



Overview of the Corporate Sustainability Reporting Directive



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Põllumajandusfond:
Euroopa investeringud
maapiirkondadesse

copa***cogeca**
european farmers european agri-cooperatives

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Mission

To ensure a viable, innovative, competitive EU agriculture and agri-food sector guaranteeing food security to half a billion people throughout Europe.



Objective

Promoting European farmers and agri-cooperatives views to **influence** Eu decision-making process and public opinion.



copa

european farmer



cogeca

european agri-cooperatives



Created in **1958**



European farmers and their family members



65 full members from the EU Member States and 30 partner organisations



Created in **1959**



European agricultural cooperatives



35 full members from the EU Member States, 4 affiliated members and 30 partner organisations



In **1962**, a joint Secretariat was created, making it one of the largest and most active organisations in Brussels for the past **60** years.

Glossary of key terms

- * ESRS – European Sustainability Reporting Standards - a framework which aims to provide a transparent, accurate, and comparable view of a company’s environmental, social, and governance (ESG) impacts, risks, and opportunities.
- * EFRAG – European Financial Reporting Advisory Group – a private association which has, since 2022, provided technical advice to the European Commission in the form of fully prepared ESRS drafts.
- * ESG – an investing principle that prioritises **environmental** issues, **social** issues, and corporate **governance**
- * NFRD – Non-financial Reporting Directive of 2014, which preceded the CSRD
- * VSME – Voluntary standards for small and medium enterprises.



Background on the Corporate Sustainability Reporting Directive (CSRD)

- * Proposed by the European Commission in **April 2021**
- * Replacing the 2014 Non-Financial Reporting Directive (NFRD)
- * **Purpose** (according to Commission): to ensure investors, consumers, policymakers, civil society organisations, and other stakeholders are provided with all financial and non-financial data they need to assess companies' societal and environmental impacts.



Broad timeline

- * CSRD entered into force in January 2023
- * Member States had until June 2024 to transpose into national legislation
- * Reporting obligations begin:
 - * For large public-interest companies already subject to the NFRD, first reports due in 2025;
 - * For large companies not currently subject to NFRD, reports due in 2026;
 - * For listed SMEs and other undertakings, their reports are due in 2027. Listed SMEs can opt-out until 2028.



Overview of transposition status – as of 8.24

Implementing legislation **approved**

France,
Ireland,
Denmark,
Sweden,
Finland,
Lithuania,
Slovakia,
Hungary,
Croatia,
Romania

Implementing legislation **introduced**

Netherlands,
Germany,
Czech Republic,
Italy,
Slovenia,
Bulgaria,
Cyprus,
Latvia,
Estonia

Key differences between CSRD and NFRD – scope

	NFRD (in force 5 December 2014)	CSRD (in force 5 January 2023)
Scope	<ul style="list-style-type: none">-EU companies with more than 500 employees-Listed Companies, Banks and Insurance providers-11,700 companies	<ul style="list-style-type: none">-Large companies (with >250 employees and/or, 40 million euro turnover, and/or 20 million euro balance sheet)-Listed SMEs-3rd country companies with 150 million euro turnover-over 50,000 companies

Differences between NFRD and CSRD – reporting requirements

	NFRD (in force 5 December 2014)	CSRD (in force 5 January 2023)
What needs to be reported	<ul style="list-style-type: none">-Environmental protection-Social responsibility-Human rights impacts-Anti-corruption and bribery-Diversity on company boards	<ul style="list-style-type: none">-NFRD plus...-Double materiality concept (impact on society and environment, and sustainability risks to company e.g. due to climate change)- Reports must comply with the EU Sustainability Reporting Standards (ESRS)-Requirement for companies to bring in long-term corporate ESG policies

Differences between NFRD and CSRD – reporting requirements – audit and assurance requirements

	NFRD (in force 5 December 2014)	CSRD (in force 5 January 2023)
Audit and assurance	Up to Member States	<ul style="list-style-type: none">- Limited assurance requirements (enforceable by sanctions set by Member States)- CSRD reports will become part of management reports, subject to independent verification- Expected to become reasonable assurance requirement over time (more frequent and extensive auditing)



EU Sustainability Reporting Standards (ESRS)

- * A Delegated Regulation on the ESRS came into effect on 31 July 2023
- * As such CSRD Reports must follow standards adopted by the Commission from the advice of the European Financial Reporting Advisory Group (EFRAG)
- * The ESRS are both broad and highly detailed, going much further than the NFRD requirements.
- * There are 12 standards covering ESG topics such as
 - * pollution (**environmental sustainability**),
 - * workers in the value chain (**social sustainability**)
 - * business conduct (**governance**)



How does CSRD and ESRS compare with international standards?

