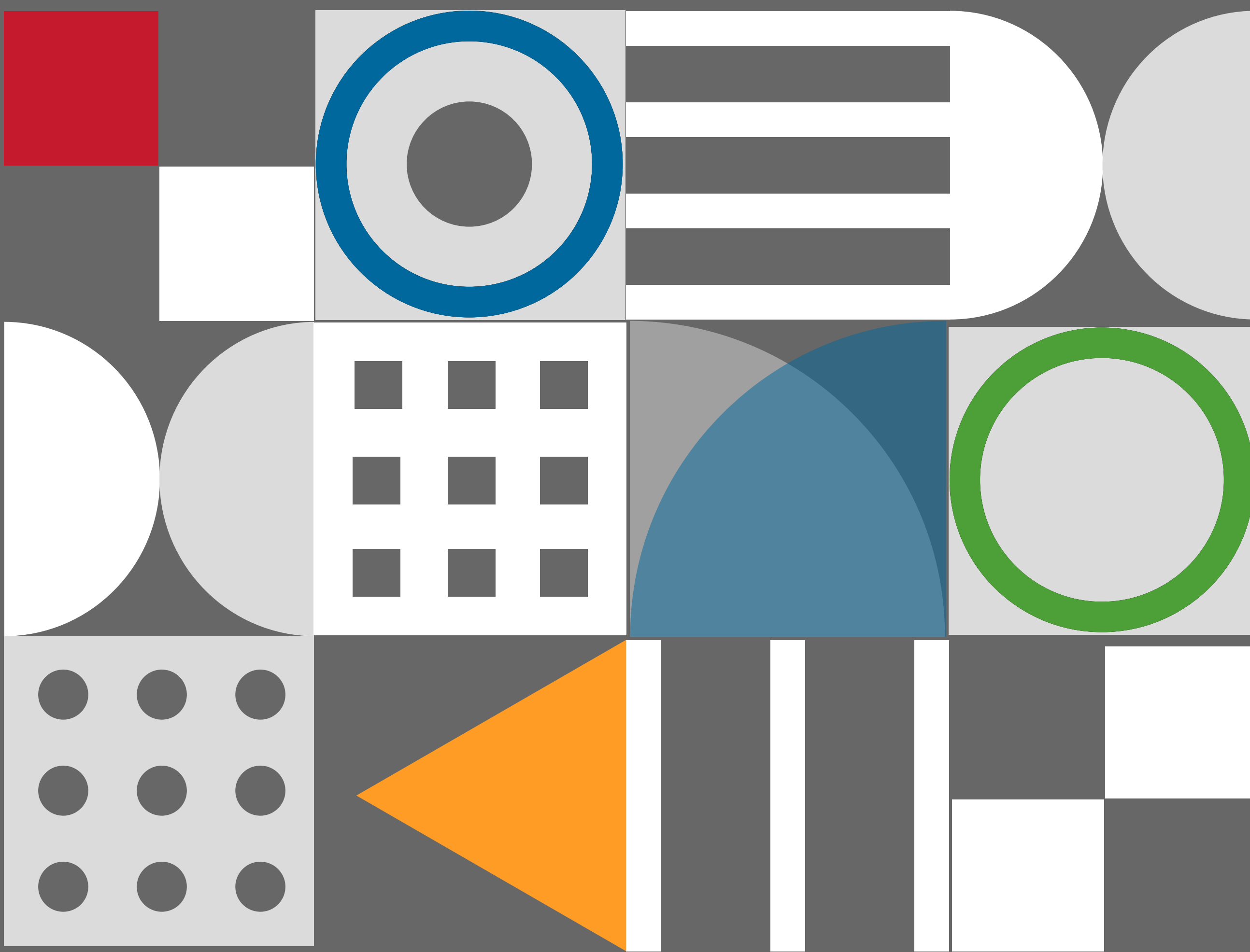
EMERGING EUROPE

# FUTURE OF EMERGING EUROPE

## Sustainability Report

2021/22



IN PARTNERSHIP WITH

GPW WARSAW STOCK EXCHANGE

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# Foreword

ANDREW WROBEL

Founding Partner
Emerging Europe

**International businesses and governments are becoming increasingly responsive to environmental, social, governance (ESG) requirements in order to increase sustainability and resilience and respond to the world's challenges.**

It is becoming a prominent theme for institutional investors to hold the companies they back to higher standards than ever before. Other drivers — a broader shift among capital providers, regulation, societal debates and reputational concerns — also contribute to raising awareness about the need to push towards a greener and more inclusive future.

While emerging Europe countries have been slower to react and there are no mandatory requirements to date, major progress has been made in recent years and the countries are bound to make further progress.

In order to trigger more discussions about sustainability and sustainable development in the region, in 2018, Emerging Europe launched the Future of Emerging Europe programme, an ongoing initiative to increase awareness and understanding of ESG principles. Its goal has been to strengthen the organisation's focus on sustainable, entrepreneurship- and innovation-driven social, economic and democratic growth defined at its establishment, starting with the Emerging Europe Awards, and building on the Sustainable Development Goals set out by the United Nations in 2015.

The Future of Emerging Europe Summit and Awards 2021 took place in Brussels in September and looked at **people** — providing fair, equal, quality health care across emerging Europe; **planet** — lifestyles for a greener and more sustainable emerging Europe; **prosperity** — redefining and strengthening a post-growth emerging Europe economy; **partnership** — inspiring unity and new transformational leadership in emerging Europe; and **peace** — building a forward-looking, secure and democratic emerging Europe.

This report analyses the status quo as far as applying ESG principles in emerging Europe is concerned, summarises the discussions with experts, looks at challenges and opportunities and outlines key recommendations for organisations based in the region.

As the Programme continues, we invite private and public organisations with a stake in emerging Europe and a goal to contribute to building a sustainable, resilient and modern region to join us in order to set the agenda for the region in the following years.

The next Future of Emerging Europe and Awards is scheduled to take place in June 2022, again in Brussels, Belgium.

EMERGING EUROPE

Does your organisation have a stake in emerging Europe?

Are sustainability and innovation your focus areas?

# Overview

## Emerging Europe has no choice but to adopt ESG principles

**As companies in the emerging Europe region grapple with the Covid-19 pandemic and the wider challenges of climate change, ESG (Environment, Social, Governance) practices are becoming more important than ever.**

ESG represents a move towards a different kind of capitalism, one that is stakeholder-based and takes into account many of the externalities that have historically been ignored by corporations and governments alike.

Investors, too, are becoming increasingly sensitive to these issues, preferring to invest in those start-ups that take ESG seriously.

In addition, sustainable development goals (SDGs), as defined by the United Nations, also offer guidelines for a sustainable and climate-resistent future.

The European Union, together with its European Green Deal, has unveiled a Corporate Sustainability Reporting Directive (CSRD) that will take effect from January 2023. Under this directive certain large companies will have to report on the way they operate and manage social and environmental challenges. About 50,000 companies in the EU are expected to be affected.

All this points to a changing private sector landscape in the EU. Private sector players will no longer be able to ignore social and environmental externalities that impact the whole of society.

When it comes to the emerging Europe region, here too ESG is becoming an important topic of conversation among different stakeholders — governments, the private sector, investors, and activists.

According to a recent survey by the legal firm Wolf Theiss, 63 per cent of responders in the corporate and private equity space expect ESG scrutiny to increase significantly or moderately over the next three years.

Of the many areas of interest contained with the ESG framework, the responders to the survey identified business ethics, climate change, product safety, and data privacy as the four most important.

All of this is in line with the concerns that are now dominating public discourse as well as policymaking. The EU has committed to an ambitious plan of decarbonisation by 2050 and has also tackled data privacy and security through GDPR regulation.

### Challenges

Of course, there are challenges for the region when it comes to ESG.

In a recent report, the German rating agency Scope Ratings looked at how increased focus on ESG may affect sovereign ratings in Central and Eastern Europe.

It found that in those countries of the region which are EU members, the biggest challenges are social and governance-related. Improvements in social cohesion will be needed to improve macroeconomic stability and sustainability and for income convergence with the EU to be sustained. On the environmental front, CEE’s EU members still rely too much on coal (especially Poland) and will have to transition away.

Of the non-EU countries in the region, the Western Balkans and parts of the former Soviet Union, the main challenges identified relate to governance: governments in the region have an outsized role in the economy and structural reform will be necessary to fix that.

Low levels of savings are another challenge, resulting in underinvestment and affecting living standards. High CO2 emissions relative to GDP are the main challenge on the environmental front. Air quality in the Western Balkans, for instance, has been a major issue in recent years, with levels of pollution — especially during winter — reaching levels far beyond those considered safe.

### Reporting and benchmarking

A challenge across the board for ESG so far has been a lack of standardised reporting and benchmarking. This makes it hard to truly compare companies to each other. The Corporate Sustainability Reporting Directive might help resolve this.

When it comes to SDG, according to the latest data from Eurostat, on most indicators most countries in CEE are behind Western Europe, not surprising given their different starting positions. However, countries in the region are progressing much faster than thought possible only a few years ago.

Typically, when it comes to measuring the impact of ESG, wealthy developed countries tend to come out on top. But, a recent report by Impact Cubed used a different methodology to highlight countries and regions with a high ESG impact.

By removing the wealth bias, the potential of emerging regions is uncovered. Measured on 29 objective ESG factors, this analysis looked at which countries are making the fastest progress, and should therefore be included in sovereign debt investment portfolios.

CEE countries rank relatively well. Among the top ten countries are Lithuania in first spot and North Macedonia in second. Czechia, Poland, Estonia, Slovenia, and Romania also make the top ten. On the emerging markets list, Armenia and Ukraine are ranked as countries making good progress on multiple ESG fronts.

### Potential

All of this demonstrates that the region, despite the challenges, clearly has potential in the ESG landscape. Not only is progress on these issues good for society, but for the private sector and investors too.

Important players in the region are beginning to understand its importance. Recently, the Warsaw Stock Exchange (GPW) published its first set of ESG reporting guidelines for investors and listed companies, alongside a reporting manual.

The guidelines, produced in cooperation with the European Bank for Reconstruction and Development (EBRD) highlight new business opportunities — growing demand for sustainable products and services, the aspiration of businesses to be attractive employers, as well as changing customer behaviour.

And the emerging Europe region has no shortage of innovative start-ups aiming to tackle environmental issues through the application of green tech.

In Hungary, Aeriu wants to replace cumbersome and polluting forklifts with drones that conduct inventory management. Czechia's Clever Farm is using data-driven farm management to make farming automated and sustainable. Slovenian PlanetCare says it has built the most efficient washing machine filter ever designed. In Serbia, Soma Bioworks is creating packaging materials based on natural fungi.

In Poland, Respect Energy is offering its clients electricity made from entirely renewable sources. Polish Handerek Technologies created a technology that chemically recycles waste plastic into feedstock to make clean recycled plastics or to be used as low-carbon alternative fuels. But there are far more examples here.

There are examples of countries taking ESG seriously on an infrastructural level too. Recently, the EU and Ukraine signed a memorandum of understanding in the field of raw materials that applies ESG criteria along the entire value chain of both primary and secondary critical raw materials and batteries.

Meanwhile, the consultancy PwC will be investing around five million euros over the next two years to develop services dedicated to ESG in 29 CEE countries.

## ESG is becoming a priority

Taken together, all the indicators, scores, and actual happenings indicate that ESG is becoming a priority in Central and Eastern Europe. Across industries and sectors, stakeholders are increasingly concerned with how business activities impact society and the environment.

If emerging Europe is to converge with the developed countries of the EU, it will have to adopt ESG practices and SDGs to build a sustainable future that will be resilient to climate change and to any new disruptions such as those caused by the current Covid-19 pandemic.

One thing is clear, however. There will be no return to a "pre-ESG" way of doing things. Facing pressure from both investors and civil society private sector players will have to adapt to the new normal of caring about ESG and SDGs. And with regulatory pressure from the EU ramping continuously up alongside the emergence of NGO watchdogs in the climate, energy, and environment areas — merely "greenwashing" existing practices and activities won't cut it.

It would be wrong, however, to see this change purely in terms of regulatory compliance and cost. For those companies that are ready to truly step up to the challenge, there is a world of opportunities ready for the taking.

Thanks to investors looking more and more to make their portfolios greener and sustainable, innovative players who offer true solutions to actual issues stand to benefit.

Of course, with all the pressure factors taken together, it's not like the CEE region has much choice. Whether in the EU or not, access to funding will increasingly depend on ESG/SDG performance — both funds from the European Union itself and funds from private investors who do not wish to invest in those entities that don't have good ESG indicators.

The good news is that it seems most major stakeholders in the region recognise this, and are starting to change the way they do things to better take into account how their activities affect society and the environment.

If stakeholders in the region can adapt and push forward, even more, there will be many opportunities to build a resilient and sustainable future for the entire region.

# Food for thought

**Leading a sustainable organisation requires sustainable leadership.**

It is beginning to sink in that focusing on the need to "put people first" in development processes and addressing climate change head-on is an absolute must.

