

A GUIDE FOR SMALL AND MEDIUM-SIZED ENTREPRENEURS IN THE FIELD OF ESG

FUTURE LEADERS OF ESG IN THE BUSINESS SECTOR





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INTRODUCTION TO ESG



A NEW ERA OF RESPONSIBILITY

When the great fortunes of John D. Rockefeller or Cornelius Vanderbilt were created in the United States in the 19th century, a belief began to sprout among entrepreneurs that activities which today may be part of CSR or ESG, bring more benefits than just a blind pursuit of profit.

In times when entrepreneurs unreasonably exploited employees, evaded paying taxes and showed their indifference to the natural environment, it was difficult to talk about the definition of business ethics in today's understanding. However, there were also those

who noticed the benefits of changing the approach to values such as social responsibility faster than others. They noticed that corporate charity brings an increase in employee loyalty and work efficiency.



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When in 1892, one of the world's greatest riches, the American industrialist Andrew Carnegie and his business partner Henry Frick brutally suppressed a strike at the company's factory in the unknown Polish village of Chorkówka in Podkarpacie, the oil tycoon Ignacy Łukasiewicz created the largest employee package in Europe at that time. The Łukasiewicz Refinery then became a dream place of work, which resulted in the loyalty and attachment of employees, and thus, high production efficiency. Carnegie changed his approach over time. He was an opponent of charity but donated huge amounts of money to build libraries and schools. Similarly, Łukasiewicz did not limit himself to building social facilities but also funded elementary schools for children in rural areas.



as that improve the operation of the company. Rockefeller was particularly involved in charity at the end of his life, funding, among others, University of Chicago. At that time, he also established the world's largest foundation named after him. Considering that his grandson David Rockefeller is still operating the business today, these activities still pay off.

It is also worth paying attention to the chocolate factory „E. Wedel”, one of the most recognisable Polish brands of pre-war Europe, which is still operating today. The owners

were the first entrepreneurs in Europe who built a residential house for their employees. A nursery and kindergarten were also opened for children. There was a doctor's office, a swimming

pool, a vocational school and even an orchestra on the premises. After more than 170 years of activity, market experts point to the pre-war activity of the company as

an example of a model dialogue between employers and employees.

“Finding and retaining the best employees is the most valuable skill. I would give everything I have, all my money, just to have this skill” - said John D. Rockefeller. Such views were the basis of strategic corporate philanthropy, the predecessor of CSR and then ESG.

“Finding and retaining the best employees is the most valuable skill. I would give everything I have, all my money, just to have this skill” - said John D. Rockefeller.

At the same time, another oil tycoon - John Davison Rockefeller, on the other side of the globe, introduced the first principles of waste management. While other companies in the US dumped gasoline into rivers as unnecessary waste, Rockefeller's „Standard Oil” company used it to power factory machinery. This policy resulted in huge savings which allowed, among other things, to raise employees' salaries and introduce a bonus system for ide-



From CSR to ESG

Today the values related to sustainable development and CSR and ESG activities, as well as subsequent EU directives such as the CSRD directive, operate on completely different principles. The stimulus for the development of these activities is primarily the social market economy, environmental challenges, stakeholder expectations and competition. One thing has not changed; companies use similar activities to achieve success and multiply profits.

It is worth remembering that activities aimed at maximizing profit are not a bad thing, as evidenced by the already mentioned example of Rockefeller, who was one of the first to introduce the principle of waste recycling. The construction of the company's swimming pool by Jan Wedel also had an impact on increasing the profit. Employees felt better, and as a result, their work was more efficient, and the level of loyalty was much higher.

Striving to maintain and develop competitiveness is conducive to conducting debates around subsequent concepts facing the future, for example RVC (Regenerative value creation).

The ISO 26000 standard developed in 2010 by the International Organisation for Standardisation helped translate CSR principles into practical activities. Previously, the standards for corporate social responsibility activities were essentially voluntary. The widespread use of the ISO 26000 standard resulted from a simple calculation - ethics in business simply paid off.

Unfortunately, it also paid off to take shortcuts and instead of genuine implementation of activities consistent with the goals of sustainable development, selected aspects of activity were promoted without disclosing those less responsible - which was used by many companies. CSR was increasingly associated with promotion and PR rather than a holistic change of business. The

plague of greenwashing on the one hand, and climate risks on the other, made a systemic change necessary.

Today, sustainable development is not a matter of free choice, but our status quo on Earth. CSR is evolving towards ESG - enabling objective comparison of activities related to environmental, social, and corporate governance issues. These issues are important not only for companies that want to act responsibly, but also for investors, stakeholders, and customers. ESG is no longer a niche area like CSR, but one of the pillars of activity. Reporting non-financial data is not a prize in the hands of PR and marketing and not just an important element of company reports, but a part of the strategic core business of enterprises.

It is important that ESG includes more elements than CSR in assessing non-financial activities to determine the value of a company. Making an assessment, according to ESG, assumes the amount of funds allocated to environmental protection, including the reduction of pollution, and lowering the level of energy consumption, as well as the state of relations with the local community. Diversity of employment in terms of origin and gender, employee training, customer satisfaction,

a transparent structure of the company's authorities, clear remuneration rules, etc. are also important.



Of course, in order not to repeat the mistakes of the CSR era, systemic changes are necessary to describe non-financial data so that it can become measurable. Therefore, the key issue is to unify reporting standards and create tools that will allow to measure and compare the responsible activities of companies. Work on them is already underway - within the framework of the EU, the changes are described in CSRD Directive. The changes will come into force in 2024, which means that the Polish economy needs to be prepared for the transition to uniform European reporting standards now.

Key changes also include the introduction of the ESRS (European Sustainability Reporting Standards) - uniform EU ESG reporting standards, and mandatory external verification, i.e., audit of non-financial reports.

There is no alternative to the increasingly demanding regulatory reality in the field of sustainable development. Growing climate threats and the associated risks force a change in the way companies operate. The market, in order to survive, will support these changes.



PRACTICAL GUIDANCE FOR SMALL AND MEDIUM-SIZED ENTERPRISES (SMES) ON THE ESG JOURNEY

ESG STRATEGY

THE FIRST STEP TO CHANGE

AGATA BORONÍ | DHL eCOMMERCE POLAND

One of the key documents essential in the development of the company, expanding the group of its clients and business partners and its service portfolio, is the ESG strategy. Many institutions have developed such a strategy or are at the stage of preparing it now. What is worth remembering when working on such a document? What should you pay attention to when setting ESG goals?



Environmental governance

As a logistics company, we are aware of the impact we have on the environment through our operations. This is the first element from which it is worth starting work on an ESG strategy - taking a look at your own company, its activities, examining the impact it has on its environment. Without such analysis, developing a strategy will be an extremely difficult task. When it comes to environmental protection and limiting the company's impact on it, it is worth starting with small steps that, which when combined, can make a big difference. One of the first actions is to recycle waste and materials used in the office (toners, batteries, coffee capsules, etc.), reduce the consumption of raw materials, and use ecological packaging. The next step may be to expand your fleet of eco-friendly vehicles - this is an excellent investment for companies such as DHL eCommerce. When renovating offices or building new units, it is worth choosing renewable energy sources and solutions that reduce CO2 emissions, such as photovoltaic farms or LED lighting. We take such actions at DHL eCommerce, and they bring measurable benefits.

Corporate governance

In the area of corporate governance, it is worth, above all, putting special emphasis on ensuring that all company activities are consistent with the law and compliance policy. This combined with compliance with human rights policies and active prevention of undesirable behaviour in the workplace, makes the company a trusted business partner and employer. Let's also not forget about process and quality control, as this type of certification (e.g. compliance with ISO standards) is respected in the business environment and supports building a strong company brand.

Social governance

The area of human resources, with which I have been associated with since the beginning of my professional career, is particularly close to me, because all the things I wrote about earlier would not be possible without one important factor that underlies the development of every company. This factor is people. People are the ones who create the company and are its ambassadors externally. If their job satisfaction is high, it translates into an equally high opinion of the company. That is why it is worth doing everything you can to build a great workplace. How can you do it?

As with your company's environmental impact, you should start by getting to know your employees. It will quickly turn out that each of them is different. Not only in terms of gender or age, but also professional and life experience, character, religion, nationality, and sexual orientation. This diversity should be treated as an inspiration, a source of a multitude of ideas that are worth promoting and celebrating, and thus getting to know each other better. Thanks to this, employees will feel noticed and appreciated, but above all, they will be sure that they can be themselves at work.

There are many industries on the market that, like logistics, are dominated by men. Therefore, it is worth supporting women in developing their professional careers and holding managerial positions. This can be done through special programmes in which current managers share their knowledge and experience and provide support to colleagues who are preparing for managerial roles. At DHL eCommerce, we have successfully implemented such a programme called "Leaders in Logistics".

A modern, conscious company cares for all employees and does not exclude anyone. When its team includes employees with disabilities, the company does everything to ensure the highest level of accessibility. An elevator, lack of curbs, a wider parking space, or a properly adapted workstation are obvious solutions today. It is also worth taking care of the rules of working with disabled people. A training or brochure may prove helpful and have a positive impact on relationships between employees.

As a mother of two daughters, I know well how demanding it can be to combine professional work with the responsibilities of private life. Many employees who are parents of school-age children face similar challenges every day. Therefore, it is good practice to create a pro-family policy. Flexible working time planning, additional free time for the family, family picnics, a platform for exchanging experiences for parents, and scholarship programmes for students achieving exceptional results at school - these are just a few examples of activities that a parent-friendly company can implement.

It is also good practice to take care of those who find themselves in difficult life situations. It is worth giving employees space for volunteer activities. At DHL eCommerce, we carry out many such campaigns every year. Each of them enjoys great commitment and shows how much good we can do for others.



Agata Boroń, Director of Human Resources and Internal Communication, Member of the Management Board of DHL eCommerce Poland

Associated with the HR area for almost 15 years. A graduate of psychology at the University of Social Sciences and Humanities in Warsaw and postgraduate studies in Transport Psychology at the Motor Transport Institute. She has been working at DHL Parcel Poland since 2007. Since March 2020, she has been the HR and Communication Director, Member of the Management Board, previously associated with the RTV industry. Her portfolio of experience includes: process optimisation, change management, as well as project portfolio management, including those related to HR/IT - including the implementation of cloud solutions related to the digitisation of HR processes. Agata's work style focuses on using people's potential and exchanging best practice. Privately, she is the mother of two twin daughters, values an active lifestyle, and often spends his free time in Masuria. She is also willing to engage in social activities.

