

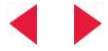
# ESG PRACTICE IN CEE COUNTRIES

RESEARCH STUDY 2024





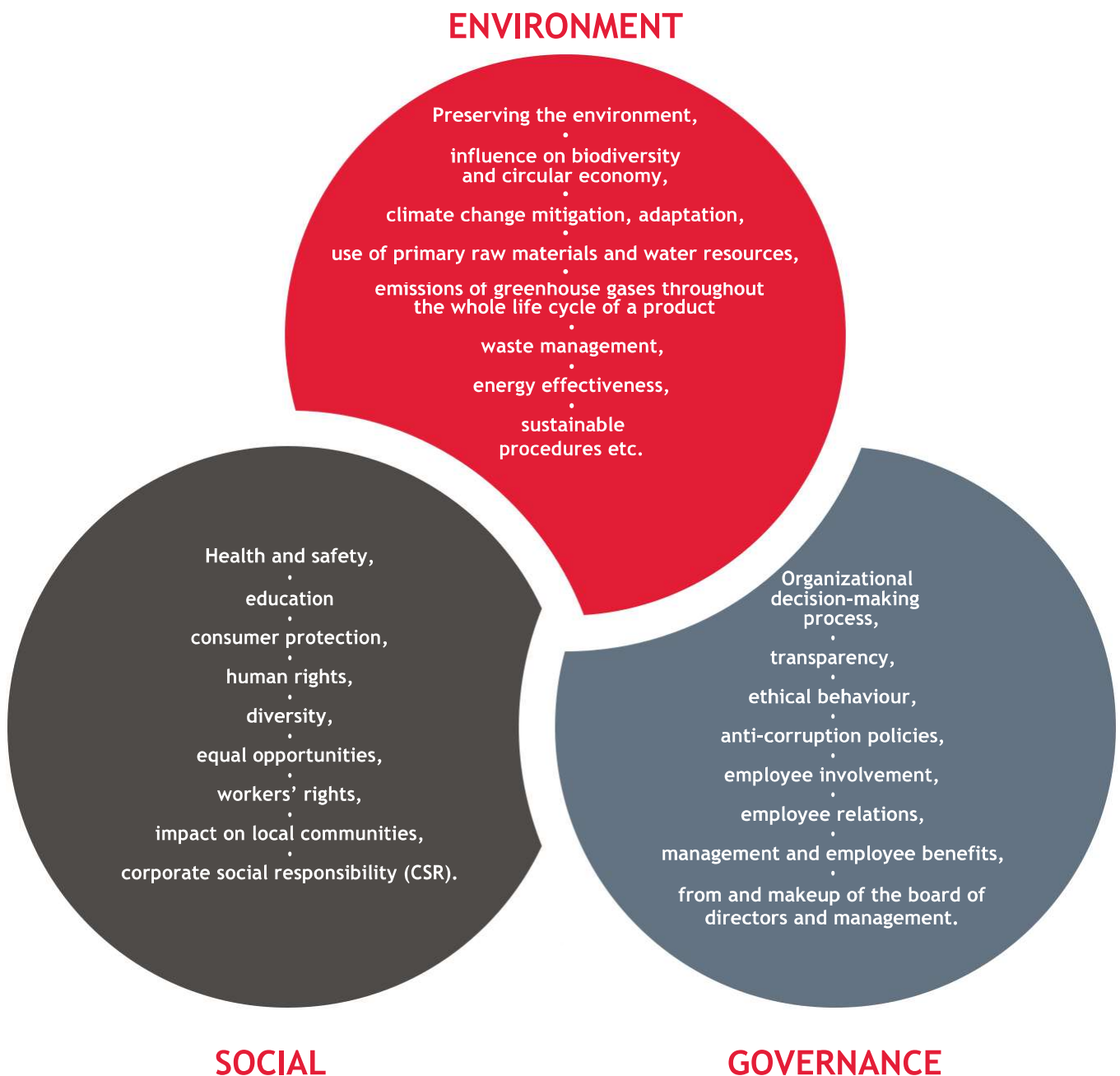
# What is ESG?



