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CORPORATE SUSTAINABILITY REPORTING IN EUROPEAN, SWISS LAW AND LESSONS FOR VIET NAM

INFORMES DE SOSTENIBILIDAD CORPORATIVA EN EL DERECHO EUROPEO Y SUIZO Y LECCIONES PARA VIETNAM

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Abstract:

Corporate sustainability reporting is increasingly treated as a legal instrument for environmental and climate accountability, particularly where adverse environmental and human-rights impacts arise along supply chains. In the European Union, the sustainability reporting framework has been designed to standardise corporate disclosures and to generate decision-useful environmental data thereby supporting the reallocation of capital, the management of systemic sustainability risks, and regulatory responses to greenwashing within the internal market. Switzerland, while influenced by European legislative developments, has adopted a more cautious approach regarding the scope of obliged entities and the degree of standardisation, reflecting a distinct calibration between regulatory ambition and compliance capacity.

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This article analyses how sustainability reporting obligations are regulated in the EU and Switzerland and draws implications for Viet Nam. Using doctrinal legal analysis and comparative methodology, it systematises key legal choices concerning the scope of application, environmental and sustainability-related report content, double materiality, reporting standards, approval processes, external audit, and sanctions. The findings show that Viet Nam's framework remains fragmented: sustainability disclosures are largely embedded in annual reports under securities law, while sector-specific reporting duties (notably in the environmental and labour fields) operate in parallel for state-administrative purposes. The absence of unified rules on minimum content, standards, double materiality, assurance, and enforcement undermines comparability and the reliability of environmental sustainability data. The article proposes a consolidated framework treating sustainability reporting as an independent periodic obligation, implemented through a roadmap calibrated to risk and compliance capacity, supported by mandatory minimum standards, assurance requirements, and sanctions.

The author used the AI tool Grok for limited editorial assistance, including checking and formatting footnotes and references and improving language expression.

Resumen:

La información sobre sostenibilidad corporativa se considera cada vez más un instrumento jurídico de rendición de cuentas en materia ambiental y climática, en particular cuando los impactos adversos sobre el medio ambiente y los derechos humanos surgen a lo largo de las cadenas de suministro. En la Unión Europea, el marco de información en materia de sostenibilidad ha sido diseñado para estandarizar las divulgaciones empresariales y generar datos ambientales útiles para la toma de decisiones, fomentando así la reasignación de capital, la gestión de riesgos sistémicos de sostenibilidad y las respuestas regulatorias frente al "greenwashing" en el mercado interior. Suiza, aunque influida por los desarrollos legislativos europeos, ha adoptado un enfoque más prudente respecto del alcance de las entidades obligadas y del grado de estandarización, lo que refleja una calibración particular entre la ambición regulatoria y la capacidad de cumplimiento.

Este artículo analiza cómo se regulan las obligaciones de información sobre sostenibilidad en la Unión Europea y en Suiza y, sobre esa base, extrae implicaciones para Vietnam. Mediante el análisis jurídico doctrinal y la metodología comparada, sistematiza las principales opciones normativas relativas al ámbito de aplicación, el contenido del informe en materia ambiental y de sostenibilidad, la doble materialidad, las normas de información, los

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procedimientos de aprobación, la auditoría/aseguramiento externo y el régimen sancionador. El análisis muestra que el marco de Vietnam sigue siendo fragmentado: las divulgaciones de sostenibilidad se integran en gran medida en los informes anuales exigidos por la normativa del mercado de valores, mientras que los deberes sectoriales de reporte, en particular en los ámbitos ambiental y laboral, operan en paralelo con fines de gestión administrativa estatal. La ausencia de reglas unificadas sobre el contenido mínimo, los estándares, la doble materialidad, el aseguramiento y la aplicación debilita la comparabilidad y la fiabilidad de los datos de sostenibilidad ambiental. El artículo propone un marco consolidado que trate la información en materia de sostenibilidad como una obligación periódica independiente, aplicada mediante una hoja de ruta calibrada al riesgo y a la capacidad de cumplimiento, respaldada por estándares mínimos obligatorios, requisitos de aseguramiento y sanciones.

La autora utilizó la herramienta de inteligencia artificial Grok únicamente como apoyo editorial limitado, en particular para revisar y dar formato a las notas a pie de página y a las referencias, así como para mejorar la redacción.

Keywords: Environmental law. Climate accountability. Corporate sustainability reporting. CSRD. ESRS. Double materiality. Greenwashing. European Union. Switzerland. Viet Nam.

Palabras clave: Derecho ambiental. Rendición de cuentas climática. Información sobre sostenibilidad corporativa. CSRD. ESRS. Doble materialidad. Ecopostureo. Unión Europea. Suiza. Vietnam.

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1. INTRODUCTION

Sustainability disclosure is increasingly treated as a legal instrument for environmental and climate accountability within responsible business conduct, particularly where adverse environmental and human-rights impacts arise along supply chains.[1] The shift from "soft-law" standards to binding obligations is reshaping sustainability reporting: it is no longer merely a voluntary communication tool, but a regulatory mechanism intended to produce decision-useful information that enables investors, supply-chain partners, regulators, and the public to evaluate corporate impacts, risks, and compliance.[2] In this setting, standardised disclosure also functions as a governance response to selective reporting and "greenwashing", by raising expectations of comparability and verifiability.[3] The European Union – *EU* has taken a leading role by promoting a standardised sustainability reporting architecture that integrates environmental and climate information into the information infrastructure of

[1] Bueno N, Bright C. "Implementing human rights due diligence through corporate civil liability." *International and Comparative Law Quarterly 69*, No. 4 (2020):789-818.
[2] Doni F and Bianchi Martini S, et al. "Voluntary versus mandatory non-financial disclosure: EU Directive 95/2014 and sustainability reporting practices based on empirical evidence from Italy.", *Meditari Accountancy Research* 28, No. 5 (2020): 781–802.
[3] Ellen Pei-yi Yu and Bac Van Luu, et al. "Greenwashing in environmental, social and governance disclosures." *Research in International Business and Finance 52*, (2020): 101192.

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the internal market.[4] By requiring structured disclosures and embedding them within corporate reporting, the EU framework seeks to improve the quality and comparability of sustainability data so as to support capital reallocation, the management of systemic sustainability risks, and the integrity of sustainability-related claims. Switzerland has developed transparency obligations regarding non-financial matters in a way that broadly converges with European legislative trends, while adopting more cautious policy choices concerning the scope of obliged entities and the degree of standardisation.[5] Switzerland remains materially influenced by the need to ensure regulatory and market compatibility with the EU. This divergence provides a useful comparative pair for identifying core design choices in sustainability reporting obligations, including personal scope, report content, double materiality, reporting standards, approval processes, external audit, and sanctions. In Viet Nam, demand for sustainability transparency has increased due to capital-market integration pressures and requirements from cross-border supply-chain partners.[6] However, sustainability disclosures are largely embedded in annual reports under securities law, while sector-specific reporting duties serving state administration particularly in the environmental and labour fields operate in parallel. This dual-track structure has produced fragmentation, limited standardisation, and weak comparability. The core gap is that duties to disclose certain ESG related information do not necessarily amount to sustainability reporting that meets consistent legal and technical standards. Viet Nam still lacks unified rules on minimum content, reporting standards, double materiality, external assurance, and enforcement mechanisms.[7] As a result, sustainability reporting has not yet formed a consistent and reliable environmental information base that can be meaningfully compared across enterprises. This article argues that Viet Nam should develop a unified legal framework that treats corporate sustainability reporting as an independent periodic disclosure obligation within the disclosure regime. Such a framework should be implemented through a roadmap calibrated to corporate risk profiles and compliance capacity, and supported by reporting standards, external assurance, and sanctions. The article proceeds as follows. It first outlines the theoretical foundations of sustainability reporting

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[4] Hummel, K and Jobst, D. "An Overview of Corporate Sustainability Reporting Legislation in the European Union." *Accounting in Europe 21*, No. 3 (2022): 320-355.

[5] Neri-Castracane, G and Brander, T. "Les enjeux de la CSRD pour les entreprisessuisses.", Schweizerische Zeitschrift für Wirtschafts- und Finanzmarktrecht, Vol. 95, No 5 (2023): 587–602.

[6] Do CV, N. M. "Legal and strategic drivers of sustainable business transformation: case studies from Vietnam." *International Journal of Law and Management*, (2025): 1-24.

[7] Uong, L. T. N., and Nguyen, N. D. "The disclosure of Environmental, Social, and Governance reports of Small and Medium-sized Enterprises in the emerging market." *Ho Chi Minh City Open University Journal of Science - Economics dnd Business Administration 15*, No. 3 (2025): 107–123.

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as a legal tool of accountability. It then analyses the EU and Swiss regulatory approaches, focusing on the key design choices that shape environmental and climate-related disclosure. Finally, it identifies structural gaps in Viet Nam's current framework and proposes recommendations for improving Viet Nam's laws on corporate sustainability reporting.

2. RESEARCH METHODOLOGY

The study applies analytical-synthetical methods and comparative legal analysis. First, through legal analysis of relevant EU and Swiss legislation and interpretative materials (while also cross-referencing Viet Nam's legal framework), the article identifies and clarifies the core components of corporate sustainability reporting obligations, including: obligated entities and scope of application; reporting content and disclosure requirements; double materiality; reporting standards; internal procedures for preparation and approval; audit and assurance mechanisms; and enforcement and sanctions. On that basis, the synthetical method is used to systematise the legal issues analysed. Next, the study employs the comparative method to identify the specific differences in the legal issues concerning sustainability reporting in the EU and Switzerland. The EU is selected because its legal framework governing sustainability reporting is relatively comprehensive and highly standardised. Switzerland's regulation of sustainability reporting is not entirely different from that of the EU; however, Switzerland is used to show that, although this country's law is strongly influenced by European legislative trends, it still maintains a cautious and proportionate approach. On that basis, the article puts forward recommendations developed from an assessment of which elements in the two models are functionally suitable to Viet Nam's conditions in order to enhance its capacity for deep integration.

3. THE THEORETICAL BASIS OF SUSTAINABILITY DISCLOSURE OBLIGATIONS

3.1. CONCEPTS OF SUSTAINABLE DEVELOPMENT AND CORPORATE SUSTAINABILITY

First, the concept of "sustainable development".

The term "sustainable development" originates from the Brundtland Report of the United Nations World Commission on Environment and Development, according to which sustainable development is understood as "meeting the

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needs of the present without compromising the ability of future generations to meet their own needs".[8] The United Nations has promoted international conferences on sustainable development, such as the 1992 Rio Conference as an important milestone through the adoption of Agenda 21;[9] the 2000 Millennium Summit, which adopted the Millennium Declaration identifying four areas for action: peace, security and disarmament, development; poverty eradication; environmental protection, and human rights, democracy and good governance.[10] The focus during this period was oriented more towards improving social conditions, while environmental considerations attracted more modest attention. The 2030 Agenda, with 17 Sustainable Development Goals (SDGs), was adopted, and Viet Nam and Switzerland jointly committed to its implementation.[11] Viet Nam and Switzerland have operationalised their commitments under the 2030 Agenda through the Sustainable Development Strategy 2030. Sustainable development is not merely a policy choice but is also provided for as an objective of the Swiss Confederation (Article 2(2) the Federal Constitution of the Swiss Confederation).[12]

Second, the concept of "corporate sustainability".