ESG IMPLEMENTATION IS AN OPPORTUNITY AND GROWTH POSSIBILITY

MAGDALENA NOWACKA | PGE POLSKA GRUPA ENERGETYCZNA SA

Currently, the idea of sustainable development and ESG, an abbreviation of the words - environmental, social, governance, is becoming more and more popular amongst businesses. Managing ESG activities is not just a trend in Polish and European companies, but above all, a necessary element of the DNA of a responsible company. Does this only apply to large enterprises? Until recently, this was indeed the case but the processes taking place on the market are leading to irreversible changes in this area: ESG is increasingly entering the sector of small and medium-sized enterprises (SMEs).



ESG and sustainable development is intended to show us now how we conduct business, how we influence our environment, how we minimise our impact on the environment, and how we influence our employees and customers. An important element of ESG management is non-financial reporting. At the European Union level, new regulations and sustainable development standards are being implemented to which EU companies will be subject. Will these regulations this time apply only to the largest ones? No, that is not the case. New regulations issued by the European Commission under the CSRD Directive apply to as many as 50,000 companies which will have to prepare sustainability reports. Small and medium-sized companies will also report non-financial data according to established rules, starting from the financial year 2026. However, some small and medium-sized organisations will touch on ESG reporting much earlier, if

they already cooperate with the largest companies. Large companies such as, among others, The PGE Group is obliged to include, for example, environmental information about contractors in their reports, which means that they will also seek data on this subject from their suppliers.

Having a sustainable development strategy, defining strategic goals, and reporting is the domain of only a few small enterprises. Currently, companies face a huge challenge of implementing comprehensive management of sustainable development. In turn, organisations that do not take any action will be exposed to many negative consequences, such as the lack of partners, the inability to obtain financing on preferential terms, or financial penalties.

The implementation of ESG activities in the company is also an opportunity and new development opportunities. Thanks to actions taken to reduce the impact on the environment or climate, a given organisation can increase its chances of cooperation with companies that will include responsible companies in their purchasing processes. A proper approach to managing environmental impact and counting the carbon footprint allows for the achievement of common goals within the supply chain. ESG is also a way to build greater trust among financial institutions and an opportunity for development and investment.

Regulations in the ESG area forces large enterprises to apply stricter rules and policies, for example in purchasing processes or when selecting contractors. The application of international standards related to human rights and labour rights is becoming the standard of operation, which also translates into requirement changes for the entire value chain.

What should currently be most important from the perspective of SMEs is education and the search for tools that allow the implementation of new processes in the company. It is worth noting that recently large companies have been supporting smaller enterprises in expanding their knowledge in this area. The PGE Group also disseminates knowledge about ESG among Polish enterprises and company suppliers in order to create a sustainable value chain.

For the PGE Group, a sustainable company is one that not only meets the standards itself, but also consciously selects its suppliers that operate ethically and monitor their carbon footprint. Only joint actions within the value chain will enable the implementation of strategic plans in the area of ESG and sustainable development. At PGE, we are open to dialogue with SMEs and their needs. We are actively involved in supporting them. For three years we have been running the “Polish, I will buy it” campaign to promote domestic small and medium-sized enterprises, and now we also want to actively meet the needs of our business partners from the SME sector by planning, among others, carbon footprint calculation training; to support small companies in fulfilling their reporting obligations.

Companies from the SME sector are facing more and more challenges and expectations in the area of sustainable development. Therefore, it is worth considering the processes in the company in advance and start planning and monitoring in order to prepare for the upcoming changes as best as possible. Effective and consistent management of ESG factors in a company leads to its sustainable development, allowing for long-term management of social and environmental risks.



Polska Grupa Energetyczna

**Magdalena Nowacka, ESG expert,
PGE – Polish Energy Group**

Expert with many years of experience in the areas of CSR, ESG, communication and non-financial reporting. She gained her knowledge in consulting companies and banks. For several years, she has been involved in the energy sector

WHY IS ESG AN IMPORTANT TOPIC FOR BUSINESSES?

RENATA FIJAŁKOWSKA | County Labour Office in Krakow

Today, when society is becoming more and more conscious about environmental protection, social responsibility and management, the topic of ESG (Environmental, Social and Governance) is becoming extremely important for business. ESG is an approach that considers three key aspects: environmental, social and governance. Companies that effectively implement these principles have a chance to increase their value and gain a competitive advantage.



The first reason why ESG is an important topic for businesses is the growing public awareness of environmental protection. With advances in science and technology, more and more people are beginning to realise the negative impact of human activity on our planet. Increased greenhouse gas emissions, air and water pollution, deforestation and ecosystem degradation are just some of the problems that require immediate action. Companies that engage in pro-ecological practices, such as reducing CO2 emissions, efficient use of natural resources or investing in renewable energy sources, are becoming more attractive to investors and consumers, who increasingly prefer products and services that are environmentally friendly.

The second reason why ESG is important for business is the growing public interest in social issues. People are increasingly concerned about the well-being of the communities they live in and how businesses impact their local communities. Companies that engage

in social activities, such as supporting local initiatives, creating jobs, supporting diversity and equality, or investing in education, gain social trust and build a positive brand image. Customers are increasingly choosing companies that demonstrate social responsibility, not just profit.

The third and final reason why ESG is important to business is the impact that governance has on a company's long-term value. Companies that conduct their business responsibly and in accordance with management principles are more resistant to risk and cope better in difficult situations. Effective management, transparency, business ethics and a responsible approach to relations with stakeholders are factors that attract investors and ensure that the company is well managed and has prospects for long-term success.

The conclusion is that ESG is not only an important topic for business, but also the key to survival and development. Companies that effectively implement ESG principles have a greater chance of achieving financial success, gaining the trust of customers and investors, and contributing to creating a better and more sustainable world. That is why ESG should be an integral part of the business strategy of every company that wants to be a leader in its industry.

ESG is not only the domain of large corporations. Small businesses can also benefit from implementing ESG practices. They can build sustainable business value from scratch, increase their competitiveness, and manage risk. Pursuing ESG goals often requires innovative solutions through the efficient use of resources and generating savings in the long term.



PRINCIPLES OF SUSTAINABILITY DEVELOPMENT IS NOT EASY

JAROSŁAW ROT | BANK BNP PARIBAS

The world is changing dynamically and facing many challenges, including those related to sustainable development. Effective management of ESG issues is becoming increasingly important. The time when considering environmental, social and responsible management issues is only a voluntary element of business activity is ending.



This happens, among others, thanks to the new and numerous regulations regarding both the reporting of ESG information (Corporate Sustainability Reporting Directive) and the process of establishing a framework to facilitate sustainable investments (EU Taxonomy). These are just selected regulations that guide further development for us and our clients. These requirements are cascaded through financial institutions and large enterprises throughout the value chain.

Changes in society's attitude are also important. As the Kantara Sustainability report indicates Sector Index 2022 "From Ambition To Action" 60% of respondents believe that addressing climate change is the responsibility of business, and 53% of respondents believe that brands have an important role to play in the discussion on social issues. Responsible business conduct is also becoming an increasingly important criterion considered by employees when choosing an employer. When describing the importance of sustainable development in running a business, it is impossible not to mention the growing expectations of business partners, including the end recipients of products and services.

Implementing the principles of sustainable development is not easy, but it has never been more important than today. Implementing solutions and changes to achieve ESG goals will require financial outlays. It is crucial that the resources invested in the implementation and management of ESG are not a cost for the organisation, but an investment. The right approach will allow a more complete picture of the company, help identify risks and business opportunities that have not been identified before, and ultimately will also help reduce costs and strengthen corporate governance.

Environmental, social, and responsible governance and management issues have become a real area of competition for enterprises today. This also applies to smaller companies that are not yet covered by the regulations but that are in the supply chains of obligated companies. To maintain business relationships, they will be forced to manage responsibly and disclose their impact on social and environmental issues. Reducing greenhouse gas emissions and transformation strategies to mitigate and adapt to climate change are an important element of ESG reporting. Transparency in this respect will be crucial for all market participants: state institutions, investment companies and banks, business clients, as well as smaller entities and consumers themselves. Companies without an energy transformation strategy must consider the loss of competitiveness and restrictions in the supply chain and access to capital.

The need to transform business into a sustainable one also places a special responsibility on the financial industry. Bank BNP Paribas has been involved in social and environmental issues for years, raising topics important to our clients and stakeholders and respon-

ding to their needs. Wanting to accompany our clients in sustainable transformation, we introduce new products and services, while reducing our impact on the natural environment, among others: reducing the carbon footprint and conducting numerous activities for the community and promoting responsible attitudes in cooperation with expert partner organisations.

As the bank of green Changes, we support clients in the transition to a low-emission economy and inspire them to make responsible financial decisions. We consistently implement a strategy of financing investments that have a positive social, economic, and environmental impact. We provide our customers with a wide selection of sustainable products that facilitate decarbonisation. For enterprises, we offer loans and leasing for photovoltaics, technological loans and the 'Eco-Firm with Profit' program. We also have working capital loans related to the implementation of ESG goals, i.e., Sustainability-Linked Loans or with improving the quality of management of ESG aspects and improving the ESG rating result, i.e., ESG Rating Linked Loan.

I recommend that climate strategies related to sustainable development be looked at from the perspective of economic benefits, especially in the face of the current energy crisis. Investments in renewable energy sources and increasing energy efficiency, mainly through thermal modernisation, contribute to a significant reduction in current costs. This increases the security of energy supply and competitiveness in the supply chain. An increasingly responsible approach to managing environmental and social impacts also determines the purchasing decisions of conscious consumers. Let us treat climate investments as an element supporting the long-term development of our business.



BNP PARIBAS

Jarosław Rot, Executive Director at Bank BNP Paribas, responsible for the Sustainable Development Area, member of the extended Management Board of the Bank (Executive committee).

Graduate of the Warsaw School of Economics (two diplomas), participant of numerous manager development programmes, including: by the BNP Paribas Group, Harvard Business School, and the Cambridge Institute for Sustainability Leadership.

