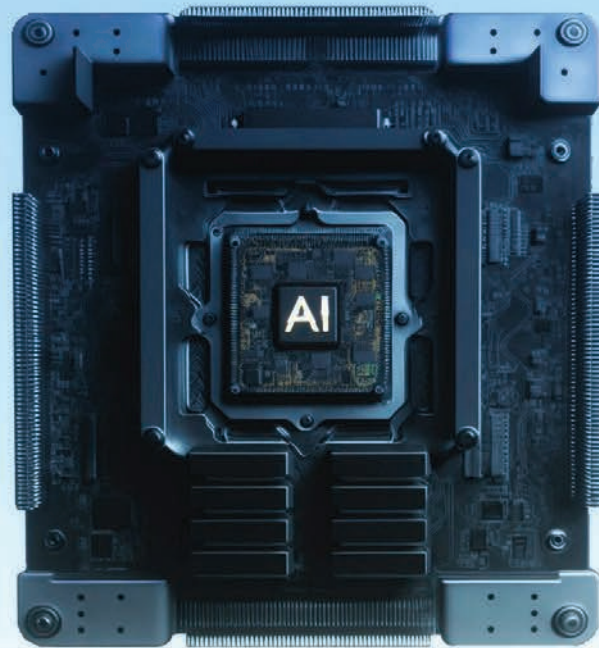




**ESG compliance
in business practice
is gaining importance**

ESG compliance in business practice is gaining importance

In the face of increasing regulatory requirements and stakeholder expectations, effective ESG management has become a strategic priority for many organizations. This means the need to build an effective ESG compliance program—from identifying regulatory requirements and managing risk through transparent reporting to implementing internal control systems and ongoing improvement mechanisms.

I. ESG compliance as a foundation of corporate responsibility

ESG (Environmental, Social, Governance) compliance constitutes an integrated management system that combines traditional regulatory compliance requirements with broader corporate responsibility. Organizations that implement comprehensive ESG compliance programs not only minimize regulatory risk but also build long-term value through sustainable business practices. A key element is the creation of dedicated oversight structures that monitor compliance with environmental, social, and corporate governance standards. An effective system requires the involvement of the highest level of management, clearly defined procedures, and reporting mechanisms. Businesses must understand that ESG compliance is not only a formal obligation, but a strategic business imperative that affects reputation, access to capital, and market competitiveness.

Growing expectations from investors, regulators, and the public are forcing a proactive approach to ESG risk management and transparent communication of the activities undertaken in this respect.

II. Regulatory requirements determine the scope of compliance responsibilities

The ESG regulatory landscape is undergoing dynamic changes, imposing increasingly broader reporting and operational obligations on businesses. The CSRD (Corporate Sustainability Reporting Directive) and the EU taxonomy define precise non-financial reporting standards for a wide range of organizations. Regulations on supply chain due diligence, such as the Corporate Sustainability Due Diligence Directive, expand corporate responsibility beyond the direct operations of businesses. ESG compliance also includes sector regulations on greenhouse gas emissions, waste management, employee rights protection and countering corruption. Organizations must systematically monitor legislative changes at the EU and national levels, assess their impact on their operations, and adapt their internal procedures. Failure to comply with regulatory requirements has financial consequences in the form of administrative penalties and reputational impacts that can affect relationships with stakeholders. Even if the time to implement certain regulations has not yet come, it is important to remember that this is a process that takes a long time and must be planned well in advance.

III. Identification and management of ESG risk an operational priority

An effective ESG compliance system is based on the systematic identification, assessment, and mitigation (reduction) of environmental, social, and corporate governance risks. The risk management process starts with a comprehensive materiality assessment that identifies the ESG issues that are most relevant to the organization's business model and its stakeholders. Businesses must assess climate risks, including physical threats associated with extreme weather events and transformation risks resulting from transitioning to a low emission economy. The social aspects include managing the risk of human rights violations in the supply chain, discrimination, and inadequate working conditions. The governance aspect focuses on preventing conflicts of interests and corruption and ensuring transparency in decision-making processes. Effective ESG risk management requires integration with existing internal control systems and regular audits verifying the effectiveness of the mechanisms in place.

