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The Role of Industry 5.0 in Increasing ESG Disclosure: A Case Study in Vietnam

Dinh Thi Ngoc Mai
Trade Union University, Vietnam

Corresponding Author: **Dinh Thi Ngoc Mai**

Abstract
ESG is an acronym for E-Environmental; S-Social and G-Governance are standards to measure factors related to sustainable development and the impact of businesses on the community. In the current new trend of economic globalization, the community increasingly understands the necessity of sustainable development for the economy in general and each business in particular. ESG acts as a "*Guideline*" to help stakeholders clearly understand how businesses manage risks, as well as sustainable development opportunities for businesses. Industry 5.0 has begun, bringing about a vision of an industry that not only takes efficiency and productivity as the sole goal but also enhances the role and contribution of industry to society. Industry 5.0 puts people at the heart of production and uses new technologies to deliver growth beyond work while respecting the earth's resources. Through the lens of stakeholder theory, legitimacy theory, transaction cost economic theory... The article studies the application of Industry 5.0 in enhancing ESG disclosure. The results of the study indicate that the underlying values of Industry 5.0 align with those of ESG that Industry 5.0 can support ESG functions and that Industry 5.0 is particularly useful in enhancing the authenticity of ESG disclosure. In addition, this paper also sheds light on governance aspects, challenges, and risks when using 5.0 technology in ESG disclosure by Vietnamese businesses.

Keywords: Business, ESG, Industry 5.0

1. Introduction

In the current new economic globalization trend, the community increasingly understands the necessity of sustainable development for the economy in general and each business in particular. ESG acts as a "guideline" to help stakeholders better understand how businesses manage risks, as well as sustainable development opportunities for businesses. The Industrial Revolution had begun, bringing with it a vision of an industry that not only had efficiency and productivity as its sole goals but also enhanced the role and contribution of industry to society. Industrial Revolution 5.0 puts people at the center of production and uses new technologies to deliver growth beyond work while respecting the earth's resources. Through the lens of stakeholder theory, legitimacy theory, social responsibility theory, agency theory... The article researches the application of the Industrial Revolution in enhancing ESG information disclosure. Research results show that the basic values of the 5.0 industrial revolution are consistent with the values of ESG. Industry 5.0 can support ESG functions, and Industry 5.0 is particularly useful in enhancing the authenticity of ESG disclosures. In addition, the article also sheds light on governance aspects, challenges, and risks when applying the 5.0 industrial revolution in ESG disclosure of Vietnamese businesses.

2. Literature review

2.1 Industrial Revolution 5.0

Industrial Revolution 5.0 is a relatively new concept proposed by the European Union (EU). Industry 5.0 brings a vision of an industry that not only takes efficiency and productivity as the sole goal but also enhances the role and contribution of industry to society. Industry 5.0 puts people at the heart of production and uses new technologies to deliver growth beyond work while respecting the earth's resources. Simply put, the focus of Industry 5.0 is the shift from economic value to social value and; the transition from welfare to security. This concept emphasizes that businesses should prioritize social welfare over profits and growth. If the 4.0 industrial revolution aims at efficiency through the connection between digital and artificial intelligence (AI). They refer to the connection and communication between physical objects and the internet with the ultimate goal of minimizing costs and maximizing profits. But the 5.0 industrial revolution is different, it ensures a framework for initiatives, combining competitiveness with sustainability factors.

Industrial Revolution 5.0 is a game changer for businesses. It emphasizes the importance of management practices that focus on sustainability, resilience, and especially in empowering workers through digital devices. This combination helps businesses build a roadmap to transition to environmentally sustainable technology services. At the same time, it also opens up the responsibilities of businesses and corporations for their entire value chain. In particular, in the age of technology 5.0, indicators will be introduced to help businesses see the progress achieved. At the same time, it also brings resilience and overall sustainability to each industrial ecosystem.

