DOES RISK GOVERNANCE IMPACT CSR DISCLOSURE? EMPIRICAL EVIDENCE FROM LISTED COMPANIES ON VIETNAM STOCK MARKET

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ABSTRACT

This paper investigates the impact of risk governance on CSR disclosure practices. By analyzing a sample of 150 listed firms on the Vietnam stock market during the period from 2014 to 2019, the paper shows a significant positive relationship between risk governance and CSR disclosure. This is one of the first papers to find one internal contextual factor contributing to the reporting of CSR performance. The findings suggest that in order to enhance the quality and quantity of CSR reporting, besides other traditional ways, firms should focus on setting the mechanism for risk governing to reduce the agency cost and put higher pressure on managers to improve the CSR reporting. This is extremely imperative in the context of the Covid-19 pandemic. Furthermore, the findings add to the current literature relating the determinants of CSR disclosure by showing the significant relationship between CSR reporting with firm size, the role of Big4 Audit, State ownership, and industry characteristics.

Keywords: Risk Governance, CSR Disclosure, Big4 Audit, State Ownership, Enterprise Risk Management.

INTRODUCTION

In current days, CSR matters including environmental, social, and economic issues have received growing attention and put various challenges to enterprises to demonstrate more responsibility and sustainability (Mahoney & Thorn, 2006). Moreover, to maximize the firm value, companies are recommended to make proper disclosure of CSR practices in their sustainability report or annual reports, which are developed, based on stakeholders engagement approach (Aggarwal, 2013).

There are multiple explanations for firms to disclose more CSR information. Firstly, as per the stakeholder theory, CSR disclosure acts as a connection between a company and its stakeholders, which informs stakeholders of CSR performance. The more CSR information the company reports, the more satisfied the stakeholders are. Secondly, CSR literature provides strong evidences that CSR disclosure helps increase the value of the company (Colleoni, 2013; Michelon, 2011; Michelon, et al., 2015). On the other side, the agency theory implies that in a company with higher agency costs, managers are reluctant to show its CSR performance as it may harm their interest.

The empirical findings relating to the motivation of CSR reporting are diversified. According to Ali et al. (2017), determinants of CSR disclosure cover three main categories: firm characteristics, general contextual factors, and internal contextual factors. The paper also divides the review into developing and developed countries. Even though empirical results relating to the company's attributes are mostly agreed upon between developing and developed countries, the general contextual factors such as regulations, the power of each type of stakeholders… are different. Particularly, regarding internal contextual items, there is little attention in both groups of economies. The most common findings relating to internal

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factor motivation are to increase competitive edge, to reinforce the firm reputation, or to win some awards (Chih et al., 2010; Nikolaeva & Bicho, 2011; Adams, 2002; O'Donovan, 2002). The other reasons are the high cost of CSR reporting (Belal & Owen, 2007; Mitchell &Hill, 2009), and poor corporate performance (Belal & Owen, 2007). Corporate governance structure is also found to influence CSR disclosure positively in developed countries (Jo & Harjoto, 2012) but this factor is still controversial in developing countries. In short, most of papers share the conclusion that the internal factors have been put less attention when studying the motivation of CSR reporting, especially in developing economies (Aguinis & Glavas, 2012; Morgeson et al., 2013; Frynas & Yamahaki, 2016).

In the meanwhile, the COVID-19 pandemic has put more pressure on businesses all over the world. There is a large increase in the demand for integrated risk management as well as risk governance in organizations in developing countries. In practice, the concern of enterprise risk management (ERM) has been escalating recently due to the complexed risks occurring in the business environment (COSO, 2017). As risk governance relates to the rules, processes, and procedures that ensure the ERM implementation (Nahar et al., 2016), it acts as an internal factor of the companies to deal with risks and reduce the agency cost by governing and managing the risks. Therefore, it is considered as an internal contextual factor affecting the CSR disclosure of companies in the globe. However, there is limited researches in this area. Musallam (2018) studies the effect of risk management on the relationship between the audit committee and CSR reporting. However, this paper just considers the mediating role of risk management and have not analyzed the mechanism how risk management impact on CSR disclosure. Valizadeh & Barzegar (2015) find a significant impact of ERM on the disclosure level of the environment practices of listed companies in the Tehran stock exchange but it just reflects one dimension of CSR. In brief, the role of risk governance on CSR disclosure has received little attention from scholars worldwide. This gives the inspiration for the author to study whether the risk governance has any effect on CSR disclosure.

