www.giantbarb.com

JUNE - 2024

ESG PAVING THE WAY FOR A SUSTAINABLE FUTURE

Giant Barb
This planet is ours

ESG - Paving the Way for a Sustainable Future

Overview

In the context of the immense challenges posed by climate change, resource depletion, and social inequality, sustainable development has become a guiding principle for all organizational and business activities. Embracing ESG (Environmental, Social, and Governance) standards, a set of three criteria for measuring a company's commitment to sustainable development, is a global trend that is inseparable from a company's core strategy and business operations..

The growing interest of customers, investors, employees, and partners in sustainability and environmentally and socially responsible business practices requires businesses to commit to developing in line with this trend. The three core ESG goals of Environmental Protection, Social Development, and Governance Enhancement are the keys to success in a company's sustainable development journey.

Integrating ESG goals into a development strategy is not an easy process. It requires businesses to carefully assess ESG goals and identify appropriate digital solutions to support those goals. Assessing ESG risks and opportunities, integrating ESG principles into digital transformation strategies, implementing digital solutions to improve sustainability and production efficiency, and continuously evaluating the implementation process are essential steps. The results will bring significant benefits to businesses, including optimizing production efficiency, enhancing brand reputation, increasing competitive advantage, and opening up new growth opportunities.

It is crucial for businesses to execute properly to ensure that ESG goals are achieved sustainably, creating value for customers, communities, and stakeholders, while increasing productivity and competitiveness. This report provides an overview, helping businesses to define strong pillars in their sustainable development journey.

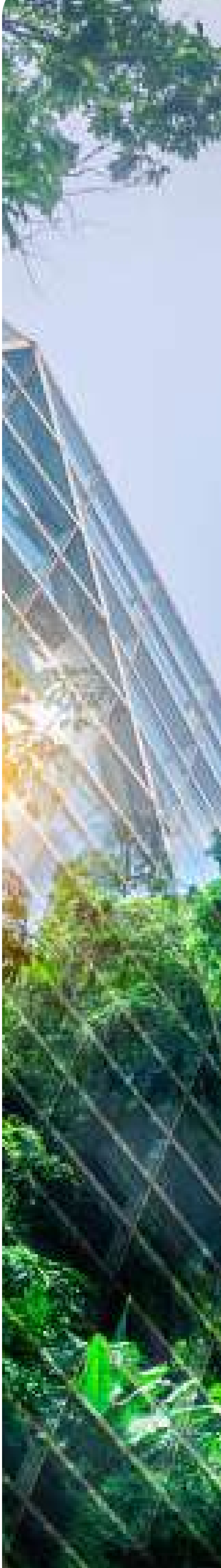


TABLE OF CONTENT

Giant Barb's report on ESG - Paving the Way for a Sustainable Future includes:

I. OVERVIEW OF ESG

1.1. What is ESG?

ESG is a set of standards used to evaluate the level of sustainability and performance of a company based on their impact on the environment, social and governance. These standards are of increasing interest to investors, financial institutions and governments worldwide.

The concept of ESG appeared in the 1950s, specifically in 1953 when Howard Bowen published the book "Social Responsibility of Businessmen" which mentioned ESG in the form of CSR (Corporate Social Responsibility). in production and business activities). In the "Who Care Win" report, the concept of ESG also officially appeared through the United Nations in 2004.

Investors attach importance to combining social and environmental values with corporate profits in choosing investments instead of only considering profitability or risks brought by investment opportunities.

ESG is a global trend, inseparable from a company's core strategy and business operations.

1.2. Components in the set of ESG criteria

Environment

Related to issues of environmental protection and natural resources, such as: impacts from climate change, carbon emissions, water and waste pollution management, resource and mineral exploitation, ...

Social

Related to social issues: including business ethics, working conditions, employee rights, social and community responsibility, privacy, security and data privacy, community system.

Governance

Related to organizational activities such as information transparency, governance structure, accountability, business ethics and anti-corruption.

1.3. Benefits of applying ESG

01.

Improve operational efficiency: Applying ESG can help businesses reduce waste and risks related to the environment, society and governance, thereby helping to improve operational efficiency.

02.

Leverage brand reputation: Applying ESG can help businesses improve brand reputation and attract customers. Customers are increasingly interested in purchasing products and services from environmentally and socially responsible companies.

03.

Risks and opportunities: ESG factors can significantly affect a business's financial performance. For example, businesses with large environmental impacts may face higher costs for regulatory compliance or compensation for environmental damage.

