In recent years, the European Union has been undertaking comprehensive actions aimed at promoting low-emission economy and sustainable development, as well as developing a financial system that would support sustainable growth. Ambitious objectives set for 2030 and 2050 under which economies of the EU countries are to become climate neutral, include: the Paris Agreement of 2015, the UN’s Sustainable Development Goals (SDG), as well as the European Green Deal – which has the aim to attain climate neutrality in the EU by 2050, as proposed by the new president of the European Commission, Ursula von der Leyen. These frameworks prove the willingness to solve climate issues and ensure a more responsible and sustainable social and economic system. With a view to reaching the set objectives, the EU has been taking actions assuming a comprehensive restoration of the regulatory framework for the financial sector. These actions are referred to as sustainable finance, and are supposed to, amongst other things: lead to the development of criteria specifying when a given activity is environmentally sustainable, and to reveal non-financial risks or to include environmental, social and governance factors (ESG) in the investment and advisory process in a consistent manner across all the sectors.
Main objectives of the study:

01. **Indicate factors** supporting and hindering the transformation towards sustainable finance

02. **Formulate conclusions** referring to the assessment of the impact of the sustainable finance-related regulations on the operations of enterprises representing the main production and services sectors.

Factors supporting and hindering the transformation process towards sustainable finance have been identified and arranged based on conclusions drawn from numerous in-depth interviews with representatives of the financial market and enterprises, a survey and a workshop session for 40 representatives of the financial sector, selected industries and sector organizations.

### Factors in favor of transformation

- Policies and regulations
- Education and communication
- Public pressure
- Active group of leaders

Among over 25 implementation ideas collected during the project:

- **50%** referred to the area of policies and regulations
- **nearly 30%** of the suggestions put forward referred to the area of education and communication
- **public pressure** and active group of leaders were mentioned the least

### Barriers to the transformation process

- Education and communication
- Structural features of the Polish economy
- Policies and regulations
- Business culture

Among the barriers identified during the project:

- **38%** belonged to the education and communication category
- **30%** referred to structural features of the Polish economy
- Almost **one fourth** referred to actions concerning enacting the right policies and procedures

Source: Deloitte, Development perspectives on sustainable finance - implications for the sector of financial and non-financial enterprises in Poland, 2019
Sustainable finance – an opportunity for Polish enterprises from many sectors

The EU's sustainable finance instruments and initiatives can be analyzed across five main areas of operations. Each of them opens up a range of possibilities and opportunities for Polish enterprises and the entire economy.

<table>
<thead>
<tr>
<th>AREAS OF OPERATIONS</th>
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<tbody>
<tr>
<td>Public incentives</td>
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<tr>
<td>Standardization</td>
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<tr>
<td>Disclosures</td>
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<tr>
<td>Governance and strategic management</td>
</tr>
<tr>
<td>Financial regulations</td>
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</tbody>
</table>

**ESSENCE**

| Special investment fund, grants and advisory services for projects supporting sustainable development. |
| A uniform classification system for sustainable activities (taxonomy), defining minimum standards for low-emission indicators and other initiatives aimed at, among others, eliminating dishonest, allegedly “green” initiatives. |
| Obligation to disclose risks and opportunities concerning climate, as well as (in the case of the financial sector) to disclose the manner of incorporating climate threats. |
| Requirement to develop a sustainable development strategy and establish measurable goals. |
| Include sustainable development in the financial advisory services, as well as in a prudential regulation for banks and insurance companies. |

**OPPORTUNITIES FOR SECTORS**

| Making it easier to realize sustainable investments, including also the ones involving a higher risk, due to a greater access to financing, an EU budget guarantee and technical help offered (e.g. help to develop a project). |
| Investors who prefer businesses that include ESG factors in their management style will find it easier to identify such companies and invest in them. |
| Defined types of disclosures will help companies create a positive image and will become a guideline for investors, especially such investors who are interested in sustainable development, and in this way will let them allocate part of the cash flow for sustainable endeavors. |
| Opportunities related to adopting a long-term perspective, for instance mitigating significant risks before they start exerting a disastrous impact on the company. |
| Opportunity to decrease the level of exposure of banks' and insurance companies' assets to risks related to the climate change. |

Please note that selected industries differ from one another in terms of characteristics such as the level of investment outlays, the average enterprise size, sources of financing or low-carbon benchmarks. Therefore, the impact of sustainable development related regulations on entrepreneurs will differ depending on the sector in which they operate. Regardless of the type of the business activity pursued, an efficient use of opportunities that EU sustainable finance initiatives bring will let many companies reinvent their business models and modernize technology, as well as better protect themselves against long-term risks (e.g. resulting from the climate change), which in turn will lead to efficiency increase and stability in the entire economy.

