



Press Release

Date **3 January 2023**

Contacts Nguyen Mai Huong, PwC Vietnam, Marketing & Communications
Email: nguyen.mai.huong@pwc.com
Tel: (+84) 28 3823 0796; Mobile: (+84) 986930 631

Pages 4 pages

Accelerating ESG adoption in Vietnam's financial service sector

Vietnam, 3 January 2023 - PwC Vietnam has released a new report **Accelerating ESG adoption in Vietnam's financial services sector**. The report is an extract from the previously published one - [Vietnam ESG Readiness Report 2022 - From ambition to impact](#) - conducted by PwC Vietnam and the Vietnam Institute of Directors (VIOD) during May-August 2022 period.

The Financial Services sub-report focuses on the ESG pathway of financial institutions, which highlights the key insights:

- **88%** of respondents have made or plan to make ESG commitments, slightly more than the rate of businesses in Vietnam in the previously published report (**80%**), showing that ESG is getting good attention from financial institutions.
- **89%** indicated **improving brand image and reputation** is the most cited factor motivating financial institutions in Vietnam to adopt ESG commitments, followed by staying competitive in the market (**71%**).
- **78%** of respondents have assigned a department to start on their ESG initiatives. However, only **27%** of respondents have a good understanding of ESG data required for external reporting and are reporting externally.

Vietnam is one of the countries which are most likely to be affected by climate change with an estimated loss of \$523 billion, equivalent to 14.5% of GDP by [2050](#). Therefore, building green finance plays an important role in sustainable development. In addition, there are great market opportunities in this space and also benefits to companies themselves.

The financial services sector, as a key enabler of the economy, also plays a critical role in enabling holistic efforts toward sustainability. As such, embedding ESG principles into the core strategy and operation of financial institutions will be key.

Dinh Thi Quynh Van, General Director, PwC Vietnam shared: *"Financial institutions in Vietnam need to make stronger connections between purpose and profitability, and recognise the value of embedding ESG into the business strategy, which will allow them to build a stronger foundation for future sustainable*



and inclusive growth. This foundation will enable Financial institutions to not just drive transformation within the sector but also help enable the adoption of ESG in other sectors through the provision of sustainable finance.”

Governance as top priority in Financial Services sector

The Financial Services report shows an interesting number that reflects the highly regulated nature of the banking industry, coupled with certain challenges recently faced by the financial services industry that were partially caused by lacking corporate governance standards. A good majority (**67%**) of respondents in Financial Services rank **Governance** as top priority, followed by **Social** as second priority (**67%**) and **Environment** as third priority (**55%**). The focus on governance most likely stems from companies' belief that stronger governance will lead to better decision-making in both environmental and social dimensions.

Translating ESG principles into concrete actions

According to the Financial Services Report, **78%** of participants claim that they have assigned a department to operationalise ESG. However, financial institutions also face challenges in assessing ESG data and reporting externally. The report shows that less than **one third** of respondents (27%) have a good understanding of ESG data for external reporting.

Findings also show that financial institutions in Vietnam are mixed on where they are in developing ESG risk metrics. Despite efforts from Vietnamese regulators in promoting new regulations in the ESG space, the top 3 challenges to include ESG factors into financial institutions risk framework are: difficulty in embedding ESG risks in the organisation's existing risk framework (**73%**), followed by low quality of disclosures and counterparty awareness of ESG factors (**61%**) and absence of final, transparent regulations (**53%**).

“It's time for the Vietnam financial services sector to act and lead the country's ESG transformation, as the Government has now made the commitments! It could be a start from setting up a new ESG reporting requirement, designing an ESG top-down strategy, grasping new green financing opportunities or building up your ESG risk management capabilities. Embedding ESG into the way financial services sector strategies and manages their business to generate value for its stakeholders requires thoughtful implementation of changes across its governance structure, process, data and system and most importantly its Leadership direction and capability building”, said **Dinh Hong Hanh, Financial Services Leader, ESG Consulting Lead, PwC Vietnam.**

The way forward for financial institutions

To rise to the ESG challenges, financial institutions need to be able to develop holistic action plans that can address the various scopes required to integrate ESG understanding to perspective into all aspects of the organisation. In this stage, there are five key areas that Financial Sectors industry should consider to accelerate the ESG journey:

1. **ESG strategy and alignment to corporate strategy:** E,S,G should be aligned to the overall corporate strategy. The Board should lead the way in shaping a strategic vision for the ESG programme.



2. **Managing ESG risks:** Financial institutions can future-proof themselves by integrating ESG risks in every stage of the risk management framework. Considerations on whether investments are concentrated in specific industries or regions could form part of the ESG risk identification process.
3. **Credit assessment:** Incorporate ESG factors into risk rating models and frameworks to make credit risk appraisal decisions. In short, to move ESG from policy to practice, it is useful to embed ESG in existing processes instead of creating parallel checks. Integrating ESG in the credit or investment cycle, from loan origination to completion, is an example.
4. **Culture & Capacity building:** Investing in upskilling and capacity building programmes is critical. The initiatives must be aligned with the business vision of the culture, capabilities, knowledge and competencies that your workforce should have.
5. **Addressing data gaps:** To facilitate robust risk monitoring and risk management, determine reliable internal and external data sources to accurately reflect the exposure to relevant ESG risks. Avenues to collect and process data could include existing Client Due Diligence (CDD)/ Know Your Customer (KYC).

Read more about the report at: <https://www.pwc.com/vn/en/publications/vietnam-publications/esg-financial-services.html>

End.

About the ESG Readiness in Financial services survey

PwC Vietnam's survey in collaboration with Vietnam Institute of Directors (VIOD) on ESG readiness explores these questions. The report is an extract focusing on the financial services sector with a total of 51 participants sharing their views during this May-August period.

This report provides insights into the level of ESG readiness, challenges and opportunities seen by financial institutions in Vietnam in view of the ESG agenda.

About PwC

At PwC, our purpose is to build trust in society and solve important problems. We're a network of firms in 152 countries with nearly 328,000 people who are committed to delivering quality in assurance, advisory and tax services. Find out more and tell us what matters to you by visiting us at www.pwc.com.

PwC refers to the PwC network and/or one or more of its member firms, each of which is a separate legal entity. Please see www.pwc.com/structure for further details.

© 2022 PwC. All rights reserved.

About PwC Vietnam



PwC Vietnam established offices in Hanoi and HCMC in 1994. With strong industry knowledge, our team of more than 1,000 local and expatriate professionals bring a breadth of skills and depth of resources to effectively address and solve issues that matter to our clients, wherever they do business.

Under The New Equation, we are strengthening our focus in a number of strategically important areas including ESG, digital transformation, M&A and deals value creation capabilities as well as providing assurance beyond financial statements. We have built strong relationships with key ministries, financial institutions, state-owned enterprises, private companies, and commercial organisations. PwC Vietnam also operates a foreign law company, licensed in Vietnam by the Ministry of Justice, with its head office in HCMC and a branch office in Hanoi.