

IEA Submission: Public Consultation on the Corporate Sustainability Reporting Directive

Irish Exporters Association submission to the Department of Enterprise, Trade and Employment

9th March 2023

The Irish Exporters Association

The Irish Exporters Association (IEA) is the leading independent representative body and voice for exporters based in Ireland. The IEA represents exporters and supply chain operators across the country and works at regional, national, and European level, representing its members in front of legislators to create a regulatory and legislative framework that supports, drives, and fosters Irish exports.

We assist our members to grow their exports to world markets and drive the growth and development of all exporting businesses based in Ireland. We provide a set of highly relevant business services and products to assist our members with international trade.

The IEA represents the whole spectrum of companies within the export industry including SME's who are beginning to think about exporting for the first time right through to global multinational companies who are already extensively exporting from Ireland as well as the providers of key services to the sector. The IEA is the connecting force for Irish exporters, providing practical knowledge and support across the Island of Ireland and in foreign markets.

Overview

The Irish Exporters Association have expressed concerns about the seismic impact upcoming sustainability regulatory changes will have on our members. It is without doubt that trade sustainability is the single biggest challenge we as trade professionals are facing – considering the particular acuteness of the greater need for sustainability efforts in our industry owing to the global nature of supply chains. Without sustainable trade policies in place, the economic growth gains from trade will inevitably decrease, while the social and environmental costs will grow intolerable.

New EU reporting requirements such as the Corporate Sustainability Reporting Directive (CSRD) will have an immense impact on our members. SME companies aren't aware of let alone ready for CSRD – and although we are beginning to see some communication from Government, we do really need to see more engagement from it on this matter. Navigating the regulatory landscape is difficult for the large PLCs – then factor in the considerable stress put on smaller companies who also need to prepare for CSRD and the EU Taxonomy rules but have not the experience or resources to know where to start!

CSRD comes into effect in 2024 and impacts SMEs from 2026 – the IEA firmly believe its implementation will be the next “Brexit” sized event for companies in terms of awareness and preparation - or rather the lack of it - it feels similar to the levels of awareness and preparation in 2017 for Brexit i.e., little to none. There is a view out there that the CSRD initially will only impact larger companies. This is incorrect, for you can be sure that these organisations will pass this burden down to smaller companies in their value chain, particularly those that they are procuring from.

How can larger companies correctly report on the directive if they cannot account for how compliant their suppliers are. A case in point being our 2 main banks, both of which have more than 500 employees (the level at which you must report in 2025 on 2024 activities); it is estimated that up to 90% of their lending books are to SME’s. How can these banks possibly report on the CSRD correctly if they are not extracting that information correctly from their clients.

Simply put any SME’s that are tendering for public contracts, supplying into qualifying companies or looking for investment will fall under the hand-me-down requirements of the CSRD.

Other EU legislation such as the Taxonomy rules and the Corporate Sustainability Due Diligence Directive (CSDD) will only add to the regulatory burden being placed on our members. Whilst all of these are the right thing to do, and the IEA support them, small businesses simply are not ready and will need a lot of support to become so.

The IEA believe the Department of Enterprise, Trade and Employment should establish a stakeholder forum to support in the smooth implementation of CSRD and inform companies on why they need to implement these sustainability changes now.

The CSRD arises from the European Green Deal’s climate change action objectives, to further enhance the disclosure by companies on climate and environmental data. It introduces mandatory reporting standards developed by EFRAG (European Financial Reporting Advisory Group). Companies in scope will be required to report annually in their management/directors’ report on environmental, social and governance (ESG) and human rights matters according to the EU mandatory standards. The IEA feel this may impact on our members ability to access capital.

The IEA believe companies will need to be able to put their best-foot-forward and more is required from Government to better educate companies in the need to invest in sustainability practices now in order to avail of cost savings in the future. The IEA support the expansion of sustainability linked loans within the Irish market to better equip businesses to meet their sustainability obligations. Expansion of a Green Portfolio loan book by financial institutions will allow access to the necessary capital to make these changes possible. To provide further incentive to businesses, we suggest a gradual reduction in either the bank margin on, or the interest rate itself (or both) year-on-year for companies, within this Green Portfolio, if they can provide evidence of their sustainable improvements. This will also allow financial institutions to monitor their financing of emissions.

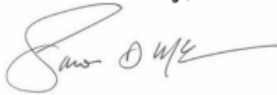
With an eye on supporting companies prepare for a more sustainable future, in 2022 we established the [Institute of Sustainable Trade](#) (IST), as an initiative of the Irish Exporters Association. The IST is a professional membership and education institute offering education, networking, and professional development opportunities to international trade professionals, with the sole focus on preparing for a more sustainable future. With the regulatory changes I've mentioned coming down the tracks in Europe from 2024, we need to get companies ready. We do this by getting individuals ready to meet the challenges of sustainability – and in turn they can prepare companies and the wider industry. We have developed a suite of practical [Sustainable Supply Chains](#) training courses and are developing a Certificate in Sustainable Trade incorporating the CSRD. Our aim is to have this on the National Framework of Qualifications and accredited by one of our Irish partner Universities alongside our existing [Certificate in International Trade](#).

Conclusion

The Irish Exporters Association would like to thank the Department for the opportunity to feed into its consultation on the Corporate Sustainability Reporting Directive. The IEA has actively and constructively worked with the Department of Enterprise, Trade and Employment and stands ready to continue this engagement.

On behalf of the IEA,

Simon McKeever



Chief Executive

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