

Comments and suggestions on the IPSASB Consultation Paper *Natural resources*

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The IPSASB has requested comments and answers to specific questions regarding its Consultation Paper on *Natural Resources*. The following document comprises a general comment, which accompanies our responses to the Preliminary Views and the Specific Matters open for Comment (SMC). This document was prepared by the Task Force made up of IRSPM PSAAG, CIGAR Network and EGPA PSG XII.

The IRSPM PSAAG, CIGAR Network and EGPA PSG XII are three research networks that focus on Public Sector Accounting. The Task Force is made up of 17 researchers from these networks. The views expressed in this document represent those of the members of the Task Force and not of the whole research community represented by the networks, and neither of the Institutions/Universities with which they are affiliated.

Core assumptions

We are of the opinion that Public Financial Management (PFM), in its broadest sense, is the system by which public financial resources are planned, managed and controlled. Furthermore, the PFM system is the foundation on which the accountability of public sector entities, both external and internal, is built upon, in order to enable and control efficient and effective delivery of public service outcomes, and to discharge accountability towards citizens and their representatives. In our view, PFM is paramount for accountability, which should be prioritized over stewardship and decision-usefulness functions.

We recognise the pivotal role of the IPSASB in developing high quality international public sector accounting standards to support high quality financial reporting, and increasing citizens' trust by enhancing non-financial disclosure by public sector entities. Thus, we applaud the initiative to prepare specific guidance for natural resources in their original state. Public sector entities/governments often have a blurred understanding of the value of natural resources, particularly for those that are not exploitable until they are extracted. These resources have economic and societal considerations.

There is a need to develop a suitable and comprehensive reporting framework for natural resources from the accounting point of view. Reporting frameworks and guidelines on natural resources would help to establish clear and consistent disclosures and metrics for mainstream reporting. The IPSASB, in its capacity of international standard setter in the public sector domain, should provide specific guidance on the recognition, potential measurement, and presentation of natural resources as a point of reference for public sector entities intended to discharge their accountability duties in sustainable management of the natural environment.

We are of the opinion that, in general, public-sector entities require public sector specific principles and standards that properly address and accommodate public sector specificities. As such, when public sector transactions resemble those taking place in the private sector, principles and standards may be kept as aligned as possible. However, for public-sector-specific transactions and activities, we are in favour of principles and standards that are not adapted artificially from private sector accounting and reporting. We think there is a need to **seek options that best fit the public, especially in the field of natural resources** where the differences between private and public sector are unmistakable. This core thesis underpins our proposals and recommendations herein.

Comments on the consultation paper "Natural resources"

The consultation paper (CP) addresses the issue of recognition of natural resources, their disclosures in financial statements (for example, in General Purpose Financial Statements [GPFS]), and the conditions and

criteria for their reliable measurement. The topic is relevant as natural resources play an important role in the economic development of countries. Natural Resources Accounting (NRA) gained momentum in recent years, pointing to harmonisation of such reporting and information disclosure, although we are aware of the tasks that challenge standard setters. The literature¹ has highlighted that a gap of accounting and reporting guidance on these issues may have indirect effects on the depletion of natural resources and threaten inter-generational equity.

NRA would offer a standardized accounting and reporting system that would help in managing and reducing the risks on environment, to maintain adequate levels of natural resources. High quality reporting is essential for accountability and sound decision-making in the public sector. This accounting system may help policy makers to take decisions that benefit the environment as a whole.

Specifically, in the public sector, the emphasis on accounting and reporting for natural resources (which may include renewable, as well as non-renewable, resources) should consider not only the market value but also the non-market value. There are several aspects which need consideration in this area. More attention should be paid in addressing how to preserve natural resources. We are of the opinion that this project on natural resources could provide the necessary support for public sector entities in budgeting and reporting on inflows and outflows related to protection, conservation, and enhancement of natural resources.

Inconsistencies across comparable entities and countries suggest a need for specific standards, but also the coexistence of public-private interests in NRA request appropriate guidance. More broadly, the links between the initiatives in the public sector with those in the private need consideration. Governments' taxonomies also define some of these natural resources. In that respect, more explicit guidance on some alignments should be made. We believe that a standard that consolidates major guidance on accounting and reporting for natural resources should be thus considered because of the complexity and the novelty of the issue. However, it may be also appropriate to address the already available options, explicitly considering modifications in existing standards for natural resources, also gathering insights from sustainability reporting developments.

