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ESG Without Secrets - How to Build Competitive Advantage On ESG

A Guidebook for SMEs

Wroclaw Agglomeration Development Agency

ESG INSTITUTE

Agencja Rozwoju
Aglomeracji Wrocławskiej
pl. Solny 14
Wroclaw Poland

+48 71 78 35 310
araw@araw.pl
araw.pl

Publication prepared by the Wroclaw Agglomeration
Development Agency and ESG Institute

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Introduction

Dear All,

Sustainability, social responsibility, and transparent management are not just declarations today, but concrete actions that determine the strength and competitiveness of companies - regardless of their size. Increasing number of small and medium-sized enterprises are facing the challenge of implementing ESG principles and preparing for the new demands that the market and the law are making.

Wroclaw and our region have been an example for many years that cooperation between business, local government and institutions supporting development brings actual results. Firms that think responsibly about the environment, their employees and their business partners build not only a better image, but also a stronger position in the market.

As the Wroclaw Agglomeration Development Agency, we want to support entrepreneurs on this path. That is why, in cooperation with the ESG Institute, we have prepared a guidebook that shows in a simple and practical way what ESG is and how it can be implemented in the daily operations of companies in the SME sector - i.e. small and medium-sized enterprises. You will find tips, good practices and tools to help you take your first steps in reporting and building a sustainability strategy.

I believe that this guidebook will be a real support for businesses that want to grow responsibly and with the future in mind. I invite you to read on and talk about how we can build a strong, resilient, and sustainable business environment together.

With kind regards,

Magdalena Okulowska
President of the Board
Wroclaw Agglomeration Development Agency

Sustainability is becoming one of the key challenges for businesses of all sizes today. Companies, including those in the SME sector, are recognising that a responsible approach to the environment, people and management principles is not just a matter of image, but also part of business strategy.

ESG, or Environmental, Social and Governance, is the framework within which companies can better plan their growth. Implementing ESG principles not only helps to meet growing market expectations, but also to increase a company's resilience to change, improve relationships with partners and customers, achieve operational savings and, in many cases, facilitate access to finance.

Today, even the smallest firms are increasingly facing questions about their environmental, social, or ethical performance. This is not only due to regulatory pressure, but also to the growing awareness of consumers and business partners. In addition, changing regulations mean that the topic of ESG will also be increasingly present in the SME sector.

This guidebook has been created for entrepreneurs who want to understand what ESG really is and how to put its principles into practice, step by step. You will find concrete tips, and examples of how to translate the idea of sustainability into real action. Among other things, you will learn about:

- **Importance and benefits of ESG:** you will learn what ESG is and why implementing ESG principles is beneficial for companies, regardless of their size and industry.
- **ESG implementation and reporting:** you will learn methods to create ESG strategies and reports tailored to SMEs, considering applicable regulations and market guidelines.
- **Practical aspects of ESG:** you will find information on calculating your carbon footprint, implementing a circular economy, and funding opportunities for ESG transformation.

We hope that this publication will provide practical support to ensure that sustainability ceases to be a generic buzzword and becomes a real part of the day-to-day running of your business.

Agnieszka Orłowska
President of ESG Institute

CHAPTER 1

What is ESG and what does it mean for business?

What is meant by ESG?

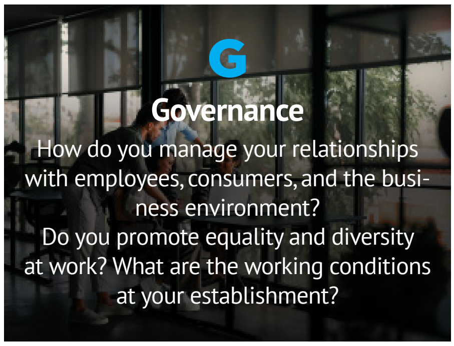
ESG (Environmental, Social, Governance) is an acronym that is increasingly emerging in the context of business management. What does this acronym stand for?

Environment	Social	Governance
E	**S**	**G**

Behind these three letters is a set of standards and values that describe how a company interacts with its natural and social environment and how it conducts its internal decision-making and control processes. ESG is not just a corporate fashion or an externally imposed requirement - it is a response to the challenges of today and the changing expectations of customers, employees, investors, and public authorities.

In simple terms, ESG can be seen as the modern definition of corporate responsibility. Companies that implement these principles not only reduce image, financial or operational risks, but also build lasting relationships with stakeholders and increase their resilience to crises. These aspects are particularly relevant for small and medium-sized enterprises, which, unlike large corporations, must act flexibly and allocate resources prudently.

The three pillars of ESG



The SME sector faces a unique opportunity: to turn the new ESG requirements into a competitive advantage. Companies that are already implementing responsible business principles are gaining easier access to finance, building stronger relationships with partners, and responding to growing customer awareness by staying ahead of the competition.

Why is ESG important?

Companies that can manage their environmental, social, and internal process impacts are better prepared for changing market conditions and rising customer expectations.

According to the European Commission, 99%[1] of companies in the European Union are micro, small, and medium-sized enterprises. It is estimated that there are more than 150,000 entities in the SME sector in Wroclaw alone[2]. They are the ones who will have to - directly or indirectly - comply with new regulations such as the CSRD or the VSME. These regulations set ESG reporting standards for large companies (CSRD and for the SME sector (VSME), which will be discussed later in this manual. Even if a firm is not directly subject to reporting obligations, it often must provide ESG data to its counterparties, banks, or investors. For this reason, preparing for ESG reporting in advance is a way to remove unnecessary barriers to commercial cooperation.

From the point of view of the local entrepreneur, this means, among other things:

- **easier acquisition and retention of customers,**
- **greater chances of obtain-ing preferential financing terms,**
- **strengthening the image of a responsible employer,**
- **easier access to public procurement and grant programmes,**
- **better relations with the social environment and local administration.**

In doing so, it is worth noting that ESG also works internally - it improves team relations, increases employee engagement, reduces turnover, and facilitates the acquisition of new talents. Among the younger generation entering the labour market, companies with clear values and pro-social and pro-environmental measures are gaining the upper hand.

EY's 2024 study 'Why consumers are wise to holiday sales and track more lasting value'[3] shows that Generation Z prioritises organic and sustainably sourced products and seeks products that align with their values such as honesty, kindness, individuality, or au-thenticity. It is this kind of information that can translate into real action by companies to meet the needs of younger generations.

[1] *European Parliament. (2023). Small and medium-sized enterprises, access date: 4.07.2025, https://www.europarl.europa.eu/factsheets/pl/sheet/63/male-i-srednie-przedsiebiorstwa*
[2] *https://www.polskawliczbach.pl/Wroclaw#rejestr-regon*
[3] *EY (2024). Small and medium-sized enterprises, access date: 4.07.2025, https://www.ey.com/en_gl/insights/consumer-products/why-consumers-are-wise-to-holiday-sales-and-t racking-more-lasting-value*

CHAPTER 2

Why implement ESG?

Acting in accordance with ESG principles is no longer just a matter of image - it can become a competitive advantage and a prerequisite for keeping your business in the market. A growing number of reports show that consumers, contractors, and investors make decisions based on how companies approach environmental, social, and corporate governance issues.

Advantages of acting in ESG

Increased brand recognition

Companies that care about environmental and social issues build trust with customers, business partners and local communities. This trust translates into greater loyalty and easier acquisition of new customers.

