

Polish regulations on ESG reporting already in the Sejm

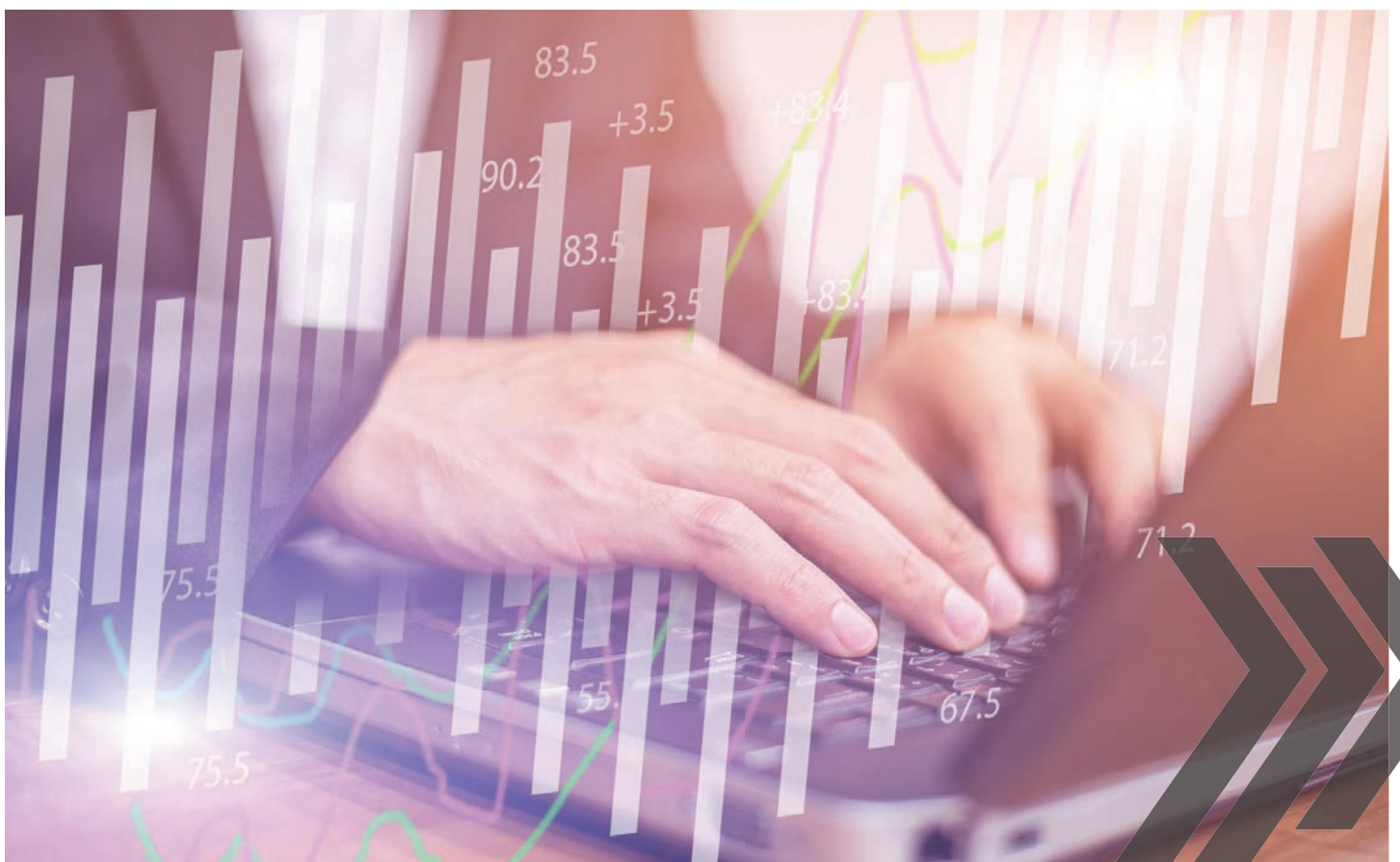
The rules of non-financial reporting are changing. Companies will soon have to report on their ESG activities. The introduced changes directly or indirectly affect all companies operating on the market. Most of them will be obliged not only to properly report ESG, but also to develop appropriate preventive and control procedures.

I. Regulations on non-financial reporting have been adopted by the government

At the meeting on 2 October, the government adopted a bill amending the Accounting Act, the Act on Statutory Auditors, Audit Firms and Public Oversight and certain other acts. The bill was submitted to the Sejm on 9 October. In this context, it is worth noting that this rather enigmatic title covers important changes regarding ESG and non-financial reporting the aim of which is to implement the EU directive on corporate sustainability reporting (the so-called CSRD directive). Let us recall that the EU directive assumes that all large companies in the EU will be obliged to disclose data on the impact of their activities on people and the planet as well as any threats to sustainable development (the so-called ESG, regarding the management of environmental, social and corporate governance factors).

