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EXPECTED EFFECTS OF THE CSRD ON THE NON-FINANCIAL REPORTS OF TRANSPORTATION COMPANIES

ABSTRACT

The Corporate Sustainability Reporting Directive (CSRD) is effective from the 2023 business year for a defined group of large companies. The new directive aims to track the achievement of climate-neutrality goals through non-financial reports. Companies involved in transportation leave a significant environmental footprint. This paper uses content analysis to answer the following questions: To what extent do the sustainability reports of ten corporate groups operating in Central and Eastern Europe, published before the entry into force, meet the new requirements, and in which areas can the report users expect additional information? The research found the most publication deficiencies in the non-financial reports in the areas of the resilience of the business model and the financial and investment plans of the measures. With the directive's entry into force, we expect the publications to develop in aligning the companies' sustainability goals with deadlines, leaders' competencies, incentive systems and the main risks affecting the companies.

Keywords: *CSRD, Transportation, Non-financial reporting.*

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1. INTRODUCTION

Countries trade to gain a comparative advantage. International trade allows countries to boost their economies (Mankiw, 2007). Road transport contributes to the expansion of trade and, thus, to economic growth. Road accidents, air and noise pollution and the extraction, production and use of diesel fuel are all negative externalities of road transport from which society must suffer (Dzikuc, Adamczyk and Piwowar, 2017).

The European Environment Agency (2024) stated that transportation is responsible for 25% of greenhouse gas emissions. These emissions decreased during the coronavirus pandemic, but we may only reach the 1990 level by the decade's end. In the European Union, road traffic contributes more than three quarters (76%) of greenhouse gas emissions within the domain of transportation, and the increase in transportation volume has contributed to a corresponding increase in greenhouse gas emissions.

Voluntary Environmental, Social and Governance (ESG) reports were first regulated in 2014, when the European Union adopted a directive on non-financial reporting for large companies employing at least 500 people (Füredi-Fülöp, 2022). The 'EU Directive 2022/2464' (2022) states that the previous directive had required companies to disclose information on environmental, social and employment issues, respect for human rights, the fight against corruption and bribery issues. The Corporate Sustainability Reporting Directive (CSRD) directive amended this on 5 January 2023. This new directive aims to standardise non-financial reports, create a sustainable economic model through the reports and track the achievement of climate-neutrality goals. The directive expects relevant and informative information on the comparability of reports and guides on the method of disclosure.

As a result of the new directive, the European Financial Reporting Advisory Group (EFRAG) has established 12 standards, called European Sustainability Reporting Standards (ESRS). These standards cover all areas related to sustainability. The principle of 'double materiality' is also included in the ESRS S1 and ESRS S2 standards, contributing to the financial quantification of relevant information (European Financial Reporting Advisory Group, 2024).

The directive also prescribes a schedule for companies' reporting obligations. From 1 January 2024, companies previously under the scope of the old directive must report according to the new directive, and this circle will expand annually to include more companies according to size. From 1 January 2025, large companies previously outside the old directive must prepare sustainability reports. From 1 January 2026, listed small and medium-sized enterprises will also be required to prepare reports (European Commission, 2023).

Odobaša and Marošević (2023) highlight the added value of the CSRD, stating that, through it, investors and civil-society actors gain access to better information and can influence the strengthening of corporate responsibility.

As a first step in this research, three transport companies in Hungary were analysed using content analysis (Karai & Dragonya, 2024). This research extends this to 10 companies in Central and Eastern Europe. The research aims to assess the extent to which the current sustainability reports of corporate groups related to transportation and with a European parent company meet the requirements set by the new directive.

2. CONTENT ANALYSIS OF NON-FINANCIAL REPORTS

Using content-analysis techniques, Dumitru et al. (2017) examined 20 Polish and 20 Romanian companies' non-financial reports published before the Non-financial Reporting Directive (NFRD) came into force. They identified the requirements in the NFRD that non-financial statements had to meet. These requirements are related to the business model and environmental, social and ethical issues. The requirements were grouped and compared with the non-financial reports of the companies examined using content analysis, scoring the reports according to whether the requirement was included in the document they examined in textual or numerical terms. They found that the NFRD will improve the quality of the reports.

Lippai-Makra (2022), processing the reports of Hungarian companies, examined the effect of the NFRD on the quality of non-financial reports. She analysed 23 large Hungarian companies (split into financial and non-financial sectors), evaluating the quality of the 2016, 2017 and 2018 reports on a company-by-company and sector-by-sector basis. She found that the introduced directive improved the quality of non-financial reports and reduced the quality differences between them.

