

THE ESG BACKLASH

THE IMPACT OF ANTI-ESG SENTIMENT ON THE LEATHER INDUSTRY

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AGENDA

A Brief History of ESG
The Boom
The ESG Premium
The Backlash
Leather Industry impact
The Future



ESG: A BRIEF HISTORY

ESG is a framework that evaluates the sustainability & ethical performance of companies

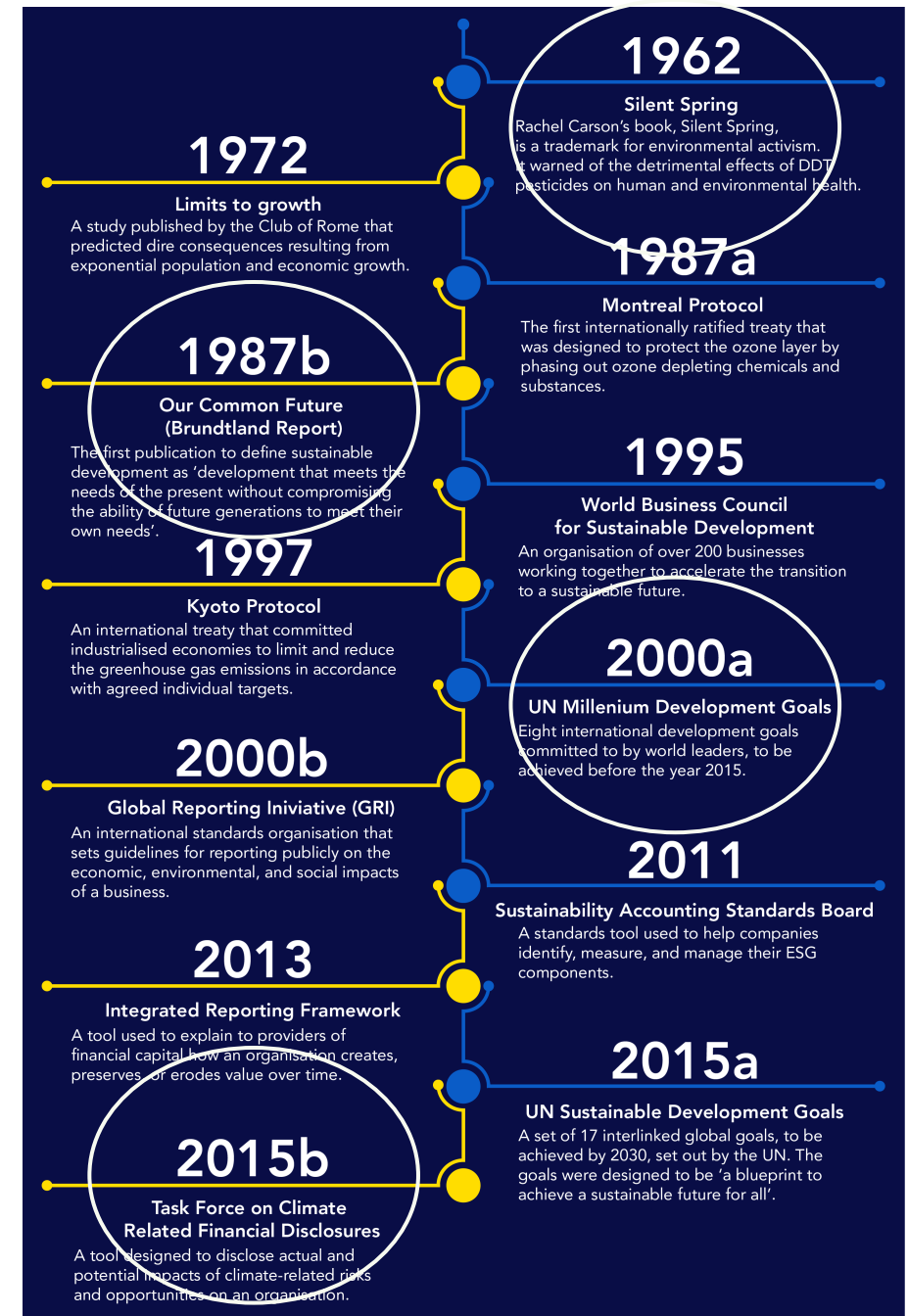
E: Climate, biodiversity risks

S: Worker safety, DEI, labour relations

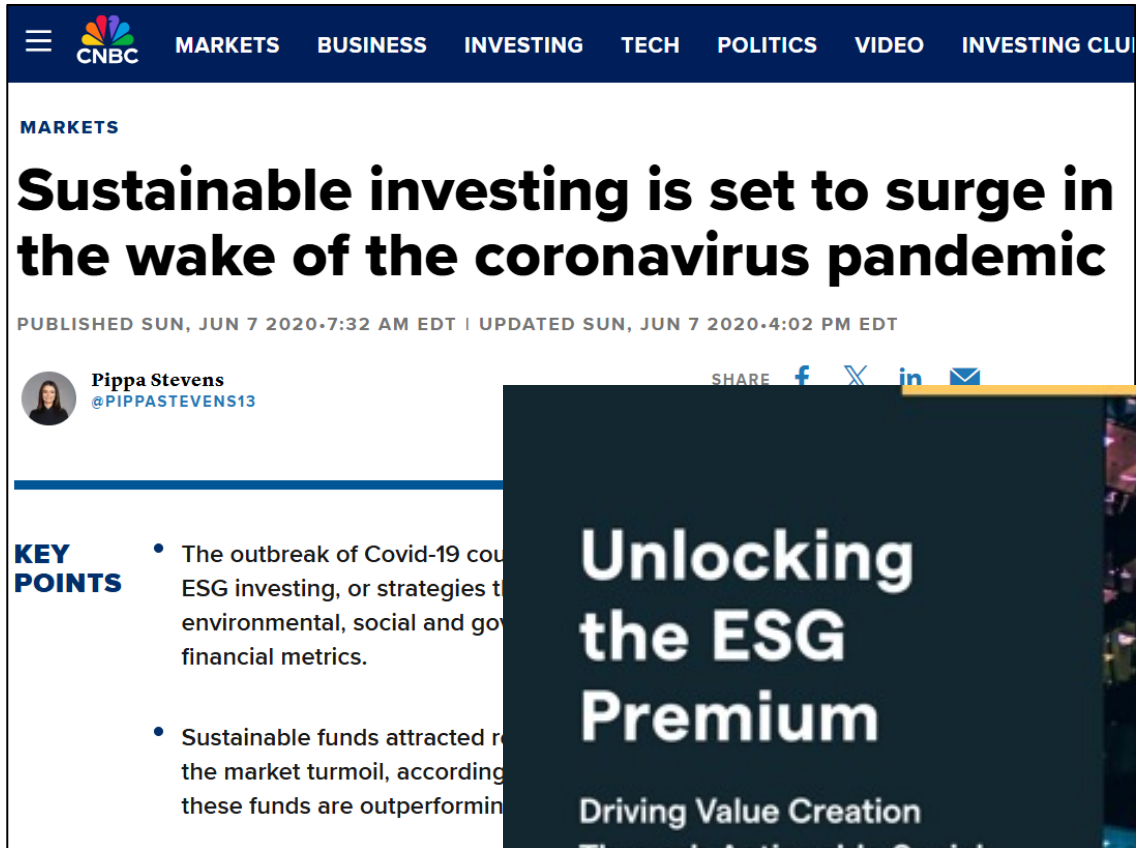
G: Related policy, executive compensation

ESG: A BRIEF HISTORY

1962	Silent Spring
1987	Brundtland Report
2000	UN Millenium Goals & GRI
2015	Paris Climate Accord & SDGs
2020	The Boom



THE ESG BOOM



MARKETS

Sustainable investing is set to surge in the wake of the coronavirus pandemic

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KEY POINTS

- The outbreak of Covid-19 could lead to a surge in ESG investing, or strategies that focus on environmental, social and governance factors, as investors seek to protect their financial metrics.
- Sustainable funds attracted record inflows during the market turmoil, according to a new survey. These funds are outperforming traditional equity funds.



