

Five years of analysis of non-financial data reporting by listed companies – changes in practices

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It has been five years since we started to measure the level of non-financial data reporting by companies listed on the Warsaw Stock Exchange (WSE) within the project 'ESG analysis of companies in Poland'.

By applying the same evaluation method we are able to make comparisons and draw conclusions. That is why we have decided to present some trends that we think should be considered when evaluating how mature the companies are in their non-financial data reporting.

Since the number of the companies listed on the WSE varies, we have decided to choose two groups of companies in our comparative analysis:

- ▶ companies listed on the Main Market – the group consists of companies that were analysed in both 2012 and 2016, which is 408 companies altogether.
- ▶ companies that employ over 500 employees – the group consists of companies which, under the changes in the Accounting Act, will be obliged to report non-financial data from next year. It includes 128 companies that fulfilled the criterion in 2015 and were listed in both 2012 and 2016. The number of companies is sufficient to draw conclusions, considering the fact that there were 144 companies of this kind in 2015.

What about corporate governance?

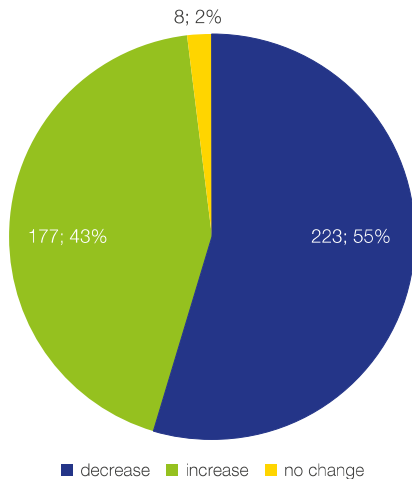
In every edition of the project 'ESG analysis of companies in Poland' we have praised the companies listed on the WSE for a high level of corporate governance reporting. When compared to the environmental and social reporting, the level of information disclosed in the corporate governance area is still definitely higher.

The level of corporate governance reporting worsened at 55% of companies between 2012 and 2016.

Corporate governance, being the backbone of the company, should guarantee a stable and responsible management. Therefore, a decreasing trend in the transparency level in this area that we can observe is worrying. According to the analysis results, the level of corporate governance reporting worsened at 55% of companies between 2012 and 2016.

The trend is even worse among companies that employ over 500 companies (128 companies analysed) where the results are poorer at 66% of companies. The companies are less transparent in their corporate governance reporting and this is mainly linked to the lack of consistency in their reporting about Supervisory Board members' independence and failure to publish biographies for Management Board members.

Corporate governance reporting level at the Main Market of WSE – comparison of results from 2012 and 2016



However, 50% of the analysed 408 companies did not change their approach towards environmental data reporting between 2012 and 2016. In 2016, less information was available about the environmental management at 14% of companies than it was five years ago. During the same period of time, 36% of companies improved the level of informing their stakeholders on how they manage environmental matters.

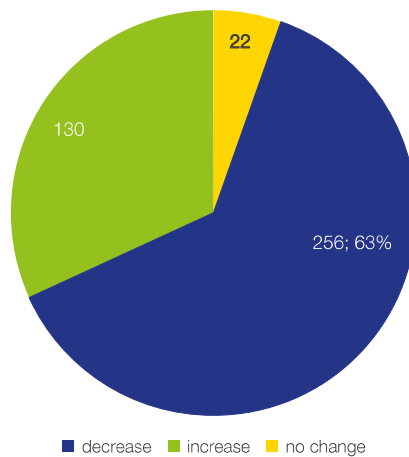
Social and labour matters gain importance

So far, the listed companies have not been legally required to disclose social and labour-related data. With the upcoming changes, the requirement will apply to only one third of the companies listed on the Main Market. Although the level of social data reporting is still very low, 63% of companies publish more information on these aspects than they did in 2012.

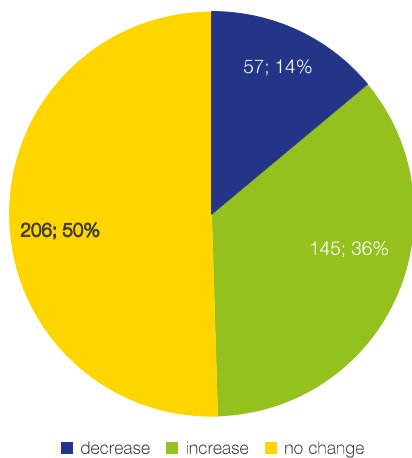
Environmental data – higher expectations, level unchanged

It might be assumed that the high pressure on environmental matters by the regulator and international organisations, the increase of raw material prices or divestments made by investors are factors that would influence the companies' level of environmental reporting.

