



ESG Reporting Process

ESG & Sustainability Transformation

Hung NINH

12/2023

ESG Transformation



ESG Reporting Process

A group of three factors environment, social and governance (ESG for short) is currently a strategic and urgent global megatrend for most businesses, directly affecting sustainable development in the long term. Since 2021, many countries' commitment to the goal of net zero emissions ("Net Zero") has been made by state leaders at COP26, requests to turn commitments into actions, promote sectors and levels to develop policies and laws related to corporate social responsibility. Therefore, understanding and publishing ESG Reports and building a roadmap for sustainable development practices in the business is really important.

An ESG Report or Sustainability Report is a report published by a company or organization on its environmental, social, and governance (ESG) impacts. It allows the company to be more transparent about the risks and opportunities it faces. It is a communication tool that plays an important role in convincing stakeholders who may be skeptical that the company's actions are sincere.

Below, we propose 9 typical steps in ESG Reporting that are suitable for most organizations and businesses of all sizes, sectors, and geographies.

1. Define the scope and objectives of the ESG Report:

Identifying the most influential ESG targets and aspects that you want to include in your report, in other words, defining the scope and setting specific goals of the report is the first step for you to prepare resources.

Meanwhile, we can only determine the scope of the report when we identify stakeholders who will be interested in reading the ESG reports of the business. These parties want insight to understand your business, what information do they want to learn? They can include all personnel, investors, supply chains, partners, customers, government agencies, industry associations, and the local communities where the business operates,...

The structural assessment is a useful tool that can be used to better understand what topics align with the organization's ESG strategy, along with the topics needed to ensure the development of a report that has a tangible impact. Furthermore, comparisons with companies in the same industry can also be applied to better understand common themes and performance indicators in the organization's key industry and market.

For example, a company with a major investor and market in the EU will have different requirements than a company specializing in East Asia. Similarly, for different industries, a manufacturing business will inevitably have different ESG reporting needs than a financial services business.

2. Selection of ESG reporting standards/frameworks:

Choosing to follow third-party sets of ESG reporting standards and frameworks is an important step that needs to be taken to ensure accuracy and efficiency in the preparation process. As we mentioned above, a company will certainly have to choose to report under the lens of a few common sets of standards according to the requirements and tastes of the target market or important investors. The choice of standards is also related to what industry you operate in.

Businesses can choose to report on one or more of the most extensive ESG frameworks/standards that are widely recognized globally:

- Global Reporting Initiative (GRI),



- Carbon Disclosure Project (CDP),
- Climate Disclosure Standards Board (CDSB),
- Sustainability Accounting Standards Board (SASB),
- Science-Based Targets Initiative (SBTi)
- Task Force on Climate-related Financial Disclosures (TCFD),
- International Sustainability Standards Board (ISSB),
- International Organization for Standardization (ISO),
- Green Business Bureau (GBB),
- UN Sustainable Development Goals (SDGs),
- UN Principles for Responsible Investment (PRI), ...

Furthermore, these standards will closely follow very detailed and systematic disclosure processes, helping to make reporting more accurate and comparable, increasing the value of reporting to stakeholders, both inside and outside the company.

3. ESG report outline:

Once the scope has been defined, ESG issues will be included in the report and the reporting framework that best suits the stakeholders of the business, the next step is to draft a preliminary report outline. This description should provide a clear and sequential overview of the important elements that will be attached, and included in the report.

The description can be structured around the key themes that will be revealed in the report, or it can follow the organization's key ESG strategic pillars. Companies can then opt to develop a data warehouse. This data warehouse will be built upon the report description and serve as a repository for all relevant ESG data that will be included in the report while ensuring there are no gaps in the data.

4. Collecting and evaluating ESG data and information:

Once a description of the test report has been developed, data and content related to ESG topics in the report should be collected. ESG reports include measurements of emissions, resource use, environment and natural resources of the company, labour and human rights policies, occupational health and safety, supply chain management, product responsibility, governance systems and decision-making processes, anti-corruption, and community investment, ...

ESG and finance professionals should work together in liaising with internal stakeholders and data owners to ensure effective data collection to reflect the organization's ESG strategy. To ensure quality and accuracy in critical data and indicators, the use of internal audit is crucial.

5. Analysis, processing, and mapping of ESG data:

Filter, analyze, process and map data to produce meaningful and scientifically structured information, in accordance with the requirements of selected sets of standards and ESG reporting frameworks. Note that, unlike Financial Statements, ESG Reports can include a lot of non-financial and unstructured data. The parallel use of multiple sets of standards can also cause conflicting information, sometimes opposing each other, making it difficult to analyze and map reports.

6. Shaping ESG goals and commitments:

Once a company has systematically collected and processed all data, the next step is to set small grouped goals based on science, in terms of both E – Environment, S – Social and G – Governance. The three elements of ESG should be considered individually, rather than as a whole, and further consideration of affixes takes a deeper level. For example, at each



element E, S and G there will be 5 to 6 affixes. On that basis, businesses will be able to decide what action to take.