In the context of Vietnam, most recently, the Ministry of Finance issued Circular No. 155/2015/TT-BTC, which requires listed companies on Vietnam's stock market to publish information on sustainable development. However, the legal and institutional framework in Vietnam is still weak with immature shareholder activism, poor investor protection, and inefficient regulatory enforcement and monitoring (World Bank, 2020). The level of CSR disclosure is modest and some companies use CSR report as a tool for marketing or public relation purposes. Besides other factors relating to the firm characteristics and the pressure from outside stakeholders namely the government ownership, foreigner ownership, or corporate governance mechanism, we are inspired to investigate whether risk governance has any impact on CSR disclosure of listed firm on Vietnam stock market.

The results of this study give significant implications. First, it constructs an index measuring the CSR disclosure of listed companies in Vietnam based on the latest version of GRI standards. Secondly, it is one of the first papers to find one internal factor relating to risk governance contributing to CSR disclosure, which puts more pressure on implementing an effective risk environment to ensure good quality CSR reporting.

LITERATURE REVIEW

Enterprise Risk Management and risk governance

The first modern definition of risks was published by Knight (1921), which was generally defined as "*the probability of something undesirable happening*". ISO 31000 (2009) define risks as the "*effect of uncertainty on goals and often described by the event, a*

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change in circumstances or a consequence". One of the most practical definition of risk in the business is developed by Hopkin (2018), in which risk is an event with the possible impact on the success of an organization.

Eenterprise risk management is considered to manage an organization's risks with the strategic point of view. According to De Loach (2000), ERM is a systematic and disciplined procedure aiming to evaluate and differ risks from opportunities by aligning the firm's strategy, people, technology, and knowledge. The most widely popular definition of ERM framework across various industries is introduced by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Therefore, in this study, the author uses the COSO definition in which ERM is

"A process, effected by an entity's board of directors, management, and other personnel applied in strategy setting and across the enterprise, designed to identify potential events that may affect the entity, and manage risks within its risk appetite, and to give reasonable assurance about the achievement of entity objectives" (COSO, 2004).

According to COSO 2017, the ERM framework is organized into five components: (1) Governance and culture; (2) Strategy and objective-setting; (3) Performance; (4) Review and revision; and (5) Information, communication, and reporting.

Risk governance is the first component in ERM framework. Risk governance includes setting the structure of the risk management system, assigning people in charge of risk management, establishing the rules and procedures of risk management in an organization. According to Lundqvist (2015), risk governance is the combination of corporate governance and risk management. Aebi et al. (2012) use the proxy of chief risk officer (CRO) existence to measure the risk governance effectiveness. As stated by COSO 2017, risk governance is also about establishing risk culture throughout the firm and governance mechanisms to oversee the system as a whole by providing continuous training to the people inside the organization at all level. Hence, risk governance is an integral component to assure integrated risk management.

CSR Disclosure

In accordance with Ward (2004), CSR is a commitment of businesses to the sustainable development, which improves the quality of life. Meanwhile, ISO 26000 indicates that social responsibility is the way an organization deals with the social and environmental aspects when making decision and how it becomes accountable for its impact on the society and environment. In general, the author supports the definition of CSR as being the way how a corporation makes a balance of economic, environmental, and social aspects, in order to satisfy the expectations of stakeholders.

