



An Roinn Fiontar,
Trádála agus Fostaíochta
Department of Enterprise,
Trade and Employment

Public Consultation on Member State Option to Introduce Independent Assurance Service Providers (IASPs)

Pursuant to Article 34 of Directive 2013/34/EU as inserted by Directive
2022/2464/EU (CSRD)

Response Template

As set out in the consultation paper, the Department of Enterprise, Trade and Employment is specifically seeking views on the Member State option to introduce a new category of independent assurance services provider pursuant to Directive 2022/2464/EU ('CSRD').

Respondents can comment generally on this Member State option at the end of the template and express any views specific to this option should they wish.

Please include your response in the space underneath the relevant option, to set out/ explain your views. Completing the template will assist with achieving a consistent approach in responses returned and facilitate collation of responses.

When responding please indicate whether you are providing views as an individual or representing the views of an organisation.

Name(s):	Derry Cronin
Organisation:	EHS International Ltd
Email address:	derrycronin@EHSint.com
Telephone number:	+353 87 344 2660

Respondents are requested to return their completed templates by email to CSRD@enterprise.gov.ie by the closing date of **Friday, 19 July 2024**.

Submissions should be sent by email to CSRD@enterprise.gov.ie

Please write '**response to public consultation on option to adopt Independent Assurance Services Provider**' in the subject line of the email.

Directive 2022/2464/EU ('CSRD') amends Directive 2013/34/EU ('Accounting Directive') by inserting a new paragraph 4 into Article 34. Paragraph 4 provides the following:

4. Member States may allow an independent assurance services provider established in their territory to express the opinion referred to in point (aa) of the second subparagraph of paragraph 1, provided that such independent assurance services provider is subject to requirements that are equivalent to those set out in Directive 2006/43/EC of the European Parliament and of the Council as regards the assurance of sustainability reporting as defined in point 22 of Article 2 of that Directive, in particular the requirements on:

- (a) training and examination, ensuring that independent assurance services providers acquire the necessary expertise concerning sustainability reporting and the assurance of sustainability reporting;
- (b) continuing education;

- (c) quality assurance systems;
- (d) professional ethics, independence, objectivity, confidentiality and professional secrecy;
- (e) appointment and dismissal;
- (f) investigations and sanctions;
- (g) the organization of the work of the independent assurance services provider, in particular in terms of sufficient resources and personnel and the maintenance of client account records and files;
- (h) reporting irregularities.

Question 1 – Do you support the proposal that Ireland adopts the Member State option to introduce, accredit, regulate, and monitor a new service provider – called an Independent Assurance Services Provider – to give an assurance opinion on sustainability reporting? Please give reasons for your preference.

EHS International Ltd has extensive experience providing assurance services for Greenhouse Gas emissions statements. Our technologists have undergone training and earned accreditation to ISO 14064-3:2019 (Greenhouse gases Part 3: Specification with guidance for the verification and validation of greenhouse gas statements) from the Canadian Standards Authority (CSA). Additionally, we have provided training to auditors from major financial services organizations across Europe, Asia, Africa, and the Americas. Our training expertise extends to all the leading audit and accountancy firms on these ISO audit standards, including IFRS on an international scale.

It is noteworthy that ISO 14064-1 is referenced in 14 requirements of the Delegated Regulation, specifically the COMMISSION DELEGATED REGULATION (EU) 2023/2772 of 31 July 2023, which supplements Directive 2013/34/EU of the European Parliament and of the Council concerning sustainability reporting standards. We believe this reinforces our position that adherence to these ISO Standards will enhance the credibility of any Irish Assurance Provider scheme, as credibility is the most crucial aspect of assurance.

We would appreciate the opportunity for EHS International Ltd to be recognized as an assurance provider. We would also like to emphasize the robust standards that exist for Greenhouse Gas verification, covering both limited and reasonable assurance through ISO 14064-3, ISO 14066, ISO 14065, and ISO 17029. The Corporate Sustainability Reporting Directive (CSRD) references the International Standards provided by the ISO 16064 suite of standards, which is developing expertise to include sector-specific guidance.

Question 2 – Do you voluntarily obtain the services of a person, other than a statutory auditor, for an assurance opinion on sustainability reporting? Please give reasons for your preference.

EHS International boasts a proven track record of delivering assurance services to a diverse range of clients across various scenarios. For instance, we have conducted assessments on behalf of local government agencies for the EU Commission, evaluating industrial low carbon schemes and grant applications. Additionally, we have verified sustainability assertions for voluntary reporting bodies and provided third-party assurance to meet internal stakeholder or shareholder requirements. Our client portfolio includes major law firms in London, for whom we have assured their sustainability and GHG reports.

At EHS International, we adhere to the core principles of Transparency, Relevance, Accuracy, Completeness, and Consistency to ensure that only high-quality information is available both within the business and to external stakeholders. These principles have been applied for assurance (verification) purposes within the energy sector and other high-emitting industries since 2006, in accordance with the ISO 14064 suite of Standards. By upholding these principles, we guarantee that the information provided is reliable, comprehensive, and pertinent to the needs of our clients and their stakeholders.

Question 3 – Do you have any views on how and by whom Independent Assurance Services Providers established in Ireland should be accredited, supervised, and monitored?

The Irish National Accreditation Board (INAB), a state-affiliated organization, currently holds an oversight and accreditation role in Ireland. Based on our experience, INAB has consistently maintained a highly professional and principles-based approach to program oversight, always prioritizing the maintenance of integrity in the schemes they supervise on behalf of the State.