ESG (*environmental (E), social (S), and governance (G)*) is a tool to measure and present sustainability matters to the stakeholders of an entity.

Investors and financial analysts are increasingly including ESG aspects into their valuation model in response to the global environmental and social challenges that the world is facing.

ESG is also becoming a common regulatory principle.



# Corporate Sustainability Reporting Directive (CSRD)



In 2022 the CSRD (Corporate Sustainability Reporting Directive) was adopted in the European Union.

This directive ensures that companies disclose adequate information about their sustainability risks and opportunities and their impact on people and the environment, based on a dual materiality principle.

## Which companies are affected?

▼  
1st of January 2024

companies already covered by the Non-Financial Reporting Directive (NFRD - Large Reporting Entities)

▼  
1st of January 2025

All EU large companies. Firms that meet at least two of the following criteria are considered large companies:

Balance sheet total:  
more than EUR 20 million;

Net turnover:  
more than EUR 40 million;

Average number of employees in the financial year: more than 250.

▼  
1st of January 2026

listed small and medium-sized enterprises and small and non-complex credit institutions and insurance companies.

## 12 ESRS standards describe what to report

▼  
ESRS 1 - General requirements

ESRS 2 - General disclosures

### Environment

▼  
Climate  
Pollution  
Water and marine resources  
Biodiversity and ecosystem  
Resource-use and circular economy

### Social

▼  
Own workforce  
Workers in the value chain  
Affected communities  
Consumers and end-users

### Governance

▼  
Business conduct

### Goal:

assess and overview the knowledge and initiatives of BDO clients in the Central-Eastern European (CEE) region on sustainability

### Contributing BDO firms (CEE+):

BDO Croatia  
BDO Czech Republic  
BDO Hungary  
BDO Latvia  
BDO Lithuania  
BDO Poland  
BDO Romania  
BDO Slovakia  
BDO Slovenia

### Project coordinator:

BDO Hungary

## Main findings of the survey

- 83% of companies answered that ESG will be extremely or very important in the future for their business operation.
- Meeting regulatory requirements, enhancing reputation and ownership expectations are the TOP motivating factors for companies to focus on ESG.
- More than 40% of companies would like to spend more on sustainability than in the previous year.
- ESG factors integrated into the companies' operation: E: Waste management, alternative energy use, energy efficiency and water use.  
S: Health and safety, workers' well-being, education and training of employees.  
G: Ethical behaviour and transparency.
- Only 20% of responding CEE+ companies have prepared ESG reports, nearly 40% are planning to prepare their first ESG report in 2024.
- 50% of companies that do not report on sustainability are not aware of ESRS, of which 34% would be legally required to do so.
- Businesses are generally still at an early stage of their sustainability journey, focusing mostly on regulatory compliance.



Gathering information is crucial as companies are not yet fully aware about their legal obligations.



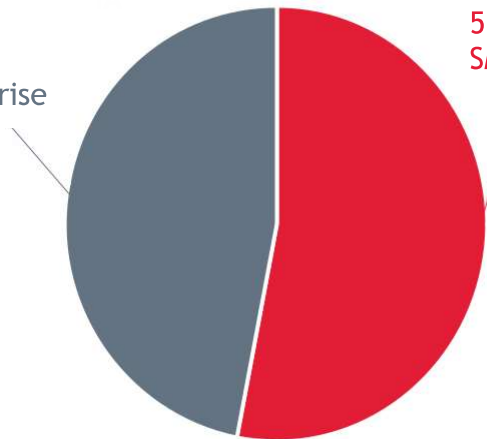
## About the research

40 questions on the following topics:

- ▼
- Motivation of companies
- 
- Companies' investments in sustainability
- 
- Green and sustainable finance
- 
- ESG reporting
- 
- ESG regulation
- 
- ESG maturity

47%  
Large  
enterprise

53%  
SMEs



- ▶ 9 participating countries
- ▶ Reached more than 5500 BDO clients
- ▶ Most responses were received from clients in:
  - Manufacturing
  - Wholesale and retail trade
  - Water supply; sewerage, waste management and remediation activities



