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Reporting of non-financial information starting from 2017

Accounting & Audit Alert

Dear Readers,

The obligation to draw up a declaration on non-financial information is based on Art. 49b of the Accounting Act¹ and for the first time it is applicable to financial statements drawn up both under the AA and under IAS/IFRS², for the financial year beginning on 1 January 2017.

The obligation to prepare this statement in case of individual statements applies to (Art. 3(1e)(1–6) of the AA):

- entities operating under the Banking Law, regulations on trading in securities, on investment funds, on insurance and reinsurance activities, on cooperative savings and credit unions, on the organisation and functioning of pension funds,
- entities that intend to apply or that have already applied for permission to perform business operations pursuant to the regulations referred to hereinabove,
- issuers of securities admitted to trading, issuers who intend to apply for or who have applied for their admission to trading on one of the regulated markets of the European Economic Area (EEA) or in the alternative trading system,
- national payment institutions,
- electronic money institutions,

with a specific legal form (capital companies, limited joint-stock partnership or such registered or limited partnerships whose partners with unlimited liability are capital companies or limited joint-stock partnerships or companies from other countries with a similar legal form), providing that in the financial year for which financial statements are prepared and in the year preceding that year, they exceed the following amounts:

- 500 persons – in case of the average annual employment in FTE and
- PLN 85m – for the total balance sheet assets at the end of the financial year or PLN 170m – for net revenues from the sale of goods and products for the financial year.

Reporting of extended non-financial information can take place in two variants. Companies may choose from:

- a statement, which is a separate part of the report on the company's operations or
- a separate report in any form (e.g. CRS report, a social report).

Regardless of the form of the document, the maximum time limit for the preparation of the statement/report on the non-financial information is three months from the end of the financial year (as in the case of a report on operations). If a company chooses the second option, it informs in the report on the company's operations about the preparation of a separate report on non-financial information and it posts it on its website within six months from the balance sheet date.

In both cases, the statement/report on non-financial information shall include specific information (Art. 49b (1 and 6) of the AA), at least:

- a concise description of the entity's business model,
- key non-financial performance indicators related to the company's operations,
- a description of the policies used by the entity with respect to social, environmental issues, the issues related to respecting human rights, anti-corruption and anti-bribery actions, a description of the results of applying those practices – if an entity does not apply a policy with respect to one or more issues, the company shall specify the reasons for failure to apply it in the statement on non-financial information,
- a description of due diligence procedures,
- a description of major risks that may have an adverse impact on the company's operations, including
- a description of the management of such risks.

The management of the entity shall be responsible for the preparation of the statement/report. Preparation of the statement/report is confirmed by an expert auditor during the audit of the annual financial statements (the document itself is not subject to mandatory verification by an expert auditor). Then, the company's management shall file the statement with the competent court register within 15 days from the date of approval of the annual financial statements (Art. 69(1) of the AA) or in case of a separate report, it shall publish it on the company's website within six months from the balance sheet date (Art. 49b(9) of the AA).

¹ The Accounting Act is understood as the Accounting Act of 29 September 1994 (Journal of Laws of 2016 item 1047, as amended), hereinafter referred to as the AA.

² IAS/IFRS is understood as International Accounting Standards and International Financial Reporting Standards and related interpretations announced in the form of regulations of the European Commission.

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Should you wish to discuss the above mentioned amendments in detail, feel free to contact us:

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