



INTRODUCTION TO HANDBOOK ON ESG IMPLEMENTATION FRAMEWORK AND ESG REPORTING

For SMEs in Vietnam

March 2025



Opening remarks



Nguyen Duc Trung

Deputy Director, Department of Private Enterprise
Development and Collective Economy
Ministry of Finance

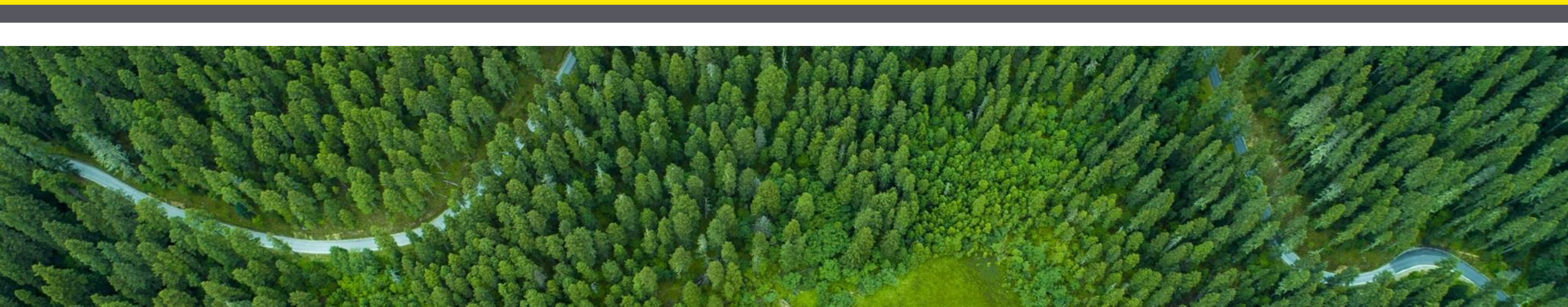


Opening remarks



Fergus McBean

First Secretary for Climate and Nature
British Embassy Hanoi



Our today's Presenters



Nguyen Viet Long

Partner, Business Consulting
EY Vietnam



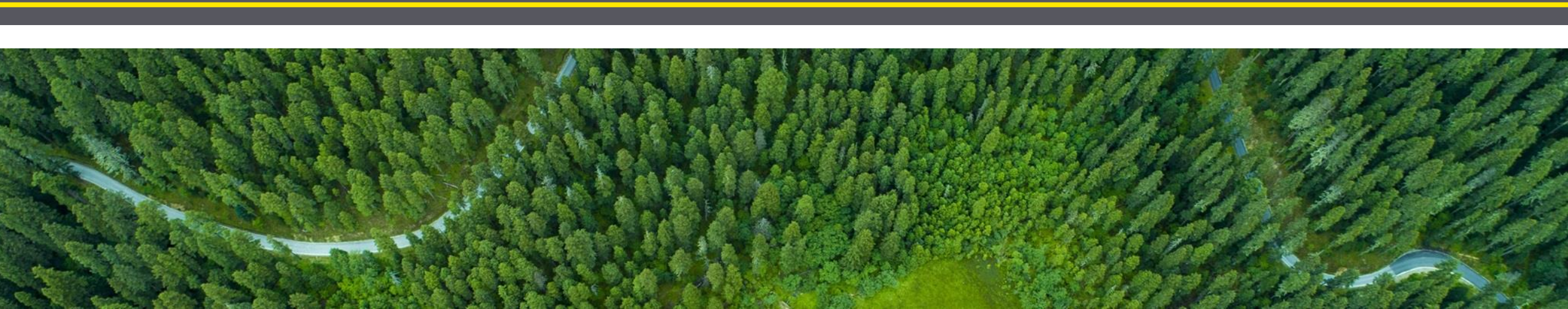
Nguyen Thu Hang

Senior Manager, Business Consulting
EY Vietnam



Phung Le Ha Anh

Manager, Business Consulting
EY Vietnam





0

INTRODUCTION

1

UNDERSTANDING THE ESG
CONTEXT

2

ESG INTEGRATION INTO
GOVERNANCE AND OPERATIONS

3

ESG DISCLOSURE

INTRODUCTION



What is UK PACT?

UK PACT (Partnering for Accelerated Climate Transitions) is a £260m technical assistance programme that supports ODA-eligible countries with high mitigation potential to reduce their emissions and accelerate just transitions to clean growth. It is jointly funded by the Foreign Commonwealth and Development Office (FCDO) and the Department for Energy Security and Net Zero (DESNZ), and managed by the FCDO. It started in 2018 and has funding until March 2026.

Mission and vision

- Supporting the long-term goal of the Paris Agreement to **limit dangerous climate change** by helping countries build more ambition for climate action and implement change now.
- **Demand-driven** and sector agnostic, adjusting key focus areas based on partner countries' needs and sectoral priorities.
- Working in **partnership** with countries by harnessing the power of UK diplomacy to guide our programming and work closely with decision makers.
- **Complementing** other ICF programmes.

We achieve this by:

- Supporting the creation of low-carbon policy, regulations and financial mechanisms that will result in wide-spread change and leverage further public and private finance.
- Piloting innovative ideas that can be mainstreamed by the Government and private sector.
- Improving the capacity and capability of key institutions.
- Sharing UK expertise (for example in areas such as climate legislation, green finance and smart energy).
- Embedding gender equality and social inclusion (GESI) into everything we do.

GRCF Activity introduction

OUTCOMES



Greater awareness and activities in the sustainable finance market



Increased capacity of local enterprises in the low carbon energy transition



Strengthened policy and regulatory frameworks

PROJECT OBJECTIVES

Accelerate Vietnam’s low carbon transition and sustainable development, contributing to its net zero goal through:

Enabling the capacity to unlock access to sustainable finance for SMEs in Vietnam



Develop ESG guidance and frameworks, integrating ESG into corporate strategy, governance and management to address ESG risks



Focus on climate-related financial risks



Increase awareness on ESG requirements/regulations

Enhancing policy making capacity



Conduct benchmarking exercise



Present case studies on how policies enable and accelerate businesses to increase the accessibility to sustainable finance

Primary beneficiaries to receive technical and capacity building assistance



Government agencies including Ministry of Finance – Agency for Development of Private businesses and Collective Economy



SMEs, especially women-owned enterprises

Secondary beneficiaries to have more responsible investment opportunities



International and local investors

A Handbook on ESG implementation framework and ESG reporting for Enterprises

Introduction

Handbook Objectives



Offer guidance and provide reference materials for organisations in Vietnam on:

- ▶ integrating ESG into their governance, strategy and operation to address sustainability-related risks;
- ▶ enhancing their ESG disclosures capability in alignment with global and local legal requirements and leading practices; while minimizing risks and leveraging the opportunities that ESG offers, especially in accessing green financial resources.

Intended audience



The handbook is targeted at all organisations, particularly those who plan on commencing or already are in their ESG integration and ESG disclosure journey.

A Handbook on ESG implementation framework and ESG reporting for Enterprises

Structure

	PART 1 UNDERSTANDING ESG CONTEXT	PART 2: ESG INTEGRATION	PART 3: ESG DISCLOSURES
Objectives	<ul style="list-style-type: none">▶ Introduces context around ESG globally and in Vietnam▶ Draw a picture of background on the urgency for ESG transition and reporting.	<ul style="list-style-type: none">▶ Guidance framework to integrate ESG into the business, enabling them to collect and report ESG information.	<ul style="list-style-type: none">▶ Guides ESG reporting in alignment with international standards and frameworks▶ Provides regulatory requirements for ESG disclosure for public companies in Vietnam.
Structures	<ol style="list-style-type: none">1. Overview of ESG Context: Define ESG, Overview on Global trends – Risk and Opportunities and the Vietnam market context for SMEs.2. Regulatory Overview: Draw on key points from the ESG Global and Vietnam Regulatory Landscape.3. Standards and Frameworks4. Investment requirements to sustainable finance	<ol style="list-style-type: none">1. The holistic 6-step approach to ESG integration, based on the ESG Program Capabilities Model developed by EY.2. Guidance tools and resources for ESG integration<ol style="list-style-type: none">2.1. Governance and Strategy2.2. Operation2.3. Data and Reporting2.4. Monitoring	<ol style="list-style-type: none">1. Step-by-step guide to a sustainability report2. Guiding principles for sustainability reporting3. A sustainability report structure<ul style="list-style-type: none">▶ General structure▶ General climate-related disclosure requirements▶ Disclosure guidance for local SMEs' reference

ESG CONTEXT



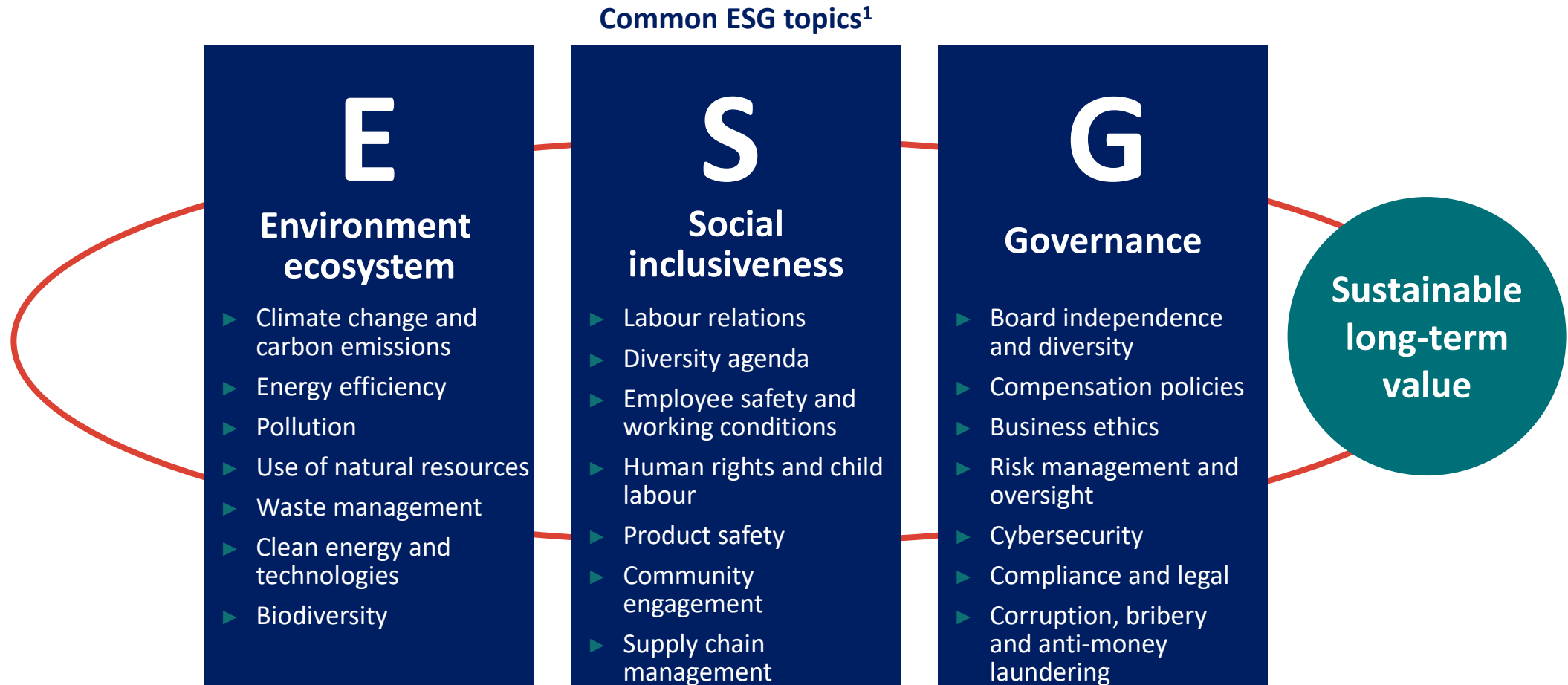
The Global ESG context



Define ESG

Environment, Social, Governance are three main elements that constitute the definition of ESG

- ▶ In this document, the term Environmental, Social and Governance (ESG) is often used interchangeably with the term 'sustainability'
- ▶ Sustainability is a broad goal that aims at three main elements: **planet, people, and profit** through sustainable development in environmental, social, and economic terms.
- ▶ **At the corporate level**, ESG and sustainability both aim for sustainable business practices that create positive impacts on the environment, society, governance, while also providing economic benefits to shareholders.



Why ESG?

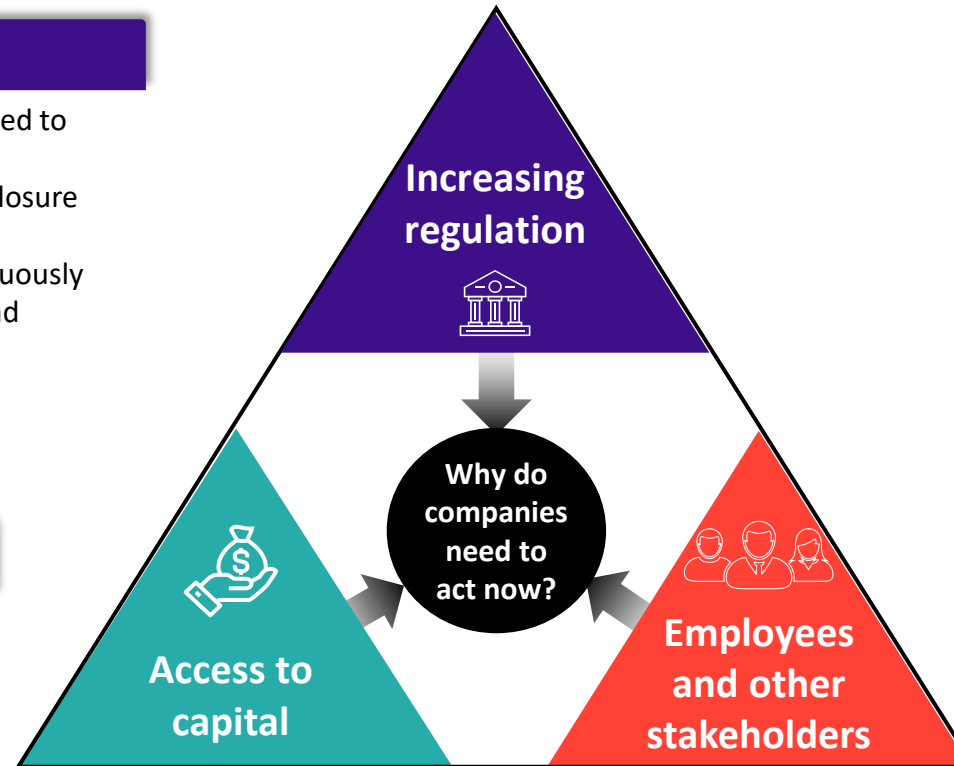
Three Major Forces For Corporates

REGULATORS' REQUIREMENTS

- ▶ increasing number of legal regulations related to sustainable practices in businesses.
- ▶ Regulators increasingly enforce on ESG disclosure and actions for listed corporations.
- ▶ Global ESG reporting regulations are continuously demanding higher consistency, accuracy, and transparency of disclosure requirements

CAPITAL ACCESSING OPPORTUNITIES

- ▶ Capital markets are increasingly factoring ESG metrics into investment decisions due to their link to long-term competitive and financial success.
- ▶ Stronger ESG performance can improve stakeholder perceptions.
- ▶ 90% of global institutional investors revise investments if companies do not at least consider ESG criteria within their business model



EMPLOYEES AND OTHER STAKEHOLDERS

CUSTOMERS

- ▶ increasingly considering E&S benefits in their purchasing decisions.
- ▶ Revenue from sustainable products is growing at about six times the rate of other products
- ▶ Markets may change and open new opportunities for consumer value extraction

INDUSTRY PEERS

- ▶ The trend of implementing sustainable development as a core business strategy is driven by its potential financial and non-financial benefits and to avoid being left behind

EMPLOYEE

- ▶ ESG management leads to more trusted relationships which are more likely to attract and retain talent.

