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

Corporate Sustainability reporting Directive (EU) 2022/2464

Proposed policy response to public consultation on Member State options

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Background

On the 5th of January 2023 the Corporate Sustainability Reporting Directive (CSRD) entered into force. The directive significantly strengthens existing EU rules on non-financial reporting by companies.

Large companies, large public interest entities (banks, insurers and companies listed on a main EU market) as well as listed SMEs, will be required to report annually in their directors' report on sustainability matters relating to their operations including environment, social, governance and human rights matters.

These requirements will ensure that investors and other stakeholders have access to information on the impact of sustainability matters on a company, and the impact of the company on those matters (double materiality). Companies in scope will have to report according to European Sustainability Reporting Standards (ESRS). The draft standards have been developed by the European Financial Reporting Advisory Group (EFRAG). The European Commission should adopt the first set of standards by mid-2023.

The information reported will be subject to assurance by a suitably qualified statutory auditor. In addition, the new rules provide for the digitalisation of the directors' report for entities in scope so that it will be machine readable.

The new rules will be phased in between 2024 and 2028.

Introduction

The Department of Enterprise, Trade and Employment launched a public consultation on the Corporate Sustainability Reporting Directive (CSRD) on the 30th of January 2023.

The focus of the consultation was on the use of Member State options, being matters in respect of which Member States can or must make a choice. Interested parties were asked to bear in mind that, except for the exercise of options, Member States are obliged to implement the mandatory articles in the Directive. However, comments on the broader aspects of the Directive were also invited such as on scope, oversight and sanctions and assurance.

There were 34 responses to the consultation from a range of stakeholders including companies, accounting and audit firms and professional accounting bodies.

The purpose of this paper is to present the rationale for proposing a particular policy position on each of the 16 Member State options and two further policy choices identified during the public consultation, having due regard to the responses received.

Proposed Policy Responses

1. ARTICLE 5 – TRANSPOSITION TIMEFRAME/SCOPE OF THE DIRECTIVE (2022/2464)

Article 5 sets out the timeframe for the phasing in of the new sustainability reporting rules starting for financial years from -

- 1 January 2024 for public interest entities[1] in scope of EU non-financial reporting rules (greater than 500 employees);
- 1 January 2025 for other larger companies and public interest entities (greater than 250 employees);
- 1 January 2026 for listed SMEs, with an 'opt out' possible until 2028; and
- 1 January 2028 for non-EU companies with large EU branches/subsidiaries.

Feedback from respondents

Of the respondents who gave views on scope and phasing, all proposed that Ireland should be consistent with the phasing in the CSRD. As a consequence of Ireland's implementation of the definition of public interest entity in the existing national transposition of the Non-financial Reporting Directive certain PLCs, could be captured in scope of the new rules from financial years beginning in 2024 rather than from 2025 onwards. Respondents were strongly in favour or allowing such PLCs the additional year to prepare for and implement the new rules which are a significantly greater obligation than the current non-financial reporting requirements.

Preferred policy option

Whilst such PLCs are already subject to reporting requirements under the Non-Financial Reporting Directive, CSRD is a far more significant task. Aligning year 1 (2024) scope with the definition of public interest entity in the Accounting Directive will permit such PLCs, who in many cases may need to report on a group basis, to develop resources and gather the information needed for reporting from year 2 (2025). It will also allow time for the market for statutory auditors approved for the purposes of providing assurance on sustainability reporting time to reach necessary capacity. It will ensure consistency between the definition of public interest entity under the Audit Directive for the purposes of the new requirements. Therefore, this is the preferred policy option.

[1] Definition of public interest entity in the Accounting Directive (2013/34/EU) comprises banks, insurers, entities listed on a main EU stock market.

Amendments to the Accounting Directive (2013/34/EU)

2. ARTICLE 1 SCOPE - EXEMPTIONS FROM SCOPE

Article 1 of the Accounting Directive sets out the scope of the Directive in respect of financial reporting. The amendments to Article 1 made by the CSRD in turn set the scope of sustainability reporting. This option permits Member States to grant certain exemptions to the sustainability reporting rules. The undertakings specifically referred to for Ireland in points (2) to (23) of Article 2(5) of Directive 2013/36/EU are, Credit Unions and Friendly Societies.