From the 1960s to the 1980s, as investors were increasingly concerned about business operation affection towards the environment, managers began to come up with methods to deal with such environmental and social issues (Brown et al., 2009). When shareholders look forward to corporate social responsibility disclosure, especially those related to the society and environment (Cornelissen, 2008), companies and managers start to disclose their corporate social responsibility performance (Schaltegger et al., 2006; Carroll, 2008). During the 1990s, corporate social responsibility disclosure is considered as

"A marketing process for the affection of economic organizations to the society, the environment, and groups of special interest in the society" (Gray et al., 1996).

In the late 1990s, non-profit organizations such as the Union of Economies for the Environment (CERES) developed the Global Reporting Initiatives (GRI). Nowadays, GRI

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standards launched in 2016 has become the most common used benchmark to measure the CSR reporting all over the world.

According to Slaper & Hall (2011), there are three main dimensions of a firm's CSR disclosure including social, environmental, and financial dimensions. There are three major theories including Legitimacy theory, Stakeholder theory, and Signaling theory to reason why the listed firms should show its sustainability performance to the public.

Risk Governance and CSR Disclosure

As mentioned above, risk governance is a part of corporate governance that ensures the internal environment for integrated risk management. It makes the ERM system more effective in identifying, analyzing, and mitigating the risks. It also set the mechanism for the Board of Directors to make the direction and ensure the managers act at the best of stakeholders for the long-run goals of the company (Jankensgård, 2019). In this way, managers are forced to disclose more on CSR practices. Moreover, according to Lim et al. (2008), effective governance can also improve a company's reporting transparency, protecting itself from the ongoing market raids (Haat & Redman, 2003, Jensen, 1993).
These arguments come to the following hypothesis:

H1: Firms with better risk governance are likely to engage in better CSR dislosure.

RESEARCH METHODOLOGY

Research Model

Based on the above hypothesis, the research model is illustrated as below:

$$\text{CSR Disclosure}_{it} = \alpha_0 \text{ Risk Governance}_{it} + \alpha_i \text{ Control variables}_{it} + \varepsilon_{it}$$

Variables and Measurement

Risk governance

In order to measure the risk governance of listed companies, we follow the guideline of COSO 2017 and use following items in Table 1:

Table 1
RISK GOVERNANCE INDEX

Code	Criterion	Explanation
1	The Board of Directors are formally responsible for the overall risk management process activities at firm level.	True: 1 score False or not mentioned: 0 score
2	The Risk Management Committee, Chief Risk Officer and risk management department are responsible for the overall risk management process activities at firm level	True: 1 score False or not mentioned: 0 score
3	The firm has the existence of a risk management committee/department	True: 1 score False or not mentioned: 0 score
4	The firm has the existence of a CRO	True: 1 score False or not mentioned: 0 score
5	The firm organize ongoing training, coaching, and educational programs related to risk management available to employees of all levels	True: 1 score False or not mentioned: 0 score

Source: COSO 2017

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The score for risk governance of each company is measured by the total points of risk governance divided by the maximum scores of this index.

CSR disclosure

According to Hassan & Marston (2019), there are three often-used methods to evaluate corporate information disclosure quality including classification approach, disclosure index and word counting. Among them, Marston & Shrives (1991) support the disclosure index in which all component information within the disclosure index can be either voluntary or mandatory, either financial or non-financial. Hassan & Marston (2019) also shares the same viewpoint and claim that the use of disclosure index is to serve the purpose of evaluating the level of reported information based on a list of selected items of information. Therefore, we use the index method to measure CSR disclosure.

Based on two information disclosure indices, including the environmental disclosure index by Clarkson et al. (2008) and the sustainability disclosure information index by Ong (2016), the authors adjust and construct the CSR Disclosure index of Vietnam listed companies. Besides, this study used the latest set of GRI standards issued in 2016 to develop the CSR Disclosure index. We divide the information disclosed by contents as follows: (1) Information disclosed on governance structure; (2) Information disclosed of the vision, the strategic commitment of managers, and management mechanisms in the enterprise; (3) The reliability of the report; (4) Information disclosed of CSR outcome indicators on the economy, environment, and society in Table 2.

