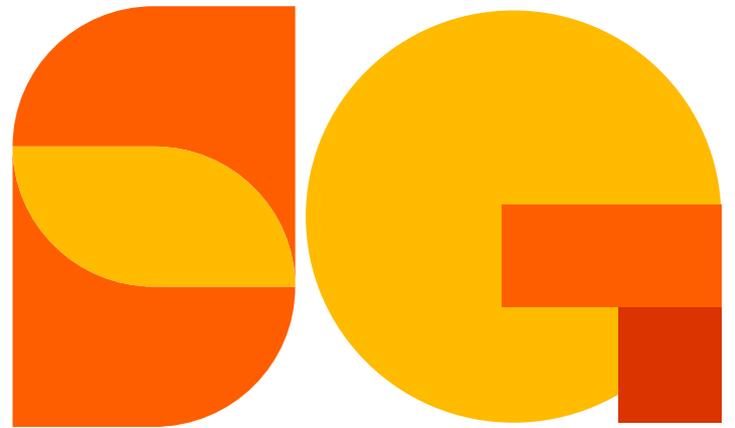




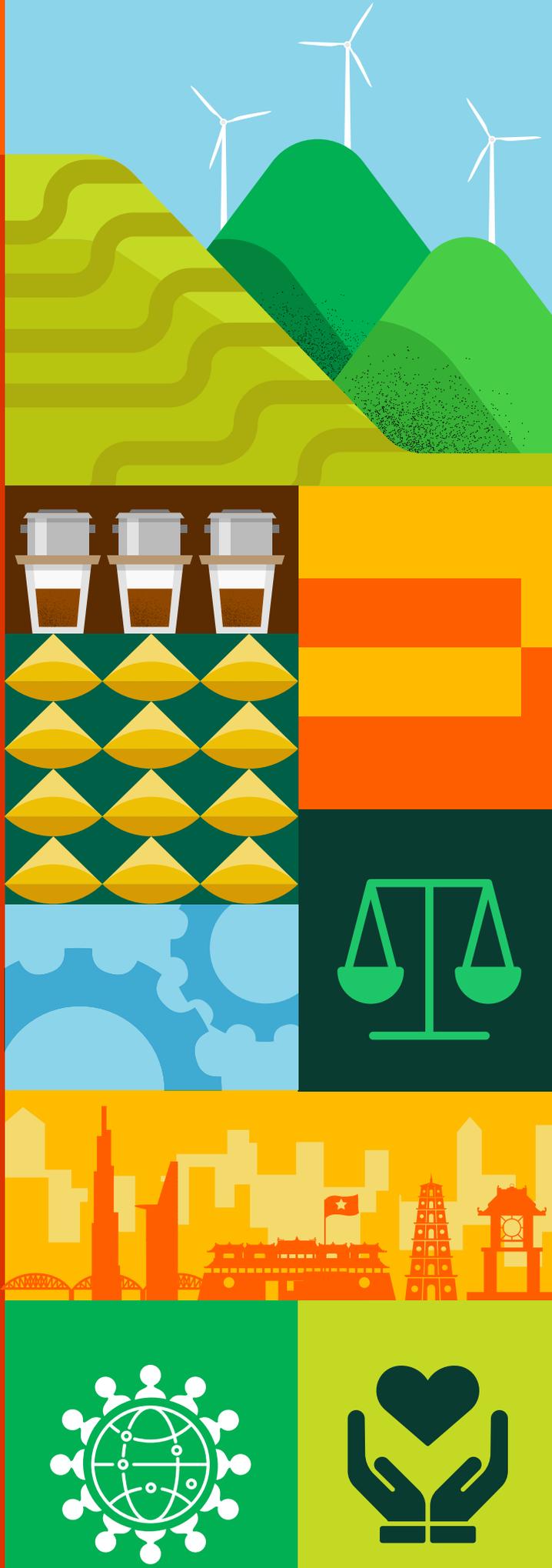
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ESG and the National Action Plans for Responsible Business Practices in Viet Nam (NAP)



Building a Roadmap to Action in each Company Department

You've heard a lot about the effects of climate change, biodiversity loss, and natural resource overuse. It's worrying and scary wondering if the world can survive. But ESGPath wants to call attention to the ways every company department can bring more sustainability back to our planet.

Here's a look at how you and your company can *adapt* and *transform* for the better.

IT Department

According to several studies, the IT sector accounts for 4% of global CO2 emissions. And if current trends continue, it will account for 15% in the next 15 years.

Anticipate material shortages

You know about the growing scarcity of natural resources. This scarcity is expected to be acute by 2027. Since this will affect the price of digital equipment, you can expect the material cost of IT to go through the roof.

What you can do is take responsibility now for everything you use, create, or sell. Plan now for how you're going to phase out old software, what you're going to do with obsolete hardware, and think about living with multiple software versions.

Guard against the increasing frequency of natural disasters

Heatwaves and flooding are potential risks for IT resources, so double-check with your risk department to see where your vital data resides and how it is safeguarded.

