



Introducing the Vietnam Sustainable Development Index (VNSI)

ESG & Sustainability Transformation

Hung NINH

12/2023

ESG Transformation



The Vietnam Sustainable Development Index (VNSI)

The Ho Chi Minh City Stock Exchange (HOSE) partnered with the German International Cooperation Organization (GIZ) and the State Securities Commission of Vietnam to develop and introduce the Vietnam Sustainable Development Index (VNSI) in 2017. In which, Construction and operation unit: Ho Chi Minh City Stock Exchange. HCM – HOSE, Technical Consultant: German Development Cooperation Organization - GIZ, Independent Review Facilitator: IFC & PwC Vietnam.

VNSI is a set of freely adjusted and market capitalization indices, including listed companies with the highest scores on sustainability based on more than 100 component criteria across 3 dimensions: Environment (E), Society (S) and Governance (G). The constituent elements of VNSI are selected from the VN100 Index - an index by market capitalization and freely adjusted of the 100 largest companies listed on the Ho Chi Minh City Stock Exchange - HOSE.

Companies need to meet criteria based on the OECD principles of corporate governance and the Global Standard for Sustainable Development Reporting (GRI) to be included in this category. VNSI currently consists of 20 companies, headed by financial companies.

VNSI's selection rules and criteria are established based on steps such as: HOSE scores and reviews ESG scores in July every year, based on information of stocks in the VN100 Index; stocks in the eligible pool are sorted in descending order based on ESG scores assessed by HOSE. If the above two stocks have the same ESG score, positions are ranked in order of market capitalisation.

However, some areas that pose high ESG risks should not be included in the VNSI include: Weapons and defense systems, alcohol, tobacco, gambling, nuclear power, and coal; in case the stock is removed from the VN100 Index, immediately, it will also be removed from the VNSI; to reduce the concentration of a particular component stock, the market capitalization of each component stock in the VNSI is limited to 10%.

According to statistics up to 01/10/2021, VNSI and VN-Index are proportional to each other, but VNSI increased significantly stronger than VN-Index in the same period. Specifically, VNSI increased by 114.9% since July 2017 and increased by 44.5% compared to the beginning of 2021; The VN-Index is up 74.6% since July 2017 and up 20.1% compared to the beginning of 2021.

In terms of valuation, VNSI's next 12-month forecast PE multiple is 14.7x, a profit difference of 10.5% compared to the average since 2017; while the next 12-month projected PB multiple is 2.5x, the return difference is 23.7% compared to the average since 2017.

On a relative basis, VNSI trades lower than VN-Index based on 12-month forecast PE multiples and roughly correlates with 12-month forecast PB multiples. VNSI's 12-month forecast ROE in August 2021 was 19.8%, the highest since this index was published and nearly equal to VN-Index's 12-month forecast ROE (20%).

The objectives of the Vietnam Sustainable Development Index (VNSI) in Vietnam include:

- Highlight sustainability best practices



- Strengthening the promotion of listed enterprises for sustainable development
- Create investment products on the market
- Thorough preparation for the selection process

A sustainability report or corporate social responsibility report is an important tool for presenting and evaluating an organization's performance in social, environmental, economic, and governance aspects. However, to ensure the authenticity and reliability of the information published in the report, it is important to have an audit and assurance from a third party.

Here are some of the key benefits and activities of sustainability reporting assurance services:

- Increased authenticity and trustworthiness:

Assurance services help ensure the accuracy and reliability of data and information in ESG sustainability reporting. This is important to avoid misinformation or dishonesty in reporting.

- Standard compliance audit:

The service ensures compliance with international standards and frameworks, such as GRI (Global Reporting Initiative), IIRC (International Integrated Reporting Council), TCFD (Task Force on Climate-related Financial Disclosures), and SASB (Sustainability Accounting Standards Board). This helps ensure that the report follows important industry guidelines and standards.

- Vulnerability analysis and improvement:

Audit services can help organizations analyze gaps in collecting and reporting ESG data. They provide hints and recommendations to improve the reporting process and enhance ESG information management.

- Respond and promote continuous improvement:

Assurance services can provide feedback on an organization's ESG performance and suggest ways to improve. This helps the organization develop and drive an ongoing sustainability strategy.

In addition to the Vietnam Sustainable Development Index (VNSI), businesses can choose to report according to one or more of the most extensive ESG frameworks/standards that are widely recognized globally:

- 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),...

Note here that standards often require competing data conflicts, and combining multiple standards can lead to chaos in traditional reporting. But when you apply advanced SaaS technology, this is completely solved.

ESG reporting, once independently audited, is like a passport that guarantees the highest authority on the sustainable development of any organization or business in the world, regardless of size and industry. ESG reporting according to international standards creates



absolute verifiable confidence for customers, partners and even investment funds that rigorously provide green credit packages and long-term companionship with the most favourable conditions only for market leaders.

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

