



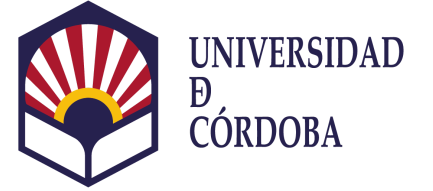
UNIVERSIDAD
DE
CÓRDOBA

Can ESRS for SMEs be used to report farm sustainable performance?

M. Dolores Guerrero-Baena, Mercedes Luque-Vílchez and José A. Gómez-Limón

¹ WEARE: Water, Environmental and Agricultural Resources Economics Research Group.
Universidad de Córdoba

International Workshop
Ecological transition of agriculture: opportunities and challenges
19 June 2024

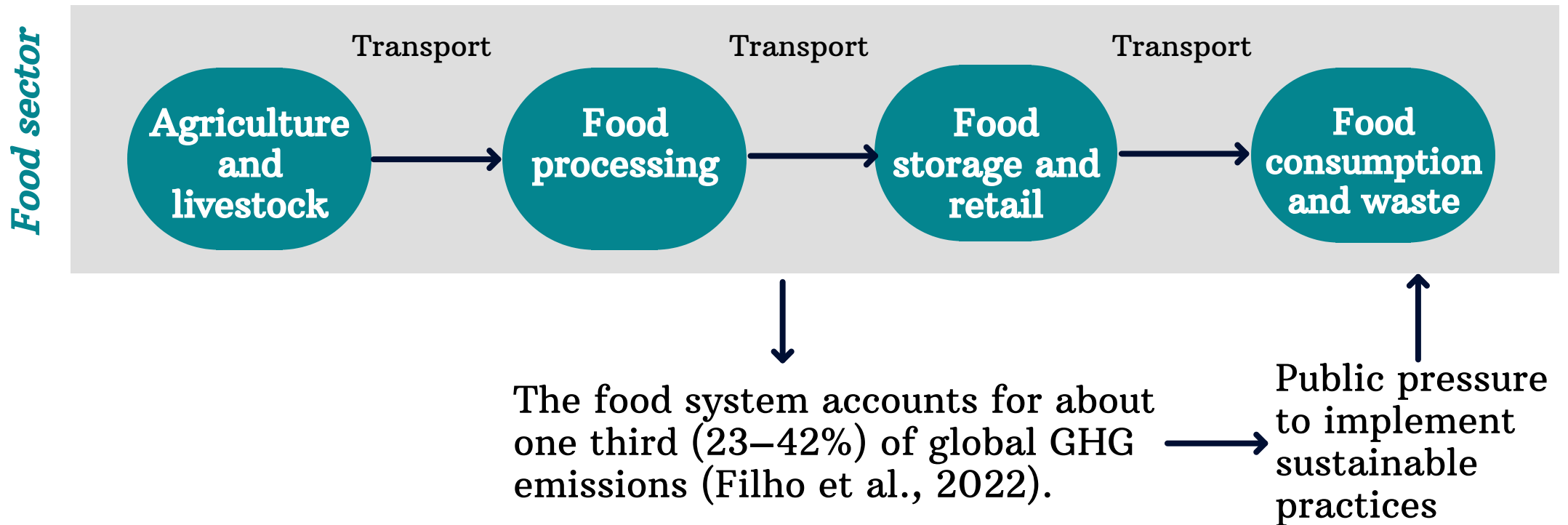


Outline

1. Introduction
2. Regulatory landscape: The CSRD and the VSME ESRS
3. Research design
4. Expected results

≡ 1. Introduction

The rising tide of **sustainability** concerns is over all sectors, and the **food sector** is no exception due to its contribution to climate change, biodiversity loss, and natural resources depletion (FAO, 2023).

