Environmental information self-reported in listed firms' annual reports: Risks of environmental commitment cliché, and a call for innovations

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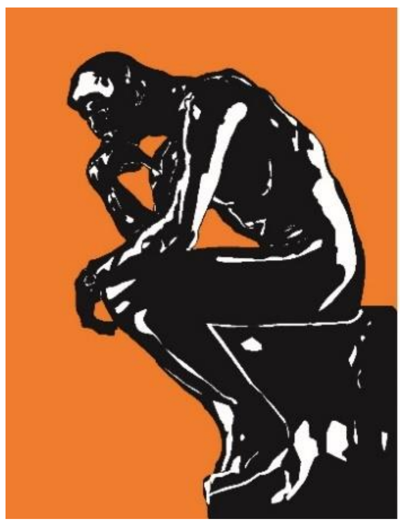

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> "On the reporting day, the whole bird village happily waits to hear the emission reduction results. Most wait for the rewards they will receive. Some look around, uncertainty etched on their faces, anxious to learn if they would be forbidden to poop."
>
> —In "GHG Emissions"; *Wild Wise Weird* (2024)

Abstract

Periodical reports are important information sources for investors and society to monitor, contribute to, and allocate resources to listed companies contributing to environmental sustainability. This article provides a preliminary investigation into environment-related information disclosure in annual reports of 61 representative companies in Vietnam, a country that has a rapidly developing stock market and is highly vulnerable to the impacts of climate change. It was found that although most of the companies' reports disclosed the goals to pursue sustainability and environmental protection (over 93%), only one-third of them genuinely reported investment in or research on environmental directions. The proportion of companies reporting detailed information on greenhouse gas emissions, energy consumption, water consumption, and waste production is relatively low; even among leading companies in sustainable development, the reporting rates for these indicators remained below 60%. We suggest that a separate mandatory annual report on environmental issues will increase businesses' and society's consciousness of environmental impacts. Transparent disclosure of environmental information will also offer an avenue to empower society to monitor, participate, and steer businesses toward sustainable development, thereby fostering an eco-surplus culture throughout the economic system.

Keywords: business sector; social transitions; information disclosure; environmental sustainability

Currently, adapting to and mitigating climate change, as well as achieving environmental sustainability, have become key objectives for most countries. To achieve these goals, a gradual transition to a socio-economic system rooted in eco-surplus culture is essential (Vuong & Nguyen, 2024a). Businesses are fundamental in mobilizing resources, and human capital, and fostering innovation to produce goods and services that meet needs or address systemic issues. Additionally, business activities are significant contributors to current environmental and ecological disturbances. Therefore, they play an irreplaceable role in driving the transformation of the economic and social system toward sustainability (Vuong, 2021).

The stock market has long been regarded as a system enabling businesses to raise capital for investment and innovation from the public. In return, a core responsibility of companies listed in the stock market is to provide transparent information and policies to investors and the public through financial and non-financial disclosure. In the transition to sustainability, annual corporate reports serve as crucial information sources that allow society to monitor, contribute to, and allocate additional resources for sustainable business practices (Baier et al., 2020; Lokuwaduge & Heenetigala, 2017; Wilmshurst & Frost, 2000). This is particularly important for countries like Vietnam, which has a rapidly developing stock market and is highly vulnerable to the impacts of climate change. Consequently, we conducted a preliminary investigation of the 2023 annual reports of 61 representative companies on the stock market to assess reporting practices regarding environment-related information in Vietnam.

The investigation focused on three groups of companies:

- Companies directly involved in environmental fields: This group includes companies engaged in waste treatment and recycling, totaling 23 firms listed on UPCOM. Beyond waste management, these companies also provide urban greenspace management services, urban lighting, traffic signal systems, drainage, municipal water supply, and cemetery management.
- Companies pioneering in sustainable development: This group consists of 15 publicly listed companies recognized by the Vietnam Chamber of Commerce and Industry (VCCI) as leaders in sustainable development in 2023 and mentioned in the mainstream media (Trang, 2023). The majority of these firms (80%) are listed on HOSE.
- Companies within the fields that cause significant negative environmental impacts: This group includes firms in high-emission sectors with substantial environmental risks, such as steel, cement, and plastics manufacturing industries. We selected the largest companies by market capitalization in these sectors (those with a capitalization larger than VND 1000 billion). In total, there are 23 companies selected, predominantly listed on HOSE (over 65%).

