



ESG maturity in companies in Slovakia

Qualitative study

mazars



Introduction

In an ideal world, it would not only be ordinary citizens who join the fight against climate change by adapting their consumer behaviour, but especially smaller and larger companies whose activities have a significant impact on the environment would follow suit. Of course, with global involvement of all relevant stakeholders.

However, the reality is different. Over the last fifteen years, the setting of responsible corporate policies in large businesses has focused primarily on CSR, where companies have aspired to become responsible partners to their business associates, employees and the environment and the region in which they operate. All of this has been carried out in a relatively poorly measurable form and largely on a voluntary basis. Regulations set by a standard that had to be adhered to were an exception.

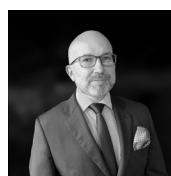
Companies in Slovakia are currently improving their level of responsibility. Some are doing so on their own initiative, others because they are required to do so by the law. The current challenge in terms of responsibility is related to three key concepts: 'Environment', 'Social' and 'Governance', known under the acronym ESG, which every business will have to deal with in the future.

ESG is a relatively new concept for most large businesses. It is increasingly discussed especially in companies with an international background, which pass on their subsidiaries both expert information and ideas for inspiration.

A more active approach of large businesses has been noticeable especially since 2021, when changes in the European Union law took place. The reporting of non-financial indicators forced companies to act. Another motivation in the growing influence of ESG to the core of companies is strong social pressure, corporate strategy and long-term sustainability goals. Awareness of climate change and the resulting need to act is still one of the less motivating drivers

for ESG-focused transformation. It is this approach to climate change that highlights the gap between the ideal world and the real world.

How do large companies operating in Slovakia cope with the opportunities and issues that ESG offers? To what extent have they already implemented ESG in their corporate strategy and what are their plans? What is the biggest ESG challenge for them? And where would they need help? All this is revealed in the Mazars study involving company executives, conducted in cooperation with the research agency Ipsos Slovakia.



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Survey Technical Requirements

The qualitative survey was conducted by the research agency Ipsos Slovakia on a sample of 10 selected companies with regional representation across the Slovak Republic. The selected companies had to meet the criterion of at least 250 employees.

The survey used the method of individual interviews. Respondents from the companies surveyed represented senior management positions (board members), managers who are also in charge of ESG topics (Environmental & Energy Managers) or HR managers in companies where the ESG area is not yet assigned to a specific position.

The companies surveyed operate in the segments of IT, production (electronics, food processing), telecommunications, automotive, retail and transport.





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1 Environmental and social responsibility

Priority defined not only by the law

The selected large companies which employ more than 250 employees and are among the most publicly known companies in Slovakia want to be perceived as transparent and open businesses with innovative progress. Their main goal is to be perceived as responsible entities by key stakeholders.

Having worked hard in recent years to portray themselves as socially responsible partners to their immediate surroundings and the region in which they operate, there has been a shift in the way these companies are setting their main objectives. Most of the companies believe that it is in their interest to be perceived as environmentally and socially responsible. They want to be perceived as such not only in terms of supporting external environmental and other socially beneficial projects, but also in terms of their internal operations.

„We want to live more connected to the community in the region. We want to be seen as part of them and a supporter.“

(The automotive industry)

The attitude of larger companies towards environmental and social aspects is closely monitored by the public. A positive finding is that many companies are interested in exploring ways in which negative environmental impacts could be reduced or eliminated altogether. Companies are aware that introduction of ESG imposed by the law is not always a natural process. However, it is an important step for the future of the planet, and they want to participate in it themselves.

„We are pushed towards ESG by the issues that are shaping the world. For example, the worsening climate crisis.“

(Production)

Introducing CSR activities and the evolving ESG setup in the internal environment helps companies in building their reputation. Communicating projects that companies are currently working on or are still planning can have the desired effect.

„We say in our campaign: be our ESG partner.“

(IT)

In addition, companies are aware that the expectations of their customers, business partners and other stakeholders are increasing. For example, the requirements to reduce emissions have been getting stricter. That's why we hear bold plans for sustainable business from some of the boldest and often most experienced ESG players. All companies are taking into account both the expected and the known obstacles.

„Unlike in the past, our customers' tender conditions now require the applicant to demonstrate environmental certification.“

(Production)

Due to pressure from the law and interest groups (including the public), we are witnessing a **transformation in the mindset of companies** with regard to **setting up their internal structure**. The aim is to transform environmental and social responsibility from an idea into a measurable form. Furthermore, we are seeing efforts to apply socially responsible behaviour to everyday **decision-making processes**.

