

International Public Sector Accounting Standards Board
Mr Ian Carruthers, IPSASB Chair
and Mr Ross Smith, IPSASB Program and Technical Director
277 Wellington Street West
Toronto, Ontario M5V 3H2
Canada

E-mail: ian@iancarruthers.org, RossSmith@ipsasb.org

9 September 2022

Dear Sir/Madam,

Advancing Public Sector Sustainability Reporting

We are pleased to respond to the invitation from the International Public Sector Accounting Standards Board (IPSASB) to comment on the Consultation Paper *Advancing Public Sector Sustainability Reporting* on behalf of PricewaterhouseCoopers. Following consultation with members of the PricewaterhouseCoopers network of firms, this response summarises the views of those firms that commented on the Exposure Draft. “PricewaterhouseCoopers” or “PwC” refers to the network of member firms of PricewaterhouseCoopers International Limited, each of which is a separate and independent legal entity.

We support the work the IPSASB undertakes to develop high-quality accounting standards for use by governments and other public sector entities around the world with the aim of enhancing the quality, consistency and transparency of public sector financial reporting worldwide.

We also support IPSASB’s initiative on advancing international sustainability reporting guidance for the public sector. We see benefits in enhancing IPSASB’s mandate to cover sustainability reporting guidance for the public sector. This approach seems the most appropriate to respond quickly and effectively to the importance and urgency of the issue, leveraging the sustainability reporting initiatives already existing in the private sector and adapting them to the public sector needs, capitalising on IPSASB’s experience, processes and relationships.

Sustainability reporting is particularly important for the public sector and developing guidance in this space is particularly urgent. In addition to applying the rules for itself and therefore living up to its own standards, the public sector has the responsibility to set the tone, regulate and monitor the good application of sustainable rules and behaviours. We believe this is an essential element of building trust in the sustainability agenda of governments.

In our view, mitigation of and adaptation to climate change as well as wider environmental issues are the most pressing topics to be addressed. We therefore support IPSASB’s proposal to first address general requirements for sustainability-related information and climate-related disclosures (we recommend not to limit the focus on greenhouse gas emissions and global

warming but also to include wider issues such as the preservation of ecosystems, including biodiversity).

Our detailed responses to the specific questions in the Consultation Paper can be found in the Appendix to this letter.

If you would like to discuss any of these points in more detail, please contact Henry Daubeney (henry.daubeney@pwc.com) or Patrice Schumesch (patrice.schumesch@pwc.com).

Yours sincerely,

A handwritten signature in cursive script that reads "Patrice Schumesch".

PricewaterhouseCoopers

Responses to the Consultation Paper on Advancing Public Sector Sustainability Reporting

The Preliminary Views and Specific Matters for Comment requested for the Consultation Paper are provided below.

- **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.

Yes, we agree with this view. Development of public sector sustainability reporting guidance is essential. Public sector entities do not only produce public services that should contribute to a sustainable world, but some of them are also regulators and therefore also have the power to require or incentivise both private and public sector entities and individuals to act in a sustainable manner.

Current sustainability guidance and projects for the private sector have an investor focus as opposed to a multistakeholder perspective. The public sector regulates the private sector with respect to environmental and other sustainability matters. The public sector also has significant responsibilities of its own, including responsiveness to multiple stakeholders, resilient infrastructure, environmental protections, stewardship of land, water, air quality, etc. Climate change and other environmental issues can affect public sector assets, revenue streams, the entitlements of its citizens, and government programs.

Therefore, we strongly agree with the preliminary view that 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.

Do you agree with the IPSASB's Preliminary View? If not, please provide your reasons.

We agree with this view. The IPSASB's process of building from private sector standards, expertise and practices should put it in a very good position to derive public sector specific sustainability guidance in good time and with reasonable efforts. In addition, the establishment of a new public sector board would take time and the inflicted delay would be a setback for the pressing needs of accountability in the sustainability field.

Moreover, current IPSASB's work on the 'Natural Resources' project could provide the IPSASB with an important head start on the dual role of public sector entities as regulators overseeing certain aspects of natural resources management along with also being a user of those natural resources.

