International ESG Barometer

2025

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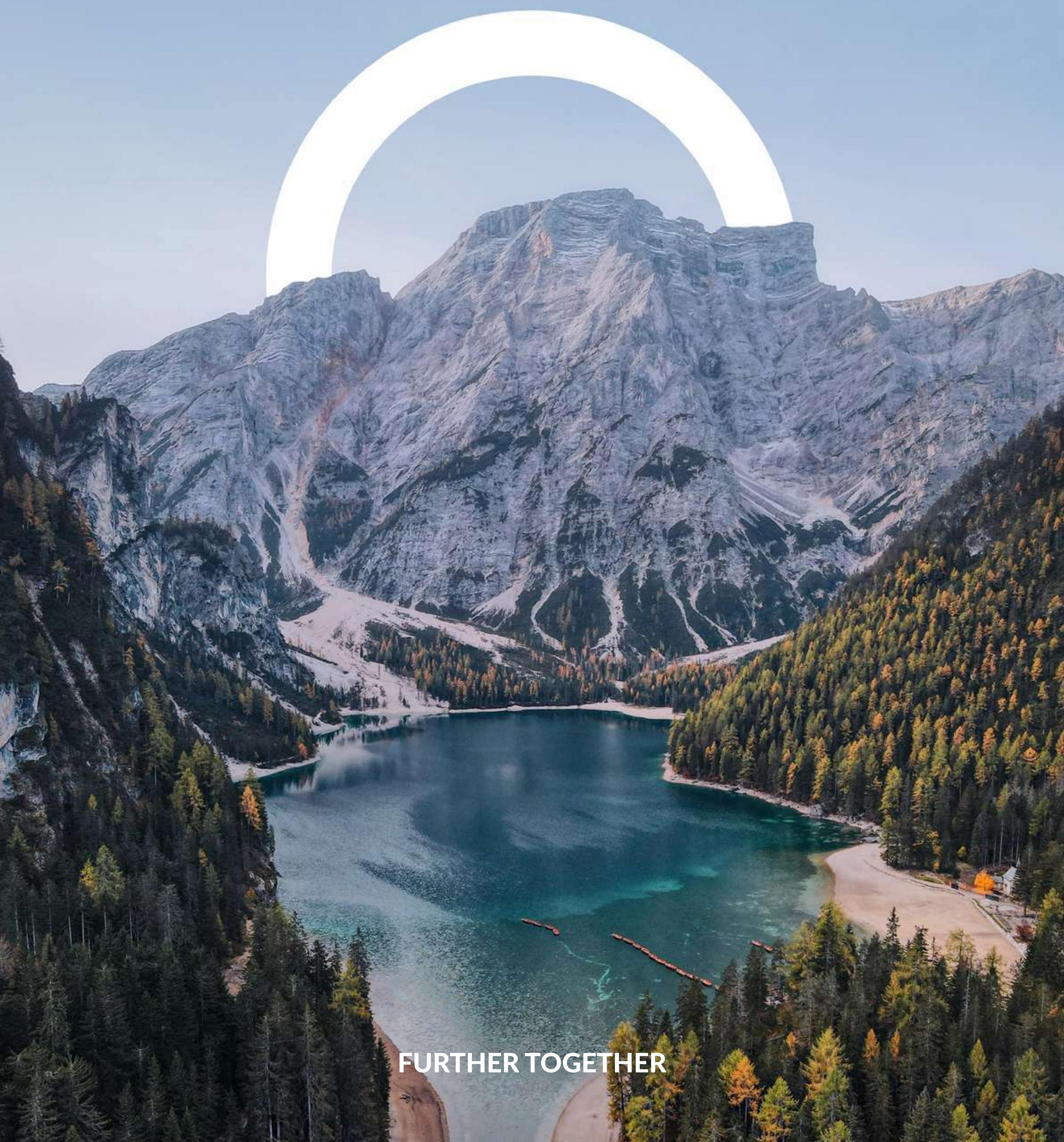

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Methodology

This report provides in-depth analysis of Europe's ESG and sustainability landscape and the continent's preparedness to deliver CSRD reports in 2025. In October 2024, we surveyed 723 CEOs, CFOs, Directors of Sustainability and Heads of ESG and or Sustainability.

The data has been analysed by the following members of Ayming's expert team:

Maxime Bouché,
ESG Market Leader
at Ayming France

Paolo Intini,
Director of Operations
at Ayming Italy

Joanna Sobczyk-Poźniak,
ESG Consultant
at Ayming Poland

Respondents were sourced from the eight countries listed below and were evenly split between four sectors: manufacturing, food & beverage, financial services, and IT & technology, as well as between large businesses of more than 500 employees and smaller companies of between 250 and 500 people.

- Belgium
- France
- Germany
- Italy
- Poland
- Portugal
- Spain
- United Kingdom

Executive Summary

Chapter 1: Embedding ESG in Business Strategy

Strategic Importance of ESG: Sustainability and environmental responsibility are top priorities for 35% of businesses, driven by regulatory pressure, consumer demand, and societal expectations. UK and Italian firms lead this trend with over 50% prioritising sustainability.

Sectoral Disparities: The manufacturing sector leads in prioritising sustainability (49%), while financial services lag at 19%, reflecting its traditional focus on twin peaks of profitability and risk management.

Formal ESG Strategies: 72% of businesses have formal ESG strategies, with Spain and Italy leading adoption at over 80% compared to only 57% of Portuguese companies, highlighting the regional disparities at play.

Budget Allocations: Approximately 24% of businesses dedicate 5% of revenue to ESG, with over 25% allocating 10% or more, reflecting both the significant commitment to sustainability and the high cost of compliance requirements.

Resource Allocation: Nearly half (48%) of businesses have dedicated ESG teams, complemented by external partnerships (41%) and subcontracting (25%).

Chapter 2: Drivers of and Barriers to ESG Adoption

Key Drivers: Innovation is a primary driver for nearly half of Italian businesses (48%), where companies have aligned ESG integration with market differentiation, while French businesses emphasise regulatory compliance (42%).

Financial Barriers: 67% of businesses face financial constraints in ESG initiatives, with 22% reporting severe limitations. Cost pressures are particularly acute in Germany (32%).

Funding Challenges: Self-funding is prevalent (41%) with significant gaps between awareness and utilisation of funding options in the French market specifically.

Regional Funding Variances: Spain and Germany lead in leveraging national grants, while Italy excels in tax credits, showcasing the diversity of approaches to sustainability funding across Europe.

Positive Impacts of ESG: 75% of businesses report positive impacts from their ESG strategies, with Italian companies seeing significant benefits in customer satisfaction (48%) and brand reputation (44%).

Complexity as a Barrier: More than 20% cite the complexity of ESG topics as a challenge, stemming from evolving regulations and fragmented data metrics.

Chapter 3: Navigating CSRD Compliance

CSRD Readiness: 60% of businesses are CSRD-compliant, with another 31% preparing for compliance.

Barriers to Compliance: Key challenges include the complexity of the regulation, insufficient resources, and data reliability issues. Germany reports the highest resource constraints (32%).

Cascading Compliance: CSRD indirectly affects smaller suppliers, who don't want to risk being eliminated from the wider value chain, ensuring that its influence goes beyond directly obligated entities.

Government Support: Businesses call for a more clear and consistent net zero policy and regulatory roadmap with 76% of businesses rating it as "very important" or higher and almost a third of businesses (30%) categorising it as "absolutely critical".

Chapter 1

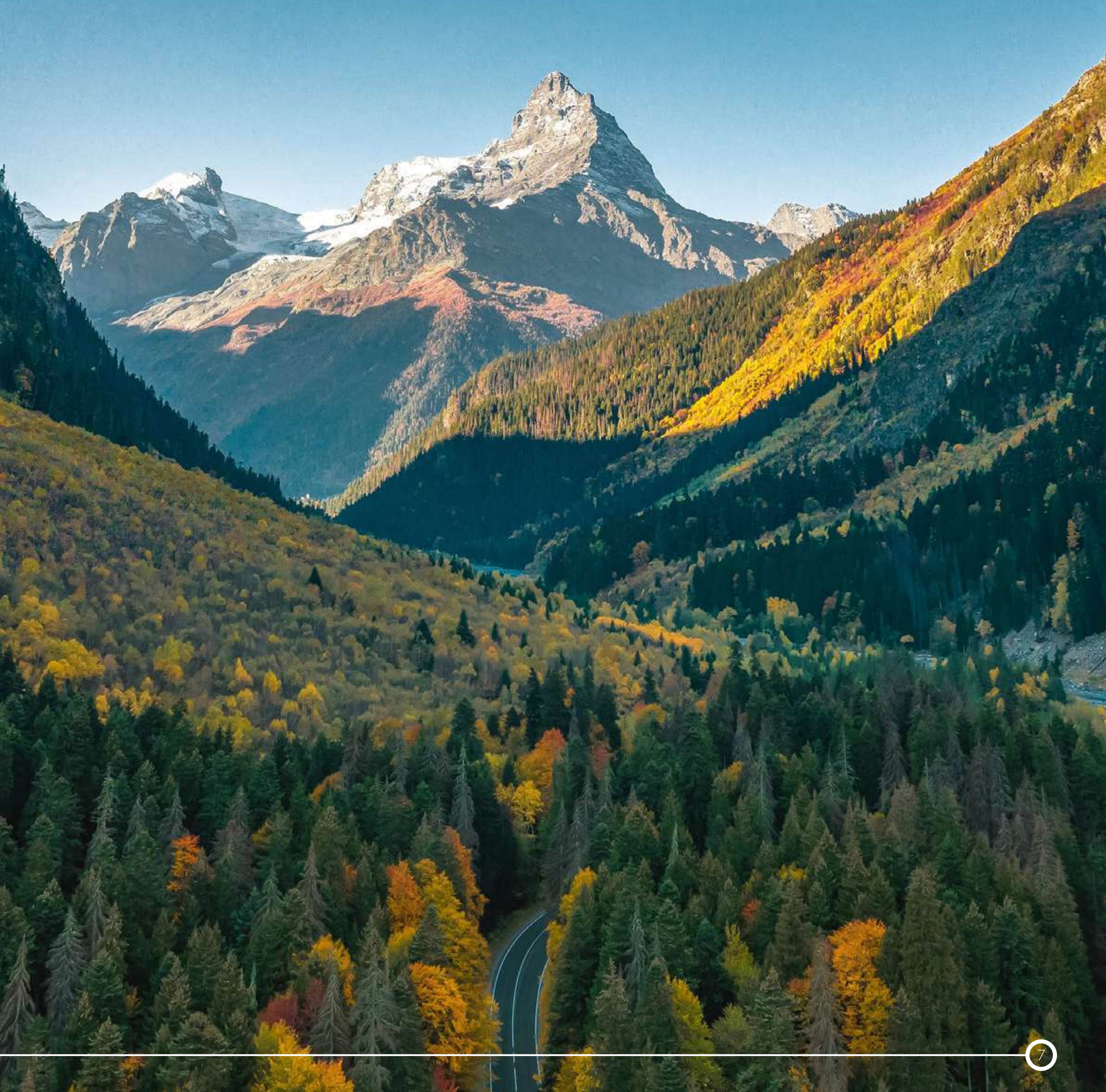
Embedding ESG in Business Strategy

ESG has rapidly transformed from a niche consideration into a cornerstone of corporate strategy. Increasingly, businesses are recognising that robust ESG commitments are no longer optional but essential to maintaining market relevance and driving long-term profitability.

