The Non-financial Information (NFI) Reporting of Polish Companies Listed on the Warsaw Stock Exchange – WIG INDEX – prior to the Transposition of the NFI Directive into Polish Law

Justyna Berniak-Woźny – Magdalena Wójcik-Jurkiewicz – Robert Sroka
j.berniak@vistula.edu.pl, m.wojcik-jurkiewicz@ae.katowice.pl,
rsroka@kozminski.edu.pl
Vistula University, Faculty of Business and International Relations
Warsaw, Poland
University of Economics in Katowice, Faculty of Finance and Insurance
Katowice, Poland
Kozminski University, Faculty of Entrepreneurship and Ethics in Business
Warsaw, Poland

Abstract: From the reporting year, 2017, the legal requirements for transparency on non-financial information in management reports of large Public Interest Entities (PIEs) are stricter. In the case of Poland, the Directive requires almost 300 companies to disclose information, at least on environmental, social, and employee-related matters, as well as on respect for human rights, anti-corruption, and bribery issues. The aim of this article is to understand the degree of conformity within the non-financial information disclosure of Polish PIEs, prior to the transposition of Directive 2014/95/EU into Polish law. The empirical research was based on the content analysis of the management reports published by the companies listed on the Warsaw Stock Exchange - WIG INDEX.

Keywords: Non-financial information, Directive 2014/95/EU, Public Interest Entities (PIEs)

JEL Classification codes: M14, M42

INTRODUCTION

The history of non-financial reporting amounts to almost 50 years, and during those five decades, it has gone through various stages – from short information in the annual report, through hundreds of pages of separate reports, to integrated reports. Currently, the approach to non-financial reporting differs among regions and countries, but also industries. Business can also adapt a wide palette of standards, frameworks, and guidance. This diversification was welcomed in communication with customers and the media, but became problematic in the case of communication with shareholders, investors, and business partners, who need much more standardised and transparent information.

According to Wim Bartels, KPMG's Global Head of Sustainability Reporting & Assurance, the trend of disclosing non-financial information by companies in annual reports is driven by two factors: firstly, the NFI is increasingly perceived by shareholders as relevant for their understanding of a company's risks and opportunities, and secondly, stock exchanges and governments are issuing requirements for companies to report NFI in annual reports (KPMG, 2015).

The evolution of corporate governance from shareholder perspective to integrating stakeholders' concerns is also of great importance to NFI reporting. As explained by Idowu et al. "corporate governance is about running corporate entities in a socially, economically and environmentally responsible manner so as to ensure that all interested stakeholders suffer no

loss or adverse impacts as a result of the operational activities of the entity being governed by those at the helm of that corporate entity management hierarchy" (2017, p. 271). According to the G20/OECD Principles of Corporate Governance (OECD, 2015), particularly V Principle "Disclosure and transparency", the mentioned disclosure should, among others, include company objectives and non-financial information.

In the case of the European Union, the year 2014, was a turning point for corporate non-financial reporting. The introduction of the EU Directive on the disclosure of non-financial and diversity information (Directive 2014/95/EU), has been a big step towards greater business transparency and accountability on social, environmental, labour, human rights, and anti-corruption issues. The 28 EU Member States had to transpose the Directive into their own national legislations up till the 6th of December, 2016, and as a result, a certain group of companies is expected to comply with the new disclosure requirements of the locally transposed laws from 2018.

This also applies to Poland, which is not very advanced in CSR and Sustainability issues, and has relatively low non-financial information disclosure requirements. Polish companies are also slow to publish NFI – for example, in the years 2016/2017, only 56 Polish companies published reports based on the GRI standard (GRI, 2017).

The aim of this article is to understand the degree of conformity within the non-financial information disclosure of Polish PIEs, prior to the transposition of Directive 2014/95/EU into Polish law. The evaluation will focus on the scope and quality of non-financial information disclosure, with regard to five matters required by EU and Polish law, namely: the Environment, Labour Practices, Human Rights, Community Involvement, Anti-Corruption and Bribery.

1 LITERATURE REVIEW

1.1 Non-financial reporting

Corporate reporting includes both financial and non-financial information on all important issues of business activity, and is considered as the primary channel of communication with a wide range of stakeholders. High level, non-financial reporting is expected to enable sustainable finance, but also make companies more resilient and perform better, both in financial and non-financial terms. Roxana-Ioana and Petru, (2017), state that non-financial reporting is one of the most important trends in corporate reporting development, regarding the improvement of annual report information content, based on the increasing needs of stakeholders to be informed on the corporate environmental, social, and ethical performance of a company. Lusher, (2012), goes even further, stating that financial reporting was a priority in the past, whilst non-financial reporting is a priority nowadays, and integrated reporting will increase in the future.

Non-financial reporting can be defined as "a process of gathering and disclosing data on non-financial aspects of a company's performance, including environmental, social, employee and ethical matters, and defining measurements, indicators, and sustainability goals based on the company's strategy" (Deloitte, 2015, p.1). Non-financial reports are published under a number of different names, including "sustainability reports", "social reports", "corporate social responsibility reports", "social and community reports", and are classified as Corporate Social Disclosure (CSD), Corporate Environmental Reporting (CER), Triple Bottom Line (TBL) reporting, ESG reporting, and many others (Kolk 2010; Owen et al. 2001, Buniamin and Ahmad, 2015).

