OUTPUT 1: HANDBOOK ON ESG IMPLEMENTATION FRAMEWORK AND ESG REPORTING

Unlocking Green Finance through Disclosure of Climate-Related Financial Risks

01/12/2024

DISCLAIMER

In cooperation with the Ministry of Planning and Investment (MPI), funded by the UK Government's Partnering for Accelerated Climate Transitions (UK PACT), the Activity: 'Unlocking Green Finance through Disclosure of Climate-Related Financial Risks' ('Activity) aims to provide assistance in building capacity for domestic enterprises to raise access to sustainable finance. The content of this publication do not necessarily reflect the views of the Agency for Enterprise Development, or the UK PACT programme or the governments they represent.

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ACRONYMS AND ABBREVIATIONS

	Acronyms	Meaning
A	ADB	Asian Development Bank
	AI	Artificial Intelligence
	ASEAN	Association of Southeast Asian Nations
B	BAU	Business As Usual
	BOD	Board of Director
	BOM	Board of Management
	BSC	Balanced Scorecard
	BSI	British Standards Institution
C	CBAM	Carbon Border Adjustment Mechanism
	CCDR	Country Climate and Development Report
	CDP	Carbon Disclosure Project
	CDSB	Climate Disclosure Standards Board
	COSO	Committee of Sponsoring Organisations of the Treadway Commission
	CRA	Credit Rating Agency
	CSA	Corporate Sustainability Assessment
	CSI	Corporate Sustainability Index
	CSRD	Corporate Sustainability Reporting Directive
	CTX	Carbon Trade Exchange
D	DFI	Development Finance Institution
E	EEDI	Employee Engagement, Diversity, and Inclusion
	EFRAG	European Financial Reporting Advisory Group
	EGD	European Green Deal
	EPT	Environmental Protection Tax
	ERM	Enterprise Risk Management
	ESG	Environmental, Social and Governance
	ESMA	European Securities Markets Authority
	ESRS	European Sustainability Reporting Standards
	EU ETS	European Union Emissions Trading System
	EVFTA	EU-Vietnam Free Trade Agreement
	E&S	Environmental and Social
F	FDI	Foreign Direct Investment
	FESE	Federation of European Securities Exchange
	FI	Financial institution
	FSB	Financial Stability Board
G	GDP	Gross Domestic Product
	GESI	Gender Equality and Social Inclusion
	GFANZ	Glasgow Financial Alliance for Net Zero
	GHG	Greenhouse Gas
	GRI	Global Reporting Initiative
	GSIA	Global Sustainable Investment Alliance
	GSSB	Global Sustainability Standards Board
	GSS+	Green, Social, Sustainability, Sustainability-linked and Transition
H	HR	Human Resources
	HSBC	Hongkong Shanghai Banking Corporation
I	ICCP	Intergovernmental Panel on Climate Change
	ICMA	International Capital Market Association
	ICP	Informed Consultation and Participation
	IDPG	International Development Partner Group
	IFC	International Finance Corporation
	IFI	International financial institution
	IFRS	International Financial Reporting Standards
	IIRC	International Integrated Reporting Council
	IMF	International Monetary Fund
	IPCC	Intergovernmental Panel on Climate Change

	Acronyms	Meaning
	IPSC	Improving Private Sector Competitiveness
	IR	Integrated Reporting
	ISAE	International Standard on Assurance Engagements
	ISO	International Organisation of Standardization
	ISSB	International Sustainability Standards Board
	IT	Information Technology
J	JETP	Just Energy Transition Partnership
	JICA	Japan International Cooperation Agency
K	KKR	Kohlberg Kravis Roberts
	KPI	Key Performance Indicators
L	LMA	Loan Market Association
M	MDB	Multilateral Development Bank
	MPI	Ministry of Planning and Investment
	MSCI	Morgan Stanley Capital International
	MSME	Micro, Small and Medium Enterprises
N	NBS	Network for Business Sustainability
	NDC	National Determined Contributions
	NFRD	Non-Financial Reporting Directive
	NGO	Non-Governmental Organisation
	NLP	Natural Language Processing
	NORAD	Norwegian Agency for Development Cooperation
O	OECD	Organisation for Economic Co-operation and Development
P	PII	Personally identifiable information
R	RBA	Responsible Business Alliance
S	SASB	Sustainability Accounting Standards Board
	SBV	State Bank of Vietnam
	SCORE	Sustaining Competitive and Responsible Enterprises
	SDG	Sustainable Development Goal
	SEC	U.S. Securities and Exchange Commission
	SECO	Swiss State Secretariat for Economic Affairs
	SMBC	Sumitomo Mitsui Banking Corporation
	SME	Small and Medium Enterprise
	SPI	Sustainability Progress Index
	SSC	State Securities Commission
	SOE	State-owned Enterprise
	SVI	Social Value International
T	TCFD	Task Force on Financial Disclosure
U	UK PACT GRCF	United Kingdom Partnering for Accelerated Climate Transitions Green Recovery Challenge Fund
	UNDP	United Nations Development Programme
	UNGC	United Nations Global Compact
	UN PRI	United Nations Principles of Responsible Development
	USAID	U.S. Agency for International Development
V	VBCSD	Vietnam Business Community for Sustainable Development
	VCCI	Vietnam Chamber of Commerce and Industry
	VND	Vietnam Dong
	VGGS	Vietnam Green Growth Strategy
	VSO	Voluntary Service Overseas
W	WBG	World Bank Group
	WBCSD	World Business Council for Sustainable Development
	WEF	World Economic Forum
	WSME	Women-owned Small and Medium Enterprise

INTRODUCTION

1. About this Handbook

As Vietnam is moving towards sustainable development goals, local enterprises play an important role in promoting sustainable business and building a green, inclusive economy. Sustainable business not only helps enterprises enhance their competitiveness but also contributes to protecting the environment, improving the quality of life for the community, and promoting comprehensive economic and social development. To date, sustainable development activities and the publication of Environmental, Social and Governance (ESG) reports have been strongly supported by foreign-invested economic organizations (FDI) and large listed enterprises, but have not yet spread widely to all sizes of Vietnamese enterprises. In particular, small and medium-sized enterprises (SMEs) - despite playing an important role in the economy - still face many challenges in implementing ESG due to lack of knowledge and resources.

Funded by the UK Government's Partnering for Accelerated Climate Transitions (UK PACT), the Activity: 'Unlocking Green Finance through Disclosure of Climate-Related Financial Risks' ('Activity') aims to provide technical assistance related to ESG implementation and transformation to Ministry of Planning and Investment - Agency of Enterprise Development in building capacity for domestic enterprises to implement low-carbon transition, raise access to sustainable finance and support strengthening policy and regulatory framework. The Asia Foundation, in partner with EY as the technical counterpart, has been selected as the Delivery Partner to carry out the scope of work for the Activity.

As the first output of the Activity A handbook on ESG implementation framework and ESG reporting (The Handbook) aims to offer guidance and provide reference materials for organisations in Vietnam to integrate ESG into their governance, strategy and operation to address sustainability-related risks and enhance their ESG disclosures in alignment with global and local legal requirements and leading practices. In addition, the guidance also provides climate-related recommendations for organisations to consider in addressing emerging material climate-related risks.

The detailed structure of the handbook is presented in Table 1 below:

Table 1: Structure of the handbook

HANDBOOK STRUCTURE	CONTENTS
PART 1: UNDERSTANDING THE SUSTAINABILITY CONTEXT	1. Overview of ESG Context Define ESG, Overview on Global trends – Risk and Opportunities and the Vietnam market context. 2. Regulatory Overview Draw on key points from the ESG Global and Vietnam Regulatory Landscape. 3. Standards and Frameworks Navigate key standard-setters and framework developers worldwide. 4. Investment requirements to sustainable finance Provide understanding of requirements and instruments to access sustainable finance.
PART 2:	1. The 6-step approach to ESG practice and integration

HANDBOOK STRUCTURE	CONTENTS
FRAMEWORK FOR PRACTICE AND INTEGRATION OF SUSTAINABLE DEVELOPMENT	Present a holistic approach to the ESG practice and integration journey, based on the ESG Program Capabilities Model developed by EY. 2. Guidance tools and resources for ESG practice and integration Provides guidance tools, approaches, best practices and resources to support organisations in development and implementation of ESG action plan and integration of ESG into each capability components. 2.1. Governance and Strategy Define and deliver governance model, strategic direction, culture & value principles, and decision-making mechanisms for ESG matters. 2.2. Operation Embed ESG systems and procedures in operation components across the value chain, in line with ESG governance and strategy. 2.3. Data and Reporting Explore options for ESG data management and technology enablement. 2.4. Monitoring Introduce internal and external ESG assurance.
PART 3: ESG DISCLOSURES	1. Step-by-step guide to a sustainability report Follow step-by-step to prepare a sustainability report. 2. Guiding principles for reporting Consider principles to define the content and quality of the sustainability report. 3. A sustainability report structure Based on international standards and frameworks, present the general structure of a sustainability report, with a non-exhaustive list of general sustainability disclosure topics and requirements and climate-related disclosure requirements for all organisations, and regulatory requirements for disclosure of sustainability-related information in Vietnam for public companies in Vietnam.

In addition, in recognition of growing expectation for diverse workforces and an inclusive working culture on the ESG agenda, the handbook's contents will also include several relevant diversity and inclusion focused recommendations for organisations' considerations.

Throughout the handbook, icons are used to indicate specific guidance or supplementary information, case studies or examples, or focus lens on diversity and inclusion included as shown below.

The following icons are used to indicate:		
Guidance or Supplementary information	Case study or example	Diversity and inclusion focus

PART 1: UNDERSTANDING THE ESG CONTEXT

1. Overview of ESG Context

1.1. Why ESG?

Business environment is going through a phase of uncertainty and drastic changes as the amplification of several natural and social disruptions has been making extraordinary impact across sectors, societies, and economies. Governments, businesses, and investors are navigating through this new reality and a multi—stakeholder approach to build resilience for the future is clearly needed[1]. In confrontation with these changes, by embedding Environment, Social, Governance (ESG) factors into their core strategy, businesses can protect and create long-term value among the investment community, employees, customers, and all other stakeholders.

The term ESG is often used interchangeably with the term sustainability. The scope of topics covered by ESG includes, but is not limited to, the following:

Figure 1: Indicative scope of topics covered by ESG[2]

1.1.1. Stakeholders' demands are shaping sustainability transformation

Stakeholders are demanding more action and disclosure from organisations, seeking to understand how organisations are identifying and responding to ESG risks. Regulators, Capital providers, Employees and other stakeholders are each casting their own demands to cement sustainability as a non-negotiable strategic necessity for organizations to operate successfully in the long-term

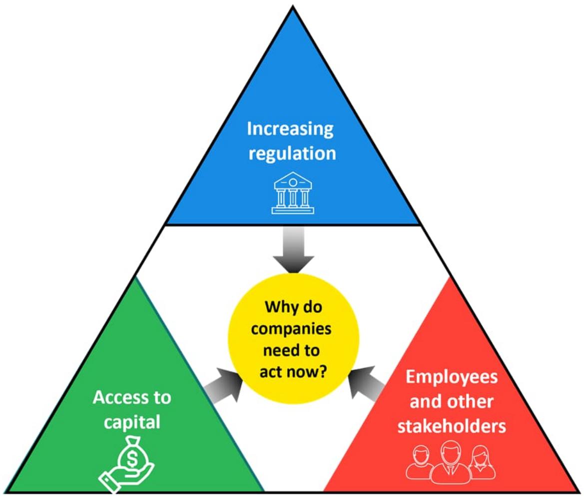
Regulators:

[1] EY and Indian Chamber of Commerce (2021, March). Building long— term business resilience. Retrieved from: https://assets.ey.com/content/dam/ey-sites/ey-com/en_in/topics/climate-change/2021/05/building-long-term-business-resilience.pdf?download

[2] EY (2021). Setting the ESG agenda to achieve sustainable long-term value. Retrieved from: https://assets.ey.com/content/dam/ey-sites/ey-com/en_my/topics/climate-change/ey-tl-setting-the-esg-agenda-to-achieve-long-term-value.pdf?download - pg. 4

- Pressure is mounting from governments around the world to hold companies accountable for sustainably operating. Government penalties for not complying with climate regulations already hurt companies across industries globally. Given what is at stake if further actions are not taken, governments may increasingly bring aspects of sustainable management into hard-coded law.[3]
- Many regulators increasingly enforce ESG disclosure and actions for listed corporations.
- Ongoing progress globally in ESG reporting regulations to increase the consistency, accuracy, and transparency of disclosure requirements.

Figure 2: Three major forces driving ESG adoptions for corporates



Capital providers:

- Capital markets are evaluating performance against key ESG metrics in investment decisions, driven by compelling evidence that performance against these measures is indicative of an organization's creation of a long-term competitive and financial performance advantage.[4]
- Businesses that are leading in ESG are enjoying a lower cost of capital.
- Stronger ESG performance can improve stakeholder perceptions.
- According to a recent EY survey, 90% of global institutional investors revise investments if companies do not at least consider ESG criteria within their business model.[5]

Employees and other stakeholders:

- Employees: ESG management leads to more trusted relationships. Organisations with strong environmental and social values are more likely to attract and retain talent.
- Industry peers: More businesses are adopting sustainability as a core corporate strategy because of the financial potential of sustainable opportunities and because employees now seek "purposeful" work. Enterprises in Vietnam shall implement ESG practices to avoid being left behind compared to industry peers in the journey of sustainable development.
- Consumers:
    - Consumers' demand for sustainable products is increasing. They are willing to rethink their buying habits to incorporate environmental and social product benefits into their

[3] Eitelwein, O., & Paquet, S. (2021, June 4). Why Sustainability has become a corporate imperative. Retrieved from EY Parthenon: https://www.ey.com/en_gl/insights/strategy/why-sustainability-has-become-a-corporate-imperative
[4] Porter, M., Serafeim, G., & Kramer, M. (2019, October 16). Where ESG Fails. Retrieved from Harvard Business School Institutional investor: https://www.institutionalinvestor.com/article/b1hm5ghqtxj9s7/Where-ESG-Fails
[5] EYGM Limited. (2018). Global Institutional Investor Survey 2018.

buying decisions. This means that markets may change and open new opportunities for consumer value extraction.

- Revenue from sustainable products is growing at about six times the rate of other products.[6] By 2025, consumers will consistently prefer products or services that are less damaging to the environment, human health and society.[7]
- This trend is especially driven by younger generations who are more connected to the idea that their futures may be significantly influenced by the impacts of climate change.

- Gen Z rising: As consumers, investors and employees, Gen Z will likely bring different expectations-related to sustainability, society, technology and ethics; whose cohorts are generally more progressive on social issues than preceding generations and share a commitment to global sustainability.[8]

1.1.2. How ESG creates long-term value?

Investors, consumers, governments and other stakeholders are increasingly driving the shift toward sustainability and organisations need to embrace this shift to create long-term value.

McKinsey Quarterly 2019 article on "Five ways that ESG creates value"[9] provided a framework for understanding how a strong ESG proposition can create value and how ESG links to cashflow through 5 channels, including: (1) facilitating top-line growth, (2) reducing costs, (3) minimizing regulatory and legal interventions, (4) increasing employee productivity, and (5) optimizing investment and capital expenditures. Organisations should make use of these five levers when approaching ESG opportunities – as summarised in Table below.

Table 2: A strong environmental, social, and governance (ESG) proposition links to value creation in ve essential ways – Source: McKinsey 2019[10]

	Description
Top-line growth	• ESG drives revenue growth by allowing access to new markets and expansion of existing ones. • When governing authorities trust corporate actors, they are more likely to award them the access, approvals, and licenses that afford fresh opportunities for growth. • ESG can also drive consumer preference, allowing sustainable companies to charge higher price premiums.
Cost	• better resource management policies to reduce and eliminate wastage;

[6] ICCR Institute. (2016). The Business Case for Corporate Investment in Sustainable Practices.
[7] Ernst & Young LLP (2015). Infinite possibilities: procurement in 2025.
[8] EY and Indian Chamber of Commerce (2021, March). Building long— term business resilience. Retrieved from EY: https://assets.ey.com/content/dam/ey-sites/ey-com/en_in/topics/climate-change/2021/05/building-long-term-business-resilience.pdf?download
[9] Henisz, W., Koller, T., & Nuttall, R. (2019, November 14). Five ways that ESG Creates Value. Retrieved from McKinsey: https://www.mckinsey.com/capabilities/strategy-and-corporate-finance/our-insights/five-ways-that-esg-creates-value
[10] Henisz, W., Koller, T., & Nuttall, R. (2019, November 14). Five ways that ESG Creates Value. Retrieved from McKinsey:https://www.mckinsey.com/capabilities/strategy-and-corporate-finance/our-insights/five-ways-that-esg-creates-value

	Description
reductions	• sustainable supply chain management practices to reduce the environmental impact across the value chain and costs; • innovation to reinvent existing processes.
Regulatory and legal interventions	• reduce companies' risk of adverse government action. • engender government support
Productivity Uplift	• attract and retain quality employees. • enhance employee motivation by instilling a sense of purpose, and increase productivity overall.
Investment and asset optimization	• Enhance investment returns by better allocating capital for the long term. • Avoid investments that may not pay off because of longer-term environmental issues. • Improve capital access as ESG is one of the prerequisites that investors consider in their investment decision-making process

1.2. ESG Risk and Opportunities – Why do they matter for organisations?

1.2.1. ESG-related risks

The evolving global risk landscape

Over the last several decades – and particularly the last 10 years – the prevalence of ESG-related risks has accelerated rapidly[11]. As a result, the oversight for managing these risks also require greater focus.

According to the World Economic Forum's Global Risks Report[12], climate and environmental risks are the core focus of global risks perceptions over the next decade. All 5 top global risks over the next decade are environmental and societal, including failure of climate change mitigation and adaptation, natural disasters and extreme weather events, biodiversity loss and ecosystem collapse, and large-scale involuntary migration. For businesses, this evolving landscape means ESG-related risks, particularly climate-related risks, can manifest more quickly and significantly.

ESG-related risks are the environmental, social and governance-related risks and/or opportunities that may impact an organisation[13].

[11] COSO & WBCSD. (2018, October). Enterprise Risk Management, Applying enterprise risk management to environmental, social, and governance-related risks. Retrieved from: https://www.wbcsd.org/erm

[12] World Economic Forum (2023, January). The Global Risks Report 2023, 18th Edition. Retrieved from World Economic Forum: https://www.weforum.org/reports/global-risks-report-2023/

[13] COSO & WBCSD. (2018, October). Enterprise Risk Management, Applying enterprise risk management to environmental, social, and governance-related risks. Retrieved from: https://www.wbcsd.org/erm

Figure 3: ESG-related risks[14]

Environmental

Risks related to climate change mitigation and adaptation, as well as more broadly the environment and the related risks, e.g.,

- Physical risks due to climate change, e.g., Changes in precipitation patterns and extreme variability in weather patterns, rising mean temperatures, rising sea levels
- Transition risks due to climate change: Increased pricing of GHG emissions, Costs to transition to lower emissions technology, Uncertainty in market signals,
- Risks of unsustainable use of water & marine resources.

Social

Issues of inequality, inclusiveness, labor relations, investment in human capital and communities, e.g.,

- Discrimination in opportunity and treatment
- Risks of inequal remuneration for men and women workers for work of equal value
- Non-compliance with labor regulations

Governance

Risks related to governance of public/private institutions, including management structures, employee relations, and executive remuneration e.g.,

- Inappropriate executive remuneration
- Bribery and corruption
- Ineffective corporate governance

Box 1: Climate-related risks - TCFD[15]

An important element of a common framework for climate-related financial disclosures is the consistent categorization of climate-related risks and opportunities.

The Financial Stability Board created the Task Force on Climate-related Financial Disclosures (TCFD) to improve and increase reporting of climate-related financial information. TCFD divided climate-related risks into two major categories: (1) risks related to the transition to a lower-carbon economy and (2) risks related to the physical impacts of climate change.

a. Transition Risks

Transitioning to a lower-carbon economy may entail extensive policy, legal, technology, and market changes to address mitigation and adaptation requirements related to climate change. Depending on the nature, speed, and focus of these changes, transition risks may pose varying levels of financial and reputational risk to organisations.

b. Physical Risks

Physical risks resulting from climate change can be event driven (acute) or longer-term shifts (chronic) in climate patterns. Physical risks may have financial implications for organisations, such as direct damage to assets and indirect impacts from supply chain disruption. Organizations' financial performance may also be affected by changes in water availability, sourcing, and quality; food security; and extreme temperature changes affecting organisations' premises, operations, supply chain, transport needs, and employee safety.

However, to address these emerging ESG risks, in response to stakeholder requests from society, investors and industry, as well as new legislation and environmental regulations, organisations are facing many challenges[16], including:

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[14] EY. (May 2023). Global Sustainable Finance, ESG Risk Management: Risk and Control Frameworks.
[15] TCFD. (2023). Task Force on Climate-related Financial Disclosures. Retrieved from TCFD: https://www.fsb-tcfd.org/
[16] EY. (2023, January). Sustainability governance, risk and compliance (GRC) – Solution narrative.

- Wide scope of sustainability issues with limited precedent: New or emerging risks such as climate change are difficult to identify, and the financial or business implications of known ESG-related risks may not be immediately clear or measurable.
- More investment needed in data and technologies: The limited maturity of sustainability and ESG enabling technologies and the clarity on data sources needed across the full scope of requirements requires more detailed articulation and investment.
- Lack of common sustainability metrics and frameworks: There are an estimated 600 ESG reporting standards globally[17]. This, coupled with continually evolving market and regulatory developments, makes it challenging for organisations to report information transparently, consistently and comparably with peers.
- Ad hoc approaches: Many organisations manage sustainability issues on an ad hoc basis without a coordinated, strategic approach or strong enterprise oversight.
- Non-integrated ESG risks: Limited integration of ESG into existing governance and oversight models could potentially result in unidentified gaps in risk coverage across the organisation.

Box 2: Corporate Obligations to Address the Human Rights Implications of Climate Change

Vulnerable groups, communities and individual are disproportionately affected by the negative impact of climate change. According to the Intergovernmental Panel on Climate Change, "people who are socially, economically, politically, institutionally or otherwise marginalized are especially vulnerable to climate change and also to some adaptation and mitigation responses."[18]

As stated in the United Nation's 'Frequently Asked Questions on Human Rights and Climate Change' (Fact Sheet no. 38) [19], "preventing and responding to the effects of climate change must therefore be a participatory process that empowers everyone, enabling them to act as agents of change."

The Fact Sheet also highlights corporate independent responsibilities to respect human rights, regardless of whether and how Governments are meeting their own obligations and provide recommendations on corporates' actions including:

- "Have in place a policy that clearly states their commitment"
- to respect human rights, including by mitigating climate change and the specific measures that will be taken in this regard;
- Have in place a human rights due diligence process to identify, prevent, mitigate and account for how they address their impacts on human rights, in order to know and show that they respect human rights. Carrying out social and environmental impact assessments should be an integral part of this;

[17] EY. (2021, June). The future of sustainability reporting standards. Retrieved from: https://assets.ey.com/content/dam/ey-sites/ey-com/en_gl/topics/sustainability/ey-the-future-of-sustainability-reporting-standards-june-2021.pdf
[18] Intergovernmental Panel on Climate Change. (2014). Climate Change 2014: Impacts, Adaptation, and Vulnerability. Part A: Global and Sectoral Aspects - pg. 50.
[19] United Nations, Human Rights. (2021). Fact sheet no.38, Frequently Asked Questions on Human Rights and Climate Change. Retrieved from: https://www.ohchr.org/sites/default/files/Documents/Publications/FSheet38_FAQ_HR_CC_EN.pdf

- Have in place processes to enable the remediation of any adverse human rights impacts that they cause or to which they contribute, including through their direct or indirect emissions of greenhouse gases and toxic waste."

1.2.2. Opportunities Unleashed by Implementing ESG

According to the report "ESG: From Challenge to Opportunity" (UNDP)[20], although the implementation and disclosure of ESG requires significant organizational change, it also opens up many new opportunities, creating long-term revenue, expanding into promising markets, or reducing costs.

For businesses:

- The ESG framework helps companies measure their impact on the environment, the communities in which they operate, or society in general, and establish business objectives to balance profits with sustainable development goals.
- ESG standards enhance the organization's resilience to non-financial risks that threaten business continuity, such as climate change and technological disruptions, helping companies develop appropriate adaptation and mitigation strategies to reduce costs.
- ESG opens up new marketing opportunities for businesses and brings producers and consumers closer together. Addressing environmental, social and governance issues can be used to position the organization as a responsible company with positive social impacts.
- Enhancing the company's social standing and reputation through ESG activities creates conditions to attract and retain talent, as more people are paying attention to the values and corporate culture of their employers when choosing where to work.

For customers: ESG ratings can serve as a measure to assess a company's business practices, its openness in addressing environmental and social issues, thereby informing purchasing decisions aligned with personal values.

For governments: Widespread ESG reporting helps measure the financial contributions of businesses in achieving the SDGs. This facilitates public budget planning for the SDGs and direct funding for necessary areas.

1.3 Vietnam market context

ESG concerns in Vietnam has grown more and more complex over the years, as the regulatory framework is changing to adapt with international movements and organisations recognise the necessity to address sustainability risks, especially climate-related ones.

Regarding natural conditions, Vietnam is particularly vulnerable to the impacts of climate change with 3,200 km of coastline and many low-lying cities and river delta regions. As of 2021, Vietnam ranks 3rd among the ASEAN-10 countries that are the most exposed to extreme weather events and climate change[21]. Vietnam ranked 127 out of 182 by the Notre Dame Global Adaptation Initiative (ND-GAIN), and 13th highest among 180 countries by the

[20] UNDP (2024, January). ESG: From Challenges to Opportunities. Retrieved from: https://www.undp.org/belarus/stories/esg-challenges-opportunities
[21] University of Notre Dame. (2021). Rankings // Notre Dame Global Adaptation Initiative // University of Notre Dame. Notre Dame Global Adaptation Initiative. Retrieved from: https://gain.nd.edu/our-work/country-index/rankings/

Germanwatch Global Climate Risk Index for 2000–19. It is also ill-prepared to cope with extreme events, hotter temperatures, and rising sea levels (ranked 91 of 192 by the ND-GAIN Readiness Index). Vietnam has one of the most GHG-intensive economies in East Asia (measured as emissions per unit of output) in Asia, similar to Indonesia's, but much higher than China's or the Philippines'. According to the World Bank's 2022 Country Climate and Development Report, the country's rapid economic growth, urbanization, and industrialization over the last 30 years have been powered by a coal-dependent energy supply that creates significant GHG emissions.

The impacts of climate change are slowing down the growth of Vietnam's economy. Preliminary calculations in the recent Country Environmental Analysis (CEA) show that in 2020 Vietnam lost US$10 billion, equivalent to 3.2% of GDP, due to the impacts of climate change. [22] This analysis also forecasts a rapid increase in the scale of these losses for Vietnam, thereby emphasizing the urgency of adapting to climate change risks. In addition, climate change can slow down the growth of labor productivity, increase cooling costs due to higher temperatures, and harm human health. The World Bank's 2022 Country Climate and Development Report (CCDR) also states that the most vulnerable sectors to climate change are extractives, manufacturing, agriculture, wholesale and retail, and hotels/accommodation. In addition, many firms have substantial long-term investments in high-emission production methods, which puts them at risk of losing competitiveness in increasingly clean export markets.

The 2022 CCDR Report[23] proposes that Vietnam shift its development paradigm by incorporating two critical pathways – resilient pathway and decarbonizing pathway – that will help the country balance its development goals with increasing climate risks. Great efforts are required for the country to achieve its pledge of net-zero GHG emissions by 2050, one of which is the refinement of regulatory framework to ensure compliance from both the public and private sectors.

Various factors suggest that the Vietnamese market is on its right track to sustainability development, especially in views of business action and disclosure practice. These trends are largely shaped by the demand from stakeholders in Vietnam, including growing Government's effort and pressure to increase business sustainable practices and increasing ESG-related consideration and requirement in investment by capital providers.

The Vietnamese government have integrated sustainable development goals and objectives into the 2021-2030 Socioeconomic Development Strategy, which emphasises the effective mobilisation of resources, i.e., the extensive stocks of agricultural, forest, and mineral resources, for sustainable development. Specially, regarding climate change issues, after Vietnam committed to implementing the mechanisms in the Paris Agreement and achieving net zero emissions by 2050, the Prime Minister issued many decisions approving projects, strategies, and action plans to drive business actions toward decarbonisation transition for the economy.

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[22] World Bank. 2021 (chưa xuất bản). "Accelerating Clean, Green, and Climate-Resilient Growth." Vietnam Country Environmental Analysis.

[23] The World Bank. (2022, July 1). *Key Highlights: Country Climate and Development Report for Vietnam*. Retrieved from World Bank: https://www.worldbank.org/en/country/vietnam/brief/key-highlights-country-climate-and-development-report-for-vietnam

According to the survey results of the Agency for Enterprise Development (AED), Ministry of Planning and Investment (MPI) in May - July 2024 in the report on the level of sustainable business practices,[24] in terms of awareness, ESG is still a new concept, especially for medium, small and micro enterprises. Of the 1,019 enterprises participating in the survey, up to 39% have never heard of ESG and 62% are currently not clear about Vietnam's regulations and policies related to ESG. Also, according to this report, in terms of the overall classification of ESG practices of enterprises, 14% of enterprises participating in the survey are pioneers in ESG practices; meanwhile, up to 25% of enterprises mostly do not implement or have few activities/solutions related to ESG. At the same time, the survey results also show that Vietnamese enterprises are currently performing best in the Social pillar, followed by Governance, and finally Environment, with practice levels of 68%, 63%, and 52%, respectively. The 2024 survey[25] also identified the three biggest difficulties in ESG practice: (1) No or lack of information on ESG, (2) Lack of ESG introduction and training programs, (3) No specific policies from the Government on ESG.

In addition, it is necessary to note that that small, medium, and micro enterprises show little interest on this matter, while commitments in large corporations are often influenced by demand from their high social presence, i.e., investors, consumers, or the business' employees. However, according to the 2024 survey results,[26] there have been positive signs when 26-30% of businesses at each medium, small and micro scale are also taking the first steps in learning and applying ESG criteria. SMEs play a crucial role in the economy and are not exempt from the current sustainable development trend. Like larger corporations, SMEs also face pressure from their stakeholders on sustainability transformation, however, SMEs face several challenges in adopting sustainable practices including higher upfront capital costs, lack of knowledge and expertise, lack of data, and complex reporting guidelines.

2. Regulatory Overview of the legal system related to sustainable development

2.1 Global ESG Regulatory Landscape

According to database produced by Grantham Research Institute on Climate Change and the Environment and the Sabin Centre on Climate Change Law, there has been a 20-fold increase in the number of global climate change laws since 1997, including more than 1,200 relevant policies across 164 countries, which account for 95% of global greenhouse gas emissions[27].

The ESG regulatory environment is changing, with new developments both internationally and in the ASEAN region. The EU released its Corporate Sustainability Reporting Directive (CSRD), requiring EU companies and at least 10,300 estimated non-EU companies[28] to report

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[24] BÁO CÁO ĐÁNH GIÁ MỨC ĐỘ THỰC HÀNH KINH DOANH BỀN VỮNG CỦA DOANH NGHIỆP VIỆT NAM THEO KHUNG MÔI TRƯỜNG, XÃ HỘI, QUẢN TRỊ (ESG) NĂM 2024 - Cục Phát triển Doanh nghiệp (AED), Bộ Kế hoạch và Đầu tư (MPI),

[25] BÁO CÁO ĐÁNH GIÁ MỨC ĐỘ THỰC HÀNH KINH DOANH BỀN VỮNG CỦA DOANH NGHIỆP VIỆT NAM THEO KHUNG MÔI TRƯỜNG, XÃ HỘI, QUẢN TRỊ (ESG) NĂM 2024 - Cục Phát triển Doanh nghiệp (AED), Bộ Kế hoạch và Đầu tư (MPI),

[26] BÁO CÁO ĐÁNH GIÁ MỨC ĐỘ THỰC HÀNH KINH DOANH BỀN VỮNG CỦA DOANH NGHIỆP VIỆT NAM THEO KHUNG MÔI TRƯỜNG, XÃ HỘI, QUẢN TRỊ (ESG) NĂM 2024 - Cục Phát triển Doanh nghiệp (AED), Bộ Kế hoạch và Đầu tư (MPI),

[27] Evans, S. (2017, May 11). Mapped: Climate change laws around the world. Retrieved from Carbon Brief: https://www.carbonbrief.org/mapped-climate-change-laws-around-world/

[28] Philipova, E. (2023, June 2). How many companies outside the EU are required to report under its sustainability rules?. Retrieved from Refinitiv.com: https://www.refinitiv.com/perspectives/regulation-risk-compliance/how-many-non-eu-companies-are-required-to-report-under-eu-sustainability-rules/

according to the European Sustainability Reporting Standards (ESRS), including on the impacts of their value chains[29]. This came into effect in January 2023.

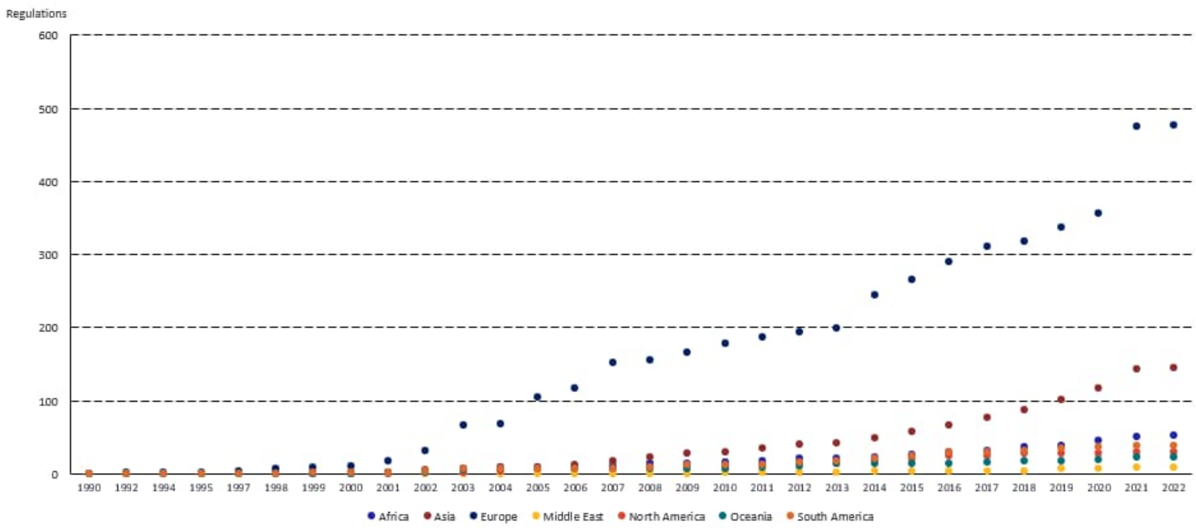
Regulatory bodies and stock exchanges are also responding to growing investor demands for uniform ESG information linked to financial performance. Singapore introduced a listing rule for issuers to prepare an annual sustainability report, including identifying material ESG factors, policies, practices, performance, targets, and a board statement[30]. It is also exploring mandatory disclosures for non-listed companies.[31]

While Vietnamese companies may not be directly affected by these regulations, they may be indirectly impacted – for example, through commitments made under the EU-Vietnam Free Trade Agreement (EVFTA), or through seeking financing from international sources.

International financial institutions (IFIs) are a key financing source for Vietnamese companies. Many of these institutions not only are subject to stringent international regulations and supervision, but also take on additional commitments (e.g., joining the Glasgow Financial Alliance for Net Zero) to align with the global transition to net zero.

These regulations are increasing in scope and coverage. For example, in 2021, there were 162 new or revised responsible policies, 54 (33%) of which were policies on corporate ESG disclosure. While most of these policies came from Europe, Asia's responsible investment regulations are increasing (Figure 4).

Figure 4: Cumulative number of responsible investment policy interventions per year (data as of April 2022)[32]



This momentum is influencing FI's financing decisions. As of October 2023, members of the Net-Zero Banking Alliance – comprising 134 banks with total USD74trillion AUM across 43

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29 European Commission. (2024). Corporate sustainability reporting. Retrieved from European Commission: https://finance.ec.europa.eu/capital-markets-union-and-financial-markets/company-reporting-and-auditing/company-reporting/corporate-sustainability-reporting_en

30 SGX-ST Listing Rules: Practice Note 7.6. Retrieved from https://rulebook.sgx.com/rulebook/practice-note-76-sustainability-reporting-guide

31 Segal, M. (2023, July 10). Singapore Proposes Mandatory Climate Reporting for both Public and Private Companies. Retrieved from ESG Today: https://www.esgtoday.com/singapore-proposes-mandatory-climate-reporting-for-both-public-and-private-companies/

32 UNPRI. (2020, April 7). About PRI Regulation database. Retrieved from PRI: https://collaborate.unpri.org/group/3936/about

countries and part of the GFANZ – have committed to aligning their lending and investment portfolios with net zero emissions by 2050 or sooner[33]. Even if Vietnam has yet to mandate certain ESG requirements, Vietnamese corporates who seek financing from international sources will need to be aware of and comply with commitments and requirements from their capital providers, who must follow ESG regulations within their jurisdictions.

2.2 Vietnam Regulatory Landscape

2.2.1 Vietnam overall strategies related to sustainability

Sustainable development in general and environmental issues in particular are not new across the world or in Vietnam. However, the level of importance and concern of governments regarding this issue changes in accordance with the context and level of social development. 2015 can be considered a turning point for sustainable development issues with the adoption of the 2030 Agenda for Sustainable Development and the Paris Agreement on climate. Vietnam also issued documents on strategic directions, strategies, action plans and action programs at the national and sectoral levels in accordance with its international commitments throughout the period from 2017 to present.

In which, Vietnam has concretized the 17 sustainable development goals of the United Nations into the goals and tasks of ministries and branches up to 2030 in Decision 622/QD-TTg in 2017 (Decision 622). In the years of 2018 and 2019, Action Plans for each sector (for example: natural resources and environment, construction, banking, healthcare, science and technology) were also developed to implement the National Action Plan in Decision 622. A number of programs targeting sustainable development goals were also approved such as sustainable production and consumption; occupational safety and hygiene; building new rural areas, etc. Most recently, Decision 841/QD-TTg (Decision 841) approved the Roadmap for implementing Vietnam's sustainable development goals including goals and targets for the two periods until 2025 and 2030. Corresponding targets for 17 sustainable development goals are also adjusted with new focuses on sustainable development in general including environmental issues and climate change.

For the period from 2021 to 2030, the 10-year Socio-Economic Development Strategy in the 13th National Party Congress sets detailed goals and breakthrough solutions to guide the entire Vietnamese economy. Based on this Strategy, the 5-year socio-economic development plan for the period 2021 - 2025 was also approved by the National Assembly, detailing the goals, targets and tasks that need to be implemented. In addition, Strategies and Action Plans with a focus on sustainable development in general and environmental issues in particular were also issued, as detailed in Appendix B.

2.2.2 Vietnam legal framework related to sustainability

As mentioned above, sustainable development (ESG) issues are not new but regulations have been amended in accordance with the context and development goals. The system of legal documents related to sustainable development in Vietnam is also diverse and complex according to different topic groups. The content of this section is an incomplete consolidation

[33] Members – United Nations Environment – Finance Initiative. Retrieved from Unepfi.org: https://www.unepfi.org/net-zero-banking/members/

of legal documents related to the following aspects: Environmental, Social, and Corporate Governance, with more focus on the aspects of Environment and Climate Change.

2.2.2.1. On Environmental matters

The system of environmental legal documents includes several ones for different environmental topics. In which, Law on Environment Protection 2020 and guiding documents are considered to have huge impacts on enterprises' activities in general. The figure below provides a list of related documents:

Figure 5: The list of environment-related legal documents in Vietnam

Environmental

Law No.72/2020/QH14 on Environment Protection

- Decree No.06/2022/ND-CP on mitigation of GHG emissions and protection of ozone layer
- Circular No.01/2022/TT-BTNMT on Guidelines for implementation of law on environmental protection regarding response to climate change
- Decree No.08/2022/ND-CP Elaboration of several articles of the law on environmental protection
- Decision No.01/2022/QD-TTg Promulgation of lists of sectors and GHG emission facilities subject to GHG inventory development
- Circular No.02/2022/TT-BTNMT Detailing a number of articles of law on environmental protection
- Circular No.06/2023/TT-BTNMT Guiding the integration of climate change response content into strategies and planning

Other related Laws

- Law 20/2008/QH12 on Biodiversity
- Law 57/2010/QH12 on Environment protection tax
- Mineral law No. 60/2010/QH12
- Law No. 82/2015/QH13 on Natural resources and environment of sea and islands
- Law No. 16/2017/QH14 on Forestry
- Law No.50/2010/QH12 on Economical and efficient use of energy

Regarding to environment-related issues, based on Law on Environment Protection 2020 and guiding documents, some regulations affect enterprises' activities from initial investment phase to operating phase. The requirements of regulations compliance are different depending on specific activities of enterprises.

2.2.2.2. On social matters

Issues related to social aspects are diverse without specific definitions or regulations on boundaries. Therefore, the table below summarizes key regulations related to social topics/topic groups.

Table 3: Summary of key laws related to topic groups/topics regarding to Social aspect

	Topic/Topic group	Relevant regulations
1	Labour	Labour Code no. 45/2019/QH14
1.1	Working relationship (Dialogue and collective bargaining among workers, representatives, and employers)	Labour Code no. 45/2019/QH14
		Law on Trade Union no. 12/2012/QH13
1.2	Working conditions (working hours, maternity protection, occupational health and safety, labor inspection, etc.)	Law on Enterprises no. 59/2020/QH14
		Labour Code no. 45/2019/QH14
		Law on Occupational Safety and Hygiene no. 84/2015/QH13

	Topic/Topic group	Relevant regulations
		Law on Social Insurance no. 58/2014/QH13
		Law on Health Insurance no. 25/2008/QH12
1.3	Labour abuse and Modern Slavery	Law on Enterprises no. 59/2020/QH14
		Labour Code no. 45/2019/QH14
1.4	Underaged labour	Law on Enterprises no. 59/2020/QH14
		Labour Code no. 45/2019/QH14
		Children Law no. 102/2016/QH13
1.5	Vietnamese guest workers	Law on Vietnamese guest workers no. 69/2020/QH14
1.6	Equality	Labour Code no. 45/2019/QH14
		Law on Persons with disabilities no. 51/2010/QH12
		Law on Gender equality no. 73/2006/QH 11
2	Protection of Consumer's rights	Law on Protection of Consumer's rights 59/2010/QH12[34]
		Law on Enterprises no. 59/2020/QH14
		Commercial Law no. 36/2005/QH11
3	Anti-bribery and corruption	Anti-corruption Law no. 36/2018/QH14

2.2.2.3. On corporate governance matters

There is no directional and strategic document about corporate governance issues as environmental and social issues in Vietnam. Corporate governance activities are regulated in regulations on corporate, securities and are encouraged to apply following the global leading practices. Currently, corporate governance in Vietnam is regulated focusing on issues such as governance structure; rights and obligations, working regime of management levels in the enterprise; standards, requirements of member participating in corporate governance; implementing requirements and procedures related to corporate governance activities; information publicity and disclosure requirements and others. Governance structure and other governance-related requirements are regulated for each type of enterprise, including applicable specific documents for state-owned enterprises, enterprises with state capital and public companies. Some legal documents related to corporate governance in different types of enterprises are cumulated as below:

Table 4: Legal documents related to corporate governance in different types of enterprises.

