Navigating ESG Procurement

EU Export Guide for Germany, France, Spain & Italy

Client Guide

Disclaimer

This guide is intended as an overview for informational purposes only. It does not constitute legal advice and should not be relied upon as an exhaustive representation of all rules pertaining to ESG. Please consult a lawyer practicing in the relevant jurisdiction for advice specific to your situation. While every effort has been made to ensure accuracy, we make no guarantees and accept no liability for any errors or omissions. Neither the author nor Enterprise Ireland accept liability for any loss arising from reliance on this material.

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Foreword

Large companies in the EU require Environmental, Social, and Governance (ESG) data from their suppliers and partners for meeting their own obligations. This guide aims to help Irish exporters understand the necessary ESG criteria in order to gain competitive advantage in the main European markets.

Enterprise Ireland is committed to supporting Irish businesses to start, compete, scale and connect, and to grow in global markets. We support our client companies to achieve their global ambition, and they are making a significant contribution to the national economy by creating high quality jobs in Ireland and helping to create sustainable communities across the country.

Enterprise Ireland's mission is to accelerate sustainable Irish business, and our ambition is for exporting Irish companies to become the primary driver of the economy, while also delivering positive environmental and social impacts.

Sustainability continues to be a core competitiveness factor for our clients in many major sectors and markets, including across the EU. As well as the important societal imperatives and responsibilities, strengthening environmental, social and governance credentials is critically important for a company's growth, with increasing regulatory compliance and varying standards.

It is essential that Irish exporters understand the necessary ESG criteria for the different markets they are focused on, including both public and private sector opportunities, in order to remain competitive, and the purpose of this guide is to inform Irish SMEs on these topics.

Enterprise Ireland's team, at home and across our network of 42 international offices, are committed to supporting our entrepreneurs to navigate these criteria, so Irish enterprise can continue to grow and scale. We look forward to supporting these businesses on this journey, as it is our long-term ambition that Irish exporters will become the primary driver of our economy.

Jenny Melia
CEO, Enterprise Ireland

01

Executive Summary

Navigating the plethora of current Environmental, Social and Governance (ESG) requirements and regulations is challenging, and when exporting, an extra layer of complexity is added. As large companies continue to embed ESG elements into their supplier selection criteria in the EU, supplier compliance with these criteria is no longer optional and can be make or break when contending for major contracts. This guide has been created to support Irish SMEs in their sustainable export journey. It offers practical insights on navigating ESG requirements to ensure continued competitiveness when competing for export opportunities to main EU markets including Germany, France, Spain and Italy.

To better understand the ESG supplier selection criteria expected by large EU companies, 40 company Supplier Code of Conduct documents were analysed, supported by a series of qualitative expert interviews in the main EU markets spanning across the following three sectors: **i.** Technology & Services, **ii.** Industrial & Life Sciences, and **iii.** Food & Sustainability.

This research resulted in a **prioritisation framework (page 21)**, to help guide Irish companies with their strategic resource allocation from high- to low-priority ESG topics. From a macro to micro perspective, the guide firstly addresses international ESG guidelines and frameworks, secondly focuses on EU and national member state regulation in Germany, France, Spain and Italy, and finally examines ESG on a sector-specific level.

This ESG Client Guide aims to support Irish SMEs in remaining competitive in the long-term in main EU markets.

Key Takeaways

When competing for contracts abroad in EU markets, it is essential to be aware of the ESG criteria your buyers are expecting from their suppliers in order to remain competitive.

Not only is it important to be aware of overarching EU ESG regulations, but an understanding of national ESG regulations in the export country is also necessary to ensure compliance.

Each industry has their own key ESG topics to be aware of, including regulations, standards, and certifications.

The VSME (Voluntary Sustainability Reporting Standard for non-listed SMEs) standard is an excellent framework to help SMEs report sustainability information.

Based on an analysis of 40 supplier code of conduct documents spanning across the three key export industries of Technology & Services, Industrial & Life Sciences and Food & Sustainability, a **framework** has been identified to help your business allocate resources according to different priority levels for ESG topics.

This ESG Client Guide aims to be pragmatic and provide you with key recommendations, resources and Enterprise Ireland contacts to support you on your ESG journey when exporting to Germany, France, Spain and Italy.

02
Overview of Key ESG Concepts, International Standards & EU ESG Regulations

International ESG Standards & Frameworks

UN Declaration on Human Rights (UNDHR)[1]

This document from the United Nations, published in 1948, lays out a list of global fundamental human rights and has been widely adopted, having been translated into over 500 languages. Consisting of 30 Articles, this declaration is written on the "foundation of freedom, justice and peace". Spanning topics from non-discrimination to equality, and right to education, safety and privacy, this declaration is internationally well regarded and most major corporations have pledged compliance with this declaration and expect their suppliers to do the same.

UN Global Compact[2]

The United Nation's Global Compact (UNGC) is a frequently cited and referenced international standard, with many major global companies stating their commitment to the compact.

The UN list ten principles which participating companies must comply with in order to be compliant with the compact.

International Labour Organisation (ILO)[3]

The ILO is a UN agency and sets conventions and labour standards that have been adopted both by companies and countries internationally. By promoting "decent work" for all genders and nationalities, the declarations and conventions of the ILO provide a benchmark for corporations to adhere to and implement in their supply chains. The frequently referenced ILO fundamental principles and rights consists of eight core Conventions.

Carbon Disclosure Project (CDP)[4]

CDP aims to standardise carbon reporting formatting. The CDP also evaluates companies based on the data provided and also publishes a great deal of data.

