

# GOVERNANCE IN ESG OF OIL AND GAS SECTOR

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## Summary

ESG plays a vital role in modern business as it is a key for a company to build trust among stakeholders and access capital. On the one hand, investors look for companies having a good ESG practice to control and reduce potential risks. On the other hand, companies or investees should avoid “greenwashing” behaviors such as setting impractical targets in the name of sustainability, especially in high ESG risk sectors like oil and gas. For these reasons, governance (G) is the foundation of a company’s ESG, and it reflects the commitment of the top management level to achieving all ESG targets by managing risks, developing strategies and being transparent.

**Key words:** ESG, governance, strategy, risk, sustainability.

## 1. Introduction

ESG is the abbreviation of environmental, social and governance. It is a set of criteria demonstrating the performance of a company in these 3 pillars:

- Environmental: This refers to the impact of a company on the environment including natural resources usage, emissions, waste management, biodiversity and how they are mitigated.
- Social: This encompasses the human aspect, focusing on how the company treats its stakeholders including employees, customers and the communities where the company operates.
- Governance: This relates to the company’s structure, compliance with the law and how the company develops its strategy to control all ESG issues.

Together, ESG defines the sustainability of a company and is used by investors or stakeholders to assess the company’s value to make informed decisions.

### 1.1. The emergence of ESG

Beginning with the concept of Corporate Social Responsibility (CSR), it refers to the necessity for organizations to balance making profits with contributing to sustainable socio-economic development and

enhancing life quality in communities. Specifically, businesses should not focus solely on maximizing profits; rather, these profits can be leveraged to foster social well-being and protect the environment by engaging in responsible practices that go beyond legal requirements and core business targets [1].

There has been a notable shift from CSR to a more specific framework known as ESG (environmental, social, and governance). This evolution is driven by various factors used to create ratings and conduct non-financial assessments of companies. ESG has become widely recognized, particularly among corporations and investors in the capital markets [1]. Another pressure

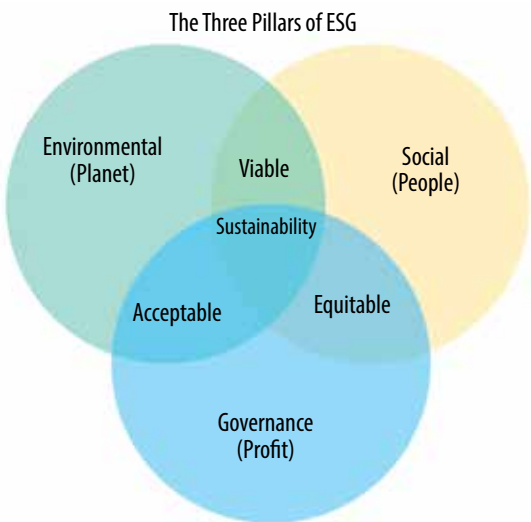


Figure 1. The three pillars of ESG [2].



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forcing companies to practice ESG comes from climate change as this environmental topic grows ever bigger among panel discussions.

From the perspective of investors, ESG pertains to the risks of their investees, especially non-financial risks as crises can potentially arise from failures in human resource management, environmental protection or business ethics apart from monetary decisions. Companies having good ESG practices or at least transparency in ESG disclosures clearly look more reputable or trustworthy. Therefore, ESG helps bridge the gap between investors and investees and ensure the capital flows into sustainable businesses.

## 1.2. ESG to oil and gas sector

As climate change impacts become more visible, mitigating green house gas (GHG) emissions is required to limit temperature increase besides adaptation solutions. This places oil and gas sector at high-risk in terms of sustainability in general and the environment in particular due to the high carbon footprint of its value chain. According to IEA, 15% of total energy-related emissions originate from oil and gas. Furthermore, its indirect emissions are even more significant, driven by the enormous consumption of its products in power generation and transportation [3]. This results in the exclusion of new investment and the divestment of capital from oil and gas, hindering the development of new projects. In contrast, the capital flows into low-carbon energy projects such as renewables, promoting energy transition.