Legal Document	Regulated entities
Law on Enterprises no. 59/2020/QH14	All types of enterprises
Law on Securities no. 54/2019/QH14	• Public companies • Securities companies

[34] Law on Protection of Consumer's rights no. 59/2010/QH12 will be replaced by Law on Protection of Consumer's rights no. 19/2023/QH12. Retrieved from: https://thuvienphapluat.vn/van-ban/Thuong-mai/Law19-2023-QH15-Protection-of-Consumers-Rights-574669.aspx?tab=1

Legal Document	Regulated entities
	• Stock investment fund management companies
Circular no. 96/2020/TT-BTC – Providing guidelines on disclosure of information on securities market	• Public companies • Organisations making public offering of corporate bonds • Organisations making initial public offering of shares • Organisations that have corporate bonds listed • Securities companies, securities investment fund management companies; branches of foreign securities companies in Vietnam and branches of foreign fund management companies in Vietnam; representative offices of foreign securities companies and foreign fund management companies in Vietnam; public funds and public securities investment companies
Decree 155/2020/NĐ-CP – Detailed regulations on certain articles of the securities law	• Public companies • Securities companies • Stock investment fund management companies
Decree no. 47/2021/NĐ-CP – Providing guidelines for Law on Enterprises	• Social enterprises • State-owned enterprises • Groups of companies • Defence and Security enterprises

Box 3: Corporate Governance related to ESG

OECD's Corporate Governance principles[35] refer to responsibilities of the Board of Directors related to ESG issues including "supervising systems designed to ensure that the corporation complies with related laws, including tax, competition, labour, environment, equal opportunity, health and safety laws" and "take due regard of, and deal fairly with stakeholder interests including employees, creditors, customers, suppliers and local communities (including compliance with environmental and social standards)".

According to Vietnam Corporate Governance Code of Best Practice[36] (for public companies in Vietnam) refers to Principle 1.1 "Define and establish roles, responsibilities and commitments of the board of directors." Of which, responsibilities of the Board include monitoring corporate governance performance, policies, environmental and social responsibilities, as well as compliance to current organisational regulations.

However, legal documents in Vietnam only provide general regulations without specific guidelines and obligations on organisation, roles and responsibilities of organisational levels and members in charge of corporate governance related to ESG.

The integration of ESG into corporate governance is further explored in Part 2 of this document.

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[35] OECD (2004, May 3). OECD Principles of Corporate Governance 2004. Retrieved from: https://doi.org/10.1787/9789264015999-en

[36] Cho, D., & Nam, V. (2019, August). VIETNAM CORPORATE GOVERNANCE CODE OF BEST PRACTICES. Retrieved from: https://www.ecgi.global/sites/default/files/codes/documents/vietnam_cg_code_of_best_practices_v1.0_english.pdf

2.2.3. Reporting and disclosure requirements about ESG regarding Vietnam current regulations

In Vietnam, currently, only publicly traded companies listed on the Vietnamese stock exchange are required to annually disclose information on sustainable development as stipulated in Circular No. 96/2020/TT-BTC, with the content extracted in Appendix EError! Reference source not found. below. Other businesses are not currently subject to any mandatory regulations regarding the disclosure of information on sustainable development. Instead, they are required to submit certain periodic reports to the authorities, with a scope of application depending on each case and not including considerations on sustainable development. The implementation of these periodic reports is regulated in different documents across various fields such as environment, labor, and governance with varying scopes of application.

2.2.3.1. Regulations on ESG Information Disclosure according to Circular No. 96/2020/TT-BTC

In Section II, Appendix IV - Guidance on reporting the company's annual operations in the Annual Report issued along with Circular No. 96/2020/TT-BTC dated November 16, 2020 of the Minister of Finance, guiding information disclosure on the securities market, businesses are required to report impacts related to the environment and society including:

- Impact on environment
- Management of raw materials
- Energy consumption
- Water consumption
- Compliance with the law on environmental protection
- Policies related to employees
- Report on responsibility for local community
- Report on green capital market activities under the guidance of the SSC

2.2.3.2. Other regulations on reporting ESG impacts

Besides Circular No. 96/2020/TT-BTC guiding ESG information disclosure, currently, some regulations in Vietnam recommend/require businesses to report certain information related to the impact of businesses on environmental, social, and governance issues. Regarding these issues, reporting requirements can be categorized into three main aspects: environment, society, and governance. Table 5 below summarizes the information that businesses need to report according to these three groups.

Table 5: Information recommended/required to be reported related to ESG based on Vietnamese regulations.

Topic	Disclosure content	Regulated entities	Regulatory documents
Environment	1. Environmental Information: a) Information on pollutants, pollutant discharge streams into the environment, pollution sources; environmental protection work of investment projects, facilities, production areas, concentrated business, service areas, industrial clusters.	Project and facility investor	Point b, Clause 1, Article 114, Law No. 72/2020/QH14 - Law on Environmental Protection

Topic	Disclosure content	Regulated entities	Regulatory documents
	b) Information on solid waste, hazardous waste, wastewater, exhaust gas, and other types of waste as stipulated by law. c) Information on decisions approving the results of environmental impact assessment, environmental impact assessment reports; results of inspections and audits on environmental protection for investment projects, facilities, production areas, concentrated business, service areas, industrial clusters as stipulated.		
	2. Information related to Greenhouse Gas Mitigation: a) Greenhouse gas inventory report every two years b) Greenhouse gas mitigation plan c) Annual report on greenhouse gas mitigation results	Facilities belonging to the list of sectors and facilities that emit greenhouse gases subject to greenhouse gas inventory, as issued by the Prime Minister.	Decree No. 06/2022/ND-CP - Regulations on Greenhouse Gas Emission Mitigation and Ozone Layer Protection: - Clause 4, Article 11 - Clause 4, Article 13 - Point a, Clause 3, Article 10
Social	1. Report on labor utilization	Employers declare labor utilization according to Decree No. 122/2020/ND-CP of the Government	Clause 1, Article 4 of Decree No. 145/2020/ND-CP detailing and guiding the implementation of some articles of the Labor Code on working conditions and labor relations
	2. Report on occupational safety and health including total number of workers (female workers, underage workers, workers working in arduous conditions, etc.); occupational accidents; occupational diseases; health classification of workers; working hours, rest time	- Businesses - Cooperatives - Households - Organizations engaged in production and business activities	Article 10 of Circular No. 07/2016/TT-BLĐTBXH regulating some contents on organizing the implementation of occupational safety and health work for production and business establishments

Topic	Disclosure content	Regulated entities	Regulatory documents
Governance	1. Company charter 2. General objectives; specific objectives and targets of the annual business plan 3. Report on the current state of governance, company organization structure 4. Report on the results of implementing public benefit tasks and other social responsibilities	State Owen Enterprises	Article 109, Law No. 59/2020/QH14 - Law on Enterprises
	1. Annual Report: a) Information on governance model, business organization, management apparatus b) Development orientation (including sustainable development goals - environment, society and community, related programs) c) Risks (including environmental risks, natural disasters, epidemics) d) Production and business operation status (including information on labor, labor policy) e) Report on impacts related to the environment and society: impacts on the environment, management of raw materials, energy consumption, water consumption, compliance with environmental protection laws, labor-related policies, responsibility to the local community 2. Corporate Governance Report	Public companies	Article 120, Law No. 54/2019/QH14 - Securities Law
	1. Company charter 2. Curriculum vitae, educational qualifications and experience, profession of members of the Board of Directors, supervisors, Director or General Director 3. Report on the annual performance evaluation of the Board of Directors and the Audit Committee	Other joint-stock companies (excluding the two groups above)	Article 109, Law No. 59/2020/QH14 - Law on Enterprises

Currently, the mandatory requirement for ESG information disclosure only applies to publicly traded companies listed on the Vietnamese stock exchange, according to Circular No. 96/2020/TT-BTC. For other types of businesses, there are no mandatory regulations regarding ESG information disclosure. Furthermore, there are no specific regulations in Vietnam requiring organizations and businesses to disclose climate-related information.

In the context of increasingly common global regulations on ESG information disclosure, particularly climate-related information, and with growing pressure from investors, customers, and supply chain stakeholders, businesses are moving towards implementing ESG information disclosure to enhance their access to capital, especially green capital, green bonds, and green loans. However, businesses are facing several challenges in ESG information disclosure, such as (1) identifying key ESG topics for their business; (2) ensuring the accuracy, reliability, and comparability of disclosed information; and (3) managing and meeting the growing demand from stakeholders for sustainable development disclosures according to domestic and international frameworks and standards. Small and medium-sized enterprises

(SMEs) with limited resources face challenges in data collection and ESG information disclosure due to a lack of time, knowledge, capacity, or funding.

This situation necessitates regulatory bodies to develop specific guidance to support businesses, including SMEs, in implementing consistent, reliable, and internationally compliant ESG information disclosure. This guidance should address new requirements for climate-related information disclosure. This handbook, published by the State Securities Commission (SSC), will contribute to supporting businesses and organizations in Vietnam in implementing ESG information disclosure.

Box 4: *Other guidelines on ESG information disclosure*

Apart from legal documents related to reporting and information disclosure on ESG, there are guidance documents developed to support organisations on the matter, including but not limited to:

- The Sustainability Reporting Handbook for Vietnamese companies (2013) was co-published by the IFC and Vietnam State Securities Commission, which provides guidance for enterprises to set out sustainability reporting starting from standards and references; primary steps in the reporting process; main success factors, etc.
- The Environmental and Social (E&S) Information disclosure Handbook (2016) was co-published by the IFC and Vietnam State Securities Commission, which provides additional guidance for enterprises to comply with Circular 155/2015/TT-BCT (latter replaced by Circular 96/2020/TT-BCT). The Handbook refers to the Global Reporting Initiative (GRI) to provide information supporting enterprises in sustainability reporting on environmental and social metrics. The document provides primary steps to implement disclosure and required metrics according to GRI.
- The Greenhouse Gases Emissions Reporting Handbook (2023) was developed by the SSC with technical support from the IFC, SECO and BSI Vietnam. The document provides related definitions, regulations and standards in Vietnam as well as steps to implement GHG inventory and report.

Box 5: Evaluation and classification of sustainable enterprises in Vietnam

According to Decision 622/QD-TTg in 2017, The National Action Plan to implement the 2030 Agenda for Sustainable Development, of which the Goal 12.6 on encouraging the business community to adopt sustainable practices includes the mission to "Carry out annual evaluation, classification of sustainable development businesses in Vietnam". The leading agency for said mission is Vietnam Chamber of Commerce and Industry (VCCI).

Prior to this, the Vietnam Business Community for Sustainable Development was established and officially launched on 2010, playing its positive role in supporting the business community in implementing the Sustainable Development Strategy in Vietnam; fostering shared knowledge, experience and practices; strengthening collaboration and dialogues among the business community, the government and partners in society to move sustainability forward.[37] VBCSD also

[37] Hội đồng doanh nghiệp vì sự phát triển bền vững. (2015). Retrieved from Vbcsd: https://vbcsd.vn/about.asp

works under VCCI to hold the Sustainable Business Assessment and Disclosure Program in Vietnam (Corporate Sustainability Index program).

The CSI program has been in place since 2016 and is held annually. Every year, the indexes are reviewed, modified and disclosed for businesses to consult and assess. The set of CSI includes content on economic, environmental, and social information; information on governance structure, model and key personnel alongside indexes on 4 topics: Performance Indicators, Governance Indicators, Environment Indicators and Labor and Social Indicators. In 2023, the set of indicators has been announced with 130 indicators, of which 82 are basic indicators and 48 are advanced indicators. The document providing guidance on the CSI also provides guidance on implementation of certain topics in organisation sustainable development.[38]

To participate in CSI, organisations will register voluntarily, provide required information, evaluate the indicators, and attach evidence documents for each indicator. Based on the information provided by organisations, the program evaluates and classifies them to complete the list of Top 100 Sustainable Enterprises in Vietnam (CSI100). Participants are entitled to CSI certificates and may use the program's logo and media for communication purposes.

Box 6: Tools to support private sector enterprises in sustainable business

According to Decision No. 167/QĐ-TTg in 2022 approving the "2022 – 2025 program to support the private sector enterprises in sustainable business", the goal is to sustainably develop private sector enterprises, ensuring close, reasonable and harmonious coordination between economic efficiency and social responsibility, protection of resources and environment, contributing to the attainment of 17 sustainable development goals of Vietnam by 2030. Along with that is mobilizing social resources, gradually developing an ecological system to support enterprises in sustainable business, actively contributing to the creation of jobs, the improvement of living standards of low-income earners and disadvantaged people, the environmental protection and response to climate change in Vietnam. In which, sustainable business covers:

- Business models applying circular economy, which is an economic model which encompasses the design, production, consumption and services activities aimed at reducing raw materials, extending product life, reducing waste generation and minimizing adverse impacts on the environment1.
- Inclusive business model, which is a type of business model that integrates low-income people into an enterprise's value chain in and/or production establishment as suppliers, customers, distributors or possibly workers involving in production and business activities to create shared value.
- Other sustainable business models, which are those ensuring economic sustainability, environmental protection, response to climate change and settlement of social security matters.

Circular 13/2023/TT-BKHĐT of the Ministry of Planning and Investment issued in 2023 guiding the mechanism for organizing the implementation of the "2022 – 2025 program to support the private sector enterprises in sustainable business" stipulated in Decision No. 167/QD-TTg has provided principles for measuring, evaluating and recognizing sustainable business enterprises; standards and

[38] Pham, H. H. (2023). Hướng dẫn Bộ chỉ số Doanh nghiệp bền vững (CSI) 2023. Retrieved from Vbcsd: vbcsd-202371894933.pdf

conditions for using the results of organizations measuring, evaluating and recognizing sustainable business enterprises through a toolkit for assessing sustainable business models; contents and mechanisms for organizing the implementation of activities to develop a sustainable business support ecosystem; supporting sustainable business enterprises; developing, synthesizing plans, organizing the implementation and management of the 2022 – 2025 program to support the private sector enterprises in sustainable business according to Decision 167/2022/TTg. The Ministry of Planning and Investment also released a set of tools to assess sustainable business models, including:

- Tools to assess the level of sustainable business practices of enterprises according to the Environmental - Social - Governance (ESG) framework;
- Tools to assess the level of sustainable business practices according to the Circular Economy principles;
- Tools to assess the level of sustainable business practices applying inclusive business.

3. ESG Reporting Standards and Frameworks

3.1. Evolving global landscape

Growing Momentum towards global harmonization of sustainability-related financial reporting standards

Given the lack of consensus over what reporting information is required and the need for comparability across and within jurisdictions, there has been a growing momentum towards a global harmonization of sustainability-related financial reporting standards. The IFRS Foundation has concluded that there is an urgent need to establish a global sustainability reporting framework to achieve comparable, consistent, and reliable sustainable information. However, this process can be extremely challenging due to differences in national and international jurisdictions, including public polices and industry specific regulations[39].

The International Sustainability Standards Board (ISSB) is working to provide a global baseline on sustainability disclosure, while other jurisdictions, such as in Europe, are drafting their own standards to align with existing initiatives (Figure 6). The IFRS Foundation will also take over TCFD's responsibility for monitoring climate-related reporting, starting in 2024[40].

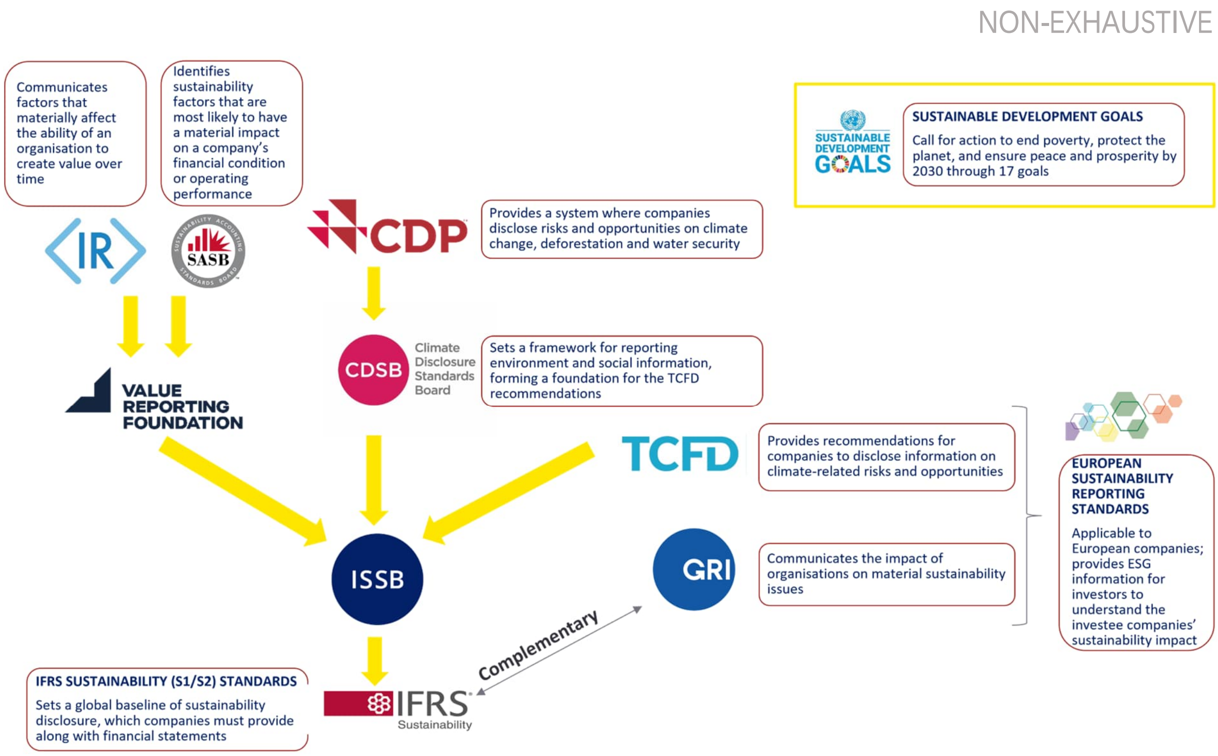
A significant step in global sustainability reporting was taken with a Memorandum of Understanding agreement between the IFRS foundation and GRI in March 2022. The MoU aligns a capital market standard-setting board (ISSB of IFRS) and a multistakeholder one (GSSB of GRI) to create an interconnected approach for ESG reporting, bridges the gap between business values and impacts to raise level of transparency and accountability in organisations.

Although it will take time for these harmonization effforts to be realized, there is enough substantive guidance, including from the international reporting and auditing bodies, to support significant progress in the number of companies reporting and the quality and consistency of the information they disclose.

[39] EY. (2021). The future of sustainability reporting standards. Retrieved from: https://assets.ey.com/content/dam/ey-sites/ey-com/en_gl/topics/sustainability/ey-the-future-of-sustainability-reporting-standards-june-2021.pdf

[40] IFRS. (2024). IFRS Foundation welcomes culmination of TCFD work and transfer of TCFD monitoring responsibilities to ISSB from 2024. Retrieved from: https://www.ifrs.org/news-and-events/news/2023/07/foundation-welcomes-tcfd-responsibilities-from-2024/

Figure 6: The sustainability reporting landscape and harmonisation efforts[41]



The need for decision-useful, climate-related information disclosures

As mentioned in *Section 1.2* of this part, as one of the top global risks, climate change poses great threats on the short-, medium- and long-term business operations for organisations due to its large-scale, long-term nature and limited precedent.

Companies will increasingly be expected, under existing accounting and audit standards and processes, to take climate risk into consideration in preparing financial statements due to public and growing recognition by investors that climate risk is a material investment risk, particularly for companies in carbon-intensive sectors.[42] ESG rating agency MSCI also confirmed investors' emphasis on climate-related risk management actions.

This growing demand for decision-useful, climate-related information has resulted in the development of several climate-related disclosure standards[43].

- Created by the FSB in 2015 to improve and increase reporting of climate-related financial information, the TCFD has become a de facto standard for climate risk disclosure[44].

[41] EY adaptation of BloombergNEF. (2023, July10). Mother of All Sustainability Reporting Standards Unveiled. Retrieved from: https://about.bnef.com/blog/mother-of-all-sustainability-reporting-standards-unveiled/ . For the full list of sources, refer to Appendix 1.
[42] Blackrock. (2022). Sustainability Reporting: Convergence to Accelerate Progress. Retrieved from: https://www.blackrock.com/corporate/literature/publication/blk-commentary-sustainability-reporting-convergence.pdf
[43] TCFD. (2017). Recommendations of the Task Force on Climate-related Financial Disclosures. Retrieved from: https://assets.bbhub.io/company/sites/60/2020/10/FINAL-2017-TCFD-Report-11052018.pdf
[44] EY. (2021). The future of sustainability reporting standards. Retrieved from: https://assets.ey.com/content/dam/ey-sites/ey-com/en_gl/topics/sustainability/ey-the-future-of-sustainability-reporting-standards-june-2021.pdf

- The GSSB approved the project for Climate Change Standards in Feb 2023 to review and revise GRI climate change-related Standards and to incorporate new issues on climate change impacts that go beyond energy consumption and GHG emissions[45].
- IFRS S2 Climate-related Disclosures published in Jun 2023 and applies to annual reporting periods beginning on or after 1 January 2024[46].
- In Jul 2023, the EC adopted the European Sustainability Reporting Standards (ESRS) which covers the full range of environmental, social, and governance issues, including climate change, biodiversity and human rights[47].

Therefore, Vietnamese organisations will need to be aware of new climated-related disclosure requirements to ensure ESG reporting quality and comprehensiveness that meet investors' requirements.

3.2. ESG Reporting Standards and Frameworks in Vietnam

In Vietnam, according to 2022 Climate Reporting in ASEAN - State of Corporate Practices,[48] the most widely used ESG reporting frameworks are the Global Reporting Initiative (GRI) and United Nations Sustainable Development Goals (SDG) framework. The report studied the top 100 companies by market capitalisation listed in the Ho Chi Minh City Stock Exchange, of which only 40 companies have published sustainability reports with disclosures relating to climate. Various reporting frameworks used in climate-related reporting in Vietnam are listed in Table below.

Table 6: Climate-related Reporting Framework in Vietnam – Source: 2022 Climate Reporting in ASEAN

	GRI	IIRC	SASB	SDG	TCFD
Vietnam	65%	8%	2%	42%	0%

Though the application of GRI in organisations' sustainability reports has been in place prior to COP26 national commitments and Circular 96, its prominence is significantly rising since the launch of its Vietnamese version in 2017, held by HCM Stock Exchange, the Global Reporting Initiative (GRI) and Vietnam Chamber of Commerce and Industry[49]. Following large corporations, various enterprises are using GRI Universal standards and GRI Topics standards to navigate their material topics and how to inform multiple stakeholders properly.

[45] GRI. (2023). Project for Climate Change Standard(s). Retrieved from: https://www.globalreporting.org/standards/standards-development/project-for-climate-change-standard-s/

[46] IFRS. (2023). IFRS S2 Climate-related Disclosures. Retrieved from: https://www.ifrs.org/issued-standards/ifrs-sustainability-standards-navigator/ifrs-s2-climate-related-disclosures/#:~:text=IFRS%20S2%20requires%20an%20entity,related%20risks%20and%20opportunities%20that

[47] European Commission. (2023, July 31). Daily News 31/07/2023. Retrieved from: https://ec.europa.eu/commission/presscorner/detail/en/mex_23_4044

[48] GRI ASEAN & Centre for Governance and Sustainability. (2022, July). Climate Reporting in ASEAN State of Corporate Practices. Retrieved from: https://www.globalreporting.org/media/oujbt3ed/climate-reporting-in-asean-state-of-corporate-practices-2022.pdf

[49] Vietnamnews (2017, June 15). Sustainability Reporting Standard launched. Retrieved from: Sustainability Reporting Standard launched (vietnamnews.vn)

HCM and HN Stock Exchanges are both members of the UN Sustainable Stock Exchange Initiative and are TCFD supporters (since 2017 and 2019 respectively)[50]. However, according to the Guidance on Vietnam's Climate Risks and Best Practices for TCFD Disclosure[51], currently, there is no listing rule or reporting guidance specifically on climate-related disclosure in Vietnam.

4. Access to Sustainable Finance

4.1. Overview of Sustainable Finance

Currently, the world is at the cusp of a fundamental shift which will reshape financing. UN Principles of Responsible Investment as of 30 June 2023 has 5,372[52] signatories varying from asset owners, investment managers and service providers; total Assets Under Management (AUM) as of 30 March 2021 of US$ 121.3 trillion based on 3,826 signatories (according to the most recent reporting data available at the time of publication). The climate risk and opportunity guidelines promoted by Task Force for Climate Related Disclosures now has 4000 supporters across 101 jurisdictions[53]. The growth and adoption of such investor led initiatives on self-regulation around ESG practices is fast becoming the new norm required by peers, and the industry to stay competitive.

ESG investing is fast emerging as a tool to build resilience and mitigate risks across investments. Coupled with non-financial reporting, it has helped investors unearth hidden risks in environmental and social aspects which were earlier not considered through conventional mechanisms[54].

As capital providers increasingly manage risks in their long-term portfolio and create positive value for society, integrating ESG risks and opportunities into lending and investment have become more common. An example is the Glasgow Financial Alliance for Net Zero (GFANZ), a coalition between 8 net-zero financial alliances that requires its members to commit to net zero by 2050. As of November 2022, the alliance comprised of more than 550 signatories in 50 countries, with USD 153tn assets under management.[55]

There is substantial potential in the sustainable finance market to grow in Vietnam in the next years. As of end 2022, the ASEAN sustainable debt market[56] reached USD 128.8bn in

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[50] GIZ. (2023, March). Vietnam's Climate Risks and Best Practices for TCFD Disclosure. Retrieved from: https://www.giz.de/en/downloads_els/Vietnam%20Climate%20Risks%20and%20Best%20Practices%20for%20TCFD%20Disclosure.pdf

[51] GIZ. (2023, March). Vietnam's Climate Risks and Best Practices for TCFD Disclosure. Retrieved from: https://www.giz.de/en/downloads_els/Vietnam%20Climate%20Risks%20and%20Best%20Practices%20for%20TCFD%20Disclosure.pdf

[52] UNPRI. Signatory directory. Retrieved from PRI: https://www.unpri.org/signatories/signatory-resources/signatory-directory

[53] Task Force on Climate-Related Financial Disclosures. Retrieved from: https://www.fsb-tcfd.org/support-tcfd/

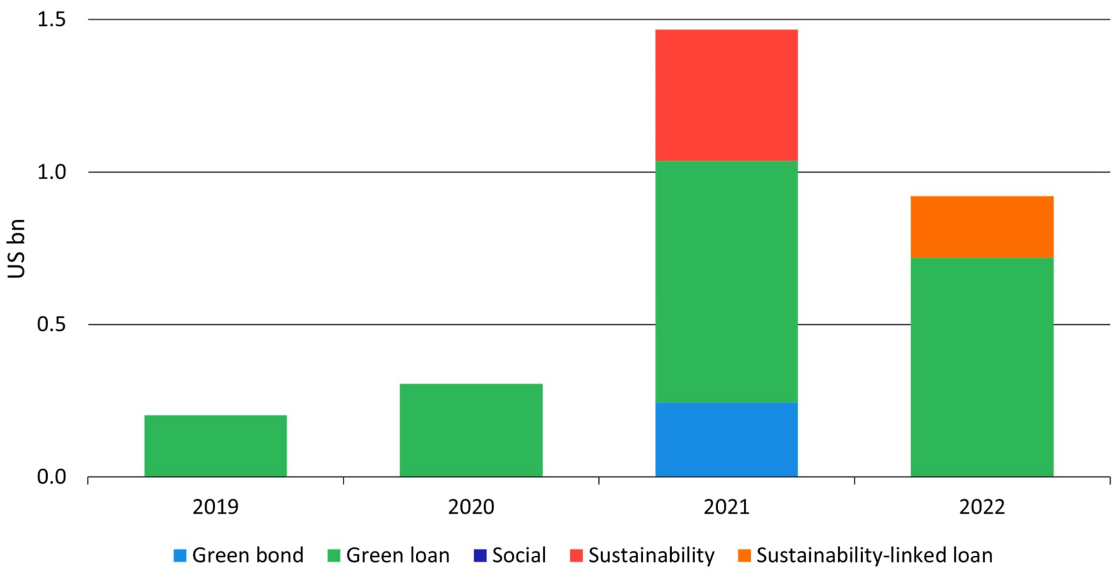
[54] EY. Why ESG integration is becoming the new imperative for private equity firms. Retrieved from: https://www.ey.com/en_in/climate-change-sustainability-services/why-esg-integration-is-becoming-the-next-imperative-for-private-equity-firms

[55] GFAN. (2022). 2022 Progress Report. Retrieved from: GFANZ-2022-Progress-Report.pdf (bbhub.io) – pg 13, 21

[56] Almeida, M., & Wong, C. X. (2023). ASEAN Sustainable Finance State of the Market 2022. Retrieved from Climate Bonds Initiative: https://www.climatebonds.net/files/reports/cbi_asean_sotm_2022_02f.pdf – pg 2. As of 2022, the ASEAN State of the Sustainable Finance Market report covers green, social, sustainability, and sustainability-linked loans and bonds, as well as transition bonds.

cumulative volume in 2022[57]. Vietnam has the smallest market among 6 ASEAN countries (Indonesia, Malaysia, Philippines, Singapore, Thailand, and Vietnam), accounting for approximately USD 1.9bn[58]. However, the Vietnamese market has increasingly diversified in the last 2 years, with the first sustainability and sustainability-linked issuances (see Figure 7). In the next few years, new developments such as the Vietnam's green taxonomy and the Just Energy Transition Partnership (JETP) may further drive the sustainable financing market in Vietnam.

Figure 7: Year-over-year Vietnamese sustainable debt market issuances[59]



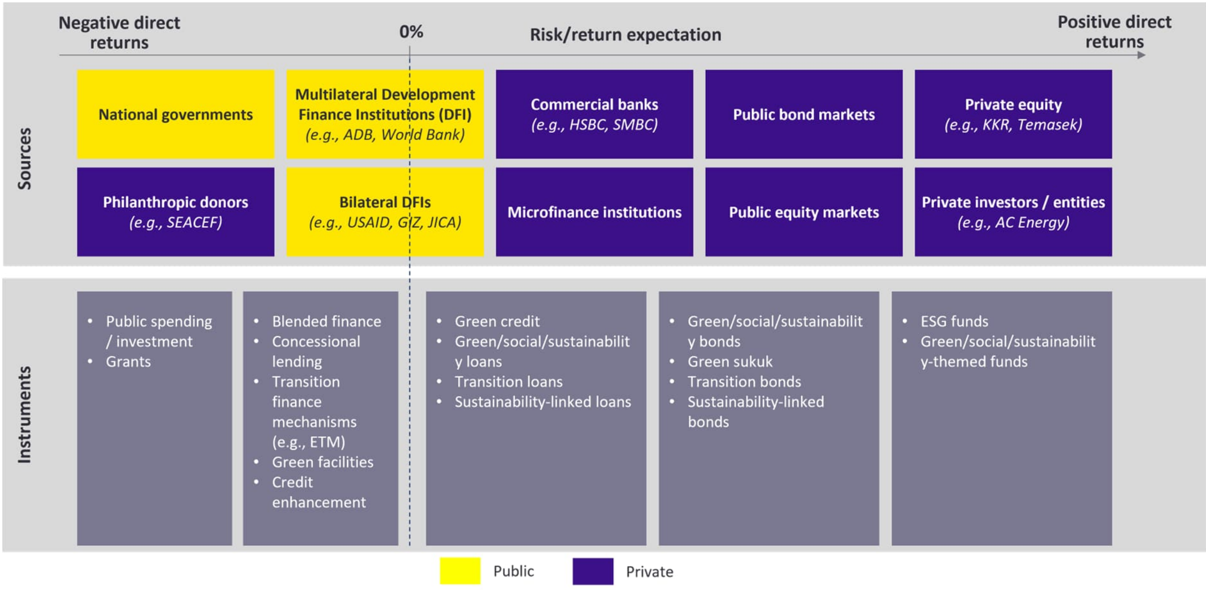
4.2. Sustainable Finance instruments

As the market matures, the range of sustainable finance products will also increase. Figure 8 illustrates a range of sustainable financing sources and instruments available in the market. While risk/return expectations differ depending on the individual investor and asset, on average, public spending often has low (or negative) expectation on return, with a goal of providing public infrastructure. In contrast, private equity expects high risk/return on their investment. Public bond and equity market investors are in the middle, investing in instruments such as green bonds or green equity with a relatively medium risk/return expectation[60].

Figure 8: Sources and instruments of sustainable financing[61]

[57] Almeida, M., & Wong, C. X. (2023). ASEAN Sustainable Finance State of the Market 2022. Retrieved from Climate Bonds Initiative: cbi_asean_sotm_2022_02f.pdf (climatebonds.net) – pg 3, 8
[58] Almeida, M., & Wong, C. X. (2023). ASEAN Sustainable Finance State of the Market 2022. Retrieved from Climate Bonds Initiative: cbi_asean_sotm_2022_02f.pdf (climatebonds.net) – pg 34
[59] Almeida, M., & Wong, C. X. (2023). ASEAN Sustainable Finance State of the Market 2022. Retrieved from Climate Bonds Initiative: cbi_asean_sotm_2022_02f.pdf (climatebonds.net) – pg 34
[60] Asian Development Bank. (2023, June). Green Finance for Asian state-owned enterprises. Retrieved from ADB: https://www.adb.org/sites/default/files/publication/891471/green-finance-asian-state-owned-enterprises.pdf – pg. 21
[61] EY adaptation from Asian Development Bank. (2023, June). Green Finance for Asian state-owned enterprises. Retrieved from ADB: https://www.adb.org/sites/default/files/publication/891471/green-finance-asian-state-owned-enterprises.pdf – pg. 21 and Asian Development Bank. (2021, July 30). Financing clean energy in developing Asia-volume 1. Retrieved from https://dx.doi.org/10.22617/TCS210206-2 – pg. 168

NON-EXHAUSTIVE & ILLUSTRATIVE



4.3. Financial institutions' requirements for sustainable financing in Vietnam

Several financial institutions, including Multilateral Development Banks, have developed their own guidance on requirements for businesses seeking sustainable finance. The table below provides an overview of some of the financial institutions operating in the Vietnamese market and their requirements:

NON-EXHAUSTIVE

Name of institution	Type	Sustainable financing requirements
Asian Development Bank	Multilateral DFI	If a proposed project is likely to have environmental impacts and risks, ADB requires the borrower/client to conduct an environmental and social safeguard assessment.[62] The environmental assessment consists of a series of reports throughout the project lifecycle, and may include:[63] - Initial Environmental Examination - Environmental Impact Assessment - Environmental and Social Monitoring Reports - Social and Environmental Compliance Audit Reports
International Finance Corporation	Multilateral DFI	Projects must conform to IFC Performance Standards,[64] which includes criteria for:[65]

[62] Asian Development Bank. (2012, December). Environment safeguards: A good practice sourcebook (draft Working Document). Retrieved from https://www.adb.org/sites/default/files/institutional-document/33739/files/environment-safeguards-good-practices-sourcebook-draft.pdf - pg. 12
[63] Asian Development Bank. (2023, August 3). Environment safeguards. Retrieved from https://www.adb.org/who-we-are/safeguards/environment
[64] International Finance Corporation. (n.d.). How to apply for financing. IFC. Retrieved from https://www.ifc.org/en/what-we-do/products-and-services/how-to-apply-for-financing
[65] International Finance Corporation. (2012). IFC performance standards on environmental and Social Sustainability. Retrieved from https://www.ifc.org/content/dam/ifc/doc/mgrt/ifc-performance-standards.pdf - pg. 3

Name of institution	Type	Sustainable financing requirements
		- Assessment and management of environmental and social risks and impacts (PS1) - Labour and working conditions (PS2) - Resource efficiency and pollution prevention (PS3) - Community health, safety, and security (PS 4) - Land acquisition and involuntary resettlement (PS 5) - Biodiversity conservation and the sustainable management of living natural resources (PS 6) - Indigenous peoples (PS 7) - Cultural heritage (PS 8)
Japan International Cooperation Agency / Sumitomo Mitsui Banking Corporation	Bilateral DFI / Commercial bank	In 2021, JICA and SMBC jointly launched a Sustainable Finance Framework. The Framework is compliant with global standards such as ICMA's Green, Social and Sustainability Bond Principles and LMA's Green and Sustainability Loan Principles.[66]
HSBC	Commercial bank	HSBC's Green Loans Program support eligible businesses and projects to deliver outcomes related to environmental benefits and sustainable growth.[67] Projects need to meet certain criteria to qualify – for example, in 2022, HSBC originated a Green Loan for Vingroup and its subsidiary following the LMA's Green Loan Principles.[68]
KKR	Private equity	KKR has a Responsible Investment Policy[69] that integrates ESG concerns in the investment process through: Pre-investment: - Review "Gating Issues" (a list of activities, operations, or industries that raise critical ESG, geopolitical or reputational risks) - Evaluate industry- or asset-specific ESG risks, and document findings on risks and opportunities Post-investment:

[66] Sumitomo Mitsui Banking Corporation. (2021, April 5). News release - Launch of the SMBC-JICA Sustainable Finance Framework. Retrieved from https://www.smbc.co.jp/news_e/pdf/e20230929_01.pdf - pg. 1, 2

[67] HSBC. (n.d.). Sustainability for business in Vietnam. HSBC Vietnam. Retrieved from HSBC: https://www.business.hsbc.com.vn/en-gb/campaigns/sustainability

[68] HSBC. (2022, March 4). New release - HSBC and Vingroup realise their green commitment with the first syndicated green loan. Retrieved from: https://www.google.com/url?sa=t&rct=j&q=&esrc=s&source=web&cd=&cad=rja&uact=8&ved=2ahUKEwikgr-p5ICBAxW_zDgGHdWeBEsQFnoECB8QAQ&url=https%3A%2F%2Fwww.about.hsbc.com.vn%2F-%2Fmedia%2Fvietnam%2Fen%2Fnews-and-media%2F220311-hsbc-and-vingroup-realise-green-strategy-en.pdf&usg=AOvVaw0M0GZEgb2xGqCepZy-fhf1&opi=89978449

[69] KKR ESG. (2023, June). Responsible investment policy. Retrieved from KKR: https://www.kkr.com/_files/pdf/responsible-investment-policy.pdf - pg. 3, 4

Name of institution	Type	Sustainable financing requirements
		- Monitor ESG considerations regularly and engage with organisations on value creation and risk mitigation where relevant - Record findings and track progress and potential risks regularly
Temasek	Private equity	Temasek applies an ESG assessment framework to investments. This involves conducting due diligence on material ESG issues to minimise negative environmental and social impacts and to maximise positive outcomes.[70]

Capital providers have begun to integrate gender equality and social inclusion (GESI) into their strategies and financing decisions. A survey of 17 development finance institutions (DFIs) that invest in the private sector indicate that most respondents have external investment and internal gender strategies. Most include gender experts on transaction due diligence teams and provide gender training to investment partners. Over half collect data split by gender and use this data to inform future investments.[71]

Box 7: Incorporating GESI into sustainable financing

Certain DFIs and development assistance programmes that are active in Vietnam also incorporate GESI into sustainable financing, such as:

- Asian Development Bank (ADB) has committed to targets of 75% of operations supporting climate change and 75% of operations with a gender equity theme or gender mainstreaming, by 2030. ADB is also integrating GESI into its climate project designs to ensure that women, the poor, and the vulnerable will benefit from its climate projects.[72]
- Along with the World Bank Group's gender strategy and internal gender strategy implementation plan, the International Finance Corporation (IFC) has set corporate KPIs aligned with a "Gender Flag" screening for potential projects. Criteria for gender-flagged projects include a gender gap analysis, specific gender intervention to reduce the identified gap, and corresponding gender-disaggregated indicator in the results framework.[73] IFC has several programs that target economic inclusion of marginalised groups, promotion of women-owned and led small and medium enterprises (WSMEs), and inclusive business.[74]

From 2021-2025, the UK's International Climate Finance programmes will aim to increase GESI ambitions, including committing to gender mainstreaming across the portfolio. The programme

[70] Temasek Corporate. (n.d.). Sustainability in our investments. Temasek Corporate Website. Retrieved from https://www.temasek.com.sg/en/sustainability/sustainability-in-our-investments#embedding-esg

[71] Lee, N., O'Donnell, M., &; Ross, K. (2020, September). Gender Equity in Development Finance Survey. Retrieved from Center for Global Development: https://www.cgdev.org/sites/default/files/gender-equity-in-development-finance-survey.pdf - pg. 2,10

[72] Asian Development Bank. (2023a, April 24). 2022 development effectiveness review. Retrieved from ADB: https://www.adb.org/documents/development-effectiveness-review-2022-report – pg. 18, 34, 36, 73

[73] Agence Française de Développement, &; UN Women. (2021). Public Development Banks driving gender equality . Retrieved from: https://financeincommon.org/sites/default/files/2021-10/PublicDevelopmentBanks-Driving-gender-equality.pdf - pg. 45,46

[74] IFC. (n.d.). IFC's work on gender equality and economic inclusion. Retrieved from IFC: https://www.ifc.org/en/what-we-do/sector-expertise/gender

expects the demonstration of GESI considerations throughout the project approach, design, and implementation stages.[75]

4.4. ESG information channels for investors' decision making

Investors and businesses need comparable, consistent, and reliable data and information to flow from the real economy into their decision-making to understand the full range of sustainability risk they face and create. These information enables capital providers to better understand and evaluate projects sustainability impacts and allows financial institutions to lend or borrow money based on timely and accurate assessment of climate-related risks. Moreover, information transparency will empower enterprises to inform their stakeholders of its transition steps toward sustainable objectives.

4.4.1. ESG Disclosures

In response to widespread investor and consumer demand, organisations are increasingly reporting sustainability information. Several globally accepted ESG disclosure standards and frameworks exist to support capital providers' decision-making. Recent efforts to harmonise the sustainability reporting are under way as stated in *Part 1 – Section 3.1*.

To maintain access to capital, organisations will need to navigate the quickly evolving universe of sustainability reporting requirements. Vietnamese organisations competing for investment in international financial markets should aim to continually improve ESG disclosure plans – beyond their immediate borders, as they may become subject to international recognised standards and expectations[76].

4.4.2. ESG Ratings and Indices

One of the main ways in which investors and other market participants make use of ESG information is through ESG ratings, which they obtain from established ESG raters. Organisations can also submit for ESG ratings from established ESG raters (see Figure 9) to help inform current and potential investors on how their businesses or projects interact with material sustainability issues.[77]

Figure 9: Select established ESG raters in the market

[75] UKPACT. (2021, April). Guidance on gender equality and social inclusion (GESI). Retrieved from: https://f.hubspotusercontent10.net/hubfs/7376512/cp/general/UK%20PACT%20GESI%20Guidance.pdf?hsCtaTracking=2b59d319-333f-4053-a9ab-52492b2353a1%7C023f06ea-5c31-408a-99cd-c43abc2262b9 – pg.3

[76] Na, B. C., & Venugopal, L. (2023). 2022 Asia Pacific Corporate Governance and ESG Survey Results. Retrieved from AON: 2022 Asia Pacific Corporate Governance and ESG Survey Results (aon.com)

[77] A4S Essential Guide to Debt Finance. (2019, May). Retrieved from: https://www.accountingforsustainability.org/content/dam/a4s/corporate/home/KnowledgeHub/Guide-pdf/A4S%20Essential%20Guide%20to%20Debt%20Finance1.pdf.downloadasset.pdf – pg. 9

Each ESG rating provider has their own criteria, scoring and methodology, and the choice of provider depends on company context and stakeholder needs. Index scoring approaches begin with the consideration of relevant criterial within each of the E, S, and G factors – as illustrated in Table below.

