

MAJOR DETERMINANTS FOR ENVIRONMENTAL - SOCIAL - GOVERNANCE REPORTING AND THE FEASIBILITY OF INTEGRATING IN VIETNAM

CÁC YẾU TỐ CHÍNH TRÊN BÁO CÁO MÔI TRƯỜNG - XÃ HỘI - QUẢN TRỊ VÀ TÍNH KHẢ THI KHI ỨNG DỤNG TẠI VIỆT NAM

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ABSTRACT

The goals of the research are to provide general environmental, social and governance (ESG) metrics for Vietnamese corporations on the path of integrating ESG reports and to assess the feasibility of using them. The metrics were based on the GRI Standards and regulations in Circular No. 96/2020/TT-BTC integrating significant indicators from other standards. The result of the questionnaire on the application of the proposed indicators showed that companies can disclose common indicators but have limitations on the disclosure of the remainders. From there, recommendations and suggestions were made for not only large corporations but also SMEs and Vietnamese authorities.

Keywords: *ESG reporting; ESG implementation; sustainable development.*

TÓM TẮT

Mục tiêu của nghiên cứu này là đề xuất các chỉ tiêu đánh giá về vấn đề môi trường, xã hội và quản trị (ESG) cho các doanh nghiệp Việt Nam trên con đường triển khai báo cáo ESG, đồng thời đánh giá tính khả thi trong việc sử dụng chúng. Các chỉ tiêu được xây dựng dựa trên tiêu chuẩn của GRI và các quy định của Thông tư số 96/2020/TT-BTC cùng với các chỉ tiêu quan trọng từ các tiêu chuẩn khác. Kết quả khảo sát về khả năng áp dụng các chỉ tiêu được đề xuất cho thấy các công ty có thể công bố những chỉ tiêu chung nhưng bị hạn chế trong việc công bố những chỉ tiêu còn lại. Từ đó, các tác giả đưa ra những đề xuất, khuyến nghị không chỉ cho các doanh nghiệp lớn mà còn cho các doanh nghiệp nhỏ và vừa cũng như cơ quan quản lý tại Việt Nam.

Từ khóa: *Báo cáo ESG; triển khai ESG; phát triển bền vững.*

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1. INTRODUCTION

Recently, there has been a significant increase in awareness of sustainable value creation among all business stakeholders, who are eager to act more responsibly in

accordance with a set of environmental, social, and governance (ESG) standards. In [9], authors demonstrated the necessity of integrating ESG information into a company's strategy since financial figures could not present a complete picture of a company's position and performance. Since then, many frameworks and guidelines have been established in order to guide companies on a more sustainable path. Detailed indicator sets have appeared along each framework, and many nations have started to create their own set of indicators, aiming to provide a standardized set. At the same time, the authorities also imposed mandatory requirements with clear directions and targets. Despite this, challenges remained. Even with clear policies and guidelines on the integration of sustainability indicators on the national level, they do not seem to be enough for the international scale.

Recognizing the significance of sustainability, the Ministry of Finance released Circular No. 96/2020/TT-BTC on November 16, 2020, outlining the standards and instructions for ESG information disclosure on the stock market for publicly traded firms in Vietnam. Under the guidance of the State Securities Committee (SSC), they are required to disclose ESG information such as greenhouse gas emissions, raw material management, water and energy consumption, and compliance with environmental protection laws, employee-related policies, behaviors toward the local community, and reports related to green capital market activities.

According to the "Vietnam EGS Readiness Report 2022", ESG is still not a well-known term in Vietnam since the regulations only require listed companies on the stock market to disclose sustainability information, while non-listed companies do not seem to be ready for integrating it. ESG-related studies in Vietnam mainly focus on the relationship between sustainability information and financial performance to prove the need to integrate ESG information or determine factors influencing the level of ESG

information disclosure. As Vietnam is still at the beginning stage where ESG knowledge has just started to spread, it is important to conduct more research on preparing and presenting ESG reports so that they can be done easily and effectively by not only large corporations but also SMEs.