ETS > How ESG grew up through the pandemic



Unlocking the ESG Premium

Driving Value Creation Through Actionable Social & Environmental Performance

THE ESG PREMIUM – ACQUISITION SCENARIOS

Scenario 1

Limited progress on ESG Performance vs peers

Sales revenue 2021 (EV/EBITDA multiple = 7)	€ 830 million
Sales revenue 2030	€ 1.000 million
<i>Assumes 2% CAGR 2021-2030 Limited replacement of fossil fuels Limited climate related fixed costs EcoVadis score drops from Gold to Silver</i>	
EBITDA in 2030 (25% of sales) EV/EBITDA multiple in 2030	€ 250 million 7 – 1 = 6*
Theoretical acquisition price	€ 1,5 billion (250 x 6*)

Scenario 2

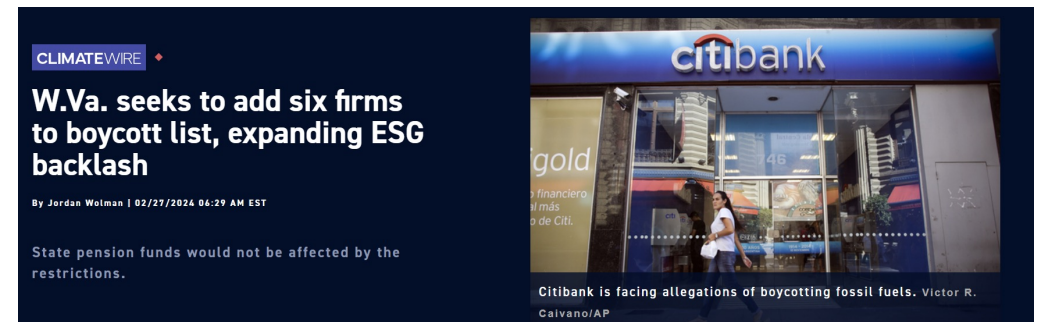
Significant progress on ESG Performance vs peers

Sales revenue 2021 (EV/EBITDA multiple = 7)	€ 830 million
Sales revenue 2030	€ 900 million
<i>Assumes 2% CAGR 2021-2030 100M lost sales (exit portfolios, replacement with renewables) €3 million/year extra fixed costs (eg: new staff, solar panels.) EcoVadis score goes from Gold to Platinum</i>	
EBITDA in 2030 (22% of sales) EV/EBITDA multiple in 2030	€ 200 million 7 + 1 = 8*
Theoretical acquisition price	€ 1,6 billion (200 x 8*)

THE BACKLASH

2022 – 2024

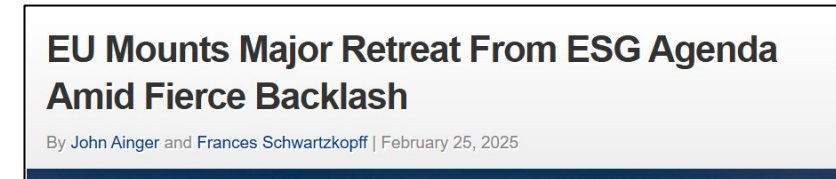
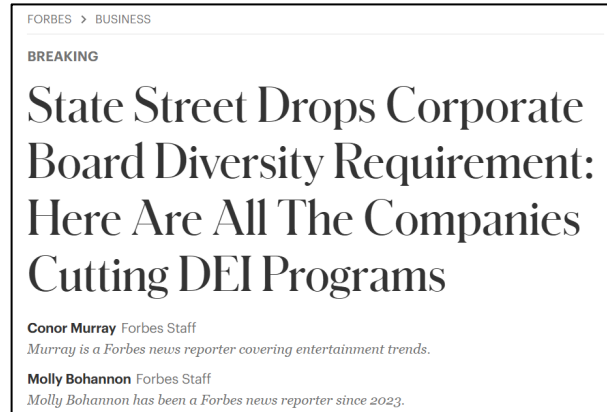
- Culture wars in the US
- WOKE = ESG / DEI
- “Anti-fossil means anti-business”
- Greenwashing accusations
- Social media fight influences (state) policy
- ESG policy burn-out (EU)



