

CORPORATE GOVERNANCE INDEX

A PATHWAY TO
SUSTAINABILITY FOR
CORPORATIONS IN
ALBANIA

FIRST EDITION

Corporate Governance Index: A pathway to Sustainability for Corporations in Albania

December 2022

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About ICC Albania

ICC Albania is the National Committee of the International Chamber of Commerce (ICC) in Albania since 2012. ICC Albania is the representative voice of ICC in Albania and provides mechanisms for Albanian private sector to engage effectively in shaping international policy, standards and rules. Through a unique mix of advocacy, solutions and standard setting, we promote international trade, responsible business conduct and a global approach to regulation, in addition to providing market-leading dispute resolution services.



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About ICG Research

ICG Research serves as a socio-economic research center committed to contributing to the wellbeing of communities and society, through the design and implementation of initiatives with a dedicated focus on sustainable development, entrepreneurship, economic freedom and good governance.



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ABBREVIATIONS

AML – Anti money laundering

BoD – Board of Directors

CSR – Corporate Social Responsibility

ESG – Environmental, Social and Governance

EU – European Union

GRI – Global Reporting Initiative

HR – Human Resources

IFC – International Finance Corporation

IFRS - International Financial Reporting Standards

OECD – Organisation for Economic Co-operation and Development

SDG - Sustainable Development Goals

UN – United Nations

WHO - World Health Organization

FOREWORD

Dear Colleagues, Dear Friends,

With sustainable development and integrity being one of the three main pillars of the work of ICC Albania, we commissioned, through the support of the Dutch Ministry of Foreign Affairs, a pilot study undertaken by ICG Research to assess the organizational culture and practices of companies operating in Albania, in terms of social and governance dimensions, which are constituting elements of sustainability reporting.

Thus, it is with great pleasure that for 2022, the International Chamber of Commerce in Albania (ICC Albania) brings to the Albanian audience this first edition of the Corporate Governance Index. The study aims not only to provide an overview of the companies' practices in the social and governance aspect, but also to serve as a tool to be utilized by businesses and policymakers, to build further synergies among themselves, to promote aspects of responsible business conduct. In the longer term, we hope that the study will contribute to creating an enabling environment to debate on a well-structured agenda for excellence in corporate governance.

As part of the study, an online survey was conducted, as well as interviews and desk-top research was carried out with 50 companies in the country. The findings reflect the situation "as is" and as reported by the participants, rather than a perception of the state-of-affairs in the context of corporate governance. In order to preserve confidentiality of information shared

by the companies' representatives, findings are grouped on clusters basis considering industries, size of companies and their ownership. This Index study provides an overall evaluation of the principles, standards and practices followed by these 50 in Albania from a governance and business integrity standpoint.

The Corporate Governance Index is part and parcel of the key role that ICC plays in promoting responsible business conduct around the world and helping businesses reflect on and shape their own sustainability approach. The ICC is a pioneer in helping companies perform responsibly and offers an array of rules, tools and guidance to tailor approaches to supply chain responsibility, sustainability, anti-corruption efforts and principled advertising.

We wish to thank gratefully the Embassy of the Kingdom of the Netherlands for their continuous support and enabling this study as part of the MATRA Programme in the framework of the Project "Collective Actions to Promote Integrity", the ICG consultant for their work in conducting the study and proposing and developing the index methodology based on their expertise, as well as the Board of ICC Albania for embracing this project. We also wish to thank the Albanian E-Commerce Association (AECA) that joined in the efforts of collecting data from their companies as well as the business representatives who contributes to the success of this project.

While we leave you with this study, we look forward to measuring this index regularly and turning it into an instrument that would identify state-of-affairs, measure year-to-year progress and guide some of the work to be done and trainings to be offered by ICC Albania in the future to help the businesses operating in Albania strengthen their governance structure, which directly impacts their market performance locally and beyond country's borders.

Yours Sincerely,
ICC Albania

EXECUTIVE SUMMARY

Facing a tougher regional and international competition, Albanian companies will need to optimize utilization of domestic resources and focus on increasing efficiency of operations. Shifting towards sustainability as the new operating model while empowering communities and improving the quality of decision-making appears to be a prerequisite that companies in Albania should adopt to sharpen competitive advantages.

Caring about the environment by developing organisation's human capital and fostering long-lasting domestic and international partnerships, should be core to the new operating model that the Albanian businesses will have to adapt.

In this first edition of the Corporate Governance Index for Albania, interesting findings have come to light through the contribution of 50 participating companies, of which 26 among top 200 businesses by revenues operating in the country.

On gender balance and women's role in leadership

Major companies operating in regulated industries report to have clear gender balance policies and dedicate importance to the implementation while other participating companies describe gender-based approach on HR policies as dependent on operational specifics of respective industries they operate in. Despite significant participation of women in mid-level management positions, their place in top

executive roles remains limited. Being valuable for companies to have gender balance policies to allow for equal opportunities of employment and equal chances of career within the organizations.

On Human Resources policies and turnover rate

Retaining human capital in the company has become a serious challenge for Albanian companies, where according to responses received, 23 out of 50 companies report an annual turnover rate of 10 percent or more, with the Retail industry participating companies see it as a major issue. While salary levels in responding companies are defined as a combination of internal standards and market salaries' dynamics, the Labour Code remains the main document to guide HR policies. Continuous training and building of capacities in the personnel is reported to be part of the participating companies priorities, however in 15 out of 50, there is not a dedicated annual budget.

On Health and Safety policies

Nearly all companies that have participated in the survey confirm to have a Health and Safety policy in the organization and comply also with the Labour Code. Training on Health and Safety also gets an important attention with company's resources allocated to allow this to happen regularly during the year.

On Corporate Social Responsibility agenda and sustainability

Majority of participating companies report to have a policy document that outlines their CSR strategy and related procedures to follow it, however there are large companies with Albanian capital that sponsor and engage in community development activities but do not have a proper policy document in place. Companies consider CSR activities as a way to give back to the society, but there are also companies that consider brand promotion as the primary goal. CSR impact is reported by 25 responding companies based on the Sustainable Development Goals. More than half of respondents confirm having an Environment and Social policy approved by the Board. However, most of participating companies do not prepare sustainability reporting.

On business integrity

In this first edition of the Corporate Governance Index 44 out of 50 companies from various industries, state to have a Code of Ethics approved by the leadership, while 32 confirm having an anti-corruption policy active. Main legal references utilized by companies for the anti-corruption and whistleblowing policies are the Criminal Code, Law no. 9049, dated 10.04.2003 "On declaration and control of assets, financial obligations of elected officials and some public servants", Law no. 60, dated 02. 06. 2016, "On whistleblowing and protection of whistleblowers" Companies that declare not having an anti-corruption policy are operating in the Foods industry, Retail, and Information Technology

On the governance

Governance structures are important to determine the quality of decision-making in a company and guide effectively operations. Most of responding companies have reported to have a functioning Board of Directors, however only 17 of them have appointed independent board members. From companies that declare to have a functioning Board of Directors, 21 of them report to have both functioning Audit and Risk Committees of which, 17 companies state to have functioning committees that report to the Board on a periodical basis.

On transparency and disclosure

On the Governance dimension of ESG reporting, transparency and openness to the public are important elements to build trust between corporations and different agents of the economic ecosystem. Annual reports can be considered as tools that aside providing an expose of the activities during the year, they also serve to establish information exchange between companies and interested stakeholders. From 50 companies, 37 of them report preparation of an annual report but only 14 of them publish it in the web. Eleven of companies that prepare annual reports, indeed include audited financial statements. From 50 companies only 13 of them prepare sustainability reports, 9 of which apply Environmental, Social and Governance indicators to benchmark activities.

1. INTRODUCTION

Corporate governance represents a reference system of fundamental values and operational standards that defines the organisation's culture based on which companies generate business activity and contribute value added in the economy. However, in today's corporate world the concept of governance is embedded in a wider framework of sustainability, where environmental and social dimensions are as important as governance, under the Environmental, Social and Governance (ESG) investing values framework. Considering the three fundamental pillars of sustainability, business companies should integrate their internal policies and financial means to comply with international standards. In a local context, after three decades of free market, the Albanian economy has reached a level of structural consolidation with some competitive advantages defined under constant regional pressures. Since 2009, Albania is officially a middle-income country and considering the political instability that has characterized its' democratic journey, it is possible to emphasize the crucial role that private sector has played in creating jobs and growth opportunities, with leading companies being at the forefront of this transformative journey.

As stages of development in corporate governance have evolved in parallel with top companies' growth strategies and standardization, little progress is made on sustainable and inclusive business models. Environmentally responsible businesses are expected to invest in the social dimension of their companies and apply high business integrity

standards in governance. International flagship institutions, with OECD¹ in a leading role, outline how integrity becomes in long-run a fundamental determinant for mitigating reputational risks, enriching organisation's human capital and preserving market value. In this light, considering the essential importance of responsible business conduct for growth and building a solid reference that would serve as a roadmap for businesses in their transformative journey remains an organisational structural issue in need of being addressed.

Sustainability cannot be considered anymore as an optional operational framework, it is becoming the new precondition to operate efficiently in international and domestic markets. It has become a core driver of business productivity and growth in the 21st century in developed and emerging economies. In this regard, Albanian Government has pledged its' commitment to comply with the EU Green Deal, 2030 Sustainable Development Agenda and as Paris Agreement signatory has drafted National Energy and Climate Plan to comply with Nationally Determined Contributions document that will be effectively reflected also in business regulations.

¹ <https://www.oecd.org/corruption-integrity/fr/explorer/themes/business-integrity.html>

2. AIM OF THE INDEX

In this first edition of the Corporate Governance Index the aim is to pilot an effective methodological approach, develop an educational platform on ESG and build a basis for long-term sustainability assessment of economic activity for companies in Albania. The methodology has been designed on the environmental, social and governance principles aligned with the Global Reporting Initiative (GRI)² standards, primarily for two dimensions the Social and the Governance. However, elements from the Environmental aspect are applied based on actual legal frameworks. The process of data gathering is based on a survey that is distributed to executives and managerial level representatives of the top 200 companies in Albania as listed by turnover from Monitor Magazine, and other participating companies from main economic sectors. Results of the Index are based on the contribution of top executives and well-informed experienced specialists from 26 Companies from Top 200 and 24 others. Answers received are structured based on two key dimensions as per GRI standards, on Social and Governance dimensions. The input received by participating companies provides an overview of main issues related to key economic industries where these companies operate such as Banking, Insurance, Telecommunications, Retail, Food industry, Manufacturing, Information Technology, Services and Energy. Index results reflect an analysis of inputs received from respective industries where responding companies operate. This provides an overview of main developments and key challenges facing the leadership

when intending to bring corporate governance in support of the social and economic role of companies. Index findings are based on the methodology developed by the team of experts aiming to project concrete actions from companies in a clear valuation scale on two dimensions social and governance.

The analytical approach introduced in this report aims to serve on a technical level as a reference to guide the assessment of organisational culture from a sustainability perspective under an ESG metrics. Sustainability is the new corporate reality in which companies are competing in an interdependent global economy where Albanian companies should differentiate their value chain contribution. This is the first index in Albania, pilot study, that is based on factual observations rather than perceptions. Our evaluation of companies participating in the index, across industries and economic sectors, from a corporate governance and social perspective is structured in line with international sustainability standards to sustain applicable recommendations that would allow companies to address identified challenges and bottlenecks while meeting international corporate governance standards. Findings of this report may also serve to support private sector related collective actions foreseen by the Government the National Strategy against Corruption 2023-2030³ intending to build synergies with the private sector when planning to promote transparency and good governance.