Global Reporting Initiative (GRI)[5, 6]

GRI strives to be "the global best practise for sustainability reporting", and has been in operation for just shy of 30 years. Focusing on the engagement of a wide array of stakeholders, this reporting standard has been well adopted with over 14,000 participating companies and is the most adopted standard in this field. GRI Standards consist of universal, sector-specific, and topic-specific standards, supporting professionals with tools and trainings.

Task Force on Climate-related Financial Disclosures (TCFD)[7]

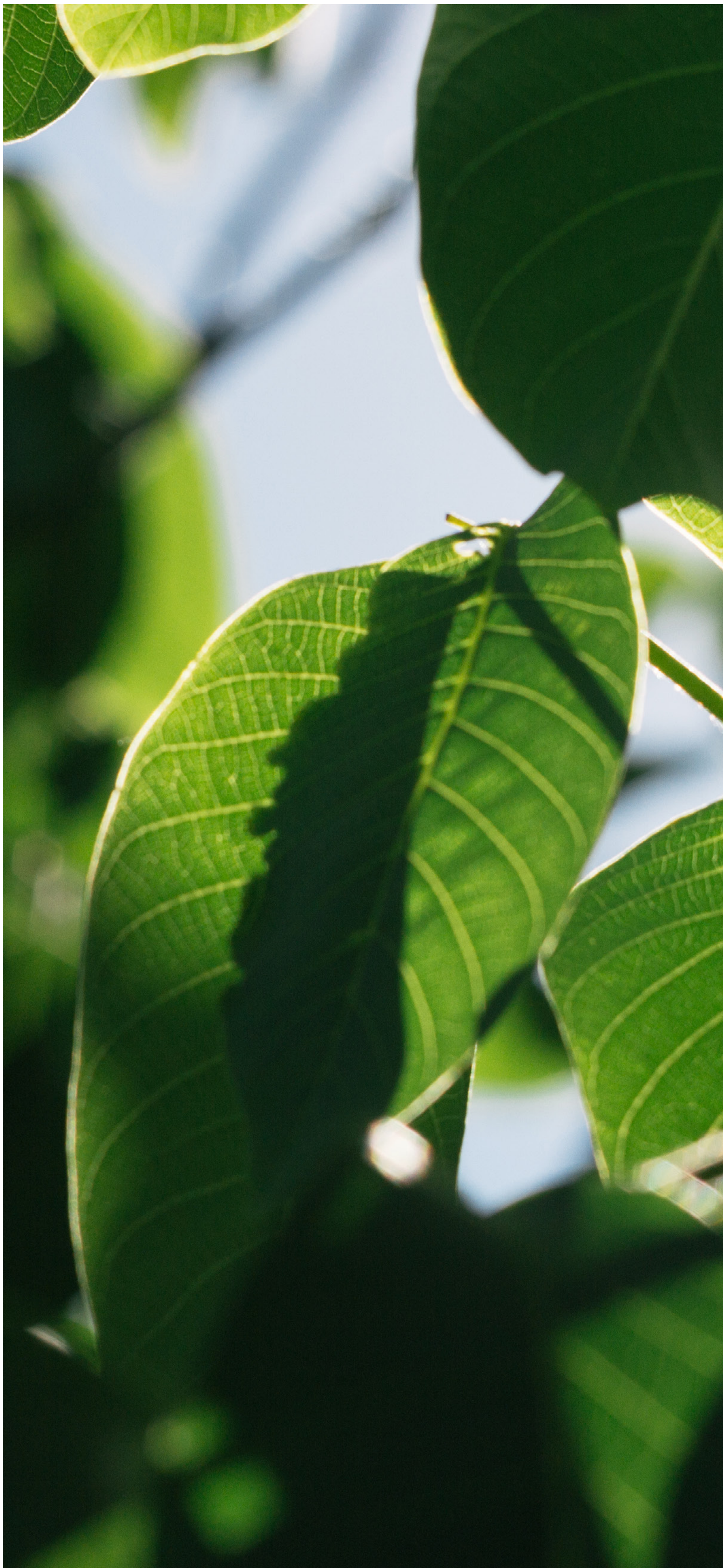
The Financial Stability Board (FSB) established the TCFD in 2015. Its goals were to help investors understand their financial exposures to climate risk and help companies disclose this information in a clear and consistent way. TCFD fulfilled its remit and disbanded at the end of 2023, and the IFRS S1 & S2 standards replaced and expanded the TCFD reporting standard. Note: companies can continue to use the TCFD recommendations and the TCFD reporting standards are endorsed by the Irish Government and Central Bank of Ireland.

Ecovadis[8]

Ecovadis is a widely adopted rating methodology and platform, used to assess companies' Corporate Social Responsibility (CSR) management systems. It focuses on evaluating company policies, actions, and results. 21 CSR criteria are analysed to provide companies with an overall score from 0 (none) to 100 (outstanding).

Based on this scoring, companies are then rated versus their industry and can be awarded a medal recognising their CSR performance.

The Ecovadis platform has been used to screen over three million companies across over 185 countries, making it a truly international and recognised standard used to assess a company's supply chain and related partners.



Voluntary Sustainability Reporting Standard for Non-Listed SMEs (VSME)[9]

The VSME standard was introduced by EFRAG (European Financial Reporting Advisory Group) in Q4 2024. It is a voluntary reporting framework designed for non-listed SMEs to support sustainability reporting.

