A&L Goodbody

2025 ALG ESG RESEARCH REPORT

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Time to take action

Irish companies must act promptly to fill the gaps in their knowledge of environmental, social and governance (ESG) related legal requirements, according to our new research.

With the list of legal obligations and policy developments on ESG topics continuing to expand, it is important that companies improve their understanding of the impact these requirements will have on their business.

Are Irish corporates ready for ESG legislative changes?

To help us get a better understanding of readiness for these changes, we surveyed over 100 corporate representatives across a range of industries. We asked about their awareness and understanding of legislative proposals, and explored the E, S and G matters that they are most focused on as well as their companies' current and future compliance plans.

Our research reveals that the top two topics across E, S and G that respondents come across day-to-day are:

- climate change mitigation and energy consumption as **environmental issues** (over 50%)
- diversity and employee engagement as **social issues** (over 70%)
- corporate culture and anti-bribery and corruption as **governance issues** (over 70%)

Interestingly, only 28% of respondents indicated their ESG efforts were solely driven by compliance. This indicates that large Irish organisations are taking action to avail of opportunities, not just to mitigate risk.

Simplification shouldn't limit corporate sustainability plans

The European Commission intends to introduce a series of 'simplification' legislative packages throughout 2025. This is part of measures being introduced to boost the EU's competitiveness. These packages aim to reduce administrative burdens placed on companies, including those relating to reporting, by at least 25% for all companies and at least 35% for SMEs.

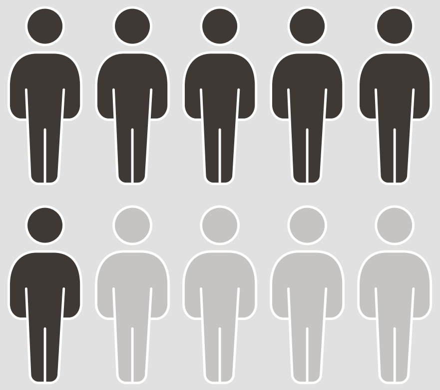
1 in 5
has adopted a climate transition plan

3 in 10

lack a due diligence policy for business partners

77%
of companies are concerned about greenwashing

The first package includes simplification of reporting related to sustainable finance, sustainability due diligence and taxonomy. The impact of the proposal to streamline these obligations, remains to be seen. However, reducing the associated complexity may ultimately raise the bar for those companies that are required to comply with these obligations. It will be important for companies to monitor developments in this area.



6 in 10

are exploring IT or AI solutions to help with sustainability reporting

A focus on ESG brings multiple benefits

Compliance with any new legal requirements can be a strain on time and financial resources for businesses. ESG-related obligations are no different. However, a focus on ESG matters can also bring opportunities. For example, it is a chance for companies to upskill and re-train staff around key issues which can help with overall efficiency and employee engagement.

66%

of organisations say mandatory reporting and disclosure requirements are very important

To set a strong course, companies should focus on transparency and clearly articulate their ESG strategies, including specific details on their objectives and how they will be achieved. With companies continuing to focus on who they are doing business with, being able to show the actions being taken on E, S and G matters can help companies to win new business through bids and tenders, where ESG criteria can account for significant scoring.

This research report highlights the gaps between the understanding of and the readiness for the impact of ESG related obligations. Companies need to address the requirements and issues in a cohesive manner. They also need to factor them in to their overall business strategy.

Jill Shaw

ESG & Sustainability Lead, A&L Goodbody

Readiness among Irish companies

Most companies we surveyed are aware of the introduction of mandatory sustainability reporting obligations, with 66% of organisations saying mandatory reporting and disclosure requirements are very important.

While this is a higher percentage than any other ESG concern, the high level of awareness is likely linked to the large volume of commentary published around these requirements over the past 12 to 18 months.

"The regulatory landscape has undergone a substantial transformation in recent years. Waves of new regulations have intensified demands on businesses to ensure ESG practices are robust and transparent. Many businesses do seek practical advice on a broad range of ESG matters with a view to ensuring timely compliance."

