



## 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)	FAR AB
Name(s) of person(s) responsible for this submission (or leave blank if the same as above)	Pernilla Thelin
Name(s) of contact(s) for this submission (or leave blank if the same as above)	
E-mail address(es) of contact(s)	pernilla.thelin@far.se
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="#">Europe</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).	

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):**

*FAR is the Swedish professional organization for authorized public accountants and will limit our response in this consultation to the parts in IES 2, 3 and 4 that affect our members.*

*FAR supports the idea of integrating sustainability in the IES, as auditors need to recognize how sustainability risks and opportunities impact company's financial statements. FAR also acknowledges the important role auditors need to play in supporting the market with high-quality sustainability information. However, we need to stress the risk that imposing far-reaching requirements on all aspiring auditors at this stage in a maturing reporting area will worsen the already problematic scarcity in resources in the audit market. Against this background, FAR would suggest that sustainability be integrated as more high-level, and principle-based requirements. However, this approach should however be evaluated in the upcoming years when more jurisdictions have implemented sustainability reporting requirements, and when aspiring auditors have obtained knowledge of the basics in sustainability matters at an early stage via their academic education.*

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

**Detailed comments (if any):**

*Referring to our answer in Q1 FAR suggests revising the proposed requirements to be more high-level and principle based. The requirements should be focused on providing the auditor with a foundation in sustainability reporting and sustainability risk management. The assurance engagement team must however include resources within a wide range of competence areas. The proposed requirements in IES 3 are well-suited to address the need to have the skills in communication and collaboration with multidisciplinary teams.*

- 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):**

*FAR agrees that assurance should be separated from audit as auditors already need to perform different level of assurance work and to perform assurance engagements of other types of information than historical financial information. However, FAR believes that the proposed requirements in IES 2 p f ii-iv should be excluded as this would offer the possibility to adapt and expand the requirements as appropriate in different jurisdictions. As an example, in some jurisdictions other assurance providers than auditors will perform the assurance of sustainability information, thus auditors in such jurisdictions may not need the in depth-knowledge in this area.*

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

**Detailed comments (if any):**

*We refer to our answer to Q 3A. "FAR believes that the proposed requirements in IES 2 p f ii-iv should be excluded as this would offer the possibility to adapt and expand the requirements as appropriate in different jurisdictions. As an example, in some jurisdictions other assurance providers than auditors will perform the assurance of sustainability information, thus auditors in such jurisdictions may not need the in depth-knowledge in this area."*

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

**Detailed comments (if any):**

*IES 2:*

*a) The title has been amended with the term "disclosures". "Disclosures" could be understood to be the scope of financial reporting only (financial accounting, financial disclosures and financial reporting). If the rationale is to incorporate sustainability disclosures and reports into the learning outcomes the title should be rephrased to better reflect that fact.*

*a-v) Referring to our comment above, it is unclear if the auditor should be able to prepare sustainability statements or only sustainability disclosures required by the financial reporting framework. If the intention is to amend the requirement to the preparation of sustainability reports, FAR believes this is too far-reaching a requirement. It is very complex to prepare an entire sustainability report independently. Hence, it would be possible to separate these two points and clarify what is meant and ease the requirement regarding the preparation of sustainability reporting. In our Swedish proposal to learning objectives for the auditors who aim for a sustainability add-on, we have the following requirement:*

*Intermediate:*

\* Understand the application of relevant legal requirements and standards (Annual accounts act, EU Green Taxonomy Regulation, European Sustainability Reporting Standards) when preparing the sustainability report.

\* Understand the content of international due diligence instruments.

\* Understand the process the company undertakes to identify the information included in the sustainability report (the double materiality analysis).

And for accounting FAR have added, "based on the auditor's role, apply IFRS".

a-vi) The intention of the added words is unclear. The current requirements read: "Interpret financial statements and related disclosures." Suggestion: "Interpret financial- and sustainability statements and related disclosures." The intention behind adding "and reports" is unclear.

a-vii) In relation to the above comment our suggestion is to rephrase this point since sustainability reports are already included in point vi: "Interpret other reports that include non-financial information."

IES 4

a-ii) The rationale behind the addition of "and communication with stakeholders" is to reduce the risk of greenwashing. FAR does not understand how the auditor's communication with stakeholders will reduce this risk. The assurance standards, rather than the IES, should regulate whether and how the auditor should communicate with stakeholders.

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, FAR believes that would present challenges to our organization. In Sweden, only a small part of all companies that need an auditor also need to report on sustainability. Thus many SMP-members will not have any clients where they need to perform assurance on sustainability, nor will they have the resources or capacity to offer employees that are aspiring auditors the necessary practical training in sustainability reporting and assurance.

The proposed model in Sweden is that sustainability will be an "add-on" in the sense that auditors performing assurance work and issuing independent assurance reports on sustainability will need to have additional education and training in certain sustainability matters. However, all aspiring auditors will need to have at least basic knowledge in certain sustainability matters since the written examination will include these matters.

## 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):

*To reiterate our comments in the previous questions, we believe it is premature for integrating far-reaching requirements on sustainability. We recognize the risk of lack in number of auditors with sustainability skills, but at the same time it is a wide-spread lack of auditors in general. Raising the bar by requiring aspiring auditors to add yet another area to master risks creating a greater shortage of auditors.*

*Auditors are specialist in performing assurance work, the crucial need at this time would be that auditors have necessary basic knowledge and the skills to build competent teams and manage to cooperate with specialists in multi-disciplinary teams, as IFAC has proposed in this consultation.*

*We therefore propose lighter requirements as a basis, but the possibility of adding in-depth knowledge in sustainability.*

*To further explain our rationale, not all companies are obliged to sustainability reporting, for instance SMEs. In Sweden, only a small portion of all companies that need to have an auditor also need to report on sustainability. Thus many SMPs will not have any clients that where they need to perform assurance on sustainability, nor will they have the resources or capacity to offer employees that are aspiring auditors the necessary practical training in sustainability reporting and assurance.*

*The model in some countries in the Nordics and other European countries will be an "add-on". Auditors that will perform assurance and issue an independent assurance report on sustainability will need to have additional education and training in certain sustainability matters. In Sweden however, all aspiring auditors will need to have at least basic knowledge in certain sustainability matters since the written examination will include these matters.*