



WHAT IS AN ESG RATING?

Why ESG Ratings Are Becoming Necessary
in Cambodia



These ratings provide stakeholders with an independent assessment of how responsibly and sustainably an organisation operates.

Pillar 1 - Environmental

Typical factors include:

- Carbon emissions and climate strategy
- Energy usage and renewable energy adoption
- Waste management and pollution control
- Natural resource protection
- Climate resilience and transition planning

Pillar 2 - Social

Examples include:

- Labour standards and worker welfare
- Human rights policies
- Customer protection and product responsibility
- Community engagement
- Diversity and inclusion

Pillar 3 - Governance

Key considerations include:

- Board independence and oversight
- Transparency and disclosure practices
- Risk management frameworks
- Anti-corruption policies
- Executive accountability

Globally, **ESG investing** has grown significantly, with sustainable investment strategies managing over USD 30 trillion in assets worldwide, highlighting the increasing importance of **ESG data and ratings** in **financial decision-making**.



Why Environmental, Social and Governance (ESG) Standards Are Becoming Essential for Businesses in Cambodia

As Cambodia's economy matures and integrates more deeply into regional and global capital markets, Environmental, Social and Governance (ESG) standards are rapidly emerging as a critical component of corporate transparency, risk management, and investor confidence.

Across Asia and globally, ESG is no longer viewed as a voluntary corporate responsibility initiative. It is increasingly becoming a regulatory expectation, a financing prerequisite, and a strategic management tool for corporations, banks, and financial institutions.

Cambodia is now entering this phase of transition.

ESG Compliance and Disclosure in Cambodia

Cambodia has begun developing a regulatory framework for ESG and sustainable finance.

One of the most significant developments is the **ESG Disclosure Prakas** issued by the Securities and Exchange Regulator of Cambodia (**SERC**).

Under this regulation:

- **Companies listed on the Cambodia Securities Exchange (CSX)** will be required to publish ESG disclosures.
- Mandatory reporting includes environmental and social risks, impacts, and mitigation strategies.
- Companies must report key sustainability metrics such as **greenhouse gas emissions and social impact policies**.

These disclosures are expected to become effective from **May 2026**, although voluntary reporting is encouraged in advance.

The Cambodian government is also working with international partners to expand sustainable finance frameworks, including ESG guidelines, climate-related financing mechanisms, and green investment strategies.



Why ESG Ratings Are Becoming Necessary in Cambodia

Several structural forces are driving the rapid adoption of ESG standards in the Kingdom.

1. Access to International Capital

International investors increasingly require ESG disclosures before committing capital.

Without ESG reporting, Cambodian companies may face challenges accessing:

- International bond markets
- Sustainable investment funds
- Development finance institutions

2. Growth of Green and Sustainable Bonds

Cambodia is actively promoting **green bond issuance** to **finance climate-related projects** such as renewable energy, sustainable infrastructure, and energy efficiency.

Programs supported by regulators and development institutions aim to accelerate sustainable bond issuance and align Cambodian issuers with international ESG standards.

3. Climate and Environmental Risks

Cambodia faces increasing exposure to climate risks such as flooding and drought.

These risks can significantly affect economic growth and financial stability, making ESG risk management an important tool for financial institutions and corporates.

4. ASEAN Sustainable Finance Integration

Cambodia is part of the broader ASEAN sustainable finance ecosystem.

Regional initiatives such as the **ASEAN Sustainable Finance Taxonomy and ESG disclosure frameworks** are designed to standardize sustainability reporting across Southeast Asia and improve transparency for investors.



Which Entities Are Affected by ESG Compliance?

Currently, ESG compliance requirements are primarily focused on capital markets participants, but the scope will expand over time.

Entities Currently Affected

- **Listed Companies**

Companies listed on the Cambodia Securities Exchange must begin ESG disclosures under the SERC framework.

- **Bond Issuers**

Corporations issuing **green, social, or sustainability bonds** must demonstrate ESG compliance and reporting to investors.

- **Banks and Financial Institutions**

Financial institutions are increasingly integrating ESG risk into lending and investment decisions through sustainable finance principles.