„The management understood that the ESG agenda needs to be assigned to someone who would work with it thoroughly. That's why my position was created and I will soon be joined by a new colleague.“

(Telecommunications)



2 ESG as a new concept that is still a source of fear

How to do business responsibly and sustainably with respect for the environment

The acronym **ESG** stands for Environmental, Social, and Governance and has become a set of standards for corporate activities.

ESG incorporates **three pillars** which are key to sustainability and indispensable in the current climate crisis. It is extremely important to bear in mind that **ESG is now no longer just a marketing strategy**, but a key factor in how companies can secure a permanent place in the market.

The environmental aspect has the role of evaluating a company in terms of its impact on the environment. A company is assessed on the basis of how it impacts on the environment, how it manages waste, its approach to the use of natural resources and what energy sources it uses in its business.

- „In the past, we did not have an environmental pillar. Now we have something binding that we have to comply with.“ (Transport)

The social criteria examine the strengths and weaknesses of the company in relation to the management of relationships between employees, suppliers, customers and the communities and other stakeholders among which the company operates. These criteria include, for example, social aspects of product responsibility, working conditions, employee health and safety, employee relations and diversity in the workplace.

Corporate governance deals with tax transparency, internal controls, shareholder rights and executive pay. It also addresses how to successfully eliminate corruption and bribery in the company.

„The principles of business and ethical principles must be upheld among all employees.“
(Telecommunications)

„We do not distinguish between these concepts. This policy is not called ESG in our company. It is divided into two parts, namely environmental aspects through KPIs. We have grasped the social aspect through the tools and techniques that HR works with. Under governance, we could include managing the company in a responsible way.“

(The automotive industry)

2 ESG as a new concept that is still a source of fear

How do companies perceive ESG?

Most companies are gradually discovering that **ESG** is a topic that encompasses a multitude of themes and corporate challenges. When setting up ESG activities that companies are continuously implementing, they think mainly about **economic profitability**. At the same time, however, they are already dealing with the issue of **eco-friendliness**.

Often, companies have **ESG solutions** and activities **in place** without being aware that they fall under **ESG**.

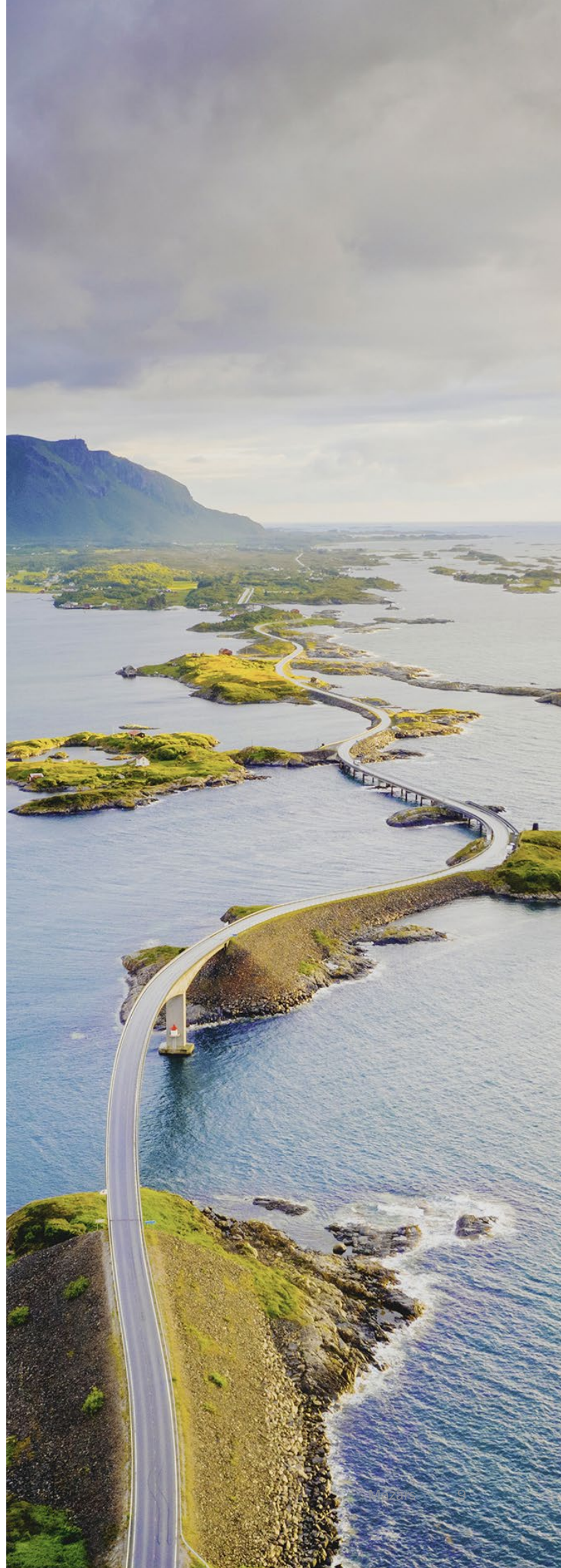
„When we received the ESG recommendations to follow, we found with many of them that we were actually already doing that.“

(Production)

It must be said that the exact content of the three basic pillars is only familiar to companies that are already actively working with **ESG**. There is more emphasis on ESG management in companies that are part of an international group. Several company representatives are learning about the **ESG** pillars gradually.

