

CORPORATE SUSTAINABILITY AND RESPONSIBILITY MANIFESTO

ESG, encompassing environmental, social, and governance factors, is increasingly embraced by companies for operational management and by investors for informed decision-making. This broader adoption emphasizes the corporate sector's pivotal role in advancing sustainable development and facilitating the shift towards environmentally-conscious practices.

Simultaneously, substantial regulatory efforts, both on local, European and global scales, are already reshaping market dynamics. An array of public policies related to sustainable finance, circular economy, supply chain responsibility, and climate action, either enacted or under consideration, are placing heightened and rigorous expectations on companies engaged in the European market. The majority of the currently binding provisions trace back to established best practices and voluntary norms that have been universally implemented for a decade. In this sense, companies with previous experience are in an advantage, but aware that the prevailing circumstances are dynamic and demanding, necessitating ongoing reflections and adaptations.

Ultimately, these regulatory endeavors primarily aim to exert a targeted influence on capital and credit markets, particularly concerning the assessment of ESG risks. With the influx of capital from more developed markets, various methods of ESG evaluation have already been integrated into project-based financing within Serbia. Nonetheless, the proportion of financing directly tied to ESG performance is anticipated to grow in the years ahead.

Market regulators are also encouraging companies to improve their corporate ESG disclosure to the benefit of investors and other stakeholders. While the new Directive on Corporate Sustainability Due Diligence (DCSDD) aims to foster sustainable and responsible corporate behaviour across the whole value chains anchoring human rights and environmental considerations in companies' operations and corporate governance, the new Corporate Sustainability Reporting Directive (CSRD) introduced comprehensive European Sustainability Reporting Standards (ESRS) becoming effective in 2024, in order to improve overall quality of disclosed ESG information.

In Serbia, existing practice of voluntary disclosure of ESG information established by sustainability leaders is reinforced by the mandatory non-financial reporting provisions as stipulated by Law on Accounting. This obligation

is applicable to large companies with over 500 employees starting from reports for calendar 2021. Nevertheless, it's crucial to recognize that crafting a non-financial/ESG report should extend beyond mere legal compliance. It must evolve into a comprehensive process that not only fulfils regulatory requirements but also serves as a vehicle for pinpointing risks and opportunities, guiding sustainability strategies, and fortifying connections with stakeholders. To steer clear of overlooking critical impacts and to prevent accusations of greenwashing, as well as to ensure a comprehensive grasp of the pivotal ESG factors and their significance to stakeholders – including the foresight to recognize their potential as risks or opportunities – the cornerstone lies in skilfully crafted materiality analysis and purposeful engagement strategies with stakeholders.

The evolution of legal obligations and the dynamic shifts in business models highlight the critical need for proficient professionals capable of navigating the multifaceted landscape of sustainability. This requirement encompasses a blend of technical expertise and adeptness in managing transformative change, all while recognizing the pivotal role of ESG governance. Nonetheless, as the race to meet ambitious emissions and pollution targets accelerates, there is a growing concern that the social dimension of sustainability, represented by the "S" in ESG, might inadvertently receive inadequate attention. To achieve a truly sustainable society, it is imperative to concurrently address social challenges alongside environmental and climate change issues. This holistic approach is fundamental in creating a balanced and enduring societal transformation.

While it's conventional to link ESG with risks, it is important to note that there also exists a multitude of opportunities. The map prepared by the United Nations Development Program (UNDP) in cooperation with the Government of the Republic of Serbia identifies some of the areas and models for investments in Serbia that contribute to the achievement of the Sustainable Development Goals (SDGs) and are in line with the national development needs and priorities of the Government of Serbia.

However, ranked 36th on Global SDG Index 2023, Serbia faces certain environmental and social challenges, needing state-led policies for sustainable economy in accordance with UN Agenda 2030 and European Green Deal. To progress and enhance societies, individual company and civil society efforts should be outlined in a clear vision and (Sustainable) Development Plan. In this regard, a society

wide-dialogue among Serbia’s non-state actors, including civil society, corporate sector, academic and research community, media, and the citizens, has been taking place under the “SDGs for All” Platform.

As the driving force behind economic growth, the business sector is uniquely positioned to help establish a more equitable, inclusive, and sustainable society. As this

realization gains prominence among enterprises and societal collaborators alike, there is a noticeable surge in corporate involvement, complemented by the emergence of impactful cross-sector collaborations. These initiatives are geared towards tackling urgent social issues, nurturing inclusiveness, and championing environmental guardianship – all while adhering to the most stringent ethical principles.

OUR COMMITMENTS

Believing that the business sector can play a leading role in driving economic growth, while fostering social inclusion and cohesion, as well as sustaining the natural environment, we remain committed to:

- sustaining the adoption of an adequate legal framework, which will enhance and stimulate sustainable and responsible business practices;
- establishing and fostering multi-stakeholder and cross-sector dialogue in addressing the most acute economic, social, and environmental issues;
- acting as best practice examples of good corporate governance and transparency in all aspects of doing business by promoting and practicing transparent reporting on social and environmental impacts, in accordance with EU comparative experience.