Table 7: ESG criteria – Source: ESG Rating providers, OECD, selected themes for illustration[78]

Environmental factors	Social factors	Governance factors
Natural resource use	Workforce	Board independence
Carbon emissions	Human rights	Board diversity
Energy efficiency	Diversity	Shareholder rights
Pollution/waste	Supply chain	Management compensation
Environmental opportunities		Corporate ethics

Credit rating agencies (CRAs) also support lenders and investors in determining the cost of debt: these stakeholders rely on CRAs to inform their investment decision-making in bonds and other credit instruments. CRAs are increasingly integrating ESG risk into their existing ratings and developing new ESG ratings.[79]

[78] Boffo, R., and R. Patalano. (2020). ESG Investing: Practices, Progress and Challenges. Retrieved from OECD Paris: www.oecd.org/finance/ESG-Investing-Practices-Progress-and-Challenges.pdf

[79] A4S Essential Guide to Debt Finance. (2019, May). Retrieved from: https://www.accountingforsustainability.org/content/dam/a4s/corporate/home/KnowledgeHub/Guide-pdf/A4S%20Essential%20Guide%20to%20Debt%20Finance1.pdf.downloadasset.pdf

PART 2: GUIDANCE FOR ESG INTEGRATION INTO GOVERNANCE AND OPERATION

Organisations, including businesses, governments and non-profits, face an evolving landscape of ESG-related matters that can impact their profitability, success and even survival. Organisations hence need to address the wide-ranging ESG-related issues that affect an organisation's ability to create value over the long term. These include emerging global issues, industry-specific considerations which requires organisation to connect their functions together coherently and holistically. Moreover, the vast benefits and potential opportunities brought by ESG Integration therefore are being widely recognised by organisations in improving cost efficiency, competitiveness and profit-making potential, even at small level of efforts in incorporating ESG into the business.

This section will describe the approach and framework that enables organisations to integrate ESG factors into their strategy, operations and value chain of the organisation. It also enables organisations to develop robust governance mechanism, and risk management. Through this framework, organisations can gain both tangible and intangible benefits such as brand positioning, long-term value, market differentiation and operational efficiency.

1. THE 6-STEP APPROACH TO DEVELOP AND IMPLEMENT ESG ACTION PLAN

A 6-step approach to develop and implement ESG Action Plan is illustrated in Figure 10 below.

Figure 10: The 6-step approach to implement ESG action plan

ABOUT THE APPROACH MODEL: ITERATIVE, FLEXIBLE PROCESS FOR CONTINUOUS IMPROVEMENT

The organisation's capability to integrate ESG can evolve over time and there is no one-size-fits-all approach for ESG integration. Therefore, the approach has been established as an iterative and ongoing process (Figure 10), in the form of a project lifecycle. After all, there is neither a right entry point nor end point to an organisation's sustainability journey, nor an approach that ensures the organisation will get every part of its strategy right during the first try. We have developed the approach with that in mind, together with reference to several guidance for sustainability integration including:

- UN Global Compact Management model- Framework for Implementation: Human Rights, Labour, Environment, Anti-Corruption;[80]
- Malaysia's SME Sustainability Action Guide developed by UN Global Compact Malaysia & Brunei; [81]
- UN Global Compact Network UK Sustainable Development Goals – Playbook For Small-Medium Enterprises;[82]
- Exponential Roadmap Initiative - The 1.5°C Business Playbook;[83]
- TPT Delivery Group's Transition Planning Cycle[84].

The approach model is flexible and can be utilised to embed ESG transition effort into annual strategy planning and guide the ESG transition journey, forming a response to ad hoc issues, or a combination of these elements. Therefore, the approach can be used on an annual basis, a semi-annual basis, or even on an ad hoc basis.

Even though each step of the Approach is a crucial component to support the organisation's sustainability pathway, the organisation may change the order of these steps depending on its circumstance. For instance, the organisation may report the current state assessment results, prior to defining its ESG transition plan. Moreover, the organisation may work through two or more of the steps simultaneously.

HIGH-LEVEL INTRODUCTION TO THE 06 STEPS

The journey starts with the organisation gaining knowledge and awareness about ESG relevant to its business operation (Step 1).

Upon the organisation's identification and understanding of material ESG matters that affect its development, performance and position, and of its impacts imposed on environment and society, the organisation then needs to assess its current sustainability performance in

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80 UNGC & Deloitte. (2010, June 17). UN Global Compact Management Model. Retrieved from: https://d306pr3pise04h.cloudfront.net/docs/news_events%2F9.1_news_archives%2F2010_06_17%2FUN_Global_Compact_Management_Model.pdf

81 Resources & Tools | UN Global Compact Network Malaysia & Brunei. (2016). Retrieved from UNGCMYB: https://www.ungcmyb.org/resources-tools

82 Sharpe, E. (2023). Sustainable Development Goals Playbook for Small-Medium Enterprises. Retrieved from Global Compact Network UK: https://www.unglobalcompact.org.uk/sdg-playbook-for-smes/

83 1.5°C Business Playbook. (2023, September). Retrieved from Exponential Road Map: https://exponentialroadmap.org/1-5-business-playbook/

84 Transition Task Force. (2024, April). Transition Planning Cycle. Retrieved from: https://transitiontaskforce.net/the-transition-planning-cycle/

managing and responding to these matters – to see how ESG-matters are currently integrated in its business (Step 2). Particularly, the organisation's sustainability performance can be assessed based on maturity level of individual capability components where greater level of ESG integration into each capability will increase its sustainability performance. The higher the maturity level of these capabilities, the higher the sustainability performance, which means better resilience to ESG-related risks and better value creation for the organisation and its stakeholders. In general, these capabilities might include but not limited to business model and value chain, governance and strategy, people and culture, risk management, stakeholder engagement, data and technology, and reporting and monitoring.

From this baseline, organisation will define its desired future sustainability performance by defining the expected maturity level for each capability components and develop the action plan to get there, i.e., decide to what extent and how ESG should be integrated in its business in the future (Step 3).

Once the ESG action plan is defined, the organisation will deploy the plan by utilising its internal resources and acquiring external resources (Step 4). To ensure effective implementation, the organisation should track (Step 5) and conduct reporting (Step 6) on progress and achievement of the ESG Action Plan.

In addition, due to the significant impacts of climate change, all organisations, including SMEs, should decarbonise their business operations. Consequently, organisation should make emissions management top priority, particularly, measuring Scope 1 and Scope 2 carbon emissions. Apart from initiatives to reduce emissions (i.e., mitigation measures), the organisation can proactively address on-going and also anticipated climate impacts affecting its business (i.e., adaptation measures).[85]

Sections 1.1 to 1.6 below will describe the 6 steps in details.

CAPABILITY FRAMEWORK FOR ESG INTEGRATION

Within this Handbook, we will introduce the Capability framework for ESG integration adapted from the ESG Program Capabilities Model developed by EY – which will be a complementary tool to the 6-step approach to implement ESG action plan.

The ESG Integration framework includes and lists out suites of capabilities categories that by embedding ESG considerations into each category, the organisation can enhance its sustainability performance and deliver a successful ESG program.

The framework consists of *four key capability categories* for organisation's ESG implementation including (1) Governance and Strategy, (2) Operation, (3) Data and Reporting, and (4) Monitoring (See Figure 11 below). These categories will be considered throughout the ESG journey of the organisation, from assessing current state to setting future state and developing ESG roadmap and action plan of the organisation, by evaluating and defining the extent of ESG integration into 4 layers following a top-down approach to operationalize a sustainability journey from strategy setting to external reporting:

1. Governance and Strategy: focus on setting the tone at the top, decide on what ESG issues are material to the organisation, define robust governance and

[85] The SME ESG Jumpstart Guide. (2023). Retrieved from Joint Committee on Climate Change JC3: https://www.jc3malaysia.com/sme-esg-jumpstart-guide

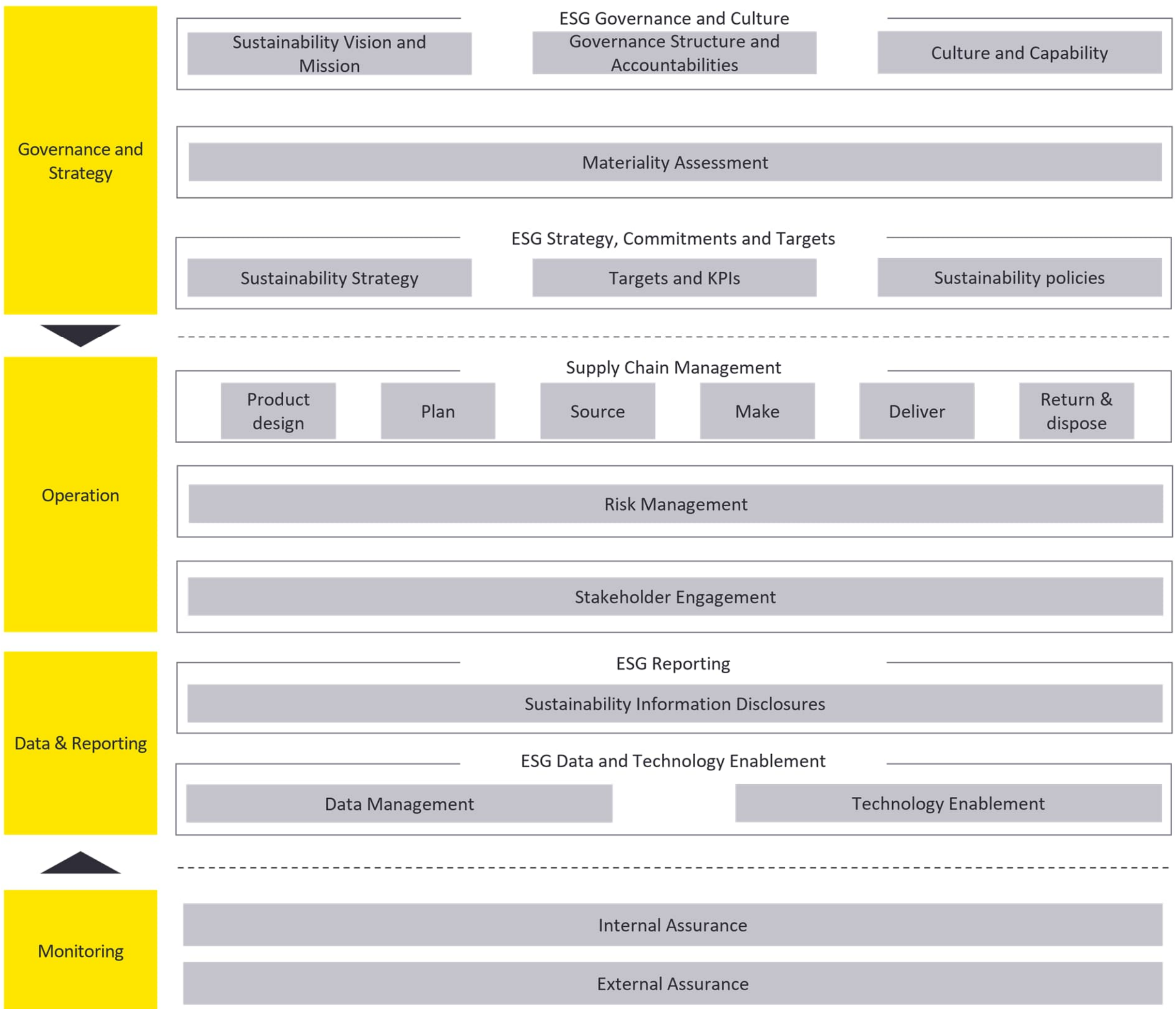
comprehensive ESG strategy in the context of ESG-related business and societal change.

2. Operation: focus on embedding ESG into the organisation's operation level including Supply chain management, Risk Management and Stakeholder management, building resilience and making organisation more likely to create long-term, sustainable value.
3. Data and Reporting: ensure meaningful ESG Disclosures and the Data & Technology Enablement to provide insights into the quality of an organisation's decision making and its long-term viability.
4. Monitoring: finally address the Compliance and Assurance for all above components.

Each category layer will be divided into specific capability components for organisations to consider and address the relevant ESG aspects to integrate – as described in Figure 11 below.

How to use the ESG integration framework together with 6 step approach will be illustrated in section 1.1 to 1.6 below. In addition, details about the capability components, leading practice and how to integrate ESG into each capability are described in *Section 2 GUIDANCE TOOLS AND* RESOURCES FOR ESG .

Figure 11: ESG Integration Framework



1.1. STEP 1: LEARN

1.1.1. Objective:

Businesses undertake research and build support and commitment to ESG, particularly at the Board level.

Overarching concept and intent of sustainability	Key ESG-related regulatory developments	ESG international/local standards and best practices	ESG requirements or expectations of key stakeholders
How and Why of 'double impacts' of/on ESG matters	Climate change's threat to the planet, people and profit	Benefits of ESG integration	'Opportunity costs' of inaction
Urgency on ESG transition.	• Board-level buy-in and commitment, Board's understanding and capacity in sustainability, climate change, and associated risks and opportunities		

1.1.2. Approach

- Attend relevant capacity building program and read up sustainability-related resource materials.
- Reach out and consult with experts, peers, information channels and other stakeholders.
- Board engagement and capacity may be built through internally or externally provided training and regular briefings, and through Board effectiveness assessments.
- Organisation can refer to Part 1: Understanding the ESG context of this Handbook.

1.2. STEP 2: ASSESS AND UNDERSTAND

1.2.1. Step 2.1: Assess and Identify material matters

1.2.1.1. Objective – Identify the organisation's key ESG-related impacts, risks & opportunities

- A materiality assessment process can facilitate identification of material sustainability matters, including ESG risks, impacts and opportunities, arising from the organisation's operation and value chain. The organisation will need to assess and prioritise its risks to people and environment, address potential and actual negative impacts, and explore beneficial ESG-related products, services and investments that the organisation can make by applying its knowledge, skills and other capabilities[86]. Disclosures in a sustainability report should then be a true reflection of the significant impacts that are prioritised and addressed internally and that shape the organisation's trajectory.
- The result of the materiality assessment process will form the focus of the ESG transition program to integrate ESG and shape how the organisation defines its strategy and allocate its resources towards sustainability.

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[86] GRI & United Nations Global Compact. INTEGRATING THE SDGs INTO CORPORATE REPORTING: A PRACTICAL GUIDE. Retrieved from: https://d306pr3pise04h.cloudfront.net/docs/publications%2FPractical_Guide_SDG_Reporting.pdf

1.2.1.2. Approach

- Materiality Assessment: Please refer to Part 2 – Section 2.1.2 ESG Materiality Assessment of this Handbook.

1.2.2. Step 2.2: Assess maturity of current ESG-related capability performance

1.2.2.1. Objective

This step aims to assess the organisation's *current sustainability performance, how well the organisation is set up to manage and respond to identified material matters* (risks, opportunities and impacts). Organisation will assess sustainability aspect in each ESG-related capability components of its business practices and determine the maturity level where the business stands.

Typically, if the overall system is immature:

- There is greater likelihood of ESG risks transpiring and opportunities being missed.
- When ESG issues arise, they will take longer to identify and will not be addressed comprehensively.
- Reputation and bottom-line will suffer in the long-term.

1.2.2.2. Approach

The assessment may include evaluating key qualitative and quantitative aspects of the organisation's management and response level to sustainability matters and benchmarking them against peers and leaders. There are 2 options to conduct the maturity assessment, which should be selected based on the organisation's needs – such as comprehensiveness required, timeline, size of the organisation, etc.

- Option 1 – ESG Maturity Model – at organisation level, extensive: Assess the *overall* maturity level of the organisation across different categories;
- Option 2: ESG Matter maturity – at sustainability matter level, quicker to deliver: Assess the *separate* maturity level of the organisation with respect to *each material matters identified.*

Regardless of the approach selected, maturity level of the organisation can be assessed across different categories, in general including but not limited to business model and value chain, governance and strategy, people and culture, risk management, stakeholder engagement, data and technology, and reporting and monitoring. It is recommended that the assessment is conducted with input from engagement with key stakeholders – both internal and external.

As stated earlier, the organisation's sustainability performance can be assessed based on maturity level of individual capability components where greater level of ESG integration into each capability will increase its sustainability performance.

Sustainability Maturity Assessment Tools

There are several publicly available tools for sustainability maturity assessment that organisation can access. By answering a series of questions about its sustainability practice, organisation can obtain assessment result on its current maturity level and its position in the ESG roadmap towards leaders. These tools will have different questions and scale of maturity assessment depending on its approach and benchmark database against leaders and peers (relative to the organisation's size, revenue and length in the business) for each applicable sector.

Enterprises can refer to the Sustainable Business Assessment Toolkit on the official website of the Department of Enterprise Development, Ministry of Planning and Investment on applying sustainable business at https://esg.business.gov.vn/evaluate.

1.3. STEP 3: PLAN

1.3.1. Objectives

Once the organisation has understood current state of each capability components, it needs to choose which ones to prioritise for improvement and the targeted maturity level for these capabilities. This will be the start to develop the organisation's ESG Action Plan.

The purpose of this activity is to develop a step-by step pathway to continual improvement of the organisation's sustainability performance for benefits of the organisations and its stakeholders, through levelling up maturity for each capability.

1.3.2. Approach

Adapted from TCFD's Transition planning cycle,[87] to develop the ESG Action Plan, the organisation should follow these steps:

No.	Step description
1	Step 1: Define project stakeholders and project team for ESG action plan implementation
	• The organisation needs to consider following: Who will oversee the task of implementing the plan? Who needs to sign off at each critical stage? Who will be responsible for implementation? • With Board-level buy-in, the ESG action plan should be owned at the executive level. • In addition, ownership over the ESG action plan should be embedded across the organization: Developing and executing the ESG Action plan will need inputs and coordination across functions, divisions, with clearly defined roles and responsibilities.
2	Step 2: Define strategic ambition for responding and contributing to the transition towards sustainability, in particular, towards a low GHG-emissions, climate-resilient economy. The strategic ambition should aim to address the identified material topics for the organisation.
2.1	Define high-level strategic ambition: Effective ESG transition plan will involve transformation for the whole organisation, hence, ESG strategic ambition should be integrated as part of the overall organisation's strategy.
2.2	Define your objectives and priorities for each material topics
	Top-down considerations: • national or international commitments, such as: Vietnam's nationally determined contributions to achieve net-zero by 2050; national decarbonisation and adaptation strategies or policies; • any targets the entity is required to meet by law or regulation, such as: laws to phase out some or all types of fossil-fuels in power production; standards of protection for flood risks or heatwaves.

[87] Retrieved from Transition Taskforce: https://transitiontaskforce.net/

No.	Step description
	• Organisations may refer to national sustainable targets from Decision 841/QD-TTg and Decision 1658/QD-TTg to align its objectives and priorities.
	Bottom up considerations: drawn from the organisation's operating context, which might include: • Business model and value chain; • relevant organisational and industry standards; • applicable contractual relationships the entity has entered; • the state of available technologies; • availability of key resources (e.g. access to skills, raw materials, finance etc.).
3	Step 3: Develop implementation initiatives for transitioning your business operations, products and services to deliver the strategic ambition, and associated objectives and priorities.
3.1	Identify key changes to business model and value chain: To achieve the defined objectives, determine major implications and feasible options for changes needed in the business model and value chain in the short-, medium-, and long-term. These changes might include: • list of products and services offered • market new entrance or exit • investment strategies toward focus on green solutions • supply chain policies and procedures • production or distribution technology.
3.2	Based on these high-level key changes, define and prioritise capabilities that are critical and need improvement to deliver these changes and strategic ambition defined in previous steps, which might include one or several of the listed capabilities in the ESG integration framework (Figure 11). Define the targeted maturity level for selected capabilities.
3.3	Define and prioritise improvement initiatives and actions to level up the selected capabilities to target maturity level. • Please refer to Part 2 – Section 2: GUIDANCE TOOLS AND RESOURCES FOR ESG for guidance content corresponding to the selected capabilities to better understand leading practice and the general approach to level up maturity for each capability component. This could be used as the starting point for organisations to identify actions and initiatives to be taken in its ESG Action Plan. • The output of this step will include a list of improvement initiatives and actions corresponding to each selected capability;
3.4	Assess and prioritise these improvement initiatives into steps for the short-, medium- and long- term to develop a ESG transition roadmap and action plan. It is often helpful to consult stakeholders who might be affected – suppliers, employees, local communities, regulators, customers, investors and others.
4.	Step 4: Integrate the ESG action plan into financial plan
4.1	The organisation needs to assess the financial implications of the action plan, including analysis of: • the financial resourcing needs to implement the transition plan; • more generally, the implications of the transition plan for the organisation's financial position, financial performance, and cash flows over the short-, medium-, and long-term. For example, additional capital expenditures, research and development investment, revenue forecasts given changes in products and services offered or market new entrance/exit;

No.	Step description
	• availability of sustainable finance and incentives schemes offered by the relevant government entities and financial institutions. To support decision-making, the organisation may find it helpful to compare expected costs to a baseline ‘do-nothing’ scenario to assess the extent to which the plan offers value for money over the short-, medium- and long-term.
4.2	Additional guidelines: • To make sure that ESG transition plans are underpinned by robust financial planning, it is crucial that finance functions are involved at an early stage. In most cases, finance teams should be leading on this planning process. • The organization may integrate ESG transition planning into the regular financial planning and budgeting processes.
5	Step 5: Develop performance indicators to measure progress and success of the plan implementation. The KPIs should be specific, measurable, relevance, time-bound and comparable to a period from the past. In addition, benchmark or baseline data should be established to enable comparison over time and against peers. The organisation should: • collect data over a period of time to benchmark performance; • benchmark and compare performance against other facilities within your business to collectively improve your overall organisational performance; • industry peers can also provide valuable insight into good performance and practice. Performance data and statistics can often be sourced from industry or trade associations and some individual competitors may also publicly report their performance on various indicators; • when using data from other sources, ensure that measurements are conducted in the same way and external data can provide an appropriate basis for comparison.

1.3.3. Resources and Tools

Within this Handbook, in Part 2: GUIDANCE TOOLS AND RESOURCES FOR ESG – Section 2, we have described in details leading practice and the general approach to integrate ESG into each capability in the Capability Framework. Depending on the organisation’s needs, resources and desired future state, the approach should be adjusted and customised to devise suitable improvement initiatives for the organisation.

1.4. STEP 4: IMPLEMENT

1.4.1. Objectives

In this step, the organisation would undertake the planned improvement initiatives and actions for ESG-related capabilities.

1.4.2. Approach

Effective implementation of the capability improvement initiatives (i.e., the ESG Action Plan) requires documentation of related policies and procedures and trained, committed people routinely following the procedures to ensure consistent implementation, continuity and continual improvement throughout the organisation. Therefore, the organisation should:

- Involve management and get support: Management to set the tone from the top;

- Educate your employees: Explain why the organization is taking sustainability action. Engage and address questions. Consider including ESG-related KPIs for each department, or incentivise employees to propose and execute sustainable initiatives;
- Inform suppliers: Explain to the organisation's suppliers about its sustainability action plan and requirements applied to the suppliers. Give them a reasonable transition period to align with the organisation's targets;
- Inform your customers: Communicate your sustainability action plan to customers to tap into environmentally conscious consumers.
- For each capability improvement initiatives, ensure that there are clear and detailed procedures to provide step-by-step instructions for workers, supervisors and managers and to allow for everyone to have a common understanding of how to behave.

1.5. STEP 5: TRACK PROGRESS AND REVIEW

1.5.1. Objectives

Tracking will help the organisation determine if its action plan and improvement initiatives are achieving established objectives.

1.5.2. Approach

A key aspect of progress tracking is defining relevant indicators which are quantitative or qualitative measures of progress against set objectives.

Once the indicator set is established, the organisation will need to collect relevant and meaningful ESG data to track the progress. Credible data is important to substantiate sustainability claims and helps to identify (and perhaps quantify) any issues that may occur. Data for evaluating performance can be collected via visual observation, measuring and testing, questionnaires, surveys, interviews with employees and external stakeholders, and document review.

The next step is to figure out the different ways to review and analyse the information generated by the indicators to identify options for improving the performance of the action plan. Issues and challenges can also be timely detected for intervention. In addition, the organisation may find that progress against targets is ahead of or behind the planned trajectory, or that changes in data availability have made original targets less meaningful. The organisation then needs to review and revise plan and targets accordingly. In the case of restatement of target, the organisation should engage with key stakeholders (including board members, investors, civil society groups, and workers) to explain the rationale behind the revision.

1.6. STEP 6: REPORT

1.6.1. Objectives

Transparent and regular disclosures are integral to building stakeholder trust in the organisation's business. Reporting and communicating the organisation's targets and achievement toward the ESG action plan can be an important value-add for stakeholders, especially financiers.

1.6.2. Approach

- Formalise the organization's ESG action plan;

- List out targets and the corresponding achievements; provide explanation if these targets are not achieved and state how to achieve them in the future. Record relevant data to demonstrate your progress over time.
- Identify the internal and external stakeholders that need access to this information. Communicate progress made to key stakeholders on a frequent basis (this may likely include, among others, the sharing of critical ESG data) using their preferred channels.
- Consider disclosing your ESG efforts and/or performance publicly via your organisation's website, publication of a sustainability report or through a digital ESG disclosure platform.

1.6.3. Resources and Tools

Details on ESG sustainability report can be found in Part 3 of this Handbook.

2. GUIDANCE TOOLS AND RESOURCES FOR ESG INTEGRATION

The content in this section serves as a supplement to the 6-step approach guide described in Part 2 – Section 1 for organisations to refer to for each individual capability. The section will describe, separately, in details, leading practice, approach and methodology to integrate ESG into each capability, which can be used as input for organisation to develop understanding and define actions and initiatives in its ESG action plan for the considered capability.

The approach and methodology introduced in each capability are applicable for all organisations, however, the objectives and outcomes when implementing the approach will vary among organisation, depending on the ambition and maturity of sustainability practices within the organisations. Similarly, leading practices provided are to serve as inspiration for continuous improvement and aspiration towards long-term goals, which will be more suitable for more experienced organisations. Organisations that are just starting their ESG journey should only view these leading practices as goalposts to guide their maturity roadmap in adopting sustainability practices. The ESG journey should be developed step-by-step and revised periodically to align with the organisations' strategy and resources.

2.1. Governance and Strategy

Governance and Strategy is the topmost layer and critical for the entire framework. It comprises of robust governance model, strategic direction, culture & value principles and decision-making mechanisms by which an organisation defines and delivers on its sustainability commitments to key stakeholders and the communities in which the organisation operates. It is foremost the board and the management's responsibility to determine the values and relevance of ESG to their organisations, and embed into their visions, missions and objectives the cascade throughout the organisations.

Box 8: The Sustainable Development Goals

The United Nations developed a list of 17 Sustainable Development Goals. Today, many companies use the SDGs to assess the impact of their operations and investors use the SDGs as a matrix to structure their ESG approach.

The SDGs provide ambitious goals for the user, whether country or corporation, to map out their ESG vision, strategy and roadmap, targets and performance measures, thereby promoting sustainable practices.

2.1.1. Governance and Culture

Governance is a prerequisite to effectively assessing and addressing ESG matters in the organisation. Incorporating ESG-related factors into the governance structure, systems and processes is critical for overcoming the challenges many organisations face in managing ESG-related risks – such as organisational silos, quantification challenges and organisational biases[88].

2.1.1.1. Sustainablity vision and mission

An important step towards sustainability within an organisation is to ensure the orgsanisation's vision and mission focus on long-term value creation for all stakeholders, from employees, suppliers to customers and communities. The organisation's vision should be consistently communicated and cascaded throughout the organisation and to its stakeholders.

Organisation, therefore, should consider:

- There is due consideration to all regulatory, environmental and social risks and opportunities, which are deemed material to the organisation included in the vision.
- The organisation's overall vision and mission should include:
    - at minimum consideration of significant ESG issues;
    - consideration of long-term megatrends. Current Vietnam government's commitments to tackle climate change indicate pressure on local organisations to accelerate their sustainable efforts. Vietnam's strategies related to sustainability in general and climate-change in particular can be analysed to define the Government's directions and movements required for each organisations.
    - focus on the long-term (10 years +) value of the organisation in alignment with SDGs. Organisation can refer to Decision no. 841/QD-TTg on issuing the roadmap for implementing Vietnam's sustainable development goals until 2030 and other strategies to identify relevant direction.
- There are well-defined objectives to achieve "net positive impact" (where the organisation's positive impacts outweigh its negative impacts on the economy,

[88] COSO & WBCSD (2018, October). Enterprise Risk Management, Applying enterprise risk management to environmental, social and governance-related risks. Retrieved from: https://www.wbcsd.org/erm

environment, and people, including impacts on their human rights), that drives the organisation focus towards positive sustainable contributions.

- The organisation has a separate vision and mission for sustainability that is demonstrated in clear linkage to the overall business vision and mission.

2.1.1.2. Governance Structure and Accountabilities

To govern is the legal duty of the board, which has ultimate accountability for the performance and actions of the organisation, including sustainable performance and mitigating the negative effect of the organisation on the environment and society.

To realize the sustainability vision and mission, Board level governance structure, roles and responsibilities need to be clearly defined to enable oversight of sustainability at the highest level. The organisation, therefore, should consider following approaches:

Board Structural Overview and Capacity

- Identify at least one director with relevant skills to support the board on sustainability and hold management accountable; appoint a director with sustainability expertise if the organisation is in a sensitive industry[89]. However, regardless of whether there are sustainability experts on the board, organisations should consider board training on ESG to ensure directors' minimum competency in areas relevant to the organisation's ESG issues.
- Depending on the level of exposure of the organisation or industry to ESG factors, establish a dedicated committee/sub-committee or refine the current roles and responsibilities of the board and its committees, such as the risk management committee to oversee ESG management practice.
- In addition to committee/sub-committee, organisations may benefit from creating sustainability working groups or forums to focus on the strategic direction for the firm, oversee the implementation of the organisation's ESG strategy and track progress.

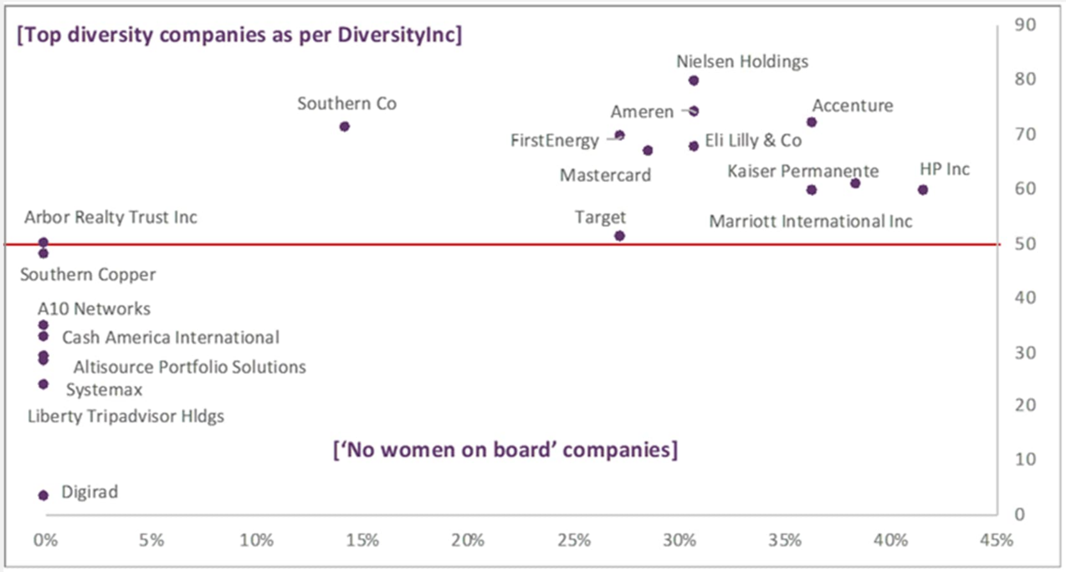
Box 9: Setting the tone for Gender Equality and Social Inclusion (GESI) at the top

Diversity can mean many different things, ranging from age, ethnicity, gender to experience and profession. There are various direct and indirect benefits to an organisation to cultivate a diverse assembly of Board members, i.e., multi-disciplinary perspectives, egalitarian organsational culture, talent attraction, or even compliance with governance regulations as many countries have passed diversity laws that mandate female representation at superior levels.

A study conducted by ESG Data analyst Richa Joshi shows that organisations with more Employee Engagement, Diversity, and Inclusion (EEDI), part of which is female representation, perform better than organisations that ranked below average on this aspect.

[89] IFC ESG Guidebook (2021)

Figure 12: Performance in EEDI category reveals diversity gap between top performers and 'No women on board' companies: Big companies are more diverse than smaller ones [90].



A factor to consider when facilitating diversity among board members is to avoid tokenism, or "checking the box" initiatives. Board members need to understand the significance of diversity in perpectives and evoked or valued this frequently to benefit from its practice rather than simply performing an ad hoc governance exercise.

Board's Oversight

- Include references to ESG-related risks or issues in the board charter: A formal mandate is often used to describe the board's (or committee's) responsibilities for overseeing ESG-related risks and issues. Specific reference to ESG matters in the charter or terms of reference provides clear direction for ESG integration at the board level[91]. This also signals to investors and the broader community that these factors play an important role in the organisation's overall direction.
- Establish process to enable Board and/or board committees to be informed of sustainability-related issues, and to monitor and enforce progress toward metrics and targets that are aligned to the enterprise commitments to stakeholders.

[90] DiversityInc, Truvalue Labs (data as of 20 August 2020)
[91] COSO & WBCSD. (October 2018). Enterprise Risk Management, Applying enterprise risk management to environmental, social and governance-related risks. Retrieved from: https://www.wbcsd.org/erm

Box 10: Example - Board Governance structure at Hyundai Motor Company on sustainability

- Hyundai organisational structure consists of various councils and departments responsible for ESG factors such as GHG, Resource Circulation and Carbon Neutrality. The specialization of these teams facilitates effective and timely measures. In addition, there are environment management team in each of Hyundai production team, ensuring execution among front-line workers.
- There are 9/12 members of the board of directors who possess experience or expertise on ESG matters, most of them closely related to legal or policy and global skills. Other results from the process of ESG training provided since 2021.
- Regarding ownership, 7/12 directors are independent non-executive.

Figure 13: ESG governance structure at Hyundai (global)

Board of Directors	
Sustainability Management Committee	
Board of Management	
ESG Committee	
GHG Council	Carbon Neutrality Execution Team
Resource Circulation Council	
Chief safety Officer	Chief compliance Officer (including but not limited to ESG policies)
Functions	
Environment Management team (in each production plant)	Cyber Audit Office (whistleblowing)

Box 11: Example – Board governance structure at Coteccons Construction JSC on sustainability [92]

- Coteccons is a leading ESG strategy developer in the Vietnamese construction industry.
- Their ESG sub-committee members possess elaborated and in-depth understanding of this area. Their expertise ranges from climate change response, rural development to human rights and social impacts assessment. Their efforts on sustainability seem to be well-communicated to lower lines of defense.
- One of the central areas of their ESG development is attempted to release pressure on the management and operations system by decentralizing decision-making. Construction project managers are now given the leadership role instead of just focusing on technical aspects.
- Among 10 members of the Board of Directors, 2 are independent non-executive directors.

Figure 14: ESG Governance structure at Coteccons (Vietnam)

Board of Directors	
ESG Sub-committee	
Board of Management	
Sustainable development Task Force	ESG risk Committee
Functions	
IMPACTD program (ESG training, Green Initiatives)	Project Director Empowerment program
Decentralized structure	

2.1.1.3. Culture and Capability

2.1.1.3.1. Organisational culture

[92] COTECONNS. (2023, May). Annual Report 2022. Retrieved from: https://www.coteccons.vn/wp-content/uploads/2023/04/Full_AR2022-CTD_ENG_23-May.pdf

Efforts of the governance bodies could only be strengthened for the long term through an appropriate organisational culture. Incorporating ESG considerations into the organisation core values may help to cultivate a culture that exhibits "ESG conscious" behaviors and decisions.

Corporate culture's alignment with sustainability often translates into high level of internal engagement on sustainability with strong alignment to organisational values, constant demonstration of commitment, and maintenance of the social license to operate. Within the organisation, there is a high level of trust, established based on ethics considerations (e.g. decisions are based on "doing the right thing").

As stated in Network for Business Sustainability's review on 'Embedding sustainability in organisational culture'[93], organisation should consider different 'types' of practices for embedding ESG in the entity's culture and core values:

- Clarifying Expectations: integrate sustainability into the core of the organisation's strategies and processes and allocate the responsibility for sustainability; and measure, track, and report on the progress against pre-defined sustainability objectives and goals;
- Fostering Commitment: motivate employees to get involved; build and reinforce the importance of sustainability for the organisation; support and encourage those who are making efforts to embed sustainability;
- Instilling Capacity for Change: help embed continuous and proactive knowledge building by institutionalizing learning in the organisation (learning);
- Building Momentum for Change: inspire and reassure employees to be bold and fearless as they experiment, try new things, and build on each other's ideas.

Box 12: Building a culture that supports the successful implementation of a transition plan

In its Disclosure Framework (p25), the UK's Transition Plan Taskforce elaborates the steps that an organisation may take to build a culture that supports the successful implementation of a transition plan. These may include 'information on actions to review systems, processes, communications, HR policies and procedures (including compensation and benefits), organisation values, leadership and manager training programmes and workforce engagement strategies to ensure the culture supports the behaviours and ways of working needed for the transition'. These are potentially fundamental changes that could lead to transformation in a firm's 'ways of working'.[94]

Box 13: Building a culture of giving back to community – EY Ripples [95]

[93] Network for Business Sustainability. (2010). Embedding sustainability in organisational culture. Retrieved from EP-Embedding-Sustainability-in-Organizational-Culture.pdf (embeddingproject.org)

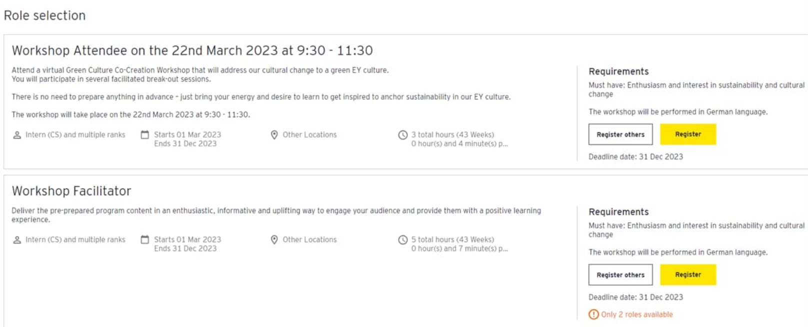
[94] Financial Conduct Authority. (2023, February). Discussion Paper: Finance for positive sustainable change: governance, incentives and competence in regulated firms. Retrieved from FCA: https://www.fca.org.uk/publication/discussion/dp23-1_updated.pdf

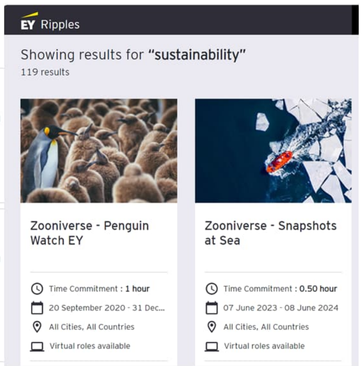
[95] EY. Corporate responsibility. Retrieved from: https://www.ey.com/en_gl/corporate-responsibility

EY Ripple is a Corporate Social Responsibility program at EY dedicated to creating initiatives for various movements, including but not limited to sustainability-linked matters. EY Ripples has three focus areas: (1) Supporting the next-generation workforce; (2) Working with impact entrepreneurs; (3) Helping accelerate environmental sustainability.

Through the EY Ripples program, EY people are devoting their time to SDG-focused projects, bringing together the combined skills, knowledge and experience of the global EY network in pursuit of one shared vision: to positively impact one billion lives by 2030.

Employees of all ranks may register or initiate ESG activities, i.e., park clean-up, environment workshop, etc. on EY Ripples. The information on time commitment, date, time, and agenda are available for each activity.





2.1.1.3.2. Knowledge and capability

Although changes in organisational culture are meant to build resilience, it can be met with resistance or insufficient capability. Therefore, culture and capability development must support and promote one another in a series of meaningful action plan to embed ESG-related skills in hiring and talent management:

- Ensure diversity of perspective and skill sets across organisation for all personnel involved in licence to operate activities, including at Board level bringing diversity of thought (as stated in *Section 2.1.1.2 Governance Structure and Accountabilities*). The aim is to facilitate in-depth understanding of various ESG issues, as well as maximizing creativity and innovation in the process of resolving them.
- Leverage skills and knowledge in ESG-related issues through training programs and knowledge transfer as ESG integration in business requires a multi-disciplinary approach from experts and practitioners across the entity. In some cases, it may also require external expertise.
- Establish innovative systems/processes in place to share knowledge, build capability, collect feedback and provide information to all stakeholders to support and promote culture for sustainability.

2.1.1.3.3. Organisational incentives

Inclusion of sustainability features within all leadership and management metrics, incentives, and role descriptions – which means everyone is accountable for sustainability – is an important factor in the creation and protection of long-term shareholder values. Organisations incentives for sustainability should be developed with following considerations:

- Establish a wide range of monetary and non-monetary incentives for meeting sustainability objectives that are clearly defined and communicated regularly.

- Ensure appropriate mechanisms and structures when creating incentive pay packages to link progress on sustainability-related commitment and ensure balance, diversity and relevance for key ESG-related metrics.

Executive remuneration package should incentivise superior performance and be structured in a way that optimise value creation and promote sustainable behaviour. Under Guidance published by The PRI Association and the United Nations Global Compact office on Integrating ESG issues into executive pay[96], recommendations for organisation include:

- Incentive compensation should be subject to downward discretionary adjustments by the compensation committee to account for unusual events or unintended consequences as well as claw-back provisions.
- Publicly disclose the rationale, method and challenges presented by the incorporation of ESG metrics into executive pay clearly and concisely.

Box 14: Example - Remuneration at Unilever[97]

The long-term incentive plan, or the Performance Share Plan at Unilever consists of a Sustainability Progress Index (SPI). The SPI is a scorecard measuring executives' achievements in creating positive Environmental, Social and Stakeholder impact based on the UN SDGs. The SPI ranges from 0-100, and accounts for 25% of the overall Performance Share Plan.

Box 15: Addressing the gender gap in career opportunities and compensation in Vietnamese enterprises

Despite being one of the most progressive countries within ASEAN in terms of gender equality and women in power[98], there exists obstacles for women in Vietnam to access senior management positions as well as equal pay to men with the same qualifications. Organisations looking to incentivise GESI and improve their sustainability profile may implement various measures to remove these obstacles and build a better working environment.

- "Prioritise investment to increase the rates of technical training for all workers, removing gender-based stereotypes that discourage access to certain fields and occupation."[99]
- "Promote women's enrolment in qualifications and training in non-traditional roles to enable their promotion to mid and senior level roles beyond HR, finance and administration, and sales."[100]
- Clarifying the paying terms and parameters can go a long way in bridging compensation gaps, not just for women but for various vulnerable groups (i.e., persons with disabilities, young workers, members of LGBTI+ community, etc.). For example, an online recruiting platform for

[96] PRI Association & UNGC. (2012, June). Integrating ESG issues into executive pay - Guidance for investors and Companies. Retrieved from PRI: https://www.unpri.org/download?ac=1878
[97] Unilever (2020). Annual report and accounts 2020. - pg. 81
[98] Country Gender Equality Profile Viet Nam 2021. (2021, October 26). Retrieved from: vn-CGEP_Full.pdf (unwomen.org)
[99] Country Gender Equality Profile Viet Nam 2021. (2021, October 26). Retrieved from: vn-CGEP_Full.pdf (unwomen.org)
[100] Country Gender Equality Profile Viet Nam 2021. (2021, October 26). Retrieved from: vn-CGEP_Full.pdf (unwomen.org)

engineers eliminated the gender salary gap for new hires simply by listing the median salary for every position.[101]

- Women's extra efforts to support colleagues are being overlooked, according to Women in the Workplace 2021 report[102]. Women often intervene to manage the wellbeing or inclusion of fellow workers and create underlying values for the organisation, which should be recognized and rewarded.[103]

Finally, as mentioned in *Box 9: Setting the tone for Gender Equality and Social Inclusion (GESI) at the top*, simply having a female Board director can set the tone for hiring, empowering, and retaining women talents in the organisation.

