



September 9, 2022

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

VIA: IPSASB Website – “Submit Comment” link

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

The First Nations Financial Management Board (“the FMB”) is pleased to provide the International Public Sector Accounting Standards Board (“the IPSASB”) with a response to the Consultation Paper - *Advancing Public Sector Sustainability Reporting* (“the CP”).

General Comments

The CP is an important step in expanding disclosure requirements for sustainability-related financial information. The FMB commends the work that has been done by the IPSASB in this emerging reporting area. Sustainability reporting in the public sector will apply to a broad range of stakeholders – including Indigenous governments. It is vital that standard setting bodies, including the IPSASB, begin to reflect the unique needs of Indigenous people and their governing bodies. There are estimated to be 476.6 million Indigenous people around the world and spread across more than 90 countries, and who speak more than 4,000 languages¹. Recent research demonstrates that while the world’s 370 million indigenous peoples make up less than five percent of the total human population, they manage or hold tenure over 25 percent of the world’s land surface and support about 80 percent of the global biodiversity². Indigenous people have a lot to contribute to the development of sustainability standards and we encourage the IPSASB to consult with them internationally.

The FMB believes that ESG should be viewed as “ESG-I” - “I” for Indigenous-so that the views of Indigenous rights holders are fully reflected in all aspects of sustainability standard setting. In order to ensure that sustainability reporting is inclusive and relevant for all public sector entities that use International Public Sector Accounting Standards, the United Nations Declaration on the Rights of Indigenous People (“UNDRIP”) must be a key component of any international sustainability standards. Public sector sustainability standards are relevant to Indigenous people both as governments, and also as rights holders where their traditional territories are occupied or impacted by other public sector reporting entities. 147 states around the globe support UNDRIP and recognize the importance of Indigenous rights. Increasingly, investors are also demanding reporting of Indigenous rights compliance by companies and countries. In order to adequately report on sustainability, the public sector should be required to report on their impacts

¹ National Geographic Society, November 16, 2018,

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

² Garnett, S.T., Burgess, N.D., Fa, J.E. et al. A spatial overview of the global importance of Indigenous lands for conservation. *Nat Sustain* 1, 369–374 (2018)

with Indigenous people, as well as well as efforts taken and progress made implementing UNDRIP. The credibility, relevance and usefulness of sustainability standards issued by the IPSASB would be greatly enhanced if they reinforce UNDRIP.

Canada is a leader in Indigenous rights and our perspective reflects reporting expectations there. However, increasingly, we are seeing similar demands from Indigenous communities in countries such as Australia, New Zealand and Chile.

Indigenous Rights as a Driver for Sustainability Reporting

The drivers listed in Chapter 1 of the CP do not yet include important elements that reflect the protection and advancement of Indigenous rights in the public sector.

In Canada, there is significant under-representation of Indigenous people at the top of the bureaucracy and in the central agencies of government and the financial agencies such as finance, treasury board, securities commissions and the Privy Council. The situation is similar in other countries with Indigenous populations.

Jurisdictions like Canada and South Africa have had truth and reconciliation commissions that have made recommendations on reconciling with native peoples; there are calls for an Australian commission. For example, the Canadian public interest is meant to be served through the public acknowledgment and implementation of the 94 calls to action contained in the [Truth and Reconciliation Commission of Canada's Final Report](#). These calls to action are intended to respond to the injustices and cultural genocide of Indigenous peoples committed by the Canadian federal government over many decades and centuries. More than 150,000 First Nations, Métis and Inuit children were mostly forced from their families to attend state-run or funded Indian Residential Schools from the late 1800s to 1996, with the goal replacing Indigenous languages and culture with English and Christian beliefs. It is only with very recent tragic discoveries of more than 1,800 confirmed or suspected unmarked graves of Indigenous children at several former Residential Schools that the Canadian public have become more broadly aware of this sustained history of abuse and loss. Sustainability reporting in Canada must set expectations and requirements for the public sector to report on progress made (or lack thereof) in the implementation of these 94 calls to action. This will serve the public interest by bringing much needed accountability for acts of reconciliation that have lasting impact. This reporting on Indigenous rights by public sector entities is being asked for by Indigenous people.

The deplorable gap in the standard of living between Indigenous and non-Indigenous communities needs to be explicitly included in the list of drivers for public sector sustainability reporting. While this might be implicit in the 17 United Nation Sustainable Development Goals ("SDGs"), the continuing legacy of colonialism in many countries needs to be explicitly identified as a cause for this disparity. The World Health Organization's investigation into health determinants now recognizes European colonization as a common and fundamental underlying determinant of Indigenous health. There have been strides made on the part of many Indigenous communities to improve education around health issues, but despite these improvements, Indigenous people remain at higher risk for illness and earlier death non-Indigenous Peoples. This reality should become an additional driver for sustainability reporting in the public sector.

