Making sense of ESG
A business perspective

ESG is a set of environmental, social and governance standards for company operations. It serves as a guide for stakeholders to understand how an organisation manages risks and opportunities across the three dimensions.

What’s inside each dimension?
ESG terminology as per Global Reporting Initiative:

- ESG standards are a specific quality requirement for ESG reporting. ESG standard typically contains detailed criteria or metrics of ‘what’ should be reported on each ESG topic.
- ESG framework provides a broader, contextual “frame” for ESG information. It can be thought of as a set of principles providing guidance and shaping people’s understanding about a certain ESG topic, but miss a defined reporting obligation. ESG framework may be used when a standard does not exist.
ESG creates winners among businesses, governments and society. Those who address sustainability and climate change today stand as leaders of tomorrow.

Environmental, social and governance (ESG) has become mainstream and is widely recognised as business critical. It is no wonder that ESG remains top of mind for Management Boards today.

ESG serves as a framework to help stakeholders make sense and measure how sustainably an organisation is operating. With consumers, employees, and investors demanding that companies do more or face serious consequences, businesses can no longer afford to ignore ESG issues.

When done correctly, ESG enables businesses to tackle the biggest challenges of today - and capture the best opportunities of tomorrow. However, ESG takes on different meanings for each organisation given its broad spectrum of topics. And so, to fully realise its potential, the ESG concept must be aligned with an organisation’s strategy and help advance its’ business model.

It is against this backdrop that both PwC Vietnam and the Vietnam Institute of Directors (VIOD) jointly conducted a survey between May and August 2022 to find out how businesses in Vietnam are (in reality) approaching and handling ESG matters. Where are these companies on the ESG journey? What are they thinking and feeling about ESG and the imperative for green growth? What support is needed to move the needle on ESG? This is what we explore in our inaugural Vietnam ESG readiness report 2022.

The results from 234 respondents highlight that ESG concerns are front and centre for businesses here. Stakeholder expectations are also increasing. So more needs to be done. We hope you find this report an interesting and thought-provoking read. We also would like to take this opportunity to thank all respondents who took the time to contribute to this valuable research.
Acknowledgements

This Vietnam ESG Readiness Report 2022 was jointly developed by PwC Vietnam and the Vietnam Institute of Directors (VIOD). We would like to thank the organisations, business associations and chambers that contributed to and participated in the survey and report.

Special thank to the strong support from the State Securities Commission of Vietnam (SSC), Vietnam Chamber of Commerce and Industry (VCCI), Ho Chi Minh City Stock Exchange (HOSE), International Finance Corporation (IFC).
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ESG in Vietnam
A clear signal from the Vietnamese government

ESG has gained prominence in Vietnam over the past few years. This is largely driven by the Government’s efforts to promote ESG-related practices, and investors’ growing demand for sustainable investment.

At the 2021 United Nations Climate Change Conference (COP26), Vietnam made a big splash when the Prime Minister announced a series of climate-action commitments. These will have a significant impact on the transition to carbon neutrality and will require a rewiring of the entire economy.

But that’s not all. As illustrated below, efforts by the Vietnamese government cover all three dimensions of ESG. In taking the lead to provide the relevant ESG policies and regulations, the Vietnamese government can help galvanise businesses into playing a greater role in achieving the national commitments related to ESG objectives.

**Vietnam’s commitments to tackle climate change**

<table>
<thead>
<tr>
<th>Target</th>
<th>Year</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net-zero carbon emission target</td>
<td>2050</td>
</tr>
<tr>
<td>Phase out coal-fueled power generation by</td>
<td>2040</td>
</tr>
<tr>
<td>Stop deforestation by</td>
<td>2030</td>
</tr>
<tr>
<td>To reduce GHG emissions by</td>
<td>2030</td>
</tr>
<tr>
<td>Vietnam submitted its updated NDC on 11</td>
<td></td>
</tr>
<tr>
<td>September, becoming the 12th country to</td>
<td></td>
</tr>
<tr>
<td>do so in 2020.</td>
<td></td>
</tr>
</tbody>
</table>

Between 9% (with domestic resources) and up to 27% (with international support)

Source: UNFCCC, MONRE

Vietnam: Boosting resilience to climate change, accelerating transition to a low carbon economy, while achieving country objective to become a high-income economy by 2045.

