

IFRS Sustainability, COP 28 and Issues Related to Disclosure of Sustainable Development Information for Vietnamese Enterprises

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Abstract— In 2023, there were several new regulations related to sustainable development disclosure globally. Two notable events include: (1) The two first International Financial Reporting Standards on Sustainability (IFRS S1 and IFRS S2) were issued by International Sustainability (ISSB) in June 2023; (2) The 28th Conference of the Parties to the United Nations Framework Convention on Climate Change (COP 28) was held in Dubai from November 30 to December 12, 2023. The article summarizes the key contents of the published IFRS S standards and the core issues of COP 28. Based on that, the author offers some suggestions on the disclosure of sustainable development information by Vietnamese enterprises.

Keywords— Disclosure, sustainable development.

I. INTRODUCTION

Today, environmental issues and sustainable development have become the top concerns of organizations worldwide. Businesses are facing numerous challenges, including demands from stakeholders such as investors, employees, customers, and local communities. Consequently, disclosing information about sustainable development has become an effective tool for businesses to communicate their social responsibility activities to stakeholders and is gradually becoming a compulsory trend to align with international norms. Accounting, in its role of providing useful information to users, is under pressure to deliver high-quality information that can be compared globally regarding environmental and social risks and opportunities, aiming towards sustainable development goals in corporate reports.

In the context of globalization, economic activities (the direct target of accounting) are becoming increasingly diverse and complex, influenced not only by regulations and structures of a single country but also by international laws and standards. This necessitates corresponding developments in accounting. The scope of accounting application and the users of accounting information have expanded beyond national borders. Differences in accounting regulations among countries have reduced transparency and comparability of disclosed information, increasing costs, complexity, and risks for both businesses and stakeholders, especially investors. These issues necessitate an objective need for international accounting integration to address fragmented, inconsistent recording, measurement, and disclosure of information.

Leading the accounting field, on November 3, 2021, the IFRS Foundation announced the establishment of the "International Sustainability Standards Board" (ISSB) at the 26th United Nations Climate Change Conference (COP 26) in Glasgow. The goal is to develop sustainability disclosure standards, creating a unified framework for businesses to report on their performance and impacts related to the environment and society, and to generate a comprehensive global database

on sustainability-related disclosures. The mission of ISSB has gained support from G7, G20 countries, the International Organization of Securities Commissions (IOSCO), and many other related international organizations. On June 26, 2023, ISSB announced the first two standards on sustainability disclosure: IFRS S1 - General Requirements for Disclosure of Sustainability-related Financial Information and IFRS S2 - Climate-related Disclosures. The issuance of these initial IFRS standards signifies "a new era of sustainability-related information disclosure in the global capital market." Implementing IFRS S1 and IFRS S2 will help rationalize the development of reporting processes, providing better information to assist investors in making better investment decisions.

Also in 2023, the 28th Conference of the Parties to the United Nations Framework Convention on Climate Change (COP 28) was held in Dubai (from November 30 to December 12, 2023). COP 28 was the largest in history with over 97,000 delegates, including heads of state, government officials from 197 countries, and representatives of non-governmental organizations. The conference discussed solutions to prevent human-induced climate change and adapt to rising global temperatures. Following COP 28, countries will have until 2025 to submit new plans to combat climate change.

In the context of rapid economic and social development, coupled with environmental risks, the issue of sustainable development has garnered global attention, being incorporated into plans and objectives as well as the content of programs across all sectors of the economy. Therefore, the main objective of this article is to understand the key content of the issued IFRS S standards and the core issues of COP 28. From there, the author provides some suggestions on sustainable development information disclosure by Vietnamese businesses to meet the requirements of relevant parties and align with international norms.

II. OVERVIEW OF INTERNATIONAL FINANCIAL REPORTING STANDARDS FOR SUSTAINABILITY DISCLOSURE (IFRS SUSTAINABILITY)

The IFRS Sustainability standards cover various areas including: Greenhouse gas emissions and climate change; Natural resources; Social and labor relations; Financial and

sustainable assets. As of June 26, 2023, two initial standards have been issued. Among them, the general requirements of IFRS S1 for disclosing financial information related to sustainable development and IFRS S2 regarding climate-related disclosures. The basic content of these two standards is summarized in Table 1:

TABLE 1. Summary of basic content of IFRS S1 and IFRS S2

	IFRS S1 - General Requirements for Disclosure of Sustainability-related Financial Information	IFRS S2 - Climate-related Disclosures
The objective of the standard	The requirement for businesses to identify and disclose financial information about sustainability-related risks and opportunities that the enterprise faces in the short, medium, and long term is beneficial for users of financial reports for general decision-making purposes regarding resource allocation to the enterprise.	The requirement for businesses to identify and disclose financial and non-financial information about climate-related risks and opportunities that may impact the enterprise's prospects in the short, medium, and long term, in addition to the standards described in IFRS S1. This information is useful for users of financial reports for general decision-making purposes regarding resource allocation to the enterprise.
The requirements regarding content and presentation of information	<ul style="list-style-type: none"> - Applying the TCFD (Task Force on Climate-Related Financial Disclosures) framework in disclosing information about sustainability-related risks and opportunities, four main categories are recommended to be presented in the report: <ul style="list-style-type: none"> Governance: describing the structure and role of the governing body in managing risks (monitoring, assessment, management...). Strategy: the approach the enterprise uses to manage sustainability-related risks and opportunities. Risk Management: the processes the enterprise uses to identify, assess, prioritize, and monitor sustainability-related risks and opportunities. Indicators and Targets: the performance of the enterprise related to sustainability-related risks and opportunities. - Specific disclosure requirements by sector, industry; - For issues other than climate, IFRS S1 addresses sources to help enterprises identify risks, opportunities, and sustainability-related information; and - IFRS S1 can be combined with any accounting requirements (e.g., GAAP3). 	<ul style="list-style-type: none"> - Applying the TCFD (Task Force on Climate-Related Financial Disclosures) framework in disclosing information about climate-related risks and opportunities, four main categories are recommended to be presented in the report: <ul style="list-style-type: none"> Governance: describing the structure and role of the governing body in managing risks (monitoring, assessment, management...). Strategy: the approach the enterprise uses to manage climate-related risks and opportunities. Risk Management: the processes the enterprise uses to identify, assess, prioritize, and monitor climate-related risks and opportunities. Indicators and Targets: sharing the types of indicators/targets used to monitor and identify climate-related risks. - Being appropriately aligned with IFRS S1; - Requiring the disclosure of significant information about climate-related risks and opportunities, including physical risks and transition risks; and - Requiring specific sector-specific disclosure with accompanying guidance built on the basis of SASB Standards (e.g., disclosing greenhouse gas emissions (GHG), transition risks, physical risks, climate-related opportunities, capital deployment, internal carbon pricing, and remuneration...).
Principles of presentation and disclosure of information	<ul style="list-style-type: none"> Principle of Reasonable Presentation: Businesses are required to disclose information that is comparable, verifiable, timely, and understandable; additional information should be disclosed if compliance with specific requirements outlined in IFRS S1 is insufficient to enable users of financial reports to make informed decisions. Principle of Materiality in Information Disclosure: In the context of sustainability-related financial reporting, information will be material if omitting, misrepresenting, or concealing such information could affect the decisions made by the primary users of financial reports for general purposes based on those reports. 	
Effective date	Both standards are effective for reporting periods beginning on or after January 1, 2024.	

(Source: Compiled from <https://www.ifrs.org/issued-standards>)

III. CORE ISSUES OF COP28

The 28th Conference of the Parties to the United Nations Framework Convention on Climate Change (COP28) took place amidst record-high temperatures and severe impacts of extreme weather events such as wildfires, floods, storms, and droughts worldwide, making actions to address climate change increasingly urgent. The conference called for participation, commitment, and implementation of increasingly robust actions by all countries, businesses, and organizations to minimize climate impacts and mitigate climate change. Five main themes were discussed at the conference:

Global Efforts Assessment: COP28 discussed the aggregate results of countries' efforts in adapting to climate change, reducing greenhouse gas emissions, contributing financial, technological, and capacity-building efforts to cope with climate change through national reports and other documents. This was the first global assessment of the progress countries have made in implementing climate change commitments. This assessment revealed progress and gaps in achieving global goals for climate change response, providing a basis for related recommendations.

Energy Transition: Enhancing energy transition was one of the main themes at COP 28. Greenhouse gas emissions are at record highs despite commitments to move in the opposite direction.

Discussions at COP 28 focused on enhancing the use of renewable energy and new technologies such as hydrogen fuel and carbon capture technologies to minimize emissions.

Climate Finance: At COP 28, governments discussed ways to enhance financial support for countries facing the impacts of climate change. Specifically, participants continued to review progress towards achieving the goal of mobilizing \$100 billion annually (originally intended to be achieved by 2020); mobilizing resources by 2025 and subsequent phases...

Carbon Exchange Mechanisms and Offset Credits: At COP 28, parties continued to refine regulations and detailed guidance for countries to implement carbon exchange mechanisms and offset credits under Article 6 of the Paris Agreement.

Adaptation: Adaptation to climate change was an important theme at COP28. Governments discussed ways to minimize the impact of climate change on communities and developing countries.

IV. SOME DISCUSSIONS ON SUSTAINABLE DEVELOPMENT DISCLOSURE FOR VIETNAMESE ENTERPRISES

It can be observed that environmental and sustainable development issues have become global concerns and have been translated into commitments, action plans, and implementation strategies across all sectors. These commitments have had and continue to have a significant impact on most industries, including the accounting sector. The drivers for disclosure stem from legal requirements, market expectations, and the strategic direction of businesses themselves.

Legally, disclosure requirements are increasingly tightening in regional and international markets, with stock exchanges notably raising disclosure requirements on environmental and social aspects integrated into the annual reports of listed companies. From a market perspective, failure to disclose or limited disclosure of non-financial information may reduce a company's access to capital and diminish the confidence of stakeholders. For businesses themselves, disclosing sustainable development information helps them obtain the necessary information to develop strategies to address climate change risks, workforce fluctuations, changes in enterprise value due to the increasing influence of intangible factors, and more.

