

# Consultation Response

*Consolidated Response: Proposed Revisions to IES 2, 3, and 4 – Sustainability and Proposed Revisions to IES 6 – Initial Professional Development – Assessment of Professional Competence*

July 2024

# AIA Response: Proposed 2024 Revisions to IESs

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The Association of International Accountants (AIA) supports strongly the development of high-quality global education and reporting standards for sustainability alongside the requirement to equip accountancy graduates with the skills they require to successfully enter the employment market and offer the skills required by employers. In addition, there is a growing understanding of the importance of financial information in making sustainable choices for investors and consumers updates to the International Education Standards (IESs) proposed recognise the key information accountants must both produce and understand, and the level of competence required. However, it is important to be wise to and ensure that the production of sustainability reporting information does not enable greenwashing.

Whilst AIA agrees in general terms with proposed revisions to the IESs it notes the importance of ensuring individuals are trained to apply transferrable skills and can develop across different areas with options to further develop specialisms in specific areas.

The views expressed in this consultation response build upon AIA's role as a professional accountancy membership and qualifying body, supporting members to provide critical data to their clients and preparing accountants of the future for their key role in sustainability reporting. The response highlights not only some overarching comments for consideration but also detailed responses to the specific questions posed by IFAC.

AIA's commitment to equipping members and students with the skills and knowledge necessary to champion sustainable business practices is evident in its Sustainability Promise, alongside embedding this at the very top of AIA's governance framework. As part of this commitment, AIA is a signatory to the Sustainable Finance Education Charter, along with UK government bodies and financial professional organisations. The charter aims to integrate green finance and sustainability into the education and professional development of accountants.

## Overview

### Proposed changes to IESs 2, 3, and 4

In general AIA supports IFAC's initiative to revise the International Education Standards (IES) 2, 3, and 4 to ensure sustainability is embedded across accountancy qualifications.

The integrated approach IFAC has taken, incorporating sustainability across existing standards rather than creating a separate standard, is a step in the right direction and aligns with AIA's view that sustainability should be embedded throughout the professional audit and accountancy qualification syllabus.

AIA also supports the proposal to separate assurance from audit and create a distinct competence area for assurance at the foundation level, however it must be undertaken in a way which limits potential confusion that this may cause and makes clear the inter-dependability of these learning outcomes. This change recognises the growing importance of various assurance engagements, including those related to sustainability. It will help prepare aspiring accountants for the diverse range of assurance services they may need to provide in their future roles.

AIA particularly supports IFAC's emphasis on business acumen and behavioural competencies for sustainability. The focus on systems thinking, recognition of the connectivity between finance and sustainability, and the need for collaboration in multidisciplinary teams reflect the complex nature of

sustainability challenges and supports a learning process which prepares candidates for real-world employment, boosting interdisciplinary skills.

These recommendations aim to ensure that the standards more explicitly and comprehensively address sustainability issues across all aspects of accounting education. By spelling out sustainability implications clearly and providing specific learning outcomes related to sustainability in each competence area, these standards can better equip aspiring professional accountants to address the significant challenges and opportunities posed by sustainability issues in their future careers.

AIA understands the panel's approach of integrating sustainability concepts throughout the standards without always being explicit, however the standards may be strengthened by including a supplement to the standards that clearly explains how sustainability applies to the tables in the standards. This supplement would provide additional clarity and guidance, enhancing the understanding and application of sustainability in accounting.

The rationale for this recommendation is rooted in sustainability challenges facing society, businesses, and economies. Climate change, resource depletion, biodiversity loss, and social inequalities threaten ways of life and economic systems. These issues are not just environmental or social concerns but fundamental business risks and opportunities that will reshape industries, markets, and economies in the coming decades.

Moreover, the rapid evolution of sustainability reporting standards, regulations, and stakeholder expectations means that the connection between traditional accounting competencies and sustainability issues may only sometimes be apparent. An addendum would provide crucial context and examples, ensuring that the sustainability dimension of each competency area is fully understood and incorporated into accounting education programs.

By providing this additional guidance, IFAC would not only help ensure that the accounting profession is equipped to play its vital role in addressing sustainability challenges, but also demonstrate its leadership in supporting the transition to a more sustainable economy and safeguarding long-term value creation for businesses and society as a whole.

While supportive of these revisions, AIA recommends clear integration of sustainability concepts and calls for the inclusion of IES 7 on Continuing Professional Development in the revision process to ensure a comprehensive approach to sustainability education in accounting.