Maintaining position in the value chain

Large corporations are increasingly requiring their suppliers to meet ESG standards. This means that failure to act in this area could mean the loss of contracts with key customers.

Greater innovation and competitiveness

Sustainability stimulates companies to look for new, more efficient, and greener technologies, products, or processes. This opens the door to new markets and customers who value a modern approach.

Improved risk management

By implementing ESG, companies identify legal, environmental, or social risks earlier and can counter them. This reduces the likelihood of image crises or supply interruptions.

Easier access to finance

Increasing number of banks and investors prefer to work with companies that prepare an ESG report and operate in line with sustainability principles. Companies that do not meet these requirements may not be able to benefit from preferential financing terms.

Greater employee involvement

Employees - especially the younger generation - want to work in organisations that operate ethically and in line with their values. A company with a clear ESG strategy finds it easier to attract talent and build a culture of engagement.

Observing Polish and international companies, we see more examples of activities illustrating how the benefits described above can be derived from business activities based on ESG foundations.

The Polish shop chain Żabka shows that even minor changes to shop infrastructure can realistically reduce energy consumption and CO_2 emissions. In recent years, the chain has upgraded its in-store refrigeration systems, replacing traditional fridges with modern models with glass doors, energy-efficient compressors, and refrigerants with a lower carbon footprint. In addition, many facilities have introduced heat recovery systems from chillers for space heating.

Thanks to these solutions, the energy consumption of the refrigeration systems has fallen by up to 30-40% and the total energy consumption of the shop has been reduced by several percent per year. The company also installs LED lighting and motion and twilight sensors to reduce unnecessary power consumption - for example, after opening hours or in back rooms.

This example confirms that retrofitting technical equipment - especially those operating around the clock - is an effective way to decarbonise and optimise costs. Importantly, such measures are also available to smaller shops or franchisees.

An example that illustrates how sustainability can work in practice is the apparel company Patagonia, which is fully committed to sustainability and consistently implements measures to protect the environment while taking care to be socially responsible. With such values, the company not only minimises its impact on the planet but also achieves impressive financial results.

The company uses eco-friendly materials, such as organic cotton and recycled polyester, which reduce the environmental impact. It ensures that the entire supply chain is transparent, working with suppliers who adhere to high ethical and environmental standards. In addition, Patagonia invests in garment repair and recycling programmes, encouraging customers to prolong the life of their products rather than quickly replacing them. The company actively supports nature conservation, through grants and partnerships with environmental organisations, and is involved in social campaigns to promote conscious consumption and environmental protection.

Patagonia's revenues have been growing steadily for many years - from around $200 million in the early 2000s, the company increased its sales to $600 million in 2012, and quadrupled that figure in the next decade, reaching around $1 bilion in 2019. This steady growth shows that a sustainability approach can go hand in hand with financial success and building a strong brand.

In addition to the expectations of customers, employees, or financial institutions, ESG regulation is a crucial factor influencing companies. They relate to both environmental, social, and legal topics, and affect either directly or indirectly all businesses. Due to the duty of care in the value chain, large companies extend the regulations to which they are subject to their business partners and then, indirectly, these requirements also apply to SME companies.

The impact of regulations on the small and medium-sized enterprise sector, i.e. in short SMEs

The ESG reporting obligation formally applies to large companies of a certain scale and some small and medium-sized listed companies, but this does not mean that other companies will not be involved in the process.

The current regulations on reporting obligations according to the CSRD are illustrated in the graph below:

For 2024 in 2025

Companies that are currently subject to the NFRO directive, i.e. those employing >500 people and being entities of public interest.

For 2027 in 2028

Entities that meet at least 2 of the 3 criteria. >250 employees. Total assets >110M PLN and net turnover >220M PLN

For 2028 in 2029

Small and medium- sized listed entities meeting at least two of the following three criteria: >10 employees, net turnover >EUR 700,000, total assets >EUR 350,000.

Certain non-EU entities with net turnover in the EU >150M EUR and with a branch in the EU with net turnover >40M EUR or an EU subsidiary subject to CSRD

Formally, only a fraction of listed SME companies will be covered by the reporting obligation, but many other SME companies will indirectly feel the consequences of these regulations through the requirements they receive from their larger counterparties.

And which companies can be categorised as SMEs?

According to the European Commission[4], these are companies that have fewer than 250 employees and meet one of two financial criteria:

50M

their annual turnover does not exceed EUR 50 million

or

43M

their annual balance sheet total does not exceed EUR 43 million

Large organisations, obliged to monitor the entire supply chain, expect SMEs to provide accurate and reliable data on the environmental and social impact of their activities.

A key area is the need to collect information on greenhouse gas emissions, including indirect emissions (Scope 3), which often result precisely from collaboration with suppliers and subcontractors. In practice, this means that SMEs need to start systematically measuring and reporting their emissions and then implementing measures to reduce their carbon footprint, enabling them to become more sustainable organisations against the competition.

These measures can include optimising energy and raw material consumption, switching to renewable energy sources, implementing greener production processes, reducing waste, and managing resources more efficiently.

In addition to environmental issues, the expectations of the large partners also relate to compliance with legal and social standards, including responsible personnel management. SMEs must be transparent about their working conditions, respect for workers' rights and anti-discrimination and anti-corruption policies. They are usually asked to provide specific figures, e.g. the number of accidents at work and to present their policies, procedures, or other standards in place.
It is increasingly well perceived that these policies and procedures should be consistent and compatible with the standards of large corporations.

ESG is becoming the new foundation of business management. Companies that care about the environment, society and transparent management build trust with customers and partners and thus find it easier to attract new contractors and financing. Additionally, the introduction of ESG principles is often associated with the search for new, more efficient solutions, which positively influences innovation and development.

The above examples show that even simple changes can bring real savings and improve financial performance. Implementing ESG therefore helps not only to meet market expectations, but also to build a solid foundation for further development.

[4] *"SME Definition- user guide 2020": https://ec.europa.eu/docsroom/documents/42921*

CHAPTER 3

Key regulations and their direct and indirect impact on business

CSRD

The Corporate Sustainability Reporting Directive (CSRD) is one of the most important European regulations that imposes ESG reporting obligations on large companies in the European Union.
Currently, this obligation applies primarily to large companies, but the CSRD also extends it, indirectly, to small and medium-sized enterprises (SMEs) that operate within the value chains of large entities.

A key element of this Directive is the introduction of uniform European Sustainability Reporting Standards (ESRS) to ensure comparability and transparency of ESG data in the European market. This means that reports must be prepared according to common guidelines, which increases the quality and reliability of the information.

- **Scope:**
  The CSRD currently covers around 50,000 companies across the European Union. However, because of the changes proposed by the so-called Omnibus Package, the number of entities directly covered by the reporting obligation will be reduced by approximately 80%. Nevertheless, due to the need to report data across the value chain, many more companies, especially SMEs, will have to provide environmental and social information to their larger business partners. Then, the Directive's impact extends beyond the direct reporters, involving a broad spectrum of companies across the business ecosystem.

- **Reporting standards:**
  The CSRD introduces European Single Reporting Standards (ESRS) to ensure consistency and comparability of ESG data. These standards cover environmental, social, and corporate governance issues, among others, making it easier for investors and regulators to analyse and evaluate companies.