Watch 5-min video from The World Bank Group’s Country Climate and Development Report
A clear signal from the Vietnamese government (continued)

At a glance: Key ESG legislation, policy developments and regulations

Note: Non-exhaustive

Social
- (2011) Consumer Protection Law
- (2023) Draft revised Consumer Protection Law
- (2019) Draft Decree on GHG emission and ozone layer protection, initial roadmap for domestic carbon market

Environmental Protection Law
- National green growth strategy for 2021—2030 period, with a vision by 2050
- Extended Producer Responsibility ("EPR") Regulations
- Decree on GHG emission and ozone layer protection, initial roadmap for domestic carbon market

Power Development Plan 8 (PDP8) - ongoing development including the phase-out of coals

Labor Code
- National Strategy on Climate Change for 2050
- Approved scheme for circular economy development
- (2017) HOSE launched the Sustainable Development Index (VNSI)

Vietnam towards ESG

National Strategy on Climate Change for 2050
- National Environmental protection strategy until 2030 and vision 2025
- National Strategy on Climate Change for 2050
- Extended Producer Responsibility ("EPR") Regulations
- (2017) HOSE launched the Sustainable Development Index (VNSI)
- Environmental Protection Law and guidelines

SBV is drafting Environmental Risk Management Guidelines.

Decree 155/ND-CP guiding the Law on Securities

MoF sets out some guidelines on disclosure of information on securities market (include ESG related areas)

Corporate Governance Code of Best Practices.


(2020) Law on Enterprises

(2020) Law on Securities

(2019) Law on Enterprises

(2019) Law on Securities


Key survey themes

Findings from our inaugural ESG readiness survey among businesses operating in Vietnam have been grouped into three themes

Part 1

ESG commitment levels are high

• 80% have made ESG commitments or plans to do so soon.
• This is primarily driven by demands of consumers, employees and investors.
• Governance is ranked as most important to the ESG strategy for Vietnamese companies.

Part 2

The ESG action gap: More to do

• There is value in an implemented ESG programme.
• Without strong a governance structure, companies may fall short in achieving their ESG goals.
• Fully leverage on senior leadership to drive ESG commitments.
• Both targets and metrics are needed to produce desired outcomes.
• Data is a key barrier.
• Regulators play a critical role in providing clarity on ESG reporting.
• Vietnamese companies lag behind global counterparts in seeking independent assurance on ESG disclosures.

Part 3

Taking ESG forward

• 61% of companies yet to commit cite lack of knowledge as the key barrier.
• 67% rank absence of transparent regulations as key challenge.
• 29% of respondents who said that there are board involvement in ESG are confident in their Board’s capabilities on ESG matters.
What do businesses in Vietnam say?
Part 1

ESG commitment levels are high
Having a good understanding of ESG without commitment or vice versa is meaningless. In order to build a better and more sustainable Vietnam, we need the collective commitment and collaboration between multiple stakeholders, including individuals, businesses, investors, entrepreneurs, regulators, the government as well as the media.

Andrew Chan
South East Asia Sustainability & Climate Change Leader, and Sustainability Strategy & Transformation Leader,
PwC Asia Pacific Sustainability Centre of Excellence

Making real progress on ESG issues require active collaboration among CEOs, investors and governments.

Watch 2-min video from PwC’s Global Investor Survey
Key survey themes

Talk is cheap. Action is golden.

ESG is clearly on the corporate radar even though in its entirety, ESG can seem overwhelming. This shows that businesses here are ready to take the next steps, in the right direction, on their ESG journey.

When we looked deeper by company types, the findings on:

- Foreign Invested Enterprises (FIEs) businesses are as expected with 57% stating they have made explicit ESG commitments. This high result is understandable as a majority of FIEs businesses might have to follow the lead of their parent companies overseas where ESG trends are more developed than Vietnam.

- Listed companies on the other hand, appear to have taken a “wait and see” approach as more than half (58%) indicate they plan to make ESG commitments in the near future.

- Interestingly, 40% of private family business respondents say they have made ESG commitments. This figure may underscore the strong sense of responsibility among Vietnamese NextGens\(^2\) that family businesses should lead the way in sustainable business practices.

