



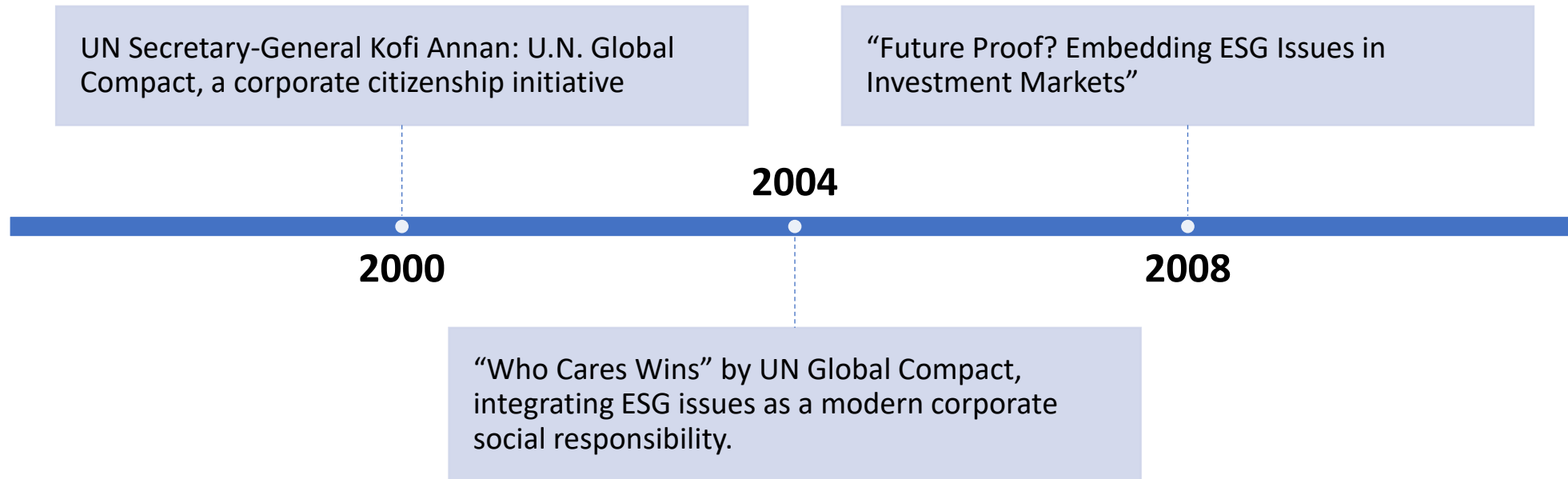
ESG: Global and Cambodia's Context

Sokphea Young, PhD
sophibelieve@gmail.com

What is ESG?

ESG, which stands for environmental, social, and governance, encompasses a set of criteria utilized to assess an organization's environmental and social footprint. While mostly relevant in investment settings, its implications also extend to customers, suppliers, employees, and the public.

History of ESG



History of ESG (cont)



