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How to Effectively Collect ESG Data from SME Suppliers

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Large companies meeting certain criteria and subject to mandatory sustainability reporting (SR) are required to report Scope 3 emissions (indirect value chain emissions) as well as social and environmental data from across their supply chains, resulting in a growing number of information requests being directed to SME (small and medium--sized enterprise) suppliers. Effective collection of these data requires a structured approach that takes into account the statutory limitation on the scope of information that can be requested, which will apply from 2027.

I. Background to the issue and regulatory sources of the requirements

The requirement to report value chain data stems directly from the European Sustainability Reporting Standards (ESRS), in particular the cross-cutting standards ESRS 1 and ESRS 2 and the topical standard ESRS E1 on climate change. Large companies are required to disclose Scope 1 emissions (direct emissions), Scope 2 emissions (indirect emissions from purchased energy) and Scope 3 emissions (indirect value chain emissions), which, in most sectors, account for the predominant share of the total carbon footprint. One must note, however, that Directive (EU) 2026/470 (the Omnibus I package) significantly narrowed the scope of entities subject to these obligations. Additional climate-related reporting requirements are imposed on financial institutions by the Sustainable Finance Disclosure Regulation (SFDR) and the Taxonomy Regulation (2020/852), resulting in a chain of information requests being passed on to successive entities. The CSDDD (Corporate Sustainability Due Diligence Directive) extends the scope of expectations to areas such as human rights, working conditions and environmental impacts in the supply chain.

II. Scale of the challenge for both parties to the business relationship

A large company reporting in accordance with the ESRS may have anywhere from several hundred to several thousand suppliers across different countries, industries and size categories, creating a significant operational challenge in terms of coordinating information requests, verifying responses and aggregating data. An SME supplier, particularly one that is not itself subject to mandatory reporting requirements, may, in turn, receive simultaneous requests from multiple customers, often in different formats, with different deadlines and methodologies. The EU legislature has expressly acknowledged that value chain entities, particularly SMEs, face disproportionately excessive requests for sustainability information, which provided the rationale for introducing a mechanism to limit such requests. The lack of standardised request formats remains one of the main sources of frustration for suppliers and inefficiency for customers, who receive data that are incomplete or methodologically inconsistent. This situation creates pressure to use voluntary standards that facilitate communication.

III. Limitation on the Scope of Information Requested (Value Chain Cap)

Directive (EU) 2026/470 introduces a value chain cap mechanism, which is being transposed into national law by the draft Act amending the Accounting Act (No. UC155, published by the Government Legislation Centre on 10 July 2026). A protected undertaking will be a supplier in the value chain whose average annual number of employees, calculated on a full-time equivalent basis, did not exceed 1,000 in the preceding financial year. Reporting undertakings will not be permitted to request from protected undertakings information going beyond the scope specified in the voluntary sustainability reporting standards, and protected undertakings will have the right to refuse to provide such information. When requesting data, a reporting undertaking will be required to identify which of the requested information goes beyond the cap and to inform the protected undertaking of its right to refuse. When determining a supplier's status, the reporting undertaking will be permitted to rely on the supplier's declaration without being required to verify it, unless it is obvious that the declaration is false. These limitations do not affect the right to request a broader scope of information for other purposes, such as due diligence under the CSDDD.

IV. Voluntary Standards and the VSME Standard

The scope of the value chain cap will be determined by voluntary sustainability reporting standards to be adopted by the European Commission by means of a delegated act pursuant to Article 29ca of Directive 2013/34/EU. Until their adoption, the VSME (Voluntary Sustainability Reporting Standard for non-listed SMEs), developed by EFRAG (European Financial

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Reporting Advisory Group) and recommended by the European Commission in July 2025, remains the practical point of reference. The standard consists of two modules: the Basic Module, containing a minimum set of metrics for the smallest entities, and the Comprehensive Module, designed for SMEs in the supply chains of large companies subject to the ESRS. The Comprehensive Module covers metrics relating to energy consumption, greenhouse gas emissions, water consumption, waste management, employment, pay equality, occupational safety and anti-corruption policies. The use of the VSME enables a supplier to respond to requests from different customers with a single, consistent report, eliminating the need to repeatedly adapt data to individual questionnaire formats.

V. Scope and Types of Data Collected

ESG data collected from suppliers fall into three main categories corresponding to the three ESG pillars. In the environmental (E) area, key data include the supplier's Scope 1 and Scope 2 emissions (which constitute Scope 3 emissions for the customer), energy consumption broken down by source, including the share of renewable energy, water consumption, waste generation and the consumption of critical raw materials. In the social (S) area, data are collected on the number of employees, remuneration structure, employee turnover rate, number of occupational accidents, occupational health and safety certifications and anti-discrimination policies. In the corporate governance (G) area, the most common questions concern anti-corruption policies, codes of ethics, whistleblowing procedures, ownership structure and instances of legal non-compliance. In addition, suppliers operating in sensitive sectors may be asked about specific sector-related aspects, such as particulate emissions in manufacturing, pesticide use in agriculture, FSC (Forest Stewardship Council) certification of timber in the furniture industry or compliance with the EUDR (EU Deforestation Regulation) for products associated with deforestation. In the case of protected undertakings, however, the scope of requests will be limited by the content of the voluntary standards.

