

Towards Accountability: The European Sustainability Reporting Standards and their impact on the wine industry

Abstract

I can still vividly remember one of my first courses with the Wine Academy. Sitting there and listening to the lecturer, my fascination grew with each passing moment. The deep-rooted understanding of the impacts of climate change within the wine industry was unfolding before my eyes. There was no denying it, just the awareness for a very real problem impacting vineyards, rendering certain grape varieties increasingly unfit for no longer very cool climates, and the willingness to go on and be part of the solution rather than the problem.

As I met more people in the industry, including winemakers, sommeliers, and other professionals, I encountered a similar attitude and a commitment to address the impacts of climate change with a hands-on mentality over and over again. It was inspiring to see so many individuals and organizations taking the issue seriously and striving to find new ways for addressing the challenges ahead. However, with the courses at the wine academy not only deepening my knowledge of the intricate relationship between vineyards, the environment, and the resulting wines, but also revealing more and more facets of the perception of sustainability within the industry, I discovered that very few of these facets reflected social and governance aspects. The focus was on environmental aspects, and while the relevance of natural wine, organic and biodynamic methods, or dry farming was the subject of many discussions in and out of the classroom, my interest in carbon footprints, corporate responsibilities in the value chain or green financing was not widely shared. I met a vigneron who was completely fine with the idea of filling his orange wine into clay bottles outweighing their liquid content and shipping them to the US, and another who fiercely advocated methods even stricter than biodynamics but shunned all certifications for the paperwork and efforts involved – leaving me wondering what these methods effectively were, and how anyone could possibly know or hold him accountable to his claims.

Drawing upon my academic background in law and economics, as well as my professional experience in the corporate world, I recognized the potential to offer a broader perspective by exploring the ongoing developments in EU law, specifically the European Sustainability Reporting Standards as the key tool of the recently adopted Corporate Sustainability Reporting Directive. While this may not immediately evoke a sense of excitement, an open-minded approach to what sounds like a dry-as-dust accounting matter may unveil valuable insights and a profound significance for business ethics, economic prosperity, and ecological integrity. The European Sustainability Reporting Standards could be an internationally unrivaled milestone for substantially transparent sustainability reporting and therefore enhanced accountability.

The objective of this thesis is twofold: Firstly, it aims to make the European Sustainability Reporting Standards more understandable for a wider audience within the wine industry in comparison to pre-existing national and international certifications and reporting systems. Secondly, it seeks to explore the double materiality of winemaking, from growing a grape and producing, marketing, and delivering wine to stakeholder relationships and internal decision-making processes. The main hypothesis is that the European Sustainability Reporting Standards as a widely applicable, enforceable, comprehensive, and comprehensible sustainability reporting standard can greatly contribute to accountability through transparency and have the potential to transform the wine industry's approach to sustainability as well as its parameters of economic viability.

The methodology employed is analytical, drawing on legal texts as primary sources and complemented by relevant scientific literature and contemporary media coverage. The comparison to other regulatory frameworks, for which three certifications (EU Organic Logo, Demeter, and Sustainable Austria) and two reporting systems (Global Reporting Initiative and International Financial Reporting Standards) were examined, reveals that the dry-as-dust accounting matter, initially suspected to be more than it appears, turns out to live up to its milestone potential: By fulfilling the criteria for substantial transparency, introducing the concept of double materiality, and featuring a comprehensive scope of disclosures substantiated by clear metrics, the European Sustainability Reporting Standards promise to achieve a degree of accountability common in financial, but hitherto unknown in sustainability reporting. Initially, they will apply to large companies and listed small and medium-sized enterprises (SMEs). In the wine industry, where company sizes in many EU member states are small and family-structured, some winemakers might be tempted to assume that the requirement of the European Sustainability Reporting Standards are far beyond their grasp and in any case not applicable to them. However, it is likely that the size threshold will be lowered over time, and in the wider context of the European Green Deal, there are significant spill-over effects from sustainable finance and supply chain legislation for all companies. This does indeed imply a shift in the parameters of economic viability.

With the age of sustainability reporting about to begin, the wine industry would be in a prime position for early adoption due to product features and consumer demand, if not for the often limited understanding of sustainability, predominantly focused on environmental aspects, that led me to delve into this subject. In aligning the European Sustainability Reporting Standards with a grape's journey from vineyard to cellar to glass, they prove their potential to address the common environmental as well as the yet neglected impacts of winemaking, and thus their capability to transform the wine industry's approach to sustainability.

Sustainability reporting is not about restricting the richness and diversity of viticulture, viniculture, and the resulting vast array of wines. Rather, its objective is to render the environmental, social and governance impacts transparent in order enable informed choices and ensure full accountability. However, the findings and conclusions presented in this thesis are currently confined to the realm of theoretical discourse. Only through the publication of initial reports in 2024 by companies under the European Sustainability Reporting Standards can future empirical research evaluate the practical implementation of these reporting standards and the extent to which the milestone potential of the not so dry-as-dust accounting matter finds practical substantiation and contributes to achieving a level of accountability that is common in financial reporting but previously unknown in the realm of sustainability reporting.

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