



Shared pursuit

Major FIEs are initiating or continuing with strategies in sustainable development that broadly align with Vietnam's goals in the green economy.

By LINH NGOC

PHOTO: VIET TUAN

Vietnam is very much working towards developing a green economy and many large foreign-invested enterprises (FIEs) in the country are introducing or maintaining strategies in sustainable development and green development. Since Vietnam made its commitment to net-zero emissions by 2050 at COP26 and signed new-generation free trade agreements, sustainable development has received much more attention from all stakeholders, including FIEs.

Mr. Gabor Fluit, Chairman of the European Chamber of Commerce (EuroCham), told VET that Vietnam's commitment to developing a green economy has created opportunities for FIEs to contribute their expertise, capital, and technology. "This has led to increased productivity, improved efficiency, and a higher position for Vietnam in global value chains, as well as reductions in energy consumption," he added. "The commitment not only benefits sustainable FIEs themselves but also creates opportunities for local entrepreneurs and small businesses."

'TOUCHPOINT' BETWEEN BUSINESS AND GOVERNMENT

Its \$1 billion carbon-neutral plant in southern Binh Duong province expresses LEGO's strong commitment to the journey to sustainable development and the company is striving together with the Vietnamese Government to achieve net-zero by 2050. Mr. Preben Elnef, Vice President and General Director of LEGO Manufacturing Vietnam,

said LEGO carefully studied various factors when deciding where in the region to build its new factory. "The reason we chose Vietnam is because the Vietnamese Government set a goal of reaching net-zero carbon emissions by 2050," he explained. "We greatly appreciate the commitment the Vietnamese Government made at COP26, and it is completely in line with LEGO's sustainable development goals."

Dutch brewer Heineken is also committed to sustainable and green development goals that align with Vietnam's moves towards a green economy. Ms. Holly Bostock, Corporate Affairs Director at the company, said this "touchpoint" can potentially offer a mutually-beneficial relationship, as Heineken could also bring in other investments and expertise to support the country's transition to a green economy. This could involve initiatives such as promoting renewable energy use, reducing carbon emissions, and implementing sustainable packaging and waste management practices.

"Through practical actions and proactive sustainability plans, we are also supporting the Vietnamese Government's pursuit of its sustainability goals, most notably to become net-zero by 2050," Ms. Bostock said. "Thanks to the government's constant efforts to raise awareness about sustainable development, many local businesses and small and medium-sized enterprises (SMEs) have entered the game, which is an extremely positive sign of growth for the country's economy, and we are more excited than ever to be a part of it."

Elsewhere, nearly two-thirds of Nestlé's greenhouse gas emissions come from food materials and indirect business activities. Mr. Binu Jacob, General Director of Nestlé Vietnam, said that its roadmap to net-zero emissions by 2050 therefore involves reducing emissions from agricultural materials through the application of regenerative agriculture, which is one of its most important undertakings. "To ensure sustainable development, businesses like Nestlé have shifted to a circular economy model, from product design to turning waste into valuable raw materials, in order to protect the environment and resources," he added.

Mr. Fluit also noted that by cooperating with local businesses to implement eco-friendly practices, sustainable FIEs can meet their responsibilities while also contributing to the growth of the domestic economy. Such an approach benefits Vietnam by reducing its carbon footprint while ensuring resilient, inclusive growth across its economy. In the future, this practice is only going to become more widespread as more European enterprises implement sustainable practices throughout their global supply chains, to align with the European Green Deal's objectives.

In turn, FIEs can benefit from cost-effective labor and Vietnam's huge market, while also accessing incentives and policies that promote sustainability, such as tax benefits for green investments and preferential treatment for sustainable projects. This provides companies with the opportunity to reduce their environmental impact and contribute to their bottom line. "Ultimately, this is a win-win situation for both parties," he believes.

Ms. Ha Do, Partner and Head of ESG at KPMG in Vietnam and Cambodia, said that in a world with global trade and with Vietnam blending into the international market, FIEs in the country will follow their parent in pursuing and establishing green practices in their business activities in Vietnam. "On a separate point, Vietnam's commitment to net-zero emissions by 2050 and participation in the Paris Agreement is not only a 'touchpoint' but also a 'touch-platform' for what the country and FIEs both aim for: greener and more sustainable development," she added.

PRIME DESTINATION

It can't be denied that Vietnam holds advantages in sustainable development that appeal to FIEs. It has, by way of example, long been one of Heineken's most prioritized markets.

"We see Vietnam as being the market of most potential in the Asia-Pacific, and it is currently in our top 5 markets globally," said Ms. Bostock. "With sustainability at the forefront, which aligns with Heineken's

global sustainability ambitions to 2030, we have set an earlier timeline for our Vietnam operations, bringing it down to 2025 and working towards a net-zero impact, an inclusive, fair, and equitable world, and moderation with no harmful consumption. We will continue to fully support the Vietnamese Government to progress towards the country's sustainability goals and remain committed to our strategy of 'Brewing a better Vietnam.'