Corporate sustainability "is the ability of an undertaking to identify ecological, social and economic opportunities and risks in order to ensure its long-term development".[13] Corporate sustainability is also understood as "a guiding objective for steering ecological, social and economic impacts so as to ensure corporate development while making a positive contribution to the sustainable development of society".[14] In order to pursue the objective of sustainable development, undertakings need to maintain, simultaneously, the economic, social and environmental foundations in their business activities.[15] This

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[8] World Commission on Environment and Development. "Our Common Future." (1987): 41.
[9] United Nations. "Report of the United Nations Conference on Environment and Development.", *Rio de Janeiro*, Vol. I (1992): 3-9.
[10] United Nations. "Resolution adopted by the General Assembly." 55/2. *United Nations Millennium Declaration*, UN Doc. A/RES/55/2, (2000).
[11] United Nations General Assembly. "Transformer notre monde: le Programme de développement durable à l'horizon 2030." (A/RES/70/1) (2015) .
[12] Fedlex. "Federal Constitution of the Swiss Confederation."
[13] Lavelanet, Nicolas. "Nachhaltigkeitsaspekte in der aktien- und kapitalmarktrechtlichen Unternehmenspublizität." *Dike & Nomos*, (2023): 370-17.
[14] Schaltegger, S. "Von CSR zu Corporate Sustainability." *Corporate Social Responsibility in kommunalen Unternehmen*, VS Verlag für Sozialwissenschaften, (2011): 187.
[15] Dyllick, T., and Hockerts, K. "Beyond the business case for corporate sustainability." *Business Strategy and the Environment.* 11, (2002): 130–141.

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approach is consistent with the "triple bottom line" model proposed by Elkington in 1997.[16] From the definitions above, two core implications may be drawn: corporate sustainability comprises activities carried out by undertakings on a voluntary basis or pursuant to mandatory legal obligations and these activities contribute to strengthening competitiveness and enabling undertakings to participate in the achievement of sustainable development goals.[17]

3.2. AN OVERVIEW OF CORPORATE SUSTAINABILITY REPORTING

Corporate activities are shaped by an undertaking's identification and management of the economic, environmental and social interests of stakeholders.[18] Corporate sustainability reporting serves both as a tool for integrating sustainability concerns into business operations[19] and as a disclosure instrument through which an undertaking fulfils its accountability for sustainability-related impacts, risks and measures. Through corporate sustainability reporting, undertakings enhance transparency and strengthen legitimacy. Corporate sustainability reporting provides a basis for stakeholders to assess and compare an undertaking's sustainability practices.[20] Corporate sustainability reporting is recognised as an important factor contributing to corporate sustainability.[21]

In the 1970s, corporate reporting primarily emphasised social responsibility; in the 1980s, the focus shifted to environmental issues;[22] and by the late 1990s,

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[16] John Elkington. "Accounting for the Triple bottom line." *Measuring Business Excellence 2*, No. 03 (1998): 18-22.

[17] Schaltegger, Stefan, Florian Lüdeke-Freund and Erik G. Hansen. "Business Cases for Sustainability: The Role of Business Model Innovation for Corporate Sustainability." *International Journal of Innovation and Sustainable Development* 6, No 2 (2012): 95-119.

[18] Buchholz, R.A., Rosenthal, S.B. "Toward a Contemporary Conceptual Framework for Stakeholder Theory." *J Bus Ethics 58*, (2005): 137–148.

[19] Greenwood, M. (2007). "Stakeholder Engagement: Beyond the Myth of Corporate Responsibility." *Journal of Business Ethics 74,* (2007): 315-327.

[20] Herzig, C., Schaltegger, S. "Corporate Sustainability Reporting. An Overview.", *In: Schaltegger, S., Bennett, M., Burritt, R. (eds) Sustainability Accounting and Reporting, Springer*, Dordrecht, vol. 21 (2006): 301-324.

[21] Lozano, R., Huisingh, D., "Inter-linking issues and dimensions in sustainability reporting." *Journal of Cleaner Production 19*, No 2-3 (2011): 99–107.

[22] Monciardini David, Mähönen Jukka, Tsagas Georgina. "Rethinking Non-Financial Reporting: A Blueprint for Structural Regulatory Changes.", *Accounting, Economics, and Law: A Convivium* 10, No. 02 (2020): 20200092.

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reporting came to cover both the social and environmental pillars, associated with voluntary standards such as the Global Reporting Initiative (GRI).[23] There has been a shift from voluntary sustainability reporting towards mandatory legal obligations. Many studies suggest that undertakings that place greater emphasis on sustainability reporting tend to achieve more positive outcomes in financial, social and environmental terms.[24] The risk of selective disclosure and divergences in the content and quality of sustainability reports remain significant challenges.

Corporate sustainability reporting is referred to by different terms, such as corporate social responsibility reporting, sustainable value reporting, or sustainability reporting.[25] There has been a growing trend towards multi-dimensional reporting[26] that integrates sustainability information together with financial information.[27] Single-dimensional reports such as financial reports or environmental reports still exist, but are regarded only as reports related to sustainable development. Even so, only reports that fully reflect all three dimensions of sustainability (economic, social and environmental) can be considered corporate sustainability reports. Corporate sustainability is not a unitary concept, but an integrated concept encompassing economic, social and environmental dimensions at the same time. Reports that reflect only one or two of these dimensions can hardly fully capture the nature of sustainability. Separate financial reports, environmental reports, or social reports may be reports related to sustainability, but they are not yet corporate sustainability reports in the full sense, because they do not provide a comprehensive picture of the undertaking.[28]

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[23] Hahn, R., and Kühnen, M. "Determinants of Sustainability Reporting: A Review of Results, Trends, Theory, and Opportunities in an Expanding Field of Research." *Journal of Cleaner Production 59*, (2013): 5-21.
[24] Gallo, P.J., Jones Christensen, L. "Firm size matters: An empirical investigation of organizational size and ownership on sustainability-related behaviors." *Business & Society 50*, (2011): 315–349.
[25] Chen, S., Bouvain, P. "Is corporate responsibility converging? A comparison of corporate responsibility reporting in the USA, UK, Australia, and Germany." *J Bus Ethics 87*, (2009): 299–317.
[26] Kolk, Ans and van Tulder, Rob. "International business, corporate social responsibility and sustainable development." *International Business Review 19*, No. 02 (2010): 119-125.
[27] KPMG, KPMG international survey of corporate responsibility reporting (2011).
[28] Daub, C.-H. "Assessing the quality of sustainability reporting: an alternative methodological approach." *Journal of Cleaner Production 15*, Issue 1 (2007): 75-85.

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3.3. THE NEED TO REGULATE CORPORA TE SUSTAINABILITY REPORTING

First, corporate sustainability reporting obligations serve to protect shareholders and stakeholders.[29] The level and objectives of protection vary across different groups. For investors, corporate sustainability reporting supports a relatively objective assessment of investment value and an undertaking's prospects. For creditors, corporate sustainability reporting helps to mitigate risks arising from an undertaking's deteriorating solvency.[30] For the public, corporate sustainability reporting enhances social oversight, promotes constructive engagement, and strengthens trust in, and the legitimacy of, undertakings. For public authorities, corporate sustainability reporting constitutes an important input for assessing the impacts of existing law, anticipating policy adjustments, and supervising undertakings.

Second, corporate sustainability reporting performs a function of monitoring and steering corporate conduct.[31] Corporate sustainability reporting provides a basis for shareholders and stakeholders to monitor corporate activities. The disclosed information enables shareholders and stakeholders to oversee corporate operations, thereby generating compliance pressure for undertakings to adjust their conduct in line with societal expectations.[32] This function is reflected in financial reporting: shareholders rely on financial statements to assess the management body's managerial capacity. In the case of corporate sustainability reporting, the monitoring and steering function is even more prominent, because it is directed at shareholders and stakeholders. Societal oversight is exercised through feedback channels such as capital market reactions, the media, consumer behaviour, and requirements imposed by supply-chain partners.

Third, corporate sustainability reporting serves to protect capital markets through information transparency. Corporate sustainability reporting aims to reduce information asymmetry, thereby enhancing the efficient functioning of capital markets. Markets can allocate capital efficiently only when investors have access to reliable and timely information to assess risks. Disclosure based on uniform

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[29] Jutzi, Thomas. "Unternehmenspublizität: Grundlinien einer rechtlichen Dogmatik zur Offenlegung von unternehmensbezogenen Informationen." *Bern: Stämpfli Verlag*, (2015).
[30] Ovidiu Nicolescu and Ciprian Nicolescu. "Stakeholder Management and Social Responsibility: Concepts, Approaches and Tools in the Covid Context." *Abingdon: Routledge*, (2022).
[31] Lipton Ann M. (2020), "Not Everything Is About Investors: The Captive Shareholder.", *Yale Journal on Regulation* 37, No. 02 (2020): 499-559.
[32] Williams, Cynthia A. "Corporate Social Responsibility and Corporate Governance." *Articles & Book Chapters*. (2018): 1784.

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standards helps reduce search costs, limits duplicative information gathering among market participants, and enables investment opportunity analysis to be carried out more quickly and at lower cost. Although corporate sustainability reporting obligations entail compliance costs for undertakings, those costs may be justified by systemic benefits such as strengthening market transparency, integrity, and stability. Fama's Efficient Market Hypothesis (EMH) is often invoked to explain that securities prices are formed on the basis of available information. EMH should not be used as the sole basis to justify disclosure obligations. Reasoning based purely on EMH may lead to a paradox: where prices already reflect all material public information, requiring additional disclosure may not necessarily improve market efficiency and may even merely increase compliance costs. Practice shows that investors are not always able to process and evaluate disclosed information effectively, whether financial or non-financial.[33] The standardisation of corporate sustainability reporting is therefore necessary to enhance reliability and to support the objective of protecting and stabilising capital markets.

Fourth, sustainability reporting remedies the weaknesses of voluntary disclosure. Voluntary sustainability reporting offers certain benefits, such as improving corporate image and strengthening investor confidence. However, a voluntary regime generally cannot fully address information asymmetry between undertakings and stakeholders. Under agency theory, the management body may face conflicts of interest when deciding the scope and extent of disclosure. Undertakings tend to emphasise "good news", limit "bad news", or disclose only when the benefits outweigh the costs. Disclosure invariably entails costs of collecting, processing, verifying and communicating information; in particular, the disclosure of "bad news" may cause significant detriment. The risk of selective disclosure is ever-present, meaning that information recipients may not obtain the minimum level of data necessary for decision-making.

4. AN OVERVIEW OF THE LEGAL FRAMEWORK ON CORPORATE SUSTAINABILITY REPORTING

4.1. EU CSRD

In the "Action Plan: Financing Sustainable Growth", the European Commission set out measures to achieve the objectives of reorienting capital flows towards sustainable investment; managing financial risks arising from

[33] Ly Thi Hai Tran, Thoa Thi Kim Tu, Kieu Thi Diem Nguyen and Ho Hoang Gia Bao. "The impact of disclosure quality on cost of debt – evidence from Vietnam." *Asian Review of Accounting*, (2025): 1-23

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climate change, resource depletion, environmental degradation and social issues; and fostering transparency and long-term orientation in financial and economic activity.[34] To operationalise these objectives, the EU legal framework on sustainability disclosure may be summarised as three interlinked pillars: the CSRD standardises sustainability data at the corporate; the EU Taxonomy provides a common reference framework to define and quantify the "sustainability" of economic activities; and Pillar 3 ESG risk disclosures ensure the transmission of information into the financial sector through risk transparency and market discipline.

First, sustainability disclosure is intended to generate sustainability data that are relevant, comparable, and reliable, serving as inputs for the assessment of risks, opportunities, and impacts. Directive 2014/95/EU on non-financial reporting (the Non-financial Reporting Directive - *NFRD*) [35] amends Directive 2013/34/EU and imposes non-financial disclosure obligations on public-interest entities with more than 500 employees (Article 1 NFRD). [36] The objective of the NFRD is to enhance the relevance, consistency, and comparability of information disclosed by undertakings on policies, risks, and outcomes relating to environmental, social and human rights matters, thereby promoting a transition towards a sustainable global economy (Recitals 3 and 21 NFRD). The NFRD aims to ensure that undertakings disclose the impacts of their activities in relation to environmental, social and employee matters, respect for human rights, and anti-corruption and anti-bribery, thereby facilitating responsible investment. The NFRD did not achieve its objective of "enhancing the relevance, consistency and comparability" of the information disclosed by undertakings. This is attributable to *ad hoc* and optional compliance with multiple different reporting frameworks, which has rendered corporate sustainability practices insufficiently transparent. Although the NFRD is mandatory in nature, it nevertheless maintained voluntary business practices. The NFRD adopted a "comply or explain" approach meaning that undertakings were not required to report in accordance with any specific set of standards. Undertakings could selectively determine what information to

[34] European Commission. "Action Plan: Financing Sustainable Growth." EUR-Lex, COM (2018) 97 final (2018): 10.