### **Proposed changes to IES6**

In general AIA agrees with and is supportive of the inclusion of four additional principles of assessment: authenticity, integrity, accessibility, and inclusion.

Since 2021 AIA's Professional Qualification has been both taught and assessed online.

AIA Achieve Academy, AIA's learning platform, uses the latest online and technological advances in learning and assessment to give students the tools they need to study and successfully sit AIA's examinations. Achieve Academy provides a structured programme of study that students can adapt to learn at their own pace and fit around their commitments. They can keep an eye on their progress to make sure they're on track and sticking to their study plan and have the flexibility to go back and revisit any study periods or content at any time. [www.aiaworldwide.com/study/aia-online-learning/](http://www.aiaworldwide.com/study/aia-online-learning/)

The programme was designed in conjunction with BPP Learning Media and utilises a range of teaching and learning tools that align teaching to the qualification and assessments. Students benefit from the guidance and experience of subject experts and have access to extensive, relevant support with exam relevant workbooks, questions, lectures and study guidance.

All study materials are available online and students have the flexibility to organise their study to suit their personal circumstances and progress towards becoming an accountant.

All assessments are undertaken online, meaning students can sit them from the comfort of their own home or office, anywhere in the world. Live invigilation ensures the integrity of the assessment and software solutions prevent students cheating or plagiarising during the examination so AIA can be assured that no student gains an unfair advantage.

## IES 2, 3, and 4 – Sustainability

AIA has included answers to the specific questions posed within the exposure draft below. Additional recommendations and points of note follow Question 5.

**Question 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.**

Yes, with comments.

Although AIA supports the initiatives to incorporate sustainability into IES 2, 3, and 4, the proposed revisions could be further strengthened by considering the following areas:

- (1) Providing a clear definition of sustainability in the accounting context.
- (2) More strongly advocating for the inclusion of sustainability concepts.
- (3) Increasing specificity in learning outcomes related to sustainability.
- (4) Considering core sustainability competencies as mandatory.
- (5) Adding a separate sustainability competence area in IES 2.
- (6) Enhancing IES 4 with a focus on sustainability awareness and adaptability.
- (7) Adding sustainability-adapted professional skills to IES 3.

These changes would ensure a more robust integration of sustainability concepts across the standards.

**Question 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.**

No.

The current learning outcomes could be enhanced by considering the following changes:

- (1) Adding specific sustainability-related learning outcomes of varying levels of degree of detail to each competence area in IES 2.
- (2) Considering a new competence area in IES 2 focused on "Sustainability for Accountants" with detailed learning outcomes.
- (3) Enhancing IES 4 with learning outcomes focused on sustainability awareness and ethical considerations.
- (4) Adding sustainability-adapted professional skills to IES 3, including long-term thinking, systems thinking, and interdisciplinary collaboration.

These additions would help prepare aspiring accountants for the evolving demands of the profession in relation to sustainability and interdisciplinary collaboration.

**Question 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.**

Yes, with comments.

AIA supports the creation of a new competence area for assurance however it must be undertaken in a way which limits potential confusion that this may cause and makes clear the inter-dependability of these learning outcomes. In addition, this area could explicitly include sustainability assurance. The learning outcomes could cover topics including:

- (1) Understanding sustainability reporting frameworks and standards
- (2) Assessing materiality in sustainability disclosures
- (3) Evaluating sustainability-related risks and controls
- (4) Applying assurance procedures to non-financial information

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

Yes.

However, given the increasing importance of sustainability assurance, AIA believes there could be an argument that this competence area should be pitched at intermediate rather than foundation level. This would allow for more in-depth coverage of sustainability assurance concepts and practices, better preparing aspiring accountants for the complexities they will face in their careers.

**Question 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.**

Yes.

The following terms related to sustainability would be reinforced with further clarification:

- (1) "Sustainability disclosures" – specify types (e.g., GHG emissions, biodiversity impacts)
- (2) "Sustainability performance" – clarify metrics and methodologies
- (3) "Climate-related financial risks" – provide examples
- (4) "Natural capital valuation" – explain basic concepts
- (5) "Systems thinking" is defined in the context of sustainability.
- (6) "Scenario analysis" – explain the impacts of climate change.

**Question 5: Do you believe the adoption and implementation of the proposed revised IES 2, 3, and 4 present any challenges to your organization? If yes, what challenges do you foresee?**

No.