Q: Choose statement that best describes the current status of the organisation’s ESG commitment

<table>
<thead>
<tr>
<th></th>
<th>FIEs</th>
<th>Listed companies</th>
<th>Private/Family businesses</th>
</tr>
</thead>
<tbody>
<tr>
<td>Do not plan to identify/make ESG commitment in the next 2-4 years</td>
<td>16%</td>
<td>7%</td>
<td>31%</td>
</tr>
<tr>
<td>In the planning phase for the next 2-4 years</td>
<td>27%</td>
<td>58%</td>
<td>35%</td>
</tr>
<tr>
<td>Have made ESG commitment and plan</td>
<td>57%</td>
<td>35%</td>
<td>40%</td>
</tr>
</tbody>
</table>
Consumers, employees and investors drive ESG motivation factors

Never underestimate the power of the conscious consumer in today’s market. Due to the united demands from consumers, employees and investors, companies are stepping up efforts to address ESG related issues within their businesses.

Our survey shows that 82% of respondents across industries choose brand image and reputation as the top reason to pursue ESG while staying competitive is the second cited reason (68%). Others include employee retention and talent attraction and, last but not least, the increasing pressures from investors, shareholders and government.

Avoid greenwashing

Greenwashing is the process of conveying a false impression or providing misleading information about how a company’s products are more environmentally sound. Exaggerating sustainability credentials can lead to criticisms and undermine a business’s brand and reputation.

Q: Factors motivating or will motivate the organisation to adopt ESG commitment (Choose many)

Manufacturing and Retail are more likely to cite “Attracting employees” as a reason

FS companies are more likely to cite “Pressure from Investors and Government” as reasons to adopt ESG commitments

Our survey finding correlates with results shared in PwC’s June 2022 Global Consumer Insights Pulse Survey25:

- Around half of global respondents say ESG concerns influence their shopping behaviours.
- When it comes to buying decisions among the Vietnamese, governance (59%) and social (51%) outweigh a company’s environmental commitment (46%)
- Interestingly, Vietnam’s results are higher compared to the global average.

Creating a clear link between what people do every day and societal purpose is a powerful way to nurture meaning for employees. Unfortunately, PwC Asia Pacific Workforce Hopes and Fears Survey 202226 shows a growing dissatisfaction among employees in Asia Pacific companies.

- 73% say they lack support for minimising their company’s impact on the environment.

Investors are also paying more attention to the ESG risks and opportunities facing the companies they invest in, and are ready to take action. In a new research by PwC27:

- Nearly 80% said ESG is an important factor in their investment decision-making
- About 50% express willingness to divest from companies that do not take sufficient action on ESG issues.

To improve brand image and reputation

To stay competitive in the market

To attract and retain employee

Increase pressure from investors and stakeholders

Increase pressure from government
Businesses prioritise “G” over Environmental and Social

ESG typically brings to mind environmental issues like climate change and resource scarcity, particularly post COP26. However, in reality our survey reveals that this may not be the case in Vietnam. When asked to rank the three ESG elements in terms of importance:

While environmental and social factors follow with 22% and 16%, respectively.

The disparate survey findings highlight that companies in Vietnam are clearly committed to conducting themselves responsibly. It also suggests that the focus on Governance most likely stems from the companies’ belief that stronger governance will lead to better decision-making in both the environmental and social dimensions. But is ESG enough if only the “G” is a priority?

A combination of E, S and G factors produces better long-term results.

MSCI’s recent paper shows that while the governance in ESG has more impact on companies’ performance over the short term (one year), over the longer time periods all three factors are critical to outperformance. Using data over a 13-year span, this research found an overall ESG score that aggregated industry-specific weighting of all three E, S and G dimensions has better long-term results than any of the individual indicators.

Industrial manufacturing is present across all 3 dimensions
2

Part

The ESG action gap: More to do
As with almost everything, taking the first steps along the ESG journey is daunting, but it will surely be a rewarding one. Being successful is not just about finance, disclosure, climate change or diversity. It is about embedding all of these principles and more in your strategy and activities including risk management.

**Nguyen Hoang Nam**
Partner, ESG Leader
Assurance services
PwC Vietnam

Ready to take giant steps on ESG?

Here are three imperatives: reinvent your strategy, reimagine your reporting and transform your business practices.

Watch 2-min video from PwC’s Leadership Agenda
Taking specific steps to realise your ESG commitments

Most businesses in Vietnam are just starting out on the ESG journey.

Vietnamese businesses are stepping up in their ESG journey but is the ESG adoption up to the mark? While ESG commitment is at a commendable level, the results also highlight gaps between ambition and action.