In our view, addressing the needs for NRA involves GPFs, considerable additional disclosures, and supplementary information. In this line, a new standard and/or a Reporting Practice Guideline (RPG) can be considered to support natural resources information to be included in financial reports. However, we suggest that, ideally, the IPSASB should make it clear from the outset that natural resources reporting is not aimed at a voluntary RPG, but at an indispensable pillar in the IPSAS reporting concepts and framework. We are aware of the difficulties to reach an agreement on a mandatory standard by constituents. Perhaps a staged approach could be envisaged, starting with an RPG, in order to gain experience on the various characteristics presented by different jurisdictions; which RPG could then evolve into a standard.

Eventually, adherence to such an RPG should be promoted/required by international and supranational institutions. Consistently, it would be advisable to propose a timeline for the progressive adoption of natural resources reporting, including, at the last stage, first-time adoption possibly towards an integrated reporting approach with sustainability reporting.

We acknowledge the challenges that recognition, measurement and other issues would need to overcome for natural resources guidance consideration in GPFs. However, we also believe that such guidance appears to basically comply with the existing IPSASB Conceptual Framework, and the relevant elements on definition, recognition and measurement, should be consistently applied to natural resources.

Overall, one should reflect on the several possible characteristics of natural resources, and identify which characteristics are potentially useful to identify natural resources. For example, documentation and literature² frequently refer to renewable *versus* non-renewable resources. However, this distinction may not

¹ Dabbicco, G. (2021) Emerging accounting patterns: accounting for natural resources, *Public Money & Management*, 41:3, 213-222.

² GASAB, Concept Paper On Natural Resource Accounting In India - An Initiative of GASAB, retrieved from

be absolute, as, in fact, a scarce resource may eventually be exhausted and/or non-renewable. Some literature also argues on a distinction between stock and flows resources and a further classification is identified into renewable stocks and recyclable stocks³: However, we are aware that issues arise in the categorisation of natural resources drawing from these distinctions. For example, it is difficult to identify the maximum quantity of stock resources that can be used, and the exhaustion periods of different resources, which determines their scarcity. Furthermore, the literature suggests to further elaborate on natural resources, taking into consideration that, some natural resources do not appear to be dependent on human intervention because they are indefinitely renewable for their capacity to reproduce or regenerate.

Another important issue concerns whether newly discovered natural resources should be recorded with or without effect on profit and loss accounts, and how to deal with subsequent value changes (through net assets or income). Some literature⁴ has highlighted that further research is needed to address these matters.

We welcome the CP's consideration of a multi-disciplinary approach: comparing existing documentation and guidance on financial reporting for sustainability at national and international level, and in the field of statistics, to examine the major issues within the framework of international and national guidance and standards. The IPSASB should call for multidisciplinary academic studies on the matter, as this topic is beyond the standard accounting practice and experience; and decisions should be made in tandem with non-financial reporting prospects. The CP has highlighted the difficulties in measuring such resources with sufficient reliability, even when there are elements of recognition. The CP, in several cases, refers to facts and circumstances for recognition and measurement, as well as to judgment. It would be advisable to devote more research effort to discuss which facts, in what circumstances, and the extent, that natural resources should appear as assets in GPFs under economic ownership/control and enhanced rights.

Finally, the CP also points to several disclosures – both in cases where an asset can be recognized and where it remains unrecognized. It would be advisable to specify the type and the detail of information for disclosure either in quantitative or in qualitative terms.

<http://gasab.gov.in/gasab/nra.aspx>; Earth economics, "Natural Resources Accounting: A Path Forward for the Governmental Accounting Standards Board", February 2017, retrieved from <https://www.eartheconomics.org/>

³ Elliott, B. and Elliott J. (2011), Sustainability – environmental and social reporting, in *Financial accounting and reporting*, 14th edition, Pearson (pp. 838-883). GASAB, Concept paper on natural resource accounting in India - an initiative of GASAB, <http://gasab.gov.in/gasab/nra.aspx>

⁴ Dabbicco, G. (2021) Emerging accounting patterns: accounting for natural resources, *Public Money & Management*, 41:3, 213-222. Dao-lin Zhu, Wen-ji Duan, Hui Zhang & Ting Du (2021) Natural resource balance sheet compilation: a land resource asset accounting case, *Journal of Chinese Governance*, 6:4, 515-536.