The practice of reporting on non-financial information is not new. It has been almost 50 years since the early initiators started to release external social and environmental reports. According to Kolk, (2010), the first wave of non-financial reporting started in the 1970s, in the United States and Western Europe, where companies adopted the practices of so-called social reporting and accounting, defined at that time as "the identification, measurement, monitoring, and reporting of the social and economic effects of an institution on society", "intended for both internal managerial and external accountability purposes" (Epstein et al. 1976, p. 24). The Ernst & Ernst surveys showed that, by 1978, 90% of the Fortune 500 companies, reported on social performance in their annual reports. However, the amount of social information they published was rather limited - frequently less than a quarter of a page. This phenomenon lasted less than a decade, because in the 1980s, reporting in this shape lost its momentum (Dierkes and Antal 1986). Business organisations came back to non-financial reporting practice in the late 1980s, with a particular focus on environmental issues, and with most attention being paid to external, accountability dimensions, influenced by pressure from non-governmental organisations (NGOs). This practice has grown substantially, and has become a new trend, in the form of separate reports (Kolk, 2010). As the findings from the KPMG Survey of Corporate Responsibility Reporting 2017 show, corporate NFI reporting is still growing - with almost all (93%) of the world's largest 250 companies, and 75% of the 4,500 companies from 45 countries surveyed by KPMG (KPMG, 2017, p.9) providing such information. It is mostly due to the rising demands of the stakeholders, who are increasingly aware of environmental and social issues, climate change, sustainable supply chain management, natural disasters, and the scarcity of natural resources (Kolk and Van Tulder, 2010; Seuring and Muller, 2008).

There is also another reason for such a high engagement in non-financial reporting. The Annual Study of Intangible Asset Market Value (Ocean Tomo, 2015) has revealed that the average intangible asset value of the S&P 500 grew from, 17% in 1975, to 84% by 2015. That is why investors, but also other stakeholders, are looking for more information about the value creation process of the company, as well as information on how it interacts with the world around it. The non-financial information disclosure provides the context for financial disclosures, demonstrating both how far the organisation is able to meet stakeholder expectations, and how much the viability of its business model has contributed to a transformation in the way business is conducted (FEE 2016). As highlighted in the World Economic Forum's 'The Global Risks Report', (2016), most macro trends and risks, that could affect an undertaking in the future, are non-financial. Also, in EY's 'Tomorrow's Investment Rules Report', (2015), it was concluded that companies need to improve the non-financial information they report, in order to meet the needs of investors. The 2015 survey, involving more than 200 institutional investors around the world, showed a dramatic increase in respondents, who consider corporate social responsibility reports or sustainability reports as essential or important when making investment decisions — from 35% in 2014, to nearly 60% in 2015 (EY, 2015).

There is also the other side of the coin - according to EY (2013) the results of more than 200 empirical studies examining the relationship of CSR performance to corporate financial performance suggested that companies might benefit from the non-financial disclosure. But it was also highlighted that "the rigor of the reporting process matters a great deal in terms of the value that can be realized" (EY, 2013, p.12).

Since the 1970s, there has been considerable diversity in the voluntary publication of sustainability reports across industry sectors and countries. To provide guidance and standards for this practice, some guidelines were developed around the world, such as: the Global Reporting Initiative (GRI) guidelines, UN Global Compact Communication on Progress, AA1000 Standard, ISO 26000 - International Standard for Social Responsibility, OECD Guidelines for Multinational Enterprises, CERES Principles, the ESG Framework, and many others. Amongst

all of those just mentioned, the GRI Sustainability Reporting Guidelines are currently the most-used set, and used by many organisations around the world. According to the GRI (2017), 74% of the world's largest 250 companies reporting, use their Standards.

This diversity of standards, guidelines, and frameworks, and in many cases, the decision of companies to choose an individual approach, has led to the failure to provide comprehensive business information, whilst creating the need to integrate financial and non-financial business reporting. In August 2010, the International Integrated Reporting Council (IIRC) was formed to create a framework, enabling the accounting of sustainability, along with bringing together financial, environmental and social, as well as governance information, into an "integrated" format. Integrated reporting involves "far more than simply combining a financial report and a sustainability report into a single document". (Eccles and Krzus, 2010). It is the next step in corporate reporting that presents the way in which the defined business capitals can create the value expected by shareholders and other stakeholders, too.

1.2 NFI Directive

It has become clear over the years, that voluntary non-financial reporting has reached its limit. Given the increasing importance of non-financial information, the EU has, therefore, decided to oblige certain groups of companies to disclose non-financial information and promote the consistency and comparability of this information within its community.

For the European Union, non-financial reporting has been an important issue from the very beginning of this century, but, as mentioned by the Federation of European Accountants (FEE, 2016), it became a major political issue after the 2008 financial crisis, as there was a clear need to rebuild investors' and consumers' trust in markets, partly through better information regarding risk management and sustainability. According to Matuszak and Różańska, (2017), Europe, after the financial crisis of 2008, has become the most active region in promoting transparency and NFI disclosure.