  In addition, simplified standards - the so-called VSME (Voluntary Sustainability Reporting Standards for non-listed SMEs) - have been developed for SMEs to help smaller companies report in a way that is appropriate to their scale and capabilities. This allows SMEs to better prepare for the expectations of large counterparties and remain competitive in supply chains.

- **Schedule:**
  The largest companies, which were obliged to report on sustainability by previous regulations, must already apply the requirements of the CSRD from the fiscal year beginning 1 January 2024, meaning that they publish their first reports complying with the new standards in 2025. Other companies are preparing for the reporting guidelines that will be announced as part of the Omnibus Package.

- **Value chain:**
  Companies covered by the CSRD must report not only on their own activities, but also on the impact of the entire value chain - from raw material suppliers to manufacturers to distributors and subcontractors.

Queries in the value chain

One of the key requirements of the CSRD is to report information not only on one's own activities, but also on the entire value chain - that is, on all suppliers, subcontractors and business partners that have an impact on the environmental, social and governance issues. Large companies, directly covered by the requirements of the Directive, need to collect detailed ESG data from their smaller counterparties to properly prepare their own reports.

This makes it increasingly common for small and medium-sized establishments to receive detailed surveys, enquiries, and ESG data requirements from their large contractors - from CO_2 emissions through working conditions to governance and business ethics issues. Large companies "interrogate" their smaller partners, as without their cooperation and reliable information they will not be able to meet their reporting obligations under the Directive.

In practice, this means that SMEs need to prepare for increasing pressure on transparency and organise their ESG data collection and reporting processes. While they may not yet be directly affected by the formal reporting obligation, indirectly the CSRD forces them to implement ESG standards and practices so as not to lose important contracts and positions in the value chain.

CSDDD

The Corporate Sustainability Due Diligence Directive (CSDD) aims to ensure that large companies in Europe act responsibly towards people and the environment throughout their supply chain. The new regulations are designed to increase human rights protection and reduce the negative impact of business on the environment, and the first wave of companies will have to comply with the guidelines as early as 2028.

- **Scope:**
  The CSDDD requires large companies to identify, prevent, minimise and account for risks associated with human rights violations (e.g. forced labour, unsafe working conditions) and environmental damage (e.g. excessive emissions, deforestation). This includes their own operations, subsidiaries, and business partners across the value chain.

- **Impact on SMEs:**
  Although SMEs are not directly covered by the CSDDD, in practice many will be included in the due diligence process as suppliers to large companies. This means that in just a few years from 2028, SME firms will be required to provide information on working conditions, environmental protection, or human rights, as well as meeting certain standards of their large customers. A lack of preparation can result in companies being excluded from the supply chain, and they will have to demonstrate that their suppliers meet the requirements for responsible and sustainable business.

Other regulations in the EU

- **German LkSG law:**
  Effective from 2023, it requires large companies to monitor and ensure respect for human rights and environmental standards throughout the supply chain. This includes, among others, the prevention of forced and child labour, the prevention of discrimination, the provision of safe working conditions and the protection of the environment. Companies must put in place risk management systems, whistleblowing procedures and report annually on actions taken.

- **French Loi de Vigilance law:**
  France already introduced a due diligence law (Loi de Vigilance) in 2017, which requires large companies (with at least 5,000 employees in France or 10,000 worldwide) to create and implement due diligence plans. Companies must identify, prevent, and mitigate risks of violations of human rights, health and safety, and environmental damage, both within their own operations and in the operations of subsidiaries and suppliers. In practice, this also affects SMEs that are part of global supply chains.

- **SFDR (Sustainable Finance Disclosure Regulation):**
  The SFDR primarily applies to financial institutions - such as investment funds, banks, or asset management companies - which must disclose how they incorporate sustainability factors into their products and investment decisions. The SFDR increases transparency in the financial market, making it easier for customers and investors to assess whether and to what extent financial products support sustainability goals.

European and national regulations create a complex regulatory landscape for businesses in Europe. With the proper preparation and use of recommendations for the SME sector, they can be effectively implemented to remain competitive in a demanding market.

CHAPTER 4

Developing ESG strategies and reports for the SME sector

Implementing ESG in small and medium-sized enterprises (SMEs) is a process that often requires the involvement of the whole team, to clearly define an action plan tailored to the scale of the entity. A carefully planned and implemented ESG strategy can contribute to a firm's competitiveness, improve relationships with customers and partners, and facilitate access to finance, but must not over-commit limited resources within the organization.

Below, we outline the detailed steps that will help you to effectively introduce ESG in your company and prepare reports in line with current standards.

ESG reporting process in SMEs

1. Analysis and Awareness:

Define stakeholders	Identify who your company's key stakeholders are - employees, customers, suppliers, local community, investors, and regulators. Understanding each other's expectations and influences allows for effective planning of ESG activities and better communication.
Describe your business model	In the first step, describe your business model - what products or services you offer, what market you operate in and what your core processes are. It is also worth identifying at this stage which elements of your business have the greatest impact on ESG aspects, and to what extent ESG issues may affect your operations and performance.
Assess impacts, risks, and opportunities	Conduct a simplified assessment of the company's environmental, social, and corporate governance impacts. Worth applying is double materiality assessment methodology to assess both the company's impact on ESG issues and the impact of these issues on the company's financial and operational position. Such analysis identifies risks (e.g. regulatory, reputational) and potential opportunities (e.g. new markets, innovation).

Create a list of relevant issues	Summarise and create a list of relevant sustainability issues as a basis for monitoring and reporting on actions. Depending on the industry or company characteristics, this could be carbon footprint, waste management or product cybersecurity.
Involve stakeholders	Involve your stakeholders in the ESG analysis and strategy development process. This can be done through workshops, surveys, or simple conversations to help gather diverse perspectives and build support for further action.

2. Management and staff involvement:

Outline the importance of ESG	It is crucial that the board, owners, or management of the company understand the benefits (e.g. building reputation, meeting regulatory requirements, optimising costs) and risks (e.g. sanctions, loss of customers) of implementing ESG. Clear communication and support from them are crucial throughout the entire process.
Establish responsibilities for the ESG area	Specify responsibilities for ESG implementation and reporting to a dedicated team or individual who will coordinate activities, collect data, communicate with stakeholders, and report progress.

3. Data collection:

Internal audit	Conduct a detailed review of current practices and policies regarding ESG areas: environmental management (e.g. emissions, raw material consumption), social aspects (working conditions, diversity) and corporate governance (ethics, anti-corruption).
Evaluate outcome	Measure performance in key areas using available data and tools - e.g. CO_2 emissions, energy consumption, number of training hours for employees, or results of employee satisfaction surveys.
Analyse priorities	Analyse the company's strengths and weaknesses, as well as the opportunities and threats associated with ESG implementation. This will allow you to focus on the most key areas and use the available resources effectively.

4. Formulate an ESG strategy:

Formulate objectives	Based on the audit and data analysis, set realistic ESG goals that are measurable and achievable. An example is the reduction of greenhouse gas emissions by a certain percent over several years or increasing the share of energy from renewable sources.
Develop an action plan	Identify the project team and clarify priorities and scope of activities. The plan should include specific initiatives, a timetable for implementation and responsibilities to meet the strategic objectives.
Communicate with stakeholders	Define which stakeholder groups you will communicate with and to what extent - e.g. employees, customers, suppliers, local community, financial institutions.

