

From Regulation to Demand:

Integrating Investor Expectations into the FINAGRI Methodology

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The European Green Deal has profoundly reshaped the regulatory environment for companies and investors regarding sustainability. In line with **the EU's goal of carbon neutrality by 2050, a coherent body of legislation has been enacted to channel capital toward sustainable activities, enhance transparency, and better integrate climate and environmental risks into economic and financial decision-making.**

For companies and financial institutions, the CSRD (Corporate Sustainability Reporting Directive) introduces standardized non-financial reporting based on the European ESRS standards, with unprecedented levels of detail. For investors, the SFDR (Sustainable Finance Disclosure Regulation) mandates new transparency obligations on ESG integration in their strategies, as well as disclosure of potential negative impacts from their investments.

These requirements are reinforced by the EU taxonomy, which establishes a common language to identify truly environmentally sustainable activities. Further regulations strengthen this regulatory framework, including revisions to Solvency II for the insurance sector and Pillar III of the Basel framework for banks, which introduce mandatory disclosure of climate-related exposures.

These regulations have put sustainability at the core of corporate and investment strategies. However, this framework is currently undergoing major revisions: on 26 February 2026, the

European Commission introduced an “Omnibus” directive to simplify reporting obligations—significantly narrowing the scope of affected firms and relaxing ESRS standards. Despite this political shift, sustainability remains deeply rooted in market practice. A recent HEC study shows that 61% of European companies support the CSRD in its current form. Meanwhile, investors continue to integrate environmental and social dimensions into their analysis models despite geopolitical tensions: 60% of EU funds now qualify as ESG under the SFDR.

Within this context, **building a robust FINAGRI methodology requires aligning with existing regulatory frameworks, understanding market expectations, and offering investors transparent tools consistent with evolving standards.**

A. Applicable Regulations and Their Impact on Farm Businesses

A number of regulatory texts now influence agricultural practices—especially regarding non-financial data reporting and access to green finance.

1. CSRD: Farms as Contributors to Value Chain Reporting

The Corporate Sustainability Reporting Directive (CSRD), effective from 2025, mandates standardized and detailed non-financial reporting for all large European companies (with more than

250 employees and/or €50 million in revenue and/or €25 million in total assets), as well as for SMEs listed on regulated markets. These companies will be required to disclose their environmental, social, and governance (ESG) impacts across their entire value chain, both upstream and downstream.

For agricultural producers supplying these companies, this entails a new transparency requirement: providing reliable data on their practices, resource consumption, emissions, and resource management. Although they are not directly subject to the CSRD, these producers become essential contributors to their clients' compliance with the reporting obligations.

2. SFDR: Enhanced requirements apply if financing is channeled through funds.

The Sustainable Finance Disclosure Regulation (SFDR) applies to financial actors, notably fund managers. It imposes transparency obligations regarding how ESG factors are integrated into investment strategies. Specifically, funds are required to report on their **principal adverse impacts** on sustainability.

In the event that agricultural financing is routed through the creation of a dedicated fund, adverse impact indicators must be collected from the end beneficiaries — namely the farmers — in order to be incorporated into the managers' reporting. The table below presents the mandatory indicators (see table).

Furthermore, the current fund categories under **Article 8** (funds promoting ESG characteristics) and **Article 9** (funds with sustainable objectives) remain broad and somewhat ambiguous. A revision of the SFDR is expected by the end of 2025, with the likely introduction of more specific categories, such as transition funds (demonstrating an improvement trajectory, for example regarding carbon footprint) and impact funds (requiring measurable additionality).

The criteria and indicators that will define these new categories will be crucial in directing capital flows. They will establish the eligibility conditions for sustainable financing and will therefore have a direct impact on how agricultural projects must be designed, monitored, and documented.

Le suivi de ces évolutions est crucial pour garantir l'éligibilité des projets agricoles à ces canaux de financement.

1. Basel Pillar III: An Indirect Impact via the Banking Sector

Pillar III of the Basel framework requires banks to disclose their exposures to ESG risks, including climate-related risks. Although the indicators remain relatively non-binding and are still being standardized, this requirement increases pressure on borrowers (including those in the agricultural sector) to document their environmental practices. Over time, credit allocation may incorporate more explicit sustainability criteria, leading to a heightened demand for standardized data.