For example, for a manufacturing or retail business, maybe your first goal is to reduce energy consumption with new lighting technology or IoT devices and increase the proportion of renewable electricity to quickly reduce energy costs and carbon footprint per unit of product. A company with a high rate of complaints and turnover in the workforce or local community grievances must definitely target S-related elements according to DEI (Diversity, Equity and Inclusion) criteria such as workforce diversification, etc improve benefits and a fair promotion environment for employees, or actively engage with meaningful local movements.

7. ESG report preparation and design:

After defining the scope, selecting standards, fully processing the necessary information as well as setting improvement goals for inclusion in the sketch; we are ready to build a complete ESG report. The content of the report should be presented clearly, coherently, scientifically, and uniformly. Furthermore, internal stakeholders need to be involved (e.g. marketing or legal departments) to get rationality in important areas such as content, legitimacy, tonal language, and media effectiveness.

Once the final version of the report has been approved, it is important to have an in-house marketing team or external graphic designer to ensure the report contains graphics that are appropriate for the ESG context, attractive and convenient to look up or cite, but copyright is required (e.g. pictures, charts, graphs, or tables).

8. ESG Report Audit and Publication:

Similar to the annual Financial Statements, before being released to the public, the ESG Report should also be reviewed through an independent external audit organization, in order to ensure the transparency of all information, especially removing any doubts about greenwashing for the publishing organization.

Once the ESG Report is audited, the organization is ready for publication. The first is to fill out the prescribed questionnaire before sending it to the stock exchange authority for listed enterprises. Don't forget to send to global organizations such as CDP,... to assess, score and process ESG data.

Then various communication channels, like company websites, press releases, and social media should be used to ensure all key stakeholders can easily access the ESG Report.

With a professional ESG Report, combined with an ESG team and a complete implementation process, you have all the data and resources you need to build your own long-term strategic plan in detail on your sustainability journey. This plan needs to be integrated with the master business plan to bring the highest efficiency in implementation.

ESG reports prepared according to independent, credible, comprehensive standards and independently audited will act as a passport to ensure the highest authority on sustainable development of any organization or business in the world, whether large or small or in any industry. ESG reporting in accordance with international standards emphasizes measurability, transparency and eliminates blind spots in terms of risk control. Therefore, it creates absolute verifiable trust for customers, partners, and even rigorous investment funds that provide green credit packages, unlimited support and long-term companionship with the most favourable conditions, only for market leaders.

9. Constantly updated and improving:

Enterprises should continuously receive and evaluate feedback from stakeholders, both internally and externally; monitor and evaluate progress and effectiveness according to



minimum ESG commitments quarterly and update annually based on the needs and fluctuations of each development stage.

Recommendations:

It is no longer the 0.4 era, we are living in the era of 4.0 technology revolution with AI, Blockchain, Machine Learning, 5G, IoT, Cloud and comprehensive digital transformation. It is wrong not to take advantage of the technological strengths and expertise available to a truly professional independent consultant. Unlike the traditional manual way with the above 9 steps, businesses will first be consulted to identify the needs and starting points of businesses on the sustainable development roadmap to be designed an appropriate roadmap. Ensuring the entire organization is confident about its personnel and interdisciplinary ESG knowledge will play a critical role in the success of ESG practices in general and ESG reporting in particular.

International experts will advise business leaders to choose the appropriate set of standards or reporting frameworks for their needs, industry, scale and business model. It can be said that this is important but difficult, in our experience, even for companies in developed countries.

Note here that standards often require competing data conflicts, and combining multiple standards can lead to chaos in traditional reporting. But when you adopt advanced specialized ESG SaaS technology, this is completely solved, no matter which of the hundreds of standards you choose globally.

The current trend is that standards and frameworks will be regularly upgraded, and changed according to internal needs, partners, government requirements, or industry associations, and especially to combat greenwashing and improve transparency of ESG reporting. No problem, the system partner will always support updates and upgrades.

With the complexity and diversity of ESG factors that cover the entire business operation, supply chain, and local community. Along with sensitivity to internal metrics, size and number of branches. Unlike financial or business metrics, sustainability factors are often difficult to quantify. The process of collecting the right parameters, enough parameters and data to measure, from different sources and formats, and then evaluating and analysing in-depth to make ESG appropriate decisions in the next steps, certainly takes a lot of time and resources.

The above steps 3, 4, 5 will be simplified and quickly implemented in just 1 step if businesses apply complete advanced cloud-based software. The database will be automatically collected and updated in real-time through ESG specialized software. The system will evaluate and transfer according to the unified reference system; classify, and map to finally produce professionally presented reports in many different formats and languages.

One of the ESG elements in the reporting process itself is data safety and control, especially for sensitive information. Business leaders fully master the system through the function of decentralization, decentralization of access and modification.

Different from the traditional way of making reports that are laborious, time consuming, and affect the daily operations of businesses; Now, with digital technology, you only need to do it for the first time, then quarterly or annually, businesses can export ESG reports with just one click.

After handing over the Go-Live system, relevant personnel will be trained to master the ESG reporting software technology system.

With this report, the company can easily identify and trace the source and disclose information transparently to stakeholders, in order to improve the stages and problems that



have not met expectations. ESG reporting demonstrates vision, resources, consistency, and especially transparency at a level that is superior to the general level.

To learn more about Green Economy and sustainability-related models, don't hesitate to contact [YTT Consulting!](#)