5. Implement your strategy:

Implement policies	Formalise policies and procedures on key ESG issues. This may include an environmental policy, a code of conduct, diversity, and inclusion regulations or ESG risk management principles.
Education and training	Provide training to your staff at all levels so that they understand the objectives of the ESG and their roles in implementing your strategy. The commitment of the team is key to the sustainability of the implementation.

6. Monitoring and reporting:

Monitor progress	Regularly check the achievement of set targets so that you can react quickly to any deviations and improve the process.
Reporting	Prepare ESG reports that can be shared with clients, investors, or financial institutions. Reports should be transparent, based on reliable data and in line with current standards. For entities in the SME sector, the VSME is recommended.
Long-term action	ESG is an ongoing process - update your strategy regularly, adapting it to changing market conditions, regulations, and stakeholder expectations.

VSME (Voluntary Sustainability Reporting Standards)

VSME is a voluntary set of standards specifically designed for small and medium-sized companies that are not required to report under the CSRD. The standard makes it easier for SMEs to start transparent and structured ESG reporting without excessive burden. Importantly, the Omnibus Package introduces the principle that large companies will only be able to request information from SMEs that falls within the maximum range set by the VSME standard - which is intended to protect small companies from disproportionate data requests from larger entities.

The VSME encourage SMEs to progressively implement ESG practices and collect data in a simple and understandable way that can be used both internally and with larger business partners.

The VSME is available in two variants to match the company's stage of development:

Core module

Minimum SME requirements, covers basic entity details, strategy and key ESG areas. Recommended for firms that are at the beginning of their ESG journey.

Extended module

The comprehensive module expands on the information contained in the core module and allows you to present more detailed data needed by investors, banks, or corporate clients. Such disclosures help business partners to better assess the company's risk profile and approach to sustainability - for example, in its role as a supplier. This enables the company to respond more comprehensively to the requirements of its key contractors. This option is recommended for companies that are already more advanced in their ESG activities.

A well-prepared strategy and ESG report can be a real support for SMEs, not an additional burden. The key is to take a step-by-step approach, involve people and be clear about what really matters. The VSME give small companies a clear pathway and the Omnibus Package provisions are designed to protect against excessive expectations of large partners. This makes sustainability achievable even for small companies.

CHAPTER 5

How to report ESG according to the SME guidelines?

With the growing importance of transparency and social responsibility, increasingly small and medium-sized enterprises are recognising the need for systematic ESG reporting. To facilitate this process, the VSME standard offers a practical framework to help organise the data and present it in a readable form. Below, we describe the key steps in the preparation of an ESG report and the structure of the report according to the VSME guidelines and to the core module from which every enterprise starts its journey with reporting. This set of practical information will enable any company starting out in this area to communicate effectively and professionally.

Steps in the reporting process according to the VSME core module

1 Select indicators and scope of your report:

The first and basic step is to find out which areas and indicators from the VSME core module are applicable to you, as some of them apply to companies with a certain number of employees. The indicators in this module are predetermined and must be fully disclosed if the topic is relevant to your operations. For example, the organisation is required to provide data such as the number of accidents at work, the percentage of employees covered by collective agreements, the number of employees by type of employment contract or data on wage disparity. This will ensure that your report contains information that is relevant and expected by counterparties, banks, or other business partners.

2 Identify data sources and collecting:

The dataset should include information from different departments of your company: finance, human resources, health and safety, quality, production, or sales. It is also worth including data from external sources such as suppliers or customers, especially when it relates to supply chain and environmental impacts. Data collection requires clear responsibility and frequency of reporting.

3 Verify your data:

Before using data in your report, you must check it for completeness, consistency, and accuracy. You can apply basic quality control methods or, if necessary, carry out an internal or external audit. Ensuring the reliability of the data is key to the integrity of the overall report.

4 Develop your report:

Create a report document based on the verified data. The VSME point to the clear structure of the report, which allows for a transparent presentation of the information and its links to the company's business strategy. Your report should be written in simple and understandable language, with comments that explain the context of the data and describe the actions taken.

5 Communicate your report to stakeholders:

The ESG report has an important communication function to a wide audience: investors, banks, customers, suppliers, NGOs, and employees. Making the report publicly available (e.g. on the website) and discussing it with the team and business partners strengthens the transparency and credibility of your company.

6 Monitoring and improvement:

Reporting is an ongoing process. Regular reviews of progress against ESG targets allow your strategy to adapt to changing market and regulatory conditions and to continuously improve the effectiveness of your operations.

Elements of an ESG report (VSME core module)[5]

The report according to the VSME in its core module has a specific structure and is divided into sections B1 to B11. It should include the specific information and metrics required, which can be augmented with additional information that gives more context and understanding of how you operate.

Here is a summary of the information required:

1. General company details (B1)

a. legal form, NACE[6] code, balance sheet value and turnover (EUR)
b. number of employees (number of employees or number of full-time equivalents, FTE)
c. main country of operation and location of key sites
d. list of subsidiaries
e. sustainability certification

2. Practices, policies, and plans for sustainable development (B2)

a. what measures you are already taking (e.g. reducing energy consumption, improving working conditions)
b. what ESG policies you have in place (e.g. environmental, social)
c. what are your future initiatives and objectives

[5] Ministry of Development and Technology: "Polish translation of the VSME"
[6] NACE stands for 'Nomenclature statistique des Activités économiques dans la Communauté Européenne,' or Statistical Classification of Economic Activities in the European Union.
It is a code system that is used to categorise industries and economic activities in a uniform way across the EU.

3. Environmental measures (B3-B7)

a. Energy and emissions: energy consumption (MWh), GHG emissions (scope 1 and 2, tCO_2e)
b. Pollution: emissions to air, water, soil
c. Biodiversity: locations in sensitive areas
d. Water: total water intake and intake-discharge difference
e. Waste and resources: volume of waste (hazardous and non-hazardous), recycling, reuse, closed loop

4. Social measures - human resources (B8-B10)

a. number of employees by type of contract, gender, country
b. employee turnover rate (for companies with more than 50 employees)
c. number and rate of accidents at work, number of fatalities
d. whether wages are at or above the minimum wage
e. gender pay gap
f. percentage of employees covered by collective agreements
g. average number of training hours per employee by gender

5. Governance measures (B11)

a. number of convictions and fines for violations of anti-corruption and anti-bribery laws
b. total amount of such fines

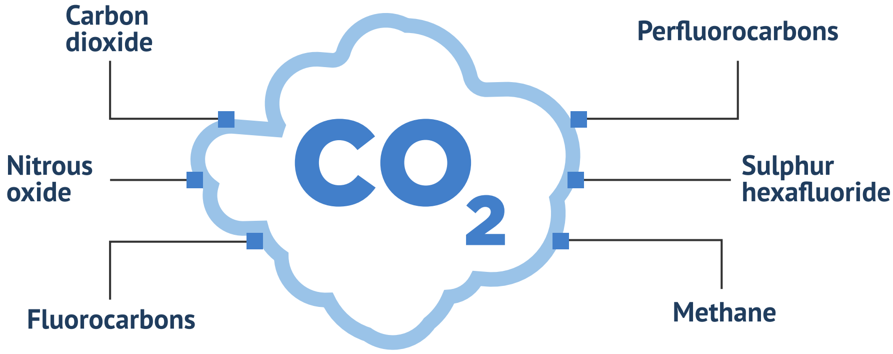
ESG reporting is a process that requires the involvement of many people within the company and a systematic approach to data collection and analysis. The VSME standard is dedicated to SMEs and helps to prepare the report in a way that is accessible but compliant with market and regulatory requirements. Regular sharing of results with stakeholders and continuous improvement of ESG activities is the foundation of an effective sustainability strategy.