2. Taxonomy: No Direct Application to Agriculture in Europe

The European taxonomy — a key tool of the Green Deal for identifying sustainable economic activities — currently applies to companies and investors within the frameworks of the CSRD, SFDR, and Basel Pillar III. However, agriculture is **not yet included in the current version of the European green taxonomy**.

Nevertheless, several international taxonomies, particularly in Asia and Latin America, do incorporate criteria applicable to the agricultural sector. A recent comparative study shows that standards do exist to guide how agricultural operations can contribute to sustainability. These frameworks could inform future developments of the European taxonomy and should therefore be closely monitored.

3. Other National and International Frameworks

Beyond European regulations, several national mechanisms reinforce the requirements applicable to agricultural producers. In France, **the regulatory greenhouse gas (GHG) emissions assessment** obliges farms exceeding certain thresholds to measure and report their carbon footprint.

The **Energy-Climate Law**, adopted in 2019, sets a target for carbon neutrality by 2050 and outlines the sectoral decarbonization trajectory. These frameworks reflect the growing integration of environmental issues into French law, with concrete implications for the agricultural sector.

At the international level, voluntary yet increasingly influential standards are also shaping practices. The **Taskforce on Nature-related Financial Disclosures (TNFD)** provides a reference framework for identifying, assessing, and disclosing nature-related risks and is likely to become a market standard for investors.

Likewise, **corporate governance codes of conduct and stewardship principles** promoted by major institutional investors are reinforcing expectations around accountability, transparency, and long-term engagement. These various frameworks converge toward increasing demands for traceability and justification of impacts, now affecting the entire value chain — including agricultural stakeholders.

Cadres de reporting	Champ d'application	Impact sur les exploitants agricoles en recherche de financement
CSRD	Applicable aux grandes entreprises, banques, assurances et gérants d'actifs	Impact indirect car les exploitants agricoles font partie de la chaîne de valeur de certaines grandes entreprises qui ont besoin de données ESG pour faire reporting CSRD
SFDR	Applicable aux gérants de fonds (asset managers et assurances)	Impact indirect si financement par les fonds d'investissements car ces derniers doivent reporter 12 indicateurs d'incidences négatives pour tous les actifs du portefeuille
Bâle III	Applicable aux banques	Impact indirect car les banques doivent reporter des indicateurs ESG
Solvency II	Applicable aux assurances	Gestion des risques ESG – pas d'indicateurs spécifiques
Taxonomie	Applicable dans le cadre de la CSRD, SFDR et Bâle III	La taxonomie européenne ne couvre pas l'agriculture – possibilité de s'inspirer d'autres taxonomies pour voir les indicateurs utilisés (étude Finagri en cours)

Table 1: Regulatory frameworks and their impact on agricultural producers

SFDR	Pilier 3
- Émissions de gaz à effet de serre (GES) - Total des émissions de GES (en tonnes de CO₂ équivalent) - Empreinte carbone de l'investissement - Intensité des émissions de GES des entreprises en portefeuille - Exposition aux entreprises actives dans le secteur des combustibles fossiles : Pourcentage de l'investissement exposé à ces entreprises - Part de la consommation et de la production d'énergie non renouvelable : Pourcentage de l'énergie consommée et produite provenant de sources non renouvelables - Intensité de la consommation d'énergie par secteur à fort impact climatique : Consommation d'énergie par unité de production dans ces secteurs - Activités ayant un impact négatif sur les zones sensibles en termes de biodiversité : Pourcentage des investissements dans des activités affectant ces zones - Émissions dans l'eau : Tonnes de rejets polluants dans les ressources en eau - Production de déchets dangereux et radioactifs : Tonnes de déchets produits - Violations des principes du Pacte mondial des Nations unies et des Lignes directrices de l'OCDE à l'intention des entreprises multinationales : Pourcentage des investissements dans des entreprises ayant enfreint ces principes. Absence de processus et de mécanismes de conformité pour surveiller le respect des principes susmentionnés : Pourcentage des investissements dans des entreprises ne disposant pas de tels processus - Écart de rémunération entre les sexes non ajusté : Différence moyenne de rémunération entre les employés masculins et féminins - Diversité des genres au sein du conseil d'administration : Pourcentage de femmes au sein des conseils d'administration des entreprises en portefeuille - Exposition aux armes controversées : Pourcentage des investissements dans des entreprises impliquées dans la fabrication ou la vente d'armes telles que les mines antipersonnel, les armes chimiques ou biologiques	- Montants d'expositions envers des entreprises dans les secteurs fortement émetteurs de gaz à effet de serre (GES) en se basant sur le code NACE - Green Asset Ratio – en lien avec la taxonomie européenne - Banking Book Taxonomy Alignment Ratio – BTAR (solennaire)

Table 2: Indicators required under the SFDR and Basel Pillar III

B. FINAGRI Integrates Regulations Applicable to Investors and Financial Institutions

The FINAGRI methodology is designed in alignment with European and international regulations that currently shape sustainable investment decisions. It pursues a dual objective: to ensure the compatibility of agricultural projects with the requirements of financial actors, and to guarantee the credibility of the label by aligning with market-expected standards.