It’s critical to work towards social inclusion of the poor and vulnerable by empowering people, building cohesive and resilient societies, and making institutions accessible and accountable to citizens, towards whittling waste and emissions down to zero, providing value to or even restoring the ecosystems and communities in which their companies operate.

Without those, there is no value to extract, no product to sell, no job to generate.

The emerging Europe region has to partake in the process. It has to overcome its challenges when strengthening sustainable growth and identify and make use of the opportunities that the process offers.

Emerging Europe analysts asked ten sustainability leaders about their perspectives on both the challenges and opportunities a sustainable approach entails.

## WIEBKE SCHLOEMER

Acting Regional
Vice President
Europe, Latin America
and the Caribbean
INTERNATIONAL FINANCE
CORPORATION

As economies in the region are coping with the impacts of the Covid crisis, they know that building resilience and tackling climate change are key ingredients of a sustainable recovery.

The pandemic also underscores the importance of private sector companies being responsible corporate citizens and taking into account the effects companies have on the environment and internal and external stakeholders, including communities in which they operate.

Companies have grown increasingly aware that managing environmental, social, and governance (ESG) risks is more than just the right thing to do. It represents a more integrated way to run their businesses—helping them reach long-term business goals, improve relations with stakeholders and local communities, and boost their brand value and recognition. And it helps companies achieve better growth and boots bottom lines. It's good business!

One of the biggest challenges firms face is knowing how to develop internal systems to manage ESG risks and navigate the increasing demands to disclose issues—ESG is a central pillar of the European Union's Green Deal and Sustainable Finance agenda.

IFC's ESG policies, which are globally adopted as market standards, aim to address this. Embedded in the operational policies of firms, investors, financial intermediaries, stock exchanges, regulators and countries, these policies are helping emerging markets raise their ESG standards to level the playing field.

Businesses that address ESG issues also often realise their work contributes to achieving several of the UN Sustainable Development Goals (SDGs). A recent mapping of IFC's ESG standards indicates a line of sight to more than 30 SDG targets.

There is a great opportunity for firms in the region to improve their ESG practices by adopting proven ESG risk management systems to minimise negative impacts and maximise firm resilience and sustainable operations. Good ESG practices are the key to resilience.

## AGNIESZKA GAJEWSKA

Global Government
and Public Services Leader,
ESG Leader for Central and
Eastern Europe
**PWC**

The 2021 Progress towards the Sustainable Development Goals report clearly states that already before the pandemic, the world was not on track to meet the SDGs and targets by 2030. The Covid-19 crisis further stalled the efforts. According to UN estimates, 5-7 trillion US dollars will need to be mobilised each year globally to achieve the SDGs. Looking more closely at Central and Eastern Europe, including the Western Balkans and CIS, our PwC findings show the demand to be as high as 3 trillion US dollars over the next few years.

The key area to improve? Collaboration. Financing and funding for the sustainable transition, as well as making sure that the transition is just, are challenges too great for any single country or sector to face alone. We need strong partnership among players at all levels: global, regional and local, private and public actors – combined with well-structured and strategic approaches. The EU is clearly setting an example globally with the European Green Deal being one of the most comprehensive climate legislation projects worldwide to date, implementing transformative policies – reviewing fiscal, trading and regulatory regimes supporting green transition.

A strong regulatory push in the EU is combined with unprecedented financial and technical support towards environmental and climate goals, with a multi-annual EU budget dedicated to implementing the European Green Deal (1,074 billion euros) and an additional 750 billion euros available from the Recovery and Resilience Fund. This injection of capital, supported by advanced technologies and digital skills, creates opportunities for all actors.

We also see an increasing number of players looking for growth and value creation opportunities around ESG, recognising that being sustainable can be a competitive advantage or improve access to capital. This is perhaps the biggest opportunity. Topics such as net-zero, renewable energy, green technology or sustainable food production are getting more and more traction. In a recent PwC survey, 66 per cent of respondents in the Private Equity sector identified value creation as one of the most important drivers of responsible ESG investment or activities. And as awareness is rising and opportunities are arising, it is key to go from strategy and commitments – to action.

VIKTOR HANZLIK

Partner
Leader of the Sustainability Practice in Central Europe
MCKINSEY & COMPANY

The European Union has set itself the goal of reducing greenhouse gas emissions by 55 per cent by 2030 and achieving net-zero emissions by 2050. EU countries in CEE on average emit more greenhouse gases per capita than other EU countries, meaning that the transition to net-zero will require deeper structural changes. At the same time, countries in CEE still have some of the easier levers for reducing greenhouse gas emissions available to them.

Analysis by McKinsey shows that climate neutrality in CEE is achievable, but it will require significant investments. For instance, for Czechia to achieve the 55 per cent reduction target by 2030, an additional investment of 18 billion euros will be needed, equivalent to around one per cent of GDP over the rest of this decade and 4 per cent in 2030-50. The good news is that many of these investments could be profitable, or at least pay for themselves.

The energy transition represents a major opportunity for CEE. With the right moves, the region could improve its energy independence and reduce annual energy-system operational costs by billions of euros. New economic sectors could emerge, such as hydrogen in Ukraine, offshore wind in Poland and biomass in Romania.

According to our calculations, in Poland alone, these new sectors could help boost GDP by up to two per cent and create as many as 300,000 jobs. The Next Generation EU recovery plan, worth around 800 billion euro, could provide the money needed to fund Europe's energy transition. It is a once-in-a-generation opportunity that can fundamentally transform the region, ultimately leading to the creation of green, digitally-driven economies.

IZABELA OLSZEWSKA

Member
of the Management Board
WARSAW STOCK EXCHANGE

Interest in sustainable development has been growing in Poland. We know by now that non-financial reporting is a key element of investment decisions. As trading platforms, stock exchanges around the world are best placed to respond to evolving ESG needs and obligations.

GPW's analysis clearly shows that the majority of global asset managers intend to fully integrate ESG criteria into the investment process. In addition, the new generation of individual investors attaches increasing attention to whether the products they buy are sustainable.

Consequently, non-financial reporting is a key part of investment decision-making and, given the legislative work at the EU level, the trend will become even more important. Companies which fail to publish and report ESG data will run the risk of being put on a watch list or may even, in extreme cases, altogether disappear from the radar of investors and asset managers.

The EU has developed the Sustainable Finance Agenda and developing tools to define what is Green Finance, including regulatory framework: CSDR, SFRD and EU taxonomy. Although companies' awareness is rising in Poland, the quantity, quality and consistency of ESG reports still varies greatly from one company to another.

Therefore, we have decided to partner with the European Bank for Reconstruction and Development and publish together with the ESG Reporting Guidelines. Guide for Issuers which provides recommendations for non-financial reporting. The recommendations are designed to support ESG disclosures of companies listed on GPW and to improve the consistency, comparability and reliability of their disclosures.

ANNA GRABOWSKA

Executive Vice President,
Chief Commercial Officer
ŻABKA POLSKA

Companies operating in the countries of emerging Europe face various challenges when it comes to implementing and following sustainability measures. Some of these challenges are climate change, pollution, lack of legal acts supporting sustainable actions, limited diversity in the workplace, energy price increases or resource waste.

Bearing in mind the realities, we believe that the companies which embrace solid environmental, social and governance standards (ESG), regardless of where in the world they operate, are best fitted to achieve sustainable growth and be profitable.

Business opportunities are everywhere, clients nowadays pay more attention to whether the brand they deal with is a responsible and trustworthy one.

The private sector can therefore become a role model in addressing many challenges, even proceeding with the activities taken up by local and state governments by laying a positive example for sustainable growth. The challenge is to identify the key sustainability issues, see both the values and the risks for the company and be able to act accordingly.

All companies implementing sustainable solutions undergo thorough corporate governance evaluation but the material sustainability factors may differ depending on the industry they operate in. For example, a food retailer such as Żabka in Poland needs to look more closely at energy efficiency, waste, including food waste, supply chain issues, health factors and wellness, including that of the employees.

Each country may have its specific opportunities and challenges related to sustainability. It is important to have an approach that is flexible and nuanced enough to identify and evaluate those factors. It is also important to understand that sustainability should no longer be a choice but should become a must.

We strongly believe in sustainability here in Żabka, that is why we have undertaken to meet the challenges and committed to green and sustainable living for everyone, every day.

## IRENA PICHOLA

Partner,
Leader of Sustainability
Consulting Central Europe
DELOITTE

ESG or sustainable growth initiatives in our region are at different stages of development, however, there are continuous efforts to strengthen them so that they are inclusive, transparent and efficient.

The ESG revolution will result in changes in all dimensions of a business, including strategic decision-making, business transformation and reporting and there are still numerous challenges involved.

For example, although great work has been done with respect to how investors consider ESG factors, the challenge is to ensure consistency, comparability and quality of metrics in reporting frameworks for ESG disclosures, as well as to prove the relevance of ESG reporting through financial materiality over the medium and long-term, giving investors a clear picture of the issues that could directly impact the financial condition of a company.

The biggest challenge however is that the current regulatory agenda demands that ESG practices be incorporated throughout the whole company – including finance, supply chain, communications, risk, audit or new product development – and there is still not enough knowledge and experience in these departments to be fully engaged in the process. The ESG maturity level of companies in our region varies widely.

This at the same time presents an opportunity for the companies in our region to observe and learn better-developed practices that were previously tested and modified in some of the more advanced countries and markets. The companies in Central Europe can draw conclusions from successes and mistakes that were made in other geographies and select those solutions that will do best for their business performance. This is an opportunity to build a true value creation ecosystem that combines financial imperatives with environmental sustainability, employee engagement and broader societal impact.

## KRISTIAN RÖNN

CEO and Co-Founder
NORMATIVE

Companies generate more than two-thirds of global carbon emissions but have been unable to properly track and reduce their greenhouse gas emissions. The Intergovernmental Panel on Climate Change’s (IPCC) recent report outlined how rapidly the world is heating up due to human activity and the role our carbon dioxide emissions are playing in that rise. Only a tiny percentage out of the 400 million businesses worldwide account for their full carbon footprint.

The current, mostly voluntary, system of carbon reporting is a mess and many companies are making misleading claims about what they are doing to cut emissions. Some of the greenwashing out there is deliberate, but a lot is unintentional and comes from incomplete information or flawed calculation methods. Many companies only disclose what they can see. We have found that companies only account for 10 per cent of their total emissions on average, and don't take their supply chain into account. The solution is more transparent standards, and ideally, having those standards enshrined into legislation, the same way our financial and bookkeeping standards are.

Data reveals that, globally, SMEs are heavily dependent on fossil fuel energy for their operations. It shows that a swift and universal transition to renewable energy is the single best step companies can take, potentially reducing their overall emissions by up to 50 per cent.

There are a lot of companies that actually want to do good, but they don't have the accounting tools to work out what their carbon emissions are, and they don't know how to reduce those emissions.

DENNIS SHEN

Director, Sovereign Ratings
SCOPE RATINGS

Emerging Europe faces long-standing social and governance challenges, but the environmental risk is also becoming a growingly important area. These challenges place sizeable significance upon the capacity of regional governments to develop and execute sound policy frameworks that enhance labour-force participation and productivity whilst supporting the long-run transition away from carbon-intensive economic structures.

Diverging institutional trends of the region represent an outstanding bottleneck to reform momentum in countries such as Poland and Hungary as well as Romania should the soundness of political institutions impede access to requisite EU funding and associated capacities to invest in economic transformation. The decline in rule of law in recent years in Poland and Hungary has been observable. Most countries of the region have not meaningfully bettered rule of law since 2014.

If governance bottlenecks were addressed, access to EU budget and Recovery and Resilience Facility funding provides EU member states of the region with a big opportunity not only to mitigate long-run economic and social effects of this crisis but also drive decarbonisation, digitalisation, improvements of education and healthcare, and overhauls of infrastructure and clean transport long term.

A key area for concentration is indeed securing sustainable and affordable energy, given structural dependence on coal-based power generation. Progress here varies considerably across the region. In Poland, Hungary and the Czechia, the share of renewables in energy production is very low. Alternatively, Latvia and Lithuania generate around 60 per cent of electricity via renewables. The region's sustainable growth could crucially benefit from enhancements of productivity via accelerating the green transition.

GUNTER DEUBER

Head of Research
RAIFFEISEN BANK INTERNATIONAL

We at Raiffeisen Bank International see the Green Transformation or the ESG trend as a grand opportunity, but also a challenge for our core markets in Central and Eastern Europe. We want to take advantage of early mover business opportunities, but we are determined to avoid a divide that could arise from a kind of Green West/East Iron Curtain. Thus, we proactively carry the ESG trend to CEE. Going forward many companies in CEE will only be able to succeed in pan-European value chains if they know their ESG footprint.

