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Sustainable Development Report: Research in Vietnamese Enterprises

Tran Thi Thu Ha

University of Labor and Social Affairs, Hanoi, Vietnam

Corresponding Author: **Tran Thi Thu Ha**

Abstract

Unlike traditional financial reports that mainly provide financial information for investors, the topics in sustainable development reports are much broader in scope and important to many parties. Relate to. This research will help to better explain the meaning of sustainable development reporting as well as the development and formation process

of non-financial reporting. Current status of sustainable development reporting in Vietnamese enterprises. Besides, the research also helps readers understand why companies participate in implementing sustainable development reports and the application of this type of report in countries around the world today.

Keywords: Sustainable Development Report, Non-financial Report, Environment, Society

Introduction

Sustainable development reporting and the development of non-financial reporting

The phrase "sustainable development" was officially mentioned for the first time in the 1987 Brundtland Report of the United Nations. Accordingly, sustainable development is defined as "development that meets the needs of the present without affecting the ability of future generations to meet their own needs".

There are many aspects of sustainable development, but the most commonly mentioned are three factors: Sustainable economy, sustainable society and sustainable environment. Sustainable development reports were born as a supplement to traditional financial reports in terms of information on policies and practices related to social and environmental issues of businesses. Today, most large public companies in the world carry out some form of sustainability reporting. Typically, these companies will publish a separate sustainability report alongside the company's annual report. In 2020, 90% of companies on the S&P 500 list (USA) published separate sustainability reports. Another way for companies to communicate information about sustainable development is through integrated reports, in which information about the company's social and environmental policies and activities is included in the report. Annual report.

Sustainable development reporting has appeared since the late 1990s, associated with the birth of the Global Reporting Initiative (GRI), an international independent standards organization that helps businesses industry, government and other organizations understand and communicate their impact on sustainable development issues such as climate change, human rights and corruption. However, the formation of sustainable development reporting lies within a longer development process of non-financial reporting. Since the 1970s, in European and American countries, social reports have appeared to supplement information for traditional financial reports. These reports present information about corporate social responsibility. By the 1980s, concern about non-financial factors of businesses shifted to environmental issues such as emissions or waste treatment of businesses. During this period, environmental reports appeared to replace social reports. By the late 1990s, corporate reporting researchers and practitioners began to consider social and environmental factors simultaneously and publish this information in a parallel joint report. With traditional financial reports, thereby forming sustainable development reports as we know today.

Table 1: Indicators for sustainable development

| Sustainable development issues | Reporting criteria |
|---|--|
| Environment | <ul style="list-style-type: none"> -Greenhouse gas emissions - Air quality - Energy management - Water and wastewater management - Impacts on biodiversity |
| Society | <ul style="list-style-type: none"> -Human rights and community relations -Accessibility and affordability -Customer welfare -Data security and customer privacy rights -Disclosure and record appropriately -Fair marketing and advertising |
| Human | <ul style="list-style-type: none"> -Relationship with employees -Fair labor practices - Health, safety and happiness of workers -Diversity and inclusion -Salary and benefits -Recruitment, development and retention |
| Business models and innovation/creativity | <ul style="list-style-type: none"> -Product life cycle impact -Environmental and social impacts on core assets and activities -Packaging Products -Quality and safety of the product |
| Leadership and administration | <ul style="list-style-type: none"> -System risk management -Safety and accident management -Business ethics and transparency in payment -Competitive behavior -Grasp regulations and political influence -Sourcing materials -Supply chain management |

Source: Author's compilation

So, what information can be found in a sustainability report? Table 1 presents and categorizes the topics readers can find in sustainable development reports. Looking at Table 1, we can see many topics mentioned in sustainable development reports such as greenhouse gas emissions, child labor, gender equality and racism, animal welfare, product safety, etc. Unlike traditional financial reports that mainly provide financial information to serve investors, the topics in sustainable development reports have a much broader scope. And is important to many business stakeholders such as investors, creditors, employees, customers, Government, and the community.

In addition to the wide range of areas covered in sustainable development reports, inconsistencies in the structure and terminology used in the reports are also difficulties for those coming into contact with this type of report for the first time. This. The cause of this problem is that current sustainable development reporting is still mainly based on voluntary principles and is not yet required by the accounting systems of countries. Even the name of the sustainable development report has inconsistencies.

“Sustainability report” is the most common name for this type of report outside the US. Companies in the US often refer to this report as a social responsibility report. During the 1990s, this report was often known as the triple-bottom-line report (TBL), referring to the three factors of interest in these reports. Including economic, social, and environmental.