This section shares insights into the perception of organisations here when it comes to handling ESG matters. To better understand the level of ESG maturity in Vietnam and identify areas where there are gaps, our survey looked at different actions taken across six areas covering:

1. ESG programme
2. Governing structure
3. Leadership
4. Targets and metrics
5. Data
6. Reporting and disclosures

At a glance:
How businesses with explicit or planned ESG commitments are translating intent into action across these six areas:

- 66% Have some ESG programme in place
- 24% Possess clear governing structure
- 35% Have active Board involvement on ESG matters
- 28% Have strong ESG risk metrics to monitor progress
- 71% Lack understanding of data required for reporting
- 70% Have none or very limited ESG reporting
- 36% Use external parties to validate their ESG disclosures
ESG programme

As companies set their sights on achieving their ESG ambition, tangible actions must be taken. The statistics here and in the following pages highlight that companies here are on the right track. In some areas, Vietnamese businesses have made progress while showing room for improvement in others.

Insight #1: Businesses in Vietnam recognise the value of an implemented ESG programme.

ESG programmes help shape the company’s ESG purpose and set goals in line with stakeholder expectations. An ESG programme needs to consider all relevant stakeholders’ expectations, one of which is the regulators. At a minimum, businesses are required to understand and comply with government standards for ESG.

In our analysis, of the 66% companies which have implemented some form of ESG programme, with 22% saying they have a comprehensive programme covering all three aspects.

Q: What is the status of the organisation’s ESG programme?

Building your ESG programme with structured and manageable sub-elements

As a start, organisations can think through the three elements of ESG separately, rather than as a whole, and do so at the next level down – i.e., the five or six sub-elements of E, S and G. From there, organisations will be able to decide what actions to take. Some sample framework for references 29.
Governing structure

Insight #2: Companies may fall short in achieving their ESG goals without a strong governance framework in place.

Although 49% report they have a formal structure on ESG matters within their company, more can be done from this starting point. Closer inspection shows that businesses here are equally dispersed across the maturity spectrum. On the one hand, only 24% state they currently possess a clear governance structure with defined ESG commitments and obligations, roles and responsibilities as well as KPIs etc. Meanwhile, about the same portion report that their companies do not have any ESG governance structure.

The governing structure integrates critical material factors into all aspects of business strategy, operations and decision-making when it comes to addressing the company’s ESG risks and how it capitalises on ESG opportunities. The structure relies on cross-functional collaboration in assigning authority to make ESG-related decisions. Put simply, the ESG governance structure outlines how decisions are made, backed by data, and how businesses are held accountable for those decisions with board and management oversight.

Q: Choose statement that best describes the organisation’s ESG governance structure

- No ESG governance structure.
- Informal governance structure, not formalised.
- Formal governance structure, focusing on conventional ESG topics.
- Clear governance structure with ESG charter. Includes roles, responsibilities, KPIs etc.

Maturity level
Leadership

Insight #3: Businesses have yet to fully leverage on senior leadership to drive their ESG commitments.

The greatest impact in ensuring ESG is a priority is at the Board level where Boards can help guide management in the allocation of appropriate resources and attention. There are some leading practices that have emerged, listing questions that boards should consider when determining the most appropriate governance structure to oversee ESG matters given the company’s industry, size, growth trajectory, and strategy.

There has also been a rise in demand for leadership roles such as the ESG Leader or Chief Sustainability Officer (CSO) to help drive and implement ESG initiatives. Evidence shows that empowered CSOs can make a meaningful difference due to their ability to understand the interconnections of all ESG issues while not losing sight of the organisation’s sustainability mission.

Our survey in Vietnam looked at two different leadership categories: Boards and CSO in an attempt to understand the “tone from the top” approach of Vietnam on ESG. It shows that 35% of respondents stated that there is active involvement and leadership on the ESG agenda. And in which, it’s no surprise that the well established firm such as large size companies have more leadership involvement (40%) than the mid and smaller size firms (25%). Besides, only 22% reported that they have dedicated ESG leaders in the organisation.

PwC Research Analyst noted that companies with CSOs earn higher ESG ratings.

The same report also found that globally, eight in ten companies have designated an executive with at least some responsibility for sustainability.
The role of the board of directors regarding ESG issues is that of oversight. The board is a central player in overseeing and integrating ESG risks and opportunities in their organization. There is no “one-size-fits-all” approach for allocating ESG oversight responsibilities among the board and its committees, and delegation of responsibilities may change over time. Board members should be prepared to discuss and address emerging ESG issues in the boardroom

Dr. Dinh Toan Trung
Strategy Director
VIOD Academic Advisory Council

As sustainability and social issues become central to strategy, executive compensation will be an important performance motivator.