Two main pillars guide this regulatory integration:

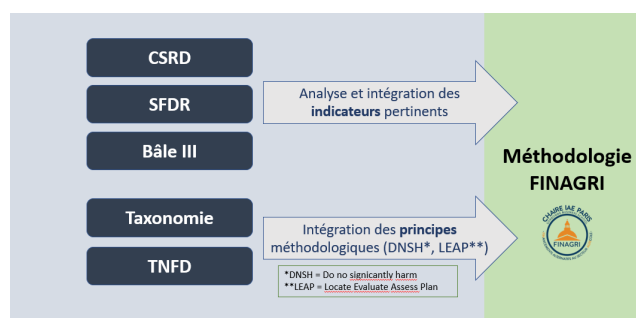
1. Analysis and Integration of Key Indicators from Major Regulatory Frameworks :

FINAGRI draws on performance and sustainability indicators derived from frameworks such as the CSRD, SFDR, and Basel Pillar III. These indicators are analyzed and adapted to the agricultural context in order to enable financial actors — including asset managers, banks, and companies subject to reporting obligations — to find within the FINAGRI methodology the measurement tools required for their own compliance needs. This ensures direct compatibility between the data collected from farms and the reporting requirements imposed on sustainable finance actors.

2. Integration of Structuring Methodological Principles

FINAGRI adopts the key methodological principles established by existing frameworks. For instance, the “**Do No Significant Harm**” (DNSH) principle from the European taxonomy is applied to prevent any negative environmental impact in certified projects. Similarly, the **LEAP approach (Locate, Evaluate, Assess, Prepare)** developed by the TNFD informs the assessment of agricultural operations’ dependencies and impacts on natural ecosystems.

These references are not applied mechanically, but rather inform the development of the FINAGRI label. They help to build a methodology that is both coherent with market expectations and adapted to the practical realities of the agricultural sector.



C. Towards a Methodology Tailored to the Specific Nature of Agricultural Natural Capital

While FINAGRI builds upon existing regulatory frameworks to structure its approach, these frameworks alone are not sufficient to rigorously and operationally assess the natural capital generated or preserved by agricultural operations. This underscores the need for a complementary methodological framework — one that is both scientifically robust and adapted to the realities of agricultural territories.

Three key observations drive this need for adaptation:

1. Incomplete or Inadequate Regulatory Coverage for Agriculture : key texts such as the **European taxonomy** or the **SFDR** do not yet fully

or directly cover the agricultural sector, or do so only partially. The **CSRD**, while mandating extensive non-financial reporting, remains focused on large corporations and their value chains, with indicators often poorly aligned with the on-the-ground realities of agricultural producers.

2. Specific Expectations from Natural Capital Investors : these investors seek targeted information on the ecological and social impacts of the projects they finance. They require precise indicators on carbon sequestration, soil health, or the resilience of agricultural practices — elements that are not yet adequately addressed by current regulatory frameworks.

3. Overly Burdensome Mechanisms for Agricultural Producers : many existing standards involve complex procedures, technical reporting formats, or documentation requirements that are difficult to reconcile with the day-to-day constraints of farming. This creates a risk of disconnect between imposed standards and the actual capacity of beneficiaries to comply.

It is within this context that the FINAGRI methodology is being developed: as a **bridge between the scientific rigor demanded by investors and the practical implementation required by agricultural producers**. Its aim is to deliver indicators that are reliable, measurable, and accessible, rooted in the ecological, social, and economic specificities of agricultural landscapes.

The solution proposed by FINAGRI is built on a dual ambition: :

- To leverage existing reporting frameworks by making use of **data already collected by producers** through current obligations or voluntary initiatives;
- **To complement these frameworks with a scientifically robust, sector-specific methodology** designed to rigorously assess the natural capital generated or preserved within agricultural operations.



Sources :

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