Feedback from respondents

Nearly half of respondents gave views on this option with the majority not in support of exercising this option and three in favour. Those who did not support the option cited the need for as many institutions to be included as possible in scope and to create a level playing field in striving to achieve the goals of the Directive.

Those in favour were of the view that exercising this option would be consistent with the approach taken to date in other similar EU legislation. In addition, it was pointed out that credit unions are subject to separate domestic regulatory regime under the Central Bank.

Preferred policy option

The purpose of this option is essentially to put beyond doubt the question that credit institutions and friendly societies are captured in scope of CSRD by the definition of public interest entities. Proportionality has been exercised consistently at a national and European level in relation to credit unions[2]. Practically and legally speaking it would be a complex matter to bring these entities in scope of CSRD rules in the timeframe and possibly very few if any would meet the size thresholds. Therefore, the preferred policy option is to exercise this option.

[2] For example : **Basel III Capital Requirements Directive (CRD IV) Exemption** https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=celex:32013L0036 - **Mortgage Credit Directive (MCD) Exemption** https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX:32014L0017

3. ARTICLE 19A - SUSTAINABILITY REPORTING - COMMERCIALLY SENSITIVE INFORMATION

Article 19a sets out the new detailed requirements for sustainability reporting which are underpinned by the European Sustainability Reporting Standards. This option offers a limited flexibility to directors of a company not to disclose commercially sensitive information in the directors' report as part of sustainability reporting if it would be seriously prejudicial to the company. This is conditional that the omission does not prevent a fair and balanced understanding of the company's development, performance, and position, and the impact of its activity. A similar option was exercised in the transposition of the Non-Financial Reporting Directive. There is an analogous option in the Accounting Directive exercised in *Schedule 3* of the Companies Act 2014 in relation to certain financial information.

Feedback from respondents

Around a third of respondents expressed a view on this option and were in favour of its adoption. Stakeholders pointed out the limited nature of the omissions permitted and that this was similar to an existing option exercised by Ireland in the transposition of the Non-Financial Reporting Directive. One stakeholder recommended that companies should also be required to set out the fact and reason for using the exemption in such case.

Preferred policy option

Adopting this option is consistent with previous policy choices in the transposition of the Non-Financial Reporting Directive and the Accounting Directive. The current Non-financial Reporting Regulations permit the omission of certain information if it could seriously prejudice the applicable company's competitive position.

Exercising this option will ensure a level playing field with companies in other Member States who also take the option. As the option may only be applied in a very limited way, it will not undermine the overall transparency of the sustainability information to be provided. Therefore, this is the preferred policy option.

4. ARTICLE 19A - SUSTAINABILITY REPORTING - PUBLISHING LANGUAGE

This option provides that Member States may require that the consolidated management/directors' report or, where applicable, the consolidated sustainability report, of a parent company is published in a language that that Member State accepts, and that any necessary translation is provided by the company. Any translation that has not been certified shall include a statement to that effect.

There are already provisions in sections Section 347 and 348 of the Companies Act 2014 which require that any document, annexed to the company's annual return that is in a language other than the Irish or English language, must be translated into Irish or English. This includes the directors' report.

Feedback from respondents

More than one third of respondents gave a view of this option with the majority in favour of its adoption. Those in favour supported consistency with existing requirements of the Companies Act 2014 and the Official Languages Act. The submission opposed to the adoption of this policy option felt that it would be a very onerous task.

Preferred policy option

This option is to an extent automatic given the operation of existing section 347 and 348 as the sustainability information will be included in the directors' report. However, taking this option provides clarity and certainty. A key objective of the Directive is to ensure that stakeholders, investors, and consumers have access to information on the sustainability performance of companies, it will be important that this information is accessible in Ireland in Irish or English consistent with the existing requirements in the Companies Act 2014 in relation to the directors' report. Therefore, this is the preferred policy option.