CHAPTER 6

Carbon footprint and decarbonisation

What is a carbon footprint and what does it mean for modern businesses?

The carbon footprint is the most common term in ESG conversations and applies both to large businesses required to report and indirectly to SME companies.



- **Definition:**
  A carbon footprint is the total sum of greenhouse gas (GHG) emissions that are generated directly or indirectly by an organisation's activities, arising from the production of specific products or the provision of services. It includes emissions from the company's own operations as well as those related to the supply chain and product use.

- **Significance:**
  In an era of global climate challenges, monitoring the carbon footprint is becoming one of the key tools for environmental management. It allows companies to understand their real impact on the climate and identify areas where emission reductions are possible. It is also an important part of building credibility with customers, business partners and investors, who increasingly expect transparency and action to reduce climate change.

- **Scopes:**
  The carbon footprint is divided into three emission bands, which describe the various sources of greenhouse gases:

  - **Scope 1** covers emissions that a company emits directly from sources that it owns, for example the burning of fuels in company vehicles or boilers.

- **Scope 2** are emissions that arise outside the company but result from the company's consumption of purchased electricity, heat, or process steam, for example, electricity purchased from suppliers to power equipment and lighting.
- **Scope 3** covers all other indirect emissions arising in the value chain, including emissions from the production of raw materials, transport, use of products and the activities of contractors and suppliers.

- **Relevance for SMEs:**

  For SMEs, it is Scope 3 that is of particular importance, as large companies calculating their carbon footprint in 3 scopes will be required to report emissions in detail throughout their value chain. In practice, this means that these large companies will require their suppliers, including SMEs, to provide precise data on greenhouse gas emissions arising at every stage of their collaboration - from the production of raw materials, through transport, to the use of products and services. SMEs must therefore prepare to systematically collect and analyse such information, often involving their contractors and business partners to ensure the reliability and completeness of the reported data. This requires not only the right tools and internal processes, but also active cooperation and transparency in business relations.

Steps to calculate the carbon footprint

Choice of base year

Determine the year from which you will start calculating emissions and against which subsequent comparisons will be made. The choice of the base year is crucial for the subsequent evaluation of the progress in emission reductions and monitoring of the effects of the measures.

Set boundaries

Define which organisational and operational units of the company will be included in the carbon footprint calculation. Also specify which processes, areas and emission types will be considered (e.g. only scopes 1 and 2 or also scope 3).

Data collection

Collect data on fuel consumption, electricity, raw materials, transport, waste, and other sources of greenhouse gas emissions. Data can come from invoices, technical records, management systems and from suppliers and partners.

Data analysis

Using the data you have collected, make calculations that will lead to a carbon dioxide equivalent (CO2e) using the relevant emission factors. Identify the largest sources of emissions that will be key to be covered by reduction measures.

Activity reporting

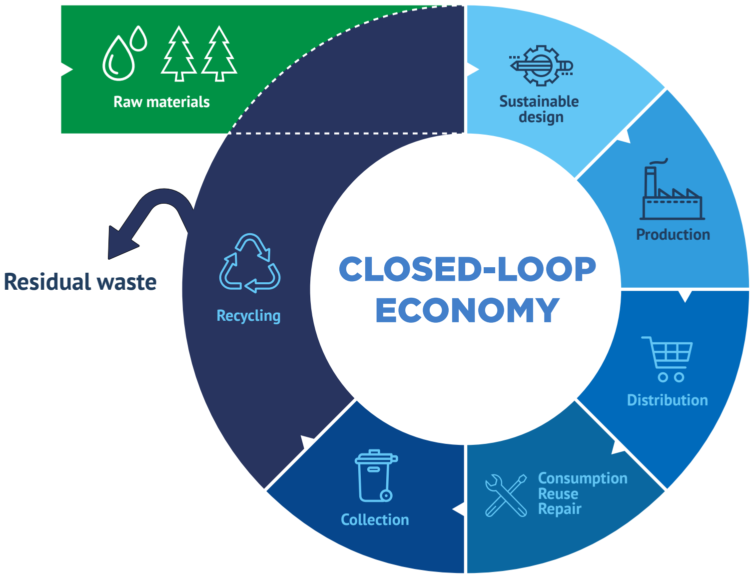
Provide information on the carbon footprint that details the level of emissions and the calculation methods used. The above data must be included in the ESG report, which will be made available to stakeholders such as investors, customers, and regulators.

CHAPTER 7

Closed-loop economy (CLE)

What is a closed-loop economy?

The second most common concept in the context of ESG, right after the carbon footprint, is the closed-loop economy. This is because the implementation of this concept makes it possible to significantly reduce the carbon footprint and to introduce efficient improvements throughout the process.



- **Definition:**
  The closed-loop economy (CLE) is a modern economic model that aims to maximise the use of resources by extending the life cycle of products, minimising waste and promoting the recycling and reuse of materials. In practice, this means moving away from the traditional 'take - produce - use - throw away' model to more sustainable and efficient processes, which can be described by the three terms 'reduce, reuse, recycle'.

- **Benefits:**
  The implementation of CLE principles has many benefits for businesses:
  - Reduction in raw material consumption - more efficient use of materials reduces the need to purchase new raw materials, which reduces production costs.

- Reducing waste and emissions - less waste reduces the negative impact on the environment and reduces disposal costs.
- Increased competitiveness - companies implementing CLE can distinguish themselves in the market as responsible and innovative, which increases customer and investor confidence.
- Regulatory compliance - an increasing number of regulations and standards require sustainability measures, and CLE is an important part of these requirements.

Action in the spirit of CLE

Achieving a circular economy manifests itself in various initiatives and the most popular are:

Eco-design:

Designing for durability, repairability, disassembly and reuse. This makes products more environmentally friendly, and they can last longer, reducing waste.

Transforming a product into a service:

A business model based on renting, leasing, or sharing products instead of selling them. Examples include companies offering subscription equipment or car-sharing systems.

Sharing platforms:

Creating digital platforms to share tools, machines, or storage space, making better use of existing resources and reducing the purchase of new ones.

Industrial symbiosis:

Using waste or by-products from one industry as raw materials for another. This approach promotes cost reduction and waste reduction throughout the production chain.

Waste recovery and reuse:

Systematic and efficient segregation, collection, and processing of waste for reuse or recycling.

The closed-loop economy and reporting for the SME sector

The existing CSRD reporting standards require companies to report on their activities related to the circular economy.
This includes, among other things, the management of raw materials, waste, and the efficient use of materials, which helps to assess the environmental impact of the company.

Therefore, SME companies will be required to provide information about their CLE practices to large customers and business partners who are subject to these regulations.

