



June 23, 2021

Delivered via E-mail: csrd@enterprise.gov.ie

Department of Enterprise, Trade and Employment
23 Kildare Street
Dublin 2
D02 TD30

Re: Public Consultation on EU proposal for a Corporate Sustainability Reporting Directive

Dear Sir/Madam:

The European Network of Credit Unions (ENCU) appreciates the opportunity to provide its position to Department of Enterprise, Trade and Employment (Department) concerning the application of the proposed EU Proposal for a Corporate Sustainability Reporting Directive (Proposal).

Credit unions (and credit cooperatives or savings and loan associations) are cooperative depository institutions that are consumer-owned, not-for-profit financial cooperatives that promote financial inclusion in underserved European communities by offering their members affordable and easily understandable financial products. There are approximately 1,900 credit unions in the European Union (EU) with more than EUR 28 billion in total assets and 9 million physical person members.¹ ENCU represents members from Estonia, Ireland, Poland, Netherlands, Republic of North Macedonia, Romania, Moldova, Croatia, and Ukraine.

We appreciate the overall goals of the EU action on climate change contained in the European Green Deal and generally support the objective on mainstreaming sustainability in EU policies. However, we offer the following comments concerning the Proposal:

¹ See "Credit Unions in Europe;" http://creditunionnetwork.eu/cus_in_europe.
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info@creditunionnetwork.eu

Scope: With respect to the scope of the proposal, it appears that the provisions will apply to companies meeting two of the three (2 of 3) following criteria: 1. Balance sheet total of EUR 20 million; 2. Net turnover of EUR 40 million; and 3. Average number of employees over 250 total employees. In the Republic of Ireland there are several credit unions that satisfy the EUR 20 million on the balance sheet, however, no credit unions currently satisfy the net turnover of EUR 40 million or have over 250 employees (average). Further, credit unions in Ireland enjoy the exemption under Article 2 of the Public Interest Directive (Regulation EU 537/2014). While this may mean that credit unions in the Republic of Ireland may largely remain exempt for the near future, credit unions may soon exceed or become subject to the regulation. Further, more broadly in the EU, other countries and systems do not have the same exemptions enjoyed in Ireland. This may lead to a disparate treatment for credit unions in the EU. Therefore, we urge maintaining a consistent exemption for credit unions throughout the EU.

Reporting/Audit: Credit unions are highly regulated financial institutions with their own reporting-- In Ireland the Central Bank of Ireland and Northern Ireland the Financial Conduct Authority. This regulatory framework already requires significant reporting and auditing mainly for the purposes of safety and soundness and consumer protection, among other reasons. We are concerned that a separate reporting and auditing requirement may cause confusion and cause significant costs to be incurred. We would urge any auditing or reporting requirements for credit unions to be controlled and governed by their prudential regulator at the national level.

Costs: Credit unions often have limited financial and staff resources because of their relatively small size (average of EUR 20 million in total assets throughout the EU) and are typically run by volunteer boards and volunteer employees which exacerbates the impact of any new reporting requirements. Credit unions often have to rely on outside firms and vendors to provide solutions for their reporting needs. Those systems often require a substantial amount of resources and labor and often come at a steep price. To that end we urge consideration of a proportional approach or simplified reporting on not more than an annual basis for small and non-complex financial institutions.

Digitalisation: ENCU as a general matter supports digitalisation and agrees that over time it can reduce reporting costs and improve information sharing. However, the costs for digitalisation can often fall disproportionately on smaller size entities such as credit unions for which the costs can be significant. We urge that any solution allow for ease of access and at a minimum cost. Our understanding is that eventually all reporting will be digitalised and accessible through the European Single Access Point planned under the Capital Markets Union Action Plan. Again, we urge information sharing to occur through a credit unions prudential regulator.

Timeframe: ENCU suggests that a three-year implementation window from the time of adoption of the final text of the Directive would be appropriate. This will give vendors and other



third-party providers time to develop cost-effective solutions for any new reporting requirements. We also recommend adding a two-year phase-in for any entity that crosses the asset or EUR thresholds for reporting to allow them time to develop reporting and audit systems necessary to comply with the regulations.

ENCUCU appreciates the opportunity to submit our comments in connection with the EU proposal for a Corporate Sustainability Reporting Directive. Should you have any further questions, please feel free to contact me at aprice@woccu.org or +1 850-766-5699.

Sincerely,

Andrew T. Price
Sr. Vice President of Advocacy/General Counsel
European Network of Credit Unions
World Council of Credit Unions

cc: Irish League of Credit Unions