This chapter considers the extent to which this shift has already taken place across Europe, where budget is being channelled and resources allocated, and which areas of sustainability businesses are making the most progress in.

Embedding ESG

Sustainability and environmental responsibility have emerged as the biggest priority for 35% of businesses. Whilst the inclusion of Directors of Sustainability and Heads of ESG in the panel have undoubtedly skewed these results to a point, the emphasis also reflects the underlying shift in corporate values, driven by increasing regulatory pressure, consumer demand and societal expectations. Notably, the priority placed on sustainability varies by geography across the European market. Businesses in the UK and Italy stand out with over 50% citing sustainability as a top concern, where the heightened focus can be attributed to a combination of proactive market behaviour and active public discourse around climate change.



How sustainability is becoming a business priority

“At the European level, it’s no surprise that sustainable development is taking centre stage as a business priority. It reflects a shifting awareness of global challenges and corporate accountability, shaped by the economic maturity of individual markets. Consumers in advanced economies like Germany and France actively choose eco-friendly solutions, recognizing their long-term value and importance.

Sustainable development has transitioned from a passing trend to a core component of business strategy. Leading global corporations are setting ambitious carbon neutrality goals and adopting advanced digital technologies alongside renewable energy solutions to align with the expectations of investors and customers. They acknowledge that sustainability drives growth and enhances competitiveness and fortifies business resilience in an increasingly dynamic global environment.

In Poland, while awareness is growing, the main driver for transformation remains compliance with European regulations. Customer demand for ESG initiatives is only beginning to emerge and is still largely under the radar for many businesses. Cost concerns dominate, with the belief that the transition is too expensive. This highlights the current stage of market development but also signals opportunities for change. More companies are starting to see digitalization and electrification not just as tools for transformation but as essential pillars of competitiveness and resilience.

Regardless of the initial motivation, sustainability is evolving from a statement of intent to a strategic approach for gaining market advantage and fostering environmental responsibility.

The Polish market is gradually maturing in this regard.”

Jacek Łukaszewski

Middle and Eastern Europe Cluster President (2017-2025),
Schneider Electric

By contrast, the financial services sector lags behind its counterparts. Only 19% of respondents identifying sustainability as a priority, compared to 49% in the manufacturing sector and 37% and 35% respectively within the tech and food and beverage industries. The gap stems from differing industry dynamics and given the financial sector's historic focus on the twin peaks of profitability and risk management, the results are not surprising. However, as ESG becomes central to investment criteria and client expectations, the financial sector will face growing pressure to adapt faster.

Sustainability and the financial sector

“In response to ESG expectations of broadly defined market, including the regulator’s requirements, banks are increasingly changing their policies, processes and business strategies, which will consequently lead to a gradual allocation of capital towards sustainable assets.

Globally, 19% of respondents from the financial sector identify sustainability as a priority

This seems interesting from the perspective of Poland, where the financial sector especially, including banks, often supports the implementation of sustainable development initiatives. It is worth noting that the direct emissions of banks themselves are negligible compared to the emissions associated with their loan portfolios—for instance, at ING Bank Śląski, 99.6% of emissions are linked to the financed portfolio. Therefore, the role of banks in supporting their clients’ sustainability efforts is critical.

At ING Bank, we integrate sustainability into both our internal operations and our portfolio management. In terms of portfolio decarbonization, we adopt a dual approach—sectoral and individual. ING Group N.V., within Terra initiative, has adopted long-term goals in selected high-emission sectors for reducing the carbon intensity of loans granted in accordance with the Paris Agreement.

As ING Bank Śląski, in November 2023, we published our directions and actions towards emission reduction in relation to the mortgage, commercial real estate and energy production sector loans portfolio. We have committed, a.o., that by 2030 we will allocate PLN 5 billion to finance renewable energy sources and that after 2025 we will not finance energy sector assets dependent directly on steam coal to a degree higher than 5%.

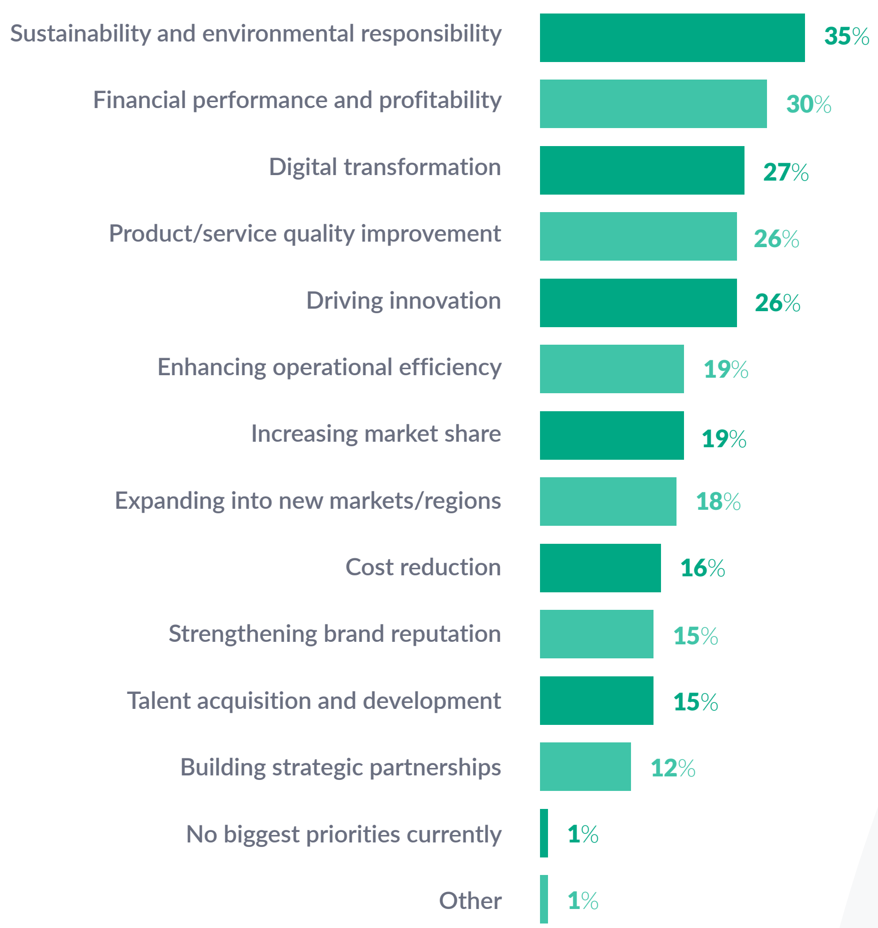
In an individual approach, both at the level of the ING NV Group and ING Bank Śląski, we conduct an active dialogue with clients regarding transformation plans and support the implementation of their goals by financing of the sustainable assets or related to sustainable growth. We finance many sustainable activities, but still more that are not.”

Sylwia Wochal

Director of ESG Center Wholesale Banking , ING Bank Śląski SA

Other key priorities for businesses include driving innovation (26%), enhancing operational efficiency (19%) and increasing market share (19%), all of which intersect closely with sustainability efforts. For example, innovation in product development often leads to improved environmental performance or the creation of new sustainable offerings, while operational efficiency can reduce waste and emissions.

Companies' biggest priorities



When asked how likely they would be to recommend integrating ESG practices as a key performance driver, 73% of businesses selected either “likely” or “highly likely”, indicating that sustainability has become a core element of business.

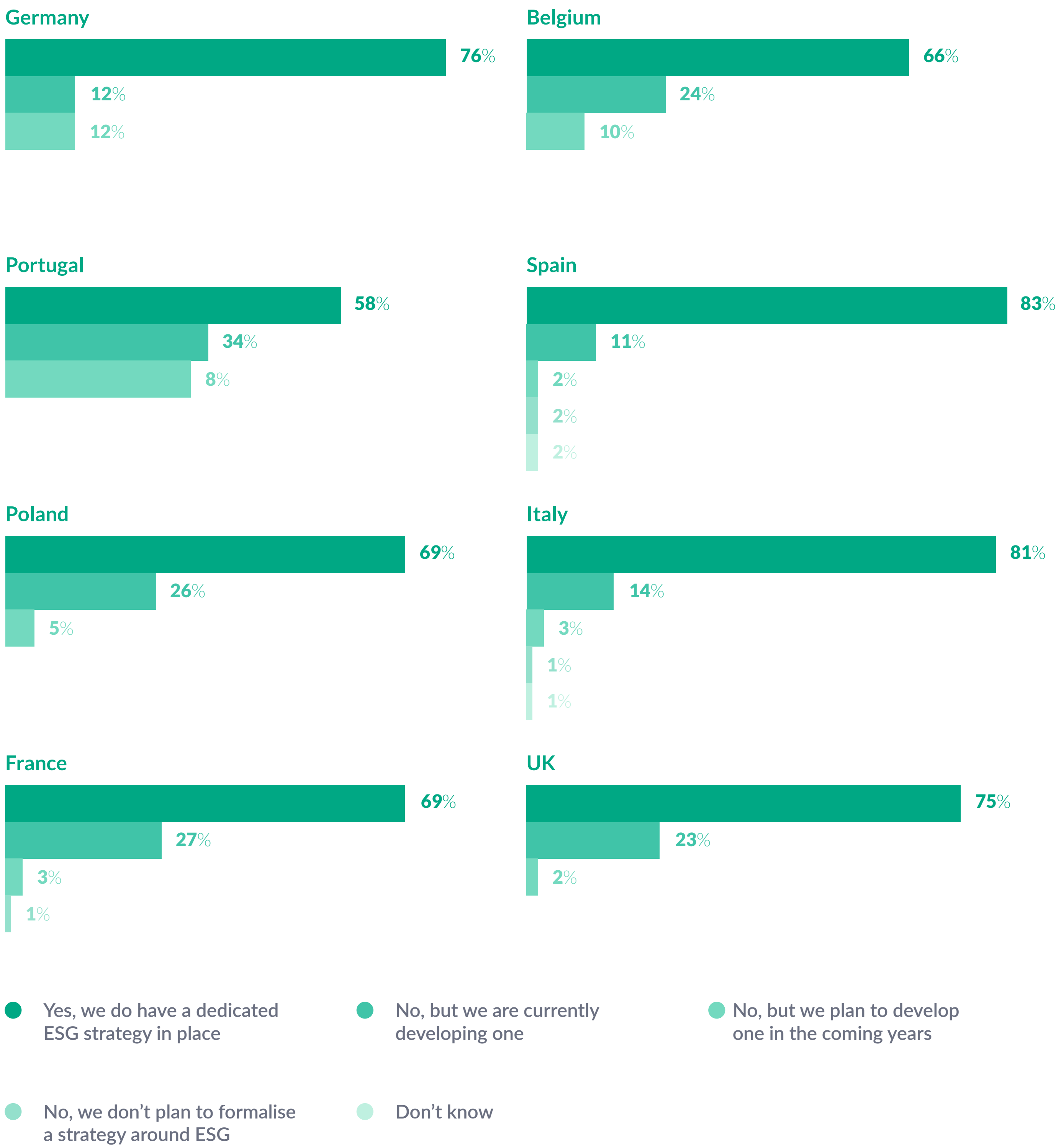
A dedicated ESG strategy is another clear signal of a company’s commitment to sustainability. The findings reveal that 72% of businesses already have a formal ESG strategy in place, while 22% are proactively developing one. Spain and Italy lead the charge, with more than 80% of companies already implementing strategic ESG frameworks. In contrast, markets like Portugal – where only 58% of companies have formalised their strategies – underscore the uneven pace of ESG adoption across Europe.