- **Large Corporations and Multinationals**

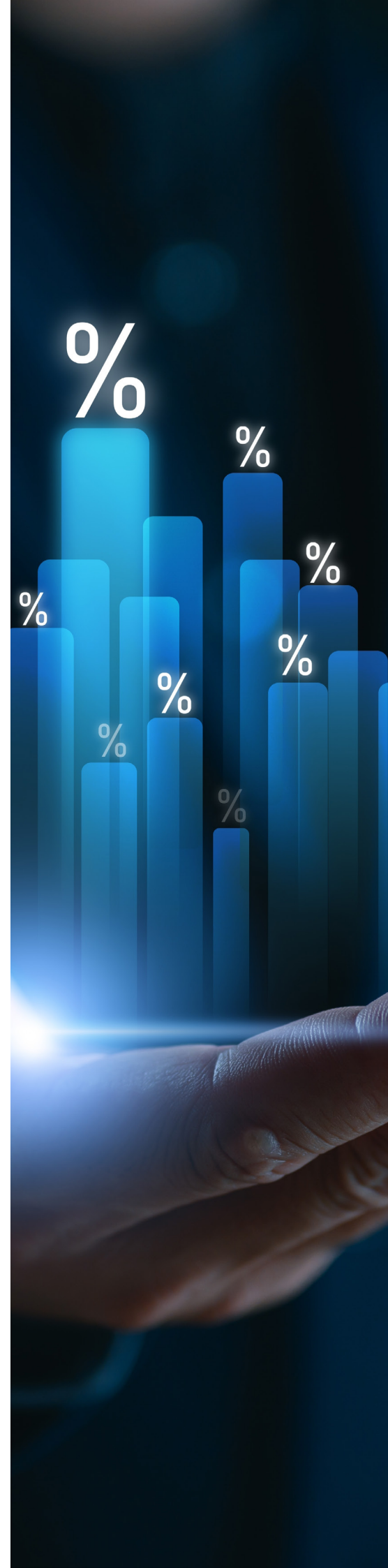
Companies operating within international supply chains must comply with ESG expectations imposed by global partners and investors.

Entities Likely to Be Affected in the Future

Over the next 3–5 years, ESG requirements are expected to extend to:

- Commercial banks
- Microfinance institutions
- Insurance companies
- State-owned enterprises
- Infrastructure developers
- Property developers
- Energy and mining companies
- Export-oriented manufacturers
- Large family-owned conglomerates

In addition, **SMEs participating in international supply chains** will increasingly need to disclose ESG information to meet procurement and financing requirements.



The Role of Regulators and Stakeholders

Several Cambodian regulators and institutions are involved in advancing ESG and sustainable finance.

Key stakeholders include:

Securities and Exchange Regulator of Cambodia (SERC)

- ESG disclosure regulations
- Sustainable bond frameworks
- Capital market transparency

National Bank of Cambodia (NBC)

- Sustainable banking initiatives
- Climate finance development
- Financial sector risk management

Ministry of Economy and Finance (MEF)

- Fiscal policy and sovereign sustainability strategies

Ministry of Environment (MoE)

- Environmental regulation and climate policy

International Development Institutions

Partners supporting Cambodia's ESG transition include:

- International Finance Corporation (IFC)
- Asian Development Bank (ADB)
- World Bank
- UN agencies

These institutions help develop **policy frameworks, capacity building, and sustainable finance programs** in Cambodia.

Why Preparation for ESG Matters Now

Although ESG reporting requirements are still evolving in Cambodia, **early preparation is essential**.

Companies that begin ESG preparation early will benefit from:

- Improved investor credibility
- Easier access to financing
- Stronger corporate governance structures
- Reduced regulatory risks
- Enhanced brand reputation

Conversely, companies that delay preparation may face higher costs and greater regulatory pressure in the future.



Andersen Consulting Cambodia: Spearheading ESG Ratings and Compliance

As Cambodia's financial markets develop, **independent ESG assessment and ratings will play a crucial role in strengthening transparency and investor confidence.**

Andersen Consulting Cambodia is at the forefront of this development as an **accredited Credit Rating Agency (CRA)** in the Kingdom.

With a combined **international and local team**, and 25+ years-experience across the region, Andersen brings extensive expertise in:

- Credit and bond ratings
- Sustainable finance analysis
- ESG risk evaluation
- Corporate governance assessments
- Financial sector research

By integrating **ESG analysis within credit and financial ratings frameworks**, Andersen helps:

- Corporates prepare for ESG disclosures
- Financial institutions manage sustainability risks
- Bond issuers meet international investor expectations
- Regulators strengthen market transparency

This capability is particularly important as Cambodia moves toward **a more sophisticated capital market ecosystem aligned with ASEAN and international standards.**

The Strategic Importance of ESG for Cambodia

The rise of ESG is not simply a regulatory trend, it represents a structural transformation in how economies and financial systems operate.

For Cambodia, ESG integration will help:

- Strengthen financial sector resilience
- Attract long-term international investment
- Support sustainable economic growth
- Improve environmental protection and climate resilience
- Enhance corporate governance and transparency

Ultimately, ESG ratings and compliance are becoming **a foundational component of Cambodia's financial and economic modernization.**

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