The European Commission's services, started in 2010, a public consultation on companies' disclosure of non-financial information, such as social aspects, environmental information, human rights, and sustainable development. The summary report (2011), revealed a high diversity of applied solutions in member states, which has led to the fragmentation of the EU's legislative framework. This diversity was perceived as a potential cost, as investments were needed to build capabilities necessary for managing properly the overall business, leading to better long-term performances (EC, 2011). In 2014, the EU legislator decided to unify the way a certain group of entities report non-financial information, through the NFI Directive, aimed at the improvement of the quality, consistency, and transparency of NFI reporting in the whole EU (Directive 2014/95/EU). This was believed to have led to confidence, both among investors, as well as consumers, and other stakeholders (especially investors who, provided with insight into the non-financial aspects of the business, can better assess the opportunities and risks of their future investments). Obviously, it is difficult to clearly assess how such disclosure regulations might affect companies, ex ante. As observed by Ioannou and Serafeim, (2017), on the one hand, mandatory reporting laws and regulations could increase transparency and motivate companies to do better in terms of socio-environmental dimensions of performance. On the other hand, such laws and regulations could result in a costly pooling, rather than a separating equilibrium, with respect to the value of sustainability disclosures, and can, thus, eventually destroy shareholder value. However, many consider that mandatory regulation is the only valid method of improving the quantity and quality of non-financial information (Deegan, 2002; Jackson et al., 2017; Crawford and Williams, 2010).

The EU is rather careful in the process of introducing obligatory NFI disclosure. The NFI Directive applies to large public-interest entities (PIEs), with an average of 500 or more

employees, and either — a balance sheet total exceeding EUR 20 million, or a net turnover exceeding EUR 40 million. By the term — public-interest entity — the EU understands it to mean any entity, which is trading transferable securities on the regulated market of any Member State; is a credit institution; or an insurance undertaking, or has been designated by a Member State as a public interest entity.

According to the European Commission, the NFI Directive will affect approximately 6,000 large companies and groups across the EU. Companies are obliged to disclose in their non-financial reports, information on environmental, social and employee matters, respect for human rights, and anti-corruption and bribery matters. Reporting organisations must disclose, for each of the above matters, the following information:

- A description of the business model;
- A description of the policies pursued in relation to the above matters, including due diligence processes implemented;
- The outcomes of those policies;
- The principal risks related to those matters including, where relevant and proportionate, its business relationships, products, or services, which are likely to cause adverse impacts in those areas, and how those risks are managed;
- Non-financial key performance indicators relevant to the business.

This information must be presented in the management report, or separate report published alongside the management report, or within 6 months of the balance sheet date, made available on the PIE's website, and referenced in the management report. The discloser of non-financial information may rely upon a national, EU-based, or international reporting framework.

As highlighted by Biernacki, (2017), the President of the Reporting Standards Foundation and Vice-President of the Polish Association of Listed Companies, the requirement has been introduced in a relatively soft way, as it has been presented in the form of a directive (not a regulation, as in the case of, for example, the Market Abuse Regulation that defines everyday information obligations of listed companies). The NFI Directive provides a legislative framework, with sufficient flexibility, to enable Member States to implement in the manner that best serves their internal markets. So, Member States may differ in the ways in which they define an organisation as a large undertaking, or consider organisations to be public interest entities. The Directive also allows Member States to define whether or not reports must be verified by an independent assurance services provider, and if any penalties will be imposed upon organisations, which fail to report adequately.

Additionally, the NFI Directive allows Member States to impose state specific requirements on companies regarding the three key aspects of reporting:

- Reporting Framework
- Disclosure Format
- Reporting Content

The EU Directive on disclosure of non-financial information and diversity information (2014/95/EU) was published at the end of 2014. The European Member States were given two years to transpose the EU Directive into national legislation. New requirements were applied in all Member States for the financial year starting on the 1st of January, 2017, or during the calendar year of 2017.

1.3 Non-Financial Reporting in Polish Legislation

This NFI Directive was transposed into Polish legislation by the Act of the 15th of December, 2016, amending the Accounting Act 61. Most requirements are the same as in the Directive – only three requirements were adapted:

1. Definition of a Public Interest Entity – the number of employees is the same (over 500 employees in relation to average full-time employment in the year), but net turnover was defined in Polish currency for over PLN 170 million; or a balance sheet total over PLN 85 million;
2. Reporting framework - apart from the international, national, or EUbased reporting frameworks, a mixed reporting methodology, constituted by one or more reporting standards, was added;
3. Non-compliance penalties – fines are specified in the Accounting Act.

The new regulations cover large Public Interest Entities (PIEs), having headquarters in Poland, including: listed companies, insurance undertakings, banks, investment undertakings, pension funds, national payment institutions, electronic money institutions, entities intending or pending for admission to one of the EOG regulated markets. There are estimated to be 300 of such entities in Poland.

The new regulation follows the "comply or explain" approach under which, if the company does not pursue policies in relation to one or more of the listed matters, the consolidated non-financial statement shall provide a clear and reasoned explanation for not doing so.

As highlighted by Biernacki, (2016), the provisions proposed by the Polish regulator do not impose additional responsibilities and burdens on issuers that exceed the minimum imposed by the Union.

Compering to other CEE countries the transposition has been conducted in a similar way and the adaptations addressed similar requirements. The only significant difference was adapting the reporting framework by adding the possibility to use the mixed reporting methodology constituted by one or more reporting standards. The EU country which implemented the same approach was only Italy.