This trend reflects not only differing regional regulatory pressures, but also cultural factors and market dynamics. Companies in more mature markets recognise that a structured ESG strategy can mitigate risk, enhance reputation, and drive long-term growth. For businesses in earlier stages, however, the challenge lies in transitioning from ad hoc initiatives to systematic, measurable strategies.

Joanna Sobczyk-Poźniak, ESG Consultant at Ayming Poland comments,

> “Poland is in the middle of the pack in Europe when it comes to defining an ESG strategy – a reflection of both growing awareness and lingering knowledge gaps within the market. Many businesses are still in the early stages of understanding what an ESG strategy entails, but ESG reporting has been a critical catalyst in driving transformation, providing a detailed roadmap to guide companies on the specific actions and compliance measures necessary to build a robust ESG strategy.”

Does your company have a dedicated ESG strategy?



When looking at the maturity of these ESG strategies in a more advanced market like Italy, it's clear that most firms sit within the transitionary phase. 26% of Italian businesses describe their strategies as "intermediate", while a substantial 52% report an "advanced" strategy but have not been able to fully integrate it into the wider business yet.

Paolo Intini, Director of Operations at Ayming Italy suggests,

> "This distribution underscores a clear trajectory within the market towards more structured and strategically aligned ESG efforts. While some companies are still in the preliminary stages, there is a notable commitment in Italy to advance beyond compliance and ad hoc initiatives. Achieving higher maturity levels in an ESG strategy is not without challenges, but the first step is a mindset shift from perceiving ESG compliance as a cost, to seeing it as a value-driven investment".

ESG Adoption in Italy

“With only 17% of Italian companies having fully integrated ESG principles into their strategy, progress is often hindered by a lack of strategic vision, insufficient time, and a shortage of specialised staff, such as HSE managers. Furthermore, inadequate internal communication can lead to a disconnect between management and employees, impeding engagement and alignment at all levels of the organisation. To overcome these challenges, organisations must prioritise targeted training, including fostering a pipeline of ESG-ready talents through specialised university programs.

Companies that are still in the early stages of ESG adoption (6%) face significant risks as ESG becomes a more critical factor in business valuations.

These risks stem from evolving regulations and the confusion around their interpretation, such as the shift from GRI to ESRS, which has created challenges in identifying and addressing gaps. Without a clear vision, organisations may struggle to align with ESG requirements. Guidance from experts who understand both the frameworks and the specific business context is essential to mitigate these risks.”

Guido Rovati

Sales & Marketing Corporate Director, Giusto Faravelli Spa

Businesses put their money where their mission is

The commitment to sustainability is also evident in how companies allocate their resources.

A striking 80% of businesses incorporate both environmental and social impact into their investment decision-making processes. This holistic approach is crucial for aligning business goals with societal expectations. However, regional differences remain, with Spain notably focusing more narrowly on environmental impact – 27% of businesses compared to a 16% average across other markets.

Budget allocation further illustrates the importance of sustainability. Approximately 24% of companies dedicate 5% of their revenue to ESG initiatives, while over one-in-four allocate more than 10%, demonstrating a broad recognition that sustainability investments are essential drivers of long-term value.

ESG Investment across Europe and in Poland

“Across Europe, the surge in investments targeting sustainability is fueled by the growing focus on socially responsible investors, increasing societal awareness, and regulatory initiatives from the European Union. Businesses increasingly recognize that green technologies and ESG frameworks are not only essential for safeguarding their reputation but also pivotal for ensuring long-term profitability. As a result, more companies are directing substantial resources toward these areas, viewing them as opportunities for growth and a foundation for competitive advantage.

Significant investments remain the domain of large enterprises with the resources and long-standing preparation to meet ESG requirements and reporting standards. Small and medium-sized businesses in Poland have different priorities, focusing on day-to-day operations and covering operating costs. Many entrepreneurs are still unaware of the seriousness of the situation or doubt the scope and applicability of the new regulations to their operations. However, the implementation of ESRS requires all companies to adapt within the next three years.

Failure to act risks not only losing competitiveness but, in the longer term, facing complete market exclusion.

In Poland, sustainability is often seen more as an additional expense than as an investment in the future. The success of such investments largely depends on perceived value and benefits. For example, the popularity of photovoltaic systems is driven primarily by cost-effectiveness rather than purely environmental concerns.

At the same time, an increasing number of companies are committing budgets to sustainability initiatives, signaling a willingness to experiment with new solutions. These businesses are testing whether their investments deliver the expected results, potentially paving the way for larger expenditures in this area down the line.”

Krzysztof Okłot

Middle and Eastern Europe Cluster Global Services VP and Sustainability director,

Schneider Electric

Maxime Bouché, Market Leader ESG at Ayming France shares his thoughts,

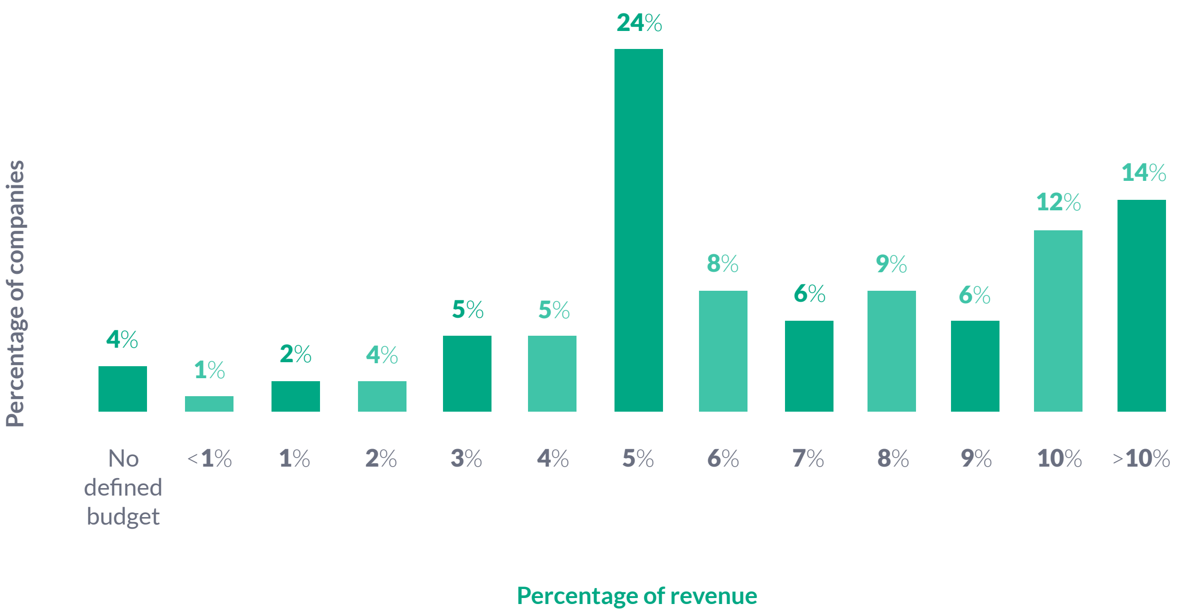
> "It's clear that regulatory pressures have played a crucial role in driving organisations to allocate budget to sustainability and ESG initiatives. Without this influence, such efforts might have remained narrowly focused on financial reporting. However, there is a pressing need to reconsider how these budgets are structured. Ideally, regulatory-driven sustainability actions should be absorbed by broader operational and compliance budgets, instead of being the burden of sustainability departments. This approach would facilitate a more cohesive strategy, embedding sustainability into the organizational framework and enhancing collective accountability for these efforts."

Notably, businesses in Spain, Italy and the UK lead in high-level budget allocations, with 35%, 33% and 33% respectively dedicating 10% or more of their revenue to sustainability efforts. By contrast, German firms adopt a more measured stance, with a substantial proportion allocating 5% of their revenue, indicating a more cautious commitment to sustainability goals.

Across other European markets, there is a nuanced distribution. For example, companies in France show a relatively balanced approach, with significant shares dedicating 5% to 10% of their revenue, suggesting a focus on consistent, mid-tier investment in sustainability. Similarly, businesses in Italy exhibit a mixed pattern, with some high-level contributors but a substantial number remaining within lower percentage tiers, indicating room for growth in large-scale ESG investments.

The data suggests levels of engagement and investment maturity vary across countries and sectors. It seems that businesses are progressively recognising the intrinsic link between sustainability investment and long-term growth, with leaders in high-commitment markets setting a benchmark for broader corporate engagement.

What percentage of your revenue do you allocate to sustainability efforts, if any?



Intini explains the findings,

> “The high allocation of corporate budgets to sustainability initiatives seems surprising – but the reality is most of this investment is spent on costly compliance efforts. Compliance with sustainability mandates is not a simple, low-cost process; it requires substantial investment in reporting, transparency and operational changes. And for companies with the highest emissions, the stakes are even higher – bearing the greater financial burden due to heightened regulatory scrutiny. So for many businesses, investing heavily in compliance and transformation is not solely a strategic move but a necessity for maintaining market access.”

Resource allocation is also central to achieving sustainability goals. Nearly half of all businesses (48%) reported having a dedicated internal ESG team. Nevertheless, external partnerships and collaborations are equally vital. Businesses often collaborate with other organisations (41%) and one-in-four subcontract work to service providers, indicating a recognition that complex ESG challenges require diverse expertise and cross-sector cooperation.

Setting the ESG agenda: what areas of sustainability are businesses prioritising?

Having a dedicated ESG team is essential but understanding where these teams' efforts are focused is another matter. Taking the Polish market as an example, the data reflects the extent to which businesses are progressing across different areas of ESG.

When it comes to reducing **carbon footprints and related strategies** such as emissions management and the integration of renewable energy sources, 37% of Polish businesses have already initiated plans. An additional 49% are in the planning stages, illustrating the strength of the commitment to addressing high-emission areas. However, 13% have not taken any action. According to Sobczyk-Poźniak, this figure reflects Poland's position within the wider European market:

> “different markets are at different stages of transformation. Whilst some European companies have been considering ESG factors for years, many businesses in Poland do not yet fully understand the full parameters of ESG, but as they engage more in all the associated practices, the need to have a more thoughtful, step-by-step strategy is becoming evident”.

Efforts around **green buildings**, such as energy-efficient structures, modernisation and water resource recovery reflect similar dynamics. Currently, 35% of Polish companies have implemented plans, while 41% intend to. Initiatives in this area often have the benefit of being tangible, making them an accessible starting point for sustainability transformation. Meanwhile, **green procurement practices** focusing on supplier responsibility and sustainable criteria demonstrate that 37% of Polish firms have active plans and another 46% prepare to incorporate these considerations into their operations.

Circular economy initiatives also display significant momentum, with 37% of companies actively implementing practices and 44% preparing to do so, highlighting a robust interest in resource optimisation and sustainable production cycles that carry both environmental and financial benefits. However, infrastructure and logistical complexities present ongoing challenges.

Social innovation and equality have emerged as areas of strength within the Polish market, with 50% of companies having implemented relevant initiatives. Sobczyk-Poźniak puts this down to the clear and immediate impact of social responsibility programmes – and the relative lower associated cost.

