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International Public Sector Accounting Standards Board (IPSASB)
Toronto, Ontario, Canada

Via electronic submission

Dear IPSASB,

Our comments on the IPSASB Sustainability Consultation Paper are below. In general, we disagree with IPSASB endorsing the ISSB and instead suggest IPSASB endorse the GRI as public sector sustainability standards. Further, we question whether adopting ISSB, rather than GRI, for public sector sustainability reporting is in the public interest. Reporting in accordance with ISSB–based on narrow focus on investors' interests–is incongruent with public sector reporting and the public interest in our view.

Chapter 1 The IPSASB's view is that there is a need for global public sector specific sustainability reporting guidance. Do you agree that there is a need for a global public sector specific sustainability guidance? If not, please provide your reasons.

We agree there is a need for further development of global public sector sustainability guidance. However, it is not clear to us why the GRI, the leading sustainability framework globally, is not appropriate for the public sector. While the consultation paper states the GRI does not currently have plans to produce guidance for the public sector, many of the topics already in GRI may be relevant to the public sector.

Therefore, if any guidance is to be provided, we suggest IPSASB guide public sector entities to use GRI for their sustainability reports, and work with GRI to jointly adapt or create public sector GRI sector guidance, if specific sector guidance is needed.

We disagree with the IPSASB's preferred option of ISSB as a baseline. Because ISSB standards are concerned with enterprise value, and enterprise value is not relevant to most public sector entities, ISSB standards are not as relevant, nor of as high quality, as GRI.

[1] The views expressed herein are the personal views of the authors and do not necessarily reflect the views of the Office of the Auditor General of Alberta or any other organization.

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.

We don't agree that IPSASB is in the best strategic position to develop such guidance. IPSASB seems to be on a course of duplicating work or creating confusion as to the applicability of the global guidance that already exists with the GRI. At best, limited guidance may be needed to modify specific areas of the GRI, but less confusion and duplication of work already done by GRI would be accomplished by working with GRI in creating public sector guidance.

We also highlight a concern regarding "member only" discussions undertaken by IPSASB on the subject. Specifically, IPSASB's "member only" discussion of sustainability at its March 2022 meeting raises questions in regards to transparency of standard setting for the public sector.

In that vein, we suggest IPSASB not embargo the responses to the consultation paper and ensure all responses are made public (unless a respondent requests confidentiality) and refrain from any further "member only" discussions. We also suggest IPSASB consider whether an additional consultation paper should be issued on sustainability reporting based on the responses received, which could also include the further analyses we suggest throughout herein.

As for the consultation paper itself, we observe that it reads more like a position paper. IPSASB's due process document states a consultation paper is done given "existence of significant and controversial divergence of stakeholder views." However, it would be more in line with a consultation paper if IPSASB provided these other views' fair representation and included a more thorough and balanced analysis of alternatives. We present throughout our response herein more in-depth comparisons between ISSB and GRI that the consultation paper could have included to provide a comprehensive analysis.

We suggest the consultation paper could lead into further analysis of ISSB's and the IFRS Foundation's experience, process and relationships along with those of the Global Sustainability Standards Board (GSSB), which sets GRI, as below:

	GRI	**ISSB**
Experience setting standards	Established. GRI has been in place for about 20 years. Well-established board (GSSB) to oversee standards. Board has multi-stakeholder membership.	None; has not issued any final standards yet. Board is not in place. It's not clear if Board will have multi-stakeholder membership.
Processes	GSSB follows a due process.	Unclear. Has issued an exposure draft without a constituted board.

	GSSB's public interest is defined as common interests of humanity.	The "public interest" of ISSB is the financial interests of investors and creditors.
Relationships	GRI has relationships with European EFRAG as demonstrated by recent joint work on standards. GRI was a collaborating center for the UNEP (United Nations Environment Programme).	Through IFRS Foundation and PIOB the ISSB is connected to various regulators, mainly investor-focused. May not be as relevant to sustainability reporting for public sector.

From the above, it seems the GRI would be substantially more aligned with the public sector: it has 20 years experience, it has effective and transparent due processes, and it has relationships beyond financial focus with more public sector oriented and global organizations, such as the United Nations.

Chapter 3 Matter 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.