[35] European Commission. "Directive 2014/95/EU of the European Parliament and of the Council of 22 October 2014 amending Directive 2013/34/EU as regards disclosure of non-financial and diversity information by certain large undertakings and groups Text with EEA relevance." OJ L 330, (2014): 1–9, *EUR-Lex*.

[36] European Commission. "Directive 2013/34/EU of the European Parliament and of the Council of 26 June 2013 on the annual financial statements, consolidated financial statements and related reports of certain types of undertakings, amending Directive 2006/43/EC of the European Di." OJ L 182, (2013)19–76, *EUR-Lex*.

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disclose and choose which international standards (or a combination of standards) to apply in their disclosures.

Subsequently, Directive (EU) 2022/2464 on corporate sustainability reporting (the Corporate Sustainability Reporting Directive - *CSRD*)[37], as part of the European Commission's 2020 work programme and one of the actions proposed to implement the European Green Deal[38], was adopted to address the "gaps" of the NFRD and to reframe reporting from "non-financial" to "sustainability" information.[39] The principal changes include: expanding the scope of undertakings subject to reporting; further specifying double materiality within the reporting content; requiring reporting to be prepared in accordance with the European Sustainability Reporting Standards (ESRS); and mandating limited assurance verification provided by the statutory auditor, in relation to compliance with the reporting obligations under the CSRD.[40] The CSRD confers powers on the European Commission to adopt the ESRS.[41] The ESRS are intended to operationalise the CSRD's objective of enhancing the transparency, consistency and comparability of sustainability information across undertakings, enabling stakeholders to fully assess an undertaking's risks, opportunities and impacts. The ESRS have been developed to be interoperable with existing international initiatives such as the ISSB, the TCFD and the GRI. The ESRS are divided into three groups: cross-cutting standards, topical standards, and sector-specific standards. The cross-cutting and topical standards apply to all undertakings regardless of sector.[42] The sector-specific standards are designed for particular sectors, to address sector-specific issues and enhance comparability within sectors.[43]

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[37] European Commission. "Directive (EU) 2022/2464 of the European Parliament and of the Council of 14 December 2022 amending Regulation (EU) No 537/2014, Directive 2004/109/EC, Directive 2006/43/EC and Directive 2013/34/EU, as regards corporate sustainability reporting." OJ L 322, (2022):15–80, *EUR-Lex*.

[38] European Commission. "Communication from the Commission to the European Parliament, The European Council, The Council, The European Economic and Social Committee and the Committee of The Regions The European Green Deal.", COM/2019/640 final, *EUR-Lex*; "Commission Work Programme 2020: A Union that Strives for More.", COM(2020) 37 final, *EUR-Lex*.

[39] European Commission. "Proposal for a Directive of The European Parliament and of The Council amending Directive 2013/34/EU, Directive 2004/109/EC, Directive 2006/43/EC and Regulation (EU) No 537/2014, as regards corporate sustainability reporting.", COM/2021/189 final, *EUR-Lex*

[40] Stolowy, Hervé and Paugam, Luc. "The Expansion of Non-Financial Reporting: An Exploratory Study." *Taylor & Francis Journals 48*, No. 05 (2018): 525-548.

[41] European Commission. "Commission Delegated Regulation (EU) 2023/2772 of 31 July 2023 supplementing Directive 2013/34/EU of the European Parliament and of the Council as regards sustainability reporting standards.", C/2023/5303, *EUR-Lex*.

[42] EFRAG, [Draft] European Sustainability Reporting Guidelines 1. (2025).

[43] European Commission. "Annex 1 ESRS.", C(2023) 5303 final.

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Second, the EU established the EU Taxonomy Regulation to determine which economic activities are considered environmentally sustainable. The EU Taxonomy Regulation sets out a classification system for environmentally sustainable economic activities. It was proposed as part of the EU Action Plan on Financing Sustainable Growth in order to reorient capital flows towards a sustainable economy. The Taxonomy Regulation applies to: policy measures aimed at sustainable finance, financial market participants within the scope of the SFDR, and companies within the scope of the NFRD and the CSRD (Article 1 EU Taxonomy Regulation). The Taxonomy Regulation differs from other sustainability reporting obligations such as the NFRD and the CSRD primarily because it provides a classification system to determine which economic activities qualify as environmentally sustainable, and it requires undertakings to report on their activities on the basis of that classification system. The classification system under the Taxonomy Regulation is organised around six environmental objectives (Article 9 EU Taxonomy Regulation): climate change mitigation; climate change adaptation; the sustainable use and protection of water and marine resources; the transition to a circular economy; pollution prevention and control; and the protection and restoration of biodiversity and ecosystems (Articles 10 - 15 EU Taxonomy Regulation). The Taxonomy Regulation establishes three conditions for an economic activity to be regarded as environmentally sustainable (Article 3 EU Taxonomy Regulation), also referred to as being "taxonomy-aligned": the activity must make a substantial contribution to at least one of the six environmental objectives; it must do no significant harm to any of the six environmental objectives; and it must be carried out in compliance with minimum safeguards.

In the area of financial intermediation and investment products, Regulation (EU) 2019/2088 on sustainability-related disclosures in the financial services sector (the Sustainable Finance Disclosure Regulation - *SFDR*)[44] enhances transparency regarding the sustainability of financial products and protects investors. This Regulation is a key component of the EU Action Plan on Financing Sustainable Growth. The SFDR applies to financial market participants and financial advisers, and lays down harmonised EU rules on disclosures concerning the sustainability of financial products (Recital 9 SFDR). The SFDR's disclosure requirements focus closely on investment products and services, directing attention to financing mechanisms for the transition towards a more sustainable economy. In addition, the Pillar 3 disclosure regime on ESG risks under the CRR II framework emphasises the risk dimension rather than

[44] European Union. "Regulation (EU) 2019/2088 of the European Parliament and of the Council of 27 November 2019 on sustainability-related disclosures in the financial services sector.", OJL 317, (2019):1-16, *EUR-Lex*.

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"impacts" or "transition steering". This regime ensures disclosures on environmental, social and governance risks, enhances the comparability of sustainability-related disclosures, and promotes market discipline in the financial sector. The EU plays a leading role in establishing a relatively comprehensive regulatory framework for sustainability reporting.[45]

The European Commission's first Omnibus package on sustainability, adopted on 26 February 2025, comprised two legislative proposals. The first was the Proposal for a Directive of the European Parliament and of the Council amending Directives (EU) 2022/2464 and (EU) 2024/1760 as regards the dates from which Member States are to apply certain corporate sustainability reporting and due diligence requirements (COM(2025) 80 final).[46] The second was the Proposal for a Directive of the European Parliament and of the Council amending Directives 2006/43/EC, 2013/34/EU, (EU) 2022/2464 and (EU) 2024/1760 as regards certain corporate sustainability reporting requirements and certain corporate sustainability due diligence requirements (COM(2025) 81 final).[47] These proposals are commonly referred to as the first Omnibus package on sustainability.

The proposal on application dates was subsequently adopted as Directive (EU) 2025/794, which postponed by two years the application of the CSRD requirements for large undertakings that had not yet started reporting and for listed SMEs. The second proposal was subsequently adopted as Directive (EU) 2026/470. As proposed by the Commission, it would reduce the number of undertakings subject to mandatory sustainability reporting by about 80%, excluding large undertakings with up to 1,000 employees and listed SMEs. Under that approach, mandatory reporting would apply only to large undertakings with more than 1,000 employees, that is, undertakings with more than 1,000 employees and either net turnover above EUR 50 million or total assets above EUR 25 million. The Commission also proposed a proportionate voluntary reporting standard, based on the standard developed by EFRAG, for undertakings outside the mandatory scope.

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[45] Finnemore, Martha, and Kathryn Sikkink. "International Norm Dynamics and Political Change." *International Organization* 52, No. 4 (1998): 887–917.
[46] European Commission. "Proposal for a Directive of the European Parliament and of The Council amending Directives (EU) 2022/2464 and (EU) 2024/1760 as regards the dates from which Member States are to apply certain corporate sustainability reporting and due diligence requiremen.", COM(2025) 80 final, *EUR-Lex*.
[47] European Commission. "Proposal for a Directive of The European Parliament and of The Council amending Directives 2006/43/EC, 2013/34/EU, (EU) 2022/2464 and (EU) 2024/1760 as regards certain corporate sustainability reporting and due diligence requirements", COM(2025) 81 final, *EUR-Lex*.

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4.2. SWISS LAW

Swiss law's approach to sustainability-related disclosures has shifted from a fragmented to a more consolidated model. Sustainability aspects could be reflected in a dispersed and indirect manner in annual reports and management reports. Subsequently, Switzerland developed a consolidated regime for non-financial reporting, which has been clearly influenced by EU legislative trends.

An undertaking's annual report is structured according to its legal form and size. In principle, the annual report comprises the annual financial statements and certain additional requirements applicable to large undertakings (Article 958(2) SCO; Article 961a SCO). The annual financial statements consist of the balance sheet, the income statement, and the notes (Article 958(2) SCO). Certain additional requirements applicable to large undertakings include, inter alia, the cash flow statement and additional disclosures in the notes to the annual financial statements. Where an undertaking is not classified as a large undertaking, the annual financial statements are, in principle, regarded as equivalent to the annual report. There is no explicit provision requiring sustainability-related matters to be reported within the annual report. Nevertheless, sustainability aspects may appear in the annual report indirectly, primarily through the notes and the management report. Non-financial information in the notes or the management report has legal significance only insofar as it supports the proper understanding of the financial information, that is, insofar as it contributes to explaining the undertaking's financial position. For example, equal pay for women and men for work of equal value (Article 8(3) the Federal Constitution of the Swiss Confederation). This aspect, which falls within the "social" pillar of ESG, may become a matter to be addressed where it is linked to compliance obligations, litigation risk, or significant financial consequences.

The management report aims to present the course of business and the economic position of the undertaking at the end of the financial year from perspectives that are not reflected in the annual financial statements (Article 961c (1) SCO). Although not expressly provided for in the SCO, the manner in which the management report is described suggests that sustainability aspects may be encompassed within the management report.[48] The risk assessment (Article 961c(2)(2) SCO), extraordinary events (Article 961c(2)(5) SCO), and future prospects (Article 961c(2)(6) SCO) in the management report provide anchor points for reporting on sustainability-related aspects. Although climate

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[48] Schweizerischer Bundesrat. "Botschaft zur Volksinitiative «Für verantwortungsvolle Unternehmen – zum Schutz von Mensch und Umwelt».", Bundesblatt (BBl) 2017 6335, (2017).

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change is regarded as the most prominent environmental factor and is prioritised by both businesses and investors, other ecological trends may likewise have comparable effects on a company's business performance and economic situation. Environmental risks are divided into physical risks and transition risks, two categories characterised by interdependence (Art. 9 points (a), (b) Regulation (EU) 2020/852).[49] Physical risks may arise either in connection with extreme weather events or as a consequence of long-term changes in climatic and ecological conditions, thereby directly affecting undertakings and potentially also generating indirect impacts on business operations. Transition risks arise in the course of the shift towards a low-carbon economy. Categories of transition risks include legal, regulatory risks, which may encompass liability risks, as well as technological risks, market risks, and reputational risks.[50] In view of these specific risks, it is evident that environmental factors may constitute principal risks for undertakings and, in principle, should be integrated into risk assessment. In this context, the impacts of climate change and societal attention to corporate responses to that issue will form the central focus of environmental risk assessment.

