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Preparations remain a priority even though ESG reporting obligations postponed

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The act implementing the Stop-the-Clock directive, which postpones ESG reporting obligations for some businesses by two years, has been in effect since 12 August 2025. Despite this, companies should already begin preparations as the implementation process requires systematic data collection from the beginning of the reporting year and a comprehensive transformation of business processes.

I. Reporting schedule moved by two years

In accordance with the act of 9 July 2025 implementing the Stop-the-Clock directive (2025 Journal of Laws of 2025, item 1020), ESG reporting obligations have been postponed by two years for companies that were to start reporting in 2026-2027. The largest public-interest entities with more than 500 employees submit their first reports in 2025 for the year 2024 in accordance with the planned schedule. Large companies that meet two of the three criteria (more than 250 employees, revenues above 50 million euro, assets above 25 million euro) will report for 2027 with publication in 2028. Small and medium listed companies will start reporting for 2028 with publication in 2029. Non-EU companies with more than 150 million euro in annual turnover in the EU will be subject to the obligation starting from 2029. The postponement does not apply to entities from the first wave, which continue to report according to the original schedule.

II. Advance preparations for reporting are needed

Despite the postponement, preparations should begin now, for several reasons. ESG reporting requires data to be collected according to specific rules from the beginning of the year for which the report is being prepared—for example, for reports for 2025, data must be collected from January 2025. The expectations of stakeholders, financial institutions and counterparties in the area of ESG are growing irrespective of statutory deadlines, forcing companies to adapt their internal processes to ESG requirements. The process of transforming a company towards sustainability requires systematic action and cannot be achieved in a short period of time. What is more, even companies not directly subject to the obligation must provide ESG data to their larger counterparties as part of their supply chain. The availability of ESG experts and advisors will be limited in the period immediately before the reporting deadlines due to the scale of implementation. Each mandatory ESG report will be verified by a certified auditor, which requires prior preparation of documentation and processes that enable attestation. Failure to prepare may lead to financial penalties and legal liability for board members in the future.

III. Double materiality assessment is the first step

A double materiality assessment is a key step preceding sustainability reporting, which evaluates the company's impact on the environment and the environment's impact on the company. The process requires the use of the AR16 sustainability matters list contained in ESRS 1, covering 90 matters divided into three levels of detail. The company must identify environmental, social and governance impacts, risks and opportunities (IRO) throughout the value chain. The assessment includes an “inside-out” perspective that evaluates the company's impact on the environment and society, and an “outside-in” perspective that analyzes the impact of external factors on the company's operations. The results of the assessment determine which ESRS (European Sustainability Reporting Standards) are relevant to the organization and what data should be collected for reporting. The process requires the involvement of internal and external stakeholders through surveys, interviews, and workshops. The assessment must be regularly updated in response to changing expectations and regulations.

IV. Data collection systems must be implemented

Companies must audit their current ESG practices to identify gaps in their information gathering systems and prepare a remediation plan. The monitoring system covers CO_2 emissions in all scopes (Scope 1, 2, 3), energy consumption, waste management, and social and governance factors. Data must be collected in accordance with the requirements of the European Sustainability Reporting Standards (ESRS) to ensure their comparability and verifiability. IT tools that enable the automation of data collection from various sources and their consolidation at group level need to be implemented. Procedures must ensure data are ‘traced’ from source to final report and can be verified by an auditor. The system should enable the

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generation of periodic reports to monitor progress in achieving ESG objectives. Companies must establish roles and responsibilities for data collection in the different areas of the organization. All this should be done even before the start of the year for which the first report will be filed.

V. ESG strategy must be developed and implemented

An ESG strategy is developed based on the results of a double materiality assessment and an audit of current practices, taking into account the requirements of new regulations and stakeholder expectations. The document should include short-term (1-2 years) and long-term (5-10 years) environmental, social, and governance related objectives with specific KPIs. The transformation plan must include specific measures to reduce greenhouse gas emissions, increase energy efficiency, and transition to renewable energy sources. The strategy should define policies on diversity and inclusion, occupational safety, employee development, and social engagement. The company's ESG management structure, including an ESG committee at the board level and operational teams, should be defined. The strategy must be integrated with the company's overall business strategy and risk management processes. The implementation plan should include a timetable of activities, a budget, and a system for monitoring the achievement of objectives.