² <https://www.globalreporting.org/>

³ https://www.drejtesia.gov.al/wp-content/uploads/2022/08/DRAFT_-_KONCEPT-DOKUMENTI-STRATEGJIK-SNKK-2023-2030_-_8.8.2022_AL-1.pdf

3. METHODOLOGICAL APPROACH

Sample of participating companies

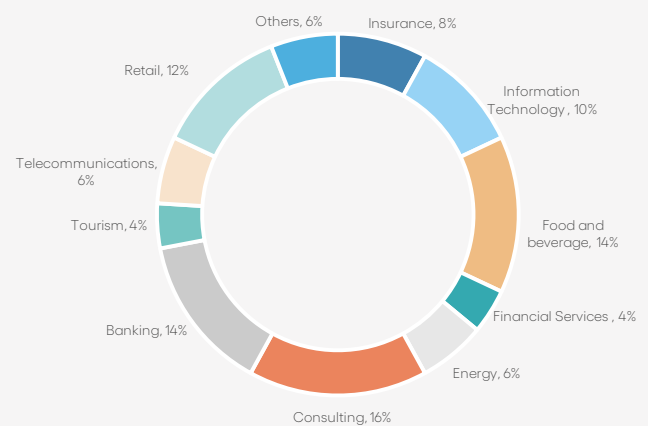
The total number of participating companies in the index is 50 from which 26 are companies from top 200 companies by turnover in financial year 2020 as listed by Monitor Magazine and 24 other companies. These companies operate in three economic sectors Services, Industry and Energy while in terms of specific industries they operate in Banking, Insurance, Telecommunications, Retail, Food and beverages industry, Manufacturing, Information Technology and Energy.

All participating companies have developed their business operations in last three decades of free market economy of which 17 have between 20 and 30 years of operations, 22 between 10 and 20 years and the remaining 11 with less than 10 years in business.

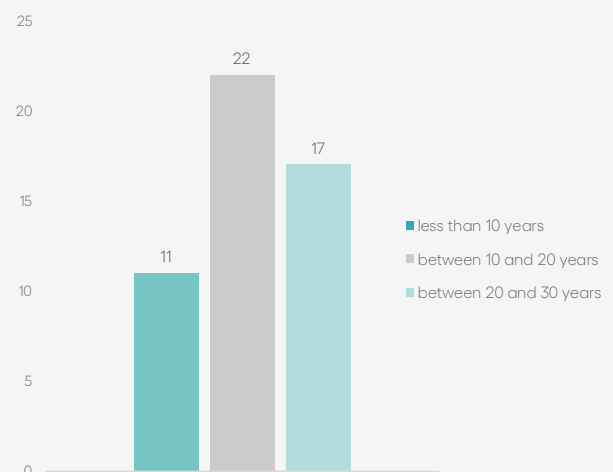
In terms of total annual turnover 18 participating companies have reported less than 200 million ALL, 2 companies between 200 and 500 million ALL, 9 companies have reported 500 to 1 billion ALL and 21 companies more than 1 billion ALL in annual revenues.

Referring to market operations from participating companies 17 are Albanian companies operating in the local market, 13 have expanded their operations beyond Albanian territory and 20 are foreign owned companies operating in the country

Graph 1. Participating companies by industry



Graph 2. Participating companies by years of operation



The Corporate Governance Index aims to provide an assessment on the corporate governance, business integrity principles, standards and frameworks applied by large companies and others in different industries. The assessment is based on two categories of indicators: Social dimension and Governance dimension. These two categories of indicators are organized in 6 areas (Human Capital, Social Responsibility, Governance, Business Integrity, Stakeholder Management, Transparency, and disclosure) consisting in a total of 44 indicators.

The methodology for the Index has been developed aiming to address key pressing issues related to corporate governance in the Albanian corporate reality considering key private sector principles promoted in methodological designs from reputable international institutions such as OECD, UN and Transparency International. To gather information from participating companies, a survey has been developed based on two from the three sustainability dimensions, more precisely the Social and Governance ones.



The Corporate Governance Index provides an overall evaluation of the principles, standards and practices and will serve to create a benchmark of corporate governance standards and provide the basis to help companies develop

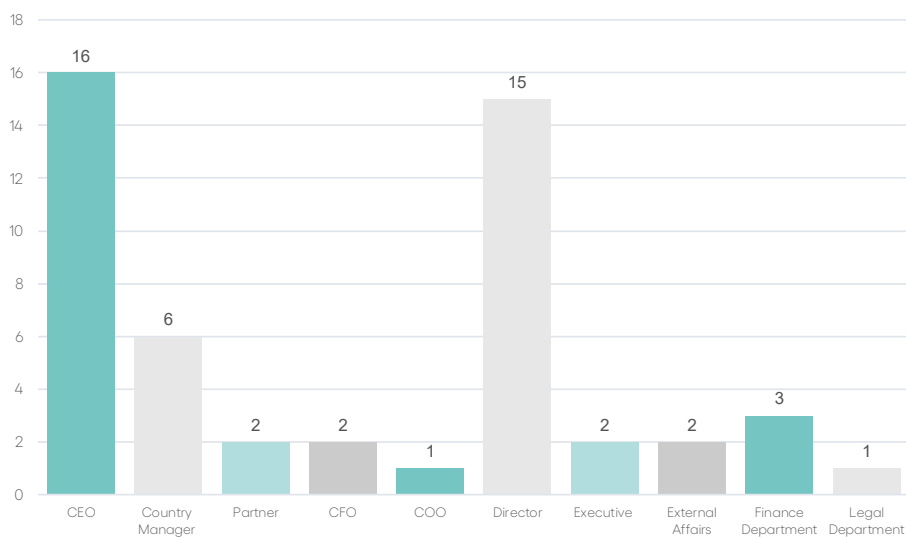
related action plans to transition towards ESG investing. Information through the survey is collected referring to six focus priorities.

- 1 Top Management
- 2 Dealing with fellow employees
- 3 Dealing with clients
- 4 Dealing with business partners
- 5 Dealing with finances
- 6 Dealing with government, communities, environment and other key stakeholders

Contribution of participating companies in the survey has come from leaders, executives,

and senior specialists with good knowledge on respective companies' operations and activities.

Graph 3. Participating companies by year of operation



Sampling

To obtain a significant participation in this piloting phase of the initiative, the goal was to have at least 25 from largest companies in the country by turnover and around the same for small-medium enterprises from different industries. The outreach campaign was designated to build synergies through different communication channels. Companies were reached out by direct invitation of top executive's email campaigns targeting top 200 companies, business associations invitations, social media campaigns. From 50 participating companies 48 have filled the survey online and in only 2 cases the survey was filled in person.

Data collection time frame

The process of data collection lasted from mid-July to mid-September 2022, allowing companies to dedicate the right attention to filling out the questionnaires.

Data gathering through desk research

In the cases of 2 indicators that are linked to publicly available information related to participating companies, desk research was undertaken reviewing respective webpages

of participating companies, published annual reports, CSR reports, National Business Centre records.

Additional research

To descriptive analysis providing wider background information additional desk research has been conducted.

To preserve confidentiality of information shared by companies' representatives, the recommendations will be drawn on clusters based on industries.

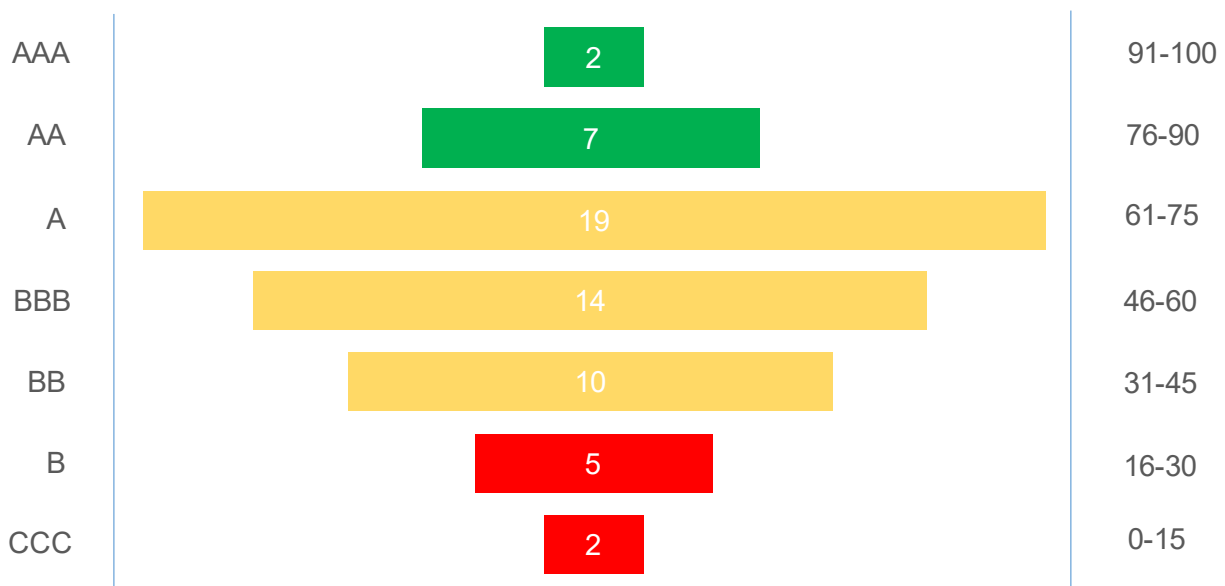
4. OVERALL INDEX RESULTS

With the participation of 50 companies operating and registered in the National Business Register of Albania this first edition of the Corporate Governance Index provides an overall assessment of the governance situation in a sample of country's private sector highlighting challenges and issues that request further attention from the side of leadership and executives.

In a 100 points scale of evaluation for each participating company, results achieved by participants range from 91 points marked by the

1st place to 13 points in the 50th place showing a wide distance between top performing and low scoring participants. Interpreting this significant difference in scoring between the extremes of the index classification is possible to outline that corporate governance standards applied by the Albanian companies are subject to differences determined by key factors such as operating industry, legal and regulatory frameworks, shareholders capital, size of the company and companies' attitude towards corporate governance standards.

Graph 4. Distribution of companies by results



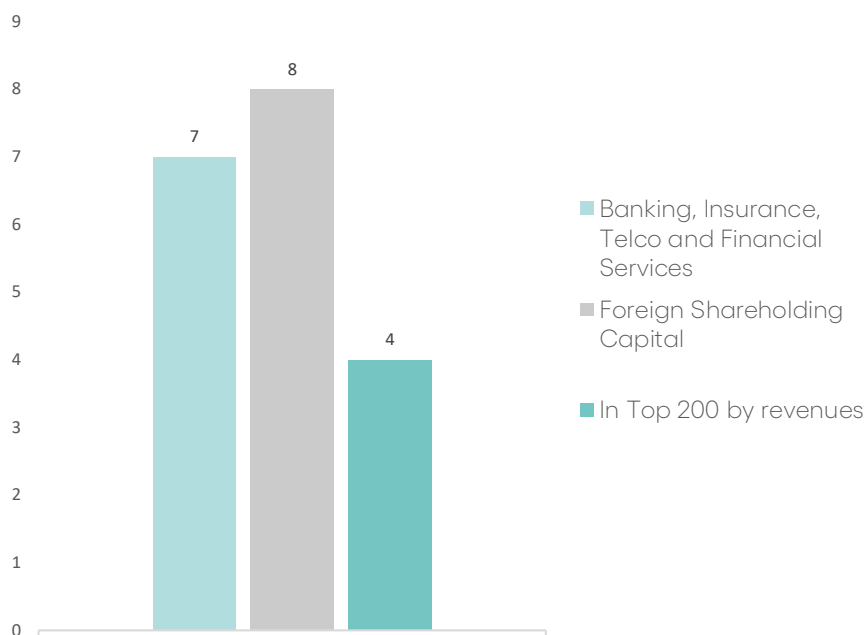
Analysing results from an overall perspective, it is possible to notice that 7 out of top 10 performing companies in the Index operate in regulated industries namely Banking, Insurance,

Telecommunications and Financial Services. Referring to their shareholding capital, 8 out of these top 10 performing companies are fully owned or majority of shares is owned by a foreign

international entity. In terms of turnover, only 4 from the top 10 performing participants are classified among major 200 companies in the country by revenue. These companies lead

the ranking also in the two main categories of indicators Social dimension and Governance one.

