

Sustainability Reporting and Accountancy Education

Proposed revisions to the International
Education Standards (IESs)

Michelle Cardwell, IFAC

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June 6, 2024

Growing demand for sustainability-related information



June 2023
IFRS S1
IFRS® Sustainability Disclosure
General Requirements for Sustainability-related Financial Disclosures



June 2023
IFRS S2
IFRS® Sustainability Disclosure Standard
Climate-related Disclosures



International Sustainability Standards Board




International Sustainability Standards Board

Exposure Draft
August 2023
Comments due: December 1, 2023

International Standard on Sustainability Assurance

Proposed International Standard on Sustainability Assurance 5000
General Requirements for Sustainability Assurance Engagements
and
Proposed Conforming and Consequential Amendments to Other IAASB Standards

This Exposure Draft is intended to be read along with the separate Explanatory Memorandum.



International Auditing and Assurance Standards Board

Exposure Draft
January 2024
Comments due: May 10, 2024

International Ethics Standards Board for Accountants®

Proposed *International Ethics Standards for Sustainability Assurance (including International Independence Standards)* (IESSA) and Other Revisions to the Code Relating to Sustainability Assurance and Reporting – Clean Version

This Exposure Draft is intended to be read with the separate Explanatory Memorandum



International Ethics Standards Board for Accountants®

What competence in sustainability reporting and assurance is needed by every professional accountant?

Sustainability Reporting Project: Information Gathering

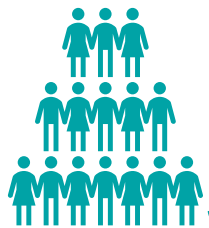
Stakeholder outreach

SSBs

IFAC Advisory Groups

>70

Stakeholder engagements



Preparers, Auditors, Investors, Regulators, PAOs, Academics, Sustainability Experts.