ESG reporting (Environment - environment, Social - society, Governance - governance) is also a commonly mentioned name for this type of report, implying a close relationship between social responsibility and management practices. A regulated organization.

Why do companies engage in sustainability reporting?

Sustainability reporting experienced explosive growth in the early years of the millennium. According to GRI data, if in 2000 there were only less than 100 companies publishing sustainable development reports based on GRI's platform, by 2010, this number was more than 2,000 companies. A number of theories have been put forward to explain the rapid development of sustainability reporting, of which stakeholder theory and legitimacy theory are the main ones. Most known.

Stakeholder theory was originally developed by Freeman in 1984, where he defined a stakeholder as “any group or individual who can affect or be affected by the achievement of the objectives of organization”. That concept has broadened corporate management's perspective on their roles and responsibilities. Accordingly, stakeholder theory believes that the board of directors' duties should not only focus on the interests of shareholders but must include the interests of all parties related to that business or organization.

In terms of sustainable development reporting, stakeholder theory holds that businesses create social and environmental reports to respond to stakeholder requests for information. This. The Board of Directors responds to public pressure from stakeholders, by voluntarily disclosing social and environmental information. Here, it should be noted that stakeholder theory emphasizes the roles and requirements of all groups and individuals related to the organization (stakeholders), not just the demands from stakeholders. Shareholders are often considered the most important stakeholders of the company. A major problem with this theory is that it does not explain why companies from similar industries, operating in the same geographical area,

provide social and environmental reports in different areas. Different levels (while pressure from stakeholders for this information is similar).

Legitimacy theory was first developed by Dowling and Pfeffer (1975)^[4]. This theory states that organizations must act in accordance with the values and norms of society. Accordingly, legitimacy is “a condition or state of existence in which the value system of an entity is consistent with the value system of the larger social system of which the entity is a part.” (Lindblom, 1994)^[1]. According to legal theory, sustainability reporting is a tool to assist companies in responding to political, economic, and social pressures. Companies behave in ways that are considered consistent with society's perceived goals, to legitimize their activities. The perceived goals of society are represented by different interest groups. For example, if environmental public interest groups grow and become increasingly concerned about a company's social and environmental impact, it is likely that the company's senior management team will be called to account. Those activities. Patten's 1992 study found that, after Exxon's Valdez oil spill in 1989, petroleum companies published more information related to social responsibility in their annual reports due to concerns about social responsibility. Concerns about the company's legitimacy.

Although sustainability reporting is aimed at all corporate stakeholders, the main user group of traditional financial reporting, investors or shareholders, is also increasingly paying attention. More for this report. To differentiate more clearly, today's investors are often divided into two groups: Traditional investors, those who focus on profits and company stock performance, and responsible investors. Social responsible investors (SRIs), people who consider the social and environmental activities of businesses as an important factor in making investment decisions. There is no clear line separating these two groups of investors, and this distinction does not mean considering traditional investors as "not socially responsible". Instead, SRIs should be seen as investors who place greater weight on social and environmental issues in their investment decisions. At times, these investors may accept lower-return long-term investments in return for superior performance in social and/or environmental areas of interest.

The standard system of sustainability reporting

Just as the financial reporting system is built around generally accepted accounting principles (GAAP), the expansion of sustainability reporting has been facilitated by the development of standard systems for this type of reporting. Until now, the standards system developed by GRI is still the most widely used standards system. According to KPMG's 2020 survey on sustainability reporting, 96% of the 250 largest global companies (Fortune Global 250) issue sustainability reports and about three-quarters of them use them. GRI's standards system in their reports. Many other companies, although not using GRI's standards system, still borrow certain elements from this standard system.

The development of the GRI standards system began in the late 1990s, with the criteria framework developed through a consensus-seeking process with participation from many parties including business organizations, civil society, labor, and professional organizations from around the world. The GRI framework was first published in 2000, in the form of a

set of guidelines, and has undergone many updates, upgrades, and modifications. The most recent version of this set of guidelines is G4, released in 2013. In 2018, GRI launched the GRI Sustainability Reporting Standards set based on the G4 set of guidelines. Along with that, this organization also established the International Sustainable Development Reporting Standards Council. The transition from a set of guidelines to a standard and the establishment of a system of standards under the management of an international council are important milestones in the evolution of sustainable development reporting.

