



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)	Department of Accounting, Birmingham Business School, University of Birmingham.
Name(s) of person(s) responsible for this submission (or leave blank if the same as above)	Bisola Joloko Stephanie Tiller Helen Brain Nick Rowbottom
Name(s) of contact(s) for this submission (or leave blank if the same as above)	
E-mail address(es) of contact(s)	b.g.joloko@bham.ac.uk
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.	Europe
	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.	Academic or Academic body
	If “Other”, please specify
Should you choose to do so, you may include information about your organization (or yourself, as applicable).	The University of Birmingham is a Russell group University ranked amongst the top 100 universities in the QS world university rankings with 40,000 students and campuses in Birmingham and Dubai. Birmingham business school is the first UK business school and a prominent part of the University operating with the purpose of promoting responsible business through research, teaching, and engagement with industry. Within the school, the accounting department is reputable for being the first to integrate climate change into its degree programs with research and teaching expertise in the area of embedding sustainability in accounting education.

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):

The proposed sustainability revisions to IES 2, 3, and 4 represent a crucial advancement in professional accounting education. The education that future professional accountants receive during their Initial Professional Development (IPD) is critical in shaping their role and expertise in meeting organizational needs and upholding the public interest.

There are clear connections between the role of accountants and sustainability, with increasing calls for the accounting profession to meet societal expectations in addressing sustainability as a global priority and fostering sustainable practices within organizations. Accountants are already involved, to varying extents, in implementing sustainability practices, producing sustainability disclosures, and providing assurance on sustainability reports and disclosures. These responsibilities are expected to grow with emerging regulations and business demands. The proposed revisions therefore align with current global trends and regulatory changes that demand greater transparency and accountability regarding sustainability.

Reforming professional accounting education to incorporate sustainability prepares "future-ready accountants" who can understand complexity, think systemically, and work creatively and collaboratively to provide solutions. This presents an opportunity for accountants to leverage their expertise, expanding the scope of their work to include new specializations while retaining their core technical competencies, professional skills, and ethical values. The proposed revisions address the gaps in the current structure of IPD by establishing baseline standards that equip aspiring accountants with the knowledge, skills, and ethical values relevant to sustainability.

The IES revisions will prepare accountants to both comply with emerging regulatory requirements and drive sustainable business practices which contribute to long-term value creation. Aligning IES with global trends and regulatory changes will ensure the accounting profession is more responsive to the needs of society and the environment.

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):

The learning outcomes are generally appropriate for aspiring accountants, considering that the IES are applied across various jurisdictions with diverse socio-political contexts who are at different stages in their adoption of sustainable business practices. The learning outcomes are primarily focused on sustainability reporting and assurance, this is understandable given that most accounting professionals work in business and accounting practice.

Some further comments for improvements where possible:

IES 2- Technical competence

a) Financial accounting, disclosure and reporting (intermediate)

We agree with the proposal to include reference to sustainability disclosures alongside financial statements. However, combining sustainability disclosures with financial statement preparation could cause confusion amongst educators depending on how they interpret what is meant by financial statements.

Clarity could be improved by separating learning outcome (iv) into two learning outcomes as follows:

- (iv) Prepare primary financial statements, including consolidated financial statements, ~~and sustainability disclosures~~, in accordance with IFRSs or other relevant standards.
- (v) Prepare sustainability disclosures in accordance with relevant sustainability frameworks.

Separate learning outcomes for the preparation of primary financial statements and sustainability disclosures would allow adaptability in the IES for countries that have adopted IFRS but not IFRS Sustainability Disclosure Standards. Additionally, this mirrors the approach taken for the accounting policies for financial statements and sustainability disclosures in learning outcomes (iii) and (iv).

Furthermore, a separate learning outcome for sustainability disclosures should encourage educators to assess this separately from traditional primary financial statement preparation.

b) Management accounting (intermediate)

(c) Learning outcome (i) has not been amended. Given the importance of taking a systems-thinking approach to sustainability, it may be beneficial to recognize that aspiring accountants would need to consider the appropriateness of sources of finance particularly given the opportunities and risks presented by green finance, within specific organizations.

Learning outcome (i) could be amended to:

- i. Compare and **evaluate** the various sources of financing available to an organization, including bank financing, financial instruments, and bond, equity and treasury markets.

We suggest an amendment to learning outcome (iii) because sustainability is a major driver of current and future costs and analyzing cost behavior would involve techniques and tools that may be quantitative or non-quantitative such as scenario and value chain analysis (highlighted in the exposure draft key terminology).

- iii. Apply appropriate quantitative and **qualitative** techniques to analyze cost behavior and the drivers of costs.

g) Governance, risk and management and internal control (intermediate)

As accountability is key to sustainability and organizational governance, the guidance could be more explicit about this in learning outcomes (i) and (ii).

- i. Explain the principles of good governance, including the rights and responsibilities of owners, investors, and those charged with governance, and the role of stakeholders in governance, disclosure, and ~~transparency~~ accountability requirements.