Table 2
THE CSR DISCLOSURE INDEX

Code	Criteria	Grading explanation
A1	Management structure	Maximum of 6 points
A2	Vision, Strategy claims	Maximum of 6 points
A3	Credibility	Maximum of 6 points
A4.ECP	Economic performance indicators (ECP)	Maximum of 12 points
A4. ENP	Environmental performance indicators (ENP)	Maximum of 32 points
A4.SPI-LAP	Social performance indicators – Labor Practice and Decent Work (SPI-LAP)	20 points
A4.SPI-HRP	Social performance indicators – Human Rights (SPI–HRP)	Maximum of 20 points
A4.SPI-SOP	Social performance indicators – Society (SPI-SOP)	Maximum of 24 points
A4.SPI-PRP	Social performance indicators – Product (SPI-PRP)	Maximum of 16 points
	Total	**142 points**

Source: Developed from GRI 2016

The CSR Disclosure index is measure by the ccored points over the maximum points.

Control variables

The other control variables of the research model can be divided into 3 groups: firm characteristics, external contextual factors and other internal factors in Table 3.

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Table 3: Measurement of control variables

Variables	Measurement	Previous studies	Signal
Firm characteristics			
Firm size	Natural log rite of total asset	Branco & Rodrigues, 2008; Tagesson et al., 2009; Buniamin, 2010; Haji, 2013; Chiu & Wang, 2014; Kansal et al., 2014	+/-
Industry characteristic	Industry closer to end-users gets 1, otherwise gets 0	Huang & Kung (2010)	+
Firm performance	ROA	Tagesson et al., 2009; Khan, 2010	+
General Contextual Factors			
Leverage	Debt/Total Assets	Huang & Kung (2010), Saleh et al. (2010)	+/-
Government ownership	Percentage of State ownership over the total equity	Amran & Devi, 2007, 2008; Haji, 2013	-/+
Foreign Ownership	Percentage of foreign ownership over the total equity	Khan et al., 2013, Chiu & Wang, 2014	+
Other Internal Contextual Factors			
CEO duality	CEO and Chairperson is one person get 1, other wise 0	Haniffa & Cooke, 2005), Forker (1992)	-/+
Board Independence	Percentage of independent board members over total board size	Khan et al., 2013),	-/+
Big 4 Audit	Big4 Audit=1, otherwise 0	Lu & Abeysekara, (2014), Ahmad et al. (2003)	+

Source: Summarized by author

Sample and data collection

The population of this research is the listed firms on Vietnam stock market and the sample is 150 companies publishing the company's information about risk governance and CSR disclosure in their annual reports and sustainability reports during the 2014-2019 period. Therefore, this study uses only secondary data collected through the listed company's annual reports, financial reports, and Sustainability reports.

FINDINGS AND DISCUSSION

Descriptive Statistics

Data from 150 listed companies on Vietnam stock exchange were analyzed in this study. The average ERM scores over the period from 2014 to 2019 were summarized in the Table 4 below.

Table 4
AVERAGE ERM OF 150 VIETNAMESE LISTED FIRMS FROM 2016 TO 2019

Variable	Obs	Mean	Std. Dev.	Min	Max
CSRD	900	0.1509	0.0829	0.007	0.5563
RG	900	0.3297	0.2778	0	1
ROA	900	0.0622	0.0831	-0.3606	0.7882
Size	900	29.30279	1.5912	24.7102	34.8111

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Lev	900	0.5831	0.2258	0.0153	0.9929
CEOduality	900	0.3411	0.4743	0	1
FO	900	9.5987	14.2968	0	80.5231
SO	900	16.5396	26.6497	0	95.76
Audit	900	0.5933	0.4914	0	1
BI	900	0.6890	0.1810	0	1
Industry	900	0.5333	0.4991	0	1