Why ESG?

How ESG creates long term value?

Top-line growth

- Allowing access to new markets and expansion of existing ones.
- Afford fresh opportunities for growth when governing authorities trust corporate actors.
- Drive consumer preference to charge higher price premiums.

Cost reductions

- Better resource management policies to reduce and eliminate wastage
- 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

Investment and asset optimization

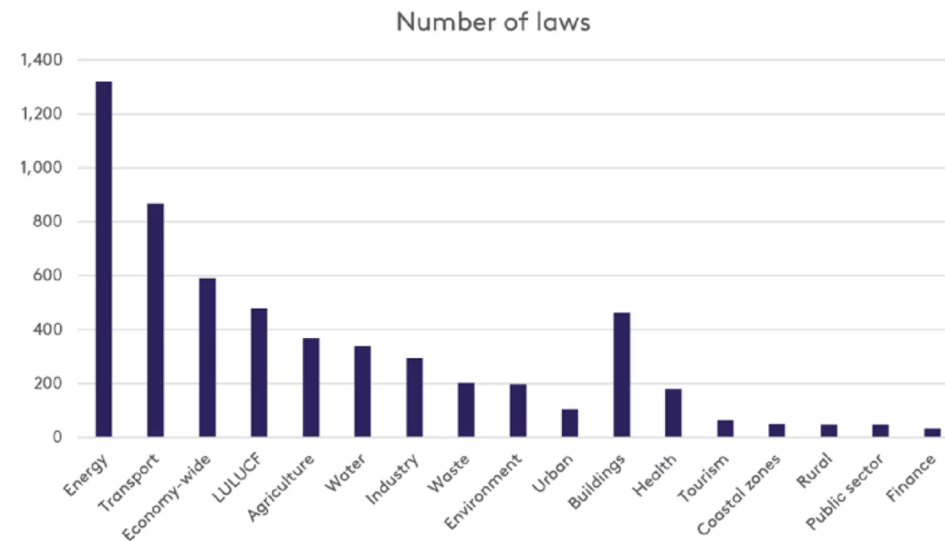
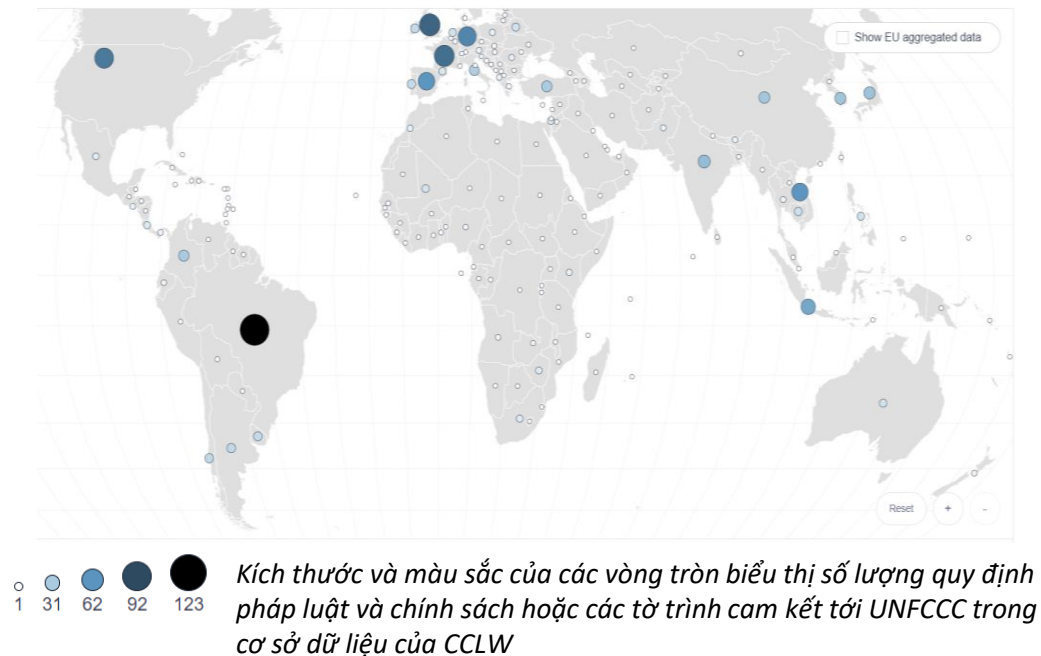
- Enhance investment returns by better allocating capital for the long term
- Avoid investments that may not pay off because of longer-term environmental issues
- Improve capital access as ESG is one of the prerequisites that investors consider in their investment decision-making process

Productivity Uplift

- Attract and retain quality employees
- Enhance employee motivation by instilling a sense of purpose, and increase productivity overall

ESG Global Regulatory Overview

The regulatory environment for sustainability development is changing, with new developments both internationally and in the ASEAN region



Số lượng quy định pháp luật và chính sách liên quan đến khí hậu trên toàn thế giới theo từng lĩnh vực kinh tế (tháng 1 năm 2022)

1,234 regulations

2,626 policies

- **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
- Most laws and policies focus on the energy sector, transportation, overarching economic issues, land use, land-use change, and forestry (LULUCF).
- **International financial institutions (IFI)** - key financing source for Vietnamese companies:
 - subject to **stringent international regulations** and supervision
 - **additional commitments** 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.**

ESG Reporting Standards and Frameworks

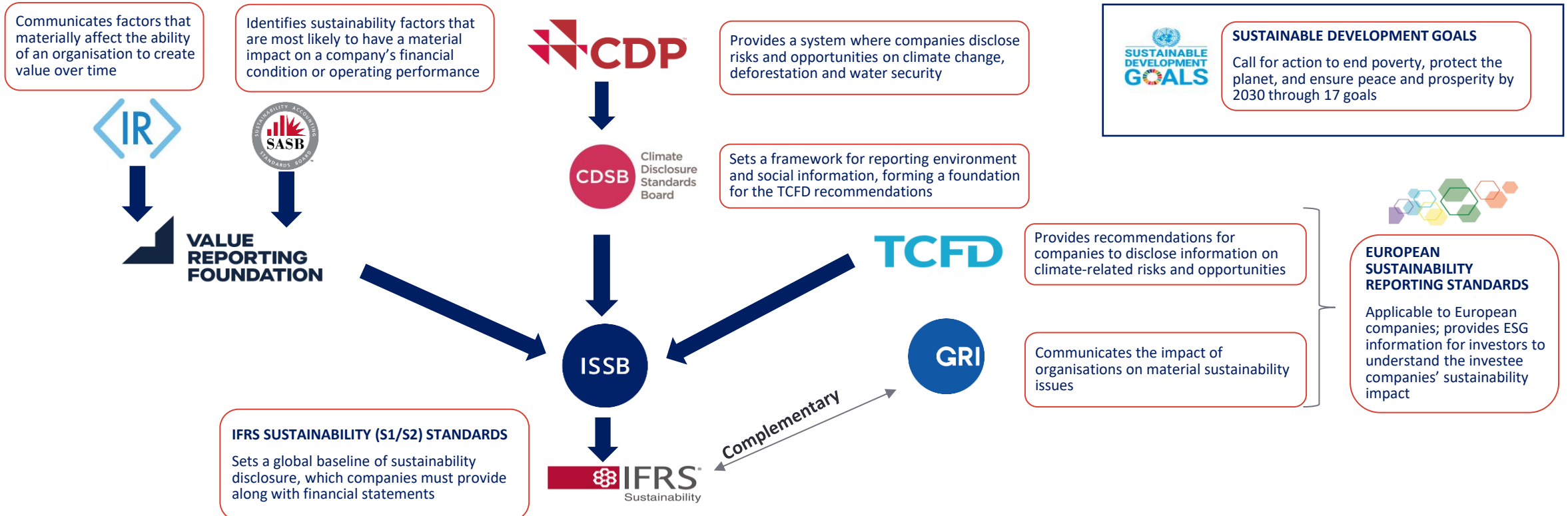
Growing Momentum towards global harmonization and The need for decision-useful, climate-related information disclosures

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

- ▶ Public and growing recognition by investors that climate risk is a material investment risk, particularly for companies in carbon-intensive sectors
- ▶ Development of several climate-related disclosure standards such as TCFD (FSB), Climate Change Standard (GSSB), IFRS S2, ESRS.

The necessity of unifying reporting standards related to sustainable development.

- ▶ Extremely challenging for businesses due to differences in national and international jurisdictions.
- ▶ An urgent need to establish a reporting framework to achieve comparable, consistent, and reliable sustainable information



Access to Sustainable Finance

What are investors looking at?

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.

ESG Information sources for Investors



ESG Disclosure

- Organisations are increasingly reporting sustainability information
- Several globally accepted ESG disclosure standards and frameworks exist to support capital providers' decision-making.
- To maintain access to capital, organisations will need to navigate the quickly evolving universe of sustainability reporting requirements.

Credit Ratings

- Support lenders and investors in determining the cost of debt: rely on Credit rating agencies to inform their investment decision-making in bonds and other credit instruments.
- Are increasingly integrating ESG risk into their existing ratings and developing new ESG ratings.

ESG Ratings

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

Vietnam ESG Context



The impact of climate change on Vietnam

Vietnam is particularly vulnerable to impacts of climate change¹



ND-GAIN
Notre Dame Global
Adaptation Initiative

127 / 182

level of
vulnerability to
climate change

One of the high-emission economies in East Asia due to economic growth based on coal-dependent energy.²

91 / 192

level of readiness
to adapt to the
impacts of
climate change

3 / 10

among the ASEAN-10
countries regarding
exposure to extreme
weather events.

Most vulnerable sectors due to climate change:

- ▶ Mining
- ▶ Processing industries, manufacturing
- ▶ agriculture
- ▶ wholesale, retail
- ▶ hotels/housing



13 / 180

level of damage
sustained from
weather events

Estimate loss due to climate change impacts in 2020³

10 bn
USD ≈ 3.2%
GDP

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 with high demands for green and sustainability

How does Vietnam face challenges related to sustainable development and climate change?

- ▶ The World Bank's Vietnam Country Climate and Development Report (CCDR) proposes that Vietnam shift its development paradigm by incorporating two critical pathways:
 1. Resilient pathway
 2. decarbonizing pathway
- ▶ 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.

(1) World Bank Group, COUNTRY CLIMATE AND DEVELOPMENT REPORT – VIETNAM, 2022

(2) measured as emissions per unit of output

(3) World Bank. 2021 (unpublished). "Accelerating Clean, Green, and Climate-Resilient Growth." Vietnam Country Environmental Analysis.

Domestic businesses action towards ESG impacts

► According to the survey results of APED, Ministry of Finance on the level of sustainable business practices according to ESG in Vietnam¹:

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.

In terms of ESG practices :

- 14% of enterprises participating in the survey are pioneers in ESG practices and;
- up to 25% of enterprises mostly do not implement or have few activities/solutions related to ESG.

► Vietnamese enterprises are currently performing best in the Social pillar, followed by Governance, and finally Environment.

► Medium, and micro enterprises show little interest on this matter, however 26-30% of businesses at each medium, small and micro scale are also taking the first steps in learning and applying ESG criteria.

The biggest difficulties in ESG practice:

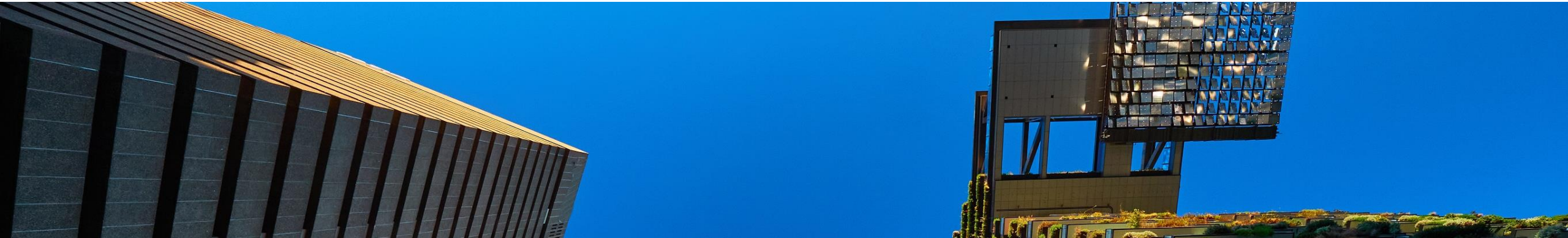
No or lack of information on ESG

Lack of ESG introduction and training programs

No specific policies from the Government on ESG

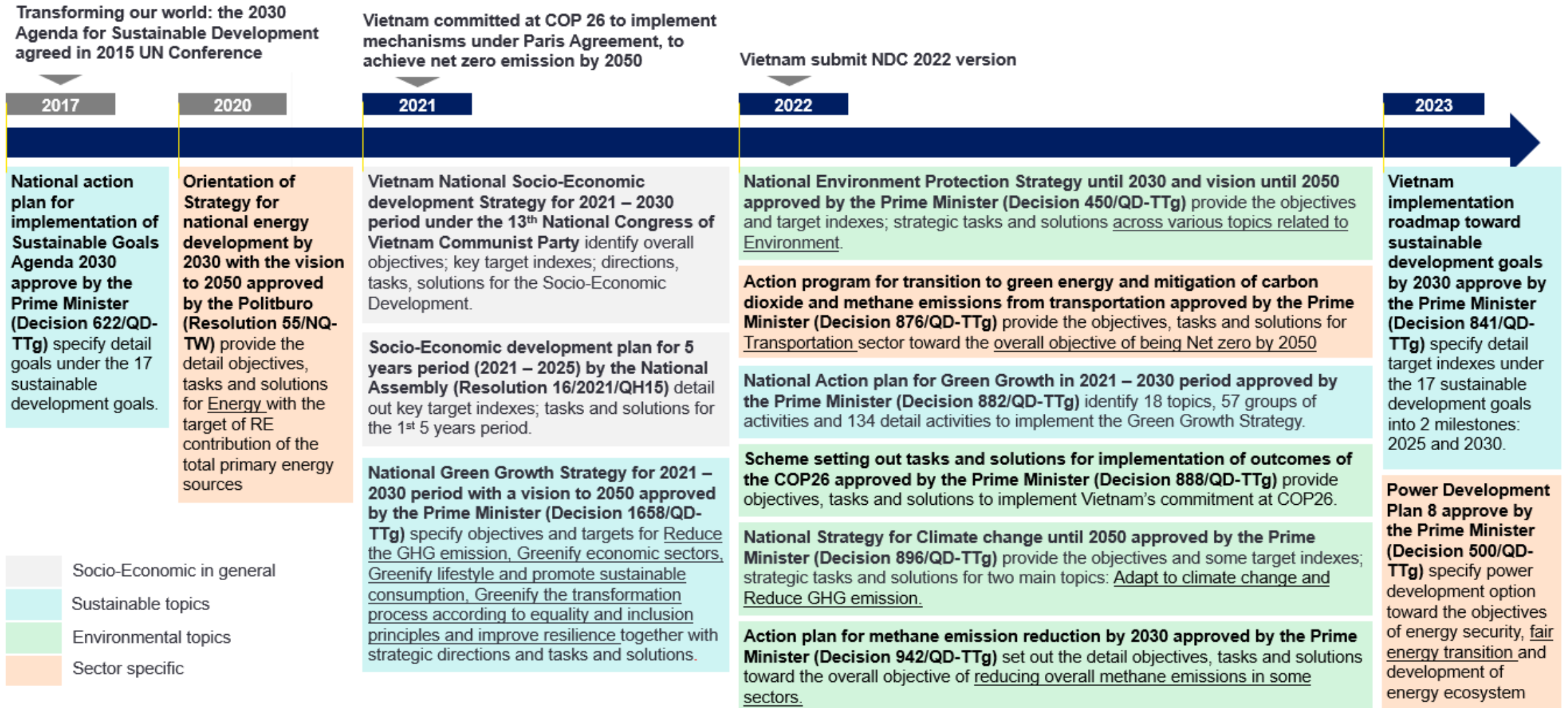
(1) Sustainable practices current state assessment for Vietnam businesses based on ESG Framework, 2024 – AED – Ministry of Planning and Investment – now APED, Ministry of Finance

Overview of Vietnam ESG Regulatory Landscape



Guidance, strategy, and action plan for sustainable development

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



Regulations and guidelines on reducing GHG emissions

Law on Environmental Protection 2020 and Circular 06/2022 also details following regulations and guidance on GHG reduction to combat climate change and align with Vietnam’s Net Zero commitment in 2050.

GHG emission mitigation			
Facilities required to conduct GHG inventory	GHG emissions inventory methodology	Roadmap to GHG emissions mitigation	GHG emissions mitigation methodology
<ul style="list-style-type: none">Facilities with annual GHG emissions of 3,000 tonnes of CO2 equivalent or more or in one of the following cases:<ul style="list-style-type: none">Thermal power plants, industrial production facilities with total annual energy consumption of 1,000 tonnes of oil equivalent (TOE) or more;Cargo transport companies with total annual fuel consumption of 1,000 TOE or more;Commercial buildings with total energy consumption of 1,000 TOE or more;Solid waste handling facilities with annual operating capacity of 65,000 tonnes or more.The list of facilities subject to GHG emission inventory: Decision no. 13/2024/QD-TTg.	<p>Measurement, Reporting and Verification (MRV) of mitigation of GHG emissions processes:</p> <ul style="list-style-type: none">Circular No. 17/2022/TT-BTNMT on Methods for Measurement, Reporting, Appraisal of Reduction of Green House Gas (GHG) Emissions and GHG Inventory Development in Waste Management.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.Circular No. 23/2023/TT-BNNPTNT on Methods for Measurement, Report and Verification of Reduction in Greenhouse Gas (GHG) Emissions and GHG Inventory Development in Forestry Sector.	<p>In the period from 2026 to 2030</p> <ul style="list-style-type: none">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)	<ul style="list-style-type: none">Policy measures and management of GHG emissions mitigation activities;GHG emissions mitigation plans at at sector and grassroots levels;Technology, production processes and services with low GHG emissions;Mechanisms and methods of cooperation on greenhouse gas emission reduction in accordance with the provisions of law and international treaties to which the Socialist Republic of Vietnam is a member.

Regulations and guidelines on domestic carbon market

- **Law on Environmental Protection 2020 :**
 - Point d, Clause 2, Article 91: One of the focuses of the reduction of GHG emissions includes Organizing and developing the domestic carbon market.
 - Article 139, Organizing and developing domestic carbon market
- **Decree No.06/2022/NĐ-CP:** provides detailed guidance on the organization and development of domestic carbon markets

MINISTRY OF NATURAL RESOURCES AND ENVIRONMENT

- ▶ **Greenhouse gas emission quotas:**
 - ▶ submit to promulgate total greenhouse gas emission quotas, reserve quota ratios and auctions for the period 2026 - 2030 and annually
 - ▶ develop and promulgate greenhouse gas emission norms per unit of product for all types of production and business establishments
 - ▶ organize the allocation of greenhouse gas emission quotas to establishments.
- ▶ **Carbon market management:**
 - ▶ Organize the pilot and official operation of the carbon credit trading floor
 - ▶ Manage and monitor, supervise the carbon market

MINISTRY OF FINANCE

- ▶ presides over the development and establishment of the Carbon Trade Exchange (CTX)
- ▶ issues a financial management mechanism for the operation of the carbon market.

MINISTRIES, MINISTERIAL AGENCY, PROVINCIAL PEOPLE'S COMMITTEES

- ▶ coordinate with the Ministry of Natural Resources and Environment, Ministry of Finance to implement
- ▶ **Ministries (MOIT, MOT, MOC)**
 - ▶ Manage facilities and sectors participating in CTX
 - ▶ Guide and organize the implementation of grassroots-level GHG inventories under management

2023	2024	2025	2026	2027	2028	2029	2030
------	------	------	------	------	------	------	------

- Formulating carbon credit management regulations, GHG emission quota exchange and carbon credits
- Formulating operation rules of the CTX
- Experiment with carbon exchange and offsetting mechanisms in potential sectors and providing guidance on operation of domestic and international carbon exchange and offsetting mechanisms in accordance with law and the international treaties

Sectors and facilities emitting greenhouse gases according to Decision 13/2024/QĐ-TTg must conduct greenhouse gas inventories and develop and implement plans to reduce greenhouse gas emissions.

Establishing and organizing trial operation of the CTX from 2025

- Organizing official operation of the CTX
- Exchanging GHG emission quota and carbon credit on CTX
- Prescribing carbon credit connected and exchange between domestic , regional and global carbon market.

ESG INTEGRATION INTO GOVERNANCE AND OPERATIONS



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



2.1

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

Overview





STEP 1: LEARN

Objective: LEARN, ACKNOWLEDGE AND COMMIT TO THE ‘ESG URGENCY’

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

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.

STEP 2: ASSESS

Overview



Step 2.1: Assess and Identify material matters

- **Objective:**
 - Identify the organisation's key ESG-related impacts, risks & opportunities
- **Approach:**
 - Establish purpose and scope of the assessment
 - Identify potential topics
 - Assess and prioritise the most significant impacts.



Step 2.2: Assess Maturity of current ESG-related capability performance

- **Objective:**
 - 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)
- **Approach**
 - Option 1 – ESG Maturity Model
 - Option 2 – ESG Matter Maturity



STEP 2: ASSESS – Step 2.1: Assess and Identify material matters

Objective: Identify the organisation's key ESG-related impacts, risks & opportunities

- Materiality assessment is performed on a regular basis to ensure key ESG matters for their businesses are identified and monitored.
- Material sustainability matters:** including **ESG risks, impacts and opportunities**, arising from the organisation's operation and value chain.
- 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**.



	Peer Company B	Peer Company C	Priority
Sustainable buildings / Eco-efficiency	Yes	Yes	
Climate Strategy	Yes	Yes	
Health & Safety	Yes	Yes	
Talent Attraction & Retention	Yes	Yes	
Corporate Governance	Yes	Yes	
Responsible Investing & Financing / Ethics	Yes	Yes	
Human Rights	-	(not material)	
Gender Equality	Yes	-	

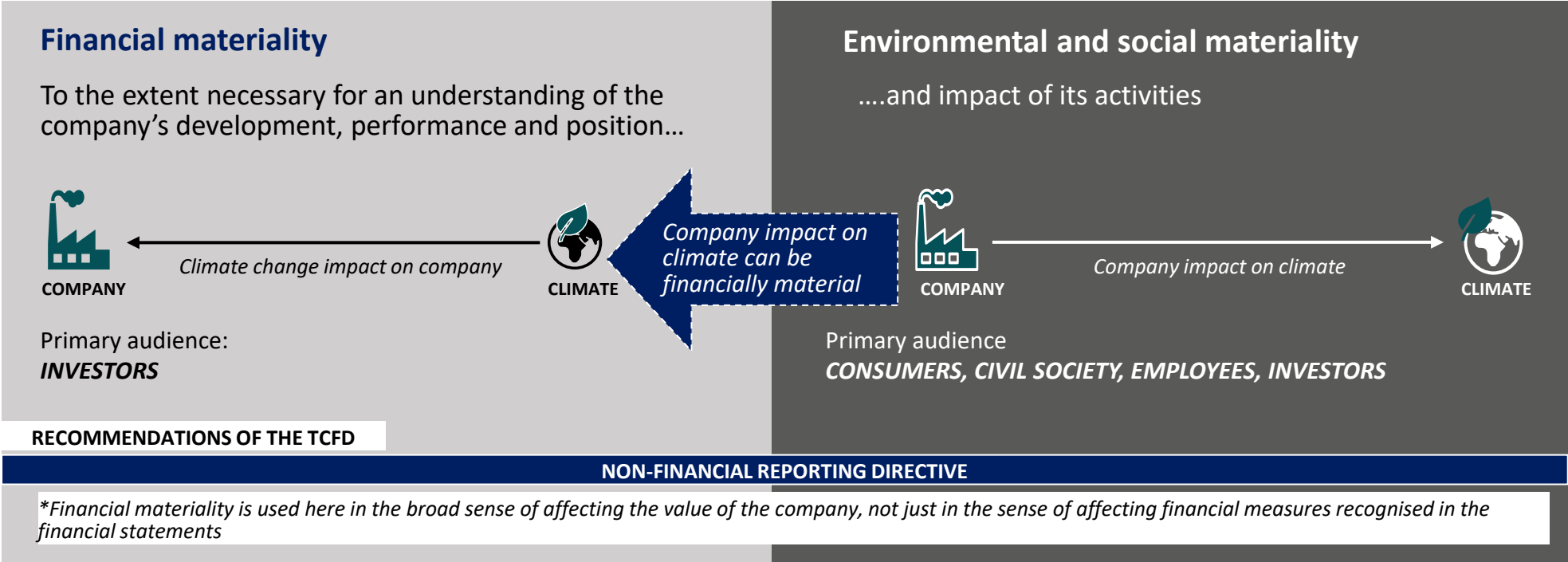




STEP 2: ASSESS – Step 2.1: Assess and Identify material matters

The Double Materiality Concept

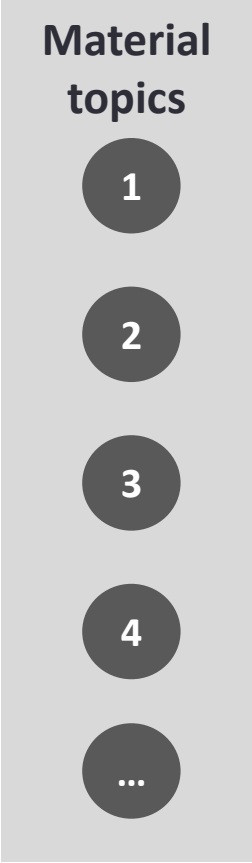
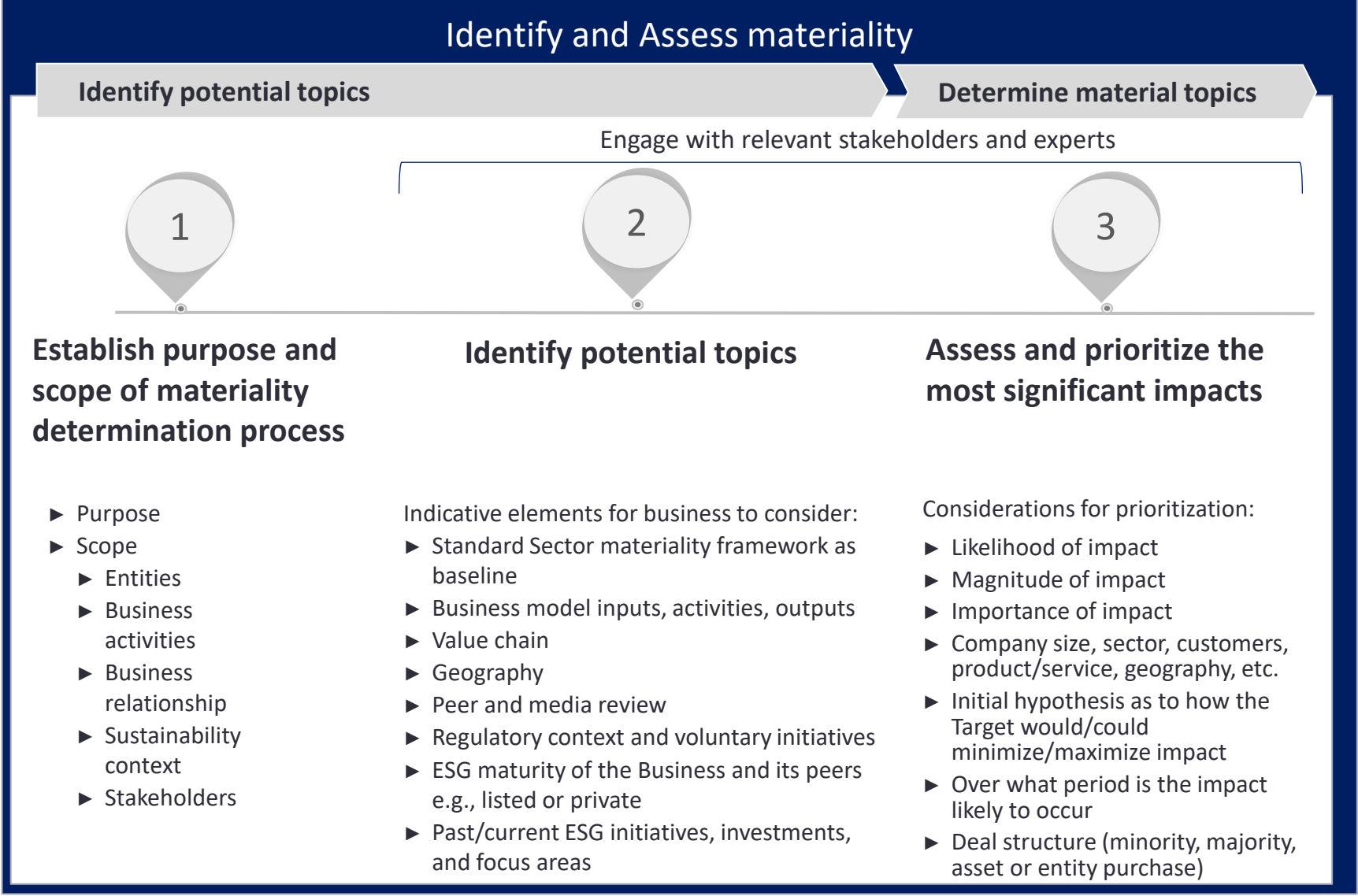
- **Double materiality:** Consider two ‘types’ of materiality when performing an impact assessment of sustainability topics