2.2 ESG (Environmental, Social, and Governance Criteria)

ESG (Environmental, Social, and Governance Criteria) are standards that evaluate a company's sustainable performance, which socially conscious investors use to screen potential investments. Investors consider three factors to evaluate a company's sustainable performance, including Environmental Impact Assessment, and corporate social responsibility.) and Administration activities (governance). Environmental standards consider a company's impact on the natural environment. Social standards look at how companies manage relationships with employees, suppliers, customers, and the communities in which they operate. Governance includes a company's leadership, executive-level employee compensation, auditing, internal controls, and shareholder rights. Influence investors are increasingly interested in ESG factors to evaluate the sustainable development of businesses and make investment decisions.

According to the evaluation of S&P Global indexes, investors invest in companies that meet the following factors. Sustainable development factors have better profits than investing in companies that do not meet this bridge's requirements. So are the ESG-related requirements from accounting and financial management organizations. The impact of ESG on businesses of all types is increasing. The implementation of measurement, disclosure, and accountability to internal stakeholders internally and externally on company performance in section-oriented ESG reporting sustainable development goals.

ESG information guides investors in evaluating and analyzing assets business policy and investment decision-making. ESG reporting includes measurements of a company's emissions, resource use, environment, and natural resources, labor and human rights policies, occupational health and safety, supply chain management, product responsibility, anti-corruption, and community investment,...

The importance of ESG reporting is increasingly recognized by investors of interest when this information relates to operational strength, efficiency, and risk management. Therefore, ESG reporting can provide relevant information that supports financial and investment analysis investment, affecting the long-term value of the company's securities. The report provides balance and rationale about sustainable performance for the company's positive and negative contributions, not referring to the company's sustainable development goals.

3. Theoretical basis

Sustainable business development is applying effective business strategies while protecting, maintaining, and enhancing human and natural resources needed in the future. Nurturing environmental, social, and governance criteria positively affects sustainable business models. Therefore, ESG (environmental - Governance) appears and is considered a measure of corporate responsibility towards the environment, society, and governance. ESG disclosure is recognized as a means to reduce and help investors strengthen their monitoring role over corporate activities. To verify the reliability of businesses' ESG disclosure, several theories are often used such as legitimacy theory, stakeholder theory, and stakeholder theory. Agency theory, social responsibility theory.

Legal theory

Legitimacy theory originated in the study of political legitimacy by German economist and sociologist Max Weber (1922) "Concepts in Sociology". Due to the increasingly serious impacts of business activities on the environment, society, and the community always expect businesses to behave with environmental responsibility and will evaluate their activities. For the environment. A social contract is established that regulates the rights and obligations of the parties in their relationship with the environment. Failure to meet societal expectations and expectations can lead to cessation of operations due to withdrawal of licenses and that affects the survival of the business in the long term (Deegan, 2002). Therefore, legitimacy creates pressure for businesses to practice environmental management. Legitimacy theory is central to social contracts, in which businesses have contracts with society as a whole (Dowling and Pfeffer, 1975). The social contract is expressed by social expectations (Shocker and Sethi, 1973), which are not fixed and change over time (Islam and Deegan, 2008). The moral obligation of business is to meet the expectations of society's members. If a business meets the expectations of society as a whole, it will be considered legitimate otherwise its legitimacy will be at risk (Craig Deegan, 2006). Only legal enterprises have the right to use society's natural and human resources (Mathews, 1995). Therefore, organizations are required to respond to changing societal expectations (Islam and Deegan, 2008) to maintain their legitimacy. Dowling and Pfeffer (1975) mentioned three ways to legitimize business activities.

Stakeholder theory

Stakeholder theory is a capitalist perspective that emphasizes the interconnected relationships between a business and its customers, suppliers, employees, investors, communities, and others who have a stake in it. Enterprise. This theory holds that any business should aim to create value for all parties for which it is responsible. Reference to stakeholder theory provides a starting point for the analysis of corporate sustainability. Stakeholder theory originated from Freeman's research on organizational management and business ethics "Strategic Management: A Stakeholder Approach". This theory holds that an organization must treat its stakeholders fairly, and when stakeholders have conflicting interests, the business must achieve an optimal balance between them. This theory is used to explain the motivation of organizations to select and voluntarily adopt ESG reporting – which aims to meet the growing demand for social, governance, and environmental information from Stakeholders: Government agencies, credit institutions, investors, consumers, and communities.