The study includes an evaluation of consequences of sustainable development regulations, which was performed for a selection of sectors with the greatest significance for the economy in terms of their share in the directly created gross value added in 2017, the average compound annual growth rate of the gross value added between 2004 and 2017, employment in 2017 and the compound annual growth rate of employment between 2004 and 2017. Characteristics and the selection of sectors along with a description of the potential impact of changes have been included in the full version of the study (https://www.gov.pl/web/rozwoj/zrownowazone-finansowanie).
Key benefits from the perspective of investors and capital recipients

Proposals set forth in the above areas of operations create opportunities for Polish enterprises. Sensitivity of individual sectors to changes will depend on their ability to adapt and change. The analysis of the planned regulations and guidelines, enriched with interviews with a wide group of experts, enabled the identification of, in general terms, the key benefits for financial and non-financial companies.

**Investors (net)**

As a result of a gradual increase of restrictiveness in Taxonomy thresholds, along with the technological progress, less productive enterprises (which at the same time may have greater negative impacts on society and the environment, and are as a result more risky issuers or borrowers) may leave the market;

Including the ESG criteria by improving risk management in the portfolios of financial institutions may contribute to a greater stability of the entire domestic financial system;

Opportunity to involve banks as executive partners in the EU funds distribution;

Reduce the information asymmetry problem on the financial market and improve the completeness and comparability of information, regarding the ESG factors in particular.

**Capital recipients (net)**

Opportunity to transform the existing business models which in effect can translate into productivity growth in medium or long-term;

Opportunity to expand the scale of operations – especially for companies delivering projects that support the sustainable development goals;

Modernization and development opportunity for companies from the SME sector;

Opportunity to compete on foreign markets due to consistent and transparent criteria;

Making it easier to finance investment projects in sectors where the green gas emission per production unit is high;

Sorting out the manner of managing and reporting non-financial activities, including adaptation to the climate change.

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*Source: Deloitte, Development perspectives on sustainable finance – implications for the sector of financial and non-financial enterprises in Poland, 2019*

**For financial companies** the benefits of sustainable finance related initiatives are, above all, connected with reducing risk and increasing transparency of, and the opportunity to participate in, the distribution of EU funds.

**For non-financial enterprises**, the greatest benefits are related to easier ways to obtain funds to implement new technologies and grow.
Recommended further actions

Making use of the existing opportunities and minimizing risk requires involvement on the part of all market participants and the state. The most important recommendations indicating the possible direction of actions have been systematized within 4 pillars that are key to the creation of an ecosystem of solutions supporting transformation towards sustainable finance.

**Main recommendation:** to build an ecosystem of solutions supporting transformation towards sustainable finance.*

<table>
<thead>
<tr>
<th>01</th>
<th>02</th>
<th>03</th>
<th>04</th>
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</thead>
<tbody>
<tr>
<td><strong>Stable institutional and regulatory environment</strong></td>
<td><strong>Systemic education of the market</strong></td>
<td><strong>Competitive financing</strong></td>
<td><strong>Technological and expert support</strong></td>
</tr>
</tbody>
</table>

Examples of recommended actions:

- **Regulatory changes that will favor the transformation of sectors in line with the sustainable development paradigm.**
- **A series of training sessions addressed to market participants, including investors and issuers.**
- **Implementation of a systemic evaluation and verification of the ESG factors for all listed companies and enterprises operating in Poland and employing over 500 people.**
- **Investments in decentralized sources of data and research.**

*Recommendation is based on research conducted for the needs of the study - interviews, workshops and surveys completed by the representatives of companies from the financial and non-financial sector.

**How to prepare for the green transformation?**

**Guidelines for the business**

<table>
<thead>
<tr>
<th><strong>Gap analysis</strong></th>
<th><strong>Building awareness</strong></th>
<th><strong>Strategy formulation</strong></th>
<th><strong>Implementation</strong></th>
<th><strong>Strengthening effects</strong></th>
<th><strong>Verification</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td>01. Understand the current level of the company’s ESG maturity - define areas that require actions and carry out a benchmarking analysis</td>
<td>02. Specify the company’s ambitions as regards ESG and define significant areas of activities</td>
<td>03. Design the ESG strategy based on the gap analysis, which will be aligned to the company’s vision</td>
<td>04. Implement the strategy by defining flagship projects, develop a way to monitor efficiency of actions, assign accountability for delivering the strategy</td>
<td>05. External ESG policy, internal procedures, monitoring KPIs, communication through transparent reporting</td>
<td>06. Verify ESG related actions in the area relevant for the company, carried out via independent assurance services (e.g. GHG emission verification)</td>
</tr>
</tbody>
</table>

* Źródło: Deloitte, Perspektywy rozwoju zrównoważonego finansowania - implikacje dla sektora przedsiębiorstw finansowych i niefinansowych w Polsce, 2019
At the request of the Ministry of Development (formerly the Ministry of Entrepreneurship and Technology) Deloitte has conducted a study entitled “Development perspectives on sustainable finance - implications for the sector of financial and non-financial enterprises in Poland.”