The VSME is divided into **two modules:**

1. Basic Module

(for all SMEs, particularly micro enterprises)

11 disclosures

- General information (B1 - B2) - legal company form, relevant certifications, policies and initiatives
- Environmental metrics (B3 - B7) - energy usage, greenhouse gases, resource usage
- Social metrics (B8 - B10) - health & safety, training, workforce, remuneration
- Governance metrics (B11) - anti-bribery, anti-corruption

2. Comprehensive Module

(for small & medium enterprises)

Additional 9 disclosures

- General information (C1 - C2) - sustainable business strategy, policies and initiatives
- Environmental metrics (C3 - C4) - GHG targets and Scope 3 emissions, climate risk, climate transition plans
- Social metrics (C5 - C7) - human rights policies
- Governance metrics (C8 - C9) - diversity and sector exclusions

Important

EFRAG have developed educational videos and useful templates to support SMEs in adopting the VSME framework.

International Standards Organisation (ISO) for ESG[10]

ISO Number	Description
ISO 14064-1	Greenhouse Gases
ISO 14001	Environmental Management Systems
ISO 50001	Energy Management
ISO 46001	Water Efficiency Management Systems
ISO 14067	Greenhouse Gases - Carbon footprint of products
ISO 14040 / ISO 14044	Environmental Management - Life cycle assessment (LCA)
ISO 14025	Environmental Labels and Declarations
ISO 14090	Adaption to Climate Change
ISO 26000	Social Responsibility
ISO 45001	Occupational Health & Safety
ISO 20400	Sustainable Procurement
ISO 37001	Anti-bribery Management Systems
ISO 37301	Compliance Management Systems

Key ESG Megatrends in the EU

EU Hub Megatrends[11]

Climate change & environmental degradation

Anthropogenic activity leads to increased greenhouse gas (GHG) emissions which is intensifying climate change and environmental decline. As planetary boundaries are exceeded, climate mitigation and adaptation actions are necessary to decelerate this decline.

Widening inequalities

As extreme poverty decreases, the gap between rich and poor is nevertheless increasing, especially in developing geographical areas. This results in inequality in the labour market, health and persistence of gender equality gaps.

Aggravating resource scarcity

To maintain increasing human economic activity and wellbeing, demand for natural resources including minerals, land and water is rising at a rate at which the earth cannot regenerate, leading to scarcity and higher prices. Efficient resource management and more circular practices are needed to ensure supply chain resilience and sufficiency.

Growing consumption

As consumption levels rise, so too does the pressure on natural resources. Conscious consumption can allow consumers and businesses alike to use their purchasing power to put pressure on producers to adopt better environmental and social practices in their value chains.

Definitions of Key ESG Related Concepts

Sustainable Supply Chain[12]

“The strategic, transparent integration and achievement of an organisation’s social, environmental, and economic goals in the systemic co-ordination of key inter-organizational business processes for improving the long-term economic performance of the individual company and its supply chains.” (Carter and Rogers, 2008, p.368)

Sustainable Procurement[13]

“Sustainable procurement is the integration of environmental, social and governance (ESG) criteria into an organisation’s procurement processes.” (IBM)

Triple Bottom Line (TBL)[14]

Involves considering the trifecta of the 3Ps, planet (environmental), profit (economic), and people (social) factors.

Sustainable Supplier Selection[15]

“Sustainable supplier selection is a process by which the best suppliers (in terms of the triple bottom line of economic, social and environmental objectives) are selected in order to improve the purchasing process, help strategic partnership selection, enhance product quality, increase customer satisfaction and, ultimately, to gain a competitive advantage in the market for a buyer.” (Rashidi et al., 2020, p.3)

Emission Reporting Scopes[16]

Scope 1

Direct emissions from company-owned and controlled sources.

Scope 2

Indirect emissions resulting from electricity purchased and energy used for heating and cooling.

Scope 3

Indirect emissions from companies value chain, both upstream and downstream.

Key ESG Regulations

Corporate Sustainability Due Diligence Directive (CS3D)[17, 18]

Large companies (>1,000 employees and >€450 million turnover) operating within the EU are obliged to have a due diligence system in place to enable them to both pinpoint and rectify negative human rights and environmental impacts within their supply chain, including both indirect and direct suppliers, within and outside the EU. Failure to comply results in a minimum fine of 5% of global turnover. A recent Omnibus I proposal has delayed deadlines to 26th July 2027 and the deadline for transposition into national law by member states to 26th July 2028 the first wave of large companies to be compliant.

Proposed adjustments under Omnibus:

- Focus only on Tier 1 business operations (own operations, own subsidiaries and direct business partners)
- Switch from an entity-based approach to a risk-based approach
- Focus on adoption of transition climate plans rather than putting these plans into action
- Increased focus on compliance with national law of the EU member state and removal of the EU harmonised liability regime.

EU Deforestation Regulation (EUDR)[19]

The EUDR seeks to prohibit the sale or export of products derived from or involving the use of commodities such as coffee, wood, palm oil, cattle, soy, rubber, and cacao - unless it can be demonstrated that their production did not contribute to deforestation. Risks of deforestation is based on a country ranking from high to low. Due diligence statements (DDS) must be uploaded to the EUDR's online system. This regulation was originally due to come into effect on 30th December 2025 for medium and large enterprises and to be extended to small and micro enterprises from 30th June 2026.

In October 2025, the European Commission announced proposed adjustments to the EUDR including the addition of a six month grace period to allow businesses to adapt to the new regulation. The DDS will also no longer be necessary for downstream operators.

