

Ministry of Finance working on ESG reporting regulations

I. Poland must adapt to EU non-financial reporting regulations

The Ministry of Finance has prepared a draft bill on amending the Accounting Act, the Act on certified auditors, audit firms and on public oversight, as well as certain other acts. It is to implement into the Polish legal system two EU directives on new non-financial reporting requirements in the context of ESG (sustainable development reporting). According to the planned changes, sustainability reporting regulations will require such reports to be more detailed. At the same time, they will have to be verified by a certified auditor.

II. New chapter on ESG reporting to be added to the Accounting Act

The amendments are to impose new sustainability reporting obligations on large entities, parent companies of large groups, small and mid-sized entities admitted to trading on a regulated market (excluding listed micro-businesses), as well as subsidiaries and branches with registered offices in Poland, which meet specific conditions and size criteria, where the ultimate parent or standalone entity, respectively, is subject to the regulations of a third country. As a result of these changes, new chapter 6c “Sustainable development reporting” will be added to the act. Sustainable development reporting regulations will call for such reports to be more detailed. At the same time they will have to be verified by a certified auditor. The amendments are to adapt Polish law to EU regulations.

The Accounting Act is to be supplemented with regulations on sustainable development reporting requirements (so-called non-financial reporting). The changes are provided for in a draft bill prepared by the Ministry of Finance on amending the Accounting Act, the Act on certified auditors, audit firms and on public oversight, as well as certain other acts.



V. Sustainability reporting to include detailed data

The amendments provide that the scope of sustainability reporting will in particular include: a brief description of the entity's business model and business strategy; a description of the entity's time-bound and established goals with respect to sustainability matters, including, where applicable absolute greenhouse gas emission reduction targets for at least the years 2030 and 2050, a description of the progress made by the entity toward reaching those targets, as well as a statement of whether the entity's environmental objectives are based on conclusive scientific evidence; a description of the role of the entity's manager and members of its supervisory board or another body that oversees the entity with respect to sustainability matters and of their expertise and skills associated with fulfilling that role, or the access of such bodies to such expertise and skills; a description of the entity's sustainable development policies; information about the existence of sustainability related incentive programs offered to the entity's manager and members of its supervisory board or another oversight body; a description of the due diligence process implemented by the entity with respect to sustainability matters, a description of the most important actual or potential adverse impacts of the entity's own actions and its value chain, as well as a description of any actions taken by the entity to prevent, mitigate, remedy or remove such actual or potential adverse impacts and the results of those actions; a description of the most significant risks to the entity with respect to sustainability matters; indices relating to this information. In addition, in its sustainability report the entity will have to present the process it followed to identify the information contained in the report.

III. EU sustainable development standards will have to be applied

The new regulations are to provide that sustainability factors will be defined as environmental, social and human rights matters, as well as corporate governance matters, including the sustainability factors defined in Regulation (EU) of the European Parliament and of the Council of 27 November 2019 on sustainability-related disclosures in the financial services sector. The act will also refer to EU regulations for the definition of sustainable reporting standards, which are the standards referred to in Directive 2013/34/EU of the European Parliament and of the Council of 26 June 2013 on the annual financial statements, consolidated financial statements and related reports of certain types of undertakings, amending Directive 2006/43/EC of the European Parliament and of the Council and repealing Council Directives 78/660/EEC and 83/349/EEC.

IV. ESG reporting will not cover all entities

The new sustainability reporting is to apply to the following entities: corporations; limited joint-stock partnerships; general or limited partnerships where all the unlimited liability partners are corporations, limited joint-stock partnerships or foreign companies with a similar legal form; insurance and reinsurance companies; credit institutions. Whereas it will not apply to post office giro institutions; cooperative savings and loan associations; open-end investment funds, closed-end investment funds, specialized open-end investment funds and alternative investment companies. Information provided as part of sustainability reporting is to be presented in the short, medium, and long term, as applicable.



VI. Simplified reporting for smaller entities

The bill also provides for the introduction of a simplified sustainability reporting variant. This optional (it is not a mandatory solution) simplification will be available to: mid-sized issuers of securities admitted to trading on a regulated market in the European Economic Area; small issuers of securities admitted to trading on a regulated market in the European Economic Area; small and non-complex institutions; captive insurance companies; captive reinsurance companies.

VII. Simplified reporting with severely limited number of necessary data

The scope of information presented as part of simplified sustainability reporting would include: a brief description of the entity's business model and business strategy; a description of the entity's sustainable development policies; the most important actual or potential adverse impacts of the entity's actions on sustainability matters and any actions taken to identify, monitor, prevent, mitigate or remove such actual or potential adverse impacts; the most significant risks to the entity with respect to sustainability matters and how the entity manages those risks; key indices relating to this information.



KRZYSZTOF MAKSYMIK
Partner,
board member
tel.: +48 22 543 16 00
Krzysztof.Maksymik@bdo.pl



Ewa Matyszewska
Head of PR, communications
and sustainability
tel.: +48 22 543 16 00
Ewa.Matyszewska@bdo.pl



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BDO spółka z ograniczoną odpowiedzialnością sp.k., ul. Postępu 12, 02-676 Warszawa;
tel.: +48 22 543 1600, fax: +48 22 543 1601, e-mail: office@bdo.pl

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