Over the course of nearly 20 years of his professional activity, he has repeatedly been involved in the work of working groups at the Polish Bank Association, contributing to the development of new standards and solutions in the field of capital management (including the implementation of the New Capital Accord and subsequent Basel documents) as well as medium and long-term liquidity (including securitisation and mortgage bonds). On behalf of the Polish Bank Association, he was appointed as an expert supporting the parliamentary work of the Public Finance Committee in the field of securitisation and representing the banking community in consultations on the above-mentioned issues with the Polish Financial Supervision Authority and the Ministry of Finance. For several years, he actively co-created the Polish interbank market, cooperating with representatives of other banks and the National Bank of Poland.

For several years, he has been actively supporting the development of programmes and instruments to counteract climate change and promote sustainable development. He is an initiator of the competence center established in 2018 at BNP Paribas Bank for financing sustainable development programs in cooperation with international and domestic financial institutions. Since 2020, he has been the bank's Chief Sustainability Officer and Chairman of the Sustainable Development Council.

He was awarded the ZBP Honorary Badge for his contribution to the development of Polish banking. He is the initiator and co-founder of the Asset and Liability Management Committee of the Polish Bank Association.

CSR V. CSRD

ALEKSANDRA MARCINKOWSKA | EDU SMART Training Centre Limited

Today, companies face the challenge of balancing financial goals with social and environmental responsibilities. Corporate social responsibility (CSR) has long been an important aspect of the business strategies of many companies, but a new European Union initiative, CSRD (Corporate Sustainability and Reporting Directive), is changing the approach to this issue.



CSRD (Corporate Sustainability Reporting Directive) and CSR (Corporate Social Responsibility) are two different concepts that can often be confused due to the similarity of their abbreviations.

The CSRD, i.e., Corporate Sustainability Reporting Directive, is new European Union legislation that aims to increase the transparency and consistency of sustainability reporting by companies. Here are some key facts about CSRD:

1. Scope extension:

The CSRD aims to extend sustainability reporting obligations to more companies. Currently, this obligation applies only to large and listed companies, while the CSRD is also to cover other large enterprises, including non-public companies and some public sector organisations.

2. Increase in reporting requirements:

CSRD introduces more detailed sustainability reporting requirements. Businesses will need to provide information on their environmental, social and governance impacts. They will also be required to

present more specific sustainable development goals.

3. Reporting standards:

The CSRD is based on existing reporting standards such as the Global Reporting Initiative (GRI) and the Sustainability Accounting Standards Board (SASB) standards. Companies will need to use these standards or equivalent ones to ensure consistency and comparability of reports.

4. Audit and independence:

The CSRD also envisages strengthening the role of audit and independence in the sustainability reporting process. Companies will need to use independent audit bodies to verify their reports.

5. Implementation dates:

The CSRD aims to introduce gradual changes over several years. Final implementation dates have yet to be determined but are expected to depend on company size and other factors.

Therefore, it is important to note that the CSRD aims to ensure greater transparency and responsibility of companies in the field of sustainable development. This is expected to improve environmental, social, and business governance in the European Union.

CSR - traditional corporate responsibility

CSR (Corporate Social Responsibility) is a concept that refers to the social and environmental activities undertaken by an enterprise. CSR is related to how a company conducts its activities in a socially responsible manner, taking care of the interests of its stakeholders, including employees, customers, local communities, and the natural environment. The CSR concept is an expression of a

departure from the idea that the purpose of an enterprise is solely to maximize profits.

CSR includes a number of activities, such as caring for employee well-being, promoting diversity and equality, protecting the natural environment, ethical business practices, investing in the local community and many others. Companies can engage in various CSR initiatives, such as charitable programmes, reducing greenhouse gas emissions, ethical supply chain management, sponsoring education, and supporting local social projects. The goal of CSR is to strive for sustainable development, i.e., considering economic, social and environmental aspects at the same time. Companies that practice CSR strive to create value not only for their stakeholders, but also for society as a whole. CSR is a more general concept that refers to a company's philosophy and approach to social responsibility.

CSR does not have a formal definition, but the idea of this concept is well reflected in the standard of the International Organisation for Standardisation ISO 26000 (Guidelines on social responsibility), which specifies that social responsibility is the responsibility of an organisation for the impact of its decisions and actions on society and the environment, ensured by transparent and ethical conduct that:

- contributes to sustainable development, including the health and well-being of society.
- considers the expectations of stakeholders (people or groups who are interested in the decisions or activities of the organisation).
- is consistent with applicable law and consistent with international standards of conduct.
- is integrated with the organisation's activities and practiced in its relationships that concern activities undertaken within its sphere of influence.

CSRD - new reporting rules for sustainable development

In turn, CSRD (Corporate Social Responsibility Directive) is a specific legal act - a European Union directive adopted in December 2022, which aims to standardise and strengthen reporting on sustainable development by enterprises. It refers to the way a company communicates its CSR activities and the specific legal provisions that aim to improve the transparency and comparability of information about sustainability activities. CSRD is about publishing information about the social, environmental and governance activities a company undertakes. This is a way to transparently inform stakeholders about the company's CSR initiatives.

The CSRD is intended to replace the current non-financial reporting directive (NFRD – Non-financial Reporting Directive). The new directive covers more companies, including large non-public companies and listed companies, and introduces more detailed reporting requirements. The CSRD aims to contribute to better monitoring and assessment of the impact of business activities on the natural environment, society, and the economy. In addition, it is intended to serve as a tool to support decision-making by investors, consumers and other stakeholders who are increasingly paying attention to aspects of sustainable development in companies' operations.

Currently, there are many different sustainability reporting standards and frameworks, making comparability and transparency of information difficult. The CSRD aims to introduce more consistent and precise reporting requirements to make it easier to analyze and compare information on sustainability activities between companies. CSRD

refers to the idea of ESG, as mandatory annual reporting concerns the following areas: environmental (E), social (S) and corporate governance (G).

The CSRD also aims to strengthen reporting standards so that companies provide more detailed information on their sustainability activities. The CSRD directive will standardise reports in terms of standards. Reports are to be in the same digital form for all entities. The European Financial Reporting Advisory Group (EFRAG) is developing uniform European Sustainability Reporting Standards (ESRS), according to which sustainable development factors will be reported. The first set of these standards was adopted by the European Commission on July 31, 2023. What is also new is that, in accordance with the CSRD, reports will be subject to mandatory auditing.

CSRD requirements cover aspects such as greenhouse gas emissions, natural resource use, employment, human rights, diversity, supply chain management and other aspects related to social, environmental and governance responsibility. The introduction of more precise and consistent reporting standards aims to increase the transparency, accountability, and comparability of information on sustainable development activities of enterprises throughout the European Union, as well as to counteract the phenomenon of greenwashing.

Who is affected by CSRD?

The non-financial reporting obligation in accordance with the CSRD directive will be introduced for various entrepreneurs gradually in the years 2024–2028 and will cover additional entities as time goes. First of all, the obligation to report in accordance with the CSRD from 2024 was imposed on entities that had

already submitted non-financial reports under the NFRD directive. This applies to the largest enterprises, the so-called public interest entities - public companies, banks, and insurance companies. These entities will be obliged to submit reports in accordance with the CSRD Directive in 2025 for the previous year. The purpose of the CSRD is to ensure the consistency and quality of information on sustainability activities provided by these companies. Public enterprises that are subject to the CSRD must provide detailed information on their sustainability activities in their annual reports.

It is worth noting that the CSRD aims to extend the scope of mandatory sustainability reporting also to non-public entrepreneurs. Therefore, submitting reports in 2026 with respect to the 2025 financial year will be mandatory for subsequent large enterprises meeting any two of the three criteria: over 250 employees, over EUR 40 million in turnover, or with a balance sheet total over EUR 20 million.

With respect to the 2026 financial year, non-financial reports in 2027 will be submitted by subsequent groups of entrepreneurs: listed small and medium-sized companies (except micro-enterprises), small and non-comprehensive credit institutions and dependent insurance companies (meeting any two of the three criteria: over 10 employees, balance sheet total above EUR 350,000, or annual revenues above EUR 700,000).

The obligation to submit reports in 2029 in relation to the financial year 2028 is intended for enterprises from third countries if they have a branch in the European Union and generate annual revenues above EUR 150 million.

It is expected that in the future the reporting obligations discussed will be imposed on additional groups of entities.

CSRD and Polish law

Currently, Poland has not yet introduced regulations regarding CSRD as a separate directive. However, Poland is a member of the European Union, which introduces directives on sustainability reporting, such as the CSRD. As a consequence, Poland is obliged to implement the CSRD directive into its legal system within 18 months from the date of its entry into force, i.e., from January 5, 2023. Polish enterprises will have to adapt to the reporting requirements in the field of sustainable development specified in the directive CSRD. It is also worth noting that in Poland there is already legislation on social and environmental reporting, such as the legal Act from October 3, 2008, on the provision of information on the environment and its protection, public participation in environmental protection and on environmental impact assessments. However, the CSRD aims to harmonize and strengthen sustainability reporting standards at the European Union level.

Summary

In summary, there may be some similarities and connections between CSR and CSRD, as CSRD is a tool that aims to support and regulate CSR practices through reporting and transparency requirements. However, it is worth noting that CSR is a broader concept that refers to the entire philosophy of corporate social responsibility, while CSRD refers to specific reporting requirements and regulations.

ESG INSTITUTE: IS ESG PROFITABLE?

URSZULA JÓŹWIAK | FUNDACJA IM. XBW IGNACEGO KRASICKIEGO

ESG is not just a part of a company's activities or one of many segments of its operations, but a business strategy that must pay off. Let's start with the fact that every company must be profitable. No one questions this if the conversation concerns the so-called business plan, but when we talk about ESG, many people think it is about marketing expenses. This thinking is simply wrong. A Company's strategy should be based on ESG and ultimately lead to benefits on many different levels.



Some of these benefits will be visible, e.g., the reduction of expenses or savings; through better services and due to attracting the best specialists; through increased investment opportunities, because investors will evaluate the company positively; or through greater sales, because consumers are increasingly paying attention to companies that focus on sustainable development.