For CEE, the main issue at the EU level is to define transition financing credibly, so that tangible improvements can be financed from a lower starting level. However, the EU's ambition to play a leading role in ESG financing offers a great opportunity to a lot of CEE countries. That said, only a holistic ESG approach matters. Currently, the market and regulatory focus is on the E pillar of the ESG equation. This approach overlooks the fact that "shiny stars" on the E criteria have weighty S & G issues. Or does it make sense, put bluntly, for a given country in CEE to construct a state-of-the-art green building at the expense of regional communities/minorities, partly also through non-transparent government practices? Certainly not and that is why a comprehensive ESG approach is key to us.

And why is a successful ESG transformation in CEE also of great importance for Western Europe?

It is certainly much more efficient and thus more beneficial for society as a whole to invest in ESG-compliant improvements in CEE compared to more advanced places.

Moreover, there is currently and will probably be for the foreseeable future an excess demand for green or ESG-compliant assets. This is driving down yields for such forms of financing. This makes it all the more important for Western European investors (even conservative ones, like pension funds) that there are green or ESG-compliant assets with higher decent returns. And this group of investors should find them precisely in CEE.

Finally, the Green Transition can induce the second period of strong convergence growth in CEE – and let us not forget that we are now on the same page in CEE and Western Europe: more than during the first period of strong convergence growth.

A comprehensive ESG investment approach certainly poses challenges in the G-pillar of the ESG equation to countries such as Russia, Belarus or some Central Asian countries.

However, these countries also face massive investment needs to transform their societies. In this respect, there is an opportunity for the capital markets to initiate gradual improvements here. Not to forget that the younger generation there is also strongly standing behind ESG agendas.

In the light of all the above arguments, we are passionate about ESG in CEE at Raiffeisen Bank International and its subsidiary banks in CEE.

## MONIKA RAJSKA-WOLIŃSKA

CEO, CEE
EMEA Board Member
**COLLIERS INTERNATIONAL**

We need to ensure that ESG is a part of how we do business. This is because we do what is right and because clients expect ESG to be an integral part of their service provider's business.

Real estate is responsible for 40 per cent of gas emissions in the EU. Minimising all the environmental impacts that come from our own operations and providing our clients with services that elevate the health of our planet is an opportunity and challenge we cannot pass up.

In the last nine years, we have gradually expanded our competences in ESG to be able to provide a range of services, both locally and internationally. We recognise the impact we can make through our advisory support for clients. We help them implement ESG strategies by designing specific measurables and plans. We constantly improve and extend our offer by developing new services and products around ESG. We face the challenges of a lack of specialists in this field, as most companies worldwide. Therefore, building awareness and developing the skills of our current and future employees within ESG is crucial.

The EU's Corporate Sustainability Reporting Directive (CSRD) for large companies is expected to come into force in 2023. Nearly all commercial real estate companies will be expected to comply with it. We, therefore, expect an increasing premium to be placed on ESG expertise.

Last but not least, we have committed to zero net emissions by 2030. The challenges that we will face include assessing the ability of our systems as well as those of our clients to capture and process ESG data, building capacity to evaluate ESG related risks, and strengthening audit controls.

# Key recommendations

1

### Take it seriously

There is no return to the pre-sustainable-growth era. Emerging Europe needs to act and develop new practices that will lead to an increase in sustainability and resilience. “Greenwashing” existing practices and activities will not work.

2

### Educate yourself and others

Topics such as net-zero, renewable energy, green technology and sustainable food production are gaining more and more traction, but there is still not enough knowledge and experience in these areas to fully engage in the process of change.

3

### Build partnerships

The challenges, especially those related to the environment and social issues, are far too big for any single country or sector to face alone. The emerging Europe region needs partnerships with global, regional and local actors — both private and public.

4

### Add value

Sustainability is an opportunity. There are organisations looking for growth and value creation, recognising that being sustainable is a competitive advantage that can improve access to capital. Customers are paying more attention to whether or not the brands they deal with are responsible and trustworthy.

5

### Go green

The emerging Europe region relies heavily on coal. Air quality is a major issue with levels of pollution in many cities exceeding those considered safe. Coal use is one of the biggest contributors to greenhouse gas emissions. If not for the planet, do it for yourself.

6

### Introduce transparent standards

The current system of carbon reporting is ambiguous, and companies are making misleading claims about what they are doing to cut emissions. Understand your carbon footprint and call for standards that are applicable across the board.

7

### Improve the regulatory framework

Emerging Europe's governments have an outsized role in the economy and structural reform will be necessary to fix that. Effective sustainability governance requires coordinated measures at different levels of government and between interacting policies and the rule of law.

8

### Increase social cohesion

Low levels of savings result in underinvestment and affect living standards. Improvements in social cohesion, digitalisation, education and healthcare will be needed to increase macroeconomic stability and sustainability, and for income convergence with the EU to continue.

9

### Strengthen internal structures

Facing pressure from both investors and civil society, companies will have to adapt to the new normal of (truly) caring about ESG and SDGs. They will need to develop internal systems to manage ESG risks and navigate the increasing demand for full transparency.

10

### Review financing opportunities

Sustainability is an investment, not a cost. Create a specific project that fits under the ESG banner — such as solar panels to power a factory or incorporating commitments to ESG-linked key performance indicators within a borrower's ordinary financing arrangements.


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Common challenges
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GPW BENCHMARK
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GPW VENTURES
IRGiT

# BUSINESS LINES

**LISTING**

**STOCK MARKET**

**DEBT MARKET**

**DERIVATIVES MARKET**

**COMMODITY MARKET**

**INFORMATION PRODUCTS**

# STRATEGIC INITIATIVES

### STOCK MARKET

- GPW Growth
- Securities Lending System
- Trading Platform

### DEBT MARKET

- BondSpot Development

### DERIVATIVES MARKET

- Derivatives Development

### COMMODITY MARKET

- Waste and Secondary Raw Materials Trading Platform
- Agricultural Commodity Market

### INFORMATION PRODUCTS

- GPW Data
- GPW TCA TOOL

### NEW BUSINESS LINES

- GPW Private Market
- GPW Tech
- GPW Ventures

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# People

**The Sustainable Development Goals declare the world's determination "to end poverty and hunger, in all their forms and dimensions, and to ensure that all human beings can fulfil their potential in dignity and equality and in a healthy environment."**

Emerging Europe identifies the following two areas in the PEOPLE dimension that are vital for the sustainable development of the region:

## FUTURE-PROOF EDUCATION

Education in the digital age

Lifelong learning: skilling, re-skilling and up-skilling

Inclusive and efficient education systems

## HEALTH AND SOCIAL CARE

Innovative and accessible healthcare

Longevity and quality of life

Fighting depopulation

In 2021, in the midst of the Covid-19 pandemic, the programme focused on the future of health care.

# Innovation must be the cornerstone of future healthcare

**Covid-19 has demonstrated that health care systems across the world – not least in Central and Eastern Europe – were broken. How can we take on board the experience of the past 18 months and make them more resilient?**

Strengthening primary health care provision and boosting innovation are crucial not just for overcoming the Covid-19 pandemic, but to ensure that health systems are able to withstand sudden shocks – such as a pandemic – while continuing to offer successful outcomes for other illnesses.

This was one of the key conclusions reached during the Future of Emerging Europe Summit, held in Brussels on September 15, which brought together leading figures from the health care community to discuss the way forward for the sector in the wake of the Covid-19 crisis.

"Primary health care must not just be accessible and affordable, it also needs to be accepted," says Kostas Deligiannis, general manager of GE Healthcare Eastern Europe. "But it isn't, because of a lack of trust."

Deligiannis puts the blame for this on the fact that the quality of primary health care has been abandoned for many years.

"As a result, when people need health care they go directly to hospital emergency departments, where the kind of personal relationships that should exist at the community level are missing." This is one of the reasons, he suggests, for the lack of acceptance of the covid-19 vaccines in Eastern Europe.

"Without primary health care, there is nobody people can talk to. When they do see people offering information, perhaps on the television, it is not somebody that they have a personal relationship with. We must strengthen primary health care. There has to be a plan."

Building coalitions

Jan-Philipp Beck, CEO of EIT Health, a network of best-in-class health innovators backed by the EU, says that we need to build "broad coalitions" of stakeholders in the health sector that can facilitate the involvement of ordinary people, listening to their concerns.

"For new technology, such as artificial intelligence, to be successful, we need to win people over," he says.

"That cannot be achieved by the health care sector and governments alone. It needs the input of communities, this is essential."

On vaccinations, he says that many of those who have yet to get the jab are not fundamentally opposed, but are waiting for their concerns to be addressed, perhaps – echoing Deliagannis – by people that they know and trust.

"This is what we ought to focus on, creating ambassadors for the vaccine."

Irma Veberič, general manager for Poland at pharmaceutical and diagnostics giant Roche, agrees.

"Trust is at the centre of the issue," she says. "In the countries where vaccination rates are low, trust is also low. So the question is, what can we do to change this?"

She suggests that we should learn from countries where vaccination campaigns have been successful, such as Denmark, and concentrate on promoting common goals.

"Denmark is an interesting example," says Beck. "It has got rid of all Covid-19 restrictions because of its high vaccination rate. We need to show that this is the pathway for society as a whole as opposed to constant and costly testing, which some people have got used to but should not be an alternative."

*Primary health care must not just be accessible and affordable, it also needs to be accepted.*

The role of the private sector

One of the main concerns of the health care sector professionals over the past 18 months has been that because the need to fight against Covid-19 has been so important, resources have been directed away from other areas.

Deligiannis says that part of the problem has been a failure to make efficient use of the private sector, which in some countries in the emerging Europe region, such as Poland and Romania, accounts for around 30 per cent of capacity.

"The private sector has not been part of response plans. It's time for governments to realise that they have two pillars of health care: public and private. Both need to be a part of any strategy for the future.

"They can work together. But we need a plan for the next ten years so that we are well prepared for the next major crisis."

Much of the negative impact caused by Covid-19 on health care capacity has been felt by cancer patients, who have seen treatment postponed, or diagnosis delayed.

"I think that next year we will see the true size of the problem," says Veberič, "and it will be big." However, she adds that while Covid-19 has demonstrated just how inefficient our health care systems are, this could be used as a turning point – but only if we learn from our mistakes and take on board positive examples.

Like Deligiannis, she says that partnership between the public and private sectors is crucial, and points to the development of the Warsaw Health Innovation Hub that brings together a number of public and private partners and is unique in the region, as one such example. "Of course, we are still at the beginning, but such a public-private partnership can increase the stability and resilience of the health care sector and hopefully motivate other countries to launch similar initiatives," she says.

### The cost issue

Cost, however, is going to be an issue – a crunch is coming, Beck warns – which means that resources need to be directed towards creating innovation in areas where it is needed most, to ensure as many positive health outcomes as possible at an affordable price.

"Innovation is indeed the cornerstone of future health care," agrees Deligiannis, adding that GE Healthcare has created a number of initiatives to promote and nurture innovation, such as its HelloAI programme – developed with EIT Health – that focuses on a personalised curriculum to upgrade medical students' knowledge in AI basics, and Reactor'21, an accelerator based in Hungary helping young medtech start-ups navigate their way through a tightly-regulated environment and gain access to expertise.

Veberič meanwhile says that we need a transformation in mindset, to stop seeing health care purely as a question of cost.

"We have been moving forward with small, incremental changes. If we continue along this path, we will not succeed. We have to view health care as an investment," she says.

"By doing that, emerging Europe – indeed Europe in general – can become more competitive, because in recent years we have been falling behind the United States and – especially – China."

Often after a crisis such as Covid-19, lessons which should be learnt are forgotten. Is there any evidence that this time will be different? Beck says that we have reasons to be optimistic. "The EU has realised that it needs to play a larger role, in monitoring capacity, in ensuring supplies of medicines and equipment, so that's a good start," he says. "And I also think that across the board there has been a realisation that we can't be caught out again."

Click here to watch the full discussion between Kostas Deligiannis, Jan-Phillip Beck and Irma Veberič – moderated by Emerging Europe's Craig Turp

# Planet

**The Sustainable Development Goals aim to protect the planet "so it can support the needs of the present and future generations." Almost every day shows just how connected – and fundamental – climate change is to global development.**

Emerging Europe identifies the following two areas in the PLANET dimension that are key to the sustainable development of the region:

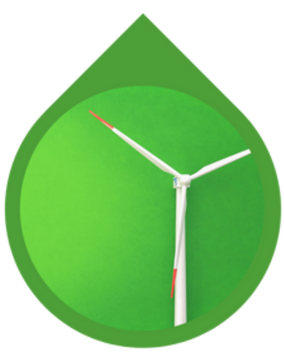
## SUSTAINABLE LIFESTYLES

Waste and circular economy

Responsible production and consumption (industry, mobility, agriculture)

Eliminating pollution

## GREEN ENERGY



Social and economic costs of energy transition

Clean energy and decarbonisation

Energy security and regional collaboration

In 2021, in order to analyse the impact of Covid-19 on lifestyle-related behaviours, the programme focused on sustainable lifestyles.

