

Title: Making sustainability a part of corporate strategy

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Source: Vietnam Investment Review's special publication "Sustainable development - Shaping a brighter future" published in November 2019

Making sustainability a part of corporate strategy

Recent Global CEO Surveys conducted by PwC show that business leaders are now getting more concerned about a wider range of business threats and social and economic issues, such as social inequality, climate change, or environmental sustainability. These global challenges are bigger than ever, imposing requirements for businesses to consider shifting to a sustainable business model that ensures the integration of sustainable development issues into the operational strategy.



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However, integrating sustainability with clear vision into the long-term strategic plan of the business in a way that creates long-term value, based on building partnerships with stakeholders, remains a significant challenge for businesses. For most businesses, the most challenging aspect is to integrate sustainability into short-, medium-, and long-term strategic plans. Even large-scale enterprises that have implemented this so far have focused on risk management, rather than considering action plans for managing sustainability issues in a way that enables effective value creation.

Nonetheless, this is changing as executives are starting to focus on understanding how to deal with issues such as climate change, water scarcity, and resource depletion, as well as human rights and poverty – to name but a few of these concerns – that may affect their strategic priorities. Leaders are seeking to ensure that the business strategy aligns with the action plans on the sustainability agenda, both to minimise risks and to maximise long-term opportunities. Once there is an agreement on

the level of sustainability affecting the core business strategy, it will be much easier to agree and act on the business' priority issues as well as to ensure that internal and external stakeholders are engaged fully.

INTEGRATING SUSTAINABILITY

Environmental, social, and governance (ESG) issues can affect current and future business models. Therefore, leading organisations are integrating related operational values, goals, and metrics into business strategies to minimise risk. Their Enterprise Risk Management (ERM) programmes fully consider ESG risks and help seize opportunities for timely innovation and cost reduction. Meanwhile, corporate social responsibility programmes are linked to a clear statement of purpose and strategy rather than being placed in siloed functions or separate events.

As sustainability enters the board's agenda, it will increasingly be integrated into company-level strategic plans. Management needs to balance compliance towards growing legal regulations with brand protection, ensuring a stable supply chain and improving productivity in order to turn the sustainability agenda into a strategic advantage.

With the new sustainability measures, businesses take into account all the costs involved, based on quantifying social and environmental performance in addition to financial data, to measure the success and value of their enterprise (see Figure 1).

BENEFITS OF INTEGRATION

For both businesses and investors, not discussing ESG risks such as climate change,

discrimination, or product quality can affect brand and performance. If these risks become a reality, both businesses and their investors will suffer. In fact, many business directors and executives often fail to integrate risk sustainability in their long-term strategic discussions. Therefore, the requirement for business leaders is to develop a new mindset that allows them to prepare and address a wider range of threats and see opportunities through which they can ensure that the corporate strategy and sustainability approach are closely linked. A number of large enterprises have shifted their thinking and strategic actions in response to this trend, gaining positive feedback from the market, investors, regulators, and stakeholders alike.

Strategies which integrate sustainability help businesses manage risks effectively, protect reputation, stimulate innovation, and attract talent, which are factors that ensure long-term growth and profit. Adding sustainability into the corporate strategy will help ensure reporting and information disclosure with a detailed performance picture based on actual management of monitoring and measurement of indicators across sectors. Quantitative operational data links financial value to inputs, outputs, results, and impact. It demonstrates to stakeholders a clear strategic approach and impact measurement management mechanism (see Figure 2).

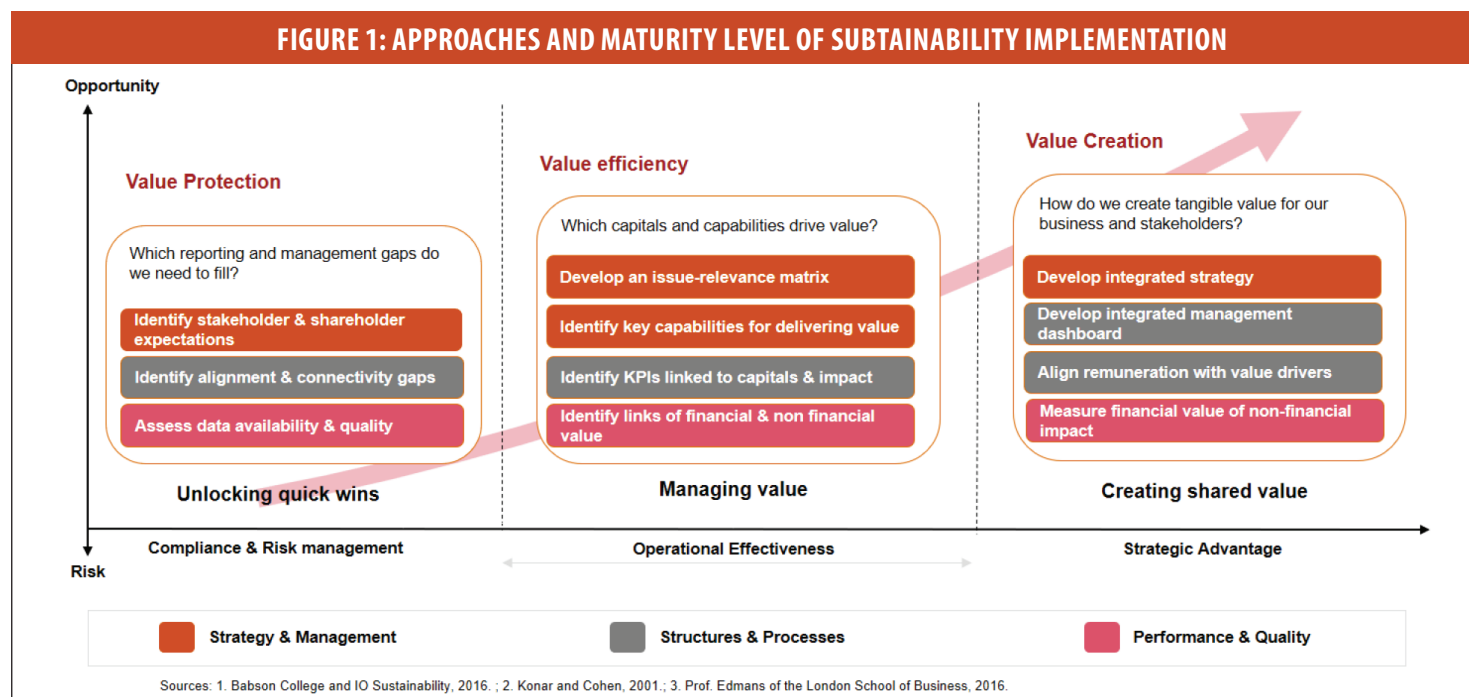
IMPLEMENTING SUSTAINABILITY STRATEGIES IN VIETNAM