This means that it is already worth preparing to systematically collect data and include it in your reports (e.g. according to the VSME standard) to be prepared for these expectations. Implementing a closed-loop economy is a real opportunity to streamline a company's operations, reduce costs and build a good reputation while taking care of the environment. For small and medium-sized enterprises that want to stay in business and work with larger partners, understanding the principles of CLE and actively implementing them will be an increasingly important part of their growth strategy.

CHAPTER 8

Financing ESG transformation

Sources of funding

ESG transformation, i.e. the implementation of sustainability principles, may require investment - both financial and organisational. Companies, especially SMEs, can benefit from a variety of funding sources that enable environmental, social and governance projects.

Own funds

The company's own funds, earmarked for modernisation of processes, purchase of green technologies or employee training.

Public grants and subsidies

National and EU programmes offer financial support for ESG investments, e.g. energy retrofitting of buildings, improving energy efficiency or introducing environmental management systems.

Environmental and green loans

Banks are increasingly offering loans on preferential terms to companies implementing environmental projects. These include, for example, loans for the purchase of photovoltaic installations, the modernisation of machinery towards energy efficiency or investments in the closed-loop economy.

Green and sustainable bonds

An increasingly popular instrument for financing large ESG investments. SMEs, although less frequently, may participate as investors in such issues or partner with larger entities.

Venture capital and private equity ESG funds

Equity investors are increasingly looking for companies with robust ESG practices, offering them capital for growth and transformation.

ESG crowdfunding

Crowdfunding for environmental or social projects, which can be of particular interest to innovative SMEs.

Access to capital

The European Union is actively promoting access to finance for the transformation towards a low-carbon and socially responsible economy.

It is crucial for SMEs to understand that it is not just access to capital alone that matters, but also the qualification of the company as a socially and environmentally responsible partner, which translates into:

Better credit conditions

banks are increasingly using risk assessment models based on ESG scores, rewarding responsible, low-carbon and pro-social companies.

Flexible financial instruments

such as loans with interest rates linked to ESG performance (so-called integrated loans) that incentivise continuous improvement in these areas.

Support from institutional investors and funds

some venture capital or private equity funds direct capital primarily to companies with a good ESG reputation, offering not only funds but also the know-how needed to grow.

Opportunities to work with large entities

for example, by participating in sustainable or green bond-funded programmes, which opens new avenues for SMEs to raise capital.

In addition, access to grants and public guarantees reduces financial risks and facilitates the implementation of investments, which are often costly and require a long-term approach.

In practice, this means that investing in ESG not only increases the chances of raising capital but also has a positive impact on relationships with banks, investors, and business partners, which is essential for the successful transformation of companies.

ESG transformation requires conscious planning and adequate funding. It is crucial to consciously select funding sources for planned ESG activities, using available national and EU programmes and offers from financial institutions. A well-prepared ESG transformation plan increases the chances of obtaining favourable credit or grant terms, lowers the cost of capital, and builds confidence among investors and business partners.

CHAPTER 9

Guidance and examples of selected industries

Specifics of ESG reporting in selected industries

ESG reporting requires considering the specific nature of the business and the biggest challenges faced by the industry. The following are specific examples of companies that actively report their sustainability activities to an external organisation that certifies company activities.

Standardisation of logistics processes - GS1

GS1 Poland actively implements a number of sustainability initiatives, including environmental, social, and responsible management aspects. In December 2023, the organisation moved its headquarters to a state-of-the-art, environmentally friendly building, which has achieved BREEAM certification of Outstanding and Excellent, confirming ambitious standards of environmental management and sustainability.
GS1 is also committed to equal pay between men and women and promotes diversity by employing staff of different nationalities. Most of the management team is female, and the company actively educates its employees, including through open training under the slogan 'ESG is not a fashion, it's a duty'.

Working with market representatives, GS1 Poland supports system participants and consumers by developing solutions that benefit the environment and consumers, based on the GS1 Global Standards. The use of 2D codes (including QR codes) enables optimisation of supply chain management and control of product expiry dates, helping to reduce food waste and respond quickly to potential quality problems. This provides consumers with traceability and full product information to support informed purchasing. The standards used in the deposit system encourage the recycling of packaging by allowing containers to be returned and reused. Based on a consistent GS1 database, the system facilitates returns logistics and promotes sustainable practices across the country.

GS1 Poland is also introducing innovative solutions such as the Digital Product Passport (DPP), which contains key data to identify and track a product throughout its life cycle. This passport promotes responsible production and reduces the waste of resources, for example by prohibiting the destruction of unsold goods. The DPP supports the transition to a circular economy and sustainable business practices, which has a positive impact on the global economy.

In addition, GS1 Poland is involved in various environmental projects to reduce food waste and promote paperless activities. The organisation makes original, reliable product data available online, supporting transparency and sustainability of the entire GS1 system.

It was one of the first organisations to prepare its ESG[7] report based on the VSME standard.

IT - Deviniti

Deviniti is a Wroclaw-based company that builds trust through daily decisions based on ethics, integrity, and transparency. The company is committed to responsibility in its relationships with customers, partners, and users of its solutions, believing that only open communication and a willingness to engage in dialogue make it possible to create lasting, valuable business relationships. Lofty standards of information security are a natural part of this responsibility - Deviniti meets stringent industry requirements, undergoes regular audits, and continuously improves procedures, reinforcing a culture of security throughout the organisation.

The informed choice of partners is also a key aspect of the company's operations. Deviniti consistently avoids working with entities from ethically questionable markets or conflict industries. Each contract is subject to a thorough analysis, and the verification process includes both customer information and compliance with partner policies. The company has also been developing social initiatives through its 'Deviniti care' programme. They are underpinned by charitable activities, volunteering, concern for the well-being of the team and CSR projects. In 2024 alone, Deviniti has supported 15 organisations, including the KIDS Foundation, Clean River Operation and zoos, symbolically adopting endangered species.

The attention to equal treatment and safety of employees is confirmed by the data - there were no cases of discrimination or accidents at work. Implemented health and safety procedures, regular ergonomic reviews and a hybrid working model support team comfort. Deviniti maintains a zero-tolerance policy towards inequality and promotes diversity and pay transparency. The gender pay gap is at a low level, with average gross wages above the legal minimum.
This information can also be found in the ESG report prepared according to the VSME[8] standard.

ESG certification - EcoVadis

EcoVadis is a global platform that assesses the ESG practices of companies around the world and has become one of the most important certification tools in this area. EcoVadis has already assessed by more than 150,000 organisations, making it one of the most popular sustainability-related certifications. The company's 2023 report shows that the average score for European companies was 56.5 out of a possible 100 points, the average score for SMEs over the same period was 56.4 points. This means that the small and medium-sized enterprises that undertake work in sustainability deviate little from the European average. This is positive, as it is possible to move in a sustainable direction at a similar level, despite differing resources.

The examples of GS1 Poland and Deviniti show that effective ESG reporting requires an understanding of the specifics of the business, a responsible management approach and an openness to innovation. Both organisations operate in line with ESG principles, as evidenced by their reports - but are not compelled to do so.