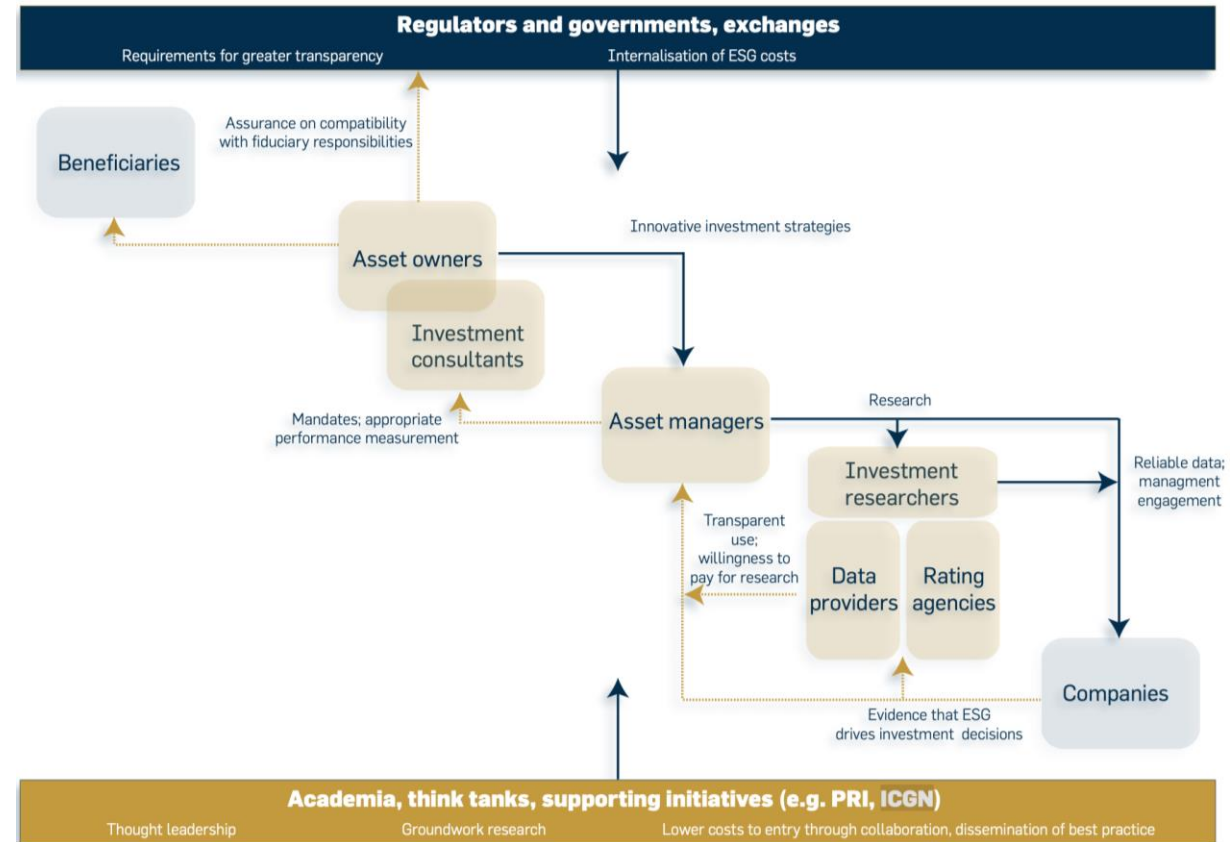
“to develop guidelines and recommendations on how to better integrate environmental, social and corporate governance issues in asset management, securities brokerage services and associated research functions”
(UNGC 2004: p. 5).

History of ESG (cont)

Outcomes of the Who Cares Wins Initiative 2004–2008 47660

FUTURE PROOF?

Embedding environmental, social and governance issues in investment markets



Key components of ESG



Environmental issues:

- Climate change and related risks
- Reduce toxic releases and waste
- Expanding the boundaries of environmental liability to products and services
- Pressure by civil society to improve performance, transparency and accountability, leading to reputational risks if not managed properly
- Emerging markets for environmental services and environment-friendly products



Social issues:

- Workplace health and safety
- Community relations
- Human rights issues at company and suppliers' /contractors' premises
- Government and community relations in the context of operations in developing countries
- Pressure by civil society to improve performance, transparency, and accountability, leading to reputational risks if not managed properly



Governance issues:

- Board structure and accountability
- Accounting and disclosure practices
- Audit committee structure and independence of auditors
- Executive compensation
- Management of corruption and bribery issues

Related concepts of ESG

Sustainability	Sustainable development	Sustainable development goals	Triple bottom line	Corporate sustainability	Socially responsible investment	Social impact
Circular economy	Green investment	Ethical investment	Corporate citizenship	Corporate code of conduct	Corporate philanthropy	Corporate social responsibility
Sustainable business	Responsible business and investment	Ethical business	Sustainable finance	Corporate stakeholders	Net-zero	People, Planet and Profit

ESG and sustainability frameworks



www.globalreporting.org

PURPOSE: Help organizations report on economic, environmental & social impacts considering a wide range of interests.