Regarding the technological solutions driving the ESG transition in Poland, 37% of businesses identified AI and machine learning as particularly transformative, offering benefits that range from improved operational efficiency to refined sustainability practices. The uptake of various technologies reflects a pragmatic approach but Sobczyk-Poźniak cautions:

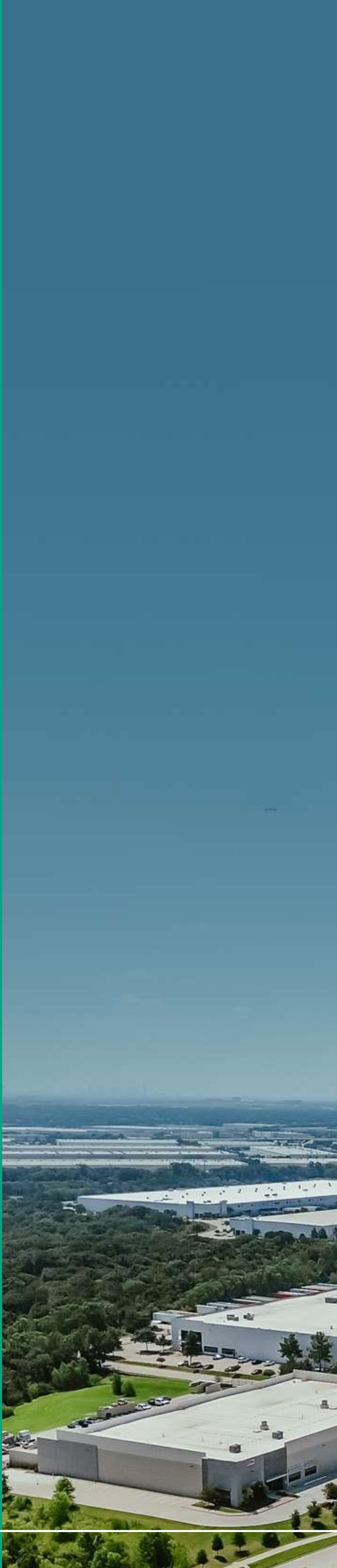
> “ challenges such as assessing return on investment, overcoming skills gaps and ensuring the seamless integration of tech remains a significant hurdle. The complex array of regulatory pressures, societal demands and technological advancements reflects the dynamism of the ESG landscape in the Polish market – but on this count, the same is true across Europe”.

While pronounced disparities remain across European markets, significant progress has been made and ESG has evolved into a central pillar of corporate strategy. As businesses navigate the complexities of regulatory pressures, consumer demands and operational challenges, the path forward lies in transitioning from ad hoc efforts to systematic, integrated strategies that align sustainability with long-term growth.

Chapter 2

Drivers of and Barriers to ESG Adoption

In the next chapter, the report breaks down the drivers behind the transition – the factors that both push and pull businesses into action – and the challenges that are blocking the path forward.



The ESG Engine: the factors influencing sustainability strategies

The factors guiding how companies implement their ESG projects reveals how different European markets are approaching the topic of sustainability more broadly.

In Italy, innovation leads as the primary driver for ESG strategy with 48% of Italian companies selecting it, reflecting a strong focus on leveraging sustainability as a vehicle for business differentiation.

Intini believes this is rooted in the need for small and medium enterprises to stay competitive, stating,

> “small businesses need to distinguish themselves from competitors to survive in the market and in Italy, sustainability is increasingly seen as a way to compete more effectively. It comes down to surviving in supply chains that are coming under the scrutiny of region-wide directives like CSRD (Corporate Sustainability Reporting Directive) and if they want to keep doing business with larger obligated entities, this is the only way forward”.

The Italian approach illustrates how innovation, regulations, and investor expectations can shape ESG strategies. A perspective from the Polish market adds an interesting nuance: according to the Polish ESG Association, efforts to align with ESG reporting standards can themselves drive innovation within companies.

ESG Driving Innovation

“Companies are becoming increasingly knowledgeable about ESG and aware that it will directly or indirectly impact their business.

An increasing number of entities see opportunities for growth and enhanced innovation in achieving strategic ESG goals.

This indicates the rising expectations of the market for implementing ESG principles in practice.

Innovation in the ESG domain also drives the development of modern technologies, including artificial intelligence. In our report «Artificial Intelligence and ESG: Challenges of the Future», we asked representatives of leading Polish companies how they realistically assess the prospects for AI in their organizations, particularly in the context of ESG. Companies see significant potential in artificial intelligence – from collecting and analyzing indicators to advanced modeling that can even support investment decision-making.

A well-thought-out ESG strategy enables improvements in energy and resource efficiency, better risk management, and operational cost reductions, generating savings and building competitive advantage.

Reporting is no longer perceived as an end in itself but as part of a broader process aimed at minimizing negative impacts on the environment.

It is encouraging that entrepreneurs increasingly understand that winning in a competitive market is no longer just about price but also about transforming towards sustainable development.”

Joanna Dargiewicz-Rożek

Member of the Management Board
of the Polish ESG Association

Marta Biernacka-Miernik

Member of the Management Board
of the Polish ESG Association

By contrast, innovation is a less intense driver in the French market – with 32% selecting it. While still relevant, it does not dominate the ESG landscape to the extent seen in Italy, suggesting that French companies recognise innovation's role in sustainability, but balance it more evenly against regulation, compliance and other pressures.

Bouché comments,

> "In the French market, we're seeing a significant shift toward incentivising innovation through financial measures, particularly for projects tied to the circular economy. For example, the TVA Circulaire, adopted in October 2024, propose reduced VAT rates for products derived from circular practices, such as those incorporating recycled materials. Additionally, various opportunities for financing innovation are emerging, including specialized grants targeting green and sustainable projects. This kind of regulatory support drives both innovation and sustainable practices, offering a compelling model likely to evolve further".

Investor expectations also reveal a different regional emphasis. In Italy, 40% of respondents cite investor expectations as a key driver, whereas in France, this figure is 33%, suggesting Italian businesses are more responsive to shareholder pressures, which Intini believes is potentially due to the market's structure and reliance on maintaining external investment relationships.

Regulatory compliance ranks higher in France at 42%, compared to Italy's 37%. Besides this standout driver, the picture in France is very balanced with a relatively even spread of results between investor expectations (33%), innovation (32%), supplier requirements (30%), market demand (29%), competitor actions (29%) – all pointing to the conclusion that French businesses are seeing the sustainability agenda in the round.

In short, while Italian companies lead with innovation and market competitiveness, French businesses are more focused on balancing regulatory compliance and industry alignment with broader sustainability goals – both approaches, whilst distinct, position them as strong ESG leaders within the European landscape.

Balancing green goals and red lines

The path to sustainability is paved with financial challenges, making access to appropriate funding mechanisms critical.

Self-funding remains the dominant approach, utilised by 41% of businesses. This trend is particularly strong in the UK, where 54% of companies rely on internal resources. The reliance on self-funding may reflect limited access to external grants, or more conservative approaches to leveraging debt and equity for sustainability projects.

Among French firms, the gap between awareness and utilisation of different funding options for implementing ESG practices represents an important hurdle to overcome. The highest awareness levels are for regional aids specific to CSR and ESG and green loans offered by commercial banks, with each option recognised by 35% of respondents. This is closely followed by tax credits for energy renovation of tertiary buildings, known by more than a third (34%) of French businesses. However, when it comes to utilisation the numbers drop off. For regional aids specific to CSR and ESG, utilisation slips to 27% and for green loans to 26%.

Bouché attributes the consistent gap between awareness and utilisation to

> “the significant barriers to entry that exist, including complex application and filing processes and uncertainty around eligibility. To bridge the gap, the financial sector needs to take a proactive role in educating businesses through awareness campaigns that enhance the different schemes’ visibility. Simplifying access to these funding opportunities and ensuring efficient communication will be the key to driving higher utilisation”.

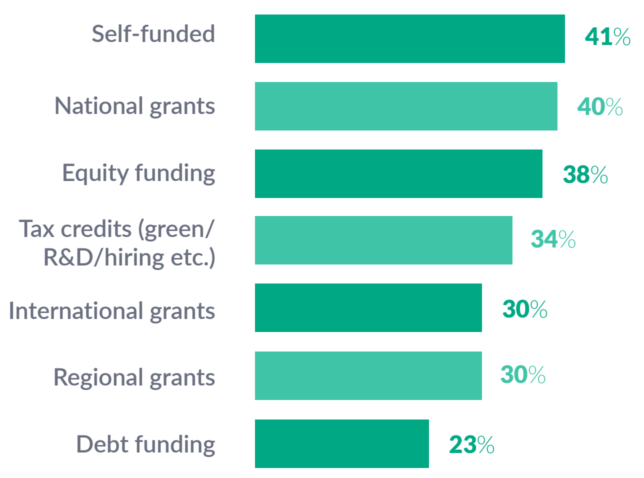
For some of the funding options where utilisation is particularly low, visibility and education is the key. For example, the Eco-Energy Loan (PEE) from Bpifrance was utilised by just 17% of businesses, slightly higher than ADEME Green Loans at 16%, while only 13% of respondents reported using Bpifrance’s Impact Assessment.

Governmental support, in the form of national and regional grants, also plays a significant role. Spain and Germany lead in leveraging national grants (46% utilisation), while Germany stands out for its use of regional grants (44%). Italy's extensive use of tax credits (58%) further highlights the role of fiscal incentives in encouraging sustainability. However, discrepancies across regions underline the need to better spread access to funding, streamline processes, and increase awareness of available resources.

Looking at the Italian government's success in recent years to facilitate ESG initiatives through grants and tax credits, Intini considers what has made this strategy effective: "The Italian government has shown considerable generosity in providing public funding, particularly in the sustainability space. Companies investing in more efficient energy structures or renewable energy can access tax credits covering up to 80 % of costs if they combine certain measures. The current environment represents a strategic window for businesses to accelerate green investments, utilising the particularly generous funding available until the end of the EU Recovery Fund in 2026.

"Perhaps one of the most effective funding levers in Italy has been the 5.0 tax credit, which combines industrial efficiency with energy efficiency. This unique tax credit builds upon the 4.0 credit for upgrading machinery, offers higher rates when environmental benefits are integrated, representing a creative legislative approach to merge innovation with sustainability goals. And this is exactly what governments must do to foster a system that supports both. While the two concepts might seem at odds – in their simplest forms, innovation tends to create while sustainability tends to preserve – and the interplay between them can lead to long-lasting and impactful solutions".