Graph 5. Facts about top 10 performing companies by overall score

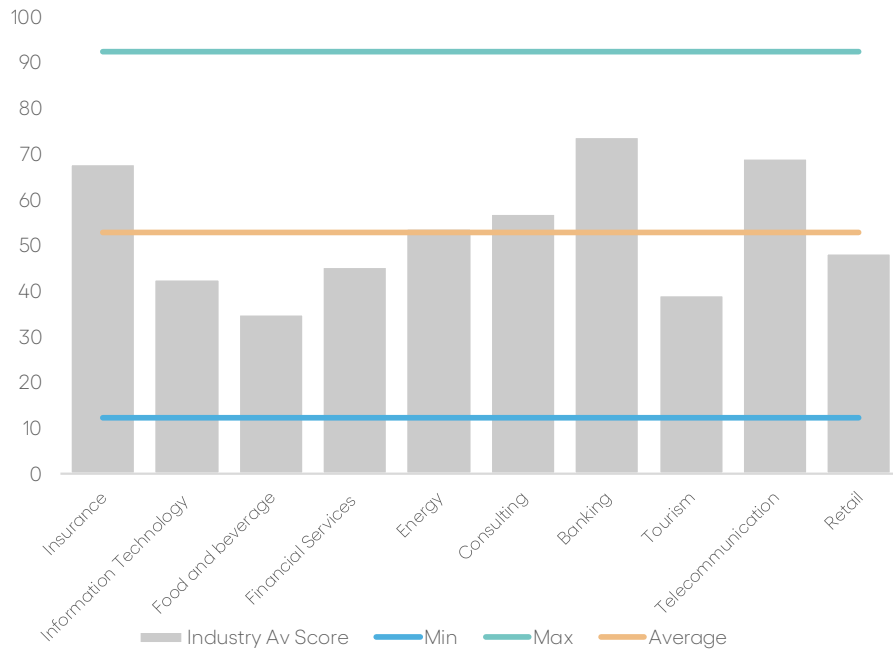


Based on the overall results, it is possible to understand that Banking, Insurance and Telecommunications are industries that lead the way in applying corporate governance standards. Followed by Consulting, Energy, Retail and Financial Services. It is valuable to note that benchmarking to international standards in company level remains at the discretion of companies' leadership but considering sustainability as a new rationale in a global competitive landscape remains an accepted

key priority to be considered when designing business strategies.

Least performing companies are operating in the Information Technology, Food and Beverages and Tourism industries. These companies are primarily owned by local investors, are not regulated by law on governance elements in industry level and have their business operations based in the Albanian market with limited exposure to regional competition.

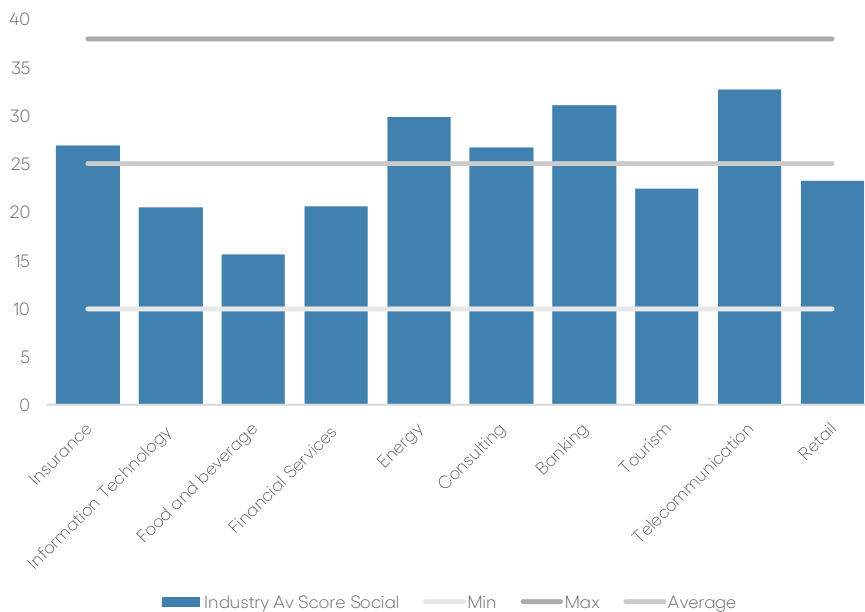
Graph 6. Results by industry compared to overall score



In the ranking based on the social dimension, top 10 rated companies that head the list are operating in Consulting, Banking, Telecommunications and Energy where again it is possible to notice that out of this group,

8 are foreign owned companies, scoring higher in both the Human Capital and Social Responsibility areas. From these 10 companies 6 are top 200 operating in Banking, Insurance, Telecommunications and Energy.

Graph 7. Industry results on the Social dimension



On the Governance dimension, companies leading the ranking are the same as in the Social dimension with the difference that in this case in the list of top 10 performing companies is included also a foreign owned

company operating in the Retail industry. From 10 companies leading the ranking in Governance dimension, 5 of them are among top 200 companies in the country by total turnover.

Graph 8. Industry results on the Governance dimension

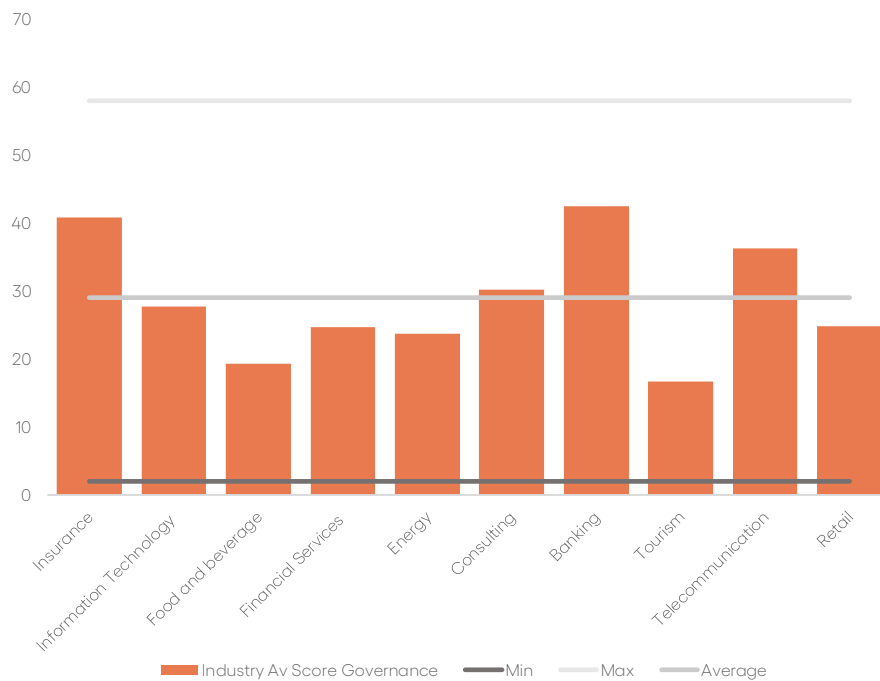


Table 1. Mapping participating companies Corporate Governance performance

Industry	Leader		Average performer			Laggard	
	AAA 90-100 pts	AA 75-90 pts	A 60-75 pts	BBB 45-60 pts	BB 30-45 pts	B 15-30 pts	CCC 0-15 pts
Insurance	1	1	1		1		
Information Technology		1		1	1		1
Food and beverage				1	4		2
Financial Services			1				1
Energy			1	2			
Consulting Services		2	1	4			1
Banking	1	2	3	1			
Tourism				1	1		
Telecommunications		1	2				
Retail			1	2	3		
Others				2			1

5. SOCIAL DIMENSION FINDINGS

In a sustainability perspective, the social dimension is essential for the organisational culture of companies, becoming a fundamental pillar in determining organisation's policies towards human capital, giving to communities and inspiring corporate values for a better society. It is true as well that beyond behavioural factors, the social dimension becomes important in the financial performance of the firm hence underlining the necessity to dedicate the proper attention to challenges companies face in this regard.

From health and safety, wellbeing of personnel to demographic factors are social category indicators that impact the human capital and the performance of companies. Social dynamics directly impact companies' performance starting from consumer trends and ending up to shifts in labour force expectations. Aiming to provide an overview and an assessment of the present Social dimension in the corporate governance environment in Albania, we have focused our work on a number of key indicators that go in line with the sustainability standards as per GRI standards.

Indicators used under the social category of indicators are primarily based on the key legal references regulating labour agreements between employers and their employees in the Republic of Albania, the Labour Code⁴ based on which also human capital related internal policies will need to comply with. In addition, two other



important legislative references that frame to limited extend the social responsibility initiatives of corporations are the Law No 7892/1994 "On Sponsorships"⁵ and the Law 9901/2008 "On Merchant and Commercial Companies" that are attempts to guide sponsorship activities from individuals and companies.

The Social dimension counts for 40 percent of the overall score of participating companies in this index, organized in two areas of indicators with equal significance the Human Capital, composed by 8 indicators, and the Social Responsibility, composed by 12 indicators. Both indicators' areas are equally important for scoring purposes respectively by equivalent 20

⁴ Labor Law in the Republic of Albania https://www.idp.al/wp-content/uploads/2017/03/Kodi_i_Pun%C3%ABs_2016.pdf

⁵ Law 7892/1994 "On Sponsorships" in the Republic of Albania <https://portavendore.al/wp-content/uploads/2018/05/Ligji-nr.7892-date-21.12.1994-Per-sponsorizimet.pdf>

points each. In the Human Capital area are included indicators such as: gender balance, HR policies on remuneration and training programs designed to maintain and invest in the human capital, health, and safety. In the Social Responsibility area main indicators observed are sponsorship and community engagement activities, CSR principles and agenda, SDGs and environmental policies, sustainability reporting.

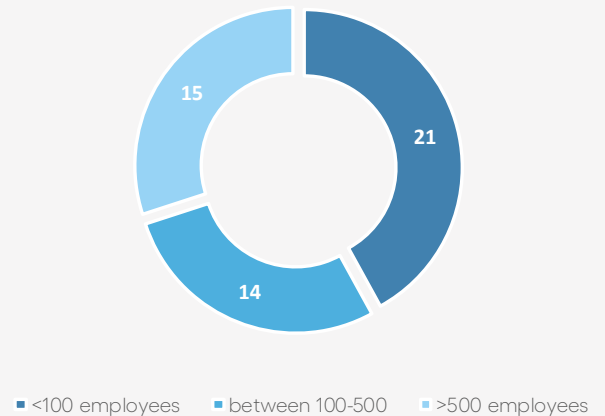
In the following section, an analysis of each of indicators composing the two areas will be detailed highlighting issues of interest for the reader and contributing to recommendations in finale of the report.

