



## 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)	Deloitte Touche Tohmatsu Limited
Name(s) of person(s) responsible for this submission (or leave blank if the same as above)	Gareth Wellings
Name(s) of contact(s) for this submission (or leave blank if the same as above)	Jennifer Eberman
E-mail address(es) of contact(s)	<a href="mailto:jeberman@deloitte.ca">jeberman@deloitte.ca</a> ; <a href="mailto:gwellings@deloitte.co.uk">gwellings@deloitte.co.uk</a>
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.	<a href="#">Global</a>
	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.	<a href="#">Accounting Firm</a>
	If “Other”, please specify
Should you choose to do so, you may include information about your organization (or yourself, as applicable).	

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:**

## 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):**

*Deloitte fundamentally supports the proposed revisions to the International Education Standards (IES) 2, 3, and 4, concerning the incorporation of sustainability-related matters. We believe these revisions are crucial in equipping aspiring accountants to meet emerging challenges and enable the accountancy profession to play a pivotal role in delivering high-quality sustainability-related information and services. Generally, we concur that the proposed revisions are a practical and effective means to facilitate this preparation.*

*However, we do have specific recommendations and proposed amendments to the standards, which we believe could further enhance their application and effectiveness. These suggestions are detailed in our responses to each individual question and are also incorporated in Section C, where we provide additional drafting points that extend beyond the direct questions. These points are intended to ensure that the standards are as comprehensive and applicable as possible in addressing the complexities and nuances of sustainability-related matters in the accountancy field.*

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):**

*Deloitte concurs that the current learning outcomes have been suitably amended to incorporate sustainability-related competencies. We further endorse the expectations set forth as fitting for aspiring accountants. Particularly, we appreciate the integrated approach taken to weave sustainability-related concepts throughout the standards.*

*However, while sustainability has been effectively integrated in IES 4 IPD - Professional Values, Ethics, and Attitudes, we propose modifications to IES 2 IPD – Technical Competence and/or IES 3 IPD – Professional Skills to ensure adequate sufficiency concerning expectations related to these competencies.*

*In IES 2, the technical competencies have been expanded to encompass learning outcomes that extend reporting to include both financial and sustainability reporting. However, the revised competencies, while comprehensive, are presented separately and do not address the ‘link’ between these two key concepts. As the IFAC publication ‘Equipping professional accountants for sustainability’ emphasizes, it is crucial for accountants to directly recognize the ‘connectivity’ between finance and sustainability.*

*More specifically, accountants should be adept at recognizing the interconnections between an entity's various sustainability-related risks and opportunities that could have a direct bearing on the entity's financial prospects. They should also understand the connections within the entity's sustainability-related financial*

disclosures, and between these disclosures and other general purpose financial reports, such as the entity's financial statements.

This understanding of 'connectivity' and the associated behaviors should be integral learning outcomes for aspiring accountants. It should be incorporated within both the technical competencies and professional skills, rather than treating finance and sustainability as isolated topics. This approach will equip future accountants with a comprehensive understanding of how sustainability impacts finance and vice versa, enabling them to provide a holistic view of an entity's performance.

Therefore, we suggest amending a specific learning outcome in IES 2's Competence area (a) to reflect the technical aspect of this connectivity. We propose that IES 2 (a) v be revised to read:

*'Prepare financial statements (including consolidated financial statements) and sustainability disclosures that demonstrate the connectivity between finance and sustainability, in accordance with IFRSs or other relevant standards.'*

Additionally, the skill of recognizing this connectivity could be reflected in IES 3 (a) as a learning outcome related to intellectual competence. To better reflect the skill needed to recognize this connectivity and emphasize the necessity of being true 'systems thinkers,' we suggest amending IES 3 (a) (v) to:

*'Evaluate changing facts and circumstances, linking financial and non-financial information to solve problems, form judgments and reach informed conclusions.'*

Further suggested edits or drafting points to properly ensure the sufficient, appropriate learning outcomes are included below for each of the competency areas.

#### IES 2:

##### 1. (a) Financial accounting, disclosure, and reporting

*The revised title suggests that these disclosures are solely financial. To include sustainability disclosures and reporting, consider an alternative title such as: 'Financial accounting, financial and sustainability disclosures and reporting' or 'Financial accounting, and both financial/non-financial disclosures and reporting'.*

##### 2. (a) (v) Prepare financial statements, including consolidated financial statements and sustainability disclosures, in accordance with IFRSs or other relevant standards.

