

Directive – 2022/2464

Information Note from the Department

1. Directive Title

Directive (EU) 2022/2464 of the European Parliament and of the Council of 14 December 2022 amending Regulation (EU) No 537/2014, Directive 2004/109/EC, Directive 2006/43/EC, and Directive 2013/34/EU, as regards corporate sustainability reporting¹.

2. Transposition Deadline

An accelerated transposition timeframe of 18 months from January 2023 with elements to be in place for financial years commencing 1 January 2024 and a final deadline of 6 July 2024.

3. Anticipated Transposition date

The Department is aiming to transpose the mandatory elements of the directive as soon as possible in order to provide clarity to the first tranche of companies in scope for financial years commencing 1 January 2024.

4. COM number of original Commission proposal

COM (2021)189

5. Department with primary responsibility

Department of Enterprise, Trade & Employment

6. Other Departments involved?

Department of Finance – A small number of consequential amendments to the transparency regulations under that Department's remit are required. These amendments will be included in the transposing instrument.

7. Background to, short summary and aim of the directive

The Corporate Sustainability Reporting Directive (EU) 2022/2464 (CSRD) is the EU's response to the global reframing of company reporting to include environmental, social and governance matters. It entered into force in January 2023 and arises from the European Green Deal and the EU Action Plan for Financing Sustainable Growth.

The CSRD harmonises the existing rules for annual non-financial reporting by very large public-interest entities (banks, insurance undertakings, listed companies). It expands the scope to include large companies, large public-interest entities, and listed SMEs (excluding micros) on a main EU stock market. Companies in scope will be required to report annually in their directors' report on the impacts of their activities on sustainability² matters as well as the impact of sustainability matters on their business so called 'double materiality'. The EU Commission has adopted detailed and comprehensive mandatory European sustainability reporting standards³ to be used. The sustainability

¹ [EUR-Lex - 52021PC0189 - EN - EUR-Lex \(europa.eu\)](#)

² The CSRD defines sustainability matters as environmental, social and governance matters including human rights.

³ [The Commission adopts the European Sustainability Reporting Standards \(europa.eu\)](#)

information reported by companies must be digitally tagged, subject to audit (assurance) and filed publicly. The new rules will be phased in from 2024 to 2028.

8. Legal basis of the Directive

Article 50 of the TFEU is the legal basis for adopting EU measures aimed at attaining the right of establishment in the single market in company law and is the legal basis for amending the Accounting Directive 2013/34/EU, the Audit Directive 2006/43/EC (as amended) and the Audit Regulation (EU) 537/2014. Article 114 of the TFEU is a general legal act with the objective of establishing or ensuring the functioning of the single market – in this case, the free movement of capital and is the legal basis for amending Directive 2004/109/EC.

9. Category of Directive

Some significance.

10. Implications for Ireland (including details of regulatory impact assessments carried out in Ireland, if required)

The Department has published a paper⁴ that outlines the assessments carried out by the Department to date. The Department's website contains information for companies seeking to prepare for the new rules.

11. Impact on the public

The CSRD seeks to substantially improve the clarity, detail and comparability of information disclosed by companies on sustainability matters. It will allow investors, civil society organisations, consumers and other stakeholders to evaluate the sustainability performance of companies, enabling them to make informed decisions on their choice of company to engage with. Digital 'tagging' will enhance how sustainability information is analysed and used by stakeholders. Companies will be more accountable and transparent about their sustainability impacts and therefore the Directive can help strengthen relations between business and society.

12. Estimated cost to the Exchequer

The expected cost to the exchequer for oversight functions by the Irish Auditing and Accounting Supervisory Authority is €235,000 per annum. There may be one-off costs arising from technical changes required relating to the public filing of the digital versions of the directors' reports.

13. Consequences and possible costs, arising from non-transposition

Failure to transpose the CSRD on time would leave Ireland out of step with other Member States and given the integrated nature of enterprise across the EU this could lead to unnecessary costs for Irish companies. As a small open economy, a failure of this manner, could prove extremely costly to our attractiveness as a place to do business in particular in respect of financial services. It could lead to serious reputational damage given the need to take urgent action on climate change. It could lead to reputational damage for Irish Auditing & Accounting Supervisory Authority (IAASA), the Supervisory Authority, who would lack the powers of comparable Regulators across the EU. For the first companies in scope from financial years commencing 1 January 2024 a lack of

⁴ [Proposed policy response to the public consultation on the Corporate Sustainability Reporting Directive - DETE \(enterprise.gov.ie\)](https://enterprise.gov.ie/Proposed-policy-response-to-the-public-consultation-on-the-Corporate-Sustainability-Reporting-Directive-DETE)

clarity via national legislation could lead also to unnecessary costs being incurred by them. A failure to transpose the directive could also lead to infringement proceedings from the EU Commission and fines.