From the participating companies 21 of them count less than 100 employees, 14 count between 100 and 500 employees and the remaining 15 more than 500 employees in total number of their personnel. 27 companies apply part-time employment contracts to accommodate part time employees and interns. With few exceptions, generally, companies participating in the index are open to welcome interns, and recruitment policies are defined in their internal HR procedures.

From 50 companies, in only 23 of them or in 46% of all companies, gender balance is foreseen as important in internal human resources policy documents, in some cases the gender issue being defined by operational specifics of the industry or other cases highlighted in internal policy documents.

In the Human Capital area, from responding companies Insurance and Banking are the two main industries where companies invest significantly in policies to maintain and grow their human capital. It is possible to notice that

Graph 9. Number of employees of participating companies



Graph 10. Gender balance importance*



*Based on the answers to the survey question: "Does the company apply rules to maintain the gender balance in the organization?"

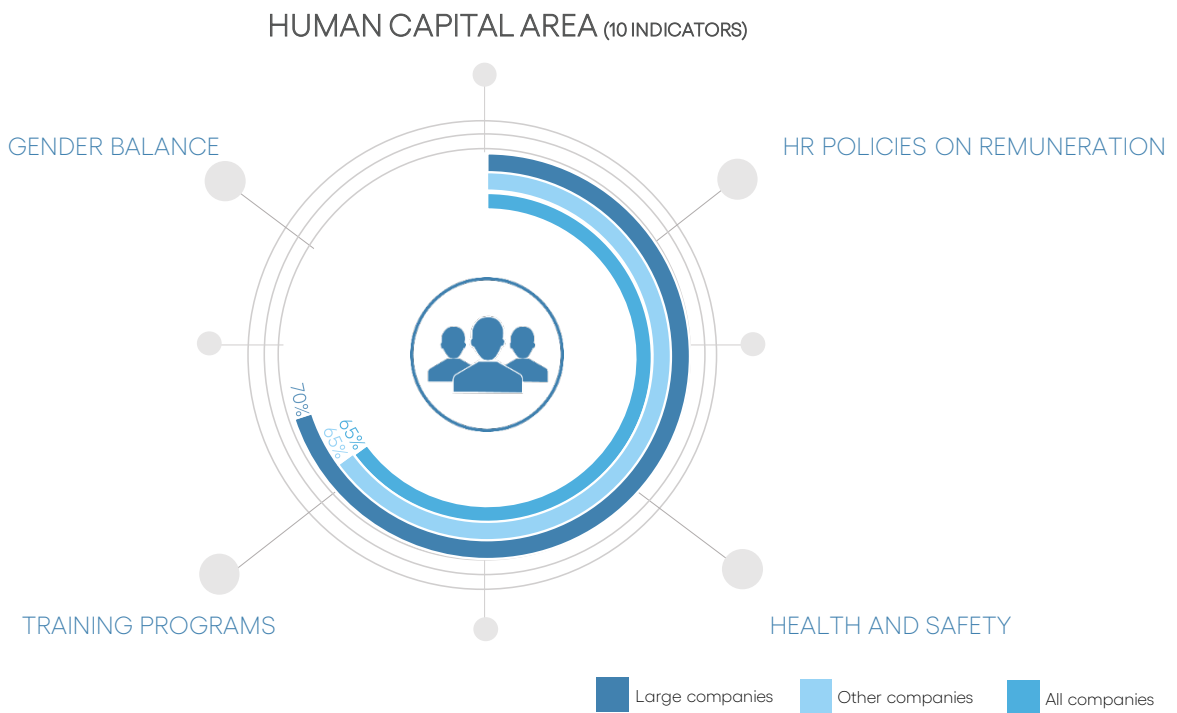
Food and Beverages companies do not dedicate the right corporate attention to this aspect of their organisational development. Six companies from Food and Beverages industry score lower than half of the available points on this area of indicators.

If Social responsibility appears to be in a central place of corporate policies in industries such as Banking, Telecommunications, Insurance and Energy, this area appears to be less in the focus of smaller companies operating in the Retail, Food and beverages, Information Technology and Consulting services.

HUMAN CAPITAL AREA

The Human Capital area is composed by 10 indicators in total. In the section below we will analyse results for each of the indicators highlighting views relating to scoring of participating companies and lessons to be learnt

in terms of applying GRI standards related to this area. In the Human Capital area overall score of participating companies in average is 13 points from 20, or 65% of the area. Large companies perform better with an average of 70%.



- **Maintaining gender balance in the organisation**

Companies see value in having in place gender balance policies to allow for equal opportunities of employment and equal chances to make a career within the organisation, creating in this way conditions for all the employees to feel comfortable and commit to growing company successes.

From 50 participating companies, only 23 of them have gender balance policies in place, out of which 16 are from top 200 in the country. These

23 companies that have confirmed these policies operate primarily in the Banking, Insurance, Information Technology and Consulting industries. On the other side companies that do not apply gender balance related policies are 27, operating primarily in Food and Beverages, Retail and Telecommunications.

Comments coming from participating companies relate gender balance policies with difficulties rising from specifics of some sectors where operations are based on technical requests that do not favor gender equality.

Another general comment is that during hiring process there are no differentiations based on the gender, rather than on required skills for the job.

- **Women’s role in the organisation and in leadership**

Referring to the GRI disclosure 405-1, companies should stimulate workplace gender diversity which would help increase productivity, creativity, improve performance and staff retention. This principle should be applied in all levels of the organization creating equal opportunities for women to be part of business companies and to lead them.

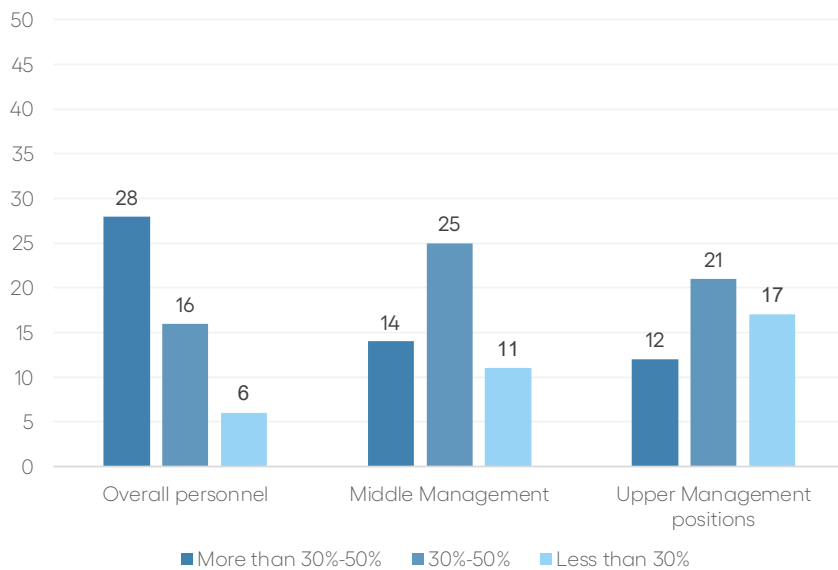
As reported in the survey answers, 28 out of 50 companies state that they have more than 50 percent of female personnel. In 16, part of the list of top 200 companies, this is normal in terms of human capital formation. With 30 percent of women in their teams are 16 companies, of which 7 from

major companies. While with less than 30 percent women in their workforce are only 6 companies, from which 3 are from Food and Beverages, from the Energy and one is Consulting firm.

Asked about women working in middle management positions⁶, 14 companies count more than 50 percent, 25 between 30-50 percent and 11 companies have less than 30 percent women in their middle management. In the upper management positions, 17 companies declare to have less than 30 percent women in their high executive levels, 21 companies between 30 and 50 percent and 12 companies with more than 50 percent women in their leadership with only 3 of them from major companies in the country.

It is possible to notice that women participation in the company workforce and leadership is correlated to the industry and the nature of the economic activity.

Graph 11. Women participation in management positions



⁶ Middle managers are managers who are below the top level of management, and who are responsible for controlling and running an organization rather than making decisions about how it operates, Collins Dictionary

- Turnover rate

As per GRI, Disclosure 401-1 New employee hires and employee turnover - A high rate of employee turnover can indicate levels of uncertainty and dissatisfaction among employees. It can also signal a fundamental change in the structure of an organization's core operations. An uneven pattern of turnover by age or gender can indicate incompatibility or potential inequity in the workplace. Turnover results in changes to the human and intellectual capital of the organization and can impact productivity. Turnover has direct cost implications either in terms of reduced payroll or greater expenses for the recruitment of employees.

Retaining human capital in the company is one of the major challenges for companies. In this aspect, companies endeavor to create a motivating working environment is part of the strategy to keep talents. In this perspective, companies' duty is to reduce uncertainty and dissatisfaction among employees to maintain a low turnover rate.

It is interesting to see that more than half, 27 from 50 participants, report a turnover rate of less than 10 percent and from these companies 15 are major ones. 14 companies report a turnover rate of 10 to 20 percent, and only 9 respond to have more than 20 percent turnover rate. This turbulent organizational phenomenon of personnel turnover is affecting primarily the Retail industry where the workforce is less trained.

- Salary levels and Human Resources Committee

The Human Resources Committee is a dedicated structure established by the leadership of the organisation to address issues related to the human capital and ensure a proper

management of human resources in continuity. This instance also allows for a proactive approach from the side of the organisation to ensure equal standards are applied in remuneration policy of the firm.

Referring to answers submitted by participating companies, salary levels in their companies are defined as a combination of internal standards and market salary dynamics.

Despite being quite important function in the organisation, 15 responding companies confirm that in their organisation there is not an established HR Committee. From these, 9 are large companies operating in well-regulated industries such as Banking and Insurance. In only 6 companies, there is an internal document that ensures equal pay per position and to avoid discrimination in hiring or promotions in the organisation. Documents that are mentioned to serve in this regard as references are staff manuals based on the Labour Code, employment policies, internal procedures manuals and organisation's recruitment policies. Standardization of Human Resources mechanisms to maintain and to equally treat employees in the organisation is of a paramount importance to develop the human capital in line with companies' long-term strategy.

- Training and building capacities

The GRI Disclosure 404-2 on Programs for upgrading employee skills and transition assistance programs, state that programs for upgrading employee skills allow an organisation to plan skills acquisition that equips employees to meet strategic targets in a changing work environment. More skilled employees enhance the organisation's human capital and contribute to employee satisfaction, which correlates

strongly with improved performance.

In a fast-changing global business environment and under new circumstances created by the pandemic, planning skills development and acquisition of coaching capacities equips employees to meet strategic targets in a dynamic work environment. Therefore, in the index we have paid attention to the training and capacity building activities that companies undertake. Taken as a normal in big and dynamic companies, we have tried to understand the level of budgeting and training standards applied by participating companies.

From all participating companies, 37 of them make a proper budgeting of training and capacity building programs. It is important to mention that in 5 companies the total hours of training programs planned during the year ranges from 100 – 480 hours, an impressive number compared to other companies that plan to train their employees less than 80 hours during the calendar year. However, it is possible to notice that such high number of training hours is closely related with induction training of employees, rather than training for knowledge that goes beyond job description responsibilities. Despite the importance of training 13 participating companies have stated that they do not have a budget allocated, 6 of them being major companies, 4 from the Food and Beverages, while the remaining 7 are smaller companies that do prioritize the matter.

- [Health and Safety](#)

On Health and Safety, key GRI referring standard is 403: Occupational Health and Safety that contains disclosures for companies to report information about their occupational health and

safety-related impacts, and how they manage these impacts, particularly Disclosure 403-5 Worker training on occupational health and safety.