2 METHODOLOGY

The data on the non-financial information disclosure of Polish companies, listed on Warsaw Stock Exchange indices, was collected by Ernst & Young (EY), Global Ethical Standard (GES), and the Polish Association of Listed Companies (PALC), which together, collect data, annually, for the "ESG analysis of companies in Poland" project. The data was collected to explore the state of voluntary non-financial reporting of Polish PIEs, listed on the Warsaw Stock Exchange, half a year before the implementation of mandatory non-financial reporting. The analysis covers the companies listed on the Warsaw Stock Exchange: WIG20, mWIG40, and sWIG80 indices, as of June the 30th, 2017. Altogether, 140 business entities have been analysed.

The data collected was compiled via GES Risk Rating methodology, to evaluate both the company's preparedness and performance, by using a set of criteria, and the final score is calculated as an average. The main source of the GES Risk Rating analysis is the company's Annual Report, other official documents, and website.

Following the NFI Directive requirements, the received data was analysed to evaluate the level of the non-financial information disclosure by Polish PIEs, separately in five categories, namely:

1. Environment

2 Labour Practices

3 Human Rights

4 Community Involvement

5 Anti-Corruption and Bribery

The data was also analysed from the perspective of defined sectors, namely:

- Chemicals and Raw Materials sector – represented by 21 companies,
- Consumer goods sector – represented by 6 companies,
- Finance sector – represented by 31 companies,
- Retail and services sector – represented by 22 companies,
- Healthcare sector – represented by 8 companies,
- Oil, Gas, and Utilities sector – represented by 11 companies,
- Construction and industrials sector – represented by 25 companies,
- Technology sector – represented by 16 companies.

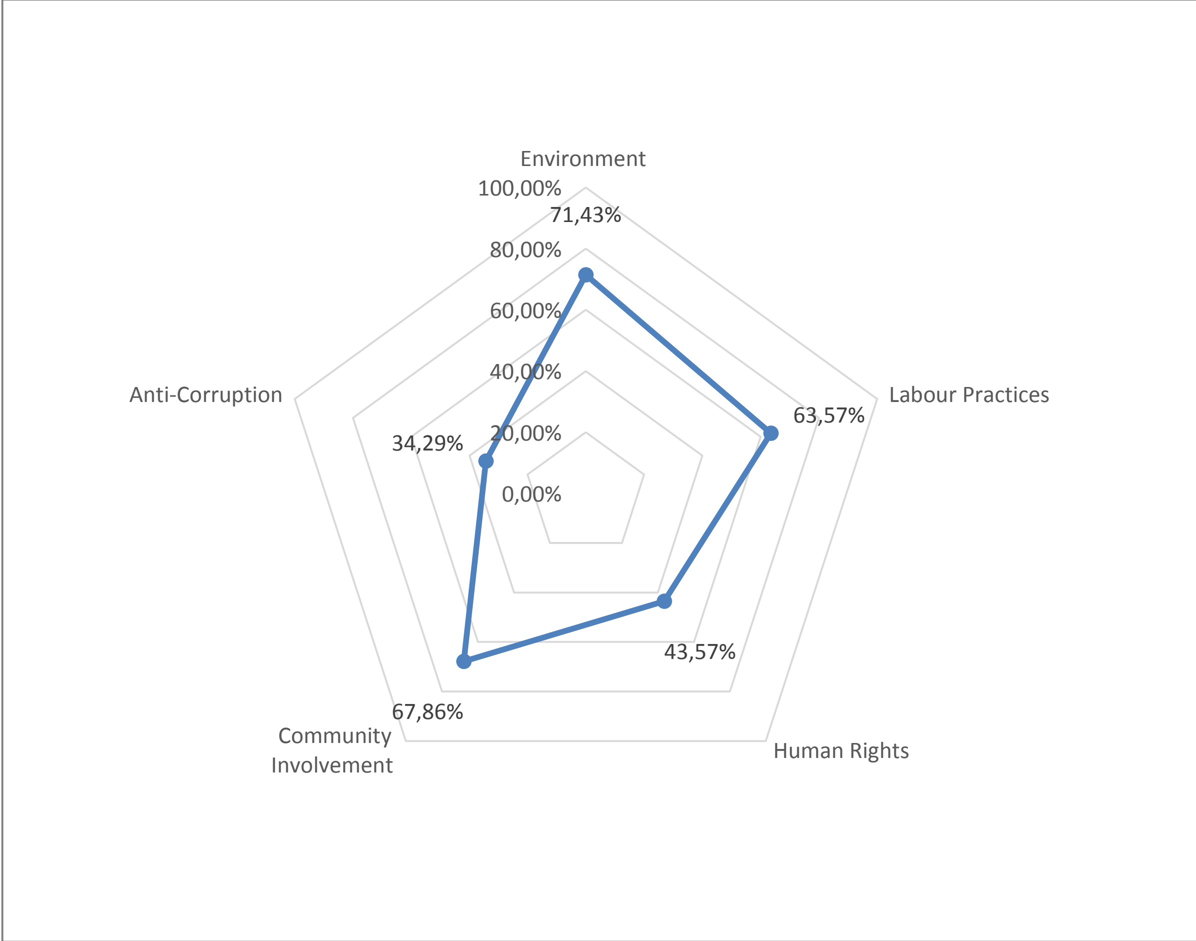
3 RESULTS AND DISCUSSION

The first stage of the analysis focused on the level of the five matters, as defined by the NFI Directive, and their inclusion in the non-financial reporting. The radar chart presented on Fig. 1 shows the percentage of organisations (n=140) that include in their non-financial reports, the matters required by EU and Polish law, namely: Environment, Labour Practices, Human Rights, Community Involvement, Anti-Corruption and Bribery. The most frequently reported matters are Environment (71,43%) and Community Involvement (67,86%), which may be a consequence of CSR or Sustainability reporting, as practised by Polish companies, as those reports were mainly focused on environmental and social engagement issues. Slightly less frequent is reporting on Labour Practices, such as CSR, and Sustainability reporting in Poland had previously been focused mostly on external stakeholders, and an interest in internal CSR is a trend of the last decade. The weakest parts of the non-financial reporting are: Human Rights and Anti-Corruption and Bribery matters (43,57% and 34,29%, respectively).