What is CSR?

CSR (Corporate Social Responsibility) is the social responsibility of companies, which is associated mainly with supporting the environment, disadvantaged communities, charities, corporate volunteering, etc.



3 Changing perceptions of ESG in recent years

ESG is becoming a priority for many. Even large businesses agreed that the perception of ESG has strengthened significantly in recent years. As a result, there has been a shift towards greener process management in the company.

In some segments, such as the automotive industry or production, the **shift** is also **noticeable** when companies restructure. The broad topic of ESG and the **need** to implement specific solutions requires **new positions** in the company structure.

„When I started working for this company, there was one person responsible for the environment of the whole company. Today, every senior employee has responsibility for the environment in their area in their job description. We have a Sustainability Manager in the top management.“

(The automotive industry)

What were some of the main reasons for the change towards ESG?

Legislative pressure in the EU and Slovakia:

- „The main reason is the law and EU directives. The biggest impact is taxonomy – all companies with more than 250 employees and with a certain turnover will have to report non-financial activities.“ (Retail)

Growing social pressure:

- „We are receiving emails with requests from stakeholders. The topic is becoming more and more relevant to ordinary people. They want to know what specifically we are doing extra compared to the standard. Customers are curious.“ (Production)

Awareness of the planet’s environmental problems and efforts to eliminate their impact:

- „We focus on issues that shape the world. That includes worsening climate change.“ (Production)

Changing scientific knowledge:

- „It turns out that textile bags leave a much higher carbon footprint than plastic bags. We’ll see how we address that.“ (Retail)

3 Changing perceptions of ESG in recent years

ESG shift and activities of companies

The impact on the surrounding environment is important for companies in particular because they wish to ensure that their business is both economically successful and socially responsible. How have different segments coped with the new objective and what activities are they developing for sustainable business?

Transport

V Fleet replacement, social responsibility, quality facilities, diversity.



„Over the last year and a half, we have renewed the entire fleet. We are now at the intermediate level, so all the buses are at the highest ecological level in combustion engines, the so-called EURO 6.“

Production

Use of local sources and returnable packaging, high recycling rate.



„We have managed the almost impossible – we recycle 98% of our production waste.“

Retail

Z Elimination of plastic bags, reduction of food waste, reduction of electricity from unsustainable sources, electric cars for the management, energy-saving light bulbs in shops, products from sustainable growing and farming.



„Food waste used to be a huge problem, now it's been minimized.“

IT

Measuring carbon footprint (steps towards reduction), green buildings, green energy.



„We want to be a socially responsible company.“

Telecommunications

Energy flow control and streamlining, paperless work, waste management, fuel consumption, facility management.



„We have set up a system for collecting old phones, a large proportion of which will be reused. We have plans to continue to improve the project.“

The automotive industry

On-site biodiversity, development of in-house hydrogen vehicle platform, moving towards electric vehicle production, waste sorting, use of recycled waste plastics from the seas and oceans.



„We are currently working on developing our own platform for a hydrogen vehicle.“

4 Preparedness varies in individual ESG areas

ESG compliance through the eyes of companies

What specific activities do companies carry out under the “social pillar”?

Transport

Social responsibility, quality facilities, diversity.

„There is a shortage of drivers in the market, so we have to do a lot in this area. We want to attract new employees by offering them above-standard conditions. Regardless of gender.“

The automotive industry

Community support, especially in the region where the company operates, cooperation with schools (dual education) and universities.

„We want to be a partner for the town and the people in our region.“

Telecommunications, Retail

Functioning foundations are considered a success by companies. Employee diversity, social responsibility.

„Our foundation has been working well for years, we are rightly proud of it.“

Retail

Collaboration with non-profit organizations, farmer education, diversity charter.

“We work with a Slovak foundation to set up our processes according to the Diversity Charter.”

Production

Supporting the regional economy by using services and products in the plant from companies in the region, reducing consumption, not wasting resources (electricity, water), reducing emissions.

„We want to support local communities.“

Telecommunications

Support for disadvantaged groups (e.g. the deaf), support for teachers, IT equipment in schools, projects for children and young people, ethical code – transparency, employee diversity.

“We have been implementing digital education projects for youth for several years. We’ve also helped develop an app for the visually impaired.”

What other activities do companies carry out under the governance pillar?

Several segments have talked about a change in the way this agenda is managed.