Healthy and safe work conditions are recognized as a human right and addressed in authoritative intergovernmental instruments, including those of the International Labour Organisation (ILO), the Organisation for Economic Cooperation and Development (OECD), and the World Health Organisation (WHO). Healthy and safe work conditions are also a target of the Sustainable Development Goals, adopted by the United Nations (UN) as part of the 2030 Agenda for Sustainable Development. Healthy and safe work conditions involve both prevention of physical and mental harm, and promotion of workers' health. Prevention of harm and promotion of health require an organisation to demonstrate commitment to workers' health and safety. They also require the organisation to engage workers in the development, implementation, and performance evaluation of an occupational health and safety policy, management system and programs that are appropriate to the organisation's size and activities.

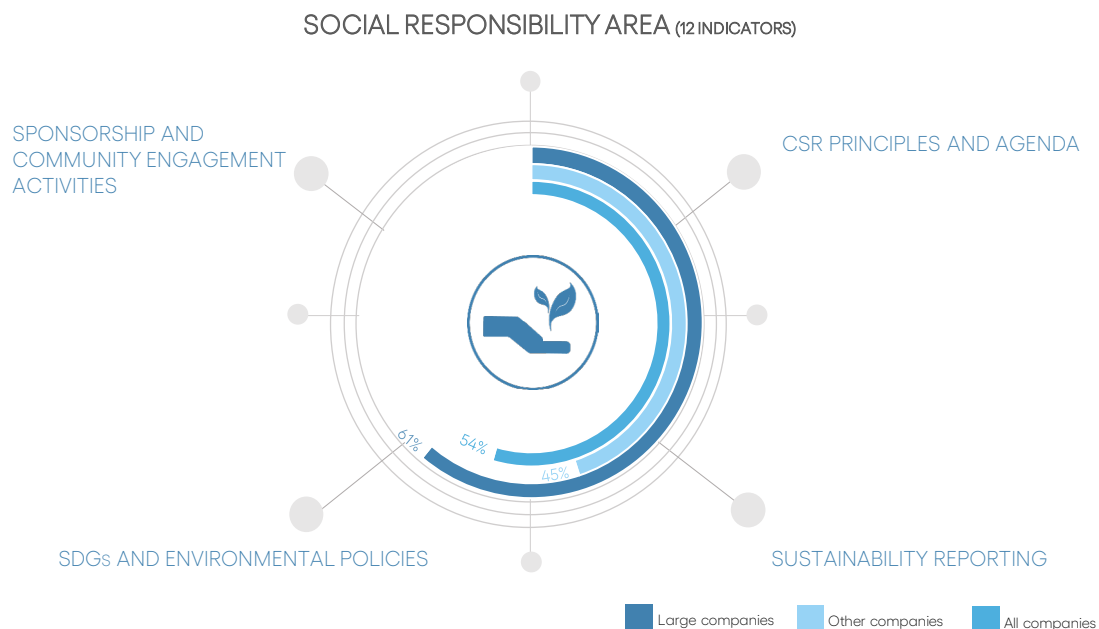
Health and Safety policies are important standards that companies must comply with to ensure a safe working environment where employees can contribute value while knowing that their organisation looks after their wellbeing.

Nearly all companies that have participated in the survey confirm to have a Health and Safety policy in the organisation and comply also with the Labour Code. Training on Health and Safety also gets an important attention with company's resources allocated to allow this to happen regularly during the year.

SOCIAL RESPONSIBILITY AREA

Companies' role to foster development and economic inclusion in the society takes a central role in the public agenda of major companies operating in Albania. These companies are present with their support in numerous activities throughout the year and commit also funds to make a difference in community level. Through this area of the Index, we have tried

to understand the "modus operandi" of the Corporate Social Responsibility departments and their initiatives in Albania. In the Social Responsibility area overall score of participating companies in average is 11 points from 20, or 54% of the area. Large companies perform better with an average of 61%.



- Social Responsibility policies and agenda

As per GRI Disclosure 413-1 Operations with local community engagement, impact assessments, and development programs, An organization's activities and infrastructure can have significant economic, social, cultural, and/or environmental impacts on local communities. Where possible, companies are expected to anticipate and avoid negative impacts on local communities. Establishing a timely and effective stakeholder

identification and engagement process is important to help companies understand the vulnerability of local communities and how these might be affected by the organization's activities.

On Social Responsibility policies of participating companies, 30 of them have reported to have a policy document that outlines their CSR strategy and related procedures to follow it, of these 17 are major companies operating in Albania. From the remaining 8 are major companies without

a CSR policy in place and all of them are local companies that engage in communities but do not have a proper policy document developed. On most cases the CSR policies have been developed based on internal documents and the Law No 7892/1994 "On Sponsorships" and have been approved by the leadership of the firm. In 23 responding companies, their CSR policy is developed based on this legal reference.

Twenty four companies report that the corporate social responsibilities are included in the annual report of the firm, 14 of them are major companies operating in Banking, Insurance and Telecommunications industries. Seventeen companies do not include their CSR activities in the annual report when preparing one.

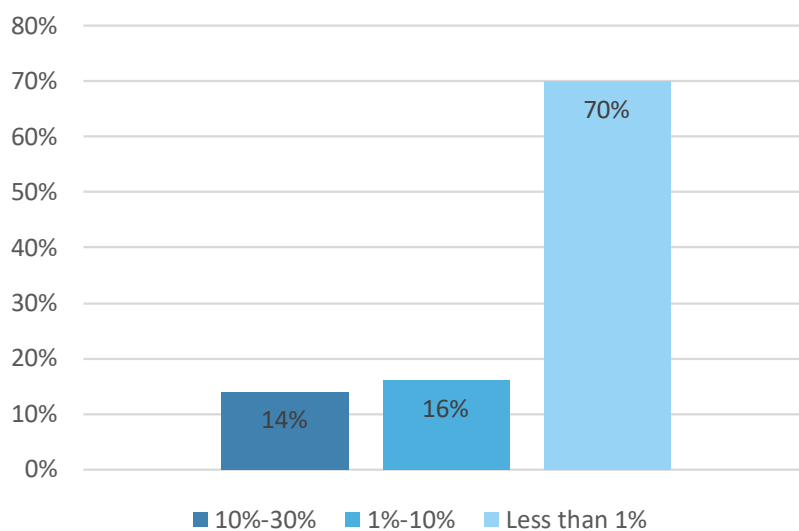
When asked about the motivation behind CSR agendas, major companies in the country state

their commitment to contribute for a better society and make a difference in communities wellbeing. In some isolated cases, companies see CSR only as a good branding and marketing for the firm.

In terms of the budget dedicated to the CSR agenda, 7 companies responded that they dedicate 10-30 percent of their annual budget to the social responsibility activities, 8 of them 1 - 10 percent of their annual budget and the remaining ones less than 1 percent of the annual budget. In 24 responding companies the leadership has designated responsible officers to follow the CSR agenda and in most cases these individuals are part of the Marketing departments.

CSR impact is reported by 25 responding companies based on the Sustainable Development Goals.

Graph 12. Budget dedicated to the CSR agenda



- Environmental impact and sustainability reporting

Being responsible towards the environment, is

more than a legal and an ethical issue, it has become requisite under the new EU Green Deal framework and the ESG investing reference system in a global scale. Albanian companies

in three decades of operations have become incrementally more aware on the importance of the environment in the sustainability of resources and communities' well-being. Even though the environment dimension is not being an essential part of this piloting phase assessment, we have included a few questions to get a glimpse on how companies work on their internal environmental policies and sustainability reporting.

Asked if companies organize environment focused community engagements, 41 respondents confirm having environmental engagements part of their social responsibilities priorities, while 27 of them confirm having an Environment and Social policy approved by the Board. In some cases, these policies are in group level and applied locally as well, while some respondents confirm applying social and

environmental principles despite not having a proper policy approved by the leadership. It is interesting to notice that 21 participating companies do not have such a document in place, of which 10 are from major companies in the country.

Nineteen from 26 participating top 200 companies in Albania have confirmed complying with the Article 18 in the Law No. 25/2018 on Accounting and Financial Statements in the Republic of Albania, regarding reporting non-financial activity. They also find helpful the Guidance issued on Preparation of the Non-Financial Reporting issued by the authorities. Thirty one companies, of which 18 from top 200, dedicate resources to research and development in support of environment-friendly products and solutions.

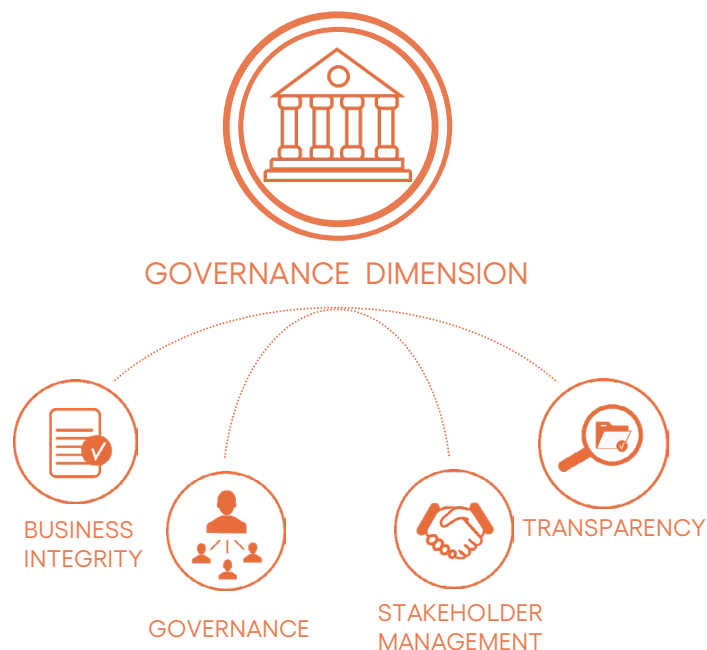
6. GOVERNANCE DIMENSION FINDINGS

Corporate governance is essential in determining the organisational structure, efficiency of operations and strategic priorities of business companies in relation to their commitment to establish values in the market and influence wider the society. The weighted results for this dimension count for 60 percent of the overall score, being considered as central to the overall corporate governance of business companies.

The Governance dimension of the index is based on four categories of indicators, Business integrity, Governance, Stakeholders management and Transparency. This dimension aims to measure the advancement of participating companies in applying organisational standards as indicated in the GRI framework. In the following section will be analysed the extent to which business

conduct policies and documents reflect business ethics and whether the compliance practices are designed to prevent bribery and corruption in the organisation. Companies operating in countries with weak anti-corruption laws are exposed to additional reputational and legal risks.

On the Governance dimension, for companies operating in industries other than those regulated by law, the set of metrics related to corporate governance is more a subject to internal decision-making from the side of the organisation's leadership. However international standards that are generally being followed in Albania are the OECD Principles of Corporate Governance⁷ and several corporate governance guidelines developed by the World Bank Group over the years.



⁷ OECD's Principles for Corporate Governance <https://www.oecd.org/corporate/principles-corporate-governance/>

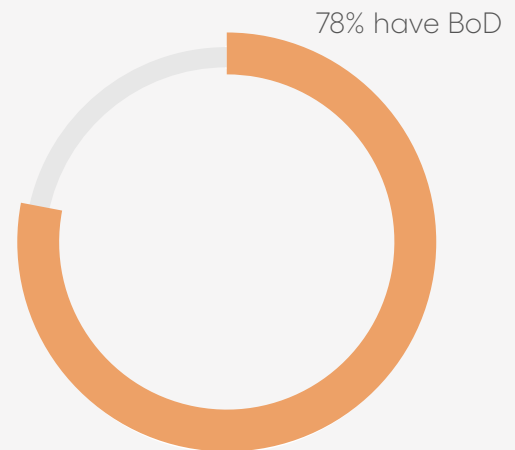
As per GRI Disclosure 205 - Anti-corruption, Corruption is broadly linked to negative impacts, such as poverty in transition economies, damage to the environment, abuse of human rights, abuse of democracy, missallocation of investments, and undermining the rule of law. Firms are influenced by the marketplace, international norms, and stakeholders to demonstrate their adherence to integrity, governance, and responsible business practices. Risk assessments can help to assess the potential for incidents of corruption within and related to the organisation and help the organisation to design policies and procedures to combat corruption.