At this point, it should be mentioned that Corruption and Bribery in Poland, according to 76%, is still a problematic issue for Poles (among those, 31% consider it to be a very problematic issue) (CBOS, 2017), and as can be understood from this analysis, it is also very problematic for companies to deal with this issue. Also, the Human Rights issue is of very high importance, as more and more frequently, companies move production or other elements of the supply chain, to countries where they can minimise costs. In such countries, there is a much higher risk of human rights violations (forced labour, the employment of children, lack of occupational health and safety, low wages, and many others) carried out by both local public institutions and the private sector. That is why the supply chain, throughout its entire process, should be the subject of corporate policy and, as a consequence, should be included in corporate reporting of non-financial information (PIHRB, 2017).

Taking into consideration the percentage of companies reporting on NFI matters, from the perspective of the sectors (Tab. 1), the Oil, Gas, and Utilities sector should be distinguished as companies in this sector's report, on all 5 matters required by the NFI Directive. However, a relatively small number of the analysed companies (11) belong to this sector. The Chemicals and Raw Materials and Construction and Industrials sectors, both covering more companies in the analysis (21 and 25, respectively), gained relatively good scores, as well. Similarly, so did the Consumer goods sector, but it was represented by only 6 companies.

Fig. 1 The percentage of companies disclosing NFI against the 5 required matters



Source: based on the data from the Polish Association of Listed Companies, GES, and EY, collected for the "ESG analysis of companies in Poland" project, edition 2017.

The results in other sectors, remain on a low level, in relation to matters defined in the NFI Directive. The lowest level of NFI reporting is presented by companies in the Healthcare, Technology, Finance, and Retail and Services sectors.

Obviously, the percentage of companies reporting on each of the five matters, differs significantly, between sectors, as it is also determined by sector specifics. For example, the Chemicals and Raw Materials sector gains a very high level of reporting on Environment and Community Involvement matters, whereas the percentage of companies reporting on distinguished areas in the Finance sector, is relatively evenly distributed. However, all companies, despite the sector, are obliged to disclose the required information on all five matters in their NFI reports.

The Directive and its transposition to Polish legislation in the Accounting Act 61, require much more than just the disclosure of information on certain matters. As presented in the literature review, in the case of all five matters, PIEs must also present polices pursued in relation to those matters, the outcomes of those policies, the principal risks related to those matters, and non-financial key performance indicators relevant to the business. Such an obligation makes NFI reporting a serious challenge for Polish companies, which used to report on the issues that they voluntarily had chosen, and now, they will have to disclose information on many more issues, and in a much more precise way. As a result, the level, shape, quality, and integrity of the information presented by organisations must change, significantly.

Tab. 1 The percentage of companies disclosing NFI against the 5 required matters by sectors

Industry	Total number of analysed companies	Number of companies reporting on Environment matters	Number of companies reporting on Labour practice matters	Number of companies reporting on Anti-corruption and bribery matters	Number of companies reporting on Community Involvement matters	Number of companies reporting on Human Rights matters
Chemicals and Raw Materials	21	100%	76,19%	52,38%	89,95%	47,62%
Consumer goods	6	83,33%	66,67%	50%	100%	33,33%
Finance	31	48,48%	48,48%	41,94%	67,74%	32,26%
Retail and Services	22	59,09%	59,09%	40,91%	77,27%	22,73%
Healthcare	8	50%	37,5%	37,5%	25%	12,5%
Oil, Gas, and Utilities	11	100%	100%	100%	100%	100%
Construction and Industrials	25	84%	76%	20%	60%	24%
Technology	16	56,25%	43,75%	37,5%	37,5%	18,75%

Source: based on the data from the Polish Association of Listed Companies, GES, and EY, collected for the "ESG analysis of companies in Poland" project, edition 2017.

Tab. 2 Methodology of company evaluation

Points range	score	Score description
0-0,29	0	No information or a total failure
0,3-0,74	1	Indications of a policy existence
0,74-1,79	2	Detailed policy or strategy in place
1.8-3,0	3	Detailed policy, programme, and management system in place