Types of funding for sustainability projects

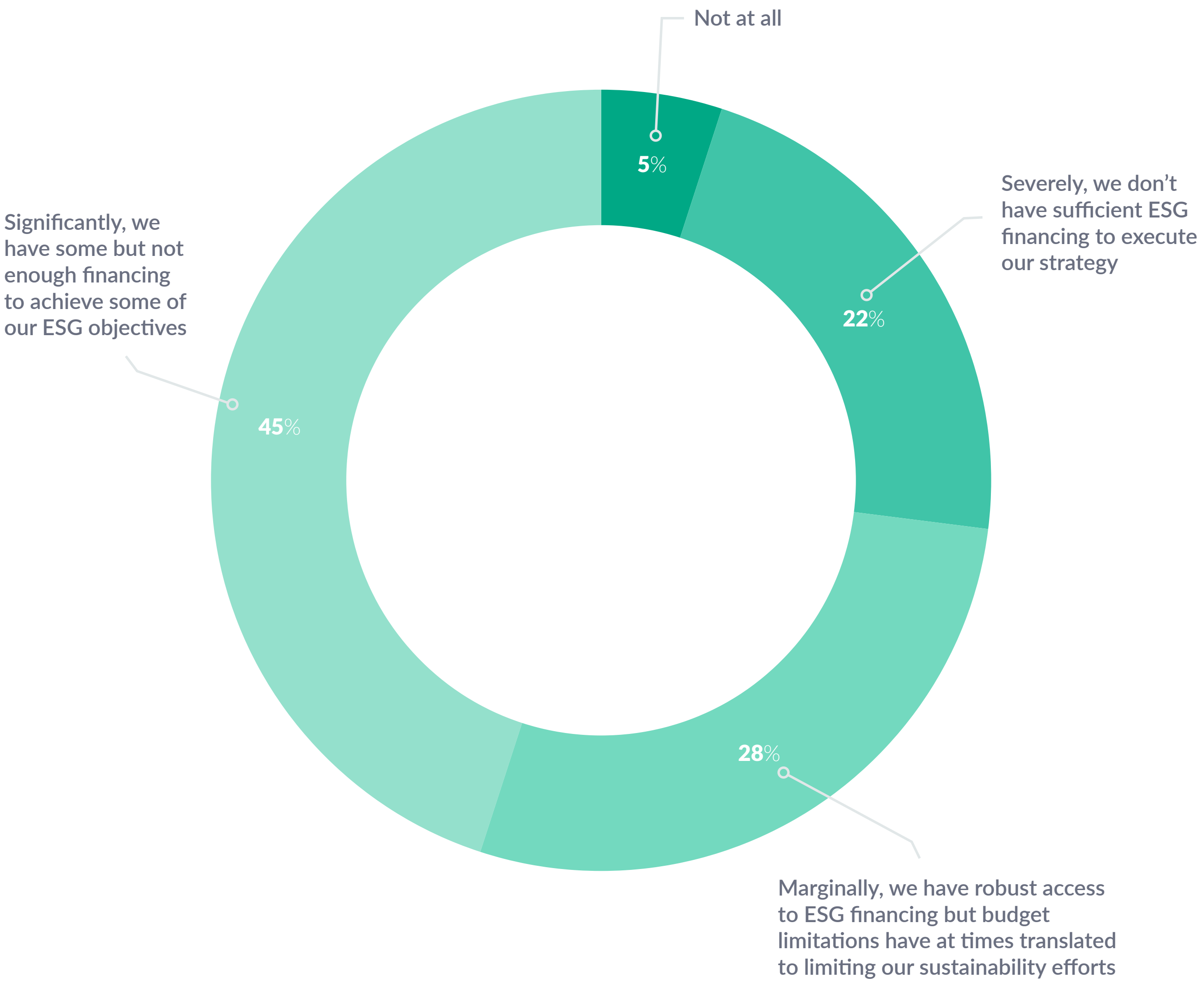


However, despite the generosity of certain schemes – insufficient ESG financing poses a notable challenge for many businesses. 22% of businesses reported that a lack of ESG financing "severely" limits their ability to execute their sustainability strategy. Meanwhile, 45% indicated that their current funding is not sufficient to fully meet their objectives – meaning that the total share of companies suffering from financial constraints on their ESG initiatives is a striking 67% – more than two thirds of all businesses.

A further 28% of respondents acknowledge they have robust access to ESG financing; however, they note that budgetary limitations have occasionally limited their sustainability efforts. Just 5% of businesses stated that insufficient ESG funding is not a barrier.

Regional differences are evident. In Poland and Germany, 31 and 30% of businesses respectively identified the lack of funding a "severe barrier" to executing their strategies. By striking contrast, this figure drops to just 8% of businesses in Spain. France also stands out with a net total of 79% of respondents experiencing significant limitations compared to the average of 67%.

To what extent does insufficient ESG financing limit your company's sustainability efforts?



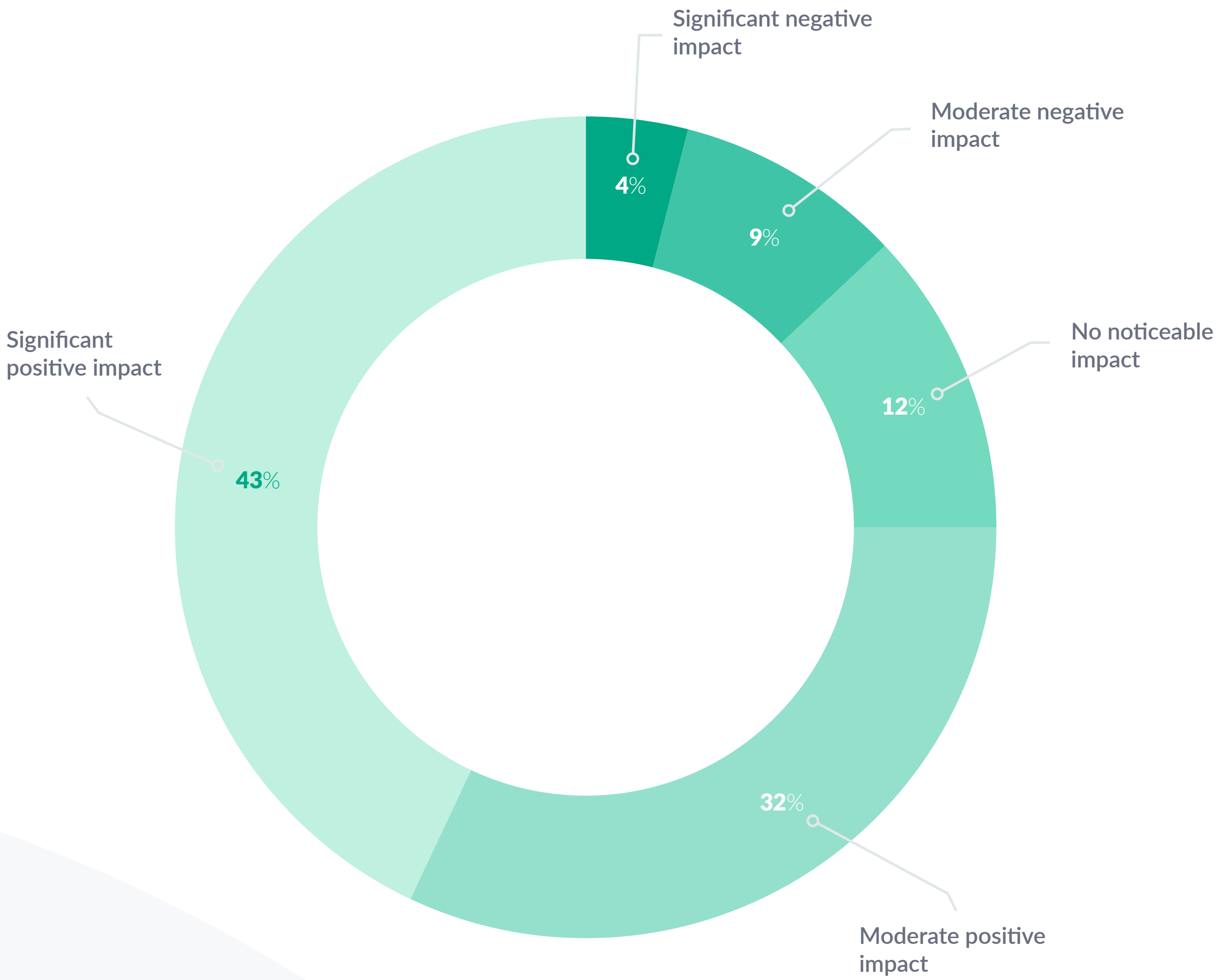
When looking at how businesses identify ESG funding and investment opportunities – the findings also vary regionally. Italian and UK businesses exhibit a pronounced focus on participating in ESG conferences and events with 58% and 56% respectively citing it as a key method for finding funding versus the 44% market average. These figures stand in contrast to Portugal, where only 29% of businesses use conferences and events for this purpose.

Behind ESG conferences, the next most popular avenues for finding funding and investment opportunities were collaborations with banks, asset managers, or ESG rating agencies with 43 % of businesses selecting it, and regular updates from financial advisors and investment consultants, which was selected by 39% of respondents.

Green gains: more than a feel-good factor?

Despite the upfront cost and ongoing funding challenges, ESG strategies are delivering tangible benefits to organisations, with an impressive 75% of companies reporting positive impacts on their overall business performance.

How impactful has your company's ESG strategy been on its overall business performance?



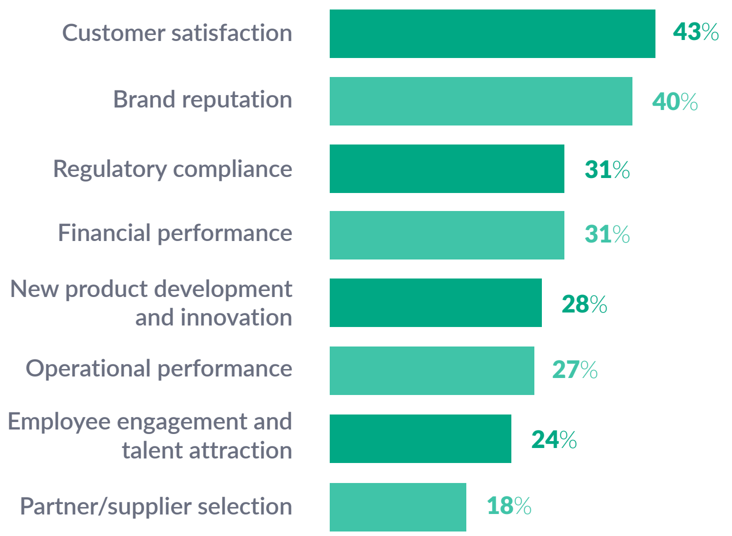
This figure reflects the increasing recognition of ESG as a critical driver of both financial and operational success. Italian companies are particularly enthusiastic, with 44% citing "significant" positive outcomes. For Italian businesses, ESG has become a core pillar of their competitive strategy, enhancing brand reputation (44%) and deepening customer satisfaction (48%).

This elevated figure suggests a strong alignment between ESG initiatives and core business goals, likely due to targeted regulatory frameworks and robust public-private partnerships that emphasise sustainable growth.

Conversely, the data reveals a more complex picture for German companies, where almost a quarter (24%) of businesses report some negative impacts from their ESG efforts – compared to an average of 13%, suggesting some friction in the implementation of ESG frameworks within the country. German companies also face the highest level of "significant negative impact" at 8%, compared to much lower rates including 0% in Portugal and Spain. For German businesses, there is a need for more tailored ESG initiatives that align with their business goals and minimise any unintended consequences such as operational disruptions.

The findings highlight several important considerations for businesses. The ability to translate ESG initiatives into tangible positive outcomes varies greatly depending on region and approach. Countries like Italy, Spain and Portugal showcase strong examples of how integrating ESG into core strategies can yield significant benefits, while the more varied outcomes in Belgium and Germany suggest the need for a recalibrated approach that better mitigates the potential risks.

Which areas of your business have been most positively influenced by your ESG efforts?



The cost of complexity: the barriers holding businesses back

Despite growing momentum and evidence of positive impacts, significant barriers still hinder businesses' ability to effectively implement ESG strategies.

Chief among these challenges is the cost of ESG initiatives, cited by one-in-four businesses as their most pressing concern.

The finding should come as no great surprise, particularly given the stark figures around how many businesses are struggling with financing their ESG strategies.

