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**The role of audit
committees
in implementing ESG
standards**

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Although mandatory ESG reporting has been reduced, audit committees are facing a fundamental change in responsibilities. Poland's implementation of the CSRD directive and the EU's Omnibus I package require the committees to prepare for overseeing ESG reporting. The following may be a key decision: should extended responsibilities be taken on by a single committee or should a separate ESG committee be established.

I. More changes in ESG reporting

In November 2025, the European Parliament adopted a negotiating position on a major simplification of sustainability reporting obligations, which is part of the Omnibus I simplification package presented by the European Commission in February 2025. The "stop-the-clock" directive from April 2025 provides for a two-year deferral of reporting obligations for companies covered by the CSRD that are required to report for the first time for 2025 or 2026. This means that the first report will be postponed to 2027 and 2028, respectively. According to the European Parliament's proposal, social and environmental impact reports should only be prepared by companies with an average of more than 1750 employees and a net turnover of more than EUR 450 million per year. Polish company audit committees should now be analyzing how the proposed changes will affect their responsibilities. Deferral does not mean doing away with the requirements but provides more time to create appropriate structures and control processes.

II. Polish implementation of CSRD and the role of audit committees

The act implementing the CSRD into the Polish legal system broadens the scope of entities required to report sustainability information. The ESG reporting requirement will apply to large companies, parent entities of large groups, small and medium-sized companies admitted to trading on a regulated market (excluding microbusinesses), as well as subsidiaries and branches that meet specific criteria. Audit committees or separate committees appointed for this purpose will play a key role in monitoring sustainability reporting. For committee members this means having to prepare to take on new responsibilities related to overseeing non-financial reporting processes by broadening their knowledge of the ESRS and building mechanisms to work with teams in charge of collecting ESG data.

III. Flexible organizational model – option to appoint a separate ESG committee

Polish regulations provide a flexible organizational solution. They give the option for the audit committee functions related to sustainability reporting and its attestation to be entrusted to a separate ESG reporting and attestation audit committee. Appointment of such a committee results in an automatic exclusion of the tasks it is given from the scope of activities of the audit committee. The decision to form a separate ESG committee should be preceded with an



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analysis of the scale and complexity of ESG reporting at the company, the availability of supervisory board members with relevant qualifications, and the workload of the existing audit committee. The separate model may be particularly beneficial for large organizations with a complex structure and significant environmental or social impact. For smaller companies, maintaining a single audit committee with broader powers may turn out to be more effective.

IV. Split of powers in the separate committee model

In the separate ESG committee model the audit committee retains all of the traditional responsibilities related to monitoring financial reporting, the effectiveness of internal control and risk management systems related to financial matters, performing financial audits and verifying the independence of the auditor of the entity's financial statements. Whereas the separate ESG committee takes over all of the tasks related to sustainability reporting, including

monitoring the ESG reporting process, the effectiveness of internal control and risk management systems in this area, overseeing the performance of attestations and verifying the independence of the auditor in the context of ESG attestations. The ESG committee is also responsible for preparing the policy for selecting the audit firm to perform the attestation and the policy for providing permitted non-attestation services.

V. ESG committee composition and competency requirements

A separate ESG committee must be made up of at least three members, where at least one must meet the independence criteria. From 25 June 2025 issuers of securities must confirm the qualifications and independence of ESG committee members in their periodic reports. Committee members should have knowledge that goes beyond traditional accounting skills: they should know the ESRS and the methodology of their application, be able to perform double materiality assessments, understand environmental matters (climate change, circular economy, biodiversity), be familiar with the social aspects (human rights, working conditions, diversity) and corporate governance principles in the context of sustainable development. The audit committee should maintain a competency profile focused on accounting, financial audit and internal control. This requires supervisory boards to have a strategic approach to the recruitment and competency development of both committee members.

VI. Areas requiring cooperation of the audit and ESG committees

Although their duties are formally separated, there are areas that require close cooperation of the two committees. This applies in particular to internal control and risk management systems, which affect both financial and ESG reporting. Financial data are often the basis for ESG indicators, whilst the IT systems that support reporting can be used in both areas. Some risks are cross-sectional - reputational risk can affect both asset valuation and social reporting. Both committees should develop mechanisms for regular information exchange, hold joint meetings at key moments in the reporting cycle and agree on the rules for access to documentation and data. Absence of adequate coordination can lead to gaps in oversight, duplication of activities or presentation of inconsistent positions to the supervisory board.

VII. Communicating with and reporting verification results to the supervisory board

In the separate model, both committees are required to report to the supervisory board on the results of their work. The ESG committee reports on the results of the attestation of sustainability reporting and explains how it contributed to the fairness of ESG reporting. The audit committee performs this function with regard to the audit of financial statements. Members of both committees should ensure that their reports to the supervisory board are consistent and complementary. It is recommended to develop a coordinated reporting calendar that considers the financial and ESG reporting



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cycles. The chairpersons of both committees should maintain regular contact and synchronize key communications. Escalation mechanisms for situations when significant risks are identified should be clearly defined. Special attention should be given to the first few ESG reporting cycles, when the likelihood of problems is higher.

VIII. Internal regulation and organizational documentation requirements

The introduction of a model with a separate ESG committee must be regulated in detail in the company's organizational documents. Internal regulations should clearly state which tasks are to be entrusted to a separate ESG committee and which to remain with the audit committee. Clear procedures should be defined for communication between the committees, the frequency of information exchanges, coordination mechanisms, and the methods of reporting to the supervisory board. The documents should specify the powers of both committees regarding access to information, the ability to invite external experts or work with internal audit. Absence of precise regulations may lead to a conflict of competence or gaps in oversight, which would increase the risk of

non-compliance and penalties. The implementation of the model should be preceded by a thorough legal analysis and the preparation of a complete set of regulatory documents with the help of legal advisors specializing in corporate governance.

IX. Practical readiness of audit committees to perform ESG tasks

Irrespective of the organizational model chosen by the entity, committee members must go through a systematic process of preparing for their new tasks. Key areas of their competency development include: thorough knowledge of the ESRS and their practical application, understanding of double materiality assessment methodology, familiarity with ESG data collection and verification processes, understanding of the scope and limitations of sustainability reporting attestation, and familiarity with evolving regulatory requirements. Practical preparation should also include forming relationships with key internal stakeholders involved in ESG reporting and understanding the architecture of IT systems supporting ESG data collection. Initially committees should also consider using the support of external ESG advisors.



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



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