04.

Sustainable development: ESG is an essential factor in promoting sustainable development. Companies that are environmentally, socially and socially responsible are more likely to contribute to a more sustainable future.

05.

Enhance the ability to attract investment capital: Investors are increasingly interested in investing in companies that are environmentally and socially responsible and have good corporate governance. Therefore, applying ESG can help businesses attract investment capital from responsible investors.

II. ESG REPORTING

2.1. What is ESG reporting?

An ESG report is a report disclosing information about the sustainable development of a business according to ESG criteria (Environment - Environment, Social - Society, Governance - Governance). The ESG reporting process includes activities of analyzing, selecting indicators, measuring, synthesizing and preparing reports to disclose key information of the 3 ESG pillars.

2.2. The importance of ESG reporting

Attract green investment capital

Creating an ESG report helps businesses improve transparency, helping investors and stakeholders evaluate the business's performance and sustainable development potential.

Enhance corporate brand image

According to Intexlex's 2022 survey, 74% of participants believe that ESG is a key factor affecting business performance and reputation. ESG reporting has both direct and indirect impacts on the level of recognition and reputation of a business.

The foundation for the sustainable development roadmap of the business

- Comply with legal regulations and business ethics
- Effective risk management and supply chain optimization
- Maintain competitive advantage

2.3. ESG standards

ESG standards help evaluate the level of ESG practices of businesses, based on their commitments and actions in protecting the environment and minimizing negative impacts on the environment. This is the basis for identifying socially responsible companies. Businesses will report their level of ESG practices based on sustainability reporting frameworks.

E - Environmental aspect

Assess the business's impact on the environment, including natural resource use, emissions, environmental pollution and climate change.

S - Social aspect

Evaluate corporate social responsibility, including business ethics, working conditions, employee rights, labor safety, social and community responsibility.

Aspect G - Governance

Evaluate corporate governance effectiveness, including information transparency, governance structure, accountability, business ethics and anti-corruption.

Aspect E - Environment

01 Climate Change

Businesses are assessed based on the amount of greenhouse gas (GHG) emissions emitted from their business activities. This is based on businesses' commitment and actions to reduce GHG emissions and adapt to climate change.

02 Energy

ESG evaluates businesses based on the level of energy consumption for a unit of product or service, and the proportion of renewable energy used in total energy consumption. Or use natural energy sources such as wind, etc. to minimize energy depletion.

03 Natural resources

To have a high ESG score in this section, businesses need to have full licensing documents for the natural resources being used. At the same time, take practical actions to restore polluted areas, or research and deploy new technologies to generate natural resources.

04 Waste treatment and recycling

This dimension is measured based on the type of waste generated from an enterprise's business activities, including hazardous waste, household solid waste, medical waste, etc. Along with that, are businesses' waste management methods such as reuse, recycling, composting, burning, etc.

Aspect S - Social

01 Privacy and security

To implement this criterion, businesses need to ensure absolutely not disclosing personal information, and must commit to taking measures to protect the data of members of the organization. It is necessary to consult them before wanting to collect and use personal data for general purposes.

02 Diversity, equity and inclusion

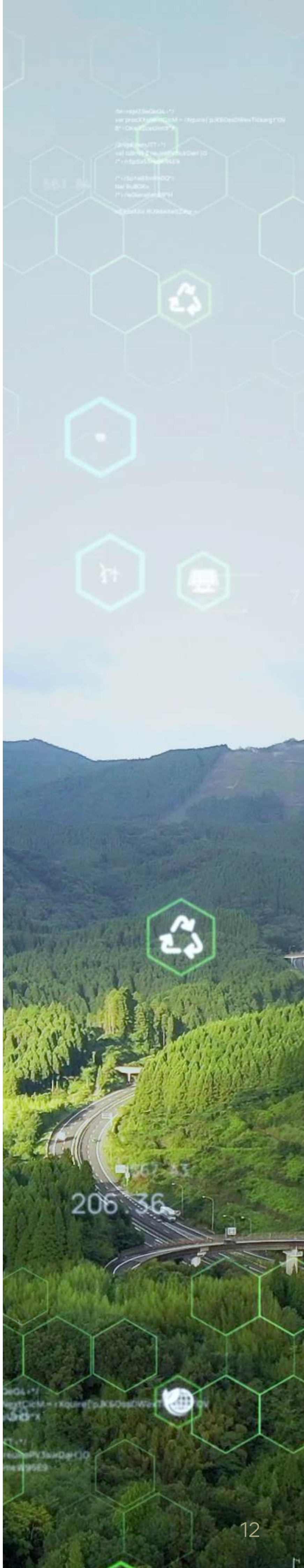
Based on the Labor Law, ESG will evaluate businesses based on diversity in gender, age, race, religion, etc. in the enterprise's workforce. In particular, businesses are not allowed to discriminate against gender, all are fair in all aspects.