Watch 2-min video from PwC’s Leadership Agenda
ESG targets and metrics

Insight #4: Businesses need both ESG targets and metrics in order to produce the desired outcomes.

Consumers, investors and governments seek to understand and incentivise businesses that perform well on ESG. However, traditional financial metrics can tell only part of a company’s story. Organisations today need to demonstrate how environmental, social, and other trends impact their strategy, operations, and long-term prospects.

When we asked businesses about their overall ESG targets and metrics, a large majority (87%) revealed they have relevant ESG targets in place. However, the follow up question on the progress of risk-metric development highlights that less than one third (28%) say they have a set of comprehensive risk metrics. The struggle could be due to the lack of knowledge for companies to properly develop risk mitigation plans or the infinite number of metrics available to demonstrate a company’s commitment in addressing ESG risks.

Because strategy and risk assessment go hand in hand, it is vital for companies to clearly understand ESG risks and how these risks can impact the business. Although ESG may be a new dimension to risk management, figuring out how to integrate ESG risks into a Risk Management Framework will lay a solid foundation for further sustainable development.
Insight #5: Data is a key barrier for companies operating in Vietnam

With the growing demand from different stakeholder groups to assess the impact on a wider range of ESG topics, companies need accurate and timely data. In order to do this, businesses must, firstly, have a good grasp of what data they need to collect, analyse and then report.

Un fortunately, our survey findings reveal that the majority of companies in Vietnam (71%) have either not started or are just beginning to understand the ESG data needed.

Q: What stage is the organisation at in PROCESSING the ESG data?

For those already collecting ESG data, 47% say that their respective businesses have not started or have limited understanding of the external reporting requirements needed. Even more telling is that less than one third (28%) feel confident with their understanding about data requirements for external reporting.
Insight #6: There is a strong call for government guidance on ESG reporting.

Stakeholders today see ESG factors as a window into a company’s future and important indicators of a company’s overall health. ESG reporting can lay the foundation for a compelling story about the impact your company is making on the world. However, identifying what is material in ESG reporting is a challenge. Without a doubt, data and reporting are extremely intertwined.

Our research indicates that there is a disconnect between data assessment and the actual reporting. To illustrate, while more than half (53%) of the Vietnamese business respondents indicate they have assessed the data required for external reporting (see previous page), only 30% have actioned on the ESG reporting / disclosure.

Q: What stage is the organisation at in PROGRESSING ESG reporting / disclosure?

- **70%** Use external parties to verify their ESG disclosures
- **48%** No external reporting done
- **22%** Very limited external reporting on ESG
- **15%** Starting to report using reporting framework like TCFD and GRI
- **15%** Comprehensive external reporting that complies with country specific as well as other global frameworks TCFD and GRI.

This, once again, highlights the crucial role regulators can play in spurring action within the Vietnam business community.
Insight #7: Vietnamese companies lag behind global counterparts in seeking independent assurance on ESG disclosures

Independent assurance in ESG reporting helps organisations build trust. This is crucial for effective stakeholder engagement, especially with the investment community. More so when the verification is against a recognised standard.

In terms of ESG reporting, we list here some recognised ESG standards - Global Reporting Initiative (GRI\(^32\)), International Sustainability Standards Board (ISSB\(^33\)) and Sustainability Accounting Standards Board (SASB\(^34\)).

Vietnam falls short in this area when compared to its global counterparts. According to a July 2022 Global sustainability assurance benchmarking study\(^35\), half of global companies (58%) obtain independent assurance on their ESG information. On the other hand, only 36% confirmed in our Vietnam report that their ESG reporting is audited or verified by external independent parties.

Q: How is the organisation dealing with independent assurance in ESG reporting?

- **43%** No independent external validation, or no published information.
- **20%** Considering use of external auditors to validate published information.
- **11%** External ESG reporting verified/audited by an external auditor.
- **25%** Public ESG communication and reporting reviewed and verified by an external specialised company.

Use external parties to verify their ESG disclosures

Maturity level
Part 3

Taking ESG forward
ESG issues will continue to influence government policy and corporate direction. To make ESG impactful in Vietnam, a two-pronged approach is required. First, businesses must do everything in their power to deliver on ESG issues. Second, government bodies and regulators must develop clear policies and regulations to assist companies in integrating ESG into their businesses.