- „The management understood that the ESG agenda needs to be assigned to someone who will work with it thoroughly. That’s why my position was created and I’ll be joined by a new colleague soon.” (Telecommunications)

For companies that do not have an international background, criticism comes from within their own ranks about hindering ESG solutions because of the backward thinking of the management.

- „We could have made even more if it were not for the feeling that as long as it has worked well so far, let’s not change it. Often changes are made just out of pressure from legislation. Fortunately, that’s not always the case.” (Transport)

One of the key governance tasks is to fully integrate the principles of corporate responsibility into the corporate DNA. This task is more successfully implemented in the automotive and manufacturing segments.

- „Our whole sector is slowly adjusting to the production of electric vehicles. We’re starting to adapt everything accordingly.” (The automotive industry)

4 Preparedness varies in the individual ESG areas

Activities that give companies a sense of pride

Corporate pride often relates to ESG or CSR projects that they have been running for a long time, such as supporting regional projects. Many appreciate the introduction of new methodologies for measuring carbon footprint that both fascinate and move companies forward. Some are proud of their social policy because it can attract new employees.

Which activities were the TOP activities for the companies?

1. Food waste reduction and pro-community projects

Relevant results in reducing food waste are the success stories of recent years in the retail segment. Successful support for community projects is another example.

2. “Green Month”

The segments seek to raise the overall awareness of sustainable or environmental business on a company-wide level. In the IT sector, a month-long event for employees was organised in cooperation with a well-known foundation.

- „We had a number of events throughout the month that all employees could get involved in, in the spirit of the motto – Do something for the environment.” (IT)

3. “Responsible Organisation” certificate

Manufacturing companies see the certificates, which are a difficult process to obtain, as a positive outcome of their gradual progress towards sustainable business.

- „We have achieved a 95% waste recycling rate. This is an excellent result and we are proud of it. We want to improve it even further.” (Production)

4. Carbon footprint measurement

Activity closely linked to carbon footprint measurement is seen as a positive part of ESG trends. Many companies are only looking at these diagnostics for the first time this year. They appreciate the clarity in the areas where the carbon

footprint is assessed and the advice on how to reduce the carbon footprint.

- „We are currently awaiting the results of the first measurement of our company’s carbon footprint. Based on the results we will take further steps.” (Production)

5. Assistance to Ukraine

The military conflict in Ukraine triggered a lot of activity in large companies which reacted promptly.

In the automotive industry, companies created new jobs for Ukrainians and offered them accommodation. The retail sector provided food supplies for Ukraine. In the IT segment, a number of volunteers went directly to the border to help.

- „Around 200 employees got involved, volunteering their free time without financial reward. I am extremely proud of them!” (IT)

6. Social responsibility

In addition to the standard benefits provided to transport employees, special benefits are also created, such as the frequently used interest-free loan. These benefits are attractive on the labour market.

- „We are proud of this benefit because nobody has it. If an employee needs money urgently – e.g. because of a broken-down car – we can lend it to them. The employee then gradually pays us back out of their salary as agreed. In addition, employees receive pension from us after twenty years of service.” (Transport)

5 ESG strategy, plans and targets are already present

When it comes to implementation, return on investment is crucial

ESG strategy – plans and goals for a successful company

Today, it is no longer unusual that the concept of ESG is slowly making its way into the everyday operations of large companies. For some, ESG objectives are becoming more and more deeply embedded in the company's overall strategy and corporate policy – even though most companies often define them as environmental objectives.

- „We don't run it under the name ESG. For the environmental parts, we have a clear strategy on how much waste we're going to produce per piece of finished product or how much energy we want to consume per employee.” (The automotive industry)

ESG strategy objectives of companies

Each company has its own ESG goals which can be an integral part of its DNA. Achieving the goals set is certainly not easy, but businesses are aware that they can have a significant impact on how the company operates in the future.

What are the objectives of companies within the ESG strategy?

Internal integration of ESG issues into the company's DNA (almost all segments).

- „There is a lack of internal understanding of the subject. It will have to be communicated across the firm. That's one of the goals.” (Telecommunications)

Replacing unsustainable energy sources with sustainable ones (e.g. gas heating and carbon neutrality from 2035.)

- „We already started to address alternative sources a year ago, the war has only accelerated that now.” (The automotive industry)

ISO quality certifications as a basis for operation continue to be considered by many segments as the core of the next strategy.

- „We use ISO. It's a good rating that works. We put stickers on buses – We are a responsible company.” (Transport)

Reducing carbon footprint through the use of eco-sustainability in mobility – introducing electro-mobility and integrating micro-mobility.

- „We make efforts to make the management drive electric cars and employees scooters.” (IT)

How have companies implemented the new changes?

