



## 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 Professional Accountants of Canada
Name(s) of person(s) responsible for this submission (or leave blank if the same as above)	Andy Thomas
Name(s) of contact(s) for this submission (or leave blank if the same as above)	
E-mail address(es) of contact(s)	athomas@cpacanada.ca
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="#">North America</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="#">Member body and other professional organization</a>
	If “Other”, please specify
Should you choose to do so, you may include information about your organization (or yourself, as applicable).	<p>Chartered Professional Accountants of Canada (CPA Canada) appreciates the opportunity to comment on this exposure draft. CPA Canada is one of the largest national accounting organizations in the world, representing more than 220,000 members. It works collaboratively with the provincial, territorial and Bermudian CPA bodies, as it represents the Canadian accounting profession, both nationally and internationally. This collaboration allows the Canadian profession to champion best practices that benefit business and society, as well as prepare its members for an ever-evolving operating environment.</p> <p>Canadian CPAs hold a wide variety of roles which is a distinguishing feature of the Canadian CPA designation. In addition to public</p>

	<p>accounting and taxation roles, a large portion of Canadian CPAs work in a variety of roles in industry from report preparers to operational, strategic and sustainability roles. The role of CPAs to build economic value and bring trust to information is an important one throughout the Canadian Economy. Using the term CPA throughout this document from the Canadian perspective encompasses both CPAs in practice and industry.</p> <p>CPA Canada and the Canadian CPA profession more broadly, has a strong history of leadership in both sustainability and education. We have been actively involved in domestic and global sustainability-related policy, regulatory and standards setting initiatives and conducted extensive research on sustainability and climate reporting trends, practices, and challenges, and issued many resources on these topics.</p> <p>At the national level CPA Canada holds a leadership role in developing national materials for use across the country. The profession's recently revised competency Map, Competency Map 2.0 recognized sustainability as an emerging and growing area of opportunity which CPAs are able to apply their skills and competencies. We recognize that as a profession we can engender trust if we embrace the collaboration with other experts.</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:**

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

### Detailed comments (if any):

CPA Canada supports including sustainability within IES 2,3 and 4 competencies. This topic area is and will continue to be a regular expectation for CPAs both in business and practice. “CPAs create and sustain economic and societal value for stakeholders by bringing logic, structure and trust to information, as well as to the process of measuring and managing performance. Measuring and managing performance is important to allow stakeholders to effectively allocate resources” (CPA Leading the Way, Competency Map 2.0, p.12). CPAs possess the core skills necessary to bring the consistency and comparability of sustainability information to the level of financial information

In addition, we believe that emphasizing competencies in sustainability is essential to maintain the attractiveness and relevance of the profession.

The background information document *Sustainability Education for Aspiring Professional Accountants* paragraph 10 references IFRS S1 and S2 as the baseline against which skills and competencies will be evaluated. As a result, we believe it is important to include more specific references to IFRS Sustainability Disclosure Standards in the learning outcomes to provide greater clarity and consistency regarding the expectations of aspiring CPAs.

We also suggest considering the following areas:

- Basic literacy of sustainability concepts and terminology should be added.
- Materiality assessment for non-financial sustainability information should be added.
- The need to engage a wide scope of specific expertise should be further emphasized in the IES 2 competencies, where appropriate.
- Given the breadth of the sustainability topic area further clarity is needed in the outcomes to focus on the key role(s) CPAs will play, specifically with regard to:
  - Sustainability risks and opportunities and how these impact an organization’s strategic and financial state.
  - The disclosure of sustainability information and the related impact of materiality in making disclosure decisions.
  - Governance and internal controls with regard to sustainability information.
  - Compliance with sustainability standards.

Without more specificity in learning outcomes, there is a risk of inconsistency in education programs.

