



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)	AICPA & CIMA, together as the Association of International Certified Professional Accountants
Name(s) of person(s) responsible for this submission (or leave blank if the same as above)	Dr Jeremy Osborn, FCMA, CGMA, CPA (Aust.)
Name(s) of contact(s) for this submission (or leave blank if the same as above)	
E-mail address(es) of contact(s)	Jeremy.Osborne@aicpa-cima.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.	Global
	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).	I am the Global Head of Sustainability at AICPA & CIMA

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):

Appendix A, IES 2

a vii) Interpret reports that include **non-financial** data and information.

We propose that 'sustainability-related financial' would be better aligned with IFRS S1 and S2.

b iv) Analyze data and information to consider alternatives and enable management to make informed decisions.

c ii) (ii) Analyze an organization's cash flow and working capital requirements.

We propose adding: 'including the impact of an organization's management of its sustainability-related risks and opportunities on its cash flows, access to finance and cost of capital over the short, medium and long term'.

c iii) Analyze the current and anticipated financial performance and position of an organization, using techniques including ratio analysis, trend analysis, cash flow analysis, and scenario analysis.

l ii) Explain the purpose and importance of different types of functional and operational areas within organizations.

We propose adding at the beginning: 'Explain what is meant by a purposeful organization'.

Appendix B, IES 3

b iii) Apply key concepts of diversity, equity, and inclusion in communication, considering and respecting language and contextual differences.

b iv) Apply active listening and 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: [Disagree, with comments below](#)

Detailed comments (if any):

Appendix A, IES 2

b iii) Apply appropriate quantitative techniques to analyze cost behavior and the drivers of costs.

We propose adding: 'including, where appropriate, both costs which are internalised by an organization ('internalities') and costs which are not ('externalities').

The Panel debated and considered potential revisions to this learning outcome and concluded that a sustainability specific revision is not needed.

There are situations where it is imperative accountants consider both internalised and externalised costs in resource allocation and decision making. See proposed addition above.

c i) Compare the various sources of financing available to an organization, including bank financing, financial instruments, green finance, and bond, equity and treasury markets.

This learning outcome was discussed by the Panel; no sustainability specific changes were proposed. Sources of finance would include green finance. The Panel felt it would not be appropriate to call out green financing specifically, as it would narrow the learning outcome.

c iv) Evaluate the appropriateness of the components used to calculate an organization's cost of capital.

The Panel debated and considered potential revisions to this learning outcome and concluded that a sustainability specific revision is not needed.

We do not agree with the Panel. The impacts of sustainability-related risks and opportunities on an organization's cost of capital need to be called out explicitly as this is a key reason for the ISSB issuing IFRS S1 and S2.

k) Economics (Foundation)

Add a new LO on 'Explain the difference between internalities and externalities'. This is a key concept creating a fissure between the worldview of economists and the worldview of accountants. The exclusion of externalities from how we account for an organization's performance and prospects is the root-cause of why the profession has not integrated other types of capital, such as human capital or natural capital, into the system by which we account for performance. The ISSB standards bridge this fissure and accountants would benefit from understanding that such concepts have been widely recognised by economists for decades.

l) Business Strategy and Management (Intermediate)

l 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.

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 no further comments)**

Detailed comments (if any):

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

Overall response: Agree (with no further comments)

Detailed comments (if any):

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: No response

Detailed comments (if any):

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: No response

Detailed comments (if any):

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): There seems to have been an approach and an assumption in updating these standards that sustainability is a “given” and as such will be recognized and included. There is a real danger of not calling out specificities of sustainability issues such as the impact on business models, the concept of externalities and internalities, double materiality, risk management including sustainability and including topics to highlight new areas of knowledge that accountants need to gain an appropriate level of competence in.