



IES EXPOSURE DRAFT: RESPONSE TEMPLATE

RESPONSE TEMPLATE FOR THE ED OF THE PROPOSED REVISIONS TO IES 2, 3, AND 4 – SUSTAINABILITY

Guide for Respondents

Comments are requested by **July 24, 2024**.

This template is for providing comments on the Exposure Draft (ED) of proposed revisions to International Education Standards 2, 3, and 4 -- Sustainability, in response to the questions set out in the Explanatory Memorandum (EM) to the ED. It also allows for respondent details, demographics and other comments to be provided. Use of the template will facilitate IFAC's automated collation of the responses.

You may respond to all questions or only selected questions.

To assist our consideration of your comments, please:

- For each question, start by indicating your overall response using the drop-down menu under each question. Then below that include any detailed comments, as indicated.
- When providing comments:
 - Respond directly to the questions.
 - Provide the rationale for your answers. If you disagree with the proposals in the ED, please provide specific reasons for your disagreement and specific suggestions for changes that may be needed to the requirements, application material or appendices. If you agree with the proposals, it will be helpful for IFAC to be made aware of this view.
 - Identify the specific aspects of the ED that your response relates to, for example, by reference to sections, headings or specific paragraphs in the ED.
 - Avoid inserting tables or text boxes in the template when providing your responses to the questions because this will complicate the automated collation of the responses.
- Submit your comments, using the response template only, without a covering letter or any summary of your key issues, instead identify any key issues, as far as possible, in your responses to the questions.

The response template provides the opportunity to provide details about your organization and, should you choose to do so, any other matters not raised in specific questions that you wish to place on the public record. All responses will be considered a matter of public record and will ultimately be posted on the IFAC website.

[Use the "Submit Comment" button on the ED web page to upload the completed template.](#)

Responses to IFAC’s Request for Comments in the EM for the ED, Proposed Revisions to IES 2, 3, and 4 – Sustainability

PART A: Respondent Details and Demographic information

Your organization’s name (or your name if you are making a submission in your personal capacity)	Chartered Accountants Australia and New Zealand (CA ANZ)
Name(s) of person(s) responsible for this submission (or leave blank if the same as above)	Kimberly Philp
Name(s) of contact(s) for this submission (or leave blank if the same as above)	
E-mail address(es) of contact(s)	kimberly.philp@charteredaccountantsanz.com
Geographical profile that best represents your situation (i.e., from which geographical perspective are you providing feedback on the ED). Select the most appropriate option.	Asia Pacific
	If “Other”, please clarify
The stakeholder group to which you belong (i.e., from which perspective are you providing feedback on the ED). Select the most appropriate option.	Member body and other professional organization
	If “Other”, please specify
Should you choose to do so, you may include information about your organization (or yourself, as applicable).	<p>CA ANZ represents more than 139,000 financial professionals, supporting them to make a difference to the businesses, organisations and communities in which they work and live. Chartered Accountants are known as Difference Makers. The depth and breadth of their expertise helps them to see the big picture and chart the best course of action.</p> <p>CA ANZ promotes the Chartered Accountant (CA) designation and high ethical standards, delivers world-class services and life-long education to members and advocates for the public good. We protect the reputation of the designation by ensuring members continue to comply with a code of ethics, backed by a robust discipline process. We also monitor Chartered Accountants who offer services directly to the public.</p> <p>Our flagship CA Program, the pathway to becoming a Chartered Accountant, combines rigorous education with practical experience. Ongoing professional development</p>

	<p>helps members shape business decisions and remain relevant in a changing world.</p> <p>We actively engage with governments, regulators and standard-setters on behalf of members and the profession to advocate boldly in the public good. Our thought leadership promotes prosperity in Australia and New Zealand.</p>
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Should you choose to do so, you may provide overall views or additional background to your submission. **Please note that this is optional.** IFAC's preference is that you incorporate all your views in your comments to the questions (also, the last question in Part C allows for raising any other matters in relation to the ED).

Information, if any, not already included in responding to the questions in Parts B and C:

In preparing this response to IES sustainability exposure draft, CA ANZ consulted key stakeholders internally as well as with our members, including the CA ANZ Sustainability and Management Accounting Committee (SMAC). In addition, CA ANZ also collaborated with the Accounting and Finance Association of Australia and New Zealand (AFAANZ) who represent universities in Australia and New Zealand.