In our survey, we have found that large companies use their operations abroad as a source of inspiration when introducing change. They say that they copy the approach to ESG processes from their parent companies.

However, such inspiration is always adapted to the Slovak market and the possibilities of Slovak society. It is almost never 100% identical.

- “We make no secret of the fact that every large group wants to be ESG compliant. Those who miss the train miss everything. However, it is not possible to use all ideas in the Slovak market.” (Telecommunications)

New CSRD – Corporate Sustainability Reporting Directive

(CSRD – Corporate Sustainability Reporting Directive)

A big plan for most companies is to draw up a sustainability report or the **ESG non-financial report**, which will include relevant **environmental, social and governance components**.

The actual implementation of **ESG reporting** appears to be a major challenge, but companies are aware that many of the items that will need to be monitored have already been monitored for a long time. What remains is to actively prepare for the previously unmeasured indicators that are now being introduced into day-to-day operations. For example, the **measurement of carbon footprint**.

- “Yes, on the one hand it is annoying that someone suddenly forces you to prepare additional documents and yes, it is extra work. But we realize that the data has been around for a long time, it's just that no one has put it into Excel spreadsheets yet.” (Telecommunications)

Planned ESG activities of companies

In the **automotive segment**, it is clear that with the robustness of the **ESG** topic and the upcoming legislative changes, companies will have to **communicate more with the state**. Active involvement through public dialogues in setting the

legislation is key for them. Their current plan is to create an in-house hydrogen vehicle platform.

- „We don't just want to stand by and watch, we want to be part of the public debate on legislative changes. The automotive industry could have a stronger influence in the whole set-up.” (The automotive industry)

In the **production segment**, targets are defined annually in connection with **packaging management**. Environmental business certification is also a priority for companies. This includes, for example, the “Responsible Organisation” certificate.

- „In terms of the environment, we have long-term targets set on an annual basis, including ISO and others.” (Production)

In **telecommunications**, the plan to build a green network continues to be relevant, including the 5G network.

- „We have been declaring that our network is green since 2021. We can prove that the energy we use comes from green sources and we want to continue to do so.” (Telecommunications)

Other planned activities include, for many, efforts to move forward in the **circular economy** and packaging policy.

In the **transport segment**, the introduction of new environmental solutions is progressing relatively quickly as the expectations of customers are rising rapidly..

- „We had to reassess our company a little bit in terms of governance, social, but especially the environmental side. In addition to good drivers and great buses, the company itself has to be accountable to the contracting authorities. (Transport)

The business strategy of branches located in Slovakia is guided by their parent company.

Retail brands participating in the survey with a western European background are more experienced in ESG strategies than brands without such support. They draw inspiration and direction mainly from their multinational company headquarters. They include **sustainability** in their **purchasing** or operations plans.

- “We have set corporate goals. There are five main categories – customers and sustainable purchasing, partners, sustainable operations, communities, employees. We already have activities within this framework that we will develop further.” (Retail)

The IT segment declares its efforts to **reduce electricity consumption**, to completely limit the use of company vehicles with combustion engines, and to raise awareness of ESG among all employees throughout the company.

- „Our strategy is based on ESG and CSR projects. We see them as a one whole.” (IT)





6 Circular economy as the biggest ESG challenge

The linear model is currently the central economic model of our time. In practice, it can be thought of as a one-way process involving extraction of raw materials, processing of the raw materials into products, distribution of products to various areas to the consumer, who buys them, uses them and finally throws them away. This produces waste that ends up in landfill sites, or worse, in the nature. The alternative to the linear economic model is the circular economy, the so-called circular economy, which has been a key policy issue in the EU since 2015.

Circular economy

Most segments link the issue of circular economy with their efforts towards zero non-recyclable waste. Therefore, their actions largely lead to the production of fully recyclable products, finding solutions in packaging strategy and in the subsequent collection and sorting of waste. The aim of the circular economy is to ensure a healthy environment and efficient use of natural resources, resulting in minimising waste, material intensity or reducing the cost of manufacturing new products.

In some segments, it is currently more of a “future topic”, which companies are only addressing in theory or initial testing.

- „We have introduced some new solutions, but we are still testing them. We have not evaluated them. We are learning how to navigate this topic.” (Telecommunications)

The circular economy is the most prominent goal in automotive companies. However, bold plans for zero waste are very costly. Businesses would therefore welcome more support from the state. They are gradually introducing innovations to achieve this goal.

- „We have managed to introduce a new dry painting technology in the paint shop. It creates waste – contaminated cement that can be used to process limestone in cement plants.” (The automotive industry)

The retail industry identifies this topic as very important.