- * At global level the International Sustainability Standards Board (ISSB) was formed during COP26 in 2021 – its first **voluntary** draft standards were published in 2023.
- * The ESRS go much further – they will be enforceable by the CSRD, implement the double materiality principle, and cover a broader range of stakeholders
- * The US and China are developing their own sustainability reporting standards, but these are currently less impactful than CSRD – according to the Commission:

*“With the adoption of the ESRS, **the EU goes further than any other major jurisdiction to date** in terms of integrating the ISSB standards into its own legal framework”*



What is Copa-Cogeca's perspective on the CSRD?

- * Copa-Cogeca have been actively following the CSRD since its proposal in 2021 and continue to follow the work of EFRAG in developing the ESRS
- * Our concerns are focused on several key areas:
 - * Although SMEs are mostly excluded, we are concerned about trickle-down effects
 - * We need tailored SME standards
 - * Financial and administrative burdens
 - * Impact on cooperative audit (due to external assurance requirements)
 - * Ensuring companies have time to prepare
 - * Data ownership



Voluntary Standards for non-listed SMEs (VSME standards)

- * Non-listed SMEs fall outside the scope of CSRD but face trickle-down impacts e.g. sustainability data demands from lenders and investors.
- * As such, the Commission requested EFRAG to draft voluntary standards for non-listed SMEs (or VSME) in order to facilitate their business with large trading partners who do fall under the CSRD.
- * The VSME are simplified as they do not go into the same detail as sustainability reports for larger companies are intended to cover.
- * They are also voluntary, falling outside the formal scope of the CSRD.
- * In January 2024, EFRAG published its draft VSME text – and opened a consultation which closed on 21 May.



Copa-Cogeca's response to VSME standards

- * We support the VSME standards as a voluntary means for SMEs to satisfy data requests from lenders, investors and large business partners
- * Many questions are flexible for SMEs as they can decide for themselves if matters are material to them.
- * However, we expressed concerns on **clarity and relevance** of many questions - and **feasibility** of SMEs to respond to some disclosure requirements.
- * The **voluntary nature** of reports creates legal uncertainty - will reports by SMEs with only basic information be accepted by business partners, in practice?



Timelines

- * VSME standards – expected to be finalised very soon – EFRAG is expected to submit a report with a final draft to the Commission in November 2024.
- * Sector-specific standards - the Commission has delayed implementation by two years – or until 30 June 2026.
 - * For agriculture, forestry and fisheries, EFRAG is currently in the “early drafting” phase.



How are national farmer and agri-cooperative associations preparing for CSRD?

Czech example

- * To meet their reporting obligations - large retailers in the Czech Republic have been requesting **commercially sensitive** data from their suppliers – beyond the scope of the CSRD
- * To address this issue, a special committee has been formed – involving farmers, sustainability experts and research institutions - who collectively possess this relevant data
- * 4 roundtable discussions have also taken place with the Ministry with the aim of addressing this issue: “How can the Czech government and Ministry of Agriculture help farmers with their reporting obligations with regard to ESG matters?”
- * An expected outcome of these efforts would be aggregated data that can be used by producers, processors and farms for their reports – reducing the administrative burden, while protecting commercially sensitive data.



How are national farmer and agri-cooperative associations preparing for CSRD?

French example (1/2)

- * As mentioned, the CSRD includes a “**double materiality**” dimension for reporting – which means reporting entities must take ESG impacts on external stakeholders into account
- * La Coopération Agricole (LCA) is working to support French agri-cooperatives comply with their ESG reporting obligations.
- * The organisation has published a detailed guide to stakeholder engagement which, provides agri-cooperatives with clear definitions and methods for understanding:
 - * what a stakeholder is,
 - * how to identify them,
 - * how to select the stakeholders with whom to enter into dialogue and how to take their opinions into account, from observation to consultation



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How are national farmer and agri-cooperative associations preparing for CSRD?

French example (2/2)

- * On 24 September 2024, LCA is also expected to publish a guide for French agri-cooperatives, which will support them from **compliance** to **performance management** of their sustainability reports under CSRD.



Conclusions

In the context of the implementation of CSRD we need to:

- * Focus on **solutions** that can bring clarity and answers.
- * Ensure members are aware of the impact of CSRD among **all farmers and cooperatives**, including SMEs
- * Work with EFRAG and the Commission to ensure ESRS standards for agriculture are **realistic and achievable**, reducing unnecessary financial and bureaucratic burdens wherever possible

Our farmers, and our cooperatives and their farmer-owners want to **produce food, contribute to all dimensions of sustainability** and **provide solutions** in the fight against **climate change** - we are **fully committed** to supporting them in this mission





Thank you for your attention !



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