

**Meeting:** IPSASB Consultative Advisory Group

**Meeting Location:** Riyadh, Saudi Arabia

**Meeting Date:** December 9, 2024

## Agenda Item 7

For:

☐ Approval

☒ Discussion

☐ Information

### SUSTAINABILITY REPORTING – RESEARCH AND SCOPING

<b>Project summary</b>	To undertake research and scoping of potential future projects to inform the IPSASB's deliberations on future sustainability work program priorities.	
<b>Meeting objectives</b>	<b>Topic</b>	<b>Agenda Item</b>
<b>Discussion items</b>	<a href="#">Advancing Public Sector Sustainability Reporting – Next Steps</a>	<a href="#">7.1</a>
<b>Other supporting items</b>	<a href="#">Appendix A: Sustainability Project Prioritization</a>	<a href="#">7.2</a>

## Advancing Public Sector Sustainability Reporting – Next Steps

### Background

#### *Consultation Paper – Advancing Public Sector Sustainability Reporting*

1. In January 2022, the World Bank publication – [Sovereign Climate and Nature Reporting: Proposal for a Risks and Opportunities Disclosure Framework](#) – called on the IPSASB to lead a global consultation on developing sustainability reporting standards for the public sector. In May 2022, the IPSASB launched a Consultation Paper (CP) on [Advancing Public Sector Sustainability Reporting](#).
2. In December 2022, based on the strong support received in response to the CP and CAG advice, the IPSASB [confirmed its role in advancing public sector sustainability reporting](#). As a part of developing public sector-specific sustainability reporting guidance, the IPSASB decided to prioritize three topics for further research and scoping, which include:
  - (a) Guidance for general sustainability-related disclosures;
  - (b) Guidance for climate-related disclosures (See paragraphs 3-4); and
  - (c) Natural resources - non-financial disclosures (in parallel with the development of the natural resources financial reporting project).

#### *Research and Scoping - Sustainability Reporting*

3. During the March 2023 Board meeting, the IPSASB discussed research and scoping of key issues from CP feedback. Taking into account CAG advice to draw upon existing work where possible, the IPSASB decided that scoping of potential initial sustainability reporting projects should proceed using a framework based on:
  - (a) **CP and feedback**, which highlighted global public interest in the topic and the capital market significance of the public sector;
  - (b) **IPSASB Conceptual Framework**, which provides a conceptual lens and gives us a linkage to concepts that the IPSASB applies in developing standards;
  - (c) The **ISSB** global baseline, given commonalities with IFRS and key principles as well as the significance of sovereign bonds in global bond markets and the importance of maintaining access to capital markets; and
  - (d) **GRI Standards**, which provides a multi-stakeholder perspective on an organization's most significant impacts on the economy, environment, and people.
4. Following research and scoping, the IPSASB decided to move forward with the development of a public sector specific Climate-related Disclosures standard in June 2023. In September 2024, the [IPSASB SRS ED 1, Climate-related Disclosures](#) was approved for public consultation. The advice provided by the CAG throughout the project was crucial in shaping the direction of the IPSASB SRS ED 1.



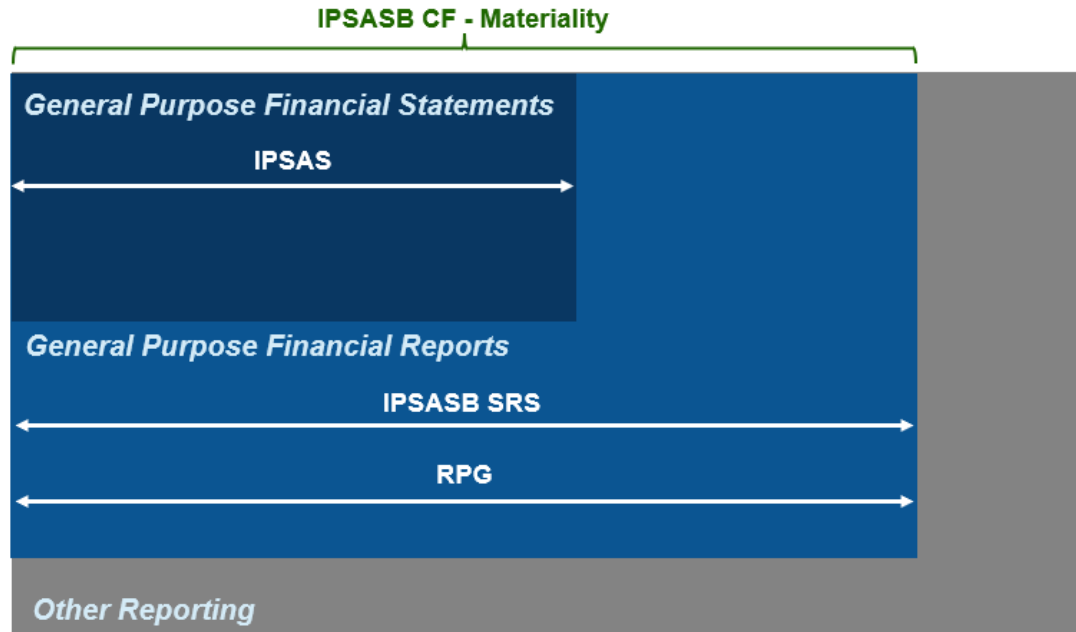
*Next Priority Sustainability Research and Scoping Projects*