AUDIENCE: Broad set of stakeholders

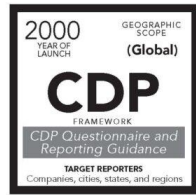
WHERE TO REPORT: Corporate sustainability report

FOCUS AREAS:
 ENVIRONMENT
 SOCIAL
 GOVERNANCE



- INFORMATION TO REPORT:**
- **General disclosures:** Organization's profile, strategy, ethics and integrity, governance, stakeholder engagement practices, and reporting process.
 - **Economic:** Performance, market presence, indirect economic impacts, procurement practices, anti-competition and anti-competitive behavior.
 - **Environment:** Materials, energy, water and effluents, biodiversity, emissions, effluents and waste, environmental compliance, and supplier environmental assessment.
 - **Social:** Employment labor/management relations, occupational health and safety, training and education, diversity and equal opportunity, nondiscrimination, freedom of association and collective bargaining, child labor, etc.

PRESCRIPTIVE OR FLEXIBLE: Prescriptive 
SECTOR FOCUS: Agnostic (+ some sector-specific guidance)



www.cdp.net

Capture environmental performance data related to GHG emissions, water, forests, and supply chain.

Investors, buyers, other stakeholders

CDP's online reporting platform



- **Climate change:** Risks and low-carbon opportunities.
- **Forest:** How organizations produce, source, and use major soft commodities associated with detrimental impacts on natural resources.
- **Water security:** Company's management, governance, use, and stewardship of water resources.
- **Supply chain:** Management of climate change, forest and water security.

PRESCRIPTIVE OR FLEXIBLE: Prescriptive 
SECTOR FOCUS: Specific



www.integratedreporting.org

Establish Guiding Principles and Content Elements allowing companies to produce "integrated reports."

Investors

Stand-alone integrated report



- **Organizational overview** and external environment.
- **Governance structure:** How it supports ability to create value in the short, medium & long term.
- **Business model** of the organization.
- **Risks and opportunities** that affect the ability to create value over the short, medium & long term; how those issues are dealt with.
- **Strategy** and resource allocation.
- **Performance:** Extent to which objectives were achieved for the period; outcomes and their effect on capitals.
- **Outlook:** Challenges and uncertainties likely to be encountered; implications for the business model and future performance.
- **Basis of presentation:** How the organization determines what to include in its integrated report.

PRESCRIPTIVE OR FLEXIBLE: Flexible 
SECTOR FOCUS: Agnostic



www.sasb.org

Facilitate disclosure of material sustainability information in SEC filings.

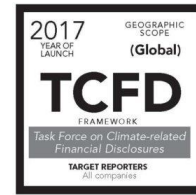
Investors

SEC Form 10-K, 20-F filings



- **Environment:** Corporate impacts on the environment.
- **Social capital:** Human rights, protection of vulnerable groups, local economic development, access to and quality of products, and services, affordability, responsible marketing, and customer privacy.
- **Human capital:** Issues affecting employee productivity (e.g., employee engagement, diversity, and incentives and compensation).
- **Business model and innovation:** Impact of sustainability issues on innovation and business models, and the integration of these issues in a company's value-creation process.
- **Leadership and governance:** Management of issues inherent to the business model or common practice in the industry that are in potential conflict with the interests of broader stakeholder groups.

PRESCRIPTIVE OR FLEXIBLE: Prescriptive 
SECTOR FOCUS: Specific



www.fsb-tcfd.org

Encourage firms to align climate-related risk disclosures with investors' needs.