## Factors that are most motivating companies to start integrating ESG considerations into their decision-making processes and reporting:

1. Regulatory requirements (46%)
2. Enhancing reputation (44%)
3. Ownership expectations (41%)
4. Positive link between ESG and financial performance (31%)
5. Customer/ client demand (27%)
6. Funding programmes/ EU subsidies (21%)
7. Risks and opportunities identified in ESG reporting (17%)
8. Inspiring other companies (16%)
9. **Financial partner expectation (bank) (14%)**

In the last 12 months, 32% of companies surveyed were asked by stakeholders for sustainability/ESG data or figures

"Expectation of a financial partner (bank)" ranks last in terms of motivation, but most requests for sustainability/ ESG data or figures came from banks and investors in the past 12 months.

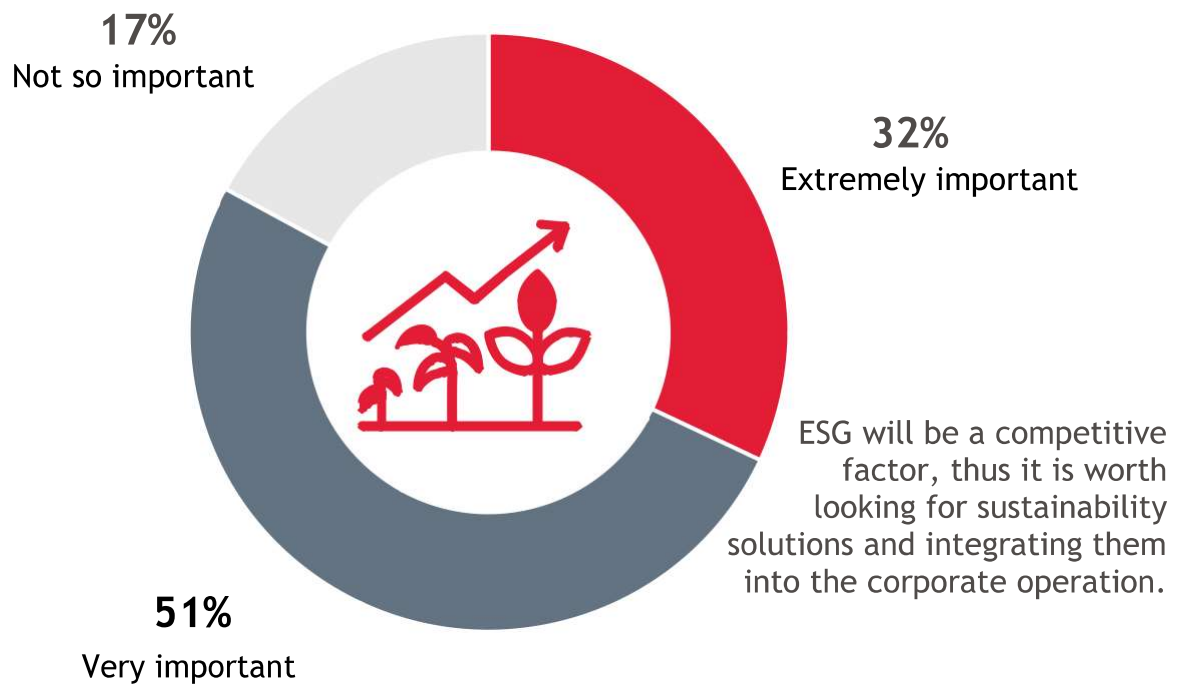
Companies must pay more attention to ESG aspects, in particular, to meet the expectations of financial partners and banks.