Albanian companies have increased their awareness on the importance of doing business ethically and are growingly reflecting it into their key documents. Twenty five out of 26 major companies confirm to have approved the Code of Ethic and Code of Conduct by the leadership in their companies and 16 of them have a Corporate Governance Code. On anti-corruption policies, it is possible to notice that a significant part of the Albanian owned participating companies does not have an anti-corruption policy in place.

As per the organisational structure of companies' top management, 39 from 50 responding companies confirm to have a Board of Directors as the highest level of decision-making in the organisation. However, despite having a Board of Directors established not all of companies appear to have created dedicated committees to assist the quality of decision-making through supplying data and qualitative analysis on a regular frequency.

In terms of business integrity in respective supply chains and in relation to suppliers, only

Graph 13. Companies having a Board of Directors structure in place.



19 major companies do pay attention on the integrity of their counterparts when doing business with them. In only 8 major companies, this Stakeholders Engagement Policy has been approved by the Board.

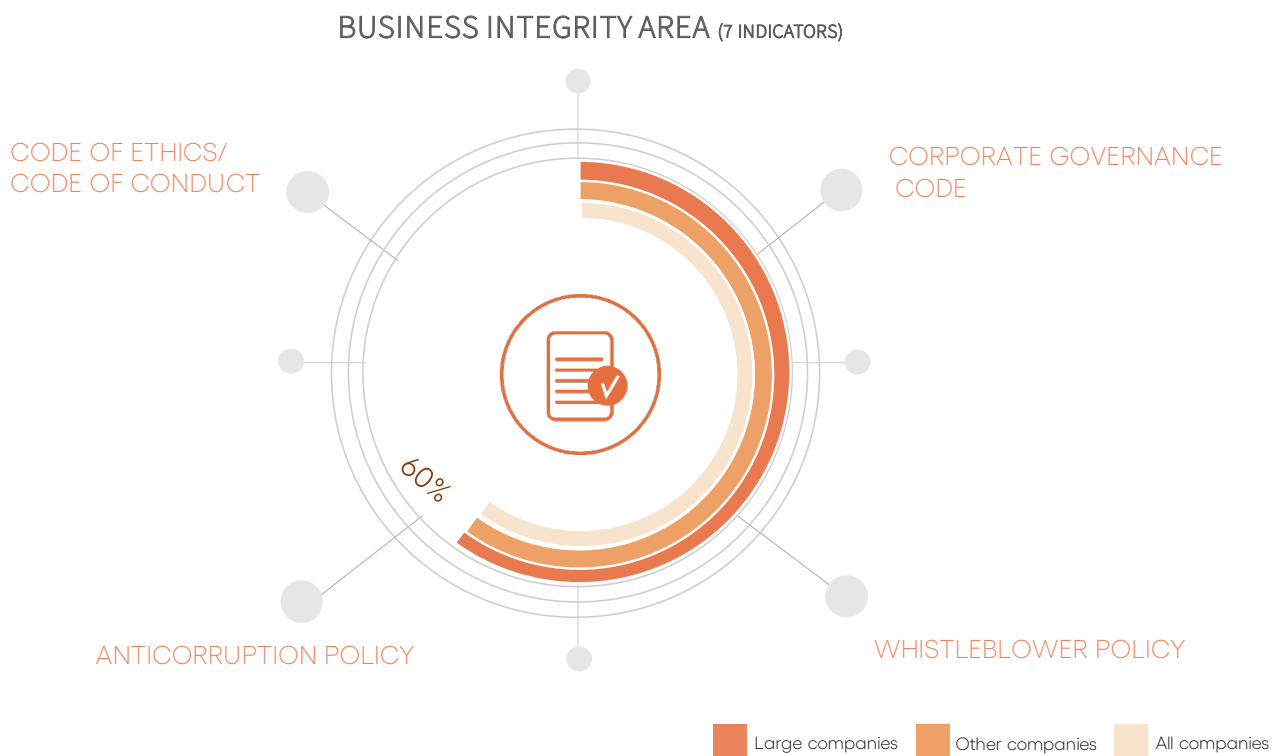
Ten major companies have confirmed their engagement in collective actions against corruption, however only 4 of them published the organisation's anti-corruption policy in the respective websites, showing the motivation from the side of companies to be part of anti-corruption initiatives but not the same level for formalizing aims into policy documents. It is possible to notice that there are still companies in the market, also large ones, that still do not prepare an annual report as a document that allows companies to be transparent with the public, share with their customers base the achievements and realities of their companies. In terms of sustainability and ESG related reporting only 13 companies confirm preparing a Sustainability Report.

Government role in coordinating national anti-corruption collective actions is structural in bringing together the private sector with public authorities in addressing root causes of corruption. Half of the companies being assessed in this report, declare that have not been invited by the Government in joint initiatives to improve the business environment and reduce corruption in the country.

BUSINESS INTEGRITY AREA

As per GRI Disclosure 205-2 Communication and training about anti-corruption policies and procedures, communication and training build the internal and external awareness and the necessary capacity to combat corruption.

In the Business Integrity area overall score of participating companies in average is 8.5 points from 14, or 60% of the area.



From the sample of companies participating in this first edition of the Corporate Governance Index in Albania, 23 from top 200 major companies in the country and 21 from other participating companies of various industries, state to have a Code of Ethics and/ or Code of Conduct approved by the leadership. The two main documents to guide integrity in business are approved following group practices in the cases of foreign owned companies, while in case of Albanian owned companies having these documents depends on referring industry guiding

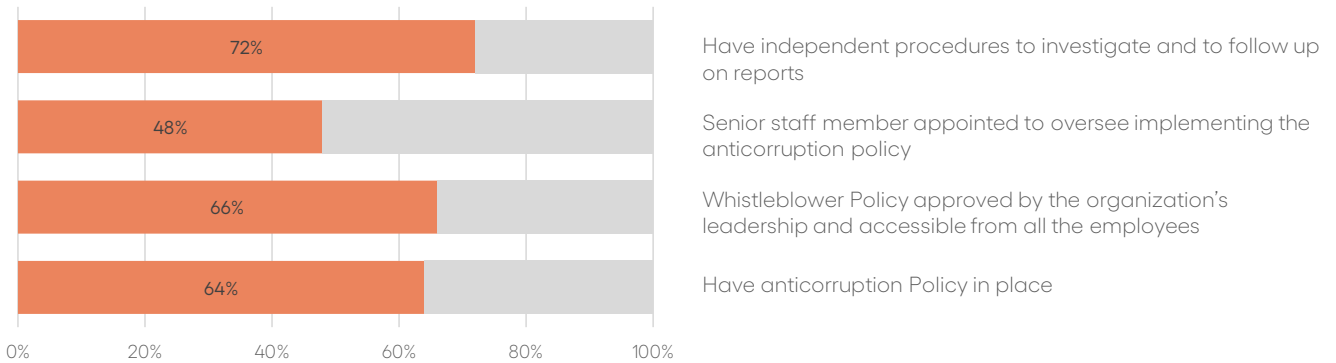
principles, values promoted by the leadership and ISO 9000 standard on Quality Management. Periodical review takes place every one to three years depending on the industry. In 19 companies overall, employees are requested to make an annual declaration committing to honour the Code of Ethics. Twenty six companies declare to have a Corporate Governance Code, from these 16 are top 200 largest companies.

Thirty two companies out of 50 declare to have an Anti-corruption Policy in place of which 18

are large ones. 33 companies report to have a Whistleblowing Policy approved by the organisation’s leadership and accessible from all the employees. In 24 companies is reported that a senior staff member is appointed to oversee implementing the anti-corruption policy. Two companies that have a Whistleblowing policy report that their mechanism does not provide confidentiality to the whistleblowing, while in 9 others there is no hotline established to report corruption and fraud cases. Fourteen companies report that there are no independent procedures to investigate and to follow up on reports. Main legal references utilized by companies for the

anti-corruption and whistleblowing policies are the Criminal Code, Law no. 9049, dated 10.04.2003 “On declaration and control of assets, financial obligations of elected officials and some public servants”, Law no. 60, dated 02. 06. 2016, “On whistleblowing and protection of whistleblowers” Companies that declare not having an anti-corruption policy are operating in Food and Beverages, Retail, and Information Technology. When it comes to creating knowledge on anti-corruption, 22 companies from 50 report to organize annual training on anti-corruption for their employees.

Graph 14. Overview of Business Integrity Policies

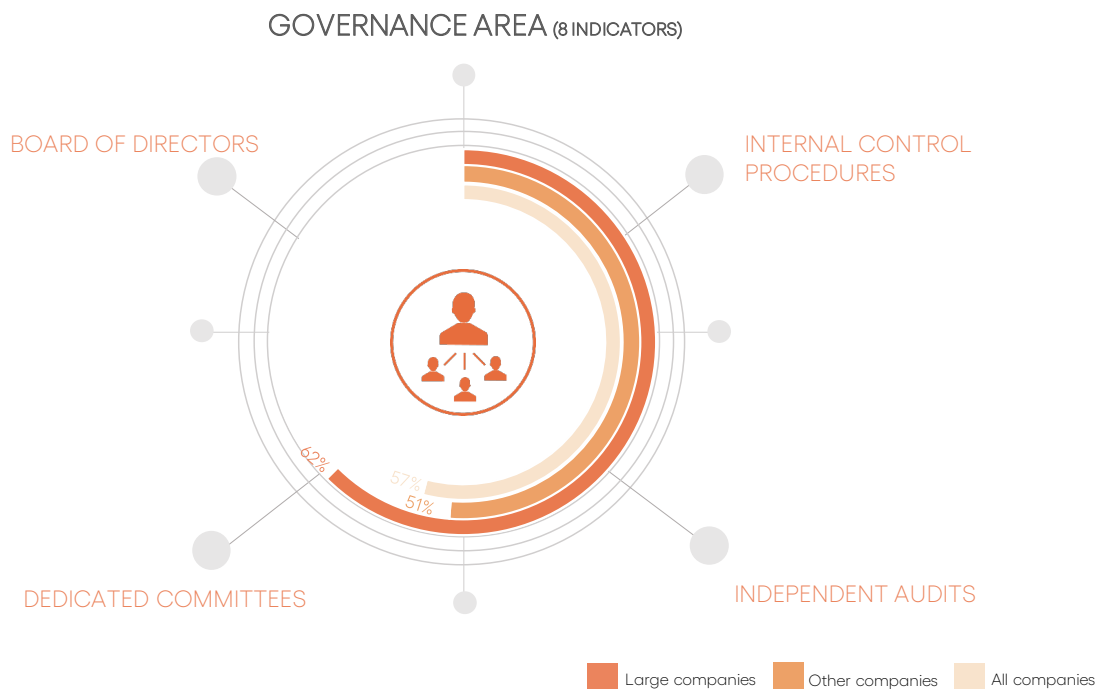


GOVERNANCE AREA RESULTS

Governance structures are important to determine the quality of decision-making in a company and guide effectively operations. By taking this into account, companies have been invited to share elements on how works their company governance model. In the Governance area overall score of participating companies

in average is 9.2 points from 16, or 57% of the area. Large companies performed better with an average of 62%.

