

SGH

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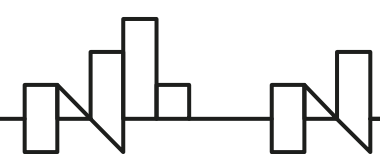
ESG compliance in Poland in the context of new European Corporate Sustainability Reporting

Jarosław Bełdowski

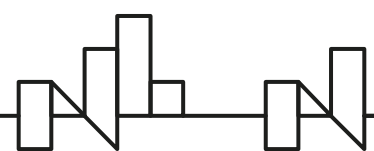
Agenda



- I. Non-financial reporting in CSRD in Poland and in EU
- II. ESRS – a new reporting standards in Poland!



I. Non-financial reporting in CSRD in EU and in Poland



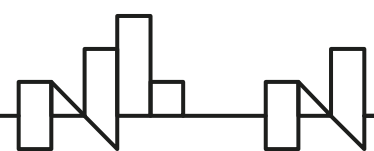
Non-Financial Reporting Directive (NFRD) - 2014/95/EU



Until the NFRD came into force in 2014, the publication of non-financial information was done on a voluntary basis and was viewed in terms of good corporate practice.

Perceptions changed when non-financial disclosures were perceived as a price driver for investors and good practices - by way of an amendment to the earlier Directive 2013/34/EU - were given normative value, which, for some 6,000 companies (now some 12,000) in the EU, materialized an additional reporting obligation.

As an optional initiative, it has become mandatory for some large entities and groups with more than 500 employees to meet certain financial thresholds in order to provide stakeholders with a more complete picture of the development, performance and impact of their activities.

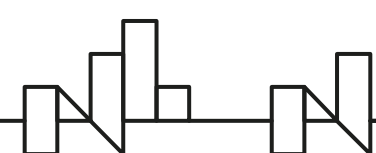


Corporate Sustainability Reporting Directive (CSRD) - 2022/2464/EU

To address the excessive level of generality of the existing legislation, the EU legislature has taken measures to more effectively enforce comparability in access to sustainability data for avoiding greenwashing.

The act entered into force on 5.01.2023, amending the NFRD, Directive 2006/43/EC and Regulation 537/2014 on auditing and Directive 2004/109/EC on transparency.

Member states should enact the relevant implementing legislation by 6.07.2024, so that the first reporting is for the period starting on or after 1.01.2024.

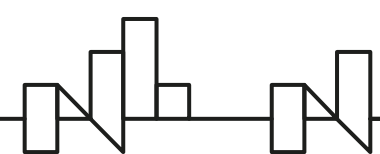


Who will have to report?

	Previous framework NFRD	New framework CSRD
Scope	11,600 companies Listed firms, banks, insurance companies of 500+ employees	49,000 companies Including some non- European companies and listed SMEs
Content	Basic disclosure	Extended disclosure
Format	Non interoperable	Interoperable
Audit	Non mandatory	Mandatory

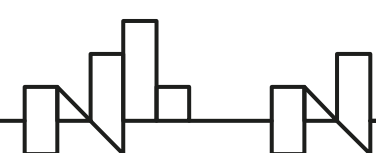
The CSRD will cover all large companies that meet two of the following three criteria:

- turnover exceeding €50 million per year
- a balance sheet total of more than €25 million
- more than 250 employees (averaged over a year)



Scope of CSRD

- The general subject matter scope of the sustainability information that must be **disclosed in a special section of the management report or group management report for parent companies relates to the company's own operations and the entire value chain, taking into account products, services, business relationships and the supply chain.**
- What information should be disclosed and in what structure is to be treated by **European Sustainability Reporting Standards (ESRSs)** adopted by the Commission in the form of delegated acts?
- The Commission commissioned **European Financial Reporting Advisory Group (EFRAG)** to develop ESRSs as an effort to harmonize and standardize the entire process.



Timeline: When companies must comply?

2023: The CSRD entered into force

From 2024: All large companies already covered by the NFRD that meet at least two of the following three requirements:

- 500 or more employees
- 40 M EUR in net turnover
- 20 M EUR in assets

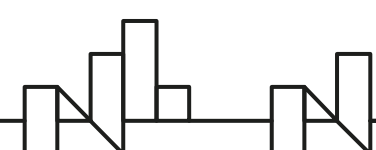
From 2025: All large companies that meet at least two of the following three requirements:

- 250 or more employees
- 40 M EUR in net turnover
- 20 M EUR in assets

From 2026: SMEs that meet at least two of the following requirements

- More than 10 employees
- More than 700 000 EUR net revenue
- More than 350 000 EUR in assets

From 2028: All non-EU-country companies, with net turnover above 150 M EUR in the EU and if they have at least one subsidiary or branch in the EU www.sgf.it



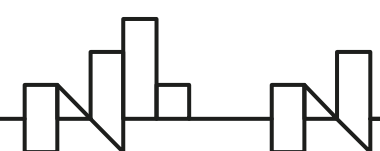
CSRD implementation in Poland

On 19th of April 2024 a new legislative proposal has been published on the official legislative website, namely Draft Act amending the Accounting Act, the Act on statutory auditors, audit firms and public supervision and certain other acts

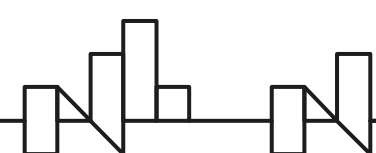
(<https://legislacja.gov.pl/projekt/12381804/katalog/13035986#13035986>).