*This revision suggests that sustainability disclosures are part of the financial statements, which may not always be the case. We recommend revising to: 'Prepare financial statements (including consolidated financial statements) and sustainability disclosures in accordance with IFRSs or other relevant standards.'*

##### 3. (a) (iii) Page 12 of the ED (and rationale) indicate there is 'no change'. However – there is a change reflected on page 25. We agree with the revision on page 25: 'Evaluate the appropriateness of accounting and other policies used to prepare financial statements, and other disclosures and reports.'

##### 4. (a) (vi) Interpret financial statements, sustainability disclosures, and other related disclosures and reports.

*This amendment suggests that there are other disclosures and reports beyond sustainability, which is inconsistent with the revisions to (a) (iii). We recommend aligning the terminology used in (iii) and (vi) for consistency.*

**IES 3**

**5. Interpersonal and communication (b) (i) (ii)**

*We concur with the need to emphasize communication and collaboration skills with multidisciplinary teams. However, the edits in (ii) that focus on the development of communication seem to imply a sole focus on written communication, while other forms remain important. We suggest revising (b) (ii) to: ‘Communicate clearly and concisely, tailored to the specific audience.’*

**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):*

*Deloitte supports the proposal to establish a new competence area for assurance, particularly in light of the anticipated increase in demand for sustainability assurance engagements. We also concur that it is essential to distinguish this competence area from Audit, given the differences in both the level of assurance and the nature of financial and non-financial matters on which assurance will be provided.*

*However, we propose certain edits to ensure the inclusion of sufficient and appropriate learning outcomes for the new Assurance competency in IES 2:*

**1. (f) Assurance**

*The new technical competence should be explicitly labeled to indicate that it refers specifically to assurance ‘other than’ financial statement audits, which are addressed in technical competency I Audit. To clarify, consider specifying thl(e) Audit pertains t’ the ‘audit of financial statements’.*

**2. (f) Assurance**

*We note that while the learning outcomes for Assurance are based on the phrasing in IES 2 (e) Audit (i), (ii), (iii), and (v) (adjusted for Foundation level directive verbs), it has intentionally excluded (iv) and (vi). We question this omission, as regardless of the level of proficiency, we believe that there should be outcomes related to both quantitative methods (iv) and conclusions (vi). However, the terminology for assurance should be applied, in line with the related assurance standards and proficiency level.*

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:** [Disagree, with comments below](#)

**Detailed comments (if any):**

*While we understand the decision to set the proficiency level for the new Assurance technical competency at 'foundational', Deloitte has concerns about this approach. We believe that an 'intermediate' proficiency level would be more appropriate and beneficial.*

*Although audit has traditionally been a core subject in many accounting curriculums and a key area of practical experience for aspiring professional accountants, the landscape is evolving. The standards should anticipate and adapt to future expectations, not just reflect current norms.*

*Elevating the proficiency level for Assurance to 'Intermediate' would align it with the expected proficiency level of other technical competencies. These include financial accounting, disclosure and reporting; management accounting; finance and financial management; taxation; business laws and regulations; information and communication technologies; and the business and organizational environment.*

*Given the anticipated significant growth in sustainability assurance engagements to meet regulatory requirements and investor needs, the expectation should be that aspiring accountants develop competencies in assurance that are on par with the proficiency levels expected for audit engagements. This shift would better prepare them for the evolving demands of the profession and the increasing importance of sustainability in business operations and reporting.*

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):**

*In addition to the areas previously highlighted that require further clarification, we have identified the following terms that could benefit from explanation and/or editorial adjustment:*

*'Element' (added in IES 2 (e) (i) and (f) (i) in relation to performance of audit/assurance engagements) – We note that the 'elements' of audit/assurance engagements are not explicitly defined in the ISA., If this concept is to be included it would be beneficial to provide a clear definition or explanation of what these elements are, within the IESs, to ensure a consistent understanding and application.*

*Value Chain (glossary addition) - We suggest an editorial change to align with other definitions by eliminating the redundant opening phrase. The revised definition could read: 'A reporting concept that is defined, described...' This minor adjustment would enhance consistency across definitions and improve clarity.*

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:** [Neither agree/disagree, but see comments below](#)

**Detailed comments (if any):**

*Deloitte acknowledges that the adoption and implementation of the proposed revisions to IES 2, 3, and 4 are likely to present challenges for certain parts of our network. Specifically, some of our member firms operating in jurisdictions where the current structure and content of IPD for aspiring professional accountants does not meet the standards required by the proposed revisions may face difficulties. This is particularly pertinent in regions where the adoption and implementation of sustainability-related reporting are not yet mature.*

