



**DO BUSINESS
SUSTAINABLY
WITH
VÚB BANK**

Handbook on ESG



VÚB BANKA

Intesa Sanpaolo Group

FOR ALL THAT COUNTS

www.vub.sk



The aim of this guide is to introduce you to the world of revolutionary changes known as ESG. Every crisis can be an opportunity, and climate change, like any other problem, has solutions. By becoming familiar with ESG topics, you'll be better equipped to navigate their increasingly significant impact on your business. Those who quickly understand how to operate sustainably will increase their chances of success.

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Jozef Kausich

CEO of VÚB Bank

VÚB became the first bank in Slovakia to declare its commitment to promoting sustainability and environmental protection. Three years ago, we published our Green Manifesto, which outlines our know-how on how to improve and develop our primary business so that we can motivate and support our clients in their efforts to act ecologically. Together, we can paint the economy green. For the past three years, we have been also honouring sustainability projects through the Atlas Environmental Award, and discussing approaches and solutions for developing strategies and action plans for sustainable operations, green financing, and positive social transformation with experts at the VÚB ATLAS Forum and VÚB ATLAS Talks.

I'm proud that we don't rely on empty words and plans but take concrete actions that show results. These actions are a testimony that, together with our parent group, Intesa Sanpaolo, we belong among the banks that consider the consistent adoption of ESG principles as the only path for financial institutions in the 21st century. Our Intesa Sanpaolo Banking Group is one of the leading companies in the world that set the largest ESG commitments.

Last year, we made significant strides in our commitment to facilitate the transition to greener and more responsible business and management for Slovak companies and municipalities. All positive changes require an initial investment, and they are now easier to reach with our new VÚB TERRA banking products offering a preferential interest rate, made possible thanks to the fund created for this purpose by our parent company, Intesa Sanpaolo. Companies and municipalities whose green projects meet the criteria supporting the practices of circular economy and sustainability in environmental areas can also get a preferential interest rate through the VÚB ENVIRO loan. Additionally, if they commit to achieving specific ESG goals in their loan applications, they can also get a preferential interest rate through the S-LOAN Sustainable Financing product.

I believe that we will not only motivate our clients, but they will also embark on the journey to sustainable business with us. We cannot relent in our common effort to think and act in favour of saving our planet and our future—not as a society, nor as companies and individuals.



WHAT IS ESG?

ESG stands for Environmental, Social, and Governance. It is a new concept created to build a business that is sustainable on multiple levels. It deals with societal areas that every organization must take into account to achieve long-term success in the market.

Environmental examines both the impact of firms on the environment and the impact of the environment on firms. It tracks their carbon footprint, water consumption in the production process, how product recycling is handled at the end of their useful life, but also what risks climate change poses to the business. It tracks not only the company itself but also takes into consideration its network of suppliers and buyers because they are also part of the business chain that gets the product to the end consumer.

Social focuses on how a company relates to its employees, clients, and the communities in which it operates. Caring for employees can take many forms, as exemplified by Tomas Bata, who built apartment buildings, hospitals, and schools for his employees. Of course, it also includes occupational safety, compliance with standards, financial remuneration, gender equality and the representation of women in leadership roles, or employment of people with disabilities.

Governance looks at how the company itself is governed. What is important is the degree of transparency and accountability in the management and accounting of the company, the fight against corruption and money laundering. It is an assessment of the structures and processes that manage and enable the control of the company. If companies are more transparent with investors and provide them with tools to respond to stakeholders' concerns, their value is higher.



All the above areas should be integrated into the organization’s strategy so that it creates value not only financially but also contributes to improving the environment and society in which it operates. Their role is to ensure sustainable development, a common plan for peace and prosperity for the people and the planet adopted by all United Nations Member States in 2015. At the heart of the 17 Sustainable Development Goals (SDGs) is the challenge to all countries to end poverty, hand in hand with activities that improve health and education, reduce inequality, and boost economic growth, all while tackling climate change and efforts to preserve our oceans and forests.

Although ESG objectives are often not in line with the financial efficiency of the business in the short-term horizon, most of the measures supporting the ESG have a stabilizing effect on business thanks to eliminating potential risks and identifying new opportunities, which makes it more resilient and efficient in the long term. **A proactive approach to ESG is essential for any company, and the faster companies start complying with it, the more positive effect they will experience.**

WHICH BUSINESS AREAS ARE GOING TO BE AFFECTED BY ESG?



The whole environment in which the company operates, by getting to know all its stakeholders and their requirements and needs better.



Strategies that need to be reformulated in depth, in particular

- identifying opportunities
- risk identification and management
- implementation of the new strategy and its regular monitoring



Production and processes



Working with people



Financial management, risk management, data and information management, and reporting



Procurement and facility management



Marketing

ESG AT INTESA SANPAOLO AND VÚB BANK

ESG has been among the key drivers of decision-making at Intesa Sanpaolo for a long time. Currently, Intesa Sanpaolo is the only Italian bank listed in the Dow Jones Sustainability Index and Corporate Knights 2021 'Global 100 Most Sustainable Corporations in the World Index'. Its ESG ranking score places it among the top banks according to Bloomberg and MSCI. It also ranked first in the ESG ranking of the Institutional Investor magazine in 2021. Intesa Sanpaolo aims to strengthen its leadership and has therefore included ESG as one of the cornerstones of its strategy, with specific activities in the following areas:



Unrivalled support for addressing social needs



Promoting innovation



Strong focus on financial inclusion



Accelerating the fulfilment of commitments to achieve zero net emissions



Continued support of culture



Client support and financing in the transition to sustainable business

How does VÚB Bank implement ESG?

We became the first bank in Slovakia to formulate and publish our commitment to protect biodiversity and promote the green economy in the form of our [Green Manifesto](#). In line with this commitment, we strive to reduce the environmental impact of our buildings, fleet and operations, travel, product procurement, and waste management. We also reduce the consumption of material inputs such as paper or packaging materials and the consumption of energy from non-renewable sources.

We want to continue to lead by example. After a comprehensive analysis of our CO2 emission sources, we identified various technological and non-technological measures to reduce and compensate for them. To motivate our clients to join the green change, we plan to become a climate-neutral bank by 2030.

Over the span of two years, the VÚB Foundation has distributed more than 100 thousand euros through the first green grant program—Envirogrants. We have also awarded the ATLAS prize to 43 winners, including NGOs, municipalities, companies, and individuals, for their activities in the field of biodiversity conservation, launching the green economy in regions, education, or green innovations.

