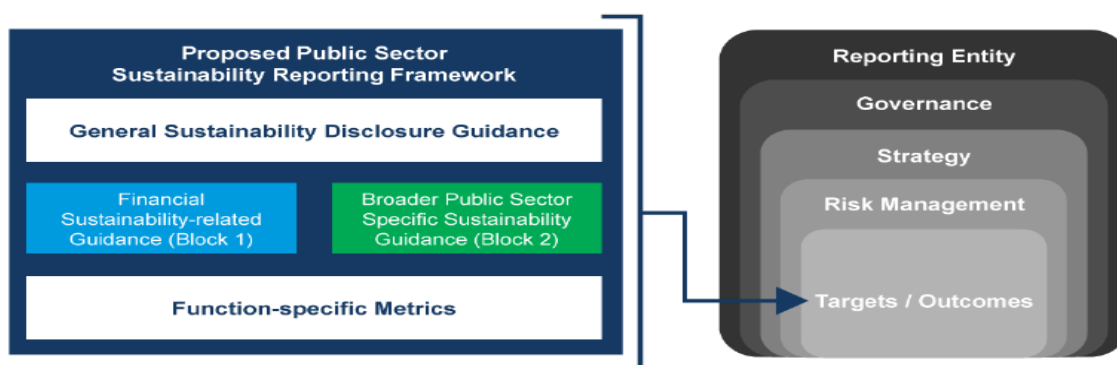
The IPSASB’s experience, processes and relationships would enable it to develop global public-sector-specific sustainability reporting guidance effectively. Do you agree with the IPSASB’s preliminary view? If not, please provide your reasons.

13 **Preliminary staff view:** Staff agree with the IPSASB’s rationale for reaching the view that it is well-placed to expedite the development of global public-sector-specific sustainability guidance.

**IPSASB Preliminary View 3: Apply a similar approach as the ISSB in developing public-sector-specific sustainability reporting guidance in phases**

14 The CP states that if the IPSASB were to develop global public-sector-specific sustainability reporting guidance, it proposes to apply a similar approach as the ISSB, as illustrated in Figure 5 of the CP, which has been extracted below.

**Figure 5: Potential Framework for Public Sector Specific Sustainability Reporting Guidance**



2 *Conceptual Framework for General Purpose Financial Reporting by Public Sector Entities*  
3 [Recommended Practice Guidance 1 Reporting on the Long-Term Sustainability of an Entity’s Finances](#)  
[Recommended Practice Guidance 2 Financial Statement Discussion and Analysis](#)  
[Recommended Practice Guidance 3 Reporting Service Performance Information](#)  
4 The IPSASB has issued a Consultation Paper [Natural Resources](#) for comment until 17 October 2022.

- 15 The following table summarises the approach the IPSASB proposes to undertake in developing the four types of public-sector-specific sustainability requirements/guidance.

Proposed public-sector-specific sustainability guidance	IPSASB's proposed approach
General sustainability disclosure requirements	Using the ISSB's work as a starting point and making adaptations to address public-sector-specific sustainability issues in accordance with the IPSASB's <a href="#">Process for Reviewing and Modifying IASB Documents</a> policy.
Financial sustainability-related guidance (Block 1)	
Broader public-sector-specific sustainability guidance (Block 2)	Refer to other relevant international guidance ahead of any relevant planned ISSB work, such as the Global Reporting Initiative (GRI) and the Corporate Sustainability Reporting Directive (CSRD) issued by the European Commission, and make adaptations to tailor for public-sector-specific circumstances.
Function-specific metrics	Draw on the work of the ISSB or other international guidance and make adaptations to address specific government functions and public-sector governance issues.

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

**IPSASB's question regarding Preliminary View 3**

If the IPSASB were to develop global public-sector-specific sustainability reporting guidance it proposes applying the framework in Figure 5 (reproduced in paragraph 14 above).

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?

- 17 **Preliminary staff view:** Staff agree with the IPSASB's proposed framework, as illustrated in Figure 5 of the CP, and the proposed approach to developing the four types of public-sector-specific sustainability reporting guidance.

**IPSASB Preliminary View 4: Address general requirements for sustainability-related information and climate-related disclosures as its first topics**

- 18 The IPSASB proposes that if it 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. This is because climate change appears to draw broad support and is the area stakeholders continue to emphasise a need for timely action.
- 19 The IPSASB proposes to use the ISSB's two proposed initial IFRS Sustainability Disclosure Standards as a starting point, to focus on general requirements for sustainability-related

information and climate-related disclosures first. This would support meeting SDG Goal 13 (Climate Action) within the context of an overarching public-sector-specific sustainability reporting framework.