*The impact of these changes will predominantly be felt by our more junior staff members in these jurisdictions, as they are typically engaged with Deloitte while completing their IPD. Those responsible for supervising their work during this period may also be affected. The nature of this impact is likely to manifest in extended study periods and/or more specific requirements during the practical experience gained during their work with Deloitte.*

*However, it is important to note that the extent of this impact is challenging to quantify at this stage. The changes to IPD will be largely driven by the relevant IFAC member body in each jurisdiction, leading to considerable variation across our network.*

## 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):**

*In addition to our specific responses to the questions posed in the Explanatory Memorandum, we also have several specific comments on the exposure draft, along with suggestions for changes to enhance the clarity of the final standard.*

### *General*

*In multiple locations the phrase 'to inform judgments, make decisions, and reach well-reasoned conclusions' has been changed to 'form judgments, and reach informed conclusions'. We disagree with this change and the reasoning provided for it. In our view 'forming judgments' and 'reaching...conclusions' are conceptually similar, and the removal of the concept of 'well-reasoned' has removed the concept of the quality of the conclusion reached – an informed conclusion may take into account relevant information, but be poorly considered. Recognizing an opportunity to simplify the language we recommend an alternative wording 'make informed decisions and reach well-reasoned conclusions'.*

### IES 2

- *Management Accounting (b) (i): We suggest moving 'setting metrics and targets' to follow 'planning and budgeting' for a more logical flow.*
- *Finance and Financial Management (c) (v): The revisions seem to blend a specific activity with broader strategic analysis. It could also better highlight the inclusion of both sustainability-related and financial-related strategic factors. Consider revising to: 'Evaluate capital investment decisions considering strategic factors (financial and sustainability-related) and applying appropriate capital budgeting techniques.'*
- *Business and Organizational Environment (j) (i): There's a discrepancy in the content on pages 17 and 29 for this learning outcome – it's unclear whether 'context' or 'context environment' is being recommended. Revisit this and consider if the title 'Business and Organizational Environment' remains appropriate.*
- *Business strategy & management (l) (iii) – the amendment currently prescribes the use of a 'systems-thinking approach to analyzing organizational strategy. While this approach may be helpful, there may be other approaches which are equally valid to employ. We therefore recommend this is rephrased to 'using techniques such as a systems-thinking approach'.*

### IES 3

- *Intellectual (a) (ii) & (iii) – we question the decision to reorder these learning outcomes. Critical thinking should be applied in the assessment of whether and when to consult with specialists and so would be better placed first.*



- *Interpersonal communication – (b) (i) – this learning outcome now refers to demonstrating effective communication and cooperation only when working in multi-disciplinary teams. In our view this should not be restricted in this way and instead apply to all teams the aspiring professional accountant works in. We recommend ‘Demonstrate effective communication, collaboration and cooperation when working in teams, including multi-disciplinary teams.’*
- *Interpersonal communication – (b) (iii) – we disagree with removal of the reference to ‘culture’, as this represents an important factor to consider in the diverse environments that aspiring professional accountants work within and are exposed to in their work. This is not sufficiently conveyed or understood by the term ‘contextual’.*
- *Personal (c) (v): ‘Apply intellectual curiosity to emerging ideas and new practices.’ This might be better positioned under ‘intellectual,’ based on the definitions provided. Also, the specificity of application only to ‘emerging ideas and new practices’ is unnecessarily limiting for a mindset that should be generally adopted.*

#### IES 4

- *Professional skepticism and professional judgment (a) (i) – the addition of ‘from a variety of sources and perspectives’ has the effect of limiting the application of an inquiring mind, which should be applied to all situations. Consider if instead an additional learning outcome to address the need to collect data from a variety of sources and perspectives is required.*
- *Ethical Principles (b) (i): ‘Explain the importance of relevant ethical requirements to all professional activities.’ We suggest removing the term relevant, as it’s important to explain the significance of all ethical requirements more broadly. While we’re comfortable with the use of ‘relevant’ in (b) (ii) where it relates to the application of these standards, we believe aspiring accountants should be proficient at explaining the overall importance.*
- *Ethical Principles (b)(v): We propose that this learning outcome (including the proposed new wording) be moved to follow directly after (ii) to improve the overall flow.*