II. The new regulations will cover more entities with non-financial reporting

The amendment introduces an expanded scope of entities obliged to report information on sustainable development. This scope will include: large entities, entities that are the parent company of a large capital group, small and medium-sized entities admitted to trading on a regulated market (excluding listed micro-enterprises) as well as subsidiaries and branches that meet certain conditions and size criteria, based in an EU Member State, whose ultimate parent entity or standalone entity, respectively, is subject to the laws of a country outside the European Economic Area (EEA). The new regulations also introduce, inter alia, a definition of a large group, including the financial thresholds that define it.



III. Mandatory European Sustainability Reporting Standards

The new regulations will introduce the obligation to prepare sustainable development reporting according to uniform EU standards. Thus, there will be a shift from the current freedom in choosing reporting standards to the mandatory use of European Sustainable Development Reporting Standards. The new regulations will expand the scope of reported information to include data on sustainable development issues in the environmental (E), social (including human rights) (S) and corporate governance (G) areas. This information will be more detailed than before. Some entities listed in the bill will be entitled to use simplified sustainability reporting.

IV. EU standards impose a wide scope of ESG disclosures

The scope of non-financial information that will have to be presented under the European Sustainable Development Reporting Standards is relatively wide. For example, in terms of environmental information, it includes data on: climate change mitigation; adaptation to climate change; water and marine resources; resource use and circular economy; pollution; biodiversity and ecosystems. In turn, in the case of social policy, this concerns information on: equal opportunities for all, including gender equality and equal pay for equal work or work of equal value, training and skills development as well as employment and integration of people with disabilities; working conditions, including safe and flexible employment, remuneration, social dialogue, collective bargaining and employee engagement, work-life balance and a healthy, safe and adapted working environment; respect for human rights, fundamental freedoms, democratic principles and norms as established in the International Bill of Human Rights and other fundamental UN human rights conventions, the ILO Declaration on Fundamental Principles and Rights at Work and the fundamental conventions of the ILO, and the Charter of Fundamental Rights of the European Union.

V. ESG solutions will need to be consulted with employees

The new regulations on sustainability reporting oblige the head of an entity preparing sustainability reporting to consult employee representatives at the appropriate level the information relevant to them in terms of sustainability. Then, the entity's manager will be obliged to convey the opinions of employee representatives to members of the supervisory board or other body supervising the entity, provided that the entity has such a body.

VI. ESG activities will need to be disclosed in a dedicated section of the report

The amendment introduces a significant change in the reporting of enterprises' activities, imposing the obligation to present sustainable development reporting in a separate section of the entity's report on the operations. This new section aims to provide transparency and detail on issues related to the company's social and environmental responsibility. Thanks to this, stakeholders will have easier access to information about the impact of the company's activities on the environment and its initiatives in the field of sustainable development. The introduction of this change may contribute to increasing companies' awareness of their impact on the environment and society as well as encourage them to take more responsible actions.



VII. Attestation from an audit firm will be required

Entities required to prepare sustainability reporting will be obliged to verify such reporting. Mandatory verification by registered auditors will be introduced. The new regulations are intended to introduce the principle that the selection of an audit firm to attest sustainable development reporting is made by the body approving the entity's financial statements, unless the memorandum of association, articles of association or any other laws binding the entity stipulate otherwise. At the same time, as in the case of contracts regarding audit of financial statements, the entity's manager will not be able to make such a choice. The contract with the audit firm itself is to be concluded by the entity's manager. The costs of sustainability reporting attestation are incurred by the entity whose sustainability reporting is subject to attestation.



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

VIII. ESG reporting digitalisation will be mandatory

It will be mandatory to prepare the reports on the operations and reports on the operations of the capital group of entities obliged to prepare sustainability reporting and sustainability reporting of the capital group in an electronic format. Reports on the operations of entities presenting information on sustainable development will be compulsorily prepared in the XHTML format (a human-readable electronic format), and a separate section on sustainable development will be marked in the in-line XBRL format (this will facilitate machine reading and analysis of data on sustainable development).



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

BDO is an international network of independent audit and advisory firms. Service provision within the BDO network is coordinated from the Brussels global office. BDO's beginnings go back to 1963. We have been present in Poland since 1991. We have 5 offices in: Warsaw, Kraków, Poznań, Wrocław and Katowice.

BDO has for years been recognized in prestigious rankings of the activities performed by its Audit and Tax Advisory Departments, including most recently:

The last distinctions for the company are related to the Rankings:

Companies and Tax Advisors of Dziennik Gazeta Prawna for 2022:

■ 1st place The Best Tax Advisor in the category of medium-sized companies

The 2023 rankings prepared by the Rzeczpospolita and Parkiet dailies:

■ 4th Most Active Firm on the Stock Exchange

■ 5th Best Audit Firm

■ 4th Best Auditor of Listed Companies

■ The ESG award

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