EU Batteries & Waste Batteries Regulation[20]

Companies above a certain turnover will face mandatory carbon footprinting and must introduce due diligence policies relating to the whole lifecycle of batteries used in their business operations. The Omnibus Proposal also affected this regulation with proposals to narrow the scope of companies affected from €40 million to €150 million of annual turnover and reporting requirements related to batteries would only need to be fulfilled once every three years.

EU Critical Raw Materials Act (CRMA)[21, 22]

A steady and secure supply of critical raw materials is essential for the smooth running and functioning of the EU economy.

According to the European Commission, demand for critical materials is forecasted to drastically multiply including in relation to lithium and rare earths. These materials are essential components for technological devices and solutions and the Act outlines risk management procedures for large companies in the EU to ensure supply chain resilience and to monitor and tackle potential risk exposures.

EU Packaging & Packaging Waste Regulation (PPWR)[23]

This is interlinked with extended producer responsibility (EPR) as companies will be obliged to integrate a minimum level of reusability and recyclability into their product packaging, to pay for the cost of pollution of their products.

EU Conflict Minerals Regulation[24, 25]

The regulation, which came into effect on 1st January 2021, bans the import of conflict minerals (the 3Ts (tungsten, tin and tantalum) and gold) into the EU, the further processing of such minerals and improves protections for mining workers. This regulation requires that EU companies importing the 3Ts and gold minerals complete and uphold supply chain due diligence measures including frequent audits and annual reporting in order to remain compliant.

EU Ecodesign for Sustainable Products Regulation (ESPR)[26]

Under ESPR, products, and therefore their materials and suppliers, should be designed in accordance with the principles of circular economy, should perform efficiently, and have a corresponding digital product passport (DPP) by 2027. Reporting must include information relating to any unsold goods that were scrapped and the destruction of clothing materials will be prohibited from 19th July 2026.

Corporate Sustainability Reporting Directive (CSRD)[27, 28]

CSRD outlines the mandatory publishing of ESG reporting in line with European Sustainabilty Reporting Standards (ESRS). Interconnected with the publishing of annual financial reports, companies were originally expected to conduct detailed double materiality assessments and implement a thorough due diligence system and to address and disclose their initiatives/efforts in relation to climate change adaptation and mitigation. The Directive will be phased in for companies based on workforce size and turnover revenue between 2025 to 2029.

The Omnibus proposal has led to significant weakening of the requirements that companies must fulfil under the directive.

Proposed adjustments under the amendment:

- Simplify sustainability reporting
- The number of companies falling in scope of CSRD will reduce by about 80%, from 50,000 companies to 7,000 companies
- Minimum two year delay for Phase 2 and 3 companies obliged to adhere to CSRD and also a delay in the deadline by which EU member states must transpose the directive into national law
- Auditing requirements reduced.

Further developments and decision making from the EU is expected by late 2025.

EU Taxonomy[29 30]

Provides guidance on what activities can be considered as "green" based on six environmental objectives:

I. Climate change mitigation

II. Climate change adaptation

III. Sustainable use and protection of water and marine resources

IV. Transition to circular economy

V. Pollution prevention and control

VI. Protection and restoration of biodiversity and ecosystems.

An activity is considered "green" or compliant with the taxonomy if it aligns with one of the six objectives, and it does not cause significant harm with the others. The activity must be compliant with the "minimum safeguards". The taxonomy is closely interlinked with other regulations including SFDR, NFRD and CSRD.

03

Overview of Country-Specific ESG Regulations (Germany, France, Spain & Italy)

Key ESG Regulations in Germany

German Supply Chain Due Diligence Act *Lieferkettensorgfaltspflichtengesetz (LkSG)*[31, 32, 33]

This Act enforces businesses in Germany to consider ESG issues along the entire supply chain. The volume of companies in scope in Germany is expanding year on year with main objectives to increase transparency and traceability of product and service offerings. Applying to companies in Germany of 1,000 employees and over, the due diligence requirements are also closely linked with the codes from the International Labour Organisation (ILO). This means that supplier selection is critical to compliance, including both direct and indirect suppliers, to ensure that a high level of traceability is possible beyond tier one suppliers to ensure compliance. The Act determines that in scope German companies must have risk management and procurement and purchasing strategies in place that incorporate sufficient supplier selection criteria. (Köstler, p.56).

The 9 company obligations under the LkSG are summarised by Ganser & Rühmkorf (2025) as follows:

1. Establishing a risk management system
2. Designing a responsible person or responsible persons within the enterprise
3. Performing regular risk analyses
4. Issuing a policy statement
5. Laying down preventative measures in the business's own area of business and vis-à-vis direct suppliers
6. Taking remedial action
7. Establishing a complaints procedure
8. Implementing due diligence obligations with regard to risks at indirect suppliers
9. Documenting and reporting.

Key ESG Regulations in Germany

Green Public Procurement (GPP)
grüne öffentliche Beschaffung[34, 35]

The German Environmental Federal Office "Umwelt Bundesamt" has published comprehensive guidelines for businesses relating to what they consider in terms of green procurement criteria when awarding public project tenders. Germany's current public procurement spending is valued at €500 billion per annum and this market size provides opportunities for businesses who adhere to the green supplier selection criteria to have a competitive advantage when competing for major public contracts.