At EHS International, we firmly believe that continuous training and assessment in GHG and sustainability validation and verification techniques are essential to ensure the integrity of an Irish-managed assurance scheme. It is our opinion that Republic of Ireland statutory auditors (as defined by 2006/43/EC) may lack the necessary training, education, or experience in sustainability or climate change reporting and its assurance. "Statutory Auditors" are only required to be appropriately authorized by a Recognized Accountancy Body (RAB). Moreover, the RABs themselves likely do not possess the requisite training, education, or experience in sustainability or climate change reporting and its assurance.

To address these potential gaps, we recommend that the Irish government consider implementing mandatory training and certification programs for auditors and assurance providers involved in sustainability and climate change reporting. By ensuring that all professionals in this field are equipped with the necessary skills and knowledge, Ireland can establish itself as a leader in high-quality, reliable sustainability reporting and assurance.

Question 4 – Do you have any views on the capacity of Independent Assurance Services Providers to comply with equivalent requirements to those set out in the Directive 2006/43/EC ('Audit Directive')?

EHS International is confident that a state-affiliated organization, such as the Irish National Accreditation Board (INAB), if appointed as the overseeing body in Ireland, can leverage its established and independent credibility to rigorously assure the accreditation of a sufficient number of Independent Assurance Services Providers. These providers will possess the technical capacity necessary to deliver the professional services required by this crucial task.

It is worth noting that an Irish firm, EHS International, has been at the forefront of training assurance professionals globally. Since 2009, EHS International's personnel have trained over 1,500 assurance professionals across all continents. This extensive experience positions EHS International as a highly qualified and experienced entity in the field of sustainability and climate change reporting assurance within Ireland.

By combining the oversight of a credible state-affiliated organization like INAB with the expertise of companies such as EHS International, Ireland can establish a robust and reliable system for accrediting Independent Assurance Services Providers. This will ensure that the assurance of sustainability and climate change reporting is carried out to the highest standards, bolstering the credibility and reliability of the reported information for all stakeholders.

Question 5 – Do you have any views on how Ireland (being the host Member State) should supervise the assurance of sustainability reporting carried out by Independent Assurance Services Providers established in another Member State?

It is crucial that the requirements for Independent Assurance Services Providers (IASPs) are designed to enable small and medium-sized enterprises (SMEs) to thrive within the Assurance Industry. The system should acknowledge and value the experience, training, and certification of staff members within these organizations.

To ensure the quality and integrity of the Corporate Sustainability Reporting Directive (CSRD) assurance landscape in Ireland, we recommend applying IASP oversight and accreditation rules that leverage the established best practices, skills, and experience of the pre-existing Irish National Accreditation Board (INAB). INAB has demonstrated its competence and expertise in assuring the quality and integrity of various schemes on behalf of the Irish government.

By adopting an approach that combines the strengths of SMEs and the oversight capabilities of INAB, Ireland can create a robust and inclusive framework for CSRD assurance. This framework will not only support the growth and development of SMEs in the Assurance Industry but also guarantee that the assurance process is carried out to the highest standards, enhancing the credibility and reliability of sustainability reporting in Ireland.

Question 6 – If you fall within scope of the CSRD, would you be likely to use an Independent Assurance Services Provider (other than a statutory auditor) for your sustainability assurance? Please give reasons for your preference.

Technical sector specific experience is required especially at this early stage when Green House Gas inventories are being established and baselined as each year will be built upon good foundations. A financial auditor may or may not have that experience or skills – for example to be able to exercise due care and judgement in accordance with the risk attributed to the task performed and the confidence placed by clients and intended users having the necessary competence to undertake the assurance assignment. There is a significant risk that Statutory Auditors will not possess the training, education or experience in sustainability or climate change reporting or its assurance. Statutory Auditors merely must have been appropriately authorised by a Recognised Accountancy Body (RAB). RABs also possess no training, education or experience in sustainability or climate change reporting or its assurance.

Question 7 – Do you have any views on whether the introduction of a new sector for assurance on sustainability would benefit or harm Irish business and employment or the Irish economy?

We believe, if organised from a principles-based perspective from the outset, that Irish businesses covered under CSRD would benefit from a new sector for Assurance.

In sustainability the only relevant metric which the population at large will focus on is credibility in our reporting. A well organised assurance scheme with oversight from an independent organisation under the oversight of the state itself will ensure Ireland is seen as a pre-eminent practitioner and respector of authentic sustainability reporting.

Please include your views on any other issues that you might see as relevant to Article 34(4) and (5).

Member States shall designate one or more competent authorities for the purposes of the Directive. The competent authorities shall be organised in such a manner that conflicts of interests are avoided. The ISO Standards mentioned above have detailed prescriptions on identifying conflicts of interest and we commend these standards as the best practice in assurance work internationally.

Additional commentary from EHS International.

A recent EDHEC Business School -Risk Climate Impact report underscores the urgent need for decision-makers to implement aggressive policies to mitigate climate change and prevent significant losses in global stock values, which could exceed 50%. This report highlights how physical climate damage and transition (to a low carbon economy) costs can materially impact stock values. It is equally pertinent for regulators such as DETE, offering insights into how declining values of climate-sensitive assets held by

key financial institutions could jeopardize financial stability. The extent of these economic losses hinge on the rigor of emissions-cutting and management policies (and state – sponsored oversight through DETE or INAB will be mission-critical). In scenarios with minimal action, over 40% of global equity value is at risk, with potential losses soaring beyond 50% as we approach climate tipping points. The study concludes that "prompt and robust" measures are imperative to limit losses to below 10%. This report is a further corroboration that Ireland needs a robustly controlled assurance programme.

THANK YOU FOR YOUR RESPONSES