# How small steps can trigger an avalanche of sustainable change throughout emerging Europe

**Creating a resilient, sustainable future for emerging Europe is not going to be easy. What roles can the region's many different stakeholders play in order to deliver the radical changes needed?**

Cooperation across sectors, public and private, will be crucial to building a sustainable future for Central and Eastern Europe, influencing behavioural change in a positive way.

Covid-19 was a jumping-off point, as the effects of the pandemic on nearly every sector of industry and commerce become more apparent, particularly its impact on the consumption and spending habits of consumers.

"We see a move towards proximity – small stores close to home, as well as online delivery to the home," says Anna Grabowska, Executive Vice President and CCO of the Polish grocery store chain Żabka.

"That's a big shift. I think the frequency of shopping has changed and the size of the basket has increased, people are shopping less but spending more."

### No return to old, bad habits

So can the pandemic, as devastating as it is has been, at least create some long-term shift that will be beneficial in the long run from the standpoint of sustainability?

"Early on in the Covid crisis you definitely saw an impact on consumption and travel, but the question is: how will people come out of it?," asks Reena Badiani-Magnusson, a senior economist at the World Bank.

"Will they resume their old habits of travelling at speed and consuming the same way? Or will this period of introspection change us?"

Andreas Beckmann, regional CEO of World Wildlife Fund (WWF) Central and Eastern Europe, says that people have started making to understand that a bigger challenge even than Covid-19 awaits everyone — the coming climate catastrophe.

“It has been a period of introspection and people have been looking at their lifestyles,” he says. “The pandemic is a wake-up call.”

But will that wake-up call be heard? It is clear that the pandemic has shaken things up, but are the habits people have adopted over the past 18 months here to stay? And how can stakeholders continue to nudge people in the right direction, to make choices that are more compatible with a sustainable lifestyle?

“Making people aware of what they could be doing better is not the same as them choosing to do better,” warns Badiani-Magnusson.

One possible solution is to offer consumers healthier and better choices, but in a way, that’s made appealing and addresses their needs. “Consumers don’t want to spend time on shopping, they expect clear solutions that are convenient but also healthy and personalised, in short – solutions that are convenient and socially responsible” explains Grabowska.

### Ending the region’s coal addiction

For emerging Europe, one of the biggest challenges in recent decades has been environmental pollution and its reliance on fossil fuels. In Europe as a whole, one in every eight deaths can be linked to air pollution. A UNEP study from 2019 found 5,000 premature deaths connected to air pollution in just 19 cities in the Western Balkans.

Kicking the region’s coal addiction would offer clear benefits, both in terms of population health and lessening CO2 emissions that also harm the environment. But there currently appears to be a lack of political will to do so.

“Even when people admit there is a problem they say there are more pressing issues that need to be addressed first,” says Beckmann.

“They say that we need to catch up with the West in terms of economic development first, and then address these concerns. But that is wrong. Climate change and biodiversity loss are already happening, already impacting the region, and we cannot afford not to take action.”

*You need price signals and incentives to direct the private sector and consumers towards better choices. You need those things to come together in order to enact change.”*

“They say that we need to catch up with the West in terms of economic development first, and then address these concerns. But that is wrong. Climate change and biodiversity loss are already happening, already impacting the region, and we cannot afford not to take action.”

In the private sector at least, there is momentum towards improvement, according to Żabka’s Anna Grabowska.

“I think there’s a lot of dialogue, engagement and a lot of action being taken. Maybe these are small steps, for now, maybe governments shall be encouraged to make big and bold moves, but when it comes to business I see real momentum and a lot of positive things are happening, which may require scaling in the future,” she says.

### The need to come together

What is clearly needed is for all actors, across sectors and industries, to come together to solve these issues.

"You need public support but you also need the financial instruments to invest in this long-term vision," Badiani-Magnusson argues. "You need price signals and incentives to direct the private sector and consumers towards better choices. You need those things to come together in order to enact change."

Encouragingly, there are many positive examples of collaboration and cooperation throughout the emerging Europe region.

"We cooperate with impact hubs, a network of incubators around CEE and beyond," says Beckmann. "We've been working with them and putting on events, it's immense, incredible the amount of initiatives that are popping up. They are often things you haven't heard about yet, but which will be making headlines about five years from now."

A larger shift is needed too. One that will break away from the current economic model and pivot towards thinking about society as a set of interlocking systems.

And there is broad agreement among the experts Emerging Europe spoke to that if taken seriously, a circular economy can be a part of the solution for sustainability.
But combining all these perspectives is the need for a carbon tax, another point of agreement.
"In the end what it comes down to is the need for a system that is not just idealistic but also pragmatic," says Beckmann.

"Until market value reflects the environmental value we will continue to overconsume. [Until] carbon is taxed in a way that makes those taking flights realise the full cost of their decision we will not see change. No amount of awareness-raising will match the impact of a carbon tax," explains Badiani-Magnusson.

Triggering an avalanche of change
So what advice would Grabowska, Beckmann and Badiani-Magnusson give to stakeholders in the Central and Eastern European region on how to promote and bring about sustainability?

"The key challenge for CEE is the lack of vision, imagination, confidence, and cooperation. It's not a question of resources," says Beckmann.

"Unfortunately, there's difficulty in getting different sectors working together. But this is slowly changing. Some of the most interesting stuff we are doing now is in cooperation with the private sector. In the past, we were at odds with each other but now we're looking for solutions together."

Badiani-Magnusson meanwhile underlines the importance of an overarching, guiding vision, which can only come from the government: and this includes transparent and stable laws with good regulations and enforcement.

"That does not mean other actors don't have a fundamental role to play, it just means you need that strategic, longsighted approach in order to inform change," she says.

Anna Grabowska compares it to an avalanche. "The private sector, banks, NGOs: I think we can all work together, each doing our little bit which when combined become something meaningful. Small steps taken every single day create impact, taking action rather than just talking means something, and last but not least, leading by example makes a difference – if we all could do that we would trigger a huge, positive avalanche of change – good for the economy, society and certainly the planet Earth, the only one we have got."

Click here to watch the full discussion between Anna Grabowska, Andreas Beckmann and Reena Badiani-Magnusson – moderated by Emerging Europe's Andrew Wrobel

# Prosperity

**The Sustainable Development Goals aim to "ensure that all human beings can enjoy prosperous and fulfilling lives and that economic, social, and technological progress occurs in harmony with nature."**

Emerging Europe identifies the following two areas in the PROSPERITY dimension that are essential for the sustainable development of the region:

## PEOPLE-FIRST ECONOMIES

Closing the urban-rural development and income divide

The future of the labour market

Conscious capitalism

## INCLUSIVE ENTREPRENEURSHIP

Encouraging and supporting social and business innovation

Strengthening start-up ecosystems and tech hubs

Digital transformation and new technologies

In 2021, in response to the need for economic recovery after the Covid-19 pandemic, the programme focused on the importance of post-growth thinking.

# Prosperity in emerging Europe relies on protecting workers, not jobs

**What steps does emerging Europe need to take in order to secure the wellbeing of its citizens in a world where post-growth economic thinking is increasingly seen as the way forward?**

Sustained prosperity in the countries of emerging Europe is only possible if the drive for short-term growth and profit is substituted with a focus on increasing citizens' overall quality of life.

According to Beata Javorcik, chief economist at the European Bank for Reconstruction and Development (EBRD), the last 30 years were a period of easy growth, in Central and Eastern Europe, catching up with and importing knowledge from the West.

"Now the region needs to find a new way to grow through its own innovation, and that's much harder," she says.

Short-term growth no longer offers the possibility for economic development, countries now face the uneasy task of finding a new anchor for reforms.

One of these could be the opportunities offered by the transition to a low carbon economy. Javorcik believes that the push for a low carbon future for the region may offer a much-needed new direction for Central and Eastern Europe. "In practice, enormous innovations are needed in order to implement this transition, and because low carbon transition provides a very clear policy direction, and if there is a national consensus that a county wants to pursue this, it can be locked into a reform path," she says.

The faster regional decision-makers become aware of this, she adds, the more their nations will benefit.

"Countries that can show that they are ready to embrace low carbon transition early will be a step

ahead when it comes to innovation and adjustment. Countries where policymakers are more hesitant risk lagging behind," asserts Javorcik.

One of the risks to businesses posed by a late energy transition is the loss of competitiveness if exporters are not held to the same standards at home as they are international.

While some countries in the region are reluctant to cut their dependence on traditional sources of energy, such as coal and gas, Oleg Krot, Managing Partner at TECHIIA Holding, believes that businesses in the region should not fear becoming less competitive by embracing sustainability.

"In fact, it gives them a huge advantage," he says. "A large number of new companies who are only emerging now will be shaping our future – such companies can build ESG [environmental, social and corporate governance] into their corporate fabric, and thus become more successful in attracting capital on the global market that they must aspire to do," he says.

**Digitalisation**

Javorcik sees the countries of the CEE region as not yet decisive enough in terms of choosing a direction on which to rely for their future growth, while somewhat similarly, the Warsaw Stock Exchange's CEO, Marek Dietl, argues that these countries also tend to be rather "picky on where investment comes from", thus simultaneously raising the question of how to change this risk-averse business culture.

"New engines of growth are needed as the increase of employment and the rise in productivity have been exhausted as potential sources of growth in our region," adds McKinsey & Company's Jurica Novak.

The clear answer to the issue of risk aversion, according to Novak, is digitalisation "Digitalisation serves as an opportunity, and it has now truly taken off," he says.

Dietl offers Poland as an example, which, with a staggering 70 video game production companies listed on the country's markets, "has emerged as the clear world number one in the sector".

Dietl offers Poland as an example, which, with a staggering 70 video game production companies listed on the country's markets, "has now emerged as the clear world number one in the sector".

The process of digitalisation in the emerging Europe region has been further accelerated by the Covid-19 pandemic, says Javorcik.

> *New engines of growth are needed as the increase of employment and the rise in productivity have been exhausted as potential sources of growth in our region.*

"More services can be exported, travel has become less essential, and there has been an increase in online shopping. Firms that were previously only working locally have become national suppliers and maybe even exporters," she points out.

However, the economist does not deny that "digitalisation will be a shock just like globalisation was. It creates lots of opportunities for highly competitive firms but will also create difficulties for less productive ones."

For example, a greater embrace of online shopping can also bring about greater competition from firms outside of each country and the region.

**Robots in the labour market**

Another aspect of the increasing presence of digital technologies in the daily lives of the citizens of emerging Europe, which some from the region and beyond have described as potentially problematic, is the robotisation of workspaces.

But as Dietl points out, the robotisation of a certain type of jobs is an opportunity to improve living standards, rather than the opposite.

"This brings quality to our work because repetitive tasks have been taken over by the machines, while the humanistic parts of our jobs are increasing," he says.

According to its CEO, the Warsaw Stock Exchange has already introduced robots to the workplace, but this has not led to any layoffs as a consequence.

Dietl further points to the fact that some of the lowest unemployment rates in the EU are in Central and Eastern Europe: "instead of taking away jobs, robots can provide a much-needed addition to the workforce," he says.

### No one left behind

Nevertheless, despite the low unemployment rates in the region, robotisation could pose a threat to many of the blue-collar workers in the region – and beyond.

A so-called robot tax has been proposed as one possible mitigating solution. It has been suggested that an added tax on companies who benefit financially from the utilisation of robots can be used to retrain citizens of working age who have been affected by robotisation.

Dietl agrees that the robot tax could be the way to go for some countries of the region, further pointing to the increasing likelihood that central banks will likely soon start issuing national digital currencies, which could, in turn, further facilitate the introduction of this type of taxation.

"If central banks start issuing digital currency we will know exactly what the flow of money represents, and we can introduce some sort of social policies giving people this digital currency. These are smart policies for people who may be left behind," he says.

Amongst those likely to suffer most from not just robotisation but the general growing need for digitalisation of daily life are people with limited digital skills, of which the elderly and those belonging to socially excluded communities are most likely to fall into this category.

"Digitalisation is great for young, digitally savvy workers, but not so much for elderly people who are at a high risk of being pushed out of labour market," Javorcik outlines, further stating that, "EBRD data consistently shows that elderly people from this region have low IT knowledge." However, this is not an entirely new issue and finding a solution is possible.

"History teaches us that as jobs are being destroyed new jobs and new products will emerge – but we need to remember that there will be a transition period. As workers lose jobs they need to be retrained and they need to find new jobs. We need to take care of them during that time. The idea is not to protect the jobs but to protect the workers," adds Javorcik.

"Technological progress is like a tsunami, we cannot stop it," she concludes.

Click here to watch the full discussion between Beata Javorcik, Oleg Krot, Marek Dietl and Jurica Novak – moderated by the BBC's Kasia Madera

# PARTNERSHIP

**The Sustainable Development Goals call for “a spirit of strengthened global solidarity," as problems that cross geographies and sectors require collaboration. They also require leadership. It is leaders that encourage collaboration and innovative thinking, leaders who inspire, who carry authority in ways other than command and control.**

Emerging Europe identifies the following two areas in the PARTNERSHIP dimension that are essential for the sustainable development of the region:

## REGIONAL COLLABORATION

Creating a shared agenda on a local, national, regional and global level

Knowledge and experience sharing and best practice

Collaboration with international organisations and with other parts of the world

## MODERN LEADERSHIP

Foresight-based strategic development planning, policymaking and policy evaluation

Political innovation

Future of leadership

In 2021, following Covid-19's speed and the scale of uncertainty and emotional disruption it has brought about, the programme focused on the importance of post-growth thinking.