Vietnam's stock market was established in 2000 with the launch of the Ho Chi Minh City Stock Exchange (HOSE), formerly the Ho Chi Minh City Securities Trading Center. The Hanoi Stock Exchange (HNX) followed in 2005. Both exchanges operate under the management of the State Securities Commission (SSC) of Vietnam and the Ministry of Finance. Additionally, there is the UPCOM (Unlisted Public Company Market) for public companies not listed on HOSE and HNX. The Vietnamese stock market has rapidly developed, becoming a vital capital-raising channel for businesses and an investment venue for numerous domestic and foreign investors, with approximately 8 million securities trading accounts registered.

Listed companies on HOSE, HNX, and UPCOM must comply with the regulations of the 2019 Securities Law, Decree 155/2020/ND-CP, and Circular 96/2020/TT-BTC regarding periodic financial and annual reporting. Depending on the requirements of each exchange, companies are obliged to disclose quarterly, semi-annual, or annual financial reports.

In addition to information related to economic, financial, strategic, governance, and ownership aspects, Circular 96/2020/TT-BTC also mandates listed companies to disclose environmental reporting information (Bộ Tài chính, 2020). This includes details on goals, environmental protection activities, energy consumption, waste management, and measures to mitigate negative environmental impacts. Our investigation was structured around several key aspects to evaluate how environmental information is disclosed in the 2023 annual reports of the representative companies: (i) company directions and plans related to environmental protection activities, (ii) emission information, (iii) energy consumption information, (iv) water consumption information, and (v) waste generation information.

According to our analysis of the 61 companies, nearly all companies (over 93%) reported goals of pursuing sustainability and environmental protection (see Table 1). However, the content was largely generic, with most content resembling template language and lacking specifics regarding the environmental issues recognized by the companies and their strategies or plans to address them. The number of companies that genuinely mentioned their investment or research related to environmental solutions, or that had concrete investment or research directions, was quite modest, at only 39.34% and 29.51%, respectively. In contrast, companies frequently cited investments in and research on new products and services aimed at increasing profits, shareholder value, or budget contributions. This highlights a stark contrast with the current deterioration of the environment and the rapid progression of climate change.

		Total (N = 61)	**Companies directly involved in environmental fields**	**Companies pioneering in sustainable development** (N = 15)	**Companies within the fields that cause significant negative**

			(N = 23)		environmental impacts (N = 23)
Exchanges	HOSE	44.26%	0%	80.00%	65.22%
	HNX	8.20%	0%	6.67%	17.39%
	UPCOME	47.54%	100%	13.33%	17.39%
Directions and plans related to environmental protection activities	Disclosing sustainability/environmental protection goals	93.44%	82.61%	100%	100%
	Having investments/research related to environmental protection	39.34%	17.39%	66.67%	43.48%
	Having specific investment/research directions	29.51%	13.04%	46.67%	34.78%
	Mentioning Environment, Social, and Governance (ESG)	26.23%	0%	66.67%	26.09%
Greenhouse gas emissions (GHG)	Reporting GHG emissions	32.79%	8.70%	53.33%	43.48%
	Reporting classification of emission sources	18.03%	0%	26.67%	30.43%
	Reporting emission reduction goals	27.87%	21.74%	40.00%	26.09%
	Reporting emission reduction solutions	6.56%	21.74%	66.67%	39.13%
Energy consumption	Reporting energy consumption amount	50.82%	39.13%	60.00%	56.52%
	Reporting classification of energy consumption activities/energy types	27.87%	17.39%	46.67%	26.09%
	Reporting energy consumption reduction goals	42.62%	60.87%	40.00%	26.09%

	Reporting energy consumption reduction solutions	3.28%	52.17%	66.67%	56.52%
Water consumption	Reporting water consumption amount	44.26%	30.43%	53.33%	52.17%
	Reporting classification of water consumption activities/water types	22.95%	8.70%	33.33%	30.43%
	Reporting water consumption reduction goals	26.23%	39.13%	26.67%	13.04%
	Reporting water consumption reduction solutions	32.79%	34.78%	40.00%	26.09%
Waste production	Reporting waste production amount	22.95%	13.04%	33.33%	26.09%
	Reporting classification of waste production	16.39%	8.70%	33.33%	13.04%
	Reporting water production reduction goals	11.48%	0.00%	26.67%	13.04%
	Reporting waste production reduction solutions	18.03%	4.35%	33.33%	21.74%

One of the critical conditions for companies to reduce emissions and their negative impacts on the ecosystem is the ability to assess and report regularly on sources and quantities of emissions, energy consumption, water usage, and waste generation to monitor and improve performance. However, among the 61 companies surveyed, only 32.79% detailed their emission levels, 50.82% reported their energy consumption, 44.26% addressed water usage, and 22.95% provided information on waste generated in their operations. Even among the leading companies in sustainable development, the reporting rates for these indicators did not exceed 60%.

