



LAW SOCIETY  
OF IRELAND

# Corporate Sustainability Reporting Directive

Submission to the Department of Enterprise, Trade and Employment

7 March 2023

## Introduction

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The Society supports the objectives and timing of the Corporate Sustainability Reporting Directive (CSRD) which include the:

- Enhanced corporate disclosure requirements on environmental and social matters;
- Introduction of sustainability reporting standards; and
- Independent assurance of sustainability reporting.

We further support the Commission's aim that the new rules will ensure that investors and other stakeholders have access to the necessary information to enable them to assess sustainability risks and impacts regarding companies and their operations in environmental and social matters and the creation of a culture of transparency in respect of the impact of companies on people and the environment.

We welcome [the Department's public consultation](#) on the matter and are glad to contribute our views to the process.

### Transposition into Domestic Law

Member States, including Ireland, are required to give force to the laws, regulations and administrative provisions necessary to comply with Articles 1 to 3 of the CSRD by 6 July 2024.

We assume, for the purposes of this submission, that the mandatory aspects of the CSRD are likely to be transposed by statutory instrument.

### Phased Timeframe

Article 5 of the CSRD provides that the new sustainability reporting obligations (pursuant to Article 1) which take effect by way of amendments to Directive 2013/34/EU ('the **Accounting Directive**') apply on a phased basis, for financial years commencing on/after:

#### 1. 1 January 2024

For large undertakings and parent undertakings of a large group (within the meaning of the Accounting Directive) which are public interest entities (as defined in point (1) of Article 2 of the Accounting Directive) with more than 500 employees (*Article 5(2)(a)*).

#### 2. 1 January 2025

For large undertakings and parent undertakings of a large group (within the meaning of the Accounting Directive) other than those referred to in Article 5(2)(a) (*Article 5 (2)(b)*).

#### 3. 1 January 2026

For small and medium-sized undertakings which are public-interest entities (as defined in point (a) of point (1) of Articles 2 of the Accounting Directive), small and non-complex institutions and captive insurance undertakings which are not micro-undertakings (*Article 5(2)(c)*).

We note that Article 5 is a mandatory provision of the CSRD and that Member States have no discretion in this regard.

In addition to being set out in the CSRD, the phased application of the new sustainability reporting obligations was communicated to stakeholders (including relevant undertakings) by the Commission and other EU institutions prior to its formal adoption.

### **Large Irish Companies Listed Outside the EU**

We note that the consultation document indicates that undertakings subject to Ireland's current non-financial reporting rules<sup>1</sup> (i.e. "ineligible entities" under the Companies Act 2014) are to be brought within scope of the first phase of reporting under the CSRD, for financial years commencing on/after 1 January 2024.

Certain large Irish incorporated companies listed outside the EU (including most or all of the Irish companies which are solely listed in the US) currently report non-financial information in accordance with the requirements of Ireland's current non-financial reporting rules, notwithstanding that such companies are not "public interest entities" within the meaning of the Accounting Directive, as the Irish regulations purport to apply to a wider cohort of entities than the Accounting Directive.

Under Article 5(2)(b) of the CSRD, large Irish companies listed outside the EU fall within scope of the new sustainability reporting obligations in the second phase of reporting under the CSRD, for financial years starting on/after 1 January 2025. Accordingly, such companies are due to be brought within scope of the new sustainability reporting obligations one year later than large public-interest entities.

Reporting of sustainability information in accordance with the CSRD and the mandatory reporting standards, the first set of which are to be adopted by the Commission by 30 June 2023, will involve significant new obligations for reporting companies. Companies which fall within scope of the CSRD are currently addressing the implementation of appropriate processes and procedures aimed at ensuring compliance within the specified timeframe. Given the increased scale and complexity of obligations under the CSRD (and because its implementation will bring companies not already subject to the Taxonomy Regulation within its scope), it is important that reporting companies are brought within scope strictly within the timeframes set out in the CSRD.

It is important, including for reasons of legal certainty, that the transposing legislation reflects the same phased application as the CSRD, which will be harmonised across all Member States, and does not seek to accelerate those dates.

### **Conclusion**

We hope that these observations will assist the Department in its consideration of transposition of the CSRD and would welcome the opportunity to engage further on the draft transposing legislation in due course.

***For further information please contact:***

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<sup>1</sup> S.I. 360/2017: European Union (Disclosure of non-financial and diversity information by certain large undertakings and groups) Regulations 2017, as amended.



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