WHY SHOULD AN ENTREPRENEUR TAKE AN INTEREST IN ESG?

1. Customer expectations

The society-wide demand for responsible business has been present for decades, but its importance in recent years has significantly risen. Climate change is already affecting the lives of millions of people, and the influence of public opinion, especially among the younger generation, will put more pressure on the perception of the importance of this issue:

- Within the framework of various societal topics, the protection of the environment is among the top 3 most important ones for 60% of the population—second only to the topic of quality and accessible healthcare. Among young people up to 24 years of age, the green topic clearly comes first.
- Overall, more than 90% of the population in Slovakia is aware that the changes in the Earth's climate over the last century are mainly caused by humans and human civilization; 85% think that the problems of climate change need to be addressed immediately.
- Consumers rate separation and recycling of their own waste, planting trees and greenery, saving water, reducing the use of plastics, and saving energy as the green areas they expect companies and brands operating in Slovakia to focus on the most.

(Source: Green Marketing in Slovakia 2021, Quantitative online survey, June 2021, Go4insight)

Around half of Slovak consumers say that corporate responsibility is important to them when making purchasing decisions. According to a survey conducted by Ipsos for Visa, up to 62% are willing to pay for it. The survey showed that climate protection, a conscious approach to managing natural resources, and activities supporting local communities have become widely accepted principles of a responsible life. As many as nine out of ten Slovaks want to play an active role in protecting the environment.

(Source: www.banky.sk)

Although it will take some time for entrepreneurs to be affected by expected legislative requirements and regulations (more in a separate chapter), those who supply their products to subsidiaries of large international companies have little time left. **Large international companies with many subsidiaries around the world are well ahead of the curve on ESG and are often actively 'vetting' their suppliers according to their own standards and criteria.** Indeed, many companies will be required to report on their ESG activities and impacts starting in 2024. As a result, they will also need their suppliers to provide data or meet ESG criteria.



A company from northern Slovakia gets luxury cars moving

Renowned foreign companies already demand compliance with strict ESG criteria even from their smaller suppliers. An example of such a supplier is Slovak company Avex from Orauská Lesná, which produces components for luxury automotive brands such as Mercedes, BMW, Land Rover, Audi, and Volkswagen. It also produces modules for television receivers and loudspeaker systems for the legendary Bang & Olufsen brand. As part of our 'Green Bank' project, Avex has acquired the prestigious VÚB CE Plafond international certificate for the implementation of a significant investment project involving SMT production lines that manufacture rechargeable equipment for hybrid and electric cars. The aim of the certificate is to support investment projects that achieve savings of energy, material, and other resource.

However, **customers have expectations** regarding not only the environmental aspect of ESG but also **transparency in the management and accounting of the company**, as well as their efforts to combat corruption. The **employees' view of their company** is also an important factor. It has been confirmed that a 'responsible' company is more attractive to employees, and they display a much higher level of loyalty to it when it is perceived as such.