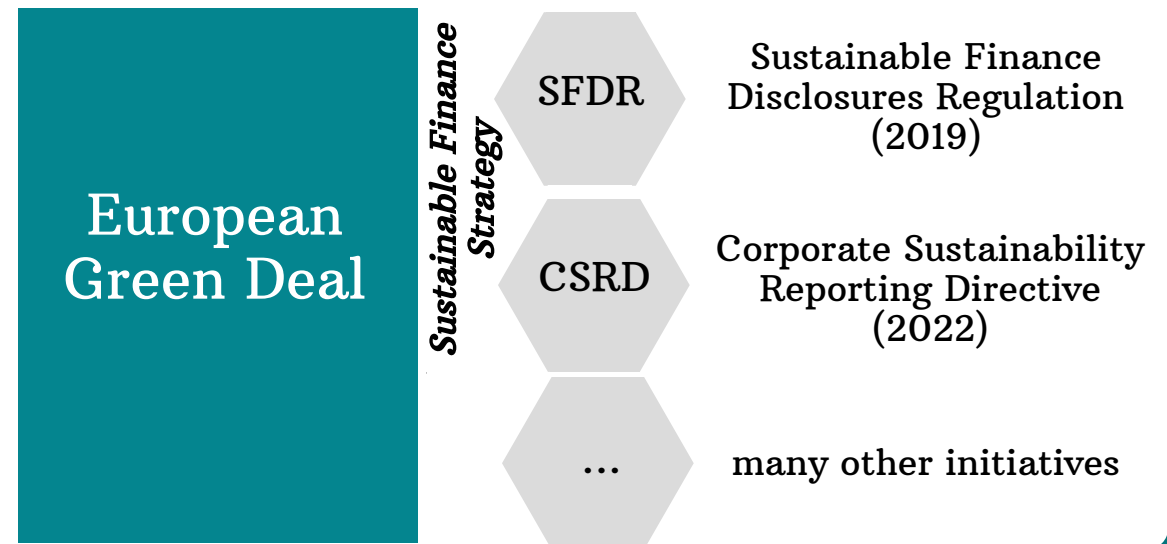


≡ 1. Introduction

A growing international consensus recognizes the **transformation of the food sector** as a critical factor for achieving the goals outlined in the **2030 Agenda for Sustainable Development** (UN, 2015).

In response to this international consensus on the importance of **sustainable food systems**, governments are implementing a suite of regulations and programs.

The **European Union (EU)** is active in international efforts by prioritizing **sustainable development** across economic sectors.



≡ 1. Introduction

The **CSRD** seeks to enhance the **transparency and comparability** of corporate sustainability reporting.

The CSRD mandates large companies to **report on their sustainability practices** adopting the **European Sustainability Reporting Standards (ESRS)**. This reporting extends beyond a company's direct operations and requires them to consider their **entire value chain**.

SMEs are out of direct scope of the CSRD, but it should be noted their role as components of large companies' value chains: as large companies are mandated to report on sustainability issues, the information requirements will inevitably trickle down to SMEs (and farmers, as well).

EFRAG is working on a **Draft for a voluntary reporting standard for SMEs (VSME ESRS)**.

≡ 1. Introduction

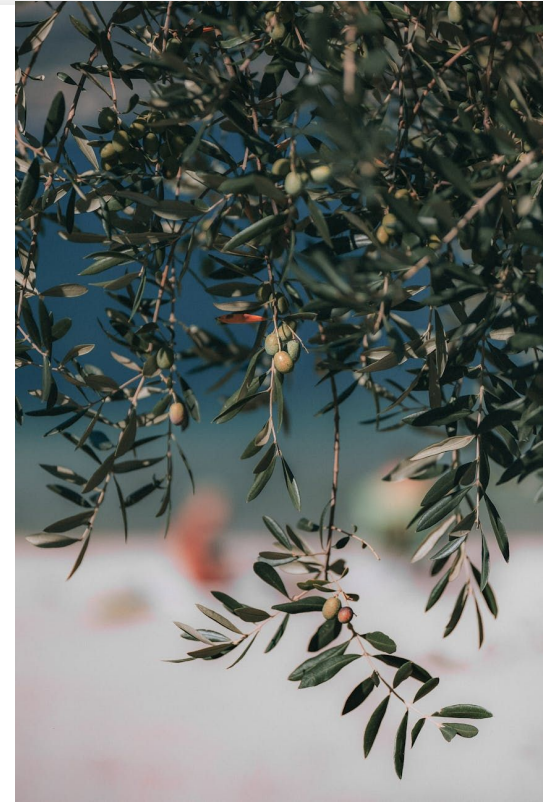
Including **sustainability information from farmers** in sustainability reporting is crucial for CSRD's purposes and for clearer comparisons of environmental performance across businesses and supply chains in the food sector.

Main objectives of the paper

- To investigate the **potential value of VSME ESRS for farmers**: how it can bolster transparency, accountability, and overall sustainability performance within agriculture (olive oil sector), under the lens of **stakeholder theory**.
- To identify and incorporate **additional sustainability data points** specifically tailored to the olive oil farming sector, based on the materiality analysis: inappropriateness of the “*one-size-fits-all*” approach (Van der Lugt et al., 2020).