03 Safe working environment

Businesses need to assess and control environmental risks that can affect the health and safety of workers, such as environmental pollution, noise, etc. At the same time, comply with labor safety regulations and provide adequate protective equipment for workers

04 Working conditions

ESG will evaluate businesses based on Vietnamese Law on the level of ensuring benefits for employees such as salaries, bonuses, working conditions, labor safety, social insurance, etc.



Aspect G - Governance

01 Disclose ESG report

Enterprises that comply with ESG standards need to publicly disclose information on financial reports, business results, and employee policies.

02 Publicity and transparency

Enterprises need to be open and transparent in their management and operations, not accepting bribes from subordinates, etc. ESG will evaluate according to the Anti-Bribery & Corruption Law - Vietnam's Criminal Law.

03 Diversity and inclusion of the board of directors

This ESG criterion evaluates the diversity of board members' backgrounds in terms of gender and background

2.4. ESG reporting framework

Global Reporting Initiative (GRI) reporting framework: established in 1997 by Ceres and the Tellus Institute, with support from the United Nations Environment Program (UNEP).

- GRI is the official reporting standard of the United Nations Global Compact.
- GRI is the default reporting framework for more than 5,800 reporting methodologies, widely recognized as a global standard for ESG reporting.
- GRI takes a comprehensive approach to ESG issues with equal emphasis on environmental, social and governance factors. GRI's set of standards includes: 3 global standards (Universal Standards) applicable to all organizations and businesses; The 33 standards relate to specific content and are divided into three groups: Economy, environment, and society. Organizations and businesses only select and use relevant standards based on key areas.

Task Force on Climate-Related Financial Disclosures (TCFD): established in 2015 by the Financial Stability Board (FSB).

- TCFD's recommendations have been widely adopted by companies and financial institutions worldwide.
- More than 10,000 companies and financial institutions reported under TCFD.
- TCFD focuses on financial risks and opportunities related to climate change for businesses including 4 topic groups: Governance, Strategy, Risk Management and Quantitative Indicators.

Carbon Disclosure Project (CDP): founded in 2009 with headquarters in London, UK.

- The world economy considers CDP the gold standard of environmental reporting with the richest and most comprehensive repository of greenhouse gas emissions and energy use data in the world.
- The CDP community has more than 8,400 organizations participating in creating an environment to share experiences, learn from each other and work together to improve the effectiveness of ESG reporting.
- CDP focuses on the "Environment" element with a focus on solving the "Governance" aspect related to issues: Climate, water, forests, etc.

Some other standards:

- GHG Protocol Standard on Greenhouse Gas Emissions Inventory
- Sustainability Accounting Standards Board (SASB)
- International Integrated Reporting Council (IIRC)

III. ESG RATING

3.1. ESG rating

ESG Rating is an evaluation tool that allows measuring the level of sustainable development of a business based on 3 ESG criteria: Environment, Social and Governance.

Each criterion has its own evaluation and scoring system, which adds up to an "ESG Score". The ESG score is a transparent measure that shows an organization's commitment to sustainable development as well as its ability to create long-term sustainable value.

3.2. The importance of ESG ratings

Businesses can easily attract green capital

A high ESG rating represents a transparent, low-risk and highly reputable business. Therefore, ESG scores help businesses receive investment opportunities from good operational management activities, creating sustainable and long-term profits.

Enhance business image

Consumers are increasingly aware of sustainability issues and prioritize shopping from brands that are socially and environmentally responsible. Businesses with high ESG scores will create goodwill, build trust and loyalty with consumers, and attract many customers. According to research from McKinsey (February 2023), more than 60% of consumers are willing to pay more for a product with "environmentally friendly" packaging.

Attract talented human resources

Enterprises with high ESG scores easily attract potential employees. This is because ESG scores reflect the quality of the working environment and corporate policies. Personnel will be willing to contribute and stay long-term with the company.

