

Keep pace with the evolving landscape

Hi, and welcome to the A&L Goodbody ESG and Sustainability podcast. My name is Jill Shaw, ESG and Sustainability Lead at ALG. I'm joined today by Kathy Foley, writer and agency managing director to discuss the 2025 ALG ESG research report, keep pace with the evolving landscape.

In the next few minutes, we're going to take you through some of the key findings of the report and highlight some themes that emerged, including a lack of awareness of key legislative requirements, concerns around greenwashing and supply chain transparency.

So, Kathy, let's get started.

Thanks, Jill. It's great to join you and chat about this report today. It's a research report. Can you talk me through the research briefly and what was involved? Yeah, sure, Kathy.

So, we surveyed over 100 representatives from a broad range of sectors across corporate Ireland, and we asked them a wide variety of questions, including around their organisation's approach to sustainability initiatives, their awareness of specific legal requirements and the application of those to their businesses, and then also the ES and G matters that were coming up in their day-to-day work.

Then we analyzed the responses, and this research report details the key insights that emerged from that.

Very good. It sounds like it covered quite a lot of ground, actually. So, taking a look at it, it seems to me that a lot of Irish companies don't fully understand what they need to do on this front.

Yeah, I think it was obvious from the responses that many companies are not familiar with the legislation that currently applies or is coming down the track, and they really need to be filling the gaps in their knowledge of ESG-related legal requirements.

But this isn't particularly surprising given the large amount of legislative and policy developments in recent years. And I think we're only seeing that continuing with recent developments that we're gonna talk about in a couple of minutes time.

It just really emphasizes though that businesses really need to be staying up to speed and assessing and improving employee awareness of ESG obligations is one of the actions that we actually have set out in our ESG checklist at the end of the report.

Great, that is definitely something for people not to miss. And I think we have some more helpful content coming as well after the report in terms of a thought leadership series. So we might touch back a little bit more on that later before we finish up today.

But as you mentioned, it seems to be a bit of a mixed picture when it comes to readiness and awareness for Irish companies. Can you tell me a little bit more about what you found with the research? Yeah, so unsurprisingly, there seems to be greater levels of preparedness at larger companies.

I suppose that's because they're going to have more resources to dedicate to keeping up to date with the developments. I think it was really interesting to see that the legal obligations relating to sustainability reporting and due diligence requirements are particularly well known, with almost 90% of respondents aware of the Corporate Sustainability Reporting Directive, or CSRD, almost 80% were aware of the Taxonomy Regulation, and almost 70% were aware of the Corporate Sustainability Due Diligence Directive or CSDDD.

And when we asked respondents to rank specific topics in terms of the level of importance to a business, 66% ranked mandatory sustainability reporting requirements as being the most important.

In terms of board engagement, just over half of the respondents reported that their board as being highly engaged with sustainability matters, meaning that it was included as a

board agenda item and the board considers and discusses specific sustainability-related projects. However, interestingly, in terms of involvement with CSRD implementation, only 46% of respondents said that their board had oversight over this project.

Wow, that's quite interesting, isn't it? You would have imagined at this point that that figure would have been higher. There's definitely maybe a few board agendas might need to be updated in the upcoming months. We've had recent announcements from Europe about some planned changes to legislation in this field. Can you talk me through that a little bit and what it might mean for companies on this front?

Yeah, so this was the key point to highlight on the proposals that were published as part of the omnibus package on sustainability at the end of February is that while substantive amendments are being proposed to a number of pieces of legislation, including CSRD, CSDDD and the carbon border adjustment mechanism regulation, these are only proposals and they're right at the very start of the EU's legislative process.

So, the final text could look quite different and that's something for companies to really bear in mind and make sure that they are keeping up to date with those developments as they progress.

And one of these proposals is around timing of reporting. What's involved there? Does it mean Irish corporate is going to take their foot off the gas now or do they have to speed up? So I suppose what this proposal aims to do is press pause on the sustainability reporting obligations for two specific waves of companies within CSRD. So those that are required to report in 2026 in relation to their 2025 financial year and 2027 in relation to their 2026 year, essentially meaning that they will have till 2028 and 2029 respectively to report.