When we talk to companies, we emphasise that regardless of whether there are EU regulations in the field of ESG or not, we are still witnessing the fourth industrial revolution. Just as companies once had to adapt to electricity or computers, now they must be aware that - regardless of legal requirements - if they want to develop and generate profits, they must make a sustainable transformation as soon as possible. ESG is intended to be a driving force for change and development of companies - it is not intended to be an obstacle to business development, but to ensure that companies that follow ESG standards develop their operations in a sustainable and respon-

sible manner, so that future generations will have the same or better living conditions than we do now. We do not only want to maintain climate neutrality - but the goal should also be to repair the current state.

ESG activities that can bring real benefits – examples:

E - environmental protection: there are investments that are primarily related to reducing the carbon footprint, and therefore have a beneficial impact on the environment, but do not result in any benefits/savings for the entrepreneur (e.g. bicycle racks and stations - although they are also a convenience for employees who want to take care not only of the planet, but also of their health); there are also investments that not only provide relief for our planet, but also make the company save real money. These include: investments in renewable energy sources, because, for example, photovoltaics, although a high initial cost, pays off in the long term and ultimately provide savings; rainwater tanks or planting meadows instead of lawns, which helps reduce water bills; replacing equipment and lighting with energy-saving ones; or - thanks to the above-mentioned photovoltaics - being powered by the sun, there will be reduces energy costs - there are many examples.

S - social responsibility: first of all, it is about all activities that make our em-

ployees work better. These can range from more costly activities, such as monetary benefits, to practically cost-free activities, such as flexible forms of employment or ensuring work-life balance through appropriate work management. The result of our actions will be satisfied, effectively working specialists, and as a result - we will become a more attractive employer with the power to attract the best specialists, which is a real advantage during the labour shortage. It is also about activities in the field of, for example, building an organisational culture of the company based on sustainability values, implementing the idea of diversity and inclusion - here, the benefits are, as all studies show, more effective teamwork, more creative ideas - that is, the innovativeness of our company. The

Implementing ESG for SMEs is a challenge - no one hides that. First of all, because it is new, experts speak in jargon, which means that busy entrepreneurs have practically no opportunity or time to delve deeper into the topic.

atmosphere of family understanding and care for employees promotes loyalty and commitment, which ultimately results in the success of the company. Activities that have a positive impact on local communities and fo-

cus on people make the company better perceived and therefore more competitive. Activities in the S area do not have to be expensive: they must be well-thought-out and consistent with the company's core business principles.

G - corporate governance: this primarily covers appropriate company policy, which can be described with the following adjectives: transparent, honest, ethical, credible. This pillar includes all provisions regulating enterprise mana-

gement procedures, capital division, reporting, election of persons to management bodies, regulations regarding promotion and reward criteria, anti-mobbing and anti-corruption activities, and whistleblowing. Is it expensive? In large companies - yes, because it involves employing appropriate specialists who will create such procedures, supervise their compliance, and subsequently audit them. In small companies, it is necessary to develop rules and codes tailored to the company, understandable to its employees and partners, and not necessarily in the form of extensive documents.

The benefits of such activities are huge. By being able to choose the best employees, and not only those recommended, but the best also-suited people appear on board; being a company perceived as a reliable employer and business partner - we can work with the best and attract investors. The list of benefits can go on.

Benefits of ESG for SMEs?

Implementing ESG for SMEs is a challenge - no one hides that. First of all, because it is new, experts speak in jargon, which means that busy entrepreneurs (who do not employ ESG specialists) have practically no opportunity or time to delve deeper into the topic.

Large companies that are familiar with ESG or are already implementing these solutions do not always help their smaller business partners by requiring them to complete extensive forms regarding their ESG/sustainable development activities in purchasing procedures. These forms are often long, the same for everyone, and therefore incomprehensible to most smaller contractors. At this point, I must appeal to large companies and corporations to be responsible for smaller partners - if you want to be able to

select contractors from whom you buy products or services, start training your partners on what you will expect from them in terms of ESG (what is important to you) and adapt forms to their capabilities, explaining what information you actually need. Thanks to such practices, it may turn out that small and medium-sized entrepreneurs implement ESG activities and large companies will gain the information they want and become a truly reliable partner for their cooperators.

In summary

ESG is for everyone, but the content and the amount of information provided must be personalised. When implementing an ESG strategy in a company, we should inform employees, partners, investors, customers, and the local community on why we are doing it, what we are doing in this regard, and what we want to achieve through this. Not everyone needs to receive a document that is several dozen pages long. Representatives of the local community should receive information not only on how the company's ESG activities will affect them, but also on what role they may have in this process. Similarly, employees should receive information on how the company's ESG activities will affect them, what they will change in their work, and how their work will translate into environmental protection thanks to, for example, the introduction of ecological and more efficient cleaning products or reducing the frequency of window cleaning - that is, we have benefits for the environment, but also reduced costs of purchasing cleaning products. And what tangible benefits can they receive? Even a small bonus on the occasion of achieving the goals of the ESG strategy would be nice for everyone - after all, we move in the world of business based on economic psychology.



Urszula Józwiak, president of the Foundation XBW Ignacy Krasicki, and expert at the ESG Institute

She is one of the founders and also an expert of the ESG Institute and a member of the advisory and analytical team. The Institute is dedicated to the dissemination of ESG reporting and the implementation of sustainability principles.

Urszula Józwiak is an expert on media image, good business practice and a leader in sustainable development. She has been involved with media market and the topic of corporate social responsibility for several years.

Since 2009, she has been creating publications on CSR issues and good business practices. She was the first editor-in-chief of the quarterly „Raport CSR”, which was published from 2009 to 2021, and publisher of RaportCSR.pl, one of the oldest portals in Poland dedicated to corporate social responsibility aspects.

Urszula Józwiak is the initiator of the magazine „Raport ESG” - the first journal devoted entirely to the ESG issues in Poland.

She provides consultancy in the field of responsible communication, CSR and ESG strategy development. Manages the activities of the XBW Ignacy Krasicki Foundation aimed at supporting Poland's economic development and promoting good business practices.

Originator and organiser of the ESG Congress - the first roundtable in Poland dedicated to ESG issues for all stakeholder groups. For years, she has also organised the Forum and Competition: „Trustworthy Employer”.



**WHAT IS WORTH
KNOWING ABOUT
ESG?**



WHAT DOES THE CSRD CHANGE IN THE FIELD OF NON-FINANCIAL REPORTING?

In January 2023, the CSRD directive entered into force, which changes the rules of non-financial reporting in the areas of ESG (Environmental , Social, Governance). The reason for the changes is, among others, the need to harmonize reporting standards and too high a level of generality, and thus difficult application of previously applicable Community regulations - the NFRD Directive. New obligations should be implemented as soon as possible to properly prepare companies for new challenges.

Poland should fulfill its obligation to implement the CSRD Directive by July 2024. At the same time, the EU legislator introduced a three-stage impact of the new directive, according to which the obligations arising from it will cover new categories of entities in subsequent periods. First of all, the changes will affect entities that were already subject to reporting obligations in the scope defined by the NFRD directive. And so, for large public interest companies (entities, PIE) that already apply the NFRD directive and employ over 500 employees, reporting in accordance with CSRD should start in 2025 (for 2024). In turn, other large entities, i.e. enterprises that are not subject to the NFRD, but employ 250 people or boast a sufficiently high turnover or asset value, will have to implement new reporting in 2026. The most numerous in this group are listed companies from the SME sector, for which the deadline for submitting reports is set for 2027.

The Polish Ministry of Funds and Regional Policy estimates that the changes will affect over 3,000 Polish companies, but in the entire European Union it is a challenge for almost 50,000 companies. It is worth noting that previously ESG reporting obligations only applied to financial market entities. Currently, this scope is to be much wider.

It can be expected that the implementation of ESG-related reporting will be the greatest challenge for entities from the SME sector listed on the stock exchange. These are the largest number of entities, and many of them may not be prepared for such far-reaching changes and the related expenses.

What is CSRD aiming at?

The CSRD directive stipulates that ESG reports will include information on the energy transformation, circular econo-

my, water demand, but also a number of employee issues, including: whistleblowing, freedom of competition and anti-corruption. Preparing such a report will not be easy and will require the involvement of specialists - in large companies this will probably be a task for interdisciplinary teams of specialists.

Non-financial reports should answer a number of questions regarding, among others: the entity's business model and business strategy, sustainability goals and progress, policies and due diligence of those taking care of sustainable development or the competences of members of management, supervisory and administrative bodies in this area. Additionally, the entity must identify potential risks related to its activities and describe the actions taken to minimize their negative effects. At the same time, the correct implementation of the new obligations is important because the CSRD Directive obliges Member States to introduce sanctions for incorrect implementation of reporting obligations.

European Sustainability Reporting Standards (ESRS)

On July 31, 2023, the European Commission adopted a Delegated Regulation adopting the European Sustainability Reporting Standards (ESRS). This is the first set of 12 common standards, which include:

- 2 cross-cutting standards - ESRS 1 „General requirements” and ESRS 2 „General disclosures”, and
- 10 topical standards including:
 - 5 environmental standards::

ESRS E1 „Climate”,
ESRS E2 „Pollution”,
ESRS E3 „Water and marine resources”,

ESRS E4 „Biodiversity and eco systems”,
ESRS E5 „Resource use and circular economy”,

- 4 standards related to social issues:

