Deloitte.



The Corporate Sustainability Reporting Directive (CSRD) Indian companies with EU business interests

Preamble

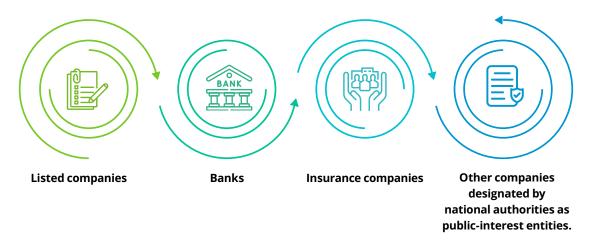
Indian business houses are operating profitably even beyond Indian shores. The reciprocal action of opening the Indian economy in the early 90s is paying well for Indian companies, parent to several EU-listed companies. The CSRD requirements, which came into play on 5 January 2023, may trigger additional disclosure requirements for Indian parent companies. These requirements form a part of the crucial information that stakeholders must provide on the sustainability of their businesses under the European Green Deal.¹

The CSRD has amended and expanded disclosure requirements, topping it up with limited assurance to begin with; this may get revised to reasonable assurance with maturity in disclosures across the EU business ecosystem, which is expected to happen before the end of CY2028.

The required sustainability information is expected to be a part of the company's management report. There are 12 standards prescribed for companies in the draft European Sustainability Reporting Standards (ESRS), which are further divided into sectoragnostic, sector-specific, and entity-specific requirements.

The scope

The requirements of CSRD should be read along with the ESRS and Non-Financial Reporting Directive (NFRD). The initial reporting rules apply to large public-interest entities with more than 500 employees. This covers approximately 11,700 large companies (already subject to NFRD) and groups across the EU, including the following:



https://commission.europa.eu/strategy-and-policy/priorities-2019-2024/european-green-deal_en



In due course, more than 50,000 European establishments will be covered under the CSRD. This coverage is expected to impact the following identified establishments in the next five years:

Parent companies/aggregate business in the EU (meeting two out of three criteria):

Exceeding **€20 million**in balance sheet total

Exceeding **€40 million**in net turnover

250 employees

EU and non-EU establishments (except micro business):



Securities listed in EU (including debt securities but excluding securities in EU multilateral trading facilities)



Net turnover in the EU (consolidated or individual) exceeding €150 million for the last two consecutive years



Presence of a subsidiary in the EU (including branch office) with an annual net turnover exceeding €40 million.

EU-listed small and medium enterprises can also opt out until CY2028.



Exemption

Establishments with non-EU parents can secure an exemption, provided the parent company's public disclosures are in alignment with ESRS² (84 disclosure requirements both qualitative and quantitative through 1144 data points). It is important to note that businesses in India following the US SEC requirement may not qualify for exemption, as US SEC requirements on non-financial disclosures may also fall short of ESRS requirements. Since CSRD has introduced limited assurance, the exemption may also require the non-EU parent to obtain a consolidated attested statement on the disclosures.

Additionally, the non-EU parent businesses are also expected to consider following:

- Application of the principles of double materiality³ mirroring CSRD requirements
- Digital reporting using eXtensible HyperText Markup Language (xHTML)

European Sustainability Reporting Standards (ESRS)

On 15 November 2022, the European Financial Reporting Advisory Group (EFRAG) Sustainability Reporting Board approved the revised ESRS drafts and submitted them to the EC for formal approval. The EC will consult EU bodies and member states on the 12 approved ESRS drafts before the final ESRS drafts are adopted as delegated acts by 30 June 2023. Until this time, they will be referred to as "draft" ESRS. These 12 drafts are bifurcated as follows:



Cross-cutting (general disclosures under ESRS 1 and 2)



Environmental (climate change ESRS E1, pollution ESRS E2, water and marine resources ESRS E3, biodiversity and ecosystems ESRS E4, resource use and circular economy ESRS E5)



Social (own workforce ESRS S1, workers in the value chain ESRS S2, affected communities ESRS S3, consumers and end users ESRS S4)



Governance (business conduct ESRS G1)

The ESRS 2 (cross-cutting) i.e., "impacts, risks, and opportunities" is one of the critical disclosures for non-EU parent businesses seeking exemption after the application of double materiality.