The relevance of ESG-I has not been adequately considered in the driver linked to the capital markets significance. Countries like Canada that have resource extraction-based economies depend on the natural resource sectors to drive economic expansion and growth. With UNDRIP now part of federal law, natural resource projects will require the free, prior and informed consent ("FPIC") of Indigenous rights holders before they proceed. This requirement brings a new type of risk to the credit ratings attached to federal and provincial government bonds. The trajectory of the Canadian economy will be very much affected by its relationship with Indigenous peoples. If public sector governments and institutions are required to consider Indigenous rights when setting laws and regulations, the private resource extraction sector will have more clarity on their need to consult and cooperate with Indigenous peoples. Governments play an important role in facilitating FPIC as was recently demonstrated by the provincial government of British Columbia outlined in Exhibit 1 below. There is increasing interest by public sector investors (for example pension funds) in bonds issued by governments or public sector entities that demonstrate respect for Indigenous rights. The [First Nations Finance Authority](#) has sold over \$1.7 billion of bonds to investors around the world. This international demand is driven by the fact that these bonds can be directly linked to the SDGs. The proceeds from these bonds are allowing First Nations to help bridge the huge \$30 billion infrastructure gap that exists between Indigenous communities and the rest of Canada.

Exhibit 1

B.C., Tahltan Nation Sign Consent-Based Agreement

On June 6, 2022, the Tahltan Nation and the Province of British Columbia entered into the first consent-based decision-making agreement negotiated under B.C.'s Declaration on the Rights of Indigenous Peoples Act. The landmark agreement advances reconciliation as well as provides clarity and predictability over the environmental assessment for the Eskay Creek gold and silver mine that is located on Tahltan Territory. It modifies the provincial process to allow for greater collaboration between the province and Tahltan Central Government and honours Tahltan's jurisdiction in land-management decisions in Tahltan Territory, in recognition of Tahltan's title and rights within its territory.

(Source: Office of the Premier of British Columbia)

Prioritizing UNDRIP Along with Sustainable Development Goals

The CP discusses the SDGs which form an organizing framework for meeting development goals while mitigating the human-caused effects of climate change. However, the CP fails to consider UNDRIP. It is not appropriate for the public sector to blindly pursue the SDGs without also respecting the rights of Indigenous people. Indigenous people must be included in the process, and the exercise must be transparent. The inclusion of UNDRIP within any future sustainability standards is essential to ensure that they are robust enough to serve as a global baseline for the disclosure of sustainability-related financial information by public sector entities including governments. The IPSASB should develop a strategy and process to engage with Indigenous peoples to understand how UNDRIP can be adequately reflected within sustainability standards, and how to incorporate principles of Indigenous sustainability. This should include consultation and cooperation with Indigenous governments and Indigenous organisations.

Viewing Sustainability Through an Indigenous Lens

The CP defines sustainable development as ‘development that meets the needs of the present without compromising the ability of future generations to meet their own needs’. The definition of sustainability in the CP should be expanded to incorporate the Indigenous concept described as seven generation thinking. The Seventh Generation Principle is based on an ancient Haudenosaunee philosophy that the decisions we make today should result in a sustainable world seven generations into the future. Indigenous people have lived sustainably for thousands of years using their traditional knowledge. It is reported that while Indigenous people represent less than five percent of the world’s population, they are stewards of 80 percent of the earth’s biodiversity. It is estimated that at least 3.5 million square kilometres of Canada are subject to a land claim agreement or treaty between the federal government and various Indigenous governments³. This land mass would rank as the eighth largest country on the planet when compared to other nation states. From an Indigenous perspective, lands and resources are for people to use, to protect and to benefit from. This custodial world view instills the obligation of looking after the environment in a way that ensures the next seven generations of people will be able to enjoy its use and benefits in the same way. For any new sustainability standards set by the IPSASB to be relevant in countries that have a significant Indigenous population, such as Canada, they need to be inclusive of Indigenous rights and require the alignment of public sector performance measures with Indigenous concepts of sustainability.