3.2. Popular ESG scoring methods

The ESG (Environment - Social - Governance) scoring system plays an important role in evaluating the sustainability and responsibility of businesses. However, due to differences in laws, regulations and requirements in each country and rating organization, the way ESG scores are calculated also has certain variations.

Currently, there are two most popular ESG scoring methods:

Qualitative method

ESG rating organizations collect data through surveys, combined with other data sources (government, press, etc.) to synthesize, analyze, calculate and provide the most accurate results. The strength of this method is its objectivity, based only on a list of sustainable development indicators and not influenced by personal opinions.

Quantitative method

ESG rating organizations collect data through ESG reports and financial reports from businesses. The strength of this method is that it saves time, but using only data from businesses can reduce objective results.

3.3. Some ESG rating organizations

The review rates more than 13,000 companies (including subsidiaries) and more than 650,000 equity and fixed income securities globally. MSCI is used by 46 out of 50 leading asset management organizations.

Bloomberg collects data from a variety of sources and integrates it into broader financial analysis tools. This allows investors to evaluate a company's performance against ESG criteria along with other financial metrics.

More than $110 trillion in assets are valued annually, and more than 200 businesses, with procurement spend of more than $5.5 trillion per year, have asked their partners to publish data environment complies with CDP rating.

S&P Global, through its indexes division, offers a variety of ESG-focused indices, including the S&P 500 ESG Index. This is a centralized source of S&P Global solutions, combined with Trucost's environmental data to provide comprehensive insights and tools to assess ESG risks and opportunities for businesses.

IV. SUSTAINABLE DEVELOPMENT STRATEGY FOR BUSINESSES ACCORDING TO ESG

4.1. Surveys and assessments

Identify strategic ESG risks and opportunities for the organization:

Conduct a comprehensive analysis of strategic ESG factors that directly impact the organization and its stakeholders. Identify potential opportunities that can help the business achieve breakthrough growth and challenges that need to be addressed to ensure sustainable development.

Screen and select a number of issues that need to be prioritized to maintain the competitiveness of the business. Select core ESG issues that are consistent with business interests and the long-term viability of the business. Create a specific ESG strategy and roadmap, synchronized with the overall business strategy to narrow the gap between goals, ambitions and operational reality.

4.2. Integrate ESG goals

Integrating issues of strategic significance, especially those that are relevant to business interests and the long-term viability of the enterprise, is carried out based on 3 areas:

Establish a clear and concise definition of ESG in business terms, focusing on risks, opportunities, financial implications, and its significance for organizational operations.

Recruit and train a new generation of knowledgeable employees who align with the organization's ESG perspectives, stances, and values. Enhance the qualities and skills necessary to effectively implement ESG strategies.

Establish and disseminate ESG mindset and culture throughout all levels, departments, and divisions. Help each individual understand the mission and development direction aligned with ESG values, creating a solid foundation for all future actions.

4.3. Communicate the ESG program

Communicate ESG messages tailored to specific audiences: employees, consumers, communities, regulators, investors, and stakeholders. Ensure complete and accurate information and program outcomes are conveyed through various communication channels such as securities filings, sustainability reports, websites, and more.

Develop a detailed communication plan for each stage, continuously evaluate and adjust to optimize effectiveness. Contribute to the success of the ESG program in the company. Ensure everyone understands clearly, raises a sense of responsibility, and joins hands to promote successful implementation.

4.4. Supervision by the board of directors

Enhance the oversight responsibility of the board of directors, especially directors with relevant experience and expertise, to fully understand ESG opportunities and risks.

Assign responsibilities and oversight based on the materiality of each activity.

Review the usefulness and monitor ESG through identifying necessary information flows and establishing reporting governance mechanisms.

Integrate ESG into the board's strategic oversight process, ensuring that ESG strategies are effectively implemented and aligned with the overall business development direction.

“REACH OUT TO US TODAY, AND TOGETHER, LET'S SHAPE A BETTER TOMORROW”

Together, we can make a difference that transcends boundaries and leaves a positive legacy for generations to come.

Giant Barb is a pioneer in the field of Carbon Finance in Vietnam, offering comprehensive services such as Greenhouse Gas Inventory, ESG Reporting, and Carbon Credit Market solutions to both domestic and international enterprises.

With the motto ***"Towards a low carbon society"***, Giant Barb connects individuals, investors, businesses, and governments together to build green projects aimed at carbon neutrality, contributing to global efforts in combating climate change.

Find out more here:
www.giantbarb.com