**IPSASB’s question regarding 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 reasons, explaining which topics the IPSASB should prioritise instead, and why.

- 20 **Preliminary staff view:** Based on the outreach undertaken to date on the Board’s own Sustainability Reporting project, staff agree with the IPSASB’s proposal to address general sustainability reporting requirements and climate-related disclosures first when developing public-sector-specific sustainability reporting guidance.

**IPSASB Preliminary View 5: Require five enablers to succeed in developing global public-sector-specific sustainability reporting guidance**

- 21 The IPSASB is of the view that it would require five key enablers to develop global public-sector-specific sustainability reporting guidance. They are:
- (a) additional financial and human resources by 2023 – the CP states that the IPSASB’s current primary funding source would not be able to meet this additional resource need;
  - (b) establishment of a Sustainability Reference Group – a group comprising a range of stakeholders, including sustainability experts, those with relevant scientific expertise, and investors in government bonds, to support the development of the guidance;
  - (c) IPSASB members’ time – IPSASB members’ time will be spread across both sustainability and financial reporting work. The IPSASB needs to be mindful of capacity constraints inherent in its current board structure;
  - (d) coordination and engagement with other international sustainability reporting standard setters – the IPSASB proposes to collaborate with other standard setters in determining the extent to which existing guidance can be appropriately modified as global public-sector-specific sustainability reporting guidance; and
  - (e) regular dialogue with national standard setters – the IPSASB is establishing a new process of regular dialogue with national standard setters to facilitate information sharing to inform the IPSASB’s global view on emerging public-sector-specific sustainability reporting guidance and their use in different jurisdictions.

**IPSASB’s question regarding Preliminary View 5**

The key enablers identified (in paragraph 21 above) are needed in order for the IPSASB to take forward the development of global public-sector-specific sustainability reporting guidance. Do you agree with IPSASB’s Preliminary View? If not, please provide your reasons, identifying which of the proposed key enablers you disagree with, and why.

- 22 **Preliminary staff view:** Staff agree with the IPSASB’s view that a standard setter would require the five enablers noted in paragraph 21 to succeed in developing global public-sector-specific sustainability reporting guidance.

### Questions for Board members

- Q1: Do Board members have any comments on the five IPSASB Preliminary Views and on staff's preliminary views about those IPSASB Preliminary Views?
- Q2: Do Board members agree that, subject to stakeholders' input, the comment letter to the IPSASB should respond to all five of the IPSASB Preliminary Views?

### Other questions in the Consultation Paper

- 23 The CP includes two other questions for stakeholders, as noted below.

#### 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 prioritised by the IPSASB.

#### 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?

- 24 Staff have not formed an initial view on the two specific matters for comment. Staff consider it important to obtain input from public sector stakeholders in responding to these specific matters for comment.

### Question for Board members

- Q3: Do Board members have any initial views on the two specific matters for comment?

### Next steps and timeline

- 25 The following table contains a proposed timeline for completing the comment letter for the Board's consideration and comment.

Proposed timeline	Milestones
June – July 2022	<ol style="list-style-type: none"><li>Undertake targeted outreach to:<ol style="list-style-type: none"><li>the Treasury and Finance Department of each jurisdiction, including preparers of the State/Territory annual Budget Papers and sustainability reports, and the Heads of Treasuries Accounting and Reporting Advisory Committee (HoTARAC);</li><li>the Australasian Council of Auditors-General (ACAG); and</li><li>the Australian Bureau of Statistics (ABS).</li></ol></li><li>Develop a draft comment letter based on the Board's discussions at the June 2022 meeting and stakeholder feedback from targeted outreach.</li></ol>
<b>Board meeting:</b> 3 August 2022	The Board to consider stakeholder feedback from targeted outreach and a draft comment letter. Board subcommittee to review and approve the final comment letter out of session.
August – September 2022	Update the draft comment letter based on the Board's discussions at the August 2022 meeting and feedback from FRC and AUASB members. Finalise the comment letter by the comment due date of 9 September 2022.

**Questions for Board members**

Q4: Are there any other stakeholders the Board would like to include in the targeted outreach?

Q5: Do Board members have any comments on the proposed next steps and timeline?