## 83% of companies think ESG will be important

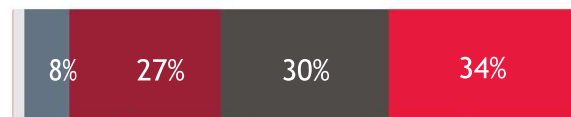


### Importance of ESG in the future for the companies' operation

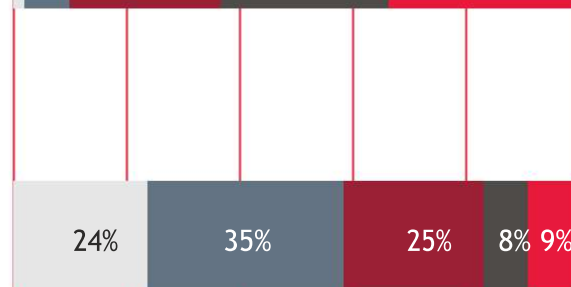


### Companies' opinion about key sustainability statements

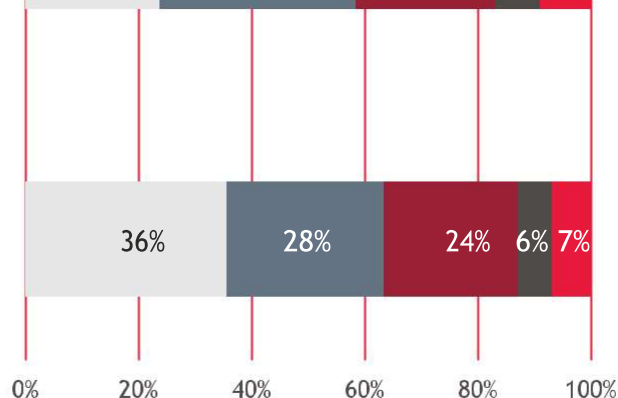
Our company is looking for sustainable solutions.



Our sustainability efforts have increased our sales revenue.



Our company considers sustainability as a regulation tool that will harm our competitive position.