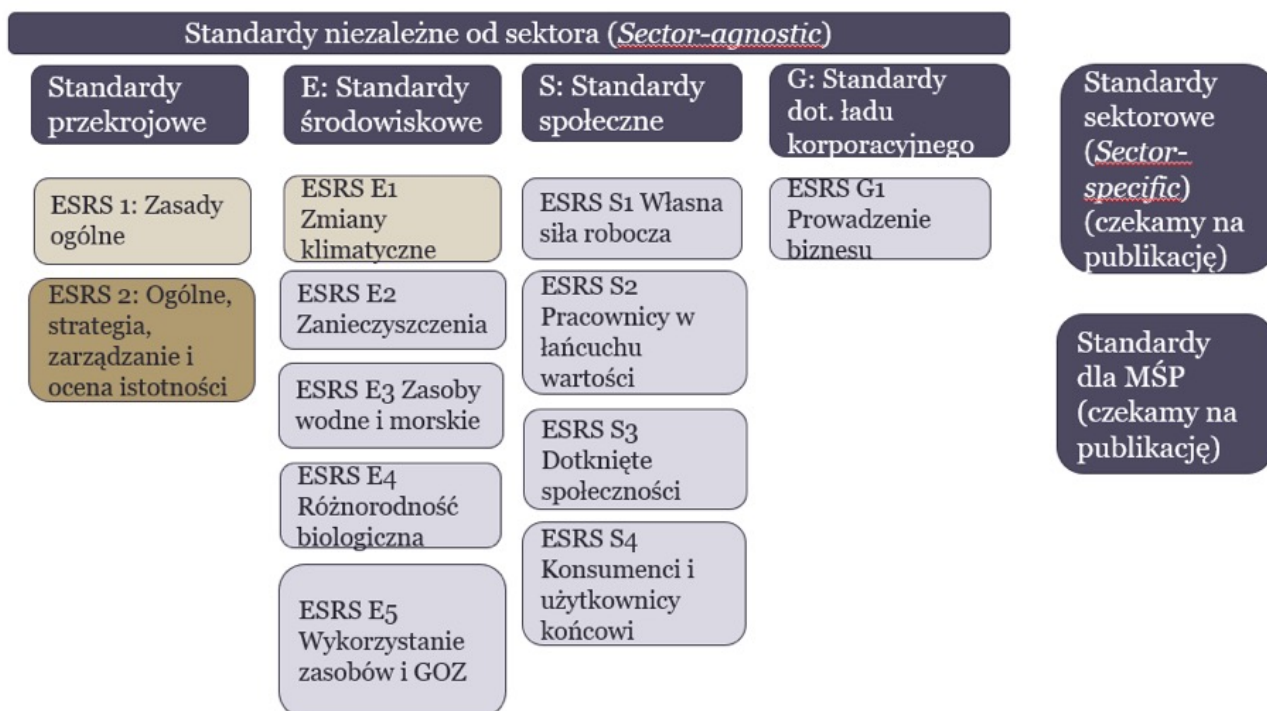
ESRS S1 „Own workforce”,
ESRS S2 „Workers in the value chain”,
ESRS S3 „Affected communities”,
ESRS S4 ‘Consumers and end users’, and

- 1 standard related to governance issues - ESRS G1 „Business conduct”.

These standards will be applied by the first group of entities (the largest public-interest entities currently reporting non-financial information) to sustainable development reporting for 2024.

Sectoral and SME standards are still under development and are expected to be ready in 2024.

ESRS – struktura standardów





STEP BY STEP ESG REPORT

Step 1: ESG strategy

The ESG strategy is planning the company's development based on three basic pillars - E (environmental), i.e., environmental issues, S (social) - social issues and G - (governance) - corporate governance issues. When developing an ESG strategy, remember that its effectiveness requires compliance with the company's long-term business strategy!

When building a company's ESG strategy, you can use:

- Sustainable Development Goals (SDGs) – a set of 17 goals set by the United Nations to promote peace and prosperity in the world and its inhabitants.
- SASB standards that highlight ESG challenges relevant to 77 different industries; and the SASB Severity Map - a tool for determining the financial significance of ESG issues.
- United Nations Guiding Principles on Business and Human Rights.

Step 2: Impact research

Developing an ESG strategy starts with determining your company's impact on people and the planet. The aim is to identify areas of activity that involve a serious risk of impact on people and the planet.

It is worth dividing risks into three categories: environment, communities and employees. Each pillar should consist of indicators based on datasets that assess geographic, industry and commodity risk. A combination of quantitative and qualitative data from publicly available datasets can be used to assign a score to each risk.

This information is then used to determine the likelihood and severity of each risk at an overall score.

Step 3: Assessment of materiality

A materiality assessment helps you determine your ESG priorities for your business. We start by defining the stakeholders – they can be investors, suppliers, service providers, local community, etc. For each stakeholder group, we should define the ESG indicators that will be particularly important for it.

What ESG metrics are important to stakeholders? By answering this question, we will find out which ESG issues should be prioritised in order to meet stakeholder expectations and even exceed them! The response will also help you tailor your communication to efficiently deliver information on topics that are most important to your specific target groups.

Step 4: Starting point

If we don't know where we're starting from, it's hard to measure our progress. That is why it is so important to take initial measurements to describe the current state of the company and assess the relative maturity of ESG across the organisation. At this stage, it is worth collecting information on the competition's ESG activities.

Step 5: Set ESG goals

Goals may include maintaining good performance, improving weak areas, and optimising performance or overall performance. ESG goals are not universal – they should be adapted to a specific business and the company's impact on the environment. It is helpful to set an ambitious goal with sub-goals that are measurable, easier and faster to achieve.

Some goals may include industry certifications such as B Corp certification. Others may include moving the business to LEED-certified buildings or achieving sustainability goals.

Environmental goals

Environmental goals will generally focus on reducing total carbon emissions, reducing waste and water use. They can also focus on the transition to sustainable energy and supply chain management and increasing efficiency.

Social goals

Social goals may include closing wage gaps, better employee benefits, better working conditions and a safer working environment. Other social goals include improving the living conditions of the local community, supporting social causes and ethical sourcing of raw materials.

Governance goals

These goals include transparency of the board structure, diversity and decision-making. It is also data storage, security, good accounting practices, financial transparency and business ethics.

Step 6: Create an ESG plan

This is where you create your ESG development plan. What can you do right now? What is included in the annual, five-year or ten-year plan? Breaking down big ESG goals into a plan of achievable steps with realistic goals will greatly increase the likelihood of implementation.

Step 7: Implement the ESG plan and measure key metrics

After defining the current state of the company and preparing the roadmap, it's time to start implementing ESG goals. Key Performance Indicators (KPIs) need to be defined to evaluate progress. Successful ESG strategies set measurable goals. It is worth getting acquainted with the proposed new European Sustainability Reporting Standards.

In order to successfully implement the previously developed ESG strategy, it is necessary to identify the place of data collection that we will report. Data resi-

des at all levels of the organisation. Why? ESG is a very broad set of issues: from labour and governance issues to climate change, deforestation, water and waste management, to the supply chain. After appointing persons responsible for specific indicators, we can develop/choose the system in which we will report.

Various international institutions such as the Global Reporting Initiative (GRI), Sustainability Accounting Standards Board (SASB), Task Force on Climate-related Financial Disclosures (TCFD) and the International Integrated Reporting Framework (IRF) provide templates for ESG reporting.

In order to standardise the integrated reporting framework, the EU adopted the CSRD Directive and commissioned the development of European Sustainability Reporting Standards (ESRS), which will consist of over 100 new indicators.

Regular monitoring and updates are essential. Using a centralised management system or KPI tracking software will make it easier to assess important sustainability metrics.

Step 8: Publish Regular ESG Reports

Using the aforementioned frameworks and external assessment tools, plan an annual performance report for key stakeholders. In the first report, it is important to highlight the policies and programs that are already in place and to assess progress.

Reports can include organisation- or industry-specific metrics, as well as an assessment of commitment and progress on key sustainability indicators.



ESG SPECIALIST URGENTLY NEEDED. WHAT MUST THEY KNOW? WHERE CAN YOU FIND THEM?

ESG is not fashion: it is a necessity for more and more enterprises. So, what does the transition to ESG look like in Poland? What does an ESG expert need to know and be able to do in a company? What kind of employees do companies need? What do they offer?

Behind the abbreviation of ESG stand the company's activities carried out with care for the environment, society, and corporate governance. These are areas that should be of primary importance for companies in the short term. Why is that?

More and more often, not just the number of loyal consumers depend on ESG activities, but also investors and long-term employees, or job candidates. According to the study by Sustainable Brands, as much as 75 percent of millennials (the generation of people born in the 1980s and 1990s) consider environmental and social activities when making decisions about choosing a new job.

As the authors of the report point out, Polish companies often mention the topic of climate in their reports. It is noteworthy that 100 percent of the surveyed listed companies identify the main sources of carbon dioxide emissions and report greenhouse gas emissions. However, a quarter of WIG20 companies listed on the Warsaw Stock Exchange do not specify emission reduction targets and deadlines, and their sustainability strategies often lack important details, such as how and when they will be achieved.

An important point is that 7 out of 10 companies report information on occupational health and safety management, and 65 percent provide specific data on work-related injuries. These are indicators and parameters important for employees and job candidates in a given company.

Dr. Agata Rudnicka, from the Faculty of Management at the University of Lodz, very accurately diagnosed the problem.

"The starting point for assessing an organization in terms of ESG is good

recognition of the environment, understanding its needs and juxtaposing them with current operations. In the environmental sphere, such expectations may include: reducing emissions, dropping out from the use of raw materials that generate pollution, changing the methods of production, etc. The social sphere primarily considers the need to assess risks related to human rights, creating conditions for development with respect for community rights, or ensuring transparent communication with the community. Activities in the field of organizational governance include, among others: analysis of documents, relationships, roles, and responsibilities in the decision-making processes. In ESG activities, it is equally important to go beyond the boundaries of the organization and examine the value chain. Only in this way will companies be aware of their actual impacts. Taking responsibility for the value chain requires a lot of determination and trust on the part of all partners, but it is an essential element in creating a framework for sustainable business. Only through recognising the expectations and needs, can there be space for further action." says Dr. Agata Rudnicka.

The above assessment shows one thing: working as an ESG expert in a company will not be easy, light work, or pleasant, although in the long term it can give both material and intangible satisfaction. Looking at the assessment of the expert from the University of Lodz, the competences that such a specialist must have set a very high bar; this may result in a recruitment problem.

People responsible for the area of ESG have a difficult task of estimating organizational resources in the context of the planned sustainable development goals, not only in the short term, but

also in the long term. From this moment on work begins on the operations related to conscious interventions, aimed at minimising negative social and environmental impacts, implementing desired solutions, checking, and verifying their effectiveness.

The market of ESG specialists is in its infancy. The global consulting company Deloitte is looking for a person who „would like to support our clients in designing and implementing an ESG strategy, integrated with their business strategy”.

The qualifications that a candidate for a job at Deloitte must have include:

- About 2-3 years of business experience. A big advantage is if the experience comes from within the consulting industry.
- Experience in working in the business strategy department, in the implementation of strategic projects.
- Ability to analyse the market and competition.
- The ability to think logically, translate the collected knowledge and conclusions into synthetic information.
- The ability to learn quickly and use the newly acquired knowledge in practice.
- Ability to coordinate several streams of work simultaneously.
- The ability to prepare conclusions from analysis and recommendations in the form of PowerPoint presentations.
- The ability to use Excel in practice in order to, for example, analyse and build simple financial models.