The obligation to produce a non-financial report is provided for in the SCO as part of the indirect counter-proposal to the "Corporate Responsibility Protecting Human Rights and the Environment" Initiative (Article 946a SCO).[51] The development of this obligation has been clearly influenced by EU legal trends, in particular the NFRD, which established comparable disclosure duties for large undertakings on sustainability matters.[52] The non-financial reporting provisions may be regarded as the first comprehensive standardisation step in Swiss law regarding sustainability aspects in the field of accounting and corporate disclosure.[53] The non-financial report is situated within Title 32 SCO, "Commercial accounting, financial reporting, transparency obligations and other due diligence obligations". This placement indicates that the non-financial report is not identical to financial reporting or "commercial accounting records". This positioning also reflects a technical legal

[49] Bundesanstalt für Finanzdienstleistungsaufsicht (BaFin). "Merkblatt zum Umgang mit Nachhaltigkeitsrisiken (Konsultationsfassung)." *Bonn/Frankfurt am Main: BaFin* (2019).
[50] Task Force on Climate-related Financial Disclosures. "Recommendations of the Task Force on Climate-related Financial Disclosures: Final Report." *Basel: Financial Stability Board*, (2017).
[51] Bern: Bundesamt für Justiz. "Prüfauftrag des EJPD vom 23. Februar 2022; Analyse Vorschläge EU-Richtlinien über Sorgfaltspflichten und Berichterstattung zur Nachhaltigkeit und möglicher Anpassungsbedarf im Schweizer Recht." (2022).
[52] Therese Amstutz. "Transparenz und Sorgfaltspflichten betreffend nichtfinanzielle Belange, Konfliktmineralien und Kinderarbeit.", (2022).
[53] Sebastian Mock. "Berichterstattung über Corporate Social Responsibility im Bilanzrecht." Max-Planck-Institut Beiträge zum ausländischen und internationalen Privatrecht 123: Corporate Social Responsibility, *BtrIPR 123*, (2018): 125-189.

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linkage between the reports. Although the non-financial report must be distinguished from financial reporting, the general provisions on commercial accounting records and financial reporting in Articles 957a–958f SCO remain of supplementary relevance, as the foundational set of rules for the obligations consolidated within this title. Accounting principles originally designed for financial statements also influence non-financial reporting, such as completeness, clarity, and reliability. From the regime on accounting records, the principle of documentary evidence and the principle of verifiability may be invoked, since each item of disclosed non-financial information must be supported by corresponding internal records. The materiality principle in financial reporting is also relevant, but primarily in qualitative terms.[54]

Non-financial reporting is also influenced by soft law instruments such as the Swiss Code of Best Practice for Corporate Governance and the G20/OECD Principles of Corporate Governance.

The Swiss Code of Best Practice for Corporate Governance aims to promote self-regulation of the activities of the board of directors of listed companies by setting out benchmark corporate governance principles. The core feature of this Code is the "comply or explain" model.[55] The Code places sustainability at the centre of governance rather than treating it merely as a reporting topic. Accordingly, the board of directors is recommended to establish dialogue with stakeholders and to take the outcomes of that dialogue into account in its decision-making.[56] The Code emphasises strengthening dedicated expertise within the board of directors through board committees, in which the establishment of a sustainability committee is viewed as a means of "anchoring" sustainability in strategy and oversight at the highest level. The CSBP recommends strengthening voluntary external control, including audits related to sustainability reporting.

The G20/OECD Principles of Corporate Governance comprise a set of non-binding standards addressed to governments, companies, investors and stakeholders.[57] These recommendations aim to promote sound corporate governance and to protect shareholders and stakeholders. The most recent revision took place in 2023, and the Principles include a dedicated chapter emphasising the objective of promoting corporate sustainability and resilience.

[54] Peter Böckli. "Neue OR-Rechnungslegung.", *Schulthess*, (2014): 40.
[55] Samb, L. "Revision of the Swiss Code of Best Practice." *Centre de Droit Bancaire et Financier*, (2023).
[56] Economiesuisse, "Swiss code of best practice for corporate governance.", (2007).
[57] OCDE. "Principes de gouvernance d'entreprise du G20 et de l'OCDE." *Éditions OCDE, Paris*, (2017).

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Two principal principles are highlighted: the transparency principle and the stakeholder principle.

The transparency principle helps investors better understand risk governance mechanisms and structures and identify emerging opportunities. Sustainability information is considered meaningful where it can reasonably be expected to affect the valuation of the company and investment decisions. The principle reflects the recognition of financial materiality, under which reporting focuses on risks and opportunities that may affect the company's financial performance.[58] In the context of the current legislative trend towards double materiality, the fact that the Principles do not clearly recognise double materiality constitutes a limitation.[59]

The stakeholder principle encourages dialogue between the company, shareholders and stakeholders on sustainability issues. As a sustainability approach may require short-term investments whose benefits materialise only in the long term, establishing such dialogue allows, in particular, the building of shareholders' and stakeholders' trust in the company's strategy. The principle recommends that stakeholders have timely and regular access to appropriate information on these matters. Stakeholders must be able to obtain effective remedies where their legally protected interests have been infringed by the company in the course of its activities.

5. SCOPE OF APPLICATION

5.1. EU CSRD

The CSRD adopts an approach to determining which undertakings are subject to sustainability reporting obligations that places firm size at the core criterion (by reference to the "large undertaking" thresholds under the EU accounting framework), reflecting the assumption that the larger the undertaking, the greater its impacts, risks and information spillovers to the market, while its organisational capacity to comply is also stronger.

The CSRD defines the entities subject to corporate sustainability reporting obligations as large undertakings in the EU (meeting at least two of the following criteria: a balance sheet total of EUR 25 million, net turnover of EUR

[58] OCDE. "Panorama de la gouvernance d'entreprise de l'OCDE 2025 (version abrégée)." *Éditions OCDE*, Paris, (2025).
[59] Canapa Damiano. "De la transparence sur les questions non financières à la transparence en matière de durabilité : l'inévitable évolution du droit suisse." *GesKR* (2024): 545-560.

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50 million, and an average of 250 employees); listed small and medium-sized undertakings; and non-EU companies (net turnover of at least EUR 150 million, and subsidiaries or branches exceeding EUR 50 million) (Article 19a CSRD). As regards the implementation timeline, the CSRD is rolled out in "waves": entities within the scope of the NFRD apply from 1 January 2024 (reporting for financial year 2024 to be published in 2025); other large undertakings apply from 1 January 2025; listed SMEs apply from 1 January 2026; and non-EU undertakings apply from 1 January 2028 (Article 5 CSRD).

The European Commission's proposal narrows the scope of the CSRD and adjusts the implementation milestones. Sustainability reporting obligations would apply only to undertakings with more than 1,000 employees (a balance sheet total above EUR 25 million or net turnover above EUR 50 million).[60] The net turnover thresholds for non-EU subsidiaries and branches would be adjusted to EUR 450 million and EUR 50 million, respectively.[61] The compliance timelines would also be deferred in phases, with undertakings in the second and third waves granted a two-year postponement to start reporting for financial years 2027 and 2028.

5.2. SWISS LAW

The obligation of transparency on non-financial matters applies only to undertakings domiciled in Switzerland that satisfy all three conditions (Articles 964a - 964c SCO): public-interest entities (Article 2(2)(c) the Swiss Federal Act on Auditor Oversight); at least 500 full-time employees over two consecutive financial years; and total assets of CHF 20 million or turnover of CHF 40 million over two consecutive financial years (Article 964a SCO). Public-interest entities include: listed companies (Article 727(1)(1) OR); supervised entities (Article 3(a), (b) FINMAG); banks (Article 18 in conjunction with Article 1a BankG); insurance undertakings (Article 28, Article 2(1) VAG); financial market infrastructures (Article 84(1) in conjunction with Article 2(a) FinfraG); Pfandbrief issuing institutions (Article 38a(1) in conjunction with Articles 3 and 4 PfG); financial institutions (Article 63(1), Article 2(1) FINIG); and entities licensed under the KAG (Article 126(1) KAG). To avoid duplicate reporting within a group, a subsidiary controlled by a parent undertaking is exempt where

[60] European Commission. "Proposal for a Directive of the European Parliament and of the Council amending Directives (EU) 2022/2464 and (EU) 2024/1760 as regards the dates from which Member States are to apply certain corporate sustainability reporting and due diligence requiremen." COM(2025) 80 final.
[61] European Parliament. "Amendments 001-119 to the Report on Certain Corporate Sustainability Reporting and Due Diligence Requirements (A10-0197/2025)." *Rapporteur: Jörgen Warborn*, (2025).

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the parent has prepared a non-financial report, or where the parent has prepared an equivalent non-financial report under foreign law (Article 964a(2) SCO).

The Swiss Federal Council has prepared a preliminary draft to align Swiss law with EU law. The preliminary draft extends the scope of application to all undertakings exceeding 250 full-time employees, and exceeding two of the three prescribed thresholds (CHF 25 million in total assets, CHF 50 million in turnover, and the number of full-time employees) over two consecutive financial years. In a context where the EU is rapidly changing towards simplifying the CSRD and the CSDDD, the scope of application under the CSRD has been raised to 1,000 employees and net turnover above EUR 450 million.[62] This indicates that the scope of Swiss sustainability disclosure obligations is not purely an internal choice, but also depends on the degree of compatibility with the EU. When the EU shifts its policy "anchor point", Switzerland may have to adjust the scope of in-scope entities to avoid competitive disadvantage.

6. THE CONTENT OF CORPORATE SUSTAINABILITY REPORTING

6.1. EU CSRD

Sustainability information under EU law is not designed as a purely "topic list", but is structured around double materiality in order to standardise information outputs serving two functions simultaneously: information on the undertaking's impacts on sustainable development and sustainability information that may affect the undertaking's prospects, performance, and financial position. The disclosure obligation aims to establish a minimum baseline of relevance, comparability, and reliability of information, sufficient for users to assess both "outward impacts" and "financial materiality".[63]

Sustainability reporting covers matters such as the business model and strategy (including resilience to sustainability risks, opportunities, plans, and how the strategy takes account of stakeholder interests as well as the undertaking's impacts), time-bound sustainability targets, the role of governance,

[62] European Commission. "Proposal for a Directive of The European Parliament and of The Council amending Directives 2006/43/EC, 2013/34/EU, (EU) 2022/2464 and (EU) 2024/1760 as regards certain corporate sustainability reporting and due diligence requirements", COM(2025) 81 final, *EUR-Lex,* 2025: (30).

[63] Landrum, N. E., and Ohsowski, B. "Identifying Worldviews on Corporate Sustainability: A Content Analysis of Corporate Sustainability Reports." Bus. Strat. Env 27, (2018): 128–151.

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management and supervisory bodies in relation to sustainability, and the capacity and expertise to perform that role, sustainability policies and sustainability-linked incentive mechanisms for management, due diligence processes, principal adverse impacts in operations and the value chain, and the measures to prevent, mitigate, remedy, bring to an end and the results achieved, principal sustainability-related risks and metrics used to monitor, measure and compare the foregoing disclosures (Article 19a CSRD). Undertakings must explain how their business model is compatible with climate neutrality objectives, including a concrete plan to transition to a sustainable economy and to adapt to climate-related risks.[64]

The CSRD places significant emphasis on sustainability governance information. Pursuant to Article 19a(2)(a), undertakings must disclose: the role of the administrative, management and supervisory bodies in overseeing sustainability matters, the competencies, skills and expertise of board members, the linking of executive remuneration policy to sustainability targets and internal control mechanisms and risk management systems for the preparation of and assurance over, sustainability reporting. Complementing this requirement, Article 19a(2)(c) requires undertakings to clarify how governance, management and supervisory levels are involved in sustainability governance, including whether they possess appropriate expertise or have access to external experts to discharge their responsibilities effectively. This design is intended to "anchor" sustainability explicitly at board level, thereby strengthening corporate accountability.[65]

6.2. SWISS LAW

The scope of matters to be reported is determined by the double materiality principle (Article 964b (1) SCO).[66] The report must include non-financial information that affects the undertaking's business development, performance, and position, as well as information on how the undertaking's activities, in turn, affect non-financial matters. Only information that is both relevant to the undertaking (financial perspective) and relevant in terms of sustainability

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[64] Baumüller, J. and Grbenic, S. O. "Moving from non-financial to sustainability reporting: Analyzing the EU Commission's proposal for a Corporate Sustainability Reporting Directive (CSRD)." *Facta Universitatis, Series: Economics and Organization*, (2021): 369–381.
[65] Dunfjäll, Måns. "Materiality in Transition: Challenges and Opportunities in Corporate Sustainability Reporting under the CSRD." *European Journal of Risk Regulation* 16, No. 03 (2025): 927-41.
[66] Baumüller, J., Mühlenberg-Schmitz, D., and Zöbeli, D. "Die Umsetzung der EU-CSR-Richtlinie und ihre Bedeutung für die Schweiz." *Expert Focus*, No. 2, (2018): 981-988.