But again, this is just a proposal. So, I think what businesses are keen to understand is what impact these proposals may have on their CSRD implementation projects. And in my view, the answer to this very much depends on what stage those projects are at.

Okay, so we need to wait and see, but it's definitely something businesses need to keep an eye on. Something else that really came through in the report that companies are concerned about is greenwashing. Can we talk a little about that? What is greenwashing in practice?

Yeah, so originally the term greenwashing referred to the practice of companies misrepresenting their environmental impact or benefits of their business products or services.

However, this concept has been broadened in recent years to include all types of sustainability claims. And what our research found was that 77% of companies are concerned or very concerned about greenwashing with a higher percentage of very large companies, 42% being very concerned compared to the overall total of 31%.

But what I found particularly interesting in the research was that while such a high percentage of companies expressed this concern around greenwashing, their awareness of two key pieces of legislation, the directive for empowering consumers for the green transition and the green claims proposal was less than 30%.

And I think this really emphasizes the point that I was making earlier about the importance of keeping up to speed with the legislative requirements that are coming down the track. It's evident that there really needs to be responsibility there for someone to keep track of what's coming and when again, it's vital.

When it comes to greenwashing in particular, why does that matter so much? I mean, obviously there's a compliance issue, people have to comply with the law, but what other implications can that have for businesses?

Yeah, so as I was leaving aside non-compliance with legal obligations, it's the potential reputational damage that greenwashing claims can result in. That loss of trust, not only of customers, but also those that you do business with can have a real impact on a company.

So, it's really important when making any sustainability claims that they are fair, clear and not misleading and they're also being substantiated.

Excellent. Yeah, that's pretty important. And when you talk about being fair and clear that leads us nicely to talk about transparency and in particular supply chain

transparency, which was another strong issue that came through in the report. Are companies ready on that front, do you think?

Well, I suppose while those proposals to amend CSDDD are planning to simplify the due diligence process, in scope companies are still going to be required to conduct due diligence on those that they do business with.

So, the aim here is to understand a business's environmental and human rights impact. And when conducting due diligence on new and existing business partners, companies should ask questions to ensure that they understand those impacts.

Almost 70% of respondents said that their companies had a due diligence policy in place in respect of the companies that they do business with. But what wasn't clear from the responses was whether any of these policy requires information to be requested on these environmental or human rights topics.

I see, right, there is really a lot to work on, even just across the topics we've been discussing in the last few minutes, and there's so much more in the report as well. So, thinking just about the findings more generally, what do businesses need to do now, Jill?

Understanding legal obligations helps with strategic planning. With proposals from the European Commission signaling that there are going to be changes to existing sustainability related legislation, it's critical to understand how these are going to impact your business.

To help keep on top of these developments and understand their potential impacts on your business, it can be helpful to set up a cross-functional group. In ALG, we have an ESG and Sustainability group, which is made up of representatives from across different practice areas where we have expertise in all of those areas, sharing information around the firm on ESG issues that are relevant to, say, corporate deals, to property, to energy, for example.

And so making sure that subject matter experts across the business are aware of the developments and considering how they impact on the work that their teams are doing is going to be really important.

Very good. And you're also, I think we mentioned it a little earlier, you're also going to be preparing a series of thought leadership pieces that maybe dig a bit deeper into some of these topics. They're coming soon. What's up first?

So, we are going to be focusing on a number of the key themes that came out of the ESG research report. Up first is climate transition plans. We're also going to focus specifically on the financial services sector and a couple of the topics that we've talked about today, greenwashing and due diligence.

Brilliant. Thank you so much, Jill, for talking me through some of the key findings today.

Thanks, Kathy. And the full 2025 ALG ESG Research Report, keep pace with the evolving landscape, is available on the ESG and Sustainability page of our website.

You can also read more insights and sign up for our quarterly ESG and Sustainability Bulletin on this webpage. And signing up for that will also mean you'll get those thought leadership pieces that we've just been talking about.

I hope you found the podcast useful and thank you for listening.