

September 6, 2022

SOCPA Comments on the IPSASB CONSULTATION PAPER, *ADVANCING PUBLIC SECTOR SUSTAINABILITY REPORTING*

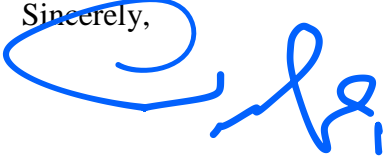
Dear Colleagues,

The Saudi Organization for Chartered and Professional Accountants (SOCPA) appreciates the efforts of the IPSASB and welcomes the opportunity to comment on Consultation Paper, *Advancing Public Sector Sustainability Reporting*.

Our comments on the questions raised in the Exposure Draft are attached in the appendix to this letter.

Please feel free to contact Dr. Abdulrahman Alrazeen at (razeena@socpa.org.sa) for any clarification or further information.

Sincerely,



Dr. Ahmad Almeghames

SOCPA Chief Executive Officer

Appendix 1: SOCPA Comments on the IPSASB Consultation Paper, *Advancing Public Sector Sustainability Reporting*.

Preliminary view 1 — Public Sector Sustainability Reporting Guidance Drivers

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?

SOCPA View: We do agree that there should be a global public sector specific sustainability reporting guidance. However, it should have an integrated framework that clearly defines the users of the reports and underlines sustainable development goals (SDGs), related indicators, and sub-targets, and should be adoptable by different jurisdictions. On the other hand, we believe that the role and nature of the public sector will vary considerably across countries and regions along with the associated sustainability considerations. We are concerned that one set of guidance will not be equally useful to all public sectors unless considerable flexibility, such as proportionality in applying these reporting requirements or a nationally determined bottom-up approach, is incorporated in the guidance, especially for developing countries.

Moreover, with reference to paragraph 1.14, we agree with the view that public sector differs from the private sector and developing such a guidance that is in line with IASB would be difficult as the suggested guidelines would not be applicable to certain countries.

Preliminary view 2 — Strategic Fit for the IPSASB

The IPSASB's experience, processes and relationships would enable it to develop public sector specific sustainability reporting guidance effectively?

Do you agree with the IPSASB's Preliminary view?

SOCPA View: We partially agree with the preliminary view 2. The IPSASB's with their experience, process and relationships can produce sustainability reporting guidance effectively. To maintain that the process need experts who are familiar with sustainability reporting elements for public sectors to ensure adequate regional representation thereby increasing the likelihood of adoption. We suggest developing a specialized committee within the board (where the members of the committee can be from several government sectors and have relevant professional experience) that is dedicated to produce and monitor such a guidance, as there is a need to clarify the differences and consideration to national priorities and guidance will fit with in the future guidance. Given the diversity of sustainability issues, we believe that this committee would be required to keep track of scientific, technological, social, and economic developments.

Furthermore, IPSAS's stated experience is in financial reporting while the processes described in the CP Paper are very general. This requires selecting board members who can make neither of the (all-too-common) cognitive mistakes of:

- Understanding the sustainable to be distinct from the economic, and therefore a distraction from users' needs
- Understanding the IPSAS to be 'taking over' all aspects of sustainability reporting, and therefore distracting from a broader social need that well-functioning capital markets.

Specific Matter for Comment 1—Chapter 3- Public Sector Approach

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.

SOCPA View: According to KSA Vision 2030, the most prioritized (and publicized) topics are: reducing reliance on non-renewables and shifting to renewable, atomic, and other environment-friendly sources of energy, efficiency of energy consumption, tackling climate change also with drought surviving tree planting, handling water resources in the face of water scarcity and desertification. Vision 2030 has placed a strong emphasis on sustainability since its inception. The Kingdom of Saudi Arabia is now ushering in a new age as it strives to achieve [Net Zero Emissions by 2060](#).

Generally, we suggest raising more specific topics to be reflected in the sustainability reporting guidance, for example:

- A. When addressing climate change on a global scale, holistic approaches are essential, such as the circular carbon economy approach, an approach adopted by the G20 where all means to address emissions are utilized; namely the reduction, reuse, recycling and removal of emissions to keep them from reaching the atmosphere and offer opportunities to transform these emissions into economic value.
- B. Ensuring access to affordable and reliable energy to safeguard global energy security and economic growth (SDG 7).

We believe that any consideration of SDGs/sustainability areas must not come at the expense of other SDGs/sustainability areas or even any other economy.

Preliminary view 3 — Chapter 3- Public Sector Approach

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?