GRI sustainable development reporting standards

The GRI set of standards is arranged into four large groups: General, economic, environmental and social. The general standards, Nos. 101 through 103, provide readers with an overview of an organization's reporting policies. For example, Standard 101 covers reporting basics such as reliability, timeliness, and comparability. The economic standards, numbers 201 through 207, provide basic economic data but also address ethical issues of corruption and anti-competitive practices. The environmental standards, numbers 301 to 308, address issues such as energy and water consumption, biodiversity, and emissions of pollutants. Social standards, from 401 to 419, cover many issues such as labor conditions, human rights, product responsibility, etc. Each of these standards requires a group of indicators. Should be reported.

Many indicators reported in the GRI standards are quantitative. For example, indicator six in the GRI 305 standard – Emissions requires companies to report the volume of ozone-depleting emissions by weight. Other indicators are more qualitative. Target 405-1, for example, requires companies to identify activities or suppliers that pose a potential risk of using child labor. Users familiar with the precise quantification of traditional financial reports need to become familiar with the qualitative nature of sustainability reporting. Many of the important social and environmental issues facing society are best described using a combination of qualitative and quantitative scales. For example, issues related to recycling and emissions would be better suited to precise quantitative scales, while issues related to biodiversity and human rights would be better suited to qualitative descriptions. However, the importance of an issue will not be affected by whether the issue is reported using qualitative or quantitative indicators.

Other sustainability reporting frameworks

In addition to GRI, many sustainability reporting frameworks, or equivalent reports, have also been developed over the past 20 years. Some follow the GRI framework and expand it with a comprehensive set of metrics against which the performance of sustainability activities can be measured. Others target specific issues, such as climate change or labor standards. Some of the best-known sustainability reporting frameworks other than GRI are briefly described below.

The Sustainability Accounting Standards Board (SASB) is an American non-governmental organization that has developed a comprehensive sustainability reporting system designed to meet the needs investors' ever-expanding information, as well as to respond to the increasing requirements of the US Securities and Exchange Commission.

The Carbon Disclosure Project (CDP) is a voluntary carbon emissions reporting system, established by a group of large institutional investors. In 2015, 827 institutional investors with more than 100,000 billion USD in funds under management signed to participate in the project. CDP works with more than 6,000 companies around the world to develop and promote greenhouse gas reporting. Recently, CDP has used its measurement and reporting expertise to expand the scope of its reporting framework to other sustainability-related issues such as water, supply chains and forests.

Standards related to sustainable development issued by the International Standards Organization (ISO). ISO has developed many different standards related to sustainable development. ISO 26000 is explicitly linked to social responsibility and is often used in conjunction with GRI reporting. In addition, many other ISO standards target sustainable development goals such as environmental management (ISO 14001); medical device quality (ISO 13485); occupational health and safety (ISO 45001); and anti-bribery management system (ISO 37001).

RobecoSAM (Corporate Sustainability Management – CSA) Corporate Sustainability Assessment is an annual survey of more than 3,400 global businesses. This survey uses 80 to 120 sets of industry-specific questions related to economic, environmental, and social issues. The RobecoSAM survey is designed to score company performance from the perspective of socially responsible investing and is the main ranking tool used to build the Dow Jones sustainability index (Dow Jones Sustainability Indices).

Sustainable development reporting: Mandatory or optional?

Sustainability reporting is still referred to mainly as a voluntary reporting system. Unlike financial reporting systems that are based on legal regulations and sanctions, the voluntary basis of sustainability reporting systems is based on trust that develops between reporting parties. And stakeholders use the reports the system provides. In this voluntary platform, companies will be able to choose which benchmarking system they will use, the extent to which they will comply with that benchmarking system, the format of reporting they will produce and whether to outsource it. Tuesday to verify the information they published in this report or not.

However, in the past ten years, a number of Governments, transnational organizations, and stock exchanges have required mandatory reporting of some important sustainable development information, bringing the system into being. The sustainable development reporting system comes closer to the traditional financial reporting system in terms of form and uniformity.

Current status of sustainable development reporting in Vietnam

If in the last 2-3 reporting seasons, "emerging" names such as Ky Ky Fiber (code STK), Dien Gia Lai (code GEG), Everpia (code EVE)... are only considered a "phenomenon", in this year's reporting season, these businesses are increasingly improving themselves and deserve to be ranked among businesses with good information disclosure on sustainable development. Enterprises have paid attention, invested and improved the quality of reports and information

The Vietnam Listed Company Awards is an extension of the Vietnam Annual Report Awards, jointly organized by HOSE, HNX and Investment Newspaper with the sole and annual sponsorship of Dragon Capital Fund Management Company and along with effective technical support from professional partners such as IFC, ACCA, leading auditing companies Deloitte, EY, KPMG, PwC. This is the 16th year the event has taken place.