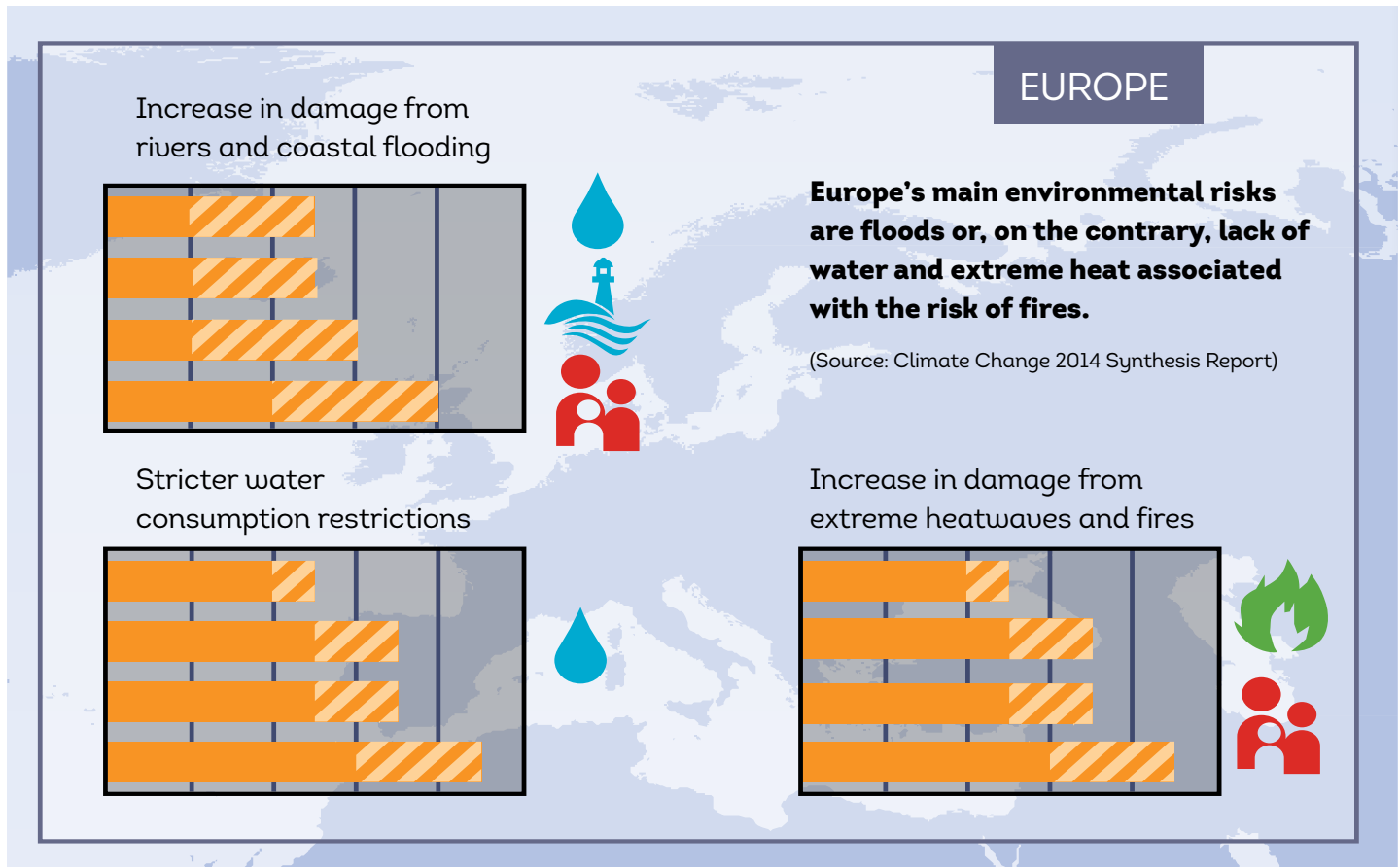
2. Eliminating climate risks

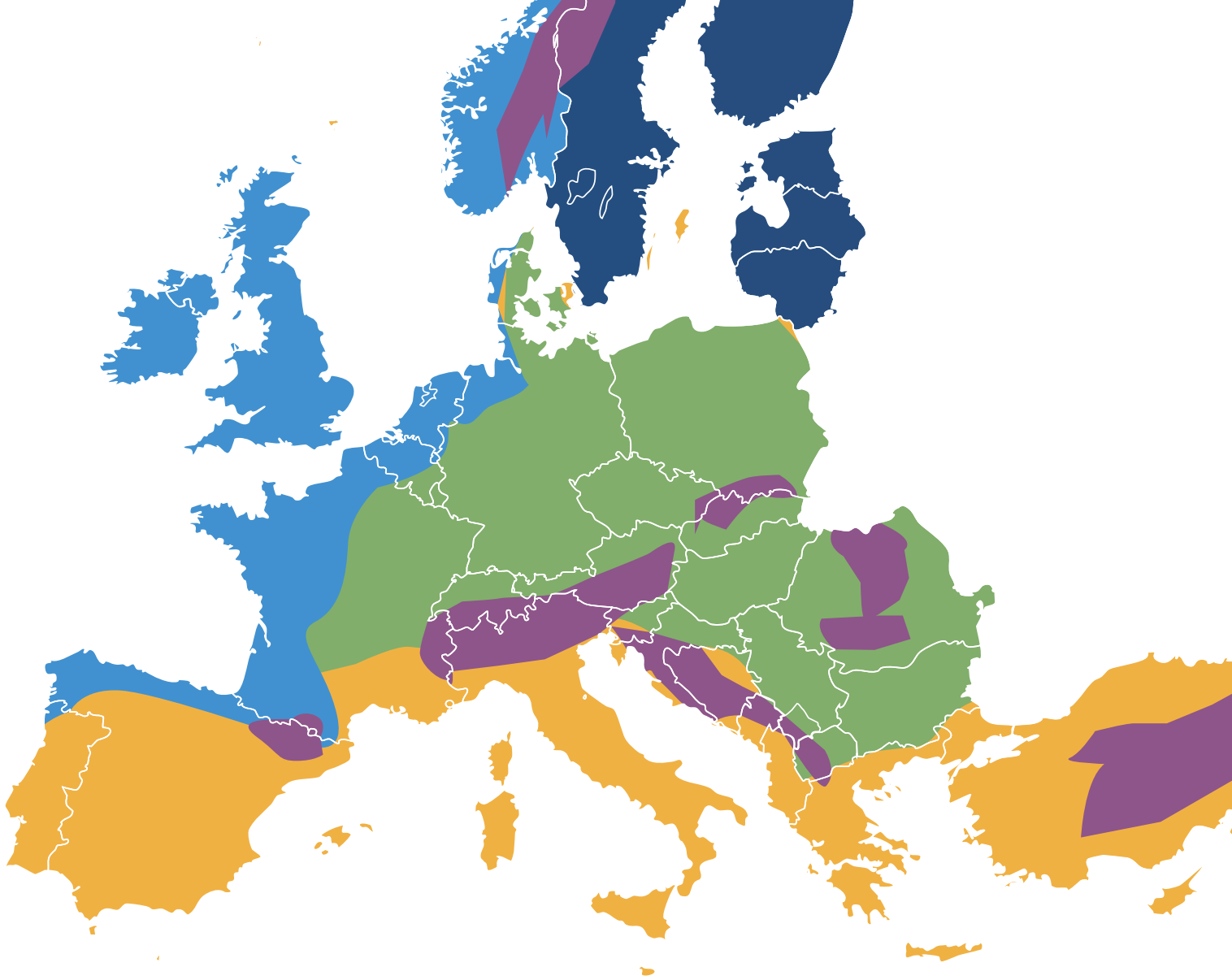
Climate change brings along risks that will significantly affect business. According to the Standard & Poor's agency, as many as two-thirds of large global companies have at least one asset that faces a high risk of physical damage under the high-impact climate change scenario for 2050, with water and forest fires identified as the biggest risks. However, organizations are exposed to two types of risks in the context of climate change. Physical damage has to do with the direct impacts of climate change on the company or its customers, but the risks of transition associated with existing and expected regulatory tightening, together with the necessary technological transition to a low-carbon and circular economy, are equally important.

Physical hazards are associated with temperature, wind, water, and soil; they can be acute or chronic, have varying presence in different parts of the world, and some are strongly local in nature.

	temperature-related	wind-related	water-related	soil-related
acute	heat waves, cold waves, fires	cyclone, hurricane, typhoon, extreme storms (including lightning and dust/sandstorms), tornado	long periods of drought, extreme precipitation, flooding (coastal, riverine, land-based), glacial lake outburst	avalanche, landslides
chronic	air and fresh/sea water temperature change, extreme heat, significant temperature changes, permafrost thawing	changes in wind conditions and currents	change of season and type of precipitation (rain, hail, snow/ice), rainfall intensity and/or hydrological situation, lack of water, rise of sea level, brine penetration, ocean acidification	coastal erosion, soil degradation, soil erosion, landslides

Source: [200309-sustainable-finance-teg-final-report-taxonomy-annexes_en.pdf](#)





Mountainous regions

- Temperature rise above European average
- Reduction in the extent and volume of glaciers
- Shift of plant and animal species into higher regions
- High risk of species extinction
- Increasing risk of forest pests
- Increasing risk of rock falls and landslides
- Changes in water energy potential
- Decline in ski tourism

Continental regions

- Increase in heat extremes
- Decrease in summer precipitation
- Increasing risk of river flooding
- Increasing risk of forest fires
- Decline in the economic value of the forest
- Increase in energy demand for cooling

Transition risks are those that relate to financial losses that may result from the company's adjustment process to a lower carbon economy and long-term sustainability.