SOCPA View: We agree with proposed framework, However, considering the simplicity of the concept of Figure 5 may not be that helpful in understanding the IPSASB objective; hence, providing more detailed implementation plans is recommended. We noticed that the framework proposed by figure 5 is said to be consistent with TCFD recommendations. However, TCFD framework is private-led and so there are many issues needed to be addressed when adapting it for the public sector globally.

Overall, taking the following points into consideration would be suggested:

- 1- We noticed that the paper refers to numerous international sustainability agreements, such as the UN's Sustainable Development Goals (SDGs) and the Paris Agreement. However, there are extensive monitoring, reporting and verification regimes in place for these agreements that are implemented on a national level, the level intended by these agreements, while the proposed reporting only targets the public sector. It is not clear what this reporting will add in terms of realizing the objectives of these agreements or whether these objectives fit with the public sector. Furthermore, these agreements are based on the principle of common but differentiated responsibilities (CBDR) between developed and developing countries. This principle does not seem to be considered in the paper. The principle would be crucial since the guidance deals with the public sector. For example, the paper quotes

Article 2.1(c) of the Paris Agreement (PA) when addressing “finance flows” (page 9) but neglects to mention that this is framed in the principle of CBDR (see Article 2.2 of PA). In addition, the paper draws on several sustainability-related international agreements, bodies and approaches where some of them overlap while having their own intended stakeholders and extensive sets of objectives, principles and provisions that are meant to be considered comprehensively. It is not clear how IPSASB will develop coherent and balanced guidance that fits the public sector while considering all of these sources. The paper refers to the UN’s 17 SDGs but clearly focuses on one of them: climate change. We believe that all SDGs are equally important, and sustainability can only be achieved through holistic and balanced approaches.

- 2- Dedicated metrics would be required to account for the reuse, recycling, removal, and storage of emissions, whether through technological or nature-based solutions and all elements of the Circular Carbon Economy approach which was adopted by the G20 in 2020.
- 3- The framework in figure 5, should produce attractive guidance. Such as, considering a phased approach to support and encourage entities in this position to increase their transparency by striving initially meet some IPSAS and to continuously improve their performance over a few years.

Preliminary view 4— Chapter 4- Public Sector Approach

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 response to this consultation paper as part of the development of its 2023-2028 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.

SOCPA View: We partially agree. However, it is widely agreed that climate change is one among many issues that comprise sustainability, the proposal to start with sustainability and climate change would either lead to duplication or an uneven consideration of sustainability. While climate change is a crucial global issue, other issues may be more urgent, at least in some regions, such as hunger, disease, and poverty. Starting with sustainability alone would be more equitable as far as the consideration of issues and offers an opportunity to inform future considerations of additional issues, otherwise all issues would require dedicated guidance.

Moreover, if the IPSASB decided to align (or partially align) with the recently issued exposure drafts by ISSB, IFRS S1 and IFRS S2, we suggest the following points to be considered:

- The current disclosure requirements in the exposure drafts have ample references to emission reductions, their scopes and metrics, but they do not consider other measures to address emissions, such as the reuse, recycling, removal and storage of emissions, whether through technological or nature-based solutions, such as tree planting.
- GHG emissions cannot be considered equally as some entities, and the economies they serve, have had more than their fair share of emissions that have contributed to their development while others are just beginning and need time to progress (see Article 4.1 of the Paris Agreement recognizing that peaking emissions will take longer for developing countries compared to developed ones).
- The vulnerabilities of economies, especially those of developing countries, to global climate change response measures, such as emission mitigation, should be considered.

Preliminary view 5- Chapter 4- Key Enablers

The Key enablers identified in paragraph 4.2 are needed in order for 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

SOCPA View: Yes, we agree with the IPSASB's Preliminary view. Whilst we support the creation of a comprehensive global public sector reporting proposed by the IPSASB, we believe that there are some challenges to be considered, such as:

- Considering the differences between the public sector entities. The public sectors of different governments will vary across regions and between developed and developing countries in terms of roles, priorities, and capacities.
- The difficulties in preparing sustainability reports, which follows the same financial information of financial statements and can be quantifiable and comparable.
- Auditability of these reports since entities are likely to use their judgement.

However, the key enablers are very general and can apply to most boards and organizations.

Specific Matter for Comment 2—Chapter 4 - Key Enablers

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

SOCPA View: In relation to financial reporting, SOCPA is responsible for the endorsement of financial reporting standards pertaining to the profit and not for profit entities. For public sector entities, there is another body responsible for the endorsement of financial reporting standards pertaining to that sector.