5. ARTICLE 29A - CONSOLIDATED SUSTAINABILITY REPORTING - COMMERCIALLY SENSITIVE INFORMATION

Article 29a sets out the new detailed requirements for consolidated or group sustainability reporting which are underpinned by the European Sustainability Reporting Standards. This Member State option is the same as the option at section 3 above but applying at the level of consolidated/group reporting. Once again it offers a limited flexibility to directors of a company not to disclose commercially sensitive information if it would be seriously prejudicial to the group, provided that such omission does not prevent a fair and balanced understanding of the group's development, performance, position, and the impact of its activity.

Feedback from respondents

Nearly half of the respondents gave views in relation to this option. All these submissions were in favour of exercising this option citing that the exercising of this option is of crucial importance to groups operating in Ireland and that doing so would align with previous policy choices taken when transposing the Non-financial Reporting Directive and the Accounting Directive. It was also pointed out that should other Member States exercise this option whilst Ireland chooses not to, Irish based groups could be at a competitive disadvantage.

Preferred policy option

As cited in the consideration of point 3 above, taking this option will ensure a level playing field vis a vis other Member States. It can only be used by a company in a limited way and therefore it will not undermine the transparency of the sustainability information being provided. Therefore, this is the preferred policy option.

6. ARTICLE 29A - CONSOLIDATED SUSTAINABILITY REPORTING - PUBLISHING LANGUAGE

Article 29a sets out the new detailed requirements for consolidated sustainability reporting which are underpinned by the European Sustainability Reporting Standards. This option permits Member States to require that the consolidated management/directors' report or, where applicable, the consolidated sustainability report of the parent undertaking is published in a language that that Member State accepts, and that any necessary translation into such language is provided. Any translation that has not been certified shall include a statement to that effect. This is the same in effect as the option at section 4 but applied to consolidated reporting.

Feedback from respondents

More than one third of respondents gave a view of this option with the majority in favour of its adoption. Those in favour supported the principle of transparency of this information. The submission opposed to the adoption of this policy option felt that it would be a very onerous task.

Preferred policy option

As stated in option 4, section 347 and 348 of the Companies Act 2014 already require that any document, annexed to the annual return that is in a language other than the Irish or English language, must be translated into Irish or English. A key objective of the Directive is to ensure that stakeholders, investors, and consumers have access to information on the sustainability performance of companies. This option ensures that all companies and groups in scope will be subject to the same rules in terms of the availability of information in Irish or English. Therefore, this is the preferred policy option.

7. ARTICLE 30 - PUBLICATION TO A WEBSITE

Article 30 of the Accounting Directive sets out the requirements for the publication of companies' annual financial statements and the management/directors' report.

This option provides that Member States may require companies, subject to general rules on sustainability reporting in Articles 19a and 29a, to make the directors' report available to the public on their website, free of charge. Where a company does not have a website, Member States could require it to make a written copy of its directors' report available upon request.

Feedback from respondents

Over one third of respondents gave views on this option. The responses were nearly balanced between being in favour of exercising this option and opposed. Those in favour of additional publication to company websites cited, what they believe to be the vital importance of sustainability reports being as accessible as possible and the transparency that doing so would provide. Those opposed cited the need to align with the publishing requirements for financial reporting and that filing with the CRO will ensure the reports made available to the public for a nominal fee.

Preferred policy option

It is essential that the information contained in the sustainability reports of companies is accessible to achieve one of the Directives objectives of greater transparency and availability of companies' sustainability impacts. The longstanding mechanism for the publication of directors' reports is filing with the CRO and the CRO, for a nominal fee, make all documents available to the public. Therefore, this additional legal regulatory requirement is unnecessary given the level of access the public already has through the CRO. Therefore, this is the preferred policy option.

8. ARTICLE 30 - PUBLICATION EXEMPTION

As set out above, Article 30 of the Accounting Directive relates to the publication of financial the directors’ report of a Company. This option allows Ireland to exempt companies not subject to sustainability reporting from the obligation to publish the directors’ report via the CRO where a copy of the report can be easily obtained upon request at a price not exceeding its administrative cost.