Political situation

- government regulations adopted in the context of climate change
- resource protection policies
- switching to renewable energies
- public subsidies

Investor sentiment

- increasing pressure from NGOs and environmental groups
- competition pressure
- reassessment of investment decisions

Technology

- saving and storage of energy
- low-carbon transport
- increased use of non-fossil fuels
- other technologies that reduce the emissions of greenhouse gases or increase climate resistance

Consumer preferences

- a more climate-friendly consumption model
- positive environmental impact
- changes in values
- ethical practices
- the impact of policies and prices

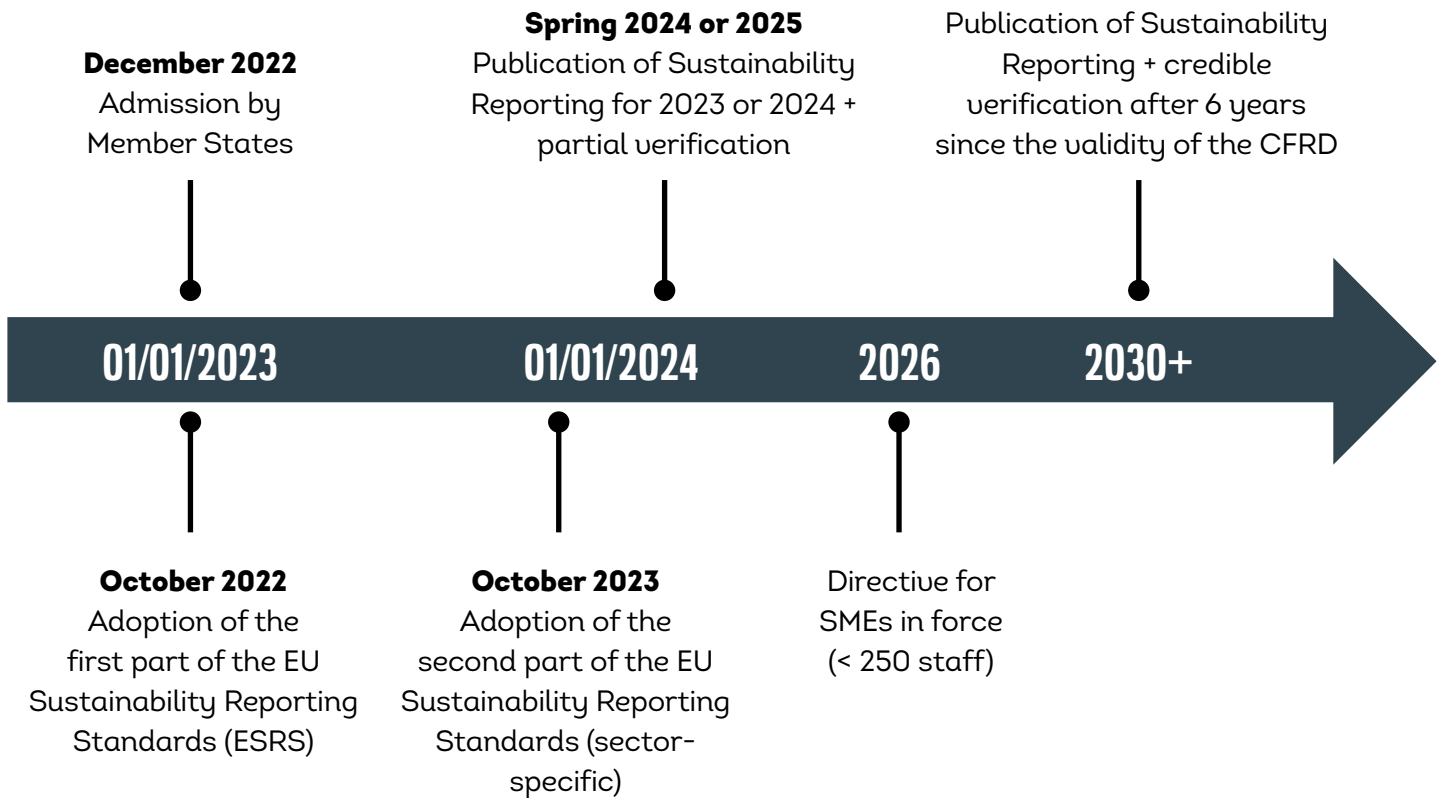
Climate change poses a financial risk to the entire global economy. To meet the financial markets' need for clear, comprehensive, and high-quality data on the impacts of climate change, which include opportunities as well as risks, the Financial Stability Board has established a Task Force on Climate-Related Financial Disclosures ([TCFD](#)). Its reports are an important source of information that influences the decisions of many international institutions and governments.

Management of various types of risks, their consideration in the business strategy, and their continuous monitoring and reporting are becoming critical for the future of any company. Given the cross-cutting nature of ESG and climate-related risks, it is important that they are considered in the context of the whole business and not as a risk, challenge, or project to be tackled separately.

3. Legislative requirements

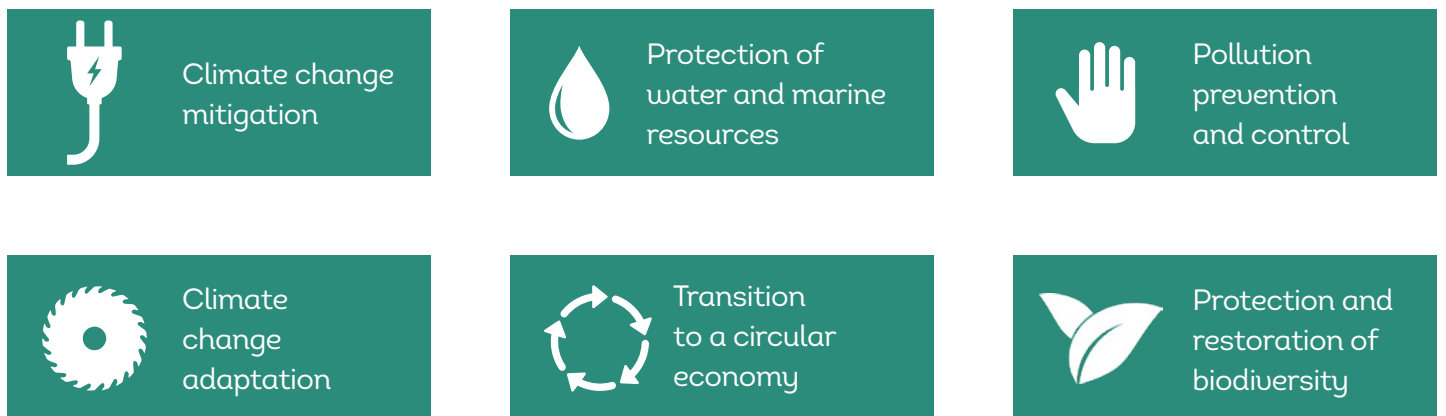
Uniform rules and a high degree of standardization and transparency of data are needed for the massive expansion of sustainable business that the EU is planning. Although Europe is one of the most advanced jurisdictions in this area, ESG is still a live and evolving topic.