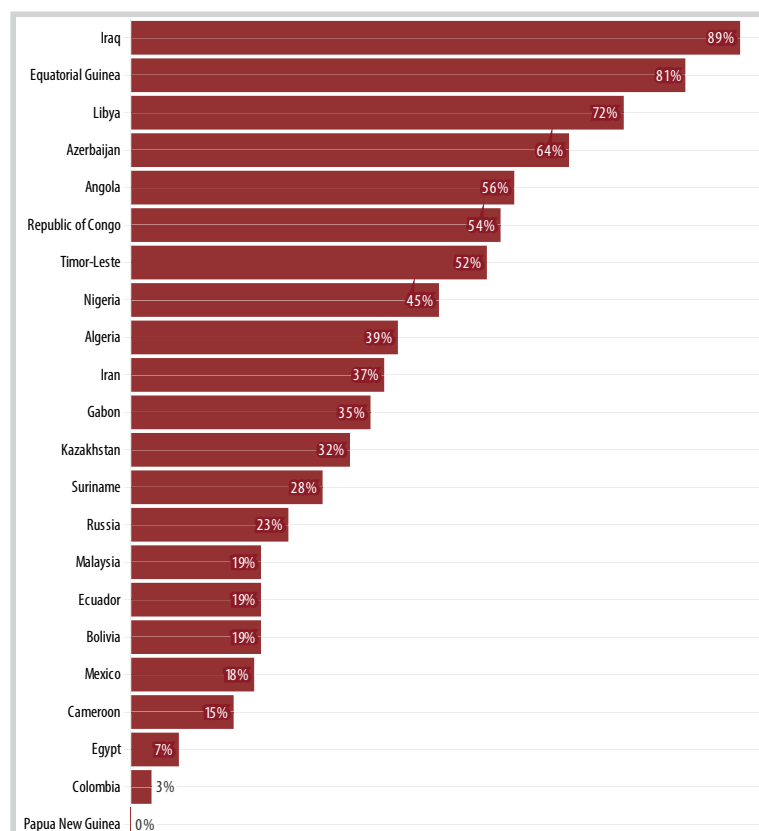


Figure 2. Oil and gas revenue as percentage of total government revenue [4].

In developing countries, national revenue depends heavily on the fluctuating prices of oil and gas but possesses fewer resources (technologies, money, human resources) than developed countries to proactively navigate the global energy transition [4]. Another important matter is the rapid economic growth of these nations. Their manufacturing-based economy and high population requires considerable energy consumption which is primarily generated from oil and gas besides coal. Ultimately, the development of the national oil and gas sector determines the development of the national economy and without capital inflows, stagnation is inevitable. As an adaptation, oil and gas companies take advantage of and promote ESG practices to access capital and maintain production.

## 2. ESG practices in oil and gas sector

Environmental risks share a substantial part in oil and gas by numerous aspects [5]:

- GHG emissions and climate adaptation, resilience and transition: Oil and gas value chain consists of exploration and production, transmission and transportation, refining and processing, petrochemicals, and distribution. These operations emit significant amounts of GHGs including methane, carbon dioxide and nitrous oxide, which contribute to global warming.

- Air emissions: The combustion of fuel along with chemical processing are the sources of air pollutants such as SO<sub>x</sub>, NO<sub>x</sub>, PM, VOCs and other hazardous air pollutants.

- Water and effluents: Oil and gas also uses and discharges a huge amount of water including produced water in oil and gas production, coolant water.

- Waste: Besides domestic and industrial waste, usage of chemicals in different processes generates hazardous waste.

- Biodiversity: Oil and gas resources can be found in Eco-Sensitive zone with various species.

The social aspect is another concern in the

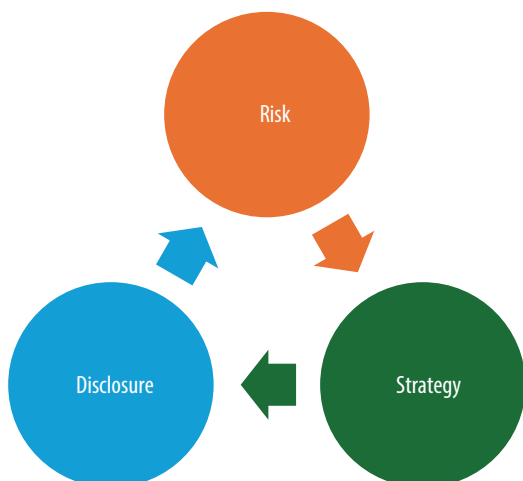


Figure 3. The three pillars of corporate governance.