Laura Mulleady, Partner, Insurance & Reinsurance and Chair of ESG & Sustainability Group, A&L Goodbody

Awareness often low on key legislation

Despite this, there is a lack of awareness of the true extent of the legal obligations that companies will face in the coming years. Larger companies are likely to show greater awareness, which is unsurprising as they are more likely to have subject matter experts on their payrolls and more resources to dedicate to identifying the legal and policy developments that may have an impact on their business.

For most ESG-related legislation, for example, the Directive for Empowering Consumers for the Green Transition, the Pay Transparency Directive or the Regulation on Deforestation-free Products, overall awareness remains below 50%. Interestingly, the pieces of legislation with the highest level of awareness across companies of all sizes were:

- Corporate Sustainability Reporting Directive (**CSRD**)
- the Taxonomy Regulation
- Corporate Sustainability Due Diligence Directive (**CSDDD**)

This aligns with the focus on mandatory reporting and disclosure requirements.

Sustainability as a function not yet standard

Of the companies we surveyed, only 61% have a distinct sustainability function. Our research also found there is no consistent home for sustainability where a separate function has not been established. While it usually sits in finance or risk departments, or in the office of the CEO, Irish companies told us sustainability could fall under the remit of all sorts of departments. These include compliance, HR, legal, procurement, operations, technical, to name a few.

52%

report their board being highly engaged with sustainability matters – about half of boards are not truly engaging yet.

Larger businesses were, however, more likely to have a separate function, with 76% of companies valued over €450m reporting a specific sustainability function.

ESG-related training is not standard yet either, which is adding to the lack of readiness. While 66% of companies have trained staff around sustainability and ESG issues, that leaves over a third of companies who have yet to do so.

Close to half of boards not engaging strongly

At board level, there is still some progress to be made. About half (52%) of our respondents reported their board is highly engaged with sustainability matters, meaning it has the topic as an agenda item at board meetings, and considers and discusses specific sustainability-related projects.

Meanwhile, 42% of boards are only somewhat engaged, meaning they have a high-level understanding of the sustainability matters relevant to the company, but may not yet appreciate the urgency of discussing and acting on these issues. Only 2% of boards are not engaged at all, while 4% of respondents were unsure on this point.

Implementing CSRD will not happen overnight

Putting in place the processes required to collate the data that needs to be reported to comply with CSRD takes time and most companies are moving too slowly on it. Of the organisations surveyed, 68% will be required to comply with sustainability reporting requirements and 87% of them have started their CSRD implementation project. While our survey results showed only 37% have completed their projects, this number will change with time, as deadlines draw nearer.

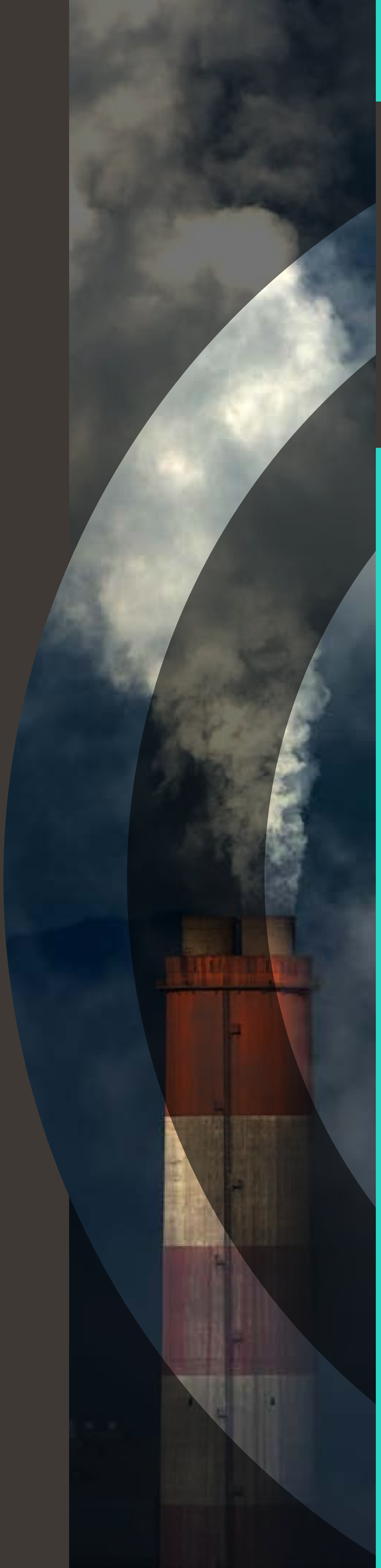
What's driving corporate Ireland's ESG efforts?