After nearly 6 months of voting, surpassing nearly 600 businesses listed on both exchanges, the Voting Council selected 51 excellent businesses in 3 categories: Annual Report, Corporate Governance and Development Report. Lasting.

The results of the businesses winning the sustainable development report award in 2023 are Vinamilk (first prize and enterprise award for best greenhouse gas management report), Bao Viet Group (second prize). Consolation prizes went to Century Fiber Company, Gemadept (plus Outstanding Progress award) and PAN Company.

Some results achieved are as follows:

Supplement criteria for sustainable development

The aspect of sustainable development and resilience is an important content in the G20/OECD Corporate Governance Principles recently issued in 2023.

This year, the set of corporate governance criteria is supplemented with 18 questions, including 1 question about organizing a shareholders' meeting, 2 questions about nominating board members to enhance diversification and 15 questions about sustainable and enduring development.

The addition of new criteria shows the expectation of improving operational efficiency and creating breakthroughs in long-term sustainable development, but the challenge is the gap between practice and law and voluntariness and commitment. Enterprise performance.

The 2023 sustainability category has many breakthroughs

The voting council said this year's report had many breakthrough points. For example, Gemadept (stock code GMD) entered the final round using greenhouse gas emissions testing services by a unit authenticated by ISO14064.

In addition, for the first time, a Vietnamese company that entered the final round of judging sustainable development reports has performed an ESG assessment according to international standards of Dow Jones (Bao Viet Group).

In addition to GRI, Vietnamese businesses have begun to apply a number of other information disclosure frameworks such as CDP.

In addition to disclosing greenhouse gas emissions information, some companies have begun to commit to Net Zero goals with specific timelines (such as Vinamilk, Gemadept).

Regulations on sustainable development reporting in the world

Regulations on sustainable development reporting in the US

US law sets many specific reporting requirements, related to issues mentioned in sustainable development reports. These provisions are often found in legal documents issued to regulate business activities in a specific industry. Disclosure of this information may be made through a Government agency. Once data on these issues is collected by a certain

government agency, they are published or made publicly available. For example, the US Mining Safety Act requires companies in the industry to compile detailed mining safety statistics and submit the information to the Mining Safety and Health Administration (MSHA). This information is then posted on MSHA's website. Some other laws require companies to self-disclose information related to sustainable development. As an example, regulations issued by the U.S. Department of Defense and the General Services Administration require federal contractors to publicly report their greenhouse gas emissions.

The US Securities and Exchange Commission (SEC) in February 2010, also issued Guidance No. 33-9106 on reporting related to climate change, a document that is said to have had the effect of expanding requirements on climate change. Sustainable development report. Although this is a guidance document and does not change existing laws on information disclosure, it does change the interpretation of existing laws, thereby having practical implications for the requirements. Report information related to climate change by many companies.

Regulations on sustainable development reporting in Europe

The highest legal document issued by the EU related to sustainable development reporting is Directive 2014/95/EU, according to which the European Union requires Member states require large companies, typically 500 or more employees, to issue sustainability reports. According to this directive, accepted reporting frameworks or standards for the issuance of sustainability reports include the GRI Standards, the OECD guidelines for multinational enterprises and the Standards Organization's ISO 26000. International standard.

Directive 2014/95/EU is implemented through the laws of member states, so there are slight differences in the regulations for issuing sustainability reports in each country. For example, France defines large companies as companies with 500 or more members and with a minimum annual turnover of 40 million euros. These companies must issue sustainability reports within 8 months, after the end of the fiscal year, and there is no specific penalty framework when these companies do not comply with regulations on releasing reports. Fox. Meanwhile in Germany, the definition of a large company is the same as in France, however according to regulations, these companies only have four months to issue a sustainability report after the fiscal year ends and the Government Significant financial penalties can be imposed if these companies do not comply with reporting regulations.

Conclude

More and more businesses are issuing separate sustainability reports in addition to the customary annual report. However, there are still many challenges when participating in this "game" when the percentage of businesses participating is still low and their management ability still needs to be improved. Meanwhile, regulations and practices on sustainable development around the world are changing rapidly and becoming more stringent. Vietnamese businesses are trying to change to keep pace with the trend of internationalization and globalization, and need more pioneering businesses in implementing and reporting sustainable development.

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