VI. Training the team and hiring experts will be key

Organizations must invest in training their employees in ESRS requirements, reporting methodologies and the practical implementation of sustainability standards. The training program should include management, executive staff and operational employees responsible for data collection in specific areas. It is of key importance to hire or work with ESG experts experienced in double materiality assessments, reporting system implementation and data verification. Advisors should be hired early on, as the availability of expert services is expected to be limited in the periods immediately preceding reporting deadlines. ESG teams should consist of specialists in various fields: the environment, HR, finance, risk management, and communications. It is essential to build competence in the use of tools for calculating carbon footprints, analyzing product life cycles and assessing social impact. Organizations should consider taking part in networks for the exchange of experiences and good practices with respect to ESG reporting.

VII. Preparations should be made for the process of verification

Each mandatory ESG report will be subject to limited assurance by a certified auditor for the first three years, with the possibility of transitioning to reasonable assurance. Documentation must be prepared in accordance with ESRS standards, ensuring the completeness, accuracy, and verifiability of all disclosed informa-

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tion. The internal control system should include data validation procedures at every stage of their collection and processing, as well as error detection mechanisms. Companies must implement processes to ensure that data can be 'traced' from source to final report, including archiving source documents. Internal audits must be performed prior to official external assurance in order to identify and correct potential non-compliance. Collaborating with the auditor should begin at an early stage of the reporting process to agree on the scope of assurance and documentation requirements. Organizations must prepare to be verified in four areas: taxonomy reporting, compliance with ESRS standards, the materiality assessment process, as well as qualitative and quantitative disclosures.

VIII. Value chain will have to be adapted

Companies subject to ESG reporting obligations must collect data from their suppliers and subcontractors throughout the value chain, particularly with regard to Scope 3 emissions. They must establish ESG requirements for suppliers by updating contracts, codes of conduct, and qualification criteria. The supplier evaluation system should include environmental, social, and governance criteria, along with compliance monitoring mechanisms. Small and medium companies not directly covered by reporting requirements must prepare to provide ESG data to their larger counterparties. Organizations should implement support programs for suppliers in building ESG competencies and data collection systems. They should map their supply chain for ESG risks and identify high-risk suppliers requiring special monitoring. Companies must prepare corrective action plans for cases when suppliers do not comply with ESG requirements and escalation mechanisms.

IX. Communications with stakeholders should be planned in advance

Transparent communication with stakeholders is the foundation of effective ESG reporting, requiring regular updates on progress toward sustainable development objectives. Dialogue with stakeholders should include investors, employees, clients, local communities, non-governmental organizations, and regulatory bodies. Companies must implement mechanisms to collect stakeholder expectations through surveys, consultations, panels, and social dialogue platforms. Communications should be tailored to the specific nature of the different stakeholder groups, using appropriate channels and formats for conveying information. Crisis management plans should be prepared for communication in the event of negative ESG events that could affect reputation. Organizations should publish periodic reports on progress in implementing their ESG strategies, without waiting for mandatory annual reporting deadlines. The system of communication must ensure consistency of messaging at all levels of the organization and across all communication channels.

X. Risk and sanction management system must be implemented

Failure to comply with ESG reporting requirements may result in financial penalties being imposed by regulatory authorities, the amount of which depends on the size of the company and the severity of the violation. Members of the management board may be held legally liable for failure to report as required, which could include personal sanctions in cases of gross negligence. Failure to prepare for ESG reporting carries the risk of losing investor confidence, limiting access to financing, and worsening credit terms. The consequences for the company's image include a loss of reputation among clients and business partners, which can lead to a decline in revenue and loss of market position. Companies must implement an ESG risk management system that identifies, assesses, and mitigates risks in environmental, social, and governance areas. They must establish business continuity plans that consider climate and social risks that could disrupt their operations. Regular reviews of ESG compliance should be conducted by internal audit or compliance functions.

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

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