We support the IPSASB's proposed approach of building on the structure of the Task Force on Climate-Related Financial Disclosures (TCFD) in the private sector comprising governance, strategy, risk management and specific performance metrics and targets.

All those aspects should allow the IPSASB to start quickly and perform early on the objectives, given the pace and scope of ESG proposed standards which are already developed, as set out in the Consultation Paper.

- **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.

The recent climate change scenarios delivered by the International Panel on Climate Change (IPCC) on the progression of global warming and the destruction of our ecosystems (including biodiversity) are alarming and need immediate action. Mitigation of and adaptation to climate change as well as wider environmental matters (preservation and optimal use of natural resources, circular economy, biodiversity, air and water pollution, etc.) are the most pressing topics. See also our answer to Preliminary View 4 about the first topics to be dealt with by the IPSASB.

We encourage the IPSASB to devote sufficient attention to the specific role that the public sector has in its capacity of regulator, in areas such as the impact of taxation and subsidy schemes, procurement strategies, regulation and policies, along with their enforcement.

As a medium to long-term objective, we encourage the IPSASB not to restrict their scope to the E (Environmental) of the ESG criteria but also to consider social and governance matters (the S and G of ESG).

In prioritising topics, the IPSASB should also take the International Sustainability Standards Board (ISSB) consultation on agenda priorities into account.

In addition, due to the heterogeneous nature and size of public sector entities we feel that it would be useful for the IPSASB to also address questions on differential reporting (together with the prospective project on differential reporting for the set of IPSAS standards) in setting sustainability reporting guidance as well as in the consultation process to ensure that this diversity is captured in the guidance that is developed. This might start with the definition of principles that allow to the assessment of the circumstances in which differential reporting would be appropriate. For example, more requirements might legitimately be expected from those public sector entities that have the power to regulate sustainability matters or oversee their application by the various actors, both public and private, and should be held accountable for what they do.

- **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.

Yes, we agree. The framework developed by the Task Force on Climate-Related Financial Disclosures is relevant, useful, well known and well understood. We concur with the view that a strong collaboration of the IPSASB with institutions like the ISSB, European Financial Reporting Advisory Group (EFRAG), Global Reporting Initiative (GRI), International Monetary Fund (IMF), World Economic Forum (WEF), World Bank (WB) and Organisation for Economic Cooperation and Development (OECD) will be very important.

In our view, important matters for consideration also include sustainability reporting elements within IPSASB's framework and an assessment of how the new sustainability reporting guidance would interact with the already developed Recommended Practice Guidelines (RPGs). Given that application of the RPGs is currently on a voluntary basis and the importance of sustainability information in the public sector, this potential mismatch should also be assessed.

- **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 your reasons, explaining which topics the IPSASB should prioritise instead, and why.

We agree. Addressing general requirements for sustainability-related information first seems an obvious starting point and, consistent with our response on SMC1 (where we say that addressing mitigation of and adaptation to climate change as well as wider environmental matters are the most pressing topics), we support addressing climate-related disclosures too as a priority topic. Given the urgency of the matter, this approach allows quick progress by capitalising on the first sustainability reporting exposure drafts published by the ISSB for the private sector.

Given environmental issues also include other very important pressing topics such as the preservation of ecosystems (including biodiversity), we recommend addressing this specific additional topic too as soon as possible, and if possible, as part of the development of the first batch of sustainability reporting guidance to be published by the IPSASB.

The next priority topics would be determined based on the input received on the consultation paper on IPSASB's strategy for the period 2024-2028.

- **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.

Yes, we agree that appropriate resources, an experienced and active sustainability reference group advising the IPSASB, effective and efficient use of IPSASB members time, coordination with other international sustainability standard setters and dialogue with national standard setters will be the key enablers to be successful.

In addition, the ability to connect with various stakeholder groups will also be important. We expect that the development of sustainability reporting guidance will require consultation with experts having different skills (such as economists, engineers and environmental experts) than the ones traditionally needed for developing financial reporting guidance. The IPSAB's ability to connect effectively with those groups will enable it to be successful in developing public sector sustainability guidance.

- **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?

PwC strongly supports IPSASB's and IFAC's activities. We will continue to contribute to the development of the sustainability reporting thinking and guidance by responding to IPSASB's consultation papers or exposure drafts on sustainability topics.