Stakeholder theory advocates a positive relationship between a company's financial and social performance. Orlitzky, Schmidt, and Rynes (2003) discussed how companies with good and strong relationships with stakeholders can increase their level of competitiveness, which translates into market value. Similarly, Hillman and Kleim (2001) show that good relationships with key stakeholders can increase the value intangible of the business. However, there are some researchers (Brammer *et al*., 2006) who argue that it is not always possible to detect a positive relationship between social and financial performance, depending on the type of business.

ESG (Environmental, Social, and Governance) metrics can be used to evaluate and measure a company's performance and position it across a variety of related topics. Stakeholders are similar to how financial metrics measure a company's performance to shareholders. ESG ratings are increasingly used, primarily by investors, to value and select businesses based on how the company treats its stakeholders. Therefore, ESG ratings can be considered good "representations" for stakeholders (R. Edward Freeman and S. Ramakrishna Velamuri, 2006). Most recently, after linking stakeholder theory to social and governance factors including business ethics principles, research by Sumit Kumar *et al*. (2021) concluded that implementing ESG is a measure of stakeholder theory.

Agency theory

Agency theory, also known as principal-agent theory, is a classic theory in organizational economics, first proposed by Ross (1973). To explain the economic relationships between two parties such as between employer and employee; between executives and shareholders, and between buyers and sellers have different goals. The purpose of agency theory is to identify optimal contracts and contract performance conditions that minimize adverse consequences. The nature of the problem may come from a lack of communication between the two parties. Therefore, agency theory recommends the development of public, transparent, and informative reports, especially regarding corporate social responsibility. Cheng, Hong, and Shue (2013) find that managers of large US companies enjoy personal benefits from ESG investing at the expense of shareholder value, which is consistent with theory. There are at least three different ways in which presentation issues relate to ESG activities. First, when managers use company resources for their benefit. Managers may undertake ESG activities for their benefit (Brown *et al*., 2006), or overinvest for personal benefit by building their reputation as corporate citizens. Good causes damage to shareholders (Barnea & Rubin, 2010). According to this view, engaging in ESG is a waste of corporate resources and as a result, reduces corporate performance. Second, ESG activities will sometimes result in sacrificing projects that are more profitable for the company (Schuler & Cording, 2006). Allouche and Laroche (2005) argue that the implementation of corporate social responsibility is related to the financial costs of capital and resources, which puts the company at a disadvantage compared to other companies. The company owns a few social activities. Third, the managerial opportunism argument holds that when managers use corporate resources to engage in ESG activities, they are avoiding negative attention as well as compensation or justification. For poor financial performance. ESG activities are done with good publicity as an attempt to cover up poor performance.

Social responsibility theory

Social responsibility theory allows organizations to freely disclose information without any censorship. ESG ratings can be considered a good "proxy" for social responsibility (Marina Brogi and Valentina Lagasio, 2019). Pressure from the media and investors in recent years has put environmental sustainability at the top of the board's agenda. The more proactive approach stems from the desire to demonstrate commitment to corporate social responsibility because they believe this will give them a competitive advantage.

One of the main reasons why ESG criteria are widely accepted in socially responsible investment theory is that ESG helps reduce the cost of capital and increase market value (Ionescu, George H, *et al*., 2019). Any costs, if derived from a socially responsible structure, will be offset by reduced capital costs. Another important reason is to enhance the company's image, helping to reduce reputational risks, enhance reputation, and create trust for investors.