Figure 4. Effective governance framework.

oil and gas sector due to its heavy industrial nature and harsh working conditions. Several social-related risks are:

- Occupational health and safety,
- Wages and employment practices,
- Local communities and resettlement,
- Incident management.

Finally, governance cannot be overlooked. From a different perspective, ESG is about risk, strategy and disclosure. Based on a risk assessment, a company can build its coping strategy and disclose it through a report to deliberate how it manages all ESG risks, thus gaining trust and attracting investments. To fulfill this objective, robust

governance is essential because it serves as a navigating tool for top management level to plan, implement and realize their vision eventually. Without proper governance, companies are likely to lose direction in ESG or worse, turn into greenwashing.

Regarding the governance aspect, stakeholders are concerned with the structure of sustainability, including governance body selection, communication mechanisms, evaluation, as well as company's strategies, policies, and practices. Since oil and gas are valuable resources that contribute significantly to national revenue, many countries establish national oil companies to manage this sector. This, in turn, leads to other governance-related issues such as:

- Anti-competitive behavior,
- Anti-corruption,
- Payments to governments,
- Economic impacts,
- Public policy.

### 3. Role of governance in ESG implementation

Governance is the driving factor for environmental and social to be implemented. Strong governance plays a pivotal role in ensuring that ESG policies are woven into the core strategy of a company [6, 7].

Effective governance establishes clear leadership roles and responsibilities for ESG initiatives, assigning dedicated teams or executives to ensure that these priorities are addressed at the highest levels rather than being sidelined. This accountability fosters commitment and action across the organization.

Governance frameworks also align ESG objectives with the company's broader strategy. By integrating ESG considerations into strategic planning, companies can identify sustainable growth opportunities, such as investments in renewable energy or improvements in operational efficiency. This alignment embeds ESG within the company's mission rather than treating it as a separate objective.

Strong governance further incorporates robust risk management for ESG-related issues. By evaluating risks, such as regulatory changes and environmental impacts, companies can proactively address potential challenges and adapt their strategies to be both responsive and forward-looking.

Additionally, effective governance also promotes active engagement with stakeholders, including investors, employees, and communities. By understanding stakeholder expectations, companies can shape ESG policies that are both relevant and responsive, fostering trust and enabling more effective implementation.

Governance structures also include metrics and regular assessments to track ESG performance. By setting clear benchmarks and consistently evaluating results, companies ensure that their ESG initiatives remain effective and aligned with broader strategic goals. Transparent reporting further enhances credibility with stakeholders and reinforces accountability.

Lastly, strong governance integrates ESG values into the company culture. When leadership prioritizes ESG, it influences the entire organization, motivating employees to adopt sustainable practices. This cultural transformation is essential for the long-term success of ESG initiatives.

### 3.1. Sample governance structure for ESG implementation

An overview of the ESG governance structures at various energy companies, highlighting how they incorporate ESG principles into their organizational frameworks, is presented in Table 1.

Each of these companies has established clear roles and responsibilities within their governance structures

to ensure effective oversight and implementation of ESG initiatives. By establishing dedicated committees, involving executive leadership, and emphasizing transparency and accountability, with focus on sustainability, safety, and stakeholder engagement, they can better navigate the complexities of the oil and gas industry while promoting responsible practices.

### 3.2. The role of the Board of Directors

First and foremost, the foundation of ESG implementation lies in a company's commitment to responsible business practices, guided by ethical leadership from its boards and executives. When environmental and social considerations are not integrated into every stage of production - from product design to end-of-life management - companies risk transferring environmental and social risks to their suppliers, clients, consumers, stakeholders, and ultimately, to the planet. Therefore, a clear vision of the company for cultivating and sharing sustainable values across the value chain is essential. Only then can effective environmental and social initiatives be developed and realized, fostering sustainable growth for the company.