# Understanding local interests is key to good leadership in CEE

**Leadership is no longer about where somebody is from, but the ability to combine global perspectives with local know-how.**

Sustained prosperity in the countries of emIn the first few years that followed the fall of communism in emerging Europe, there was a trend for global companies operating in the region, and even some local firms, to bring in leaders and senior management figures from outside of the region.

Quickly, the trend dissipated, as a wealth of great leaders in emerging Europe was developed, ready to both lead and inspire future generations. It was recognised that truly effective leadership needs to be based on both global knowledge and local values, inter-cultural understanding and emotional intelligence.

Today, this holds true more than ever: leadership is no longer about where somebody is from, but the ability to combine global perspectives with local know-how.

This was one of the key conclusions reached during a discussion dedicated to leadership at the Future of Emerging Europe Summit, held in Brussels on September 15, which brought together prominent leaders from the region to discuss the way forward for inspiring unity and transformational leadership throughout emerging Europe.

Agnieszka Gajewska, global leader, government and public services at PwC, says that the countries of Central and Eastern Europe have been able to make their economic and social transitions not only because of the financial support they have received from the West but also because of leaders and people who “somehow united the international and local”.

“The most inspiring leaders in the region [emerging Europe] are exactly those who have experience and understanding of global trends, but at the same time know what’s going on on the ground,” she says.

“They can bring their global insight, knowledge and experience and unite it with a very specific perspective of their own countries and their own markets.”

Andreas Schaal, the director of global relations at the Organisation for Economic Co-operation and Development (OECD), agrees that the economic growth in the region took place in large part thanks to the development of local leaders, something in which the OECD invested a great deal.

“This, in turn, led to investment by major companies, such as from my home country of Germany, into Central and Eastern Europe because they were able to find a highly qualified labour force. It was certainly a key pillar of the transformation that has taken place over the past 25 years.”

According to Vera Platonova, senior vice president at Visa says, it’s important that global companies – such as Visa – continue to invest in the region, in its people and its leaders.

“We see how fast the transformation is happening and how we as a global financial company can impact people’s lives each day, by supporting small and medium businesses from Serbia to Tajikistan, from capitals up to very small cities, or even villages, in places as Turkmenistan and Armenia,” she says.

Haldun Fırat Köktürk, head of airports at Lımak Investments, underlines the importance of investing in local expertise.

“After the collapse of the communist regime it was indeed challenging to find local expertise in emerging markets, so what we did was to cooperate with various universities in the region,” he says. “We set up social projects as part of our business and trained our own leaders from within our ranks of talented young people. What we did was to focus as much as we can on local people.”

**Multilateralism**

Platonova says that the pandemic, and the way it has sped up digitalisation, has demonstrated that there are no longer and borders.

“The importance of technology is growing fast and it is entering every home. We see how fast the delivery industry is growing for example the world has changed and has become far more digitalised and global than ever before,” she says, adding: “The past year brought many positives from a leadership perspective. The world is united more than ever, and that’s good news.”

*The most inspiring leaders in the region [emerging Europe] are exactly those who have experience and understanding of global trends, but at the same time know what’s going on on the ground.*

Andreas Schaal, similarly, thinks that global issues, such as the Covid-19 pandemic and the climate crisis, erase borders and create a need for leaders who think multilaterally.

“The virus does not stop at borders. Climate change does not stop at borders. Tax evaders do not stop at borders.

"I believe that we need multilateral leadership because it is essential in order to reach international agreements. Multilateral leaders work together to find solutions to all of the challenges we face."

### Uniting international and local

Agnieszka Gajewska says that "being linked" should not be confused with "being united". "Working together beyond borders is one side of the story," she says. "Another is that we have nationalist movements in most of the countries in our region, and, indeed, globally, which have seen unprecedented levels of support over for the past couple of years."

She says that understanding local circumstances and local interests is crucial to finding universal solutions to the challenges we face.

"I think the successful leaders of tomorrow will be able to combine them both. We need to combine local with global, private with public. Then we will have successful and impactful leadership in the future."

Citing Ursula von der Leyen, the president of the European Commission, she says, "We as Europe need to be like our young people, grounded in values and very bold in their actions. And I really don't mind if our leaders come from one country or another."

Schaal agrees: "a future leader needs to have a global mindset rooted in values, and local circumstances are very important."
He emphasises that the values a leader develops in local society are important as they are not normally developed on a global level.

### Emotional intelligence

Schaal also says that emotional intelligence is one of the key factors for good leadership, "especially in the digital age".

Platonova meanwhile believes that even though communities are linked, they are not connected, "as the cultural atmosphere cannot be felt through the screen".

"The most important thing is to be able to adapt to changes. Emotional intelligence is one of the critical things that makes this possible."

Haldun Fırat Köktürk adds that even though online platforms were "sufficient, and useful for meetings", a physical presence "is necessary for people to develop a cultural understanding".
He also stresses the importance of physical presence for sectors that cannot function as an online business, such as airports and infrastructure.

"There will always be a physical presence at the end of the day if you operate an airport," he says.

Click here to watch the full discussion between Agnieszka Gajewska, Andreas Schaal, Vera Platonova and Haldun Fırat Köktürk – moderated by Emerging Europe's Craig Turp

# PEACE

**The Sustainable Development Goals say that "there can be no sustainable development without peace and no peace without sustainable development."**

Emerging Europe identifies the following two areas in the PARTNERSHIP dimension that are essential for the sustainable development of the region:

## DEMOCRACY AND THE RULE OF LAW

Equality, inclusion and respect for human rights

Participative democracy and free and fair election

Public governance and the separation of powers

## MEDIA FREEDOM AND RESPONSIBLE REPORTING

Strengthening media pluralism and diversity

Supporting and empowering independent journalism and journalists

Tackling misinformation, disinformation and false news

In 2021, the programme focused on the importance of democracy and the rule of law as well as security.

# NATO's Mircea Geoană: 'Emerging Europe should feel secure'

**The transformation of post-communist societies was "turbo-charged" by the prospect of NATO and EU membership, says NATO Deputy General Secretary Mircea Geoană. And now they are playing a vital role in the region's security.**

The Deputy General Secretary of NATO Mircea Geoană, confirmed last week that his mandate had been extended until October 2023 by the organisation's general secretary, Jens Stoltenberg.

"It's a great honour, but also a challenge," says Geoană, a Romanian who took up his post in 2019.

"These have been two intense years, and I look forward to contributing to the negotiation, adoption, and implementation of NATO's new strategic concept, and the NATO 2030 agenda."

In September, Geoană was a guest at the Future of Emerging Europe Summit and Awards, organised by Emerging Europe in Brussels. "We are entering one of the most complex moments in modern history," he says.

"There is a combination of factors, including renewed great power competition, transformations in politics, economy, technology and culture, and this means that we at NATO, an organisation responsible for the security of more

than one billion people, must be ready to adapt to the complexity of that challenge."

The countries of emerging Europe will be a key part of that.

"The newer members of NATO bring an enhanced sense of geography and history, and a fresh energy to make up for lost time," he says. "This energy is highly appreciated throughout NATO."

## Foundations

According to Geoană, there is a link between peace, prosperity and security.

"You can't enjoy a high standard of living without security," he said, "and NATO – in partnership with the EU – is the foundation on which everything is built."

Geoană says that for states in transition the opportunities offered by NATO, and EU, membership, are the most "impressive, transformative incentives for changing society".

"Transformation of post-communist societies was turbo-charged by the prospect of NATO and EU membership," he says. "And of course, there are still disagreements between some member states, who have their own national interests that reflect their own geographies; that's normal. But history will show the integration of [emerging Europe] in transatlantic structures and its reintegration with the rest of Europe as one of the most successful transformations ever. And that's no small feat."

What matters, Geoană says, is that despite the differences, despite the disagreements, is that NATO is an alliance of democracies: thirty nations with different levels of development, different history.

"And when it comes to the issue of defending each other, at that moment we see unity, as we did after 9/11. We should not overplay the idea that sometimes we are not always on the same page, because when it really matters, we are."

*The model based on democracy and free markets is not static, it moves forward. When citizens are engaged in the conversation it is only a matter of time before we learn to do things better."*

And this applies to eastern partners too, he believes, such as Ukraine and Georgia, both of which are keen to join NATO, and – eventually – the EU.

"We will never accept the illegal, immoral occupation of Crimea," Geoană says. "We have enhanced our presence in the Black Sea, assisting our partners in Georgia and Ukraine. Our deterrence and defence is solid."

"But as we condemn Russia's aggressive stance, we still encourage Russia to return to dialogue. We are ready to engage because there are things we need to do together as an international community."

## New threats

Geoană adds that Russia is not only a threat to NATO's East, South and North, but also poses an ever-increasing cyber threat. As such, the alliance's NATO 2030 strategic concept will ensure that while traditional deterrence and defence remain solid and credible, while also covering a much broader definition of security.

"At the Warsaw summit in 2016, showing great foresight, NATO leaders decided that cyber would become the fourth NATO domain, after land, sea and air. At the 2019 summit, a fifth domain was added: space."


NATO has never been more important

Geoană says that the constant quest to create a better society is the strength of democratic societies in their competition with more authoritarian players.

"The model based on democracy and free markets is not static, it moves forward. When citizens are engaged in the conversation it is only a matter of time before we learn to do things better."

Geoană concludes by saying that NATO has never been more important and that even as the pace of transformation continues to intensify there will still be a need for defence, national security and collaboration.

"NATO will be as relevant in 2040 as it was in 1949. The bond between North America and Europe will still be as relevant," he says.

"The need for democratic nations from all over the world to come together and defend our values will also be just as relevant, and those newer members – from the emerging Europe region – will be even more influential.

"The region should feel secure. We should all feel secure. NATO is an indispensable precondition for peace, prosperity and decent lives."

Click here to watch the full fireside chat with Mircea Geoană – moderated by Emerging Europe's Andrew Wrobel

# ‘They didn’t think a housewife would unite people’, says Belarus opposition leader Tikhanovskaya

**The leader of the Belarusian opposition Svetlana Tikhanovskaya says that the country’s political prisoners need to know that they have not been abandoned.**

The leader of the independent Belarusian opposition has told Emerging Europe that the international community needs to keep up the pressure on the country’s repressive regime.

Speaking via video link from exile in Lithuania at Emerging Europe’s annual summit and awards, during which she was named Emerging Europe Public Figure of the Year, Svetlana Tikhanovskaya reaffirmed her belief that sanctions work, and that “it is up to us to make sure that the voices of innocent people behind bars in Belarus are not forgotten, that they have not been abandoned”.

One of the many hundreds of political prisoners in Belarus is Tikhanovskaya’s husband, Sergei Tikhanovsky, a popular YouTuber who was arrested last year shortly before a presidential election in which he had intended to run against the country’s long-term dictator, Alexander Lukashenko.

Mrs Tikhanovskaya instead ran for president in his place, and by any objective measure defeated Lukashenko. The dictator nevertheless declared himself the winner of the election, held on August 9, 2020, with an implausible 80 per cent of the vote.

## ‘They didn’t think a housewife would unite people’

The result sparked widespread demonstrations, mass arrests and a wave of repression that continues to this day. Tikhanovskaya was forced to flee Belarus with her children a few days after the vote.

“I think that the regime underestimated me, and I think that the regime underestimated the unquenchable desire of the Belarusian people for change,” says Tikhanovskaya when asked why she thought she had been allowed to run for president when so many other candidates had been barred from the contest.

“I think that they wanted to humiliate me. They saw me as a housewife, who nobody would vote for. They didn’t believe that a housewife would unite people.”

But uniting Belarusians is exactly what Tikhanovskaya did. Tens of thousands of people attended her pre-election rallies, despite the regime forcing them to take place far from city centres. Post-election demonstrations attracted hundreds of thousands.

“This is what happens when a government disregards the people it is supposed to take care of,” she says.

## A regime of fear

More than a year on from the election, the demonstrations against Lukashenko have lost their initial impetus. As a result, Tikhanovskaya believes, of fear.

“People are scared, people have to flee the country because of the repression,” she says. Nevertheless, she feels that the point of no return has been reached and that while Lukashenko remains in power, his position is untenable.

She adds that a majority of people still working for the regime are also eager for change, but that fear prevents them from resigning.
“They want change, they want reform, but they are scared for their lives, their families. They have seen what happens to people who quit the system. This fear is difficult to overcome.”

## ‘Belarusians just want to be happy’

Tikhanovskaya says that is vitally important that the international community – particularly the European Union and the United States – keep up the pressure on Lukashenko, isolating his regime “economically, financially, diplomatically, politically”.

