



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)	First Nations Financial Management Board
Name(s) of person(s) responsible for this submission (or leave blank if the same as above)	Scott Munro, Deputy Chief Executive Officer
Name(s) of contact(s) for this submission (or leave blank if the same as above)	Emily Stockley, Policy Counsel Chandra Woodhouse, Senior Executive Assistant to Scott Munro
E-mail address(es) of contact(s)	Emily_Stockley@fnfmb.com Chandra_Woodhouse@fnfmb.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.	North America
	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.	Individuals or Other (if none of the groups above apply to you)
	If “Other”, please specify See description below
Should you choose to do so, you may include information about your organization (or yourself, as applicable).	The First Nations Financial Management Board (the “ FMB ”) is a First Nations-led not-for-profit organization in Canada, established under the First Nations Fiscal Management Act S.C. 2005, c. 9. The FMB works with First Nations clients to develop fiscal capacity and responsible fiscal governance, and further serves Indigenous people by advocating for the necessary inclusion of Indigenous interests in financial and economic policy matters throughout Canada and internationally. The FMB is not an agent of the Crown. The FMB employs 30 Chartered Professional Accountants including CPA students and another 7 board directors are also CPAs. Of these 37 people,

	more than half are Indigenous people. The skills, training and experience of these professionals are used daily to assist First Nation governments increase their financial management capacity, develop standards and contribute to policy change that advances the rights of Indigenous people in Canada.
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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: [Agree, with comments below](#)

Detailed comments (if any):

Generally the revisions look good. We do have a series of recommendations as follows:

Note that our recommended changes are set out in **red.*

RECOMMENDED CHANGES FOR IES 2 (Appendix A: Proposed learning outcomes changes to IES 2, Initial Professional Development – Technical Competence)

Current Draft Section	FMB Proposal and Rationale
<p>New section – (h) Business laws and regulations (Intermediate) (previously section “g”)</p>	<p>We propose new section (h)(iv):</p> <p>Explain the international instruments that relate to entities’ sustainability disclosures (e.g. UNDRIP)</p> <p>Additional Notes:</p> <ul style="list-style-type: none"> It is increasingly the case that international instruments, though not always legally binding, are essential aspects of the regulatory framework that entities operate in. This may be because these international instruments have been adopted in whole or in part in a jurisdiction, because the instrument has been interpreted or applied by courts in the jurisdiction, or because the instrument now forms part of the “social licence to operate” in a jurisdiction.
<p>New section – (j) Business and organizational environment (Intermediate) (previously section “i”)</p> <p>(j)(i) “Describe the context in which an organization operates, including the primary political, economic, sociocultural, technological, environmental, legal, and regulatory, aspects.”</p>	<p>We propose that section j(i) be amended to read:</p> <p>“Describe the context in which an organization operates, including the primary political, governmental, economic, sociocultural, technological, environmental, legal, and regulatory, aspects.”</p>

	<p>Additional Notes:</p> <ul style="list-style-type: none"> • In this context, the word “governmental” (or a similar word) should be further described as referring to all levels of government, including those beyond central governments (e.g. national; state/provincial; municipal). This would include Indigenous governments. • If the words “political aspects” are meant to encompass levels of government, then the explanatory material should specifically note that Indigenous governments are included in the understanding of “political aspects”.
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RECOMMENDED CHANGES FOR IES 3 (Appendix B: Proposed learning outcomes changes to IES 3, Initial Professional Development – Professional Skills)

Current Draft Section	FMB Proposal
<p>Section (a) - Intellectual (Intermediate)</p> <p>(a)(i) Evaluate data and information from a variety of sources and perspectives through research, collaboration, integration, and analysis</p>	<p><i>Possible change to (a)(i):</i></p> <p>Evaluate data and information from a variety of sources and perspectives through research, collaboration, consultation, integration, and analysis.</p> <p>Additional Notes:</p> <ul style="list-style-type: none"> • We agree with the reference to “collaboration” here to reflect the use of specialists. • IFAC may also consider referencing “consultation” (or “engagement”) which generally reflects working with Indigenous groups. • In either event: it would be worthwhile to include information in the explanatory material stating that Indigenous traditional knowledge is a vital source of information that will be necessary to evaluate in some cases.
<p>(a)(ii) Identify when it is appropriate to consult with specialists.</p>	<p><i>Possible change to (a)(ii):</i></p> <p>“Identify when it is appropriate to consult with specialists or rightsholders”.</p>

	<p>Additional Notes:</p> <ul style="list-style-type: none"> • “Rightsholders” is the term often used in Canada to reflect Indigenous rightsholders. This language ensures that the net cast is not too wide (i.e. it is not all groups that ought to be consulted with, but simply those that have rights in relation to an entity’s sustainability disclosures). This would lead to more thorough and manageable auditing or assurance of sustainability disclosures.
<p>Section (b) Interpersonal and communication (Intermediate)</p>	<p><i>Possible change to (b)(i)</i></p> <p>Demonstrate effective and culturally appropriate communication, collaboration, and cooperation when working within multi-disciplinary teams.</p> <p>Additional Notes:</p> <ul style="list-style-type: none"> • The reference to “culturally appropriate” reflects the manner in which the practitioner ought to engage with traditional or Indigenous groups. This may include things like bringing thank you gifts for an Indigenous group’s time, or arranging meetings during appropriate seasonal times (e.g. outside of traditional harvest times). This language could be expanded upon in the explanatory material.
<p>Section (c) Personal (Intermediate)</p>	<p><i>Possible change to (c)(v):</i></p> <p>Apply intellectual and cultural curiosity to emerging ideas and practices.</p> <p>Additional Notes:</p> <ul style="list-style-type: none"> • Practitioners may not have abundant training or education in cultures outside of the dominant culture. By including “cultural curiosity” here, this will encourage practitioners to “think outside the box” when it comes to sustainability disclosures. This will be vital in terms of Indigenous risks and opportunities. We suggest it would also be relevant when auditing or assuring sustainability disclosures from countries where the

	practitioner is not from a culturally similar background.
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RECOMMENDED CHANGES FOR IES4 (Appendix C: Proposed learning outcomes changes to IES 4, Initial Professional Development – Professional Values, Ethics, and Attitudes)

None.