Pay Transparency Act
Entgelttransparenzgesetz (EntgTranspG)[36, 37]

This Act aims to reduce gender pay gaps by enforcing "equal pay for women and men for equal work or work of equal value". This law aims to tackle gender-based discrimination relating to remuneration by encouraging transparency on remuneration grading scales.

Second Act on Equal Participation of Women in Management Positions
Zweites Führungspositionen-Gesetz (FüPoG II)[38]

This equality law aims to increase the representation of women in leadership positions in companies with over 2,000 employees that are listed on the stock exchange and operating within Germany. A quota is set for senior management positions, including the board of directors to ensure that a more equal gender balance is upheld.

Climate Change Act
Bundes-Klimaschutzgesetz (KSG)[39]

The Act lays out the German national goal of achieving net GHG emissions by 2045 and beforehand, a minimum of 65% reduction in GHG emissions by 2030, and 88% reduction by 2040. Companies operating in Germany should be aware of these national targets in order to align their own internal environmental targets accordingly.

National Circular Economy Strategy (NCES)
Kreislaufwirtschaftsstrategie Deutschland[40, 41]

This Act focuses on implementing the waste hierarchy, the decoupling of economic growth and the destruction of the environment, and the closing of raw material loops. Through "dual responsibility" among both the private and public sectors, businesses are required to act in reducing and, where possible, avoiding waste outputs, recycling waste and implementing eco-design measures for their products and services.

Key ESG Regulations in France

French Corporate Duty of Vigilance Law
Loi de Vigilance[42, 43, 44]

The corporate vigilance law has assigned a duty of care to in-scope companies in France to investigate and take responsibility for social issues including the upholding of human rights and health and safety standards within their supply chain, including activities conducted overseas.

By law, companies within scope must produce a duty of vigilance plan which includes the following elements:

1. A risk mapping meant for their identification, analysis and prioritisation
2. Regular evaluation procedures regarding the situation of subsidiaries, subcontractors or suppliers with whom there is an established commercial relationship, in line with the risk mapping
3. Appropriate actions to mitigate risks or prevent severe impacts
4. An alert and complaint mechanism relating to the existence or realisation of risks, drawn up in consultation with the representative trade union organisations within the company
5. A system monitoring implementation measures and evaluating their effectiveness.

(Sherpa, 2019, p51-72)

Anti-Waste Law (Law No 2020-105)
Loi relative à la lutte contre le gaspillage et à l'économie circulaire[45,46]

Key elements of the law include the repairability index which informs consumers of how repairable an item is to fix when broken, and prohibiting the "destruction of unsold goods". The anti-waste law also seeks to eradicate single-use plastics and to place more responsibility relating to waste on the producer via Extended Producer Responsibility (EPR). Planned obsolescence is also prohibited meaning that the intentional designing of both software and hardware for shorter lifespans is a breach of the law. By complying businesses and society to implement efficient resource management systems and eco-design concepts, this law aims to achieve more circular production and consumption in France.

> "But regulations in France are definitely quite solid and strong. And that's why, I would say, that within the European market, France is clearly ahead and French buyers are clearly more demanding than buyers in some other European countries."
>
> Managing Director France, **Kingspan**

Key ESG Regulations in France

Energy and Climate Act 2019
loi Énergie-Climat [47, 48]

The Energy and Climate Act in France of 2019, outlines the country's binding ambitions to achieve carbon neutrality by 2050 and adds to the former Energy Code. The Act focuses on energy efficiency and generation, targeting buildings that are not energy efficient and making it more difficult to rent out or sell these buildings without first undertaking the necessary energy upgrades. Focus will also be shifted towards more energy generation via renewables, and many new businesses will be required to install solar panels on rooftop surfaces.

Article 29 of the Energy-Climate Act[49]

This article includes revised disclosure requirements for players in the French financial market focusing on three key aspects:

(i) climate

(ii) biodiversity

(iii) assimilation of ESG factors into risk management and governance.

Companies must disclose so-called "alignment strategies" for these key aspects and in relation to governance, to reveal details regarding stakeholder and investor engagement. The law groundbreakingly requires those in scope to disclose the share of assets invested in the fossil fuel industry and the share of assets that are aligned with the EU Taxonomy.

Plan d'Action pour la Croissance et la Transformation des Entreprises (PACTE Law)[50]

This law aims to support businesses in France to better align with social and environmental values while remaining competitive, with a special focus on SMEs. By reducing the bureaucratic and regulatory load facing businesses, advancing the role of CSR in business models, and rethinking innovation and investment supports, this law has also established a legally recognized "Enterprise à mission" status for mission driven companies. Companies with this status must have a "raison d'être" or reason for being that aligns with ESG objectives. Examples of such companies include Danone.

Key ESG Regulations in Spain

Law 7/2021 on Climate Change and Energy Transition
Ley Cambio Climatico y Transición Energética LCCTE[51]

This is the main law outlining Spain's sustainability objectives in order to align with targets. By 2050, the country aims to achieve carbon neutrality and an energy mix consisting solely of renewable energies. Sectoral measures have therefore been implemented to assist the achievement of these objectives. In the energy sector, there is the banning of new fossil fuel extraction and the gradual closure of existing plants. In relation to transportation, low emission zones (LEZs) are being set-up in urban areas and the sale of combustion engine cars is prohibited from 2040. In construction, the concept of nearly zero emission buildings (NZEB) is gaining momentum and buildings need to align with the energy sector's objectives to rely on renewable energies. In relation to agriculture, the law aims to shift focus towards sustainable practices to decarbonize the sector. The law also outlines national efforts for climate change adaptation relating to water including marine life and biodiversity.

