

ESG in practice: between idea and implementation

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The year 2025 is a time of confrontation for Polish companies between declarations regarding sustainable development and the practice of its implementation. After years of preparations, companies are, for the first time, fully feeling the effects of increasing reporting requirements, their costs and their impact on work organisation and competitiveness.

The data collected in the National ESG Report “Economy, Security, Future. Challenges of Sustainable Development”, developed by the Polish ESG Association, shows a complex picture of the adaptation of the ESG system in the country. On the one hand, there is a growing awareness of companies and the development of their competences, while on the other hand, there are voices in the public debate about the increasing administrative burden and the need to revise regulations.

The introduction of ESG reporting in the EU based on the CSRD, the ESRS standards, the EU Taxonomy and the Green Deal, aimed to create a coherent, transparent system for the flow of information on the environmental, social and corporate governance impacts of companies. ESG was intended to reduce greenwashing, data comparability and the integration of non-financial factors into management and investment processes. In practice, however, it has become – especially for small and medium-sized companies – a process requiring considerable financial, competence and organisational investments.

Real implementation challenges

Companies’ experience shows that the dynamic pace of legislative change and the high complexity of the requirements lead to over-formalisation of reporting. Instead of supporting strategic decisions, ESG often degenerates into a tedious process of filling in tables and indicators, detached from real transformative actions.

A large part of the cost is also borne by those not formally required to report, as smaller companies are required to report data to supply chain partners. As a result, many companies find ESG not so much a strategic choice as a condition for maintaining cooperation and access to capital. Estimates by the Warsaw Enterprise

Institute indicate that annual ESG costs for SMEs can reach PLN 1.4-2.6 billion, while indirect costs in supply chains can be as high as PLN 8 billion.

Excessive reporting complexity also undermines business flexibility, limiting the ability to respond quickly to market changes. Procedural requirements absorb a significant amount of resources, delaying investment and limiting companies' ability to innovate.

These problems have led to revision efforts at EU level – including the Omnibus package and the “Stop-the-clock” initiative, which aim to simplify requirements and introduce greater proportionality, particularly for the small and medium-sized enterprise (SME) sector.

ESG and economic competitiveness and security

The perspective of the leaders of Poland's largest companies indicates that properly implemented ESG can strengthen the resilience of the economy, including through the development of RES, increasing energy independence, improving the quality of information and developing technological infrastructure. In in-depth interviews conducted by the Polish ESG Association, board members of companies emphasised that environmental and social measures have a direct impact on the stability of economic systems and that data transparency has a direct impact on public safety.

At the same time, business representatives point to increasing bureaucratic pressures that limit the practical value of reports as management tools. In their view, ESG should be part of a long-term strategy rather than an administrative obligation. Only then can it realistically support operational efficiency, innovation and risk management.

The need for regulatory stability was also pointed out. For industries with multi-year investment horizons, such as construction, energy or ICT, frequent changes in interpretation and a lack of clear guidelines generate additional costs and make planning difficult. Companies expect a more systemic, sectoral and – above all – predictable approach.

Evolution in SMEs: the growing awareness, the declining momentum

A survey conducted by the Polish ESG Association in 2025 indicates a significant increase in ESG awareness among companies in the SME sector. The percentage

of businesses declaring good knowledge of the concept has tripled in relation to 2022, while the number of businesses unfamiliar with the topic has fallen to its lowest level ever measured. ESG is no longer a novelty, it is becoming a permanent feature of governance.

At the same time, the deployment dynamics is weakening. Increasingly, companies are taking action not for image purposes, but out of necessity – they want to meet the demands of counterparties and financial institutions. ESG is thus becoming a market requirement rather than a strategic choice.

SMEs are focusing on activities that bring quick and measurable benefits, especially in the area of energy efficiency and the use of renewable energy sources. There is less activity on more difficult and costly measures, such as full carbon footprint measurement or extensive management systems.

Enterprises see costs, both investment and operational costs, as the main barrier to implementing ESG. With greater availability of specialists, the role of competence barriers is diminishing, while the importance of legal uncertainty is increasing, making long-term planning and decision-making more difficult.

Many companies struggle with the lack of tools to translate general ESG assumptions into concrete procedures, as well as with the difficulty of interpreting the standards in the context of small-scale operations. This makes it difficult to build stable processes, even with a growing understanding of the importance of sustainability.

The structure of responsibility for ESG within companies is also changing. Although the percentage of companies with ESG departments is declining, the number of entities planning to establish them is increasing. This indicates a shift from incidental activities to a gradual institutionalisation of the processes.

Between idea and practice – systemic conclusions

Analysis of the data coming from the SME sector and the views of economic leaders leads to several key conclusions. Firstly, ESG is a sustainable element of market governance and shapes the competitiveness of companies in real terms. Secondly, the current form of reporting overburdens companies and needs to be corrected – both on a regulatory and practical level.

Restoring ESG reporting to its original sense, i.e. understanding and using sustainability reporting as a strategic tool to foster growth, innovation and resilience in the economy requires simplification of regulations, greater legal stability, proportionality of requirements and advisory and financial support, especially for SMEs.

The directional recommendations therefore focus on a number of key areas to restore ESG's strategic function. Simplification and harmonisation of regulations is needed so that the reporting requirements, particularly with respect to SMEs and entities operating within complex supply chains, are proportionate to their operational capacity. In parallel, the financial base for the transformation needs to be strengthened, including support instruments such as grants, discounts or investment funds to facilitate investments in decarbonisation and digitalisation.

Competence development, both among entrepreneurs and management, is also an important element. Educational programmes and the creation of tools to support reporting and monitoring processes are needed. Another direction of change should be the integration of ESG with innovation activities, including incentives for investment in low-carbon technologies, circular economy solutions and process automation. This is complemented by regulatory stability, which requires the construction of a long-term, predictable legal framework for climate and sustainability policy that enables companies to plan their actions over a multi-year horizon.

However, the effectiveness of the proposed measures depends on their complementarity. Combining the regulatory simplification, adequate financial support, competence development and a stable legal environment creates the conditions for ESG to act as a strategic tool rather than simply a reporting obligation.