The Vietnamese government's view of sustainable development has been consistently expressed in its economic development strategies and the 2030 Agenda for Sustainable De-

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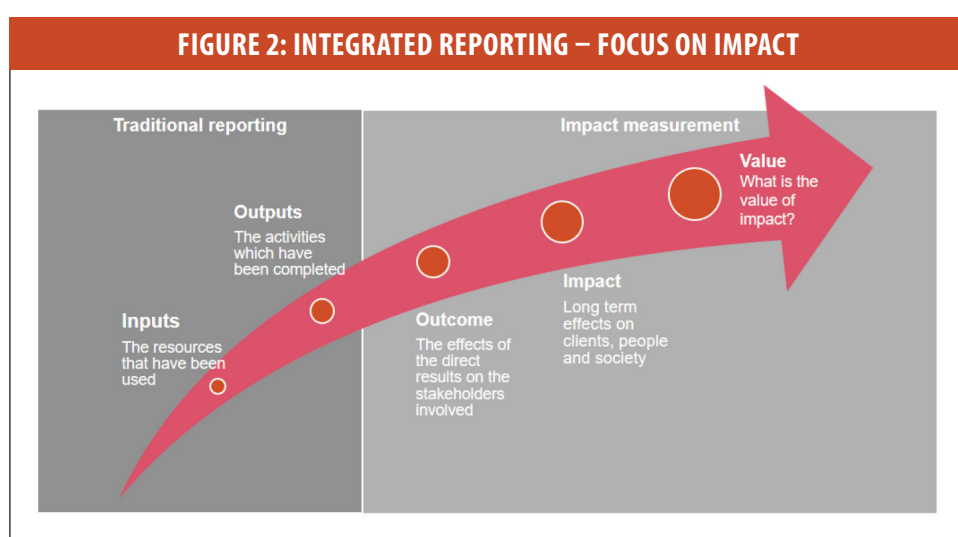
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velopment to implement the United Nations Sustainable Development Goals, which sets specific economic, social, and environmental goals. Most recently, the government issued Decision No.1362/QĐ-TTg in October to approve the sustainable development action plan for the private sector until 2025, with vision to 2030. Recognising the importance of sustainable development, many leading Vietnamese businesses are innovating strategic management and implementing each step of the transformation process, closing the gap with international practices on various aspects, such as:

- **Assessing strategic alignment and sustainability assurance:** Vinamilk conducted a review of the management gap and set a roadmap for implementing their sustainability strategy. The corporation has also implemented third-party assurance according to international standards (ISAE3000) for its sustainability report in areas including energy, water, wastewater, waste, and health and safety, among others, ensuring the reliability of information published to stakeholders.

- **Implementing the Sustainable Development Council model:** Novaland Group established a Sustainable Development Council with independent external members possessing strategic expertise and experience to advise the Board of Directors on the orientation and roadmap for sustainable development, with the goal of making Novaland the leading group



in real estate, tourism, and infrastructure.

- **Assessing the effectiveness of sustainability initiatives:** Coca-Cola Vietnam conducted an ESG impact assessment throughout its business and its value chain; TTC Group co-operated with investment funds to boost investment in developing solar and wind energy projects; Vietjet adopted the SFCO₂ initiative with Safran and invests in modernising its fleet to help reduce fuel consumption and greenhouse gas emissions.

- **Integrated report:** Bao Viet Holdings developed an integrated report in accordance with international practices, whereby financial

and non-financial information are aggregated, analysed, and reported in alignment with the capital management model.

Overall, there is still a gap between the strategy and the implementation of sustainable development governance in accordance with international practices in Vietnam. However, some local businesses are actively preparing the necessary resources to close the gap between the assessment, identification of opportunity, risks, and capacity building and implementation plans with specific quantitative goals consistent with the corporate development strategy.