



## 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)	Ernst & Young Global Limited
Name(s) of person(s) responsible for this submission (or leave blank if the same as above)	Eric G Spiekman
Name(s) of contact(s) for this submission (or leave blank if the same as above)	Eric G Spiekman
E-mail address(es) of contact(s)	Eric.Spiekman@eyg.ey.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.	<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).	Deputy Vice Chair - Global Professional Practice

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):

We support the International Federation of Accountants (IFAC) effort to improve the International Education Standards (IES), including the proposed revisions of IES 2, 3, and 4 for sustainability. We believe the revisions and additions to the learning outcomes in IES 2, 3, and 4 enhance the extant IESs in the area of sustainability reporting and assurance. We support the integrated approach of embedding sustainability throughout the IESs, rather than treating it as a standalone topic. We have the following suggestions on the proposed revisions to IES 2, 3 and 4:

### IES 2, Initial Professional Development – Technical Competence

- (i) The competence area (a) Financial accounting and reporting has been amended to include the term ‘disclosures’ with a rationale to incorporate sustainability disclosures and reports into the learning outcomes. While we support the intent behind the addition to incorporate sustainability disclosures and reports into the learning outcomes, the addition of the term ‘disclosure’ in between financial accounting and reporting without the word ‘sustainability’ is misleading and can be read only in the context of financial reporting and not related to sustainability. Therefore, we suggest revising as follows (a) Financial accounting, sustainability disclosures and related reporting.

We also believe that ‘reporting’ is not just confined to the sustainability disclosures outside the financial statements, but also extends to reporting of financial information. This is exemplified in the proposal by the U.S. Securities and Exchange Commission wherein registrants will be required to disclose, in an audited note to the financial statements, capitalized costs and charges on the balance sheet and incurred expenses and losses on the income statement resulting from severe weather events or other natural conditions if the specified criterion is met. It is unclear in the revisions made to the learning outcomes in (a) Financial accounting, disclosures and reporting if this is meant to encompass sustainability disclosures in the financial statements.

- (ii) We do not agree with the change made to learning outcome (a) (i). Transactions and other events is the IFRS standard language and we do not believe the phrase “transactions and other events” can be removed from the IESs. We suggest this learning outcome be revised to the following: Apply accounting principles to transactions and other events ~~facts and circumstances~~.
- (iii) It is unclear what ‘alternatives’ is referring to in learning outcome (b) (iv) Analyze data and information to consider alternatives and enable management to make informed decisions. We suggest rewording this as: Analyze data and information to enable management to make informed decisions and consider alternatives.
- (iv) The reference to ‘external reporting’ in learning outcome (g) (iv) Analyze the components of internal control related to external reporting seems very broad. In addition to financial and

sustainability related reporting, this could include other regulatory reports. We suggest that external reporting be narrowed to financial and sustainability reporting.

- (v) The reference to systems thinking seems out place in learning outcome (I) (iii) Analyze the external and internal factors that affect the business model, value chain, and the strategy of an organization using a systems-thinking approach. We suggest referring to systems-thinking in the competence area (j) Business and organizational environment (all four learning outcomes), or it can be included in both competence areas (j) Business and organizational environment and (I) Business strategy and management.
- (vi) We support the addition of the new Assurance competence area. We believe the addition of this competence area will help in differentiating the assurance of sustainability reports from the audit of financial statements. However, we have following comments:
- a. It is unclear whether Assurance, now as a specific competence area, includes audit, or if Assurance is covering all assurance engagements except audits. We suggest that the proposed IESs be clarified as to whether the intent is to cover all Assurance standards in this competence area, including audit. If audit is intended to be a subset of assurance, then the (f) Assurance competence area and learning outcomes should be shifted before (e) Audit competence area and learning outcomes.
  - b. If audit is sub-topic of assurance, then we agree that ‘foundation’ is appropriate for aspiring professional accountants for the proposed Assurance competence area and related learning outcomes.
  - c. If audit is not meant to be a sub-topic of assurance, then it is confusing as to why Audit is ‘Intermediate’ and Assurance is ‘Foundation’ and why different terminology exists between the new Assurance competence area and the Audit competence area. The verbiage of the new Assurance competence area is similar to the (e) Audit (intermediate) competence area. However, there are two instances where the use of different terminology between these sections creates confusion – use of the word ‘explain’ and ‘describe’ in the proposed IES 2 (f) (ii) and (iii) respectively compared to ‘apply’ and ‘assess’ in the extant IES 2(e)(ii) and (iii) respectively. We suggest that either an explanation be provided, or the terminologies be made consistent.
  - d. Footnote 3 to (f) (ii) refers to International Standards on Assurance as those standards issued by the International Auditing and Assurance Standards Board (IAASB) included in the International Framework for Assurance Engagements. It unclear whether this includes the International Standards for Auditing (ISAs), International Standard for Auditing Less Complex Entities (ISA for LCE), International Standards on Review Engagements (ISRE), International Standards on Assurance Engagements (ISAE) and the proposed International Standard on Sustainability Assurance (ISSA), or only ISAE.
  - e. In learning outcome (e) (ii), we propose that a reference is added to the ISA for LCE, since the ISA for LCE is a standalone, separate standard. We suggest the following edits to (e) (ii) Apply International Standards on Auditing (ISAs), International Standard on Auditing for Audits of Financial Statements of Less Complex Entities (ISA for LCE) or other relevant auditing standards, laws, and regulations applicable to an audit of financial statements.