- „It’s a top priority for us because it’s a comprehensive change – a change in behaviour not only within our operations, but also within our supply chain and our customers.” (Retail)

Product liability

The main priority in **production** and in the **automotive industry** is clean production, which puts as **little strain on the environment as possible** and has as **little impact on the environment** as possible once the product is used. The legal requirements are the **most significant** for these segments.

- „For us, product responsibility means that our products must meet the complex requirements of our customers’ legislation from the US to China.” (Automotive)

Producers use **regional resources** in **production**.

- „We use milk from local farms. However, raising cows itself leaves a huge carbon footprint, not to mention the subsequent import of milk.” (Production)

In **telecommunications**, the respondent considers the topic of product responsibility to be one of the most important. They focus on **customer experience and satisfaction** with the network. Despite this, the telecommunications sector is also often perceived in a negative context due to the impact of smartphones and devices on the youth.

- „There is a downside to the use of information technology and the internet. It goes without saying that we are working on campaigns and projects to balance the situation.” (Telecommunications)

In **transport**, product responsibility is seen as a secondary issue attributed to vehicle manufacturers.

Based on the survey, this topic is addressed in the IT segment to a very limited extent, with higher priority given to other areas.

6 Circular economy as the biggest ESG challenge

How do the different segments assess the climate crisis?

This crisis is seen by **all segments**. They are fully aware of the global impact of climate change and the influence of large companies on this problem.

Institutions are expected to have an overview of the impact of climate and environmental risks on the business environment in which they operate – in the short, medium, and long term, in order to make well-informed strategic and business decisions.

Carbon footprint

Reducing the carbon footprint is the main goal in companies. They are starting to measure, evaluate and plan actions to reduce their carbon footprint. There is a feeling in companies that they are making tangible progress.

Corporations are already working with and reporting carbon footprint values (e.g. retail sector).

- „As part of eco-friendliness, we also measure our carbon footprint. That means how much impact our company has on the climate – how much energy we use, how we set up processes in production, even employee commute to work is included.” (Production)

As part of plans to reduce the carbon footprint, production is also looking at its own sustainable sources, especially photovoltaics and wind turbines.

For corporate strategies, reducing the carbon footprint is a fixed goal, for example in the **automotive or retail industries**.

- „It's basically our strategic goal – decarbonisation. It's related to the fact that we have a roadmap set for 2039 to reduce our carbon footprint and get it down to zero.” (The automotive industry)

Telecommunication companies are aware of the energy intensity of their networks and are concerned that they have already achieved maximum possible reduction. The trend seems to be rather the opposite.

- „Our BTS mobile network base stations that we build also require cooling. We are now building a 5G network, which is more energy-intensive than 4G.”

Some segments see the **interconnection** of several issues and areas precisely because of climate change.

- „In my opinion, it's all intertwined. As for

alternative resources, we don't have those either, although we realise that we could.” (Retail)

Diversity and work ethics projects

Diversity has been severely underestimated in the past, but is now one of the core **themes of ESG**. In recent years, large companies have also been **boasting successes** in the field of diversity.

An ethical code which includes diversity and work ethics issues is a cornerstone in the production, automotive, telecommunications, and retail segments.

Gender balance is **more challenging** in some areas, although efforts and steps are set..

- „We have few women drivers, it is not a very popular profession for women, but on the other hand, we have few men holding office positions. In both cases, the conditions are the same for everyone.” (Transport)

The difficulty of the topic is also seen in telecommunications at the managerial level.

- „Diversity within teams is challenging. It's a sensitive topic, especially from a managerial perspective.”

In the area of diversity, large businesses include employing other **nationalities**. Companies have taken advantage of the current influx of **people from Ukraine** to hire new employees.

- „We employ 650 Ukrainians, but we also employ various other nationalities.” (The automotive industry)

In the **IT sector**, which has also been heterogeneously set up for men in the past, success stories are emerging.

- „We employ the highest number women in IT in Slovakia. We also implement the so-called IT cross-day for all.”

Green offices

Among the main topics covered by the so-called green offices, companies are already incorporating new types of eco-friendly solutions directly into their premises. Most often their goal is to save energy. Which changes have been set in motion?

Shared work stations (automotive, IT...)

- „Many people work from home and we don't need as much space anymore. We save on costs.” (IT)

6 Circular economy as the biggest ESG challenge

Binless offices

A new approach to waste that has emerged in retail stores is binless offices.

- „We removed waste bins from offices. By putting only four large bins in the corridor we wanted to ensure that less waste was generated and that staff had a reason to get out of their chairs.” (Retail)

Saving energy

Companies save energy for example, by reducing visual smog in shops (telecommunications) or by installing LED bulbs (Production).

Paper reduction

- „We don't print contracts anymore. We prepare them electronically via DocuSign.” (The automotive industry)

In the transport sector, they admit that they are not succeeding in reducing paper as expected.