Feedback from respondents

Nearly half of respondents gave views on this option and most did not support the option. This was because for transparency reasons, the availability of reports should never be restricted and that the current filing practices for financial statements via the CRO, should be implemented for sustainability reporting.

Preferred policy option

As was the case with the option 7, companies are already obliged to submit their directors’ reports to the CRO. The CRO make all filings available for a nominal fee to cover the administrative cost. There is no benefit to exercising this option which has not been exercised to date.

9. ARTICLE 34.3 - STATUTORY AUDITORS

Article 34 of the Audit Directive deals with the general requirements surrounding the audit of financial statements. Point 3 allows Ireland to choose to permit a statutory auditor or an audit firm other than the one(s) carrying out the statutory audit of financial statements to express the assurance opinion on the sustainability reporting.

Feedback from respondents

Nearly half of all respondents gave views on this option and of those all were supportive of exercising this option. Essentially, this option permits flexibility where for example a statutory auditor/firm engaged to carry out the statutory audit does not have the necessary expertise to carry out assurance of sustainability information. The option provides individual freedom of choice for companies. One submission pointed out that the statutory auditor of the financial statements may be best placed to undertake the sustainability audit as well as the statutory audit, however, was still supportive of the option being available to companies for the reasons above.

Preferred policy option

There will be a significant interplay between the financial statements and the sustainability information in the directors' report. However, that does not mean that it is impossible for another firm or auditor to provide assurance on the sustainability information. There is no reason to preclude companies from making the decision to have separate auditors for the financial statements and assurance of sustainability reporting, should they wish to. It is worth noting also that it may be more costly for companies who choose to have two separate auditors, but it will not be mandatory to do so by the exercise of this option. Therefore, this is the preferred policy option.

10. ARTICLE 34 - INDEPENDENT ASSURANCE SERVICES PROVIDERS

Article 34 of the Audit Directive sets out the general requirements surrounding the audit of financial statements. Points 4 and 5 insert a new option to allow for a new category of independent assurance services providers (IASPs) to be created solely in order to provide assurance on the sustainability reporting of companies. This is subject to those independent assurance services providers being subject to requirements that are equivalent to those set out in the Audit Directive for statutory auditors who carry out the assurance of sustainability reporting. The rationale for this option is to provide additional market services for such independent assurance reducing concentration of such services in accounting/audit firms. It would also mean that the IASPs would be independent of the statutory audit review of the financial statements.

Feedback from respondents

Nearly a third of respondents gave views on this option with a small majority supportive of its adoption. Other respondents proposed that further work should be carried out while one was opposed to the option. Responses to this submission cited the complexity of introducing IASPs and the need for a full education, licensing and supervision requirement equivalent to that in place for existing statutory auditors to be established. A common theme arising from the response was the need for considerable examination of this option.

Preferred policy option

The introduction of independent assurance services providers (IASPs) for the purposes of providing assurance on the sustainability reporting of companies in Ireland requires the development of a framework for oversight for IASPs in parallel. This is to ensure that IASPs are subject to the same criteria as any statutory auditor approved for the purposes of providing assurance on sustainability reporting. An accreditation scheme would also need to be developed and implemented.

It is expected that the audit market will be able to respond to provide the assurance requirements in the first stage of the new requirements. Therefore, the Department proposes to conduct a broader consultation on this matter and to examine the law to ensure that any decision taken on IASPs is in the interest of Ireland and a robust and high-quality system of independent certification of sustainability reporting.

11. ARTICLE 40A - SUSTAINABILITY REPORTS CONCERNING THIRD-COUNTRY UNDERTAKINGS - NET TURNOVER INFORMATION

Article 40 a concerns sustainability reporting of subsidiaries and branches of non-EU companies with a significant presence in the EU (turnover > 150 million euro across the EU). This is defined as having either a subsidiary in scope of the CSRD or large branch in the EU (turnover > 40 million euro). As part of the mechanism of ascertaining which subsidiary undertakings or branches, Member States may require subsidiaries and branches in scope to send them information about the net turnover generated in their territory and in the Union. This option was inserted during the negotiation of the Directive as some Member States felt it was necessary.