2. THEORETICAL BACKGROUND

ESG information is defined by environmental, social, and governance aspects. "Environment" refers to the impacts of humans on the ecosystem, according to [11], who described sustainable development as "meeting the needs of the present generation without affecting future generations." Information on environmental sustainability is expressed using the following criteria: (1) environmentally friendly, recyclable, and reused materials; (2) the consumption of water, energy, and natural resources; (3) policies to reduce energy consumption, waste and waste treatment, and air pollution levels during production and business [5].

Elkington defined "social sustainability" as long-term actions that have an impact on community well-being [2]. The GRI considers social, economic, and environmental factors to be three crucial factors in sustainability reports. It also lists the parts of a firm, even if it does not define social performance [12]. These activities include charitable giving to the community, fighting social injustice, upholding human rights, improving employee benefits, including training and health care, ensuring workplace safety statistics, and a dedication to non-discrimination.

Corporate governance (CG), according to [1], examines how organizations are run, governed, and controlled. It is the process through which organizations react to the rights and preferences of interested parties. Gourevitch and Shinn defined CG as "the structure of authorities in the firm; that is what lies at the heart of the most important problems in the company," such as those who have significant control over the cash flow, the strategy, and the resources of the company [4]. CG is affected by social mobility, stability, and liquidity. According to GRI, CG disclosure level depends on the firm's volition.

In summary, ESG reporting is the formal disclosure and communication of a firm's sustainability goals, recognized more specifically as its environmental, social, and governance goals, as well as its progress toward achieving those goals.

The rapid growth in ESG awareness comes along with the evolution of various frameworks aiming to address ESG. The most popular frameworks used are GRI, TCFD, and IIRC. Each has its own strengths and weaknesses.

Global Reporting Initiative (GRI)

GRI is the most widely used framework for reporting. GRI's target audience includes investors, customers, employees, and civil society. The goal of GRI is "to empower decisions that create social, environmental, and economic benefits for everyone". It provides different sets of indicators that allow a deeper understanding of environmental,

economic, and social aspects, and it also allows comparisons between companies. GRI's standard requires public country-by-country reporting of taxes paid by a multinational corporation. Such disclosure would sharply increase transparency for taxing jurisdictions and have the potential to discourage aggressive tax avoidance. However, the report format is relatively complicated, which makes it difficult for small enterprises to follow.

International Integrated Reporting Council (IIRC)

IIRC's framework for integrated reporting intends to elevate the information standard for the capital holder to make more efficient decisions in allocating capital. While acknowledging that there are other types of capital, the IIRC specifically targets sources of financial capital. It has succeeded in simplifying the mandatory statement of responsibility for the integrated report and has placed a greater emphasis on the balanced reporting of outcomes and value preservation and erosion scenarios. However, the major focus on shareholders has made IIRC tend to lack standards on tax transparency.

Task Force on Climate-related Financial Disclosures (TCFD)

In order to provide a standardized framework for businesses to utilize when making financial disclosures linked to climate-related matters, the Financial Stability Board established TCFD in 2015. It provides corporations with more detailed information on climate-related risks, guides a more standardized approach to integrating climate factors into financial reporting, and encourages institutions to integrate climate-related information into decision-making. However, it tends to put more emphasis on the short-term aspects than the long-term power, and it might be too focused on climate issues and could potentially weigh other issues lightly.

3. ESG REPORTING IMPLEMENTATION IN VIETNAM

3.1. Background and regulations in Vietnam

Vietnam, a developing country with a high economic development index, has been actively working towards sustainable development. The country has set 17 sustainable development goals based on the United Nations' principle of "No one is left behind". Vietnamese companies are also adopting ESG as a trend, with 325 investors surveyed worldwide placing a high priority on ESG objectives in their investments. High ESG performance has been found to have higher returns and lower risk. Vietnamese companies are now adopting ESG practices and issuing sustainability reports that align with the global trend. This commitment to long-term sustainable development offers companies not only a way to minimize brand risk but also a chance to improve business models and contribute to society. ESG is becoming a more important factor for investors when making investment decisions, particularly in the case of capital from Europe and developed nations. Companies with reliable ESG reporting

and procedures will have additional advantages when obtaining funding.

