

Road to Europe: Program of Accounting Reform and Institutional Strengthening for Small and Medium Enterprises (REPARIS for SMEs)

10 November 2022; Tirana, Albania

REGIONAL CONFERENCE

Strengthening Corporate Governance in Albania and Kosovo: Sustainability Reporting and Increased Role of the Audit Committees



Road to Europe: Program of Accounting Reform and Institutional Strengthening



EU-REPARIS is funded by the European Union and is a part of WB EDIF.

The Critical Role of Audit Committees in Transparency and Accountability – Practical Experience from Slovenia

Blanka Vezjak



SDA's and SSH's impact

AC member experience

SDA – Governance Code

» Sustainable Business added in the first chapter entitled Corporate Governance Framework

Emphasised content changes: Sustainability is an increasingly important aspect of business, with which companies can gain the trust of relevant stakeholders and the wider community. Sustainability reporting is an excellent tool for measuring and monitoring the most critical impacts of the company on the broader community and the natural environment. Sustainable reporting also reveals the company's values and the connection between its strategy and commitment to sustainable business.



SDA – Publications

» A website with professional resources

ecoDa's publications

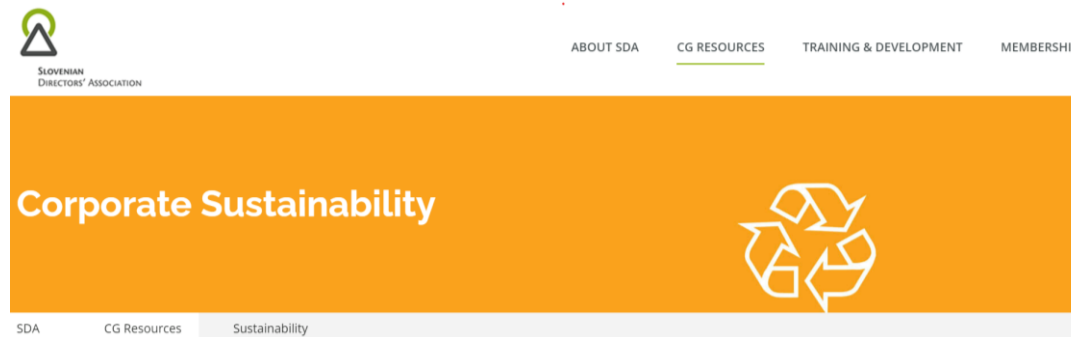
CSRD proposal

Information about the handbook for sustainable business

Training/seminars materials

» Priorities for AC 2021/2022

Controlling the scope and quality of reports and disclosures in sustainability reports



Prioritete za delo revizijskih komisij v letih 2021/2022



SDA – Trainings

- » Seminars for SB/AC members

 - Focused on their responsibility in sustainable business

- » Standard 3-day training for SB members

 - One of the themes is a sustainable business

- » Conferences

 - 2021: Beyond Traditional Corporate Governance – Sustainability & Innovation

 - 2022: Sustainable Business and Climate Risk Management (first of two themes)

Slovenian Sovereign Holding, SSH – Governance Code

CORPORATE GOVERNANCE CODE
FOR STATE-OWNED
ENTERPRISES

Last updated 2022 (produced by SSH)

The management considers the company's fundamental goals and forms the vision and aspects of a sustainable business strategy. ... creates a business plan for each business year, which includes ... the connection between its strategy and commitment to sustainable business.

Companies should ... gradually develop the quality of external reporting by including non-financial performance indicators that reflect the impact of their operations on a broader scale in social, environmental and governance areas.

»In the last update of 2020, sustainable business requests&expectations were added.

Part of the introduction:

SSH expects that a large or medium-sized enterprise will incorporate all three aspects of sustainable business (economic, social and environmental) into its business strategy and/or business model ...

... it shall set up goals, which have to be determined in a quantitative and/or qualitative manner ..., along with the time frame for their achievement.

Sustainable business goals must be monitored and significant in nature ... for the long-term achievement of the ... goals of an enterprise (and the Group).

... it shall identify the positive and negative impacts of sustainable business ...

Such adverse effects shall also include any potential violation of human rights (employees, suppliers in the supply chain, customers, services users and other stakeholders) and any failure to ensure corporate integrity.

» Education meetings for SOEs

Focused on the SB responsibility in sustainable business

Sustainable Development Reporting and Corporate Responsibility (2014)

Integrated Reporting (2017)

Annual, Sustainable and Integrated Report - What is Mandatory and What is Recommended (2018)

Sustainable Business Strategies of Companies (2020)

Successful Integration of ESG Factors and Effective Management of Sustainability in the Company (2021)

Carbon Footprint and the Beginning of the Path to a Carbon Neutral Company (2022)

A Comprehensive View of the Transition to a Carbon Neutral Company (2022)



AC – on the Agenda of PIEs

» Reporting

Non-financial reporting by the company law (directive)

Sustainability in annual reports, materiality and connectivity with other information

Reporting by the EU taxonomy regulation

Compliance with the Securities Market Agency, Stock Exchange and ESMA regulations

» Risks

Climate, sustainability

Internal Audit

Sustainable business awareness audits

» Competencies

Sustainability, environmental and risks managers

Additional on the Agenda of Banks

» Sustainable financing

Banking regulation (The Bank of Slovenia, ECB)

EU regulation

REGULATION (EU) 2020/852 OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL

of 18 June 2020

on the establishment of a framework to facilitate sustainable investment, and amending Regulation (EU) 2019/2088 (on sustainability-related disclosures in the financial services sector)

REGULATION (EU) 2019/2089 OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL

of 27 November 2019

amending Regulation (EU) 2016/1011 as regards EU Climate Transition Benchmarks, EU Paris-aligned Benchmarks and sustainability-related disclosures for benchmarks

» Risks

On the agenda of risk committees (banking law request)



AC – Next on the Agenda – Reporting

»CSRD

»ESG

»Interim reports

Internal - externalities calculated

Public - externalities disclosed

AC – Next on the Agenda – Decarbonisation

»Carbon footprint

Including scope 3

Upstream and downstream

All companies in the group

»Greenwashing

51 billion tons of CO₂-e annually



0 ton

Externalities - included in the information for all critical decisions

Decarbonisation - reflection before any important decision



AC - Next on the Agenda – Risks

»Decarbonisation

Mitigation and adaptation, social justice

»Business models and strategies

Changes, new

»Sustainable competencies, including interdisciplinary work

AC/SB and management board members

Key employees

»Financing

Assuring requested sustainable conditions



AC - Next on the Agenda – Crucial Questions to be Discussed

What **global trends**, projections and risks are particularly relevant to the company?

How does the company **prepare** for them?



AC - Next on the Agenda – Accounting and Internal Audit

» Accounting

Information systems upgrades

Sustainable data identification, gathering and evidence

Ensuring correct, timely and reliable data

Information for decision making – including externalities

» Internal Audit

Sustainability issues reviewed in every engagement

Material sustainability issues examined in risk-based planned audits



Foundations

» Mission

Reflects sustainability efforts

» Vision

Indicates what level of sustainable business development the company should achieve in the following years

» Values

Support sustainable business

Employees internalised them

Necessary Steps





Commoner's Four Laws of Ecology

Everything is **Connected** to Everything Else

Everything Must go **Somewhere**

Nature Knows Best

There Is No Such Thing as a **Free Lunch**

Let's Stay in Touch



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