68%
REPUTATION

64%
OPPORTUNITIES

61%
RISK

28%
COMPLIANCE



Irish companies are falling behind on climate transition

Climate transition plans are central to managing the risks associated with climate change and futureproofing a business as it moves towards net zero. However, our research found that many organisations seem to lack sufficient insight into the urgency, risks, and possibilities surrounding climate transition.

Having a solid plan in place signals to investors that a company is committed to responsible, sustainable growth. Despite this, only 21% of companies we surveyed had already adopted a plan (with larger companies more likely to have done so) and 31% have nothing at all in place.

This is possibly down to a lack of concern with day-to-day environmental issues. Governance is the ESG aspect with the most widespread day-to-day relevance at 98%, while 20% of respondents (25% in financial services) reported no environmental issues arise day-to-day.

This suggests companies do not always appreciate the environmental matters that may be relevant to their day-to-day work.

"With the risks associated with adverse climate events continuing to increase, most companies have already identified a need to prepare for the practical impacts these events can have. For example, the consequences of more regular and more intense storm events, increased flood risks etc. are at the forefront of insurers' minds.

Companies will increasingly find that being able to demonstrate that they have robust plans in place to manage those risks will be key to managing insurance costs. In some cases, these plans will be essential to ensuring the continued availability of coverage.

Whether required by legislation or not, putting in place a credible transition plan is an important part of mitigating the impact of climate change on a business. We encourage all companies to consider preparing their plans."

Alan Roberts, Partner, Environmental & Planning, A&L Goodbody

Supply chain transparency is non-negotiable

With the CSDDD and other regulations such as the Regulation on Deforestation-free Products and the Regulation on the Prohibition of Forced Labour set to increase ESG accountability, affected companies need to understand how their business activities affect human rights and the environment, and act to mitigate any adverse impacts.

This includes any potential harm not only in their own business operations, but also through their supply chains.

Of those we surveyed, 69% of companies have a due diligence policy in place in respect of the companies that they do business with. 20% of companies do not have such a policy in place, while the remaining 11% weren't sure how to respond. Results also showed that company size only has a marginal impact on due diligence policies. It is not clear from the responses received the extent to which environmental and human rights issues are covered within these existing policies.

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There is now a swathe of regulations that have raised the bar significantly when it comes to corporate sustainability practices. In-scope companies need to be ready to share clear evidence of how they are managing their environmental and human rights impacts, both internally and across their supply chains.

We recommend that in scope companies that don't have due diligence processes or policies in place that specifically capture environmental and human rights impacts should update their existing frameworks. With business partners located around the world, companies can struggle to conduct this due diligence, meaning it's crucial to clearly articulate the processes for understanding the potential risks."

Stephen Quinlivan, Partner, Corporate and M&A, A&L Goodbody

Greenwashing stands in the way of meaningful action

Greenwashing presents a significant obstacle for meaningful sustainability practices and distracts from credible action. From the European Green Deal to the proposed Green Claims Directive, the EU has been clear in its efforts to wipe out greenwashing.

Practices seen as greenwashing include:

- labelling a product as 'green' or 'sustainable' without supporting evidence
- making false claims about a company's climate-friendly credentials
- cherry-picking environmentally-friendly aspects of a product despite potential environmental costs

Recognising that greenwashing leads to a lack of trust, means initiatives to counter it should focus on ensuring sustainability claims are clear, fair and not misleading. Substantiation with scientific evidence is key to tackling greenwashing.