Therefore, the Board of Directors plays a central role in the successful implementation of ESG initiatives in oil and gas companies. Through strategic oversight, risk management, accountability, stakeholder engagement, cultural leadership, and promoting continuous

**Table 1.** An overview of the ESG governance structures at various energy companies

<b>BP</b>	BP has a dedicated <b>Safety and Sustainability Committee</b> that oversees ESG matters, ensuring that sustainability is integrated into the company's strategy. The <b>Executive Vice President for Strategy, Sustainability &amp; Ventures</b> plays a key role in driving BP's sustainability agenda [8].
<b>Shell</b>	Shell has a <b>Safety, Environment and Sustainability Committee (SESCO)</b> that reviews the company's practices regarding safety and sustainability. The <b>Strategy, Sustainability and Corporate Relations Director</b> is part of Shell's Executive Committee, focusing on integrating sustainability into business operations [9].
<b>Equinor</b>	Equinor's <b>Safety, Sustainability and Ethics Committee</b> monitors ESG risks and performance, ensuring these issues are prioritized at the board level. This committee regularly discusses safety and sustainability issues, with the CEO responsible for day-to-day management of these areas [10].
<b>Eni</b>	Eni's governance includes a <b>Sustainability and Scenarios Committee</b> that advises the board on sustainability issues and climate transition strategies. The CEO implements the board's resolutions and oversees the internal control and risk management systems related to sustainability [11].
<b>Petronas</b>	Petronas establishes a robust sustainability governance including a <b>Sustainability Executive Leadership Team (ELT)</b> responsible for steering enterprise-wide sustainability activities, including strategy, performance, legal, and reputational impacts; the Board provides oversight on climate-related risks and opportunities, ensuring these are integrated into the company's long-term strategic direction; and the Sustainability Committee supports the ELT and ensures that sustainability priorities are embedded across the organization and in decision-making processes [12].
<b>Pertamina</b>	Pertamina's comprehensive sustainability governance structure includes a Sustainability Committee, chaired by the President Director & CEO, responsible for overseeing the implementation of sustainability initiatives and ensuring that ESG considerations are integrated into Pertamina's operations. The Board ensures that the company's ESG initiatives align with its overall business strategy and stakeholder expectations; and sub-holdings and subsidiaries implement sustainability initiatives at the operational level [13].

improvement, the Board of Directors can significantly advance their companies' sustainability efforts.

The Board is responsible for embedding ESG considerations into the company's strategy, prioritizing key issues relevant to the business, and ensuring these considerations remain central to decision-making. Equinor, for example, has integrated sustainability into its core business strategy, with the Board actively overseeing the incorporation of ESG factors into operational plans [14].

Risk management is another core responsibility. The Board oversees ESG-related risks, including environmental, regulatory, and social factors. For example, BP has established a dedicated Safety and Sustainability Committee that focuses on identifying and mitigating environmental and social risks, ensuring the company is well-prepared for potential challenges [15].

Accountability and transparency are also essential. The Board ensures the company is accountable for its ESG performance by setting clear sustainability goals and metrics and regularly reviewing progress. Shell, for instance, is committed to transparent ESG reporting, with the Board overseeing the accuracy and completeness of disclosures - a critical aspect of maintaining stakeholder trust [16].

Effective boards actively engage a diverse range of stakeholders, including local communities, investors, and NGOs. Eni, for instance, has implemented governance structures that promote dialogue with stakeholders, enabling the Board to understand community concerns and incorporate feedback into decision-making. Such engagement is crucial to maintaining a social license to operate [11].

The Board also plays a key role in shaping the company's culture regarding sustainability and ethics. By fostering a culture of responsibility and accountability, boards can encourage the organization to embrace ESG principles throughout its operations. Moreover, they are responsible for ensuring the company adapts to evolving ESG challenges and opportunities by regularly reviewing and updating ESG strategies based on new insights and stakeholder feedback. Equinor exemplifies this approach, continually refining its sustainability practices in response to changing market conditions and regulatory requirements [10].

### **3.3. The role of the internal control apparatus**

Internal control systems are vital to the effective implementation of ESG initiatives in oil and gas companies.

These systems ensure accurate reporting, manage risks, maintain compliance, enhance stakeholder engagement, foster continuous improvement, and provide employee training, helping companies navigate the complexities of ESG management [17].

A critical function of internal controls is to ensure accurate ESG reporting by standardizing data collection, validation, and disclosure, which is essential for maintaining transparency and credibility with stakeholders.

Internal controls also facilitate proactive risk management by establishing processes to identify and address ESG-related risks, allowing companies to swiftly mitigate potential environmental and social impacts. These controls are also critical for regulatory compliance, ensuring companies' adherence to both local and international ESG-related regulations, including environmental laws, safety standards, and social responsibility guidelines. Strengthening internal controls helps companies navigate complex regulatory environments effectively, ensuring operations align with legal requirements and sustainability goals.