Dinh Hong Hanh
Partner, ESG Leader
Risk Consulting Services
PwC Vietnam
Vietnam is not alone. According to a recent PwC survey, global peers also chose confusion around ESG standards and regulations as one of the top challenges that hinder their ESG reporting progress.

Of the remaining 20%, SMEs (defined in Vietnam as having less than 200 employees) make up a majority of this group. Lack of knowledge is cited as the main reason why companies (mainly SMEs, in our survey pool) have yet to make plans for any ESG-related commitment. Perhaps this is due to the lack of clarity and too much ESG information which give rise to the sentiment. This finding indicates a strong need for (pro)active dialogue between the Vietnamese government and the SME group which is facing this challenge.

Q: What barriers prevent the organisation from committing to ESG? (Choose many)

* This question only applies to respondents that answered “no plan to make commitments in 2-4 years” in the question “Choose statement that best describes the current status of your organisation’s ESG commitment”

- Lack of knowledge: 61%
- Financial capability: 48%
- Company size: 46%
- Lack of transparency ESG data: 28%
**Strong call for more guidance and policies on ESG**

Our survey shows that more than half (67%) admitted difficulties due to absence of transparent regulations. Clear guidelines, a holistic country roadmap and a level playing field for industries are needed for businesses here to advance their ESG strategies.

While the government has made progress in developing green energy, environmental protection, corporate governance and addressing social issues, more can be done. For instance, many are waiting for Vietnam’s regulatory and policy makers to offer clarity around the country’s green finance rules and target areas.

**Rank absence of transparent regulations as the top challenge.**

Q: What are the top 3 challenges in relation to the requirements to include ESG factors in the enterprise’s risk framework?

- Absence of final, transparent regulations: 67%
- Difficulty in embedding ESG in existing enterprise framework: 61%
- Lack of knowledge and competences in the enterprise: 57%
- Low quality of disclosures and counterparty awareness of ESG factors: 52%

**Regulations help drive the ESG agenda**

By taking the lead in policy, strategy and enforcement, governments can create a sense of urgency for companies in Vietnam to act. The issuance and enforcement of Circular No. 96/2020/TT-BTC which sets out certain ESG reporting requirements for public and listed companies is an example.
New needs. New skills.

The stark reality in Vietnam

Our findings show there is a need to upskill Boards on ESG matters, yet companies in Vietnam are not prioritising the training needed to increase the confidence levels.

Without a doubt, Boards who view ESG as a priority help drive an impactful ESG strategy within the business. Thus, it is crucial for Boards to have strong capabilities on ESG topics in order to discharge their governance and oversight duties. In our survey, nearly a third of respondents that said there is board involvement in ESG (29%) have confidence in their Board’s ESG capabilities.

The graph below further breaks down how respondents by positions view the capabilities of their respective Boards on ESG matters. Of interest is that 35% of respondents at the Leadership level themselves report the same confidence level. Alas, this number is less than the 45% of global CEOs who reported positively on the ESG capabilities of their respective organisations.

Q: What are the Board’s capabilities in ESG matters? (Views of respondents by positions)

* This chart only covers the sub-sample of respondents who said their Board has some or active involvement in ESG matters.
In terms of capabilities, the results show that the respondents believe Boards fall between “limited ESG experience” and “has growing ESG expertise”. These findings underscore the need for the business community in Vietnam to continually upskill knowledge and execution on ESG especially for the senior leadership team.

However, training is not top of mind for companies here as 43% of our respondents say that they have yet to consider establishing training their workforce. Furthermore, when it comes to training at the board level, the occurrence is even more rare with only 26% saying that training is being planned or implemented.

Q: How has or will the organisation upskill the current staff force to have the necessary knowledge and expertise in ESG? (Choose many)

<table>
<thead>
<tr>
<th>Action</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Yet to be considered</td>
<td>43%</td>
</tr>
<tr>
<td>Internal training programmes have been established</td>
<td>42%</td>
</tr>
<tr>
<td>Board-level training is being planned/has been conducted</td>
<td>26%</td>
</tr>
<tr>
<td>ESG subject-matter specialists have been recruited</td>
<td>20%</td>
</tr>
</tbody>
</table>
Recommendations for businesses in Vietnam
Four paths to fulfilling the ESG ambition for businesses

Organisations operating in Vietnam differ greatly when it comes to shaping the pace and direction on how they approach ESG.