Feedback from respondents

Around a third of respondents submitted views on this option. The majority did not support the option being adopted.

Those that did not support the option cited the practicalities of its implementation are unclear and could present a significant challenge. Opposing submissions also cited that statutory auditors as part of their work will assess a company's compliance with the applicable laws and regulations as standard in the course of their work.

The small minority in favour cited that this option should be taken to underpin transparency and ease of accessibility of information. The remainder of respondents stated further clarification and examination of the option was required.

Preferred policy option

Respondents correctly identified that the CSRD does not specify a mechanism for implementing the requirement and as such further consultation would need to be done on developing a framework for requesting this information and which person's/bodies would have the powers to do so.

However, this option is in the nature of double-checking. The Companies Act 2014 is permissive legislation and companies are required to comply with the law or be found in breach. It is unclear why this category of companies would warrant additional scrutiny regarding compliance generally or specifically in respect of CSRD. Furthermore, additional assessment of compliance will be implicit in the statutory auditor's review of the company's financial statements and sustainability reporting where applicable. Therefore, there are sufficient safeguards in the framework for implementation of CSRD rendering this option unnecessary in an Irish context.

Amendments to the Audit Directive (2006/43/EC)

12. ARTICLE 12 - STATUTORY AUDITORS - COMBINATION OF PRACTICAL TRAINING AND THEORETICAL INSTRUCTION

Article 12 of the Audit Directive is one of a suite of articles which sets down the EU harmonized requirements for the training and education of statutory auditors. Training and education are a combination of theoretical instruction and practical experience. The CSRD permits the option to provide that periods of theoretical instruction in the subjects relevant to statutory audit and the assurance of sustainability reporting shall count towards the periods of professional activity referred to in Article 11. This is provided that such instruction is attested by an examination recognised by the Member State.

Feedback from respondents

Less than a third of respondents submitted views in response to this option. The majority of these were supportive of exercising the option, with two neutral. One respondent stated that there may be qualified accountants with many years' experience of sustainability and sustainability assurance who are not currently statutory auditors that could enter into the market of providing assurance for the purposes of sustainability reporting, should this option be exercised. Others pointed to the need for flexibility in the initial phase of implementation.

Preferred policy option

The transitional provisions under the Audit Directive allow existing statutory auditors and persons currently undergoing training to be statutory auditors to carry out the assurance of sustainability auditing subject to undertaking continuing education. Otherwise, accruing the necessary practical training along with theoretical knowledge in time to provide assurance on sustainability reporting would be a considerable challenge for statutory auditors, regulators and accounting bodies across Europe.

This option is directly linked to Article 11 of the Audit Directive and its option. Neither were exercised previously by Ireland in relation to training for statutory audit. It was felt that the exercising of these options may potentially reduce the qualifying standards for statutory auditors.

Due consideration has also been given to the number of people in a position to avail of this option, should it be exercised. Demonstrating the requisite 7 or 15 years relevant practical experience in fields relevant to sustainability reporting would be extremely challenging for any individual. Therefore, this option is not preferred as it doesn't present in practice the benefits of flexibility that would warrant a change in the statutory audit regime.

13. ARTICLE 26A - ASSURANCE STANDARDS FOR SUSTAINABILITY REPORTING - NATIONAL ASSURANCE STANDARDS

Article 26 of the Audit Directive is concerned with the audit standards that Member States must apply. The Directive inserts a new article 26a setting out the rules for the assurance standards for sustainability reporting. The default in the Directive is that the European Commission will adopt the assurance standards for sustainability reporting. However, Member States have the option to apply national assurance standards, procedures or requirements as long as the Commission has not adopted an assurance standard covering the same subject matter.

Feedback from respondents

Over half of respondents submitted views on this option. The majority were in favour of adopting this option, with the remaining opposed to adoption except for one submission seeking further discussion on the topic.

