



Sustainability reporting and due diligence update – November 2024

28 November 2024

In this article, we provide insights on key sustainability reporting and due diligence developments since our last update in August.

It has been a busy few months for updates on sustainability reporting and due diligence requirements. There have been a number of useful updates that companies should be aware of since our last [sustainability reporting update in August 2024](#). In this article, we have set out a brief overview of some of the key publications.

Updates relating to the Irish implementation of the Corporate Sustainability Reporting Directive

1. *CSRD No.2 Regulations published*

On 4 October 2024, the second Irish regulations implementing the Corporate Sustainability Reporting Directive (**CSRD**) were published, the European Union (Corporate Sustainability Reporting) (No. 2) Regulations 2024 (the **CSRD No. 2 Regulations**). The [CSRD No. 2 Regulations](#), which were signed by the Minister for Enterprise, Trade and Employment on 1 October 2024, make a small number of technical clarifications to the first regulations, the [European Union \(Corporate Sustainability Reporting\) Regulations 2024](#) (the **CSRD Regulations**).

2. *FAQs on Irish CSRD Regulations published*

On 1 November 2024, the Department of Enterprise, Trade and Employment published a [Frequently Asked Questions \(FAQs\)](#) document relating to the CSRD Regulations. The FAQs address the following sections:

1. scope
2. consolidation
3. value chain

IAASA updates

1. *IAASA adopts ISAE (Ireland) 3000 for the assurance of sustainability reporting*

On 30 September 2024, the Irish Auditing & Accounting Supervisory Authority (**IAASA**) adopted the [International Standard on Assurance Engagements \(Ireland\) 3000 \(ISAE 3000\)](#).

By way of background, CSRD requires assurance on sustainability information reported by companies and provides that the European Commission (the **Commission**) is to adopt limited assurance standards that shall apply throughout the EU by 1 October 2026, against which assurance will take place. Until then, member states can set their own national assurance standards.

IAASA made amendments to the international standard to ensure that it applies to sustainability assurance in engagements in Ireland and that sustainability assurance providers are subject to appropriate ethical and quality management requirements. These requirements are the International Code of Ethics for Professional Accountants issued by the International Ethical Standard Board for Accountants and [International Standard on Quality Management \(Ireland\) 1 \(ISQM 1\)](#).

ISAE (Ireland) 3000 requires auditors to comply with ISQM 1. The following updates have been made to ISQM 1:

- IAASA has updated ISQM (Ireland) 1 to reflect the requirements of CSRD as transposed in Ireland
- additional minor amendments were made to ISQM 1 to make conforming amendments to [International Standards on Auditing \(Ireland\) 600](#), which was revised in February 2023

ISAE (Ireland) 3000 applies to assurance reports issued on or after 15 December 2024 and an evaluation of the updated system of quality management must be performed within one year of this date.

2. IAASA publishes annual Observations paper

On 8 October 2024, the IAASA published its annual [Observations paper](#) which addresses sustainability reporting matters and sets out the approach the IAASA will take in conducting sustainability statement examinations in 2025. We have set out below the key takeaways from the Observations paper:

- IAASA will perform a high-level overview of the sustainability statement to include an initial assessment of:
 - the issuer's assessment of double materiality
 - mandatory disclosures around methodologies and processes
 - the quality of disclosures in the sustainability statement
- A meeting may be held with an issuer to gain an understanding of that issuer's approach to sustainability reporting and its methodologies and processes for measuring, aggregating, and disclosing sustainability matters.
- IAASA may request documentation from the issuer setting out how it has considered each of the data point disclosures in the European Sustainability Reporting Standards.
- IAASA may also perform focused examinations of sustainability statements focussing on, the mandatory disclosures around methodologies and processes, and the double materiality assessment.

EU sustainability reporting and due diligence updates

1. EFRAG publishes the ESRS Set 1 XBRL Taxonomy

On 30 August 2024, the European Financial Reporting Advisory Group (**EFRAG**) published its [XBRL Taxonomy for ESRS Set 1](#), which enables the digital tagging of ESRS statements. Additionally, EFRAG

published the XBRL Taxonomy for Article 8 disclosures that the Commission requested EFRAG to prepare.

By way of background, EFRAG was tasked by the Commission to develop the digital taxonomy for the European Sustainability Reporting Standards (**ESRS**). The digital taxonomies enable the marking up of sustainability reporting in machine-readable XBRL format and the XBRL taxonomy released by EFRAG represents the correct digital transposition of the human-readable ESRS Set 1, in the view of EFRAG.

The XBRL taxonomy will form the basis for the European Securities and Market Authority (**ESMA**) to develop regulatory technical standards for tagging the ESRS sustainability statement.

To complement the XBRL taxonomy packages, there is a document entitled '[Explanatory Note and Basis for Conclusions](#)'. The document includes technical options considered for the preparation of the taxonomies and includes illustration of the resulting reporting in machine-readable format to support the implementation of ESRS Set 1 Taxonomy.

2. Commission warns 17 Member States over failure to implement CSRD

On 26 September 2024, the Commission [advised](#) that it sent a letter of formal notice to 17 Member States (Belgium, Czechia, Germany, Estonia, Greece, Spain, Cyprus, Latvia, Luxembourg, Malta, the Netherlands, Austria, Poland, Portugal, Romania, Slovenia and Finland) for failing to notify their national measures transposing fully CSRD. The transposition deadline was 6 July 2024.