“Sanctions work,” she says.

But it is equally important, she believes, that they offer support to Belarusian civil society.

“It’s high time to show solidarity and assist those who are fighting for democratic change,” she says. “A combination of pressure on the one hand and assistance for civil society on the other is what will help release political prisoners and bring about a new Belarus through free, and fair, elections.”

“I see the future of Belarus as a country in which its citizens feel safe and secure, where disagreeing with the government does not lead to persecution,” she concludes.

“Belarusians just want to be happy, but nobody can be happy living under this regime. It’s impossible.”

Click here to watch the full fireside chat with Svetlana Tikhanovskaya – moderated by Emerging Europe's Andrew Wrobel

# EMERGING EUROPE SHOWCASE

**Individuals, businesses and organisations from across Central and Eastern Europe saw their work recognised at Emerging Europe's fourth annual awards ceremony, held on September 15, 2021, in Brussels.**

The work of more than 60 NGOs, businesses and individuals from across Central and Eastern Europe was recognised in Brussels on September 15 at the 2021 Emerging Europe Awards, the fourth edition of a programme that highlights best practice, innovation and courage across the region.

Winners, split across Emerging Europe's five pillars, based on the United Nations Sustainable Development Goals (People, Planet, Prosperity, Partnership, Peace), were for the first time chosen by the global Emerging Europe community: in all more than 8,000 votes were cast for the various nominees.

Winners of other categories, including the Investment Promotion Agency of the Year, the Business-Friendly City, were selected based on Emerging Europe's research, or such as the Professor Günter Verheugen Award and the Princess Marina Sturdza Award, were selected by the Emerging Europe Council, or chosen by the Emerging Europe editorial team, like the Public Figure of the Year.

## INDIVIDUALS

### Professor Günter Verheugen Award

**A major figure from outside the emerging Europe region who has contributed greatly to its development.**

#### SIR SUMA CHAKRABARTI

for being a key advocate of the region, leading the the European Bank for Reconstruction and Development's advocacy for market-friendly policy reform, better governance and improved investment climates.

### Princess Marina Sturdza Award

**A major figure from within the emerging Europe region who has contributed greatly to its development.**

#### PROFESSOR KATALIN KARIKÓ

for decades of research therapeutic possibilities of mRNA, attempting to harness the power of mRNA to fight disease, often too far-fetched for government grants, corporate funding, and even support from your own colleagues.

### Public figure

**A political leader who, through their activities and policies promoted and strengthened democratic values and the rule of law in their country.**

#### SVETLANA TIKHANOVSKAYA

for her unswerving commitment to bringing about democratic change in Belarus, despite being forced into exile and despite the imprisonment of her husband.

### Female business leader

**A woman who encourages other women to develop careers and who have made mentoring the next generation of leaders a significant component of their own success.**

#### VERA PLATONOVA

for her support for women entrepreneurs across the region by offering them educational activities, increasing their motivation and connecting with the field experts (Ukraine)

### Young influencer

**A young person who — through politics, social activism or other activity — influenced society in their community, country or in the wider region, for the better.**

#### EDITA VELIĆ

for her determination to help her community and her strength in a male-dominated political environment. (Bosnia and Herzegovina)

## PEOPLE

### Artistic achievement

**Works of art and/or artists who contributed to improving or strengthening the positive image of the region and/or its people globally.**

#### SAVE YOUR HOME

a portrait made of 4,000 plastic bottles for World Rivers Day by Andrej Josifovski aka Pijanista, for an inspiring way of encouraging climate action. (Serbia)

### Health and social care

**Projects and initiatives that facilitate innovative and accessible healthcare, improving longevity and quality of life**

#### YOUTH CANCER EUROPE

for their ongoing campaign to ensure that young people in Europe can access cancer treatment wherever they need it. (Romania)

### Young empowerment

**Initiatives whose goals are to increase young people's opportunities, awareness, self-confidence and engagement in society.**

#### ASPER IT

for devising an ingenious way of training young people with Asperger's syndrome to work in IT and tech. (Poland)

### Future-proof education

**Initiatives and projects aimed at improving education and lifelong learning in the digital age.**

#### THE CODING SCHOOL FOR WOMEN

for breaking stereotypes that IT is only for men and upskilling a large cohort of female tech specialists. (Georgia)

## PLANET

### Green energy

**Initiatives lowering the social and economic costs of energy transition, contributing to generating clean energy and decarbonisation, and enhancing energy security.**

#### RESPECT ENERGY

for their strict commitment to promote acquiring and trading energy solely from renewable sources with respect for nature and for people (Poland)

### Sustainable lifestyles

**Initiatives aimed at improving waste management and building a circular economy, encouraging responsible production and consumption and eliminating pollution.**

#### ECOLOGISTS WITHOUT BORDERS (EKOLOGI BREZ MEJA)

for their dedication to improving environment, increasing efficient use of resources and active citizenship and monitoring how municipalities progress in achieving zero waste goals (Slovenia)

## PROSPERITY

### People-first economy

**Initiatives aiming at closing the urban-rural development and income divide, contributing to the future of the labour market; and building conscious capitalism.**

#### THE EAST EUROPE FOUNDATION

for their ongoing work aimed at improving the quality of life for underprivileged groups of the population, e.g., people with disabilities, the elderly, vulnerable youth (Ukraine)

### Inclusive entrepreneurship

**Initiatives encouraging social and business innovation, strengthening start-up ecosystems, enhancing digital transformation and technological advancements.**

#### SOCIAL IMPACT AWARD

for strengthening their support for young entrepreneurs in building social enterprises that solve most challenging issues in the time of a global pandemic. (South-East Europe)

### Foreign Investor

**Foreign investors who had a positive impact on a country or region in emerging Europe in 2020, such as creating new jobs or developing a specific sector.**

#### EUROCAPE

for their involvement in generating renewable wind energy and building one of Europe's largest onshore wind farms. (Ukraine)

### Global Champion

**Companies companies headquartered in one of the emerging Europe countries, that started or strengthened operations outside the region.**

#### SYGIC

not only for the global growth and fleshing out the travel experience but also offering unique, hassle-free solutions for electric vehicle drivers and supporting sustainable travel. (Slovakia)

### Investment promotion agency

**The most effective and innovative communication of the country's value proposition by a national investment promotion agency.**

#### ESTONIAN INVESTMENT AGENCY

for understanding the country's key selling points and communicating them in an innovative manner. (Estonia)

### Business-friendly city

**A city picked by location experts across categories business climate, infrastructure and connectivity, pool of talent, quality of life, local authority support, economic potential.**

#### ŁÓDŹ

for being chosen as the leading city in business climate, local authority support and winning the overall ranking. (Poland)

## PARTNERSHIP

### Regional collaboration

**Initiatives creating a shared agenda on a local, national, regional and global level, sharing knowledge, experience and best practice, encouraging collaboration.**

#### EIT HEALTH REGIONAL INNOVATION SCHEME

for their continuous focus on expanding the regional network to upskill talents, engage key stakeholders and develop regional ecosystems and innovations. (Hungary)

### Modern and future-proof policymaking

**Initiatives aiming at foresight-based strategic development planning, evidence-based and inclusive legislation and policy evaluation and promoted leadership of the future.**

#### POLISH CODE OF CONDUCT IN HEALTHCARE

for paving the way for standardisation of personal data protection, giving patients privacy and medical institutions opportunities to offer high quality service. (Poland)

## PEACE

### Democracy, human rights and the rule of law

**Initiatives promoting equality, inclusion and respect for human rights, participative democracy, free and fair elections, public governance and the separation of powers.**

#### ALL-POLAND WOMEN’S STRIKE

for their ongoing engagement of women who have been stripped of their right to self-determination in large cities and small towns alike. (Poland)

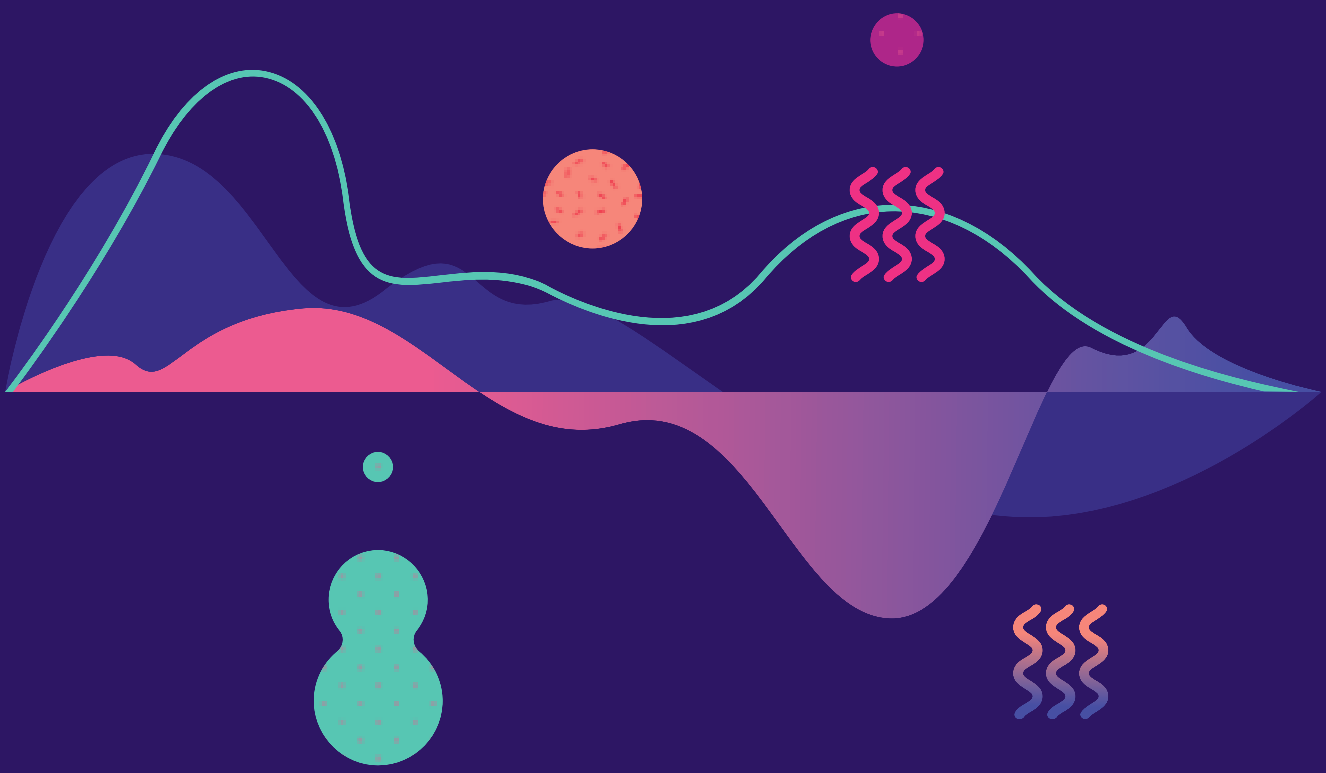
### Media freedom and responsible reporting

**Initiatives strengthening media pluralism and diversity, supporting and empowering independent journalism and tackling misinformation, disinformation and false news.**

#### NEXTA

for their courageous and incessant coverage of political demonstrations in Belarus. (Belarus)

# CHAMPION
# CONNECT
# COOPERATE



# BUSINESS PERSPECTIVES

## Capital markets

MARLEK DIETL

CEO
WARSAW STOCK EXCHANGE

**It has been four decades since investment community activists, alarmed at the damage being done to the environment, began advocating for a more sustainable approach to investing.**

But it is only over the past couple of years or so that what we now call ESG (environmental, social, governance) standards have become part of mainstream discussions among the investment community.

Since the global financial crisis of 2008-9, companies with greater awareness of the environment, society and governance have performed better than those who neglected ESG. It is this that, perhaps beyond any other consideration, made sustainable investment a staple for companies around the world, as large global asset managers incorporated ESG in their evaluation models. They now allocate more funding for companies that are ESG-friendly.

The environmental factors of ESG criteria determine how a company performs as a steward of nature, while social factors examine how the company manages relationships with its employees, suppliers, customers, and the communities where it operates. As for governance, it deals with a company's leadership, executive pay, audits, internal controls, and shareholder rights.

### Emerging Europe lags behind

According to Marek Dietl, CEO of the Warsaw Stock Exchange, companies in emerging Europe, however, are lagging behind in meeting ESG criteria since there has been a conflict between environment, planet and economic growth, something that is unique to the region. Dietl says that the problem has historical routes, "as resources were directed not to society's benefit, but rather towards the arms race".

"We have historically consumed the planet and environment much less than our western counterparts. Western Europe profited a great deal during the Industrial Revolution, but our region joined the Industrial Revolution late. Then it was taken over by communists, and never reached the same the level of consumption as the West," he says.

Dietl believes that emerging Europe needs to catch up with its western counterparts, but considering the global challenges, it has to do so with fewer resources. "The issue now is to explain to society that although it is unfair that we have not been able to accommodate our wealth in the past, we have to limit ourselves now.