***Note**: CSRD: CSR Disclosure index, SG: Risk governance index, ROA=Net profit/Total Asset, Size= Ln (total asset), Lev=Debt/Total Asset, CEOduality: CEO and chairperson is one person or not, FO: Foreign ownership, SO: State ownership, Audit: hiring Big4 Audit company or not, BI: Board Independence, Industry: Firm with proximity to end-users or not.*

Descriptive statistics regarding all the variables are illustrated in Table 4. Overall, the average value of risk governance is 33% and the mean value of CSRD is only 15%. These are rather low numbers reflecting the modest situation of CSR disclosure and risk governance of listed firms. During the six-year period, ROA has the mean value of 0.062 or 6.2% for all the companies with a minimum value of -36% and a maximum value of 78%. Regarding control variables, the Leverage which is measured by the ratio of total debt to total assets, has a mean value of 0.58. This demonstrates that over half of the firm's assets were funded by debt on average. Another control variable Size has a high mean value of 29.3, while the minimum value is 24.7 and the maximum value is 34.8. Additionally, the average value of foreign ownership is 9.6% and state ownership is 16.5%. The mean value of the Board independence rate is nearly 68%, which is a high rate on the Vietnam stock market. Lastly, there is a balance between the industry with closer proximity with consumers and the rest in this sample.

Table 5
MEAN VALUE OF CSRD AND RG BY YEARS

Year	2014	2015	2016	2017	2018	2019
CSRD	0.1096	0.1233	0.145	0.1559	0.1618	0.2096
RG	0.2893	0.3106	0.3413	0.348	0.344	0.3453

Table 5 shows the mean value of CSRD and RG of the sample by year. Even though the results are low, there is a tendency to increase the quality of CSRD and RG over time. The highest values of CSRD are achieved in 2019 and the value of RG is high and stable during 2017-2019.

Table 6
MEAN VALUE OF CSRD AND RG BY INDUSTRIES

No	Industry	Percentage	Frequency	CSRD	RG
1	Material	14%	126	0.1703	0.1634
2	Commodities goods	14%	125	0.1890	0.368
3	Finance	9%	84	0.1811	0.5190
4	Banking	8%	72	0.1622	0.6388
5	Technology	2%	18	0.1622	0.3777
6	Consumer Services	7%	67	0.1495	0.2119
7	Pharmaceutical and Health care	6%	54	0.1760	0.4222
8	Utilities	7%	60	0.1593	0.27
9	Manufacturing	33%	294	0.1082	0.2741

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As Table 6 shows, the highest value of CSRD belong to the commodity goods and finance industry and the highest value of RG belongs to banking and banking. This is understandable as the regulation of risk management in banking and finance is consider to be stricter than in other industries. The lowers points both in CSRD and RG belong to Industrials. If we look closer by dividing these industries into 2 groups, with closer approach to end-users, and without end-users, the explanation is clearer.

Table 7
MEAN VALUE OF CSRD BY INDUSTRY CHARACTERISTIC

Industry	Frequency	CSR	RG
With closer to link to end-users	480	0.1719	0.4075
Without closer to link to end-users	420	0.1268	0.2409

In Table 7, both CSRD and RG points in industries with end-users are better than the rest. Therefore, it can be concluded that industries with closer proximity to consumers care more about CSR reporting than others.

Testing for Reliability and Validity

Table 8
RELIABILITY OF CSRD INDEX

	N	Sign	item-test correlation	item-rest correlation	Average inter-item covariance	Alpha
MS	900	+	0.4981	0.4544	2.1836	0.8645
VS	900	+	0.7864	0.7268	1.8053	0.8373
CR	900	+	0.7049	0.6354	1.9027	0.8460
ECP	900	+	0.7001	0.6315	1.9139	0.8466
ENP	900	+	0.8180	0.6718	1.3921	0.8660
LAP	900	+	0.8022	0.7066	1.5860	0.8355
HRP	900	+	0.6834	0.6220	1.9687	0.8495
SOP	900	+	0.8043	0.7365	1.7141	0.8331
PRP	900	+	0.6908	0.6083	1.8726	0.8465
SR	900				**1.815475**	**0.8619**