All interested parties may provide comments within 30 days from the date of its publication.

The project envisages a departure from the current freedom in choosing reporting standards in favor of the mandatory ESRs.



II. ESRS - a new reporting standards in Poland!



What is the scope of disclosure?

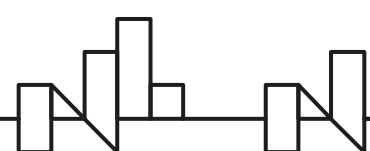


In addition to applying the disclosure requirements set forth in the 3 categories of the ESRS, **if an entity determines that an impact, risk or opportunity is not covered or not covered in sufficient detail by the ESRS, but is material in terms of specific facts and circumstances relating to that entity, it shall disclose additional entity-specific information.**

ESRS Typology

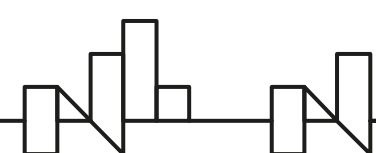
	Cross-Cutting Standards	ENVIRONMENT (non-sector-specific standards)	SOCIAL (non-sector-specific standards)	GOVERNANCE (non-sector-specific standards)
ESRS Set 1	<p>EXPOSURE DRAFT</p> <p>ESRS 1 General principles</p> <p>EXPOSURE DRAFT</p> <p>ESRS 2 General, strategy, governance and materiality assessment disclosure requirements</p> <p>April 2022</p> <p>Open for comments until 8 August 2022</p> <p>PFR-ESRS EFRAG</p>	<p>EXPOSURE DRAFT</p> <p>ESRS E1 Climate change</p> <p>EXPOSURE DRAFT</p> <p>ESRS E2 Pollution</p> <p>EXPOSURE DRAFT</p> <p>ESRS E3 Water and marine resources</p> <p>EXPOSURE DRAFT</p> <p>ESRS E4 Biodiversity and ecosystems</p> <p>EXPOSURE DRAFT</p> <p>ESRS E5 Resource use and circular economy</p> <p>April 2022</p> <p>Open for comments until 8 August 2022</p> <p>PFR-ESRS EFRAG</p>	<p>EXPOSURE DRAFT</p> <p>ESRS S1 Own workforce</p> <p>EXPOSURE DRAFT</p> <p>ESRS S2 Workers in the value chain</p> <p>EXPOSURE DRAFT</p> <p>ESRS S3 Affected communities</p> <p>EXPOSURE DRAFT</p> <p>ESRS S4 Consumers and end-users</p> <p>April 2022</p> <p>Open for comments until 8 August 2022</p> <p>PFR-ESRS EFRAG</p>	<p>EXPOSURE DRAFT</p> <p>ESRS G1 Business conduct</p> <p>April 2022</p> <p>Open for comments until 8 August 2022</p> <p>PFR-ESRS EFRAG</p>
ESRS Set 2	Sector specific standards			
	SME standards			

Source: <https://www.efrag.org/lab6>



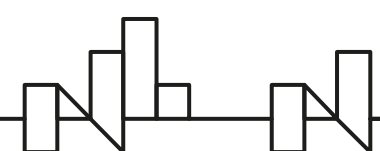
Phase-in provisions of CSRD and ESRS: overview

	FY 24 (report 25)	FY 25 (report 26)	FY 26 (report 27)	FY 27 (report 28)	FY 28 (report 29)
NFRD > 750 emp	Light phase-in	Light phase-in	Light phase-in	Full reporting	Full reporting
NFRD < 750 emp	Strongest phase-in	Moderate phase-in	Light phase-in	Full reporting	Full reporting
Non-NFRD > 750 emp	No reporting	Light phase-in	Light phase-in	Light phase-in	Full reporting
Non-NFRD < 750 emp	No reporting	Strongest phase-in	Moderate phase-in	Light phase-in	Full reporting
Listed SME	No reporting	No reporting	May opt out*	May opt out*	Full reporting*



Materials

- Directive (EU) 2022/2464 of the European Parliament and of the Council of 14 December 2022 amending Regulation (EU) No 537/2014, Directive 2004/109/EC, Directive 2006/43/EC and Directive 2013/34/EU, as regards corporate sustainability reporting (Text with EEA relevance, OJ L 322, 16.12.2022, p. 15–80, <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX%3A32022L2464>)
- Draft Act amending the Accounting Act, the Act on statutory auditors, audit firms and public supervision and certain other acts (<https://legislacja.gov.pl/projekt/12381804/katalog/13035986#13035986>)



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