STEP 2: ASSESS – Step 2.1: Assess and Identify material matters

Approach





STEP 2: ASSESS – Step 2.1: Assess and Identify material matters

Potential material topics for consideration

Environment	Social	Governance
Air quality	Human rights and community relations	Product design & Lifecycle Management
Water and wastewater management	Customer privacy	Business Model Resilience
Biodiversity and ecological impacts	Data security	Supply chain management
Waste and hazardous materials management	Access and affordability	Physical impacts of climate change
GHG Emissions	Product quality and safety	Business ethics
Energy Management	Customer welfare	Competitive behavior
Climate adaptation, resilience, and transition	Selling practices and product labelling	Management of the Legal and Regulatory Environment
Materials sourcing & efficiency	Labor practices	Critical incident risk management
	Employee health and safety	Systemic risk management
	Employee engagement, diversity and inclusion	



STEP 2: ASSESS – Step 2.2: Assess Maturity of current ESG capability performance

Objective

- 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).
- Assess sustainability aspects in each **ESG capability component** 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.



STEP 2: ASSESS – Step 2.2: Assess Maturity of current ESG capability performance

Overall Approach

Methodology

Step 1

Evaluate key qualitative and quantitative aspects of management and response regarding sustainability matters

Step 2

Benchmark against peers and leaders.

Approach Options

selected based on the organisation’s needs – such as comprehensiveness required, timeline, size of the organisation, etc.

Option 1

Assessment based on ESG Maturity Model – at organisation level, extensive

Assess the **overall** maturity level of the organisation **across different categories**.

Option 2

Assessment based on ESG Matter maturity – at sustainability matter level, quicker to deliver

Assess **separate maturity level** of the organisation **across different categories** with respect to **each material matters identified**.

Aspects for assessment

Based on **ESG integration framework** - adapted from the **ESG Program Capabilities Model** developed by EY :

1. Governance and Strategy

2. Operation

3. Data and Reporting

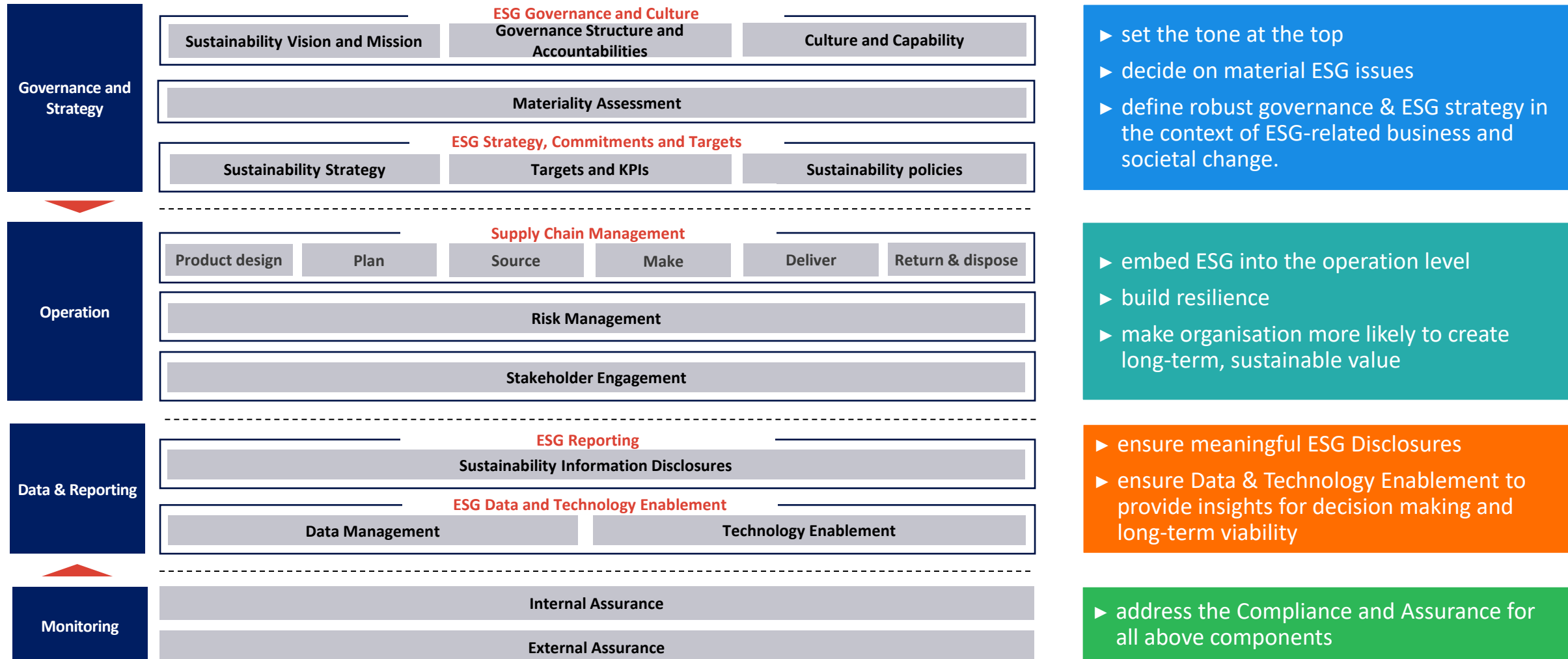
4. Monitoring

Details are included in next slide.

Important: Engagement with key stakeholders – both internal and external.

ESG MATURITY ASSESSMENT AND FUTURE DESIGN USING THE CAPABILITY FRAMEWORK FOR ESG INTEGRATION

Adapted from the ESG Program Capabilities Model developed by EY, The **ESG Integration framework** includes 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**.

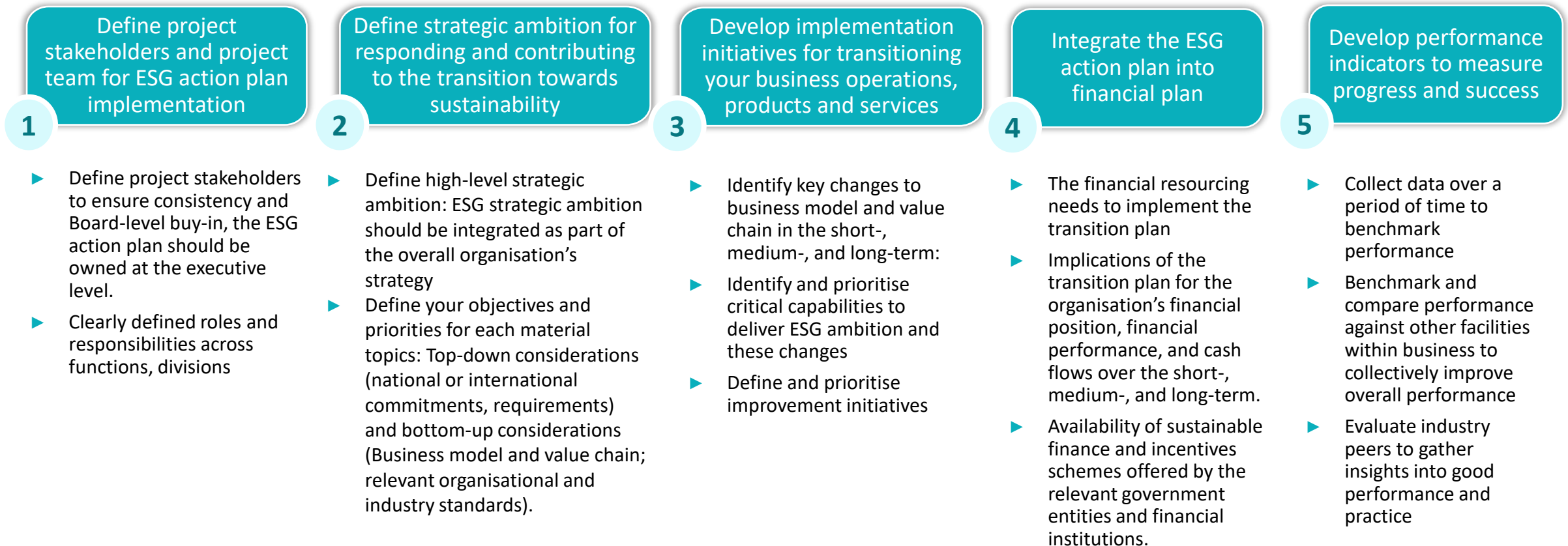


STEP 3: PLAN

Approach



HOW TO DEVELOP THE ESG ACTION PLAN¹



Throughout this process, seek input from engagement with key stakeholders

(1) Adapted from TCFD's Transition planning cycle

STEP 4: IMPLEMENT



To effectively implement the required capacity improvement initiatives (or ESG Action Plan), organisations need to:

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
- ▶ Include ESG-related KPIs for each department, or incentivise employees
- ▶ For each capability improvement initiatives, organisations ensure that there are clear and detailed procedures to provide step-by-step instructions for implementation, monitoring and management.

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

STEP 5: TRACK



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

Approach to ESG Action Plan Progress tracking

- ▶ Define relevant indicators which are quantitative or qualitative measures of progress against set objectives.
- ▶ Collect relevant and meaningful ESG data to track the progress.
- ▶ Identify (and perhaps quantify) any issues that may occur.
- ▶ Based on the current progress, adjustments can be made to the action plan to address issues.



Notes:

- Credible data is important to substantiate sustainability claims.
- Data for evaluating performance can be collected via visual observation, measuring and testing, questionnaires, surveys, interviews with employees and external stakeholders, and document review.



STEP 6: REPORT



- ▶ 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.

HOW TO REPORT ON ESG PROGRESS AND ACHIEVEMENTS

- ▶ 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.
- ▶ Identify the internal and external stakeholders that need access to this information
- ▶ 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





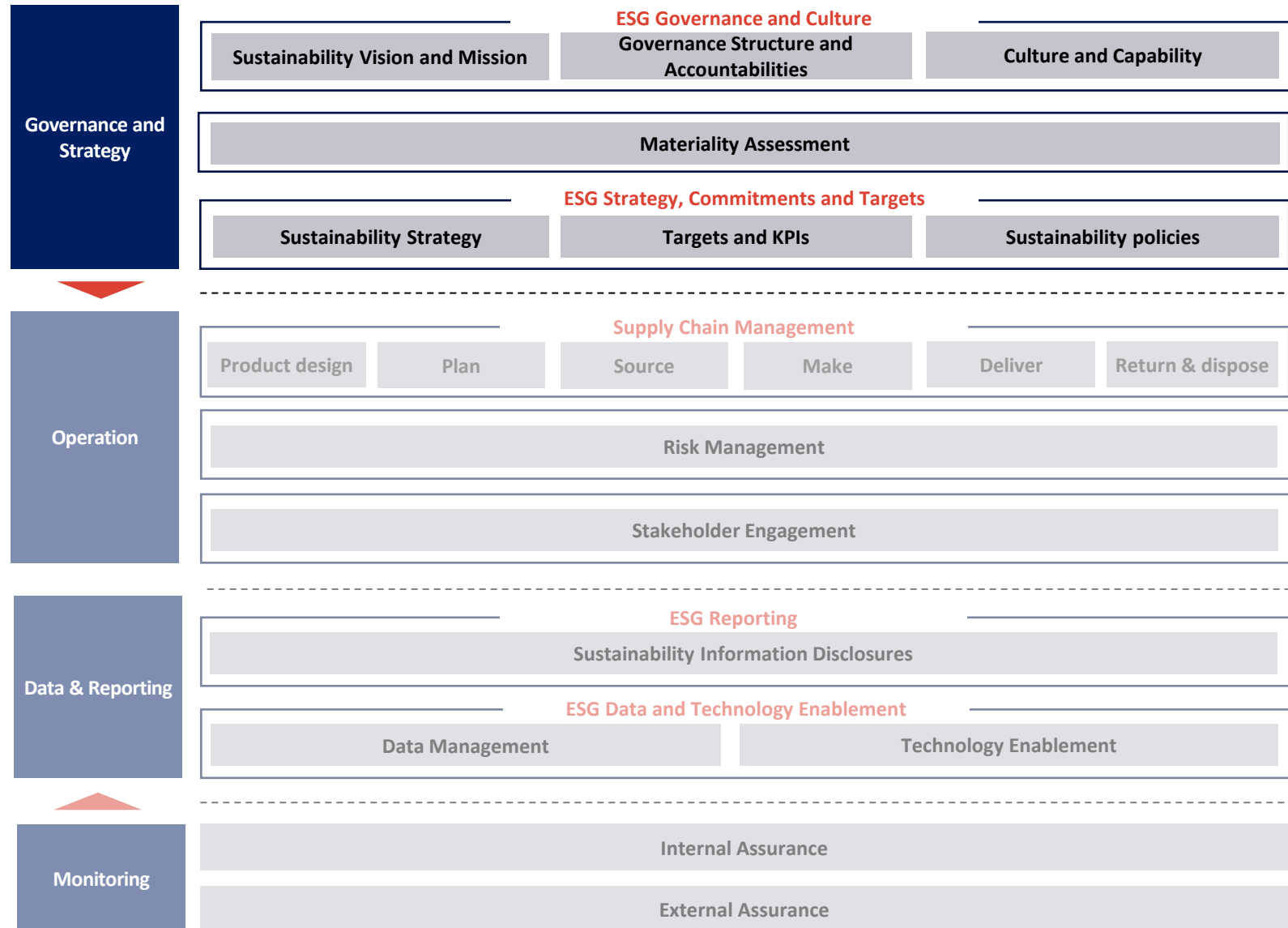
Break

GUIDANCE TOOLS AND LEADING PRACTICES FOR ESG INTEGRATION



2.2

2.2.1. Governance and Strategy



Governance & Culture

Prerequisite to effectively assessing and addressing ESG matters in the organisation

Sustainability vision & mission

- Consideration to all material regulatory, environmental and social risks and opportunities
- The organisation's overall vision and mission should include:
 - minimum consideration of significant ESG issues;
 - consideration of long-term megatrends;
 - focus on the long-term (10 years +) value .
- Well-defined objectives to achieve “net positive impact”
- Separate vision and mission for sustainability

Governance structure & accountabilities

- Board Structural Overview and Capacity**
- Identify at least one director with relevant skills to support the board on sustainability and hold management accountable
 - Establish a dedicated committee/sub-committee or refine the current roles and responsibilities of the board and its committees
- Board’s Oversight**
- A formal mandate is often used to describe the board's (or committee's) responsibilities for overseeing ESG-related risks and issues
 - Establish process to enable Board and/or board committees to be informed of and monitor ESG-related issues.

