



## *Investing in a Sustainable Future*

### European Sustainability Reporting Standard (ESRS)

#### Introduction

On 5<sup>th</sup> January 2023, the Corporate Sustainability Reporting Directive (**CSRD**) was introduced. This new directive updates the rules concerning the social and environmental information and companies subject to CSRD will have to report according to ESRS. These standards were developed by the EFRAG, previously known as the European Financial Reporting Advisory Group, an independent body bringing together various different stakeholders.

ESRS takes a “double materiality” perspective – companies are obliged to report both on their impacts on people and the environment, and on how social and environmental issues create financial risks and opportunities for the company. ESRS 1 (“General Requirements”) sets general principles to be applied and does not itself set specific disclosure requirements. ESRS 2 (“General Disclosures”) specifies essential information to be disclosed irrespective of which sustainability matter is being considered. All the other standards and the individual disclosure requirements and datapoints within them are subject to a materiality assessment.

The reporting requirements will be introduced in a phased manner (refer table below) for different companies. The first companies will have to apply the standards in financial year 2024, for reports published in 2025. Listed SMEs are obliged to report from 2026, with an option to opt-out till 2028, and would report according to separate, proportionate standards that EFRAG will develop in the coming years. SMEs are obliged to report from 2026, with an option to opt-out till 2028, and would report according to separate, proportionate standards that EFRAG will develop in the coming years.



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### Large groups based in the European Union

Should meet below criteria at least two of the following criteria in 2 consecutive FYs on its balance sheet date:

- Greater than €25 million balance sheet total
- Greater than €50 million net turnover
- Greater than 250 employees, on average, during the FY.

### SMEs

Should meet below criteria at least two of the following criteria in 2 consecutive FYs on its balance sheet date:

- Small undertakings/groups that have: (1) no greater than €5 million balance sheet total; (2) no greater than €10 million net turnover; (3) no greater than 50 employees, on average 10 during the FY
- Medium-sized undertakings/groups that have; (1) no greater than €25 million balance sheet total; (2) no greater than €50 million net turnover; (3) no greater than 250 employees, on average 11 during the FY.
- Micro undertakings that have: (1) no greater than €450,000 balance sheet total; (2) no greater than €900,000 net turnover (3) no greater than 10 employees, on average, during the FY.

### U.S.-based companies

More than €150 million turnover in the European Union in each of the last two financial years and have any of the following

- At least one large subsidiary.
- An SME subsidiary listed on an E.U.-regulated market.
- A branch with more than €40 million net turnover.

### ESRSs:

#### Objective

ESRS specify the information that an undertaking shall disclose about its material **impacts**, **risks** and **opportunities** in relation to environmental, social, and governance **sustainability matters**. The information disclosed in accordance with ESRS enables **users** of the **sustainability statement** to understand the undertaking's material impacts on people and environment and the material effects of sustainability matters on the undertaking's development, performance and position.





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### Categories of ESRS standards

There are 3 categories of ESRS:

- Cross-cutting standards:  
The cross-cutting standards ESRS 1 *General requirement* and ESRS 2 *General disclosures* apply to the **sustainability matters** covered by topical standards and sector-specific standards.
- Topical standards (ESG standards):  
Topical ESRS cover a sustainability topic and are structured into topics and sub-topics, and where necessary sub-sub-topics (like that of ESRS E1 – 5 on Environment related topics, ESRS S1 – S4 on Social topics and ESRS G1 on Governance). Topical ESRS can include specific requirements that complement the general level Disclosure Requirements of ESRS 2.
- Sector-specific standards:  
Sector-specific standards are applicable to all undertakings within a sector. They address impacts, risks and opportunities that are likely to be material for all undertakings in a specific sector and that are not covered, or not sufficiently covered, by topical standards. Sector-specific standards are multi-topical and cover the topics that are most relevant to the sector in question and achieve high degree of compatibility.

Cross-cutting standards and topical standards are sector-agnostic and apply to all undertakings regardless sector the undertaking operates in.

In addition to the disclosure requirements laid down in the 3 categories of ESRS, when an undertaking concludes that an impact, risk or opportunity is not covered or not covered with sufficient granularity by an ESRS but is material due to its specific facts and circumstances, it shall provide additional entity-specific disclosures to enable users to understand the undertaking's sustainability-related **impacts, risks** or **opportunities**.



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### **At CNK we provide the below services:**

- Preparation of ESG report on Standalone as well as on Consolidated basis which follow the standard processes and policies defined by the company;
- Conducting Materiality and Double materiality assessment on behalf of the company;
- Assisting the company with Integrated Reporting based on global standards like that of ESRS (European Sustainability Reporting Standards), Global Reporting Initiatives (GRI), Sustainability Standards as issued by IFRS (ISSB) i.e., S1 and S2;
- Providing assurance on the ESG report following global standard ISAE 3000. This will be limited / reasonable assurance as required by prevalent law;
- Validating the ESG data provided by the Value Chain partners on behalf of the company;
- Providing assurance on the data provided by the Value Chain partners.

**Our team consists of external environmental experts, senior ex-CFO having 20+ years of experience in various sectors and team members who have graduated in environmental laws. We also have process / SOP experts and support from our GRC and audit teams.**

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THE WORLD  
TOGETHER