



COMPANY SECRETARIAL AND COMPLIANCE

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# Compliance Statements and Reputational Risk

by **Elaine Hughes, Liam Boyle, James Carolan, Karen Finneran**

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**20th June 2019** | by Elaine Hughes, Liam Boyle, James Carolan, Karen Finneran

Section 225 of the Companies Act 2014 (“Act”) introduced a requirement on directors of the following types of Irish company to include an annual compliance statement (“Compliance Statement”) in the directors’ report accompanying the company’s financial statements for all financial years which commenced on or after 1 June 2015.

Public limited companies; and

Private companies with a balance sheet of over €12.5m and turnover of over €25m.

## **Reputational Risk**

As failure to meet compliance obligations are one of the biggest sources of reputational risk for companies, Directors need to ensure that the required actions are taken and that the necessary supports are in place to enable them to comply with their responsibilities. It is worth noting that where the Directors of a company are unable to confirm that the requirements set out in s.225 (2) have been carried out, they will have to explain why not.

## **Directors Responsibilities**

In the Compliance Statement, the directors must (i) acknowledge their responsibility for securing the Company’s compliance with its relevant obligations and (ii) confirm, on a “comply or explain” basis, that the assurance measures have been undertaken.

## **Relevant Obligations**

The relevant obligations are those relating to all tax laws and those company law provisions where failure to meet this is a category 1 or category 2 offence, or a serious Market Abuse or Serious Prospectus offence

## **Next Steps**

The actions that need to be taken include:

- draw up an appropriate policy statement regarding the company’s compliance with its relevant obligations;
- put in place appropriate arrangements or structures to secure material compliance with the company’s

relevant obligations; and

- Review these arrangements or structures during the financial year to which the Directors' Report containing the Compliance Statement relates.

We assist our clients with all aspects of compliance statements including:

- Providing training and advice to your Board of Directors on the requirements;
- Preparing the compliance statement policy;
- Helping to create and implement structures, arrangements and controls to ensure compliance with the relevant obligations; and
- Assisting with the review of your structures, arrangements and controls.

## About the Authors



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Elaine has extensive experience (15 years) in the provision of advice and assistance on all aspects of company secretarial, corporate governance and compliance matters affecting companies, directors, shareholders and other stakeholders.

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