In turn, the EcoVadis example highlights the importance of external verification of ESG measures. Certification and assessment by an independent, global platform allows organisations to benchmark themselves against other companies in the region and around

[7] *ESG report based on VSME standards from GS1*
[8] *ESG report based on VSME standards from Deviniti*

the world, while building stakeholder trust based on objective, measurable criteria. Data from the EcoVadis report confirms that also small and medium-sized enterprises can achieve ESG results comparable to the European average.

The common denominator in all three examples is the drive for transparency, measurability, and continuous improvement.

ESG in Wroclaw: real examples of positive change

In addition to examples of businesses built on the foundations of ESG like Deviniti, Wroclaw can also boast many city initiatives and examples of investments and projects that make a lasting contribution to the positive changes in our city felt by all.

The following projects, among others, deserve recognition:

- **Cities Mission**

  Cities Mission is a European Commission initiative supporting 100 European cities to achieve climate neutrality by 2030, through innovation, collaboration, and the implementation of green solutions. Wroclaw is one of five Polish cities participating in this project and is striving to achieve this goal.

  Ambitious prospects also appeared in the draft city development strategy "Wroclaw 2050", in which the vision of Wroclaw was presented as a "Blue-green solidarity-based metropolis for the development of future competences". The draft strategy sets objectives such as:

  high air and water quality

  80% reduction in CO_2 emissions

  strong scientific, economic, and cultural centre

  good housing availability

  international activities

  fast train to Warsaw in less than 2h

  culture of cooperation

  The project also includes concrete examples of actions that realise these goals, e.g. the creation of blue and green infrastructure, sustainable public transport, energy transition or attention to mental and physical well-being.

  As can be seen, many of these objectives are environmental and social objectives i.e. based on an ESG foundation.

- **South Centre**

  The modern office building complex 'South Centre', developed by Skanska, has won the Accessibility Leader 2025 award and the Barrier-Free Facility certificate. This office complex is an example of how the S (Social) pillar can be put into practice - the buildings are fully accessible to people with disabilities, seniors, or parents with children. Efficient and accessible solutions, such as additional lifts, showers adapted to the needs of people with reduced mobility or relaxation areas accessible to all, build inclusivity and a sense of community. The buildings incorporate water-saving, energy efficiency and green energy technologies, also confirming an equally strong commitment to the E (Environment) pillar.

  As one of the ESG leaders in the property development industry, Skanska also cares about environmental aspects: the company's investments are LEED or WELL certified, which confirm, among other things, the energy efficiency of the buildings and high indoor air quality standards.

- **MPK Wroclaw**

  The city's transport operator has consistently relied on modern, low-emission transport for several years. Wroclaw MPK is investing in electric buses, eco-friendly trams, and passenger- and environmentally friendly infrastructure. These measures reduce CO_2 emissions and improve air quality in the city. At many public transportation stops in Wroclaw, in addition to timetable information, residents can also check the current air quality, an example of the practical use of environmental data in public spaces. This shows the importance of the public sector's role in promoting sustainability - and how local SMEs can be part of this by providing maintenance services, spare parts, or technologies to improve transport efficiency.

- **Support for local business**

  Wroclaw has been actively supporting local producers and small suppliers from across Lower Silesia for years, promoting short supply chains, high quality, and a sustainable approach to catering. An excellent example is the cyclical event "From Field to Wroclaw's Table", the third edition of which took place in April 2025 at the Novotel Centrum hotel.

  It is a meeting of producers and suppliers of organic food from Lower Silesia, from beekeepers, through cheese makers, to organic farms and manufactures, with Wroclaw restaurateurs and gastro entrepreneurs. The aim is to create and maintain direct business relationships that strengthen the local economy and reduce the carbon footprint of transport.

  The example of the "From Field to Wroclaw's Table" event shows that even small, local businesses can benefit from support in building business relationships, promotion and creating short, sustainable supply chains. This approach, based on cooperation and local partnerships, can be successfully implemented in various industries.

CHAPTER 10

Perspectives from ESG Leaders

Randstad

ESG Report: Randstad and sustainability in global supply chains

The concept of ESG (Environmental, Social, and Governance) is a set of criteria that allows evaluating how companies operate in environmental, social, and governance areas. For Randstad, a global leader in the HR industry, these principles are fundamental, especially regarding their impact on employees, clients, and partners. Our actions in this area not only create a better working environment but also respond to the growing expectations of the market and society.

E – Environmental actions

In the area of eco-friendly initiatives, Randstad focuses on reducing its carbon footprint. Our global ambition is to achieve Net Zero, i.e., zero net emissions. We undertake actions to:

- **Reduce emissions:**
  We focus on decarbonising transportation, sustainable management of buildings and operations, and increasing energy efficiency.
- **Change work culture:**
  We encourage employees to use more environmentally friendly means of transport, such as bicycles or public transport. Additionally, we locally analyse how our employees commute to the office, forming the basis for further actions aimed at optimising commuting and reducing emissions.

More information about our global sustainability initiatives can be found on Randstad's website.

S – Social actions

A key element of our strategy is engagement in social issues, with equal opportunities in the labour market as one of its pillars. Our internal labour market analyses and research, described in publicly available reports, confirm that this is one of the main factors guiding candidates when choosing an employer today.

This is a priority for us, expressed through concrete actions. An example is our latest *Labour Market Monitor*, which analyses, among other things, the situation of women in the Polish labour market and the phenomenon of discrimination in the workplace.

Employer brand research shows that "equal employment opportunities regardless of age, gender, ethnicity, etc." is one of the key factors attracting talent. In Poland, 51% of respondents consider this factor important when choosing an employer.

Within the "S" area, we conduct a range of initiatives:

Support for the One Day Foundation, which helps children and youth from care institutions transition into adulthood and enter the labour market.

Educating clients and prospects about pay transparency and wage equality, which is crucial for building a transparent and fair labour market.

Satisfaction surveys: We regularly listen to the voices of our employees and clients, assessing their satisfaction with cooperation. Our ambition is for at least 80% of them to rate these experiences at the highest level (scores 8–10).

Recruitment process: Ensuring a positive experience and candidate comfort at every stage of recruitment is a priority. We believe that transparency and respect for applicants' time are key, so we ensure feedback reaches them as quickly as possible. Our standards are confirmed by satisfaction metrics: 86% of surveyed candidates felt that the proposed job offers were suitable and matched their skills, and 92% said that their expectations regarding the form of contact during the interview/recruitment meeting were met. Candidates are satisfied with their conversations with Randstad Recruiters – 9.1/10.

G – Governance actions

Corporate governance principles form the foundation of transparent and ethical company operations. In this area, taking into account the opinions of all stakeholders is crucial.

- **Openness to dialogue:**
  We systematically gather and consider feedback from both clients and employees. This openness is the foundation of our approach, leading to continuous improvement of our processes and offerings, as well as better working conditions.

In summary, we strive to ensure that our actions in the social, environmental, and governance areas are visible and have a positive impact on the labour market and the communities in which we operate.

Trippi

Trippi bike benefit: an innovative solution for ESG strategy

In an era of increasing regulatory requirements and societal expectations, companies are looking for practical tools to support the achievement of ESG goals. Trippi Bike Benefit is a comprehensive solution that measurably supports all three pillars of sustainable development.

Reduces CO_2 emissions by 0.8 tonnes per year

Environmental dimension

The programme offers a tangible reduction of the carbon footprint – each bike in the programme reduces CO_2 emissions by an average of 0.8 tonnes per year. A package of 10 bikes results in a reduction of 9,360 kg of CO_2 annually, which translates into significant points in ESG reports compliant with CSRD and ESRS standards.