Reduce your department's footprint

Don't stick with redundancy where it is not necessary. Set up a recycling program for company equipment, clean up your archives, compress your files, and lower the resolution of pictures everywhere you can.

Reduce your energy consumption

Producing electricity accounts for one-third of the emissions we need to reduce, yet electricity is essential to all IT department activity. Cheap, reliable electricity is quickly becoming more expensive and less reliable. To optimize the energy your department uses, take advantage of all the measurement tools, guidelines, ideas, and tips you can obtain from trusted sources.

Finance Department

Climate change has a cost. If nothing is done, 24 trillion dollars in global asset worth could be wiped off the books by the end of the century. The big challenge of the finance department will be to combine financial profitability with sustainability.

Identify your risks

The first step is to give ESG a permanent spot on the board agenda and make sure the board of directors understand the impacts and challenges.

– An internal carbon price scheme can help you spot your most significant greenhouse gas emitters. This could result in investing in more energy-efficient projects, switching to low-carbon and renewable energy sources, or discontinuing your least sustainable product lines.

– A granular risk analysis will indicate which assets need to be hardened against more common and serious climate disasters such as flooding and drought. If you are reliant on low-cost transportation and open commerce, you should expand your inventory to create a buffer in the event of an in-interruption.

– A CARE accounting framework will help you identify the investments needed to preserve your business's financial, natural, and social capital.

Reduce the money available for non-sustainable projects

Minimize the capital earmarked for ventures that rely on fossil fuels and deforestation. Assessing and tracking private biodiversity money can help with this. Invest in training, collaborate with other departments within your company, and communicate to internal and external stakeholders your efforts to change.

Find money for projects aimed at sustainability

To convince investors and stakeholders to get on board, it can help to familiarize yourself with the concept of "green capital," which includes things like green bonds, impact bonds, and sustainability loans.

To enact a national plan for addressing inadequacies in responsible business practices, as scheduled from next year, a country-wide evaluation of ESG (Environmental, Social, and Governance) practices and more is needed. Lawyer Nguyen Hung Quang is helping to conduct a baseline assessment for developing Vietnam's National Action Plan, which he describes here.

ESG (Environmental, Social, and Governance) practices and CSR (Corporate Social Responsibility) practices originate in businesses' proactive responses to the needs of their environment, society, and employees. Companies apply CSR or ESG not just to comply with laws but to uphold important standards that are not yet required by law.

Not many companies are proactively practicing CSR or ESG. Most companies are more focused on their profits than on social or environmental issues. Some take every advantage of loopholes in the law – or lax enforcement – to protect their bottom line. And yet in many countries social and environmental criteria have been creeping slowly into business activities for years. To encourage countries to promote responsible business activities, the United Nations has adopted the UN Guiding Principles (UNGP) on Business and Human Rights and supported countries in developing National Action Plans (NAP) for Responsible Business Practices and Human Rights.

The UNGP consists of 31 principles, based on 3 pillars:



The duty of the State to discourage human rights abuses by business enterprises through appropriate policies, regulations, and adjudication



The responsibility of every business enterprise to respect human rights



Greater access to effective remedy both judicial and non-judicial by victims of business-related harm

Since the adoption of the UNGP in 2011, 30 countries have completed an NAP¹ and 16 others are in the process of developing one. Nations who have completed their NAP include several (like the US, the UK, Germany, Japan, and South Korea) whose commercial and investment activities have a major impact on Vietnam. In Southeast Asia, Thailand has completed its NAP, while Malaysia and Indonesia, like Vietnam, are still formulating their plan.

¹ National Action Plans on Business and Human Rights, <https://globalnaps.org/country/>.

Legal Department

Climate change has become the major global issue of our time. Businesses and professional advisors in many sectors are seeing their legal liabilities increase as a result. Climate change litigation is a growing trend.

Climate liability cases seek to establish whether an entity is liable for damages arising from climate change, such as through false advertising or improperly issuing energy or coal mining permits. Your company could be at risk of prosecution in court by an individual, NGO, or state.

In 2018 there were approximately 1,000 climate liability cases globally. In 2021 there were 1,806. You can see that the number is increasing.

Mitigate your risk of climate liability

– Try to anticipate a higher compliance burden. Standards are continually being revised, and companies who don't keep up risk becoming the target of legal action.

– Seek outside legal counsel to assist you in assessing risks, which should encompass climate liability and litigation risks.

– Greenwashing, or exaggerating how environmentally good you are, can lead to litigation and a damaged reputation. Avoid environmental boasting of practices that don't achieve real objectives, especially in marketing communications.

Purchasing

The big freeze in Texas in 2021 provided a perfect example of resource depletion and shortages. It shut down the world's largest petrochemical complex, causing massive supply chain disruptions and raw material shortages. And extreme weather is steadily becoming more frequent and more damaging.

Minimize the risk of supply chain disruptions

– Protect your physical assets from the effects of the weather. Invest in cutting-edge digital tools to help you monitor, connect, and cooperate across the supply chain.

– Anticipate the risks. If an area has experienced drought, increasing sea levels, or floods several years in succession, you should take steps to avoid having your entire production schedule disrupted by another occurrence.