### IES 3, Initial Professional Development – Professional Skills

- a. We suggest a learning outcome be created that reflects effective communication, collaboration and cooperation with a practitioner’s expert and using the work of another practitioner. The proposed new learning outcome will reflect that professional accountants will encounter circumstances when a practitioner’s external expert or another practitioner will need to be involved in a sustainability assurance engagement as reflected in Exposure Draft ISSA 5000, *General Requirements for Sustainability Assurance Engagements* and these individuals are not considered a ‘team’ member in an audit or assurance engagement as defined in the IAASB and IESBA standards.
- b. Learning outcome (a) (ii) uses the term specialist, however this term is not defined in the ISAs. The ISAs use the term ‘Auditor’s expert’ (auditor’s external expert or auditor’s internal expert) and ‘Management expert’. We suggest that the IESs define the term ‘specialists’ or align with the terms already defined in the ISAs.

Learning outcome (a) (ii) uses the term consult. Teams normally would not ‘consult’ with experts but rather involve them. ‘Consult’ is an ISQM 1 term that is referring to consultation with those ‘who have specialized expertise’. We suggest revising this learning outcome to: Identify when it is appropriate to ~~consult~~ involve experts.

- c. We suggest that learning outcome (b) (iii) extend beyond communication to include teaming-related behaviors that support inclusivity. Teaming behaviors that support inclusivity are about creating a safe and collaborative environment where everyone feels valued and empowered to contribute. The addition of teaming-related behaviors to support inclusivity in the (b) Interpersonal and communication competence area would be in addition to the learning outcomes that are already included in the (d) Organizational skills competence area.
- d. Effective questioning techniques are crucial not only for human-to-human interaction but also for getting the most out of artificial intelligence (AI) prompting. While the Interpersonal and communication competence area might not explicitly mention AI, we believe it's a valuable skill to include here (and elsewhere in the IESs) to make sure that aspiring professional accountants have the professional skills to effectively interact with AI tools. We suggest that learning outcome (b) (iv) be amended to specifically mention that AI is included in effective questioning techniques.

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 no further comments)

Detailed comments (if any):

Yes, the sustainability learning outcomes are sufficient and appropriate expectations for aspiring professional accountants.

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):**

**Yes, we support the proposal to create a new competence area for assurance subject to the comments in response to Question 1 above.**

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):**

**Yes, we believe that the level of proposed assurance competence area and learning outcomes at foundation level are appropriate for aspiring for professional accountants, subject to the comments in response to Question 1 above.**

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 believe that there is some terminology in the proposed IES 2, 3 and 4 which require further clarifications.**

- **We believe the term ‘Sustainability reporting specialist’ should be defined in IES 2, 3 and 4.**
- **In Appendix A, *Proposed learning outcomes changes to IES 2, Initial Professional Development – Technical Competence*, in the rationale for learning outcome (b) (ii), it is indicated that value chain has been added to the glossary as a conforming amendment. However, we want to highlight that the proposed definition does not align with the definition included in IESBA’s Exposure Draft *Proposed International Ethics Standards for Sustainability Assurance (including International Independence Standards) (IESSA) and Other Revisions to the Code Relating to Sustainability Assurance and Reporting*. The definition provided in the proposal by IESBA excludes components from the ambit of value chain. The definition included in IESBA’s Exposure draft is as follows:**

**The value chain is a reporting concept that is defined, described, or otherwise specified in the applicable sustainability reporting framework. The value chain might include, for example, a sustainability assurance client’s customers and suppliers that are material for sustainability reporting purposes. The value chain does not include components.**

**We suggest that the definition of value chain be aligned with the definition that will be used by IESBA.**

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):**

**No, we do not believe that the adoption and implementation of the proposed revised IES 2, 3 and 4 will pose any challenges subject to the following comment:**

- **We understand that the revisions to the proposed revised IES 2, 3 and 4 were developed with the needs of both aspiring professional accountants and professional accountants in mind. We also understand that there are many jurisdictions across the globe where sustainability assurance engagement is profession agnostic. There is a public interest expectation for the proposed International Standard on Sustainability Assurance (ISSA) 5000 to be ‘profession agnostic’, which means that the proposed ISSA 5000 should be able to be used by both professional accountants and non-accountant assurance practitioners. Professional accountants have the benefit of being familiar with the IAASBs suite of standards and existing guidance (such as the Extended External Reporting (EER) guidance); however, non-accountant assurance practitioners may need additional guidance. Therefore, we suggest that IFAC liase with the appropriate parties to develop similar education standards for non-accountant assurance practitioners regarding sustainability.**

## 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 noted that there is inconsistency in the terminology used in IES 2 for the term 'Sustainability disclosures' and 'Sustainability disclosures and reports'. We suggest that consistent terminology be used throughout the Exposure Draft. Refer to the following learning outcomes in IES 2 Table A:

- (a) (iv) Evaluate the appropriateness of policies used to prepare sustainability disclosures and reports.
- (a) (v) Prepare financial statements, including consolidated financial statements, and sustainability disclosures, in accordance with IFRSs or other relevant standards.
- (a) (vi) Interpret financial statements, sustainability disclosures, and other related disclosures and reports.