

MANDATORY ESG REPORTING

Polish companies are facing significant changes in non-financial ESG (Environmental, Social and Corporate Governance) reporting.

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As a reminder, the non-financial reporting obligation concerns the organisation's impact in four key areas: environment, society, human rights and corporate governance. Indeed, as of 05.01.2023, Directive (EU) 2022/2464 of the European Parliament and of the Council of 14.12.2022 amending Regulation (EU) No 537/2014, Directive 2004/109/EC, Directive 2006/43/EC and Directive 2013/34/EU with regard to corporate sustainability reporting (hereinafter: the "CSRD") entered into force, replacing the previously applicable NFRD Directive. In general terms, the CSRD introduces an obligation to report ESG issues (i.e. environmental, social and corporate governance data) in greater detail – than previously provided for by the NFRD Directive – by all large companies and large groups (including large listed companies), significantly expanding the number of entities required to report. It is estimated that more than four thousand Polish companies will be affected by the new obligations.

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New reporting requirements will be introduced gradually, at different times for different groups of companies. **The reports will be published according to the new rules: for the first time in 2025 for the financial year of 2024 by entities already reporting (the largest public interest entities, such as listed entities, banks and insurers, and public interest entities that are the parent companies of the largest groups), then in 2026 for the financial year of 2025 by other large entities and other entities that are parent companies of large groups, and in 2027 for the financial year of 2026 by listed SMEs (small and medium-sized enterprises), and in 2029 for the financial year of 2028 by certain subsidiaries and branches whose parent company is subject to the law of a third country.**

One of the key changes in reporting is the introduction of uniform European Sustainability Reporting Standards (ESRS), which provide the details of the data to be disclosed. Any ESG information to be reported will have to be prepared in accordance with ESRS requirements. The European Commission adopted the first set of 12 universal ESRS on July 31, 2023. Subsequently, by June 30, 2024, ESRS are to be issued for the remaining groups of entities:

- ❖ simplified standards for listed SMEs,
- ❖ standards with a limited scope of application for entities from third countries,
- ❖ sector standards for enterprises (e.g. from the mining sector).

Information on sustainability will be compulsorily presented in a separate section as part of the entity's management report and will be subject to mandatory verification by statutory auditors.

Member States of the European Union, including Poland, have 18 months to implement the CSRD Directive into their national legal systems, which will expire on July 6, 2024. In Poland, the amendment will primarily concern the Act on Accounting and the Act on statutory auditors, audit firms and public supervision. As reported by the Ministry of Funds and Regional Policy during its webinar of November 27, 2023, regarding new reporting rules in accordance with the requirements of the CSRD Directive, works on the abovementioned amendment are currently in progress, but no drafts of relevant acts have been published so far. Therefore, at the moment it is not known how the CSRD Directive will be implemented into the Polish legal system, what changes the Polish legislator will propose in this respect and whether any derogations from the solutions provided for in the CSRD Directive will be introduced.

Should you have further questions, we remain at your disposal.

** This Newsletter does not constitute legal or tax advice.*