



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.

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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 organisation 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; and
- (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.

Yes, we support the proposal that Ireland adopts the Member State option to introduce, accredit, regulate and monitor a new service provider called an Independent Assurance Service provide, to give an assurance opinion on sustainability reporting. This aligns with the objectives of the of the EU sustainability directives and regulations as the EU Climate Law (Regulation (EU) 2021/1119) and the Directive 2005/29/EC on Unfair Commercial Practices to enhance the quality and reliability of sustainability reporting and environmental claims. The CSRD required a mandatory limited assurance for sustainability information disclosed by companies. This means that an independent assurance provider must verify the sustainability information provided, ensuring that it meets ESRS standards. Over time, the CSRD aims to move from limited assurance to a more rigorous reasonable assurance for sustainability reporting. Independent assurance providers are crucial in the assurance of CSRD disclosures because they enhance the credibility, reliability, and comparability of sustainability information. Their role ensures that the data reported by companies is accurate and meets established standards. This is vital for stakeholders, including investors, regulators, and customers, who rely on this information to make informed decisions. It's crucial that the assurance processes for sustainability information under the CSRD are conducted by entities different from those handling financial disclosures due to the

distinct competencies and frameworks required. Verifying sustainability information necessitates expertise in environmental science, social governance, and unique methodologies such as life cycle assessments and carbon footprint analysis, which differ significantly from financial accounting skills. For example, specialised knowledge in regulatory frameworks like the GHG Protocol, ISO 14064, the Global Reporting Initiative, is essential, and this expertise is typically beyond the scope of traditional financial auditors.

Utilising separate, independent entities for sustainability assurance ensures an unbiased review process, preventing conflicts of interest and enhancing the credibility of the disclosures. Accredited Conformity Assessment Bodies (CABs) operate under international standards such as ISO 17029, ISO 14065, or the new family of ISO 14019 employing rigorous protocols tailored to ESG metrics. This division allows each type of information to be evaluated by experts with the appropriate competencies, ensuring thorough, accurate, and reliable reviews. By leveraging CABs for sustainability assurance, companies provide stakeholders with verified, high-quality sustainability information, aligning with best practices and fostering greater transparency and trust.

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.

Yes, as statutory auditor is not competent to execute an assurance process of Sustainability information.

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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?

Yes, the Independent Assurance Services Providers established in Ireland should be accredited, supervised and monitored by The National Accreditation Board (INAB), aligned with the EU **Regulation (EC) No 765/2008** that sets out the framework for the accreditation of conformity assessment bodies by National Accreditation Bodies, establishing a legal framework for the operation of accreditation bodies, which assess and accredited the competence of conformity assessment bodies (CABs). This regulation establishes accreditation as the most reliable means of determining the technical competence of CABs. It ensures that these bodies operate according to international standards and maintain a high level of performance. Accredited Conformity Assessment Bodies (CABs) operate under international standards such as ISO 17029 (Conformity assessment — General principles and requirements for validation and verification bodies), ISO 14065 (General principles and requirements for bodies validating and verifying environmental information) or the new family of ISO 14019 (Validation and verification of sustainability information), employing rigorous protocols tailored to ESG metrics. This division allows each type of information to be evaluated by experts with the appropriate competencies, ensuring thorough, accurate, and reliable reviews. By leveraging CABs for sustainability assurance, companies provide stakeholders with verified, high-quality sustainability information, aligning with best practices and fostering greater transparency and trust.

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')?

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Following the afore mentioned framework, the Accredited Independent Assurance Service Providers will be compliant with or even exceed the requirements of Directive 2006/43/EC ('Audit Directive') for financial disclosures, subjected to continuous and rigorous evaluation processes to ensure their competence, independence, and impartiality at all times.

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?

Yes, when any assurance of sustainability reporting is carried out by Independent Assurance Services Providers established in another member State they would have to adopt the same standards in which Ireland as the host member State has put in place in, for Independent Assurance Services Providers established in Ireland, in other to follow the **EU Regulation (EC) No 765/2008**.

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.

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?

The Introduction of a new sector for assurance on sustainability could have several impacts on Irish business, employment, and the overall economy. There would be both potential benefits and some disadvantages that can be managed. Here as some of our views

Potential Benefits

While the introduction of a new sector for assurance on sustainability can bring various advantages, there is a real risk that it could replicate the current scenario in the financial audit market. Currently, major firms like KPMG, PwC, and Deloitte dominate this space, leading to high costs and a concentration of market power.

- **Enhanced Credibility and Market Trust:** with formal assurance on sustainability reports, businesses can enhance their credibility among investors, customers, and other stakeholders. This can lead to increased investor confidence and potentially

attract more investment. Verified sustainability claims can strengthen consumer trust, leading to brand loyalty and potentially higher sales

- **Job Creation and Skills Development:** the development of a sustainability assurance sector would create new jobs, not only within the assurance firms but also in supporting roles such as training, consulting, and software development.
- **Competitive Advantage:**
 - **Market Differentiation:** Companies that obtain verified sustainability credentials could differentiate themselves in the market, gaining a competitive edge both domestically and internationally.
 - **Alignment with Global Trends and international commitments:** As sustainability becomes a key focus globally, early adoption and rigorous assurance practices could position Irish businesses as leaders in sustainable practices and support national efforts to comply with international and regional agreements like the EU Green Deal, SDGs and Paris Agreement.

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

THANK YOU FOR YOUR RESPONSES