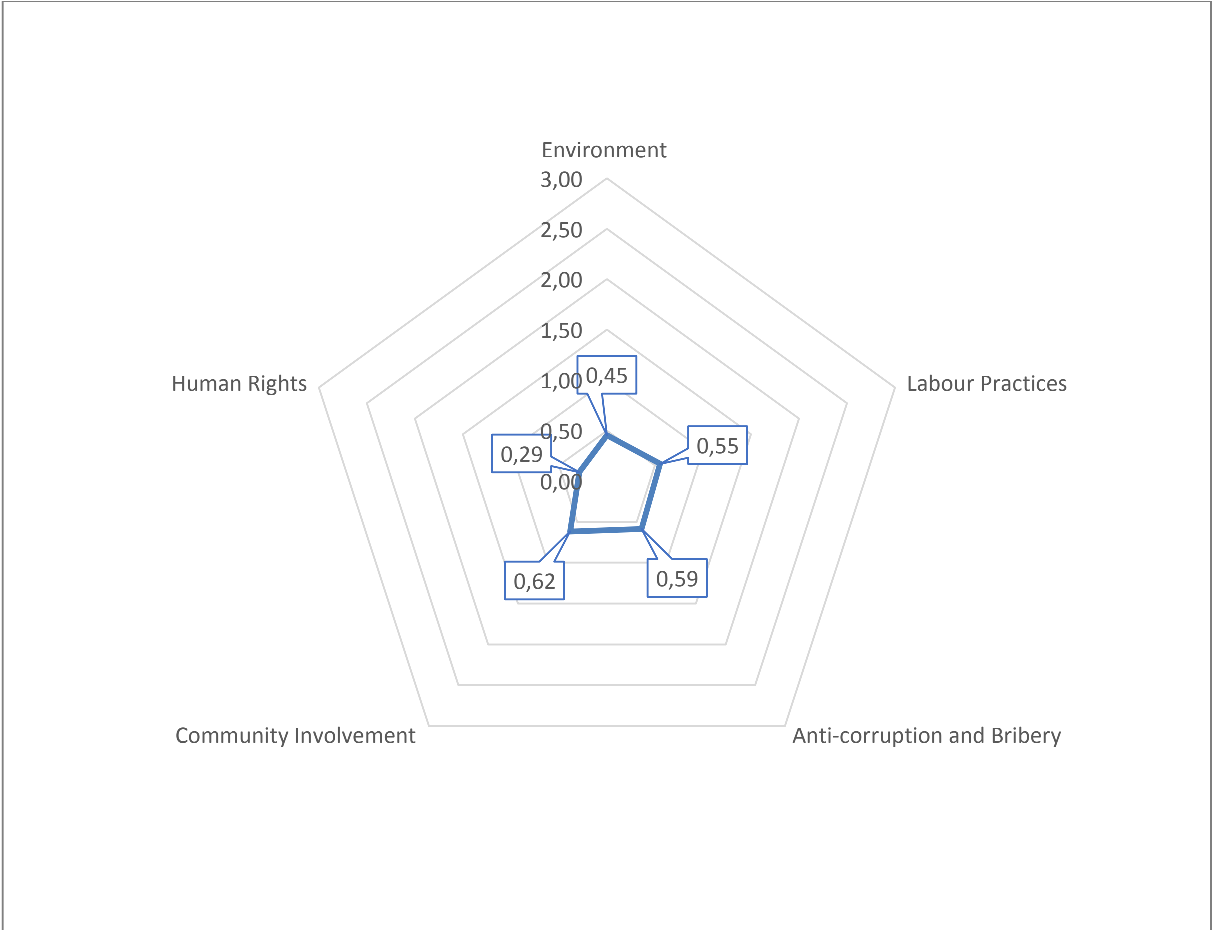
Source: based on the GES Risk Rating methodology

As the aim of this paper has been to understand the degree of conformity within the non-financial information disclosure of Polish PIEs, prior to the transposition of Directive 2014/95/EU into Polish law, the second stage of the analysis - the detailed assessment of the quality of the NFI disclosure, was duly conducted. The data received from EY, GES, and PALC, contained a detailed assessment of each company in a number of categories, including the five areas required by the NFI disclosure regulations. The points given, ranged from 0 to 3. Using this detailed assessment, the scores from 0 to 3 were attached, where 0 means "no

information or a total failure"; 1 means that there are "indications of a policy existence"; 2 means that there is a "detailed policy or strategy in place"; and 3 means that there is a "detailed policy, programme, and management system in place". The methodology of company evaluation is presented in Tab. 2.

The results of the evaluation of the 140 companies in relation to the Environment, Labour Practices, Human Rights, Community Involvement, Anti-Corruption and Bribery matters are presented on Fig. 2. As we can see from the radar chart, the average assessment of the NFI disclosure matters are all on a very low level – all below 1 on the 0-3 points scale. The best quality of NFI disclosure was recognised in the Community Involvement and surprisingly, the Anti-Corruption and Bribery areas. The worst average assessment was granted to Human Rights matters. Those results prove that the frequency of reporting in certain areas is not connected with the quality. For example, Environment is the most frequently reported matter (over 71% of the analysed companies included that aspect in their non-financial reporting), but its quality was assessed at a relatively low level, with only 0,45 points on the 0-3 points scale.

Fig.2 The evaluation of the quality of NFI disclosure by the 5 matters



Source: based on the data from the Polish Association of Listed Companies, GES, and EY, collected for the "ESG analysis of companies in Poland" project, edition 2017.

If we look at the sector breakdown of the NFI disclosure assessment of all 5 matters (Tab. 3), it can be stated that again, the Oil, Gas and Utilities sector is the most advanced one in the NFI disclosure. The weakest sector is Healthcare, which received a 0 score in all evaluated

areas. Other sectors received a mixture of 0, 1, and 2 scores, which means that they have relatively strong points, but also very weak points. Unfortunately, the score 3, which means the expected level of non-financial information disclosure, was given only once – to the Oil, Gas, and Utilities sector, in the area of Anti- Corruption and Bribery.