"We have to explain to society that current environmental issues are serious. There is a positive spillover between peace and prosperity, but a negative one between prosperity and the planet. However, this is still not so obvious for the nations [in emerging Europe] that are catching up only now," he explains.

### Perceptions and unfair competition

Dietl says that a key part of the problem is that investors have the perception that companies are not aware of the environment or society, and that they are poorly governed.

By default, it is taken for granted that those companies listed on the stock exchanges in emerging Europe are not ESG compliant. For example, banks are lending money to companies with high CO2 emissions. It is a paradox because similar levels of emissions are produced in Germany as they are in Poland, but if you ask people in the street, they will only name Poland as a polluter.

“There are some cliches about the region, which makes the life of companies difficult. But the ESG reality in emerging Europe is much better than the perception,” he says, adding: "changing these perceptions is something we should work on.”

According to Dietl, another problem is that investors are reluctant to put their money into companies that do not have good ESG score, even if those firms are doing their best to catch up. “Investors just say that these companies are not ESG-compliant,” he tells *Emerging Europe*.

“However, if they want to tackle the issue of convergence between emerging economies and developed ones, the global investment community should also finance companies that are actively improving their ESG scores. Companies [in emerging Europe] want to catch up quickly but we have limited access to capital. They cannot always be fully compliant with ESG as it is costly. So, having the same requirements for companies in France and Ukraine for example is unfair.”

### Issues of understanding

Dietl suggests that another major challenge confronting companies in emerging Europe is the simple but problematic issue of language.

“A lot is lost in translation in the region. If this issue is solved, investors will better understand what companies are presenting. That's why at the Warsaw Stock Exchange we decided to invest in XBRL, a programming language that can produce machine-readable reports. The reports can be read with this tool without knowing the local language. XBRL is a prerequisite for the communication strategies of companies and ESG.”

Dietl says that the international investment community has to understand the region’s social nuances as there is "some pressure from society for more employment and more inclusive growth. We have to make sure that companies understand that 'E' stands for the environment and 'S' for society; sometimes they are contradictory.

Hopefully, the investment community will understand that it is about finding a good combination of the 'E' and the 'S'. “Investors need to find ways to better understand the specifics of emerging Europe.”

### Companies need to implement changes

But according to Dietl, it is the governance factor is paramount in attracting global investors.

“Unlike environment and society issues, the governance factor is on the side of companies. We have to work in the region to promote best practices. This is the easiest thing to improve. If a company has a production line that is polluting, it costs a lot to make it less polluting, even threatening a competitive edge. Nevertheless, when it comes to governance, a company can do better without compromising competitiveness or the scale of production, labour relations, etc. This is the issue that has to be worked out across the region,” Dietl explains.

The Warsaw Stock Exchange boss also thinks that society in Emerging Europe is reluctant to appreciate companies’ social attitudes, especially when it comes to local communities.

“You will be surprised how small companies can support society by financing local sports clubs, by hiring people with disabilities. You do not have to be a big company to be responsible for local communities."

He also thinks that companies could do more by introducing some diversity into their boards.

“They need to organise around well-structured governance, and introducing diversity into company management will do no harm. It is reasonable to expect diversity in a company. Ultimately, governance, as well as the other factors of ESG, should be seen as a way of making the process of running a business smoother, and not just for the sake of the stock exchanges or investors."

In this regard, Dietl's final point is salient: ESG is for everyone, for companies of all sizes, listed or private.

"You can't get round it, and the region is aware of this. But let's have some support."

# BUSINESS PERSPECTIVES

## Retail

ANNA GRABOWSKA

Executive Vice President,
Chief Commercial Officer
ŻABKA POLSKA

**One of the largest and greenest chains of convenience stores in Central and Eastern Europe, with 7,600 manned and unmanned facilities, Żabka has developed its business model by focusing on the growth of the convenience format and on technological advances, while simultaneously integrating those activities with values of Żabka brand.**

At the core of its philosophy are responsibility and sustainability, says Anna Grabowska, Żabka's Executive Vice President (EVP) and the firm's CCO.

"We do not treat the responsibility and sustainability agenda as something extra, they are a vital, integrated part of our business strategy," she tells *Emerging Europe*.

Grabowska says that as a business, Żabka creates value by making people's lives easier.

"We aspire to become the largest, best and greenest convenience chain in Central Europe. It is a bold statement but the world belongs to the brave: those with an innovative, forward-thinking and responsible approach."

She says that the company's responsibility strategy consists of four pillars: a sustainable lifestyle; mindful business impact; responsible organisation; and green planet, meaning responsibility towards the environment.

"We believe that green and sustainable living for all of us, every day, is possible. This is our commitment It requires engagement, time, resources and, above all, good teamwork: both within the organisation and with external partners, such as our suppliers."

Grabowska adds that Żabka designs and deploys its activities by integrating environmental, social and governance (ESG) related factors in its decision making processes.

"We also strive to enhance our human, intellectual and social capital," she says. "We create financial and non-financial value for all our stakeholders. One of our goals is to minimise negative environmental impact throughout the entire Żabka Group value chain."

The Żabka Group Responsibility Strategy, adopted in early 2021, confirms the approach the firm is taking, defining its ambitions and identifying the directions it intends to follow in regards to corporate responsibility and sustainability.

Grabowska describes it as "a declaration of our willingness to further develop our business while fully respecting the natural and social environment."

Żabka wants to become climate neutral in just a few years' time, and in 2020 spent record levels of investment in optimising its supply chain. Bottles in which its own brand products are sold – Foodini, Wycisk, S!, OD NOWA – are made of 100 per cent recycled materials.

"We have been placing great emphasis on green innovation – an approach that is best reflected by an environmentally friendly store in Warsaw, fully powered by 100 per cent green energy," explains Grabowska.

"The store is testing quantum dots technology and has a kinetic floor that generates energy from customers' steps. Anti-smog pavement blocks are installed in front of the store, and a green wall made of live plants absorbs harmful exhaust fumes. The store serves as an innovation laboratory in which environmentally friendly solutions for commerce are tried and tested."

### Cutting down food waste

It is increasingly clear that consumer habits will need to change in order to bring about the widespread changes needed to help mitigate the impact of climate change, and the retail sector, Grabowska says, has a key role to play, particularly in the reduction of food waste.

"Żabka is working to reduce food losses in its value chain. We have implemented appropriate processes during product picking and deliveries to stores. During transport, we maintain a cooling line – thanks to this, we can be sure that the products are transported in the right temperature conditions and will retain their properties and freshness."

"Twelve million Poles live in the vicinity of Żabka stores," she explains. "We are committed to promoting smaller and more frequent purchases to reduce food waste. The convenience model in which our stores operate helps customers buy what they need at a given moment without stockpiling and, consequently, preventing food waste. We support this approach by introducing well-sized product packaging. Already, 90 per cent of the products in Żabka stores are intended for immediate consumption, which does not contribute to food waste."

But with so many people increasingly conscious of the need to eat healthier food, how can a retail chain ensure that they are eating the right thing, even when time is short? Again, Żabka is doing its bit, Grabowska says.

"We are aware that people are often in a rush: that's why we offer them a lot of healthy snacks they can grab and eat."

*"Consumers want to know how the environment affects us, as well as how we impact the environment. [...] Trust and responsibility are now at the centre of attention for a lot of people.*

She cites Żabka's Foodini smoothies, based on fruit, and grains, as well as the Dobra Karma brand offering a range of light lunch meals and snacks with a short ingredient list, "but including a lot of vegetables, which do not contain any preservatives, flavour enhancers, sweeteners or colouring agents".

Then there are two companies Żabka recently acquired to enhance its dietary portfolio: Maczfit – the leader in the box diet segment; and Dietly.pl – Poland's biggest platform allowing customers to compare and order meal plans.

"In this way, we are making sure that Żabka creates value by simplifying people's lives. We already have over 7,600 franchise stores around Poland. Every day over 2.5 million Poles visit our stores. We listen to their needs, observe and react to those needs, and sometimes come towards those needs before they become visible. We are leading through innovation."

Alongside other retailers, Żabka also donates food, to the Polish charity organisations Caritas, the Federation of Polish Food Banks and the Camillian Social Welfare Mission. In 2020, its donations reached over 550 tonnes of food.

Frontline functions

## Promoting positive behaviour

Grabowska says that since the beginning of the Covid-19 pandemic, consumers have been paying more attention to their health – they tend to analyse how certain products influence their well-being, including mental health, and their immunity.

“They want to know how the environment affects us, as well as how we impact the environment,” she says. “Trust and responsibility are now at the centre of attention for a lot of people. There are studies showing that around 90 per cent of consumers would pull out of an online purchase if a brand or company had bad reputation. That’s why brand reputation is so important. And this reputation is not gained overnight. It takes years of consistency, new initiatives, coming forward with new ways to positively influence the environment, society, employees.”

But where Żabka has excelled is in realising that while the majority of consumers are declarative about environmental protection, additional effort, expense or compromise on quality can put them off.

Grabowska points to a Żabka initiative which places eco-labelling on packaging to indicate which bin it should be placed in.

“Such action does not require additional expense from the customer,” she says. Meanwhile, Żabka has introduced a policy of making sure that healthy products, that have no preservatives, are produced and designed in such a way that they are affordable while maintaining their high quality.

“In order to make sustainable choices mainstream we need to spend a lot of time and effort on the ecological education of customers,” she says. “Żabka has been doing that for quite a while now. We have the opportunity to remind them of the right choices, offer responsible products and educate them. This is also done by means of modern digital devices, such as a dedicated application called żappka. Customers are granted points for returning plastic bottles and cans to EKOmat devices, provided by our chain, which promotes positive behaviour which in the end, become habits. The points can be later exchanged for products or donated to a chosen charity if the customer wishes to do so.”

## Sustainability is not a trend

All companies, especially big players on the market, must see the necessity of implementing the ESG agenda in their everyday activities and strategies and plans for the future.

As Grabowska puts it: “Taking any business decision should be preceded by a question – is this a responsible and sustainable action?” Given that financial institutions are also now asking the same question, her point becomes increasingly valid, as companies which conduct their business in a sustainable way are more likely to obtain funding for new projects and investments.

“Sustainability has become one of the most important criteria,” says Grabowska. “Both the general market as well as financing institutions would rather support companies that conduct their business in a sustainable manner. Responsible business practices and contribution to sustainable growth also support more trusted and reliable relationships with stakeholders incl. business partners, employees or local communities. They also drive innovation and value creation both in financial and non-financial terms.”

As part of its own commitment to making a difference, Żabka has vowed to make the packaging of all its own-brand products recyclable by 2025.

“Żabka was the first company in Poland to start testing circular economy solutions for its own brand products,” says Grabowska. “We offer our customers water in bottles and labels made from fully recycled materials. We called it OD NOWA from the Polish for ‘fresh start’ or ‘regeneration’. Grabowska says that ultimately, there will be no future for companies that are not forward-thinking.

“Sustainability is not a temporary fashion or a trend – it is a must,” she concludes.

# BUSINESS PERSPECTIVES

## Health care

KOSTAS DELIGIANNIS

General Manager
for Eastern Europe
GE HEALTHCARE

**Investing today in primary health care will translate into raising the quality of life for the global population tomorrow.**

According to the World Health Organisation (WHO), primary health care (PHC) addresses most people's health needs throughout their lifetime, including physical, mental, and social well-being.

This means that already by definition it is more people-centred rather than disease-centred and should work as the first point of contact with the health system.

Although this seems obvious and the discussion has been live for a long time, in many markets of emerging Europe it is still an area that is not treated appropriately in view of its importance to the state and society.

As we have seen over the past several months, this has been verified by Covid-19, which has uncovered existing shortcomings in relation to PHC. The pandemic simply made them more visible and helped governments realise the critical role of essential care at the same time.
PHC and the health care services continuum
The main role of primary health care is to provide continuous and high-quality comprehensive care to patients.

It offers the first set of professional care to communities using the measures and tools of health promotion, education, disease prevention, treatment, rehabilitation, and palliative care.
Its condition is therefore of great importance not only at the local level but for the healthcare system as a whole.

Good management and well trained teams make PHC more efficient, alleviating hospital work by reducing unnecessary numbers of patients and non-patients and cutting the rates of emergency department visits. For example, in 2016 hospital admissions for chronic conditions were equivalent to 5.8 per cent of hospital bed days across 30 OECD countries, which could have been avoided by delivering high-quality PHC.

During consecutive waves of Covid-19, we saw that hospitals, also in Eastern European countries, were not always treated as the last link in the chain, which has led to overcrowding, making it even more difficult to manage emergencies.

Pushing care delivery straight to hospitals has been caused by a lack of information and/or essential procedures in the view of which the whole process should be rethought in a way as to ensure best decision and situation management support in a very short time.

This, in turn, indicates how important it is for national health systems to have an extensive primary health care network that does not disrupt irreplaceable hospital services like surgeries, oncology or maternity services (deliveries) and reduces the overall cost of treatment.