Reporting timelines and implementation milestones:

CSRD entering into force for EU member states: 5 January 2023

Adoption deadline by EU member states: 6 July 2024

Initial disclosures with limited assurance for NFRD coverage: 1 January 2025

Initial disclosure for large companies not covered in NFRD: 1 January 2026

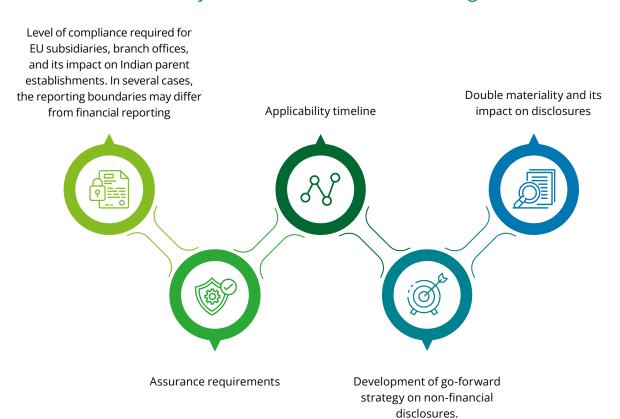
Balance set of companies (expect for opt out list): 1 January 2027

EU branch offices (€40 million) and subsidiaries (€150 million) of non-EU companies: 1 January 2029.

²What may be deemed "equivalent" is yet to be determined by the EC, which may also exempt non-EU listed companies for a transitional period ³Coverage includes impact of business on ESG matters and counterintuitive impacts of ESG on its financial well-being including physical and transitional risks

	CY2024	CY2025	CY2026
Scope	Companies already subject to NFRD	All large EU companies including subsidiaries to non-EU parents	Extension to include SME ⁴ listed in EU
Required standards	ESRS or equivalent applicable standard		Final adopted ESRS or an equivalent standard
Reporting level and assurance	Standalone EU-listed entity with independent limited assurance or consolidated into a non-EU parent, while aligned with EU requirements along with attestation/conclusion statements from an accredited third party.		

Indian businesses may thus need to consider following:



"Small undertakings are defined as undertakings that meet at least two of the following criteria: (1) no greater than €4 million in balance sheet total, (2) no greater than €8 million net turnover, and (3) no greater than 50 employees

Connect with us

Nikhil Bedi

Partner and Leader
Forensic – Financial Advisory
Deloitte Touche Tohmatsu India LLP
nikhilbedi@deloitte.com

Rajat Vig

Partner Financial Advisory Deloitte Touche Tohmatsu India LLP rajatvig@deloitte.com

Inderjeet Singh

Partner Financial Advisory Deloitte Touche Tohmatsu India LLP inderjeets@deloitte.com

Deloitte.

Deloitte refers to one or more of Deloitte Touche Tohmatsu Limited, a UK private company limited by guarantee ("DTTL"), its network of member firms, and their related entities. DTTL and each of its member firms are legally separate and independent entities. DTTL (also referred to as "Deloitte Global") does not provide services to clients. Please see www.deloitte.com/about for a more detailed description of DTTL and its member firms.

This material is prepared by Deloitte Touche Tohmatsu India LLP (DTTILLP). This material (including any information contained in it) is intended to provide general information on a particular subject(s) and is not an exhaustive treatment of such subject(s) or a substitute to obtaining professional services or advice. This material may contain information sourced from publicly available information or other third party sources. DTTILLP does not independently verify any such sources and is not responsible for any loss whatsoever caused due to reliance placed on information sourced from such sources. None of DTTILLP, Deloitte Touche Tohmatsu Limited, its member firms, or their related entities (collectively, the "Deloitte Network") is, by means of this material, rendering any kind of investment, legal or other professional advice or services. You should consult a relevant professional for these kind of services. This material or information is not intended to be relied upon as the sole basis for any decision which may affect you or your business. Before $\,$ making any decision or taking any action that might affect your personal finances or business, you should consult a qualified professional adviser. No entity in the Deloitte Network shall be responsible for any loss whatsoever sustained by any person or entity by reason of access to, use of or reliance on, this material. By using this material or any information contained in it, the user accepts this entire notice and terms of use.

©2023 Deloitte Touche Tohmatsu India LLP. Member of Deloitte Touche Tohmatsu Limite