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## Moving towards a greater understanding of sustainability

The EU plans for the green transition envisage a major role of ESG disclosures by financial and non-financial institutions, which are the core of the Regulation on sustainability-related disclosures, Taxonomy Regulation and NFRD revision.

The urge for the enhanced disclosures regime and for the green activities taxonomy is understandable. It is true also from the Polish market's perspective that the lack of standardised disclosures is a significant obstacle to ESG consideration in business activity. A comprehensive framework is very much needed to serve as a means of harmonisation for the benefit of the single sustainable market. In particular, the essential feature of Taxonomy is that – considering the company's capex as well as turnover and opex, if relevant – it could give investors a flavour of where the company is going and how and when it would become Taxonomy-aligned. This is important especially for those EU markets where, like in Poland, many activities will not become subject to Taxonomy right away.

Disclosures should be directed in such a way to support the market's transformation towards sustainability, but idea for a 'brown' taxonomy should not be a subject of legislative attention at current early stage of ESG standards introduction. We do not want to achieve stranded assets by legislation and this is the greatest danger that the 'brown' taxonomy carries along. Moreover, there is the fact that industries which are the least green now give employment to thousands of people. This directly relates to the 'S' part of ESG and cannot be ignored.

Entry into force of dedicated laws and revisions will not mark a finish line for the work on ESG disclosures nor other sustainability-related issues. Disclosures alone are only one element of ESG information flow as a whole. We expect that Polish financial institutions will be keen to use the services of professional data providers – rather than to build their internal capacity in this regard. This means that such providers will play a crucial role in ESG landscape and no doubt they cannot operate unsupervised.

This supervision has to be designed in such a way to allow for the development of local ESG data providers which in practice should mean sharing competence between the EU and MS. This entails in turn great efforts to be made to achieve supervisory convergence as ESG and Taxonomy supervision would be placed on EU and local levels at the same time. Nevertheless, localisation of ESG issues is indispensable to the extent possible as we wish to achieve

a transformation on every level of existing value chains. To that end, we might need to think about the structure of the market in advance – localisation of supervision and data provision are good things to start with.

The right path to take then is to encourage openness to different perspectives and dialogue between all stakeholders. This will bring a common understanding and will contribute to safeguarding the effectiveness of our efforts towards sustainability transformation. Moreover, a constant dialogue is crucial to understand local perspectives and to streamline supervisory convergence.

The above issues were highlighted in the response of the KNF to the EC consultation regarding SF Strategy in July 2020. ●