

07 August 2024

**Re: Sustainability reports required by the Corporate Sustainability Reporting Directive**

Dear Audit Committee Chair,

The Corporate Sustainability Reporting Directive (CSRD) has been transposed into Irish law by way of Statutory Instrument 336 of 2024 European Union (Corporate Sustainability Reporting) Regulations 2024 (SI 336). Entities and undertakings in scope are required to prepare sustainability reports to be included in the Director's Report of their annual financial statements. The requirements apply on a phased in basis starting with financial years ending 31 December 2024. Entities and undertakings should consult with their legal advisors and statutory auditors to determine if and when they fall within scope. Furthermore, entities and undertakings may wish to commence reports earlier than required or where not directly in the scope of the legislation.

The sustainability reports are required to comply with the European Sustainability Reporting Standards (ESRS) and companies are required to obtain assurance on the sustainability reports from an approved Sustainability Assurance Service Provider (SASP). Companies must appoint a SASP in the same manner in which statutory auditors are appointed and are free to appoint a SASP other than their statutory auditor. Statutory auditors who meet the relevant requirements may apply to an accountancy body for approval to act as a SASP. The first approvals are expected to take place in October 2024. However, companies in scope for the year ended 31 December 2024 should commence the appointment process in advance of this date if they have not already done so.

SI 336 imposes responsibilities on audit committees of public interest entities including: -

- a) informing directors of the entity of the outcome of the assurance of sustainability reporting and explaining how the assurance of sustainability reporting contributed to the integrity of the sustainability reporting and what the role of the audit committee was in that process,
- (b) monitoring the sustainability reporting process of the undertaking, including its electronic reporting process as referred to in section 1600 and the process carried out by the undertaking to identify the information reporting in accordance with the sustainability reporting standards, and submitting recommendations or proposals to the directors of the entity to ensure its integrity,
- (c) monitoring the effectiveness of the entity's internal quality control and risk management systems and, where applicable, its internal audit, regarding the sustainability reporting of the undertaking, including its electronic reporting process as referred to in section 1600 of the statutory instrument, without breaching its independence,
- (d) monitoring the assurance of the entity and group sustainability reporting, in particular its performance, taking into account any findings and conclusions by IAASA, as the designated competent authority, pursuant to Article 26(6) of Regulation (EU) No 537/2014, and

(e) reviewing and monitoring the independence of the statutory auditors or audit firms carrying out the assurance of sustainability reporting of the entity in accordance with section 1621 of the statutory instrument.

IAASA notes that the preparation of a sustainability report in compliance with ESRS is an extensive process and obtaining assurance on the sustainability report will also be an extensive and time-consuming exercise. As such, IAASA expects that achieving CSRD compliance may significantly impact a company's annual reporting timelines. IAASA encourages audit committee chairs to carefully consider their reporting timelines and provide realistic expectations to investors in this regard.

We hope that this letter is useful to audit committees taking on these additional responsibilities. We remain committed to ongoing engagement on these, and any other matters arising and can be contacted at [info@iaasa.ie](mailto:info@iaasa.ie).

Yours sincerely



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