The currently developed application provides automatic reports in XML/CSV formats, facilitating digital non-financial reporting.

Social dimension

Regular cycling reduces absenteeism by 10–20% and lowers the risk of depression by 30%. The programme includes joint events – bike trips, team challenges, and safety training – which strengthen integration and organisational culture.

The currently developed mobile app motivates employees through rankings, challenges, and automatic tracking of the reduced carbon footprint.

Lowers the risk of depression by 30%

Governance dimension

Transparent, automated reporting for management with full process digitalisation. The upcoming app will integrate with HR systems and provide real-time data for ESG reports.

Reputational and financial benefits

The programme generates an ROI of 1:28.47 over three years, with savings of up to PLN 150,000 per year while reducing the carbon footprint by 25%. Companies gain the status of ESG leaders, increasing their attractiveness as employers – 64% of millennials prefer employers with a strong sustainability profile.

Motivational app

The dedicated application offers:

- **Real-time tracking of reduced CO_2 emissions**
- **Gamification with team rankings and challenges**
- **Integration with corporate events**
- **Automatic generation of data for ESG reports**

Trippi is a strategic tool for building competitive advantage, helping companies stay ahead of regulations and strengthen their position as responsible employers by delivering concrete, measurable results in every ESG area.

Summary

Implementing ESG principles in small and medium-sized enterprises is a process that requires consistency, responsibility, and readiness for change. For many companies this is a challenge - especially at the beginning, when the need to prioritise, collect data or create the first report arises. However, it is important to remember that ESG is primarily a real opportunity to increase business resilience, build customer trust, access finance and stand out from the competition, not just responsibilities.

A key element of a successful approach to ESG is commitment - from owners, management, and all employees. It is people who are the foundation of sustainable development.

From the identification of relevant topics to the implementation of concrete measures - such as calculating the carbon footprint, optimising waste management, or implementing the principles of a circular economy - to reliable and transparent reporting: every step matters.

Entrepreneurs must remember that they do not have to do everything at once. The most important thing is to get started - to set initial priorities, collect key data, engage in dialogue with stakeholders and build processes step by step. It is important to adapt your operations to the specifics of your industry and the scale of your company, to use available standards such as VSME, and to be ready for the changes that business transformation towards sustainability brings.

This guidebook has been created as a support and practical signpost on this journey. We hope that it will help to identify the key issues, understand the requirements and, step by step, build a mature, credible approach to ESG.

ESG is an investment in the future of our companies and the communities in which we operate and live.

Glossary

CSR (Corporate Social Responsibility) - the concept of corporate social responsibility, according to which companies should act ethically, contribute to the development of local communities and care for the environment, going beyond economic objectives.

Cybersecurity - all activities, procedures and technologies designed to protect information systems, data and networks from unauthorised access, attacks, or loss of information. In the context of ESG, cybersecurity is important to ensure business continuity, protect stakeholder data and build trust in the organisation.

CSRD (Corporate Sustainability Reporting Directive) - an EU directive that extends the obligation for companies to report sustainability information. It aims to increase the transparency, comparability, and reliability of ESG data, enabling a better assessment of companies' long-term strategy and risks.

Energy efficiency - optimal use of energy in production processes, buildings, or equipment. Improving energy efficiency reduces energy consumption, cuts cost and reduces emissions.

Carbon dioxide equivalent - a unit that converts emissions of various greenhouse gases into CO_2 equivalents so that they can be compared. This enables a comprehensive assessment of the impact on climate change, even though the individual gases have different properties.

Direct emissions - emissions arising directly from the company's activities, for example from the combustion of fuels in company vehicles or industrial processes.
These constitute the so-called scope 1 of emissions.

Indirect emissions - greenhouse gas emissions that arise because of the company's operations but are generated by external parties - for example, in the production of electricity that the company buys. These include emissions from so-called scope 2 and parts of scope 3.

Renewable energy (RES) - energy from natural, inexhaustible sources such as the sun, wind, water, or biomass. The use of RES contributes to the reduction of greenhouse gas emissions and promotes sustainable development.

ESG (Environmental, Social, Governance) - environmental, social, and corporate governance issues. It is a set of factors that are considered when assessing the sustainability of a company.

ESRS (European Sustainability Reporting Standards) - a set of standards being developed under the CSRD that clarify what ESG-related data must be disclosed by companies. Standardisation of reporting aims to harmonisation of methodologies, which will facilitate the analysis and comparison of information between companies at European level.

Closed-loop economy (CLE) (or circular economy) - an economic model that seeks to maximise the use of resources through reuse, recycling, and remanufacturing, thereby minimising waste generation. The aim of the CLE is to create a system in which products, materials and resources circulate in the economy for as long as possible.

Stakeholders - individuals or entities that are directly or indirectly related to a company's activities and can influence or be influenced by its activities. Taking their needs and expectations into account is key to effectively managing environmental, social, and corporate governance aspects of ESG reporting.

Value chain - according to the ESRS, it is the wide range of activities, resources and relationships that are associated with a company's products or services, from their inception, through production, distribution, to consumption and disposal. It encompasses the activities of the company itself as well as those of its suppliers, subcontractors, customers, and other stakeholders.

Business model - the way a company makes money from its business. It identifies what the company offers, to whom and how it generates revenue, e.g. through product sales, subscription services or advertising.

NACE - an abbreviation for "Nomenclature statistique des Activités économiques dans la Communauté Européenne," i.e. Statistical Classification of Economic Activities in the European Union. It is a code system that is used to categorise industries and economic activities in a uniform way across the EU.

Omnibus Package - the name of the changes to EU ESG reporting rules, which update, among other things, the definition of 'large company' and financial thresholds. It aims to clarify and simplify the reporting requirements in the CSRD and ESRS. The changes affect which companies - including some SMEs - will be covered by the sustainability reporting obligation.

Double Materiality - the concept that both the impact of a company's activities on the environment (external materiality) and the impact of environmental and social changes on the company (internal materiality) should be considered.

Greenhouse Gas Protocol (GHG) - the international standard for calculating and reporting greenhouse gas emissions. The protocol distinguishes between direct emissions, indirect emissions and those resulting from the supply chain, which enables an accurate assessment of the climate impact of a company's activities.

Risk - the possibility of an event occurring that could adversely affect the company's objectives and operations. In the context of ESG, risks include environmental, social as well as governance issues that can affect the sustainability and growth of the company.

Opportunity - the possibility of an event or situation occurring that can positively affect the achievement of the company's objectives and development. In the ESG area, opportunities relate to the use of environmental, social, and corporate governance trends to build competitive advantage and sustainability.

Carbon Footprint - a measure of the total emissions of greenhouse gases, mainly carbon dioxide, emitted directly or indirectly by the activities of a company, product, or person. The result is usually expressed in tonnes of CO_2 equivalent.

VSME - Voluntary Sustainability Reporting Standard for Micro and Small Enterprises. This is a standard developed by the European Financial Reporting Advisory Group (EFRAG) designed to help small and medium-sized enterprises (SMEs) report ESG data.

ESG Without Secrets - How to Build Competitive Advantage On ESG. A Guidebook for SMEs

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