



**Public Consultation on the
Member State option to
introduce Independent
Assurance Services Providers
under the Corporate
Sustainability Reporting
Directive**

Ibec position

18 July 2024

Introduction

Ibec welcomes the opportunity to provide the views of Irish business in response to the public consultation published by the Department of Enterprise, Trade and Employment (the Department) on the Corporate Sustainability Reporting Directive (CSRD) with specific regard for the Member State option to introduce Independent Assurance Services Providers (IASPs).

Irish business is fully committed to global sustainability and to driving more investment into sustainable business practices. In pursuit of this, reporting is a key tool available to achieve adequate transparency and clear communication on the integration of sustainability into business activities and impacts, while creating trust between companies and stakeholders. To this end, the CSRD is welcomed as codifying such sustainability reporting standards into legislation. To be effective, such a tool must be appropriate, proportionate, and workable. The administrative burdens must be well-balanced with the benefits, the tools must provide adequate flexibility to be tailored to specific organisations, and global competitiveness must be retained. Ibec supports the objective to have clear and coherent reporting obligations at EU level and recognises the need to reduce increasing demand for information from many different stakeholders.

This legislation marks the introduction of significant new requirements and related costs for businesses of all sizes. For non-listed companies, this will be the first experience of non-financial reporting. For all companies in scope, it will represent a new departure in terms of the level of detailed information that must be reported and the corresponding increase in the number of resources that must be dedicated to non-financial reporting. The assurance expertise to support this legislation does not currently exist at the levels required and will be challenging to meet at a time of full employment.

To implement these significant new requirements effectively, business will need adequate supports and guidance from the Department on an ongoing basis. In this regard, we welcome the transposition of the required legislation on 5 July. It is important that the Department continues to support and collaborate with businesses to prepare for the implementation of the new requirements effectively. As a hub for foreign direct investment within the EU, this piece of legislation is particularly pertinent for Ireland. The Irish authorities will be responsible for the European filings of many multinational entities and as such should be prepared and resourced sufficiently.

This submission should be read in conjunction Ibec's submission to the [public consultation](#) conducted by the Department up until 9 March 2023 on the general Member State options.

Responses to consultation questions

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.

Yes. Ibec supports Ireland adopting the Member State option to introduce, accredit, regulate, and monitor new service providers (IASPs) to give assurance opinions on sustainability reporting. Ibec supports the stated objective of this Member State option to create an open and diverse sustainability assurance audit market, giving undertakings a broader choice of IASPs, with a view to supporting enhanced audit quality of sustainability information.

The CSRD introduces significant new requirements for businesses. For non-listed companies, this will be the first experience of non-financial reporting. For all companies in scope, it will represent a new departure in terms of the level of detailed information that must be reported and the corresponding increase in the amount of resources that must be dedicated to non-financial reporting.

The assurance expertise to support companies in complying with this legislation does not currently exist at the levels required in Ireland and across the EU. This demand will be challenging to meet at a time of full employment, and limiting the pool of potential assurance providers would amplify this issue further.

Given the level of technical information companies are required to report on information that has not previously been subject to mandatory assurance, there will be clear benefits for companies to avail of the services of specialised non-financial reporting assurance providers.

The central challenge for companies that must comply with the CSRD is cost. The direct resources companies need to attribute to compliance in terms of hiring, training, and continuing to employ dedicated and specialised staff are significant. In addition, there will be the significant indirect cost of assurance. These costs must be competitive in terms of enabling all companies directly in scope to benefit from the necessary third-party support and expertise at affordable levels. Furthermore, accessibility to support and guidance for companies not directly in scope, but which are in the supply chain of companies scope, is fundamental. In support, given the limited level of existing expertise, broadening the pool of assurance providers makes sense.

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.

This question is not applicable as Ibec is submitting the views of Irish business in general.

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?

IASPs should be expected to carry out assurance services to the same standard as the statutory auditors, and be subject to the same oversight.

At the same time, the assurance expertise to support companies in complying with this legislation does not currently exist at the levels required in Ireland and across the EU. Bearing this in mind, it is important that requirements for IASPs to be accredited, supervised and monitored are proportionate and introduced gradually with a view to supporting the development of the expertise to the required scale.

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')?

IASPs, like the companies in scope, must comply with standardised, technical, and obligatory non-financial reporting for the first time. Therefore, as with the companies in scope, we can expect that there will be capacity challenges to meet the rigorous standards statutory audit firms already adhere to under the Audit Directive. With the right safeguards in place, including rigorous training and quality assurance, IASPs have the potential to meet these standards.

Capacity challenges may also be expected for existing assurance providers given these mandatory non-financial reporting requirements are also new to them. However, while mandatory sustainability assurance is a completely new requirement, IASPs, as well as existing assurance providers, have been working with companies that have been undertaking voluntary assurance of their voluntary non-financial reporting.

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?

Supervision should ensure consistency across the EU including that IASPs from other Member States adhere to the same rigorous standards as those accredited in Ireland. In support, there should be clear protocols and collaboration between the Irish supervisory body and the corresponding bodies in other Member States to ensure consistency and quality.

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.

This question is not applicable as Ibec is submitting the views of Irish business in general.

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?

Ibec believes that the introduction of IASPs would benefit Irish business, employment, and the broader Irish economy.

The introduction of IASPs will improve competition in the market by increasing the number of actors providing assurance services. In turn, this will be beneficial for business in terms of cost competitiveness – the most significant challenge with the new requirements along with the technicality of the information to be reported.

The introduction of IASPs will encourage specialisation in non-financial reporting, which will benefit business and society through access to more specific information. For broader society, it will also be beneficial in terms of job creation. Added to this, for the Irish economy a competitive and specialised sustainability assurance sector could bring significant benefits in complementarity with Ireland’s strong base of multinational entities by attracting companies to choose to complete their EU compliance and assurance in Ireland and with Irish providers. For further comment, please see the response to question 1.

There is a potential risk of inconsistency and manipulation if safeguards are not adequately implemented that could harm the credibility of sustainability reporting. Please see the response to questions 3 and 5 for further comment on accreditation, supervision, and monitoring.

Other relevant issues

If the option to avail of this Member State option is taken, it is vital that business is directly involved in the developed of any future national certification system.

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About Ibec

Ibec is Ireland's largest lobby group and business representative. We campaign for real changes to the policies that matter most to business. Policy is shaped by our diverse membership, who are home grown, multinational, big and small and employ 70% of the private sector workforce in Ireland. With 36 trade associations covering a range of industry sectors, 6 offices around Ireland as well as an office in Brussels. With over 240 employees, Ibec communicates the Irish business voice to key stakeholders at home and abroad. Ibec also provides a wide range of professional services and management training to members on all aspects of human resource management, occupational health and safety, employee relations and employment law.

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