The State Securities Commission of Vietnam released Circular No. 155/2015/TT-BTC in 2015, contributing to corporate knowledge of the necessity of sustainability reports. Vietnam committed to a net zero emissions objective at COP26, inspiring all levels of government and businesses to collaborate. The development plan for 2021-2030 focuses on ensuring social security, well-being, and sustainable resource management, with environmental protection and public health as primary objectives. The Ministry of Finance in Vietnam has released Circular No. 96/2020/TT-BTC, which outlines rules for ESG reporting for public firms listed on the stock exchange. These companies are required to publish annual ESG reports covering topics such as greenhouse gas emissions, raw material management, energy consumption, environmental protection laws, employee policies, community responsibility, and green capital market activities. Businesses with annual revenues of more than 100 billion VND are required by law to disclose ESG. The Ministry of Planning and Investment has also published Program 167 on supporting the sustainable development of companies in the period of 2022-2025.

The Ho Chi Minh Stock Exchange (HOSE) introduced the Vietnam Sustainability Index (VNSI) on July 21, 2017, in partnership with the State Securities Commission of Vietnam (SSC) and the German Organization for International Cooperation (GIZ). The VNSI aims to provide sustainable development standards for publicly traded companies, assist institutional and private investors in locating businesses with "green" characteristics for financial investment objectives, and promote sustainable development across the economy. However, Vietnam lacks a clear and unified set of standards for information disclosure, making it challenging for investors and partners to evaluate the performance of enterprises. The business side also struggles to decide which indicators should be monitored.

3.2. Illustrations of ESG reports in Vietnamese enterprises

3.2.1. Overview

ESG is crucial for sustainable development, especially in Vietnam, which is at risk of experiencing climate change effects and losing 14.5 percent of its GDP in 2050. Vietnam's potential to attract \$753 billion in climate investment between 2016 and 2030 gives companies that promptly create and implement ESG standards significant benefits and market opportunities. The G7 has pledged to spend 15.5 billion USD less on coal, and Vietnam has ranked second in ASEAN for green bond issuance in 2021 with \$1.5 billion, up five times from 2020.

The government of Vietnam and enterprises are stepping up their efforts to promote sustainable

development and achieve net zero emissions by 2050. Incorporating ESG can help firms decrease risks and participate in the supply chain. According to a PwC Vietnam survey, 80% of enterprises anticipate increasing their commitment to ESG over the next two to four years. However, 57% of foreign direct investment firms have made explicit promises on ESG, while listed enterprises in Vietnam claim they intend to make an ESG commitment soon. The survey found that only 22% of the 66% of businesses that have implemented an ESG program claimed to have a comprehensive plan, while 35% had active leadership participation in the program. Additionally, only 28% of businesses have integrated risk indicators to track ESG implementation, 35% don't have any ESG-related initiatives, and 71% lack the knowledge necessary to report ESG. SMEs make up 60% of the companies that have not yet committed to ESG, highlighting the need for the Vietnamese government and SME groups to engage in active conversations. Clear norms, a broad national roadmap, and level playing fields for industries are necessary to help companies develop ESG policies.

3.2.2. ESG implementation in Vietnam Dairy Products Joint Stock Company

Vinamilk is a pioneer in Vietnam's movement towards ecologically and sustainably friendly development, focusing on sustainable development and corporate governance. The company has been listed as one of Vietnam's Top 10 Sustainable Development Enterprises in the manufacturing sector for six years. Vinamilk began publishing the Sustainable Development Report in 2012, referencing the GRI Standards and the United Nations' Sustainable Development Goals. The company has implemented sophisticated and environmentally friendly technology, including solar power and biomass, in its manufacturing facilities. Vinamilk has established 13 farms that adhere to international standards, including EU organic requirements. In 2021, Vinamilk introduced the eco-friendly Green Farm system, which has received high praise for its initiatives and best practices in sustainable development in the dairy industry. Vinamilk has defined four major strategic orientations for the five-year period from 2022 to 2026, including promoting the application of technology to sustainable agriculture.