Tamm and Gurvitš-Suits (2023) used content analysis to examine companies listed on the Estonian stock exchange. They analysed the non-financial reports created by companies between 2015 and 2020. The reports were scored based on the detailed information they provided. They also considered whether each company prepared its report based on sustainability standards. Their research found that the quality of reports started to improve immediately after the new regulation was introduced. The most significant improvements were in the social and governance areas, but not all details were included in the reports.

Anguiano-Santos and Rodríguez-Entrena (2024) examined the non-financial reports of Spanish agricultural companies, performing content analysis and then component analysis, including financial indicators. They used a transformed component for the ANOVA test to determine whether the reports' quality improved following the new regulation. They found that the new regulation did not live up to its expectations; that is, the quality of the publications did not significantly improve in the case of Spanish agricultural companies.

Mion and Loza Adaui (2019) examined the non-financial reports of German and Italian companies to determine the quality differences between company reports in the two countries. The results were checked using Cronbach's alpha, and the differences in the reports were evaluated using Wilcoxon paired-rank test analysis. They also used a linear regression model to examine which factors influenced the quality of sustainability reports. They found that the quality of the reports differed between the two countries. They also found that the quality improved due to companies' strategic commitment.

Primec and Belak (2022) examined the sustainability reports of Slovenian companies using content analysis. Their research methodology included the creation of a content index that allowed them to focus on specific reports. They concluded that the introduction of the new directive will improve the reports and have a real effect on the companies, which will in turn become more sustainable.

Venturelli et al. (2017) examined the sustainability reports of financial and non-financial companies. They identified the requirements in the regulation, then compared this with the examined reports. During the examination, they scored the reports according to whether the requirement was included in the report. Based on the scoring, they calculated a level of compliance. As a result of the research, they found that the reports mainly included requirements related to the business model. They also compared the reports prepared on a mandatory and voluntary basis. Voluntary reports proved to be of better quality than mandatory reports.

Other research (Lippai-Makra, 2022; Lippai-Makra et al., 2022) has found that the new directive improved the quality of non-financial reports and reduced the quality differences between them.

3. RESEARCH AND METHODS

This research examines the existing non-financial reports of 10 corporate groups operating in Central and Eastern Europe and involved in transportation in terms of their compliance with the new directive through content analysis and manual evaluation of the ESG reports published on the companies' official websites for the years 2021 and 2022. All 10 corporate groups' parent companies fall under the scope of the CSRD, as they had previously been reporting under the NFRD, so they have been required to apply the new regulations since 2024.

The information found in Article 29a of the Directive on the consolidated sustainability reporting chapter is divided into four categories, with the identified requirements listed in Annex 1. The first category includes the five requirements of the Directive related to the business model (paragraph 2a); the second category includes other sustainability requirements (paragraphs 2b–2g). If the information requested by the CSRD appears in full in the company's sustainability report, then we assigned two scores in the evaluation; if it appears only partially, then we assigned one score. We gave scores only if the publication was present. We organised the indicators published by the companies according to their content and examined which CSRD aspects they published indicators for, highlighting where supplements are expected in the future. The CSRD also mentions a category that requires information not published. Since, however, the companies prepared their reports under the NFRD, which must still include this, the measurement of this requirement does not result in a relevant solution in this research, so we did not consider it in our categorisation.

The maximum number of scores available in each category are contained in Table 1.

Table 1. Categorisation of categories and available scores

Category	Maximum Score
Business model	10
Sustainability	16
Maximum score	26

We added the scores achieved by the companies for each of the ten companies; the combined score emphasises the deficiencies that arise in more than one company. The guideline requires that indicators also be included in sustainability reports. Here, we examine how many indicators companies defined in their current sustainability reports and in which areas we evaluate these regarding the CSRD regulations.

4. RESULTS

Evaluating information related to the business model led to the following result, seen in Table 2.