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impacts (impact perspective) falls within the mandatory scope.[67] Information that merely describes sustainability impacts but is not relevant to understanding the undertaking's activities, position, and performance may not be required to be reported under the minimum standard of the SOR.[68]

First, the mandatory reporting matters.

(i) Environmental matters, in particular CO_2 targets.

The natural environment includes animals and plants and their communities, air, soil, water, climate, and habitats (Article 74(1) The Federal Constitution).[69] The non-financial report must reflect the undertaking's impacts on the environmental components listed above, to the extent material. The term "CO_2 targets" should be understood broadly and in a forward-looking manner: on the basis of the determined emissions data for the reporting period, the undertaking must set emissions-reduction targets for subsequent periods. This is a legally envisaged "self-binding" mechanism, requiring undertakings to move from describing the status quo to committing to targets and an implementation pathway for the future.[70] Climate reporting obligations are expected to be designed as mandatory.[71] The Federal Council intends, on the basis of Article 182 BV, to issue an Ordinance on climate-related reporting.[72] The reporting mechanism will take the form of a standalone report, while also being integrated as a component of the non-financial report, and the reporting content will be based on the recommendations of the Task Force on Climate-related Financial Disclosures. Notably, similar to the "comply or explain" mechanism (Article 964b(5) OR), undertakings must provide a clear and substantiated explanation where they do not pursue climate-related policies. From a thematic perspective, climate is only one component of the environmental category, in terms of reporting requirements and the duty to explain, it should be treated as being on a par with other mandatory matters.

[67] Corinna Boecker. "Klimabezogene Berichterstattung – EU-Leitlinien für das Reporting.", (2020).

[68] BundesAmt für Justiz. "Erläuternder Bericht zur Verordnung über Sorgfaltspflichten und Transparenz bezüglich Mineralien und Metallen aus Konfliktgebieten und Kinderarbeit (VSoTr)." (2021): 13.

[69] Ehrenzeller, B. and Schindler, B., et al. "Die schweizerische Bundesverfassung: St. Galler Kommentar." (3rd ed.), *Schulthess*, (2014): 3234.

[70] Bundesamt für Justiz. "Botschaft zur Änderung des Obligationenrechts.", BBI 2008 1589, (2007): 1717.

[71] Eidgenössisches Finanzdepartement EFD. "Änderung der Verordnung über die Berichterstattung über Klimabelange. Erläuternder Bericht zur Eröffnung des Vernehm-lassungsverfahrens." *Bern*, (2024).

[72] Fedlex. "Ordonnance du Conseil fédéral du 23 novembre 2022 relative au rapport sur les questions climatiques.", RS 221.434, (2022).

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(ii) Labour matters.

The scope of labour matters encompasses all persons regarded as employees, understood here as individuals who are in a contractual relationship with an employer on the basis of an individual employment contract (Article 319(1) SOR). The report should address employees' working conditions, respect for their rights to information and consultation, respect for trade union rights, the protection of health and the safeguarding of workplace safety; gender equality and the right to strike.[73]

(iii) Human rights.

Human rights reporting covers relevant human rights and the undertaking's respect for those rights. In principle, international human rights law binds States, and therefore linking human rights to undertakings requires a clear delineation of the manner and scope of reporting obligations. Within the reporting framework, the primary reference points are the human rights treaties ratified by Switzerland. Undertakings do not become subjects of those treaties, but the content to be reported is guided by those standards. The term "respect" implies an undertaking's responsibility not to infringe human rights and to proactively prevent and mitigate the risk of violations, rather than to "ensure fulfilment", which is a State obligation.[74] Reporting obligations typically focus on rights that are particularly susceptible to being affected by corporate activities, such as the prohibition of torture and degrading treatment, the prohibition of slavery and forced labour, freedom of expression and information, and the principle of non-discrimination (Article 7, 9 UNGPs).

(iv) Social matters.

Within this framework, the undertaking must identify stakeholders that are directly or indirectly affected, whether presently or in the future. It must also present measures to protect the interests of vulnerable groups and the mechanisms for dialogue and communication with those groups. The interests concerned are primarily "non-human-rights" lawful rights and interests (for example, the property rights of shareholders, creditors, customers, and suppliers), and initiating dialogue generally falls within the undertaking's proactive responsibility.

[73] Therese Amstutz. "Transparenz und Sorgfaltspflichten betreffend nichtfinanzielle Belange, Konfliktmineralien und Kinderarbeit." (2022): 9
[74] United Nation. "UN Guiding Principles on Business and Human Rights: Implementing the United Nations "Protect, Respect and Remedy" Framework." *New York and Geneva*, (2011)

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(v) Anti-corruption matters.

Anti-corruption reporting may be understood as covering bribery offences under the Swiss Criminal Code (Title 19, Articles 322ter–322decies StGB) and corresponding conduct under unfair competition law (Article 4a UWG). This content category is closely linked to the corporate criminal liability regime (Article 102(2) StGB), under which an undertaking may be sanctioned independently of the liability of the individual perpetrator.[75] Pecuniary benefits provided to third parties, including political donations, may also be considered within the reporting scope.[76] The focus of the "prevention" requirement is that the undertaking must describe its efforts to prevent, detect, and address corruption, typically through the compliance system or code of conduct it has implemented.[77]

The mandatory reporting categories do not give rise to new categories of matters (Article 964b(1) SCO). Undertakings may still disclose additional supporting topics, provided that they are reasonably linked to the legally prescribed categories and that the reasons for disclosure are explained coherently.[78]

The list of matters subject to reporting broadly provides relatively comprehensive coverage of the environmental and social pillars. As regards the governance pillar, the reporting obligation is designed rather narrowly, as it focuses primarily on anti-corruption. This legislative choice raises concerns as to the balance of the governance component, since sustainability governance in practice typically encompasses a range of other important elements, such as risk governance mechanisms, internal controls, business ethics, and grievance and whistleblowing mechanisms.

The matters to be reported are specified with an uneven degree of detail, resulting in a mix of rule-based and principles-based approaches. Topics such as respect for human rights and anti-corruption are relatively clear because they have been significantly standardised at both the international and domestic levels, thereby facilitating the identification of disclosure requirements and the verification of information. The environmental, social and labour categories are

[75] Graf, D. K. "Annotierter Kommentar StGB." *Stämpfli*, (2020).

[76] Karrin Müller. "Corporate Social Responsibility: Politisches Engagement von Unternehmen." Fleischer., Kalss., Vogt., *Corporate Social Responsibility, Tübingen*, (2018): 283-335.

[77] Damian K. Graf., "Annotierter Kommentar StGB.", *2. Auflage., Bern* (2025).

[78] Bergman., Deckelbaum., Karp. "Introduction to ESG.", *Harvard Law School Forum on Corporate Governance*, (2020).

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framed in broad terms, leaving wide interpretative discretion. Although these categories can be applied to most undertakings, they may lead to reporting that is generic and descriptive, difficult to measure, and difficult to compare across undertakings.

Linking the reporting obligation to the "double materiality" criterion reflects an effort to integrate non-financial reporting into the existing system of corporate reporting obligations, while also meeting public demand for information on the impacts of corporate activities. Undertakings occupy a central role in self-assessing what constitutes double materiality, thereby determining the scope of reporting and the extent to which policies must be implemented. This self-assessment mechanism entails the risk of misalignment between undertakings and the expectations of information users (investors, creditors, public authorities, and the public), particularly in relation to non-financial impacts that are difficult to quantify or are not immediately reflected in financial indicators.

Second, the presentation of matters subject to mandatory reporting.

The non-financial report must include: a description of the business model; the policies applied in relation to each non-financial matter; the measures implemented to execute those policies and an assessment of their effectiveness; risks relating to non-financial matters arising from the undertaking's operations, business relationships, products or services; and key performance indicators relating to non-financial matters (Article 964b(2) SCO).[79]

Swiss law does not require the use of any specific non-financial reporting standards. Undertakings may choose to apply national, European, or international frameworks, provided that the minimum requirements set out in Articles 964a - 964c SCO are met. If those minimum requirements are not met, the undertaking must prepare an alternative report (Article 964b (5) SCO). The above-mentioned preliminary draft proposes certain changes, such as renaming the "non-financial report" as the "sustainability report", and referring to "non-financial matters" as "sustainability matters". The disclosed information would have to comply with the European Sustainability Reporting Standards (ESRS) or equivalent standards designated by the Federal Council.[80]

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[79] Neri-Castracane, G., Canapa, D. and Brander, T. "The Swiss Legislation on Business and Human Rights: A Reform Needed Towards Harmonization with EU Law.", *Eur Bus Org Law Rev* 25, (2024): 809–841 (2024).

[80] Département fédéral de justice et police. "Modification du code des obligations (transparence sur les questions de durabilité) Rapport explicatif." *Berne*, (2024).

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7. APPROVAL AND AUDIT OF CORPORATE SUSTAINABILITY REPORTS

7.1. EU CSRD

The CSRD requires external assurance of sustainability reports. This step brings sustainability reporting closer to the level of rigour traditionally associated with financial reporting, thereby enhancing the reliability of disclosures. [81] Undertakings must engage a statutory auditor or an authorised assurance services provider, including entities that perform statutory financial audits, to ensure that the sustainability report is prepared in accordance with the ESRS and is subject to rigorous verification through a limited assurance engagement (Recital 60 CSRD). This process assesses the procedures used by the undertaking to determine the reported information, ensuring that the report complies with the double materiality assessment and that the information is both relevant and reliable. Member States must ensure that independent assurance services providers meet stringent quality requirements equivalent to those applicable to statutory financial auditors under the Audit Directive, in order to ensure consistency across the EU (Recital 60 CSRD). The European Commission's proposal has removed the requirement for reasonable assurance, retaining limited assurance. While this helps to contain compliance costs, limited assurance provides only a minimum level of assurance namely, a conclusion that the report is free from material misstatement so the reliability of the information may not be sufficiently robust to optimise decision-making by investors and stakeholders.

7.2. SWISS LAW

The non-financial report must be approved by the body competent to approve the annual financial statements (Article 964c (1)). Article 964c (2) SCO provides that the report shall be published after it has been approved. The provision imposes only the approval requirement but does not clearly specify the consequences of non-approval. This wording supports the interpretation that approval constitutes a procedural condition for publication. Another interpretation holds that the vote of the approving body merely expresses an opinion, so that the management body may still publish the report even if it has not yet been approved. According to the author, this interpretation is less persuasive, because Article 964c(2) SCO links publication to the condition that

[81] Hema Diwan and Binilkumar Amarayil Sreeraman. "From financial reporting to ESG reporting: a bibliometric analysis of the evolution in corporate sustainability disclosures," Environment, Development and Sustainability: A Multidisciplinary Approach to the Theory and Practice of Sustainable Development, *Springer 26*, No. 6 (2024): 13769-13805.

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the report is published "after it has been approved." It is necessary to make clear that this approval does not alter the allocation of corporate governance powers. The board of directors remains subject to the non-transferable responsibility for the ultimate management of the company under Article 716a SCO. The general meeting of shareholders may not use its approval vote to perform governance functions in place of the board of directors. Even if the approval vote is regarded as having binding effect for the purposes of the disclosure procedure, the consequence of non-approval should be limited to the obligation to revise and resubmit the report. It should not be inferred from this that the general meeting of shareholders has the power to replace the board of directors in deciding matters of corporate governance.

The report accompanying the draft amendments intended to align with the European framework indicates a trend toward clarifying the binding nature of the decision of the general meeting of shareholders with respect to the sustainability report. The draft acknowledges a certain degree of shareholder influence over the content of the report, while at the same time requiring reconciliation with the traditional allocation of powers between the board of directors and the general meeting of shareholders under Swiss company law.