AIA's professional qualification syllabus is regularly updated, however in general there may be additional challenges faced by PAOs when implementing changes by introducing revised IESs:

- (1) Updating curricula and teaching materials to incorporate additional sustainability content
- (2) Developing expertise among educators in sustainability topics
- (3) Balancing the addition of sustainability content with existing technical accounting topics
- (4) Ensuring consistency in the implementation of sustainability education across different jurisdictions
- (5) Keeping pace with rapidly evolving sustainability standards and practices

To address these challenges, IFAC could consider providing implementation guidance, resources for educator training, and regular standards updates as the sustainability accounting field evolves.

### Recommendations and comments

The following additional recommendations aim to enhance the incorporation of sustainability concepts into the International Education Standards (IES) 2, 3, and 4. These suggestions are based on the understanding that while the Panel's approach was to integrate sustainability throughout existing standards rather than create a separate standard, there may be additional benefit to exploring more explicit and detailed incorporation of sustainability concepts. Given the significant challenges that sustainability issues, including climate change, pose to economies and society, it would be beneficial to spell out sustainability implications clearly in these standards.

1. **Definition of Sustainability:** The Exposure Draft could benefit from a more precise definition of sustainability in accounting. In the Introduction section (p. 5-6), AIA recommends including a concise definition:

"For the purposes of these standards, sustainability in accounting refers to the measurement, disclosure and assurance of an organisation's environmental, social and governance (ESG) impacts and risks, in alignment with global frameworks like the UN Sustainable Development Goals."
2. **More robust Advocacy for Inclusion:** While respecting jurisdictional differences, the standards could advocate for sustainability's inclusion more strongly. In paragraph 15 (p. 7), AIA suggests modifying the language to:

"IFAC strongly encourages all member organisations to integrate sustainability concepts throughout their professional accounting education programs, as these competencies are increasingly critical for accountants to serve the public interest in a changing world."
3. **Mandatory vs. Optional:** While jurisdictional flexibility is important, there may be some benefit in exploring mandatory limited core sustainability competencies. In paragraph 15 (p. 7), AIA suggests considering the following description:

"While IFAC member organisations have flexibility in implementation, core sustainability competencies such as understanding climate-related financial risks and ESG reporting frameworks should be considered essential learning outcomes for all aspiring professional accountants."
4. **Support for IES 7 on CPD:** AIA strongly recommends the inclusion in IES 7 on Continuing Professional Development aspects of sustainability. An additional section could be added:

"Revision of IES 7 for Sustainability IFAC recognises the need to update IES 7 to support sustainability in Continuing Professional Development. A separate exposure draft for IES 7 revisions will be issued for consideration, with proposed guidance on ongoing sustainability

education for professional accountants at all career stages."

5. **Emphasising Business Impacts:** In the Background section (p. 5-6), include:

"The integration of sustainability into these standards reflects the profound impact that sustainability issues, including climate change, are having and will continue to have on business models, risk assessment, and financial performance. Aspiring professional accountants must be prepared to navigate these challenges throughout their careers."

6. **Acknowledging Future Developments:** In the Introduction section (p. 5-6), the following paragraph could be added to address future developments:

"These standards recognise that sustainability in accounting is a rapidly evolving field. IFAC commits to regularly reviewing and updating these standards to reflect new developments in sustainability reporting, assurance, and business practices."

7. **Adapting Professional Skills for Sustainability in IES 3:** AIA considers that IES 3 could be strengthened by addressing clearly how professional skills must evolve to meet sustainability challenges. This could be supported by including an additional subsection to Table A in IES 3 (p. 19-21) focussing on sustainability-adapted skills:

(e) Sustainability-Adapted Professional Skills (Intermediate)

- (i) Apply extended time horizons in strategic planning and decision-making, considering sustainability impacts over 25+ year periods rather than traditional 5–10-year outlooks.
- (ii) Demonstrate systems thinking to understand complex interconnections between financial, environmental, and social factors in organisational decision-making.
- (iii) Interpret and communicate non-financial data related to carbon accounting, natural capital valuation, and social impact assessments.
- (iv) Collaborate effectively in multi-disciplinary teams to address complex sustainability challenges, working alongside sustainability experts, scientists, and other specialists.
- (v) Adapt quickly to evolving sustainability regulations, standards, and best practices in accounting and reporting.
- (vi) Apply scenario analysis and other forward-looking assessment tools to evaluate long-term sustainability risks and opportunities.
- (vii) Integrate sustainability considerations into traditional financial analysis and decision-making processes.
- (viii) Communicate effectively with diverse stakeholders about sustainability performance and impacts.
- (ix) Exercise professional judgment in balancing short-term financial considerations with long-term sustainability imperatives.
- (x) Demonstrate ethical leadership in promoting sustainable business practices within organisations.