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

**Detailed comments (if any):**

The learning outcomes are appropriate because sustainability issues are inherently interdisciplinary, requiring insights from various fields. As CPAs, the ability to integrate this multidisciplinary knowledge falls within our scope and is essential for addressing complex sustainability challenges. Additionally, a systems-thinking approach, which is a fundamental requirement for CPAs, ensures a comprehensive understanding across all areas and outcomes. However, in some cases, the scope of the learning outcomes is quite broad. Greater specificity within the revised IESs would help differentiate the expectations for professional accountants compared to other professionals working in this field.

Specific suggestions are below:

**Appendix A: Proposed learning outcomes changes to IES 2, Initial Professional Development – Technical Competence**

**(a) Financial accounting, disclosure and reporting (Intermediate)**

- 1) There is concern that sustainability disclosure is not emphasized explicitly enough. Sustainability disclosure will form a crucial role in the profession moving forward. The significance of this should be reflected through the use of explicit language in overarching objective a.

**(b) Management accounting (Intermediate)**

1) The scope of sustainability data is broad and encompasses specific expertise that may be needed to set metrics, establish targets and evaluate the value-chain. In addition, sustainability metrics and targets are contextual and specific to each entity.

- A more appropriate approach would be to emphasize the key role of a CPA in the preparation and evaluation of this wide scope of data in (i), (ii) and (v). The role of the CPA should support cross-functional teams in understanding how to identify material risks and opportunities and ensure consistent and high-quality information to make decisions. Highlighting this cross-functional support and focus on materiality are suggested changes.
- This section could be edited to refer to “establishing and reporting financial and non-financial key performance indicators (KPIs) which may include sustainability-related metrics and targets”

2) Value-chain analysis in (ii) requires more specificity or revised wording regarding the role of a CPA. Emphasis should be placed on identifying the actual and potential financial impacts resulting from sustainability risks and opportunities. CPAs should have a clear understanding of value-chain analysis in this sense to inform decision-making effectively.

- See suggested revised wording in blue for an example: (ii) Apply **appropriate technology and techniques** to support management decision-making, including product costing, variance analysis, inventory management, **and** budgeting and forecasting, **and analyzing the value-chain with appropriate cross-functional teams for material risks and opportunities.**

**(c) Finance and financial management (Intermediate)**

- 1) Given not all financing and financial instruments currently consider sustainability and considering the importance of this topic area to accounting and finance, sustainability should be explicitly addressed within this competency section for clarity.
- 2) There may be specific sustainability instruments, such as carbon credits, used to finance capital transition or affect the financial statements of an organization in a compliance market which warrants a basic understanding.
- 3) Understanding how sustainability information impacts an organization's ability to obtain capital within its specific business context is crucial, as this connection is often indirect and long-term.
- 4) Scenario analysis (iii) is an area that may require specialized knowledge including mathematical and/or actuarial expertise. Clarity is needed with regards to the expectation given the long-term horizon and significant uncertainty when including sustainability information. Replacing scenario analysis with analysis of sustainability risks and opportunities to inform financial scenarios is a relevant replacement.
- 5) 'Strategic factors' (v) is a broad term and should be defined.

**(f) Assurance (foundational)**

- 1) Understanding reasonable versus limited assurance should be made clearer in this section as it is a key concept regarding assurance of non-financial information.
- 2) The learning outcomes should cover assurance engagements on information in historical financial statements affected by sustainability matters, which could include recognition and measurement of transactions, balances and disclosures. These learning outcomes are an opportunity to demonstrate the integration of all other competencies by leveraging the understanding of the entity and its environment including strategy and internal controls.

**(h) Business laws and regulations (Intermediate)**

- 1) The outcomes in this section should identify specific high-risk areas. For example, data protection and privacy is specified. For this reason, it is appropriate to expand (ii) in this section to add in an understanding of laws and regulations relating to areas that have high-risk impacts for the organization and the role of an accountant. A more specific example of this would be anti-greenwashing legislation. At this level an accountant should understand there are various types of laws and regulations relating to very specific areas.