Articles 964a - 964c SCO do not impose a mandatory audit requirement for the non-financial report. Nevertheless, in practice, this report may still be subject to review in certain cases. For example, where non-financial content is integrated as part of the management report or presented in documents closely connected with the annual report, the undertaking may be subject to a corresponding audit. The undertaking may also voluntarily engage an independent entity to carry out an audit in order to enhance the reliability of the disclosed information.

The draft takes the approach of requiring a mandatory audit of the non-financial report and entrusting the Swiss Federal Council with specifying in detail the scope of the review by ordinance. The key point is that the Swiss Federal Council must choose the level of review, namely whether to remain at the level of limited assurance, that is, primarily examining whether there are indications that the information may be incomplete or inaccurate (a conclusion to the effect that "no material issues have been identified") or to raise it to the level of reasonable assurance, that is, conducting a more detailed examination of the content in order to reach an affirmative conclusion as to the truthfulness and reasonableness of the disclosed information. This decision will have to take into account international trends, particularly developments in the EU. In the context in which the European Commission's Proposal does not continue the pathway from limited assurance to reasonable assurance, it is therefore likely

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that Switzerland may also opt for limited assurance only limited assurance in order to ensure compatibility and reduce the compliance burden.

8. SANCTIONS

8.1. EU CSRD

The CSRD does not lay down specific sanctions directly; it requires Member States to transpose the CSRD into national law and to establish sanctions for non-compliance. In addition, the CSRD requires the sustainability report to be included in the management report and amends a number of legal instruments related to financial reporting, including the Accounting Directive. The CSRD requires sanctions to be "effective, proportionate and dissuasive", leaving the scope and concrete nature of penalties to be determined by each Member State. Such sanctions are likely to align with existing enforcement mechanisms for statutory audit and financial reporting, and will vary depending on national transposition and the reporting entity.

Non-compliance may entail significant consequences for undertakings. Large companies may face fines for failure to meet reporting requirements, as well as litigation risks arising from regulatory scrutiny or operational disruption.[82] Beyond financial consequences, undertakings may be excluded from investment portfolios and public procurement contracts, thereby constraining business opportunities. Reputational damage and heightened stakeholder expectations may erode competitive positioning and customer trust. Although sanctions differ across Member States, the overall legal framework incentivises compliance through a combination of financial, legal and reputational risks.

8.2. SWISS LAW

Article 325ter of the Swiss Criminal Code (SCC) introduces criminal liability for breaches of Articles 964a - 964c SCO. This provision sanctions three specific acts that are not related to substantive non-compliance or breaches of due diligence obligations, but only to: providing false information in the report; failing to submit the report as required; and failing to retain and maintain the reporting records and documentation as required. Contrary to the expectations

[82] Mezzanotte, F. E. "Corporate sustainability reporting: double materiality, impacts, and legal risk." *The Journal of Corporate Law Studies 23*, No. 02, (2023): 633–663.

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raised by the "Responsible Business Initiative - to protect human beings and the environment", no separate civil liability framework is provided. Under certain conditions, existing rules on civil liability and unfair competition law may still be invoked in cases where the mandatory report is not submitted or contains false information.

9. A COMPARISON OF EU AND SWISS LAW ON CORPORATE SUSTAINABILITY REPORTING OBLIGATIONS

Both the EU and Switzerland approach sustainability reporting as a governance tool for responsible business conduct in supply chains, by enhancing transparency regarding adverse environmental, social and human rights impacts, creating pressure and compliance incentives through investors, shareholders and stakeholders, and supporting the steering of corporate conduct towards prevention, mitigation and remediation. In this sense, disclosure functions as a basis for corporate accountability.

First, the entities subject to corporate sustainability reporting obligations.

Determining the entities subject to sustainability reporting obligations shapes data coverage, compliance costs, and the enforceability of the regime by regulators. Accordingly, the choice of scope must take into account factors such as the desired breadth of coverage, undertakings' compliance capacity, and the enforcement system. The EU treats sustainability reporting as an informational foundation of the internal market; therefore, the CSRD is designed on a market-coverage logic and to standardise data comparability, including an "extra-EU branch" intended to limit information gaps in value chains connected to the EU market. The roll-out in "waves" is thus primarily a phasing mechanism to spread the compliance burden, rather than a relaxation of the mandatory transparency principle. Switzerland adopts the EU-inspired idea of non-financial transparency, but designs the in-scope population in a more cautious and proportionate manner, focusing on undertakings with a public-interest profile and sufficient scale to justify heightened accountability expectations. Swiss law also prioritises mechanisms to limit duplicative obligations within groups, thereby reducing compliance costs while maintaining the necessary level of transparency. Under this approach, Switzerland does not seek to compete with the EU in terms of the breadth of reporting coverage, but rather

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to balance transparency objectives with the compliance capacity of undertakings and regulators, while maintaining a degree of compatibility for undertakings connected to the EU market.

When designing the scope of mandatory sustainability reporting in Viet Nam, prioritising proportionality and avoiding regulatory overload, Switzerland's selective approach offers a feasible reference. Mandatory requirements could be imposed on listed companies and issuers, while other groups could be brought in under a phased roadmap with minimum standardisation to ensure that information is comparable and verifiable.

Second, the content of corporate sustainability reporting.

From a directional perspective, Swiss law converges significantly with the EU approach in treating sustainability reporting as a mechanism for making transparent sustainability impacts and risks that are material to the undertaking and stakeholders. However, Switzerland places a clearer emphasis on the climate component, in particular the requirement to disclose CO_2 targets, thereby ensuring that the reporting obligation does not remain at the level of describing the status quo but also becomes "forward-looking" through targets and monitoring metrics. As a result, governance pressure for transition especially in the climate domain is strengthened, while providing a basis for overseers (investors, supply-chain partners, and the public) to assess the consistency between commitments and implementation.

Third, corporate sustainability reporting standards.

The EU standardises disclosure obligations through the ESRS in order to establish a common benchmark for the market, thereby enhancing comparability, reducing corporate discretion, and improving the verifiability of reports. By contrast, Swiss law does not "lock in" a mandatory set of standards, allowing undertakings to choose their reference framework. At the same time, it emphasises reporting based on national, European, or international provisions, for example principles issued by the OECD, and requires that the applied rules be clearly stated in the report. The result is that the EU enjoys an advantage in terms of standardisation, whereas Switzerland is more flexible and reduces initial transition costs, but must accept the risk of uneven reporting quality and the difficulty of achieving like-for-like comparability in the absence of a single uniform standard.

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Fourth, the double materiality of corporate sustainability reporting.

In the EU, double materiality is not merely a policy statement; it is "anchored" by the CSRD directly within the ESRS architecture, making the materiality assessment a prerequisite for determining the scope of data to be disclosed and for ensuring the comparability and verifiability of the report. A key design feature is that the EU treats impact materiality and financial materiality as two parallel bases: a sustainability matter may become subject to mandatory disclosure if it is "material" under either lens, thereby reducing the risk that undertakings "filter" reporting through a purely financial criterion. Because it is standardised at the ESRS level, double materiality in the EU operates as a transparency discipline mechanism: undertakings must provide explanations against a unified standard, substantially constraining selective disclosure. In Swiss law, double materiality is expressed in a relatively concise proposition: the report must contain the information necessary to understand the undertaking's performance, results and position, and the impact of the undertaking's activities on non-financial matters. This "combined" formulation indicates that Switzerland has embraced the spirit of the NFRD, but has not "pushed" standardisation of process and outputs to the level of the CSRD; accordingly, whether a matter is regarded as "material" in practice depends more heavily on internal assessment and on the reference framework chosen by the undertaking. Swiss law prioritises proportionality and feasibility, but at the cost of a risk of uneven report quality and reduced comparability across reports in the absence of a common technical standard.

Fifth, assurance of corporate sustainability reporting.

With regard to the EU, corporate sustainability reporting is treated as part of the information infrastructure of the internal market; therefore, the requirement for external independent assurance aims to enhance the reliability and comparability of disclosed data. By contrast, in Switzerland the emphasis is placed on an internal approval mechanism. Non-financial reporting is linked to an approval procedure analogous to that for the annual report, underscoring legitimacy and accountability within the corporate governance structure. The absence of a mandatory independent assurance requirement helps reduce compliance costs and increases feasibility of implementation; however, it also increases the risk of divergent report quality and causes the market to rely more heavily on reputational pressure or expectations from business partners and

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investors. The direction of Switzerland's draft reforms may be viewed as a shift from an "internal approval" model towards a combination of approval and independent assurance.

10. CORPORATE SUSTAINABILITY REPORTING IN VIET NAM

10.1. AN OVERVIEW OF NATIONAL STRATEGIES RELATED TO SUSTAINABLE DEVELOPMENT

Sustainable development in general, and environmental issues in particular, are not new concerns globally or in Viet Nam.[83] The degree of importance and the level of attention paid by governments to these issues has evolved in line with context and the level of socio-economic development. Since the period in which the international community reshaped the sustainable development and climate agenda (notably the 2030 Agenda and the Paris Agreement), Viet Nam's policy orientation has shown a clear shift towards adopting strategies and plans with sustainability objectives. A specific example is that the 17 United Nations Sustainable Development Goals (SDGs) were translated by Viet Nam into targets and tasks assigned to ministries and sectors through to 2030 under Decision No. 622/QD-TTg of the Prime Minister dated 10 May 2017 promulgating the National Action Plan for the Implementation of the 2030 Agenda for Sustainable Development,[84] Decision No. 841/QD-TTg of the Prime Minister dated 14 July 2023 promulgating the Roadmap for the Implementation of Viet Nam's Sustainable Development Goals by 2030.[85] The period 2021 - 2030, the 10 year socio-economic development strategy adopted at the 13th National Party Congress set out detailed objectives and breakthrough solutions to steer the entire Vietnamese economy. Based on this Strategy, the National Assembly also approved the five-year socio-economic development plan for 2021 - 2025, which further specifies the objectives, indicators, and tasks to be implemented.

Strategies and action plans focusing on sustainable development in general and environmental issues in particular have been promulgated, including: the

[83] Nguyen Quang Thai and Ngo Thang Loi. "Sustainable Development in Vietnam: Achievements, Opportunities, Challenges and Prospects." *Labour and Social Affairs Publishing House,* (2007): 475-481.
[84] Vu Van Hien. "Sustainable development in Vietnam." *Communist Review*, (2014).
[85] Prime Minister of the Government. "Decision No. 841/QD-TTg of the Prime Minister: Promulgating the Roadmap for Implementation of Vietnam's Sustainable Development Goals until 2030." (2023).

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National Green Growth Strategy for 2021 - 2030, with a vision to 2050 (Decision No. 1658/QD-TTg of the Prime Minister dated 1 October 2021 approving the National Green Growth Strategy for the 2021–2030 period, with a vision to 2050), and the National Action Plan on Green Growth for 2021–2030 (Decision No. 822/QD-TTg of the Prime Minister dated 22 July 2022 approving the National Action Plan on Green Growth for the 2021 - 2030 period). Green growth is regarded as an important approach to achieving sustainable development, contributing directly to greenhouse gas emission reductions towards a carbon-neutral economy in the long term. The objectives, tasks, and solutions on green growth cover multiple aspects of sustainable development and are translated into 18 themes in the National Action Plan, including overarching themes on improving institutions and policies and enhancing the effectiveness and efficiency of state management, communication, education, and awareness-raising, human resource development, mobilising financial resources and promoting investment, as well as sector-specific themes for areas such as energy, industry, transport, construction, and others. On the basis of the National Strategy and National Action Plan, certain sectors have developed their own sectoral action plans, such as banking, and agriculture and rural development. The National Environmental Protection Strategy to 2030, with a vision to 2050 (Decision No. 450/QD-TTg of the Prime Minister of the Prime Minister dated 13 April 2022 approving the National Environmental Protection Strategy, with a vision to 2050) specifies objectives, tasks, and solutions in the field of environmental protection, including environmental pollution, biodiversity conservation, resource use and exploitation, climate change adaptation, and greenhouse gas emission reductions. With respect to climate change, following Viet Nam's commitment to implement mechanisms under the Paris Agreement and to achieve net-zero emissions by 2050, the Prime Minister has issued multiple decisions approving programmes, strategies, and action plans, such as: the Scheme on tasks and solutions for implementing COP26 (Decision No. 888/QD-TTg of the Prime Minister dated 25 July 2022 approving the Scheme on tasks and solutions for implementing the outcomes of the 26th Conference of the Parties to the United Nations Framework Convention on Climate Change); the National Climate Change Strategy to 2050 (Decision No. 896/QD-TTg of the Prime Minister dated 26 July 2022 approving the National Strategy on Climate Change through 2050), which further clarifies objectives and tasks for two main themes climate change adaptation and greenhouse gas emission reductions; and the Methane Emissions Reduction Action Plan (Decision No. 942/QD-TTg of the Prime Minister dated 5 August 2022 approving the Action Plan on Methane Emissions Reduction through 2030). Under Decision No. 1408/QD-NHNN of the State Bank of Viet Nam dated 26 July 2023 promulgating the Banking Sector Action Plan for the implementation of the National Green Growth Strategy for the 2021 - 2030

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period and the Scheme on tasks and solutions for implementing the outcomes of the 26th Conference of the Parties to the United Nations Framework Convention on Climate Change, credit institutions are encouraged to prepare and disclose sustainability reports.