Literature review

- ❑ Competencies
- ❑ Education strategies
- ❑ Challenges



SRP and Educators



Academic Professional Firms



Leverage AI

Global survey

Issued in four languages



300+ responses

78 countries

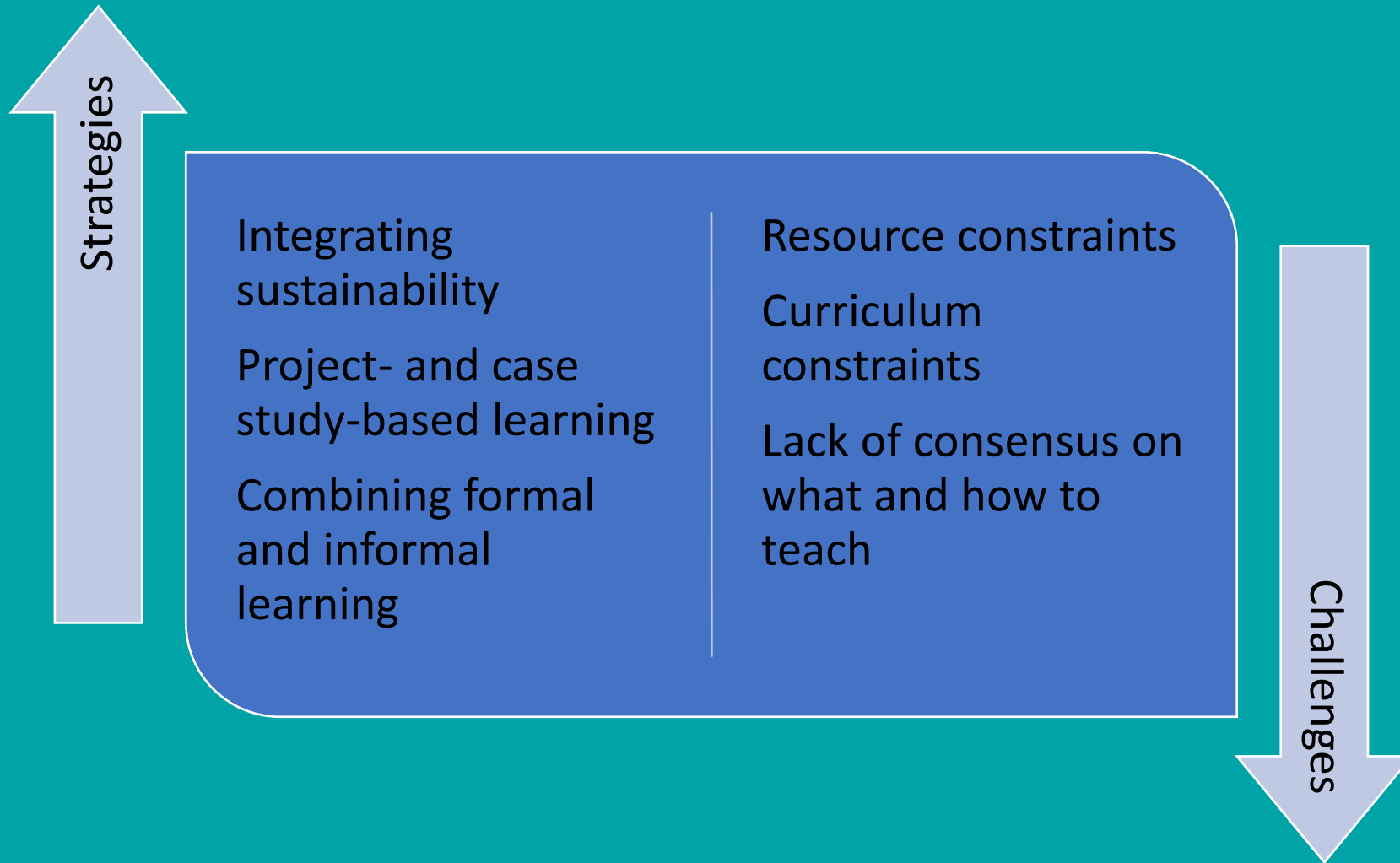
Competency framework mapping

Findings: What's new and what hasn't changed




Leveraging existing, transferable skills will be key for accountants

Findings: strategies and challenges



Impact on the profession: Romanian perspective



**CONTRIBUTING TO THE GLOBAL ECONOMY
DEVELOPING THE ACCOUNTANCY PROFESSION**

Embracing the New: The Sustainability Reporting Landscape in Romania

ADRIANA FLORINA POPA PH.D., ROBERT AURELIAN SOVA, PD.D. | AUGUST 22, 2022

Sustainability reporting communicates an organization's performance in achieving the UN Sustainability Development Goals (SDGs) and, at the same time, shares decision-necessary information with stakeholders. A new environmental approach is needed. It is time for the accounting profession to embrace issues connected to sustainability in a global context in which the environmental, societal, and governmental aspects ask for a solution.

Professional accountants and the professional accountancy organizations (PAOs) that support them have a direct and active role in achieving extensive reporting that provides an exhaustive picture of the business's sustainable value over time. This requires transition from traditional accounting services to integrated reporting, which provides both financial and non-financial services, as well as specific skills and competencies.

As citizens of a member of the European Union, we feel the influence of the European directives. Years ago, in 2014, an additional obligation for disclosure of non-financial information was introduced for large undertakings (Directive 2014/95/EU). Next, in its Communication on the European Green Pact, adopted in 2019, the European Commission committed to reviewing these first reporting provisions of non-financial information. The result was a directive proposal to strengthen and scale up sustainability reporting in the EU in the coming years—Proposal for a Directive on Corporate Sustainability Reporting.

In the context, of increasingly intense trends and concerns regarding ESG (environmental, social, governance) reporting, Corpul Expertilor Contabili si Contabililor Autorizati din Romania (the Body of Expert and Licensed Accountants of Romania, or CECCAR) took actions at different levels including:

- Being part of the solution by integrating as a member in representative international organizations for ESG reporting framework;
- Creating an ESG Knowledge Gateway for stakeholders;
- Updating professional accounting education programs for initial and continuous development of our members;
- Expanding existing qualifications;

CO participating in connected events;