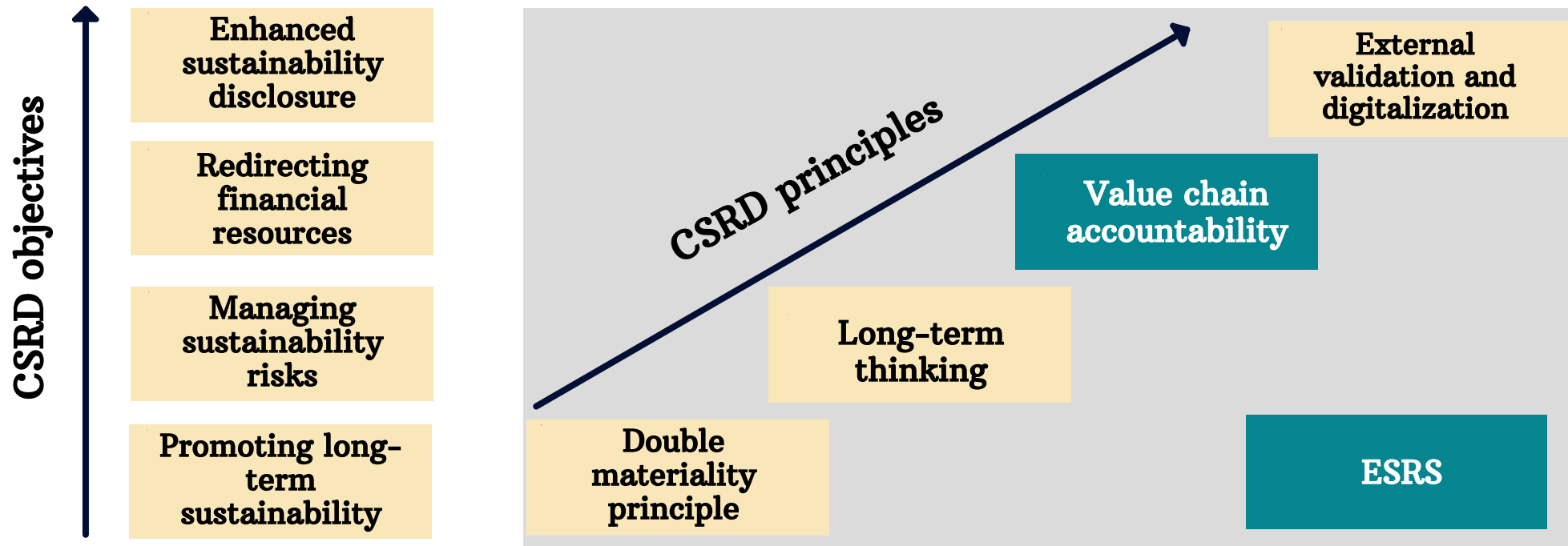
≡ 1. Introduction

With this paper, we try to respond to the call of studies such as the one by Hummel and Jobst (2024) who prompt researchers to study the currently **under-researched role of smaller companies** in achieving the transition to a sustainable economy taking advantage of the CSRD that will result in significant increases in sustainability-related data by large companies.



≡ 2. Regulatory landscape: The CSRD and the VSME ESRS

The **CSRD** aims to promote **transparency and sustainability practices** within companies.



≡ 2. Regulatory landscape: The CSRD and the VSME ESRS

The **VSME ESRS** is the sustainability reporting standard recommended for **SMEs** who operate within the European Union to adopt on a voluntary basis:

- A **simple reporting tool** to assist SMEs in responding to requests for sustainability information that they receive from business counterparts and to facilitate the transition to a sustainable economy.
- To **standardise the multiple sustainability data requests** (which represent a significant burden on SMEs).
- This is expected to support SMEs in having **better access to lenders and clients**.

≡ 2. Regulatory landscape: The CSRD and the VSME ESRS

The **VSME standard** is developed around **3 modules** to prepare sustainability information:

- Basic Module - core basic module with data collection requirements across key environmental and social data points (including scope 1 & 2 GHG).
- Narrative Module - outlines the narrative disclosures for **Policies, Actions, and Targets (PAT)** for enterprises that have them in place. To report in addition to the basic module on a voluntary basis.
- Business Partners (BP) Module - to be reported optionally in addition to the basic module. It outlines information that might respond to financial sustainability requests from business partners, investors and lenders.

≡ 2. Regulatory landscape: The CSRD and the VSME ESRS

The **VSME standard** is developed around **3 modules** to prepare sustainability information:

- Basic Module - core basic module with data collection requirements across key environmental and social metrics (including scope 1 & 2 GHG).