Those that were in favour cited their preference for an EU standard but recognised that the current EU timeline for implementing a standard could mean that it would not be available until 2026, leaving a vacuum in the early years of the new rules.

Those opposed to the introduction of a national standard cited their preference to not diverge from the EU standards in any way and further to strive for global harmonisation of such standards, in so far as is possible.

Preferred policy option

Under the Directive the European Commission has until October 2026 to adopt a standard on limited assurance for the audit of sustainability reporting with a reasonable assurance standard to following later, if practical. The Department is of the view that this work is hugely important and should be accelerated, if possible.

Whilst an EU standard is preferable, having the option to develop and implement an interim standard is sensible. It is essential to ensuring standardised reporting by auditors and meaningful quality assurance and non-compliance assessments.

The exercising of this option provides a backstop to address the risk of a situation where there is no EU wide standard. Therefore, this is the preferred policy option.

14. ARTICLE 28A - ASSURANCE REPORT ON SUSTAINABILITY REPORTING

CSRD is inserting a new Article, 28a into the Audit Directive. This article sets out the criteria for the assurance report that is to accompany a sustainability report. Point 5 of Article 28a, allows Ireland the option to adopt the position that, where the same statutory auditor carries out the statutory audit of annual financial statements and the assurance of sustainability reporting, the assurance report on sustainability reporting may be included as a separate section of the audit report.

Feedback from respondents

Over one third of respondents submitted views on this option. The majority were supportive of adopting the MS option with remainder opposed.

Those in favour cited the practicality of having the assurance report on sustainability reporting included as a separate section of the audit report, and the flexibility it would provide to auditors when expressing an opinion.

Those opposed felt that it is more appropriate to have a separate audit report and a separate assurance report.

Preferred policy option

The option provides flexibility for the statutory auditor conducting the audit of annual financial statements and the assurance of sustainability reporting. This option does not mandate that the assurance report be put in a specific location, it provides the option for the assurance report on sustainability reporting to be included as a separate section of the audit report. A statutory auditor approved for the purposes of providing assurance on sustainability reporting would have the choice therefore to have separate reports or indeed include the assurance report as a separate section of the audit report.

It provides greater clarity, including as the level of assurance is for financial reporting and sustainability reporting is different. This option allows the statutory auditor the flexibility to decide where to place the assurance report which appears appropriate and proportionate. Therefore, this is the preferred policy option.

15. ARTICLE 29 - QUALITY ASSURANCE SYSTEMS - RELEVANT EXPERIENCE

Article 29 of the Audit Directive provides for quality assurance systems in relation to statutory audit. Quality assurance is the system by which the work of statutory auditors and audit firms is inspected. The Directive adds a new point, 2a which allows Ireland to exempt, until 31 December 2025, persons who carry out quality assurance reviews relating to the assurance of sustainability reporting from the requirement to have relevant experience in sustainability reporting and in the assurance of sustainability reporting or in other sustainability-related services.

Feedback from respondents

Around a third of respondents gave views on this option with the majority supportive of its adoption. Those in favour cited the likely, very limited pool of those suitably qualified to provide quality assurance in the initial phase of CSRD. The time limited nature of this exemption was welcomed as it provides for a transitional period which will allow time for the training and building of competence in this area.

Preferred policy option

Quality assurance reviews will be critically important to driving quality in the assurance of sustainability reporting under CSRD, from the outset. It is essential therefore that there are enough people qualified to conduct reviews. In the absence of this exemption there is a risk that there would not be sufficient persons to conduct the reviews. Exercising this option will help with the transition to the new rules. Therefore, this is the preferred policy option.

16. ARTICLE 30 - SYSTEMS OF INVESTIGATIONS AND SANCTIONS

Article 30 of the Audit Directive deals with investigations and sanctions in the field of statutory audit. CSRD amends the second subparagraph of point 2 to allow Ireland to decide not to lay down rules for administrative sanctions for infringements which are already subject to national criminal law.