This issue is particularly acute in Germany, where 32% of businesses identify cost pressures as a major barrier, which provides important context to why the negative impacts of their ESG efforts are more pronounced. Belgium is also struggling with the cost more than other European markets with 28% of businesses operating there marking this as their chief concern.

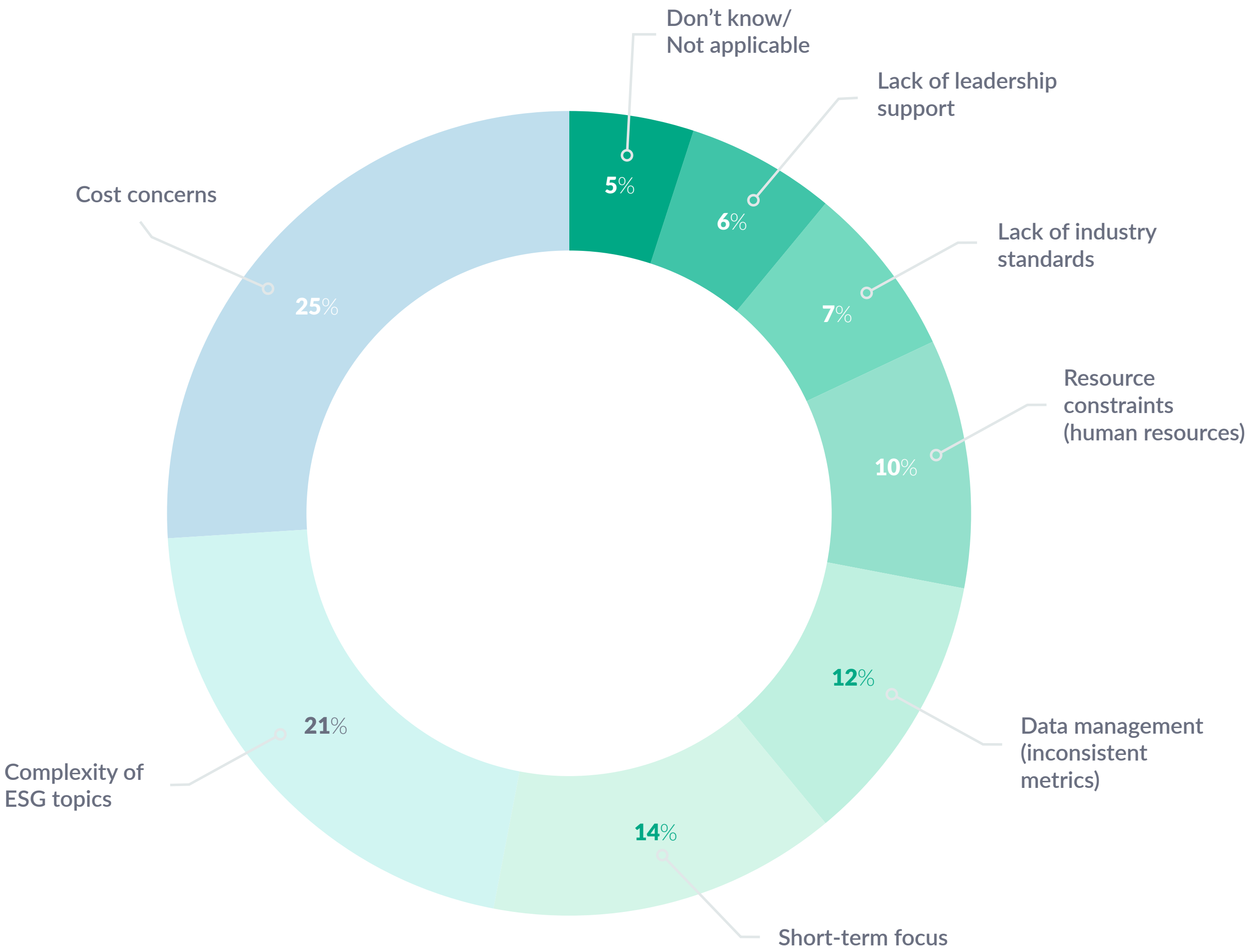
The relatively high costs associated with ESG transformation, including capital expenditures for green technologies, staff training, and compliance efforts, pose a challenge, particularly for companies balancing short-term profitability with long-term sustainability goals. In fact, short-termism was the third highest barrier with 14% of businesses selecting it as a significant obstacle. This tension is exemplified by the financial services sector, which is grappling to reconcile the substantial upfront investments with uncertain returns on ESG-related projects.

The complexity of ESG topics presents another major obstacle, as highlighted by more than a fifth of respondents (21%).

This complexity arises from several sources: rapidly evolving regulations across different regions, fragmented or inconsistent data metrics and a lack of standardised industry benchmarks, the last two of which were identified as barriers in their own right by 11 and 7% of businesses respectively.

To overcome these barriers, businesses will need to leverage more support – investing in robust training programmes to upskill staff, partnering with external providers and utilising technological solutions will all be critical for lasting success.

What is the most significant obstacle to embedding ESG in your company's strategic agenda?



The findings examined in this chapter underscore the diverse approaches and challenges European businesses face in driving their sustainability strategies. While countries like Italy and France showcase distinct strengths – innovation and balanced regulatory alignment – the common hurdles of financing, cost pressures and the complexity of the topic reveal the need for a tailored approach. As the ESG agenda evolves, addressing these barriers will be key to unlocking the full potential of sustainability as both a business imperative and a vehicle for long-term value creation.

Chapter 3

Navigating CSRD Compliance

The Corporate Sustainability Reporting Directive (CSRD) is a key pillar of the EU's seminal Green Deal, aimed at enhancing corporate transparency and accountability by requiring companies to disclose standardised sustainability data. The directive is being implemented in phases, with companies already subject to the Non-Financial Reporting Directive – primarily large public interest entities with more than 500 employees – due to submit their first CSRD-compliant reports for the 2024 financial year in 2025.

In this chapter, we will deep dive into the requirements of CSRD, assess the barriers to implementation affecting businesses – and judge their readiness for compliance.

Ready, set, report

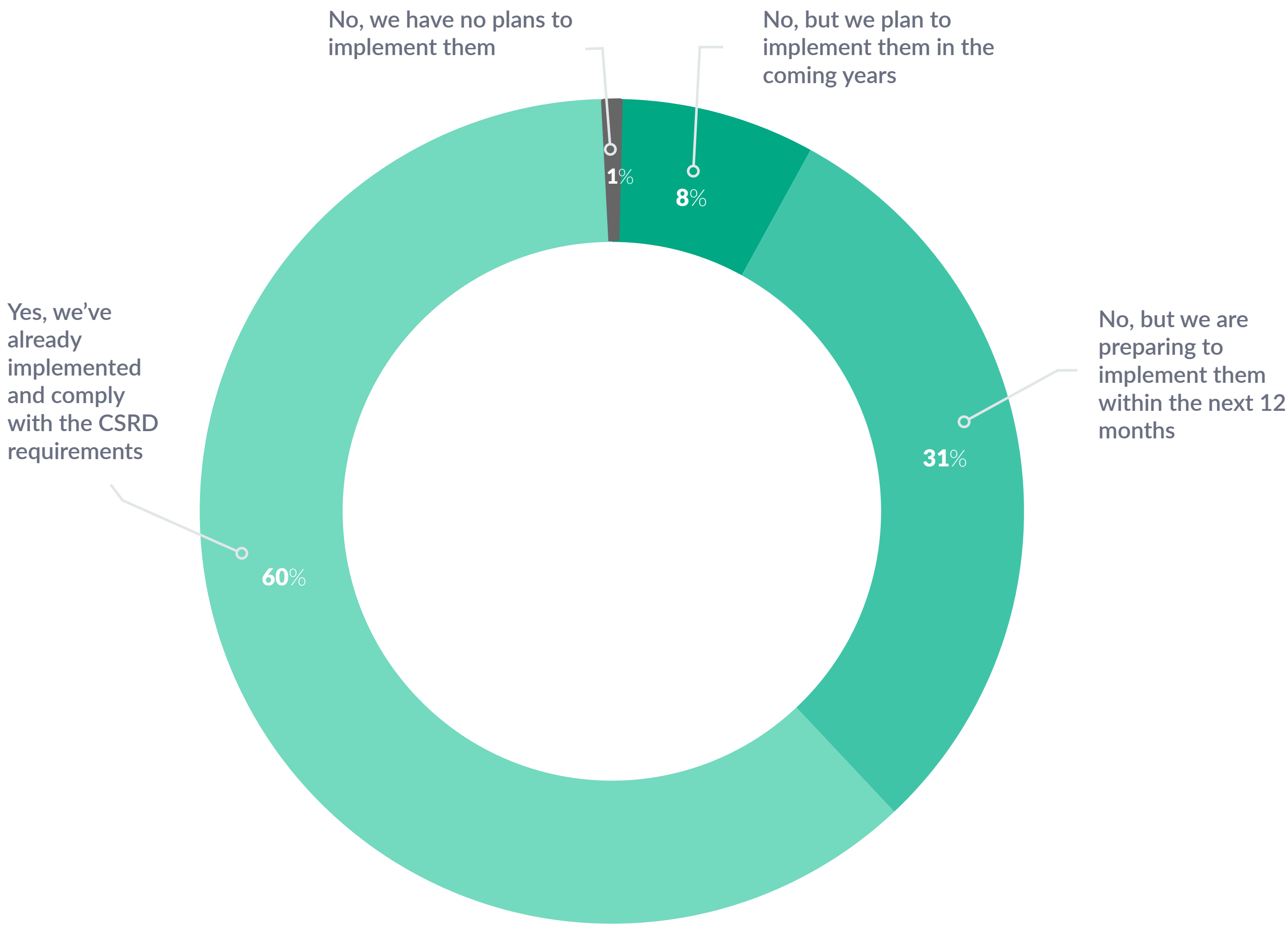
CSRD is shaping up as a defining regulatory framework for businesses operating in Europe. A clear majority (60%) of organisations report that they have already aligned with the requirements, whilst another 30% are preparing to implement the standards in the next 12 months, illustrating the widespread momentum building around sustainability reporting. However, compliance is not universal. 8% of businesses plan to implement the standards on a less-defined timeline while 1% express no intention of complying.

Breaking the results down by company size, it's clear the risk that Intini alluded to in Chapter Two of smaller businesses fearing being cut out of supply chains is prompting them to act ahead of their own compliance deadlines. 58% of businesses with 250-500 employees already comply with CSRD requirements, a year earlier than required, compared to the 64% of businesses with more than 500 employees, which are due to submit their first reports in 2025 if they are listed on the stock exchange.

Sobczyk-Poźniak comments,

> "In Poland, CSRD compliance is one of the key drivers behind the market's recent push to make sustainability information more transparent – along with a keen appreciation for the potential reputational risks of non-compliance. As with most sustainability issues, a modest variance between European markets is to be expected but the promising sign is that all markets are moving in the same direction towards the same destination, albeit from different starting points".

Has your company already implemented sustainability reporting standards in compliance with the CSRD requirements?



Despite widespread confidence, significant barriers remain to implementation. The most common challenges cited by businesses include the complexity of regulations, the lack of resources and the cost of implementation. Other barriers, such as data availability and reliability, further complicate the path to compliance.

CSRD: A Complex but Essential Framework for Advancing Sustainability Goals

"The journey to implementing the CSRD within our company has been both challenging and transformative. Internally, we held meaningful discussions to align on the support needed for adoption.