In our view, given the GRI's comprehensive topics (over 120 disclosures across over 30 topics), there is no need to prioritize topics. As well, the materiality process required by GRI itself would require prioritization among those topics for a particular public sector entity.

To compare ISSB standards and GRI standards:

	GRI	**ISSB**
Number of standards, July 2022	Over 30 standards, including general, sector and topic standards.	None.* *Exposure draft of two general standards, is all that exists as of July 2022. It is unclear to what extent ISSB will adopt the various standards of its five predecessor organizations; reconciling that alphabet soup is an enormous exercise, in specific standards, notwithstanding its general standard exposure draft has a "GAAP hierarchy" of sorts.
Standards length, in pages	Hundreds of pages; extensive.	About 100 pages, very limited. Much longer depending upon how "GAAP hierarchy" is interpreted.

Link to UN SDGs	Linked and supported. GRI has guidance and tools linking GRI to SDGs.	None.

In terms of priorities, considering the proposal for adoption of ISSB, it is difficult to engage in any discourse about focus around priorities. A paradigm shift in thinking—away from ISSB— is required before a discussion around priorities would carry any utility.

We suggest there are many other topics that should be considered, in fact the full range of topics of GRI, including diversity, equity and inclusion, human rights, including indigenous rights, and biodiversity, among many others; indeed, the full set of GRI topics for which standards are presently developed in accordance with due process by GRI, available, and widely used.

IPSASB's consultation paper (paragraph 1.5) discusses the UN SDGs but then does not map potential standards (either ISSB or GRI) onto these goals. We suggest, if mapped, it likely would demonstrate that GRI is better suited than ISSB for public sector entities.

The GRI has published guidance on linking the SDGs and the GRI, and includes various tools to support GRI and the SDGs reporting, developed in partnership with the UN Global Compact. In contrast, there is no mention of the SDGs on ISSB's website (searching "UN SDG" on ISSB's website yielded no results). We question why IPSASB would endorse ISSB over GRI, given the consultation paper's inclusion of the SDGs and their importance of public sector entities.

Overall, the thrust of the consultation paper seem to suggest that IPSASB is going to adopt an approach similar to ISSB in terms of structure of standards and topics to prioritize. We disagree with IPSASB adopting a similar approach as set out in ISSB 1. ISSB has many limitations which make it an inappropriate foundation for public sector sustainability standards including:

- No definition of sustainability, or an implied definition that it is whether the entity can continue to make profits ("enhance enterprise value") which is not relevant in most of the public sector
- Less relevant reporting objective (enterprise value) versus stewardship and accountability in public sector
- No due diligence concept in ISSB
- Less appropriate "starting point" because IPSASB has set up a distinction between "block 1" and "block 2" in figure 5 that may not be as relevant in the public sector. What if when IPSASB examines ISSB in more detail, it finds that enterprise value is not as relevant. So, in terms of figure 5 (block 1 and block 2), what if block 2 is far more relevant to public sector, while block 1 is only marginally relevant, and existing IPSAS financial reporting may be sufficient?
- ISSB-1 (based on exposure draft) governance is unclear. Who is "board" in public sector? Cabinet? The legislature? The bureaucracy? The "state"? Again, IPSASB may need to re-write ISSB-1. We note it may need to adapt GRI as well in this respect.
- The reporting on financial condition (ISSB-1 paragraph 22) would need adaptation for the public sector. It appears that 22 (c) how the entity expects its financial position to

change over time is the public sector entity's budget? Would IPSASB rewrite ISSB-1 for this change? What about the connection to strategies, risks and opportunities? Is that the government's strategic plan, or fiscal planning documents? But they are not focused on "enterprise value" in the sense of ISSB, but instead on government policy and priorities.

To stress, we are not saying some of the proposed ISSB requirements can't apply to the public sector. Reporting strategy, opportunities and risk may be good practices. Our point is that ISSB-1 is not as appropriate foundation for sustainability reporting for the public sector as GRI, and, in our view, a much better starting place is GRI 1, 2 and 3.

We note some work on adapting GRI-1, 2 and 3 may also be necessary, but in our view it is much less extensive as reworking the fundamentally different ISSB-1.