Packaging and Packaging Waste - Royal Decree 1055/2022
Real Decreto 1055/2022[52]

This law addresses the entire lifecycle of packaging and its corresponding waste within the private and public sectors, and in households. The law implements the waste hierarchy, favouring prevention over other approaches such as recycle and reuse. The Spanish government aim to achieve environmental targets by 2030 which include a 15% reduction in packaging waste, full recyclability of all packaging, and a deposit return scheme for plastic bottles and beverage cans. EPR also plays a role here, with producers complied to disclose packaging-related information in the Producer Registry and fund and co-ordinate the sorting of the packaging waste they produce. Eco-design concepts are also expected to be implemented in the product conception stage.

Key ESG Regulations in Spain

Law 26/2007 on Environmental Responsibility
Ley 26/2007 de Responsabilidad Medioambiental[53]

This law focuses on environmental degradation, with the aim to prevent and repair damages. It incorporates the "polluters pay" principle, that producers must pay for the environmental costs of their operations. It covers endangered animal ecosystems, and water and soil systems. The law focuses on who is liable for environmental damages, with high-risk activities requiring financial guarantees to cover potential environmental damages. Public transparency is also a focus, with companies being obliged to provide environmental information if it is requested by the public or non-governmental organisations (NGOs).

Spanish Corporate Governance Code
Código de Buen Gobierno de las Sociedades Cotizadas[54]

This code outlines governance guidelines for listed companies in Spain. The acts enforcement is based on the "comply or explain" principle. This outlines that if a company does not follow the guidelines, they must specifically state this in their annual reports, explaining exactly what was not followed and why. The code was created to encourage transparency, diversity and sustainability in corporate management, with guidelines for the composition of the board of directors to include a minimum of 40% females, with ESG topics being clearly defined as a responsibility of the board. Accountability is also encouraged via auditing and reporting and the strengthening of shareholders rights to whom the board are accountable.

"Telefónica requires its key suppliers to set emission reduction targets validated by the SBTi and supports them through tailor-made capacity building via a dedicated engagement program at sector level."

ESG Development & Impact Director, **Telefónica**

Key ESG Regulations in Italy

Constitutional Reforms (2022) Amended Articles 9 and 41
Riforma costituzionale del 2022: modifica agli articoli 9 e 41 della Costituzione italiana[55, 56]

In 2022, both Articles 9 and 41 of the Italian Constitution were amended in order to include a duty to preserve the environment and biodiversity, and to include environmental aspects in the responsibilities of the Italian private sector respectively. The reforms do not address the provision of employee say in corporate environmental matters, which is the case in Spain and France.

Consolidated Environmental Act (Legislative Decree 152/2006, "TUA")
Testo Unico Ambiental[57]

The Testo Unico Ambientale (TUA) outlines the "rules on waste management and the rehabilitation of polluted sites" by addressing the use of natural resources and preservation of the environment. Impact assessment and permits for environmentally destructive activities are key aspects of this Act, alongside the preservation of water and soil systems and the proper management of hazardous waste. This Act is also based on the "polluters pay" principle and similarly to the Spanish law 26/2007 enforces strict liability for producers of high risk activities. Interestingly, the law also provides favourable incentives for ISO 14001 compliant companies.

Società Benefit (Benefit Corporation) Status (Law 208/2015)[58]

The legal recognition of social enterprises is entailed in this 2015 law. The law describes Società Benefit or Benefit Corporations as being focused on stakeholder engagement, creating a "common benefit", and valuing sustainability and transparency. Similar to the international B-Corp certification or the "Entreprise à mission" in France, the dual purpose of these organisations is recognised as being both for people and for profit and regular independent assessment of the corporation is encouraged.

"We don't want to ask our partners to respect something that we still have to implement internally - to be coherent."

VP Head of Global Procurement,
Chiesi Group B Corporation

Specific SME supports available from the Italian Ministry of Economy and Finance[59]

The Italian government has set up specific supports to aid SMEs in Italy with their CSRD journey. This project is focusing on the implementation of an ESG data hub that will be publicly available, to encourage the sharing of ESG related data and to help identify data gaps. Reporting templates are also being developed for unlisted SMEs alongside online trainings to provide additional support.

04

Analysis Conducted

Supplier Code of Conduct Analysis

ESG supplier selection criteria in EU export markets

In order to gain a more comprehensive and detailed understanding of supplier selection criteria expected by large EU companies, a comparative content analysis of Supplier Code of Conducts (or closest equivalent documents) of 40 companies was conducted using a defined list of criteria and corresponding keywords.

The 40 companies were then (mainly) identified based on highest market capital listed on the DAX, CAC40, IBEX35, FTSE MIB in Germany, France, Spain and Italy respectively. It was also ensured that the identified companies operated in one of the three key Irish economic sectors of Industrial & Life Sciences, Technology & Services, and Food & Sustainability so that each sector in each EU export country was present in the analysis.

In the context of Irish SMEs exporting to main EU markets, it is vital that the key supplier selection criteria identified and the most commonly cited international standards are taken into consideration when forming own internal ESG policies and strategies. If done successfully, this in turn will strengthen Irish companies' position when competing for large EU contracts as they will already be speaking the "language" of the larger player in terms of ESG and sustainable supplier selection criteria.

Qualitative interviews were also conducted with professionals from these three key export sectors based in the focus EU markets to gain further practical insights.