5. Significant progress has been made since the IPSASB's decision in December 2022 to confirm its role in advancing public sector sustainability reporting and prioritize the three research and scoping projects (see paragraph 2 above). In addition to recent developments in the sustainability landscape, the IPSASB has gained valuable insights through its experience in developing IPSASB SRS ED 1.
6. Therefore, at this stage, staff propose to reflect on the initial prioritized research and scoping projects, while considering recent developments and potential opportunities for other priority projects. Staff acknowledge that considerable work remains to be done leading up to the final pronouncement of IPSASB SRS X, *Climate-related disclosures*. The purpose of this discussion is to inform the IPSASB's next work program consultation, to guide the IPSASB's future decisions on future potential sustainability standard setting projects following the completion of the final pronouncement of IPSASB SRS X, *Climate-related Disclosures*.
7. The research and scoping assumptions applied by IPSASB in 2023 (see paragraph 3 above) provide an important foundation and reference point as the Board considers potential future sustainability reporting projects. In particular, building on the IPSASB Conceptual Framework provides a key conceptual lens to guide the IPSASB in assessing future sustainability projects.

*The IPSASB Conceptual Framework and the IPSASB's Role in Sustainability Reporting*

8. The IPSASB's strategic objective is strengthening Public Financial Management (PFM) and sustainability development globally through increasing adoption and implementation of accrual IPSAS and international public sector sustainability reporting standards.
9. In delivering on the IPSASB's strategic objective, the IPSASB develops standards and guidance for reporting within General Purpose Financial Reports (GPFRs). This is stated in the IPSASB's Terms of Reference and the Preface to International Public Sector Accounting Standards that "the objective of the IPSASB is to serve the public interest by developing high-quality accounting and other publications for use by public sector entities around the world in the preparation of GPFRs".

10. In fulfilling its mandate, the IPSASB develops public sector standards for reporting in both GPFSS and GPFRs. Below is an illustration of that remit with reference to broader reporting outside of GPFRs:



## Objectives and users of general purpose financial reporting

11. Paragraph 2.1 of the IPSASB Conceptual Framework (IPSASB CF) states that:

*The objectives of financial reporting by public sector entities are to provide information about the entity that is useful to users of GPFRs for accountability purposes and for decision-making purposes.*

12. Paragraph 2.4 explains how the primary users of GPFRs are 'service recipients and resource providers', followed by paragraph 2.8, which describes the types of information public sector entities should produce in order to discharge their accountability obligations:

*Governments and other public sector entities are accountable to those that provide them with resources, and to those that depend on them to use those resources to deliver services during the reporting period and over the longer term. The discharge of accountability obligations requires the provision of information about the entity's management of the resources entrusted to it for the delivery of services to constituents and others, and its compliance with legislation, regulation, or other authority that governs its service delivery and other operations. Given the way in which the services provided by public sector entities are funded (primarily by taxation revenues or other non-exchange transactions) and the dependency of service recipients on the provision of those services over the long term, **the discharge of accountability obligations will also require the provision of information about such matters as the entity's service delivery achievements during the reporting period, and its capacity to continue to provide services in future periods.***

13. As outlined in paragraph 2.29 to 2.30, the IPSASB CF extends to GPFRs, which are broader than GPFSS, while financial statements remain at the core of financial reporting:

*The scope of financial reporting establishes the boundary around the transactions, other events and activities that may be reported in GPFRs. To respond to the information needs of users, the Conceptual Framework reflects a scope for financial reporting that is more comprehensive than that encompassed by financial statements. It provides for the presentation within GPFRs of additional information that enhances, complements, and supplements those statements.*

*While the Conceptual Framework reflects a scope of financial reporting that is more comprehensive than that encompassed by financial statements, information presented in financial statements remains at the core of financial reporting.*

14. Therefore, when considering the information needs and the scope of future sustainability reporting projects, primary users may also need to consider information from other sources for sustainability-related information, beyond GPFRs. This is acknowledged in the IPSASB CF which states in paragraph 2.31:

*GPFRs play a significant role in communicating information necessary to support the discharge of government's or other public sector entity's obligation to be accountable, as well as providing information useful as input for decision-making purposes. However, **it is unlikely that GPFRs will provide all the information users need for accountability and decision-making purposes**...Governments and independent agencies also issue reports on the need for, and sustainability of, existing service delivery initiatives and anticipated economic conditions and changes in the jurisdiction's demographics over the medium and longer term that will influence budgets and service delivery needs in the future. Consequently, primary users may also need to consider information from other sources, including reports on current and anticipated economic conditions, government budgets and forecasts, and information about government policy initiatives not reported in GPFRs.*

*Responding to user information needs*

15. While GPFRs and the IPSASB CF reflect a scope of financial reporting that is more comprehensive than that encompassed by financial statements, information presented in financial statements remains at the core of financial reporting (IPSASB CF paragraph 2.30). Paragraphs 2.14 to 2.28 of the IPSASB CF outline the types of information provided by GPFRs, including information about:
- (a) Financial position, financial performance and cash flows;
  - (b) The extent financial results and cash flows comply with approved budgets and adhere to relevant legislation or other authority governing the raising and use of resources;
  - (c) Financial and non-financial information about service delivery activities, achievements and/or outcomes;
  - (d) Prospective financial and non-financial information such as anticipated future service delivery activities and objectives, their likely impact on the future resource needs and sources of funding; and
  - (e) Other explanatory information that enhances, complements and supplements financial statements, such as the underlying factors and assumptions that underpin financial and service delivery performance during the reporting period or prospective expectations.
16. Therefore, the IPSASB's remit and role in advancing public sector sustainability reporting relative to the overall reporting landscape is important as it:

- (a) Guides the analysis and scoping of future potential sustainability projects, for example, in considering the extent of sustainability-related information that falls within GPFRs such that it enhances, complements and supplements the financial statements; and
- (b) Clarifies the positioning and coverage of IPSASB SRS in the sustainability reporting landscape, and how these standards would fit with other existing IPSAS pronouncements such as Recommended Practice Guidelines (RPG).

## Analysis

17. In accordance with the [IPSASB Strategy and Work Program 2024-2028](#), staff evaluated the potential projects against the Criteria for Project Prioritization, which are:
  - (a) **Prevalence:** Whether the issue is widespread globally amongst public sector entities;
  - (b) **Consequences:** Whether the issue impairs the ability of the GPFS and GPFR to provide useful information for accountability and decision-making;
  - (c) **Urgency:** Whether the issue has recently gained prominence and therefore requires consideration in the near term; and
  - (d) **Feasibility:** Whether a technically sound solution to the issue can be developed within a reasonable time period and current resource constraints without impacting adversely on the completion of other projects.
18. [Appendix A: Sustainability Project Prioritization](#) presents a comparison of the results of this analysis for three potential projects, including the projects prioritized for further research and scoping in December 2022, as summarized below:
  - (a) **Developing authoritative guidance based on RPG 1 and/or RPG 3:**
    - (i) This project would propose to develop authoritative guidance that builds on the IPSASB's existing non-mandatory guidance – [RPG 1 Reporting on the Long-term Sustainability of an Entity's Finances \(RPG 1\)](#) and/or [RPG 3 Reporting Service Performance Information \(RPG 3\)](#).
    - (ii) Overall, staff propose this project would be feasible while having a potentially high impact in terms of addressing the pressing need for clear, authoritative guidance on reporting long-term fiscal sustainability and service performance in the public sector;
    - (iii) This approach is also highly consistent with CAG advice in response to CP feedback, which was to draw upon existing work where possible.
  - (b) **General sustainability-related disclosures:**
    - (i) This project would draw on the [IFRS S1 General Requirements for Disclosure of Sustainability-related Financial Information](#) (IFRS S1) private sector guidance to develop a standard that applies to general sustainability-related information, including social, economic and environmental topics;
    - (ii) Staff propose this project may be feasible given IFRS S1 provides a foundation to build on to meet the need for broader sustainability reporting reflecting the broad role and responsibilities of the public sector;

- (iii) However, staff recognize that this project may present significant scoping challenges given the complexity and broad range of sustainability-related topics, across social, economic and environmental risks and opportunities, and how to provide guidance on these issues within IPSASB's remit (see paragraphs 8-15 above); and
- (c) **Nature-related disclosures:**
  - (i) This project would draw on international nature-related frameworks (e.g. [UN SEEA](#), [TNFD Recommendations](#)) and emerging private sector guidance (e.g. [GRI 101: Biodiversity 2024](#) and ISSB's ongoing research project on [Biodiversity, Ecosystems and Ecosystem Services \(BEES\)](#)) to develop a nature-related disclosures standard;
  - (ii) Staff recognize that nature is a prevalent and urgent issue, and the role of the public sector as a steward of nature is critical; however, feasibility of this project in a reasonable timeframe may be challenging because:
    - a. The current landscape of nature-related reporting is still in relatively early stages and continues to develop internationally, both from an international guidance for reporting GPFRs and for statistical reporting frameworks. Although it should be possible to build on private sector guidance (see paragraph 3), delivery of guidance meeting the public sector's needs is likely to be complex; and
    - b. The IPSASB's Tangible Natural Resources financial reporting project, which would have connection to a future nature-related sustainability project, is still in progress.