IV. Systemic approach necessary to supply chain due diligence

It needs to be stressed that organizations bear increasing responsibility for the ESG practices of their business partners and suppliers. Due diligence in the supply chain involves a multi-stage process that starts with mapping suppliers and identifying potential risk areas. Businesses must implement procedures for verifying counterparties, including assessing their environmental practices, work standards, and business ethics management systems. Effective due diligence requires



ESG compliance in business practice is gaining importance

establishing clear ESG requirements in contracts with suppliers and mechanisms for monitoring compliance with those requirements through audits, certifications, and self-assessments. Special attention should be given to high-risk supply chains, such as mineral resources, textiles or electronic components. The system should include escalation procedures and corrective measures in the event violations are detected, as well as mechanisms for reviewing the effectiveness of the corrective measures.

V. Transparent ESG reporting builds stakeholder confidence

Reliable and comprehensive reporting constitutes a fundamental element of ESG compliance, making it possible for stakeholders to assess the actual impact of the reporting organization. Reporting standards such as GRI (Global Reporting Initiative), SASB (Sustainability Accounting Standards Board) or TCFD (Task Force on Climate-related Financial Disclosures) provide a consistent methodology framework. ESG reports must show quantitative data as well as qualitative information on environmental performance, social initiatives, and governance structure. It is of key importance to present long-term objectives, progress in their achievement, and any challenges and limitations encountered in the process of implementation. Organizations should ensure external verification of the reported data by independent auditors, thus increasing their credibility.

In addition, transparency requires informing about any incidents, violations, and corrective actions taken, which demonstrates a genuine commitment to continuous improvement of ESG practices.

VI. Organization's culture and training strengthen compliance with standards

The effectiveness of an ESG compliance system is dependent on embedding sustainability principles in the organizational culture and employee awareness. Training programs must be adapted to the specific roles and responsibilities of individual employee groups, including management as well as operational teams. Organizations should implement regular training sessions on current regulatory requirements, industry standards and practical aspects of ESG policy implementation. It is important to promote a speak-up culture (i.e., creating safe channels for reporting violations) that encourages employees to report potential violations without fear of negative consequences. Whistleblowing systems (i.e. for reporting violations within the organization) are a key mechanism for early detection of irregularities and should guarantee confidentiality and protection for whistleblowers. Effective internal communication, supported by the involvement of the organization's leaders, shapes a work environment that promotes responsible conduct and decisions that are consistent with ESG values.



ESG compliance in business practice is gaining importance

VII. Internal control and audit systems support the effectiveness of compliance

Implementation of internal controls and regular audits is an essential element of verifying the effectiveness of an ESG compliance system. The control function includes automatic mechanisms for monitoring key ESG performance indicators, as well as periodic manual reviews conducted by dedicated teams. Internal audits should evaluate compliance with internal policies and external standards, identify system deficiencies and recommend improvements. Organizations must establish clear procedures for documenting compliance activities to ensure the tracking of decisions, responsibilities and undertaken measures. External audits performed by independent entities verify the objectivity of reported data and compliance with international standards. In addition, an effective control system requires the presence of ESG incident management procedures, including mechanisms for handling escalations and conducting investigations, as well as the implementation of corrective and preventive measures to stop recurring violations.

VIII. Ongoing improvements and adaptations respond to changing challenges

An ESG compliance system cannot be a static structure, but must evolve in response to changing regulatory, market, and social expectations. Organizations should regularly review their ESG policies and procedures by considering the latest trends, industry best practices, and feedback from stakeholders. The process of ongoing improvements involves analyzing the effectiveness of implemented measures by monitoring KPIs and benchmarking against competitors and industry leaders. Involvement in multi-stakeholder initiatives (i.e. collaboration of different stakeholder groups) and participation in knowledge-sharing platforms provide organizations with access to innovative solutions and collective experiences. Adapting to new technologies, such as artificial intelligence or blockchain in supply chain monitoring, can significantly increase the effectiveness of ESG compliance. Long-term success requires a strategic approach that treats ESG compliance as a source of competitive advantage and a catalyst for business innovation, rather than a whim of regulators.



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



**KRZYSZTOF
MAKSYMIK**
Partner,
board member
Krzysztof.Maksymik@bdo.pl



**EWA
MATYSZEWSKA**
Head of PR,
communications
and sustainability
Ewa.Matyszevska@bdo.pl

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

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

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

Companies and Tax Advisors of Dziennik Gazeta Prawna for 2024:

■ **4th place The Best Tax Advisor**
in the category of medium-sized companies

The 2024 rankings prepared by the Rzeczpospolita and Parkiet dailies:

■ **5th Best Audit Firm**
■ **4th Most Active Firm on the Stock Exchange**
■ **4th Best Auditor of Listed Companies**
■ **The ESG award**

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