Additionally, it would be great if the candidate has:

- Experience in designing and implementing strategies in the field of sustainable development and ESG.
- Experience in financial analysis or evaluation of enterprises from the perspective of a fund or a bank.
- Experience in assessing companies in terms of ESG ratings (Sustainalytics, Ecovadis, S&P, MSCI, etc.)
- Experience in implementing projects in selected areas: ESG, improving the efficiency of business processes, increasing company value, increasing brand value, climate protection and decarbonisation, circular economy, innovation, building organisational culture, implementing solutions)
- Basic knowledge of regulatory issues related to sustainable development (e.g. EU Green Deal, CSRD, Taxonomy, SFDR, TCFD/TNFD Guidelines, Digital Product Passport, etc.)
- Experience in researching consumer and industry trends.
- Experience in change management.

An ESG specialist is no joke. How many such experts are there in Poland? Good question.

The selection of a person responsible for ESG issues is currently one of the important issues for companies in the context of sustainable development. These aspects will have a significant impact on the image and long-term stability of the company. It is extremely important to find a person with the right skills and passion who will be able to effectively manage this area. The times when companies delegated someone to handle certain processes, on the principle of ‘Now you will be our OHS or GDPR expert’, are long gone.

What did Velma ESG LTD. require from candidates for the position of an ESG specialist?

- Minimum of 2 years of professional experience in the ESG area (necessary condition)
- Have a working knowledge of ESG tools and methodologies.
- Experience in developing and creating documents for the needs of individual organisational units of the company, and for a non-financial report.
- Ability to establish and maintain good professional relationships with colleagues.
- Knowledge of basic guidelines, concepts, and taxonomy.
- Proficient knowledge of the English language.

Again, level hard, as the aforementioned millennials say.

Gobarto SA, in addition to the specified requirements for a candidate for an ESG reporting specialist, offers, for example, 'coffee with the boss', as well as:

- Various development opportunities: training, promotions, internal recruitment.
- Celebrating successes
- Social fund
- Integration
- Medical care and life insurance
- Sports package
- Transparent employment conditions, employment contract: stable work for longer.

'Coffee with the boss' or 'celebrating successes' sounds encouraging, may be worth considering.

Job offers for specialists are currently posted by the largest firms on the market, which may mean that before ordinary entrepreneurs start looking for such professionals, many may already be taken up by the 'big game' players.

Many companies in Poland simply need people who will explain the idea of ESG to management boards, employees, or clients, and only then we can try to deepen the issues around ESG strategies, until an expert stage is reached, in line with the requirements of the largest firms for such job candidates.

Global companies are looking for ESG specialists, ESG managers, lead risk specialists. This is a good thing, although awareness among smaller companies is still insufficient, just like among most Poles. This has to change. Education, awareness, and market requirements are the most important. The rest will come along on its own in due time.

It is worth noting that the obligation to report ESG sooner or later will apply to every Polish company, so it is worth taking an interest in it now. New regulations introduced in the EU will have consequences for the entire market.



COOPERATION AND INTEGRATION OF KNOWLEDGE AND PRACTICES FROM WITHIN VARIOUS AREAS: HOW CAN ONE BECOME AN ESG SPECIALIST?

ESG covers a number of factors that affect the organisation's operations and their impact on the environment, including environmental (e.g., greenhouse gas emissions, management of natural resources), social (e.g., employee rights, employee safety and health, relations with local communities) and management aspects (e.g., governance structure, transparency, ethics). Effective management of ESG issues, from strategy building and implementation; through operational management and coordination of activities in this area; to performance monitoring and reporting, requires an interdisciplinary approach.

Environmental graduates can provide environmental expertise, engineers can develop technology solutions, lawyers can ensure compliance, and human resources experts can implement social policies in organisations.

ESG (Environmental, Social, and Governance) requires consideration of different perspectives and stakeholders. The impact of an organisation on the environment, local community and financial markets requires a holistic approach, considering economic, environmental, social and management aspects.

If you want to become an ESG specialist, i.e., an expert dealing with issues of sustainable development, corporate social responsibility, and management, you do not have to abandon your studies and interests, it is worth expanding them to include ESG aspects.

First: theory

At the beginning, it is worth deepening your knowledge in the field of ESG. Literature related to the subject of sustainable development, ESG reporting standards (e.g., Global Reporting Initiative and EU reporting standards) as well as the latest research and trends in this field will be helpful. There are many sources of information, such as reports from international organisations, market reports, and websites that provide up-to-date in-

formation on the latest ESG trends and events (e.g., ReportCSR.pl).

It is worth focusing on the most important environmental, social and management aspects that affect business operations. There are many postgraduate studies that can provide relevant knowledge and skills in this area (e.g., 'CSR Manager. Sustainable development and ESG' by Collegium Civitas in cooperation with CSR Info)

If you want to become an ESG specialist, i.e., an expert dealing with issues of sustainable development, corporate social responsibility, and management, you do not have to abandon your studies and interests, it is worth expanding them to include ESG aspects.

Courses directly related to sustainable development, such as environmental protection, focus on analysing the impact of business activities on the environment and society, and on how to manage these aspects. This often includes the opportunity to obtain useful certificates, e.g., ISO 14001 (standard

for environmental management systems). Studies in environmental economics will provide knowledge of the economic aspects of sustainable development, including ways to measure the social and environmental impact of business activities. In addition, there are many trainings and webinars in the field of non-financial reporting available on the market that can provide more advanced knowledge in this area.

Second: practice

Having theoretical background, you can move on to practice. It is worth checking which companies carry out ESG activities, what their goals are and how

they report their results. Analysing sustainability practices and strategies helps understand how ESG activities affect an organisation's financial performance and reputation.

For a potential employer, it will be important to have practical experience in the ESG area. Therefore, paid internships or work shadowing at companies, non-profit organizations, rating agencies, or consulting companies dealing with ESG may be a good idea. You can apply the acquired knowledge in practice and gain valuable skills.

Networking

Build your network: meet other ESG professionals and be part of this growing community. Participation in conferences, industry meetings, and networking events will help to establish contacts and share knowledge. You can also consider a membership in ESG organisations that offer the opportunity to meet other experts and participate in industry projects (e.g., Responsible Business League: a free educational program on CSR/ESG/sustainability for students in Poland).

The ESG world is dynamic, so it's important to stay up to date with the latest trends, regulations, and initiatives. You constantly need to educate yourself and follow international initiatives and regulations in this area. The CSRD directive and the related legal changes that will soon be implemented in Poland, as well as the principles of the United Nations Global Compact for Responsible Investment (UN PRI), the Global Reporting Initiative (GRI) and initiatives related to green finance, are important to look into further.





WHAT IS WORK LIFE BALANCE?

Our company noticed the term work life balance pop up more often after the COVID-19 pandemic, as after lockdown individual and family priorities changed – people wanted more than repetition in their daily life and work.

Work life balance can mean different things to different people. To an employer, it may simply be the fact that their employees work five out of seven days, with a free weekend. On the other hand, a single parent of two children could prefer to work on those weekends, but to maintain a balance would need longer mornings to send the children to school. Work life balance refers to the convenience of work entangled with personal life. The ability to book off holidays, to come home before the standard rush hour, or to leave the work phone in the office allow for equal time between personal and professional pursuits.

One of the deliverables of the European Pillar of Social Rights is the Work-life Balance Directive, addressing the challenges faced by working parents and carers, both men and women. The directive considers the shift in demographics over the past decade as well as the future, with an aging and growing population in EU Member States. The purpose of the directive is to encourage a better sharing of caring responsibilities between women and men, supported by legal policy.

Why is work life balance important?

The Work-life Balance Directive states that “Work-life balance policies should contribute to the achievement of gender equality by promoting the participation of women in the labour market, the equal sharing of caring responsibilities between men and women, and the closing of the gender gaps in earnings and pay”. It highlights the fact of women in the labour market having difficulty in balancing work and family obligations, spending more time fulfilling unpaid caring responsibilities, with some women dropping out of the labour force entirely. Furthermore, the lack of paid paternity leave means men are less likely to fulfil

their duty of care to the child, creating a disproportion in responsibility. Work life balance aims to solve these issues.

Even to individuals with no children, or additional people to care for, work life balance has a significant impact on an individual's overall well-being and therefore the economic success of organisations. Maintaining a balance between work and personal life helps reduce stress and burnout: chronic stress can to problems such as cardiovascular issues or depression. In turn, reduced stress means improved productivity, as individuals can focus and concentrate only on the work, rather than worrying on how they will juggle other responsibilities at home. They are less likely to experience fatigue and are better able to concentrate on their tasks. This can lead to enhanced job satisfaction, as employees are more likely to hit targets quicker and enjoy spending time at work, creating higher morale and a more positive work environment. This creates the bottom line of employees being less likely to take leave (due to chronic stress or burnout) and therefore keeping steady workflow, beneficial to the company, the overall economy, and health services.

How do the CSRD and Work Life Balance Directive link?

Article 2 of Regulation 2019/2088 defines “sustainability matters” as “environmental, social and human rights, and governance factors, including sustainability factors”. Work life balance can fall under all these aspects:

Environmental: Companies committed to reducing their carbon footprint may facilitate remote or hybrid work options to reducing commute times by reducing travel during peak times and to work around public transport scheduling.

Social: Includes initiatives that can promote work life balance such as flexible

work hours, health and wellness programmes, internal mental health support, or stress management training. Benefits of flexible work also mean a more comfortable work environment.

Governance: Development of family-friendly policies (often better than the basic provisions set out by member state law and in line or exceeding EU directive recommendations), such as extended parental leave, on-site child-care, or monetary support for employees with caregiving responsibilities.

Groups of economically active people who may need other working arrangements:

- Students
- Parents
- Carers
- Elderly
- People with disabilities

How do Ireland and Poland compare to average working hours?