Note: **MS:** Management structure; **VS:** Visions and Missions; **CR**: Credibility; **ECP:** Economic performance indicator; **ENP**: Environmental performance indicators; **LAP**: Labor Practice and Decent Work; **HRP**: Human Rights; **SOP**: Society performance; **PRP**: Product)

As it can be seen from Table 8, the overall Cronbach's Alpha value of CSRD is 0.86. According to Field (2013), the alpha value needs to be above 0.7 to be acceptable. Additionally, all the indicators in the index have the Cronbach's alpha higher than the accepted level, with the item-test correlation not less than 0.3. Therefore, in this study, the internal consistency of the index is considered to be valid and reliable.

Correlation Analysis

Table 9
CORRELATION MATRIX AMONG VARIABLES

	CSRD	RG	ROA	Size	Lev	CEOdualtiy	FO	SO	Audit	BI	Industry
CSRD	1										
RG	0.4148	1									
ROA	0.232	0.225	1								
Size	0.2513	0.4204	-0.1893	1							

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Lev	-0.1317	-0.067	-0.4972	0.4317	1						
CEOduality	0.1374	0.0368	0.0087	-0.0827	-0.0194	1					
FO	0.2363	0.2976	0.1901	0.0727	-0.2385	0.0865	1				
So	0.0062	0.0213	0.0475	0.1074	0.059	-0.1946	-0.0745	1			
Audit	0.3223	0.2533	0.0718	0.3448	-0.0129	0.0088	0.187	0.0579	1		
BI	0.1331	0.138	0.029	0.1956	0.0122	-0.3581	0.0878	-0.0166	0.1714	1	
Industry	0.2712	0.2992	0.1058	0.2413	-0.0887	0.0529	0.0706	-0.1124	0.3500	0.1546	1

According to the Table 9, RG has a positive relationship with CSRD. The correlation coefficients of independent variables are less than 50%, that is acceptable. Besides, we check the multicollinearity problem by examining the Variance Inflation Factor (VIF). All of the VIFs are smaller or equal to 1.889, far smaller than the threshold of 10, suggesting that multicollinearity is not a problem with our data sample (Mansfield and Helms, 1982).

Regression Analysis

The study used the ordinary least method (OLS), the random effect regression method (REM), and the fixed effect regression method (FEM) to study the effect of ERM and SR on business performance. The study uses Breusch-Pagan Lagrangian Multiplier test (LM test) to select REM/FEM or OLS method. Statistical results all show that REM/FEM models are selected. To choose between REM and FEM models, the author uses the Hausman test. With the p-value =0.000, FEM was chosen. We also run tests and find out the problems of serial correlation and endogeneity. Finally, we fix it by running the GLS model and use the results of this model to discuss the results.

Table 10
REGRESSION RESULTS

	FE	**RE**	**GLS**
Dependent	**CSRD**	**CSRD**	**CSRD**
RG	0.136***	0.107***	0.0584***
	[6.25]	[7.80]	[7.84]
Size	0.0262***	0.0138***	0.00800***
	[6.38]	[5.11]	[5.82]
Lev	-0.0343	-0.0525***	-0.0487***
	[-1.48]	[-3.20]	[-6.40]
CEOduality	-0.0126*	0.0108*	0.00423
	[-1.78]	[1.87]	[1.60]
FO	0.000317	0.000378*	0.000124
	[1.07]	[1.82]	[1.09]
SO	-0.000265*	-0.000158	-0.0000848*
	[-1.73]	[-1.38]	[-1.71]
Audit	0.00892	0.0230***	0.0242***
	[1.01]	[3.48]	[6.82]
BI	0.000334	0.0201	0.00448
	[0.02]	[1.29]	[0.63]
Industry	omitted	.0080	.0268***
		[.009]	[.004]