Table 2. Distribution of scores achieved in the business model category

Business Model	Alpha	Beta	Gamma	Delta	Epsilon	Zeta	Eta	Theta	Iota	Kappa	Reached Total Scores
Resilience of the business model and strategy	1	1	1	1	2	1	1	2	1	1	12
Opportunities related to sustainability	2	1	2	1	2	2	2	2	1	2	17
Financial and investment plans of the measures	1	1	1	0	1	0	0	0	0	1	5
Effect on stakeholders	1	2	2	1	2	1	2	2	2	0	15
Implementation of sustainability strategy	2	2	2	1	1	1	1	1	1	1	13
Results	7	7	8	4	8	5	6	7	5	5	62

In the Business Model category, each company could reach a maximum of 10 scores for the five criteria; the 10 companies together could achieve 100 scores. Together, the companies achieved 62% of this. The Epsilon and Theta corporate groups achieved the best results in the resilience of their business models and strategies, as the other companies did not elaborate on the relevant risks they faced in their transition to sustainability. Each company did, however, include ESG aspects in its strategy.

The opportunities related to sustainability were presented in a form and to a degree for all 10 companies, as expected by the CSRD. They were less elaborated upon, however, in the cases of the Beta, Delta and Iota companies than other companies. The reason for this is that these companies identified goals, not opportunities. It is important not only to set the right objectives but also to look at the opportunities, which can bring economic and social benefits.

When presenting the effects on stakeholders, most companies provided relevant information to the readers of the sustainability report. In the case of the Kappa company's report, however, there is no mention of stakeholders at all, while Alpha, Delta and Zeta present only the effects on employees. A 'stakeholder' is anyone who has a relationship with the business. Stakeholders play an important role in the lives of businesses; therefore, relevant information should be disclosed to them in accordance with the rules.

Companies' financial and investment plans are less in line with ESG factors, and companies also presented minimal information in implementing the sustainability strategy, except for Alpha, Beta and Gamma. The regulation requires financial data for investment plans, as this shows whether the investment will pay off—a relevant question for an investor. The sustainability strategy must be implemented and monitored, hence the importance of these data.

Table 3 shows the scores we gave the publications in the Sustainability category.

Table 3. Distribution of scores achieved in the sustainability category

Sustainability	Alpha	Beta	Gamma	Delta	Epsilon	Zeta	Eta	Theta	Iota	Kappa	Total Score
Presentation of goals with deadlines and their basis in scientific evidence	1	1	1	1	2	1	1	1	1	0	10
Management's competence in sustainability	1	0	1	1	0	1	1	0	0	1	6
Presentation of policies for sustainability	2	2	1	1	0	1	2	1	0	1	11
Information on incentive systems offered to management	0	1	1	1	2	1	2	1	0	1	10
Conducting of a screening procedure	0	0	1	0	0	0	0	0	0	0	1
Identification of the harmful effects of the company	2	2	2	2	2	1	1	1	1	1	15
Measures taken to prevent harmful effects and their results	2	2	1	2	2	2	2	2	2	2	19
Description of the main risks affecting the company and its management	0	1	0	0	1	1	0	0	1	2	6
Results	8	9	8	8	9	8	9	6	5	8	78

In the Sustainability category, we examined compliance with eight criteria, meaning the maximum score per company was 16 scores; with full compliance, the combined maximum was 160 scores, of which the companies achieved 78 scores, or 49% of the available maximum. All 10 companies identified in detail the harmful effects of the corporate group; we found few shortcomings in the description of sustainability-related policies, except for the Epsilon and Iota companies, or in terms of the measures and results taken to prevent harmful effects. In general, however, there needs to be more information about the auditing procedures, the main risks affecting the companies, the competencies of the management related to sustainability and the incentive systems.

We identified the following shortcomings concerning the scientific basis and deadline alignment of the goals. Companies set different goals, but their elaboration needs to be more detailed, and they do not support them with scientific evidence. They may have been developed but not published, resulting in an incomplete report. The companies surveyed merely disclose the names of their CEOs but do not disclose any relevant sustainability positions within the company, nor do they disclose any educational qualifications or other qualifications related to the CEO. All companies must detail their professional knowledge or competencies in presenting their management.

Companies present different quantities and qualities of indicators in their sustainability reports. These indicators focus on the following areas:

Table 4. Presence of indicator types in the report

Theme	**Alpha**	**Beta**	**Gamma**	**Delta**	**Epsilon**	**Zeta**	**Eta**	**Theta**	**Iota**	**Kappa**
Carbon dioxide emission savings	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Waste management	✓	✓	×	✓	✓	×	×	×	✓	✓
General information about employees	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Education, training	✓	×	×	×	✓	×	×	✓	✓	×
Digitalisation, grouping of stakeholders	✓	×	✓	×	×	×	×	✓	×	×

Where there is a tick (✓), that company has published indicators, while where there is an X, it has not. Some companies did not present indicators on waste management, for example, although this is a key indicator for achieving a circular economy. In the field of transport, the education of workers to reduce CO_2 emissions can also be highlighted. Moreover, the carbon dioxide emissions should be calculated by companies and then categorised according to where they are generated. There are obviously few indicators on stakeholders because few stakeholders are identified by companies in their reports.