We question paragraph 3.6 saying "However, [GRI] does not currently have plans to produce guidance for the public sector." The consultation paper does not state whether ISSB has plans to produce guidance for the public sector, nor analyze, as we suggest, whether the existing topics in GRI are relevant for the public sector. If the existing GRI topics are already relevant, the statement "GRI does not currently have plans to produce guidance for the public sector" is a moot point because the guidance already exists.

The ISSB covers less topics, is not designed to serve the interests of the public sector (they have not defined sustainability or the public interest with respect to sustainability and their purpose is only assessment of enterprise value), and lack the important concept of due diligence (avoiding or mitigating negative sustainability impacts). Discussion of these issues could have added value in the consultation paper.

We note that in paragraph 1.9 onwards the consultation paper explains "the ISSB's remit is to deliver a comprehensive global baseline of sustainability-related financial disclosures for the capital markets, and in paragraph 1.10 it states "No equivalent international body has yet been tasked with considering global sustainability reporting standards to meet the reporting needs of the public sector." We point out it is not clear that ISSB will be the global baseline, or where such a "remit" arises from, and the narrow focus on the nature of the organization tasked with developing standards could be misleading since the GRI/GSSB has developed sustainability standards that are globally used, and is already referenced or required by various regulators such as stock exchanges..

The consultation paper explains the building blocks approach. However, we suggest block 1 (enterprise value) is somewhat irrelevant to the public sector, or already explained in a public sector's financial statements or financial statement analysis. Block 2 is most important for the public sector; we agree with the consultation paper when it says in paragraph 1.13 "[Multi-stakeholder reporting, block 2] is likely to receive greater focus in the public sector than the private sector." We therefore question the approach proposed by IPSASB emphasizing ISSB.

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, through the application of its current processes. Do you agree with the IPSASB's preliminary view?

While figure 5 references broader public sector specific sustainability guidance, starting with block 1, the financial sustainability-related guidance based on ISSB, is flawed because of ISSB's lack of relevancy to the public sector.

GRI's concept of the public interest and its more robust general standards may be better aligned with IPSAS standards than ISSB's. We note that it is a better approach to embed metrics into particular standards rather than have them separate, as figure 5 suggests. GRI also embeds a materiality process into its general standards, but this is not included in ISSB's standards and is missing from figure 5.

We agree if by "other international bodies" IPSASB means GRI and the UN, or perhaps the European Sustainability Reporting Board/ EFRAG. We do not agree with IPSASB working collaboratively only with ISSB.

We note the framework and structure in figure 5 doesn't seem to exist in IPSAS itself. IPSASB has a conceptual framework, then a general standard, and then a series of topic standards. IPSAS doesn't have another level of "metrics" set out. The consultation paper does not analyze the merits of adopting a standards structure that is different from IPSAS.

We question why the consultation paper did not obtain and analyze data on sustainability frameworks in present use by public sector entities globally, similar to the data in the IFAC AICPA CIMA *State of Play* document.

It is uncertain whether ISSB's eventual standards will be relevant for the public sector. ISSB's exposure draft of general requirements states that "Sustainability-related risks and opportunities that cannot reasonably be expected to affect assessments of an entity's enterprise value by primary users of general purpose financial reporting are outside the scope of this [draft] Standard" (paragraph 9). While the next paragraph (paragraph 10) states they may be used for not-for-profits or public sector entities, it states amendments may be necessary, and it's not clear how paragraph 9 and 10 interrelate. There are usually no investors in public sector entities, and while enterprise value also includes debt, it is because upon acquisition an enterprise's debt would need to be assumed or repaid. But acquisitions of governments are rare.

Practically, paragraph 9 of the ISSB General exposure draft appears to mean that the ISSB standards are not relevant to most public sector entities, because it is only in extremely rare circumstances that assessments of an entity's enterprise value are relevant to primary users of a public sector entity's financial reporting.

The consultation paper should have compared the maintenance and adaption of ISSB, in terms of incurred costs and delays in deployment, with the maintenance and adaption costs if GRI was adopted. The analysis may also have included the costs, if ISSB is adopted, for IPSASB to have in place the same maturity and range of topics as currently are in GRI, and included timeframes for their issuance, for comparison to the costs for achieving the same by using GRI. Readers of the consultation paper could then use such analysis to better inform understanding of IPSASB's position. In our view, such an analysis would support GRI.