Preliminary View 1—Chapter 1

The IPSASB's preliminary view is that a natural resource can be generally described as an item which:

- (a) Is a resource as described in the IPSASB's Conceptual Framework;
- (b) Is naturally occurring; and
- (c) Is in its natural state.

Do you agree with the IPSASB's Preliminary View, particularly whether the requirement to be in its natural state should be used to scope what is considered a natural resource?

If not, please provide your reasons.

Response:

We agree. We think that the inclusion on the guidance at the outset, on how natural resources may be classified, could help in the general description of natural resources, including the issue of the changes related to the resources themselves. For example, we think that it would be helpful to distinguish between the following categories of natural resources:

- (a) resources that are a natural resource and not a natural resource;
- (b) renewable (such as, forest and water) and non-renewable (such as, fossil fuels and minerals) natural resources.

On this point, we consider that such description could also help to identify natural resources in other relevant standards, such as IPSAS 12, 17, 31 etc, as mentioned later on in this CP.

We also believe that it can be useful to further reflect on the distinction among resources and reserves. On this point, we believe that it is relevant to distinguish between existing stocks (reserves), extraction and use of natural resources.

The definition of a reserve should perhaps consider resources which could be commercially recoverable in the near future (that is, from a certain date). Furthermore, we ask whether a reserve on biodiversity is to be considered.

Specific Matter for Comment 1—Chapter 1

The IPSASB's preliminary description of natural resources delineates between natural resources and other resources based on whether the item is in its natural state.

Do you foresee any challenges in practice in differentiating between natural resources and other resources subject to human intervention? If so, please provide details of your concerns. How would you envisage overcoming these challenges?

Response:

Yes, we do anticipate practical challenges in differentiating between natural resources and other resources subject to human intervention.

We believe that the identification of the natural state of natural resources may be complex, for example, for resources that are underground, such as subsoil resources or water. It seems that a delineation between natural resources and other resources is made in the CP in respect to what is in other standards, that is, on tangible and intangible. However, as for the already existing standards, it seems that, as yet, such standards do not discuss what is to be considered as a natural resource and what is not. Therefore, we would welcome further reflections on this issue.

In this vein, it would be advisable to devote more discussion on the delineation between natural resources and other resources subject to human intervention presented in the CP. A further, crucially important discussion should be made on currently exploitable resources and theoretically exploitable resources; and renewable versus recyclable resources. For example, the identification of a current resource may help to identify currently exploitable resources as reserves.

We believe that the examples made on this issue in the following chapters 3-5 are useful; however, further examples may be needed to further expand on the issues.

Specific Matter for Comment 2—Chapter 1

The IPSASB noted that the natural resources project and sustainability reporting in the public sector are connected in that this project focuses on the accounting for natural resources while sustainability reporting may include consideration of how natural resources can be used in a sustainable manner.

In your view, do you see any other connections between these two projects?

Response:

Natural resources and sustainability reporting provide useful insights for policy-makers in setting priorities. However, the existing relationship between the accounting of natural resources and sustainability environmental issues is complex and may involve different disciplines. The connection results in intertwining with the political and social aspects, which are behind resource allocation and institutional change. Understanding these aspects is relevant and they may be within the scope of sustainability reporting. On the other hand, natural resources accounting could help sustainability reporting by providing the necessary support for public entities in budgeting and reporting on inflows and outflows related to protection, conservation, and enhancement of natural resources.

Preliminary View 2—Chapter 2

The IPSASB's preliminary view is that a natural resource should only be recognized in GPFS if it meets the definition of an asset as defined in the IPSASB's Conceptual Framework and can be measured in a way that achieves the qualitative characteristics and takes account of constraints on information in GPFRs.

Do you agree with the IPSASB's Preliminary View?

If not, please provide your reasons.

Response:

We agree. We appreciate the examples provided in the CP (chapters 3-5) relating to uncertainty over the existence of the item, and the control of the resource and past events which resulted in control.

We wish to point out that **control** may not be the same concept as human intervention.

Furthermore, literature from standard setters, for example, the South African Accounting Standards Board (ASB)⁵ and the US Federal Accounting Standards Advisory Board (FASAB)⁶, have underlined a number of issues in the measurement of natural resource assets. Valuation should identify the exchange value of the economic benefit / service potential, therefore, appropriate estimation (non-market valuation) techniques might be needed to assess their (non-market) benefits.⁷

⁵ ASB. (2016). ED 143 Exposure draft on proposed GRAP on accounting for living and non-living. ASB (2017). Standard of generally recognised accounting practice on living and non-living resources (GRAP 110).