**(i) Business and organizational environment (Intermediate)**

- 1) A learning outcome related to basic sustainability literacy should be added. CPAs should be able to define what a greenhouse gas is, what an emissions factor is and so on. It would be difficult to design effective controls over information without this baseline.
  - New objective suggestion: [Describe key sustainability terminology as it relates to an organization's business model.](#)

2) Value-chain analysis in (ii) requires clearer wording and emphasis on understanding how sustainability risks and opportunities impact an organization's prospects in the short, medium and long term.

- Suggested revision: [Describe an organization's business model and identify material risks and opportunities in its value-chain that may affect an organization's prospects.](#)

**(l) Business strategy and management**

1) As stated previously, regarding analyzing the value-chain in (iii), the emphasis should be on analyzing the value-chain for areas of greatest material impact on prospects.

**Appendix B: Proposed learning outcomes changes to IES 3, Initial Professional Development – Professional Skills**

**(b) Interpersonal and communication (Intermediate)**

1) Indigenous cultures and viewpoints should be explicitly identified in (iii) due to their global importance of augmenting knowledge in this area in the global sustainability landscape.

**Appendix C: Proposed learning outcomes changes to IES 4, Initial Professional Development – Professional Values, Ethics, and Attitudes**

**(b) Ethical Principles (Intermediate)**

1) Financial and non-financial data should be identified to more explicitly highlight the risk of greenwashing in outcome (v).

**Commitment to the Public Interest (Intermediate)**

- 1) It is recommended to explicitly add the term greenwashing to learning outcome (i) given the rising importance of ethical conduct and risk management.
- Suggested revision: [Explain the role and importance of ethics within the profession and in relation to the concept of social responsibility and greenwashing.](#)

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):**

CPA Canada supports the proposal to create a new competence area specifically related to assurance as the importance of non-financial information will continue to grow and concepts, processes and procedures for non-financial information (including sustainability assurance) will continue to mature. Competencies for sustainability assurance will differ in some ways compared to those for financial statement audits.

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):**

- 1) The proposed assurance competence area and learning outcomes at the foundation level (vs. intermediate level for audit) is appropriate for aspiring professional accountants.
- 2) Reconsider the titles used in the 'audit' competence area and the 'assurance' competence area to clarify what's covered within each of these areas. Assuming the 'assurance' competence covers not only sustainability assurance but also other assurance on other subject matter information, consider reflecting this in the proposed wording throughout the 'assurance' competence area and re-titling competency to 'assurance on sustainability and other subject matter information'.
- 3) Learning outcomes should include the ability to explain the different levels of assurance

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

**Detailed comments (if any):**

**Appendix A: Proposed learning outcomes changes to IES 2, Initial Professional Development – Technical Competence**

- 1) In IES 2 (a), sustainability disclosure should be specified when referring to disclosures.
- 2) Value-chain requires more specificity and stronger or revised wording on the role of a CPA. Emphasis should be on analyzing the value-chain for areas of greatest material impact on prospects.
- 3) Scenario analysis requires further specificity on the role of a CPA. Replacing scenario analysis with analysis of sustainability risks and opportunities to inform financial scenarios could add clarity to the scope of a CPA in this area.
- 4) The term 'strategic factor' is a broad term where clarity in scope is needed related to sustainability factors. Emphasis should be on strategic factors that have a material impact on an organization's prospects.
- 5) A systems thinking approach should be defined or explained further for clarity. For example, specify where this approach is internal, external or both.



- A suggested definition to add clarity may be: [systems thinking is the interconnectedness of systems, including human, environmental, technological, organizational, regulatory and social. It encompasses how organizations adapt and manage interdependencies, unpredictable interactions and uncertainties](#) (CPA Leading the Way, Competency Map 2.0, p.29).

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):**

Yes, the effective date presents challenges for CPA Canada. The organization is working with provincial, territorial and Bermudian (PTB) bodies to develop a new certification program in Canada. The current anticipated date for the launch of this program is 2027. Sustainability competencies are being developed as part of that program and collaboration with PTB bodies is a vital part of our process.

The 2026 date would require CPA Canada and the PTBs to provide some transition materials before the new certification program is available. While not impossible, it does create some additional complexities.

### 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:** [No response](#)

**Detailed comments (if any):**