Hence, 38 out of 50 responding companies have reported to have a functioning Board of Directors, from these 22 are large companies. It is possible to note that these companies



operate in regulated industries such as Banking, Telecommunications, or Insurance. Having been in business for more than a decade of operations all participating companies have improved their governance model over the years. Seventeen companies with a Board of Directors established, have reported to have independent board members. From companies that declare to have a functioning Board of Directors, 21 of them report to have both functioning Audit and Risk Committees of which, 17 companies state to have

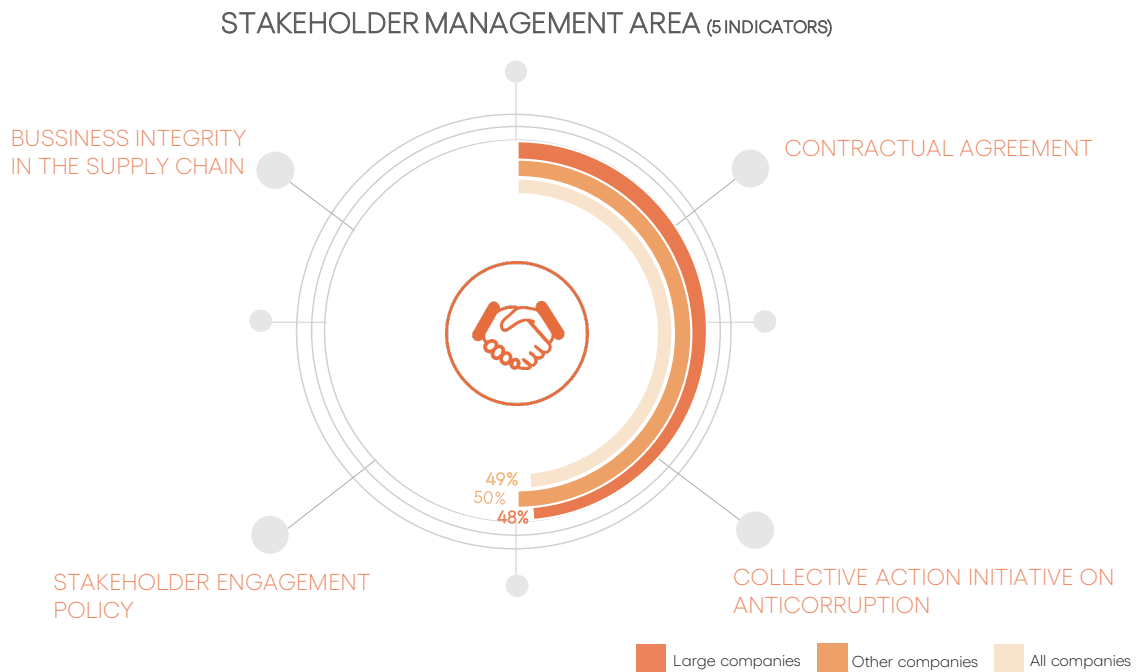
functioning committees that report to the Board on a periodical basis.

Twenty three out of 50 companies report that there is an internal control procedure in place while 37 of the participating companies apply International Financial Reporting Standards. From the answers received it is interesting to notice that 3 companies report that they do not undertake independent financial audits.

STAKEHOLDERS MANAGEMENT AREA

In a growingly interlinked global value chains, companies should make sure that business values that define their mission and vision, are shared by suppliers and related parties that add value to their final product. In this view, companies should pay attention in their

stakeholders' management processes, by mitigating reputational risks and imposing ethical standards into their ecosystem. In the Stakeholders Management area overall score of participating companies in average is 7.3 points from 15, or 49% of the area.



Thirty nine out of 50 companies pay an institutional attention to supply chain agents and business partnerships. In the Banking industry these review pass through Legal, Compliance, and AML departments. In other less regulated industries, companies with foreign capital report to adjust in local terms their group level Supply Chain Policies.

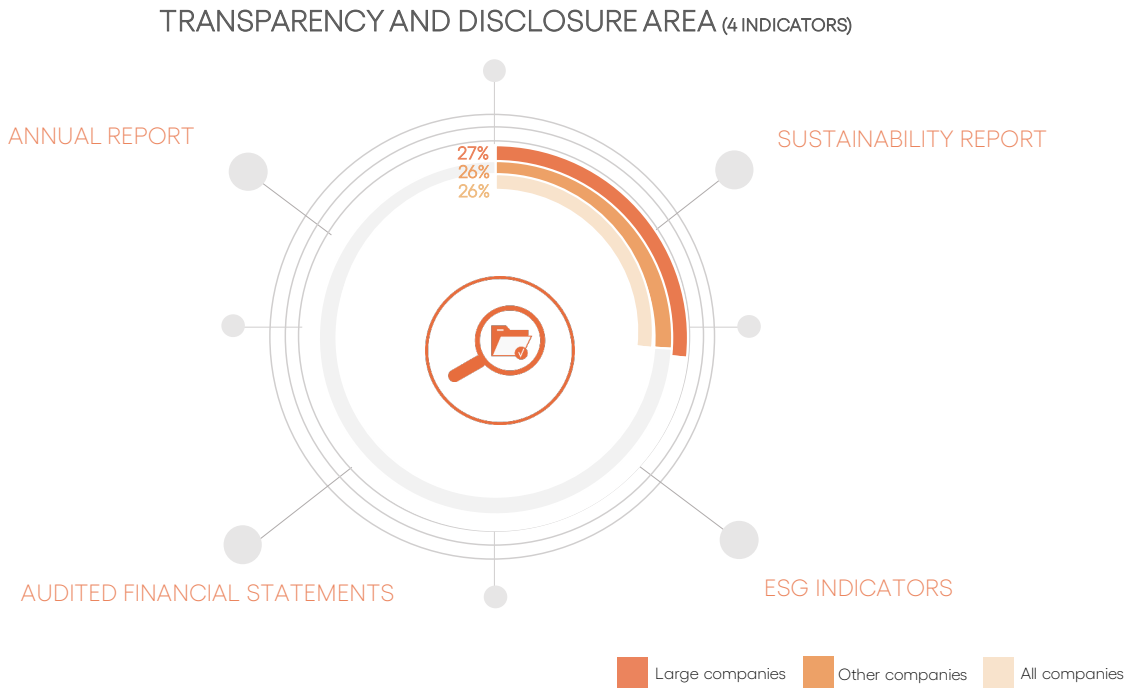
Twenty nine responding companies, of which 17 large ones, impose conditions on having a Code of Conduct to their suppliers to proceed further with signing of the contractual agreement in their

business partnerships. Nineteen companies have a Stakeholders Engagement Policy approved by the Board of Directors. However, even though 39 companies request ethical screenings of their subcontractors or business partners, only 10 of them publish in their respective websites the company's Anti-corruption policies. From 50 responding companies, 20 of them participate actively in collective actions, of which only 10 are large companies operating in Albania.

TRANSPARENCY AND DISCLOSURE AREA

On the Governance dimension of sustainability reporting, transparency and openness to the public are important elements to build trust between different agents of the economic ecosystem. In the Transparency and Disclosure area overall score of participating companies in average is 4 points from 15, or 26% of the area. Large companies performed slightly better with an average of 27%. Annual reports can be considered as tools that aside providing an expose of the activities during

the year, they also serve to establish information exchange between companies and interested stakeholders. From 50 companies, 37 of them report preparation of an annual report but only 14 of them publish it in the web. Eleven of companies that prepare annual reports, indeed include audited financial statements. From 50 companies only 13 of them prepare sustainability reports, 9 of which apply Environmental, Social and Governance indicators to benchmark activities.



7. RECOMMENDATIONS

With Fourth Industrial Revolution well underway characterized by a reshuffling of global value chains and continuous distortions in global economy, Albanian companies now face the challenge of internationalization and further expansion in foreign markets. In this perspective, thinking about a list of prerogatives to be met on sustainability such as higher operational efficiency, innovative business models based on creativity and first-class human capital should be a strategic priority. Applying environmental, social and governance standards to lead this transformational change would allow these companies thrive in a new business values reference system.

Overall results of this first edition of the Corporate Governance Index show that Banking, Insurance and Telecommunications are the leading industries in the way in applying international corporate governance standards, followed by Consulting, Energy, Retail and Financial Services. Results show that sustainability reporting is still not a priority for the leadership of Albanian companies and compliance with international standards still not a norm.

On the Social Dimension, appears that women roles in the three levels of leadership of Albanian companies are having a significant importance in companies' success. Gender balance and diversity policies should be enhanced despite the scale of the business operations, creating equal chances for women to achieve high levels of leadership within companies. Companies report on a growing turnover rate despite committing to maintain competitive

levels of compensation following market and industry trends and dynamics. Standardization of Human Resources mechanisms to maintain the pool of talents and to equally treat employees in the organisation is of a paramount importance to develop the human capital in line with companies' long-term strategy, and this should be reflected in the strategic growth vision of companies. Endeavours to create a motivating working environment should be part of the strategy to keep talents and their commitment as employers should be to reduce uncertainty and dissatisfaction among employees.

Health and Safety policies are important standards that companies must comply with to ensure a safe working environment were employees can contribute value while knowing that their organization looks after their wellbeing. It is recommended that CSR agenda to be projected in a mid-term perspective in order to allow companies to properly budget interventions and take ownership of social initiatives supported by them. Sustainability reporting should take the right attention as ESG investing is becoming the new "doing business" normal.

On Governance Dimension, governance structures play an important role to ensure good governance in business organisations and for this reason more institutional attention should be dedicated to these aspects in close collaboration with leading international institutions and private sector development programs. Despite having anticorruption and whistleblowing policies in

place, most of participating companies in the survey lack proper implementation of these policies in company level, with a special attention on reporting mechanisms and confidentiality matters. It is recommended for companies that do not operate in regulated industries to allocate more resources on the anticorruption policies design and implementation and develop mechanisms to enhance ethical business conduct.

In order to achieve high effectiveness of their governance model, companies that establish a Board of Directors should ensure that decisions are taken based on data and functioning monitoring mechanisms on overall firms' operations.

Government role in coordinating national anticorruption collective actions remains systemic in bringing together the private sector and public authorities in building synergies and addressing effectively root causes of corruption. Half of the participating companies report of not having been invited by the Government on joint initiatives to improve the business environment and reduce corruption in the country. Government authorities should also play an active role to promote GRI referenced sustainability reporting through implementation of Article 18 of Law No 25/2018 on non-financial reporting.

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Annex 1

Index components

The Corporate Governance index consists of two categories of indicators: Social Dimension and Governance Dimension. These two categories of indicators are organized in 6 areas (“Human Capital”, Social Responsibility, Governance, Stakeholder Management, Transparency, and disclosure) consisting in a total of 44 indicators. The weight of each area depends on the number of indicators analysed and the overall weight of the group of indicators in the index is based on an expert assessment. None of the 44 indicators have a material impact on the result. The final score of participants is the resulting sum of weighted points from the total of 44 indicators.

The priority was to cluster important processes of Corporate Governance and analyse them through a series of procedurally linked questions to underline, thus, the importance of their comprehensive application.

Evaluation of indicators and scoring

Each question/indicator has predefined set of responses related to respective available points for scoring. Not all questions/indicators, or all sub-areas of principles of corporate governance are the same from the point of view of importance or from the point of the view of the number of indicators covering them. In the course of methodology development, different values were assigned to indicators (weight) following the relevant rules on each level of index (weights for each question/indicator, for each sub-area and for each principle).