While there were some initial gaps in understanding the directive's requirements and the effort involved, we focused on raising awareness and building consensus to ensure a smooth and effective implementation.

From the outset, I was fully aware that achieving success required collective effort. We lacked specialized tools and had recently acquired smaller companies unfamiliar with this kind of reporting. The CSRD demands for businesses of our size, comprehensive data management, necessitating both advanced software solutions and significant consulting expertise to establish a robust framework.

In Germany, businesses are currently under immense pressure to prioritize financial performance, often at the expense of sustainability objectives. This reflects broader societal challenges, including political and economic resistance, such as lobbying efforts to hinder the CSRD's progress—efforts that could influence forthcoming parliamentary decisions.
While undeniably technical and complex—much like financial regulations!—the CSRD is a vital tool for combating greenwashing and addressing critical issues such as climate change, biodiversity loss, ocean pollution, and waste management. Short-term political and economic considerations threaten to undermine its implementation, which, in my view, would be a missed opportunity to drive meaningful change.

As a member of the C3D (Collège des Directeurs du Développement Durable, France), I stand in solidarity with fellow advocates supporting the CSRD's adoption. Overcoming these challenges is not easy, but meaningful progress seldom is. Delaying action will only compound the challenges we face, making the CSRD an indispensable step towards a sustainable future."

Axelle Mazé

Group VP Sustainability at CENIT

In Germany, resource shortages emerge as a particularly prominent issue with 32% of companies identifying it as their greatest challenge. This figure sits markedly above the average for other markets and reflects a broader trend of resource constraints impacting organisations' ability to manage compliance efforts. Italian companies echo this struggle with many relying heavily on external consultants to navigate the complexities of CSRD reporting.

Greatest challenges companies face in implementing CSRD reporting*

*Respondents were asked to rank their top three challenges. Each top pick received three points, each second pick received two points and each third pick received one point. This graph details the total points accrued by each answer choice.

Far from being the concern of the compliance team alone, meeting the requirements of CSRD involves multiple facets of business operations, which in itself serves as a reminder of the holistic nature of the sustainability transformation. IT and data management is one of the most heavily affected areas, with significant impacts to that team reported in the UK (49%), Germany (46%) and Italy (43%). These figures starkly contrast with Portugal (13%) and France (19%), pointing to regional variations in the readiness and prioritisation of digital infrastructure for sustainability reporting.

Risk management is another critical area of the business affected by CSRD compliance, with 38% of Germany businesses reporting a major impact, compared to 22% in Belgium.

Italy's case is particularly revealing. The country's economy, dominated by small and medium-sized enterprises, has seen a ripple effect wherein businesses not directly mandated by CSRD are adopting similar standards to maintain supply chain relationships. Intini explains,

> "It is estimated that each directly obligated company influences up to 16 smaller suppliers, effectively broadening the directive's reach. This interconnectedness highlights how sustainability requirements are cascading across industries and driving system-wide change".

Which areas of your organisation has been most impacted by CSRD reporting requirements?

Sustainability subsidised: the role of Government in driving the ESG agenda

While CSRD and similar regulations provide a framework for action, businesses overwhelmingly believe that government interventions are essential for achieving net zero. Various measures were assessed for their importance and the findings highlight the need for a clear and proactive policy environment that underpins corporate sustainability initiatives.

Among the most valued government actions is the expansion of innovation grants with 76% of businesses deeming it either “absolutely critical” or “very important”. Notably, UK businesses demonstrated stronger urgency in this area with 48% considering it “absolutely critically”; this sentiment is less pronounced in Poland (17%) and Portugal (13%), underscoring the difference in funding priorities across regions.

Similarly, the extension of capital expenditure grants to fund energy demand reduction and decarbonisation efforts was considered vital with 73% of businesses ranking it as “very important” or higher, including a quarter of businesses that view it as “absolutely critical”, which rises to 39% for businesses in the UK, further emphasising the heightened priory placed on financial support for decarbonisation by British firms. Streamlining grant applications was also highlighted as a key action by almost three-in-four businesses (74%) with French companies in particular emphasising the need with 40% citing it as “absolutely critical”, reflecting the acute desire in that market to lower the administrative barriers to accessing funding.

However, a clear and consistent net zero policy and regulatory roadmap was deemed the most critical measure overall with 76% of businesses rating it as “very important” or higher including almost a third of businesses (30%) categorising it as “absolutely critical”. Italian businesses expressed particularly strong support for this with 39% considering it “absolutely critical”.

Introducing supercharged tax incentives for green and sustainable R&D activity, support in accessing export markets for net zero innovations, strengthening pro-sustainability regulations were all widely recognised as important actions for businesses. Finally, incentivising the financial sector to prioritise sustainable investing and providing guidance on the quality and reliability of transition plans also received strong support from businesses.

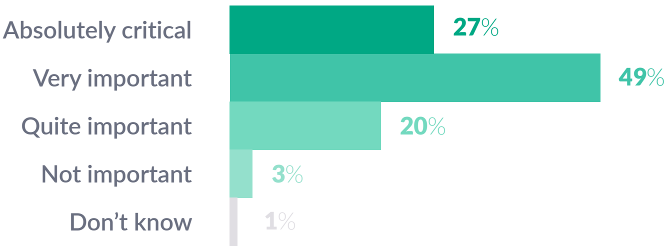
The overwhelming consensus across businesses is that achieving net zero goals will require far more than compliance with regulations like CSRD.

Bouché comments, “Businesses are calling for proactive EU member states intervention with communication and financial schemes perceived as critical levers for driving innovation and decarbonisation. In France, and across Europe more broadly, there is a notable focus on the importance of clear and consistent administrative and regulatory frameworks. Many businesses argue that the complexity and inconsistency of existing policies hinder progress and are urging for a reduction in perceived bureaucratic obstacles to accessing vital funding.”

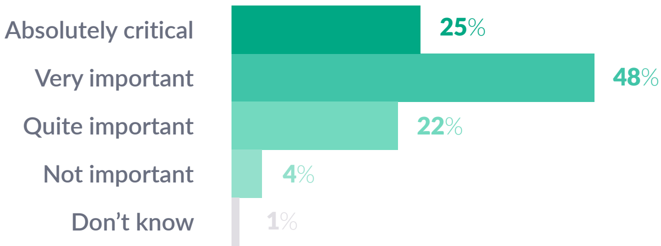
The data points to a growing awareness of the workforce transition required for net zero. Strong support for green upskilling and training initiatives suggests that businesses are grappling with the human capital implications of sustainability and recognise that achieving net zero will involve strategic shifts in skills, roles and workforce strategies. Moreover, the emphasis on collaborative and systemic approaches reveals a clear desire for a more interconnected framework. It seems that businesses acknowledge that addressing the climate crisis requires international alignment and cooperation.

Regulations like CSRD will only take businesses so far – how important do you think the following actions are for the government to support businesses in their transition to net zero?

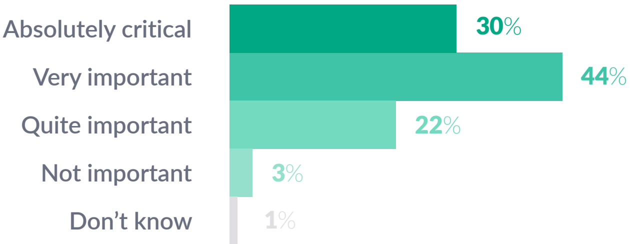
Expansion of innovation grants to fund costs of net zero R&D



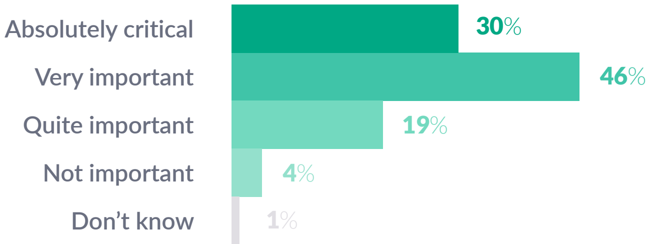
Expansion of CapEx grants to fund costs of energy demand reduction and decarbonisation



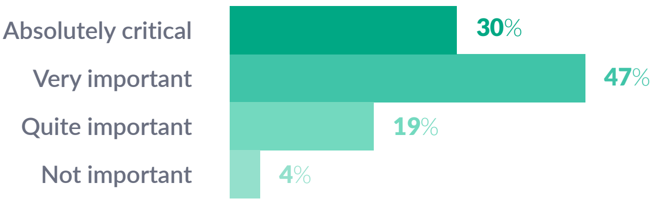
Streamline grant applications



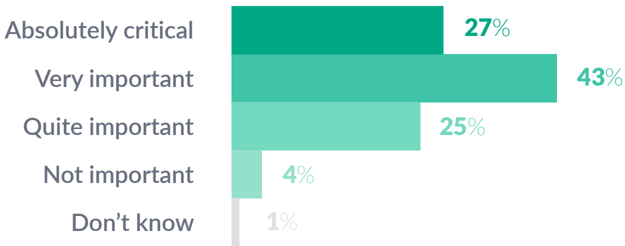
A clear and consistent net zero policy and regulatory roadmap



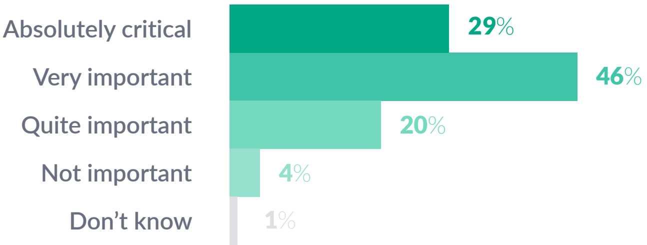
Introduce a supercharged tax incentive for green/sustainable R&D activity



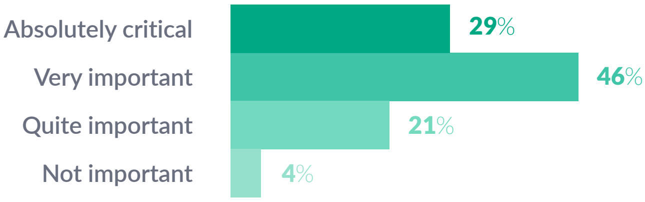
Support accessing export markets for net zero innovations



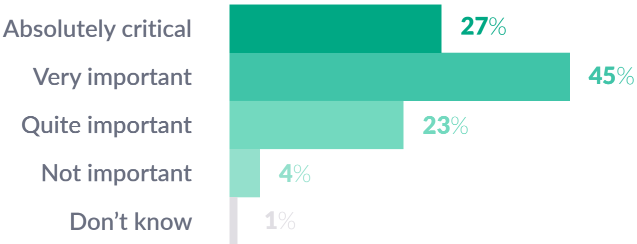
Encourage green upskilling and training



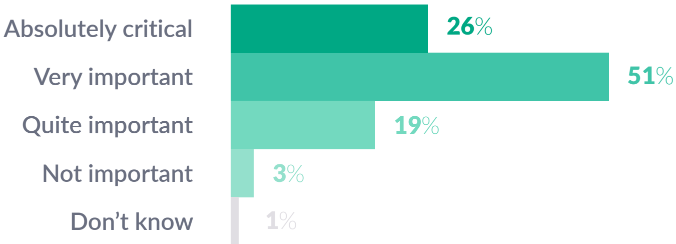
Strengthen regulations that promote sustainability