2.1.2. ESG Materiality Assessment

a. The need for Materiality Assessment process

ESG materiality assessments are processes performed by the organisation on a regular basis to ensure key ESG matters for their businesses are identified and monitored. This helps the organisation focus their efforts on prioritized ESG material matters, improve its ability to create values and determine sustainability information for disclosures.

The process also encourages boards and management to critically evaluate the trends, dependencies, risks and opportunities likely to shape the organisation's trajectory; the process is entity-specific and predicated on internal and external conditions, industry factors and stakeholder perspectives, considerations that inform board and management discussions[104].

b. Definition of 'Materiality'

Many experts in the field consider double materiality when considering ESG topics: In the EU, the Non-Financial Reporting Directive guidance has a double materiality perspective – that is, the ESG impacts on an organisation, and the ESG impacts of an organisation.

The recommended approach is to consider both 'types' of materiality when performing an assessment.

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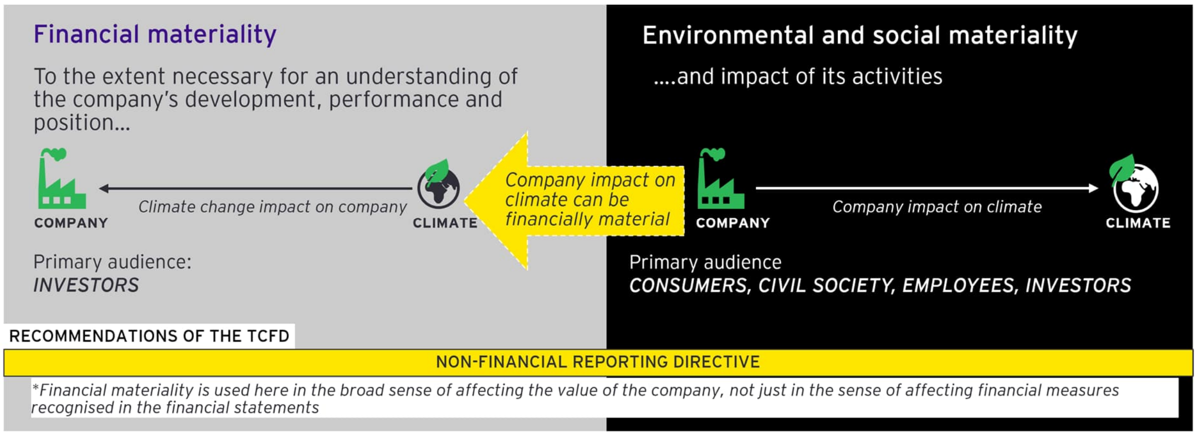
[101] How to Close the Gender Gap. (2021, May). Retrieved from Harvard Business Review: How to Close the Gender Gap (hbr.org)

[102] McKinsey & Company & LeanIn.Org. (2021). Women are setting a new standard for leadership. Retrieved from: Women are setting a new standard for leadership (leanin.org)

[103] Bateman, K. (2022, March 3). 15 strategies helping to close the gender gap around the world. Retrieved from World Economic Forum: https://www.weforum.org/agenda/2022/03/gender-gap-strategies-parity-diversity/

[104] IFAC. (2015, November). Materiality in <IR> Guidance for the preparation of integrated reports. Retrieved from: 1315_MaterialityinIR_Doc_4a_Interactive.pdf (integratedreporting.org)

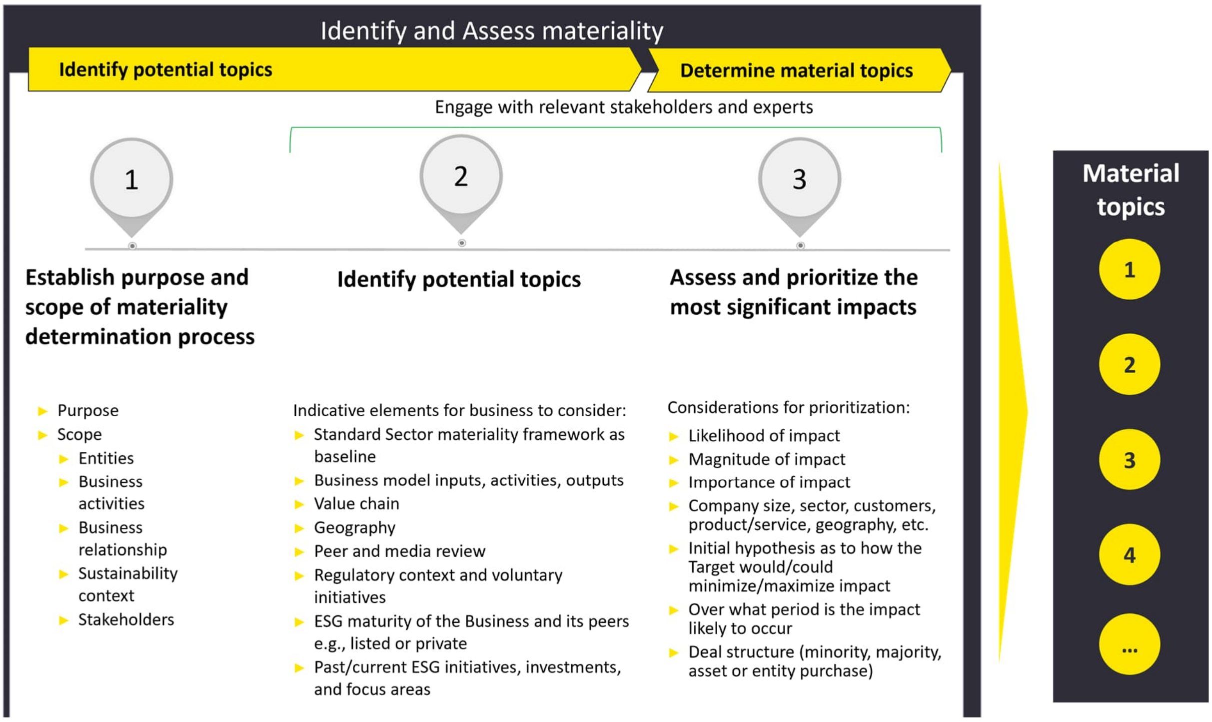
Figure 15: A Double Materiality perspective[105]



c. Approach

- The typical process to sustainability materiality assessment, based on guidelines by GRI[106], <IR>[107] and EY[108], is depicted in Figure below:

Figure 16: Materiality Assessment Approach



According to <IR>, there is no prescribed rule frequency or precise approach for materiality assessment and judgement should be used to decide that. When deciding on the depth and frequency of the materiality assessment, consider: timing of the last comprehensive assessment; influence of external factors and internal changes to leadership, strategy or

105 European Commission. (2019). Guidelines on reporting climate-related information. Retrieved from: Guidelines on reporting climate-related information (europa.eu)
106 GRI 3: Material Topics 2021. Retrieved from: https://globalreporting.org/pdf.ashx?id=12453
107 <IR> (2015). Materiality in Integrated Reporting. Retrieved from: https://www.integratedreporting.org/resource/materiality-in-integrated-reporting/
108 EY. (2022, June). ESG due diligence, Methodology playbook version 1.0

business model; shifts in the needs, interests or profile of key stakeholders and the emergence of new techniques for evaluating the magnitude of effects.[109].

i. Identify and Assess materiality on an ongoing basis

STEP 1: ESTABLISH PURPOSE AND SCOPE OF MATERIALITY DETERMINATION PROCESS

This step involves identification of following aspects, which will provide the organisation with critical information for identifying its actual and potential impacts:

- Purpose: Define the objectives of the materiality assessment.
- Scope:
  - Define the entities including but not limited to all the entities the organisation controls or has an interest in (e.g., subsidiaries, joint ventures, affiliates), including minority interests.
  - For all the included entities, define overview of their business activities, business relationship and sustainability context.
  - Identify overview of stakeholders. See more details about Stakeholder management in Part 2 – Section 2.2.3.

STEP 2: IDENTIFY POTENTIAL TOPICS

The organisation defines a comprehensive list of potentially relevant material sustainability matters and structure and categorise them. This includes decision on granularity of the analysis and on the distinction between the related topics that should be assessed independently[110].

<IR> framework guidance states organisation should consider topics or issues that:

- Could substantively affect value creation
- Link to strategy, governance, performance, or prospects
- Are important to key stakeholders
- Form the basis of boardroom discussions
- May intensify or lead to opportunity loss if left unchecked.

There are various supporting tools and sources for identification and categorisation of potential material sustainability topics, including:

- Guidance from International Standards and Frameworks concerning matters commonly associated with sectors, products, geographic locations, and specific organisations. See figure below.

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[109] IFAC. (2015, November). Materiality in <IR> Guidance for the preparation of integrated reports. Retrieved from: 1315_MaterialityinIR_Doc_4a_Interactive.pdf (integratedreporting.org)

[110] EFRAG. (2022, January). [Draft] ESRG 1 Double materiality conceptual guidelines for standard-setting Working paper. Retrieved from: Double Materiality Guidelines (efrag.org)

Figure 17: Resources for performing ESG materiality assessment- Source: COSO and WBCSD [111]

Framework, guidance and standards	Description
AccountAbility Five-Part Materiality Test	Designed to help organizations identify: - What issues are most material, or relevant, to their business and its stakeholders. - What information should be disclosed or reported in sustainability and corporate social responsibility reports.[112]
Ceres Roadmap for Sustainability 2010	Resource to help companies re-engineer themselves for success in a world beset with unprecedented environmental and social challenges that threaten the economy and local communities; designed to guide companies toward corporate sustainability leadership and ultimately support an accelerated transition toward a more sustainable global economy.[113]
Environmental and social impact assessments	Completed separately or together, these assessments are designed to identify and quantify the environmental or social impact from business activities or projects; impacts are measured against a baseline by identifying and assessing the drivers for impacts – both independent and related. [114]
Global Reporting Initiative Standards (GRI)	General and industry-specific guidelines for reporting a full range of economic and ESG impacts of operations.[115]
Human rights due diligence	Human rights due diligence described by the UN Guiding Principles Reporting Framework is "an ongoing risk management process…to identify, prevent, mitigate and account for how [to address] adverse human rights impacts." It includes four key steps: assessing actual and potential human rights impacts, integrating and acting on the findings, tracking responses and communicating about how impacts are addressed.[116]
Integrated Reporting <IR> Framework	Framework for the preparation of an integrated report that explains to providers of financial capital how an organization creates value over time. It provides a process for identifying risks based on the legal,

111 COSO & WBCSD. (2018, October). Enterprise Risk Management, Applying enterprise risk management to environmental, social, and governance-related risks. Retrieved from: https://www.wbcsd.org/erm
112 Accountability. Retrieved from: https://www.accountability.org/standards/
113 Ceres. The Ceres Roadmap for Sustainability. Retrieved from Ceres: https://www.ceres.org/roadmap
114 WBCSD. (2016, August). Guidelines for Environmental and Social Impact Assessment (ESIA). Retrieved from: https://www.wbcsd.org/Sector-Projects/Cement-Sustainability-Initiative/Resources/Guidelines-for-Environmental-and-Social-Impact-Assessment-ESIA
115 GRI Standards. Retrieved from GRI: https://www.globalreporting.org/standards/
116 Business & Human Rights Resource Center. Retrieved from Business & Human Rights Resource Centre: https://business-humanrights.org/en/un-guiding-principles/implementation-tools-examples/implementation-by-companies/type-of-step-taken/human-rights-due-diligence

Framework, guidance and standards	Description
	commercial, social, environmental and political contexts that affect the entity's ability to create value in the short, medium and long term.[117]
Sustainability Accounting Standards Board (SASB) Standards	Investor-focused standards on suggested material issues by industry and category: environment, social capital, human capital, business model and innovation and leadership and governance. SASB's five-factor test enables an organization to systematically consider each topic and draw insights regarding topics that are reasonably likely to have material impacts.[118]

- Information from the organisation's own or third-party assessments of its impacts on the economy, environment, and people; from legal reviews, anti-corruption compliance management systems, financial audits, occupational health and safety inspections, and shareholder filings[119].
- Information from external sources, such as news organisations and civil society organisations.[120]
- Consultation with its stakeholders, internal and external experts, such as civil society organisations or academics.

Box 16: SASB as an example baseline for ESG materiality assessment to identify potential topics[121]

The SASB Materiality Map has become known as the leading materiality framework and is recommended as a baseline framework for due diligence, however some ESG topics that are material to organisations are not included in SASB's framework. Thus, the materiality assessment approach should be flexible and not always limited to SASB's list of topics.

Overview of SASB

- The framework is principally an ESG reporting framework designed to identify the ESG topics that most materially impact the financial value of an organisation. Access to the materiality finder and materiality map can be found here: Exploring Materiality – SASB.
- Beneath the high-level map, SASB provides more specific framing of ESG issues as they pertain to a specific sub-sector. For example, within the biotechnology and pharmaceuticals sub-sector, "human rights and community relations" is framed as "safety of clinical trial participants".

The tool also provides a useful selection of metrics to help evaluate performance on each topic as well as a description about why the topic is material to the sector and how it links to value.

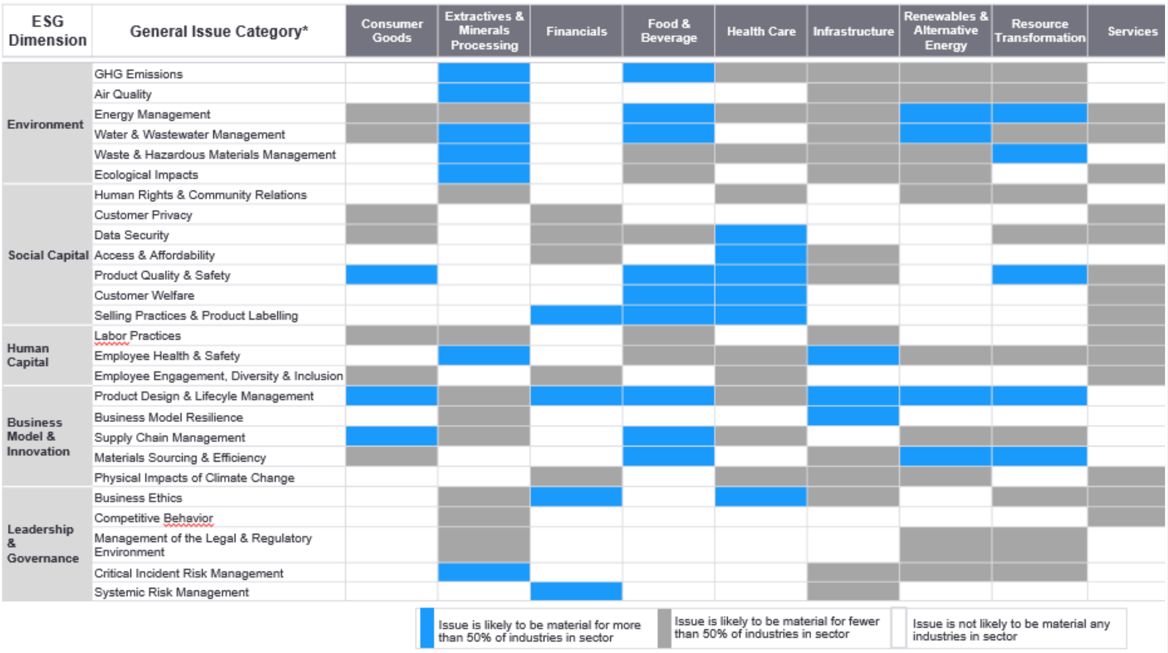
SASB – How does it work?

Figure 18: SASB Materiality map and guidance.

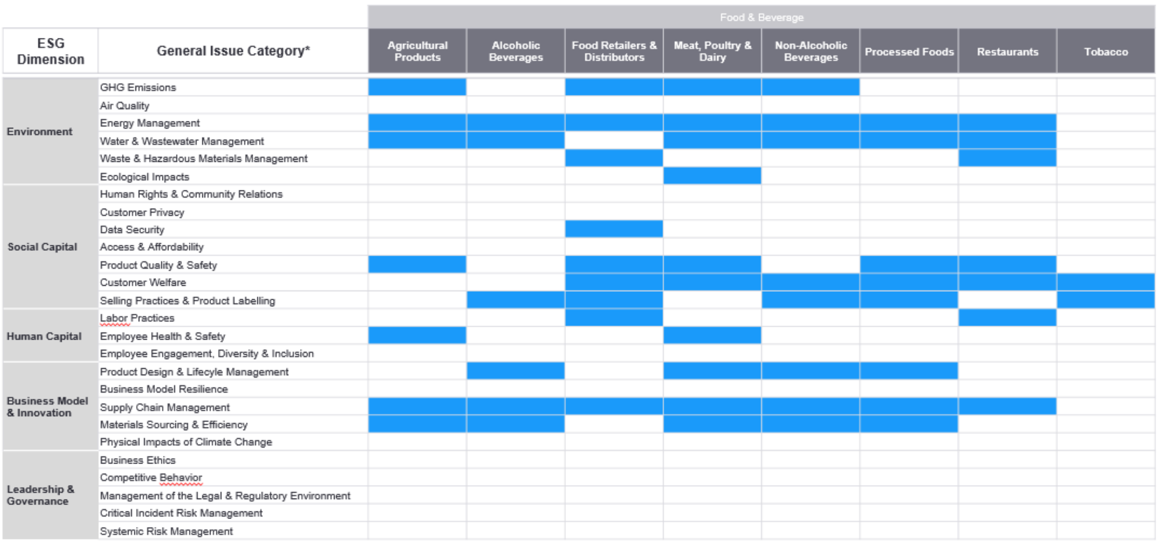
[117] Integrated Reporting. (2016, October). Creating value: The cyclical power of integrated thinking and reporting. Retrieved from International Integrated Reporting Council: http://integratedreporting.org/wp-content/uploads/2017/05/CreatingValue_IntegratedThinkingK1.pdf
[118] Sustainability Accounting Standards Board Standards. Retrieved from Sustainability Accounting Standards Board (SASB): https://www.sasb.org/
[119] GRI 3: Material topics
[120] GRI 3: Material topics
[121] EY. (June 2022). ESG due diligence - Methodology playbook version 1.0.

ILLUSTRATIVE

SASB Materiality Map offers an overview of material risks by sector…



… which can be further expanded to see material risks at sub-sector level (example of food and beverage sub-sectors)



It provides sub-sector level guidance on risks to elaborate on the risk at hand

Agricultural Products

- SASB provides guidance for how specific ESG issues are understood to impact the financial performance of a business within each sub-sector, as well as suggested metrics that can be used to assess performance on those topics. Some examples of these for the 'Agricultural Products' sector are shown below:

Generic category	Sub-sector specific risk	Guidance
GHG Emissions	Greenhouse Gas Emissions	Companies in the Agricultural Products industry generate direct greenhouse gas (GHG) emissions from the processing and transportation of goods via land and sea freight operations. Emissions regulations may increase the cost of capital, operational costs, and affect the operational efficiency of companies that do not have strategies in place to manage GHG emissions. Employing innovative technologies that use alternative fuels and energy inputs—including biomass waste generated from internal processes—and improving fuel efficiency are ways companies can limit exposure to volatile fuel pricing, supply disruptions, future regulatory costs, and other potential consequences of GHG emissions.
Water & Wastewater Management	Water Management	The Agricultural Products industry relies on water for processing activities, and companies in the industry also typically generate wastewater, or effluent. The availability of water, due to physical availability and/or regulatory access, directly impacts the industry's ability to efficiently operate processing facilities. Companies in the industry are increasingly exposed to water-related risks and regulations, which may increase capital expenditure costs, operating costs, remediation costs, and/or potential fines. Companies can manage water-related risks and opportunities and mitigate long-term costs through capital investments and assessment of facility locations relative to water scarcity risks, improvements to operational efficiency, and work with regulators and communities on issues related to water access and effluent. Risks related to crop production that are driven by water availability and access are addressed in a separate supply chain-oriented topic, Ingredient Sourcing.
Product Quality & Safety	Food Safety	Agricultural products are either sold directly to consumers in raw form or are further processed before reaching consumers. Maintaining product quality and safety is critical, as contamination by pathogens, chemicals, or spoilage presents serious human and animal health risks. Contamination may result from poor farming, transport, storage, or handling practices. Food quality and safety issues can lead to consumer-driven demand changes and regulatory action. Product recalls can harm brand reputation, reduce revenues, and lead to costly fines. Obtaining food safety certifications or ensuring suppliers meet food safety guidelines may help companies in the industry safeguard against product safety risks and communicate the quality of their products to buyers.
Employee Health & Safety	Workforce Health & Safety	Industrial processes used in the Agricultural Products industry present significant occupational hazards. Employees are engaged in many labor-intensive activities. Common hazards include falls, transportation accidents, equipment-related accidents, and heat-related illness or injury, among others. Violations of health and safety standards could result in monetary penalties and costs for corrective actions. High injury rates, particularly fatality rates, may indicate a weak governance structure and a weak workplace safety culture, as well as lead to significant reputational harm. Strong performance on managing workforce health and safety can help build brand image while promoting worker morale, which may lead to increased productivity, reduced worker turnover, and enhanced community relations.
Supply Chain Management	Environmental & Social Impacts of Ingredient Supply Chain	Agricultural products companies source agricultural inputs from a large number of suppliers. How companies in the industry screen, monitor, and engage with suppliers on environmental and social topics may impact consumer demand, reputational risks, and the ability of companies to effectively manage their crop supply and respond to price fluctuations. Supply chain management issues related to labor, environmental practices, ethics, or corruption may result in regulatory fines and/or increased long-term operational costs for companies. Similarly, agricultural products companies may face reputational damage if their suppliers perform poorly on environmental or social issues. Companies can mitigate these risks and potentially increase consumer demand or capture new market opportunities by engaging with key suppliers to implement sustainable

There are limitations to the SASB framework, hence it can be useful to consult alternative frameworks to help build a baseline for the materiality assessment.

STEP 3: ASSESS AND PRIORITIZE

Parameter considerations for materiality assessment and prioritization might include:

- Likelihood of impact.
- Magnitude of impact.
- Importance of impact.
- Company size, sector, customers, product/service, geography, etc.
- Initial hypothesis as to how the Target would/could minimize/maximize impact.
- Over what period is the impact likely to occur.
- Deal structure (minority, majority, asset or entity purchase).

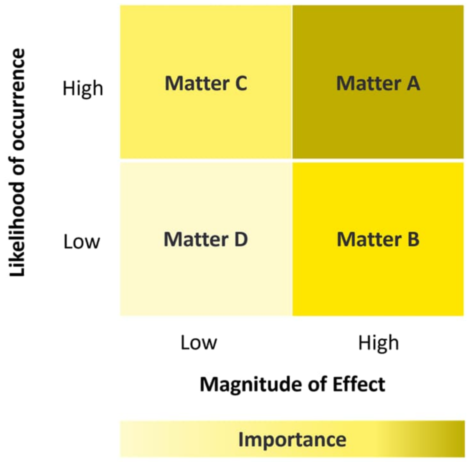
Steps to assess and prioritise material topics consist of:

- Engage with critical stakeholders to inquire their view and prioritisation or ranking for each of the identified potential topics based on a set of parameters, for example, its importance and its impact on the society (for external stakeholders) or on the future of organisation's business (for internal stakeholders). Separate interview might be conducted for the most important external stakeholders to get insights to highlight trends that may impact business future[122].

[122] IFC ESG Guidebook

- Set a threshold to determine which topics are material: The organisation should arrange its impacts from most to least significant and define a cut-off point or threshold to determine which of the impacts it will focus on[123].

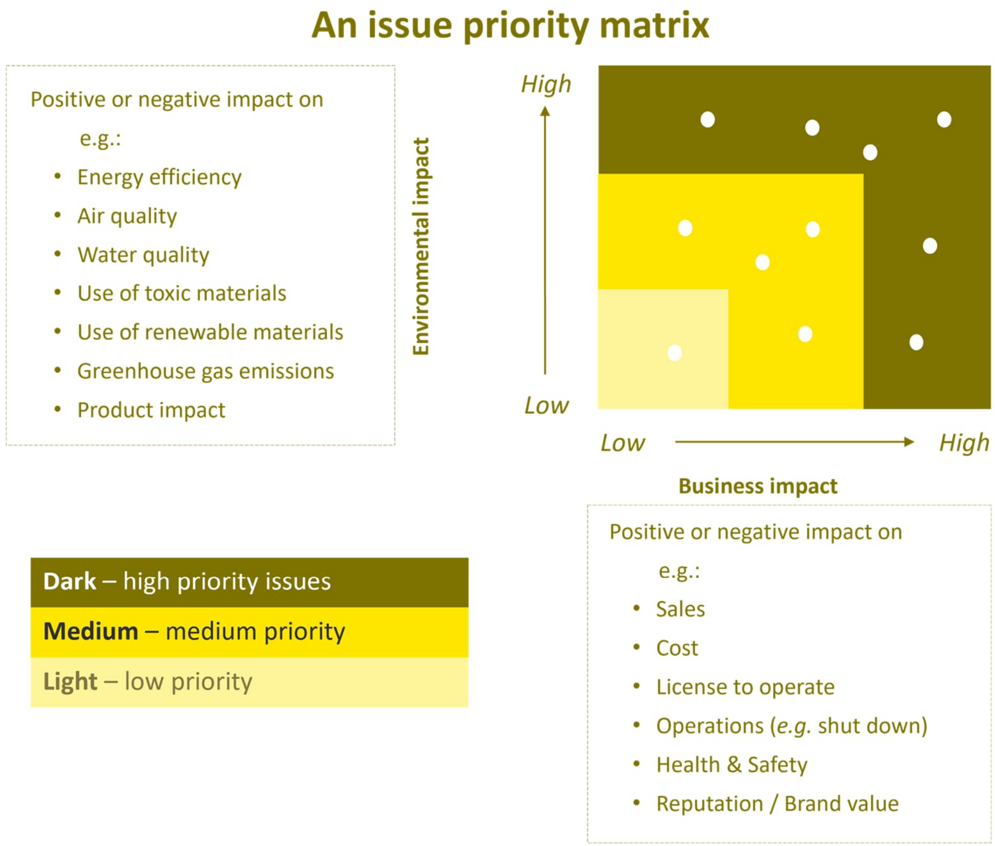
Figure 19: Materiality in <IR> Guidance: Illustrative example: Evaluate a matter's importance[124]



Assessing degree of impact for prioritising issues

Impact level	*Environmental impact*	*Business impact*
High	Results in significant damage or enhancement to the general environment and is of great concern to stakeholders.	Significant ramifications for business and reputation with potential for substantial losses or gains.
Medium	Causes some damage or enhancement to some parts of the environment and attracts some stakeholder concern.	Moderate ramifications for business and reputation.
Low	Results in minimal environmental damage or enhancement, with limited stakeholder interest.	Minimal ramifications for business and reputation.

[123] GRI 3: Material topics
[124] Materiality in <IR> Guidance for the preparation of integrated reports. (November 2015).

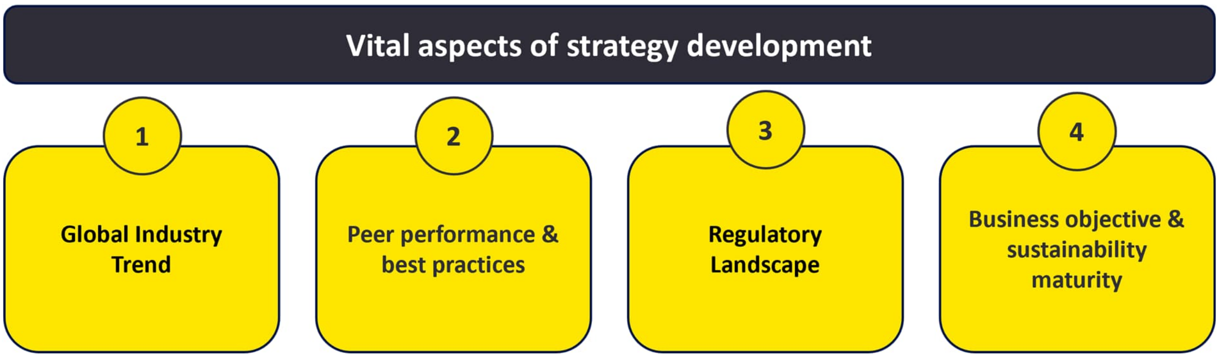


2.1.3. ESG Commitments and Targets

2.1.3.1. Sustainability Strategy

A comprehensive "ESG strategy" enables product stewardship and ESG growth and is continuously challenged and enhanced to recognise changes in the organisation and external environment to drive and achieve market leading performance.

Figure 20: Aspects of strategy development



TRANSITION PLAN TOWARDS A LOW-CARBON ECONOMY

GHG emission is the most addressed threshold among organisations and to deliver their commitments in GHG emission reduction, organisations need to establish transition plans. The TCFD recognises that "a transition plan is an aspect of an organization's overall business strategy that lays out a set of targets and actions supporting its transition toward a low-carbon economy, including actions such as reducing its GHG emissions".[125] Stakeholders, including investors are particularly keen on these plans to verify the credibility of organizations' climate-related commitments and to understand changes to organisations' strategies or business models, including the actions taken to mitigate risks and increase opportunities in the transition towards a low-carbon economy.

According to TCFD's report, 'Net-zero' transition planning is recently the focus of attention in response to the IPCC's Special Report on Global Warming of 1.5°C, which found that GHG emissions need to decline by about 45% by 2030 and reach net-zero around 2050 in order to achieve a 1.5°C temperature target. [126]

Key characteristics of effective transition plans:

The TCFD's 2021 Guidance on Metrics, Targets and Transition Plans has identified key characteristics of effective transition plans as follow:

- Aligned with Strategy and broader economy- or sector-wide science-based pathways to a low carbon economy;
- Designed to help achieve climate-related targets, and tracked regularly using appropriate metrics;
- Subject to Effective Governance Processes: A transition plan should describe the approval process and oversight and accountability responsibilities within an organization, including the role of the board and senior management in overseeing the plan;
- Actionable, Specific Initiatives: A transition plan should articulate specific initiatives and actions the organization will undertake to effectively execute the transition plan, including regular milestones;
- Contain sufficient information to enable users to assess its credibility;
- Should be reviewed at least every five years and updated if necessary;
- Reported Annually to Stakeholders.

2.1.3.2. Targets and Metrics

Top-down cascading strategic goals and objectives to all business units and departments and employees through measurable and relevant targets and metrics will foster sustainable practices and encourage employees at all levels to internalize ESG values.

The organisation should adopt a clear process for identifying appropriate ESG metrics and targets that relate to sustainable shareholder returns and organisation strategic objectives. ensuring that they are specific, measurable, achievable, relevant and time-bound, and aligned with national and international strategic goals and global initiatives such as the Science-based targets.

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[125] TCFD. (2021, October). Task Force on Climate-related Financial Disclosures Guidance on Metrics, Targets, and Transition Plans. Retrieved from: https://assets.bbhub.io/company/sites/60/2021/07/2021-Metrics_Targets_Guidance-1.pdf
[126] TCFD. (2021, October). Task Force on Climate-related Financial Disclosures Guidance on Metrics, Targets, and Transition Plans. Retrieved from: https://assets.bbhub.io/company/sites/60/2021/07/2021-Metrics_Targets_Guidance-1.pdf

Box 17: Water Initiatives at Heineken[127]

In 2019, Heineken launched "Every Drop" - their 2030 commitment to UN Sustainable Development Goal 6. The strategy aligns with global concerns and resonates with the business landscape of the beer brewer.

The strategy translates to 3 high-level targets: Water stewardship, Water circularity and Water efficiency. They are broken down into more specific targets that cover certain regions and facilities. Namely, the Water efficiency aims to reduce water usage to an average of 2.8 hectolitres of water per hectolitre of beer (from 3.2 hl/hl) for breweries in water stressed areas and to 3.2 hectolitres of water per hectolitre of beer (from 3.5 hl/hl) on average for all breweries worldwide.

2.1.3.3. Sustainability Policies

For the sustainability direction set by the Board to take effect, the organisation should develop a sustainability policy to articulate its definition of and position about sustainability, its relevant long-terms goals, and the principles that guide the company's decision making and execution on sustainability matters.

Sustainability policy design

- Organisation can create a new policy or modify existing policy.
- Sustainable development policies reference key standards or frameworks (e.g., ISO 26000, UNSDGs, industry standards etc.) and align to material ESG-related areas.

Sustainability policy implementation

- The policy is Board-approved and signed off by a member of the Board.
- The policy is communicated, understood and consistently applied throughout the organisation and regularly reviewed and updated in accordance with changes in business strategy, objectives and other requirements (i.e., legislative changes).
- The policy is monitored through defined objectives/KPIs with clear roles and responsibilities assigned.

Box 18 : IFC FOCUS 15: Sustainability Committees: Structures & Practices[128]

Section 4.2.1. Sustainability policy

"According to the IFC Performance Standard 1 on Assessment and Management of Environmental and Social Risks and Impacts, paragraph 6, "The policy provides the framework for the environmental and social assessment and management process, and specifies that the …business activities … will comply with the applicable laws and regulations…"

[127] Heineken. (2019, March). Heineken announces Every Drop – water ambition for 2030.
[128] IFC (2021, June 16). Focus 15: Sustainability Committees: Structure and Practices. Retrieved from: Focus 15: Sustainability Committees: Structure and Practices (ifc.org)

A good policy builds on the foundation of an assessment of the sustainability risks, opportunities, and impacts of the company, and how it responds to exploit opportunities and to mitigate risks and impacts.

The policy documents usually include the structures, functions, and activities (including decision making) within the company that pertain to sustainability. These documents also address the structures that are responsible for execution on sustainability. As set out above, these structures may include management functions and committees and board committees.

A primary task of the sustainability committee is to develop a sustainability policy, if it is a management committee, or to approve the developed policy, if it is a board committee. In both instances, the board has responsibility for ultimately approving the sustainability policy.

The sustainability policy could consist of one document, or two or more separate documents, that include frameworks, supporting procedures, guidelines, and codes of practice. The form is less important than the substance."

Box 19: Factors to consider in developing a GESI policy[129]

In 2017, the GESI Working Group (*one of the working groups under the Social Cluster of the International Development Partner Group (IDPG) – co-chaired by UN Women and USAID*) published "*A common framework for Gender Equality and Social Inclusion*". According to them, in developing a set of GESI-responsive policies, the following dimensions should be taken into consideration:

- "The abilities of and constraints faced by women, the poor, and vulnerable and excluded people in accessing and using services."
- "The impact of gender, income, caste/ethnicity, religion, and location on the need for, access to and use of services, and the conditions and priorities of target groups."
- "The differentiated strategies and approaches needed to promote access and use by different target groups and, where no target groups are defined, by women, poor, vulnerable and excluded people."

"A human rights-based approach should be mainstreamed, as it ensures that the powerless and voiceless groups are positioned as key actors and that their rights are protected and promoted."

2.2. Operation

The second layer of this framework is implementation of Operation components aligned with ESG governance and strategy. Organisations will need to create system and procedures to strengthen ESG performance of the entire value chain. Organisations also need to decide different ESG focus areas based on the nature of their business and goals and objectives.

[129] International Development Partners Group, Nepal. (2017). A Common Framework for Gender Equality & Social Inclusion. Retrieved from: GESIframeworkReportFinal2017compressed.pdf (unwomen.org)

2.2.1. Supply chain management

Below are the multiplicity of demands influencing the organisation's Supply Chain need for changes in response to sustainability matters:

- Ensure sustainable & diverse sourcing
- Enable traceability, visibility & disclosure
- Decarbonize the value chain
- Introduce circularity into business model.

This Section will provide guidance on approach to address sustainability-related matters in the supply chain and state key considerations for sustainable supply chain across its life cycle.

APPROACH TO ADDRESS SUSTAINABILITY-RELATED MATTERS IN THE SUPPLY CHAIN

As recommended by BSR[130] on addressing material sustainability-related risks in supply chains, organisations can take the following three steps:

Figure 21: Approach to address sustainability-related matters in the supply chain:

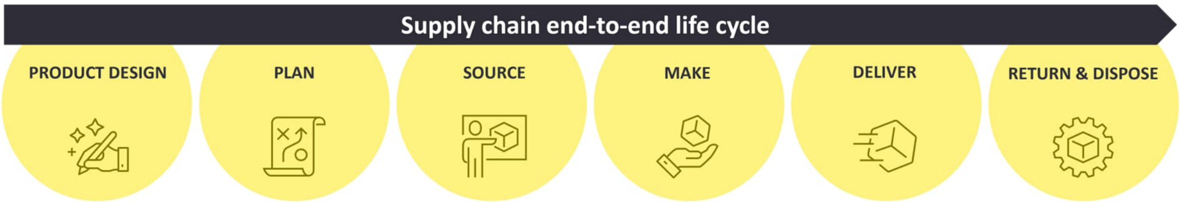
Businesses can refer to the detailed implementation method at BSR. (2018, September). Climate + Supply Chain, The Business Case for Action - https://www.bsr.org/reports/BSR_Climate_and_Supply_Chain_Management.pdf

KEY SUSTAINABILITY CONSIDERATIONS ACROSS THE ENTIRE SUPPLY CHAIN LIFE CYCLE

The supply chain can be considered the core activator of several key organisation-wide sustainability goals and public commitments. Supply chain sustainability includes efforts to manage environmental, social and governance practices throughout the lifecycles of goods and services – as illustrated below:

130 BSR. (2018, September). Climate + Supply Chain, The Business Case for Action. Retrieved from: https://www.bsr.org/reports/BSR_Climate_and_Supply_Chain_Management.pdf

Figure 22: EY – The Supply chain end-to-end life cycle[131]



2.2.1.1. Product Design

The product portfolio needs to align with the sustainability objectives of the business with Carbon and environmental footprint of the product. This is a significant design consideration from the early stages of planning new products.

Product initiatives therefore may consider:

- Design for Longevity & Invest in modular design
- Circular design process - Design for standardization, compatibility, dismantling and reuse
- Moving from products to services: A shift from ownership to access is central to the concept of circular economy.

2.2.1.2. Plan

Sustainable planning aims for a resilient supply chain that is able to consistently meet customer expectations while identifying and addressing occurrences of waste. Recommendations for supply chain planning therefore include:

- Sustainable customer demands:
  - Emphasis on "green" marketing to meet customer demand for sustainable products;
  - Aligns demand with supply planning, scheduling, and material decisions down the supply chain.
- Optimize distribution requirement plan: Sustainability metrics to reduce carbon footprint and emissions can be met via optimized distribution network to streamline the product path to market
- Reduce inventory stock out risks: A sustainable supplier base includes various diverse suppliers, which reduces the risk of inventory stock outs due to supplier shortages
- Minimize manufacturing line change overs: Supply plans and schedules can be optimized to minimize the number of change overs, and therefore reducing carbon emissions
- Supplier collaboration enables better reactivity to order fluctuations or unpredictable events.

2.2.1.3. Source

The overall goal of sustainable sourcing is to build long-term relationships with suppliers at all tiers, addressing risks and building capability within supplier operations integrating social, ethical and environmental performance factors. Organisation therefore needs to consider:

[131] EY UKI Sustainable Supply Chain Playbook

Sustainable supplier management

- Identify and incorporate environmental and social supplier performance criteria into supplier management lifecycle. The sustainability evaluation criteria for suppliers are regularly reviewed to address emerging issues. Requirements or Code of Conduct are aligned with leading international standards such as UNGC (United Nations Global Compact) and RBA (Responsible Business Alliance);
- The organisation actively influences suppliers to improve their sustainable development performance through industry initiatives, collaboration and incentives to meet current human rights standards and NGO expectations. Training is provided to key suppliers to support improvement. Suppliers who demonstrate strong performance and improvement are rewarded, e.g., through public recognition or providing access to additional business opportunities.

Sustainable procurement and raw materials sourcing

- Identify and implement energy reduction, waste diversion and other environmental efficiency product performance requirements within a product category
- Develop alternative sourcing strategy to address the risks of diminishing availability, quality and price fluctuations of core agricultural commodities
- Identify opportunities to source non-virgin material, contributing to the circular economy;
- Responsible / sustainable sourcing strategy which includes minimum standards such as labour standards.

2.2.1.4. Make

Sustainable manufacturing aims to obtain a view of the whole product cycle and optimize the lifecycle of manufacturing systems, products and services. Organisation should look into following aspects:

Facilities

- Consider the community impact;
- Consider sustainability of new facilities and/or ongoing facility renovation plans.

Production

- Optimizing processes to reduce waste and environmental impacts
- Introduce a circular approach to production;
- Leveraging manufacturing innovations.

Maintenance

- Effective planning regarding problems and repair and maintenance;
- Educating and embedding sustainable practices.

People

- Launch training, measures and solution to ensure safety and prevent injury;
- Use KPI to monitor;
- Ensure diversity and inclusion to attract talents.

2.2.1.5. Deliver

One of the principles of supply chain optimization is that upstream decisions affect downstream productivity and vice versa. Regarding delivery of products and services, organisation may consider following initiatives:

- Optimise travel routes to reduce unnecessary travel and waiting times to decrease fuel consumption;
- Consider greener transportation alternatives. e.g., electric-powered vehicles;
- Avoid wasting energy at partial capacity – Reduce waste space and energy by making sure that containers and transport vehicles are filled to maximum capacity;
- Eco – friendly warehouses;
- Renewable energy or technology - Explore the possibility of incorporating more green or renewable energy or technology into logistics strategy;
- Functional, safe and environmental friendly packaging;

2.2.1.6. Return and Dispose

Organisation may consider initiatives in:

- Return management: Sustainable reverse logistics can improve visibility, increase productivity and improve customer responsiveness. Whether organisation ultimately decides to recycle, refurbish, or resell returns, the preferred approach is to prevent returns in the first place, which would depend on other components of the supply chain.
- Improving the recycling process and driving towards a circular economy
    - Increase recycling rate following consumption
    - Minimize Resources Required for Recycling
- Increase the rate of recycled content in raw materials and utilize substrates that can be recycled multiple times.

Box 20: Mainstreaming GESI in the supply chain through provision of inputs, outputs and services[132]

To implement GESI across supply chain functions essentially means to improve access of women and other vulnerable groups to the decision-making processes with the aim of increasing their part in production and final income. In the "*Gender Equality and Social Inclusion Mainstreaming Guidelines*", the Aus4Vietnam organisation proposes some measures to implement GESI in providing inputs, outputs and services within enterprises, including but not limited to:

- "Procurement of supply contracts for inputs, outputs, services should be transparent, and information publicly disseminated to members about price mechanism, specifications and standards."

[132] 18102019-GESI-Mainstreaming-Guidelines__EN_Final.pdf (aus4vietnam.org)

- "Consult women, men and persons with disabilities as service providers, suppliers or service users and professionals in the design and implementation of infrastructure to ensure the function, effectiveness and accessibility of the construction are suitable for all users, including women and people with disabilities (e.g., having secure and sex-segregated toilets, ramps for wheelchairs on sidewalk, and special toilets for people with disabilities)."
- "Consider the demand for financial services of beneficiary women, including the very poor, and the barriers to access that they experience and facilitate access to providers who can offer them preferential loan policies (e.g., Women's Union, Social Policy Bank)."