Indicators are measured in a ten-point system (0 is the worst 10 is the best rating) when resulting

answers from participants are scalable. There are also binary indicators related to Yes/No answers where participant is granted points in disposal or not. Overall assessment of company’s performance is the cumulative result of respective weights of 2 categories Social Dimension and Governance Dimension. Each category has its own weight (e.g. Social Dimension weight 40 percent, with maximal 40 points in disposal) For each category each indicator’s weight derives from the amount of indicators (e.g. Social Dimension category consisting of two indicators areas: Human Capital and Social Responsibility and 20 indicators in total where the weight of one indicator equals 2% resulting in up to 2 points. The result of performance in each category is scored on a 100% scale, where the company with the lowest score receives 0% and a maximum of 100 percent. Finally, the use of the weights of the areas is the calculation of the group and the overall assessment of the company.

Quantitative (in numerical) indicators in the index are measured using the formula below:

The sign “↓↑” means that the higher value for the quantification is assigned a lower estimate.

Sign “↑↑” indicates that a higher value for the quantification is assigned a higher estimate.

Qualitative questions are typically answered with “Yes” or “Not” and in cases comments are requested as well.

The “Y/N” sign indicates that possible two response options are ‘Yes’ and ‘No’, and the arrows ‘↓↑’ indicate that which answer gives greater significance.

When smaller indicator value is evaluated higher (↓↑):

$$\text{Indicator estimate} = (\text{MAX} - \text{Indicator value}) / (\text{MAX} - \text{MIN}) * 100 \text{ (points)}$$

When greater indicator value is evaluated higher (↑↑):

$$\text{Indicator estimate} = (\text{indicator value} - \text{MIN}) / (\text{MAX} - \text{MIN}) * 100 \text{ (points)}$$

MIN – possible minimal value out of specific indicator answers

MAX – possible maximal value out of specific indicator answers.

Assessment of missing data

Where Company have not provided the data needed to estimate the indicator, the indicator should be assigned the lowest possible value i.e. 0. The lowest value is attributed due to the lack of data seen as a lack of transparency in the company.

Elimination of indicators from company evaluation

Eliminating the impact of the indicator on the company's assessment is necessary when the indicator is not evaluated in the company regarding the size or economic sector and company provide answer "Not applicable". In this case evaluation of an indicator will be as the minimum of all estimates for the rest of companies.

To arrive at a final Corporate Governance Rating, the weighted average of individual Social Dimension Indicators Scores and the Governance Dimension Indicators Score is calculated.

Sustainability standards behind indicators

Identification of the indicators to be included in the index is based on the evaluation of Social and Governance standards as per GRI Environmental,

Social and Governance framework, the most widely used framework on ESG reporting globally. ESG frameworks are created to help companies map out their present management conditions when it comes to environment, social and governance criteria. A higher performance in ESG metrics would also mean a higher shareholders value for ESG investors. In order to standardize their sustainability reporting to mitigate risks, comply with environmental regulations and increase business integrity, Albanian companies will need to enhance their non-financial reporting along the lines of ESG existing frameworks.

As used in this index, Global Reporting Initiative (GRI), has developed an ESG reporting framework to assist businesses and other organizations take responsibility for their impacts, by providing them with the global common language to communicate those impacts. This reporting is based on the GRI Standards. With over 100 reporting standards, GRI enables businesses and stakeholders to project their performance in relation to environment, social and governance metrics and make more sustainable decisions. The GRI Standards are categorized into a set of modules and industry specific standards.⁸

⁸ Global Reporting Initiative <https://www.globalreporting.org/>

Annex 2

Table 2. Weight of indicators and international guidelines

Table illustrates the principles of actions underlying Social and Governance criterion and the international guidelines from which these principles are derived. By framing our methodology and questionnaire around the expectations for corporate social responsibility set by third-party standard setters, we ensure that we are assessing companies on elements that they are objectively considered to be responsible for.

Category and weight	Area	Assessment	N	Indicator's weight	Indicator	GRI Standard	ILO	Principle of action
Social Dimension 40%	Human Capital 20%	Y↑/N↓	1	2%	Does the company have rules to maintain the gender balance in the organization?	405-1		Put in place policies to prevent gender inequality.
		↑↑	2	2%	What is female ratio in the company's overall personnel, middle management, senior management?	405-1		Stimulate workplace gender diversity which helps increase productivity, creativity, improves performance, staff retention.
		↓↑	3	2%	What the company's employees turnover rate?	401-1		Reduce uncertainty and dissatisfaction among employees to prevent high rate of employee turnover.
		Y↑/N↓	4	2%	Does the company have Human Resources Committee to address key challenges related to diversity and remuneration policies?	405-1	Equal Remuneration Convention, 1951 (No100)	Put in place systems to ensure the application to all employees of principals of equal remuneration for work of equal value.
		↑↑	5	2%	Which reference the company utilize to determine the salary level?	405-1	Minimum Wage Fixing Convention, 1970 (No 131)	Set up internal policies and continually monitor market benchmark for equitable salary levels.
		Y↑/N↓	6	2%	Did the company budget training costs for the employees for this year?	404-1		Dedicate budget for professional development of employees.

Social Dimension 40%	↑↑	7	2%	How many hours of training does an employee in the company take in one year?	404-1		Plan skills acquisition that equips employees to meet strategic targets in a changing work environment.	
	Y↑/N↓	8	2%	Does the company have a formal policy to avoid discrimination on hiring, wages, promotions?	405-1		Put in place policies to prevent discrimination of any type.	
	Y↑/N↓	9	2%	Does the company have a Health and Safety Policy in place to prevent work accidents?	403-1		Put in place systems to prevent accidents and occupational diseases.	
	Y↑/N↓	10	2%	Does the company train employees on Health and Safety internal procedures and regulations?	403-5		Define and continually improve health and safety systems and ensure they are known and respected.	
	Social Responsibility 20%	Y↑/N↓	1	2%	Does the company conduct community engagement activities?	413-1		Engage to social work to make impact on people's life.
		Y↑/N↓	2	2%	Does the company refer to the Law No 7892/1994 on Sponsorships when planning community engagement activities?			
		Y↑/N↓	3	2%	Do you dedicate resources to research and development in support of environmental friendly products and solutions?			
		Y↑/N↓	4	2%	Does the company have a Corporate Social Responsibility policy document?			
		Y↑/N↓	5	2%	Is the Corporate Social Responsibilities CSR dimension documented in the annual report of the company?			

	↑↑	6	2%	What percentage of the company's annual budget was dedicated to CSR last year?				
	Y↑/N↓	7	2%	Is there a designated official in charge of the CSR Agenda in the company?				
	Y↑/N↓	8	2%	Does the company report CSR impact base on Sustainable Development Goals?			Contribute towards SDGs by addressing social and environmental challenges.	
	Y↑/N↓	9	2%	Does the company have Environmental & Social Policy approved by senior management?			Define policies for the environmental and social impact.	
	Y↑/N↓	10	2%	Does the company apply the Article 18 in the Law No. 25/2018 on Accounting and Financial Statements in the Republic of Albania, reporting its non-financial activity?				
Governance Dimension 60%	Business Integrity Management 14%	Y↑/N↓	1	2%	Does the company have a Code of Ethics/Code of Conduct approved by the leadership?	102-16		Develop Code of Ethics/ Code of Conduct to ensure employees are behaving in a manner that is socially acceptable and respectful of one another.
		Y↑/N↓	2	2%	Do employees make an annual declaration to honor the organization's Code of Ethics?	102-16		Ensure that Code of Ethics known and respected.
		Y↑/N↓	3	2%	Does the company have a Corporate Governance Code?	102-16		Develop Corporate Governance Code to ensure integrity and ethical behavior in the company.
		Y↑/N↓	4	2%	Does the company have an anti-corruption policy in place?	205-1		Put in place systems to combat corruption.

Governance Dimension 60%	Y↑/N↓	5	2%	Is there a Whistleblower Policy approved by the company and accessible for all the employees?	205-1		Put in place anonym and accessible for all employees whistleblower policy to prevent corruption and harassment cases.	
	Y↑/N↓	6	2%	Do all company's staff members receive continuing education on anti-corruption?	205-2		Put in place system to raise awareness and to ensure necessary knowledge to combat corruption.	
	Y↑/N↓	7	2%	Is there a senior staff member appointed to implement the anti-corruption policy in the company?	205-2		Put in place system to raise awareness and to ensure necessary knowledge to combat corruption.	
	Governance 16%	Y↑/N↓	1	2%	Does the Company have a Board of Directors?	102-9		Establish Board of Directors to protect stakeholders interests and to ensure maximum efficiency.
		↑↑	2	2%	What is the percent of the independent Board of Directors members in the company?	102-22		Ensure either half or a majority of board members are independent directors.
		Y↑/N↓	3	2%	Does the organization's Board of Directors have a dedicated Audit Committee to ensure internal standards and procedures and respected and compliance with regulatory frameworks in force?	102-12		Create dedicated Audit Committee to ensure internal standards and procedures and respected and compliance with regulatory frameworks in force.
		Y↑/N↓	4	2%	Does the organization's Board of Directors have a dedicated Risk Committee?	102-12		Create dedicated Risk Committee to assist the company in developing a process to identify, assess, and manage its most critical risks.
		Y↑/N↓	5	2%	Does the company have an approved internal control procedure?	102-12		Set up an ICFR strategy, establish policies and procedures for internal control, assess the control environment and risks of material misstatement.

Governance Dimension 60%		Y↑/N↓	6	2%	Does the company apply International Financial Reporting Standards IFRS?	102-18		Apply IFRS to make financial statements coherent and consistent across different industries and countries.	
		Y↑/N↓	7	2%	Does the company undertake independent audits?	102-18		Undertake independent audits to avoid conflicts of interest and to ensure the integrity of performing an audit.	
		↑↑	8	2%	How many hours of AML and compliance trainings are held annually for employees in the company?	102-18		Train employees with the necessary skills needed to identify and prevent ML/FT activities.	
	Stakeholder Management 15%		Y↑/N↓	1	3%	Does the company dedicate attention to business integrity in its supply chain and partnerships?	414-1		Screen suppliers that were screened using social criteria.
			Y↑/N↓	2	3%	Do the company request suppliers to have a code of conduct as part of contractual agreement?	414-1		Establish financial and social transparency in the supply chain, with the intention of creating accountability and full disclosure
			Y↑/N↓	3	3%	Is there a Stakeholders Engagement Policy approved by the Board of Directors in the company?	102-12		To approve stakeholder engagement frameworks which help guide an company's work through identifying relevant stakeholders and setting the parameters for how to engage with them.
			Y↑/N↓	4	3%	Is the anti-corruption policy available on the company's website?	205-1		Ensure public availability of anti-corruption policy.
			Y↑/N↓	5	3%	Does the company participate in collective action initiatives on anti-corruption?	205-1		Collaborate with other private sector or civil society/media to set principles for business integrity.

Governance Dimension 60%	Transparency and Disclosure 15%	Y↑/N↓	1	3.75%	Does the company publish an annual report?	201-4		Develop and to ensure access to annual report to increase transparency and accountability.
		Y↑/N↓	2	3.75%	Does the Annual Report contain information on the audited Financial Statements of the company?	201-4		
		Y↑/N↓	3	3.75%	Does the company prepare a Sustainability Report?	102-22		Prepare Sustainability Report to improve transparency and visibility.
		Y↑/N↓	4	3.75%	Does the Report have Environment, Social and Governance related indicators or related activities coverage?	102-22		



Corporate Governance Index

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