In November 2022, Vinamilk signed a memorandum of understanding with the Natural Resources and Environment Newspaper, implementing tree planting to achieve carbon neutrality and move toward Net Zero. This project is part of Vinamilk's Action Program towards Net Zero 2050, which aims to reduce net emissions to zero," as Vietnam pledged at the United Nations Climate Change Summit in 2021. Vinamilk has been recognized as the business with the highest standard of employee care and consistently tops the lists of good employers by Career Builder and Alphabet. The management structure of Vinamilk is made up of highly

qualified managers with years of experience operating under strict ethical guidelines.

3.2.3. ESG implementation in Bao Viet Group

Bao Viet in Vietnam prioritizes sustainable development through various initiatives, including incorporating ESG factors into investment processes, selecting contractors with environmental commitments, and demonstrating a humane business perspective. In 2019, the company donated VND 30 billion to social security operations, addressing natural disasters and climate change. Baoviet also engages in community activities, such as cleaning marine environments and planting trees. The group's direct environmental impacts are minimal due to its financial services sector. However, Baoviet addresses environmental challenges within buildings and investment projects, focusing on energy, emissions, wastewater, and environmental compliance. The company believes businesses must continue to act responsibly by complying with regulations, controlling pollution, treating and recycling waste, and conserving resources.

3.2.4. Compliance of Vietnamese enterprises' ESG reports with international framework

To assess the compliance of Vietnamese enterprises' ESG reports with the international framework, we compared the ESG reports of Vinamilk and Bao Viet Group to one of the most frequently used international standards, the GRI, revised in 2021.

Vinamilk has the highest level of compliance with GRI standards, with 27 out of the 28 elements provided in the report. Bao Viet Group has a compliance rate of over 70%. The three companies have a combined wealth of experience in releasing content on sustainable development and explicit plans to enhance the reports over the coming years. Vinamilk's 2022 sustainable development report is well presented, meets GRI requirements, and discloses general standards and most standards under economics, environment, and society. The company has formed a local expert group to engage with stakeholders and reports approximately 20 GRI indicators audited by PwC Vietnam. Bao Viet Group, like Vinamilk, has been producing GRI-based sustainability reports for over ten years and presents and analyzes the information using GRI rules and criteria. The report includes financial and non-financial information, including development strategy, corporate governance quality, social activities, and the environment. Bao Viet is the first Vietnamese company to be officially acknowledged for rating a sustainable business in the Dow Jones Sustainability Indices in March 2023.

Table 1. ESG reports of Vinamilk and Bao Viet Group in comparison with GRI standard

Standard No.	Standard Title	Vinamilk	Bao Viet Group
GRI 2	General Disclosure	1	1
GRI 3	Material Topics	1	1

GRI 200 - Economics	Economic performance	1	1
	Market presence	1	1
	Indirect economy impacts	1	1
	Anti-corruption	1	1
	Procurement Practices	1	1
	Tax	1	0
GRI 300 - environment	Materials	1	0
	Energy	1	1
	Water and Effluents	1	1
	Biodiversity	1	0
	Emission	1	1
	Waste	1	1
	Environment compliance	0	1
	Supplier Environmental Assessment	1	0
GRI 400 - Social	Employment	1	1
	Labor/Management Relations	1	0
	Occupational Health and Safety	1	1
	Training and Education	1	1
	Diversity and Equal Opportunity	1	1
	Non-discrimination	1	1
	Local community	1	1
	Customer Privacy	1	0
	Freedom of Association and Collective Bargaining	1	1
	Supplier Social Assessment	1	0
	Customer Health and Safety	1	1
Marketing and Labeling	1	0	
Total		27/28	20/28

Source: Compiled by authors

4. SUGGESTED ESG INDICATORS FOR REPORTING

As described above, each framework has its own pros and cons, and the choice of framework depends on the regulations of each country and other macro and microeconomic factors. In the context of Vietnamese enterprises, ESG determinants should be relevant, collectible, reliable, and understandable. The proposed indicators have been selected and synthesized from diverse sources and are mainly based on the GRI framework because

it has been considered the most acceptable framework until now and the government also promotes it.

4.1. Regarding the Environmental aspect

Environmental key performance indicators (KPIs) are inherited from the research of [6]. They are quantitative indicators that show the progress of a company in attaining its vision. By combining different organizational levels (enterprise units, departments, and individuals) with clearly defined objectives and benchmarks for certain economic activities, these environmental KPIs will assist firms in turning their strategy into practice.