2.2.2. Risk management

Embedding ESG considerations into existing enterprise risk management frameworks will support the achievement of all strategic and operational business objectives, including ESG ones. A robust risk management can be accordance with global risk framework such as The Committee of Sponsoring Organisations of the Treadway Commission's (COSO), Enterprise Risk Management (ERM)—Environment Social, Governance (ESG) framework, to ensure systematic identification and prioritisation of ESG risks associated with business operations.

Core components of a risk and control framework

To better manage sustainability-related risks and progress toward sustainability-related goals and commitments, organisations should follow a structured framework including the components listed below to integrate sustainability considerations across existing risk management practices and stand-up capabilities to support new sustainability mandates.

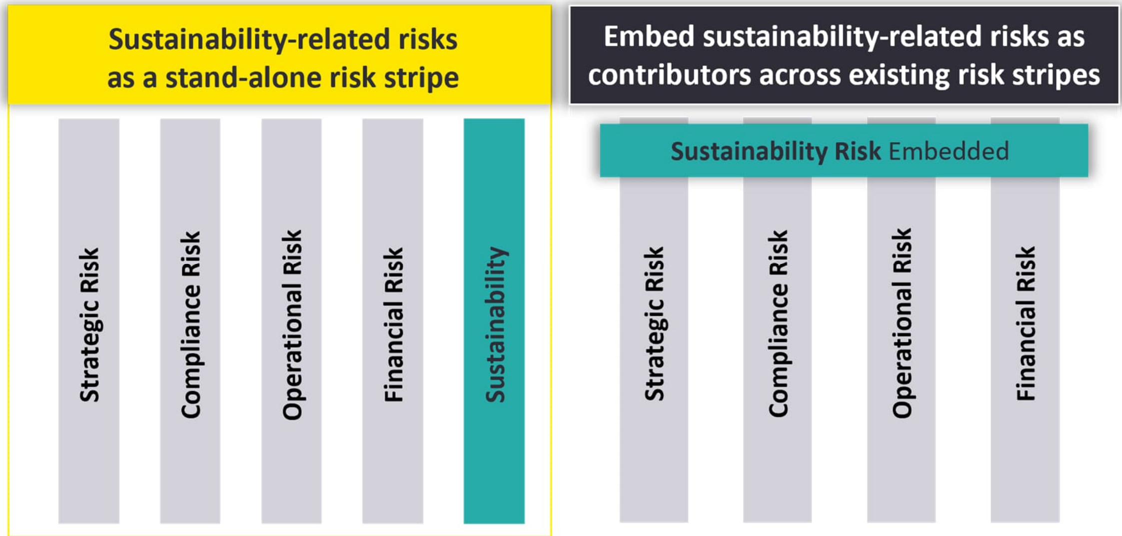
Figure 23: Core components of a risk and control framework.

1	2	3	4
Risk inventory	**Risk assessments**	**Risk mitigation and controls**	**Metrics and reporting**
Identification of sustainability-related risks and incorporation into existing risk management frameworks	Understanding the potential impacts and materiality of sustainability-related risks	Definition of appropriate risk responses and stand-up commensurate processes and controls	Development of quantitative measures for sustainability-related risks and commitments

a. First Component: Risk Inventory

- As with any other risk, those related to sustainability should be identified and logged within organisations risk inventory, thus triggering the downstream processes of the risk management lifecycle.
- Two common practices on how to integrate the sustainability-related risks into the risk inventory are:

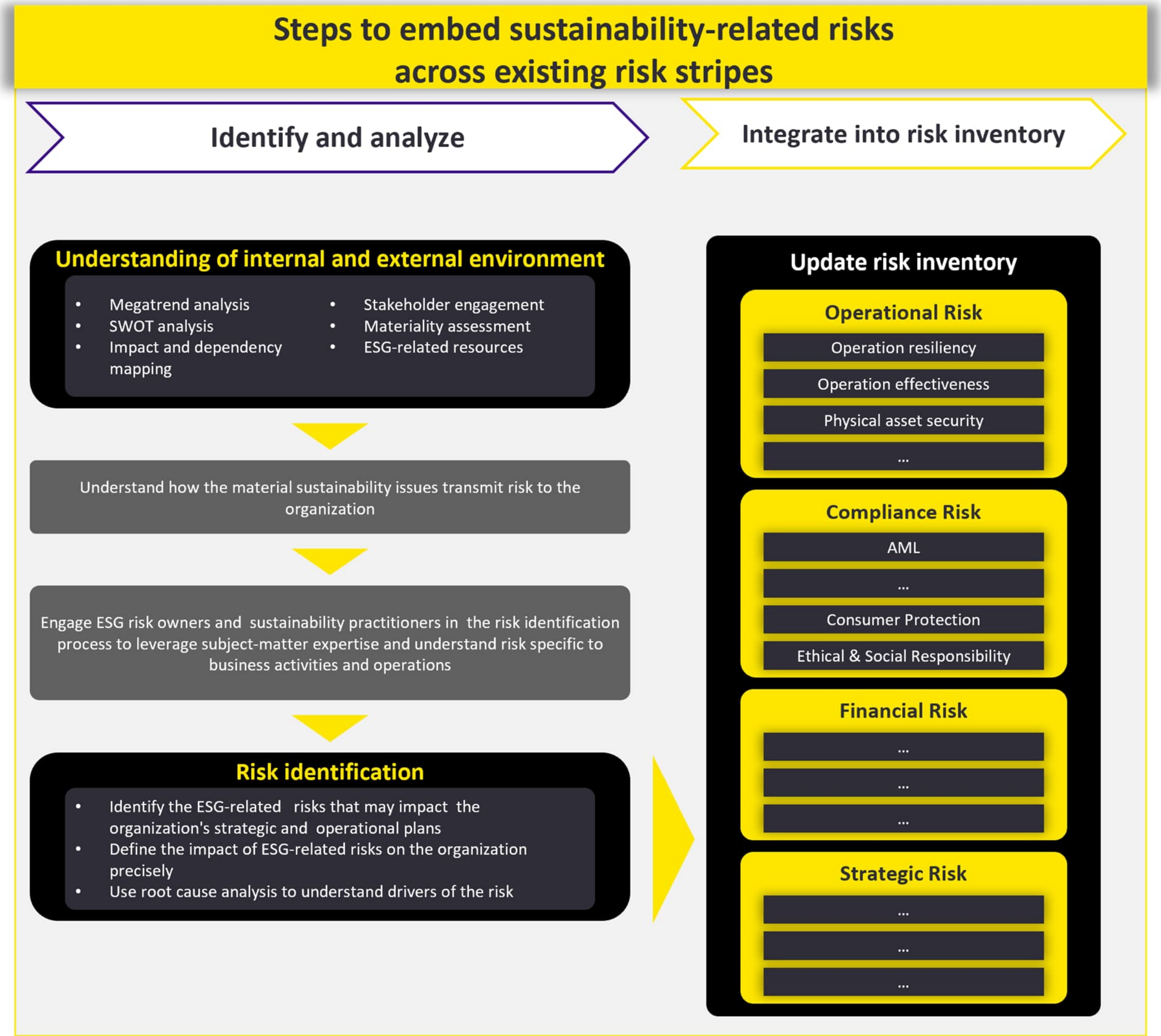
Figure 24: Sustainability-related risks in risk inventory



- Risks should be identified at any level of business in which there is a strategy, including entity, business unit, product, and market/regional levels
- Steps to embed sustainability-related risks in existing risk inventory are illustrated in Figure below.

Figure 25: Steps to embed sustainability-related risks across existing risk stripes.[133]

[133] COSO & WBCSD. (2018, October). Enterprise Risk Management, Applying enterprise risk management to environmental, social, and governance-related risks. Retrieved from: https://www.wbcsd.org/erm



b. Second Component: Risk assessments

i. Risk Assessment approaches

Existing risk assessment process should be reviewed to ensure better understanding of how material sustainability issues transmit to risks impacting business and how to quantify the unique impacts of those risks both within and across the organisation's lines of business.

Box 21: Considerations to assessing ESG-related risk severity[134]

a. Assessment criteria

Although impact and likelihood are common criteria for risk assessment and prioritisation, it can be helpful to consider additional criteria (beyond impact and likelihood) that provide a more complete understanding of the nature and extent of an entity's exposure (See Table below):

Table 8: Application of prioritization criteria to ESG-related risks (adapted from the COSO ERM Framework)

Criteria	Description
Adaptability	The capacity of an entity to adapt and respond to risk
Complexity	The scope and nature of a risk to the entity's success
Velocity or speed of onset	The speed at which risk impacts an entity
Persistence	How long a risk impacts an entity
Recovery	The capacity of an entity to return to tolerance

b. ESG-related risk severity assessment approaches

This section highlights four approaches that can be used to measure ESG-related risk severity qualitatively or quantitatively as outlined in Table 9: ESG-related risk severity assessment approaches. This list is not exhaustive. There are a variety of other tools to support an evidence-based approach to risk severity assessment, such as competitor analysis, stakeholder assessments and peer benchmarking as well as specific data-driven approaches supported by technology and big data.

Table 9: ESG-related risk severity assessment approaches

Approach	Description
Expert input	Expert input refers to a forecasting method that relies on a panel of expert (e.g., Delphi approach) or interviews and discussions with subject-matte specialists.
Forecasting and Valuation	Forecasting and valuation predicts the impact of a future event based on pas and present data.
Scenario analysis	Scenario analysis develops plausible pathways to describe a future state.
ESG-specific tools	Tools and approaches are available in the Natural Capital Protocol Toolkit an Social & Human Capital Protocol Toolkit.

ii. Considerations for data, parameters and assumptions for Risk Assessment

Assessment of risk severity requires selection of relevant data, parameters and assumptions, which should be based on following considerations – See *Table 10: Considerations for data, parameters* and assumptions below. It is recommended that organisation document these considerations for transparency and future replicate of risk assessment process.

[134] COSO & WBCSD. (2018, October). Enterprise Risk Management, Applying enterprise risk management to environmental, social, and governance-related risks. Retrieved from: https://www.wbcsd.org/erm

Table 10: Considerations for data, parameters and assumptions[135]

Aspect	Considerations
Data sets	• What primary or secondary data is available as an input to the measurement tool? • What tools and frameworks can be used to support ESG-related risk assessments? • What assumptions are inherent in the selected data? • How reliable is the data? • Does the data apply to the defined scope of the risk?
Timing	• What time period should the analysis consider (e.g., strategic plan; 5, 15 or 30 years)?
Scope	• At which organisational levels (e.g., divisions, functions and operating units) and value chain (inputs, operations and markets) is the analysis applied?
Discount rate	• How certain are the expected events and timing of cash flows used in the monetary estimate? • Are these estimates established with enough subject-matter expertise or historical evidence to apply a discount rate?

Risk severity assessment requires quality data sets, which may pose challenge for organisations quantifying an ESG-related risk for the first time. COSO and WBCSD's guidance to ERM for ESG related-risks (2018) provides example data sources as starting point for organisation to identify the primary and secondary data available for a risk assessment below.

Table 11: Example data sources for ESG-related risk assessments[136]

	Data Sources	Examples
Primary	Internal organisation data	Suppliers spend, sales performance, water usage, greenhouse gas emissions
	Survey results	Employee, supplier or customer surveys
	Interviews or focus groups	In-depth conversations for at-risk groups, such as employees, NGOs or communities
Secondary	Big data and big indicators	Highly detailed, continuously produced global indicators that track change in the health of the Earth's most important systems in real time
	Academic research	Credible research into the nature and extent of an ESG problem, such as plastic waste or e-waste
	Interviews with third parties or subject-matter experts	Interviews may include the Delphi outputs; NGOs can provide insight into communities that may be otherwise inaccessible to the organisation

[135] COSO & WBCSD. (2018, October). Enterprise Risk Management, Applying enterprise risk management to environmental, social, and governance-related risks. Retrieved from: https://www.wbcsd.org/erm
[136] COSO & WBCSD. (2018, October). Enterprise Risk Management, Applying enterprise risk management to environmental, social, and governance-related risks. Retrieved from: https://www.wbcsd.org/erm

	Data Sources	Examples
	Government or think tank data	Open data, household budget surveys, demographic health surveys or other collection databases
	Industry or peer organisation data or report	Sector-specific data such as energy, compliance or cost data or assumptions that can be derived from publicly available information
	Existing analysis	Internal or external analysis completed for other purposes, such as supply chain interruptions or costs associated with food safety issues
	Output from tools referenced in the Natural Capital Protocol Toolkit and Social & Human Capital Protocol Toolkit	Information or results from using the tools (e.g., biodiversity footprint) that can be used as inputs into monetary risk assessment
	Social Value International (SVI) Global Value Exchange	An open-source database of values, outcomes, indicators and stakeholders focused on social and environmental data

c. Third component: Risk mitigation and controls

Once material sustainability-related risks to organisations are identified and assessed, actions to mitigate and control those risks on an ongoing basis should be established (as is already done for other types of risk).

Appropriate risk responses should be selected based on the entity-specific factors (e.g. costs and benefits and risk appetite). The oganisation should research and leverage guidance from NGOs (such as the UN Guiding Principles on Business and Human Rights[137]), published standards (such as the ISO Standards on Air Quality[138] or GHG Emissions[139]) and principles (such as the Equator Principles[140], Principles of Responsible Investment (PRI)[141] and/or industry groups or certifications).

Recommendations for risk mitigation and controls:

- Establish and assign new roles and responsibilities to support ownership of sustainability-related risks and controls;
- Establish communication channels and a clear interaction model between sustainability functions and risk and control practitioners to share knowledge and partner on control implementation;

[137] Shift and Institute for Human Rights and Business (IHRB) (2013). Oil and Gas Sector Guide on Implementing the UN Guiding Principles on Business and Human Rights. European Commission. Retrieved from IHRB: https://www.ihrb.org/pdf/eu-sector-guidance/EC-Guides/O&G/EC-Guide_O&G.pdf
[138] ISO/TC 46. Retrieved from https://www.iso.org/committee/52702.html
[139] ISO 14054. Retrieved from https://www.iso.org/standard/38381.html
[140] Equator Principles. Retrieved from Equator Principles: http://www.equator-principles.com/
[141] PRI. Retrieved from UN Principles for Responsible Investment: https://www.unpri.org/

- Develop or update policies and procedures regarding organisation's approach to sustainability, and implement with rigorous change management;
- Incorporate material sustainability-related risks and compensating controls into existing testing cadences and programs.

d. Fourth component: Metrics and reporting

Organisations should consider:

- Create comprehensive metrics to support emerging sustainability-related risks;
- Communicate relevant ESG-related risk information to internal and external stakeholders across the entity and at multiple levels: The organisation uses communication channels to support enterprise risk management, to meet regulatory obligations and support stakeholder decision-making;
- Leverage the entity's information and technology systems to support enterprise risk management. Existing systems must be adapted to collect and aggregate data as many sustainability-related risks have unique characteristics (more details in *Part 2 – Section 2.3.1 Sustainability reporting and disclosures*
- *Please* refer to Part 3 of this Handbook.
- ESG Data and Technology enablement;
- Continuously identify opportunities for improving the quality of ESG-related data reported internally and externally.

2.2.3. Stakeholder Engagement

Stakeholder engagement is a key to integrating ESG into an organisation's strategy and operations. It is also a critical tool for identifying material ESG issues, ESG risks and developing strategies that ensure sustainable, long-term value creation and profitability[142]. Engagement with stakeholders therefore may occur in business-as-usual such as day-to-day liaison with customers and suppliers or broader ongoing engagement as part of strategic planning and risk assessment.

2.2.3.1. Stakeholder mapping

Across the value chain of an organisation, there is a range of diverse and conflicting stakeholder impacts and interests. It is vital to identify them correctly and adhere to them effectively.

Stakeholder identification

There are generally 2 dimensions to stakeholder identification. Depending on the organisation's outlook, one may receive more attention than the other.

- Impact-based: A systematic approach defines the areas of environmental, social, and economic impacts that stem from key design components of projects or operations.

[142] International Finance Corporation. (2021). IFC ESG Guidebook.

- Interest-based: A strategic approach involves actors outside areas of direct or adverse impact, nonetheless, possess interests in the organisation. It clarifies their motivations and potential influence on projects or operations.

Prioritisation

Organisation can prioritize the different groups based on the nature and severity of the impacts, and the ability of these groups to influence the business. Engagement should be stronger and more frequent with those groups that are more severely affected, as well as with those that have a greater ability to influence the business[143].

2.2.3.2. Engagement approach

Stakeholder engagement should be viewed under long-term lenses and planned early on to mitigate business and reputational risks. It is not enough to reach out once problems have already arisen, or to treat it like a one-time peripheral procedure. There are measurements needed to be taken to ensure an organisation sustainable approach to stakeholder engagement, as mentioned below.

- Objective, meaningful, and consistent disclosure
- Appropriate means and locations
- Opportunities for two-way communication

2.2.3.3. Engagement management system

Stakeholder engagement is an ongoing, complex process that requires defined systems, professional staff, and senior management oversight as of any other business functions. They translate into certain factors needed to be in place to support engagement monitoring. Firms should consider establishing following management system:

- Commitments and issues register system
- Grievance management system
- Participatory tools, techniques, and methodologies

Organisation can find more details on how to manage stakeholders in IFC's Stakeholder Engagement: A Good Practice Handbook for Companies Doing Business in Emerging Markets. [144]

2.3. Data and Reporting

2.3.1. Sustainability reporting and disclosures

Please refer to Part 3 of this Handbook.

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143 IFC. (2015, November). Environmental and Social Management System Implementation Handbook – General.
144 IFC (2007, May). Stakeholder Engagement: A Good Practice Handbook for Companies Doing Business in Emerging Markets. Retrieved from: https://www.ifc.org/content/dam/ifc/doc/mgrt/ifc-stakeholderengagement1.pdf

2.3.2. ESG Data and Technology enablement

2.3.2.1. Data Management

The establishment of ESG data serves self-assessment of ESG performance and adapts to ESG reporting requirements or expectations of regulations and stakeholders, such as investors, customers, auditors, and partners. ESG data integration into the organisation data system will provides an end-to-end view from data sourcing to consumption layer.

Challenges towards ESG Data management[145]

- ESG requires the integration of new data from external sources and provides new use cases for internal data from Operational & HR Systems;
- ESG data will ultimately be used by the whole organisation, not just Risk or Sustainability;
- All ESG Data must be evidenced and explainable;
- Data quality will vary, particularly for internal data and there may be gaps in both internal and external data sets;
- “Hardwired” solutions will become obsolete quickly as regulations, requirements will continue to evolve for the foreseeable future.

Key considerations for ESG Data management

a. *Data governance considerations*

- ESG Data governance needs to be a part of the organisation-wide data governance effort that improves productivity and efficacy.
- Organisation should define data ownership, standards and policies, and processes and procedures for the creation, movement, usage, storage, retention, and disposal of information.

b. *Management considerations:*

- Organisations need to understand business objectives and goals to define how ESG data will be used for reporting and support analysis activities for all functional areas including management, financial, operational and risk. Requirements of multiple user groups should be well understood
- A single platform for ingesting, verifying and controlling data, reduces data risk, drives efficiency and establishes a trusted source of reliable data
- New data means new portals of usage, which ultimately call for organisations to either communicate or provide training on technological solutions, i.e., data analytics and management systems, for data users – namely employees.
- Organisation needs to examine completeness, validity, consistency, timeliness, and accuracy of enterprise data as it moves from source to reporting. Data quality issues should be addressed with well-defined control points

[145] EY. (2022, June). ESG Data Operating Model Key Design Considerations (Playbook).

2.3.2.2. Technology enablement for Data management

There are various aspects of the ESG data management framework where technology can play a crucial role in leveraging important attributes of outputs. It is clear that technology should be considered holistically in the entire reporting cycle, from preparation, distribution to consumption.

Data management systems

According to the organisation unique value prospects, there are various systems that can be of use in the integration of non-financial and financial information, thereby improving traceability, accessibility, and efficiency of data usage. For example, the Metadata Management system focuses on Data lineage and Visualization that facilitate organisation knowledge sharing and efficient reporting.

AI techniques

On the way to decentralize data processing and enhance single-point decision-making, Machine Learning, transparent AI and NLP algorithms can flag material issues, co-occurring information or emerging risks and opportunities across vast volumes of data.

Apart from these prominent recommendations, there are many more industry-specific technological solutions *that can be employed to support organisations in ESG performance and ESG reporting, as suggested below by the European Reporting Lab (EFRAG).*

Figure 26: Technological solutions contribution to qualitative characteristics of useful sustainability reporting information[146]

Technological solutions	Technological solutions contribution to information attributes							
Blockchain	Faithful representation	Comparability	Materiality/ relevance					
Satellite imagery	Faithful representation	Verifiability/ reliability	Materiality/ relevance					
Structured data (XBRL)	Faithful representation	Comparability	Connectivity	Understand-ability				
ESAP	Verifiability/ reliability	Timeliness	Stakeholder inclusiveness	Comparability				
Multimedia	Faithful representation	Timeliness	Stakeholder inclusiveness	Connectivity	Understand-ability			
Data management	Faithful representation	Verifiability/ reliability	Timeliness	Materiality/ relevance	Coherence			
AI	Faithful representation	Comparability	Verifiability/ reliability	Connectivity	Timeliness	Stakeholder inclusiveness	Materiality/ relevance	Coherence

2.4. Monitoring

2.4.1. Internal assurance

Internal audit function considers full range of business risks, including ESG-related risks, which are re-assessed regularly and in a timely manner, and after major incidents. Internal audit team possesses comprehensive ESG skills and experience; internal or external subject matter specialists are involved for selected audits.

2.4.2. External Assurance

Organisation should also consider external assurance requirements including:

[146] EFRAG. (2021, October). Towards Sustainable Businesses: Good Practices in Business Model, Risks and Opportunities Reporting in the EU.

- External assurance provided by an external service provider with global ESG knowledge and experience
- Assurance given on all ESG KPIs and all disclosures to a reasonable assurance level
- External verification based on accepted accounting methodologies (i.e., ISAE 3000) and protocols (i.e., ISO 14065); internal control processes are aligned with external verification standards.

1. Step-by-step guide to a sustainability report

Below is a step-by-step guide to prepare a sustainability report, incorporating recommendations by the Integrated Reporting Framework[147].

Figure 27: Step-by-step guide to prepare a sustainability report

1. Set up resources for ESG reporting
2. Develop transition plan
3. Identify reporting contents
4. Assess information system and controls
5. Consolidate an ESG report
6. Plan for improvement

1.1 Set up resources for ESG reporting

The commitment to sustainability reporting and performance should be led by senior management and endorsed by the Board. The entire organisation should be informed that sustainability will be on the Board's agenda and that everyone's involvement is essential.

It is then crucial to establish a dedicated team for sustainability reporting with clear roles and responsibilities and delegation of authorities for practical implementation, including content preparation, quality checks, continuous improvement and progress updates. Since sustainability reporting draws on multiple functions across the organisation, the sustainability team should engage representatives from all functions in the process.

The organisation should also build a repository of sustainability information over time to act as a knowledge sharing tool. In addition, all version history of the information should be stored for future references, particularly for the use of restatement of sustainability information.

1.2 Develop transition plan

Based on organisation's chosen ESG reporting approach (either develop a separate report or incorporate in an existing report), a transition plan should be developed to include relevant activities, responsibilities, timelines and deliverables.

[147] Value Reporting Contents Foundation, Integrated Reporting Framework (2021, September)/ Transition to integrated reporting, A guide to getting started. Retrieved from: https://www.integratedreporting.org/wp-content/uploads/2022/08/Transition-to-integrated-reporting_A-Getting-Started-Guide.pdf

The organisation may conduct a sustainability reporting gap assessment to determine what changes needs to current reporting practice, based on the list of common practice reporting contents stated in *Section 3 A sustainability report structure*. Existing information should be assessed for reliability and completeness.

Based on the assessment, the organisation can map the relevant sustainability information with the data sources and the respective teams in charge. Where information has not been reported, root causes should be investigated. If the information has not been collected before, the sustainability team will collaborate cross-function to establish a data collection system.

1.3 Identify reporting contents

The organisation can firstly outline broad reporting topics of interest based on the list of common practice reporting contents stated in *section 3 A sustainability report structure*.

They will then have to select detailed reporting topics that are most important to the organisation and their stakeholders. To identify their material issues, organisations can use various methods, including stakeholder engagement, benchmarking, or risk analysis. Refer to *Part 2 - section 2.1.2 ESG Materiality Assessment* for guidance on conducting materiality assessment. By reporting on their material issues, organisations can demonstrate how they create value for themselves and their stakeholders.

Once the reporting contents have been decided, the team will need to determine how the information is best conveyed to users of report. Quantitative and qualitative information will be used in conjunction with visualisation tools such as charts and infographics to optimise effectiveness. While quantitative information offers a view on trends, a clear and coherent narrative can draw out valuable insights from these data.

Throughout the sustainability reporting process, feedback from stakeholders should always be captured and applied where relevant to make sure the reporting is going in the right direction. Refer to *Part 2 - section 2.2.3 Stakeholder Engagement* for further details.

1.4 Assess information system and controls

It is the responsibility of the core sustainability team to obtain data from existing systems and establish new data collection procedures where needed. They will also actively conduct quality check on data sources including the integrity of data systems to ensure the accuracy and reliability of information. Controls relating to the processing, reporting and review processes of data should also be audited on a regular basis to ensure robustness. During the process, any opportunities for improvement will be identified and implemented if feasible.

The organisation can engage third party assurance for the verification process. Assurance scope can vary from assurance of systems, procedures and controls, including key responsibilities and activities to performance data verification and recalculation. Having an independent party will contribute to building trust in relationships with stakeholders and strengthen the organisation's commitment to continuous improvement in sustainability reporting.

1.5 Consolidate a sustainability report

The process for compiling information into a report is linked to the organisation's year-round management reporting, hence a large amount of preparatory work can occur before year end. Once the material sustainability performance data is ready to be input into the report, they have gone through review and approval rounds as per the assigned delegation of authorities, and revised as needed to ensure applicability and accuracy. As the quantitative information is updated, narratives and supplementary charts will also be updated accordingly to reflect the revised content.

It is important that the information is laid out in different reporting formats that satisfy different stakeholders' requirements. For example, it can be useful for investors to access both the financial and non-financial information in an integrated report, to have a whole picture of the business operations.

1.6 Plan for improvement

To improve the process and the quality of the reports over time, the organisation should set up a feedback mechanism. This means that both the core sustainability team and other functions should record any issues that arise during or after the reporting process, learn from the issues and find the best solutions. At minimum, feedback should be collected for two aspects: information bottlenecks which slow down other parts of the process and key dependencies which affect lead time and the order of activities.

Time and effort spent by business functions for collecting and verifying sustainability data should be quantified and compared with expectations to identify any inefficiencies in the process. This is also a way of acknowledging the functional teams' contributions and ownership to sustainability reporting and formalising these tasks as part of business-as-usual activities that count towards one's performance.

2. Guiding principles for reporting

We recommend the following principles based on guidance from international organisations including GRI, ISSB, IIRC and FESE.

2.1 Principles for defining report content

Strategic and long-term focus

The tone at the top must be set for an organisation’s guiding principles on sustainability strategy, which will flow down the organisation through a cultural change. The sustainability report should provide explanation of the organisation’s strategy and the linkage to its business model, risks, opportunities, operational indicators and financial performance. This acts as a channel to communicate to stakeholders how the organisation will create value over time, how it responds to the expectations of stakeholders, and how it adapts to evolving changes in the market. Equally important, this is also an opportunity for the organisation to disclose potential destruction of value, should the ESG risks be underestimated or mitigating actions are inadequate.

Connectivity of information

This principle requires that all components of the sustainability report: materiality assessment, strategy, governance, risks and opportunities and metrics and targets are presented as a coherent, credible and comprehensive story that demonstrates their interrelation and interdependence. This principle can be applied in several ways:

1. Analysis of past-to-present performance is used as basis for assessing the plausibility of present-to-future period reporting.
2. ESG implications for financial decisions and performance, for example: cost reduction for new business opportunities of energy efficiency.
3. Use of KPIs as part of a narrative explanation to connect quantitative and qualitative information.

4. Link between financial information and sustainability information.
5. Consistency in management information, board information and externally reported information.

Stakeholder inclusiveness

A sustainability report should provide insights into the extent of stakeholder engagement in sustainability matters. Particularly in case where stewardship and the corporate social responsibility are not bound by legal requirements, the organisation may still accept these responsibilities to fulfill stakeholder expectations. This demonstrates the organisation's attempt to build trust and resilience in the relationship with stakeholders, through showing their understanding of how stakeholders perceive value, as well as the organisation's responses to the stakeholder needs.

Materiality and relevance

Sustainability information is relevant when it influences users' choices based on materiality approach. Materiality of sustainability topics should be determined based on the significance and importance of impacts and extent of influence to the stakeholders' ability to access and make decisions. The reported information is expected to reflect the relative priority of material topics based on importance to the organisation and stakeholders.

Completeness

The reported information should be complete from 03 perspective: coverage of material topics, topic boundary and time. Firstly, the list of reported topics should reflect the organisation's significant sustainability matters. Secondly, for each reported material topic, impacts on the organisation and the organisation's involvement relating to these impacts should be disclosed, either through direct activities or indirect impact from activities with third parties. Thirdly, all reported information should be complete for the reporting period specified in the report.

2.2 Principles for defining report quality

Accuracy and precision

The reported information should be sufficiently accurate and precise to enable stakeholders to assess the organisation's performance.

Different levels of accuracy should be assigned depending on the criticality of the information to stakeholders' decision making. For qualitative information, the accuracy level is dependent on the degree of clarity and detail of disclosure. For quantitative information, this depends on techniques used to collect, calculate and analyse information. The use of estimates should be disclosed and explained.

Balance

The reported information should demonstrate an unbiased representation of the organisation by including both positive and negative performance data, in accordance with their materiality. For example, the organisation can disclose any challenges faced during the year, in addition to any achievements made. The report should clearly state whether the reported information is fact or the organisation's interpretation of them, to enable stakeholders to better make their own assessment.

Clarity

The reported information should be understandable, accessible and useful to users and particularly stakeholders who have a reasonable understanding of the business operations. This could be achieved using:

- Data visualisation tools including graphs and consolidated data tables.
- Clear writing style, avoiding technical terms, acronyms, jargon that can be unfamiliar to stakeholders.
- Clear table of contents, maps, links and references throughout the report.
- Different available formats that are user-friendly for those with accessibility needs or language barriers.

Comparability

The reported information should allow stakeholders to benchmark performance and assess progress both internally and externally. The methodology used for data calculations, format of the data and underlying assumptions should be consistent over time to allow year-on-year comparability. Where data was not collected in the previous period and cannot be calculated retrospectively, the organisation should disclose this. Commentaries should be provided to explain endogenous and exogeneous factors that can contribute to the changes in performance. The selected indicators should also enable comparison with industry standards and other peers in the industry with minimal context required.

Reliability

It is recommended that the organisation establishes procedures and internal controls in place to collect, consolidate, calculate and analyse reported information. The organisation should be able to provide evidence to support assumptions, input data and calculations, and even perform recalculations if needed.

Third-party assurance can be used to ensure information reliability to a certain scope and extent. In addition, the ‘‘Introduction and guiding principles to ESG reporting’’ from the Federation of European Securities Exchanges (FESE) recommends the application of verified science-based targets to support the credibility of organisational goals and their roadmap to achieve these.

Timeliness

The timeliness of reported information directly impacts the usefulness of information to stakeholders. Sustainability reporting should follow the same timeline and reporting period as financial reporting, or at an assigned point in time consistently. Any restatements of previous disclosures should also be published in a timely manner.

3. A sustainability report structure

To assist in the development of a sustainability report, this section is structured around 8 content elements that should be included in a sustainability report – See Figure 28 below.

Figure 28: Sustainability report structure

01	02	03	04
STATEMENT OF COMPLIANCE WITH REPORTING FRAMEWORKS AND STANDARDS	BOUNDARY OF REPORTING	MATERIALITY ASSESSMENT	GOVERNANCE

05	06	07	08
STRATEGY	RISK MANAGEMENT	METRICS AND TARGETS	BASIS OF REPORTING

Each sub-section relates to one of the 8 elements and includes a description of recommended key components to cover in its disclosures. In particular, regarding the 4 core elements including Strategy, Governance, Risk management and Metrics and targets, the guidance (in tabular format) will be structured into 3 parts:

- General requirements for disclosure of sustainability-related information.
- Additional consideration of climate-related requirements for disclosure.
- Regulatory requirements for disclosure of sustainability-related information in Vietnam.

The content of an organisation's sustainability report should be adapted to meet individual requirements of the organisation. Judgement needs to be exercised in applying the Guiding Principles to determine what information is reported, as well as how it is reported.

Information in a sustainability report should be presented in a way that makes the connections between the Content Elements apparent.

3.1 Statement of compliance with internationally recognised reporting frameworks and standards

3.1.1 Statement of compliance

3.1.1.1 Objective of disclosure content

The objective of Statement of Compliance disclosure content is to inform about whether, and to what extent, the principles and requirements of a Standard or Framework have been applied.

3.1.1.2 Disclosure content

The organisation should make a declaration at the start of its sustainability report that it has prepared the report in accordance with the requirements of selected frameworks or standards. The statement should be clear and concise and indicate the reporting period covered by the report. The organisation may also state whether a third-party assurance process has been used to verify this statement.

The organisation should also state any deviation from the reporting requirements, and reason for such deviations.

Non-compliant organisations can make a statement of intention to comply with a standard or framework in a target year in the future, and a brief description of to-date progress and roadmap to achieve this.

Good practice reporting should include a section which shows alignment with each framework and standard, particularly for organisations that follow multiple reporting frameworks and standards. The section should outline the framework and standard requirements in a coherent manner in the form of an index, and where information can be found for each requirement.

3.1.2 Assurance

3.1.2.1 Objective of disclosure content

The objective of Assurance disclosure content is to inform about whether, and to what extent, information reported in conformance with the selected standard or framework has been assured by a third party.

3.1.2.2 Disclosure content

If assurance has been provided over whether reported sustainability information is in conformance with the principles and requirements of the selected standard or Framework, this should be included or cross-referenced in the statement of compliance.

Organisation should engage with assurance providers to agree an appropriate assurance approach. Where an assurance opinion is provided for sustainability information, organisation should specify the information within scope of the assurance activities and include or cross-refer to the assurance report in the statement of compliance.

3.2 Boundary of reporting

3.2.1 Objective of Disclosure Content

The objective of this Disclosure Requirement is to provide an understanding of the organisational boundary set for preparation of the sustainability statements, including the covered scope of consolidation and the value chain information.

3.2.2 Disclosure Content

The organisation needs to define which entities and activities are included or excluded in their reporting. The basis on which the organisational reporting boundary has been determined should also be described, as well as any limitations or assumptions that may impact the reporting boundary.

There are three main methods to determine the scope and boundary:

Table 12: Methods to determine the scope and boundary of sustainability reporting

Financial control	Operational control	Materiality assessment
The reporting entity's boundary for sustainability-related financial disclosures is the same for its financial reporting.	The reporting entity's boundary is based on the entity's operational activities. This is determined on the basis of control over the	The reporting entity's boundary is based on the relative impact and importance of environmental, social, and governance (ESG) matters

Financial control	Operational control	Materiality assessment
This is determined on the basis of control over financial decision and risks. This method allows for consistency across the business reporting.	implementation of policies, processes, and practices for such activities. This method reflects the most accurate accountability of the entity for its impacts and sustainability performance relating to its operations.	for the entity and its stakeholders. Materiality assessment is used to identify and prioritise the ESG issues that are material to the entity's performance, strategy, and value creation, and the expectations of its stakeholders.

There are practical limitations in obtaining information from entities or activities that are outside the financial control and operational control boundary, such as associates, joint ventures, or unconsolidated subsidiaries. Any limitations should be fully disclosed in the boundary of reporting commentaries. In particular, the ISSB standard allows flexibility for organisations to report on such entities or activities, depending on the availability and reliability of data, the significance of impacts, and the expectations of stakeholders.

The organisation should disclose any changes in reporting boundary from previous reporting period and reason for change, particularly to account for the improvement in the availability and reliability of data.

3.3 Materiality assessment

3.3.1 Objective of Disclosure Content

The objective of this Disclosure Requirement is to provide an understanding of how the organisation determines what matters to include in the sustainability report and how such matters are quantified or evaluated through the materiality determination process.

3.3.2 Disclosure Content

Disclosures on materiality assessment should include:

a. A list of material sustainability-related matters.

b. A descriptive process of coming up with this list (identifying, prioritising and shortlisting matters), including stakeholders' engagement i.e., who is held responsible, accountable, consulted, or informed on the process.

c. A description of processes in place to manage these matters.

3.4 Governance

3.4.1 Objective of disclosure content

The objective of Governance disclosure requirements is to provide an understanding of the governance processes, controls and procedures the organisation uses to monitor, manage and oversee sustainability matters.

In particular, the Governance disclosure should provide transparency on sustainability-related commitments the organisation has defined and how it intends to realise and deliver them. This should include a discussion of how both the board and management will address sustainability-related matters in the form of a board-approved charter and governing policies, the roles, responsibilities and decision-making mechanisms.

3.4.2 Disclosure content

3.4.2.1 General requirements for disclosure of sustainability-related information

In reference to international frameworks and standards including TCFD, ISSB, CDP, WEF, SASB, ESRS, and ratings including MSCI, the organisation should disclose the following of topics.

Table 13: Governance – General requirements for disclosure of sustainability-related information

#	Disclosure Content General Requirements
1	Board Oversight

	The organisation should disclose information about the governance body(s) (which can include a board, committee or equivalent body charged with governance) or individual(s) responsible for oversight of sustainability-related risks and opportunities. Specifically:
	• Governance roles and responsibilities, structure, and composition for sustainability-related matters that are reflected in the terms of reference, mandates, role descriptions and other related policies applicable to that body(s) or individual(s):
	  ◦ Composition and diversity: classification of members between executive and non-executive; representation of employees and other workers; experience relevant to the sectors, products and geographic locations; percentage by gender and other aspects of diversity; percentage of independent board members;
	  ◦ Roles and responsibilities: Description of the entity or individual primarily responsible for managing sustainability matters and corresponding roles and responsibilities at the board level;
	  ◦ Quality and Expertise of governance body or access to experts or training to ensure the availability of the appropriate skills and expertise to oversee sustainability matters;
	  ◦ Sustainability-specific structures/committees in place (if any)
	• Board or Board committees' oversight of sustainability-related matters:
	  ◦ Processes and frequency by which the board and/or board committees are informed of sustainability-related issues
	  ◦ How sustainability-related matters are considered when overseeing the organisation's strategy, decisions on major transactions and risk management processes and related policies;
	  ◦ Oversight mechanism of target setting and progress monitoring related to sustainability-related matters.
	• Others (if not included above):
	  ◦ Business ethics: Description of policies relating to business ethics and processes to address ethical challenges.
	  ◦ Conflicts of interest: Disclosure of any conflicts of interest and process in place to address conflicts of interest.
	  ◦ Competitive behaviour: Description of policies and initiatives relating to competitive behaviour.

#	Disclosure Content General Requirements
2	Management's role in the governance processes, controls and procedures used to monitor, manage and oversee sustainability-related matters
	• The organisation should disclose information about the management's role in the governance processes, controls and procedures used to monitor, manage and oversee sustainability-related matters, including information about: • Delegation of roles and authorities to a specific management-level position or management-level committee • How oversight is exercised over that position or committee including reporting lines and any control and procedures applied for oversight of sustainability-related matters, and how these engage with other internal functions.
3	Integration of sustainability-related performance in incentive schemes
	Description of sustainability-related remuneration policies and incentive schemes, and proportion of remuneration linked to sustainability targets.

3.4.2.2 Additional consideration of climate-related requirements for disclosure

Climate-related matters are part of sustainability-related matters and as climate-related matters are deemed relevant as part of the organisation's material sustainability matters, organisations need to apply the general requirements disclosure contents listed in section *3.4.2.1* to these climate-related matters. In addition, the organisation should also consider following recommendations on climate-related disclosure content on governance – based on TCFD and ISSB (IFRS S2 guide).

Table 14: Governance – Additional consideration of climate-related requirements for disclosure

#	Disclosure Content Climate-related Requirements
1	Board Oversight of climate-related matters
	• Governance roles and responsibilities, structure, and composition relating to climate change: • Clear description of the entity or individual who has primary responsibility for managing climate risks at the board level • Clear description of the roles and responsibilities of the board in defining the enterprise commitments with respect to climate impacts • Experience of board members on climate change • Specific board committees overseeing climate risks and membership and cadence of meetings • Climate-specific structures/committees in place (if any) and related decision-making processes.
2	Management's role in the governance processes, controls and procedures used to monitor, manage and oversee climate-related matters
	• Description of management's organizational and reporting structure on climate-related matters, including: • Specific ESG functions or committees and climate-specific functions, relevant committees, or designated individual responsible for management of climate-related risks;

#	Disclosure Content Climate-related Requirements
	• A description of the ESG or climate-specific committee's structure and whether these committees report to the board or a committee of the board; • A description of the interaction across the businesses, finance, risk management and ESG-specific functions.
3	Integration of climate-related performance in incentive schemes
	The organisation should provide details of the incentive structure linked to climate initiatives and a description of the criteria for the incentive compensation, including the connection to specific metrics.

3.5 Strategy

3.5.1 Objective of disclosure content

The objective of Strategy disclosure requirements is to provide transparency on: (i) how the organisation's sustainability matters, business models, and value chains interlinks with their strategy in order to provide an understanding of the organisation's exposure to impacts, risks and opportunities and where they originate.; (ii) how stakeholder inputs shape the organisation's strategy and business models; and (iii) the results of the organisation's assessment of material sustainability risks, and opportunities, and the impacts on their strategy and business models.

Importantly, strategy disclosures should also address how responses to sustainability matters are integrated within the strategy of the organisation, as well as how they are incorporated as part of financial planning and analysis.

3.5.2 Disclosure content

3.5.2.1 General requirements for disclosure of sustainability-related information

In reference to international frameworks and standards including TCFD, ISSB and ESRS, the organisation should disclose the following of topics.