Results of ESG Supplier Selection Criteria Analysis

In summary, based on the analysis, it is recommended that Irish companies focus on strengthening their position on the ESG topics outlined in the shown framework, in anticipation of competing for export contracts to main EU markets.

Priority levels have been established to help guide Irish companies in allocating their resources in a strategic way to develop and implement an action plan starting off with the high priority areas.

Although economic criteria (and low to medium criteria) are extremely important in today's business environment, the low mentioning of these criteria implies that they do not necessarily need to be central in Irish firms' ESG strategies, but of course need to remain a major factor in general business and activities.

Prioritisation Framework

<table>
<tr><th></th><th>Criteria Category</th><th>High Priority</th><th>Medium Priority</th><th>Low Priority</th></tr>
<tr><td></td><td>Environmental</td><td>• Environmental Management Systems (EMS) + ISO 14001 Certification
• Pollution (Air & Water)
• Sustainable Resource Consumption</td><td>• Environmental Management Systems (EMS) + ISO 14001 Certification
• Pollution (Air & Water)
• Sustainable Resource Consumption</td><td>• Green Technology & Know-how</td></tr>
<tr><td></td><td>Social</td><td>• Health & Safety + ISO 45001
• Employment Practices
• Human Rights + ILO Conventions
• Child & Forced Labour
• Staff Training</td><td></td><td>• Stakeholder Relations
• Involvement in Sustainable Community Projects</td></tr>
<tr><td></td><td>Economic</td><td></td><td>• Quality</td><td>• R&D
• Packaging
• Price of Product / Service</td></tr>
<tr><td></td><td>Governance</td><td>• Environmental Management Systems (EMS) + ISO 14001 Certification
• Pollution (Air & Water)
• Sustainable Resource Consumption</td><td>• Cybersecurity
• Environmental Code of Conduct</td><td>• Social Code of Conduct</td></tr>
<tr><td rowspan="3">Overarching</td><td>International Standards</td><td colspan="3">UN Global Compact, UN Declaration on Human Rights, OECD Guidelines</td></tr>
<tr><td>EU Standards & Regulations</td><td colspan="3">VSME, CS3D, EUDR, EU Batteries Regulation, EU CRMA, EU ESPR, EU PPWR, CSRD, EU Taxonomy</td></tr>
<tr><td>EU Country Level</td><td colspan="3">• LkSG
• GPP
• EntgTraspG
• FüPoG II
• KSG NCES

• Loi de Vigilance
• Anti-Waste Law
• loi Énergie-Climat
• PACTE Law
• AFNOR Diversity Label

• LCCTE
• Royal Decree 1055/2022
• Ley 26/2007
• Spanish Corporate Governance Code

• TUA
• Società Benefit
• Riforma costituzionale del 2022: modifica agli articoli 9 e 41</td></tr>
</table>

05
ESG in Key Irish Export Sectors

I. Technology & Services

II. Industrial & Life Sciences

III. Food & Sustainability

Technology & Services

Technology[60,61]

Clean Tech

The European Parliament are focusing on renewable energy solutions for technologies including solar, wind, batteries, heat pumps and electrolysers used for the production of hydrogen AI.

Governance & Cybersecurity

Implementation of strong ethical AI governance measures and cybersecurity systems in order to ensure IEEE, OECD, Council of Europe, and GDPR alignment.

Data Centre Energy Efficiency

More energy efficient solutions are being explored due to high emissions related to the water and energy consumption in data centres.

Digital Accessibility

Improving accessibility online for people with disabilities.

"We require 100% of our suppliers in our Procurement Model to operate with stringent sustainability standards like our own as a condition for their selection and onboarding."

ESG Development & Impact Director, **Telefónica**

Financial Services[62]

ESG Bonds

- Asset-based (use of proceeds) - green and social bonds
- Performance-based - sustainability-linked bonds

ESG Risk Ratings

This involves measuring a company's financial product or fund's exposure to ESG related risks. Common ESG risk rating providers include Sustainalytics, MSCI, Ecovadis and CDP.

Incorporating Biodiversity via Parametric Insurance

By providing rapid funding based on a threshold in the case of a natural disaster, without a need for an inquiry/investigation - example AXA.

Divestment of Assets from Fossil Fuel Industry

Financial services companies have been gradually divesting from coal, oil and gas industries.

Regulations:

- Critical Raw Materials
- Conflict Materials
- Sustainable Finance Disclosure Regulation (SFDR)
- EU Green Bonds (EU GBs)
- Waste from Electrical and Electronic Equipment (WEEE) Directive

Frameworks:

- UN Principles for Sustainable Insurance (PSI)
- UN Principles for Responsible Investment (PRI)
- Sustainable Finance Disclosure Regulation (SFDR)
- ISO 50001 – Energy Management Systems (progressive implementation expected)
- ISO 20400 – Sustainable Procurement

Alliances:

- UN-convened Net-Zero Asset Owner Alliance (NZAOA)
- Responsible Business Alliance (RBA)

Industrial & Life Sciences

Manufacturing[63]

Environmental Product Declaration (EPDs)

Detailed product information relating to environmental impact.

Energy Flexible Factories

Integrating renewable energies such as wind and solar into the energy mix to fuel production.

Application of Biodiversity Principles

High Conservation Value (HCV) and High Carbon Stock Approach (HCSA) principles that are used to protect valuable ecosystems in areas of production.

Responsible Sourcing

Strong policies on conflict minerals (3TG) and critical raw materials in line with OECD guidelines.