Strongly disagree

Disagree

Unable to judge

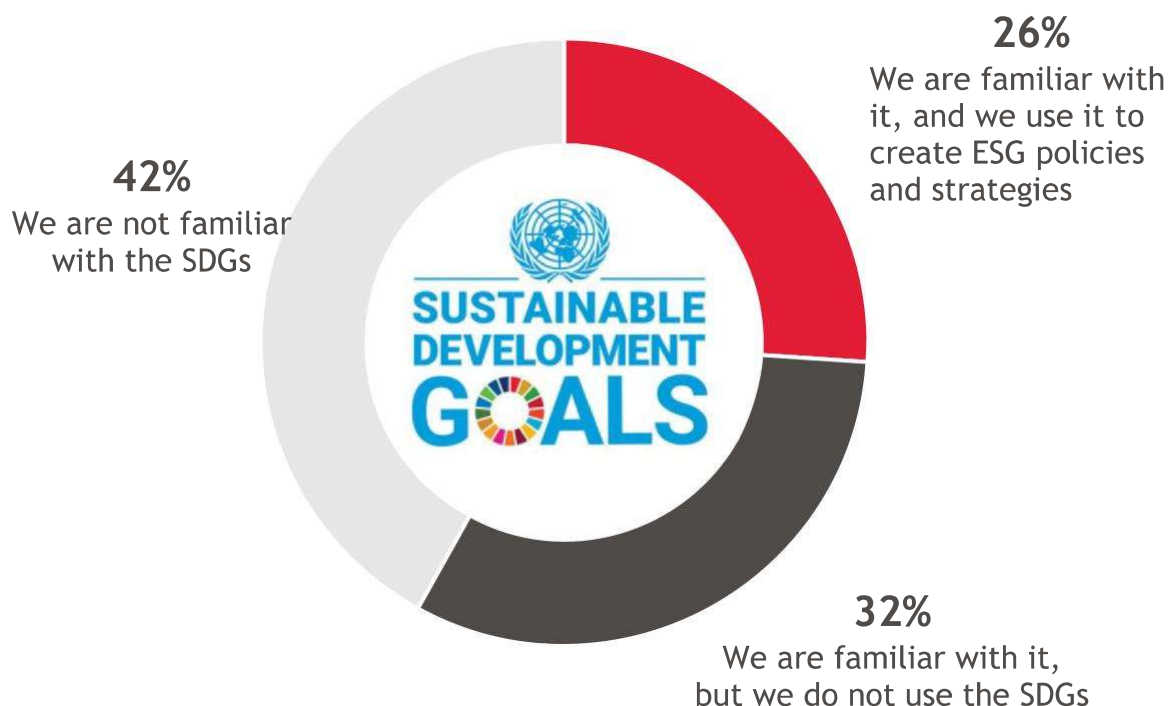
Agree

Strongly agree

## More education is needed on sustainability regulations and standards



### How familiar is your company with the basic concept of the UN Sustainable Development Goals (SDGs)?

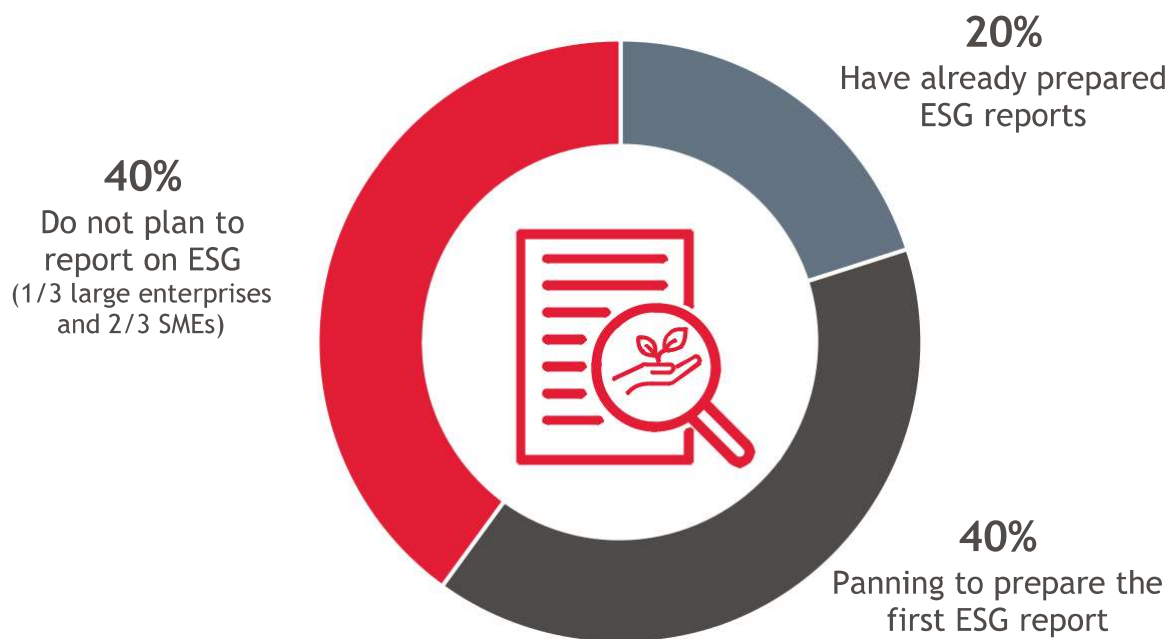


### Metric systems known or used by companies in the CEE+ region





## Lot of newcomers to prepare their first ESG report in 2024



### Obstacles of reporting

The integration of ESG criteria into the decision-making process and reporting is still not widespread among companies for several reasons. The research has revealed that companies may have difficulties with integrating and applying ESG aspects in their operations.

1. Lack of capacity
2. Lack of information about reporting and
3. Complex and time-consuming methodologies



#### ENVIRONMENTAL

1. Waste management
2. Alternative energy use and energy efficiency
3. Water use

Just 17% of SMEs indicate that they are highly or extremely highly focused on carbon emissions and carbon neutrality compared to 50% of large enterprises.



#### SOCIAL

1. Health and safety
2. Employee welfare
3. Education and training of employees

SMEs ranked employee well-being 8% more vital, education and training 15% more important, and human rights in the value chain 15% more important than large organisations.