Culture & capability

- Organisational culture**
- Incorporating ESG considerations into the organisation core values may help to cultivate a culture that exhibits “ESG conscious” behaviors and decisions
- Knowledge and capability**
- 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
- Organisational incentives**
- Inclusion of sustainability features within all leadership and management KPIs, incentives, and role descriptions is an important factor in the creation and protection of long-term shareholder values

ESG Strategy, Commitments & Targets

Sustainability Strategy

CONTEXTUAL APPROACH TO DEVELOP SUSTAINABILITY STRATEGY ITERATIVE STEPS:

- **Step 1 – Acknowledge:** Organisation to gain an understanding of the various socio-ecological trends and their associated thresholds and publicly acknowledge the need to operate within these global, regional, and/or local socio-ecological thresholds
- **Step 2 – Prioritise:** Prioritise the issues that are most relevant to business based on where they anticipate they have the greatest impact on these thresholds
- **Step 3: Set strategy & goals:** Articulate the current performance gap between desired endpoint and current performance and determine what portion of this gap the business will address and set strategy and goals based on the magnitude of change required
- **Step 4 – Track:** Track performance against realistic targets.



Vital aspects of strategy development

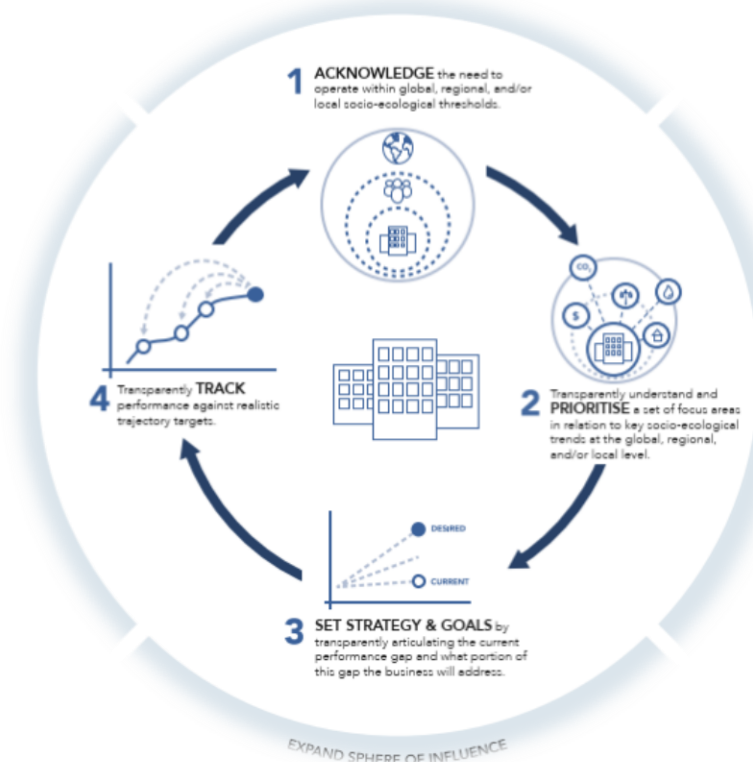
1
Global Industry
Trend

2
Peer
performance &
best practices

3
Regulatory
Landscape

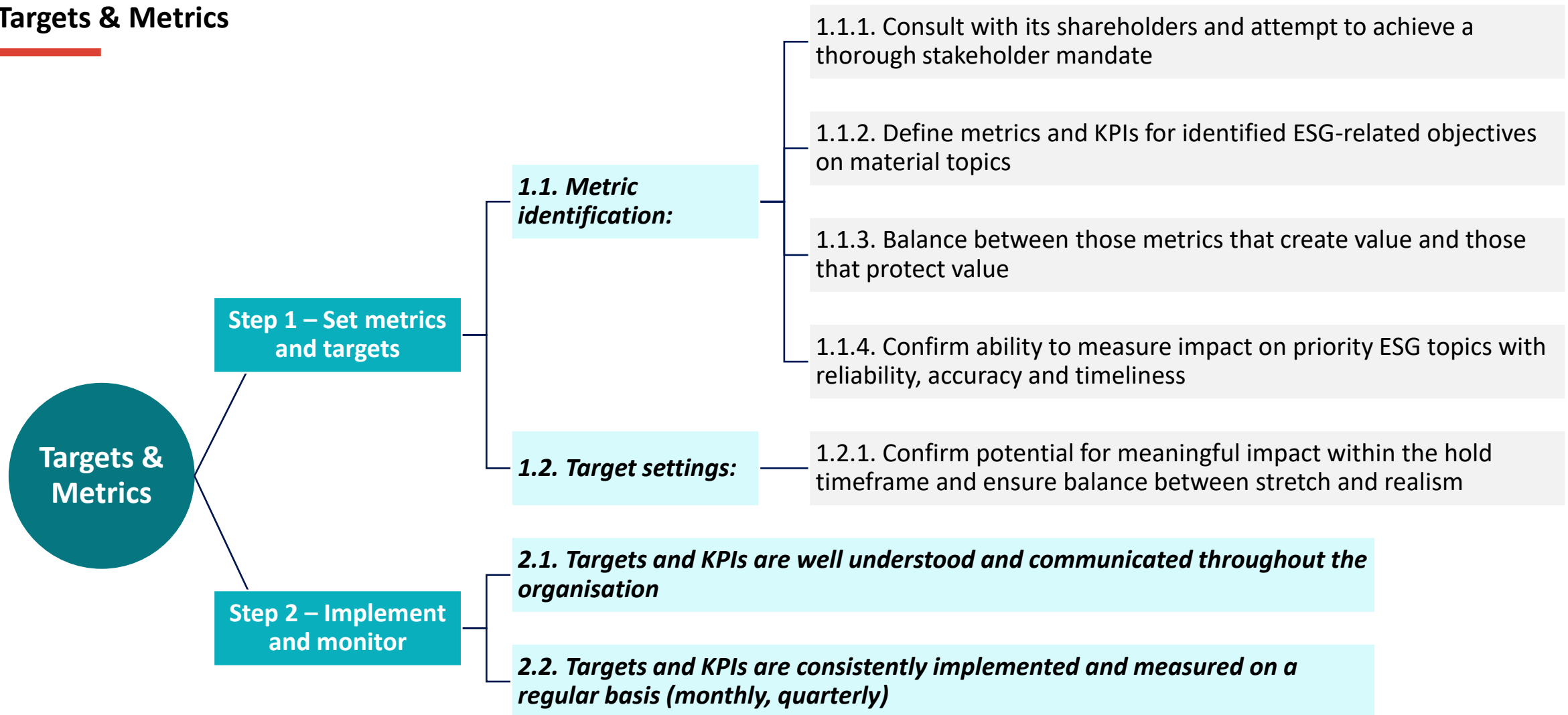
4
Business objective
& sustainability
maturity

CONTEXTUAL APPROACH TO DEVELOP SUSTAINABILITY STRATEGY



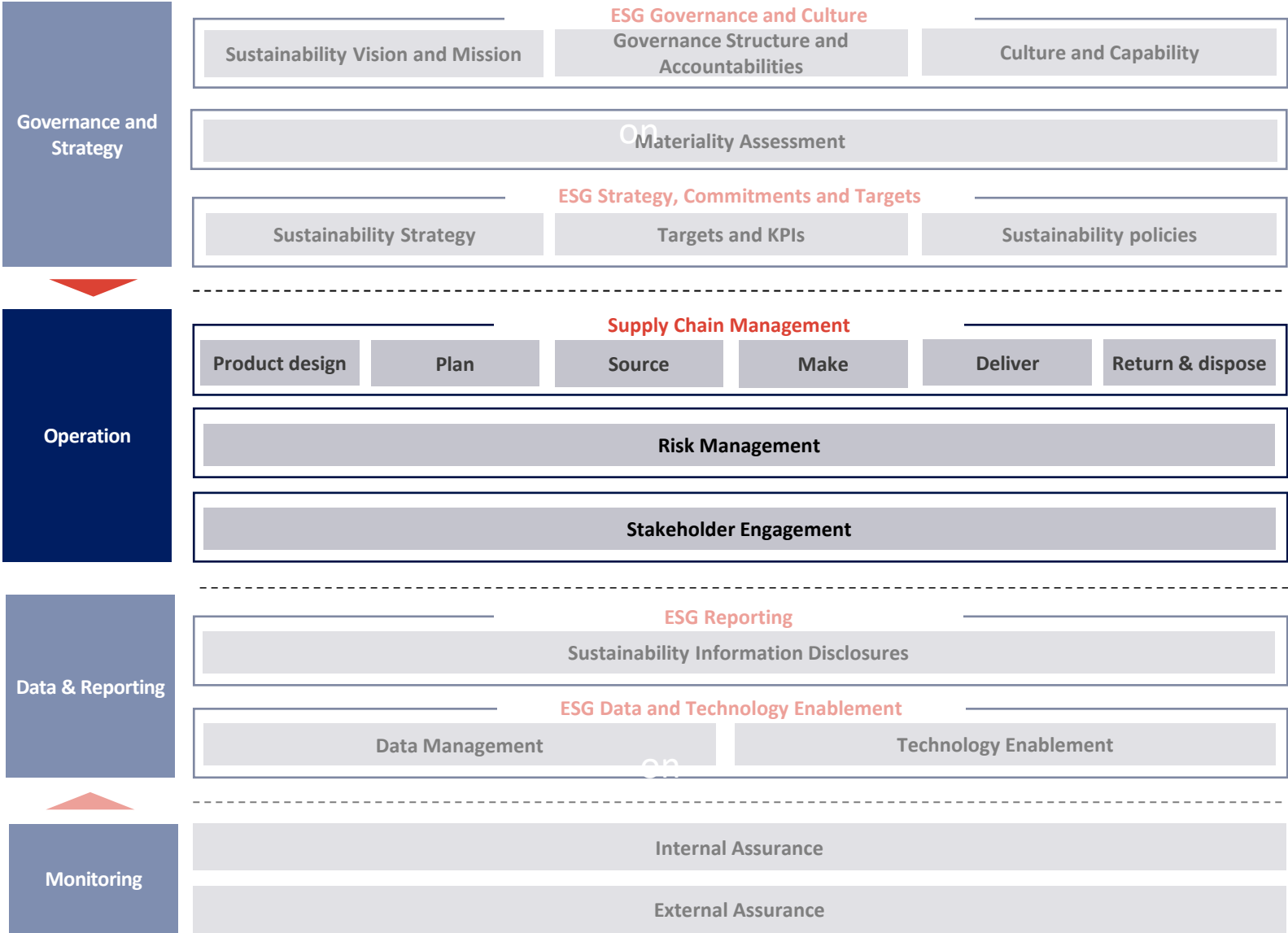
ESG Strategy, Commitments & Targets

Targets & Metrics



Governance and Strategy	ESG Governance and Culture		
	Sustainability Vision and Mission	Governance Structure and Accountabilities	Culture and Capability
	Materiality Assessment		
	Sustainability Strategy	ESG Strategy, Commitments and Targets	Sustainability policies
		Targets and KPIs	

2.2.2. Operation

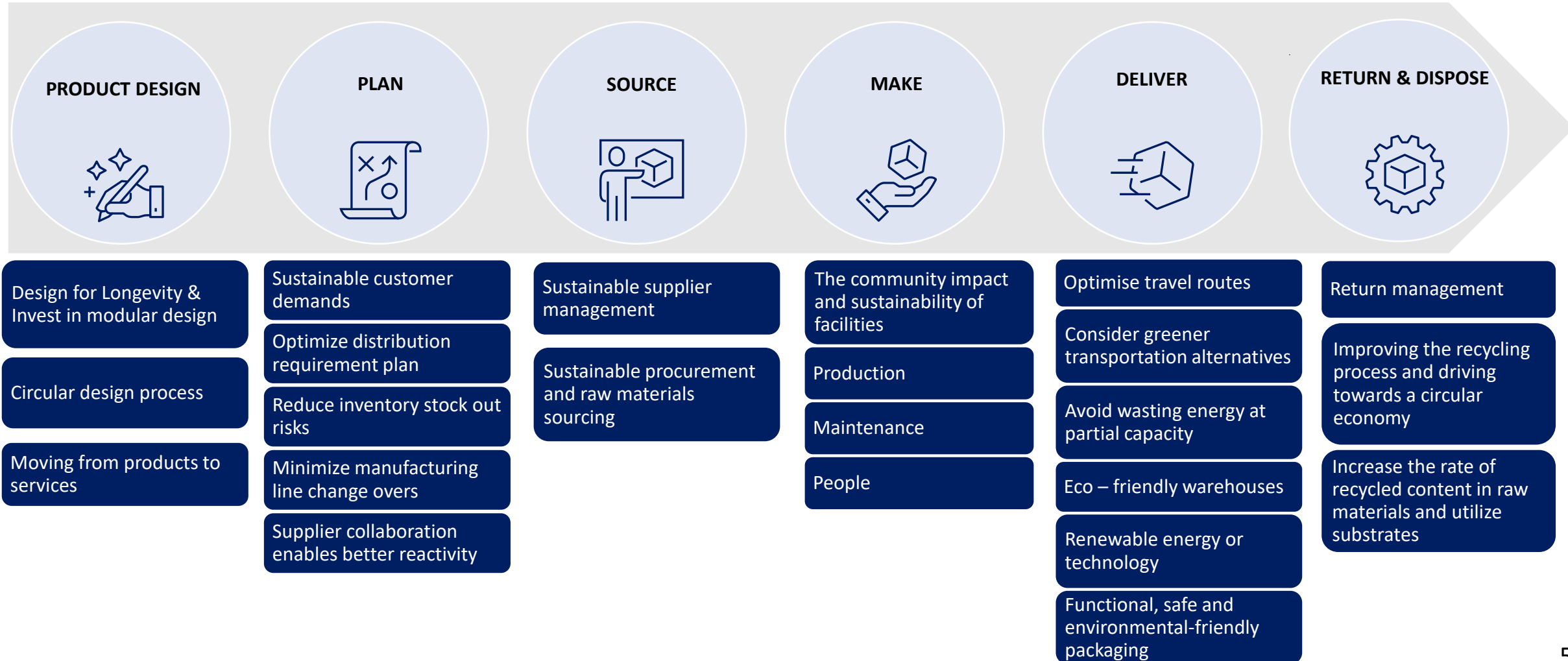


Product design	Plan	Source	Make	Deliver	Return & dispose
Risk Management					
Stakeholder Engagement					

Supply Chain Management

Components of the supply chain and key considerations

Requirements change for corporate supply chains to address sustainability issues: Ensuring diverse and sustainable sourcing; Enabling traceability, visibility and disclosure; Reducing carbon in the value chain; Embedding circularity in the business model



Risk Management

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.