Hazardous Materials Management

Addressing the handling of, and waste from, hazardous substances and materials.

Living Wage

Going beyond providing workers with the legal minimum wage in the country of production based on the real cost of living.

> "If you are not able to provide some evidence showing that you are actively working towards a lot of sustainable initiatives in order to reduce your greenhouse gases impact, you are going to be eliminated quite quickly."
>
> Managing Director France, **Kingspan**

Construction[64]

Nearly Zero Energy Buildings (nZEB)

Through energy upgrades and increased energy efficiency and ratings, emissions of buildings can be reduced.

Low Embodied Carbon (LEC) Materials

With a special focus on cement and concrete, construction materials are being redesigned.

Green Public Procurement

Governments in the EU are incorporating ESG criteria in supplier selection for public contract tenders.

Buildings as Material Banks (BAMB)

A shift to more circular practices by using a materials deposit system and harvesting materials through recovery, reuse, repurpose and recycling methods to reduce waste from construction projects - example **Saint Gobain.**

Life Sciences[65, 66, 67]

Water Management

Water scarcity is being experienced by 30% of the EU and due to the life sciences industry's high water consumption, it is vital to reassess water infrastructure and wastewater management to ensure supply resilience.

Biodiversity

The improper disposal of Active Pharmaceutical Ingredients (APIs) can lead to the pollution of ecosystems and harming of species and soil quality.

Corporate Digital Responsibility (CDR)

Reliance on highly sensitive health data means that serious measures need to be taken to protect data from cybersecurity threats and to ensure ethical compliance.

Circular End-Of-Life Approaches

The high volumes of waste produced in the industry from devices and packaging means that there is an opportunity for the implementation of circular solutions.

SEDEX

"...you may audit two or three companies, but you have 2,000 suppliers, but other companies are going to be auditing their suppliers and they are in common. So at the end you just audit two or three, but altogether all are audited because of the other companies. So it's really useful and we usually only track the high risk ones"

Sustainability Manager EMEA, **Sylvania Group**

Tools & Platforms:

Due Diligence Platforms/Softwares for High-Risk Suppliers: REVIT, SEDEX, Ecovadis Platform, internal emissions tracking dashboard.

Responsible Sourcing:

IRMA certification, RMI Responsible Minerals Assurance Process, OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas, Anker Methodology

- Responsible Care® Initiative.

Biodiversity:

- High Conservation Value (HCV) approach
- High Carbon Stock (HCS) approach

Key EU Regulations:

- RE2020 (France)
- EU Ecodesign for Sustainable Products Regulation 2024/1781 (ESPR) EU Right to Repair (R2R)
- EU Packaging & Packaging Waste Regulation 2025/40
- Basel Convention
- Regulation (EC) No 1907/2006 (REACH)

Food & Sustainability

Deforestation Free Supply Chains

Requiring suppliers to prove this for ingredients such as soy and palm oil and for operation buildings.

Animal Welfare

Follow the Five Freedoms of Animal Welfare from WOAH and responsible fishing practices.

Regenerative Agriculture & Soil Health

Adopting more sustainable farming methods that improve soil health and carbon storage.

Digital Traceability

Supply chain traceability of food and beverages via certifications, soil and water impact data and origin.

Land Rights

Banning "land grabbing" from indigenous communities and denying people's livelihoods tied to the land.

Supporting Local Producers

Larger corporations pledging to support local SMEs and to pay farmers fairly.

Energy Security

Producing own renewable energies domestically to increase energy resilience and autonomy.

Grid Bottlenecks

Upgrades to grid infrastructure relating to storage are seen as crucial to enable flexibility and combat variability of renewable energies.

Carbon Capture & Storage (CCS)[68]

New projects in the EU are growing.

Biofuels

To help decarbonize the transportation and logistics sector

- RSPO (palm oil certification)
- MSC / ASC (sustainable fisheries & aquaculture)
- World Organisation for Animal Health (WOAH) – Five Freedoms (animal welfare)
- High Carbon Stock (HCS) or High Conservation Value (HCV)
- EU Renewable Energy Directive (RED II/revised 2023)
- EU Methane Regulation

> "Suppliers must respect the rights and title to property, land, or natural resources of local communities and indigenous people."
>
> CSR Project Manager,
> **Danone**

06

Key Recommendations

Integrate international ESG guidelines and frameworks into your company's internal policies and operations. Also, ensure that you are keeping up-to-date with evolving ESG regulations in the EU and member state export markets and adapt accordingly.

Seek to prioritise your company's ESG efforts and resource allocation according to the **framework (page 21)**.

Identify sector-specific certifications, alliances and regulations applicable to your business. Strategically plan to integrate these elements to ensure long-term competitiveness in your industry.

Identify the ESG trends in your industry to unlock potential future opportunities including those related to green public procurement.

If your business is out-of-scope for CSRD, implement the VSME framework for your sustainability reporting.

For further support during your sustainability journey, avail of Enterprise Ireland resources and contact personnel.

07

Key Resources & Contacts

[Enterprise Ireland sustainability supports]

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08

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The Sustainability Solutions Team
The Marketing and Communications Team

Enterprise Ireland

Enterprise Ireland is the Irish State agency that works with Irish enterprises to help them start, grow, innovate and win export sales in global markets.

Enterprise Ireland partners with entrepreneurs, Irish businesses, and the research and investment communities to develop Ireland's international trade, innovation, leadership, and competitiveness.

In this way, we support sustainable economic growth and regional development and help create and sustain employment in Ireland.

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