We question the logic behind the argument, that because IPSASB is largely based on IFRS Foundations' IASB's IFRS standards, IPSASB has to adopt the IFRS Foundation's ISSB's sustainability standards. The relevance of one does not imply the relevance of another.

The consultation paper states over 1/3 of IPSAS are public sector specific, so not in IFRS. The consultation paper does not state what portion of IASB standards are of little or no relevance to the public sector as written, which is an important consideration.

It could be that the 1/3 public sector specific standards are those most used by public sector entities (a reasonable assumption, because they had to be added to IASB's framework for use by public sector), and perhaps it is those 1/3 that best integrate with GRI in general purpose financial reports. For example, how government transfers support diversity, equity and inclusion initiatives. So GRI may inherently be a better fit with IPSAS for public sector entities, even if IASB standards are the base for IPSAS. Strategically, perhaps adopting GRI will lead to IPSASB questioning whether its reliance on IASB/IFRS continues to be appropriate.

The consultation paper identifies "critical differences" (paragraph 1.14) between private sector and public sector, and notes these are described in the preface to the IPSASB conceptual framework. The consultation paper leaves out the most crucial difference in our view, described in that same preface, paragraph 2: "The primary objective of most public sector entities is to deliver services to the public, rather than to make profits and generate a return on equity to investors." This reveals the main point of our views expressed in this letter–the fundamental inconsistency of endorsing for the public sector a sustainability framework that has as its only purpose providing information that can help evaluate return on equity to investors or "enterprise value." A deeper analysis of this issue was largely omitted from the consultation paper. IPSASB may have dealt with this issue more directly in its consultation paper and followed through with the implications, which is that the ISSB fundamentally is not as appropriate for public sector entities compared to GRI.

If one can say that "ISSB can be adapted," it is also true that "GRI can be adapted." Whether ISSB or GRI is better for public sector entities then can be determined based on other criteria more valid to deciding between ISSB or GRI, which we have analyzed elsewhere in this response, and demonstrate GRI is likely superior for public sector entities.

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.

We do not agree as it appears to us the IPSASB is taking a considerable step backwards by considering only two topics for sustainability reporting. As noted earlier, the GRI already has in place many more topics. As well, many in the sustainability field consider sustainability issues to be interconnected – it's not good to talk about climate without talking about biodiversity.

As noted, IPSASB may have, as part of this consultation paper, determined the sustainability reporting currently being done by public sector entities, including what frameworks in use and what topics are most commonly reported on.

We question whether climate-related disclosures are the best place to start. This is not to say that climate-related disclosures are not important, or even that climate change (global warming) is not important. It is a crucially important topic. However, we question whether the climate-related disclosures of public sector entities are the only relevant sustainability topic, because most emissions may be from industrial or commercial activity, and public sector entities are usually not industrial or commercial entities. Public sector entities may regulate climate-change activities of the industrial or commercial or other sectors e.g. by setting emissions or intensity targets, but these emissions are not the public sector entity's emissions, so would not be part of the public sector entity's sustainability reporting.

We question why the consultation paper didn't say that many more topics were relevant. It would have been useful for the consultation paper to go through each GRI standard and rank its relevance to public sector entities, and compare these in a table to each standard of ISSB and rank their relevance to public sector entities, and present the comparison to readers. The Appendix to the consultation paper indicates the GRI standards but a more thorough analysis would have taken the GRI index, created a table, and then explained for each topic whether IPSASB could reasonably foresee the topic being relevant in the public sector. Another useful comparison would be comparing the GRI topics to the ISSB's topics, to illustrate which framework was more developed and more relevant.

To stress, we find it disconcerting that IPSASB selected for prioritization the only areas where ISSB had exposed standards, and did not prioritize the many other topics where GRI has a standard in place but ISSB does not.

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.

Duplication of work and confusion seems inevitable from the proposed course of action from IPSASB. In our view, there are a few general options:

1. IPSASB develops or endorses sustainability standards. The best option is to use GRI, not ISSB. A mix of frameworks is likely not feasible because of the internal consistency of each framework.