Tab. 3 Non-financial data reporting level by sector

Sector	Environment		Labour Practices		Anti-Corruption and Bribery		Community Involvement		Human Rights	
	Points	score	Points	score	Points	score	Points	score	Points	score
Chemicals and Raw Materials	0,63	1	0,74	1	0,60	1	0,83	2	0,26	0
Consumer goods	0,43	1	0,71	1	0,79	2	0,96	2	0,22	0
Finance	0,41	1	0,40	1	0,60	1	0,65	1	0,37	1
Retail and services	0,30	1	0,39	1	0,40	1	0,51	1	0,17	0
Healthcare	0,10	0	0,14	0	0,22	0	0,13	0	0,03	0
Oil, Gas, and Utilities	1,20	2	1,68	2	1,84	3	1,27	2	0,80	2
Construction and Industrials	0,34	1	0,48	1	0,31	1	0,48	1	0,19	0
Technology	0,38	1	0,33	1	0,47	1	0,31	1	0,28	0

Source: based on the data from the Polish Association of Listed Companies, GES, and EY, collected for the "ESG analysis of companies in Poland" project, edition 2017.

CONCLUSIONS

Disclosing non-financial information in annual financial reports is now a firmly established global trend. According to KPMG (2016), almost 3 in 5 companies do this now, compared with only 1 in 5 in 2011. This rise in non-financial reporting is due to the growing pressure from stakeholders, more and more aware of the business impact on society and the environment, but also from shareholders and investors, who need more transparent and standardised information on the business value creation process. To meet those needs, the EU has decided to oblige a certain group of companies, to disclose the most important elements of non-financial information in five categories: Environment, Community Involvement, Labour Practices, Human Rights, Anti-Corruption and Bribery. Directive 2014/95/EU serves as a vital instrument to promote the EU's agenda for non-financial and further integrated reporting. New requirements were applied in all Member States, including Poland, and from 2018, all defined PIEs are expected to comply with the new disclosure rules of the locally transposed laws.

This paper has been aimed at the evaluation of the state of non-financial information disclosure in 140 Polish PIEs, listed on the Warsaw Stock Exchange (WIG 20, WIG 40 and WIG 80 indices), 6 months prior to the implementation of mandatory non-financial reporting.

In the light of the results, it should be stated that the new reporting requirements are a challenge for the Polish PIEs. If we look at the coverage of the required matters, almost 30% of companies do not include Environmental issues in their reporting, and over 30% omit Labour Practices and Community Involvement. Even more alarming is the fact that over 50% of the

analysed companies do not include Human Rights and Anti-Corruption and Bribery matters in their reporting (43,57% and 34,29%, respectively).

The situation is even more problematic from the perspective of the quality of the disclosed information. The results of the evaluation of the 140 companies, in relation to the five matters defined in the NFI Directive, gave very low results – all below 1 on the 0-3 points scale. Even though many organisations have been already providing extensive non-financial information, in many cases, they will have to introduce significant amendments to meet all the requirements of the new legislation. The five matters defined in the new legislation require the PIEs not only to have policies that are implemented and practised, but also to possess adequate data management and reporting systems.

Having said that, it must be highlighted that this evaluation has certain limitations, as the sample contains only listed companies, which accounts for less than 50% of all PIEs that are the subject of new regulations. Despite this limitation, the authors believe that the study makes a significant contribution to the existing literature.

In future research, it would be interesting to find out how the new regulations have impacted upon non-financial reporting in Poland, but also in other EU countries. It would also be highly valuable to see if the NFI Directive impacted upon the non-financial reporting of companies, not obliged to comply with the NFI disclosure regulations.

REFERENCES

Biernacki P. (2017). Raportowanie informacji niefinansowych: (R)ewolucja. In *Raportowanie niefinansowe Wartość dla spółek i inwestorów*, SEG, EY, GES, Robert Sroka (ed.). Warszawa. Retrieved January 05, 2018, from http://seg.org.pl/sites/seg13.message-asp.com/files/seg_esg-2016_www_1.pdf

Buniamin, S. and Ahmad, N. N. N. (2015). *An integrative perspective of environmental, social and governance (ESG) reporting: A conceptual paper*. In *International Conference on Accounting Studies (ICAS)*.Thistle Johor Bahru Hotel, Johor, MALAYSIA.

KPMG (2015). *Currents of change: The KPMG Survey of Corporate Responsibility Reporting 2015*. Retrieved January 10, 2018, from https://assets.kpmg.com/content/dam/kpmg/pdf/2016/02/kpmg-international-survey-of-corporate-responsibility-reporting-2015.pdf

Crawford, E. P., & Williams, C. C. (2010). Should corporate social reporting be voluntary or mandatory? Evidence from the banking sector in France and the United States. *Corporate Governance: The international journal of business in society*, 10(4), 512-526.

Deloitte (2015). *Non-financial_reporting_2015.* Retrieved January 13, 2018, from https://www2.deloitte.com/content/dam/Deloitte/lv/Documents/strategy/Non-financial_reporting_2015.pdf

Dierkes, M., & Antal, A. B. (1986). Whither Corporate Social Reporting: Is it Time to Legislate? *California Management Review*, 28(3), 106-121.

Directive 2014/95/EU of the European Parliament and of the Council of 22 October 2014 Amending Directive 2013/34/EU as Regards Disclosure of Non-Financial and Diversity Information by Certain Large Undertakings and Groups; EU law: Brussels, Belgium, 2014.