10.2. REGULATIONS ON CORPORATE SUSTAINABILITY REPORTING

Sustainability-related disclosure are provided for in multiple instruments, but operate through differentiated mechanisms: corporate sustainability reporting embedded in capital market transparency requirements; and sectoral reporting serving state management in areas such as environment, climate, labour, and corporate governance.[86]

First, sustainability disclosure linked to capital market transparency (the annual report). Public companies and issuers of corporate bonds offered to the public, issuers conducting an initial public offering, and entities listing corporate bonds are required to disclose sustainability information in their annual report (Article 10(2), Article 19(2), Article 20(3)(a), and Article 21(2) Circular No. 96/2020/TT-BTC of the Ministry of Finance dated 16 November 2020 guiding information disclosure on the securities market -*Circular No. 96/2020/TT-BTC*). Circular No. 96/2020/TT-BTC structures sustainability disclosure by default as an integrated part of the annual report in accordance with the template in Appendix IV of Circular No. 155/2015/TT-BTC of the Ministry of Finance dated 6 October 2015 guiding information disclosure on the securities market - *Circular No. 155/2015/TT-BTC*, which provides guidance on information disclosure in the securities market. It allows companies to prepare a separate sustainability report for Section 6 of Part II. Certain sub-items (6.1 - 6.3) are not mandatory for undertakings operating in the financial services sector (banking, securities, insurance).[87] Section 6 of Annex IV to Circular No. 155/2015/TT-BCT indicates that environmental disclosure obligations are designed according to a "checklist of indicators" logic and are oriented towards describing input, output data, rather than a standard-based reporting mechanism capable of being verified. For indicator groups such as raw-materials management, energy consumption, and water consumption, disclosure is largely limited to a set of basic metrics (total amounts used, recycling, reuse rates, energy savings, and the results of relevant initiatives). This design entails that an undertaking may have "nothing to report" where no

[86] Nguyen Thanh Huyen, Nguyen Phuong Linh. "Improving transparency in sustainability reporting on the Vietnam stock market." *Vietnam Journals Online*, (2023): 22-24.
[87] Mai Thu. "Sustainability Reporting 2025: When ESG enters the data era." *Economics & Finance Journal Online*, (2025).

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saving initiatives or related programmes arise, thereby undermining data continuity and limiting comparability over time or across undertakings.

Notably, with respect to compliance with environmental protection law, the disclosure obligation is effectively "anchored" to the occurrence of administrative sanctions: undertakings report only the number of sanctions and the total amount of fines imposed for breaches of environmental rules. This approach renders environmental disclosure ex post and violation-driven, rather than reflective of risk-management systems and impact-prevention measures. While Section 6 establishes a minimum transparency requirement, the current design still struggles to generate an environmental information base that is sufficiently reliable and standardised to support social monitoring, curb selective disclosure, and mitigate greenwashing.

Second, reporting serving state management in the fields of environment, climate, labour, and governance. The purpose of these reporting obligations is directed to specialised regulators rather than to sustainability information disclosure as such. For example, environmental information obligations apply to project investors and facilities (Article 114(1)(b) of the Law on Environmental Protection). Greenhouse gas mitigation-related reporting applies to facilities within the list of sectors and facilities required to conduct greenhouse gas inventories (Article 11(4), Article 13(4), and Article 10(3)(a) Decree No. 06/2022/ND-CP of the Government dated 7 January 2022 providing for the mitigation of greenhouse gas emissions and the protection of the ozone layer). Similarly, labour reporting typically operates through compliance, inspection, and labour relations management mechanisms, with limited public disclosure. Examples include reporting on labour utilisation applicable to employers declaring the use of labour (Article 4(1) Decree No. 145/2020/ND-CP of the Government dated 14 December 2020 detailing and guiding the implementation of a number of articles of the Labour Code on working conditions and labour relations). Reporting on occupational safety and health includes, inter alia, the total number of employees (female employees, underage employees, employees working in hazardous conditions, etc.), occupational accidents, occupational diseases, classification of employees' health, and working and rest time, applicable to enterprises, cooperatives, households, and organisations engaged in production and business activities (Article 10 Circular No. 07/2016/TT-BLDTBXH of the Ministry of Labour, Invalids and Social Affairs dated 15 May 2016 providing for a number of matters concerning the organization and implementation of occupational safety and hygiene in production and business establishments). Corporate governance information is also fragmented across different subject groups and multiple competent authorities, with differing reporting objectives. Illustratively, a company charter, overall objectives; annual business plan objectives and specific targets; a report on governance status and

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organisational structure; and a report on the performance of public-utility tasks and other social responsibilities apply to state-owned enterprises (Article 109 The Law on Enterprises 2020, amended and supplemented 2025). Annual reports and corporate governance reports apply to public companies (Article 120 of the Law on Securities 2019, amended and supplemented 2025).

Beyond the fragmentation of operating mechanisms, the current legal framework does not prescribe standards for sustainability disclosures. Certain guidance and soft-law practices in Viet Nam tend to encourage undertakings to refer to international standards such as the GRI when preparing ESG reports. The Sustainability Reporting Guide (2013) was jointly published by the IFC and the State Securities Commission under a cooperative project aimed at promoting environmental and social disclosure by Vietnamese companies. The Guide focuses only on the environmental and social aspects of business operations. It encourages the use of the GRI and the involvement of independent assurance. The Guidance on Environmental and Social Disclosure (2016) was jointly published by the IFC and the State Securities Commission as supplementary guidance for undertakings to comply with Circular No. 155/2015/TT-BCT (This Circular has since been replaced by Circular No. 96/2020/TT-BTC). The Guidance refers to the GRI Guidelines to provide supporting information for undertakings in preparing sustainability reports relating to environmental and social indicators. It provides basic steps for disclosure and the performance indicators to be disclosed under the GRI.

However, disclosure in the annual report under Circular No. 96/2020/TT-BTC does not impose an obligation to prepare reports in accordance with any specific sustainability reporting standards; rather, it largely adopts a "list of information to be disclosed" approach. Section 6 of Part II of Appendix IV, entitled "Report on the company's environmental and social impacts", lists content categories (greenhouse gas emissions; materials management; energy and water consumption; environmental compliance; labour policies; community responsibility; green capital market activities), and allows undertakings to prepare these as a separate sustainability report; moreover, certain sub-items (6.1 - 6.3) are not mandatory for financial services undertakings. This design indicates that the law permits standalone ESG reporting, but has not established a standards-based regime to ensure that publicly disclosed information reaches a level of standardisation. Under the prescribed disclosure headings, undertakings may still comply through narrative descriptions or scattered figures without being bound by quality principles. Accordingly, this standards gap explains why "having an obligation to disclose ESG" is not equivalent to "having a sustainability report" prepared in accordance with standards.

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10.3. THE CURRENT STATE OF THE LEGAL FRAMEWORK ON CORPORATE SUSTAINABILITY REPORTING

First, double materiality in sustainability-related reporting.

Circular No. 155/2015/TT-BCT regulates sustainability-related reporting in the form of a checklist of disclosure items integrated into the annual report. Section 6 of Appendix IV to Circular No. 155/2015/TT-BCT focuses on information on the company's "environmental and social impacts", including materials management (6.1), energy consumption (6.2), water consumption (6.3), compliance with environmental protection law (6.4), labour policies (6.5), responsibilities towards local communities (6.6), and activities related to the green capital market (6.7). The regime reflects the impact dimension of materiality relatively clearly, as the required items primarily describe resource use, saving initiatives, recycling and reuse, as well as indications of compliance through the number and total amount of environmental penalties.

The regime does not reflect the "financial materiality" dimension in the full sense of double materiality. Section 6 does not require an explanation of how sustainability-related risks and opportunities affect an undertaking's prospects, performance, or financial position. The fact that certain sub-items (6.1, 6.2, 6.3) are not mandatory for undertakings in the financial services sector banking, securities, and insurance also indicates a tendency to differentiate by sectoral characteristics. When contrasted with the double materiality model under the CSRD, it can be concluded that Circular No. 155/2015/TT-BCT leads undertakings to assess materiality and disclose such assessments either from a financial perspective or from an environmental and social impact perspective. From the financial perspective, undertakings disclose only issues that materially affect financial disclosures. From the environmental and social impact perspective, undertakings assess materiality primarily by reference to the undertaking's impacts on environmental and social aspects. The sustainability reporting regime under Circular No. 155/2015/TT-BCT reaches only a "one-dimensional, impact-based approach".[88]

Second, corporate sustainability reporting standards.

[88] Nguyen Dang Huy. "IFRS S1 and S2: Global sustainability reporting standards and strategic implications for Vietnamese enterprises." *Accounting and Auditing Journal*, (2025).

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Viet Nam has not yet established a mandatory and uniform standards-based regime for sustainability-related reporting. Sustainability disclosure obligations operate primarily as an obligation to "provide data under prescribed headings" rather than an obligation to "report in accordance with standards". In the absence of a set of standards serving as a common technical framework, the same reporting topic may be presented by undertakings in different ways, resulting in low comparability and weakening the disclosure function. Regulators also face difficulties in assessing the completeness and reliability of disclosed information without a standardised "benchmark" for comparison, thereby increasing supervisory costs and creating room for purely formalistic disclosure. The lack of uniform standards tends to skew sustainability reporting towards fragmented data, while core information necessary to assess risks and impacts is not presented in a structured manner. Accordingly, this standards gap is a key reason why "having an obligation to disclose sustainability-related information" is not equivalent to "having a sustainability report".[89]

Third, audit of corporate sustainability reporting.

Sustainability-related disclosure obligations in Viet Nam's securities market are designed primarily through the annual report in the template set out in Appendix IV to Circular No. 96/2020/TT-BTC, in which environmental and social information is presented in Section 6. As regards timing, Article 10 of Circular No. 96/2020/TT-BTC requires a public company to publish its annual report within 20 days from the date of publication of the audited annual financial statements (but no later than 110 days from the end of the financial year). However, linking the publication deadline for the annual report to the milestone of "audited annual financial statements" does not mean that the sustainability information in the annual report is itself within the scope of mandatory audit. Viet Nam's current securities market disclosure framework does not impose a separate requirement for audit for the annual report as a whole or for Section 6 (sustainability) in particular; mandatory audit obligations remain focused on the annual financial statements. As a matter of legal design, the quality of sustainability information disclosed in the annual report currently relies primarily on the undertaking's responsibility for preparation and disclosure and on compliance review mechanisms for disclosure obligations,

[89] Nguyen Thi Xuan Quynh. "Summary and recommendations for the application of IFRS S1, S2 in Vietnam." *Economy and Forecast Review*, (2024).

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while engaging independent audit services for the sustainability section is voluntary.