- ii. Analyze the components of an organization's governance and accountability framework.

j) Business and organizational environment (intermediate)

Additional learning outcome in relation to sustainability could require identifying the impacts arising from an entity's activities, and the resources on which the entity depends which would demonstrate an understanding of how sustainability affects the organization's activities as well as the socio-ecological impact of an organization's activities. An additional learning outcome could be expressed as follows:

- v. Identify the impacts arising from an entity's activity and the resources on which the entity is dependent for its success.

IES 3 – Professional skills

a) Intellectual (intermediate)

Agree that LO (iii) be moved to (ii) (and consequently (ii) becomes (iii)) so they cascade logically.

Applying the same logic about the order of LOs, it would seem appropriate to also swap the order of LO (iv) 'Recommend solutions to unstructured, multi-faceted problems' with LO (v) 'Evaluate changing facts and circumstances to solve problems, form judgments, make decisions, and reach informed conclusions.'

b) Interpersonal and communication (intermediate)

The learning outcomes could mention the different modes of communication (e.g., verbal and written). Perhaps in learning outcome (ii) as follows:

(ii) Develop clear and concise communications for specific audiences in both verbal and written formats.

IES 4 - Professional ethics

a) Professional skepticism and judgement (intermediate)

Rather than emphasizing the use of techniques which reflect technical competence, using a broader term of due diligence would be more appropriate in relation to sustainability and professional ethics. An alternative articulation of learning objective (ii) would be:

- i. Apply ~~techniques~~ due diligence to reduce bias when solving problems, informing judgments, making decisions, and reaching informed well-reasoned conclusions, and communicating with stakeholders.

c) Commitment to the public interest (intermediate)

Accounting practice was founded on the principles of stewardship which is closely aligned with the public interest. Likewise, stewardship has been used to articulate responsibilities in relation to sustainability and provides a more focused articulation of accountability for social and environmental matters than social responsibility. The guidance could therefore include the concept of stewardship as a part of public interest commitment in the learning outcome (i) as expressed below:

- i. Explain the role and importance of ethics within the profession and in relation to the concepts of social responsibility and stewardship.

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):

Creating a new competence area for assurance is both necessary and sensible due to the expanding scope of assurance engagements beyond financial reporting. The learning outcomes for assurance engagements currently resemble those for audit engagements, without acknowledging their unique aspects.

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 \(with no further comments\)](#)

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: [Agree, with comments below](#)

Detailed comments (if any):

Clarification could be provided on new terms from IFRS Sustainability Disclosure Standards that have been introduced into the learning outcomes. For example, 'facts and circumstances' in Financial accounting, disclosure and reporting (intermediate)

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 Department of Accounting at the University of Birmingham has been proactive in embedding sustainability holistically across our accounting programs, through initiatives such as Carbon Accounting Net Zero (CANZ) and more recently on the project 'Towards Embedding Sustainability into our Teaching' (TEST). The CANZ project aimed to embed climate change across the BSc Accounting and Finance program while the TEST project builds on this to further develop how we embed sustainability in the design and teaching on our various programmes. Whilst seeking to mainstream sustainability across our programs, we also retain a separate social and environmental accounting modules at both undergraduate and postgraduate levels to offer opportunities for specialist, in-depth learning that remains popular among students. Our strategy and experience in mainstreaming sustainability across our degree programmes has been shared with various audiences in the academic community and in profession forums.

Given our extensive experience in this area and the expertise we have within the department, we do not envisage any challenges in adopting and implementing the proposed revised IES 2, 3, and 4 at our organisation. Our established practices and ongoing initiatives have positioned us well to integrate these revisions into our curriculum.

However, we foresee that the primary challenge for the adoption and implementation of the proposed sustainability revisions to IES 2, 3, and 4 at other organizations could be facilitating the support of various stakeholder involved in educating accountants at this level and addressing any capability gap amongst educators with varying levels of expertise on sustainability. Professional accounting organizations need to facilitate training mechanisms for educators including those teaching, designing exams, and assessing professional qualifications to ensure they possess the necessary expertise to implement sustainability effectively. Upskilling educators is crucial for the successful integration of sustainability into the education of aspiring professional accountants. IFAC can also curate a sustainability education hub which would include best practices and exemplars on integrating sustainability in the accounting curriculum, teaching, and assessments. Our organisation would be happy to share our resources and cases to the learning hub in supporting educators and institutions globally to embed sustainability into the accounting curriculum.

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):

The IES sometimes combines International Financial Reporting Standards and IFRS Sustainability Disclosure Standards under one umbrella term 'IFRS'. IFRS are accepted and it is appropriate to reference them in the IES whereas the ISSB are not yet adopted at the moment and there are other competing standards and frameworks that would become mandated in certain jurisdictions. The IFRS Sustainability Disclosure Standards (IFRS SDS) need to be adopted by local securities exchanges and other regulators to become mandatory. This could result in a country adopting IFRS but not IFRS SDS. We recommend that the IES should provide some guidance for any country in this situation. Perhaps the financial reporting standards and sustainability standards need to be separate in the IES proposed updates for both clarity and our point above about adoption of one and not the other.