Notably, companies directly engaged in environmental activities exhibited the lowest rates of setting emission reduction targets and providing environment-related information. Specifically, only 4 companies (17.39%) mentioned investing in or researching environmental protection solutions, and just 3 companies (13.04%) indicated specific investment or research directions. None of the 23 companies in this group referred to the concept of ESG. Additionally, this group had the lowest detailed reporting on emissions (8.7% provided emission details, and 0% had a clear classification of emission sources), which was significantly lower than companies in high-environmental-risk industries (43.48% and 30.43%, respectively).

These statistics reveal that a considerable number of businesses, particularly those operating directly in the environmental sector, have yet to establish a culture and system for regular assessment and reporting on environmental issues. This may stem from a lack of consciousness regarding the value of environmental information disclosure in annual reports or an underestimation of the importance of environmental sustainability for broader socio-economic sustainability (Vuong, 2023; Vuong & Nguyen, 2024a).

With the growing awareness of climate change in society, we believe that Investor Relations activities within regulatory agencies should be enhanced to mandate the inclusion of environmental reporting issues. This not only makes sense but also fosters a stronger connection and provides necessary information to investors, giving them a clearer view of a company's operational effectiveness in the context of the current environmental degradation era.

Moreover, a separate report on Corporate Social Responsibility (CSR) focusing on environmental factors is needed. This report should be concise, easily understandable, and not time-consuming to produce. Specifically, it should summarize the environmental issues recognized, experienced, addressed, and anticipated by the company, as well as the measures the company has implemented, is implementing, and plans to implement to respond to these issues. Separating this report would provide clear and transparent information to society, allowing both investors and the company's internal stakeholders to engage more directly with environmental information, thus promoting a shift toward the eco-surplus cultural values within their mindsets (Vuong & Nguyen, 2024b). If environmental information continues to be lumped together with annual financial reports, investors are likely to overlook it, as short-termism will drive them to focus on short-term financial gains and primarily read financial and business information.

The media also needs to improve how it conveys information from corporate reports to the public. Instead of solely focusing on profits and dividends, media channels should create deeper, more educational messages about the value of the environment and the contributions of businesses to sustainable development. Intending to increase the stock market capitalization to 120% of GDP and the number of investor trading accounts to 11 million by 2030 (Chính phủ Nước Cộng hòa Xã hội Chủ nghĩa Việt Nam, 2023), fostering an eco-surplus culture among investors nationwide will help guide and accelerate the shift of Vietnamese businesses toward greater environmental sustainability, moving away from a purely economic mindset (Abson et al., 2017; Chen & Xie, 2022; Nguyen & Jones, 2022). A feasible idea is to establish a national ranking of companies based on their progress in environmental protection activities. This would not only raise awareness but could also be a vital initiative for attracting international investors (Ellili, 2022).

Overall, although the Ministry of Finance has issued guidelines requiring listed companies to report environmental information, statistics from representative companies show that much of this reporting tends to be generic and lacks a comprehensive understanding of specific environmental issues, directions, and solutions. Therefore, mandating separate reports on environmental issues would enhance corporate consciousness of the environmental impacts resulting from their operations. Initially, these reports could include simple statistical indicators such as energy consumption, renewable energy usage, water consumption, and waste generation annually.

Additionally, information from these reports would enable society to engage in monitoring, contributing, and allocating resources to support sustainable development, helping to spread the eco-surplus culture throughout the economic system (Fisher & Nasrin, 2021; Vuong et al., 2024). Furthermore, civil organizations such as the Business Association, the Vietnam Securities Business Association, and the Vietnam Environmental Industry Association could develop transparent rankings of ESG disclosures by listed companies in the Vietnamese stock market, thereby helping businesses position themselves on the path to greener development.

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