This gap makes it difficult for sustainability reporting to approach the level of reliability traditionally associated with financial reporting, while information users increasingly expect sustainability data to be verifiable. In the absence of an independent assurance layer, the quality of disclosed information is likely to diverge significantly across undertakings; the risk that undertakings select favourable metrics increases the market's back-end verification costs. From a public governance perspective, the lack of audit/assurance for sustainability reporting also weakens the effectiveness of disclosure as a tool for steering corporate conduct. Accordingly, the absence of mandatory audit/assurance requirements for sustainability reporting is not merely a missing technical procedure, but a missing critical link for shifting sustainability disclosure from an incentive-based mechanism to a verifiable accountability mechanism.[90]

10.4. "SOFT LAW" ON CORPORATE SUSTAINABILITY REPORTING

Alongside a fragmented "hard law" framework that has yet to establish mandatory standards, practice shows that most voluntary corporate sustainability reports in Viet Nam are developed on the basis of "soft law" guidance promoted by regulators, international organisations, and widely used voluntary standard-setting initiatives worldwide. These guidance materials have become the primary technical reference points, assisting enterprises in selecting the reporting structure, identifying indicator sets, measurement approaches, and modelling a "comply or explain" mechanism in line with international practice. The Sustainability Reporting Guide (2013), jointly published by the IFC and the State Securities Commission under a cooperation project to promote environmental and social disclosure by Vietnamese companies. The Guide focuses only on the environmental and social aspects of business operations. It also encourages a "comply or explain" mechanism for Vietnamese undertakings. The Guide encourages the use of the GRI and the involvement of independent assurance. The Guidance on Environmental and Social Disclosure (2016), jointly published by the IFC and the State Securities Commission, provides supplementary guidance for undertakings to comply

[90] Le Thi Hang. "ESG auditing for a sustainable future." *State Audit Office of Vietnam Journal*, (2026).

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with the requirements under Circular No. 155/2015/TT-BCT. The Guidance refers to the GRI Guidelines to provide supporting information for undertakings in preparing sustainability reports relating to environmental and social indicators. It sets out the basic steps for disclosure and the performance indicators to be disclosed under the GRI. The Handbook on Greenhouse Gas Emissions Reporting (2023), developed by the State Securities Commission with technical support from the IFC, the State Secretariat for Economic Affairs of Switzerland, and BSI Viet Nam, provides concepts, international standards, Viet Nam's regulations and standards, and the steps for conducting greenhouse gas inventories and reporting.

10.5. RECOMMENDATIONS FOR CORPORATE SUSTAINABILITY REPORTING IN VIET NAM

The comparison of the EU and Swiss approaches shows that the regulation of corporate sustainability reporting obligations always involves trade-offs between data coverage, corporate compliance costs, and the regulatory capacity of state authorities. However, this does not mean that Viet Nam should simply copy its rules from either of these two models. Rather, the value of these two frameworks lies in showing different regulatory choices, from which Viet Nam may selectively adopt those elements that are suitable. In the Vietnamese context, the appropriate legal anchor should, first and foremost, be placed within the securities law framework, because corporate sustainability reporting disclosure obligations currently operate as part of the annual report; that is, the "sustainability report" is, in substance, treated as periodic information disclosure by a market participant in the capital market. Meanwhile, other reporting obligations concerning the environment, climate, labour, and related matters remain dispersed across sector-specific legislation and are mainly intended to serve state management purposes; as a result, a coherent "information infrastructure" for the market and stakeholders has not yet been established.

First, Viet Nam should improve its legal framework by separating the corporate sustainability report into an independent periodic report within the disclosure regime of the securities market. It is proposed to amend and supplement: (i) the obligation to disclose a Sustainability Report for public companies in Clause 1 Article 120 of the 2019 Law on Securities; and (ii) the obligation to disclose a Sustainability Report for entities issuing corporate bonds to the public in Clause 1 Article 121 of the 2019 Law on Securities. At the same time, detailed guidance on the content, form, and timeline for periodic disclosure of the Sustainability Report should be incorporated into Circular No. 96/2020/TT-BTC to ensure feasibility and consistency in implementation. On this basis, the subsequent roadmap should

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gradually expand the scope of entities obliged to disclose a Sustainability Report beyond the securities market, initially to state-owned enterprises and joint-stock companies; accordingly, the obligation for state-owned enterprises should be added to Article 109 of the 2020 Law on Enterprises, and the obligation for joint-stock companies should be added to Clause 2 Article 176 of the 2020 Law on Enterprises.

Second, Viet Nam should introduce provisions on the minimum content requirements of the corporate sustainability report. Since the corporate sustainability report is positioned within the periodic disclosure regime, the Law on Securities should be amended to specify the mandatory scope of content of the corporate sustainability report. Accordingly, the corporate sustainability report shall, at a minimum, cover environmental, social and employee matters, and respect for human rights; and shall contain information necessary to: understand the undertaking's impacts on sustainability matters; and understand how sustainability matters affect the undertaking's development, performance and position. On that basis, the corporate sustainability report shall, at a minimum, include the following categories of information:

(a) A description of the undertaking's business model and strategy, including: the resilience of the undertaking's business model and strategy in relation to risks related to sustainability matters; the opportunities for the undertaking related to sustainability matters; the undertaking's plans, including implementing actions and related financial and investment plans, to ensure that its business model and strategy are compatible with the transition to a sustainable economy and with the limiting of global warming to 1.5°C in line with the Paris Agreement under the United Nations Framework Convention on Climate Change; how the undertaking's business model and strategy take account of the interests of the undertaking's stakeholders and of the undertaking's impacts on sustainability matters; and how the undertaking's strategy has been implemented with regard to sustainability matters.

(b) Time-bound targets related to sustainability matters set by the undertaking.

(c) A description of the role of the undertaking's administrative, management and supervisory bodies with regard to sustainability matters, and of their expertise and skills in relation to fulfilling that role, or the access such bodies have to such expertise and skills.

(d) Information describing incentive schemes linked to sustainability matters which are offered to members of the administrative, management and supervisory bodies.

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(e) A description of the due diligence process implemented by the undertaking with regard to sustainability matters; the principal actual or potential adverse impacts connected with the undertaking's own operations and with its value chain; the actions taken by the undertaking to prevent, mitigate, remediate or bring an end to actual or potential adverse impacts; and the results of such actions.

(f) Indicators relevant to the disclosures referred to above.

Third, Viet Nam should stipulate sustainability reporting standards in line with the ESRS. Under the current fragmented legal framework, the absence of a unified set of standards weakens the comparability, reliability, and verifiability of disclosed information. The ESRS is an appropriate reference point not because Viet Nam needs to replicate the EU framework, but because these standards provide a systematic structure for report content, information-quality requirements, and the presentation of disclosures. This is appropriate for Viet Nam in a context where undertakings are increasingly subject to transparency pressures from capital markets and cross-border supply-chain partners. However, the incorporation of rules on sustainability reporting standards should be carried out selectively and according to a roadmap, in a manner consistent with undertakings' compliance capacity. Accordingly, the law should set out information-quality requirements for sustainability reports, ensuring that disclosed information is understandable, relevant, verifiable, comparable, and presented faithfully. At the same time, undertakings may opt to apply international standards (GRI, ISSB/IFRS, TCFD), but must clearly disclose the standard applied in the report, and such choice must not dilute the report's mandatory minimum content. This approach is also consistent with the Swiss experience, which allows undertakings to refer to international standards while preserving the minimum requirements of domestic law. Viet Nam should issue an Annex on sustainability reporting aligned with the ESRS to harmonise the structure and presentation of disclosures, thereby enhancing comparability and limiting purely formalistic reporting. The ESRS has the advantage of being designed to align with international initiatives (such as ISSB, TCFD, and GRI) and of being structured across three layers of standards: cross-cutting standards, topical standards, and sector-specific standards, which is suitable for developing a systematic set of minimum requirements capable of being expanded over time.

Fourth, Viet Nam should introduce an assurance requirement for corporate sustainability reports. An obligation to disclose a sustainability report that has been independently assured should be added for public companies in Clause 1 Article 120 of the 2019 Law on Securities, and the obligation to disclose a sustainability report should also be added for issuers of corporate bonds offered to the public

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in Clause 1 Article 121 of the 2019 Law on Securities. Following the amendment of the 2019 Law on Securities, implementing regulations should specify that the sustainability reports of the above-mentioned entities must be subject to independent assurance by an audit firm approved in accordance with the relevant laws. Clause 3 of Article 42 of Decree No. 156/2020/ND-CP of the Government dated 31 December 2020 providing for administrative sanctions for violations in the field of securities and the securities market (covering late disclosure and incomplete disclosure) should be supplemented to provide for sanctions in cases where the sustainability report is disclosed late, is disclosed with incomplete content as required by law, or is disclosed without mandatory accompanying documents (in particular, the audit report). Clause 4 of Article 42 of Decree No. 156/2020/ND-CP should be supplemented to address the failure to disclose the sustainability report as required, thereby clearly establishing that disclosure of the sustainability report is a mandatory obligation comparable to other periodic reports and avoiding enforcement gaps where obligated entities do not comply. To shift the focus of sanctions from "procedural disclosure breaches" to accountability for information quality, Clause 5 of Article 42 of Decree No. 156/2020/ND-CP (covering misleading disclosure) should be supplemented to provide for sanctions for the disclosure of misleading or false information, or the concealment of information, in the sustainability report.

The implication for Viet Nam is that it should learn selectively from the EU and Swiss models in designing a phased legal framework on sustainability reporting. This roadmap should begin with the disclosure foundation under Circular No. 96/2020/TT-BTC, and then gradually expand obligations at the level of the 2020 Law on Enterprises to categories of undertakings that are not public companies. Such an approach would allow Viet Nam to optimise data coverage, undertakings' compliance costs, and regulators' enforcement capacity.

Selective learning from the EU and Swiss models is necessary because Viet Nam is an open economy, and the Party's current policy is to continue promoting international integration in the new context. Resolution No. 59-NQ/TW dated 24 January 2025 of the Politburo regards international integration as a strategic driving force, while at the same time emphasising the need to improve domestic institutions, policies, and laws in order to strengthen the implementation of international commitments. In a context where Vietnamese undertakings are increasingly connected to cross-border supply chains, the law on sustainability reporting needs to be improved in a more unified and standardised direction in order to create a disclosure framework that can be consistently recognised and used by investors, business partners, and regulatory authorities. The EU experience has reference value because its

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regulation is highly standardised. The Swiss model is also instructive because it demonstrates a more cautious and proportionate approach, thereby showing that Viet Nam should not replicate wholesale a framework with a very high degree of standardisation, but should instead design a roadmap suited to the development conditions and compliance capacity of domestic undertakings. This orientation of selective learning is particularly important because Viet Nam's enterprise structure is still dominated by small and medium-sized enterprises. Accordingly, an overly dense legal framework applied uniformly from the outset may increase compliance burdens, whereas a phased approach would better reconcile the requirements of integration and the competitiveness of undertakings.

11. CONCLUSION

Corporate sustainability reporting is a legal instrument that shapes environmental and climate accountability by producing comparable and verifiable information on corporate impacts and risks. In the European Union, the shift towards standardised sustainability reporting is designed to strengthen reporting quality in order to support capital reallocation, the management of sustainability risks, and regulatory efforts to curb "greenwashing". Switzerland has adopted a more cautious calibration of the scope of obliged entities and the degree of standardisation, reflecting a distinct balance between regulatory ambition and compliance capacity, while remaining sensitive to the need to ensure market compatibility with the EU. Against this comparative background, the article shows that Viet Nam's current approach remains structurally fragmented. Sustainability-related disclosures are largely embedded in annual reports under securities law, while sector-specific reporting duties particularly in the environmental and labour fields operate in parallel for state-administrative purposes. The article argues that Viet Nam should establish a consolidated legal framework treating corporate sustainability reporting as an independent periodic disclosure obligation within the disclosure regime. This framework should be implemented through a roadmap calibrated to risk and compliance capacity, prioritising feasibility while progressively enhancing the reliability of reported information. At a minimum, it should: define the personal scope and a phased implementation timeline; establish mandatory baseline requirements on minimum content and double materiality, together with reporting standards; and introduce audit and sanctions to deter selective disclosure and "greenwashing". By repositioning sustainability reporting as a component of the environmental information infrastructure, Viet Nam can strengthen corporate accountability, improve data comparability, and better align with rapidly evolving international expectations.

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