Table 15: Strategy – General requirements for disclosure of sustainability-related information

#	Disclosure Content General Requirements
1	Market position, strategy, business model(s) and value chain
	The organisation should disclose following information on its business model and strategy that relate to or affect sustainability matters: • Market position: significant groups of products and/or services offered, markets and/or customer groups served, headcount of employees by geographical areas; revenue breakdown and significant sectors; • Its sustainability-related goals in terms of groups of products and services, customer categories, geographical areas and relationships with stakeholders and an assessment of its current market positions in relation to its goals; • Intended direction of the elements of the organisation's strategy that relate to or impact sustainability matters, including the main challenges ahead, critical solutions or projects to be put in place, when relevant for sustainability reporting; • Description of Business model and value chain: Inputs, Business activities, Outputs, Outcomes, including a description of the main business actors (such as

#	Disclosure Content General Requirements
	key suppliers, customers distribution channels and end-users) and their relationship to the organisation.
2	Interests and views of stakeholders
	The organisation should disclose how the interests and views of its stakeholders are taken into account by the organisation's strategy and business model(s). The organisation should provide summarised description of: • Key features and findings of stakeholder engagement that were used in formulating its strategy and resource allocation plans; • The state of key stakeholder relationships and how the organisation has responded to key stakeholders' legitimate needs and interests through amendments in its strategy and/or business model(s), including any further plans.
3	Material impacts, risks and opportunities and their interaction with strategy and business model(s)

	• Description of material sustainability-related risks and opportunities over short-, medium- and long-term horizon, and their link to planning horizon in strategy development
	For each sustainability-related risk and opportunity that could reasonably be expected to affect the organisation's prospects, the organisation should outline the following information including but not limited to:
	  ◦ Sources
	  ◦ Potential impacts
	  ◦ Likelihood
	  ◦ Time horizon: short, medium and long term. These terms should be clearly defined and also link to the planning horizons in strategy development
	Where applicable, the organisation should disclose how scenario analysis is used to inform of relevant sustainability-related risks.
	• Effects on business model and value chain
	The organisation should provide a description of the current and anticipated effects of sustainability-related risks and opportunities on the business model and value chain, and a description of where in the business model and value chain the sustainability-related risks and opportunities are concentrated, for example by geographical areas, facilities or asset types.
	• Effects on strategy and decision making
	The organisation should disclose:
	  ◦ how it responds and plans to respond to sustainability-related risks and opportunities in its strategy and decision-making, including specific activities designed to mitigate or adapt to the current and emerging sustainability-related risks.
	  ◦ the progress against plans the entity has disclosed in previous reporting periods, including quantitative and qualitative information;
	  ◦ trade-offs between sustainability-related risks and opportunities that the entity considered.
	• Effects on Financial position, financial performance and cash flow
	The organisation should disclose quantitative and qualitative information about:
	  ◦ Current financial effects of sustainability-related risks and opportunities on the organisation's financial position, financial performance and cash flows for the reporting period;

#	Disclosure Content General Requirements

	• Anticipated financial effects of sustainability-related risks and opportunities on the organisation's financial position, financial performance and cash flows over the short, medium and long term, taking into consideration how sustainability-related risks and opportunities are included in the organisation's financial planning (including investment and disposal plans and planned sources of funding to implement its strategy).
	• Resilience of the strategy to sustainability-related risks
	  • The organisation should disclose information about the resilience of its strategy and business model(s) regarding the capacity to adjust to the uncertainties arising from sustainability-related risks and to take advantage of its material opportunities.
	  • The undertaking should disclose a qualitative and, when applicable, a quantitative analysis of the resilience, including how the analysis was conducted and the applied time horizons.

3.5.2.2 Additional consideration of climate-related requirements for disclosure

Climate-related matters are part of sustainability-related matters and as climate-related matters are deemed relevant as part of the organisation's material sustainability matters, organisations need to apply the general requirements disclosure contents listed in section 3.5.2.1, to these climate-related matters. In addition, the organisation should also consider following recommendations on disclosure content – based on TCFD and ISSB (IFRS S2 guide):

Table 16: Strategy – Additional consideration of climate-related requirements for disclosure

#	Disclosure Content Climate-related Requirements
3	Material climate-related impacts, risks and opportunities and their interaction with strategy and business model(s)

	• Effects of material climate-related impacts, risks and opportunities on strategy and decision making
	Organisation should disclose key information from its transition plans to fulfil its commitment on GHG emission reduction (if any) and/or respond to material climate-related impacts, risks and opportunities, transitioning to a low-carbon economy. Particularly, disclosure content on the transition plan should include:
	  • current GHG emissions performance;
	  • impact on businesses, strategy, and financial planning from a low-carbon transition;
	  • actions and activities to support transition, including GHG emissions reduction targets – with target dates, scope and coverage, and planned changes to businesses and strategy.
	  • assumptions, uncertainties, and key methodologies associated with the transition plans
	  • progress in executing the plans on an annual basis.
	• Description of material climate-related risks and opportunities over short-, medium- and long-term horizon, and their link to planning horizon in strategy development
	The organisation may categorise climate-related risks into physical or transition risks according to TCFD typology and NGFS guidance:

#	Disclosure Content Climate-related Requirements
	• Physical risk refers to the damage caused by environmental events such as floods, storms, droughts, heat waves, and wildfires; • Transition risk refers to impacts caused by changes in policy, technology, and consumer behaviour to reduce carbon emissions and mitigate climate change. • Resilience of the strategy to climate-related risks The organisation should describe the resilience of its strategy and business model(s) in relation to climate change, including: • (a) the scope of the resilience analysis; • (b) how the resilience analysis has been conducted, including the use of climate scenario analysis (Refer to Part 2 – Section 2.2.2 Risk management for more details on Scenario analysis) • (c) the results of the resilience analysis including the results from the use of scenario analysis. The organisation may start with qualitative scenario narratives and transition to quantitative analysis. It is good practice to review at least two different scenarios with sensitivity analysis for comparison. The scenario analysis may then be used to assess and improve resilience in the business strategy.

3.6 Risk management

3.6.1 Objective of disclosure content

The objective of Risk Management disclosure requirements is to provide information on how the organisation identifies, assesses, prioritises and monitors sustainability-related risks and opportunities and how these fits in the enterprise risk management system.

3.6.2 Disclosure content

3.6.2.1 General requirements for disclosure of sustainability-related information

Based on international frameworks and standards including TCFD, ISSB, CDP, ESRS and IIRC, the organisation should disclose the following of topics.

Table 17 Risk Management – General requirements for disclosure of sustainability-related information

#	General Risk Management Disclosure Topics
1	Description of processes and related policies the organisation uses to identify, assess and prioritise sustainability-related risks and opportunities
	The organisation should disclose following information: • a description of the methodologies, assumptions and proprietary tools applied in the sustainability-related risks and opportunities identification, assessment and prioritization processes, including the mechanism to update and validate tools and methodology; • an overview of the process(es) to identify, assess and prioritise the organisation's potential and actual impacts on people and the environment, including scope of operations covered, process steps, frequency of assessment, time horizons considered, roles and responsibilities and consultation with affected stakeholders and experts; • an overview of the process(es) used to identify, assess and prioritise sustainability-related risks and opportunities that have or may have financial effects. The disclosure should also include:

#	General Risk Management Disclosure Topics
	• how associated likelihood and effects are assessed (such as the qualitative factors, quantitative thresholds and other criteria used); • how the organisation prioritises sustainability-related risks relative to other types of risks, including its use of risk-assessment tools.
2	Description of the extent to which, and how, the processes for managing sustainability-related risks and opportunities are integrated into the organisation's overall risk management process

	The organisation should disclose following information:
	• how the process(es) to identify, assess and manage sustainability-related risks are integrated into the enterprise's risk management framework and used to evaluate overall risk profile and risk management processes, which should include:
	  ◦ How sustainability risks are considered in enterprise risk management processes;
	  ◦ How sustainability indicators are integrated into projects and business decisions;
	  ◦ Description of related internal control procedures.
	• how the process(es) to identify, assess and manage sustainability-related opportunities is/are integrated into the undertaking's overall management process (where applicable);
	• whether the process(es) has/have changed compared to the prior reporting period, when the process(es) was/were modified for the last time and future revision dates of the materiality assessment.
	• policies and actions adopted to address material impacts and/or risks and/or to pursue material opportunities (including description of key contents, scope, the most senior level accountable, time horizon, key actions and progress (if applicable). If no policies or actions are identified, a reason for this should be provided.

3.6.2.2 Additional consideration of climate-related requirements for disclosure

Climate-related risks are part of sustainability-related risks and as climate-related risks are deemed relevant as part of the organisation's material sustainability matters, organisations need to apply the general requirements disclosure contents listed in section 3.6.2.1 to these climate-related risks. The risk management disclosures should address how the enterprise identifies, measures, monitors, manages and reports climate-related risks. They provide important insight to how the climate-related risks are integrated within the firmwide risk management framework. In addition, the organisation should also consider following recommendations on disclosure content – based on CDP, TCFD and ISSB (IFRS S2 guide).

Table 18: Risk Management – Additional consideration of climate-related requirements for disclosure

#	Disclosure Content Climate-related Requirements
2	Description of the extent to which, and how, the processes for managing climate-related risks and opportunities are integrated into the organisation's overall risk management process
	The organisation should consider disclosure of: • whether and how its policies address the following areas: climate change mitigation, climate change adaptation; energy efficiency; renewable energy deployment; and other.

#	Disclosure Content Climate-related Requirements
	• actions and resources related to climate change mitigation and adaptation

3.7 Metrics and targets

3.7.1 Objective of disclosure content

The objective of sustainability-related financial disclosures on metrics and targets is to provide an understanding of the organisation's performance in relation to how the organisation tracks effectiveness of its action to manage and address material sustainability matters, including progress towards any targets the organisation has set, and any targets it is required to meet by law or regulation.

Together with narrative disclosures under the governance, strategy and risk management core elements, metrics and targets disclosures will help to form comprehensive and decision-useful view of both qualitative and quantitative information. These metrics and targets can also facilitate consistency and comparability, especially between sectors.

3.7.2 Disclosure content

3.7.2.1 General requirements for disclosure of sustainability-related information

The organisation should disclose a description of the targets and metrics to measure and monitor its performance on material sustainability-related matters. This should be published along with a comparison with previous periods and targets set out for the period in scope.

Table 19: Metrics and Targets – General requirements for disclosure of sustainability-related information

#	Disclosure Content General Requirements
1	Metrics in relation to material sustainability matters

	• The organisation should disclose any metrics that it uses to evaluate performance and effectiveness, in relation to a material impact, risk or opportunity, explaining their significance, their implications.
	• Metrics should include:
	  • Metrics defined in the organisation's selected reporting standard;
	  • Metrics identified on an entity-specific basis, whether taken from other sources or developed by the organisation itself.
	• For each metric, the organisation should:
	  • disclose whether the measurement of a metric is validated by an external body other than the assurance provider and, if so, which body;
	  • label metrics using meaningful, clear and precise names and descriptions;
	  • when currency is specified as the unit of measure, use the presentation currency of its financial statements;
	  • for metrics developed by the organisation, disclose how the metric is defined, the method used to calculate the metric and the inputs to the calculation, including the limitations of the method used and the significant assumptions made.

2	Targets to track effectiveness of policies and actions
	The organisation should disclose any measurable, outcome-oriented targets it has set to assess progress towards achieving its strategic goals, and any targets it is required to meet by law or regulation. For each target, the disclosure should include following information:

#	Disclosure Content General Requirements
	• Disclose whether the target is absolute or intensity-based, the relevant time frame over which the target applies and the base year from which progress is measured • the specific quantitative or qualitative target the organisation has set or is required to meet; • the methodologies and significant assumptions used to define targets, including where applicable, the selected scenario, data sources, alignment with national or international policy goals and how the targets consider the wider context of sustainable development and/or local situation in which impacts take place; • performance against each target and an analysis of trends or changes in the organisation's performance.

GENERAL METRICS AND TARGETS DISCLOSURE TOPICS

Depending on materiality assessment for individual organisation, the following disclosure topics may be included:

Table 20: Common metrics and targets disclosure recommendations

ESG topics	#	Common Environmental, Social and Governance Disclosure Topics
Environmental	1	Air quality Addressing the management of air quality impacts resulting from stationary and mobile sources as well as industrial emissions. The category does not include GHG emissions, which are addressed in a separate category.
	2	Water and wastewater management Addressing a company's water use, water consumption, wastewater generation, and other impacts of operations on water resources, which may be influenced by regional differences in the availability and quality of and competition for water resources.
	3	Biodiversity and ecological impacts Addressing management of the company's impacts on ecosystems and biodiversity through activities including, but not limited to, land use for exploration, natural resource extraction, and cultivation, as well as project development, construction, and siting. The impacts include, but are not limited to, biodiversity loss, habitat destruction, and deforestation at all stages – planning, land acquisition, permitting, development, operations, and site remediation. The category does not cover impacts of climate change on ecosystems and biodiversity.
	4	Waste and hazardous materials management Addressing a company's management of solid wastes in manufacturing, agriculture, and other industrial processes. The category does not cover emissions to air or wastewater nor does it cover waste from end-of-life of products.
	5	GHG Emissions Addressing the direct (Scope 1) greenhouse gas (GHG) emissions that a company generates through its operations. The category further includes management of regulatory risks, environmental compliance, and reputational risks and opportunities, as they related to direct GHG emission
	6	Energy management Addressing the company's management of energy in manufacturing and/or for provision of products and services derived from utility providers (grid energy) out owned or controlled by the company.
	7	Climate adaptation, resilience, and transition Climate adaptation, resilience, and transition refer to how an organization adjusts to current and anticipated climate change-related risks, as well as how it contributes to the ability of societies and economies to withstand impacts from climate change.
	8	Materials sourcing & efficiency Addressing issues related to the resilience of materails supply chains to impacts of climate change and other external environmental and social factors.
Social	1	Human rights and community relations

ESG topics	#	Common Environmental, Social and Governance Disclosure Topics
		Addressing the management of the relationship between businesses and the communities in which they operate, including, but not limted to, management of direct and indirect impacts on core human rights and the treatment of indigenous people.
	2	Customer privacy Addressing the management of risks related to the use of personally identifiable information (PII) and other customer or user data for secondary purposes including but not limited to marketing through affiliates and non-affiliates.
	3	Data security Addressing the management of risks related to collection, retention, and use of sensitive, confidential, and/or proprietary customer or user data.
	4	Access and affordability Addressing a company's ability to ensure broad access to its products and services, specifically in the context of underserved markets and/or population groups.
	5	Product quality and safety Addressing issues involving unintended characteristics of products sold or services provided that may create health or safety risks to end-users. It addresses a company's ability to offer manufactured products and/or services that meet customer expectations with respect to their health and safety characteristics.
	6	Customer welfare Addressing customer welfare concerns over issues including, but not limited to, health and nutrition of foods and beverages, antibiotic use in animal production, and management of controlled substances. Addressing the company's ability to provide consumers with manufactured products and services that are aligned with societal expectations.
	7	Selling practices and product labelling Addressing the social issues that may arise from a failure to manage the transparency, accuracy, and comprehensibility of marketing statements, advertising, and labeling of products and services.
	8	Labor practices Addressing the company's ability to uphold commonly accepted labor standards in the workplace, including compliance with labor laws and internationally accepted norms and standards. This includes, but is not limited to, ensuring basic human rights related to child labor, forced or bonded labor, exploitative labor, fair wages and overtime pay, and other basic workers' rights. It also includes minimum wage policies and provision of benefits, which may influence how a workforce is attracted, retained, and motivated. The category further addresses a company's relationship with organized labor and freedom of association.
	9	Employee health and safety Addressing a company's ability to create and maintain a safety and healthy workplace environment that is free of injuries, fatalities, and illness (both chronic and acute).
	10	Employee engagement, diversity and inclusion

ESG topics	#	Common Environmental, Social and Governance Disclosure Topics
		Addressing a company's ability to ensure that its culture and hiring and promotion practices embrace the building of a diverse and inclusive workforce that reflects the makeup of local talents pools and its customer base.
Governance	1	Product design & Lifecycle Management Addressing the incorporation of environmental, social, and gorvernance (ESG) considerdations in characteristics of products and services provided or sold by the company.
	2	Business Model Resilience Addressing an industry's capacity to manage risks and opportunities associated with incorporating social, environmental, and political transitions into long-term business model planning.
	3	Supply chain management Addressing the management of environmental, social, and governance (ESG) risks within a company's supply chain.
	4	Physical impacts of climate change Addressing the company's ability to manage risks and opportunities associated with direct exposure to its owned or controlled assests and operations to actual or potential physical impacts of climate change.
	5	Business ethics Addressing the company's approach to managing risks and opportunties surrounding ethical conduct of business, including fraud, corruption, bribery and facilitation payments, fiduciary responsibilities, and other behavior that may have an ethical component.
	6	Competitive behavior Covering issues associated with existence of monopolies, which may include, but are not limted to, excessive prices, poor quality of service, and inefficiencies.
	7	Management of the Legal and Regulatory Environment Addresing a company's approach to engaging with regulators in cases where conflicting corporate and public interests may have the potential for long-term adverse direct or indirect environmental and social impacts.
	8	Critical incident risk management Addressing the company's use of management systems and scenario planning to identify, understand, and prevent or minize the occurrence of low-probability, high-imact accidents and emergencies with significant potential environmental and social externailities.
	9	Systemic risk management Addressing the company's contributions to or management of systemic risks resulting from large-scale weakening or collapse of systems upon which the economy and society depend.

See Appendix A for example metrics.

3.7.2.2 Additional consideration of climate-related requirements for disclosure

In relation to climate-related matters that deemed relevant as part of the organisation's material sustainability matters, in addition to general requirements disclosure contents listed in *section 3.7.2.1*, the organisation should also consider following recommendations – based on CDP, TCFD and ISSB (IFRS S2 guide).

Table 21: Metrics and Targets – Additional consideration of climate-related requirements for disclosure

#	Disclosure Content Climate-related Requirements
1	Metrics in relation to material climate-related matters
	The organisation should disclose relevant metric categories of: • greenhouse gases: Disclose Scope 1, Scope 2, and, if appropriate, Scope 3 greenhouse gas (GHG) emissions; • climate-related transition risks and physical risks: the amount and percentage of assets or business activities vulnerable to climate-related transition risks and physical risks. This should include metrics to measure climate-related risks associated with water, energy, land use and waste management. • climate-related opportunities: the amount and percentage of assets or business activities aligned with climate-related opportunities; • capital deployment: the amount of capital expenditure, financing or investment deployed towards climate-related risks and opportunities; • internal carbon prices: an explanation of whether and how the entity is applying a carbon price in decision-making (for example, investment decisions, transfer pricing and scenario analysis); and the price for each metric tonne of greenhouse gas emissions the entity uses to assess the costs of its greenhouse gas emissions; • remuneration: Proportion of executive management remuneration linked to climate considerations
2	Targets for climate-related risks and opportunities
	• Targets should feature the following areas relating to climate-change: GHG emissions, water usage and energy usage. It can also cover other goals, including environmental financial goals, financial loss tolerance, avoided GHG emissions throughout entire product life cycle, and net revenue goals from products designed for a lower-carbon economy; • Explicit links between management renumeration and specific targets.

3.8 Basis of reporting

3.8.1 Objective of disclosure content

The purpose of basis of reporting is to present the approach and methodology that the organisation uses for sustainability data collection and data calculations, as well as the internal controls around the data inputs and outputs.

3.8.2 Disclosure content

The organisation should disclose:

- A description of the assumptions that underlie the reported information, including methods and techniques used to measure or estimate the sustainability metrics;
- A description of the sources of data and methods used to prepare the reported information, and an assessment of the reliability, comparability and consistency of the data;

- Description of uncertainties and limitations associated with the calculations, such as data gaps, measurement errors, estimation biases;
- Explanation of changes in the assumptions in calculations from previous reporting periods, and the effects of such changes.

See Appendix for the basis of reporting for example metrics.

4. Simplified Disclosure guidance for SMEs

This section aims to provide SMEs (as the data preparers) with a simple set of disclosures to track and report.

The disclosure topics included in this section are applicable across all industries, with different levels of importance and priority. Every organisation is encouraged to determine the materiality of these disclosures relevant to itself following the approach detailed in *Part 4: Simplified ESG Guidance for SMEs - Section 2.1.2. Error! Reference source not found.* above.

Environment	Social	Governance
GHG emission	Labour practices	Governance
Energy management	Employee health and safety	Strategy
Water and wastewater management	Employee engagement, diversity and inclusion	Risk management
Waste management	Affected communities	ESG Action Plan
Biodiversity and ecological impacts	Consumers and End-users	
Materials Sourcing & Efficiency		

ENVIRONMENTAL DISCLOSURES

Topic	Disclosure	Reference
GHG emission	Direct (Scope 1) GHG emissions	GRI 305-1 Direct (Scope 1) GHG emissions https://globalreporting.org/pdf.ashx?id=12510&page=9
	Energy indirect (Scope 2) GHG emissions	GRI 305-2 Energy indirect (Scope 2) GHG emissions https://globalreporting.org/pdf.ashx?id=12510&page=9
	Other indirect (Scope 3) GHG emissions	GRI 305-3 Other indirect (Scope 3) GHG emissions https://globalreporting.org/pdf.ashx?id=12510&page=9
Energy management	Energy consumption within the organization: a. Total fuel consumption within the organization from non-renewable sources, in joules or multiples, and including fuel types used. b. Total fuel consumption within the organization from renewable sources, in joules or multiples, and including fuel types used. c. In joules, watt-hours or multiples, the total: i. electricity consumption	GRI 302-1 Energy consumption within the organization https://www.globalreporting.org/pdf.ashx?id=12467&page=8

Topic	Disclosure	Reference
	ii. heating consumption iii. cooling consumption iv. steam consumption d. In joules, watt-hours or multiples, the total: i. electricity sold ii. heating sold iii. cooling sold iv. steam sold e. Total energy consumption within the organization, in joules or multiples.	
	a. Amount of reductions in energy consumption achieved as a direct result of conservation and efficiency initiatives, in joules or multiples. b. Types of energy included in the reductions; whether fuel, electricity, heating, cooling, steam, or all.	GRI 302-4 Reduction of energy consumption https://www.globalreporting.org/pdf.ashx?id=12467&page=8
Water and wastewater management	Water withdrawal Total water withdrawal from all areas in megaliters, and a breakdown of this total by the following sources, if applicable: i. Surface water; ii. Groundwater; iii. Seawater; iv. Produced water; v. Third-party water.	GRI 303-3 Water withdrawal https://www.globalreporting.org/pdf.ashx?id=12488
	Water discharge a. Total water discharge to all areas in megaliters, and a breakdown of this total by the following types of destination, if applicable: i. Surface water; ii. Groundwater; iii. Seawater; iv. Third-party water, and v. the volume of this total sent for use to other organizations, if applicable. b. A breakdown of total water discharge to all areas in megaliters by the following categories: i. Freshwater (≤1,000 mg/L Total Dissolved Solids); ii. Other water (>1,000 mg/L Total Dissolved Solids). c. Priority substances of concern for which discharges are treated, including: i. how priority substances of concern were defined, and any international standard, authoritative list, or criteria used; ii. the approach for setting discharge limits for priority substances of concern; iii. number of incidents of non-compliance with discharge limits.	GRI 303-4 Water discharge https://www.globalreporting.org/pdf.ashx?id=12488
Waste management	Total weight of waste generated in metric tons	GRI 306-3 Waste generated

Topic	Disclosure	Reference
		https://www.globalreporting.org/pdf.ashx?id=12521
	Total weight of waste diverted from disposal in metric tons	GRI 306-4 Waste diverted from disposal https://www.globalreporting.org/pdf.ashx?id=12521
	Total weight of waste directed to disposal in metric tons	GRI 306-5 Waste directed to disposal https://www.globalreporting.org/pdf.ashx?id=12521
Biodiversity and ecological impacts	a. Nature of significant direct and indirect impacts on biodiversity with reference to one or more of the following: i. Construction or use of manufacturing plants, mines, and transport infrastructure; Pollution (introduction of substances that do not naturally occur in the habitat from point and non-point sources); ii. Introduction of invasive species, pests, and pathogens; iii. Reduction of species; iv. Habitat conversion; v. Changes in ecological processes outside the natural range of variation (such as salinity or changes in groundwater level) b. Significant direct and indirect positive and negative impacts with reference to the following: i. Species affected; ii. Extent of areas impacted; iii. Duration of impacts; iv. Reversibility or irreversibility of the impacts.	GRI 304-2 Significant impacts of activities, products and services on biodiversity https://www.globalreporting.org/pdf.ashx?id=12499
Materials Sourcing & Efficiency	Total weight or volume of materials that are used to produce and package the organization’s primary products and services during the reporting period, by: i. non-renewable materials used; ii. renewable materials used	GRI 301-1 Materials used by weight or volume https://www.globalreporting.org/pdf.ashx?id=12456&page=1
	Percentage of recycled input materials used to manufacture the organization's primary products and services.	GRI 301-2 Recycled input materials used https://www.globalreporting.org/pdf.ashx?id=12456&page=1

SOCIAL DISCLOSURES

Topic	Disclosure	Reference
Labour practices	Average hours of training that the organization's employees have undertaken during the reporting period, by: i. gender; ii. employee category.	GRI 404-1 Average hours of training per year per employee https://www.globalreporting.org/pdf.ashx?id=12576&page=7
	Operations and suppliers considered to have significant risk for incidents of forced or compulsory labor either in terms of: i. type of operation (such as manufacturing plant) and supplier; ii. countries or geographic areas with operations and suppliers considered at risk.	GRI 409-1 Operations and suppliers at significant risk for incidents of forced or compulsory labor https://www.globalreporting.org/pdf.ashx?id=12633&page=7
	Operations and suppliers considered to have significant risk for incidents of: i. child labor; ii. young workers exposed to hazardous work.	GRI 408-1 Operations and suppliers at significant risk for incidents of child labor https://www.globalreporting.org/pdf.ashx?id=12622&page=7
Employee health and safety	i. The number and rate of fatalities as a result of work-related injury; ii. The number and rate of recordable work-related injuries;	GRI 403: Occupational Health and Safety2018 https://www.globalreporting.org/pdf.ashx?id=12565&page=21
Employee engagement, diversity and inclusion	Percentage of individuals within the organization's governance bodies in each of the following diversity categories: i. Gender; ii. Age group: under 30 years old, 30-50 years old, over 50 years old; iii. Other indicators of diversity where relevant (such as minority or vulnerable groups).	GRI 405-1 Diversity of governance bodies and employees https://www.globalreporting.org/pdf.ashx?id=12587&page=9
	Percentage of employees per employee category in each of the following diversity categories: i. Gender; ii. Age group: under 30 years old, 30-50 years old, over 50 years old; iii. Other indicators of diversity where relevant (such as minority or vulnerable groups).	GRI 405-1 Diversity of governance bodies and employees https://www.globalreporting.org/pdf.ashx?id=12587&page=9
Affected communities	Local community development programs based on local communities' needs	GRI 413-1 Operations with local community engagement, impact assessments, and development programs https://www.globalreporting.org/pdf.ashx?id=12666

Topic	Disclosure	Reference
Consumers and End-users	Total number of substantiated complaints received concerning breaches of customer privacy, categorized by: i. complaints received from outside parties and substantiated by the organization; ii. complaints from regulatory bodies.	GRI 418-1 Substantiated complaints concerning breaches of customer privacy and losses of customer data https://www.globalreporting.org/pdf.ashx?id=12721
	Total number of identified leaks, thefts, or losses of customer data.	GRI 418-1 Substantiated complaints concerning breaches of customer privacy and losses of customer data https://www.globalreporting.org/pdf.ashx?id=12721
	Total number of incidents of non-compliance with regulations and/or voluntary codes concerning the health and safety impacts of products and services within the reporting period, by: i. incidents of non-compliance with regulations resulting in a fine or penalty; ii. incidents of non-compliance with regulations resulting in a warning; iii. incidents of non-compliance with voluntary codes. iv. If the organization has not identified any non-compliance with regulations and/or voluntary codes, a brief statement of this fact is sufficient.	GRI 416-2 Incidents of non-compliance concerning the health and safety impacts of products and services https://www.globalreporting.org/pdf.ashx?id=12699&page=1

GOVERNANCE DISCLOSURES

Topic	Disclosure
Governance	• Governance structure • Board credentials and experience and/or individual biographies • List of ESG or climate-risk policies
Strategy, Business model and Value chain	• Organisation's main objectives including sustainability objectives (environment, society and community) • Organisation's strategy in the medium and long term • Description of Business model and value chain: Inputs, Business activities, Outputs, Outcomes, including a description of the main business actors (such as key suppliers, customers distribution channels and end-users) and their relationship to the organisation • Description of how sustainable practices are reflected in products and services, customer categories, geographical areas and relationships with stakeholders.
Risk management	• List of material ESG or climate-related risk and opportunities • Policies and actions adopted to address the listed material impacts and/or risks and/or to pursue material opportunities
ESG Action Plan	Description of plan and programmes occurring or planned in the organisation that support sustainable practices:

Topic	Disclosure
	• Current performance on ESG issues, particularly climate-related issues, e.g., current GHG emission; • impact on businesses, strategy, and financial planning from a ESG transition; • actions, activities and initiatives to support transition, including GHG emissions reduction targets – with target dates, scope and coverage, and planned changes to businesses and strategy. • progress in executing the plans on an annual basis.

PART 6: APPENDICES

Appendix A: ESG standards and frameworks

No	ESG standards and frameworks	Reference
1	GRI Standards)	GRI - Standards
2	IIRC - Integrated Reporting Framework	Integrated Reporting Framework | Integrated Reporting
3	European Sustainability Reporting Standards – ESRS	Double Materiality Guidelines
		ESRS implementation guidance documents | EFRAG
4	ISSB Standards	IFRS - IFRS Sustainability Standards Navigator
5	TCFD	Task Force on Climate-Related Financial Disclosures | TCFD)
6	CDP	Guidance & questionnaires - CDP
7	WEF	Embracing the New Age of Materiality: Harnessing the Pace of Change in ESG | World Economic Forum
8	SASB	IFRS - SASB Standards
9	UN SDGs	THE 17 GOALS | Sustainable Development

Appendix B: Vietnam's sustainability strategy and action plan

Strategies and Action Plans with a focus on sustainable development in general and environmental issues in particular were also issued, as detailed below:

- The national strategy on green growth for the period from 2021 to 2030, vision to 2050 (Decision 1658/QD-TTg) and National Action Plan for green growth for the period from 2021 to 2030 (Decision 882/QD- TTg). Green growth is considered an important way to implement sustainable development, directly contributing to reducing greenhouse gas emissions towards a long-term carbon neutral economy. Goals, tasks and solutions for green growth include many aspects of sustainable development and are concretized into 18 topics in the National Action Plan, including general topics on policy and institutional development, improving the effectiveness and efficiency of state management; communication, education and raising awareness; human resource development; mobilising financial resources and promoting investment, etc. and specific topics for sectors such as energy, industry, transportation, construction, etc. Based on the National Strategy and Action Plan, a number of sectors have developed sectoral action plans such as: banking, agriculture and rural development.
- National environmental protection strategy to 2030, vision to 2050 (Decision 450/QD-TTg) specifies goals, tasks, and solutions in the field of environmental protection including environmental pollution issues, biodiversity conservation, resource use and exploitation, climate change adaptation and greenhouse gas emissions reduction.

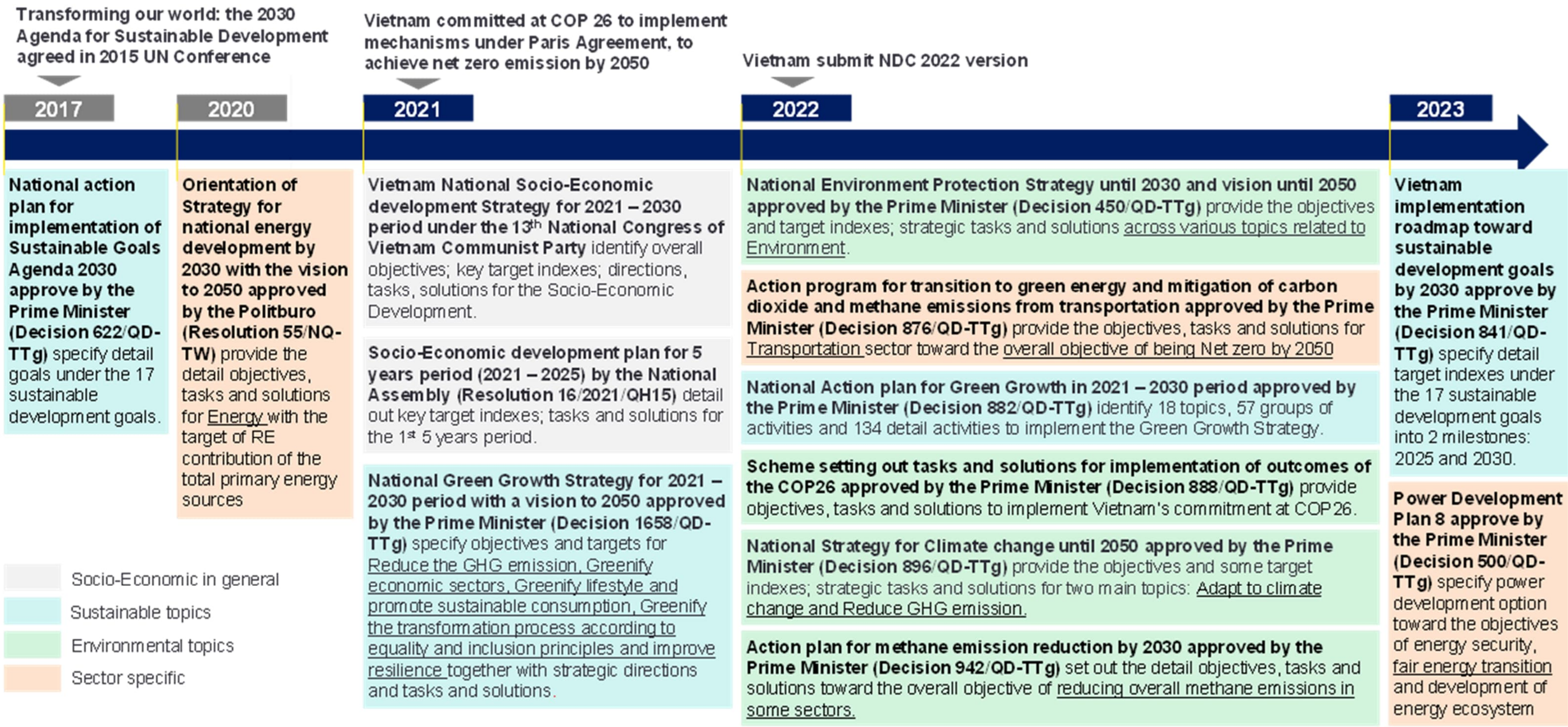
Specially, regarding *climate change issues*, after Vietnam committed to implementing the mechanisms in the Paris Agreement and achieving net zero emissions by 2050, the Prime Minister issued many decisions approving projects, strategies, and action plans such as:

- Project on tasks and solutions to implement COP26 (Decision 888/QD-TTg).
- National strategy on climate change for the period up to 2050 (Decision 896/QD-TTg) clarifies goals and tasks for two main topics: adaptation to climate change and greenhouse gas (GHG) emission reduction.
- The action plan to reduce methane emissions (Decision 942/QD-TTg).

Some goals and targets on responding to climate change by 2030 among documents related to climate change are summarized as follows:

- Forest coverage rate is stable at: 42 - 43%
- Proportion of renewable energy sources in total primary energy supply: 15 - 20%
- Proportion of greenhouse gas emission reduction compared to the business-as-usual development scenario: 43.5%
    - Percentage of facilities with annual greenhouse gas emissions of equivalent to or more than 2,000 tons of CO_2 that develop and implement plans to reduce greenhouse gas emissions: 100%
    - The intensity of greenhouse gas emissions per GDP decreased by at least 15% compared to 2014.

Figure 29: Summary of Vietnam's guiding documents, strategies and action plans related to sustainable development topics



Appendix C: Several Vietnam's regulations related to sustainability

Phase	Requirements of environmental protection[148], energy use[149]
Investment	Depending on each project classification, investors are required to perform the following activities: • Carry out preliminary environmental impact assessment, and environmental impact assessment, which includes consultation with residential communities, individuals that directly affected by the project, related agencies and organisations • Implement construction investments and environmental protection measures according to the regulations on construction and environmental protection • Develop management and monitoring plans, plans to prevent and respond to environmental incidents • Obtain environmental license
Operating	Depending on project, production, business and service activities, enterprises are required or encouraged to implement the following activities: *Building foundations and resources* • Organise and arrange personnel with expertise in environmental protection • Develop and promulgate regulations and rules on environmental protection (may include an environmental management system according to national standard TCVN ISO 14001 or international standard ISO 14001) • Implement Energy management model including: announcing objectives and policies on economical and efficient energy use, having energy networks and person to manage, organizing periodical training for employees on economical and efficient energy use. *Protecting environment during production and business processes* • Collect, reuse, and treat wastewater • Collect and treat exhaust gases • Manage and organize the implementation of necessary activities related to waste from: generation - reduction - classification - collection - storage - transfer - transportation - reuse - recycling - treatment , waste digestion according to specific regulations for each type of waste and in each specific field, including research and application of resource and energy saving solutions; using raw materials, fuel, environmentally friendly materials, renewable energy; Applying technology, cleaner production programs, environmental controls and other measures to minimize waste generation • Implement energy labelling for tools and equipment using energy launching on the market • Organise recycling of products and packaging or make financial contributions to the Vietnam Environmental Protection Fund • Make financial contributions to the Vietnam Environmental Protection Fund – applied for organisations and individuals that produce, import products and bags that contain toxic substances, are difficult to recycle or to collect and process *Research and improve environmental protection, energy use* • Research and apply the best technical solutions in preventing and controlling pollution, minimising negative impacts on the environment • Implement measures to minimise noise, vibration, light, dust, heat radiation, exhaust gas, wastewater and treat pollution on site • Implement energy audit, formulate, implement and report an annual and five-year plans on economical and efficient energy use *Inspect and monitor environmental protection* • Carry out environmental, wastewater, dust, and emissions monitoring • Inspect and supervise environmental protection for production, business and service activities

148 Law on Environmental Protection no. 55/2014/QH13. Retrieved from: Luật bảo vệ môi trường 2014 số 55/2014/QH13 (thuvienphapluat.vn)
149 Law on Economical and Efficient Use of Energy No. 50/2010/QH12. Retrieved from: Luật sử dụng năng lượng tiết kiệm và hiệu quả 2010 số 50/2010/QH12 áp dụng 2024 (thuvienphapluat.vn)

Phase	Requirements of environmental protection[148], energy use[149]
	• Carry out environmental audits *Responding to climate change* • Organise and implement greenhouse gas inventory, build and maintain a greenhouse gas emissions database system • Develop and implement plan to reduce greenhouse gas emissions *Implement reports on environmental protection and response to climate change* (refer to *Part 3 – section 3 A sustainability report structure* for more details on information and reports of businesses)

Detailed issues on Climate change in Law on Environmental Protection 2020 and Circular 06/2022

GHG-emitting facilities that must carry out GHG inventory

i. facilities with annual GHG emissions of 3,000 tonnes of CO2 equivalent or more or in one of the following cases:

a. Thermal power plants, industrial production facilities with total annual energy consumption of 1,000 tonnes of oil equivalent (TOE) or more;

b. Cargo transport companies with total annual fuel consumption of 1,000 TOE or more;

c. Commercial buildings with total energy consumption of 1,000 TOE or more;

d. Solid waste handling facilities with annual operating capacity of 65,000 tonnes or more.

The list of facilities subject to GHG emission inventory was established on 2022, and will be reviewed every 2 years, including 21 sectors in 6 industries with 2,166 facilities *(Decision no. 13/2024/QD-TTg).*

The roadmap to GHG emissions mitigation for facilities subject to GHG emission inventory: Implementing GHG emissions inventory, formulating and carrying out the GHG emissions mitigation plans according to the quotas; exchanging and trading GHG emissions quotas and carbon credits on the Carbon Trade Exchange (CTX) in the period from 2026 to 2030.

The roadmap to implement domestic carbon market consists of 2 phases, and the official deployment time is set in 2028.

GHG emissions inventory methodology is implemented per Intergovernmental Panel on Climate Change (ICCP) guidance on GHG emissions inventory. The Vietnamese government has published the list of emission factors serving GHG inventory development *(Decision no. 2626/QĐ-BTNMT)* in 2022 and detailed guidance for the sector of Waste management (Circular no. 17/2022/TT-BTNMT). In Dec 2023, Ministry of Industry And Trade of Vietnam promulgated Circular No. 38/2023/TT-BCT on methods for measurement, report and verification of reduction in greenhouse gas (GHG) emissions and GHG inventory development in industry and trade sector.

Appendix D: Main Regulations Related to Social Aspects

	Topic/Topic group	Relevant regulations	Content summary
1	Labour	Labour Code no. 45/2019/QH14	Regulations on labour standards, rights, obligations and responsibilities of employees, employers, internal representative organisations of employees, representative organisations of employers in labour relations and other relations directly related to labour relations.
1.1	Working relationship (Dialogue and collective bargaining among workers, representatives, and employers)	Labour Code no. 45/2019/QH14	Regulations on establishment of labour relations through dialogue and negotiation on principles of voluntariness, good faith, equality, cooperation, and mutual respect of each other's the lawful rights and interests. Regulations on settings and content of dialogue at work, principles, content, rights, representative and process of collective bargaining. The trade union should cooperate with competent authorities in assisting the development of progressive, harmonious, and stable labour relations; supervising implementation of labour laws; protecting the legitimate rights and interests of employees.
		Law on Trade Union no. 12/2012/QH13	Regulations on employee's rights of establishing, participating in and operating of Trade Unions; function, powers, duties of Trade Unions; rights and obligations of Trade Union members; duties of organisations, departments, enterprises to Trade Unions; ensuring Trade Unions' activities; settlement of disputes and handling of regulatory violation related to Trade Union.
1.2	Working conditions (working hours, maternity protection, occupational health and safety, labor inspection, etc.)	Law on Enterprises no. 59/2020/QH14	Obligations of enterprises to protect lawful rights and interests of employees as prescribed by law; enable employees to improve their vocational skills through training; purchase social insurance, unemployment insurance, health insurance and other insurance for employees as prescribed by law.
		Labour Code no. 45/2019/QH14	Regulations on working hours, rest periods, salary, maternity protection for workers.
		Law on Occupational Safety and Hygiene no. 84/2015/QH13	Regulations on occupational hygiene and safety assurance; policies and benefits for victims of occupational accidents and occupational diseases; rights and obligations of organisations or individuals relating to occupational hygiene and safety and the roles of regulatory agencies in occupational hygiene and safety.
		Law on Social Insurance no. 58/2014/QH13	The rights and responsibilities of employees and employers involved in social insurance.
		Law on Health Insurance no. 25/2008/QH12	The rights and responsibilities of employees and employers involved in health insurance.
1.3	Labour abuse and Modern Slavery	Law on Enterprises no. 59/2020/QH14	Obligations for enterprises not to discriminate against or insult employees; not to mistreat or force employees to work.

	Topic/Topic group	Relevant regulations	Content summary
		Labour Code no. 45/2019/QH14	Actions such as labour discrimination, maltreatment of employees, and forced labour are forbidden.
1.4	Underaged labour	Law on Enterprises no. 59/2020/QH14	Prohibitions against enterprises illegal employment of underage workers.
		Labour Code no. 45/2019/QH14	Regulations and principles of employment of underage workers.
		Children Law no. 102/2016/QH13	Regulations that children have the right to be protected, in any form, from the labour exploitation. Prohibitions against children working when they are under the working age, working overtime or doing arduous, harmful, or dangerous works as regulated by the law. Children are protected from forcing to do jobs or arranging in working places where cause adverse influence on their personality and comprehensive development.
1.5	Vietnamese guest workers	Law on Vietnamese guest workers no. 69/2020/QH14	Regulations on rights, obligations and responsibilities of Vietnamese guest workers, enterprises, service providers, agencies, organisations, and individuals related to Vietnamese working overseas; improving craft, foreign languages and orientation of workers.
1.6	Equality	Labour Code no. 45/2019/QH14	Regulations to ensure gender equality and implementation of measures to promote gender equality in recruitment, job assignment, training, working hours and rest periods, salaries, and other policies. Regulations on employment of persons with disabilities.
		Law on Persons with disabilities no. 51/2010/QH12	Regulations on providing job creation and employment of persons with disabilities.
		Law on Gender equality no. 73/2006/QH11	Principles and measures to promote gender equality in economic and labour aspects.
2	Protection of Consumer's rights	Law on Protection of Consumer's rights 59/2010/QH12[150]	Regulations on the responsibilities of trading organisations or individuals to consumers; resolving disputes between consumers and trading organisations or individuals

[150] Law on Protection of Consumer's rights no. 59/2010/QH12 will be replaced by Law on Protection of Consumer's rights no. 19/2023/QH12. Retrieved from: https://thuvienphapluat.vn/van-ban/Thuong-mai/Law19-2023-QH15-Protection-of-Consumers-Rights-574669.aspx?tab=1

	Topic/Topic group	Relevant regulations	Content summary
		Law on Enterprises no. 59/2020/QH14	Obligations for enterprises to provide products/services with adequate quantity, good quality and on schedule at the prices imposed by competent authorities; to ensure fairness and convenience for customers; to take legal responsibility for the quantity, quality, supply conditions and prices for their products/services.
		Commercial Law no. 36/2005/QH11	Obligations for traders conducting commercial activities to provide consumers with sufficient and truthful information on goods and/or services they trade in or provide and take responsibility for the accuracy of such information; to be responsible for the quality and lawfulness of goods and/or services they trade in or provide.
3	Anti-bribery and corruption	Anti-corruption Law no. 36/2018/QH14	Regulations on implementation of anti-corruption measures in enterprises and non-state organisations, including measures to prevent corruption and inspections against corruption.