In 2022, the EU average working week was 37.5 hours per week, with Ireland falling below the rate at 36.9 hours per week and Poland averaging the second highest number of hours worked, just behind Greece (41), at 40 hours per week (Notes from Poland, 2023). Poland has always been in the top four member states for working hours since Eurostat began collecting data in 2008. In 2022, most Poles, 75.3%, worked 40 or more hours weekly, which is nearly 20% more than EU average (45.8%). In addition, less than 10% of the workforce worked between 1-39 hours per week in Poland and only around 5% worked under 24 hours per week, compared to over 55% and 15% in Ireland respectively (Eurostat, 2023).

Implementation of work life balance into your company standards

In order to encourage workers who are parents, and carers to remain in the work force, such workers should be able to adapt their working schedules to their personal needs and preferences. The EU specifies “they have the right to request flexible working arrangements for the purpose of adjusting their working patterns, including, where possible, using remote working arrangements, flexible working schedules, or a reduction in working hours, for the purposes of providing care,”.

Forbes (2022) recommends of providing your employees with a definition of work life balance that is “relevant to the current business environment” to give clarity to internal policy making as well as guide employee behaviour.

Making work hours more flexible can benefit all parties by accommodating individual needs:

- Flexible start and end times: Allow employees to choose when they start and finish their day. For example, they might have the option to begin between 8am and 10am and end between 4pm and 6pm.
- Compressed workweeks: Option of working longer hours on fewer days (a 4-day workweek with 10-hour days) or even try implement a 4-day workweek with less hours. This can provide longer weekends for employees and cut down costs for office running.
- Part-time and job-sharing arrangements: Allow employees to work part-time hours or share a full-time role with another employee.
- Remote work and Hybrid work: Give the option to employees to work from home or another remote location, re-

ducing the need for commuting and offering a more comfortable work environment.

- Results-oriented work: Shift the focus from having to work a set number of hours, to outcomes achieved or results. With communication, clear expectations, and guidelines it means employees can increase their own productivity and engagement as they are incentivised by the possibility of additional time off, whilst the employer can maintain benefits of clients receiving results earlier.

From EDU SMART TRAINING CENTRE LIMITED Aleksandra Marcinkowska says: *“As a mother of three children, wife, and owner of two dogs I understand what it is like to be a parent and run a business. From my own experience, I decided to build an entity that is inclusive towards parents, different nations, people working in different time zones, with different personalities, skills, and talents. We follow the diversity and inclusion directives and talk to our staff on a regular basis to remain compliant with their needs and our business targets. To effectively follow CSRD, I recommend every company to implement ISO26000 and follow its guidance,”.*



EMPLOYERS' CORPORATE SOCIAL RESPONSIBILITY. HOW DOES THE PARTICIPATION OF COMPANIES IN LIFELONG LEARNING PROMOTED BY THE EU RELATE TO THE NEW CSRD?

Currently you may have seen news headlines relating to the Corporate Sustainability Reporting Directive (CSRD), which entered into force on 5th January 2023 in the European Union. The CSRD must become essential knowledge for every business owner in the EU sooner or later, as it provides the basis of non-financial reporting standards.

The CSRD is designed on the basis of environmental, social, and governance activities – ESG – a term becoming increasingly used. EU undertakings are required to report on a variety of topics, including the adaptability of their business models and strategies to sustainability risks, the opportunities presented by sustainability factors, and the plans in place to guarantee that the business model is consistent with the shift to a sustainable economy. Under the social aspect of the acronym, falls corporate social responsibility (CSR) and lifelong learning - but what does it really mean in the context of business and why is it important to implement?

The European Commission defines CSR as “the responsibility of enterprises for their impact on society”, specifying that such efforts such be company led. Ways that a company can become socially responsible include the integration of “social, environmental, ethical, consumer, and human rights concerns into their business strategy and operations [and] following the law,”.

The European Employment strategy definition of lifelong learning reads: “all purposeful learning activities, whether formal or informal, undertaken on an ongoing basis with the aim of improving knowledge, skills and competences,”.

Now, what exactly is the link between the two? It is simple – the responsibility to educate employees, shareholders, or investors on ESG matters which concern the company both directly and indirectly. Without lifelong learning, one cannot respond to new market trends, economic changes, digital transformation, or properly comply with new regulations. One cannot implement new policies, in particular on aspects such as diversity, without prior knowledge. In today's world, there is an abundance of knowledge: you must research, adapt,

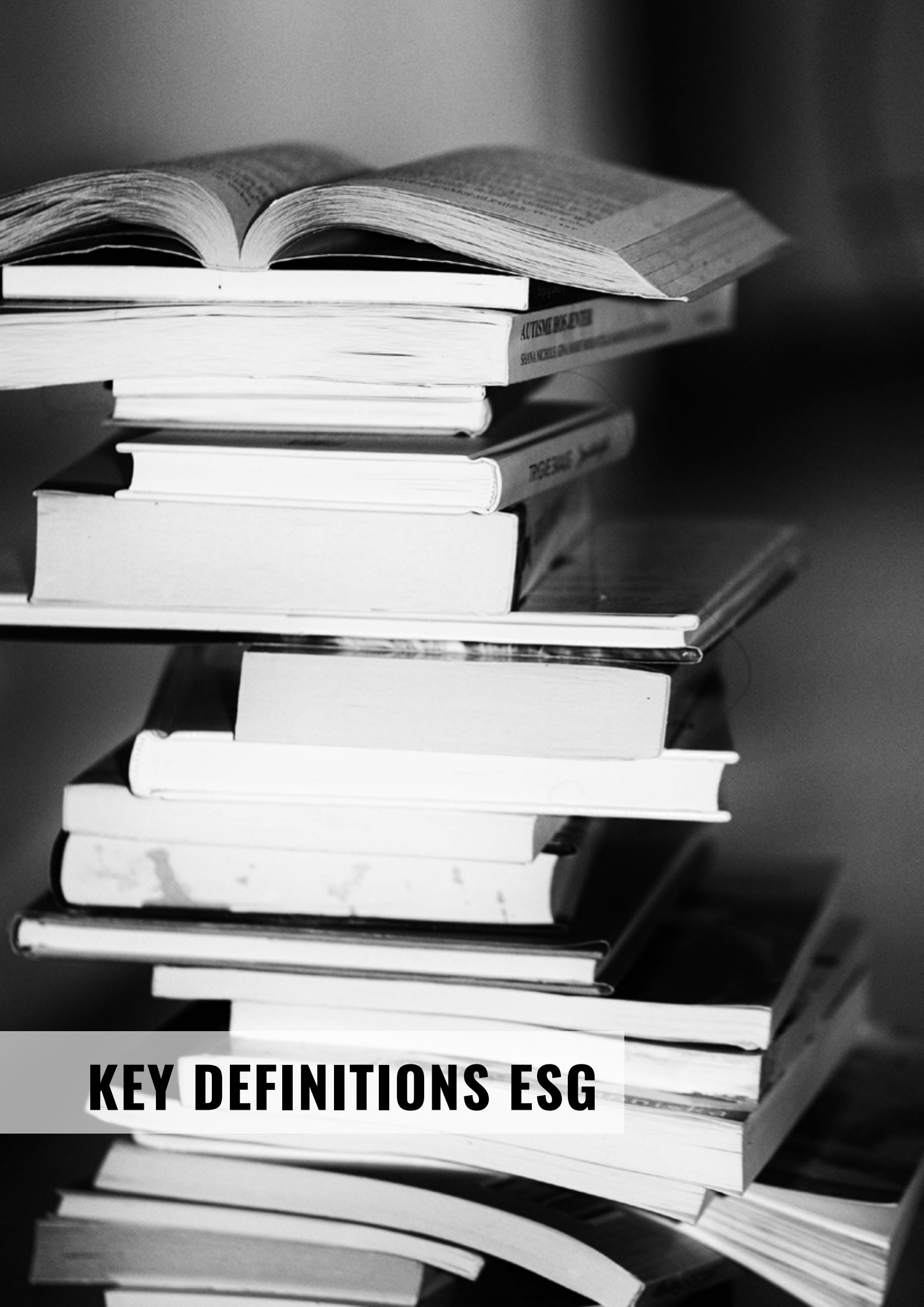
discuss, evaluate information to understanding the CSRD and make changes to your non-financial reporting. Ways to integrate CSR with lifelong learning include seminars or training days, volunteer days, more frequent meetings to develop business strategy to be not only compliant with the law, but also to go above and beyond with own their efforts or offering your employees further qualifications in relation to ESG.

Depending on the size and turnover of the business, the CSRD will apply during different years, but that does not mean that those in charge of change within the company should wait until the last minute. It is important to have a clear plan, implementation strategy, as well as the necessary resources to adhere to the non-financial reporting standards soon to come within the next 5 years. SMEs in particular – who do not necessarily have separate staff or divisions to oversee non-financial reporting – need to start their research and training now to not fall out of the market. Large companies, to maintain their own transparency, will require their partner to also be transparent, whether or not they are yet obliged to adhere to the CSRD. To produce this report, companies need to appoint someone to facilitate this process. Many questions arise, as after all, who is responsible for producing this report, and, making sure it is compliant with the CSRD? There is one short answer: this is the employer's governance responsibility i.e., making sure the firm is compliant with the laws and regulations, but also their social responsibility; as head of the business, they are in control, the business relies on them to make advantageous decisions for the stakeholders, employees, and the community. They are leaders of the company, no matter if it has 2000 employees or just five. The CSRD states it is the director's duty to appoint an auditor when necessary.

The current issue at hand, is that many employers or businesses operating within the European Union are not aware of the CSRD, or do not completely understand what it entails. According to a survey carried out by Compliance Institute, the professional body for compliance professionals in Ireland 41% of companies said they will struggle to provide the data required by the CSRD, 7% do not understand the new rules, 46% were unaware that independent auditing is a CSRD requirement (Morrey, 2023). A further study by Microsoft (Marguerite and Nyhan, 2022) on Assessing the Readiness of Irish Businesses in regard to sustainability transformation showed less than half (43%) have a dedicated Sustainability Strategy or Policy with over a third (35%) “not at all aware” of the CSRD. Nearly three-quarters (71%) do not have someone tasked with identifying environmental sustainability priorities – this shows how vital lifelong learning is as without it you cannot get ahead of competitors or create a coherent sustainability report. Business Insider Poland (2022) reports that only 5% of tech companies in Poland currently measure their carbon footprint, and two thirds do not have a code of ethics or have implemented anti-corruption actions: all falling under separate pillars of ESG.