Deegan, C. (2002). Introduction. The legitimizing effect of social and environmental disclosures—A theoretical foundation. *Accounting, Auditing & Accountability Journal*, 15(3), 282-311.

Eccles, R. G., & Krzus, M. P. (2010). *One Report: Integrated Reporting for a Sustainable Strategy.* Hoboken, N. J.: John Wiley & Sons.

Epstein, M., Flamholtz, E., & Mcdonough, J. J. (1976). Corporate social accounting in the United States of America: State of the art and future prospects. Accounting, Organizations and Society, 1(1), 23-42.

EY (2013). Value of sustainability reporting: A study by EY and Boston College Center for corporate citizenship. Center for Corporate Citizenship & Boston College and Carroll School of Management. Retrieved March 28, 2018, from http://www.ey.com/Publication/vwLUAssets/EY_-_Value_of_sustainability_reporting/$FILE/EY-Value-of-Sustainability-Reporting.pdf

EY (2014). *Tomorrow's Investment Rules: Global Survey of Institutional Investors on Non-financial Performance*. London: EYGM Limited.

European Commission (2010). *Summary Report of the Responses Received to the Public Consultation on Disclosure of Non-Financial Information by Companies, Directorate General for the Internal Market and Services* Retrieved January 04, 2018, from http://ec.europa.eu/finance/consultations/2010/non-financial-reporting/docs/summary_report_en.pdf

FEE (2016). *EU Directive on disclosure of nonfinancial and diversity information Achieving good quality and consistent reporting. Position paper.* Retrieved January 05, 2018, from https://www.accountancyeurope.eu/wp-content/uploads/FEE_position_paper_EU_NFI_Directive_final.pdf

G20/OECD Principles of Corporate Governance. (2015). 1st ed. Paris: OECD Publishing. Retrieved March, 27, 2018, from https://www.oecd.org/daf/ca/Corporate-Governance-Principles-ENG.pdf

GRI Database, GRI Sustainability Disclosure Database 2017. Retrieved January 10, 2018, from http://database. globalreporting.org/

Idowu S.O., Capaldi N., Schmidpeter R. (2017) Dimensional Corporate Governance: An Inclusive Approach in Summary. In: Capaldi N., Idowu S., Schmidpeter R. (eds) Dimensional Corporate Governance. CSR, Sustainability, Ethics & Governance. Springer, Cham.

Ioannou, I., & Serafeim, G. (2011). The Consequences of Mandatory Corporate Sustainability Reporting. Harvard Business School Research Working Paper No. 11-100. *SSRN Electronic Journal*. Retrieved January 05, 2018, from https://ssrn.com/abstract=1799589

Jackson, G., Bartosch, J., & Avetisyan, E. (2017). Regulating Self-Regulation? The Politics and Effects of Mandatory CSR Disclosure in Comparison. *SSRN Electronic Journal*. Retrieved January 05, 2018, from https://papers.ssrn. com/sol3/papers.cfm?abstract_id=2925055

KPMG (2017). *The road ahead: The KPMG Survey of Corporate Responsibility Reporting 2017*, Retrieved January 05, 2018, from https://assets.kpmg.com/content/dam/kpmg/be/pdf/2017/kpmg-survey-of-corporate-responsibility-reporting-2017.pdf

Kolk, A. (2010). Trajectories of sustainability reporting by MNCs. *Journal of World Business*, 45(4), 367-374.

Kolk, A., & Tulder, R. V. (2010). International business, corporate social responsibility and sustainable development. *International Business Review*, 19(2), 119-125.

Lusher, A. L. (2012). What is the Accounting Profession's Role in Accountability of Economic, Social and Environmental Issues? *International Journal of Business and Social Science*, 3(15), 13–9.

Matuszak Ł., & Różańska E. (2017). CSR Disclosure in Polish-Listed Companies in the Light of Directive 2014/95/EU Requirements: Empirical Evidence, *Sustainability*, 9 (12), 1-18.

Owen, D. L., Swift, T., & Hunt, K. (2001). Questioning the Role of Stakeholder Engagement in Social and Ethical Accounting, Auditing and Reporting. Accounting Forum, 25(3), 264-282.

Ocean Tomo (2015). Annual Study of Intangible Asset Market Value, Retrieved January 05, 2018, from http://www.oceantomo.com/2015/03/04/2015-intangible-asset-market-value-study/

PIHRB (2017). *Basic analysis of the current situation in Poland regarding access to remedy in cases of business-related abuse*, Bartosz Kwiatkowski (ed.), Miłosz Jakubowski, Agata Langowska-Krok. Report Series 1.

Roxana-Iona B., & Petru S. (2017). The non-financial reporting – the story behind the numbers. *Annals - Economy Series*, 3, 94-100.

Seuring, S., & Muller, M. (2008). From a literature review to a conceptual framework for sustainable supply chain management. *Journal of Cleaner Production*, 16(15), 1699–1710.

Ustawa z Dnia 15 Grudnia 2016 r. o Zmianie Ustawy o Rachunkowos´ci [Amended Act to Polish Accounting Act from 15 of December 2016], Dz. U. 2017. Poz. 61. Retrieved January 02, 2018, from http://dziennikustaw.gov.pl/du/ 2017/61/D2017000006101.pdf

WEF (2016), *The Global Risks Report.* World Economic Forum's. Retrieved January 07, 2018, from http://www3.weforum.org/docs/GRR/WEF_GRR16.pdf