PART B: Responses to Specific Questions in the EM for the ED

For each question, please start with your overall response by selecting one of the items in the drop-down list under the question. Provide your detailed comments, if any, below as indicated.

1. Do you support the proposed revisions to IES 2, 3, and 4 for sustainability? If not, please explain your reasons and indicate what changes you would suggest.

Overall response: [Agree, with comments below](#)

Detailed comments (if any):

- *We agree with embedded approach. It is consistent with the disclosure requirements of the International Sustainability Standards Board (ISSB) Standards which emphasise the interconnection of financial and sustainability information.*
- *We also believe it is important to integrate and consolidate competencies to avoid an ever-expanding list of technical competences in IES 2.*
- *We note that when embedding sustainability concepts, it is important to ensure that they do not become disjointed from the concept of sustainability as a whole and believe that the introduction of a systems thinking approach will be helpful in this regard.*

2. Are the sustainability learning outcomes sufficient and appropriate expectations for aspiring professional accountants? If not, please explain your reasons and indicate what changes you would support.

Overall response: [Agree, with comments below](#)

Detailed comments (if any):

- *In our view, some additional learning outcomes could be emphasised in IES 3 to address the reliance on subject matter experts in relation to sustainability:*
 - *The ability to engage and be able to form judgements on a broader array of subject matter and new subject matter areas as they emerge in sustainability; and*
 - *Communicating with other subject matter experts involved in multidisciplinary teams required for sustainability.*

- 3A. Do you support the proposal to create a new competence area for assurance? If not, please explain your reason and indicate what changes you would suggest.

Overall response: [Agree, with comments below](#)

Detailed comments (if any):

- *We agree that a new competence area for assurance is appropriate and allows for a key focus on assurance. It also reflects the separate standards for assurance and financial audit engagements.*
- *We note that sustainability assurance is a developing specialisation and believe that it is prevalent enough to warrant a specific area of competence. It is distinct from compliance engagements and other miscellaneous assurance engagements. We believe it is likely to*

become as prevalent as financial statement audit when mandatory assurance is phased in over the coming years.

- We feel that although for the current environment, a strong sustainability focus is appropriate, there is a risk that it is not futureproof as the attention moves on to other areas. However, with the new ISSB bringing much expanded reporting under the umbrella for sustainability, this is likely to be an appropriate focus at least for 5 to 10 years.*

3B. Is the level of the proposed assurance competence area and learning outcomes at foundation level appropriate for aspiring for professional accountants? If not, please explain your reason and indicate what changes you would suggest.

Overall response: [Agree, with comments below](#)

Detailed comments (if any):

- As sustainability assurance develops, we believe it will be important to revisit and affirm the level of competence. As an emerging field of practice, we believe the proposed competence level is appropriate and may be beneficial given this will be a new topic for many jurisdictions.*
- As the foundational level is the minimal, mandatory standard and sets a global baseline for the profession to achieve across all the jurisdictions, we feel that it still provides flexibility for some jurisdictions to be at a higher level than others if desired.*

4. Are there any terms within the new and revised learning outcomes of IES 2, 3, and 4 which require further clarification? If so, please explain which terms and how they could be better explained or revised.

Overall response: [Agree, with comments below](#)

Detailed comments (if any):

- We suggest the term 'systems thinking' be defined. The concept of systems thinking is very ambitious for aspiring professional accountants to grasp at that point in their careers and maturity. The concept of systems thinking is not well established in the accounting profession and is conceptual rather than conventional in practice which will take time to establish and evolve.*
- We suggest the term 'intellectual curiosity' be defined. We note the terms 'inquiring mind' and 'professional skepticism' are defined in auditing standards with distinct and different meanings which may cause confusion and appear to overlap for non-audit standards specialists.*
- We believe that IES 2, Appendix A, competency (a) 'Financial accounting, disclosure and reporting' is far more specific and explicit regarding sustainability than competency (b) 'Management accounting' which is more generic and does not clearly articulate the integration of sustainability aspects without the presence of the 'Rationale' column which is present in the Exposure Draft but will be absent in the finalised standard. Suggested amendments in this regard are detailed below.*