Our recommendations on what’s next is based on the four ESG paths to maturity and ambition which set out some concrete actions businesses can take today.

For those unsure of your ESG starting point, below are some questions to get you going. Alternatively you can take a more detailed quiz which looks at 21 key features of ESG programme.

<table>
<thead>
<tr>
<th>Beginner</th>
<th>Pragmatist</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Are you just beginning on your ESG journey?</td>
<td>• Are you predominantly focused on the ESG risk aspects?</td>
</tr>
<tr>
<td>• Do you view ESG as a compliance issue?</td>
<td>• Do you provide some public reporting without science based targets?</td>
</tr>
<tr>
<td>• Does your company have limited or no public reporting?</td>
<td>• Are your ESG activities and reporting segregated?</td>
</tr>
<tr>
<td>• Research how your business is impacted by ESG regulations</td>
<td>• Does the responsibility for ESG fall below the C-Suite?</td>
</tr>
<tr>
<td>• Create a governance structure and define clear targets and goals</td>
<td>• Consider hiring a Chief Sustainability Officer to clearly define your goals and targets</td>
</tr>
<tr>
<td>• Establish a reporting roadmap around ESG matters</td>
<td>• Communicate often and report back to the Board on progress.</td>
</tr>
<tr>
<td>• Set an ESG strategy that will drive key performance indicators (KPIs) and determine what you do with your business.</td>
<td>• Understand your obligations for internal and external reporting - this could include creating a carbon footprint reduction plan.</td>
</tr>
<tr>
<td>• Get insights into which ESG initiatives to start with in order to drive the greatest impact on cash flows, operations and balance sheets.</td>
<td>• Look beyond ESG primarily as a reporting or risk management exercise</td>
</tr>
<tr>
<td>• Look beyond ESG primarily as a reporting or risk management exercise</td>
<td>• Be vigilant in identifying opportunities on how ESG can play a role in business strategy.</td>
</tr>
<tr>
<td>• Be vigilant in identifying opportunities on how ESG can play a role in business strategy.</td>
<td>• Greening or diversifying the supply chain can help improve cash flow?</td>
</tr>
<tr>
<td>• Lower carbon emissions to attract different customers?</td>
<td>• Lower carbon emissions to attract different customers?</td>
</tr>
</tbody>
</table>

Scan QR code for ESG Self-Assessment
Integrating ESG on corporate governance

Another resource for companies keen on demonstrating their environmental, social and corporate governance is IFC Corporate Governance Progression Matrix (Integrating ESG issues). While the focus is on listed companies, this reference can be adapted to all types of organisations.

Strategist

- Do you see both opportunities and risks in ESG?
- Do you provide non-financial disclosure and reporting with science based targets?
- Is ESG integrated with business and finance?
- Does the ESG responsibility fall at the C-Suite level?
- Does your company have ESG differentiated products/services?

- Dedicate a Chief Sustainability Officer to establish a comprehensive plan and set of deadlines to achieve your targets.
- Establish a subcommittee of your Board to provide guidance and oversight.
- Increase your internal and external communication to demonstrate your commitment to these efforts.

- Creating new products/changing business and operating models as basis of differentiated ESG performance.
- If you have maturity in this space, you can focus on integrating ESG across your operations to gain competitive advantage.

Champion

- Is ESG core to the purpose, strategy and services/products of your organisation?
- Are you reporting financial and non-financial ESG aligned metrics?
- Is ESG integrated across the organisation?
- Is the ESG responsibility embedded across the organisation with the CEO driving the agenda?
- Are you proactive in promoting ESG within your industry/network?

- Monitor potential pressure points in your ESG ecosystem.
- Advocate for and participate in the development of standards and regulatory frameworks.

- Mitigate risk or create new value by keeping on top of the evolving regulations and standards.
- Continuously map and measure the overall value you are delivering to stakeholders and shareholders.
About the survey
Methodology and Respondent profiles

The ESG Readiness survey is a public survey conducted between May and August 2022 among the business community in Vietnam. The goal of the survey is to get an understanding of how businesses in Vietnam approach ESG. The survey was conducted online in collaboration with the Vietnam Institute of Director (VIOD) where 234 participants were asked about their commitment, plans, capabilities and activities with regards to ESG.

Note:
- Not all figures add up to 100% as a result of rounding percentages
- The industry and firm level figures are based on unweighted data
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