Internal controls enhance stakeholder engagement by establishing structured processes for communication and feedback, enabling companies to engage with local communities and NGOs meaningfully. Incorporating stakeholder concerns into decision-making helps maintain a company's social license to operate.

Additionally, these systems foster a culture of continuous improvement by enabling regular monitoring and evaluation of ESG initiatives. Through ongoing assessments, companies can identify gaps in their ESG strategies, implement corrective actions, and enhance ESG performance over time.

Finally, implementing robust internal controls include training employees on ESG principles and practices, ensuring that all staff understand their roles in meeting sustainability goals. This fosters a culture of responsibility and commitment to ESG throughout the organization.

### **3.4. The role of innovative digital transformation**

Most oil and gas companies have large scales of assets, so they are highly vulnerable to the macro-economic changes, such as fluctuations in oil prices. Therefore, cost optimization, precise forecasting and rapid adaptation to change are crucial objectives. Given the complexity of oil and gas operations, digital transformation emerges as a key solution to overcome these challenges. Notable



applications of digital transformation in oil and gas include:

- Using a management platform to develop clear workflows and business models, aligning these with predefined KPIs across operations.
- Leveraging analytics tools to collect accurate, real-time data on business and operational activities, incorporating an AI-driven model to predict potential risks based on insights gathered.
- Strengthening data security by adopting various technologies, including multi-layered storage solutions and automated threat detection tools.

#### 4. Case studies: Governance leading ESG success in oil and gas

Several energy companies have made significant strides in implementing effective governance structures to support their ESG initiatives. A few notable examples are presented in Table 2.

These companies exemplify how effective governance structures can drive the integration of ESG initiatives in the oil and gas sector. By establishing dedicated committees, setting ambitious targets, and committing to transparency, they not only address environmental

**Table 2.** Governance linked to specific ESG initiatives at several energy companies

Company	Specific ESG projects and initiatives
<b>BP</b> [15, 18] has been proactive in integrating ESG principles into its governance framework. The company has established a dedicated board committee focused on sustainability. This committee oversees BP's progress on ESG goals, ensuring accountability and transparency in their operations.	<ul style="list-style-type: none"> <li>• <b>Net-zero ambition:</b> BP aims to become a net-zero company by 2050 or sooner. They have set specific targets, such as reducing operational emissions by 50% by 2030 and investing between USD 6 - 8 billion annually in transition growth projects.</li> <li>• <b>Methane measurement:</b> BP is implementing methane measurement technologies at all major processing sites to drive a 50% reduction in methane intensity. This initiative is crucial for minimizing greenhouse gas emissions.</li> </ul>
<b>Shell</b> [9, 16] is recognized for its strong governance practices related to ESG. The company has implemented a comprehensive sustainability strategy that includes reducing carbon intensity and increasing investments in renewable energy. Shell's Board actively engages in ESG discussions, and is committed to transparent reporting on their sustainability performance, which helps build trust with stakeholders.	<ul style="list-style-type: none"> <li>• <b>Carbon capture technology:</b> Shell is advancing its CANSOLV® carbon capture technology, which will be used in the world's largest post-combustion carbon capture facility in Abu Dhabi, capturing 1.5 million tons of CO<sub>2</sub> annually.</li> <li>• <b>Renewable energy investments:</b> In 2023, Shell allocated a significant portion of its R&amp;D budget (around USD 628 million) to decarbonization projects, including biofuels and hydrogen production from renewable sources.</li> </ul>
<b>Equinor</b> [10, 19] has integrated ESG considerations into its core business strategy. The company has a dedicated sustainability team that reports directly to the executive management and the Board. Equinor focuses on reducing its environmental footprint and has set clear targets for carbon reduction, demonstrating a strong commitment to sustainable practices.	<ul style="list-style-type: none"> <li>• <b>Energy transition strategy:</b> Equinor has committed to reducing net carbon intensity by 20% by 2030 and 40% by 2035. They are investing heavily in renewable energy projects, including offshore wind and solar.</li> <li>• <b>Just transition plans:</b> Equinor emphasizes a just energy transition, focusing on social and economic benefits for communities affected by energy shifts. They are actively engaging with stakeholders to ensure inclusive practices.</li> </ul>
<b>Eni</b> [11] has made significant efforts to align its governance structures with ESG principles. The company has established a sustainability committee within its Board to oversee ESG initiatives and ensure compliance with international standards. Eni is also committed to transparency, regularly publishing detailed reports on its sustainability performance.	<ul style="list-style-type: none"> <li>• <b>Open innovation initiatives:</b> Eni has adopted an open innovation approach, collaborating with startups and research institutions to accelerate the development of sustainable technologies. This includes projects focused on carbon capture and renewable energy.</li> <li>• <b>Biorefining capacity expansion:</b> Eni is increasing its biorefining capacity significantly, aiming to produce more sustainable fuels and reduce emissions in its operations.</li> </ul>
<b>Petronas</b> [12] has established a comprehensive ESG governance framework to drive its sustainability agenda. By linking ESG initiatives to its governance structure, Petronas ensures that sustainability is a core aspect of its operations, driving coordinated and effective ESG strategies with clear targets and accountability mechanisms in place.	<ul style="list-style-type: none"> <li>• <b>Net-zero emissions by 2050:</b> The ELT and Board oversee this target, which involves reducing emissions, improving efficiency, and investing in renewables. Some initiatives such as zero routine flaring and energy efficiency are integrated into operations.</li> <li>• <b>Biodiversity and environment:</b> The ELT and Sustainability Committee oversee strategies to protect biodiversity and implement responsible waste/water management.</li> </ul>
<b>Pertamina</b> [13] has launched several impactful ESG initiatives guided by its governance structure. The company has committed to reducing carbon emissions by 30% by 2030 and achieving net-zero emissions by 2060 and actively transitioning towards cleaner energy sources. This includes increasing investments in renewable energy projects and enhancing energy efficiency across its operations. Pertamina aims to align its energy mix with national and global sustainability goals.	<ul style="list-style-type: none"> <li>• <b>Decarbonization:</b> The ESG Committee and Board oversee the strategy to reduce carbon emissions by 30% by 2030 and achieve net-zero by 2060. This involves utilizing renewable energy and carbon capture technologies.</li> <li>• <b>Energy transition:</b> The ESG Committee ensures initiatives to increase investment in renewables and enhance energy efficiency.</li> </ul>