**Question for CAG Members:**

**What are CAG members' views on the role of the IPSASB in sustainability reporting, within the broader reporting landscape (see Paragraph 10 i.e. beyond GPFRs)?**

**How would you recommend the IPSASB's remit guide the research and scoping of future sustainability reporting projects?**

**What comments do CAG members have for the IPSASB to consider in prioritizing its future projects within the IPSASB's sustainability work program?**

## Appendix A: Sustainability Project Prioritization

- In accordance with the [IPSASB Strategy and Work Program 2024-2028](#), staff evaluated potential research and scoping projects against the Criteria for Project Prioritization. The table provides an overview of the analysis for the three potential projects:

Criteria	Authoritative Guidance based on RPG 1 and/or RPG 3	General Sustainability-related Disclosures	Nature-related Disclosures
<b>Prevalence</b> Whether the issue is widespread globally amongst public sector entities	<ul style="list-style-type: none"> <li>Governments around the world are experiencing heightened financial strain, which are exacerbated by the rising costs of climate-related impacts.</li> <li>This is met with increasing demands for disclosures on service performance and long-term fiscal sustainability, reflecting the entity's continued capacity to provide services and sustain operations over time.</li> </ul>	<ul style="list-style-type: none"> <li>Sustainability is interconnected with all aspects of a public sector entity, due to the broad and cross-cutting responsibilities of public sector entities.</li> </ul>	<ul style="list-style-type: none"> <li>Nature and biodiversity are rapidly gaining global recognition as critical areas of focus.</li> <li>The public sector plays a key role in nature-related issues, such as serving as steward of nature and being a key data provider for biodiversity indicators.</li> </ul>
<b>Consequences</b> Whether the issue impairs the ability of the GPFS and GPFR to provide useful information for accountability and decision-making	<ul style="list-style-type: none"> <li>Authoritative guidance is essential to steering public sector entities towards consistent and comparable reporting as there has been limited adoption of RPG 1 and RPG 3 given they are non-mandatory.</li> </ul>	<ul style="list-style-type: none"> <li>Comprehensive sustainability-related disclosures ensures that public sector entities provide adequate information on social, economic, and environmental sustainability for accountability and decision-making.</li> </ul>	<ul style="list-style-type: none"> <li>The public sector is increasingly held accountable for managing nature-related risks and opportunities, given its role as a steward of nature.</li> </ul>



<p><b>Urgency</b></p> <p>Whether the issue has recently gained prominence and therefore requires consideration in the near term</p>	<ul style="list-style-type: none"> <li>Disclosures on service performance and long-term fiscal sustainability support the public sector's ongoing access to critical financing needed for sustainable development from capital markets and other resource providers.</li> </ul>	<ul style="list-style-type: none"> <li>In the absence of specific standards, a general sustainability-related disclosures standard may immediately address the needs relating to other specific sustainability-related topics.</li> </ul>	<ul style="list-style-type: none"> <li>The Kunming-Montreal Global Biodiversity Framework (GBF) has set urgent biodiversity targets for 2030, yet no international standard currently exists for the public sector.</li> <li>This is a critical opportunity for the public sector to align with global goals and urgently address nature-related risks that threaten long-term fiscal sustainability.</li> </ul>
<p><b>Feasibility</b></p> <p>Whether a technically sound solution to the issue can be developed within a reasonable time period and current resource constraints without impacting adversely on the completion of other projects</p>	<ul style="list-style-type: none"> <li>Existing IPSASB literature developed for the public sector, including the IPSASB Conceptual Framework, RPG 1 and RPG 3, provide a strong foundation for this project.</li> </ul>	<ul style="list-style-type: none"> <li>Existing private sector guidance, namely IFRS S1, can be leveraged and requires adaptation to reflect public sector context</li> <li>However, careful consideration would be needed on the scope of such a project given the breadth of the topic and the public sector's role and responsibilities to the broader society, economy and environment.</li> </ul>	<ul style="list-style-type: none"> <li>Private sector guidance is still evolving, notably the TNFD Framework and GRI 101: Biodiversity were only recently published in 2023 and 2024, and the ISSB's project on Biodiversity, Ecosystems and Ecosystem Services (BEES) is still in its research phase.</li> <li>Further, careful consideration would be needed on the scope of such a project due to breadth and complexity of nature and the role of the public sector.</li> </ul>