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

Detailed comments (if any):

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):

The continuing development of sustainability standards by standard-setting organizations around the globe necessitates that assurance practitioners expand the scope of their services. As stakeholders focus increasingly on sustainability indicators, organizations will require assurance to meet the needs of shareholders, investors, regulators, and customers, among others.

With respect to our primary area of expertise, Indigenous Peoples around the world have been disproportionately negatively affected by development and resource extractive industries. Indigenous risks and opportunities are of interest to shareholders, investors and others, and these risks and opportunities are being increasingly reported on. It is essential that reliance can be placed on the reported information, making this competence area of great importance.

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: [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: [Disagree, with comments below](#)

Detailed comments (if any):

We do not think these revisions will cause serious substantive challenges. We think the revisions are important to improving the preparedness of new and current professional accountants, and will improve the quality of auditing and assurance engagements of sustainability disclosures.

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):

Auditing and assurance of sustainability disclosures is an essential component of meeting the goals of sustainability disclosures. In order to ensure practitioners perform these services competently, standard setters must ensure that practitioners are given every opportunity to understand new substantive areas to which they must apply their technical skills. To that end, we would like to take this opportunity to expand on why it is essential that some direct references to Indigenous factors are made in the IESs.

Our submission here is based on our expertise and experience as accounting professionals supporting Indigenous¹ nations in Canada. The FMB's clients are First Nations who opt in to our services, primarily with respect to developing, implementing and maintaining fiscal capacity and controls within their governing and administrative bodies. Additional regulation for new client segments, including other Indigenous groups, is under development, and we anticipate beginning to work with these other client segments in the near future. Through this work, we see several ways in which Indigenous nations, in Canada and around the world, may be impacted by sustainability disclosures. We set these out here:

1. Indigenous nations' government business enterprises may be asked to provide direct or scope 3 disclosures under the sustainability disclosures.
2. Indigenous communities may be impacted by the operations of entities who make sustainability disclosures:
 - a. Enterprises' impacts on Indigenous communities may constitute "sustainability-related risks and opportunities". This includes direct impacts;² cumulative effects; and indirect impacts³ on Indigenous communities. These impacts will be as material to an investor as any other sustainability-related risk and opportunity.
 - b. In Canada, for example, Indigenous nations will be essential investors⁴ in the massive annual investment that is needed for Canada to meet its greenhouse

¹ For completeness, Canada's Indigenous Peoples include three groups: First Nations, Métis, and Inuit.

² e.g. linear infrastructure construction on Indigenous lands.

³ e.g. increases in jobs from new developments; decreased food security amidst impacts on ability to harvest; decreased ability to practice cultural traditions because of increased dust during construction; economic development in Indigenous communities as Indigenous contractors are awarded contracts.

⁴ There are billions of dollars in settlements that have been or will be paid to Indigenous nations, with significant amounts of those settlements being invested.

gas emissions targets by 2030.⁵ Disclosures must reflect the expectations of Indigenous rights holders and the responsibility that state governments and corporations have under UNDRIP. This is to say, Indigenous nations may be users of sustainability disclosures when deciding where to invest.

For many (accountants and non-accountants alike), Indigenous rights and title are newer topics. A review of the voting record for the United Nations Declaration on the Rights of Indigenous Peoples (“**UNDRIP**”) is illustrative here. Although the UNDRIP was adopted by the United Nations General Assembly in 2007, a number of countries with significant Indigenous populations (Canada, Australia, the United States, and New Zealand), originally opposed the declaration. These countries reversed their positions by 2016.⁶

The adoption and support of the UNDRIP exemplifies where we, as a global society, are with respect to our understanding of Indigenous right and title, and the associated risks and opportunities these create to entities. In order to increase this understanding, it is incumbent on standard setters to ensure that developing sustainability topics, including Indigenous topics, are communicated to their members.

Continuing professional development and entry-level education competencies for accountants thus must include at least some direct references to Indigenous rights, title, risks and opportunities. In the absence of these references or explanations in explanatory memos, practitioners may not realize the importance of these risks and opportunities in assuring or auditing sustainability disclosures. Over time, direct references may not be needed as practitioners understand that Indigenous risks and opportunities are an essential part of entities’ sustainability landscape.

Auditing and assurance services are essential to meeting the goals of sustainability disclosures. As stated in paragraph 16, regarding the new assurance sections:

Demand for sustainability assurance engagements is likely to grow, both to meet regulatory requirements, as well as to address investor needs. The accounting profession needs to make sure aspiring professional accountants receive adequate education to address this.

We echo this reasoning for providing some direction to professional accountants regarding Indigenous factors. We strongly encourage IFAC to consider incorporating our revisions to provide some direction to practitioners regarding this important, developing area of sustainability disclosures.

⁵ Estimated at around \$50B annually. See: [Investing in Canada's future capital projects and infrastructure | McKinsey](#).

⁶ UNDRIP was later supported by the abstaining countries as follows: Australia (2009); New Zealand (2010); United States (2010) and Canada (2016).