Feedback from respondents

Slightly less than one third of respondents submitted views on this option. One third of these were in favour of adopting the MS option with one third opposed to exercising the option and the remaining third seeking parity with the rules for financial reporting.

Preferred policy option

The system currently used for the oversight of statutory audit and infringement of financial reporting rules is extremely robust and serves Ireland well. This system comprises administrative sanctions set out in the Audit Directive which is augmented by the amendments made under the CSRD. Separately further to the Accounting Directive, for breaches of financial reporting rules there are proportionate offences provided for in the Companies Act 2014. The existing framework will be used to guide the Departments work in developing the sanctions and offences system for the purposes of sustainability reporting. Therefore, this option is not preferred.

17. ARTICLE 39 - AUDIT COMMITTEE

Article 39 of the Audit Directive sets out the rules for the establishment of audit committees by public-interest entities. The Directive inserts a new paragraph, 4a which allows the option to permit the functions assigned to the audit committee relating to sustainability reporting and relating to the assurance of sustainability reporting to be performed by the administrative or supervisory body as a whole or by a dedicated body established by the administrative or supervisory body.

Feedback from respondents

Over a third of respondents gave views on this option. More than half were supportive of adopting the option, while a small number were not supportive. Those in favour cited that sustainability reporting may fall under different sections of companies naturally and that each company should be granted the flexibility to choose this for themselves. Those opposed felt that sustainability reporting should be central to a business’s operation going forward and as such should come under the remit of the audit committee.

Preferred policy option

Section 1551 of the Companies Act 2014 sets out the provisions for establishment and criteria of audit committees. Section 1551 obliges public interest entities to establish and maintain an audit committee. There are a number of categories however, such as captive insurers where these functions may be carried out by the board of directors, or a body assigned by it. It will be important that Ireland maintains a consistent approach to policy between financial reporting and sustainability reporting. Therefore, this option is preferred in so far as it replicates the current exemptions in the Companies Act 2014.

18. ARTICLE 28A - ASSURANCE REPORT ON SUSTAINABILITY REPORTING-THE SIGNATURE OF THE STATUTORY AUDITOR

Article 28a is inserted by the Directive into the Audit Directive This article sets out the certain criteria, such as the auditor's signature, for the assurance report on sustainability reporting. The option at point 4 provides that in exceptional circumstances, Ireland may provide that the auditor's signature(s) need not be disclosed to the public if such disclosure could lead to an imminent and significant threat to the personal security of any person. In any event, the name(s) of the person(s) involved shall be known to the relevant competent authorities.

Feedback from respondents

One submission was received in relation to this MS option as it was omitted from the consultation document. The submission did not state a preference for adoption expressly and noted the unlikely nature of the circumstances.

Preferred policy option

A similar option in relation to the statutory auditor's signature of the audit report on the financial statements was not taken in the transposition of the Audit Directive. A concern is that a statutory auditor who is of the view that signing the assurance report of a company will put them in imminent danger could not be considered as offering an independent view on the report. The Department has no evidence that statutory auditors have felt any threat based on the signing of an audit report. Therefore, this option is not preferred.

Appendix 1 - List of respondents

1. ACCA
2. AL Goodbody
3. Alkermes PLC
4. American Chamber of Commerce Ireland
5. Arthur Cox
6. Baillie Gifford Europe
7. Banking & Payments Federation Ireland
8. Bus Éireann
9. Chartered Accountants Ireland
10. Chambers Ireland
11. Córas Iompair Éireann
12. Cork Chamber
13. CPA Ireland
14. Credit Union Development Association
15. Deloitte
16. Eaton Public
17. EirGrid
18. Euronext
19. Gas Networks Ireland
20. Ibec
21. Irish Cooperative Organisation Society
22. Insurance Ireland
23. Irish Exporters Association
24. Irish League of Credit Unions
25. ISME
26. Johnson Controls International PLC
27. Law Society of Ireland
28. Matheson
29. nVent
30. PWC
31. Seagate
32. Society of Actuaries in Ireland
33. Voluntary Healthcare Forum
34. Workday