Double Materiality as an Outside-In Approach to Sustainability

The IFAC Building Block Approach to Sustainability Reporting presented in Figure 2 of the CP, presents a multi-stakeholder focused component which encompasses the impacts that an entity has on economy, environment, and people. The FMB is supportive of the double materiality concept which is identified as a guiding principle in the GRI Standards which are cited as a possible source for new sustainability standards. Double materiality prioritizes first identifying material impacts on sustainable development, then identifying matters that are material to enterprise value. We believe that the IPSASB needs to embrace the concept of double materiality. By doing so, the IPSASB will achieve a more holistic view of sustainability reporting than a primary focus on enterprise value provides. If put into practice, this approach would have a positive benefit to Indigenous people as it would align with public policy that seeks to promote a just transition during our economy’s shift away from carbon. This would fit with the regulatory role of the public

³ <https://native-land.ca/land-area-comparison-canada-and-land-claims/>

sector referred to in the Preface to the IPSASB's Conceptual Framework. Double materiality would also allow the IPSASB more flexibility in meeting the needs of multiple sets of stakeholders as outlined in Figure 2 of the CP. For example, sustainability reporting in the public sector should consider how an entity's operations, practices or laws impact Indigenous rights. These factors should be added as a specific area requiring guidance within Section 3.3.

Consultation and Cooperation with Indigenous People is Necessary

We recommend that the composition and terms of reference of the Sustainability Reference Group mentioned in section 4.7 be developed with UNDRIP in mind. Article 19 of UNDRIP requires that “States shall consult and cooperate in good faith with the indigenous peoples concerned through their own representative institutions in order to obtain their free, prior and informed consent before adopting and implementing legislative or administrative measures that may affect them.” Indigenous people and their communities have a vital role in environmental management and development because of their knowledge and traditional practices. States should recognize and fully support their identity, culture and interests, and enable their effective participation in the achievement of sustainable development⁴. Sustainability is a key concern for Indigenous people around the world, and the IPSASB and other standard setters have a responsibility to consult with Indigenous people and ensure that their views are represented within reporting guidance.

Public sector accounting standards apply to Indigenous governments, which in Canada are a separate order of government with their own reporting needs. It will be necessary for IPSAB to create a mechanism for Indigenous consultation and for inclusion of Indigenous government standards. Establishing permanent Indigenous representation on the IPSASB would be an important change that would demonstrate implementation of UNDRIP and strengthen this consultation process. We recommend that IPSASB also begin to hire Indigenous staff to develop organisational competency in Indigenous government and Indigenous rights reporting.

The IPSASB should consider how to enable consultation and cooperation with Indigenous rights holders and how to fund this type of engagement. Article 18 of UNDRIP states that “Indigenous peoples have the right to participate in decision-making in matters which would affect their rights, through representatives chosen by themselves in accordance with their own procedures, as well as to maintain and develop their own indigenous decision making institutions.” Canada and other nations which adopted UNDRIP into law must consult and cooperate with Indigenous people on the development and adoption of standards.

Section 4.2 of the CP should be expanded to include Indigenous people as one of the key enablers listed. The inclusion of Indigenous people will allow the IPSASB and users of the reporting guidance to benefit from a more comprehensive view of sustainability and bring more representative thinking to its standards. Indigenous people have demonstrated sustainability principles and beliefs as part of their traditional practices since time immemorial. The principles of taking only what one needs, avoiding waste, and showing respect for the planet and all its creatures are fundamental to creating a more sustainable planet.

There are a number of important ESG factors that impact Indigenous peoples and their rights in unique ways. Figure 1 in the CP would be improved by also including Indigenous sustainability issues such as those that impact First Nations in Canada (e.g., boil water advisories, infrastructure deficits, colonialization,

⁴ The United Nations Conference on Environment and Development 1992

residential schools). Indigenous peoples are often disproportionately impacted by environmental, social and governance issues. For example, there is growing evidence that is showing how climate change is reducing First Nations' traditional food sources, driving up the cost of imported alternatives, and contributing to a growing problem of food insecurity and related negative health impacts⁵.

Indigenous Perspectives Are Not Yet Reflected in Private Sector Standards

If the IPSASB plans to use the standards issued by the ISSB as a starting point, we would encourage the IPSASB to read the FMB's separate comment letters submitted to the ISSB in response to their proposed set of sustainability standards. We highlighted a number of concerns in our comments related to the omission of Indigenous peoples in those standards.

Cooperation and Collaboration with Standard-Setters

In closing, the FMB sees the IPSASB's presence in Toronto with proximity to the new Canadian Sustainability Standard Board ("the CSSB") and the International Sustainability Standards Board Centre ("the ISSB") in Montreal being advantageous to your work in this area. We encourage the IPSASB to take advantage of this proximity and work collaboratively with the CSSB, ISSB and the FMB in the area of Indigenous sustainability.