The emerging EU Taxonomy is the first classification scheme of its kind to include specific technical criteria for various economic activities, where these can be qualified as environmentally sustainable.



According to the EU Taxonomy, these are the characteristics of an environmentally sustainable activity:

1. It makes a significant contribution to improving one of the six environmental objectives:



As of now, criteria for 2 objectives are published: reducing emissions of and stabilizing the levels of heat-trapping greenhouse gases in the atmosphere (‘mitigation’) and climate change adaptation.



2. It follows the 'Do No Significant Harm' or 'DNSH' principle, which means that it does not significantly contribute to the deterioration of the remaining environmental objectives.

3. It also follows the so-called Minimum Safeguards, meaning that the activity under consideration must respect fundamental human rights and the standards for working conditions set out in international conventions or internationally recognised principles and guidelines for responsible business conduct.

For an activity or project to comply with the EU Taxonomy, it must meet all the above criteria.

For an activity or project to comply with the EU Taxonomy, it must meet all the above criteria. Do not make the mistake of seeing ESG as just another unnecessary administrative requirement of the state, but as an opportunity and a necessity for your business. The sooner you switch from ,have to' to ,want to', the more successful you will be in your business.

Get ready for obligatory non-financial reporting

Many companies undergo annual financial reporting under current legislation. These obligations are now extending to non-financial reporting as well. The exact rules are set out in the EU Non-Financial Reporting Directive (NFRD), which currently applies to large public-interest entities with more than 500 employees. This covers around 11,700 large companies and groups across the EU, including listed companies, banks, insurance companies, or other companies designated by national authorities as public-interest entities. These companies publish data on their conduct concerning environmental and social issues, the treatment of their employees, respect for human rights, the fight against corruption and bribery, and diversity on company boards in terms of age, gender, education, and professional background.

These rules will gradually apply to most companies, as those with more than 250 employees will have similar obligations starting in 2023, and smaller companies will follow from 2026. The rules will be governed by the new Directive on Corporate Sustainability Reporting Data (CSRD), which is expected to enter into force in the EU in 2023. The first to be obliged to follow the directive will be publicly traded companies and companies meeting at least two of the three criteria:

- a net turnover of at least EUR 40 million,
- more than 250 employees,
- assets on the balance sheet exceeding EUR 20 million.

In addition to the reporting requirements already in place, these companies will have to provide information on strategy, governance, resilience, and data concerning their future, such as targets and delivery. The first reports under the CSRD are expected in 2025, covering the 2024 period.

Prvé zverejnenia podľa CSRD sa očakávajú v roku 2025 za obdobie 2024.

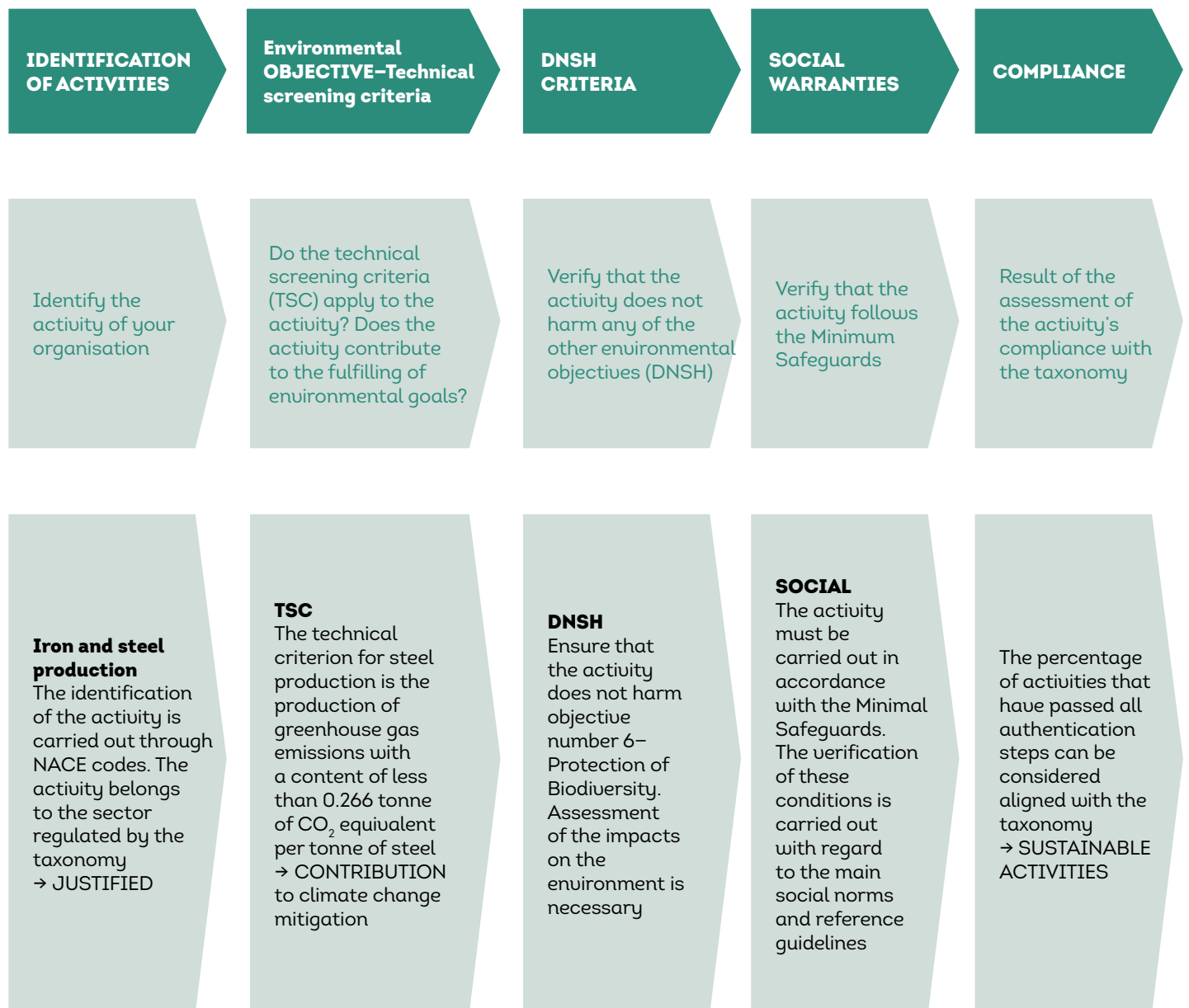
Get inspired by the [SmartHead](#) platform, which brings together companies dealing with corporate social responsibility and responsible business activities. You can also take a look at [Intesa Sanpaolo's non-financial report](#) or search the [database for an inspiring report from your industry](#).