Appendix E: Regulation on the Environment-Social-Governance (ESG) Report of the Company according to Circular no. 96/2020/TT-BTC

No.	Topic	Disclosure content
2.	Impact on environment	• Total direct and indirect GHG emission • Measures and initiatives to reduce GHG emission
3.	Management of raw materials	• The total amount of raw materials used for the manufacture and packaging of the products as well as services of the organization during the year • The percentage of materials recycled to produce products and services of the organization
4.	Energy consumption	• Energy consumption - directly and indirectly • Energy savings through initiatives of efficiently using energy • The report on energy saving initiatives (providing products and services to save energy or use renewable energy); report on the results of these initiatives
5.	Water consumption	• Water supply and amount of water used • Percentage and total volume of water recycled and reused
6.	Compliance with the law on environmental protection	• Number of times the company is fined for failing to comply with laws and regulations on environment • The total amount to be fined for failing to comply with laws and regulations on the environment

7.	Policies related to employees	• Number of employees, average wages of workers
		• Labor policies to ensure health, safety and welfare of workers
		• Employee training :
		  ◦ The average number of training hours per year, according to the staff and classified staff
		  ◦ The skills development and continuous learning program to support workers employment and career development

8.	Report on responsibility for local community	The community investments and other community development activities, including financial assistance to community service
9.	Report on green capital market activities under the guidance of the SSC	

Appendix F: Sustainable financial instruments

Table 22: Example types of sustainable financing instruments

NON-EXHAUSTIVE

Type	Sub-type	Description
Grants		Financial support from governments or development institutions that do not need to be paid back. Other instruments by the government may include capital subsidies, consumer grants, rebates, or one-time payments.[151]
Concessional finance		Financing often provided by bilateral or multilateral development banks at a preferential rate, usually to support a country's development goals. Concessional financing can include grants, technical assistance support, or loans at below-market rates.[152]
Blended finance		A combination of concessional financing from donors or third parties with DFIs' financing, and/or commercial financing from other investors, to build private sector markets, contribute to the Sustainable Development Goals (SDGs), and mobilise private capital.[153]
Guarantees		Guarantees allow financiers to improve or mitigate the risk profile of the investment, by transferring specific risks to the guarantor.[154,155] Guarantees can include full or partial risk or credit guarantees, guaranteed letters of credit, or policy-based guarantee.
Debt[156]	Green loans/ bonds	Funds from lenders (for loans) or investors (for bonds) are committed to environmental or climate projects, such as projects in renewable energy.

[151] Asian Development Bank. (2021, July 30). Financing clean energy in developing Asia-volume 1. Retrieved from https://dx.doi.org/10.22617/TCS210206-2 – pg. 62

[152] World Bank Group. (2021, September 27). Climate Explainer: Concessional Finance. World Bank. Retrieved from: https://www.worldbank.org/en/news/feature/2021/09/16/what-you-need-to-know-about-concessional-finance-for-climate-action#:~:text=Concessional%20finance%20is%20an%20efficient,collective%20climate%20and%20development%20objectives.

[153] Asian Development Bank. (2017, October 31). DFI working group on blended concessional finance for Private Sector Projects: Summary Report. Retrieved from: https://www.adb.org/documents/blended-concessional-finance-private-sector-projects – pg. 3

[154] Asian Development Bank. (2023, August 16). Guarantees. Retrieved from ADB: https://www.adb.org/what-we-do/private-sector-financing/guarantees

[155] World Bank. (n.d.). Guarantees program. Retrieved from World Bank: https://www.worldbank.org/en/programs/guarantees-program

[156] EY analysis

Type	Sub-type	Description
	Social loans/ bonds	Funds from lenders (for loans) or investors (for bonds) are committed to social impact projects, such as training people with disabilities for employment, constructing affordable basic infrastructure or housing.
	Blue bonds	Funds from investors are committed to marine or water projects, such as to fund sustainable fishing practices.
	Transition loans/bonds	Funds from lenders (for loans) or investors (for bonds) are committed to climate transition-related projects, such as co-generation plants or carbon capture storage.
	Sustainability loans/bonds	Funds from lenders (for loans) or investors (for bonds) are committed to social and green impact projects (e.g., energy efficient, low-cost housing).
	Sustainability-linked loans/bonds	Any type of loan/bond instrument for which the financial and/or structural characteristics can vary depending on whether the issuer achieves predefined sustainability/ESG objectives.[157]
	Gender loans/bonds	Funds from lenders (for loans) or investors (for bonds) are committed to specific gender criteria or initiatives designed to improve gender performance.
	Other	Other sustainable financing products include: • Green sukuk - Shari'ah compliant funds that are committed to environmental or climate projects • Pandemic bonds - Specialised bonds to provide financial support during the pandemic
Equity		Equity represents the stakes of shareholders in an organisation.[158] Investors (e.g., investment funds, corporations, private equity (PE) firms, institutional investors, and individuals)[159] provide capital to an organisation to potentially gain returns and dividends. Institutional investors are integrating ESG as part of their due diligence and decision making, both from a risk management and long-term value perspective.[160]

157 ICMA. (2020, June). Sustainability-linked Bond Principles. Retrieved from ICMA: https://www.icmagroup.org/assets/documents/Regulatory/Green-Bonds/June-2020/Sustainability-Linked-Bond-Principles-June-2020-171120.pdf

158 Fernando, J. (2023, March 25). Equity for shareholders: How it works and how to calculate it. Investopedia. Retrieved from Investopedia: https://www.investopedia.com/terms/e/equity.asp

159 Infarmation News. Investors. Retrieved from: Investors | Inframation News

160 EY. (2023). The evolution of ESG investing. Retrieved from EY: https://assets.ey.com/content/dam/ey-sites/ey-com/en_ca/topics/financial-services/pdf/ey-esg-asset-manager-survey-report.pdf - pg. 3

Appendix G: Overview of internationally recognised sustainability reporting standards and frameworks

Table 23: Overview of internationally recognised sustainability reporting standards and frameworks

Standard/ Framework	Purpose	Key components	Primary audience
ISSB	To provide a comprehensive global baseline of sustainability disclosure, which companies must provide along with financial statements	• Disclosure requirements to enable companies to communicate to investors about sustainability-, including climate-, related risks and opportunities. • Builds on investor-focused initiatives such as CDSB, TCFD, IIRC and SASB.	Investor, lenders, and other creditors
EU ESRS	To provide ESG information for investors to understand the investee companies' sustainability impact	• Double materiality (i.e., companies report on their impacts to and by social and environmental issues). • High level of alignment with ISSB and GRI.	Investors, lenders, creditors, and other users (e.g., consumers, civil society organisations)
SASB	To identify sustainability factors that are most likely to have a material impact on a company's financial condition or operating performance[110]	a. A set of industry-based standards to help companies identify sustainability risks, opportunities, and metrics to use in disclosure.	Investors
GRI	To communicate the impact of organisations on material sustainability issues to multiple stakeholders	b. Covers a range of sustainability issues. c. Contains universal and sector-specific standards. d. Can be combined with IIRC, CDP and SASB.	Broad range of stakeholder groups
TCFD	To provide recommendations for companies to disclose information on climate-related risks and opportunities.	Contains 4 recommendations - company's governance, strategy, risk management and metrics & targets.	Investor, insurance underwriters, and lenders
CDP	To provide a system where companies disclose risks and opportunities on climate change, deforestation, and water security[114]	• A questionnaire allowing companies to disclose information in response to an investor and/or customer request. • Aligned with TCFD.	Investors, customers, and other stakeholder groups
IIRC	To communicate factors that materially affect the ability of an organisation to create value over time[117]	• Focuses on the resources and relationships used and affected by an organisation to create, preserve, or erode value over the short- to long-term.	Providers of financial capital
UN SDGs	To call for action to end poverty, protect the planet, and ensure peace and prosperity by 2030 through 17 goals[119]	• Various resources to guide companies to conduct responsible business and investment to implement the SDGs.	Government agencies and policymakers

Appendix H: Case study – Reporting standards and the SDGs

Evidence suggests that climate change is one of the biggest threats to sustainable development, with outsized impacts on marginalised groups (e.g., the poorest communities, women, girls, people of colour).

Climate action and the SDGs can also lead to synergies and co-benefits (e.g., activities with the objective of reducing greenhouse gases may create positive social benefits).[161, 162] Companies that demonstrate these synergies in their business activities can better communicate their social impacts to stakeholders.

Several standards and frameworks (e.g., GRI, SASB, and CDP) acknowledge the interlinkages between companies' business activities and the sustainable development agenda and provide guidance for integrating the SDGs into companies' reporting.[163] Table 24 includes examples of mapping select current sustainability reporting standards against the SDGs, particularly those that endorse gender equality and reduced inequality (SDGs 5 & 10). [164]

NON-EXHAUSTIVE

Table 24: Mapping of select GESI-aligned SDG Targets to GRI & CDP[165]

SDG	Mapping to reporting disclosures
5 GENDER EQUALITY Gender Equality	GRI: Basic salary and remuneration of women to men by employment category; new employees hired by age group, gender, and region; average hours of training undertaken by gender SASB: Employee Recruitment, Inclusion & Performance; Workforce Diversity & Inclusion
10 REDUCED INEQUALITIES Reduced Inequalities	GRI: Integration of gender equality and women's empowerment into business strategy; stakeholder engagement and management of stakeholder concerns related to tax SASB: Labour Practice; Environmental & Social Impacts of Supply Chain; Systemic Risk Management

As of September 2023, the IFRS Standards from the ISSB, which incorporate the SASB standards, <IR> Framework and TCFD recommendations, have not released guidance on mapping to the SDGs.

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161 United Nations (2023). Synergy Solutions for a World in Crisis: Tackling Climate and SDG Action Together. Retrieved from: UN Climate SDG Synergies Report-091223B_1.pdf – pg. 27, 51

162 UKPACT. (2021, April). UK PACT's GESI ambition. Retrieved from: https://f.hubspotusercontent10.net/hubfs/7376512/cp/general/UK%20PACT%20GESI%20Ambition%20Statement.pdf- pg. 6

163 GRI & UNGC. (2022). An Analysis of the Goals and Targets 2022. Retrieved from: info.unglobalcompact.org/l/591891/2022-07-28/4tgdtg/591891/1659023233WdpbKkHR/GRI_UNGC_SDG_Reporting_AnalysisOfGoalsAndTargets_update2022.pdf – pg. 552

164 UKPACT. (2021, April). Guidance on gender equality and social inclusion (GESI). Retrieved from: UK PACT GESI https://f.hubspotusercontent10.net/hubfs/7376512/cp/general/UK%20PACT%20GESI%20Guidance.pdf?hsCtaTracking=2b59d319-333f-4053-a9ab-52492b2353a1%7C023f06ea-5c31-408a-99cd-c43abc2262b – pg. 3

165 GRI & UNGC. (2022). An Analysis of the Goals and Targets 2022. Retrieved from: info.unglobalcompact.org/l/591891/2022-07-28/4tgdtg/591891/1659023233WdpbKkHR/GRI_UNGC_SDG_Reporting_AnalysisOfGoalsAndTargets_update2022.pdf – pg. 104-122, pg. 288-306

Appendix I: General Disclosure Requirements reference to international standards and frameworks

Table 25: Governance – General requirements for disclosure of sustainability-related information

#	Disclosure Content General Requirements	Standard/ framework references	Sustainability rating/ index references
1	Board Oversight		
	Governance roles and responsibilities, structure and composition	GRI, IIRC, ESRS, ISSB	-
	Board (or a committee or an equivalent body)'s oversight of sustainability issues	TCFD, ISSB, CDP, WEF, SASB, ESRS	MSCI
	Quality of governing body	WEF, ISSB	-
	Stakeholder engagement	GRI, WEF	-
	Business ethics	SASB, UN SDGs	MSCI
	Competitive behaviour	SASB, UN SDGs	-
	Conflicts of interest	GRI	-
2	Management's role in the governance processes, controls and procedures used to monitor, manage and oversee sustainability-related matters	GRI, TCFD, ISSB, CDP, WEF, IIRC, ESRS	MSCI
3	Incentive schemes	GRI, CDP, IIRC, ESRS	MSCI

Table 26: Strategy – General requirements for disclosure of sustainability-related information

	Disclosure Content General Requirements	Standard/ framework references
1	Market position, strategy, business model(s) and value chain	ESRS, ISSB
2	Interests and views of stakeholders	ESRS
3	Material impacts, risks and opportunities and their interaction with strategy and business model(s)	
	Description of sustainability-related risks and opportunities over short, medium and long term horizon, and their link to planning horizon in strategy development	TCFD, ISSB, ESRS, CDP, IIRC
	Effects on business model and value chain	TCFD, ISSB, ESRS
	Effects on strategy and decision making	TCFD, ISSB, ESRS
	Effects on financial performance and financial planning	TCFD, ISSB, ESRS
	Resilience of the strategy to sustainability-related risks	TCFD, ISSB

Table 27: Risk Management – General requirements for disclosure of sustainability-related information

#	General Risk Management Disclosure Topics	Standard/ framework references

1	Description of processes and related policies the business uses to identify, assess, prioritise and monitor sustainability-related risks and opportunities	TCFD, ISSB, CDP, ESRS
2	Description of the extent to which the processes for managing sustainability-related risks and opportunities are integrated into the organisation's overall risk management process	TCFD, ISSB

Table 28: Common metrics and targets disclosure recommendations

ESG topics	#	Common environmental and Social Disclosure Topics	Standard/ framework references	Sustainability rating/ index references
Environmental	1	Air quality	GRI, WEF, SASB, ESRS	MSCI, S&P, Moody's, Sustainalytics
	2	Water and wastewater management	GRI, WEF, SASB, ESRS	MSCI, S&P, Moody's, Sustainalytics
	3	Biodiversity and ecological impacts	GRI, WEF, SASB, ESRS	MSCI, S&P, Sustainalytics
	4	Waste and hazardous materials management	GRI, WEF, SASB	MSCI, S&P, Moody's, Sustainalytics
	5	GHG Emissions	GRI, WEF, SASB, ESRS	MSCI, S&P, Moody's, Sustainalytics
	6	Energy management	GRI, SASB, ESRS	MSCI
	7	Climate adaptation, resilience, and transition	GRI, WEF, SASB, ESRS	MSCI, S&P
	8	Materials Sourcing & Efficiency	GRI, SASB	-
Social	1	Human rights and community relations	GRI, WEF, SASB, ESRS	Sustainalytics
	2	Customer privacy	GRI, SASB, ESRS	MSCI, Sustainalytics
	3	Data security	GRI, SASB, ESRS	MSCI, Sustainalytics
	4	Access and affordability	SASB, ESRS	-
	5	Product quality and safety	GRI, SASB, ESRS	MSCI, Sustainalytics
	6	Customer welfare	SASB, ESRS	-
	7	Selling practices and product labelling	GRI, SASB, ESRS	-
	8	Labor practices	GRI, WEF, SASB, ESRS	MSCI, Sustainalytics
	9	Employee health and safety	GRI, WEF, SASB, ESRS	MSCI, Sustainalytics
	10	Employee engagement, diversity, and inclusion	GRI, WEF, SASB, ESRS	MSCI, Sustainalytics
Governance	1	Product Design & Lifecycle Management	SASB, WEF	-
	2	Business Model Resilience	SASB	-
	3	Supply Chain Management	GRI, SASB, ESRS	-
	4	Physical Impacts of Climate Change	SASB	-
	5	Business Ethics	GRI, WEF, SASB, ESRS	MSCI, S&P, Sustainalytics
	6	Competitive Behavior	GRI, SASB	-
	7	Management of the Legal & Regulatory Environment	GRI, SASB, ESRS	MSCI, Moody's
	8	Critical Incident Risk Management	GRI, SASB	-
	9	Systemic Risk Management	SASB, WEF	Moody's

Appendix K: Good reporting practice examples

Organisation	Country of operation	Industry	Box #	Reference title	Section alignment
Milk organisation	Vietnam	Food and beverage	24	Sustainable Development Report 2022	Statement of compliance with internationally recognised reporting frameworks and standards
Petroleum organisation	UK, US, Canada, Australia, China ...	Oil and gas	25	Reporting Centre	Statement of compliance with internationally recognised reporting frameworks and standards
Real estate group	Vietnam	Construction and real estates	26	Sustainable Development Report 2021	Boundary of reporting
Tobacco organisation	Global	Tobacco	27	Sustainability Materiality Report 2021	Materiality assessment
			28	Integrated Report 2021	Materiality assessment
Chemicals organisation	UK, Germany, US, Mexico ...	Chemicals	29, 30	Annual Report and Accounts 2022	Governance
Health and nutrition organisation	US, Australia ...	Health and nutrition	31	Annual Report 2018	Governance
Technology organisation	Global	Technology	32, 33	Integrated Report 2022	Strategy
Bank	France	Banking	34	Climate Disclosure Report 2019	Strategy
			35, 36	Climate Disclosure Report 2021	Risk management
Transportation organisation	Australia	Transportation	37	Sustainability Report 2023	Strategy
Construction and Real estate organisation	Australia	Construction and real estates	38	Annual Report 2023	Strategy
Construction materials company	Sweden, Finland, US	Materials and buildings	39, 40	Annual Report 2017	Metrics and targets
Bank	UK	Banking	41	Basis of Reporting 2022	Basis of reporting

1. Statement of compliance with internationally recognised reporting frameworks and standards

Box 22: A section Sustainable Development Report 2022 of an organisation in Food and Beverage industry that outlines alignment with global reporting standards and independent limited assurance[166]

Industry: Food and beverage

The Report-making principles section clearly states the international and domestic reporting standards used for references when preparing the report.

In addition, there is a separate section explaining the scope of limited assurance.

REPORT-MAKING PRINCIPLES

The report was prepared according to the Global Report Initiative for Sustainable Reporting Standards (GRI Standards) published by the Global Sustainability Standards Board (GSSB) in 2016, reviewed in 2021. This is the international standard and latest version of Sustainable Development Report preparation. In addition, the report also presented several additional published indicators according to GRI Food Processing.

Furthermore, as presented in this report, the strategic objectives and activities in organisation orientation were also linked to the United Nations' 17 Sustainable Development Goals, Dairy Sustainability Framework (DSF) and the United Nations Global Compact (UNGC).

INDEPENDENT LIMITED ASSURANCE FOR SUSTAINABLE DEVELOPMENT REPORT

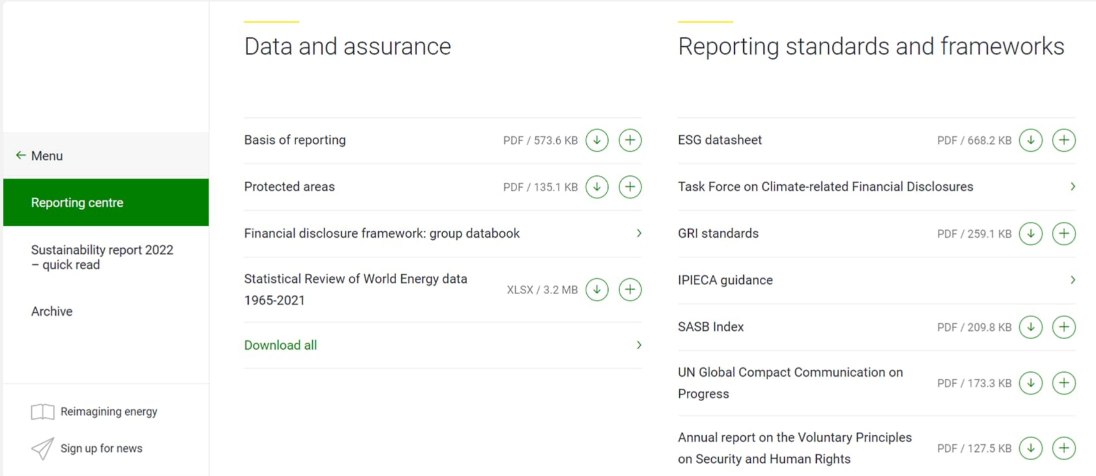
In order to provide accurate and reliable information on the sustainable development performance to stakeholders. The organisation's Sustainable Development Report 2022 continues to be guaranteed by a third – party. The organisation affirmed that no conflict of interest exists in appointing an assurance service provider. The Sustainable Development Indicators are selected according to materiality elements covering the economic, environmental and social fields are as follows:

- Amount of milk purchased from households (ton) - GRI 203-2;
- Percentage (%) of sugar reduced products, percentage (%) of products without added sugar, percentage (%) of fat reduced products, percentage (%) of vitamin and minerals supplement products, percentage (%) of soluble fiber supplement products, percentage (%) of probiotic supplement products, percentage (%) of organic products, percentage (%) of naturally fermented products and percentage (%) of plant-based products in the product structure (GRI Food processing sector) - GRI FP6;
- Amount of GHG emissions (kg CO_2) – GRI 305;
- Amount of energy consumption (MJ) – GRI 302-1;
- Water withdrawal (m^3) by the source – GRI 303-3;
- Water discharge (m^3) by types of destination – GRI 303-4;
- Water consumption (m^3)-GRI 303-5;
- Percentage (%) of recycled and reused water in production
- Total weight of waste (kg) by type GRI 306-3;
- Total weight of waste diverted from disposal (kg) using the recovery operations of preparation for reuse, recycling, and others – GRI 306-4:
- Total weight of waste directed to disposal (kg) using the disposal operations of incineration, landfilling and others – GRI 306-5;
- Total workers covered by an occupational health and safety management system – GRI 403-8;
- Rate of work-related injuries – GRI 403-9; and
- Rate of work-related ill health – GRI 403-10

166 Vinamilk. (2022). Vinamilk Sustainable Development Report 2022. Retrieved from: https://www.vinamilk.com.vn/static/uploads/article/1683632005-a8367043262056cdfbcdd116e02df5302f165403da2790ab1cb6d2c01c017a3e.pdf - pg. 78

Box 23: Specifications of frameworks and standards that an organisation in Oil and Gas industry has aligned with in their reporting and where information on each framework and standard can be found.[167]

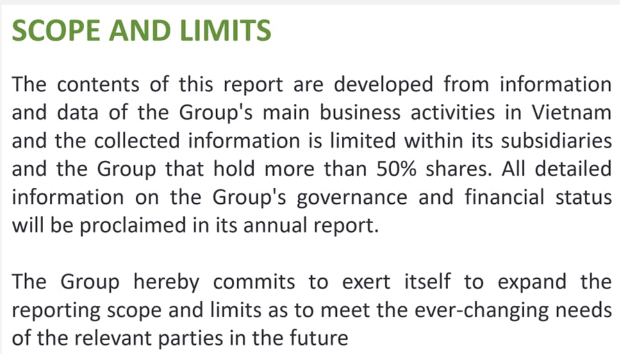
Industry: Oil and gas



2. Boundary of reporting

Box 24: The scope for Sustainable Development reporting in 2021 of the Group in the Construction and Real Estate industry in Vietnam[168]

Industry: Construction and real estates



SCOPE AND LIMITS

The contents of this report are developed from information and data of the Group's main business activities in Vietnam and the collected information is limited within its subsidiaries and the Group that hold more than 50% shares. All detailed information on the Group's governance and financial status will be proclaimed in its annual report.

The Group hereby commits to exert itself to expand the reporting scope and limits as to meet the ever-changing needs of the relevant parties in the future

The Group discloses the use of operational control method to determine its boundary of reporting. This involves reporting from operations over which the organisation or one of its subsidiaries has operational control in its major market, Vietnam.

The Group also commits to expand reporting scope in the future to meet stakeholders' expectations.

3. Materiality assessment

3.1. A descriptive process of coming up with a list of material ESG-related matters

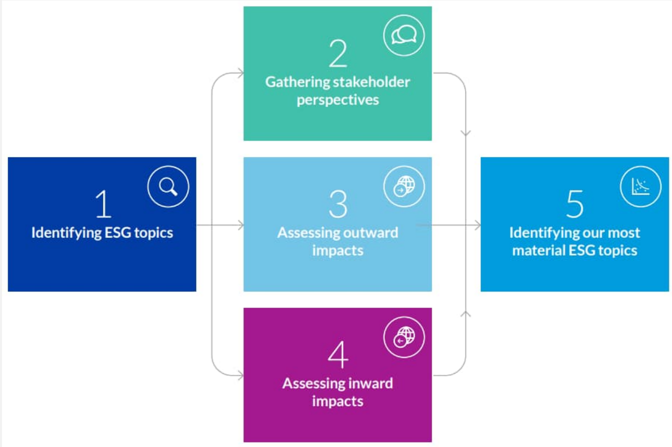
[167] bp. Reporting centre. Retrieved from: [Reporting centre | Sustainability | Home (bp.com)]

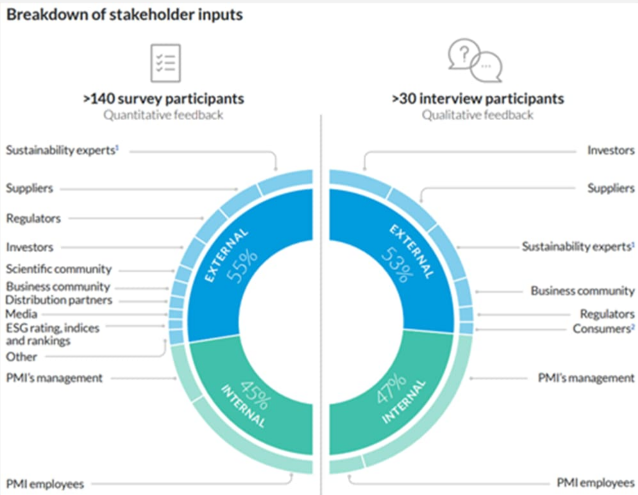
[168] Novaland. (2021). Sustainable Development Report 2021. Retrieved from: [eng_bcptbv2021.pdf (novaland.com.vn)]- pg. 8

Box 25: Key ESG issues in 2021 of a multinational corporation in the Tobacco industry which are identified through materiality assessment[169]

Industry: Tobacco

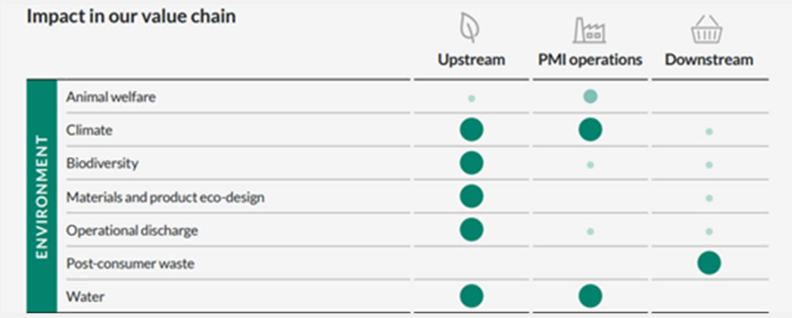
The corporation provides a comprehensive description of each of the five steps in their materiality assessment process. The organisation starts with a long list of ESG topics that is derived from in-house desktop research, and then takes report users along with their journey to reach the list of material topics.



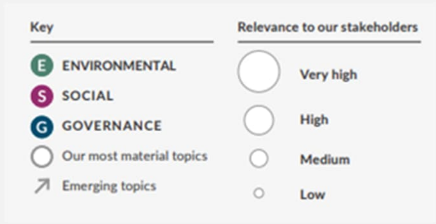


In step 2 – methods for gathering both quantitative and qualitative stakeholder perspectives such as surveys and interviews are outlined. The sentiments and insights are then consolidated into one overall ranking of sustainability topics for comparison.

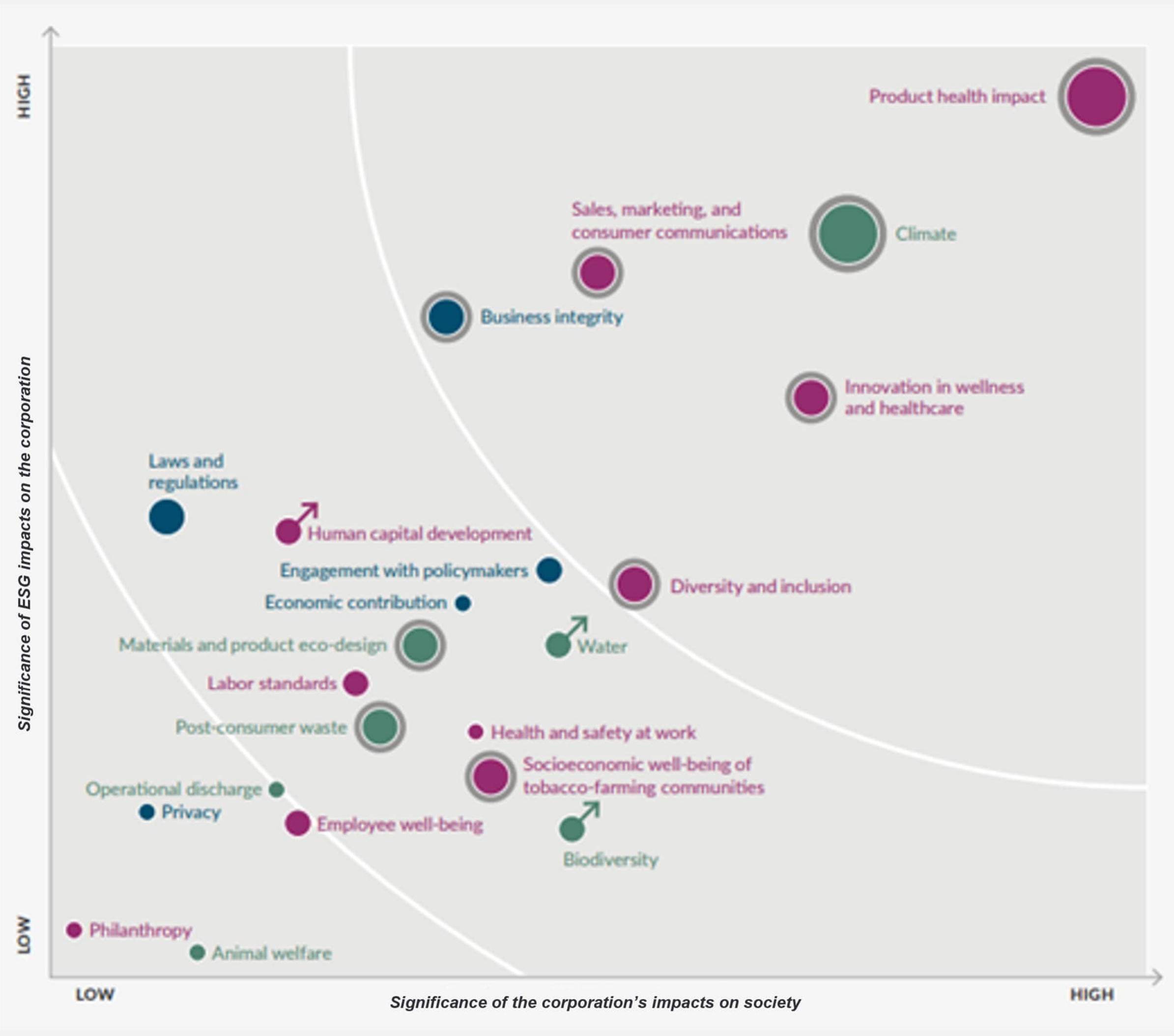
In step 3 and 4, the corporation discloses their analysis to understand the topics on which they can have the greatest impact externally (within the value chain) and internally.



[169]Philip Morris International. (2022, February). 2021 Sustainability Materiality Report. Retrieved from: pmi-2021-sustainability-materiality-report.pdf



Finally, the corporation discloses the use of their sustainability materiality matrix in identifying the most material topics for the reporting year.

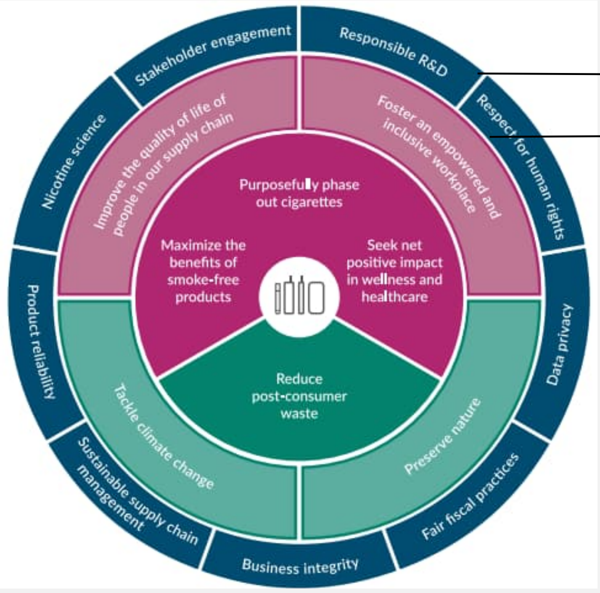


3.2. A description of processes in place to manage material ESG-related matters

Box 26: How a multinational corporation in the Tobacco industry manages the identified material ESG matters in 2021[170]

Industry: Tobacco

Once the corporation has identified the material ESG topics, these will be translated into revisions of the corporate sustainability strategy.



Outer layer: 08 identified material ESG topics

Inner layers: PMI's approach to address the ESG impacts

The organisation also discloses their ambitions and targets in alignment with the revised strategy, used as a tool to track progress and evaluate the effectiveness of their approach to strategy. See below an extract of the goals and metrics for their Product impact.

[170] PMI Integrated Report 2021 (pmidotcom3-prd.s3.amazonaws.com), page 40-49

	Goals	Priority ESG topics and primary SDGs
Purposefully phase out cigarettes	1 Intentionally work toward phasing out cigarettes by ensuring that smoke-free products represent at least 30% of our shipment volumes and more than half of our net revenues by 2025 while continuing to reduce our combustible shipment volume	**Product health impact**
Maximize the benefits of smoke-free products	2 Develop and commercialize science-based smoke-free alternatives, making them available in 100 markets (of which at least half in low- and middle-income markets) and continuing to increase the total number of users	**Product health impact; Sales, marketing, and consumer communications**
	3 Deploy robust youth access prevention programs in indirect retail channels and ensure that sales of our products abide by our Marketing Codes	
Seek net positive impact in wellness and healthcare	4 Leverage scientific and development capabilities to generate at least USD 1 billion in annual net revenues from products in wellness and healthcare	**Innovation in wellness and healthcare**
Reduce post-consumer waste	5 Reduce post-consumer waste and prevent littering by implementing comprehensive programs covering all our consumables	**Materials and product eco-design; Post-consumer waste**
	6 Follow eco-design and circularity principles for all smoke-free electronic devices	

Key performance indicators	2021 performance	2025 aspirations
1 Smoke-free product shipment ratio (smoke-free/total)	12.8%	>30%
2 Smoke-free product adjusted net revenue ratio (smoke-free/total)	29.1%	>50%
3 Number of markets where the corporation smoke-free products are available for sale	71	100
4 Proportion of markets where the corporation smoke-free products are available for sale that are low- and middle- income markets	43%	>50%
5 Total number of user of the corporation's smoke-free products (in millions)	21.7	
6 Proportion of shipment volume covered by markets with youth access prevention programs in place in indirect retail channels.	91%	>90%
7 Annual net revenue from wellness and healthcare products (in billions USD)	0.1	≥1
8 Proportion of shipment volume covered by markets with anti-littering programs in place for combustible cigarettes	n/a	≥80%
9 Proportion of shipment volume covered by markets with end-of-life take-back programs in place for smoke-free consumables	9 pilots	≥80%
10 Proportion of smole-free devices of the corporation with eco-design certification	n/a	100%
11 Cumulative number of smoke-free electronic devices refreshed or repaired since 2021 (in thousands)	62	1,000

Product Sustainability

4. Governance

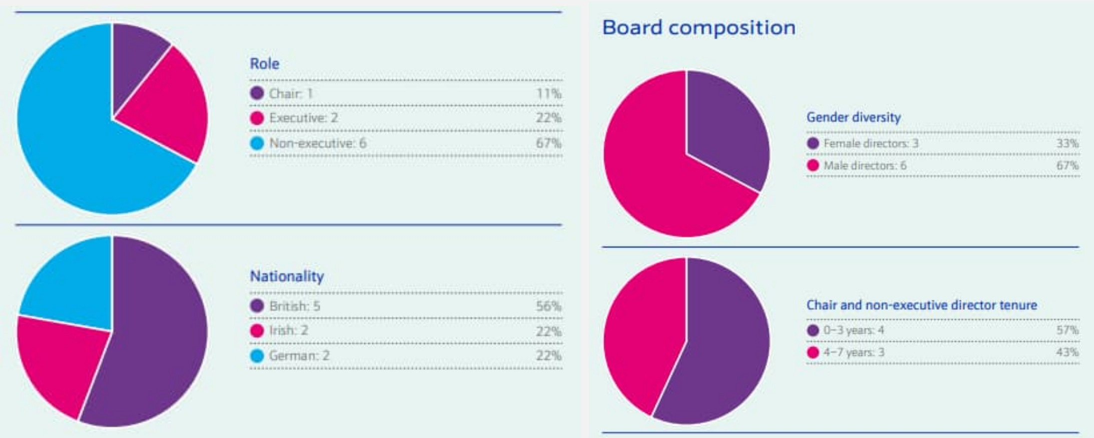
4.1. Board oversight

Box 27: Disclosure of governance bodies **of** a**n** organisation in the Chemicals industry for sustainability-related matters in 2022 [171]

Industry: Chemicals

The organisation's sustainability-related governance structure starts from the Board level and cascades down to Board Committees, Sustainability Council, and the Executive level. The report outlines specific roles and responsibilities for managing sustainability-related issues, particularly for the Board, the Societal Value Committee (SVC) and the Chief EHS and Operation Officer.

In terms of governance composition, the organisation discloses diversity statistics for the leadership, including gender diversity, years of experience and nationality. In addition, the organisation declares half of the Board of Directors to have sustainability-related skills and experience and specifies these for each member of the Board to showcase quality of governing body.



Non-executive director industry leadership and experience

	Patrick Thomas	Rita Forst	Jane Griffiths	John O'Higgins	Xiaozhi Liu	Chris Mottershead	Doug Webb
Sustainability	●	●	●			●	

The ultimate responsibility for managing sustainability-related matters lies with the Board. The organisation discloses how the Board Committees keep the Board up-to-date on these matters.

[171] Johnson Matthey. (2022). Annual Report and Accounts 2022. Retrieved from: 6e0c0d7d-7f21-0e5f-7746-fc46b1f16fc2 (matthey.com) – pg. 83z

Role of the board and its committees

The board is responsible for setting and overseeing the implementation of the group's strategy, including the annual budget and detailed business plans. In doing so, it considers climate-related issues, including when approving requests for capital expenditure or new initiatives.

The SVC meets at least three times a year. It supports the board by overseeing the delivery of our sustainability strategy, and monitoring and overseeing progress against our sustainability goals and targets, with regular updates from the Chief EHS and Operations Officer. Jane Griffiths, the SVC Chair, reports to the board after each meeting, including bringing forward any recommendations from the committee. Given how fast society's response to climate change is developing, the SVC receives papers on emerging issues at each meeting, such as legislation and stakeholders' expectations. It also invites external experts to get an 'outside-in' view on our sustainability plans, and other emerging topics, which this year included diversity and inclusion, and human rights for more on the SVC's work, see page 98.

During the year, the wider board received an update on climate-related legislation and a training session on the implementation of TCFD recommendations.

Together with the Nomination Committee, the board ensures that, among the directors, it has the necessary sustainability and climate-related expertise. For more details of our non-executive directors' skills and experience, see pages 86-87.

As an initial step, the Audit Committee has this year reviewed the internal assurance in respect of TCFD. It will continue to assess the level of assurance over TCFD and climate-related issues as we continue to develop our reporting in this area. The Audit Committee is also responsible for reviewing the effectiveness of internal control and risk management, which includes climate-related risk.

This year, the Remuneration Committee reviewed the role of sustainability and climate-related targets within the group's remuneration approach. Measures will be included within the Performance Share Plan, reflecting our intent to contribute to an acceleration of the transition to a net zero world. For more details, see page 69.

As a result of our internal board effectiveness review, the responsibilities of the board and its committees in relation to climate-related issues and the broader sustainability agenda have been refined and clarified.

Particularly for SVC's activities, the organisation discloses that key personnel are engaged in the SVC meetings regularly and contribute to fulfil the Committee's role.

Regular attendees at committee meetings:

- Chief HR Officer
- Chief EHS and Operations Officer
- Corporate Affairs Director
- General Counsel and Company Secretary
- Group Sustainability Director

Board and committee attendance

Board attendance	Board	Societal Value Committee
Patrick Thomas	8/8	2/3
Robert MacLeod[1]	8/8	3/3
Liam Condon[2]	–	–
Stephen Oxley	8/8	3/3
Rita Forst[3]	5/5	1/1
Jane Griffiths	8/8	3/3
John O'Higgins	8/8	3/3
Xiaozhi Liu	8/8	3/3
Chris Mottershead	8/8	3/3
Doug Webb	8/8	3/3

Our responsibility	What we did	Outcomes
Sustainability	• Oversaw plans and actions to execute the group sustainability strategy and key initiatives, including engaging the workforce to ensure understanding of the vision and to promote internal engagement. • Discussed how other companies have led and managed sustainability strategies, sharing knowledge and experience. • Discussed the development of a carbon pricing policy, to be developed and trialled starting from 1st April 2022. • Received regular horizon scanning updates, including climate-change legislation and litigation.	• Confirmed support for our sustainability strategy. • Agreed and recommended to the board the definitions of our sustainability goals in more detail, including the GHG targets and NOx emissions to be reduced through our technology.
Diversity and inclusion	• Reviewed our diversity and inclusion (D&I) gender target for 2030 and initiatives to support its achievement. • Received a presentation from Accenture on challenges faced around D&I, innovation in this area and how the committee can drive our D&I agenda.	• Challenged management on our D&I target and provided feedback on ways to improve diversity, inclusion and belonging. • Agreed action plans for the next financial year, which continue to build on our diversity, inclusion and belonging journey.
Ethics and compliance	• Reviewed actions to continue promoting an ethical culture across JM, including our 'making good decisions' campaign. • Received updates on Speak Up themes and trends.	• Recommended approval of our Modern Slavery Statement and Conflict Minerals Disclosure to the Board.
Reporting	• Received a briefing on TCFD requirements from ERM, a sustainability consultancy firm, and the work being done to ensure readiness for TCFD reporting.	• Reviewed and recommended that the board approve the Sustainable business section of the 2022 annual report.

4.2. Management's role in the governance processes, controls and procedures used to monitor, manage and oversee sustainability-related matters

Box 28: The role of governance in sustainability-related matters of an organisation in Chemicals industry in 2022 [172]

Industry: Chemicals

Role of management

The board delegates responsibility for running the business to the Chief Executive; this includes overall responsibility for climate-related issues, which resides with the Chief Executive, assisted by the Group Leadership Team (GLT). The Chief Executive is supported by the Chief EHS and Operations Officer who is responsible for day-to-day climate-related matters and provides updates to the GLT on the steps taken to develop or implement our sustainability strategy, including key metrics, risks and opportunities. The Chief EHS and Operations Officer is in turn supported by the Sustainability Council. The Sustainability Council is made up of managers from across our sectors and functions who, together, develop our sustainability vision, goals and targets. To prioritise driving our sustainability agenda and threading all elements into our business, we appointed a new Chief Sustainability Officer with effect from 16th May 2022. The Chief Sustainability Officer will report to the Chief Executive and be a member of the GLT.