- IES 2, Appendix A, paragraph (b)(i) regarding 'Management Accounting' competencies. Suggest needs to be more specific with reference to financial and non-financial information to better address sustainability metrics. E.g. "Prepare data and information to support management decision making on topics including setting **financial and non-financial** metrics and targets, planning and budgeting, cost management, quality control, performance measurement, and comparative analysis".
- IES 2, Appendix A, paragraph (b)(v) regarding 'Management Accounting' competencies. Suggest needs to be more specific with reference to financial and non-financial information to better address sustainability metrics. E.g. "Evaluate the performance of an organization and its business segments, products, and services against **financial and non-financial** metrics and targets."
- IES 2, Appendix A, paragraph (l)(iii) regarding 'Business strategy and management' competencies. Suggest the amended past tense wording of "...that affect" narrows the scope of impact to the exclusion of medium- and long-term impacts. The removal of the word 'may' loses the future and forward looking aspect which is critical to sustainability issues. E.g. "Analyze the **current and anticipated** external and internal factors that **may** affect the business model, value chain, and the strategy of an organization using a systems-thinking approach."
- IES 2, Appendix A, paragraph (c)(v) regarding 'Management Accounting' competencies. Suggest consideration be given to both financial and non-financial strategic factors as both are important when evaluating capital investment decisions. E.g. "Evaluate capital investment decisions, using capital budgeting techniques and consideration of **financial and non-financial** strategic factors."
- IES 3, Table A, paragraph (b)(i) "...when working within multi-disciplinary teams..." Suggest scope wider as aspiring professional accountants may be engaging with external multi-disciplinary teams and the word 'within' is limiting. E.g. "...**including** when working **with or** within multi-disciplinary teams..."
- IES 3, Table A, paragraph (b)(iii) Suggest language and contextual differences is different to 'awareness of culture' which is drafted to be removed. Suggest retain 'awareness of culture' as it is very important in a globalised world, and has a different mean to the revisions. E.g. "Apply key concepts of diversity, equity and inclusion in communication, considering and respecting language and contextual differences **and demonstrating awareness of culture.**"
- IES 3, Table A, paragraph (b)(iv) "Apply active listening and effective questioning techniques" however, the question becomes effective in relation to what? Suggest change terminology to 'critically inquiry' which aligns with the concept of critical thinking. E.g. "Apply active listening and ~~effective questioning techniques~~ **critical inquiry.**"

5. Do you believe the adoption and implementation of the proposed revised IES 2, 3, and 4, including will present any challenges to your organization? If yes, what challenges do you foresee?

Overall response: [Agree, with comments below](#)

Detailed comments (if any):

- *The changes and revisions are very welcome by CA ANZ and will broaden our professions' capabilities and attractiveness.*

- *We believe a comprehensive and cohesive approach will need to be considered between universities and PAOs to ensure the necessary coverage of the material required by the IES's.*
- *We anticipate some practical concerns in implementing the new areas of technical competencies where examples and research do not yet exist. For example, IES 2, Appendix A, paragraph (a)(vi) regarding 'Financial accounting, disclosure and reporting' competencies "Interpret financial statements, sustainability disclosures, and other disclosures and reports." is evolving and not yet resolved with few examples to draw upon. A staged approach for the adoption of the revised IESs may be more appropriate in this regard.*
- *The proposed effective date 1 July 2026 is fast approaching, and we suggest that a degree of flexibility for the implementation in stages may be appropriate depending on the market development of sustainability in different jurisdictions.*

Part C: Request for General Comments

IFAC is also seeking comments on the matters set out below:

6. General comments are welcomed on all matters addressed in the proposed IES 2, 3, and 4 (See Appendices A to E). Where relevant, when making general comments, it is helpful to refer to specific paragraphs, include the reason for the comments and, where appropriate, make specific suggestions for any proposed changes to wording to fully appreciate the respondent's position. Where a respondent agrees with proposals in the exposure draft (especially those calling for a change in current practice), it is helpful to note the reason you agree.

Overall response: [See comments below](#)

Detailed comments (if any):

- *We recommend that IFAC commit to review the IESs again soon (such as within the next 3 to 5 years) to ensure that they are fit for purpose and reviewed in timely manner given the nature of change in relation to sustainability.*
- *We note that the IES proposed revisions address the impacts of sustainability on business and the associated competencies for the IPD of aspiring professional accountants, however, future revisions could go further or subsequently evolve to address double materiality and consideration of the affect of sustainability issues on the environment and society at large.*
- *We recommend that IFAC consider undertaking a wider review of technical competences in IES 2 to consider whether any competencies could be removed as no longer relevant or obsolescence due to emerging technologies to accommodate for the sustainability additions.*