4. Research results

4.1 Current status of ESG disclosure in Vietnam

Around the world, applying ESG is a trend among businesses. More and more businesses have been and are continuing to make efforts to reduce carbon emissions and waste, using socially responsible inputs, to meet the ESG criteria that are becoming increasingly important in the eyes of the world. Investors and consumers. ESG has received widespread attention in Vietnam in recent years. This is largely thanks to the Vietnamese Government's efforts to promote ESG-related practices along with increased investor demand for sustainable investing. The 13th Congress of our Party decided on the development plan for the period 2021 - 2030, emphasizing the goal of ensuring social and human security, while managing resources effectively and sustainably, Set the goal of protecting the living environment and people's health as the top goal. Goals to enhance the sustainable development of businesses in Vietnam are gradually being specified. Typically, the Ministry of Finance issued Circular No. 96/2020/TT-BTC dated November 16, 2020, guiding information disclosure on the stock market, which stipulates several requirements for ESG reporting. For public companies and listed on the stock exchange in Vietnam. Specifically, public and listed companies on Vietnam's stock exchange must publish their annual ESG reports including greenhouse gas emissions, raw material resource management, energy consumption, and energy consumption. Water, compliance with laws on environmental protection, policies related to employees, responsibility to local communities, and reporting related to green capital market activities according to the guidance of the Securities Commission government. Except for public companies and listed on Vietnam's stock exchange, which are required to publish annual ESG reports, other businesses that are not required to publish ESG reports still have business activities oriented towards them. To sustainable development at different levels. According to the report "Listed Businesses in Vietnam: Level of Commitment to ESG (Environment - Society - Governance) and Practice of Sustainable Development Report" by PwC, only 35% of listed businesses in Vietnam have set out their ESG commitment.

ESG factors of a business are increasingly being considered in distribution decisions and investment analysis in the Vietnamese market, to provide a broader perspective on risks and Opportunities to invest in a company's stock. Besides, ESG practice is one of these plus points that help a company have an advantage in attracting large investment capital from the country with preferential interest rates and other terms such as loans from Asia Development Bank (ADB) or issuing green bonds (Green bond). The attraction is Cheap capital is an advantage that helps businesses expand production and business. Variables Erratic movements in the stock market today have made many investors look Get back your investment strategy. The trend of investing in businesses with good governance foundations and responsibility to the environment and society with the goal of sustainable development is forecast to be clear shortly. Many Vietnamese businesses have made changes in their management thinking on sustainable development and incorporated ESG into their business strategies. However, there are still problems during the implementation process.

4.2 Challenges of Vietnamese businesses when implementing ESG Reporting

The main challenges when implementing ESG for listed companies in Vietnam are the lack of clear ESG regulations and the lack of ESG leadership within the organization to drive commitment. Specifically:

Firstly, related to parallelism, there are many sets of standards and indicators being used by several organizations to evaluate the sustainable development of businesses in Vietnam such as the CSI Sustainable Business Index; ISO26000 series of standards; The Sustainable Development Index (VNSI)…

- Customer Satisfaction Index (CSI - Customer Satisfaction Index) measures customer satisfaction established by the Vietnam Business Council for Sustainable Development by the Vietnam Chamber of Commerce and Industry (VCCI). The year recognizes businesses in many different fields. The CSI index was launched in 2016 and after 6 years of implementation, there have been adjustments to more accurately assess the level of sustainable development of businesses. In 2022, the CSI Index will be built based on the 2019 amended Labor Law, the 2014 Environmental Law, and several amended provisions in the 2020 Environmental Law.
- The ISO26000 series of standards is a set of international standards on corporate social responsibility to employees issued by the ISO organization that can be applied to all types of organizations, types, and fields.
- The Sustainable Development Index (VNSI) is researched and implemented by the Ho Chi Minh City Stock Exchange (HOSE) in collaboration with the German International Cooperation Organization (GIZ) and the State Securities Commission. To determine sustainable development standards for listed companies that are comprehensively evaluated in 3 aspects: Environment (E), Society (S), and Governance (G) to support investment for these companies. Organizations as well as individuals.