– Distribute your vendor dependence to a number of different vendors, and reduce the distance between you and your suppliers.

Conclusion

Every department needs to be responsible for applying ESG standards to the business – even IT, Legal, Finance, and Purchasing.

In fact, every individual has the power and responsibility to do something about today's environmental challenges. This is absolutely vital to ensuring a viable future for all of us.

Resources

1. The environmental footprint of the digital world. This study was conducted by GreenIT.fr between December 2018 and July 2019. It aims at quantifying the environmental impact associated with digital equipment on a global scale, based on a screening lifecycle analysis (LCA) methodology. It looks at both the global digital footprint in 2019 and its evolution from 2010 to 2025. (https://www.greenit.fr/wp-content/uploads/2019/11/GREENIT_EENM_etude_EN_accessible.pdf)

2. Look at How Climate Changes Laws of the World (<https://climate-laws.org/#map-section>)

3. Shareholders force ExxonMobil to come clean on cost of climate change (<https://www.theguardian.com/business/2017/may/31/exxonmobil-climate-change-cost-shareholders>)

4. Environmental Constitutionalism: A Comparative Study (<https://www.cambridge.org/core/journals/transnational-environmental-law/article/abs/environmental-constitutionalism-a-comparative-study/4601872DEA28B1DFE159114E1584AE8AC>)

5. Net-Zero Challenge: The supply chain opportunity - A report by the World Economic Forum and Boston Consulting Group (<https://www.weforum.org/reports/net-zero-challenge-the-supply-chain-opportunity>)

6. Supply Chains as a Game-Changer in the Fight Against Climate Change (<https://www.bcg.com/fr-fr/publications/2021/fighting-climate-change-with-supply-chain-decarbonization>)

7. The role of logistics and transport in reducing supply chain carbon emissions - A report by the World Economic Forum, this time with acen-ture (https://www3.weforum.org/docs/WEF_IT_SupplyChainDecarbonization_Report_2009.pdf)

Just as a company's ESG practices should be based on quantitative measures and include clear company-specific objectives, strategies and tactics, a National Action Plan should assess a country's particular context and quantify all actual or potential risk factors. Before developing its NAP, a country needs to conduct a National Baseline Assessment (NBA) of inadequacies in its business practices. State agencies in Vietnam are currently conducting an NBA to assess policies and laws and business activities that could undermine the assurance of human rights. Vietnam's NBA focuses on 5 areas:



Responsible Investment



Labor



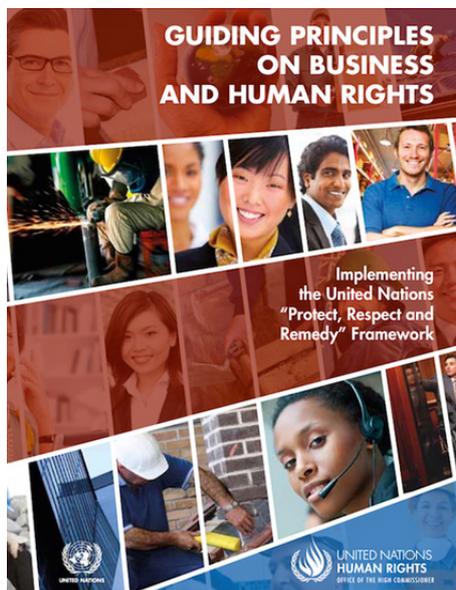
Environmental Protection



Protections of the rights of vulnerable groups



Protection of consumers' rights



A quick review of inadequacies in these 5 areas showed that, when it comes to the State's duty to discourage human rights abuses, there are overlaps and contradictions in policies and regulations which make responsible business practices difficult to implement and enforce. With regard to an enterprise's responsibility to respect human rights, a number of problems have been found: investment projects adversely affecting the environment or the community where the project is located; poor labor management resulting in unpaid overtime and other abuses of employees' rights;

irresponsible production management causing environmental pollution; and a failure by many businesses to protect consumers' rights or respect the rights of vulnerable groups.

Under the 5-year Action Program of the Government for the 2021–2026 tenure, Vietnam will promulgate its National Action Plan for Responsible Business Practices in 2023 (Vietnam NAP).

Once the Vietnam NAP is promulgated, businesses will be expected to pay closer attention to maintaining responsibility in their business activities, improving their governance of human resources, honoring commitments to social standards, and strictly complying with laws concerning the environment and sustainable development.



Nguyen Hung Quang
Founder and Managing Partner
NHQuang&Associates

Mr. Nguyen Hung Quang has been practising in corporate, investment, environment, and energy law and dispute resolution for 30 years, and is active in academic research domestically and internationally. Currently Quang is Team Leader of the National Baseline Assessment for Responsible Business Practices in Viet Nam commissioned by the Ministry of Justice and UNDP Viet Nam to identify legal and policy gaps, the current status of responsible business in Viet Nam, the most salient responsible business issues, and current opportunities and challenges for responsible business, and provide recommendations for formulating and prioritising actions and measures in Vietnam's National Action Plan for improving laws and policies to advance Responsible Business Practices of Enterprises in Viet Nam.



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