THE ROLE OF GOVERNANCE IN ACHIEVING ESG GOALS

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Erika Vitálošová is the Director and ESG Leader at PwC Slovakia. Her main areas of focus are consulting services related to ESG and sustainability topics, including the implementation of ESG reporting, compliance with related legislation, sustainability strategies and transformation, carbon footprint, and assurance on sustainability information.

During her 18 years at PwC, she has gained extensive experience in financial audit and accounting advisory for companies across different sectors. She effectively combines her knowledge of financial reporting with non-financial and topics and sustainability reporting.

She is active in promoting the ESG topics also as in educational activities on sustainability both internally and externally. She led the Slovak Chamber of Auditor's working group that developed the educational program in sustainability for statutory auditors. Erika is a statutory auditor and a governmental auditor. She is a member of ACCA and holds also the ACCA Certificate in Sustainability in Finance. She is the chair of the ESG Committee at AmCham Slovakia.

ESG and Sustainability have become increasingly important, now complementing traditional financial metrics like revenue or profit. The business community plays a key role in shaping the climate's future and societal prosperity. Therefore, companies must proactively set and achieve Environmental, Social, and Governance (ESG) goals by creating comprehensive strategies and action plans.

Effective governance is crucial to successfully implementing ESG strategies and achieving sustainability goals. As stakeholders demand better sustainability performance and disclosures, and as policymakers introduce new legislation, governance takes on an even more critical role. Embedding ESG factors into company strategy and business models, ensuring that sustainability objectives are both set and met, is now one of the core responsibilities—and challenges—of corporate governance.

Transitioning to a sustainable economy is not just a compliance issue; it is a strategic imperative. Companies that incorporate sustainability into their strategic decisions, operations, and value chains are better positioned for long-term success. Governance frameworks ensure these considerations are embedded in the company's core, driving long-term value creation and competitive advantage.

The board's leadership is vital in setting the direction for sustainability efforts. This involves aligning the company's strategy with ESG objectives, understanding stakeholders' needs, and managing ESG impacts, risks, and opportunities. Boards should challenge the status quo, review the company's strategy and viability, and ensure the business operates consistently. These changes may involve adapting products and services, decarbonizing operations, and investing in equitable work practices. For some companies, the required changes will be minor; for others, they will be transformational. ESG considerations must be tailored to each company's specific circumstances and sector characteristics. Leadership plays a crucial role in initiating and overseeing these changes.

Boards must understand how the company's activities affect people and the environment and how sustainability factors create risks and opportunities. Effective governance ensures these risks and opportunities are identified, assessed, and managed properly. This involves setting clear roles, ensuring accountability, and preventing greenwashing.

Engaging with stakeholders is a fundamental aspect of ESG governance. Boards must ensure that the company's operations align with stakeholder interests and expectations. This requires transparent communication, addressing challenges openly, and demonstrating how stakeholder feedback is integrated into decision-making. Effective efforts are both meaningful and impactful.

Addressing sustainability requires a diverse and skilled board. Boards should review their composition to ensure the right mix of backgrounds, personalities, and expertise is present to lead sustainability efforts. This may involve recruiting new members with specific ESG knowledge or providing training to current members. Aligning executive remuneration with ESG performance is a powerful tool for driving sustainability. Boards should establish ESG-based key performance indicators (KPIs) for executive compensation, ensuring that these incentives promote the company's sustainability goals.

Though ESG is not solely about reporting, high-quality ESG information is crucial for informed decision-making, setting priorities, and allocating resources. Governance frameworks must integrate sustainability metrics into overall governance, compliance, performance measurement, and corporate reporting frameworks. This includes conducting materiality assessments, leveraging internal and external audits, and ensuring disclosures are accurate, reliable, and meet regulatory requirements.

Governance structures and processes must be regularly reviewed and updated to address evolving ESG challenges and opportunities. Boards must stay informed about new regulations, best practices, and emerging risks. Continuous improvement in governance ensures that the company remains resilient and capable of navigating the complexities of sustainability.

To conclude, effective governance is the foundation upon which successful ESG and business strategies are built. Without the appropriate governance, companies will have significant difficulties achieving targets in environmental and social pillar. Governance ensures accountability, transparency, and ethical and informed decision-making, fostering trust with stakeholders and driving long-term value creation. By integrating ESG considerations into corporate governance, companies can better manage risks, seize opportunities, and achieve their sustainability goals. I hope this is, or will become, the goal not only of the AmCham Slovakia ESG Committee members — who are demonstrating their commitment to sustainability by actively sharing best practices and participating in events like the recent Festival of the Future — but also of the majority of companies in Slovakia.