Mr. Elnef, meanwhile, said that although Vietnam is still a relatively small market it has potential for LEGO given that its population is heading towards 100 million and some 25 per cent are under 15 years of age. "Only a small proportion of the products made at the LEGO Vietnam factory will be for the domestic market, while most will go out to the Asia-Pacific," he explained.

A Bain survey on Environmental, Social, Governance (ESG) in the Asia-Pacific in 2022 showed that consumers in developing countries such as Vietnam, the Philippines, and Indonesia have greater environmental and social concerns than their counterparts in developed countries such as Australia, Japan, and South Korea. It also showed that consumers in Vietnam topped the list in terms of wanting businesses to play a leading role in transformation towards sustainable development. "Businesses should pioneer the transition to a circular economy to ensure sustainable development, limit the impact on the environment, and meet consumer expectations and comply with environmental regulations," Mr. Jacob said.

According to KPMG, Vietnam has historically focused on socio-economic development, which is a positive for long-term sustainable development. Multilateral and bilateral assistance is readily available, as the World Bank, ADB, USAID, and IFC have all supported the country in its various endeavors, and recently completed the Just Energy Transition Partnership (JETP), with a commitment of \$15.5 billion for Vietnam's energy transition.

EuroCham, meanwhile, believes Vietnam is well-positioned to become a hub for renewable energy in the region. It has abundant solar, wind, and hydropower resources that can generate massive amounts of clean energy. At the same time, the government is actively working to boost renewable capacity to maintain energy security and meet power demand.

More generally, it also prioritizes sustainable development, with policies and initiatives supporting environmentally-friendly technologies, sustainable infrastructure, and green industry. The commitment of Vietnamese authorities to go green also aligns with the green objectives of many European FIEs, making the country an attractive destination. This creates an

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enormous opportunity for European companies to lend a hand.

In addition, Vietnam has a large labor pool of over 55 million people. With increased human resources development in the future, this will be a huge advantage for FIEs in need of skilled workers to implement sustainable development strategies and technologies.

Vietnam's strategic location in Southeast Asia is another advantage, providing access to a large and growing regional market. The region offers major opportunities for businesses and investors to expand their markets and supply chains while contributing to sustainable growth not only in Vietnam but across Southeast Asia. The country also has the advantage of being close to some of the world's largest energy markets.

"With all of these factors in place, Vietnam's sustainable development strategy presents a promising future for sustainable FIEs," Mr. Fluit said.

ISSUES PERSIST

FIEs seeking to implement sustainable development activities in Vietnam also face numerous challenges. According to Mr. Fluit, such challenges include the limited availability of green technology and infrastructure, which slows the adoption of sustainable practices and technologies, especially in rural areas. While Vietnam has made significant investments over recent years, gaps remain in the transportation, communications, and energy sectors. It is important for the government and businesses to work together to bridge these gaps and accelerate the transition to a more sustainable future.

The limited availability of specialized workers also hurts sustainable development. EuroCham's most recent Business Climate Index found that only a third of the European business community in Vietnam are satisfied with the level of Vietnam's human capital. By investing in talent development initiatives, the country can enhance its appeal as an FDI destination and build a sustainable competitive advantage in the global mar-

ketplace. To make this happen, foreign expertise could be brought in to fill the gaps and provide training to local workers.

Furthermore, weak regulatory frameworks and enforcement create uncertainties and risks for FIEs, as regulations may not be effectively enforced. For example, energy investors are still eagerly awaiting the finalization and approval of the Power Development Plan VIII (PDP VIII), which will provide a clear roadmap and guidance for renewable energy development in Vietnam. Clear guidance on the implementation of the JETP agreement is also necessary.

Access to financing is another barrier. Smaller enterprises are especially affected, since they lack access to green financing mechanisms as well as traditional financing sources. This could prevent them from making the necessary investments in green technologies and practices. Additionally, they may not be able to take advantage of incentives or subsidies that are available to green businesses.

Recent studies such as the "ESG Readiness of Private Businesses in Vietnam 2022-2023" report from PwC show that although awareness and intent are high, the majority of Vietnam's local businesses are yet to be equipped with sufficient knowledge to practice sustainability effectively and impactfully.

Ms. Bostock said that, accordingly, it seems the most important action to take now is to provide the business community with effective official sources of training and information to help them know what their options are. "In general, there remain many challenges that the Vietnamese Government can help businesses to resolve, to implement a more effective and productive sustainability strategy," she said. "A legal basis on renewable energy based on integrated research could really help businesses, especially in the manufacturing sector, build a holistic framework for their sustainability actions throughout the entire value chain. New policies and more open regulations would provide access to more resources for infrastructure upgrades and innovative technology."

LEGO's green strategy is clearly demonstrated through the building of its sixth factory in Vietnam, which is also its first carbon-neutral facility. Mr. Elnef noted that building such a facility, especially in Vietnam, takes a lot of passion and entrepreneurship because it is not an easy task. "We had good discussions with authorities in Binh Duong, and the government in Hanoi also helped us," he said. "We will get most of our energy from solar panels on the roof and the grounds of the factory. How can we connect this to the grid? Are we allowed to do that? We need various permits. We are in discussions to identify solutions, but we can't do it without creative solutions." ■