14. Have consultations taken place with stakeholders or are there any plans to do so?

The Department hosted a webinar following the CSRD entry into force in January 2023, which included presentations from the EU Commission, EFRAG, formerly known as the European Financial Reporting Advisory Group, the Department and an audit expert. There were nearly 500 stakeholders in attendance on the day. A public consultation on the Member State options was launched shortly thereafter and the Department received 34 detailed and comprehensive submissions.

The Department conducted a period of analysis on the responses including consultation with the Irish Audit & Accounting Supervisory Authority who will have a key role in the oversight of the new requirements and made recommendations to Minister Calleary, Minister of State for Digital, Trade Promotion and Company Regulation. The Department again briefed stakeholders at a webinar in July 2023, with over 250 attendees, on the policy decisions made and published the paper referred to in the response to Q.10.

The Department provided a detailed written brief on the CSRD to the Joint Oireachtas Committee on Enterprise, Trade and Employment at its request. The Committee's views were sought on the Department's public consultation and members were invited to attend the Department's webinars. We will continue to update the Committee on relevant developments as the transposition progresses.

15. Are there areas of the Directive where Member States have discretion on implementation?

The CSRD includes a limited number of options for Member States. Taking into account the accelerated transposition timeframe, the Department intends to transpose the CSRD via a two-phase approach.

Phase one will focus on the mandatory elements and be done by way of secondary legislation under the European Communities Act 1972. The Department also proposes to exercise a small number of options in this phase to ensure consistency with existing enactments and flexibility for companies in the application of the new rules.

Phase two will examine other policy options such as widening the scope of the CSRD and the introduction of a new regulated profession of independent assurance services provider which will be more appropriate to primary legislation.

16. Does Ireland intend to seek any derogations from the provisions of the Directive?

The Department does not intend to seek any derogation.

17. Offences or penalties (if any) to be created by the transposition of the Directive

There are a series of offences in part 6 of the Companies Act 2014 at a range of levels of gravity. As the sustainability reporting information will fall within the ambit of the directors report it falls within the ambit of the existing penalties in some instances e.g. sections 339, 343, 376, 406 etc. The Corporate Enforcement Authority is responsible for enforcement of the offences in the Companies Act 2014 generally. The Companies

Registration Office is responsible for enforcement and summary prosecution of filing offences.

The views of the Office of the Parliamentary Counsel on the level of offences will be sought in light of transposition by way of secondary legislation.

18. Competent authorities or market surveillance authorities (if any) to be designated by the transposition of the Directive?

IAASA will have responsibility for oversight and supervision of the work of statutory auditors and, separately in the examination of sustainability reporting by issuers of debt and equity securities.

19. Consequences for national legislation?

CSRD integrates sustainability reporting into the existing framework for corporate reporting and audit set out in the Companies Act 2014 and the Transparency Regulations by amending a series of instruments, - the Accounting Directive⁵, the Audit Directive⁶ and associated Audit Regulation⁷ as well as the Transparency Directive⁸. This approach ensures that sustainability reporting is put on the same footing with financial reporting with equivalent or comparable obligations and standards.

20. Are there any parts of the Directive which are planned to be transposed by primary legislation, and if so, which parts?

It is not currently planned to transpose in this phase any part of the CSRD by primary legislation.

21. When is it anticipated that the draft statutory instrument(s) transposing this Directive will be available?

Subject to consultation with the Office of the Parliamentary Counsel during Q4 2023.

22. Contact name, telephone number and e-mail address of official in Department with primary responsibility

Date September 2023

⁵ [EUR-Lex - 02013L0034-20230105 - EN - EUR-Lex \(europa.eu\)](#)

⁶ [EUR-Lex - 02006L0043-20230105 - EN - EUR-Lex \(europa.eu\)](#)

⁷ [EUR-Lex - 32014R0537 - EN - EUR-Lex \(europa.eu\)](#)

⁸ [EUR-Lex - 02004L0109-20230105 - EN - EUR-Lex \(europa.eu\)](#)