- „There is still a lot of printing going on in our company. The reason for that is also the management setup.” (Transport)

Introduction of environmental training for employees

- „We felt we had to change the mindset of our employees. We want them to think more environmentally – to sort waste, turn off the lights, consider coming to work by public transport or by bike.” (Telecommunications)

Large companies are thinking innovatively and are introducing new solutions, such as beehives on the factory premises (The automotive industry), a composter (Retail), a community garden on the headquarters premises, Digital Content Management (Production), but also coming up with the idea of producing their own recycled paper (The automotive industry).



7 Increasing investments in ESG Priorities and investments

Sustainability principles are becoming an increasingly strong part of corporate culture. The individual segments are focusing mainly on the environmental area, but they are also prioritising the filling of the position of ESG expert.

What are some of the priorities set by each segment?

- Search for other sustainable sources (energy dependence on Russia)
- Decarbonisation
- Optimisation of certain types of waste
- Alignment with official ESG requirements

„We don't want to have too many rules, but we want to comply with the official ESG principles in such a way that it all fits together beautifully.“

(Telecommunications)

- Using renewables on a larger scale
- Finding regional suppliers of basic raw materials
- Reducing carbon footprint
- Assistance to Ukraine (April 2022)
- Charity Fund (used for CSR projects)
- Prioritisation of ESG activities with stakeholders
- Finding the strategy to hiring new employees
- Filling the position of ESG expert

„Once a year, we sit down with stakeholders and set plans for ESG as well.“

(The automotive industry)

- Product liability
- Green network (building in line with the environment)

„We need an ESG person with a separate budget.“

(Production)

7 Increasing investments in ESG

Priorities and investments

- **Alternative use, recycling, etc.** (taking back equipment from customers)
- **Measures to reduce the carbon footprint**
- **Promoting the reduction of environmental impacts from a life cycle perspective**
- **Increasing the rate of hardware donation to schools and organisations**
- **Creation a “Raw Material Collection Station”**

„We want to support the region in this way as well.“

(The automotive industry)

Investície do ESG riešení

Most companies do not have an allocated budget for ESG activities. More often, they operate with a sub-budget that is not explicitly dedicated to ESG. It works more like a budget allocated for year-round activities for individual departments or divisions.

- „Many activities fall under individual departments. We certainly don't have a budget for every single activity. But we do for many.“ (Telecommunications)

For larger projects, the corporate policy allows for requests for a larger budget allocation.

- „The report is evaluated on a group basis and money is allocated accordingly if we need to fund something.“ (Retail)

In the future, most companies expect to increase investment in ESG activities.

The most common goal of investment would be to wean oneself off unsustainable sources and achieve energy self-sufficiency.

- „We would try to disconnect from the public grid, find our own way to renewables.“ (The automotive industry)

Companies came up with another idea that they would invest in. Investment in **automation**. Manufacturing sectors are realising that the impact of automation would mean that many people in this area would no longer be needed. Therefore, there is also a value question in the direction of ESG setup.

- „The question is whether we want to give work to people in the region or go down the route of reducing emissions through automation.“ (The automotive industry)

It also seems to be an interesting investment for companies to renovate currently used buildings. The IT sector, in their words, would go straight to building “green roofs.”

Another attractive investment for this segment would be in electric vehicles and infrastructure.

In transport, with more resources, they would immediately invest in fleet replacement. In the “social” segment, they would like to invest in improving facilities for employees.

8 The company must win the battle with itself

What are the most common obstacles that companies have to deal with? The companies involved in the survey believe that the biggest challenges are unorganized and low budget for ESG solutions, mindset in the company's management and among employees, as well as not knowing where and how the company could operate. The slow approval process is also a barrier in corporations.

For some companies, it is **the low budget** that is a barrier to being more efficient in the ESG area. As ESG is a relatively new concept for most companies, it is very difficult for them to find extra financial resources.

Efficient use of available resources is an obstacle for those areas where capital is available but no clear ESG priorities are identified.

- „With ‘S’ and ‘G’, finances are not an obstacle. There, it's more about being efficient with the resources we have and finding meaningful uses for those resources.” (Telecommunications)

Companies that are still getting familiar with ESG often also struggle with their **own management** or the **mindset of their employees**. This is why this is perceived as one of the most significant barriers.

- „We have to show them that what we are doing makes sense. We want the information to get under their skin, which is why we organise special events that involve employees.” (IT)

Customer preferences are more difficult to bend in some industries because changes may be harder for some groups to accept.

- „We'd love to switch to app-only tickets, but older people wouldn't know how to work with that. That's why we're still printing tickets.” (Transportation)

One significant barrier is the feeling that **there is not enough awareness of the topic**. There is a lack of concrete ideas, suggestions and solutions on how to move a little further towards sustainability.