and social challenges but also position themselves for long-term success in a rapidly evolving energy landscape. Beyond setting ambitious ESG goals, these companies actively implement innovative projects that promote sustainability and combat climate change. From carbon capture technologies to renewable energy investments, these initiatives reflect a commitment to integrating ESG principles into their core operations.

## 5. Role of investors and stakeholders in driving ESG governance

Investors are placing growing importance on strong governance frameworks to manage ESG risks, especially in the energy sector. This demand is reshaping corporate approaches to ESG by emphasizing transparency, stakeholder engagement, and long-term value creation, enabling companies to meet investor expectations while securing a competitive position in a rapidly evolving market.

With the rising focus on climate change and social responsibility, investors are more aware of the risks associated with poor ESG performance. Recognizing that weak governance can result in significant financial and reputational damage, they are pressing companies to adopt more rigorous governance frameworks to mitigate these risks effectively. Institutional investors, such as BlackRock, have also indicated a willingness to use their voting power to enforce ESG accountability. Recent statements suggest they are prepared to vote against management or board members if companies do not demonstrate progress on sustainability disclosures. This added pressure is driving oil and gas companies to strengthen their governance frameworks to address investor demands for accountability in ESG performance [20].

Investors increasingly seek a clear connection between a company's ESG efforts and its financial performance, demanding assurance that companies are not only compliant with regulations but also strategically prepared to succeed in a sustainable economy. This expectation is encouraging oil and gas companies to incorporate ESG into their core business strategies. Many investors now take a long-term view, recognizing that companies with robust ESG governance are often better positioned for sustainable growth and are willing to invest at a premium in those demonstrating solid governance practices and well-defined ESG commitments [21].

As regulations on sustainability evolve, investors expect companies to maintain governance mechanisms

to ensure compliance and transparency in ESG reporting. Investors are also advocating for stronger stakeholder engagement, urging companies to communicate actively with groups such as local communities and environmental organizations. Effective governance facilitates this engagement, allowing companies to address stakeholder concerns and incorporate feedback into their ESG strategies, thereby enhancing reputation and mitigating risks.