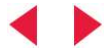


#### GOVERNANCE

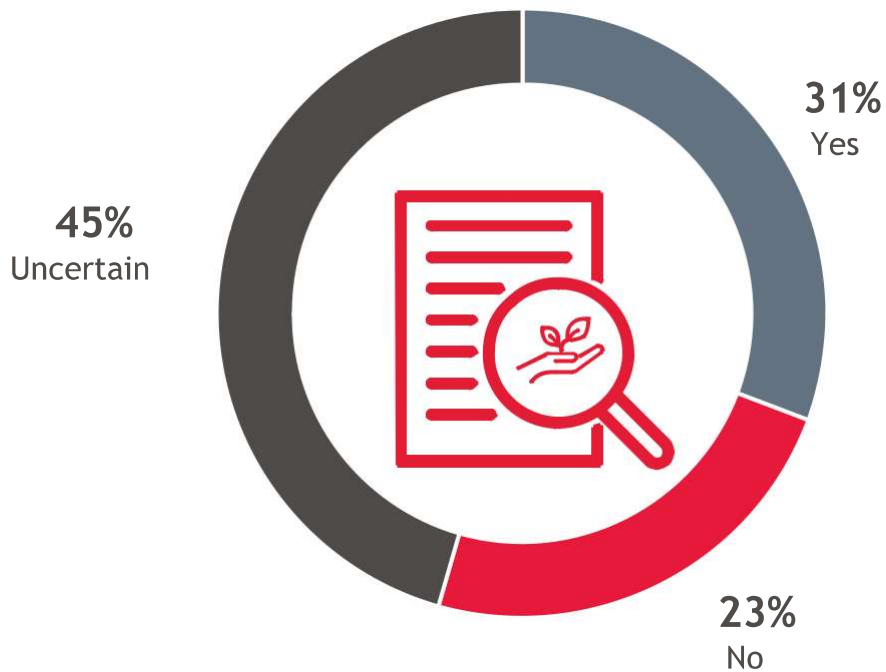
1. Ethical behavior
2. Transparency
3. Sustainable supply chain

Large companies put more emphasis on ethical behaviour and transparency.

## Companies preparing for CSRD lack information on the regulatory obligations



Will your company be legally required to report according to the CSRD?



**43%**

Companies obliged  
On the basis of data

net revenue; total assets; number of employees

**31%**

Companies obliged  
based on responses

**40%**

Have not heard about ESRS



1/3 of them will be  
required by law to  
report under CSRD

### Challenges of CSRD

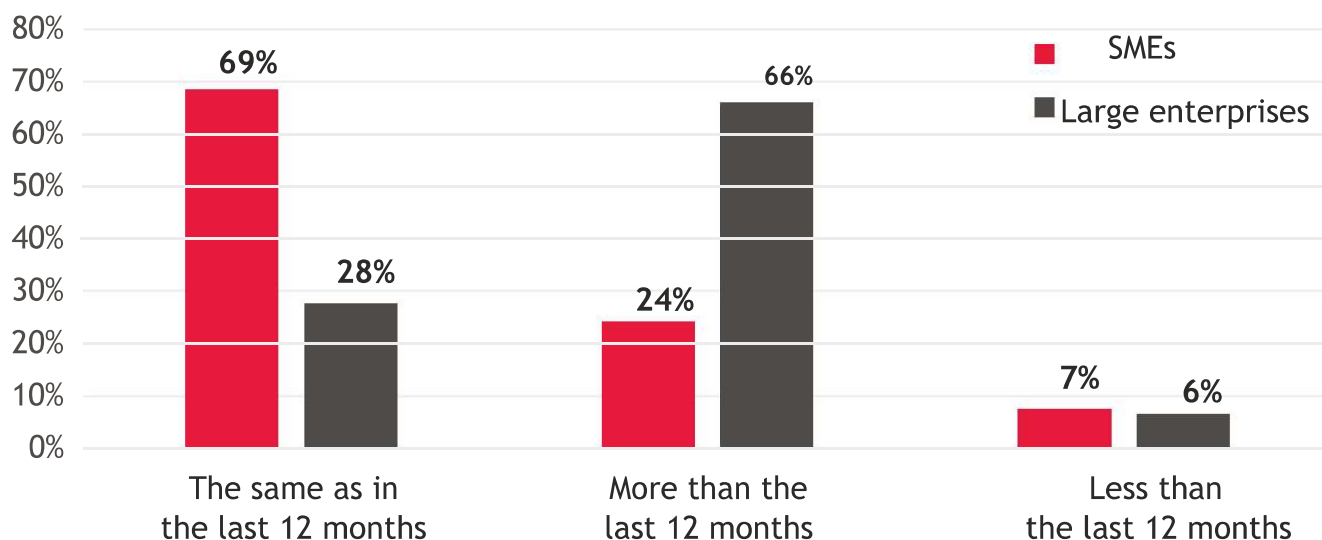
- Compiling and validation data
- 
- Conforming to additional reporting frameworks
- 
- Resources and expertise deficiency
- 
- Modifications to internal procedures