Investors, lenders, insurers

Annual financial filings (e.g., annual report)



- **Governance:** Governance around climate-related risks and opportunities.
- **Strategy:** The actual and potential impacts of climate-related risks and opportunities on the organization's businesses, strategy, and financial planning where such information is material.
- **Risk management:** How the organization identifies, assesses, and manages climate-related risks.
- **Metrics and targets:** The metrics and targets used to assess and manage relevant climate-related risks and opportunities where such information is material.

PRESCRIPTIVE OR FLEXIBLE: Flexible 
SECTOR FOCUS: Agnostic (+ some sector-specific guidance)



What drives ESG disclosure and reporting?

- Regulations: local and international
- Security exchange
- Stakeholder pressure:
 - Shareholders/ investors
 - Civil society organizations
 - Affected communities
- Positive impact behavior



2024/1760

5.7.2024

DIRECTIVE (EU) 2024/1760 OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL

of 13 June 2024

on corporate sustainability due diligence and amending Directive (EU) 2019/1937 and Regulation (EU) 2023/2859

(Text with EEA relevance)

THE EUROPEAN PARLIAMENT AND THE COUNCIL OF THE EUROPEAN UNION,

Having regard to the Treaty on the Functioning of the European Union, and in particular Article 50(1), Article 50(2), point (g), and Article 114 thereof,

Having regard to the proposal from the European Commission,

After transmission of the draft legislative act to the national parliaments,

Having regard to the opinion of the European Economic and Social Committee (1),

Acting in accordance with the ordinary legislative procedure (2),

22.6.2020

EN

Official Journal of the European Union

L 198/13

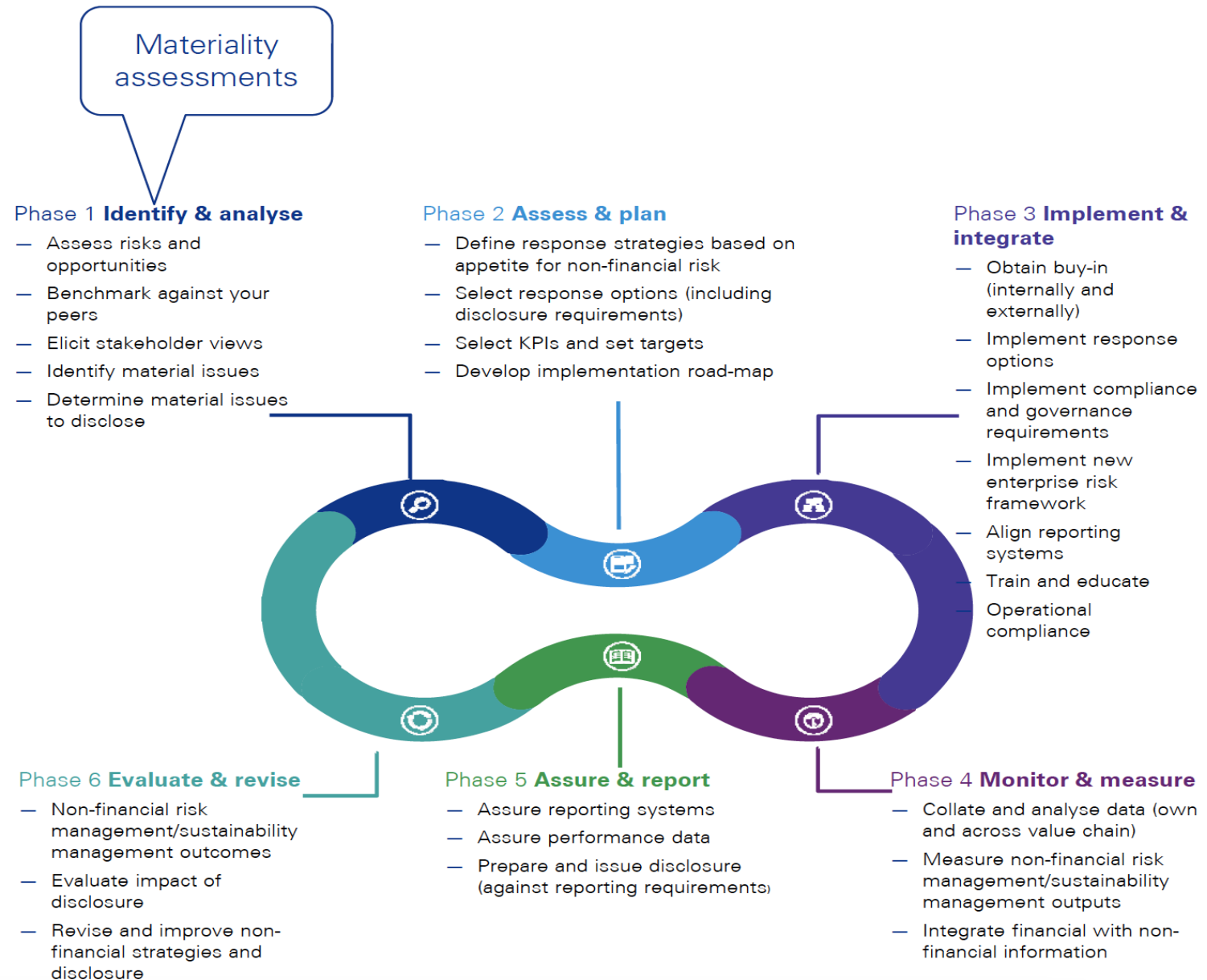
REGULATION (EU) 2020/852 OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL

of 18 June 2020

on the establishment of a framework to facilitate sustainable investment, and amending Regulation (EU) 2019/2088

(Text with EEA relevance)

Reporting processes



ASEAN Taxonomy for Sustainable Finance (ASEAN Taxonomy)

Environmental aspects

- Climate Change Mitigation.
- Climate Change Adaptation.
- Protection of Healthy Ecosystems and Biodiversity.
- Resource Resilience and the Transition to a Circular Economy.

Essential Criteria

- Do No Significant Harm (DNSH)
- Remedial Measures to Transition (RMT)
- Social Aspects (SA)

Social Aspects

- Promotion and Protection of Human Rights
- Prevention of Forced Labour and Protection of Children's Rights
- Impact on People Living Close to Investments

Cambodia

- 48% CSR/ESG Implementation of companies are already implementing CSR/ESG programs in 2023, while 35% have plans to do so (EuroCham, 2023)
 - Sustainable development goals (SDG), SDG investments
 - Circular economy
 - Environmental and social management system (ESMF)
 - Environmental and social impact assessment
 - ISO
 - Sustainability report
 - Environmental and social due diligence
 - Human rights impact assessment
 - Corporate code of conduct
 - Social impact enterprise
- International performance standards (e.g. IFC)
 - Regulations of countries of origin
 - Cambodia:
 - Environment and Natural Resource Code (2023)
 - Other laws and sub-decrees: corruption, EIA, noise and pollution control, labor law,
 - Related government's strategies and policies

ESG reporting challenges in Cambodia



REGULATORY
REQUIREMENT VERSUS
CORPORATE-
VOLUNTARY



CLEAR VISION AND
ROADMAP



INCENTIVE AND
BENEFITS



CLEAR DEFINITIONS
AND REGULATORY
FRAMEWORK



RELIABLE
INFORMATION AND
DATA



AWARENESS AND
INSTITUTIONAL
CAPACITY



PUBLIC AWARENESS

Conclusion



ESG is a buzzword



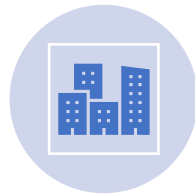
Sustainability



businesses can use ESG factors to manage risks, find opportunities, and create positive social change



Investors can use ESG factors to make more informed investment decisions



Companies need to contextualize their areas of interest and impacts



Contributing to sustainable growth