The published indicators were classified into the categories of Business Model and Sustainability, and the following indicators were assigned to each category, as seen in Table 5.

Table 5. Number of indicators (KPIs) for individual companies

		Alpha	Beta	Gamma	Delta	Epsilon	Zeta	Eta	Theta	Iota	Kappa	Total
Business model	Resilience of the business model and strategy	2	3	5	3	4	2	5	5	4	3	36
	Opportunities related to sustainability	1	1	1	0	0	0	0	0	0	0	3
	Financial and investment plans of the measures	0	0	0	0	0	0	2	0	0	0	2
	Effect on stakeholders	5	3	2	3	1	3	2	6	5	5	35
	Implementation of sustainability strategy	1	1	0	0	0	1	0	0	1	1	5
Sustainability	Presentation of goals with deadlines and their basis in scientific evidence	0	0	0	0	0	0	0	0	0	0	0
	Management's competence in sustainability	0	0	0	0	0	0	0	0	0	0	0
	Presentation of policies for sustainability	0	0	0	0	0	0	0	0	0	0	0
	Information on incentive systems offered to management	0	0	0	0	0	0	0	0	0	0	0
	Conducting of a screening procedure	0	0	0	0	0	0	0	0	0	0	0
	Identification of the harmful effects of the company	1	1	1	3	0	2	2	2	3	2	17
	Measures taken to prevent harmful effects and their results	4	3	4	6	5	3	8	5	5	7	50
	Description of the main risks affecting the company and its management	0	0	0	0	0	0	0	0	0	0	0
All KPI numbers		14	12	13	15	10	11	19	18	18	18	148

The indicators help monitor the sustainability strategy and are therefore part of the CSRD. We could assign the indicators published by the companies regarding the resilience of the business model and strategy, the effect on stakeholders and the measures and results taken to prevent harmful effects. The companies did not present indicators within the business category or their financial and investment plans for the measures except for Eta. There are no indicators displayed in the sustainability category for the many requirements introduced by the CSRD, such as the presentation of goal with deadlines, the competence of management, the incentive system, the presentation of sustainability policies for conducting the audit process or the description of the main risks. Existing non-financial reporting standards, such as GRI, SASB and others, can be used to help develop the various indicators.

5. CONCLUSION

As a result of this research, the companies examined have issued reports for the fiscal years 2021–2022 that partially meet the expectations of the new directive. The CSRD requires new climate-neutrality information not required by the previous regulation, so this typically did not make it into the reports prepared by the companies. In line with Lippai-Makra's (2022) research findings, the content and form of publications are expected to expand due to the introduction of the new regulation. Companies involved in transportation have a significant effect on carbon-dioxide emissions. Thus, they can influence the European Union's green aspirations by defining action plans in their strategies, which they must now present in their ESG reports. Their sustainability reports are audited by an independent auditor following the new regulation's requirements, examining compliance with the new ESRS standards. The publication, according to the standards and the auditor's report, also makes these reports comparable and more reliable.

In the case of manual coding, content analysis can be time-consuming and involve subjective value judgements. The role of content analysis using automated solutions will increase due to technical progress removing the resource-intensive nature of the method. The digitisation of reports is expected to eliminate some of the resulting problems (Kovács, 2024). Therefore, the results should be treated accordingly.

The non-financial report is expected to provide significant additional information on the resilience of the business model and the financial and investment plans of the measures. We can expect developments and further publications in aligning sustainability goals with deadlines, the competencies of leaders, incentive systems and the main risks affecting the company. These include the due-diligence procedures, a newly introduced requirement of the CSRD. Significant progress can also be made on indicators, as the Directive expects indicators to support all criteria.