We can thus see that continued investment in PHC and its development are necessary to ensure, especially in times of crisis such as Covid-19, that communities have adequate access to care and that hospitals continue to operate and manage critical health issues.

Primary health care is crucial in making health systems more resilient and prepared to such crisis situations, as it plays the key role in detecting early signs of epidemics, and then in acting and responding to them.

### Efficiency comes with training

In addition to knowledge and expertise in many clinical areas, in order to be able to administer appropriate treatment or refer a patient to a specific specialist or therapy, GPs and staff of PHC centres also need a mix of diverse skills, like the ability to cooperate with others, to use new digital tools to bring the greatest benefit and care to patients and even to be efficient communicators and pass the right health-related messages at the community level – crucial in critical situations as we have witnessed with Covid-19.

Training, therefore, is another area to take into consideration.

Development programmes aimed at PHC teams are already being introduced in some European countries in areas like health promotion, education, and disease prevention. To be able to efficiently manage the whole health system, more governments should also consider investing in similar solutions in the near future.

Moreover, modern technologies, including telemedicine, e-prescriptions, or electronic health records (EHR), have been deployed in medicine over the past several months faster than ever.

Therefore it is now crucial to help PHC teams to take advantage of these tools and train them how to use these resources, which not only improve the general workflow but in particular increase the accuracy of diagnosis and enhance the patient experience.

### The long-term perspective

What we certainly learnt from the Covid-19 pandemic is that PHC is irreplaceable in confronting the crisis and shielding societies.

However, this will not succeed if the foundation of the healthcare system remains under-resourced, both in terms of trained professionals and equipment. The right diagnosis is the cornerstone of medical decisions. Providing PHC teams with innovative tools and devices, such as point of care ultrasounds or mobile XR units will help meet patients' clinical needs in an all-encompassing way while saving time and cost. Countries need to rethink their HC systems weaknesses, preparing and implementing a strategic long-term plan centred around PHC needs.

Investing today in primary health care will translate into raising the quality of life for the global population tomorrow.

# BUSINESS PERSPECTIVES

## Technology

OLEG KROT

Managing Partner
TECHIIA

**People are divided into two categories. Some of them believe in global warming, others don't.**

But the climate dissidents have only two arguments: first, the Earth's climate is constantly changing, and secondly, observation of these changes has only been carried out for a few centuries, which makes any conclusions about the existence of global warming irrelevant.

Proponents of the global warming idea rely on temperature change data over the past 140 years, and if we take a look at the average temperature on Earth in April, the numbers are relentless: since 1880, this figure has increased by 1.1°C.

But what does this mean for humanity, and what does it mean for investors?

The current temperature rise is the result of increasing atmospheric carbon dioxide levels due to human activity. It may only be a little over one degree, but the consequences are enormous: fires, droughts, hurricanes, storms, floods, tsunamis.

The Stockholm Environment Institute estimates that by 2100, the damage from climate change-related disasters will reach 1.9 trillion US dollars per year. These statistics brings us very close to answering the second question.

### A transition towards a climate-neutral economy

We live on the verge of a global ecological disaster. A huge number of different programmes to save the planet have already been introduced. One of them is limiting carbon dioxide emissions into the atmosphere.

The European Union and the United States plan to achieve carbon neutrality by 2050, and China by 2060. These initiatives apply to all producers, be they industrialists or farmers.

The concept of the European Green Deal has also been picked up by Ukraine. Our Ministry of Energy has also created a programme for a climate-neutral economy transition by 2050. Within its framework, there are plans to make extensive use of electric transport, make industry energy-efficient, introduce alternative energy sources, reduce waste, and switch to the use of "green" hydrogen as fuel.

In front of our own eyes, the "green" agenda is turning into a global trend. A consensus has already formed at the level of governments in the most developed countries on measures to prevent further climate change.

But note that this plan's first phase is limited to a period of 30-40 years. This means that the global market has formed a new segment, investments which will bring not only benefits to others but also tangible profits to those ones directly involved.

### Carbon market 101

Green investing can be divided into two broad groups. The first is investing in green technologies, be it wind power generation, or creating energy-saving apps for homes and businesses. The second group is investments in financial instruments for energy markets of different countries. Let's start with them.

In 1997, the Kyoto Protocol was adopted, the most important international document regulating climate change policies. The protocol was ratified by 192 countries, including Ukraine, which joined the treaty in 2004.

The protocol applies to six groups of the most harmful greenhouse gases: carbon dioxide ($CO_2$), methane ($CH_4$), nitrous oxide ($N_2O$), hydrofluorocarbons (man-made organic compounds that contain fluorine and hydrogen atoms), perfluorocarbons (man-made compounds containing just fluorine and carbon) and sulphur hexafluoride ($SF_6$).

According to the Kyoto Protocol, each member state receives greenhouse gas (GHG) emission quotas. If the quotas are not fully used up, the balances can be sold to other participants in the GHG market, or to private traders.

The most popular option for quotas is that of carbon credits. Today, they can be purchased on the European Energy Exchange in Leipzig, and on the PowerNext service integrated into it, the Munich Stock Exchange, and the Bratislava Commodity Exchange.

In addition to the spot market for emission permits, there is also a market for derivative financial instruments – "green" futures and options, which allow traders to make money on contracts even without owing them. These instruments are traded today on the Nasdaq European Commodities platform.

## GHG emission quota trading

This year, the carbon market is undergoing big changes. In February, China launched a nationwide emissions trading scheme (the largest in the world). So far, at the first stage of its implementation, quotas are valid for 2,200 power plants in the country. These limits amount to 4.3 billion tonnes of $CO_2$, already twice the size of the European emission market. But the Chinese GHG emission quota market is set to grow even bigger.

It is also worth noting the launch of the domestic emissions trading system in the UK and preparations for the renewal of carbon dioxide quotas in the EU. As a result, the global carbon market reached record levels: the total cost of carbon permits by the end of 2020 was 229 billion euros and is projected to rise to a possible 800 billion euros in five years.

The carbon market is stable, setting capitalisation records for a fourth year in a row. There are several reasons for this. Firstly, with each passing year, contracts are becoming more expensive, which is logical, given the general desire to bring emission levels to zero. Secondly, contracts have long been trading objects. The more often these permits change owners, the higher their price.

And here's how the value of carbon contracts has risen in recent years. Due to the growing investors' climate ambitions and the gradual entry into force of restrictive measures by regulators in 2018, the price of a ton of carbon dioxide jumped from seven to 25 euros. Regulatory pressure and investor appetites are growing, and in March 2021 the price of a ton of emissions exceeded 40 euros.

## Hydrogen options

In the near future, European regulators will further reduce quotas for large industrial enterprises (in the cement, steel, and chemical industries). As an alternative, they can switch to green hydrogen.

Today, hydrogen is being produced in three ways. The most environmentally unfriendly, grey hydrogen, is produced using fossil fuels such as natural gas. Blue hydrogen is produced by steam reforming of natural gas pyrolysis. The most environmentally friendly, green hydrogen, is made of water through a process known as electrolysis. Modern industry uses only one per cent of green hydrogen, nullifying all efforts to switch to the use of environmentally friendly hydrogen energy.

So, by lobbying for the use of green hydrogen, the EU wants to introduce new pricing rules. This will level out the price of green, grey, and blue hydrogen. As industrial giants switch to sustainable hydrogen, the price of carbon dioxide is projected to jump to 90 euros per tonne.

Therefore, only cryptocurrency investing can be more profitable than carbon contracts today. But unlike a regulated and predictable carbon market, the cryptocurrency market remains a high-risk sector.

How else to make money on green investments
If GHG trading does not appeal, take a look at the more traditional economic sectors: eco-material production, investments in agriculture carbon emissions solutions, the production of solar, wind, and other alternative forms of energy. Or hydrogen.

According to the European Commission, hydrogen energy will grow rapidly all over the world, and by 2050 24 per cent of all energy will be produced from green hydrogen, and the capitalisation of the hydrogen sector will reach 630 billion euros.

Another promising area for green investing is green construction in emerging markets. By 2030, 24.7 trillion euros will be invested in this sector.

Today it is no longer possible to ignore the green agenda without reputational and financial losses, therefore the most progressive companies incorporate climate risks into their growth strategies. Those who don't face losses.

This statement also applies to green construction. Eco-friendly and more energy-efficient buildings are less risky and therefore more valuable and generate higher returns.

Environmental risks need to be kept in mind regardless of which investing area you choose. Before investing, learn more about the "green component" of the selected project.

# ABOUT THE PROGRAMME

**Since its inception in 2013, Emerging Europe's mission has been to foster sustainable, innovation- and entrepreneurship-driven social, economic and democratic growth in 23 countries of Central and South-eastern Europe and the Caucasus.**

The organisation triggers regional debates about challenges and obstacles the region needs to overcome, inviting key stakeholders to those debates and producing joint solutions.

In 2015, the United Nations' General Assembly adopted the 2030 Agenda for Sustainable Development that included 17 Sustainable Development Goals (SDGs) and five pillars ("5 Ps"): people, planet, prosperity, peace and partnership. These give the world has a universal and integral plan of action for people, planet and prosperity, which requires all countries and stakeholder to act jointly.

In 2018, Emerging Europe identified ten themes and key areas where improvements and progress are needed across the region and launched the Future of Emerging Europe and the Emerging Europe Awards programme.

### PEOPLE

- **Future-proof education** (Education in the digital age; Lifelong learning: skilling, reskilling and upskilling; Inclusive and efficient education systems)
- **Health and social care** (Innovative and accessible healthcare; Longevity and quality of life; Positive demographics: nurturing and keeping home-grown talent)

### PLANET

- **Green energy** (Social and economic costs of energy transition; Clean energy and decarbonisation; Energy security and regional collaboration)
- **Sustainable lifestyles** (Waste and circular economy; Responsible production and consumption; Eliminating pollution)

### PROSPERITY

- **People-first economies** (Closing the urban-rural development and income divide; The future of the labour market; Conscious capitalism)
- **Inclusive entrepreneurship** (Encouraging and supporting social and business innovation; Strengthening start-up ecosystems and tech hubs; Digital transformation and technological advancements)

### PARTNERSHIP

- **Regional collaboration** (Creating a shared agenda on a local, national, regional and global level; Knowledge and experience sharing and best practice; Collaboration with international organisations and with other parts of the world
- **Modern leadership** (Foresight-based strategic development planning; Evidence-based and inclusive legislation and policy evaluation and policy making; Future of leadership)

### PEACE

- **Democracy and the rule of law** (Equality, inclusion and respect for human rights; Participative democracy and free and fair election; Public governance and the separation of powers)
- **Media freedom and responsible reporting** (Strengthening media pluralism and diversity; Supporting and empowering independent journalism and journalists; Tackling misinformation, disinformation and false news)

The Programme consists of a high-level conference held previously in London (the United Kingdom) and currently in Brussels (Belgium), the Emerging Europe Awards, celebrating the region's excellence, editorial content, and the Future of Sustainability report.

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As a leading global medical technology, pharmaceutical diagnostics and digital solutions innovator, GE Healthcare enables clinicians to make faster, more informed decisions through intelligent devices, data analytics, applications and services.

With over 100 years of healthcare industry experience and around 47,000 employees globally, the company operates at the centre of an ecosystem working toward precision health, digitising healthcare, helping drive productivity and improving outcomes for patients, providers, health systems and researchers around the world.

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Established in 1976, Limak Group of Companies has expanded into numerous industries and it continues to do so sustainably even today.

Today, Limak operates in the construction, tourism, cement, infrastructure, investment, energy, food, and aviation industry.

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PwC Central and Eastern Europe (PwC CEE) is recognised as a Strategy Council Territory within the PwC Global Network, operating as one partnership. PwC CEE is a network of firms, consisting of separate legal entities in accordance with applicable local laws and regulations. We work to help our clients in local markets become more successful and globally competitive.

Today the company has more than 12,000 people, including over 270 partners, working in 56 offices across 29 countries in the region.

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TECHIIA Holding is a synergistic, reliable business system that attracts investments for entrepreneurial projects in various industries worldwide.

By attracting investments for entrepreneurial projects in various industries worldwide, TECHIIA holding is a synergistic reliable business system that holds expertise in Esports, SaaS, IT services, software development and engineering, real estate development, IT infrastructure and a multitude of other emerging markets.

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The Warsaw Stock Exchange Group (GPW Group) operates trading platforms for shares, Treasury and corporate bonds, derivatives, electricity and gas, and provides indices and benchmarks including WIBOR and WIBID.

The index agent FTSE Russell classifies the Polish capital market as a Developed Market since 2018. The markets operated by the GPW Group are the biggest in Central and Eastern Europe.

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Żabka is the largest and greenest chain of convenience stores in Central and Eastern Europe, with 7,500 manned and unmanned facilities.

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It also manages the leading dietary catering brand Maczfit and operates the biggest e-commerce platform for catering diets – Dietly.

On average, nearly 2.5 million people visit their local Żabka stores each day and over four million people use its żappka digital app.

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