## 6. Recommendations

Integrating ESG into the core strategy of Vietnamese oil and gas companies like PetroVietnam is essential, as demonstrated by industry leaders like BP, Eni, Equinor, and Shell. Vietnamese oil and gas companies should:

- Set clear, measurable ESG goals that align with both national and global sustainability targets;
- Establish robust governance structures, such as an ESG Committee within the Board of Directors to ensure focused oversight of sustainability efforts and accountability for ESG performance similar to practices by those industry leaders;
- Engage stakeholders effectively by involving local communities, NGOs, and government bodies in decision-making processes to address concerns;
- Ensure transparency via regular sustainability reports, building trust with stakeholders and demonstrating accountability;
- Implement comprehensive risk management frameworks to better identify and address ESG-related risks more effectively.

### 6.1. Increase the role of governance in ESG

With governance at the core of ESG, the Board of Directors (BoD) plays a central role in ensuring the success of practice. First, the BoD must have a thorough understanding of critical ESG concerns and risks affecting both internal and external stakeholders. Gaining a perception of ESG current state requires reviewing ESG performances and benchmarking it to standards, best practices and regulations. Therefore, equipping the highest governance body or BoD with collective knowledge on sustainability is the foundational step in corporate governance practices.

Key responsibilities of BoD in governance aspects:

- Developing governance structures: A management-level committee led by a chief sustainability officer can

be organized. Its role is to oversee the management team or executive board, who is in charge of executing ESG strategy developed by the BoD. To operational level, an ESG committee can be established including staff specialized in ESG aspects such as legal, human resource, HSE, investor relations, public relations. Finally, an audit committee can be formed to bridge the management-level committee and ESG committee.

- Foster a culture of ethics and integrity: Gaining trust of stakeholders is the mission of ESG and can only be achieved through transparency. This includes developing codes of conduct raising ethical standards in all activities, whistleblowing mechanisms to ensure all complaints are addressed.

- Risk management and regulatory compliance: Adherence to applicable regulations as well as monitoring violations are compulsory. Additionally, other risks are also examined by engaging with stakeholders and conducting double materiality assessments.

- Driving corporate responsibility: By setting relevant, clear, measurable, time-bound goals and targets [22].

## **6.2. Integration of sustainability strategy into business model**

Since ESG risks have become a critical aspect of risk management, ESG should be integrated into the development strategy of the company to solve each concern. Building a sustainability strategy is particularly important for sectors with high ESG risks like oil and gas.

Equinor is a typical example of building sustainability strategy. The company recognizes that climate change is the greatest challenge and net-zero journey can create new business opportunities. From that orientation, it develops an action plan focused on high value growth in renewables, optimized oil and gas portfolio and new market opportunities in low-carbon solutions [23].

## **6.3. Monitoring and reporting mechanism**

Monitoring and controlling managers' decisions is required to ensure all activities bring environmental and social benefits to stakeholders. In this context, the team performing this task is tentatively called the audit committee. This team should be a sub-committee of the Board of Director, playing the connection role between BoD and Executive Board.

Its role includes supervising both the mandatory and voluntary ESG practice of the company. Besides,

this committee can advise BoD to set up ESG indicators aligned with the planned strategy [24].

## **6.4. Remuneration policies**

In parallel with incorporating ESG into strategy and quantifying ESG indicators, remuneration policies should be built to create incentives. According to PwC, 45% of FTSE 100 companies now include ESG measures in executive pay, whilst 78% of board members and senior executives agree that strong ESG performance enhances organizational value and/or financial performance.

PwC suggests 4 approaches to develop remuneration policies tied to ESG performance [25]:

- Internal and external targets: Measured by activities leading to outcome, not the outcome itself.

- Individual KPIs and scorecards: Based on the achieved ESG metrics.

- Long-term incentive plan (LTIP) and annual bonus: Designed for goals requiring long-term implementation, such as climate targets.

- Underpins and scale targets: Not every metric can be quantified, thus, it needs qualitative assessment.

## **7. Conclusion**

Practicing ESG is the key for companies in high-ESG-risk sectors like oil and gas to access capital markets. This is even more important in emerging economies, where national economy is contributed significantly by oil and gas. Successful ESG implementation begins with a robust governance system comprised of ESG structure, monitoring mechanism, KPI, and remuneration policies. Furthermore, the integration of ESG strategy into business model to form a sustainability strategy can promote companies to meet the demand of all stakeholders. In general, beyond superficial risks of oil and gas like climate resilience or energy transition, a shift in governance system is the most critical ESG topic that can foster the future of the sector.

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