Table 2. List of proposed Environmental Indicators

No.	Indicators	Unit of measurement	Corporate value	Industry value
The efficiency of material consumption				
EN1	Annual mass-flow of different materials used	Tons		
EN2	Percentage of recyclable materials as of total input material	%		
Energy				
EN3	Percentage of energy in kWh from renewable energy sources as of total energy consumed	%		
EN4	Energy consumption per unit of revenue/ unit of product	kWh/ product or unit of revenue		
Water				
EN5	Total water consumption	m ³		
EN6	The total amount of circulating and reused water	m ³		
Biodiversity				
EN7	Total use of land	m ² of built-up area use of land		
EN8	Total investment in biodiversity protection campaigns	VND		
Emissions*				
EN9	Total Greenhouse gasses (GHG) emissions	Tons of equivalent CO ₂		
EN10	Total GHG emissions per product or unit of revenue	Tons CO ₂ equivalent per product or unit of revenue		
EN11	Total emissions of ozone-depleting substances (ODS)	Tons CFC-11 equivalent		
EN12	Other significant air emissions	Kg		

Effluents and Waste				
EN13	Total waste	Kg		
EN14	Total hazardous waste	Kg		
Compliance with legislation**				
EN15	The monetary value of significant fines and the total number of non-monetary sanctions for non-compliance with environmental laws and regulations	VND		

Source: Compiled by authors

4.2. Regarding the Social aspect

The suggested social determinants are selected from the ISO 26000 and IFAC data, with some correspondence to the GRI indicators. ISO 26000 addresses seven core subjects: organizational governance, human rights, labor practices, the environment, fair operating practices, consumer issues, community involvement, and development. From IFAC, the following core subjects were used: workplace health and safety; human capital development (training and qualification); human capital management (staff turnover and maturity); diversity; and absenteeism.

Table 3. List of Selected Social Indicators

No.	Indicators	Source	Corporate description
Employment			
S01	Total workforce by employment type, employment contract, and region, broken down by gender.	[5, 7]	
S02	Total number and rate of new employee hires and employee turnover by age group, gender, and region		
Occupational Health and Safety			
S03	Rates of injury, occupational diseases, lost days, absenteeism, and total number of work-related fatalities, by region and by gender.	[5, 7]	
S04	Education, training, counseling, prevention, and risk-control programs are in place to assist workforce members, their families, or community members regarding serious diseases.		
Training and Education			
S05	Average hours of training per year per employee, by gender, and by employee category.	[5, 7]	
S06	Percentage of employees receiving regular performance and career development reviews, by gender.	[5]	

Diversity and Equal Opportunity			
S07	Composition of governance bodies and breakdown of employees per employee category according to gender, age group, minority group membership, and other indicators of diversity.	[5, 7]	
S08	The ratio of basic salary and remuneration of women to men by employee category, by significant locations of operation.		
Human Rights			
S09	Total and percentage of activities requiring a human rights review or human rights impact assessment, by country	[5]	
S010	Operations and significant suppliers identified as having significant risk for incidents of child labor/forced labor/Indigenous people		
Customer Health and Safety			
S011	Percentage of key product or service categories that have had their health and safety impact assessed for improvement	[5]	
Product Responsibility			
S012	Type of product and service information required by procedures and percentage of significant products and services subject to such information requirements.	[5]	
S013	Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data		
Marketing Communications			
S014	Programs for adherence to laws, standards, and voluntary codes related to marketing communications, including advertising, promotion, and sponsorship	[5]	
Compliance			
S015	The monetary value of significant fines for non-compliance with laws and regulations concerning the provision and use of products and services.	[5]	

Source: Compiled by authors

4.3. Regarding the Governance aspect

Corporate governance guidelines are drawn from both regulations and codes of conduct in accordance with national traditions. The legal foundation for corporate governance is established within the context of adhering to national directives and regulations (Code of Criminal Responsibility, Code of Business Activities on the Financial Markets, Commercial Law, Principles of Auditors, and Bank Law) as well as other codices about the transparency of the listed corporation, the rights of shareholders, market exploitation, and the audit. Among them, the OECD Principles are the product of an effort to create a globally

acknowledged document without a clearly defined sphere of activity that individual nations might adopt freely. The OECD Principles of Corporate Governance are among the fundamental papers (Kislingerová and Nov, 2005). The development of corporate governance performance indicators was based on an empirical examination of the OECD's (2004) and the International Federation of Accountants (2012) codes of corporate governance.