It is crucial for companies to be transparent with consumers and investors about green successes as well as areas of improvement. Focusing on honest and transparent business practices, and compliance with EU greenwashing regulations will set businesses up for long-term sustainable growth.

If your organisation is worried about greenwashing, it is not alone. Our research showed 77% of companies are concerned or very concerned about greenwashing, with companies valued over €450m (42%) very concerned with the risks associated with greenwashing compared to the overall total of 31%. Despite this, it is interesting to note that less than 30% of respondents indicated that they were aware of two key pieces of legislation related to greenwashing, the Directive for Empowering Consumers for the Green Transition and the proposed Green Claims Directive.

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As many businesses are making significant efforts to reduce their environmental impact, they are understandably keen to communicate their ESG achievements to their customers. However, with incoming laws to target environmental claims (in addition to existing consumer protection legislation), and 'greenwashing' an area of focus for regulators, environmental claims need to be carefully considered to mitigate the risk of being considered misleading to consumers."

Denise Daly Byrne, Partner, Disputes & Investigations, A&L Goodbody

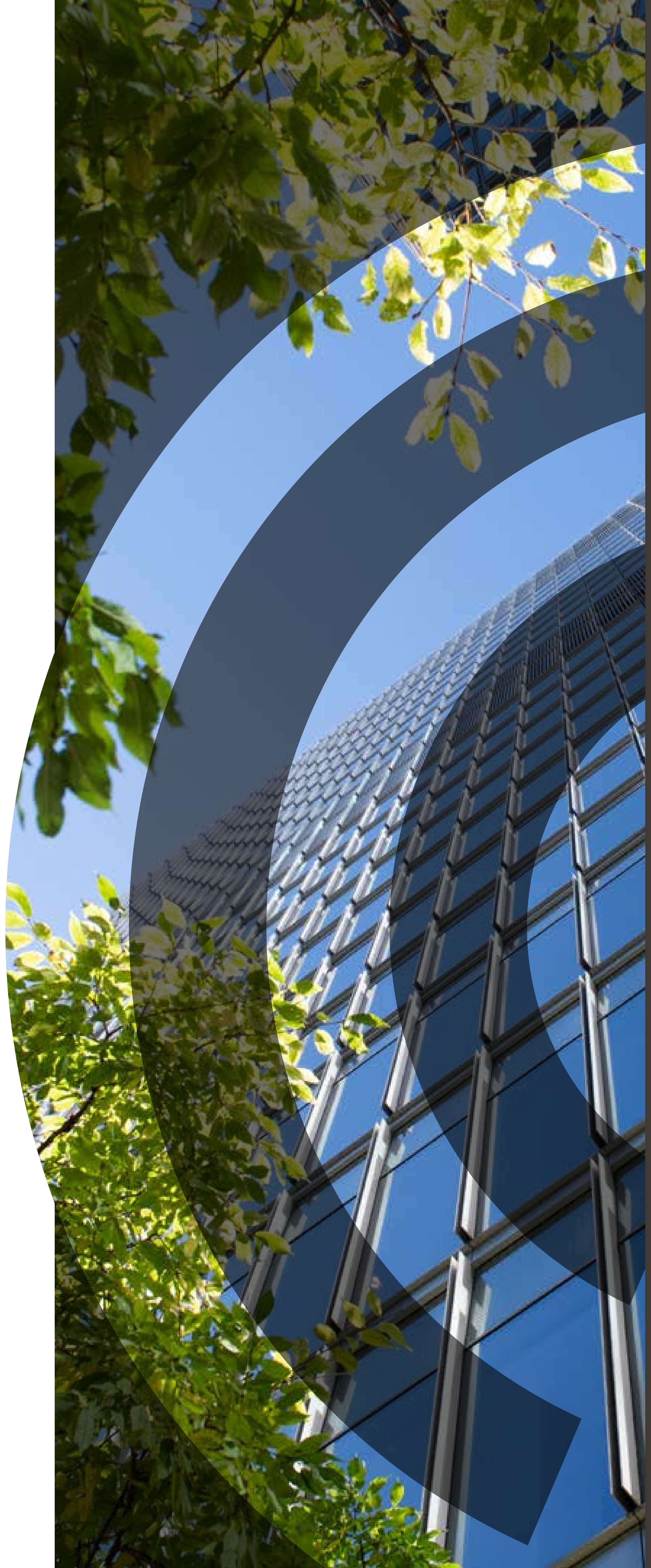
Financial sector focuses on flow of capital towards sustainable investments