The disclosure of non-financial data must be based on the principle of double materiality, meaning companies must disclose information that is significant from both a financial and non-financial perspective. This includes not only their environmental impact, but also the environmental impact on the company, especially related to climate change. Companies can choose from a number of standards to use for publishing their data.

Additionally, the regulation specifically requires the disclosure of several quantitative indicators, such as the proportion of income from taxonomy-related activities, the share of capital expenditure as part of the plan for achieving sustainability, or the share of operating costs associated with activities aligned with the taxonomy. This must be complemented by relevant qualitative information on policies and procedures, such as the accounting policy for determining indicators, the process for verifying compliance with the taxonomy, and verification of DNSH and the Minimum Safeguards, for example.

Example:

The EU Green Taxonomy: A practical example of determining compliance with the EU Taxonomy within the area of iron and steel production



Sector-specific regulations are a separate chapter. One well-known example is the ban on the sale of cars with internal combustion engines, which the European Union has agreed to implement from 2035. However, businesses will be much more affected by the **ESG obligations for banks, as they will have a direct impact on lending conditions.**

What will banks require from businesses in relation to ESG?

- transparency, reliable measurement, and reporting in line with standards up to the level of individual activities (according to the NACE classification of the company's activities) and business locations;
- implementation of sustainable behavior policies;
- setting objectives in ESG areas, with key indicators including carbon reduction, ESG scoring margin adjustment, the proportion of employees covered by a certified safety management system (ISO 45001 or 39001) within the total workforce, and gender diversity;
- the formalization and publication of internal policies and social commitments (code of ethics, ISO standards, policy to respect and uphold human rights and fundamental freedoms, promoting diversity and equal opportunities, supporting skills development, or career development of employees);
- implementing change and achieving objectives.

When embedding ESG principles within a company, it is important to avoid a situation where declaring accountability becomes more important than accountability itself. The risk of so-called greenwashing, where rhetoric overtakes actions, can do your company more harm than good, and in some areas, it is already a criminal violation of legislation. More information can be found [HERE](#).

Source: internet



4. Access to Financial Resources

Transforming a business in the context of ESG is not inexpensive. Although the associated projects and investments provide greater business stability and sustainability, their cost yields a longer-term economic return. Governments, including the European Union institutions, are aware of these circumstances and thus support companies that invest in improving ESG ratings through favourable financing and guarantees. Meeting ESG objectives is backed by the EU, the government of the Slovak Republic, as well as supranational institutions and investors themselves. The EU's Recovery and Resilience Plan is assisting in achieving its 2050 climate neutrality target and propelling Europe towards digital transformation by creating jobs and stimulating growth in the process. Financing is secured through several mechanisms, including grants and loans (e.g., structural funds for national [recovery plans](#), the Recovery and Resilience Facility (RRF), Horizon Europe).

It's a huge opportunity to transform the pan-European economy

Banks are, of course, a key source of finance for companies and thus play one of the most important roles in supporting the EU's carbon neutrality objectives. New sources of funding are emerging, which will require ESG documentation. ESG scores will also soon become part of the assessment of a client's creditworthiness when applying for financing.

The use of these concessional financial resources is an opportunity that may not repeat itself.

Investment resources are a separate chapter. The increasing popularity of ESG funds over standard stock or index funds demonstrates the strong resonance of environmental and responsible business topics with the investor community. It is projected that over half of investments will be in companies that adhere to ESG criteria within 5 years. ESG fund managers perform detailed analyses of individual companies' ESG criteria, which can either deter investment in financially attractive businesses or support environmentally beneficial and sustainable ones. **ESG provides an opportunity to access more favourable financing, enabling companies to progress faster** than if they relied solely on their own resources.

FUNDING OPPORTUNITIES FOR ESG PROJECTS

The idea of sustainability and environmental protection is now a permanent part of VÚB Bank's and the entire Intesa Sanpaolo group's business strategy. This involves providing preferential funding for projects aimed at achieving ESG objectives, as well as general funding for companies committed to and meeting ESG targets. VÚB Bank collaborates with reputable ESG partners and offers consultations on specific solutions.

VÚB introduces responsible VÚB TERRA products for companies and municipalities, which enable them to use banking services that are friendly to our future.

These products focus on improving the environment, social support, and transparent and fair corporate governance. The products are divided into three ESG areas:

TERRA ENVIRO

promoting sustainability in the environmental sector

If your project meets the established criteria supporting circular economy practices or the criteria of the green framework, you can receive a preferential interest rate through the **VÚB ENVIRO loan for promoting circular economy and green projects**. To qualify for concessional funding, you need to meet some of the following criteria:

→ **circular eligibility criteria, such as**

- the use of renewable or recycled resources,
- increased efficiency of resource consumption,
- products that can be fully recycled or composted,
- innovative technologies enabling circular business models,
- solutions that extend product life/use cycles of goods and/or materials,

→ **green criteria, such as**

- generation and transmission of renewable energy,
- energy efficiency of production processes and buildings,
- sustainable management of natural resources and soil biodiversity.

If you commit to achieving specific ESG goals, such as implementing a green procurement policy, achieving carbon neutrality, reducing water consumption, or increasing energy efficiency, you can also receive a discounted interest rate through our **S-LOAN Sustainable Financing** product.

COMPANY NAME

has successfully met all requirements and has confirmed


Circular Economy Plafond funding

In witness whereof, we have subscribed our signatures to this declaration.



Andrej Vicenik
Head of Corporate and Member of the
Board of the directors in VUB bank

Date



Luigi Eugenio Riccardo
Head of Circular Economy Desk
Intesa Sanpaolo Innovation Center

A certificate of investment in sustainability awarded to companies by VÚB Bank and Intesa Sanpaolo.

TERRA SOCIAL

promoting sustainability in the social field

Companies can also receive a discounted interest rate through the **S-LOAN Sustainable Financing** product when they commit to multi-year financial support for the implementation and promotion of activities dedicated to the benefit of society as a whole, such as volunteering, charity, donations to non-profit organizations, support of local associations, provision of free professional training for disadvantaged people, and more.