Because there are many sets of standards including different criteria put forward by several organizations to evaluate and rank sustainable development for businesses, it also creates certain difficulties for businesses in the process. Selection and application.

Secondly, related to the cost of enterprise resources. Evaluation and publication of ESG reports for public enterprises issuing listed securities at stock exchange centers according to regulations will have to be done annually. Furthermore, to effectively implement an ESG program, it is necessary to regularly monitor and evaluate performance indicators to determine the business's position on the ESG chart. Participating in the ESG program helps businesses be recognized and ranked, focusing on investing heavily in the "ESG criteria set" will disperse resource factors such as human resources and finance, enterprise technology. For businesses with limited resources in finance, technology, etc., the development strategy and ESG plan will face many difficulties in satisfying all criteria at the same time. Therefore, up to now, only a few Vietnamese enterprises are large-scale, and public enterprises issuing listed securities at stock exchange centers have implemented the ESG program. Many Vietnamese businesses also want to change towards sustainable development but are still limited by the old production technology currently in use and it is difficult to replace new technology immediately. This is also the reason why Vietnamese small and medium enterprises only pay attention and focus on implementing some activities related to corporate governance, some social activities such as community relations, charity activities, and green initiative programs. Although those social activities still play an important role, they are only a small part of the sustainable development program according to ESG standards.

Thirdly, businesses may be at risk if they do not manage the ESG program well due to a lack of experience and limited skills. The ESG implementation plan needs to be coordinated throughout the enterprise. If there are gaps or problems at any stage, it can lead to inconsistency and major impacts on the business. Vulnerabilities in businesses' ESG implementation process are easily and immediately spread throughout society in the information technology age. Suppliers, business partners, consumers, employees, and the social community can all express negative attitudes when a business fails to meet ESG criteria according to public policy. Father of the business. This is a difficulty and contains many risks for businesses while there is a lack of experience and limited ESG management skills.

5. Conclusion

ESG reporting is an important element that shows the overall picture of an enterprise's business activities, and an integrated ESG report and the enterprise's business strategy will convey the message that the enterprise is taking steps. Necessary for sustainable development and long-term profitability. Enterprise stakeholders include financial investors such as shareholders, financial institutions such as banks, business partners in the production and supply chain, consumers, and social communities. The association, will look at ESG indicators and reports to express attitudes and make behavioral decisions toward businesses and their products. ESG indicators and reports have become an important factor as a basis for many global investors to consider and decide to invest in Vietnamese businesses. Financial investors look for businesses that promote ESG as a core value in their operations, focusing on issues that concern all employees, the community, and the business industry around the world.

In today's new context, many businesses must operate according to ESG standards, which promote sharing. Although doing business for profit is a constant goal because of pressure from shareholders, it is clear that businesses must also value relationships with customers and contributions to society, especially in the present time. Although ESG investing is not new, it is not popular in Vietnam. Because most Vietnamese businesses are still focused on growth, they have not focused on investing enough resources to integrate environmental, social, and corporate governance factors into production activities. Businesses that want to integrate internationally and gain market share at home and abroad need to handle ESG issues well and absorb environmental, social, and other management issues into their business operations. This may not be strange to large companies or multinational companies, but it is still new to small and medium enterprises in Vietnam.

Through the lens of social responsibility theory, agency theory, legitimacy theory, and stakeholder theory, it is shown that in the coming time, when the industrial revolution 5.0 is strongly spread, it will promote further the publication of ESG reports in Vietnam because I5. 0 is especially useful in enhancing the authenticity of ESG disclosures, expanding ESG disclosures from retrospective reporting to prospective and real-time reporting, customizing ESG reporting, expanding reporting scope to multi-tiered supply chains, reducing ESG costs and improving the overall effectiveness of ESG disclosure. Industry 5.0 requires organizations to maintain supply chain sustainability using environmental, social, and governance (ESG) initiatives, thereby avoiding social, environmental, and ethical risks ethics or other risks.

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