2. IPSASB does not endorse any sustainability standards and lets the “market place” determine the most appropriate standards.
3. A separate, new standard setter is created for public sector sustainability standards. A separate standard setter, not connected in any way with IFAC or any national accounting organization (in terms of oversight, or resources provided, or shared personnel/staff), may need to be created that can more appropriately set public sector sustainability standards.

In our view, option 1 (IPSASB endorse GRI as public sector sustainability standards) is the best option.

The key enablers the consultation paper lists are appropriate resourcing, experienced and active Sustainability Reference Group, effective and efficient use of IPSASB member time, coordination with other international sustainability standard setters, and dialogue with national standard setters. We agree with these but are concerned regarding how IPSASB may choose to apply these. Because IPSASB kept its discussions “member only” regarding this topic on its March agenda, and as noted the consultation paper is more of a position paper endorsing ISSB than a thorough and balanced analysis, the intentions of IPSASB should be made clearer. It is too non-committal in paragraph 3.6 when the consultation papers says “If it decided to develop guidance for reporting on broader sustainability issues [GRI or EC] could be considered.” IPSASB statement it will “coordinate with other international sustainability reporting standard setters” raises the question whether it intends to work only with the ISSB, but not GRI. Further, paragraph 5.4, while marked “indicative,” says IPSASB will work with ISSB, not GRI.

We also suggest it is necessary for IPSASB to analyze several criteria to compare ISSB and GRI (see illustrative table below for criteria, not present in the consultation paper and therefore not fully analyzed; several of these are similar to the experience, processes and relationships in question 2 as they are enablers as well):

Criteria	**GRI?***	**ISSB?***
Public interest defined broadly?	Yes	No
Comprehensive set of standards in place?	Yes	No
Standards applicable to public sector?	Yes	No (perhaps predecessor standards may be).
Support double materiality?	Yes	No
Standard setting board constituted?	Yes	No, underway.
Due process?	Yes	Relied on exemption to issue exposure drafts; in future will have due process.
Widely used globally?	Would need research on use in public sector, but GRI is most widely used sustainability standards	No; perhaps some global use of predecessor standards (TCFD, SASB, etc.)

User familiarity?	Would need research on use in public sector, but given GRI is most widely used sustainability standards, users likely more familiar with GRI.	No, perhaps some familiarity with predecessor standards (e.g. TCFD, SASB).
Long history of successfully setting standards?	Yes. GRI has been in place for about 20 years.	None; has not issued any final standards yet (predecessor organizations have more recent history). Board is not in place; not clear if the Board will have multi-stakeholder membership.
Demonstrated history of working with regulators or national standard setters	Yes, recent work with European EFRAG.	No. IFRS Foundation perhaps, but not ISSB.
Specific support for assurance practitioners?	Yes. Examples in IAASB EER guidance.	Yes (for predecessors). Examples in IAASB EER guidance.

*The table is based on circumstances as of August 2022. Future developments of both ISSB and GRI would need to be considered.

ISSB likely will continue to be investor-focused sustainability information with GRI multi-stakeholder sustainability information; block 1 and block 2 in the consultation paper, respectively. However, there are very few investors in the public sector, and it is unclear to what extent creditors would use sustainability information of a public sector entity, and that GRI would also not meet their needs. The consultation paper did not provide any evidence of this. Regardless, block 2 is the most important for the multi-stakeholder inherent nature of public sector entities, and therefore IPSASB should adopt the GRI, not ISSB, for sustainability reporting of public sector entities.

If IPSASB establishes any sustainability working groups or reference groups or task forces (or equivalents) or intends to respond to exposure drafts of sustainability standards setters, we suggest it includes GRI representation, performs outreach activities to GRI, and engages with and responds to exposure drafts of GRI.

IPSASB may form a working group with the GRI, assist GRI in developing a public sector guideline, and perhaps even jointly issue an exposure draft that requires public sector entities to use the GRI for sustainability reports, with new GRI public sector sector-specific guidance.

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?

If IPSASB would use GRI as its sustainability reporting framework, and actively cooperate with GRI, we would support such an initiative by way of participation on task forces or working groups or other volunteer contributions.

Sincerely,

Wayne Morgan

Phil Peters