General

- B1. Basis for preparation
- B2. Practices for transitioning towards a more sustainable economy

Environment

- B3. Energy and greenhouse gas emissions
- B4. Pollution of air, water and soil
- B5. Biodiversity
- B6. Water
- B7. Resource use, circular economy and waste management

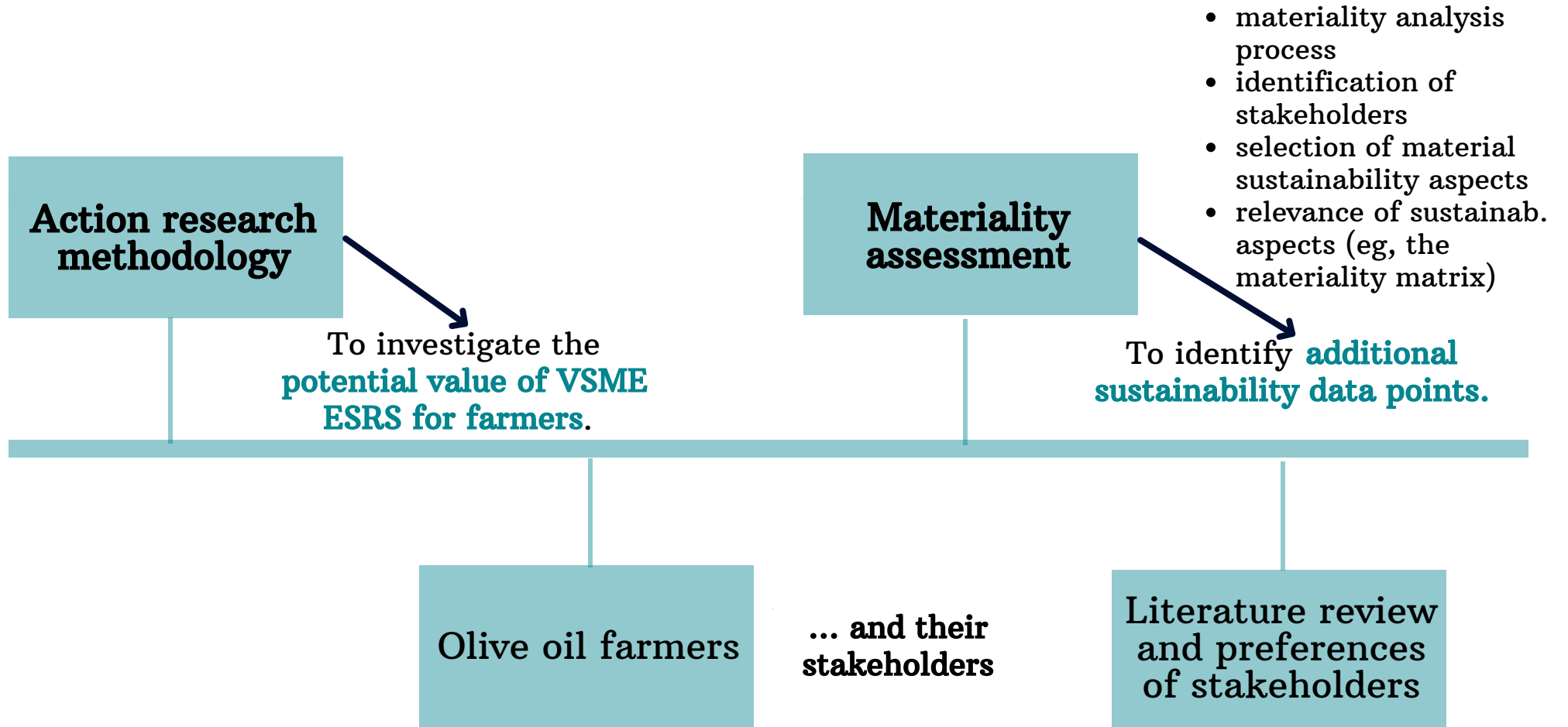
Social

- B8. General characteristics
- B9. Health and safety
- B10. Remuneration, collective bargaining and training
- B11. Workers in the value chain and affected communities

Conduct

- B12. Convictions and fines for corruption and bribery

≡ 3. Research design



≡ 4. Expected results

The methods used can reveal:

- specific **needs and challenges** farmers face regarding VSME ESRS implementation.
- potential **barriers** to VSME ESRS adoption and practical strategies for overcoming them.
- **opportunities** and **potential benefits** for farmers from adopting the VSME ESRS.
- **additional sustainability data points** tailored to the olive oil farming sector.

In conclusion, valuable data and insights to policymakers on how to effectively promote and support the use of VSME ESRS among farmers.



UNIVERSIDAD
DE
CÓRDOBA

Thanks for your attention

International Workshop
Ecological transition of agriculture: opportunities and challenges
19 June 2024