4.3. Integration of sustainability-related performance in incentive schemes

172 Johnson Matthey. (2022). Annual Report and Accounts 2022. Retrieved from: 6e0c0d7d-7f21-0e5f-7746-fc46b1f16fc2 (matthey.com) – pg. 83

Box 29: The remuneration policy related to sustainable development for the Managing Board of an organisation in the Health and Nutrition industry in 2018 [173]

Industry: Health and nutrition

The organisation discloses both short-term incentives (STI) and long-term incentives (LTI) linking to sustainable metrics and targets.

STI linked to sustainability and individual targets

The part of the STI that is linked to shared sustainability as well as to individual targets, represents 25% of base salary for on-target performance. Further refinement/adaptations of performance measures in the area of sustainability and their relative weight may take place following proper evaluation. The following shared measures linked to sustainability are applicable for the STI:

- Brighter Living Solutions (BLS): percentage of running business that meets ECO+ and People+ criteria (products that offer a better environmental or social benefit compared to mainstream reference solutions)
- Employee Engagement Index: related to the High-Performance Norm in industry
- Safety Performance: defined as Frequency Index for Recordable Injuries

In addition to shared sustainability targets (15%), a limited number of individual (financial and non-financial) targets (10%) will apply.

Target areas	On-target pay-out (% of base salary)
- Sustainability (three targets with an equal weight of 5% each; BLS, Employee Engagement and Safety)	15
- Individual (financial and non-financial)	10
Total	25

Long-Term Incentives (LTI)

The Managing Board members are eligible to receive performance-related shares. Under the Performance Share Plan, shares will conditionally be granted to Managing Board members. Vesting of these shares is conditional on the achievement of certain predetermined performance targets at the end of a three-year period. The following four performance measures are, equally weighted, applicable for the calculation of the vesting of LTI Performance Shares:

- Relative Total Shareholder Return (TSR) performance versus a peer group
- Return on Capital Employed (ROCE) growth
- Energy Efficiency Improvement (EEI)
- Greenhouse Gas Emissions (GHGE) Efficiency Improvement

5. Strategy

5.1. Market position, strategy, business model(s) and value chain

Box 30: The Business model and Product strategy of an organisation in Technology industry in 2022[174]

Industry: Technology

The organisation presents to the users an overview of their business model and the sustainability aspect of their product strategy.

Our Business Model

Our business model, through which we implement our vision and strategy, can be summarized as follows:

We create value by identifying the business needs of our customers, then by developing and delivering cloud solutions, software, services, and support addressing these needs. By proactively obtaining customer feedback on a regular basis, we strive to continuously improve our solutions, identify further business needs, and deliver enhanced value to our customers across the whole lifecycle and thus increase customer loyalty.

We derive revenue from fees charged to our customers through subscriptions for use of our cloud solutions. Software licenses, on-premise support, consulting, development, training, and other services also contribute significant revenue.

Sustainability

The organisation offers sustainability solutions and services that can help customers drive sustainable practices not only inside their organization, but across the entire value chain. The organization's **Cloud for Sustainable Enterprises** brings together a comprehensive solution portfolio for businesses that aims to enable businesses to manage sustainability holistically. Product innovations include the following solutions: The organization's **Sustainability Control Tower** for holistic steering and reporting across ESG metrics, **Product Footprint Management** for emissions accounting and management, and **Responsible Design and Production** to reduce waste and accelerate circular business. The organisation also plans to further complement the sustainability portfolio with solutions that support environmental, social, and governmental topics. At the end of the year, the organisation and the consultant announced a new co-innovation strategy to make sustainability an integral part of standard business operations to help organizations achieve their ESG and net zero target

5.2. Interests and views of stakeholders

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173 DSM. (2018). Royal DSM Integrated Annual Report 2018. Retrieved from: https://annualreport.dsm.com/assets/ar2018/en_US/downloads/DSM-Annual-Report-2018.pdf -pg. 133

174 SAP (2023). SAP Integrated Report. Retrieved from: SAP Integrated Report 2022 – pg. 52, 55

Box 31: Stakeholder management of an organisation in Technology industry in 2022[175]

Industry: Technology

The organisation discloses how different types of stakeholders are engaged in their process of innovation and products and services development. The organisation emphasises the participation of their Sustainability Advisory Panel and AI Ethics Advisory Panel.

Customers

Company-Wide Global Experience Program

To further address and improve on customer feedback through research conducted using Qualtrics solutions, we developed a **Company-Wide Global Experience (XM) Program**. This program aims to achieve a consistent end-to-end experience for our customers. It includes standardizing experience initiatives and methodologies to help identify and improve experience gaps across the organization.

Employees

We survey our employees regularly throughout the year. For the results of our latest employee survey and action items resulting from it, see the *Employees* section.

We strive for constructive labor relations across the world, working within each country's requirements. We currently have social partners in 37 countries in Europe, Asia, Africa, and the Americas. These employee representative bodies consist of elected union members and/or non-union members and are consulted by the organization management mainly on topics that define the work environment and work processes. Collective bargaining agreements with unions are only made in countries where legally required. Overall, about 50% of our employees are represented by works councils or an independent trade union, or are covered by collective bargaining agreements. The working conditions and terms of employment of the remaining employees are not influenced or determined based on other collective bargaining agreements. To foster the goal that every employee worldwide can be heard and speak out without fear of retaliation, we have established a Global Ombuds Office which operates as an informal, independent, and confidential channel on top of the formal complaint mechanisms in place, including our whistleblower reporting tool. For more information, see the *Business Conduct* section.

In addition, the Executive Board answers employees' questions in quarterly all-hands meetings. In regular coffee corner sessions, senior executives explain our strategy to employees and answer their questions directly.

Financial Analysts and Investors

For more information about our dialog with the financial community (that is, financial analysts, institutional investors, and retail shareholders), see the *Investor Relations* section.

[175] SAP (2023). SAP Integrated Report. Retrieved from: SAP Integrated Report 2022 – pg. 275-276

Governments

For more information about our dialog with governments, see the *Public Policy* section.

Industry Analysts

Our Analyst Relations team, the Executive Board, and executives have strong relations with IT analysts and engage with them on strategic solutions and services on a frequent basis.

Partners

With more than 20,000 partners around the world, the organization’s ecosystem is vital to our success. We take a multifaceted approach to engagement that begins with the dedicated, interactive organization’s Partner Portal Partners receive regular communications including customized newsletters, training offers, and Web seminars, with the latest announcements and thought leadership relevant to their specific partnership type. Additionally, virtual events are held throughout the year, around the globe, to further gauge partners' feedback on how the organisation can continuously improve.

Olon-Profit Organizations (NPOs) and Academia

Our dialog with NPOs and academic institutions helps us understand how we can address today's most pressing issues with our solutions and what is expected from us as a corporation. For example, the orgnisation’s University Alliances introduces students and faculty to SAP software by providing networking and educational activities and partnering to build technology skills. For more information about how we engage with NPOs, see the *Employees* and *Our Contribution* to the UN SDGs sections.

Sustainability Advisory Panel

Our sustainability advisory panel consists of expert representatives from customers, investors. partners, NPOs, and academia. In 2022, the panel discussed key initiatives related to our sustainability management solutions, environmental performance, and social responsibility.

Al Ethics Advisory Panel

Our Al ethics advisory panel consists of academic, policy, and industry experts who advise us on the development and operationalization of the guiding principles for artificial intelligence. In 2022, the panel discussed, for example, how to identify high Al ethics risks and how to develop respective use cases.

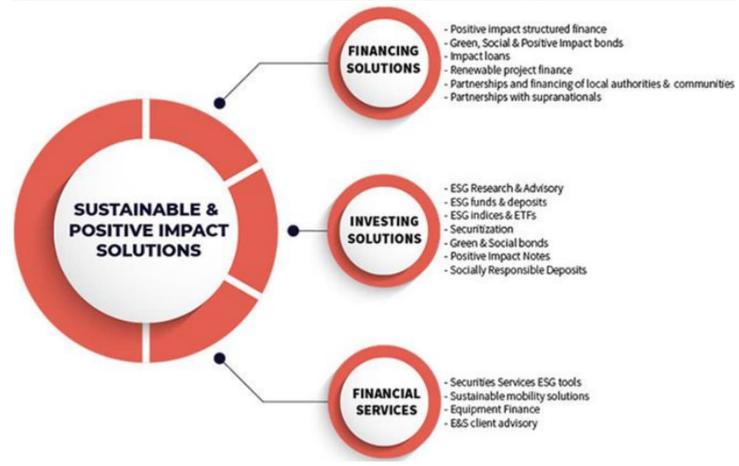
5.3. Material impacts, risks and opportunities and their interaction with strategy and business model(s)

Box 32: ESG issues' impacts on European Bank's business in 2018[176]

Industry: Banking

The Bank discloses 04 main areas of business that have been impacted: their products and services offerings, direct adaptation and mitigation activities, investment in research and development and own operations.

Figure 3: Overview of the bank's sustainable finance solution offering



The Bank has disclosed their full range of sustainable finance solution offerings to support clients' transformation.

In addition, the Bank engages in the carbon market activities and other R&D activities relating to climate risks and opportunities. In terms of own operations, the bank discloses the application of their ''environmental policy to proprietary activities'' and the use of internal carbon tax mechanism.

[176] Societe Generale (2019, June 27). Climate Disclosure: Societe Generale's Task Force on Climate-related Financial Disclosures Report. Retrieved from: climate-disclosure-societe-generale-tcfd-report-june.pdf (societegenerale.com) - pg. 14-19

3.4.2 Adaptation and mitigation activities

The Bank has been a long-standing player in the carbon market. Through its trading desk dedicated to carbon markets, the Bank has been engaged in intermediating, negotiating and facilitating emissions trading within the EU ETS scheme. It was ranked No. 2 by Energy Risk as Emissions dealers and No. 1 for its research on the subject in 2018". This capability has enabled the bankto assist its clients in managing issues related to climate change and the energy transition, in meeting their compliance needs via procurement schemes, monetizing their excess balance of quotas, provide hedging services for the cost of EUAs or on a wider scale addressing the carbon component of their energy assets management.

3.4.3 Investment in research and development

The Bank has engaged substantially in R&D activities in the last couple of years:

- *Climate-related risks:* Within the UNEP-FI, the Group has contributed to developing a market-wide methodology enabling financial institutions to better understand the climate change risks of their activities.
- *Climate-related opportunities*: Socially Responsible and Impact Investing (SRI) issues, as well as Environmental, Social & Governance (ESG) factors, have become important performance drivers. Sitting alongside financial and macroeconomic considerations, ESG factors have become easier to quantify and should be considered when assessing any company. Since 2016, the Bank’s dedicated ESG research team has helped investors and asset managers to integrate these criteria into investment decisions", the Bank has notably pioneered the creation the UN's Positive Impact initiative which seeks to of provide a common language and developing new solutions to finance the Sustainable Development Goals along with its clients.
- *Managing impact:* Following the Bank's 2015's COP 21 commitment to reduce "Group activities in the coal sector with a view to being in line with the International Energy Agency (IEA) degrees scenario (2DS) by 2020", the Bank has developed an in-house methodology for tracking the Mining and Coal-Fuelled Power Plants and these changes have been incorporated into the Group's sector policies. This methodology was developed in 2017. The Bank has also tested a credit portfolio alignment methodology developed by the 2°C Investing Initiative (2DII).
- *Other subjects:* The Group is also participating in a study by the French Association of Private Companies (AFEP) on the comparison of 2°C scenarios and in a different study by Entreprises pour l'Environnement (EpE) ZEN 2050 on the decarbonisation of the French economy by 2050.

3.4.4 Operations (Including types of operations and location of facilities)

The Bank also generates environmental impacts through its business activities. Aware of its responsibilities, the Bank continues to apply its environmental policy to its proprietary activities; such policies involve the control and improvement of its direct impact on the environment, in association with its various stakeholders.

As part of this proactive approach, six years ago the Group introduced an "internal carbon tax", a mechanism that it has built on and expanded in the intervening period. Each year, a carbon tax is levied on each of the Group's entities, based on their greenhouse gas emissions (€10/tonne CO2 equivalent) and the sums collected are then redistributed in the form of rewards for the best internal environmental efficiency initiatives, through the "Environmental Efficiency Awards". Over the past six years, internal carbon tax revenues have benefitted 305 initiatives in 32 participating countries over four continents.

The Bank also dedicates a section on impacts on financial planning. See below for an extract example.

3.5.1 Operating costs and revenues

The deployment of climate-related product and services, investment in research and development as well as operational changes has led to changes in revenue and operational costs for the Bank, although we expect these changes are marginal.

Indeed, the Group has drawn revenue from its increasing range of investment and financing solutions, though this has not been quantified at this stage. The internal carbon tax revenues have benefitted 305 initiatives in 32 Oparticipating countries over four continents. Average annual allocations total EUR 3 million and have led to EUR 1260 million in recurring savings.

The Group has teams dedicated to deplowing climate tools and methodology for monitoring its impact on its operations and financing. There are also ferih in E&G policy, SRI/ESG Research, Green, social and Positive Impact bonds, Sustainable & Positive Impact Proucts as well as specialists in ESG factors in Asset Management and Securities Services. The Group has also built capacity climate-related risks management. All of this staff and associated expenses have had an impact on the Group's operating cost, though not quantified.

3.5.2 Capital allocation

Over the past few years the Bank has started shifting its capital allocation towards greener sources of energy and away from the most emission-intensive ones. Although this has focused mainly on increasing the renewable portfolio and reducing the coal one, which represent only a small share of the overall climate-related exposure.

The Bank's leading position in the renewable market is confirmed by the recently issued Dealogic league tables for 2018, in which the Group was ranked N°2 for both Lending and Financial Advisory in the EMEA renewable market. In 2018, the Bank advised clients on transactions with a total value of USD 4.1bn and acted as Mandated Lead Arranger for 20 transactions with a total debt value of USD 2.1bn. These rankings were established through the analysis of 105 international banks.

To transform these opportunities into financial impact, in December 2017, the Bank committed to raising EUR 100 billion in financing earmarked for the energy transition, Between 2016 and 2020, the bank has set itself the target to raise a nominal amount of EUR 85 billion in green bonds issuances lead or co-lead by the Bank. And EUR 15 billion in the form of consulting and/or financing mandates dedicated to the renewable energies sector.

In 2015, the Bank committed to reducing its coal-related activities and to bringing its exposures to this energy in line with a strategy compatible with a temperature rise not exceeding 2°C by 2020 (the 2°C scenario of the International Energy Agency (IEA)). Accordingly, as at 30th June 2018, the Bank:

- reduced its outstanding credit (exposure) related to coal mining by more than 10%; the aim being to achieve a 14% reduction between 2016 and 2020;
- limited the proportion of coal (installed capacity) in the energy mix of financed electricity production. The commitment has nearly been achieved, with a 19.3% proportion of carbon (aim of achieving less than 19% in 2020).

The Bank has not participated in any dedicated financing for coal-fired power plants or related infrastructures anywhere in the world since 1st January 2017. Moreover, it has not been involved in any dedicated financing for the development of coal mines and related infrastructures since 2015. In addition, specific criteria for establishing new relationships with companies that operate in the coal sector have been defined in dedicated sector policies.

Moreover, since May 2019, the Bank will not provide new services or products to companies (customers and prospects):

- whose activity in coal-power generation is greater than 50% (in terms of turnover);
- whose activity in the coal-power generation is between 30% and 50% (in terms of turnover), and that have no strategy to reduce it to 30% by 2025, or that have planned expansion of their capacities in thermal coal (extraction or production of electricity).

In 2018, the Oil and Gas policy was updated. The Group committed to finance only those activities in the oil and gas sector that have a mitigated impact on the climate. In particular, the Bank will no longer finance activities relating to the production of oil from oil sands anywhere in the world or to the production of oil in the Arctic. These commitments also target the implementation or commitment to implement measures to limit continuous flaring and methane emissions. For companies using fracking techniques, they also include the implementation of best E&S practices in line with the Golden Rules of the IEA.

3.5.3 Acquisitions or divestments

Lumo is a French Fintech that combines strong skills in participatory finance and renewable energies and accelerates the energy transition since 2012. The platform offers local communities, individuals and businesses to participate in financing a selection of local projects supporting renewable energies in France.

With this acquisition, the Bank, one of the leaders in the financing of renewable energies, strengthens its capacity to serve its major energy customers by offering them a solution of recourse to crowdfunding for the development of their projects, as required by the "Plan of the Renewable Energies Release "of the French Government in the framework of the Climate Plan".

Box *33*: The response of an organisation in Transportation industry to climate-related risks and opportunities in 2023 [177]

Industry: Transportation

In the extract below, the organisation has detailed for each physical and transition risk and opportunity the potential impact to the business, as well as the business' response demonstrated in the change in strategic planning and risk management.

Risk	Description	Risk type	Potential impact to business	Strategic planning and risk management	Metrics
Thermal coal demand	Demand for seaborne thermal coal is subject to energy policy and fuel-mix decisions driven by energy costs, energy security, and regulation of GHG emissions.	Transition: Market, Policy & Legal, and Technology **Risk level: High**	Approximately one quarter of Coal & Bulk revenue and around 30% of Network revenue is related to the haulage of thermal coal. **Time horizon: Medium to long-term**	— The nature of our contracts provides greater certainty for our future revenue streams; 79% of the Coal business portfolio has a remaining contract life of 3+ years (as at 30 June 2023). — Continue to use scenario analysis to resilience test our fleet capacity, capital investments, haulage opportunities and impairment testing. — Continue to develop Bulk and Containerised Freight haulage opportunities, including the identification (and execution) of fleet cascade opportunities from the Coal fleet to support Bulk growth. — Aurizon's aspiration to grow Bulk and Containerised Freight (as shared at the July 2023 Investor Day) may result in share of Operations' revenue derived from thermal coal to reduce to 10-20% by 2030[25].	— Coal demand and supply projections and scenario analysis (refer to our What we haul chapter). — Asian economic growth and climate policies. — Current and planned fleet of coal-fired generation and steel capacity in coal import nations. — Developments in hydrogen-based steelmaking projects (and other emerging lower carbon processes), including cost and infrastructure requirements. — Capital investment in Australian coal sector. — Development (and regulatory approvals) of new Australian coal mines.
Metallurgical coal demand	Demand for seaborne metallurgical coal is subject to economic development, steel-intensive growth, method of steel production (including emerging lower carbon processes), import reliance, and regulation of GHG emissions.	Transition: Market, Policy & Legal, and Technology **Risk level: Moderate**	Approximately 30% of Coal & Bulk revenue and around 70% of Network revenue is related to the haulage of metallurgical coal. **Time horizon: Long-term**		

[177] Aurizon. (2023). 2023 Sustainable Report. Retrieved from: https://www.aurizon.com.au/sustainability - pg. 28-33

Risk	Description	Risk type	Potential impact to business	Strategic planning and risk management	Metrics
Climate change resilience and adaptation	Operational disruption and damage arising from more severe extreme weather and related events, such as flooding, erosion, bushfires and annual average summer temperature increases.	Physical: Acute & Chronic **Risk level: Moderate to High**	May result in loss of revenue due to extreme weather events affecting mining operations/ production volumes, transport and port activities across the supply chain. May result in higher costs associated with remedial actions to ensure asset availability. **Time horizon: Short, medium and long-term**	– Continue to design infrastructure to recover quickly from extreme weather events, including positioning inventory such as ballast, flood rock, rail and formation material. – Implement appropriate rail network operations strategies during extreme weather events (e.g. speed restrictions) to avoid potential for weather-related incidents. – Annual seasonal planning for extreme weather events. – Localised real-time monitoring of track temperatures. – Use robust climate models to complete forward-looking assessment of climate-related factors to understand potential impacts of climate change on the capacity and availability of the CQCN and other fixed assets. – Engage policymakers regarding competitiveness of low-impact transport modes and enabling infrastructure (e.g. electrified rail) to ensure consistent treatment of transport systems within policy.	– Current/projected temperatures through our Network's remote monitoring system. – Reflection of forward-looking climate models in scenario analysis (e.g. network capacity and asset resilience).

Opportunity	Description	Opportunity type	Potential impact to business	Aurizon's approach	Metrics
Renewable energy and energy efficiency	Alongside greater renewable energy penetration across the grid, renewable energy contracting, photovoltaic (PV) installation and energy capture offer cost neutral/positive decarbonisation outcomes for electrified assets.	Energy source & markets	Faster decarbonisation of electric fleet and fixed assets. Lower energy costs. **Time horizon: Medium-term**	– Install solar PV arrays across our largest operational depots. – Identify opportunities to increase renewable energy mix within energy procurement frameworks by engaging with suppliers and project developers.	– Electricity consumption. – Renewable energy penetration (grid, contracted and behind the meter). – Operational GHG emissions (absolute and intensity).

Box *34*: Building strategic resilience based on climate scenarios at an organisation in Construction and Real Estates industry 2023[178]

Industry: Construction and real estates

The organisation has disclosed their scenario analysis progress since 2011, and on an annual basis continued to review and refresh the list of climate-related impacts with three climate scenarios: Polarisation (a 3 degree scenario), Paris Alignment (a 2–3 degree scenario) and Transformation (a well below 2 degree scenario). For each impact, level of action required is determined to achieve the residual sensitivity. See an extract of the disclosure below.

		Residual Sensitivity & Action to Achieve		
Scenario	**Climate-Related Impact**	**Investments**	**Development**	**Construction**
Polarisation Scenario (>3°C) Our Polarisation Scenario sees a world where climate action is delayed by the polarisation of climate action. This delay results in a world where physical climate changes are the greatest across our three scenarios, resulting in significant disruption. • Under the higher physical impacts of this scenario, our organisation recognises a transformation of our strategy is needed in all businesses to manage global supply chains and labour sourcing risks. Even so this would still incur moderate negative sensitivities. • The integration of 'Leadership in Sustainability' as a strategic priority and our Net and Absolute Zero Carbon targets sees higher residual positive sensitivities without any further action taken beyond our current strategy.	Impact of climate change on assets, communities, and cities	Transform	Adapt	Adapt
	Access and cost of capital	Transform	Adapt	Adapt
	Availability of international products, materials, and resources	Transform	Transform	Transform
	Availability and cost of labour	Adapt	Adapt	Adapt
	Industry leadership in decarbonisation valued	Adapt	Absorb	Absorb
Paris Alignment Scenario (2-3°C) Our Paris Alignment Scenario sees a market led transition to a lower carbon future through global government ommitments to the Paris Agreement, resulting in higher regulation to climate action and with lower physical impacts of climate change compared to our Polarisation scenario. • Our leadership in sustainability and Mission Zero targets creates positive sensitivities to an increased cost of both carbon and the cost to comply with sustainability / climate legislation and regulation. • While there are many 'difficult to decarbonise' products and materials in our supply chain, including cement, steel, and aluminium, achieving this goal would result in significant positive sensitivity to the organisation.	Cost to comply with sustainability/ climate legislation and regulation	Absorb	Absorb	Absorb
	Increased cost of carbon	Adapt	Transform	Transform
	Changing preferences away from new build development	Transform	Transform	Transform
	Demand for decarbonisation of supply chain	Adapt	Transform	Transform
	Increased scrutiny of actions vs branding resulting in industry leadership in decarbonisation valued	Transform	Adapt	Adapt
Transformation Scenario (2°C) Our Transformation Scenario sees a rapid decarbonisation pathway, where global emissions are close to zero in 2040, driven by society. • The speed of change that is needed to limit global warming to 1.5 degrees is likely to create some negative sensitivities in our supply chain as preferences shift towards localisation and would require transformational and adaptive practices to mitigate the impact. • Our leadership in sustainability and Mission Zero targets create positive sensitivities to shifting "social license to operate" expectations and would result in positive sensitivities to the organisation if we adapt our strategy by accelerating our decarbonisation pathway.	Increase speed of change in climate related impacts	Transform	Adapt	Adapt
	Local companies and products preferred over global ones	Transform	Adapt	Adapt
	Shifting social license to operate expectations resulting in industry leadership in decarbonisation valued	Transform	Adapt	Adapt
	Expectation of R&D investment for decarbonisation	Transform	Adapt	Adapt
	Shifting consumer preferences towards lower impact living	Transform	Transform	Adapt

Level of Action Required to Achieve Residual Sensitivity
Absorb: Current strategy absorbs the impact of the CRI
Adapt: Changes required to current strategy to respond to the CRI
Transform: New strategy or significantly altered strategy required to respond to the CRI

Residual Sensitivity
Higher negative sensitivity — Higher positive sensitivity

6. Risk management

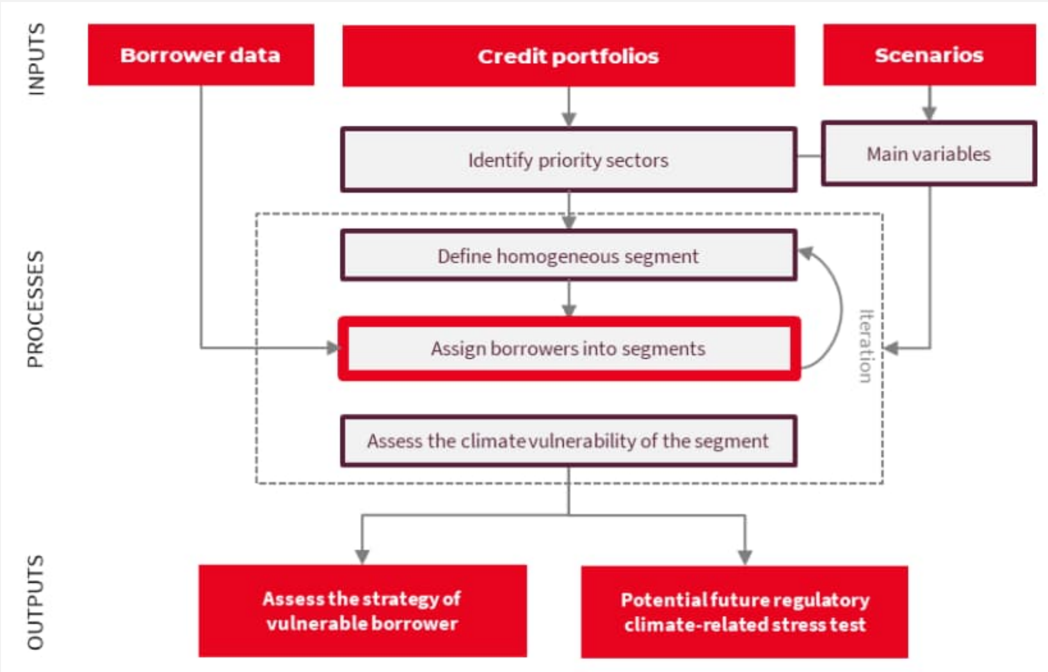
178 lendlease. (2023, August 14). Lendlease Group 2023 Annual Report. Retrieved from: [2590033.pdf (lendlease.com)] - pg. 48, 49

6.1. Description of processes and related policies the business uses to identify, assess, prioritise and monitor sustainability-related risks and opportunities

Box *35*: An European Bank's processes and tools for identifying, assessing, prioritising and managing climate-related risks in 2021[179]

Industry: Banking

The Bank describes 06 key tools used for the identification and management of climate-related risks for their portfolio, depending on level of maturity. See below an example of the Corporate Climate Vulnerability Indicator tool. This tool measures the impact of transition risk on the credit risk of The Bank's corporate clients. The organisation explains each step of the transition risk evaluation, including assigned responsibilities for designated roles.



This evaluation is reviewed by the appropriate governance: the CCVI calculated according to this methodology is proposed by the first line of defence (LOD1), which can adapt the evaluation (and then modify the CCVI) according to the borrower's specifics. It is then validated by the Risk Department as second line of defence (LOD2). The CCVI is reviewed once a year along with the internal rating review. Moreover, the CORISQ annually assesses the deployment of the CCVI tool and analyses the results in the eligible areas.

The CCVI identifies clients vulnerable to transition risks and for whom the transition strategy will be examined. For borrowers that are identified as vulnerable or highly vulnerable, the client relationship manager formalises an opinion on the client's strategy as regards to transition risk following a discussion with the client. For long-term exposure, attention is paid on the financing risk at maturity. Vigilance is also paid to the timeliness of the client's strategic shift compared to that of the scenario. Indeed, in the case of a slow adaptation, the borrower could find itself in difficulty to raise the liquidity needed to finance its transformation plans.

The Bank also discloses E&S policies on monitoring transition risk impact on reputational risks.

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179 Societe Generale. (2021, December). Climate Disclosure. Retrieved from: https://www.societegenerale.com/sites/default/files/documents/CSR/societe-generale-climate-disclosure-report-december-2021-en.pdf - pg. 23-30

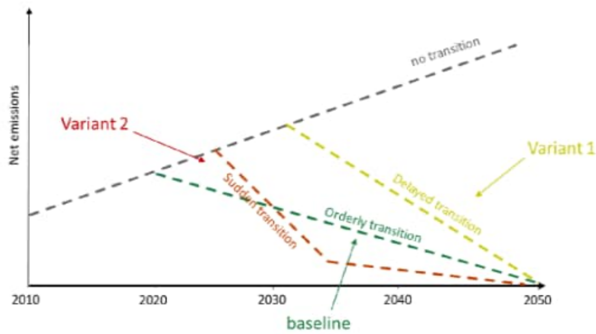
1) E&S risk identification: This step consists in identifying whether the counterparty's activities or the transaction association with such activities present a potential E&S risk. In particular, it is based on an analysis aimed at verifying whether the counterparties or underlying activities are on the E&S exclusion list or the E&S identification list, whether they are subject to a sector policy or whether they are the subject of E&S controversies. This process makes it possible to review compliance with the exclusion criteria of the various sector policies.

2) E&S assessment (of counterparties or transactions identified as presenting an E&S risk): when an E&S risk has been identified, the business line assesses compliance with the criteria of the applicable E&S policy(ies) and the severity of any E&S controversies. This assessment may contain a prospective analysis of these criteria. The E&S assessment can result in a positive, conditional (contractual conditions, action plans, restrictions) or negative opinion;

3) E&S actions: mitigation actions may be recommended to mitigate the risks identified.

Another key tool to assess the bank resilience is stress testing exercises. The Bank disclosed the outcomes of their voluntary participation to a regulatory climate stress test organised by the European Central Bank.

Figure 12: Schematic representation of the transition scenarios included in the ACPR pilot exercise



The exercise was performed under a dynamic balance sheet hypothesis. It implies that institutions' exposures evolve over time in line with economic growth and sectoral evolution while adjusting to institutions' individual commitments in favour of the transition: the Group integrated its climate strategy in its balance sheet evolution. For example, portfolio alignment commitments including the gradual exit from thermal coal and exposure reduction to upstream oil and gas sectors.

The Group's participation to this exercise (whose scope was wider than internal scenario analysis exercises undertaken internally so far) was very enriching. First, it fostered the development of new approaches to overcome challenges of climate-related risks (long-term horizons and sector approach) and was an opportunity to test the adaptation of stress testing infrastructures to those characteristics, even if for example the analysis of impacts over long time horizons (until 2050) remains challenging It was a good opportunity to continue raising awareness in the Risk department and other support functions and business lines with regards to climate-related risks. Finally, it was an interesting intermediate step to prepare future regulatory climate stress test exercises and the use of those exercise to highlight business strategy orientations (in line with supervisory expectations as expressed in *ECB guide on environmental risks*).

6.2. Description of the extent to which the processes for managing sustainability-related risks and opportunities are integrated into the organisation's overall risk management process

Box *36*: A European Bank's integration of climate-related risks into the standard risk assessment framework in 2021[180]

Industry: Banking

The Bank discloses that ''climate-related risks do not form a new category of risks but constitute an aggravating factor of existing categories such as credit, market, operational, insurance risks and liquidity risks'' within their risk management framework, which aligns with the best practices recommended by the French banking regulator and the European Central Bank. The organisation also demonstrates the impact of identified climate-related risks on existing categories of risk. See an extract example below.

Risk	Physical	Transition
Credit risk and counterparty credit risk	Physical risk could increase customers' probability of default by directly damaging their assets in affected areas (as physical events could hit production facilities, warehouses, services and decisions centres) and indirectly impacting their business model by disturbing their supply chain, commercial routes or markets. In case of the customer default, physical risks could also make the Group ability to recover part of their commitment more difficult, for example through lower collateral valuations in real estate portfolios because of increased flood risk.	Transition risks, for sectors affected by low-carbon transition policies (higher price of carbon for example), could also impact customers' ability to generate revenues and meet their financial commitments if they do not take measures to adapt their business models or if they cannot finance the needed adaptations measures (such as research and developments to develop low-carbon alternatives to products and services). Transition risks could also indirectly impact customers' asset valuation, for example by impacting the valuation of fossil fuel reserves such as coal or oil, whose value is expected to fall in a low-carbon economy (stranded assets phenomenon). This could particularly impact collateral valuation.
Market	Severe physical events may lead to shifts in market expectations and could result in sudden repricing. For example, hurricanes impacting companies' premises in certain areas may impact market expectations on their ability to generate revenues, and so their share value.	Transition risks may generate an abrupt repricing of securities and derivatives, for example for products associated with industries affected by asset stranding.

7. Metrics and targets

7.1. Metrics in relation to material sustainability matters

[180] Societe Generale. (2021, December). Climate Disclosure. Retrieved from: https://www.societegenerale.com/sites/default/files/documents/CSR/societe-generale-climate-disclosure-report-december-2021-en.pdf - pg. 23-30 and lendlease. (2023, August 14). Lendlease Group 2023 Annual Report. Retrieved from: 2590033.pdf (lendlease.com) - pg. 48, 49

Box 37: Example of a sustainability metrics disclosure of an organization in Materials and buildings industry in 2017[181]

Industry: Materials and buildings

The organisation clearly discloses metrics performance for material sustainability matters for the past 05 years.

305-1, 305-2: GREENHOUSE GAS EMISSIONS[1)]					
Thousand tonnes	2017	2016	2015	2014	2013
305-1: Direct greenhouse gas (GHG) emissions (Scope 1)[2)]					
Iron ore-based steel production in Nordics	9,117	9,323	8,850	8,910	8,643
Scrap-based steel production in US	690	644	581	651	651
Other reported sites	21	22	18	17	17
Total	**9,828**	**9,989**	**9,448**	**9,578**	**9,311**
305-2: Indirect emissions from the generation of purchased electricity, heating and steam (Scope 2)					
Iron ore-based steel production in Nordics	167	185	182	193	194
Scrap-based steel production in US	1,032	964	934	1,009	1,234
Other reported sites	17	17	17	18	18
Total	**1,216**	**1,166**	**1,133**	**1,220**	**1,447**

1) Only CO_2 is included in the calculation.
2) Generation of electricity from process gases is included in the direct emissions (Scope 1).

305-3: OTHER INDIRECT (SCOPE 3) GHG EMISSIONS		
Thousand tonnes CO_2e	2017	% OF SCOPE 3
Purchased goods and services	1,827	65%
Fuel and energy related activities	395	14%
Downstream transportation and distribution	512	18%
Waste generated in operations	51	2%
Business travel	7	0%
Employee commuting	36	1%
Total Scope 3 emissions	**2,826**	**100%**

305-4: GREENHOUSE GAS EMISSIONS INTENSITY					
Tonnes of CO_2 emissions/ tonne crude steel	2017	2016	2015	2014	2013
Iron ore-based steel production in Nordics	1.7	1.7	1.7	1.6	1.7
Scrap-based steel production in US	0.7	0.7	0.7	0.7	0.8
Average	**1.4**	**1.4**	**1.4**	**1.3**	**1.4**

303-1: WATER WITHDRAWAL BY SOURCE Million m³	2017	2016	2015	2014	2013
Surface water (inlands)	203	203	160	179	180
Surface water (sea)	226	225	204	199	205
Municipal water	2	1	1	1	1
Total water withdrawal	**431**	**429**	**365**	**379**	**386**

EFFLUENT DISCHARGE INTO WATERWAYS, Tonnes	2017	2016	2015	2014	2013
Suspended solids	322	286	228	616	423
Mineral oil	6	6	9	12	18

302-1: ENERGY CONSUMPTION WITHIN THE ORGANIZATION GWh/TJ	2017	2016	2015	2014	2013
Fuels					
Natural gas	3,099/11,157	3,073/11,063	2,754/9,914	2,596/9,345	2,574/9,266
Propane	1,172/4,220	1,099/3,956	1,043/3,756	1,034/3,722	934/3,361
Fuel oil	207/746	279/1,003	204/733	635/2,288	785/2,824
Total non-renewable fuels	**4,479/16,123**	**4,451/16,023**	**4,001/14,404**	**4,265/15,355**	**4,292/15,451**
Electricity, heat and steam					
Electricity, purchased[1)]	3,302/11,887	3,319/11,948	3,243/11,677	3,469/12,490	3,475/12,510
Heat, purchased	30/108	26/93	23/83	24/87	27/98
Electricity generated from process gases	1,400/5,040	1,195/4,302	1,114/4,010	1,033/3,720	974/3,506
Gross energy consumption	**9,210/33,158**	**8,990/32,366**	**8,381/30,172**	**8,792/31,652**	**8,768/31,565**
Electricity and heat sold					
Heat, sold	1,169/4,207	1,101/3,965	1,006/3,620	1,081/3,893	1,086/3,910
Net total energy consumption[2)]	**8,042/28,950**	**7,889/28,400**	**7,376/26,552**	**7,711/27,759**	**7,682/27,655**

7.2. Targets to track effectiveness of policies and actions

181 SSAB. (2017). Annual Report. Retrieved from: https://ssabwebsitecdn.azureedge.net/-/media/files/company/investors/annual-reports/2017/ssab-annual-report-2017-en.pdf?m=20180319123646 – pg. 120-126

Box 38: Example of sustainability metrics disclosure of an organization in Materials and buildings industry in 2017[182]

Industry: Materials and buildings

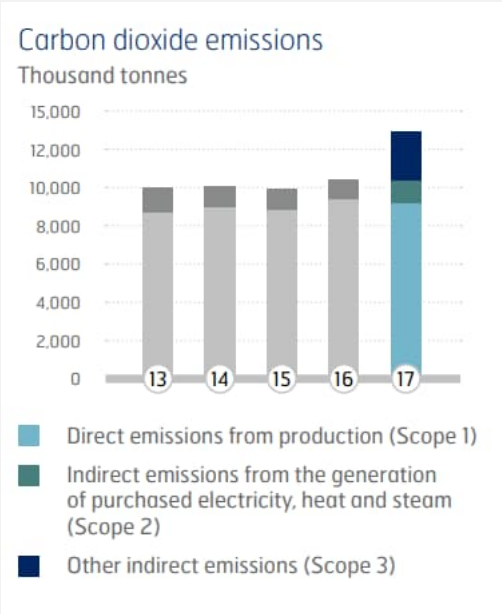
The organisation discloses its target for greenhouse gas emissions reduction and successful measures implemented to achieve the target.

305-5 Reduction of greenhouse gas emissions

The organisation has set a target to reduce direct CO, emissions from its operations. The target is to achieve a lasting reduction of 300,000 tonnes in CO, emissions by the end of 2020, compared to the 2014 baseline. This CO, emissions reduction is equal to approximately 3.1% of the organization's total CO_2, emissions in 2014.

CO_2 emissions can be reduced by recirculating scrap and residuals back into the steelmaking process, optimizing the use of reducing agents (coke and coal) in iron production and by improving the energy efficiency of fuels. By the end of 2017, the organisation achieved 218,000 tonnes or 73% of this target. The most important CO_2, saving measures were the following:

- Switched from heavy fuel oil to LNG in Borlänge, reaching full CO_2, reduction potential in 2015
- Started a new hot stove in Oxelösund in 2015, which increased blast temperature and led to reduced CO_2, emissions due to lower consumption of coke
- Decreased blast furnace fuel rate and CO_2, emissions through reduced moisture content of pellets in Raahe in 2016
- Increased yield within the production of prime slabs in Luleå in 2016. The improvement is based on overall better yield improvement of prime slob production, improved raw material utilization for prime productions
- New vessels in Raahe in 2017 with increased volume increasing the yield thanks to less splashing
- All energy savings resulting from reduced fuel consumption also reduce the CD, emissions



As another example, the organisation discloses its social responsibility targets and progress outcome during the reporting year.

SOCIAL RESPONSIBILITY TARGETS

Employee engagement that exceeds that of Ehmark global industrial companies (This is measured every other year, and most recently in 2017)

RESULTS IN 2017

- Overall, the Employee Engagement Index (as measured by Voice, the organization's global employee survey) was below the external global norm and slightly below Voice 2015
- SSAB: 69 (70 in 2015)
- External norm: 72

8. Basis of reporting

Box *39*: Example of a basis of reporting for the published sustainability metric of a Group in Banking industry: Total scope 1, 2, 3 CO2e operational emissions for the reporting year 2022[183]

Industry: Banking

Metric and Unit of Reporting	Scope and exclusions	Method	Internal Reporting and Controls
Total scope 1, 2 and 3 CO_2, (CO_2e) operational emissions (excl. financed emissions)	Our own direct operational corbon emissions are the aggregation of carbon dioxide equivalent (CO_2) arising from the consumption and use of: • Scope 1: natural gas, liquid fossil fuels, fluorinated gas losses and owned/leased vehicles. • Scope 2: electricity, district heating and cooling used in the Group premises (market-based and location- based • Scope 3: paper and water, category 5: waste (UK and Rol only), category 6: business travel including air, reil, hired vehicles and our grey fleet, category 7: employee commuting and working from home. Our operational value chain carbon emissions are the aggregation of corbon dioxide equivalent (CO_2e) arising from the consumption and use of Scope 3, all upstream ond downstream emissions excluding categories B 10+ 14. For explanations please see page 69 of the Group 2021 Climate-related Disclosures Report. The reporting period for emissions and other own aperational metrics is for the 12 months ending the 30th of September each year.	The emissions reporting boundary is defined as all entities and facilities either owned or under our operational control. Where we do not have direct data, we use calculated extrapolations which account for 1.46% of our total Scope 1, 2 and 3 direct own operations emissions in 2022. Emissions have been calculated using the Greenhouse Gas Protocol Corporate Standard and associated guidance and include all greenhouse gases, reported in tonnes of carbon dioxide equivalent (CO_2e) and global warming potential values. When converting data to carbon emissions, we use Emission Factors from UK Government Emissions Conversion Factors for Company Reporting (Department for Business, Energy & Industrial Strategy, 2021), CO_2 Emissions from Fuel Combustion (International Energy Agency, 2021) or relevant local authorities as required. The Bank utilises a third-party software system, to capture and record the Group's environmental impact and ensure that control framework and assurance requirements are met. All data is aggregated at a regional level to reflect the total regional consumption. The regional consumption results are then collated to reflect the total the Group emissions. CO_2e values are attributed to these sources via an automatic conversion module in the third-party system	CO_2e emissions data is validated by external service providers each month. Monthly and more detailed quarterly checks are carried out on data completeness and data variance.

[182] SSAB. (2017). Annual Report. Retrieved from: https://ssabwebsitecdn.azureedge.net/-/media/files/company/investors/annual-reports/2017/ssab-annual-report-2017-en.pdf?m=20180319123646 – pg. 120-126

[183] NatWest Group. (2023). Basic of Reporting 2022. Retrieved from: https://investors.natwestgroup.com/~/media/Files/R/RBS-IR-V2/results-center/17022023/nwg-2022-sustainability-basis-of-reporting.pdf - pg. 2

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www.ukpact.co.uk

For any enquiries, please get in touch via email at communications@ukpact.co.uk