Issues and Insights

Supporting International Standards

Contributing to the Global Economy

Building Trust & Ethics

Developing the Accountancy Profession

Preparing Future-Ready Professionals

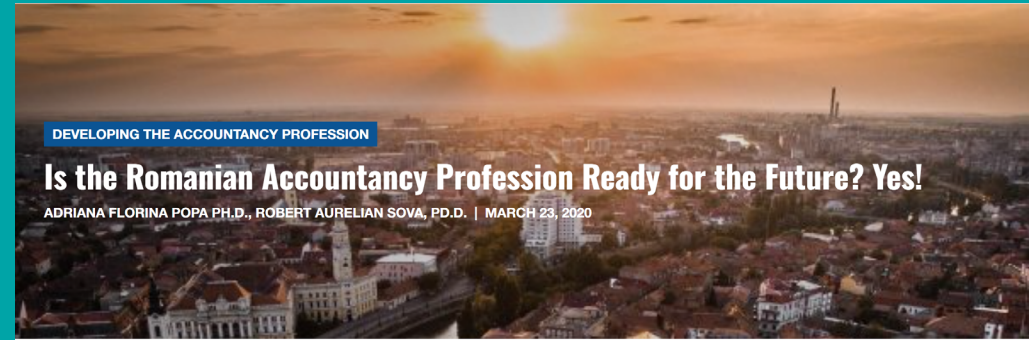
Recent Articles

Case Study: The CFO's Role in Ensuring Sustainability and Excellence at UCT

MAY 16, 2024 | LAURA LEKA

The Journey Towards Adoption & Implementation of the ISA for LCE Requires Clear Communication and All Stakeholders' Buy-In

MAY 13, 2024 | CHRISTOPHER ARNOLD,



DEVELOPING THE ACCOUNTANCY PROFESSION

Is the Romanian Accountancy Profession Ready for the Future? Yes!

ADRIANA FLORINA POPA PH.D., ROBERT AURELIAN SOVA, PD.D. | MARCH 23, 2020

In a world that evolves rapidly, adapting quickly to change is necessary for business' development and growth, and an imperative for success. In this dynamic context, accountants are influenced by new business models as a consequence of automation and technology developments and by legislative changes—requiring continuous diversification and adaptation.

With these trends in mind, *The Body of Expert and Licensed Accountants of Romania* (CECCAR) is taking the steps necessary to adapt to new expectations regarding accountants' skillset and roles. Change is coming—we cannot postpone the inevitable. Which leaves us with the question, are our actions enough to build a sustainable professional accountancy organization for the future?

For CECCAR, the first step was to understand the importance of preparing future-ready accountants. The next step was making accountancy education a strategic priority and guidepost for all our activities. Using an integrated approach, we focused on three areas in 2019.

Attracting new professional accountants

Successfully developing a future-ready accountant begins with the initial professional development of aspiring accountants.

To enhance the attractiveness of the accountancy profession and interest new talent, CECCAR raised awareness of the importance of an education in accountancy, the route to become a professional accountant, and the opportunities offered by the profession through multiple communication platforms, including online messages; career counseling for students at high schools and universities; and interviews with young professionals sharing their experience as members of CECCAR.

To promote the profession among students and recent graduates of economic studies, CECCAR—in collaboration with economic-focused high schools and universities, launched the contest, *The Student of Today—The Professional Accountant of Tomorrow*, with prizes selected to encourage participants to become accountants.

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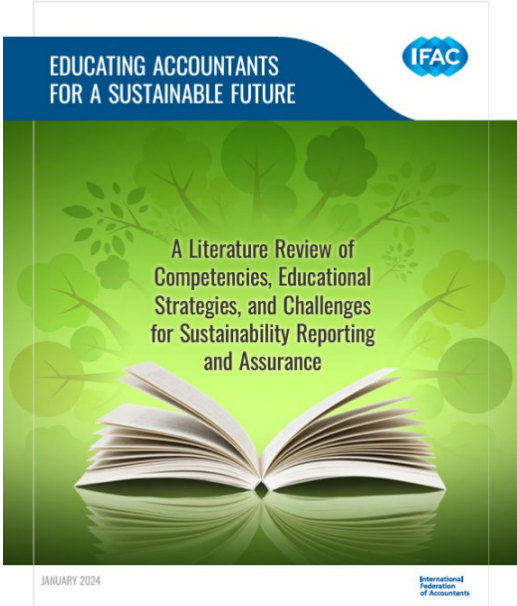
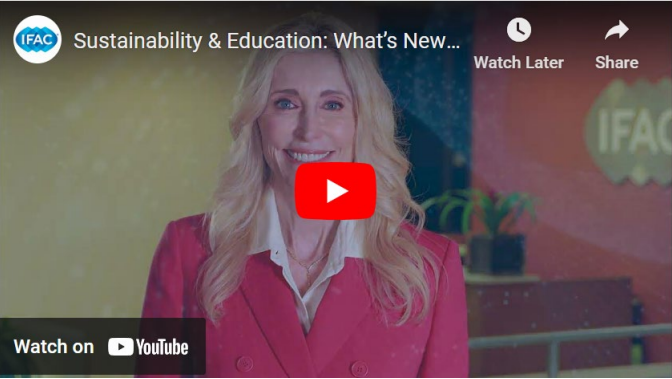
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Sustainability Reporting Project: Completed and Planned Output



EQUIPPING PROFESSIONAL ACCOUNTANTS FOR SUSTAINABILITY

WHAT'S NEW AND WHAT HASN'T CHANGED

As the accountancy profession prepares to meet demands for high-quality, sustainability-related information, professional accountants, academics and educators, accountancy firms, and professional accountancy organizations (PAOs) must consider how to close gaps in accountancy education programs.