TERRA GOVERNANCE

promoting sustainable management

Companies can receive a discounted interest rate through the **S-LOAN Sustainable Financing** product if they commit to creating a fund of a certain amount for the development of company programs to increase employee satisfaction, such as supplementary pension programs, employee gym memberships, facilitating the use of public transport, and more. For more detailed information, please visit [S-LOAN Sustainable Financing](#) or [VÚB ENVIRO Loan for promoting circular economy and green projects](#).



The later we all start taking the environment seriously, the more it will cost us and our children, the higher the risk we will have to undergo.

In addition to its own products, VÚB Bank can offer third-party products such as financial resources from the European Investment Bank (EIB) in Luxembourg or the European Bank for Reconstruction and Development in London (EBRD).

EBRD currently only offers guarantee programs, but we anticipate the creation of new resources. The **financial resources currently available are from the EIB's** credit line, which are used to finance loans in corporate and public (state and municipal) sectors, with preferential interest rates. As of now, VÚB Bank has a line of credit with resources available until the end of March 2023. A new €50 million line is also in the pipeline, with the approval process currently underway at the EIB. The availability of these financial resources is expected in early 2023.

From the ESG area, the EIB line can be used for financing:

- **green loans** for the extension and renewal of networks (electricity, gas, water), renewable energy sources (solar, hydro, wind, geothermal, etc.), energy efficiency projects (renovation of buildings, modern lighting systems, cogeneration units, etc.), environmental protection projects against natural disasters, mitigation of the consequences of natural disasters, economic management of water resources, wastewater treatment, waste disposal, etc;
- **social loans** for community care, day-care centres for disabled children and adults, care for the elderly, construction of homes for the elderly, home assistance enabling the elderly and disabled people to live independently.

HOW WILL ESG AFFECT LOCAL GOVERNMENTS?

Cities and municipalities are responsible for a range of areas within their own or devolved competencies. Sustainable management in local governments and the organizations they create is therefore an essential part of responsible management of cities, municipalities, and self-governing regions (VÚCs).

Emphasis is placed on **environmental protection** and resource conservation, such as reducing energy consumption in municipal buildings, school facilities, leisure centres, social facilities, cultural facilities, and public lighting. The potential for measures leading to energy savings is huge. The current rise in energy and utility prices will undoubtedly be an important incentive for faster deployment of comprehensive energy-saving measures and other sustainable measures.

Another important area for municipalities is **waste management**, which should not only focus on standard municipal solid waste landfilling but also on circular waste management, such as separating and reintegrating materials into the production process. Municipalities can invest in energy-saving projects from several sources, with the favourable VÚB TERRA loans being one of the most accessible. ESG criteria will be considered not only for the project itself but also in the selection of suppliers, where preference will be given to certified companies that take into account ESG principles.

See for yourself

[Action plan for the transformation of the coal industry in the Horná Nitra - Prievidza region.](#)





WHERE TO FIND OUT MORE?

As a bank, we want to contribute by reducing energy consumption of buildings and equipment, modernizing operations and production using renewable energy sources, and supporting financing options for cost-saving and sustainable projects. We openly discuss the importance of these topics at the VÚB ATLAS Forum, a platform for those who have decided or are deciding to walk the path to sustainability. We exchange approaches and solutions for developing strategies and action plans for sustainable operations, green financing, and positive social transformation. Sharing ideas, solutions, and practices that could contribute to the creation of a green, smart, and fair future for all is necessary.

We are continuing with VÚB ATLAS Talks, a panel discussion format where experts approach the issue of energy self-sufficiency not only at the level of Slovakia as a country but also discuss effective use of funding from the Recovery Plan or European funds. Take inspiration from the views of market players who want to use this situation as an opportunity for a long-term solution to their energy (non-) efficiency. If you are interested, we will be happy to welcome you at the next conference.

HOW TO ESG?

STEP ONE AN ESG ANALYSIS

Business

- Do you know your SK-NACE code? Double-check it at www.finstat.sk.
- Does your business segment have a high carbon footprint?
- Are you offsetting your CO2 emissions?
- Who is your benchmark?
- Who in your segment is most responsible?
- What innovations are happening in your segment?
- What waste does your product generate?
- How are the demands of your stakeholders changing?

Production

- Can you use recycled or renewable production materials?
- What are the opportunities for automating and streamlining processes with a focus on reducing energy consumption?
- What is your carbon footprint?
- What is the ESG score of your subcontractors?
- What are your options for potential suppliers? Are there any local suppliers closer to you?
- How do you manage waste?

Operation

- Analyze your expenditure or get an energy audit of your buildings.
- What are the opportunities for energy savings?
- What is the carbon footprint of your transport?

Staff

- Do you have a code of ethics?
- Do you support diversity and inclusion?
- What is the proportion of women across the organization and in management positions?
- What is the employee turnover? What causes it?
- What non-financial motivation tools do you use?
- What social program would interest your employees?
- Do you reward innovative ideas?
- Health care, daycare, housing.

Governance

- What communities do you know in your area?
- Which ones are you working with?
- Do you have clearly defined rules for accepting or giving donations? What are the control mechanisms?
- Do you disclose reports by law or voluntarily? Do they include non-financial indicators, plans, objectives, and their fulfillment?



STEP TWO IT CALLS FOR AN ESG PLAN!

How to make it work?

- Based on the findings of the ESG analysis, select the areas you need to address and set specific and measurable goals.
- Create a team and appoint responsible persons.
- Even if you bring in outside experts to help, involve employees in its creation, which will significantly increase its acceptance across the company.
- Break the plan down into smaller, separate projects that need to be detailed and analyzed for their financial impact.
- Set a timetable and go step by step.
- Analyze the plan regularly, measure interim results, produce reports, and make improvements.

STEP THREE GO THROUGH YOUR OPTIONS WITH VÚB BANK

If you have come across solutions during your analysis that could make your business more efficient but require investment costs, please, feel free to contact us. We cooperate with reputable partners in the field of ESG projects, and we can arrange consultations on specific projects. Together, we will find ideal solutions, including advantageous ESG financing sources that will quickly prepare your business for a sustainable future.

ESG GLOSSARY

The most common terms and abbreviations you will encounter

Circular Economy – An economic system in which product design considers its whole life cycle, including recycling. The aim is to consume fewer primary resources in production and use sustainable and renewable resources while consuming as little energy as possible. The individual components of the product are designed to be reusable, repairable, editable, or recyclable, and where necessary, biodegradable.

