

Professor Carol Adams BA MSc PhD CA FAICD  
Professor of Accounting  
Durham University Business School  
Durham University  
United Kingdom

Ian Carruthers  
Chair, IPSASB  
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### **Response to you Consultation Paper on Exposure Draft (ED) 83, Reporting Sustainability Program Information**

Thank you for the opportunity to respond to Exposure Draft (ED) 83, Reporting Sustainability Program Information.

I am responding as a Professor of Accounting and Chartered Accountant (ICAS) with experience in sustainability reporting practice and policy development. Regarding public sector work, I have led the development of award-winning university sustainability reports and sustainability management and governance processes and have conducted research in public sector sustainability and integrated reporting. I am author of the forthcoming guidance on public sector sustainability reporting due to be published by CIPFA in the first quarter of 2023. I Chair the Institute of Chartered Accountants of Scotland (ICAS) Sustainability Panel and am a member of the Australian Accounting Standards Board's (AASB) Sustainability Reporting Project Advisory Panel. Further details of my background and research are [here](#). The views expressed below are my own.

Amending RPG 1 and RPG 3 has the potential to fill gaps in public sector sustainability reporting not currently addressed by other Standards or guidance. I write to suggest some amendments to assist that occurring in a meaningful way. Overall, I found the proposals somewhat confusing, and I think this stems from the objectives being unclear and/or unable to be fulfilled by the proposed amendments. That is, the amendments are limited, and the guidance was initially designed for a purpose other than "sustainability". The nature of the guidance and limited examples related to sustainability matters will limit the ability of report preparers to develop high quality sustainability disclosures that address material issues.

#### **Key recommendations**

My key recommendations are:

- 1) State objectives of this program of work and review the extent to which these specific proposals can deliver on them and where they may need to be augmented.
- 2) Define key terms, such as "sustainability" and "sustainability program".
- 3) Provide guidance on determining sustainability "outcomes" that should be disclosed and extend the definition of outcomes in RPG 3 to include environmental and economic outcomes.

- 4) Explain the connection between entity and program level sustainability reporting.
- 5) Advocate use of GRI Standards and use of GRI indicators to determine program economic, environmental and social outcome disclosures. (This and the next recommendation will assist in identifying financially material matters.)
- 6) Collaborate with GRI to develop additional economic, environmental and social outcomes / impacts relevant to the public sector.

These are explained with comments on your specific proposals below.

### **Objective and definitions**

I note that your proposals are to amend RPG 1 and RPG 3 “to facilitate the reporting of sustainability program information” (para 1, p 5) and that the IPSASB project is referred to as the “Reporting Sustainability Program Information project” (p 8). However, it is unclear what is meant by “sustainability” particularly in the context of the purpose of the RPGs, i.e.:

RPG 1 – Reporting on the Long-Term **Sustainability** of an Entity’s Finances;

RPG 3 – Reporting on Service Performance Information.

I suggest that the overall objective of IPSASB in relation to sustainability/ sustainable development is articulated and that “sustainability” and “sustainability program” are defined. These definitions, and hence the purpose, are unclear from the ED. The purpose could be:

- a) To assist stakeholders in assessing impact on sustainable development of programs seeking to address sustainability issues;
- b) To assist stakeholders in understanding the financial consequences of sustainability issues affecting the entity;
- c) To assist stakeholders in understanding the financial consequences of programs aimed at reducing impact on sustainable development; or
- d) Something else.

An additional concern is that there is no definition of what constitutes a material outcome from a sustainability perspective or how such outcomes should be identified.

Para 12 of RPG 1 notes that “assessments of long-term fiscal sustainability use a broad range of data”. The examples given relate to only social and economic issues, not environmental sustainability issues. This omission seems illogical given that, for example, climate change can impact on the valuation of infrastructure and its ability to deliver future services. In contrast para 4 refers only to environmental factors stating: “...an entity should assess any financial impacts of environmental factors and take them into account when developing its projections”. Again, the purpose could be clarified, and more examples given.

The purpose of the project and amendments is said to be about “sustainability program information”, but RPG 1 is concerned with entity level, rather than program level, reporting. The connection between program and entity level sustainability reporting could usefully be explained.

A clear objective of the project and definitions of sustainability and sustainability programs would better guide disclosure.

### **Credibility of disclosures**

Following this guidance alone is likely to lead to gaps in disclosures.

Firstly, RPG 1 BC39 and BC41 do not address the financial impacts of sustainability issues where no programs are in place.

Secondly, focussing on financial impacts alone, without also encouraging the use of GRI Standards and indicators to address impacts of public sector programs, policies and entities, will likely lead to accusations of being complicit with green washing and rainbow washing.

### **Likely impact of disclosures on action**

RPG 3 BC45 states its purpose is “to enable transparency and accountability of the program’s impact against its objectives”. Given the current limited attention paid to sustainable development in public sector disclosures / sustainability reporting, there will be many cases where these objectives are poorly stated with respect to sustainable development and ignore material impacts (positive or negative) on the environment, society and the economy. A first step in requiring accountability against program objectives is to require disclosure of environmental, social and economic objectives and likely impacts. The RPGs could encourage this.

RPG 3 BC47 could usefully include broader examples of what constitutes a ‘sustainability program’. An example would be a program to deliver on strategy to contribute to the SDGs. Would such a project be in scope? My uncertainty here comes back to the lack of a definition of “sustainability programs” and some of the examples appear to indicate that it is the way it is financed that makes a program a “sustainability program”. Broadening the examples would improve disclosure.

Further examples could be provided of measures of the impact of program outcomes on sustainable development. The definition of outcomes in RPG 3 currently refers only to ‘impacts on society’. I recommend this is extended to include impacts on the environment and the economy. The guidance could recommend the use of approaches and indicators in GRI Standards to identify such impacts. Public sector sustainability reporting guidance and requirements issued by government departments and agencies around the world already include indicators from GRI Standards. Identifying such impacts is an essential first step to understanding the financial consequences of sustainability issues.

I hope this is helpful.

Yours sincerely