This new subsection would highlight the specific ways in which professional skills need to adapt to address sustainability challenges. It would acknowledge the need for longer-term thinking, interdisciplinary collaboration, and new analytical approaches. By explicitly including these skills, IES 3 could better prepare aspiring professional accountants for the evolving



demands of their roles in a sustainability-focused business environment.

Furthermore, AIA recommends that the explanatory material for IES 3 would benefit from the inclusion of a paragraph emphasising the importance of these sustainability-adapted skills:

"The integration of sustainability into business practices requires professional accountants to adapt and expand their skill sets. Traditional timeframes for planning and analysis may need to be revised when considering long-term sustainability impacts. Accountants must be prepared to work with extended time horizons, complex non-financial data, and interdisciplinary teams. They need to develop the ability to navigate the interconnected nature of financial, environmental, and social factors in organisational decision-making. These sustainability-adapted professional skills are becoming increasingly critical for accountants to effectively support sustainable business practices and provide value in a changing business landscape."

8. **Enhancing IES 4 for Sustainability Awareness:** In IES 4 Table A (pp. 22-23), AIA would recommend including:

(d) Sustainability Awareness and Adaptability (Intermediate)

- (i) Explain how sustainability challenges, including climate change, biodiversity loss, and social inequality, impact the accounting profession and business practices.
- (ii) Demonstrate awareness of emerging sustainability-related risks and opportunities in professional practice.
- (iii) Apply creative thinking to develop solutions for sustainability challenges in accounting and business contexts.
- (iv) Evaluate the ethical implications of sustainability issues in professional decision-making.

## IES 6 Initial Professional Development – Assessment of Professional Competence

**Question 1: Do you support the proposed revisions to IES 6? If not, please explain your reasons and indicate what changes you would suggest.**

Yes

In general, AIA agrees with and is support of the inclusion of four additional principles of assessment: authenticity, integrity, accessibility, and inclusion.

However, regarding A24(a) it would be useful to clarify that it is not the direct responsibility of professional accountancy organisations to ensure candidates have a robust internet connection or have the necessary equipment to undertake online assessment and be subject to online invigilation.

**Question 2: Do you find the revisions to the IES 6 Explanatory Material to be helpful? If not, please explain your reasons and indicate what changes you would suggest.**

Yes

**Question 3: Do you find the revisions to the Glossary and Conforming Amendments to be helpful? If not, please explain your reasons and indicate what changes you would suggest.**

Yes

**Question 4: Do you believe the adoption and implementation of the proposed revised IES 6 will present any challenges to your organization? If yes, what challenges do you foresee?**

No.

## About AIA

The Association of International Accountants (AIA) was founded in the UK in 1928 as a professional accountancy body and promotes the concept of 'international accounting' to create a global network of accountants.

AIA is recognised by the UK government as a recognised qualifying body for statutory auditors under the Companies Act 2006, across the European Union under the mutual recognition of professional qualifications directive and as a prescribed body under the Companies (Auditing and Accounting) Act 2014 in the Republic of Ireland. AIA also has supervisory status for its members in the UK under the Money Laundering Regulations 2017. AIA is a Commonwealth Accredited Organisation. AIA is a member of the European Federation of Accountants and Auditors (EFAA) for SMEs and SMPs.

AIA believes in creating a global accountancy profession and supports the International Federation of Accountants (IFAC) in their vision of a global accountancy profession recognised as a valued leader in the development of strong and sustainable organisations, financial markets and economies. AIA has adopted IFAC's Code of Ethics for professional accountants and incorporates IFAC's International Education Standards (IES) into its qualifications and policies.

AIA has members working throughout the whole spectrum of the accountancy profession. Many of our members are at the top of the accountancy industry, from senior management to director level. Conversely, significant numbers of our members work in small and medium sized businesses (SMEs) and we strive to champion the importance of SMEs and their needs.

## Further Information

The above replies represent our comments upon this consultation document. We hope that our comments will be helpful and seen as constructive. AIA will be pleased to learn of feedback, and to assist further in this discussion process if requested.

If you require any further information, please contact:

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