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_cons	-0.641***	-0.276***	-0.109***
	[-5.46]	[-3.75]	[-2.85]
N	900	900	756
R-sq	0.161		

Standard errors in parentheses; *** p<0.01, ** p<0.05, * p<0.1

DISCUSSION

From the regression results in Table 10, it can be concluded that there is a positive relationship between risk governance and CSR reporting (β = 0.0584 at the significance level of 1%). Hence, the H1 hypothesis is accepted. This result shares the same view with the studies of Musallam (2018) and Valizadeh & Barzegar (2015. Moreover, CSR index scores and risk governance slightly increase over the years observed. Consequently, Vietnamese listed firms are paying more attention and concern about the risk management system, which seems to be a potential method for the Vietnamese firms to reduce the likelihood of negative coming risks, especially in the COVID-19 pandemic period when the industry is under a lot of pressure. The results also support the agency theory to demonstrate the connection between risk governance and CSR disclosure because risk governance can help reduce the agency cost and make managers disclose CSR practices in a proper manner.

The results of regression analysis show that there is a significant relationship between CSRD and other control factors. Size has a positive relationship with CSRD (β=0.0960 at the significance level of 1%). This result is congruent with Branco & Rodrigues (2008), Tagesson et al. (2009), Buniamin (2010), Haji (2013), Chiu & Wang, 2014, and Kansal et al. (2014). Among other control variables, the results show Leverage is significantly and negatively associated with CSRD, which shares the same results with Huang and Kung (2010). This can be explained that while CSR reporting is still voluntary in Vietnam, managers are still persistent in disclosing more CSR practices in firms with high leverage. Audit is also found a significantly positive relationship with CSRD, which shows that companies with Big 4 Auditors may have more pressure to disclose CSR. In contrast, the variable of State ownership tells the negative relationship with CSR reporting at a significance level of 10%, which means that for companies with a higher rate of government ownership, the motivation of reporting sustainability implementation of the companies will be less. This finding is in line with Hu et al. (2018). Lastly, the industry with a closer link with consumers also has more incentive to publish CSR report, which shares the same conclusion with (Huang & Kung, 2010).

CONCLUSION

CSR reporting is gradually becoming a critical issue in business management recently. Over the decades, there has been a large number of studies concerning the determinants of CSRD. However, the findings relating to internal factors are limited; particularly the element of risk governance has never been investigated thoroughly.

In terms of theoretical implications, the paper is the first one to find out the significant impact of risk governance on CSR reporting. It gives the emphasis that establishing the internal risk environment will help ensure the reporting of CSR. In the context of VUCA, this issue is becoming more vibrant to assure the quality of CSRD reporting. It is also the first paper measuring CSR reporting of Vietnam listed firms in a comprehensive and methodological manner integrating with the latest standards of GRI, which we use to assess the situation of CSRD of Vietnam listed companies. The paper also strengthens the previous

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studies result relating to firm size, independent auditors, state ownership, and industry in the context of developing countries, which have an effect on CSR disclosure.

For practical implications, these findings provide a better realizing of the important role of risk governance in implementing the reporting CSR activities, encouraging managers to focus on building up a robust risk mechanism with a view to enhancing CSR reporting. The findings also suggest the firms consider integrating risk strategy into the whole strategy of firms, establishing the risk committee, hiring CRO, and implement the ongoing training of risk management at all levels of the companies. One suggestion for improving the quality of sustainability reporting is concerned with using Big4 Audit companies and reduce the proportion of State ownership in listed companies, which ensure the more effective directing, monitoring, and controlling of Board of Directors in the companies.

There were several limitations associated with the study, which should be taken into consideration. Firstly, the sample of 150 listed firms on Vietnam stock market may not be representative of all other listed companies. Consequently, the attaining information from the annual reports of listed firms to measure CSR reporting and risk governance may bear some subjective assessments.

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