⁶ FASAB (2000). Discussion paper Accounting for the natural resources of the federal government, prepared by the FASAB natural resources task force. FASAB, (2015). Accounting for federal natural resources. FASAB (2018). Accounting and Reporting of Government Land Project.

⁷ Dabbicco, G. (2021) Emerging accounting patterns: accounting for natural resources, Public Money & Management, 41:3, 213-222.

Preliminary View 3—Chapter 3

The IPSASB's preliminary view is that guidance on exploration and evaluation expenditures, as well as development costs, should be provided based on the guidance from IFRS 6, *Exploration for and Evaluation of Mineral Resources*, and IAS 38, *Intangible Assets*.

Do you agree with the IPSASB's Preliminary View?

If not, please provide your reasons.

Response:

We partially agree. The specificities of the public sector and the intertwining of the public and private sectors in this field, may make it necessary to specifically consider the issue related to the non-market value of these resources. We believe that the guidance should clarify if there are specificities of public sector entities to be considered; or whether the guidance is practically relying on or sufficiently adapting private sector standards. For example, a discussion on mineral resources should be made if the public sector perspective is different. In addition, guidance would be advisable on aspects like: how a public sector entity would come to own such resources; how they are explored and how they are actually held for exploitation; and how to account for different types of mineral resources. For example, how to account for the case where the State inherits a mine from a private family.

We believe that IFRS 6 should be checked against other options for disclosure and measurement issues. In addition, the uncertainties on the recognition of the resources as an asset are important aspects that should be emphasized in the discussion.

Preliminary View 4—Chapter 3

The IPSASB's Preliminary View is that IPSAS 12, IPSAS 17, and IPSAS 31 should be supplemented as appropriate with guidance on the accounting for costs of stripping activities based on IFRIC 20, *Stripping Costs in the Production Phase of a Surface Mine*.

Do you agree with the IPSASB's Preliminary View?

If not, please provide your reasons.

Response:

We partially agree. Due to the considerable impact on reporting processes for most entities to deliver the relevant information, and the private-public interest and relationships involved in this issue, it is relevant to specify how to initially recognise these costs in the public sector and to discuss the ability of the accounting system to perform a detailed analysis of these costs, for example, the availability of management accounting system.

The guidance in the private sector of IFRIC 20, as reported in the CP, proposes to account for these costs as either inventory or as a long-term stripping activity asset based on the ratio of ore to waste; and that the stripping activity asset is classified as a tangible or intangible asset depending on the classification of the overall mineral interest asset. This distinction in the public sector should be adapted to the recognition and measurement criteria in the public sector. We believe, for example, that the issue of allocation of costs by present and future generations is an important aspect, besides access right and fair sharing of benefits in the public sector.

In addition, it would be advisable in this context to consider how to treat such costs, that is, whether it is a capital cost or a current cost. In other words, are the costs of stripping activities to be considered as a maintenance activity (a cost of the period), or as part of the cost of the mine (a non-current asset)?

We also believe that detailed guidance and disclosure on the current and cumulative costs would improve transparency in this field. For example, for costs incurred during the initial stage of a project (as part of the value of the asset, eventually subject to depreciation), exploration and evaluation costs, and those after the project has reached a stage of its viability. Guidance in the existing standards (particularly in IPSAS 31) is not considered as sufficient.

Preliminary View 5—Chapter 3

The IPSASB's preliminary view is that, before consideration of existence uncertainty, an unextracted subsoil resource can meet the definition of an asset

Do you agree with the IPSASB's Preliminary View?

Please provide the reasons supporting your view.

Response:

We agree. Considering the legal environment in a jurisdiction is crucial in assessing if an entity controls unextracted subsoil resources. However, the need to understand how laws and regulations are applied in practice may introduce excessive judgment, especially when a government is expected to act as a custodian. Therefore, we agree with the disclosure requirement of para. 6.15. On this point, it may be also important to refer to the distinction of human intervention activity and control.

In addition, there is also in this case, as in other CPs, the need to further explore the significance of “when an entity has control of a resource”; when a resource is/gives a right and how this may be combined.

We suggest that the concept of rights should be used to assess whether and how the entity presently controls this storage of services. We would thus suggest the following specifications:

- A resource is a storage of services which can provide a useful contribution to the achievement of the entity's objectives;
- The entity must have control over these resources, which happens when the entity has rights over them;
- Rights take several forms, as well-exemplified by the case of leasing as opposed to legal ownership.