- „It's a big topic that requires constant learning and trend-following. It's a challenging task to ask from a single employee.” (Retail)

The ongoing **war in Ukraine has economic impacts**

mainly on the automotive industry or manufacturing. Among other things, it poses a major challenge in the form of the **necessary replacement of Russian resources**, but it is also an obstacle to **ESG planning**. Topics are being prioritised, some plans are being cancelled or modified. The negative situation has also brought about an acceleration of the idea of cutting off unsustainable resources.

- „In any case, last year we already wanted to disconnect from the gas network. Now things have become more complicated, but maybe they will be resolved faster than we thought. We'll see...” (The automotive industry)

For corporations, one significant barrier is the **slow approval process for proposed solutions**.

- „For example, if we wanted to switch one painting line in the paint shop from gas to electricity, we would have to shut down the plant for several months. So, a decision has to be taken to reckon with the loss of profit and all the complications.” (The automotive industry)

9 I want to learn about ESG but need help

Large companies are reporting the need for changes in their own structure, such as creating a dedicated ESG expert function, education on the topic, but also answering basic questions about what exactly is expected of them and where the specific path to sustainable business should lead. Some companies admit that they need a generational change in order to move forward.

Suggested ways and recommendations on how to understand better the topic of ESG:

A better structure

The IT sector perceives that there is a great deal of chaos in the ESG area at the moment and the current situation calls for structuring.

ESG education

There are many ways to eliminate ignorance through educational activities for employees and their supervisors (webinars, lectures or workshops).

- „It would help us to understand more about ESG – to get the knowledge to be able to work with it further.” (IT)

Generational change of employees, and in some places also of management

- „This is a generation that is less flexible and open to such changes. If someone young with ESG experience came in, I believe they would be able to kick-start it for us.” (The automotive industry)

Response to pressure and guidance from outside

- „When someone from the outside says, ‘you’re a great company, but it would be better if you were greener,’ the management asks – what do I need to be greener? What are we going to do about it?” (Transport)

Setting a long-term ESG goal and determining a course of action

- „That’s the question – what to expect from ESG? What is sustainability? Do we want people to work or do we want the company to be reliable? Because – if most of the operation is going to be automated, you turn on a machine and there you go. You won’t need people.” (Production)

Use of external assistance from consultancy companies

Companies are very sensitive to the fact that there are few companies in Slovakia that would be able to answer any ESG questions.

- „I still feel there could be more of such companies. Their help would be used in our case as well.” (Retail)

Get a better definition of European legislation and an overview of what exactly is expected of companies in practice

- „We have the taxonomy already set, but you know very well that there are always new proposals, changes and some things are not yet clear and definite.” (Telecommunications)



10 Far or too far? ESG will be an eternal challenge

According to the companies, the near future is strongly linked to ESG. They expect that the main goals will be elimination of emissions, moving towards a circular economy and also self-sufficiency through sustainable sourcing. They are of the opinion that even in ten years' time, the fight against the effects of climate change and the search for alternative energy sources will still be ongoing.

Companies' opinion – what will happen in the field of ESG management in 2-3 years?

Many companies are just getting started on ESG topics. However, it is expected that in about two to three years' time, the situation and conditions will have changed completely and **the topic of ESG implementation will be significantly strengthened.**

It is expected to have a significant impact on overall decisions in the company. There is a belief that ESG will directly dictate the management of the company. Linked to this is the expectation of increased administrative complexity, which will cause even greater burdens.

According to the companies, **efforts to eliminate emissions** will continue until climate-neutral production or operation of the company is achieved.

The increasing move towards circular economy will result in an overall reduction of waste, leading to zero waste generation.

Ensuring a sustainable supply chain will become a challenge primarily in retail, but also in the automotive and manufacturing industries. It is the functioning of these segments that will be most affected.

Finding and retaining qualified professional staff is a challenge even at this time. This is expected to be even more challenging in 2-3 years' time. The declining demographic curve is an important indicator that companies are currently facing labour shortages and that demand will grow in the future.

The eternal question of energy consumption becomes even more alarming. Companies want to develop, but at the same time they are aware of the need for more energy consumption. The dilemma could be solved by in-house **sustainable energy sources.**

- „Building a 5G network will be energy-intensive. We are faced with the question of how to be both sustainable and innovative.“ (Telecommunications)

Challenges will also include **maintaining staff awareness of the meaningfulness of ESG.**

Manufacturing sectors will need to be able to implement incremental innovations and new technological solutions in the running of the business.

Over a 10-year horizon, companies expect climate change to continue, with the decline in the demographic curve being reflected in the form of a huge labour shortage in the future. The consequences will be even more critical than today. There is a suggestion that a reengineered world will have a negative impact on people – the new generation will have problems with both discipline and patience, which may be a challenge for the next decade.

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