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OČEKIVANI UTICAJ CRSD NA NEFINANSIJSKE IZVJEŠTAJE KOMPANIJA KOJE SE BAVE TRANSPORTOM

SAŽETAK

Direktiva o izvještavanju o korporativnoj održivosti (CSRD) stupa na snagu od 2023. poslovne godine za definisanu grupu velikih kompanija. Nova direktiva ima za cilj da prati postizanje ciljeva klimatske neutralnosti kroz nefinansijske izvještaje. Kompanije koje se bave transportom ostavljaju značajan uticaj na životnu sredinu. Ovaj rad analizom sadržaja daje odgovore na sljedeća pitanja: U kojoj mjeri izvještaji o održivosti deset korporativnih grupa koje posluju u centralnoj i istočnoj Evropi, objavljenih prije stupanja na snagu, ispunjavaju nove zahtjeve, i u kojim oblastima korisnici izvještaja mogu da očekuju dodatne informacije? Istraživanje je utvrdilo najviše nedostataka u publikacijama nefinansijskih izvještaja u oblastima otpornosti poslovnog model ate finansijskih i investicionih planova i mjera. Sa stupanjem na snagu directive, očekujemo da će se publikacije razvijati u smjeru usklađivanja ciljeva održivosti kompanija sa rokovima, kompetencijama lidera, sistemima podsticaja i glavnim rizicima koji utiču na kompanije.

Ključne riječi: *CSRD, prijevoz, nefinansijsko izvještavanje* .

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Appendix

Appendix 1. Categorisation and redefinition of the chapter of the CSRD directive on consolidated (sustainability) reports.

CRSD consolidated sustainability reporting text categorization	CSRD directive consolidated sustainability report text	The content of the CSRD directive's sustainability reporting text
Business model	a) a brief description of the group's business model and strategy, including:	-
	(i) the resilience of the group's business model and strategy in relation to risks related to sustainability matters;	resilience of the business model and strategy
	(ii) the opportunities for the group related to sustainability matters;	opportunities related to sustainability
	(iii) the plans of the group, including implementing actions and related financial and investment plans, to ensure that its business model and strategy are compatible with the transition to a sustainable economy and with the limiting of global warming to 1,5 °C in line with the Paris Agreement and the objective of achieving climate neutrality by 2050 as established in Regulation (EU) 2021/1119 and where relevant, the exposure of the group to coal-, oil- and gas-related activities;	financial and investment plans of the measures
	(iv) how the group's business model and strategy take account of the interests of the group's stakeholders and of the impacts of the group on sustainability matters;	impact on stakeholders
	(v) how the group's strategy has been implemented with regard to sustainability matters;	implementation of sustainability strategy
Sustainability	(b) a description of the time-bound targets related to sustainability matters set by the group, including, where appropriate, absolute greenhouse gas emission reduction targets at least for 2030 and 2050, a description of the progress the group has made towards achieving those targets, and a statement of whether the group's targets related to environmental factors are based on conclusive scientific evidence;	presentation of goals with deadlines, and that these are based on scientific evidence
	(c) a description of the role of the administrative, management and supervisory bodies with regard to sustainability matters, and of their expertise and skills in relation to fulfilling that role or the access such bodies have to such expertise and skills;	management's competence in sustainability
	(d) a description of the group's policies in relation to sustainability matters;	presentation of policiesrelated to sustainability
	(e) information about the existence of incentive schemes linked to sustainability matters which are offered to members of the administrative, management and supervisory bodies;	information on incentive systems offered to management
	(f) a description of:	-
	(i) the due diligence process implemented by the group with regard to sustainability matters, and, where applicable, in line with Union requirements on undertakings to conduct a due diligence process	conducting a screening procedure
	(ii) the principal actual or potential adverse impacts connected with the group's own operations and with its value chain, including its products and services, its business relationships and its supply chain, actions taken to identify and monitor those impacts, and other adverse impacts which the parent undertaking is required to identify pursuant to other Union requirements to conduct a due diligence process;	identifying the harmful effects of the company
	(iii) any actions taken by the group to prevent, mitigate, remediate or bring an end to actual or potential adverse impacts, and the result of such actions;	measures taken to prevent harmful effects and their results
	(g) a description of the principal risks to the group related to sustainability matters, including the group's principal dependencies on those matters, and how the group manages those risks;	description of the main risks affecting the company, and its management.
Key Performance Indicator (KPI)	(h) indicators relevant to the disclosures referred to in points (a) to (g)	key performance indicators related to the business model
		key performance indicators related to sustainability
Non-public information	For the first three years of the application of the measures to be adopted by the Member States in accordance with Article 5(2) of Directive (EU) 2022/2464, and in the event that not all the necessary information regarding its value chain is available, the parent undertaking shall explain the efforts made to obtain the necessary information about its value chain, the reasons why not all of the necessary information could be obtained, and its plans to obtain the necessary information in the future.	presentation of the reasons for omitting necessary information