Preliminary View 6—Chapter 3

The IPSASB's preliminary view is that existence uncertainty can prevent the recognition of unextracted subsoil resources.

Do you agree with the IPSASB's preliminary view?

Please provide the reasons supporting your view.

Response:

We agree. This existence uncertainty, for example, on the degree of geological estimates, makes it difficult to define these resources as an asset. In other words, uncertainty regarding the existence of subsoil resources does not allow them to be recognised as assets. However, more guidance is needed on when this uncertainty can be overcome.

We welcome the discussion on the existence uncertainty by the CP, particularly appreciating the examples in par. 3.29 and 3.30. However, we think that the definition of existence uncertainty should be further elaborated, detailing the factors, facts and circumstances that prevent the recognition under this definition in order to give solid guidance of the uncertainty of existence. In fact, it should be considered that public policies can affect the definition of these resources as an asset, given the growing attention to the environmental issues and their (unsustainable) use.

Situations of crises may also be a factor to consider, which can remove or increase existence uncertainty. For example, the current energy crisis can force evaluation, in the process of searching how to overcome the difficulties encountered in global allocation of these resources. Forced evaluation could result in removing uncertainty through different assumptions and estimation methods, thus leading, for example, to the recognition of an increasing number of activities in this field when compared to before the energy crises.

Preliminary View 7—Chapter 3

The IPSASB's preliminary view is that the selection of a measurement basis for subsoil resources that achieves the qualitative characteristics and takes account of constraints on information in the GPFs may not be feasible due to the high level of measurement uncertainty. Based on this view, the recognition of subsoil resources as assets in the GPFs will be challenging.

Do you agree with the IPSASB's Preliminary View?

If not, please provide the reasons supporting your view.

Response:

We agree on this PV, which is in line with the asset recognition rules in the conceptual framework. The inevitable high level of uncertainty will undermine the reliability of any methodology used for measurement.

Furthermore, we acknowledge that there are several problems that challenge the choice of an appropriate measurement basis in the case of subsoil resources. For example, the degree of professional judgment that is required to determine the appropriate unit of account, the discussion of the potential volatility introduced in the financial statements with the use of some measurement basis, such as the fair value or the present value, as well as the cost of performing valuations.

We agree with the overall conclusion regarding recognition of subsoil resources, and we would encourage the IPSASB to provide guidance regarding the information to be disclosed.

Preliminary View 8—Chapter 4

Based on the discussions in paragraphs 4.11-4.31, the IPSASB's preliminary views are:

- (a) It would be difficult to recognize water in seas, rivers, streams, lakes, or certain groundwater aquifers as an asset in the GPFS because it is unlikely that they will meet the definition of an asset, or it is unlikely that such water could be measured in a way that achieves the qualitative characteristics and takes account of constraints on information in the GPFRs;
- (b) Water impounded in reservoirs, canals, and certain groundwater aquifers can meet the definition of an asset if the water is controlled by an entity;
- (c) Where water impounded in reservoirs and canals meets the definition of an asset, it may be possible to recognize the water in GPFS if the water can be measured in a way that achieves the qualitative characteristics and takes account of constraints on information in the GPFRs; and
- (d) In situations where the financial capacity or operational capacity of a water resource cannot be reliably measured using currently available technologies and capabilities, the resource cannot be recognized as an asset in the GPFS.

Do you agree with the IPSASB's Preliminary View?

If not, please provide your reasons supporting your view.

Response:

We agree.

As for water accounting, literature⁸ suggests that this may include different types of water resources, and also water liabilities, and water disclosures.

Our preoccupation, especially for those that result in unrecognized assets, includes several elements and environmental risks associated with them. Some examples are, the maintenance of ecosystem function, biodiversity, water quality, health targets, and other public benefits and risks, such as those connected to air purity, public health, as well as cultural and recreation, fisheries, tourism, navigation and amenity values.

On the other hand, the literature acknowledges the difficulties to collect information about allocation quantity and changes, such as precipitation, runoff and evaporation, relating to surface water storages.

Therefore, we think that further reflection on these issues is needed and we would welcome example of disclosure notes on these issues.

In addition, with reference to liabilities, it may be important to discuss the relationship with IPSAS 19 and the need for disclosures on this point.

We also believe that, supplementary guidance on how the existing IPSAS should be integrated to consider the above would be welcome.