Our research shows that over 60% of companies in the financial services sector have had engagement with regulators on ESG-related matters including:

- the role of the board and senior management in identifying and addressing ESG-related risks (45%)
- the extent to which climate change risk considerations are embedded across all business functions (43%)
- assessment of the impact of short, medium and long-term climate change scenarios (41%)

The Sustainable Finance Disclosures Regulation (**SFDR**) is an EU framework that mandates that financial market participants disclose sustainability-related information including whether they factor ESG considerations into their decision-making processes. This is intended to enable investors to make informed decisions and support sustainable companies and projects. The SFDR aims not only to tackle greenwashing, but also to provide increased transparency around ESG practices.

Practical challenges have arisen in its implementation, however, with 67% of respondents noting that data challenges are having an impact on the ability of their financial products to promote environmental or social characteristics or pursue sustainable objectives.



"Regulatory engagement on ESG-related matters continues to grow. As our research shows, board-level involvement on ESG-related considerations and risks associated with climate change are key areas of focus. Sustainability disclosures and greenwashing are two other topics attracting increased scrutiny from EU and national regulators."

Lorena Dunne, Partner, Asset Management & Investment Funds, A&L Goodbody

Building a sustainable future for your business

Our research shows Irish companies need to act now to fill the gaps in their awareness and preparedness for a range of ESG-related regulations. From the responses received, it is clear that many companies do not fully understand all of the obligations that may apply to their business.

Knowing which ESG issues are material to your business is critical. If actions are not taken to identify the legal obligations coming down the track, those delays could create significantly more work down the line as companies scramble to comply when deadlines are imminent.

Time to kickstart a cross-functional plan

As more obligations come into effect, it is imperative to put a plan in place to track the regulatory and policy developments that may impact your business.

Given the breadth of matters that fall under the ESG umbrella, bear in mind that multiple internal stakeholders may need to be involved in ensuring your organisation meets its obligations.

Establishing cross-functional groups can be useful to ensure subject matter experts across the business understand the impact these developments may have.

While there are potential risks and costs to not acting promptly, Irish companies that make the effort to understand and meet their obligations can also unlock new business opportunities and benefit from improved brand reputation.

Your ESG checklist

Assess and improve your teams' ESG awareness

Carry out internal reviews to identify knowledge gaps and the level of understanding around regulations relevant to your sector.

Retraining and upskilling all the way to board level will help prepare your business for identifying material ESG issues and related legal obligations.

Develop a climate transition plan

If your organisation has not already, it is time to develop a plan with clear targets and timelines, and to communicate this to relevant stakeholders.

Having a plan and seeing it through can help with cost saving and public perception.

Examine your supply chain

With the CSDDD set to ramp up accountability around supply chains, take this opportunity to consider your own, whether that is overhauling the chain or ensuring more traceability and accountability.

Act to avoid greenwashing

With an increased emphasis on preventing greenwashing, it is crucial to make this a key focus for your organisation.

Ensure all your claims are substantiated by scientific evidence and avoid misleading claims about sustainability. As well as making your company more compliant, this can improve public perception of your brand.

Build a sustainability team

If resources allow, building a sustainability team or upskilling staff on ESG issues can help with overseeing your ESG strategy and implementation.

A&L Goodbody

Talk to us

A&L Goodbody's teams of experienced lawyers are here to help businesses in every sector manage their ESG obligations.

We will work with you to build a clear roadmap of your company's requirements, ensuring your business benefits from practical strategic advice and tailored support at every step of your ESG journey.

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