Sincerely,

FIRST NATIONS FINANCIAL MANAGEMENT BOARD

Per: *"Harold Calla"*

Harold Calla, FCPA, FCGA, CAFM
Executive Chair

⁵ "My Fear is Losing Everything", October 21, 2020, Human Rights Watch

Responses to Specific Questions in Consultation Paper

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?

Yes. The Consultation Paper clearly states the importance of establishing global public sector specific sustainability guidance. In addition to impacting sustainable development directly through its own behavior and activities, the public sector also acts as a regulator.

The standards which are being established by the ISSB will be primary focused on enterprise value. There would be value in establishing sustainability standards that will deal with matters unique to the public sector and reflect the needs of its stakeholders, including double materiality reporting.

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?

Yes. The IPSASB is the appropriate body to do this work, however, it is currently lacking representation of Indigenous peoples and a clear consultative process with Indigenous rights holders. UNDRIP Articles 5 and 19 should be considered by IPSASB. We encourage IPSASB to develop a consultation strategy that will promote the inclusion of Indigenous peoples and obtain their informed consent on standards that may impact them. It is also important that IPSASB develops a process to consult with the sustainability standards bodies of each jurisdiction promoting Indigenous consultation.

The fact that the Conceptual Framework addresses non-financial information, the existence of relevant guidance and the high-quality processes and global relationships puts the IPSASB into an advantageous position to develop global public sector specific sustainability reporting guidance.

The IPSASB should partner with other bodies such as the International Sustainability Standards Board and the Canadian Sustainability Standards Board in developing guidance.

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.

Public sector entities should be required to report on their efforts and actions taken to implement UNDRIP. In Canada, the federal government has brought UNDRIP into law (as have some provincial governments). Public sector standards should promote accountability on the implementation of UNDRIP within the public sector. Many requirements contained in UNDRIP are the responsibility of government or other public sector entities. This needs to be made clear in any new sustainability standards.

Canada has recently confronted its history of colonialism that included acts of cultural genocide against its Indigenous peoples. The [Truth and Reconciliation Commission of Canada](#) was formed to [document this history](#) and to help create new pathways for reconciliation. This resulted in the publication of 94 [Calls to Action](#) – many of which apply to the Canadian public sector. For new public sector sustainability standards to be relevant in Canada, they must require public sector entities to report on efforts taken to respond to and implement relevant Calls to Action issued by the Truth and Reconciliation Commission of Canada.

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?

Yes. As mentioned above, the IPSASB should work in collaboration with other international bodies such as the ISSB and CSSB to share expertise and develop the best standards and guidelines.

The IPSASB should develop a mechanism for consulting and cooperating with Indigenous peoples. A review should be conducted to determine whether any changes must be made to the IPSASB's standard setting due process to make it compliant with UNDRIP – Articles 5, 18 and 19 in particular. As a standard setting body, we would encourage the IPSASB to review its own terms of reference to ensure that there is representation from Indigenous people.

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?

Yes. General sustainability-related information and climate-related disclosures should be the first two topics addressed. This will allow for consistency with the standard setting approach being used by the ISSB. The consideration of Indigenous rights should be included within the sustainability-related information as a critical component.

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?

Partially. Collectively the 5 key enablers listed in paragraph 4.2 will be necessary to develop strong and quality sustainability reporting guidance.

Paragraph 4.7 provides details on Sustainability Reference Group to advise the IPSASB where various range of stakeholders are considered including sustainability experts, those with relevant scientific experience, including investors in government bonds. The paragraph fails to mention Indigenous people as one of the key stakeholders as they have unique knowledge and expertise of natural resources. In addition, a significant portion of the earth's remaining natural capital is found in the territories of Indigenous people. These resources may need to be included in sustainability reporting going forward, and reinforces the need to ensure that Indigenous perspectives on the best

The IPSASB must develop and implement a strategy that will allow for the consultation and cooperation with Indigenous rights holders. A failure to consider the role that traditional knowledge held by Indigenous people could have on sustainability would be a material omission in general application standards. This traditional knowledge consists of the collective shared understanding of the natural environment and the impacts that humans have had on it over time. This knowledge has often been retained by elders through the sharing or oral history and story telling. For this reason, we recommend that the IPSASB develop Indigenous competency through the establishment of a permanent seat for an Indigenous representative(s) and by hiring Indigenous staff.

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?

The FMB would be willing to support the standard setting activities of the IPSASB through its participation with the recently created Canadian Sustainability Standards Board. We will be pleased to provide comments on future proposals directly to IPSASB. We would like to work with IPSASB and other Indigenous organisations around the world to bring Indigenous perspectives and lived experience to international public sector standard setting.