⁸ Australian Water Accounting Standard 1: Preparation and Presentation of General Purpose Water Accounting Reports (AWAS 1); see also <https://www.eea.europa.eu/ims>

Specific Matter for Comment 3—Chapter 5

Living organisms that are subject to human intervention are not living resources within the scope of this CP. The accounting treatment of those living organisms, and activities relating to them and to living resources, is likely to fall within the scope of existing IPSAS.

In your view, is there sufficient guidance in IPSAS 12, IPSAS 17, or IPSAS 27 on how to determine which IPSAS to apply for these items necessary?

If not, please explain the reasons for your view.

Response:

We partially agree. We think that the IPSASB should further address the limitations of financial accounting and existing IPSAS for human intervention, and to further reflect on the treatment for natural living and non-living resources, in terms of definitions of assets and liabilities. Another suggested matter for discussion is whether there are other metrics or indicators—both qualitative and quantitative—to ‘account for’ the use of non-renewable natural resources; notably for the living resources and/or environmental externalities. This implies considering the discussion on broadening the reporting boundary to ecosystem services.

Preliminary View 9—Chapter 5

Based on the discussions in paragraphs 5.18-5.41, the IPSASB's preliminary views are:

- (a) It is possible for a living resource held for financial capacity to meet the definition of an asset, be measurable in a way that achieves the qualitative characteristics and takes account of the constraints on information in the GPFs, and thus meet the criteria to be recognized as an asset in GPFs
- (b) If a living resource with operational capacity meets the definition of an asset, an entity will need to exercise judgment to determine if it is feasible to measure the living resource in a way which achieves the qualitative characteristics and takes account of the constraints on information in the GPFs, and so meet the criteria to be recognized as an asset in the GPFs; and
- (c) In situations where the financial capacity or operational capacity of a living resource cannot be measured in a way that achieves the qualitative characteristics and takes account of constraints on information in the GPFs using currently available technologies and capabilities, the living resource cannot be recognized as an asset in the GPFs.

Do you agree with the IPSASB's Preliminary View?

If not, please provide your reasons.

Response:

We agree. Regarding the recognition of a living resource as an asset, we agree with the approach the CP suggests, namely, to avoid categorical conclusions on whether living resources are measurable. Analysing the specific facts and circumstances for each living resource is preferable, even though it may lower comparability.

Preliminary View 10—Chapter 6

Based on the discussion in paragraphs 6.7-6.15, the IPSASB's preliminary view is that certain information conventionally disclosed in GPFS should be presented in relation to natural resources.

Do you agree with the IPSASB's Preliminary View?

If not, please provide your reasons.

Response:

We think that disclosures in relation to natural resources are extremely important. First of all, each item, both recognised and not recognised, should be cross-referenced and/or described in the disclosures, including the quantification approach used (if any); as well as the information about the pursuit of not only the economic but also the environmental and social benefits. Disclosures may be on the face of the GPFS or in another separate document/report.

Preliminary View 11—Chapter 6

Based on the discussion in paragraphs 6.16-6.20, the IPSASB's preliminary view is that certain information conventionally found in broader GPFRs should be presented in relation to recognized or unrecognized natural resources that are relevant to an entity's long-term financial sustainability, financial statement discussion and analysis, and service performance reporting.

Do you agree with the IPSASB's Preliminary View?

If not, please provide your reasons.

We agree (see answer to PV 10).

Specific Matter for Comment 4—Chapter 6

The proposals in paragraphs 6.16-6.20 (Preliminary View 11) are largely based on the IPSASB's RPGs. While these proposals are expected to be helpful to users of the broader GPFRs, the information necessary to prepare these reports may be more challenging to obtain compared to the information required for traditional GPFS disclosures. As noted in paragraph 6.17, the application of the RPGs is currently optional.

In your view, should the provision of the natural resources-related information proposed in Preliminary View 11 be mandatory? Such a requirement would only be specifically applicable to information related to natural resources.

Please provide the reasoning behind your view.

We believe that the disclosure of information related to natural resources should ultimately be made compulsory, because we think that voluntary reporting would only increase the level of inconsistencies and asymmetries of information. However, it may be ideal to introduce mandatory requirements in gradual progressive steps, as it would be necessary to consider the level of attention to the ecosystem issues. Thus, we envisage a phased approach, starting, for example, with an RPG in order to gain experience on this important matter.

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Signed on behalf of the persons listed below:

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