Table 4. List of Selected Indicators for Corporate Governance

No.	Indicators	Source	Corporate description
Governance Structure			
CG1	Existence of a dedicated Board Committee for Environmental Social (ES) issue	[3]	
CG2	The ES experience of Board members	[3]	
CG3	Percentage representation of the independent members	Corporate Governance and Management Code	
CG4	Company structure	Corporate Governance and Management Code	
CG5	Number of members from the point of the professional competences	Green Book	
CG6	The independence between the Board of Directors and the subcommittees in the enterprise	Corporate Governance and Management Code	
CG7	Separation of the position of CEO/chairman	[7]	
CG8	Risk management, ethical behaviors of the Board of Directors	[7]	
Stakeholder engagement			
CG9	Ensure shareholder rights and ensure fair treatment for all shareholders	[7]	
CG10	Existence of the mechanisms of the involvement of the stakeholders	[7]	
CG11	Frequency of the involvement of the stakeholders	[7]	
Information disclosure			
CG12	Fully and accurately disclose information about the company's financial results, objectives, change of ownership structure, etc.	[5]	
CG13	Disclosure of information related to salary and bonus of the Board of Directors, Board of Directors	[7]	

Compliance		
CG14	Total sum spent on the correction, penalties, expenses, and putting out of operation	[7]

Source: Compiled by authors

5. FEASIBILITY OF INTEGRATING THE PROPOSED ESG REPORTS IN VIETNAM

5.1. For large corporations

To examine the ability to implement the suggested ESG report in large Vietnamese companies, we assessed the sustainability reports of Vinamilk and Bao Viet Group by comparing their current criteria to the ones suggested above. The results showed that both Vinamilk and Bao Viet groups can easily adapt to the suggested report as the percentage of disclosure is above 70%. High compliance ratios imply the feasibility of integrating ESG reports into large Vietnamese corporations. It is due to the fact that Vinamilk and Bao Viet Group prepared their reports closely to the GRI guidelines and even got their reports reviewed by independent parties. For other large enterprises, especially listed firms on the Vietnamese stock market, it is feasible to prepare ESG reports because they are currently required to disclose sustainable development information following the guidelines of Circular No. 155/2015/TT-BTC. This proves that large companies under pressure from the government and shareholders have little difficulty integrating ESG into their reports. Moreover, since listed companies have abundant capital and resources to measure according to prescribed standards, it is possible to apply ESG in a standardized way.

5.2. For SMEs

To assess the feasibility of integrating ESG, we created a questionnaire to examine whether different companies from different industries have available data for ESG reporting. The questionnaire was sent to participating companies with full suggested indicators, and then the company chose the possibility of reporting these indicators at present on a 5-point Likert scale from 1 (impossible), 2 (unlikely), 3 (even), 4 (likely), and 5 (certain). The survey was conducted among 140 Vietnamese SMEs with a broad range of industries, locations, and ownership types.

The findings indicated that most observed companies could present information on the major key indicators. Irrespective of an entity's size, industry, or location, the key indicators have been designed to be general. For example, the following indicators were already available as part of company data:

EN1: Annual mass flow of different materials used

EN5: Total water consumption

SO1: Total workforce by employment type, employment contract, and region, broken down by gender

CG4: Company structure

All of the indicators above have an average possibility over 4, which means all companies participating in the

survey are likely or certain to report information related to material used, water consumption, workforce, and company structure. The result for common indicators reflects a high level of feasibility since most indicators are linked directly to business operations and necessary for cost accounting. Hence, such indicators are available and could be reported easily.