THE RETREAT

2024-2025

- Federal DEI policies banned
- Corporations roll back ESG commitments
- CSRD postponed (EU)
- EUDR postponed (EU)
- Net Zero Banking Alliance



LEATHER INDUSTRY IMPACT

REPORTING BURDEN REDUCED

California Delays Rulemaking for New Climate Reporting Regulations

Mark Segal | October 15, 2025

The California Air Resources Board (CARB), the regulator charged with developing and enforcing new regulations requiring large companies to disclose their value chain emissions and report on climate-related financial risks, revealed that it will push off the initial rulemaking for the new climate reporting regulation into early next year.

According to the CARB notice, under the proposed updated timeline, the initial rulemaking, previously anticipated for October 2025, will be presented in Q1 2026. CARB said that the delay is being made in light of the large volume of public comments on recently issued resources related to the new regulations and "ongoing input related to identifying the range of covered entities."



Sustainability Social Responsibility Corporate Governance Reporting Regulations

DIVE BRIEF

EU adopts omnibus proposal, trims sustainability reporting requirements

The simplified package would remove 80% of companies from the scope of the Corporate Sustainability Reporting Directive and delay reporting timelines.

Published Feb. 27, 2025

LEATHER INDUSTRY IMPACT

DEFORESTATION



What led to the proposed EUDR delay?

- ① **EU IT system not ready for enforcement**
The EU's IT system, TRACES NT, was cited in Roswall's letter as not being ready to manage the scale of incoming documentation.
- ② **Member States aren't aligned on readiness**
Some EU Member States have advanced plans for enforcement, while others are building their systems from scratch, leading to fragmented implementation.
- ③ **Suppliers lack clarity on required documentation**
There's uncertainty and limited guidance for suppliers in producing countries on what compliance documentation is expected.
- ④ **Trade friction concerns for smallholder-dominant supply chains**
Push back from EU Member States that argue immediate enforcement will create trade friction, particularly for smallholder-heavy commodities such as cocoa and coffee.

ESG IS NOT DEAD – IT HAS MOVED

- Redefinition of corporate climate goals – value chain impact
- Deforestation rules delayed, but not gone...
- Sustainability claims will only be accepted with empirical evidence
- Reporting disclosures delayed, but transparency is coming – “flaws and all”
- Boom in environmental impact data collection (LCA, ZDHC, LWG)

THE ESG BACKLASH – TAKEAWAYS FOR LEATHER

ESG is already a risk management tool embedded in business strategy

Company valuations based on ESG performance will continue

The boom in environmental data continues (LCA, ZDHC, LWG)

Customer needs will be prioritized ahead of global governance initiatives

THE ESG FUTURE – DATA

HIGG INDEX / LEATHER SCORES



Life Cycle Assessment

ECOTEXTILE
NEWS

Podcast: Data: the ‘daddy’ of all issues at ZDHC event

By John Mowbray

27 June 2025



Fresh off a flight from the ZDHC Impact Day in The Netherlands, John Mowbray gives a quick overview of the talking points at the recent Amsterdam event for an express edition of Ecotextile Talks.

Share 



Reports of my death have been greatly exaggerated...

Unidentified Corporate ESG Director
October 2025