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Regulating for Biodiversity and Equity?

The Performativity of Sustainability Reporting in the EU on Telecoupled Agri-Food Systems

Executive summary

The EU's new sustainability reporting regime marks an important step toward aligning business with biodiversity goals. Through the Corporate Sustainability Reporting Directive (CSRD) and the European Sustainability Reporting Standards (ESRS E4), companies are now required to disclose how their operations both depend on and impact biodiversity. Our study, focusing on agri-food value chains, finds that while disclosure has improved awareness, genuine transformation remains rare. Most companies comply formally, but biodiversity is not yet embedded in strategy, governance, or financial decision-making. Disclosures tend to be generic, limited to direct suppliers, and weak on equity and justice. Without stronger regulatory alignment, outcome-based enforcement, and attention to marginalized producer regions in the Global South, biodiversity reporting risks staying performative—signalling change without delivering real ecological or social impact.

Policy recommendations

- Introduce stricter, **outcome-based reporting** requirements for biodiversity, including **measurable targets**, value-chain coverage, and equity indicators.
- **Align regulatory frameworks** (CSRD, CAP, EU Taxonomy, financial regulations) to avoid fragmentation and strengthen enforcement.
- Require companies to **extend reporting beyond Tier 1 suppliers**, incorporating biodiversity impacts in telecoupled value chains.
- **Embed equity** by mandating Free, Prior, and Informed Consent (FPIC), benefit-sharing, and Indigenous participation in disclosures and governance.
- **Strengthen biodiversity integration into financial markets** by requiring reliable, comparable, and spatially explicit data in risk assessments and investment strategies.
- **Guard against biodiversity-washing** by linking financial products explicitly to measurable ecological outcomes.

Lessons learnt

1. **Symbolic progress dominates, transformation remains rare:** Most companies now acknowledge biodiversity as relevant and comply with ESRS disclosure requirements. However, true integration of biodiversity into business strategy, governance, and value chain management is the exception, is not the norm.
2. **Barriers are both technical and institutional:** Companies cite a lack of clear, agreed-upon biodiversity metrics—unlike for climate, where carbon accounting is standardized. This leads to a prevalence of vague or narrative disclosures rather than data-driven commitments.
3. **Equity remains a blind spot:** Despite the ESRS intent, companies rarely address equity, Indigenous rights, or benefit-sharing in a meaningful way. “Participation” and “justice” are more often used rhetorically than operationalized in governance or supply chain practices.
4. **European financial markets are not fully aligned:** Investors recognize biodiversity as a rising risk and opportunity, but current disclosures are not yet specific, comparable, or timely enough to inform capital allocation.



Context/Introduction

Biodiversity loss is accelerating at an alarming rate, threatening not only ecosystems but also human well-being and global economic stability. Agriculture and food systems are central to this crisis. Intensive land use, deforestation, and unsustainable production practices undermine ecosystem functions and erode the very resources on which food security depends. These pressures are not confined to Europe. Through global trade, European demand drives biodiversity loss and social inequities in producer regions far beyond its borders — from soy expansion in Brazil to palm oil production in Southeast Asia (Brondízio et al., 2019).

This global interconnectedness, known as telecoupling, means that biodiversity governance in Europe must take account of impacts and responsibilities in the Global South (Liu et al., 2013). It also raises important questions of justice: the communities most affected by biodiversity decline are often Indigenous Peoples and smallholder farmers who depend directly on ecosystems for their livelihoods, but whose voices are largely absent from corporate and policy decision-making.

Against this backdrop, the EU has introduced a new generation of sustainability regulations. The Corporate Sustainability Reporting Directive (CSRD, 2022) and the European Sustainability Reporting Standards (ESRS, 2023), particularly ESRS E4 on biodiversity, oblige companies to disclose how they both affect and depend on biodiversity. Together with instruments like the EU Taxonomy, the Farm to Fork Strategy, and the Nature Restoration Law, these frameworks aim to align corporate governance and financial flows with biodiversity goals. Importantly, the concept of double materiality challenges firms to recognize biodiversity both as a societal responsibility and as a financial risk.

Yet the key question is whether these disclosure rules are sufficient to deliver genuine transformation. Transparency

alone does not guarantee action. The effectiveness of the EU's biodiversity governance will depend on whether companies, investors, and regulators can move beyond compliance and embed biodiversity into core strategies, governance systems, and financial decisions.

Key findings

The analysis of the first wave of ESRS-aligned sustainability reports from large European agri-food companies reveals a striking imbalance between symbolic progress and substantive change. On the surface, most companies now acknowledge biodiversity as a material issue and comply with disclosure requirements. However, closer examination shows that integration into core business strategy, governance, and risk management remains rare. Disclosures are often generic, lacking spatial specificity or measurable targets, and are primarily geared towards satisfying external expectations rather than driving systemic transformation.

A central barrier lies in the absence of standardized and widely accepted biodiversity metrics. Whereas climate reporting has benefitted from the establishment of carbon accounting frameworks, biodiversity measurement remains fragmented, context-dependent, and technically complex. This leads to narrative-driven rather than data-driven reporting. The result is a prevalence of aspirational statements that cannot easily be translated into accountability or compared across firms and sectors.

The scope of disclosures further limits their effectiveness. Companies largely confine their reporting to direct (Tier 1) suppliers, even though the most significant biodiversity pressures occur deeper along the supply chain. Telecoupled value chains in commodities such as soy, cocoa, or palm oil exemplify this disconnect: European consumption drives ecological degradation and social marginalization in biodiversity-sensitive regions, yet these dynamics remain largely absent from corporate reports.

Another key finding concerns the persistent neglect of equity considerations. Despite explicit references in the ESRS framework, very few companies engage meaningfully with questions of justice, Indigenous rights, or benefit-sharing. Local and Indigenous communities in the Global South, who bear the brunt of biodiversity loss, are rarely visible in disclosures or governance mechanisms. This indicates that reporting practices risk reinforcing existing power asymmetries rather than contributing to more equitable biodiversity governance.

Finally, the study highlights a misalignment between corporate disclosures and the information needs of financial markets. Although biodiversity is increasingly recognized by investors as a material risk, the current quality and comparability of disclosures do not provide a sufficient basis for capital allocation. This gap raises the risk of biodiversity-washing, where financial products are marketed under biodiversity labels without credible evidence of ecological outcomes. Until biodiversity is systematically integrated into risk models and investment strategies, financial markets will struggle to channel capital toward genuinely transformative, nature-positive initiatives.



Taken together, these findings suggest that while the EU's regulatory framework represents a significant governance innovation, its current implementation remains largely performative. Transparency has improved, but the transition from disclosure to transformation—where biodiversity is embedded into corporate strategy, supply chains, and financial markets—has not yet been achieved.

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