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

Stakeholder Engagement

A critical tool for identifying material ESG issues, ESG risks and developing strategies

Stakeholder mapping

- Stakeholder identification: 2 dimensions to stakeholder identification include impact-based and interest-based
- Prioritisation: prioritize the different groups based on the nature and severity of the impacts, and the ability of these groups to influence the business

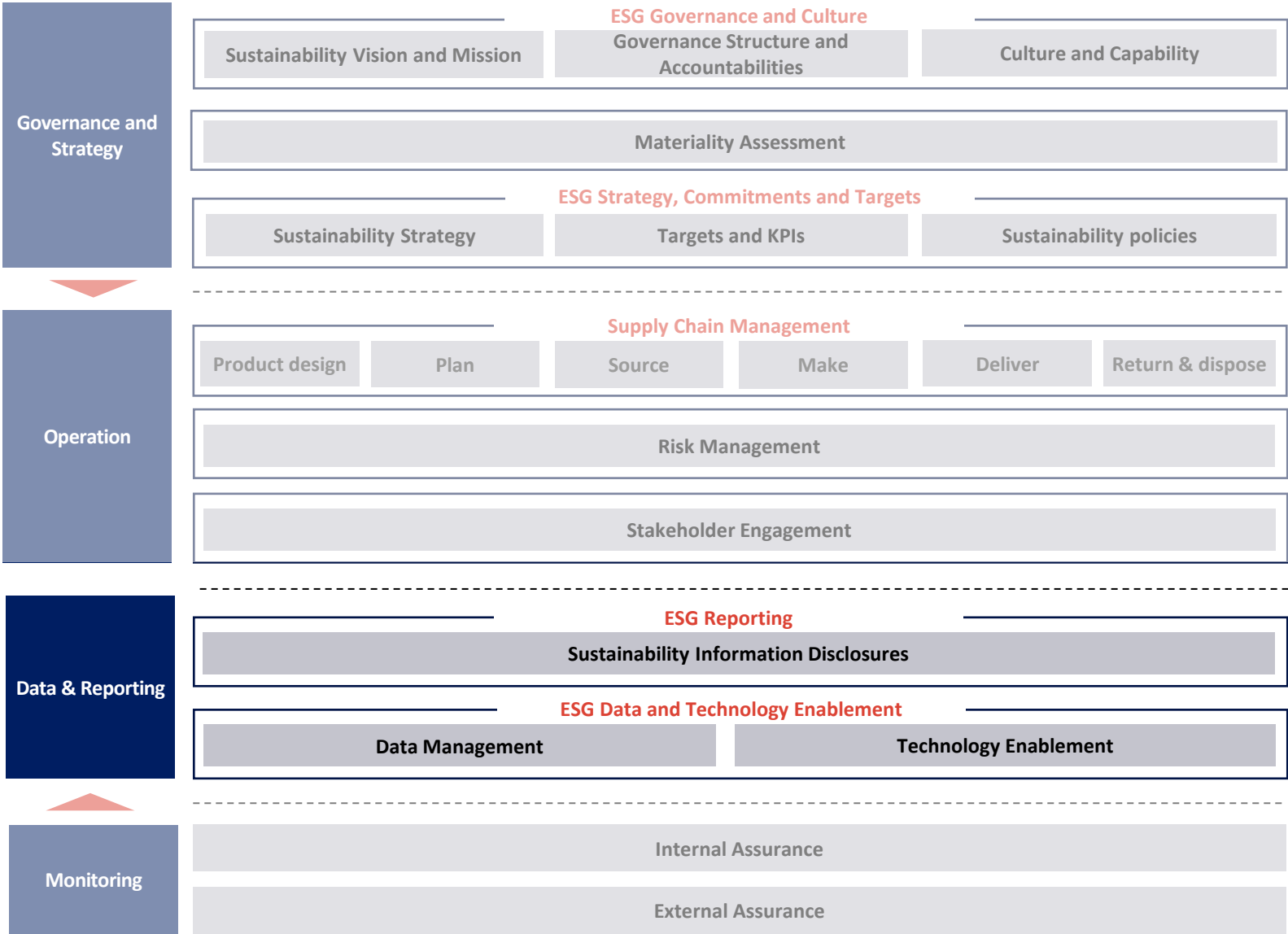
Engagement approach

- Should be viewed under long-term lenses and planned early on
- Objective, meaningful, and consistent disclosure
- Appropriate means and locations
- Opportunities for two-way communication

Engagement management system

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

2.2.3. Data & Reporting



Data Management

ESG data serves self-assessment of ESG performance and adapts to ESG reporting requirements or expectations of stakeholders

Challenges in data management

- 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

- **Data governance**
 - ESG Data governance needs to be a part of the organisation-wide data governance effort that improves productivity and efficacy
- **Management considerations**
 - Understand business objectives and goals to define how ESG data will be used for reporting and support analysis activities
 - 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
 - Examine completeness, validity, consistency, timeliness, and accuracy of enterprise data

Technology enablement

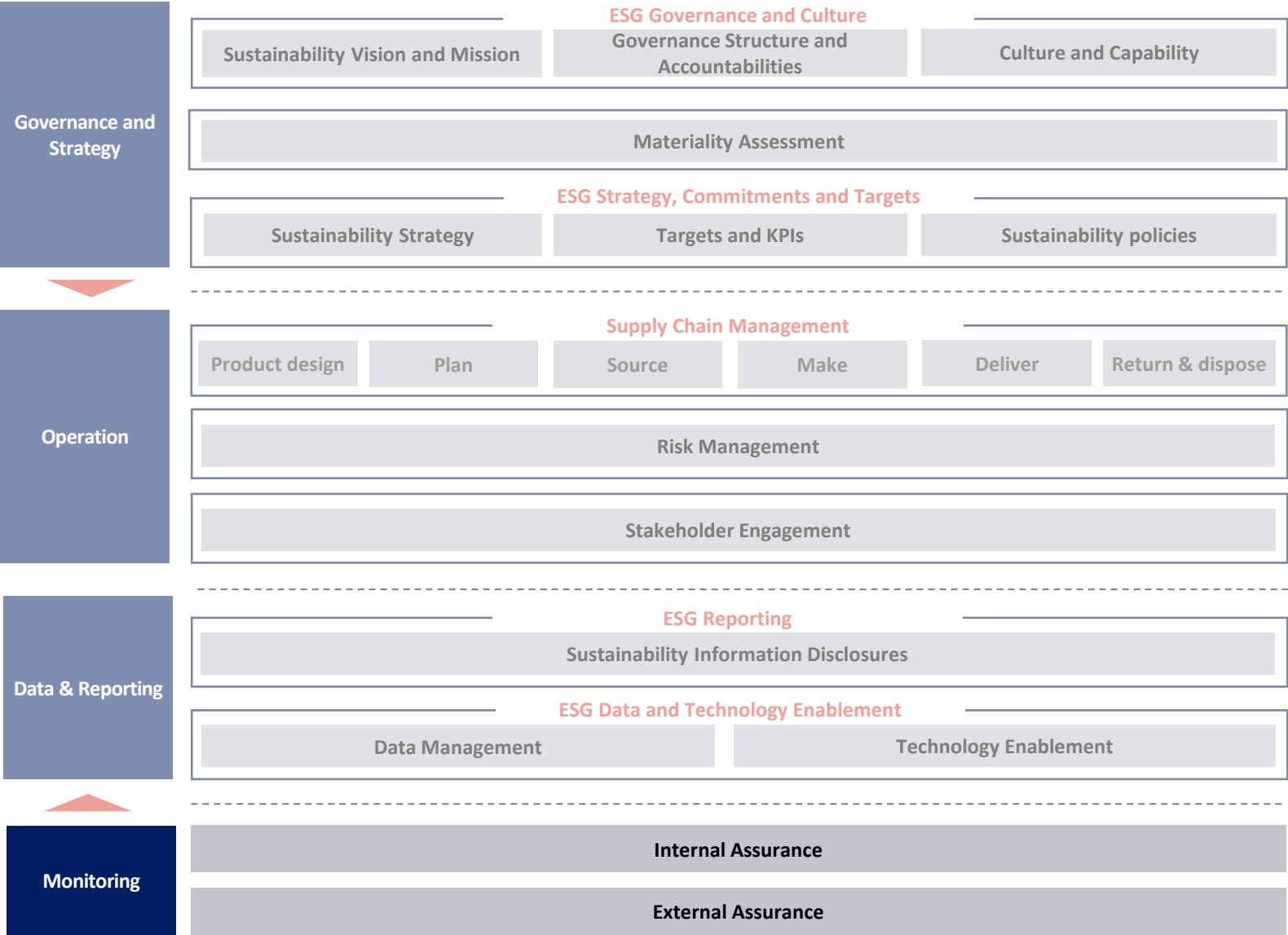
Technology should be considered holistically in the entire reporting cycle, from preparation, distribution to consumption

There are various aspects of the ESG data management framework where technology can play a crucial role in leveraging important attributes of outputs. Organisations can consider application of **Data management systems** and **AI techniques**.

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	Understandability				
ESAP	Verifiability/reliability	Timeliness	Stakeholder inclusiveness	Comparability				
Multimedia	Faithful representation	Timeliness	Stakeholder inclusiveness	Connectivity	Understandability			
Data management	Faithful representation	Verifiability/reliability	Timeliness	Materiality/relevance	Coherence			
AI	Faithful representation	Comparability	Verifiability/reliability	Connectivity	Timeliness	Stakeholder inclusiveness	Materiality/relevance	Coherence

Note: elaborate examples upon specific solutions suitable for companies

2.2.4. Monitoring



Monitoring

Internal Assurance

- Internal audit function considers full range of business risks, including ESG-related risks.
- ESG-related risks must be 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.

External Assurance

- Organisation should also consider external assurance requirements including:
 - 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.

ESG DISCLOSURES

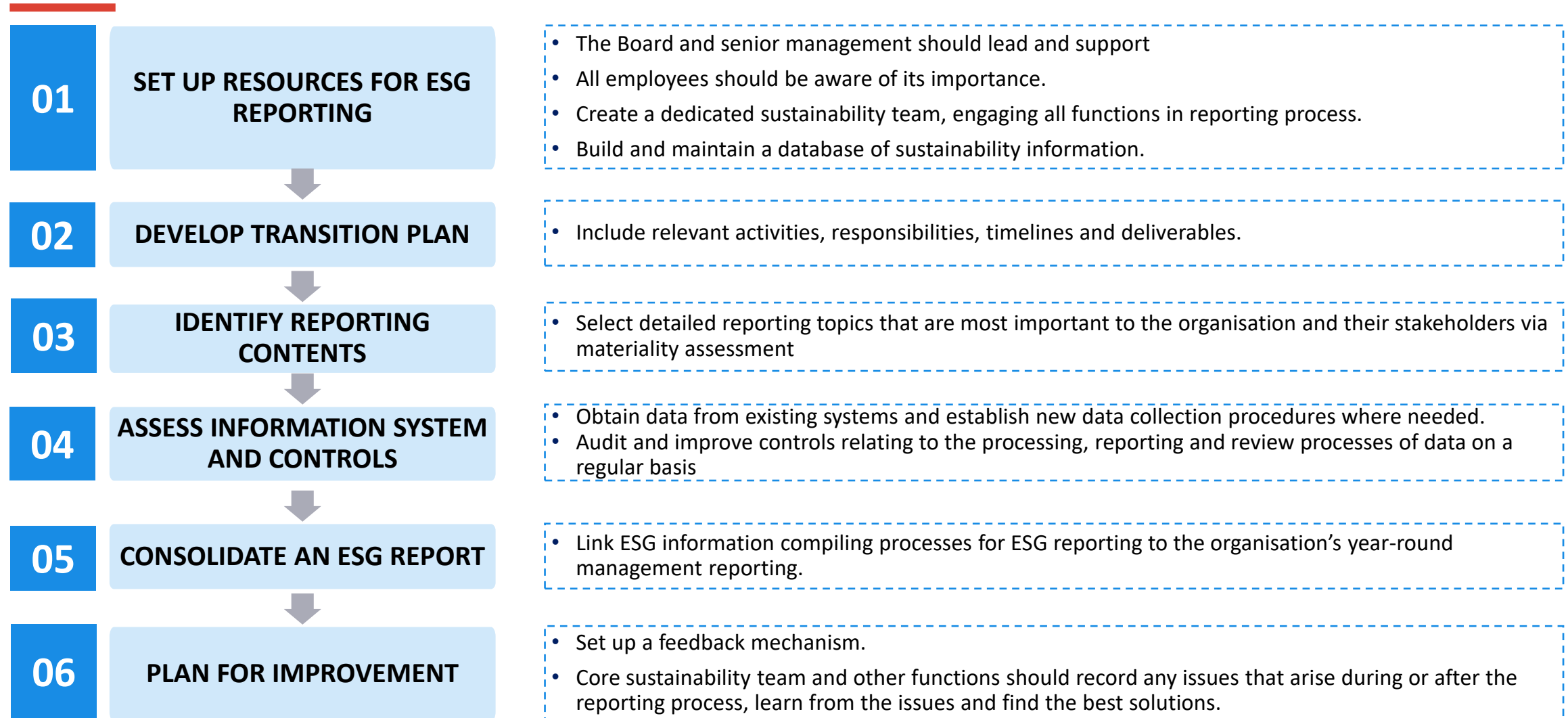


STEP-BY-STEP GUIDE TO A SUSTAINABILITY REPORT

3.1



Step-by-step guide to a sustainability report



Guiding principles for reporting

Principles for defining report content

1

Strategic and long-term focus

- ▶ Provide explanation of the organisation's strategy and the linkage to its business model, risks, opportunities, operational indicators and financial performance.