Social and labour data reporting level at the Main Market of WSE – comparison of results from 2012 and 2016



Environmental data reporting level at the Main Market of WSE – comparison of results from 2012 and 2016

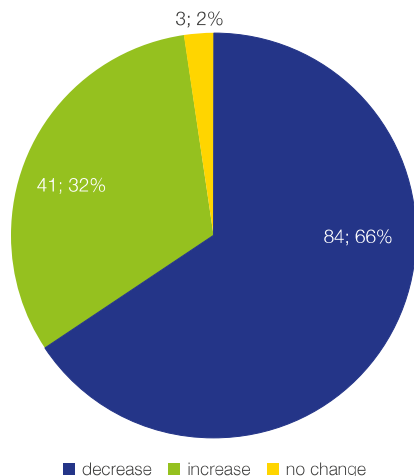


In the spotlight – results for the analysed companies subject to the new non-financial data reporting requirements

Let us have a closer look at the companies which will be required to disclose non-financial data from next year. The project 'ESG analysis of companies in Poland' gathered information about 128 companies which employed over 500 employees in 2015.

As already mentioned, the level of corporate governance reporting decreased at 66% of companies which will be required to report non-financial data.

Corporate governance reporting level at companies employing over 500 employees – comparison of results from 2012 and 2016

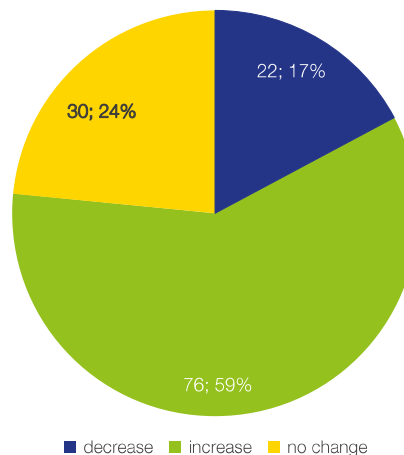


One of the issues required to be reported under the new provisions of the Accounting Act is corruption and bribery. Among the companies analysed in 2016, there were only 14 that reported on their policy, programme and management system that govern these material risks. The rest of companies face the task of either implementing relevant measures, if no measures have yet been implemented, or reporting on taken actions, if internal actions have already been taken.

Communicating environmental matters

The companies that will be required to disclose non-financial information have to a greater extent improved their environmental data reporting. Between 2012 and 2016, 59% of companies improved their reporting in this area. However, if we look at the results from the perspective of the new regulations, only 20% of them disclose environmental information that fulfils the new requirements.

Environmental data reporting level at companies employing over 500 employees – comparison of results from 2012 and 2016



67% of the analysed companies present information about their approach to environmental matters. 56% of companies show a satisfactory level of reporting related to their environmental policies and targets. 27% of companies inform how their consumption of energy changed over time.

Social and labour data reporting

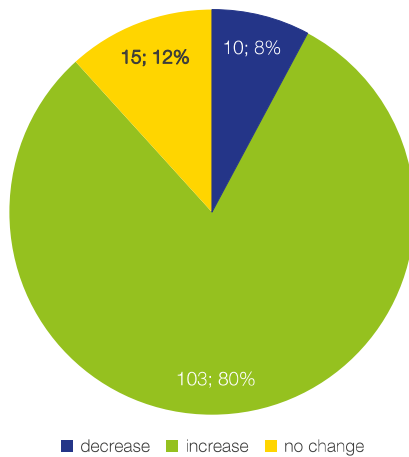
Although 80% of companies improved their reporting of social data between 2012 and 2016, 97% of companies still do not publish enough social and labour-related data to fulfil the new requirements of the Accounting Act in this area.

The publication of the EU Non-Financial Information Directive in October 2014 might have contributed to

the increase in the level of such information reporting. It is enough to mention that after the publication, the results of environmental and social data disclosure went up by 64% between 2014 and 2015.

About 42% of the analysed companies reported health and safety issues at a satisfactory level, meaning that they showed indications of relevant policies and management systems being in place. On the other hand, the same level of reporting in relation to freedom of association is shown by only 18% of companies. Finally, only 13% of companies employing over 500 employees reveal information about their wages policy.

Social and labour data reporting level at companies employing over 500 employees – comparison of results from 2012 and 2016



Human rights – terra incognita for Polish companies

Only over a dozen of companies published information on human rights on a level that would fulfil the requirements of the new provisions of the Accounting Act. Among them, there were eleven companies that had a policy on human rights and two companies that described a management system, but none of them presented a satisfactory level of reporting when it comes to indicators showing the results of their human rights policy implementation. Only one of the analysed companies published information about risk management in relation to preventing child labour, while there were 72 companies that showed a satisfactory or high level of reporting on how they manage risks linked to forced labour.