The good news is that much of what professional accountants already do is transferable to sustainability-related services. Other new sustainability-related topics and challenges will require new ways of thinking and working. Getting this right will ensure professional accountants are equipped to lead on sustainability.

As part of IFAC's focus on the intersection between education and sustainability—and to help the profession consider what additional education and training may be needed—IFAC has developed this sustainability education framework covering what's new and what hasn't changed in four key focus areas for professional accountants.

TECHNICAL EXPERTISE

WE ALREADY:

- Produce high-quality, decision-useful financial reports.
- Interpret non-financial data and information.
- Analyze data and information to support management decision making.
- Evaluate the adequacy of systems, processes and controls for financial reporting.

WE WILL:

- Understand and apply new sustainability-related reporting and assurance standards and requirements.
- Establish new ways to measure performance, including science-based metrics and targets.
- Analyze new types of sustainability-related data sets and scenarios to support informed decision making.
- Design, implement and evaluate systems, processes and controls for sustainability-related reporting.
- Use judgment and assess materiality for a sustainability context.
- Produce high-quality, decision-useful sustainability disclosures and information.

BUSINESS ACUMEN

WE ALREADY:

- Understand and evaluate changing business models.
- Interpret regulatory, industry and other external factors in an entity's operating context.
- Analyze the impact of strategic business decisions.
- Develop and assess governance and risk management procedures.

WE WILL:

- Be systems-thinkers who consider the impact of the global sustainability landscape on business models, value chains, and strategies.
- Recognize the connectivity of financial and sustainability risks and opportunities.
- Evaluate the impact on governance, risk, and performance management.
- Provide management with sustainability-related information to support informed decision making.
- Produce high-quality, decision-useful information for a range of external stakeholders.

IES™

EXPOSURE DRAFT

Final IES Revisions
- Nov. 2024 -



Next steps

- Thought Leadership & Guidance
- Consideration of IES 8 – Audit Engagement Partners

How do the IESs need to change to reflect “what’s new”?

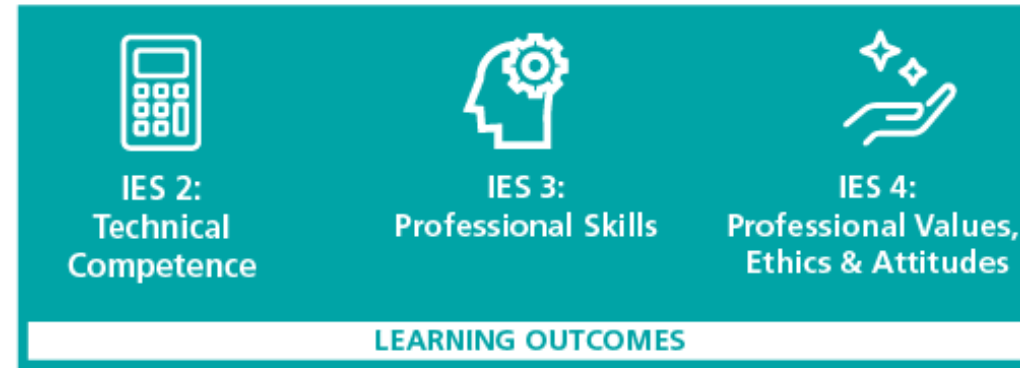
IESs: Global Baseline for Accountancy Education

Authoritative for IFAC Member Organizations

ASPIRING
PROFESSIONAL
ACCOUNTANT



INITIAL PROFESSIONAL DEVELOPMENT



PROFESSIONAL
ACCOUNTANT



Competence Areas and Learning Outcomes

IES 2

⊖ (a) *Financial accounting and reporting*

Level of Proficiency: Intermediate

- (i) Apply accounting principles to transactions and other events.
- (ii) Apply International Financial Reporting Standards (IFRS) or other relevant standards to transactions and other events.
- (iii) Evaluate the appropriateness of accounting policies used to prepare financial statements.
- (iv) Prepare financial statements, including consolidated financial statements, in accordance with IFRS or other relevant standards.
- (v) Interpret financial statements and related disclosures.
- (vi) Interpret reports that include non-financial data and information.