2

Connectivity of information

- ▶ All components of the sustainability report presented as a coherent, credible and comprehensive story
- ▶ Demonstrate their interrelation and interdependence

3

Stakeholder inclusiveness

- ▶ Provide insights into the extent of stakeholder engagement in sustainability matters.

4

Materiality and relevance

- ▶ Relevant sustainability information 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.

5

Completeness

- ▶ The reported information should be complete from 03 perspective: coverage of material topics, topic boundary and time.

Guiding principles for reporting

Principles for defining report quality

1

Accuracy and precision

- ▶ Sufficiently accurate and precise to assess the organisation's performance

2

Balance

- ▶ demonstrate an unbiased representation of the organisation
- ▶ include both positive and negative performance data, in accordance with their materiality

3

Clarity

- ▶ understandable, accessible and useful to users

4

Comparability

- ▶ allow stakeholders to benchmark performance and assess progress both internally and externally

5

Reliability

- ▶ complete from 03 perspective: coverage of material topics, topic boundary and time.

6

Timeliness

- ▶ Sustainability reporting should follow the same timeline and reporting period as financial reporting, or at an assigned point in time consistently

A SUSTAINABILITY REPORT STRUCTURE

3.2



A sustainability report structure

Overview - 8 key content elements

- ▶ Content of sustainability report should be adapted to meet individual requirements of the organisation.
- ▶ Information in a sustainability report should be presented in a way that makes the connections between the Content Elements apparent.

01

STATEMENT OF
COMPLIANCE WITH
REPORTING
FRAMEWORKS AND
STANDARDS

02

BOUNDARY OF
REPORTING

03

MATERIALITY
ASSESSMENT

04

GOVERNANCE

05

STRATEGY

06

RISK
MANAGEMENT

07

METRICS AND
TARGETS

08

BASIS OF
REPORTING

Element 1: A statement of compliance with internationally recognized reporting frameworks and standards

Component 1: Statement of compliance

- **Objectives**
 - Inform about whether, and to what extent, the principles and requirements of a Standard or Framework have been applied
- **Disclosure content**
 - Declaration at the start of sustainability report that the report has been prepared in accordance with the requirements of selected frameworks or standards
 - 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

Component 2: Assurance

- **Objectives**
 - Inform about whether, and to what extent, information reported in conformance with the selected standard or framework has been assured by a third party
- **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
 - Engage with assurance providers to agree an appropriate assurance approach

Element 1: A statement of compliance with internationally recognized reporting frameworks and standards

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 CO₂) – GRI 305;
- Amount of energy consumption (MJ) – GRI 302-1;
- Water withdrawal (m³) by the source – GRI 303-3;
- Water discharge (m³) by types of destination – GRI 303-4;
- Water consumption (m³)-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

Element 2: Boundary of reporting

Objectives

- 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

Disclosure content

- Define which entities and activities are included or excluded in their reporting.
- Describe the basis on which the organisational reporting boundary has been determined, as well as any limitations or assumptions that may impact the reporting boundary.

Methods to determine the scope and boundary of sustainability reporting

1

Financial control

- Same as financial reporting boundary
- On the basis of control over financial decision and risks.
- Allows for consistency across the business reporting.

2

Operational control

- Based on the entity's operational activities.
- On the basis of control over the implementation of policies, processes, and practices for such activities.
- Reflects the most accurate accountability of the entity for its impacts and sustainability performance relating to its operations.

3

Materiality assessment

- Based on the relative impact and importance of environmental, social, and governance (ESG) matters for the entity and its stakeholders.
- Materiality assessment is used to identify and prioritise the ESG matters

Element 2: Boundary of reporting

Good reporting practice example

Industry: Construction and real estates

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.

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

Element 3: Materiality Assessment

Objectives

Provide an understanding of

- how the organisation determines what matters to include in the sustainability report
- how such matters are quantified or evaluated through the materiality determination process

Disclosure content

- A list of material sustainability-related matters
- A descriptive process of coming up with this list (identifying, prioritising and shortlisting matters)
- A description of processes in place to manage these matters

Element 3: Materiality Assessment

Good reporting practice example

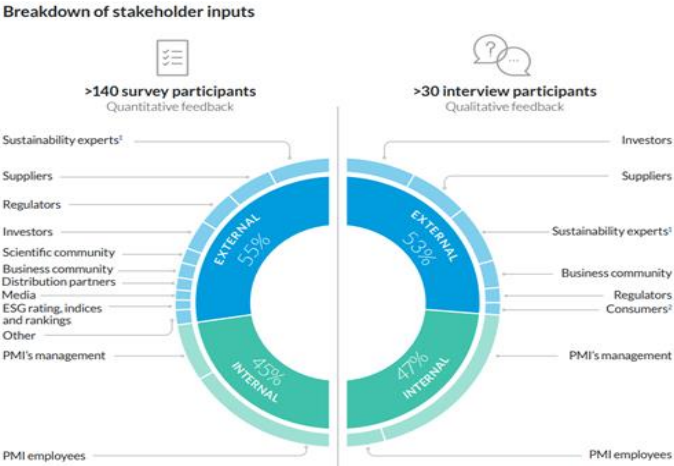
Industry: Tobacco

Organisation provides a comprehensive description of each of the five steps in their materiality assessment process.



Step 1: 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.

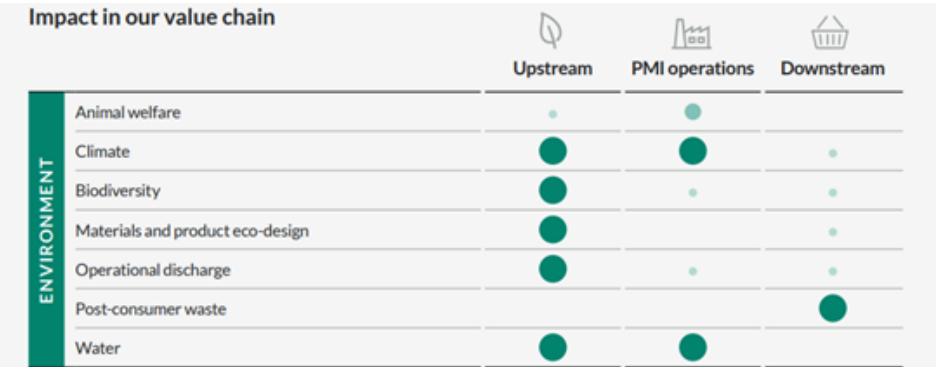
Step 2 – methods for gathering both quantitative and qualitative stakeholder perspectives such as surveys and interviews are outlined



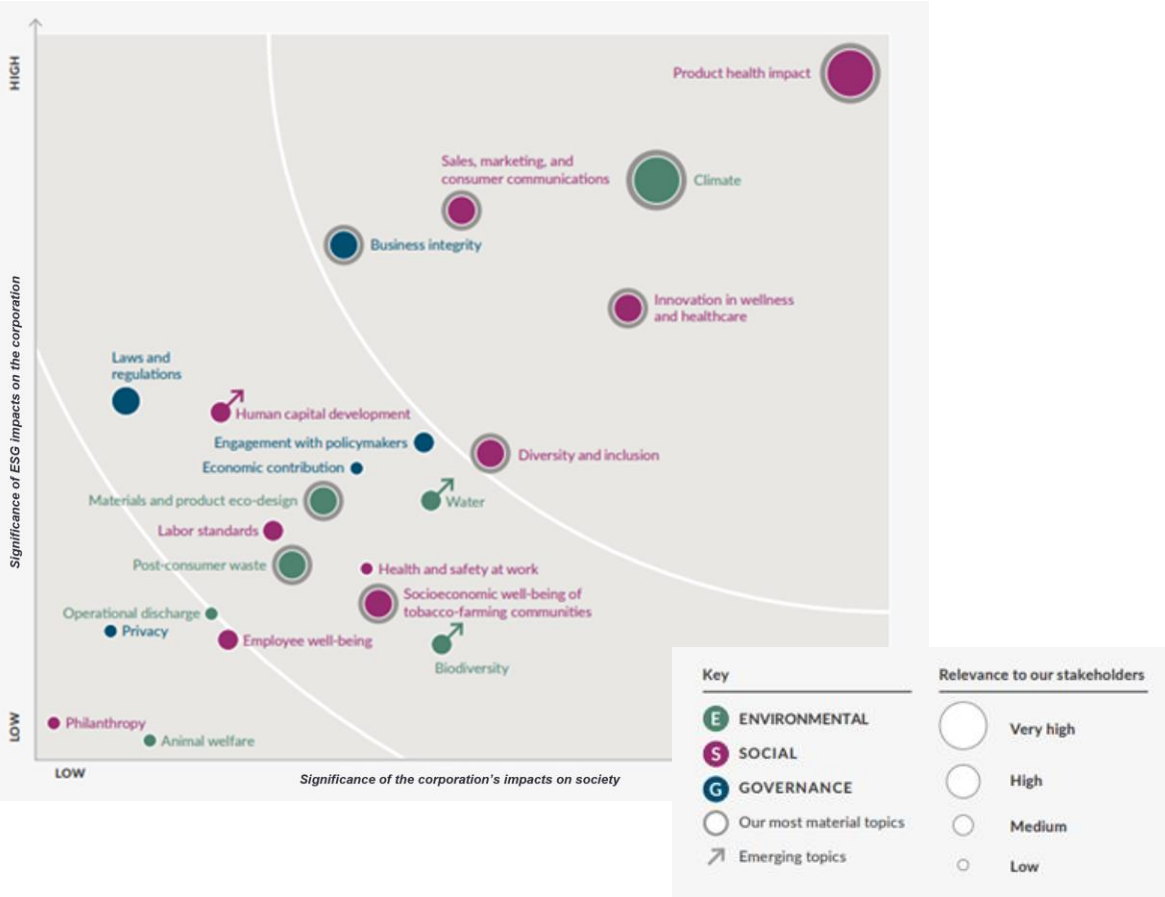
Element 3: Materiality Assessment

Good reporting practice example

Step 3 and 4, Organisation discloses their analysis to understand the topics on which Organisation can have the greatest impact externally (within the value chain) and internally



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



Element 4: Governance

Objectives and Disclosure Content

Objectives: Provide an understanding of the governance processes, controls and procedures the organisation uses to monitor, manage and oversee sustainability matters

No.	Disclosure content	<i>General requirements for disclosure of sustainability-related information</i>	<i>Additional consideration of climate-related requirements for disclosure</i>
1	Board oversight	<ul style="list-style-type: none">• Governance roles and responsibilities, structure, and composition for sustainability-related matters• Board or Board committees' oversight of sustainability-related matters• Others (if not included above): Business ethics; Conflicts of interest; Competitive behaviour	<ul style="list-style-type: none">• Governance roles and responsibilities, structure, and composition relating to climate change
2	Management's role in the governance processes, controls and procedures used to monitor, manage and oversee sustainability-related matters	<ul style="list-style-type: none">• Delegation of roles and authorities to a specific management-level position/committee• How oversight is exercised over that position or committee, and how these engage with other internal functions.	<ul style="list-style-type: none">• Description of management's organizational and reporting structure on climate-related matters
3	Integration of sustainability-related performance in incentive schemes	<ul style="list-style-type: none">• Description of sustainability-related remuneration policies and incentive schemes, and proportion of remuneration linked to sustainability targets.	<ul style="list-style-type: none">• Details of the incentive structure linked to climate initiatives and a description of the criteria for the incentive compensation.

(1) Decree No. 47/2021/ND-CP on "Elaboration of some Articles of the Law on Enterprises in Vietnam" and the Circular No. 96/2020/TT-BTC on "Providing guidelines on disclosure of information on securities market"

Element 4: Governance

Good reporting practice example

Industry: Chemicals

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.



Our responsibility	What we did	Outcomes
Sustainability	<ul style="list-style-type: none">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.	<ul style="list-style-type: none">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	<ul style="list-style-type: none">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.	<ul style="list-style-type: none">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	<ul style="list-style-type: none">Reviewed actions to continue promoting an ethical culture across JM, including our 'making good decisions' campaign.Received updates on Speak Up themes and trends.	<ul style="list-style-type: none">Recommended approval of our Modern Slavery Statement and Conflict Minerals Disclosure to the Board.
Reporting	<ul style="list-style-type: none">Received a briefing on TCFD requirements from ERM, a sustainability consultancy firm, and the work being done to ensure readiness for TCFD reporting.	<ul style="list-style-type: none">Reviewed and recommended that the board approve the Sustainable business section of the 2022 annual report.