The idea of lifelong learning is key in relation to the CSRD in many ways. Firstly, if as the director you decide to facilitate the process yourself, there are many new aspects which you will have to research. If you decide to appoint an auditor, there are clear guidelines on the competence and certification required of them in the CSRD. Secondly, it is beneficial to learn how to use free resources available online and to monitor the progress of Member State legislation. Market research is more important than ever as the company’s sustainability image or ranking significantly decides the economic position.

The CSRD has updates, as well as its own implementation plan and legal interpretation depending on the EU country member partner. Member states have until 16 June 2024 to transpose the CSRD into their national laws. As the employer, it is your responsibility to educate yourself as well as your staff on what is, or will be, required. We encourage you to use free resources available to you as well as utilise the knowledge of your staff to stay on top of the latest standards, requirements and possible actions your company can take in relation to ESG activities.



KEY DEFINITIONS ESG

• Carbon Footprint

A carbon footprint is the total amount of greenhouse gas emissions produced directly or indirectly by an individual, organization, event or product. The carbon footprint includes emissions of carbon dioxide, methane, nitrous oxide and other gases expressed in CO2 equivalent.

• UN Sustainable Development Goals

The UN Sustainable Development Goals (SDGs) are a world recovery plan adopted by UN member countries that covers climate, environmental, social and economic issues. It assumes, among others: striving to reduce greenhouse gas emissions, preserve environmental diversity, guarantee human rights and eliminate poverty.

• CSR (corporate social responsibility, corporate social responsibility)

This is a concept according to which companies, when building a business strategy, take into account social interests and environmental protection and take care of relationships with various stakeholder groups, and above all, with employees. Their conduct is transparent and ethical, and contributes to the development and well-being of society as a whole.

• CSRD (Corporate Sustainability Reporting Directive)

The EU Council has finally approved the Corporate Sustainability Reporting Directive (CSRD). Companies will need to communicate how their business model impacts their sustain-

ability, and how external sustainability factors (such as climate change or human rights) impact their operations. With this information, investors and other stakeholders will be able to make informed decisions on sustainability issues.

The new act amends the 2014 Non-Financial Reporting Directive (NFRD) and strengthens existing rules in this area, which no longer meet the requirements of the EU's transition towards a sustainable economy.

The new act introduces more detailed reporting requirements and obliges large companies to publish information on sustainability issues such as environmental rights, social rights, human rights and corporate governance factors.

The new sustainability reporting rules will apply to large utilities with more than 500 employees, all large utilities with more than 250 employees and a turnover of EUR 40 million and all companies listed on regulated markets, except micro-enterprises. These companies are also responsible for assessing information relating to their subsidiaries.

The regulations also apply to SMEs, taking into account their specificity. For a transitional period, they can benefit from a derogation: they will be exempt from the application of the directive until 2028.

As for non-European companies, they also have to submit sustainability reports as long as they generate more than EUR 150 million in net sales in the EU and have at least one subsidiary or branch here. They should report on their impact on the environmental, social policy

and corporate governance issues specified in the directive.

The European Financial Reporting Advisory Group (EFRAG) will develop European standards, based on technical advice from several European agencies.

- **D&I (Diversity & inclusion)**

The theory of equal opportunities, diversity and the inclusion of all employees in common activities.

- **EFrag (European Financial Reporting Advisory Group)**

European Financial Reporting Advisory Group; an association that advises the European Commission and is responsible for developing the ESRS.

- **ESG (environmental, social responsibility, corporate governance, i.e. environment, social responsibility, corporate governance)**

This is an abbreviation of the factors based on which ratings and non-financial assessments of enterprises, countries and other organizations are created. The main goal of ESG is to provide investors with the opportunity to compare alternative investment directions on one level by analyzing these three parameters.

- **ESRS**

European Sustainability Reporting Standards (ESRS) In accordance with the assumptions of the CSRD Directive (Corporate Sustainability Reporting Directive) companies will be obliged to prepare sustainable development reports to a much broader extent than is currently the case under the NFRD (Non- financial

Reporting Directive). Reporting will be carried out according to specific, uniform standards - ESRS (European Sustainability Reporting Standards). In ESG reports, companies will disclose three levels of indicators: sector-agnostic, sector-specific and entity-specific.

- **GOZ**

Closed-Circuit Economy (Circular Economy) - a concept that aims to rationally use resources and reduce the negative impact of manufactured products on the environment, including: by reducing the consumption of raw materials, waste and creating a closed loop of processes in which waste is treated as raw materials in subsequent production stages.

- **Greenwashing**

Greenwashing is the false creation of a company's image, suggesting that the products they produce are ecological and safe for the environment.

- **GRI (Global Reporting Initiative)**

The Global Reporting Initiative is an international independent standards organization that helps companies, governments and other organizations understand their impact on issues such as climate change, human rights and corruption. The GRI reporting framework is designed to help organizations (regardless of their size, area of operation or location) report their impact on the economy, environment and society.

- **Corporate governance governance**

It is a set of rules of conduct both for company bodies, but also for members of these companies' bodies -

the supervisory board, management board and shareholders. The principles of corporate governance refer to broadly understood company management.

- **Socially involved marketing CRM (Cause Related Marketing)**

It is a combination of the economic goals of an enterprise with the social goals of a given project. It is a combination of business goals and activities typical of non-profit entities, i.e. solving social problems. An example may be allocating a specific part of the profit to a selected social purpose, e.g. a meal for the poor.

- **Human Rights Due Diligence (HRDD)**

Human rights due diligence (HRDD) is the process of identifying, avoiding, mitigating and documenting the human rights consequences of companies' activities.

- **Net Positive**

Net positive is a situation in which we give back to the natural environment and/or society more than we take. Net positive activities aim to restore or regenerate ecological systems and slow down the decline of natural capital.

- **Net zero**

Net zero is strictly regulated by Science Based requirements Targets initiative (SBTi) and requires a minimum 90% reduction in greenhouse gas emissions across the entire value chain (Scope 1, 2 and 3). The remaining 10% can be offset or captured.

- **Climate neutrality**

Climate neutrality is about reducing greenhouse gas emissions as much as possible and offsetting the remaining emissions that could not be avoided through offsetting. This can be achieved by purchasing the appropriate amount of the so-called carbon credits, but there is no standard that would determine what part of emissions may be subject to offset.

- **Non-governmental organizations**

These are all entities that are not public administration units or bodies and whose activities are not aimed at making profit. They focus on pursuing a selected social interest.

- **Integrated report or integrated report**

The integrated report should be a concise statement presenting how the organization's strategy, management model, business results and future prospects, in the context of the external environment, lead to value creation in the short, medium and long term.

- **Respect Index**

It is the first index of socially responsible companies of the Warsaw Stock Exchange in Central Europe. It includes Polish and foreign companies from the WSE Main List that operate in accordance with management standards in the field of corporate and information governance and investor relations. It also takes into account ecological, social and labor aspects.

- **EU Taxonomy (Taxonomy Regulation)**

Regulation (EU) 2020/852 of the European Parliament and of the Council of 18 June 2020 establishing a framework to facilitate sustainable investment 2020/852 (the „Taxonomy Regulation”), which entered into force on 12 July 2020 and entered into force on January 1, 2022 is a tool intended to make it easier for enterprises and investors to make investment decisions towards more sustainable economic activities. The mechanism is intended to provide uniform criteria for determining whether an economic activity is „environmentally sustainable”.

- **Upcycling**

A form of secondary processing that produces products with a higher value than those from which they were created.

- **Employee volunteering (integrated report)**

This activity mainly involves the entrepreneur undertaking and sup-

porting charitable activities for various people, social initiatives and non-governmental organizations. It helps support the concepts of corporate social responsibility by engaging employees in charitable, socially engaged and environmentally friendly activities.

- **Social involvement**

Conscious participation of the company in social life to solve specific social problems. The company's social involvement is often expressed in charitable activities, education of children and adults, cooperation with universities and non-governmental organizations.

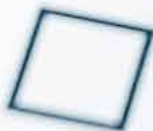
- **Sustainable development**

Sustainable development is intergenerational solidarity, which involves finding solutions that guarantee further growth, which allow for the active inclusion of all social groups in the development processes, while giving them the opportunity to benefit from economic growth through the implementation of the SDGs (Sustainable Development Goals).

ESG NON-FINANCIAL REPORT

Poorly

Good



The ESG (Environmental, Social, and Governance) report allows you to present information about the company's activities in the field of environment, society and management.

Below is an example of a non-financial ESG report template:

1. Introduction

- Vision and mission of the company
- Commitment to sustainable development

2. Company profile

- Description of the company's activities (history, structure, key information, company strategy/business goals)
- Target group and markets in which we operate - Company stakeholders (including key partnerships, e.g. membership in a union/association/cluster/chamber)

3. ESG factors

3.1. Environmental

- Introduction (what the company does in terms of environmental protection)
- CO2 emissions and other emissions of harmful substances
- Electric energy usage
- Water consumption
- Waste management

3.2. Social

- Introduction (what the company does in terms of social activities)
- Relations with employees
- Health and safety at work
- Training and benefits for employees
- Information sharing and transparency
- Supporting local communities

3.3. Corporate governance (company management)

- Principles of corporate management (management structure in the company, composition of the management board/supervisory boards, rules for selecting the management body)
- Ethical and anti-corruption policy (code of ethics, anti-corruption policy, communication of critical issues)
- Risk management system (risk identification, risk management)

4. Sustainable Development Goals (SDGs)

- Sustainable development goals that the company undertakes
- Initiatives and projects supporting these goals

5. Results and achievements

- Environmental performance and targets
- Social performance and goals
- Management and financial indicators

6. Plans for the future

- Goals and initiatives for the coming years
- ESG-related forecasts and strategies

7. Conclusions

- Summary of achievements and progress
- The company's commitment to ESG

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Foundation Ignacy Krasicki's XBW (FXBW) is a non-governmental organisation established in 2018. Among its goals is to support the economic development of Poland and promote good practices in the field of CSR and ESG. As part of FXBW, a dedicated advisory and analytical team has been established: Instytut ESG.



EDU SMART Training Center Limited (EDUS) is an organisation operating in the field of vocational training that co-operates with the employer community. It conducts multilateral educational, consulting, business, and training activities in the field of ESG. He is also an experienced implementer of Erasmus+ projects.

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