Companies should check whether the law applies to them, if yes, they should start the preparation for the CSRD reporting as it is a complex task.

42% of the CEE+ companies would like to spend more on sustainability than in the previous year



## What is the companies' attitude towards investing in their transformation?



Size matters, overall, SMEs spend less on ESG than large companies, but it is important to point out that is a wide variation in responses

77% of the companies focussed their investments on energy efficiency and green energy transformation. 18% of the firms devoted and concentrated on gathering sustainable data.

Large companies overall plan to spend more on sustainability programs. In contrast, SMEs are more likely to plan with the same budget

## Sustainable and green finance

Nearly double as many large corporations as before aim to employ sustainable and green finance in the next 12 months.

Large enterprises in the CEE+ region are more interested in the topic of sustainable and green financing than SMEs.



# Discrepancies between self-assessment and actual ESG actions



## Sustainability management integration level

BDO's Sustainability Integration Roadmap

### Activating:

Companies begin to focus their activities related to ESG factors

### Compliance:

Companies comply with ESG standards and regulations

### Proactive:

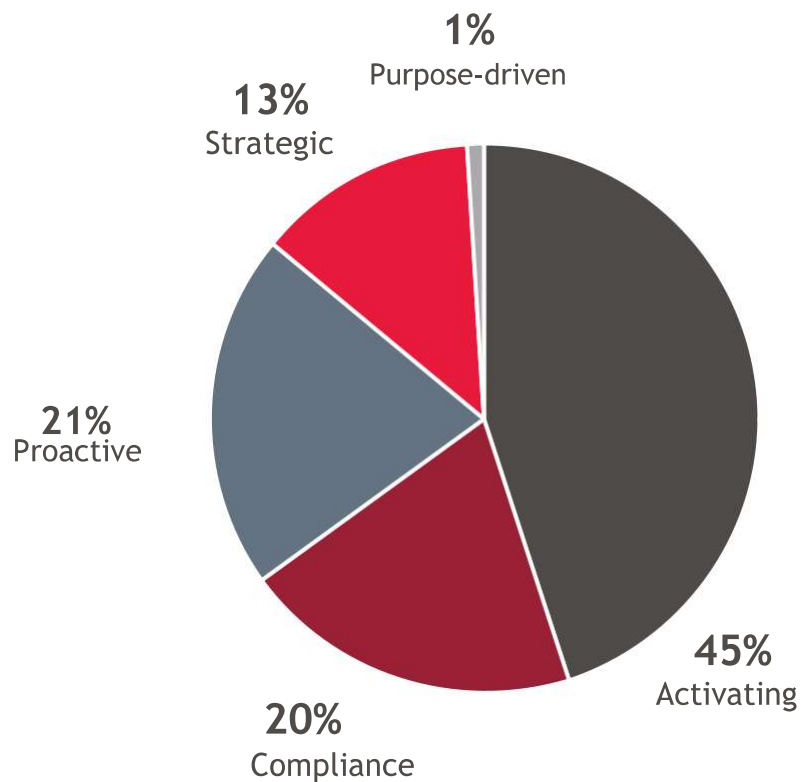
Companies proactively manage ESG factors

### Strategic:

ESG becomes a strategic priority for the company

### Purpose-driven:

Companies view ESG not only as compliance with regulations but as integrating ESG into their business mission.



Most of the companies (46%) consider themselves “activating” and only 1% think that their sustainability management integration level is “purpose-driven”. This means that generally companies are still at a starting level on their sustainability journey.

A comprehensive picture of ESG maturity: Top 4 steps that companies took to integrate ESG aspects.