⊕ (b) *Management accounting*

Level of Proficiency: Intermediate

⊕ (c) *Finance and financial management*

Level of Proficiency: Intermediate

⊕ (d) *Taxation*

Level of Proficiency: Intermediate

⊕ (e) *Audit and assurance*

IES 4

⊖ (a) *Professional skepticism and professional judgment*

Level of Proficiency: Intermediate

- (i) Apply an inquiring mind when collecting and assessing data and information.
- (ii) Apply techniques to reduce bias when solving problems, informing judgments, making decisions and reaching well-reasoned conclusions.
- (iii) Apply critical thinking when identifying and evaluating alternatives to determine an appropriate course of action.

⊕ (b) *Ethical principles*

Level of Proficiency: Intermediate

⊕ (c) *Commitment to the public interest*

Level of Proficiency: Intermediate

Examples of IES learning outcomes

IES 2

- (iv) Prepare financial statements, including consolidated financial statements, in accordance with IFRS or other relevant standards.

IES 4

- (ii) Apply techniques to reduce bias when solving problems, informing judgments, making decisions and reaching well-reasoned conclusions.

What's being proposed for the IESs?

Overall Approach

Initial Professional Development

- Changes to IESs 2, 3, 4
- CPD needs to be addressed through guidance and other resources



Integrated

- Incorporating 'What's new' across competence areas and learning outcomes



Global baseline

- What's the appropriate minimum education standard?
Alignment to ISSB, IAASB and IESBA



Integrating sustainability into...



BUSINESS
ACUMEN



BEHAVIORAL



DATA &
INFORMATION



REPORTING



ASSURANCE

Ethics as the foundation for all professional activities

Business acumen



- Strategy and decision-making
- Systems-thinking
- Considering alternatives

Behavioral



- Collaboration and communication
- Multi-disciplinary teams
- Informed conclusions
- Intellectual curiosity and adaptability

Data and information



- Metrics and targets
- Value chains
- Scenario analysis

Reporting



- Sustainability policies
- Preparing and interpreting sustainability disclosures and reports

Assurance



- New competence area
- Foundation level
- Sustainability assurance focus

Ethics as the foundation



- Bias
- Ethics in communications
- Working with others and external experts

Overview of the changes



Business acumen

Strategy and decision-making
Systems-thinking
Considering alternatives



Behavioral

Collaboration and communication
Multi-disciplinary teams
Informed conclusions
Intellectual curiosity and adaptability



Data & information

Metrics and targets
Value chains
Scenario analysis



Reporting

Sustainability policies
Preparing and interpreting sustainability disclosures and reports



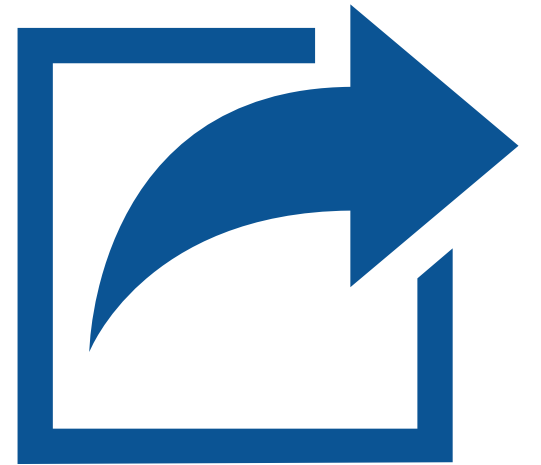
Assurance

New competence area
Foundation level
Sustainability assurance focus

Ethics as the foundation for all professional activities

Bias, communications, work of others and external experts

Next Steps and Capacity Building



IES Revision Process



PROJECT
PROPOSAL



INFORMATION
GATHERING



PANEL DECISION
TO REVISE



DRAFTING OF
EXPOSURE DRAFT



ISSUING OF
EXPOSURE DRAFT

Due Process Overseen by the IFAC Board
Led by the International Panel on Accountancy
Education & IFAC Staff

Next steps



COMMENT PERIOD
OPEN UNTIL
JULY 24, 2024



REVIEW COMMENT
LETTERS AND UPDATE
REVISIONS



IFAC BOARD –
NOVEMBER 2024



PROPOSED EFFECTIVE
DATE: JULY 1, 2026

Capacity Building

Preparers

Assurance
providers

Educators

Future
accountants

Non-
accountant
experts

Regulators

A Multi-Stakeholder Approach to Education



Alignment between education and emerging practice is key

Q&A

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