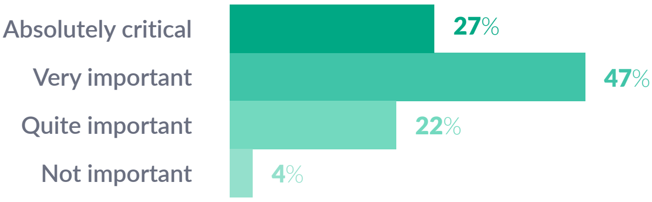
Enhance collaborations with other countries



Introduce incentives that encourage the financial sector to prioritise sustainable investing



Guidance on the quality and reliability of corporate transition plans

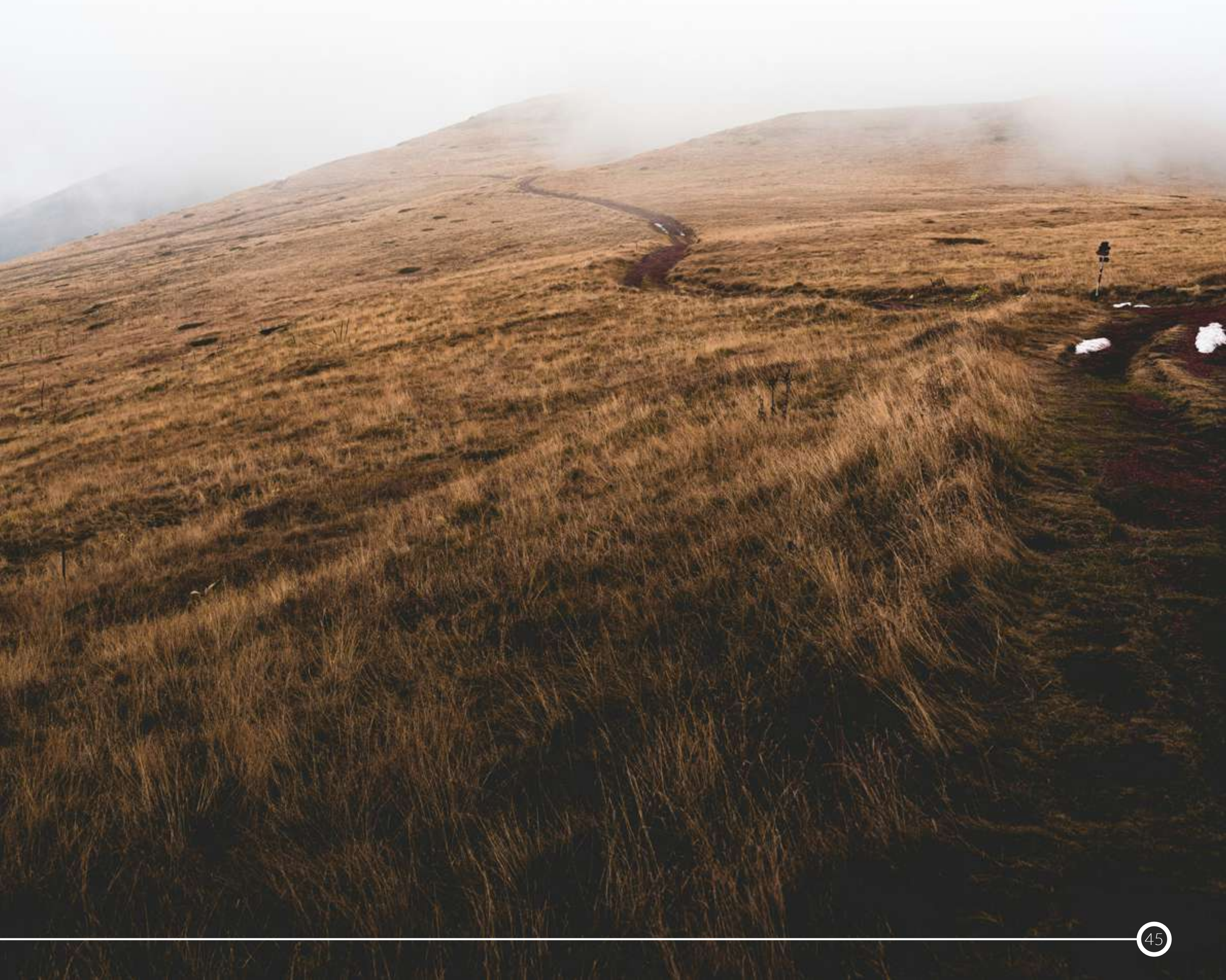


The path ahead

As CSRD compliance becomes a baseline expectation, businesses must navigate a complex landscape of challenges and opportunities. While initial implementation is challenging, the long-term benefits are clear: companies that adopt a proactive approach to ESG are better positioned to enhance operational efficiencies, mitigate risks and attract investment.

While disparities in readiness and resources persist, the collective momentum towards sustainability is undeniable. Governments play a crucial role in supporting this transition, but businesses must also take ownership of their ESG journeys, leveraging the available tools to drive meaningful progress.

The path forward lies in collaboration – between businesses, governments, and the broader ecosystem of stakeholders. By aligning sustainability efforts with strategic objectives, companies can not only meet regulatory requirements but position themselves as leaders in a rapidly evolving economic and environmental landscape. The journey is demanding, but the rewards – both for business and society – are well worth the effort.



Conclusion

“The ESG Barometer 2025 conveys how businesses across Europe are addressing environmental, social and governance challenges. While ESG has moved from a niche consideration to a cornerstone of corporate strategy, its implementation remains a complex and demanding journey. The data reveals that businesses must navigate a landscape fraught with financial, operational and regulatory hurdles – but clearly demonstrates that those that embrace ESG as a strategic imperative rather than a compliance burden are better positioned for long-term success.

At the core of this transition is the recognition that ESG is no longer optional. Increasing regulatory scrutiny, shifting consumer preferences and investor demands are making sustainability an essential aspect of competitiveness.

Markets like Italy and Spain demonstrate how proactive investments in ESG can enhance brand reputation, deepen customer loyalty, and open new revenue streams. Conversely, countries where financial and operational constraints pose a greater challenge illustrate the risks of falling behind in ESG adoption.

The report also highlights the upfront costs of ESG transformation, from green technologies and compliance measures to workforce training and complex reporting requirements. Therefore, access to public funding is essential for advancing sustainability, with grants and fiscal incentives like tax credits playing key roles. Regional disparities, however, highlight the need for better accessibility, streamlined processes, and greater awareness of available public financial resources.

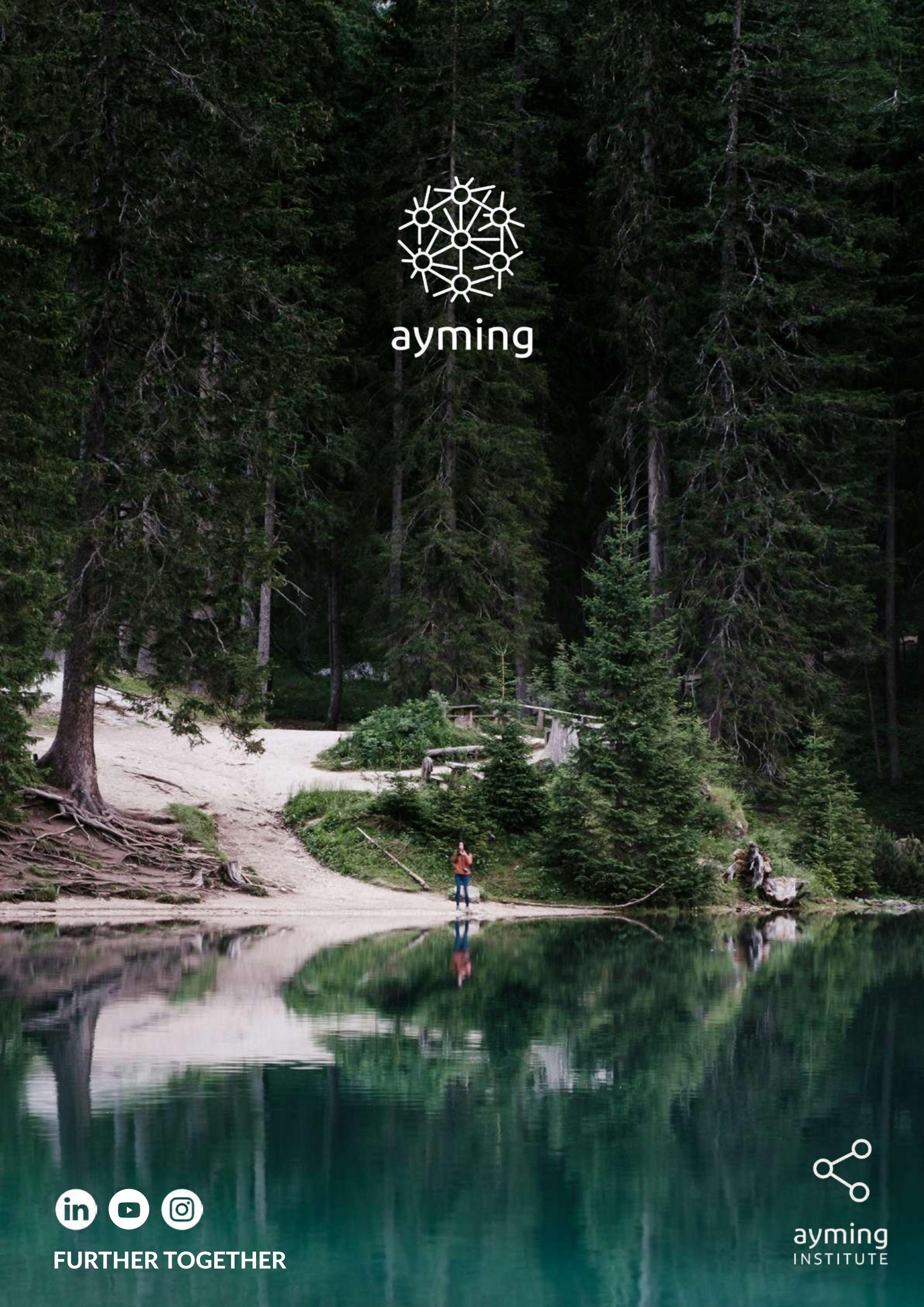
Additionally, the long-term benefits outweigh these initial investments. Businesses that integrate ESG into their core strategies are not only driving operational efficiency and innovation but are also better equipped to mitigate risks and attract capital. With three quarters of businesses reporting tangible positive impacts from their ESG efforts, with notable gains in customer satisfaction and market differentiation, it's clear that ESG has become more than a feel-good factor: it is a critical driver of financial and operational success.

A recurring theme across the report is the need for collaboration. Governments play a vital role in supporting businesses through clear policies, streamlined funding mechanisms and tax incentives. Equally, companies must leverage partnerships and external expertise to overcome barriers such as regulatory complexity and insufficient resources. The cascading impact of frameworks like CSRD highlights the interconnectedness of businesses, where even small suppliers must align with sustainability standards to remain competitive.

Ultimately, businesses that have not already done so must shift their mindset. ESG should not be viewed as a cost or compliance exercise, but as an opportunity to lead in a transforming market. While the path towards net zero is complex and resource-intensive, it also presents a unique opportunity to innovate and differentiate. Businesses that act decisively and strategically will not only overcome the challenges but will set the standard for responsibility and resilience for the decades ahead."

Magdalena Burzynska

International ESG Managing Director at Ayming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