According to the results, reporting on environmental and social indicators was often more challenging than reporting on economic and institutional data. The ability to report the following determinants was singled out as being challenging in several situations:

EN6: The total amount of circulating and reused water

EN11: Total emissions of ozone-depleting substances (ODS)

SO10: Operations and significant suppliers identified as having significant risk for incidents of child labor, forced labor, or indigenous people

An index like ODS is unfamiliar and not as popular as carbon dioxide, so businesses do not have available data to measure it. As for social factors, it is not easy to assess external parties such as suppliers.

Regarding other measures, there is no systematic uniformity among the firms. For instance, the following indicators were noted as being difficult or currently impossible to report in certain circumstances but available in the majority of other cases:

EN2: Percentage of the used recycled input materials as of the total input material

CG1: Existence of a dedicated Board Committee for Environmental and Social (ES) Issues

In most enterprises, there is a board of management to oversee corporate governance. However, they have not had a specific board or committee to be in charge of reporting on ES issues and assessing the sustainability process since the cost to operate it could be significant and beyond the benefit when the company has not had any plans for sustainability reporting.

Companies claimed a lack of regulatory obligations, technical assistance, data collection skills, and measurement skills as the primary reasons why key indicators were not disclosed. According to GRI guidelines, the measuring system DJSI is "not suitable for small and medium-sized enterprises because of its complexity, limited flexibility, and many procedures". For SMEs, a simplified report version with more basic indicators should be considered.

6. RECOMMENDATIONS AND CONCLUSION

6.1. For large corporations

Because large corporations already had an overview of ESG reports and certain data available for reporting, they should now focus on strategic development and the quality of information. Enterprises should go beyond just disclosing figures to stakeholders; rather, they should focus on value

creation as a strategy and, with discipline, follow a consistent methodology or blueprint to select, execute, and integrate sustainable development into their business.

6.2. For SMEs

SMEs need to clarify the responsibility of ESG governance at all levels of the company. The Board of Directors needs to create an ESG strategy while the Board of Management implements and monitors ESG plans in reality. Employees are those who practice ESG activities in their daily tasks. Therefore, it is necessary to create an understanding of the important role of ESG for employees, increasing the need to cultivate knowledge about sustainable development. After providing employees with the mindset of ESG, enterprises need to implement specific measures to fulfill commitments and turn beliefs into actions in the blueprint for the future:

Firstly, to build an effective ESG strategy, businesses need to be able to acknowledge the true value of the ESG aspect for their business future.

Secondly, ESG conversion must be executed systematically and synchronously. All parties need to coordinate to save money, time, and effort while fostering the emergence of a common strategy.

Thirdly, interconnected steps must be taken to implement the ESG transformation plan, from defining the vision and goals to taking action to advance and expand. ESG transformation requires a gradual process beginning with pilot initiatives based on five key processes:

(1) Building the foundation: Businesses need to understand their context, position, and related conditions at the time of starting the ESG transition;

(2) Establishing a strategy: Businesses need to identify the goals they want to achieve related to each central theme for each aspect of ESG;

(3) Building a transformation roadmap to realize the set goals

(4) Application to operation and implementation: From the general transformation roadmap, the enterprise needs to specifically identify the necessary changes related to ESG to apply to the operation and implementation processes;

(5) Reporting and Disclosure: Finally, businesses need to report on their ESG-related strategy and roadmap, determining the form and extent of the information to be measured and disclosed.

6.3. For Government authorities

The government should build an incentive mechanism and create conditions for independent evaluation organizations to perform well in Vietnam. Besides, there should be a mechanism to connect businesses to form a green value chain and work toward the end goal of Net Zero in the future.

In addition, there should be a reasonable tax policy, giving priority to businesses investing in the circular

economy. Businesses that invest in a circular economy should be given government grants because the investment is often higher than usual. A validation mechanism can be developed to validate the information that businesses submit.

The Vietnamese government is committed to achieving sustainable development goals and recognizing the significance of ESG data from enterprises. Vietnamese businesses have made progress in implementing ESG for various reasons, such as brand enhancement, increased market rivalry, and stakeholder pressure. However, obstacles remain, such as unclear guidelines and unclear business paths. To address the lack of standardization in ESG metrics and reporting, firms can collaborate with peers and stakeholders to develop uniform reporting formats and KPIs.

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