3. EFRAG and TISFD sign cooperation agreement with the aim of advancing social-related financial disclosures

On 27 September 2024, EFRAG and the Taskforce on Inequality and Social-related Financial Disclosures (**TISFD**) Secretariat signed a cooperation agreement aimed at advancing the development and adoption of social related financial disclosures.

This collaboration seeks to promote global disclosure frameworks that enable businesses and financial institutions to understand and report on their impacts, dependencies, risks, and opportunities related to people.

4. Joint Committee of the ESAs to focus on sustainability disclosures in 2025

On 7 October 2024, the Joint Committee of the European Supervisory Authorities (**ESAs**) published its [Work Programme for 2025](#). Particular emphasis is placed on promoting sustainability in the EU financial system with joint work planned to provide further guidance on sustainability disclosures including to:

- deliver their fourth annual report under Article 18 of the Sustainable Finance Disclosure Regulation (**SFDR**)
- monitor the practical application of the SFDR, especially the SFDR Delegated Regulation, to determine if Q&As are needed to give further guidance
- start work on technical standards related to ESG rating disclosures on websites

The programme also highlighted that joint guidelines on high-level principles to carry out climate stress testing under CRD6 and Solvency II will be developed by January 2026.

5. Sustainability statements listed in the European Common Enforcement Priorities statement

On 24 October 2024, ESMA issued its annual [European Common Enforcement Priorities \(ECEP\)](#) Statement for 2024 corporate reporting, setting out key issues relating to the CSRD as areas for scrutiny over the next year for ESMA and national European enforcers.

Sustainability statements has been listed as an area of focus for 2025, with ESMA and European enforcers focusing on the following topics:

- materiality considerations in reporting under the ESRS
- scope and structure of the sustainability statements
- disclosures related to Article 8 of the Taxonomy Regulation

To view the ECEP statement in full, see [here](#) and to view the press release in full, see [here](#).

6. EU Deforestation Regulation updates

On 7 November 2024, a stronger [international cooperation framework](#) to support global stakeholders, Member States and third countries in their preparations for the implementation of the EU Deforestation Regulation (**EUDR**) was published in the Official Journal of the EU (the **OJ**), and on 13 November 2024, the Commission's [guidance documents](#) on the EUDR were published in the OJ.

Given feedback received from international partners about their state of preparations, the Commission proposed a Regulation amending the EUDR as regards the date of application. On 14 November 2024, the European Parliament (the **Parliament**) agreed to this postponement as well as other amendments.

Amendments adopted include:

- The creation of a new category of countries posing no risk on deforestation in addition to the existing three categories of low standard, and high risk.
- Countries classified as no risk, defined as countries with stable or increasing forest area development, would face significantly less stringent requirements as there is a negligible or non-existent risk of deforestation.
- The obligations stemming from this regulation will be binding from 30 December 2025, for large operators and traders, and 30 June 2026, for micro- and small enterprises.

In terms of next steps, the Parliament decided to refer this file back to committee for interinstitutional negotiations. In order for these changes to enter into force, the agreed text will have to be endorsed by both the European Council (the **Council**) and Parliament and published in the OJ.

7. Commission publishes Taxonomy Regulation FAQs

On 8 November 2024, the Commission published a [Notice](#) in the OJ.

The Commission Notice contains FAQs relating to the Disclosures Delegated Act under Article 8 of the EU Taxonomy Regulation on the reporting of taxonomy-eligible and taxonomy-aligned economic activities and assets.

8. CDP and EFRAG announces cooperation on sustainability reporting

On 12 November 2024, EFRAG and CDP [announced](#) extensive commonality and interoperability between CDP disclosures and the ESRS.

Provisional mapping by the organisations revealed substantial commonality between CDP's climate questionnaire and the ESRS climate standard (**ESRS E1**). This high level of commonality benefits companies both ways:

- ESRS E1 reporters will find it easier to complete CDP disclosures
- CDP disclosing companies will be well prepared for ESRS E1 reporting requirements

9. FAQs on EU corporate sustainability reporting rules

On 13 November 2024, the Commission's [FAQs](#) regarding the rules forming part of the EU sustainable finance framework were published in the OJ. The FAQs were initially published as a draft notice on 7 August 2024.

The FAQs cover the following key sections:

1. overview of the sustainability reporting requirements introduced by the CSRD
2. FAQs on sustainability information to be reported under Articles 19a/29a of the Accounting Directive (individual and consolidated sustainability statement)
3. FAQs on sustainability information reported under Article 40a of the Accounting Directive
4. FAQs on the assurance of sustainability reporting
5. FAQs on key intangible resources
6. additional FAQs on requirements for third-country undertakings
7. FAQ on SFDR

10. Council adopts Regulation on prohibition of products made with forced labour

On 19 November 2024, the Council adopted a [regulation](#) enabling the EU to prohibit the sale, import, and export of goods made using forced labour.

By way of background, the regulation establishes a structured framework for prohibiting the use of forced labour in the production of EU goods and within supply chains. Member state authorities and the Commission will be able to investigate products suspected of being made with forced labour. If a product is found to have been manufactured using forced labour within its supply chain, it cannot be made available or placed on the EU market or exported from the EU market. If such a product is already on the EU market, the economic operator responsible must promptly remove it.

The Council's adoption of the regulation represents the last step in the decision-making procedure. The regulation will enter into force on the day following its publication in the OJ. It will apply three years after the date of entry into force.

With thanks to Caitlin Murphy for her assistance in the preparation of this article.

For further information on any of these updates, please contact [Jill Shaw](#), ESG & Sustainability Lead or any other member of the [ALG ESG & Sustainability team](#).