In recent years, the legal framework for sustainable development disclosure by Vietnamese enterprises has been gradually improved. Circular 52/2012/BTC-TT issued by the Ministry of Finance in 2012 was the first legal document on enterprise disclosure. This was followed by Circular No. 155/2015/TT-BTC dated October 6, 2015, marking increased state pressure on listed companies' disclosure. Currently, Circular No. 96/2020/TT-BTC on guidance for disclosure in the securities market requires public companies in Vietnam to disclose information on environmental and social impacts towards sustainable development with eight issues: (1) Environmental impacts; (2) Resource management; (3) Energy consumption; (4) Water consumption; (5) Compliance with environmental protection laws; (6) Policies related to labor; (7) Reports related to local community responsibilities; (8) Reports related to green capital markets.

According to the regulations, companies can separately disclose information in Environmental, Social, and Governance (ESG) reports, Sustainable Development Reports, or integrate them into annual reports. In addition, state management agencies have organized many workshops and forums on sustainable development, annual report voting competitions, and excellent sustainable development report competitions to help businesses exchange experiences in implementation and disclosure of sustainable development information. In the Socio-Economic Development Strategy to 2030, the Government also identified "Rapid and sustainable development; harmonious development between economy and culture, society, environmental protection, and adaptation to climate change" as a priority. However, due to a lack of clear understanding of the importance of transparent information to achieve sustainable development goals, sustainable development disclosure by Vietnamese enterprises has not received adequate attention and still has many limitations. Vietnamese enterprises are implementing and disclosing information inconsistently, with insufficient content and not complying with any specific standards.

According to aggregated data from the State Securities Commission, in 2020, only 12 out of 1,565 listed companies separately prepared Sustainable Development Reports with the purpose of disclosing and being more transparent than non-financial information for investors. This number remained relatively unchanged in 2021 and 2022, with 14 out of 1,641 and 19 out of 1,599 respectively. To create a competitive advantage for enterprises participating in the global value chain and increase access to quality capital in the international capital market, Vietnamese enterprises, especially public companies, need to consider and develop a roadmap for applying the International Financial Reporting Standards on Sustainable Development Disclosure (IFRS S). This will bring several benefits to Vietnamese enterprises:

First, time and resource savings: Currently, the ISSB's IFRS S has integrated the most common reporting frameworks worldwide (GRI Global Reporting Initiative, IFC Sustainability Framework, IIRC International Integrated Reporting Council, CDP Carbon Disclosure Project, TCFD...). Therefore, applying IFRS S1 and IFRS S2 can help Vietnamese enterprises save time researching, selecting standards, and choosing suitable reporting frameworks.

Second, ensuring comparable information globally, without limitations from legal areas: Vietnam is one of the countries most affected by climate change. Meanwhile, climate-related risks and opportunities are increasingly creating measurable financial impacts. Therefore, presenting opportunities and challenges according to IFRS S2 (focused on environmental and climate impacts) will help market participants disclose climate-related information in a consistent, comparable, and reliable manner.

Third, applying IFRS S1 and IFRS S2 will help businesses standardize their sustainable development disclosure processes, providing better information to investors for better investment decisions. This will have a positive impact on management, strategy, capital access, business reputation, and encourage employees and stakeholders with related rights and interests.

In the process of implementing IFRS S and initially IFRS S1 and IFRS 2 in Vietnam, there needs to be coordination and synchronized deployment among state management agencies and businesses themselves:

For enterprises:

In the initial stage, companies can apply the SASB Standards to move towards implementing IFRS S in the future. SASB is an accounting standard developed by the Accounting Standards Board to serve as a template, guiding businesses to report finances in the direction of ESG. SASB standards reflect financial situations through five aspects: environment, social foundation, human resources, business model and enterprise innovation, leadership



Fig. 1. Sustainable Aspects in the ESG Direction

In addition, enterprises need to prepare pathways and plans for adopting ISSB standards through activities such as:

- Assessing internal systems and processes to collect, aggregate, and verify sustainability-related information throughout the enterprise and its value chain.
- Reviewing ISSB proposed standards and supporting documents, including SASB recommendations.
- Considering risks and opportunities related to sustainability affecting the enterprise.

Regarding state management agencies:

Enhancing awareness of the importance of IFRS S.

Drafting and issuing legal documents guiding the principles, application methods of IFRS S in Vietnam in terms of principles, scope, and applicable content.

Enhancing support for the application of IFRS S for Vietnamese enterprises.

V. CONCLUSION

Sustainable development disclosure is not only a concern of Vietnamese enterprises but also a concern of all organizations and businesses worldwide. The International Financial Reporting Standards on Sustainable Development Disclosure (IFRS S1 and IFRS S2) developed by ISSB are built on the foundation of international financial reporting standards (IFRS), integrating risk issues in information provision. Understanding and early adoption are expected to help enterprises stay ahead of trends, gaining a competitive advantage in the future.

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