Covered Bonds – Debt obligations issued by banks to raise long-term funding for long-term loans. Their advantage is that they offer double protection to the holders: if the issuer fails, the bondholder has a direct and preferential claim on certain earmarked assets (underlying cover assets) and, at the same time, an ordinary claim on the remaining assets of the issuer.

CSRD – The 'Corporate Sustainability Reporting Directive' is set to enter into force in the EU in 2023. It modifies the previous Non-Financial Reporting Directive (NFRD), extends the range of undertakings with an obligation to disclose information, and increases claims on the content of the disclosures by defining standards. The first disclosures under the CSRD are expected in 2025 for the period of 2024.

DNSH – 'Do No Significant Harm' is a basic rule of the EU Taxonomy.

ESG – Abbreviation of Environmental, Social and Governance. It is a new concept created to achieve sustainable business from multiple perspectives. It addresses societal areas that every organisation must take into consideration for long-term successful market operation.

ESG Rating – This rating is assigned by a professional rating agency or a verifier after the fulfilment of the set criteria. It evaluates the functioning of a company/fund or a country in terms of ESG sustainability.

ESG/SRI Funds – Investment funds that take ESG criteria into account. The funds hold shares in ESG companies, ESG bonds, or other ESG products. SRI is abbreviation for Socially Responsible Investing or, but the acronym ESG is more often used to refer to such investment. Classification of investment companies is to help investors navigate the product selection process and get information about the company that is related to its performance and environmental impact, with social policy and governance. Investing in such companies brings companies the capital they need to operate sustainably and responsibly, and investors the opportunity to participate in improving sustainability.

ESRS – 'European Sustainability Reporting Standards' are standards being developed for sustainability data reporting according to the CSRD. Similarly to financial reporting, they represent a set of indicators and fixed rules for their calculation and disclosure. After the CSRD takes effect, non-financial reporting in accordance with these standards will be mandatory and subject to mandatory certification.

EU Ecolabel – Existing voluntary environmental scheme of the European Union which applies to any goods or services supplied for distribution, consumption, or use on the European Community market and allows you to get and use this label.

EU Taxonomy – Uniform classification system in the EU Member States, laying down a list of environmentally sustainable economic activities. Its task is to classify business activities as sustainable and curb greenwashing.

Green Bonds – Debt securities issued to raise capital for projects that reduce climate risks.

Green Mortgages – Green mortgages allow borrowers to buy sustainable buildings or renovate an existing building to be more environmentally friendly, provided that they meet certain environmental criteria.

Greenwashing – Practices that create the impression that the presented financial product takes ESG factors into consideration, while, in fact, it does not.

NFRD – ‘Non-Financial Reporting Directive’ is the current legal modification of non-financial reporting in the EU (from 2018). These companies are already obliged to disclose information about their activities and their management of social and environmental issues.

SDG – ‘Sustainable Development Goal’. The seventeen sustainable development goals adopted by the UN in 2015 introduced a new universal development standard that has all the planet’s inhabitants in mind.

SFDR – ‘Sustainable Finance Disclosure Regulation’ is a European regulation that lays down rules for transparency in incorporating ESG risks and considering adverse impacts on sustainability and provision of data on sustainability in the financial sector.

SK NACE – Statistical Classification of Economic Activities used to categorise the activities of economic entities. Firms are categorised into categories according to the main activity they are devoted to. Based on this categorization, economic statistics on workers, data on inputs and outputs, capital formation, or data on the financial transactions of individual categories of entities are formed. Information on the SK NACE is available, for example, at www.finstat.sk, where you can access financial and legal data about companies in one place. This code is important in the application of the EU Taxonomy or in reporting.

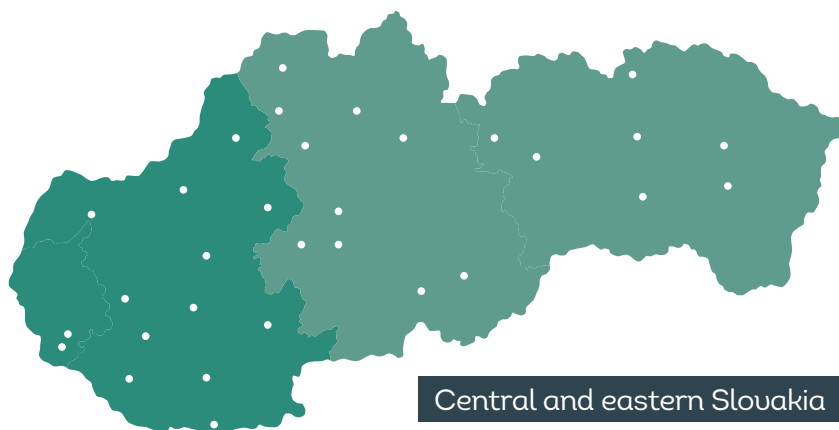
Social Bonds – Debt securities issued to raise capital to invest in projects that address societal problems and contribute to improving social life. This can be a broad field, e.g., funding for health projects (hospitals, health centres, senior residences), education (kindergartens, elementary schools, etc.) or rental housing.

Sustainability Bonds – A combination of green and social bonds. These are debt securities issued to finance business projects that reduce climate risks and create social value.

TCFD – ‘Task Force on Climate-Related Financial Disclosures’ is a working group created by the Financial Stability Board (FSB) to improve the reporting of financial data, driven by the fact that climate change poses a financial risk to the global economy.

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Bratislava and the western Slovakia



- Teams of corporate banking specialists are ready to assist clients and provide comprehensive financial services
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Laura Martonová

ESG Specialist

Our world is facing its greatest challenge: the climate crisis in the form of global warming, non-renewable resource depletion, irreplaceable loss of biodiversity, waste accumulation, and problems with drinking water. These problems are already causing extreme damage today and will almost certainly cause unimaginable problems in the future. The longer we wait to take the environment seriously, the more it will cost us and our children, and the higher the risk we will face.

Blaming others at this point is a distraction and avoidance of responsibility. Each of us can contribute by taking action and making the world a better place. We can't rely on others, so the future remains in our hands—in the hands of consumers and businesses. At VÚB, we bet on the future several years ago and proudly hold the title of Green Bank. Thanks to our parent company, Intesa Sanpaolo, one of the strongest financial groups in Europe and a leader in this area, we have been able to do this. We support and encourage responsible clients in their green thinking and transformation towards a sustainable way of life and a green economy. We were the first to introduce both green mortgages and green loans for individuals, municipalities, and companies.

**FOR ALL
THAT
COUNTS**