Element 5: Strategy

Objectives and Disclosure Content

Objectives: Provide transparency on:

- I. how the organisation's sustainability matters, business models, and value chains interlinks with their strategy
- II. how stakeholder inputs shape the organisation's strategy and business models
- III. the results of the organisation's assessment of material sustainability risks, and opportunities, and the impacts on strategy and business models

No.	Disclosure content	General requirements for disclosure of sustainability-related information	Additional consideration of climate-related requirements for disclosure
1	Market position, strategy, business model(s) and value chain	<ul style="list-style-type: none">• Market position• Its sustainability-related goals• Intended direction of the elements of the organisation's strategy that relate to or impact sustainability matters• Description of Business model and value chain	
2	Interests and views of stakeholders	<ul style="list-style-type: none">• Key features and findings of stakeholder engagement• The state of key stakeholder relationships and how the organisation has responded to key stakeholders' legitimate needs and interests	
3	Material impacts, risks and opportunities and their interaction with strategy and business model(s)	<ul style="list-style-type: none">• Description of material sustainability-related risks and opportunities over short-, medium- and long-term horizon, and their link to planning horizon in strategy development.• Effects on business model and value chain• Effect on strategy and decision making• Effect on Financial position, financial performance and cashflow• Resilience of strategy to sustainability-related risks	<ul style="list-style-type: none">• Effects of material climate-related impacts, risks and opportunities and their interaction with strategy and business model(s)• Description of material climate-related risks and opportunities over short-, medium- and long-term horizon, and their link to planning horizon in strategy development.• Resilience of the strategy to climate-related risks

Element 5: Strategy

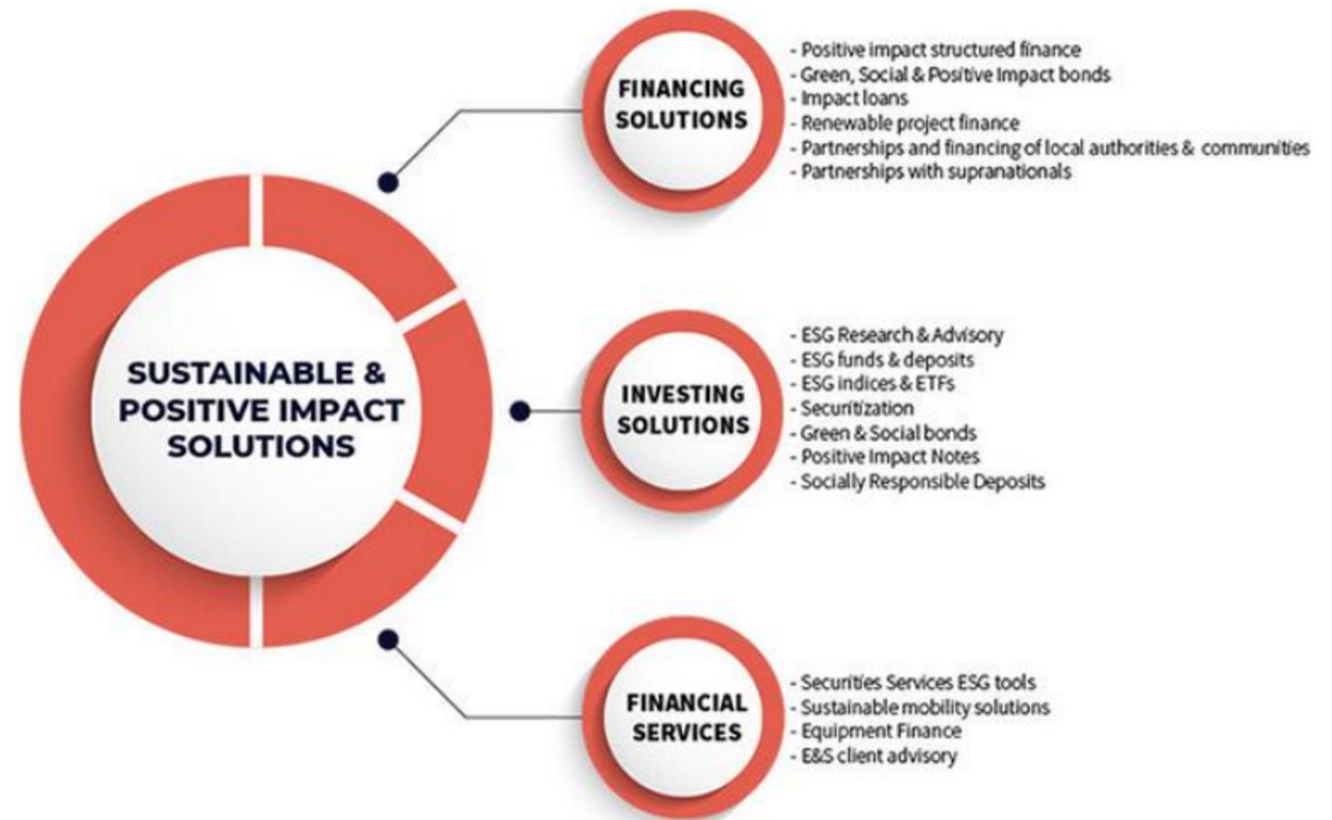
Good reporting practice example

Industry: Banking

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.

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

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



Element 6: Risk management

Objectives and Disclosure Content

Objectives: 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

No.	Disclosure content	General requirements for disclosure of sustainability-related information	Additional consideration of climate-related requirements for disclosure
1	Description of processes and related policies the organisation uses to identify, assess and prioritise sustainability-related risks and opportunities	<ul style="list-style-type: none">• Description of the methodologies, assumptions and proprietary tools applied in the described processes• Overview of the process(es) to identify, assess and prioritise the organisation's potential and actual impacts on people and the environment• Overview of the process(es) used to identify, assess and prioritise sustainability-related risks and opportunities that have or may have financial effects	
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	<ul style="list-style-type: none">• 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.• How the process(es) to identify, assess and manage 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	<ul style="list-style-type: none">• Whether and how its policies address the following areas: climate change mitigation, climate change adaptation; energy efficiency; renewable energy deployment; and other.• Actions and resources related to climate change mitigation and adaptation

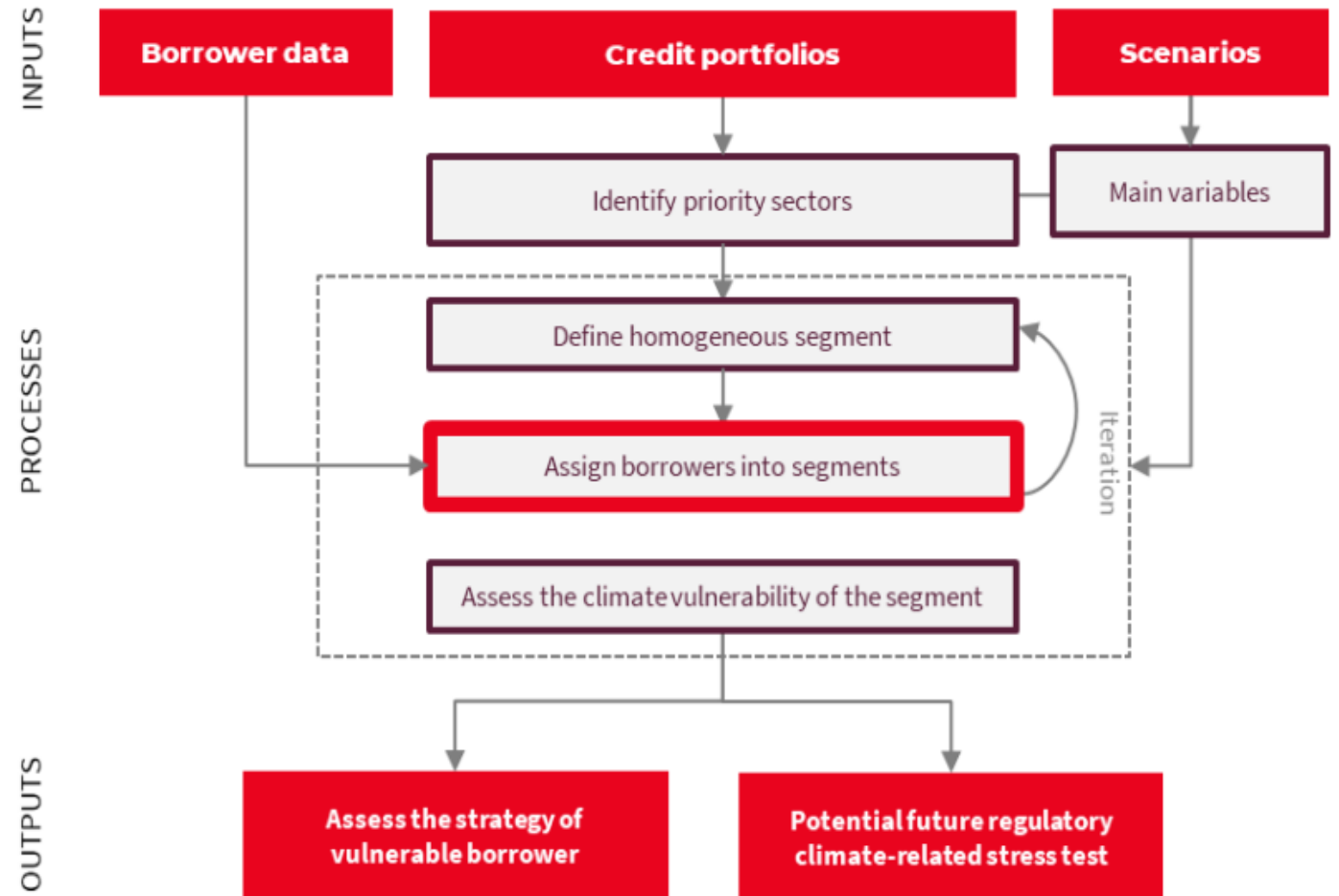
Element 6: Risk management

Good reporting practice example

Industry: Banking

Bank describes 06 key tools used for the identification and management of climate-related risks for their portfolio, depending on level of maturity.

Beside is an example of the Corporate Climate Vulnerability Indicator tool. This tool measures the impact of transition risk on the credit risk of Societe Generale's corporate clients.



Element 7: Metrics and target

Objectives and Disclosure Content

Objectives: 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

No.	Disclosure content	General requirements for disclosure of sustainability-related information	Additional consideration of climate-related requirements for disclosure
1	Metrics in relation to material sustainability matters	<ul style="list-style-type: none">• 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• Metric should include:<ul style="list-style-type: none">◦ 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	<ul style="list-style-type: none">• Greenhouse gases: Disclose Scope 1, Scope 2, and, if appropriate, Scope 3 green- house gas (GHG) emissions• Climate-related transition risks and physical risks• Climate-related opportunities• Capital deployment• Internal carbon prices• Remuneration: Proportion of executive management remuneration linked to climate considerations
2	Targets to track effectiveness of policies and actions	<ul style="list-style-type: none">• 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• Performance against each target and an analysis of trends or changes in the organisation's performance	<ul style="list-style-type: none">• Targets should feature the following areas relating to climate-change: GHG emissions, water usage and energy usage• Explicit links between management remuneration and specific targets

Element 7: Metrics and target

Good reporting practice example

Industry: Materials and building

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 CO₂ is included in the calculation.

²⁾ Generation of electricity from process gases is included in the direct emissions (Scope 1).

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 CO₂ emissions from its operations. The target is to achieve a lasting reduction of 300,000 tonnes in CO₂ emissions by the end of 2020, compared to the 2014 baseline. This CO₂ emissions reduction is equal to approximately 3.1% of the organization's total CO₂ emissions in 2014.

CO₂ 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 CO₂ saving measures were the following:

- Switched from heavy fuel oil to LNG in Borlänge, reaching full CO₂ reduction potential in 2015
- Started a new hot stove in Oxelösund in 2015, which increased blast temperature and led to reduced CO₂ emissions due to lower consumption of coke
- Decreased blast furnace fuel rate and CO₂ 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 CO₂ emissions

Element 8: Basis of reporting

Objectives

- 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

Disclosure content

- 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

Element 8: Basis of reporting

Good reporting practice example

Industry: Banking

NatWest Group's basis of reporting for the published sustainability metric: Total scope 1, 2, 3 CO₂e operational emissions for the reporting year 2022

Metric and Unit of Reporting	Scope and exclusions	Method	Internal Reporting and Controls
Total scope 1, 2 and 3 CO ₂ , (CO ₂ e) operational emissions (excl. financed emissions)	<p>Our own direct operational carbon emissions are the aggregation of carbon dioxide equivalent (CO₂) arising from the consumption and use of:</p> <ul style="list-style-type: none">• 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 RoI only), category 6: business travel including air, rail, hired vehicles and our grey fleet, category 7: employee commuting and working from home. <p>Our operational value chain carbon emissions are the aggregation of carbon dioxide equivalent (CO₂e) arising from the consumption and use of Scope 3, all upstream and downstream emissions excluding categories B 10+ 14. For explanations please see page 69 of the Group 2021 Climate-related Disclosures Report.</p> <p>The reporting period for emissions and other own operational metrics is for the 12 months ending the 30th of September each year.</p>	<p>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 (CO₂e) 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), CO₂ 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. CO₂e values are attributed to these sources via an automatic conversion module in the third-party system</p>	<p>CO₂e 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.</p>

Disclosure guidance reference for SMEs

Environment topics

Topic	Disclosure
GHG emission	Direct (Scope 1) GHG emissions
	Energy indirect (Scope 2) GHG emissions
	Other indirect (Scope 3) GHG emissions
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. 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.
Water and wastewater management	Water withdrawal
	Total water withdrawal from all areas in megaliters, and a breakdown of this total by the following sources
	Water discharge
	a. Total water discharge to all areas in megaliters, and a breakdown of this total by the following types of destination
	b. A breakdown of total water discharge to all areas in megaliters by categories
Waste management	c. Priority substances of concern for which discharges are treated, including: s
	Total weight of waste generated in metric tons
	Total weight of waste diverted from disposal in metric tons
	Total weight of waste directed to disposal in metric tons
Biodiversity and ecological impacts	a. Nature of significant direct and indirect impacts on biodiversity
	b. Significant direct and indirect positive and negative impacts
Materials Sourcing & Efficiency	Total weight or volume of materials that are used to produce and package the organization's primary products and services
	Percentage of recycled input materials used to manufacture the organization's primary products and services.

Disclosure guidance reference for SMEs

Social topics

Topic	Disclosure
Labour practices	Average hours of training that the organization’s employees have undertaken during the reporting period
	Operations and suppliers considered to have significant risk for incidents of forced or compulsory labour
	Operations and suppliers considered to have significant risk for incidents of child labour
Employee health and safety	<div><div>i. The number and rate of fatalities as a result of work-related injury;</div><div>ii. The number and rate of recordable work-related injuries;</div></div>
Employee engagement, diversity and inclusion	Percentage of individuals within the organization’s governance bodies in each of the following diversity categories: <div><div>i. Gender;</div><div>ii. Age group: under 30 years old, 30-50 years old, over 50 years old;</div><div>iii. Other indicators of diversity where relevant (such as minority or vulnerable groups).</div></div>
	Percentage of employees per employee category in each of the following diversity categories: <div><div>i. Gender;</div><div>ii. Age group: under 30 years old, 30-50 years old, over 50 years old;</div><div>iii. Other indicators of diversity where relevant (such as minority or vulnerable groups).</div></div>
Affected communities	Local community development programs based on local communities’ needs
Consumers and End-users	Total number of substantiated complaints received concerning breaches of customer privacy, categorized by: <div><div>i. complaints received from outside parties and substantiated by the organization;</div><div>ii. complaints from regulatory bodies.</div></div>
	Total number of identified leaks, thefts, or losses of customer data.
	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

Disclosure guidance reference for SMEs

Governance topics

Topic	Disclosure
Governance	<ul style="list-style-type: none">• Governance structure• Board credentials and experience and/or individual biographies• List of ESG or climate-risk policies
Strategy, Business model and Value chain	<ul style="list-style-type: none">• 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	<ul style="list-style-type: none">• 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	<p>Description of plan and programmes occurring or planned in the organisation that support sustainable practices:</p> <ul style="list-style-type: none">• 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.

Q&A

For more information, visit www.ukpact.co.uk





THANK
YOU



Stay in touch:



www.ukpact.co.uk



Long Viet Nguyen

Partner, Business Consulting, EY Vietnam
EY Sustainability Lead

long.viet.nguyen@vn.ey.com



Hang Thu Nguyen

Director – Business Consulting, EY Vietnam
EY Sustainability Coordinator

hang.c.thu.nguyen@vn.ey.com



Anh Le Ha Phung

Manager – Business Consulting, EY Vietnam
EY Sustainability Associate

anh.ha.phung@vn.ey.com