VI. Data Collection Processes and Tools

Large companies implement processes for collecting ESG data from suppliers based on several organisational models. One is a direct model, in which the ESG or sustainability team manages questionnaires sent to suppliers via a dedicated platform or by email. Another is a procurement-integrated model, in which ESG data form part of a broader supplier assessment (Supplier Qualification) carried out by the procurement department. The third is a platform-based model involving external service providers that aggregate data from multiple sources and make them available to customers. The choice of model depends on the scale of the supply chain, process maturity and the resources available within the organisation. Irrespective of the model adopted, it is essential to clearly define the purpose for which the data are collected, the frequency with which they are updated and the scope of their use, including any disclosure to third parties (auditors, regulatory authorities or end customers). Information request forms should be adapted to identify information that goes beyond the cap and indicate the right to refuse to provide it.

VII. ESG Clauses in Supplier Contracts

ESG clauses in commercial contracts include obligations on the supplier to provide data in a specified format and within a specified timeframe, comply with the supplier policy (Supplier Code of Conduct), consent to audits and report material environmental and social incidents. When drafting such clauses, however, it should be taken into account that a reporting undertaking cannot require a protected undertaking to enter into contractual provisions obliging it to provide information going beyond the scope of the voluntary standards. Such provisions will be deemed non-binding, without affecting the validity of the remaining provisions of the contract. Clauses applicable to suppliers with fewer than 1,000 employees should therefore refer to the scope of the voluntary standards, while broader obligations should be reserved for purposes other than ESG reporting, such as due diligence. Well-drafted clauses specify the metrics and measurement methodology, the reporting frequency (most commonly annually) and response deadlines (usually 30–60 days). It is also recommended that support clauses be included under which the large company offers suppliers training, reporting tools or ESG mentoring.

VIII. Supporting SME Suppliers in the Reporting Process

Effective collection of ESG data from SMEs requires active support from the large company, as suppliers often lack the in-house expertise and tools needed to perform the relevant calculations. Practical forms of support include providing carbon footprint calculators, VSME-compliant reporting templates, access to online training and a dedicated contact point for technical queries. Some large companies organise partnership programmes for strategic suppliers, offering financial support for

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ESG audits, expert advice and preferential financing terms for emission-reduction investments. Support can also include coordination with the supplier's other customers. If several large reporting companies use the same SME supplier, jointly agreeing on the scope of information requests and accepting a standardised reporting format significantly reduces the burden on the supplier. It is also recommended that regular information sessions be organised for suppliers to present expectations, regulatory changes and good practices. It should be emphasised that the value chain cap provisions do not impose any obligation on suppliers to provide information. Cooperation remains voluntary and is based on the commercial relationship.

IX. Data Quality Management and the Transitional Period

ESG data obtained from SME suppliers vary in terms of quality and completeness, which poses a challenge to the reliability of the customer's reporting. A large company should implement validation processes encompassing consistency checks (comparison with historical data and industry benchmarks), verification of calculation methodologies and selective on-site audits of key suppliers. For Scope 3 emissions, a distinction should be made between primary data obtained directly from the supplier and secondary data based on industry averages and emission factors. The proposed legislation provides for significant relief: during the first three financial years in which an undertaking is subject to the reporting obligation, it may omit value chain information if it is unavailable, provided that it discloses the actions taken, the reasons why the data could not be obtained and the steps planned for the future. From the fourth year onwards, the undertaking presents information obtained directly from suppliers or estimated data. An undertaking that has presented data without information covered by a protected undertaking's right to refuse is deemed to have fulfilled its value chain reporting obligation. Assurance of sustainability reporting by an audit firm includes verification of the data collection process and takes into account the right of refusal available to protected undertakings.

X. Legal Risks and Strategic Recommendations

A large company publishing Scope 3 data based on unreliable or undocumented information exposes itself to allegations of greenwashing and, from 27 September 2026, following the commencement of application of the provisions of the ECGT Directive (Empowering Consumers for the Green Transition), also to administrative penalties imposed by the UOKiK (Office of Competition and Consumer Protection) of up to 10% of annual turnover. Large companies should begin by mapping their value chains, identifying suppliers of the greatest strategic importance and determining which of them have the status of protected undertakings, and should then review their information request forms and contractual clauses for compliance with the value chain cap. It is recommended that the VSME be adopted as the baseline format for information requests and that a common schedule for such requests be agreed as part of industry collaboration initiatives. SME suppliers should view preparation for ESG reporting as an investment in retaining contracts and gaining a competitive advantage. Despite having the right to refuse, a supplier's willingness to share data remains a genuine criterion in the selection of business partners. The first step is to analyse the expectations of key customers, followed by the implementation of carbon footprint measurement tools (starting with Scope 1 and Scope 2) and, subsequently, the preparation of a report in accordance with the VSME Basic or Comprehensive Module. Investment in ESG capabilities opens up access to new market segments, including public procurement incorporating environmental criteria, sustainability-linked finance and strategic partnerships with large multinational corporations.

The information presented herein does not constitute comprehensive information or opinion. Consult your adviser before making any decisions.

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