Working Paper 2024.3.2.5

- Vol 3, No 2

THE IMPACT OF ESG ON THE PERFORMANCE OF HIGHLY CAPITALIZED ENTERPRISES LISTED ON THE VIETNAMESE STOCK EXCHANGE

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Abstract

In the context of globalization, ESG has become an integral part of the strategies of investors and businesses worldwide, making the flow of capital into ESG investment funds an inevitable trend. PwC's 2022 report shows that 80% of international investors are interested in ESG when investing in Vietnam, with increasing awareness of the importance of environmental protection and good governance in business. This study measures the impact of ESG on the business performance of high-market capitalization listed companies in Vietnam over the period of 3 years from 2020 to 2022. Using the OLS method, the research results show that ESG has a positive but relatively small impact on business performance. Based on the results of the research, the author team proposes to businesses an optimal solution for ESG strategy optimization, aiming to both reduce costs and increase profits. Particularly, emphasis should be placed on Social Responsibility by establishing effective target goals and metrics, as well as focusing on creating a positive work environment and building a positive brand within the community, with investors, and stakeholders. For the

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remaining two criteria, businesses can implement transparent governance processes, enhance investment in green technology, and improve employee skills to achieve higher business efficiency aligned with ESG goals. As for the Government, in its role as a facilitator, it should support and guide businesses in applying and optimizing ESG strategies, especially in the social aspect. For investors, risks related to social issues should be given more attention, particularly overlooked criteria such as transparency regarding starting salaries and health safety policies.

Keywords: ESG, financial performance, Vietnam

Introduction

Since its inception in 2005, the influence of Environmental, Social, and Corporate Governance (ESG) has grown significantly (McKinsey, 2022). The focus has shifted from whether a company engages in ESG activities to how effectively they are implemented. Across various sectors, regions, and organizational sizes, businesses are allocating more resources to improve ESG.

In a globalized context, ESG has become a vital part of strategies for investors and businesses worldwide. Major powers such as the United States, Japan, South Korea, Europe, and Australia are promoting ESG criteria to improve environmental quality and achieve social balance, making capital flow into ESG investment funds an inevitable trend. Sustainable investment in major financial markets globally was valued at $35.3 trillion, according to the Global Sustainable Investment Alliance (GSIA), representing 36% of total professionally managed assets across the US, Canada, Japan, Australia, and Europe (Financial Times, 2020). PwC’s 2022 report indicates that 80% of international investors consider ESG when investing in Vietnam, reflecting the increasing awareness of the importance of environmental protection and good governance in business.

According to PwC's 2022 report, 73% of global executives committed to increasing ESG investment from 2022 to 2025. ESG-related assets are projected to rise to $33.9 trillion by 2026, accounting for 21.5% of total global AuM. Consumer willingness to pay more for sustainable brands increased from 66% in 2015 to 73% in 2021. Specifically, 73% of Millennials (born from 1980 to 2000) are willing to pay more for sustainable products, demonstrating a growing interest in the sustainable development of the products they use.

ESG standards are becoming increasingly crucial in transactions with developed markets, especially as these principles are minimum standards for participating in global supply chains. For example, the European Union’s regulations on anti-deforestation and the CBAM mechanism significantly impact key export industries of Vietnam, such as coffee, cocoa, and wood products. Meanwhile, Vietnamese consumers are also prioritizing products from businesses with ethical practices, clear origins, and recycled materials. The Vietnamese government is also enhancing policies and directions to promote ESG, reflecting the country's commitment at COP26 and the need for innovation in economic models.

In 2021, Prime Minister Pham Minh Chinh committed to net-zero emissions at COP26, prompting the Vietnamese government to implement the National Strategy for Sustainable Development by 2030, encouraging ESG in businesses. The 2023 Sustainable Business

Assessment Program was launched to enhance ESG transparency. However, businesses still face significant challenges, with only 22% having comprehensive ESG coverage, 49% having formal ESG structures, and 35% having board-level ESG leadership involvement. The lack of independence in ESG reporting is also an issue, with only 36% undergoing independent audits.

To promote ESG adoption in Vietnam, businesses face several challenges. Firstly, there is the issue of costs and resources, as ESG reporting requires financial investment and capability to implement. Secondly, the lack of standardized data makes comparing and evaluating ESG data difficult. Thirdly, the absence of regulations on transparency and independent audits for ESG reports remains voluntary. Fourthly, small and medium enterprises face a lack of ESG commitment and knowledge, as well as board skills. To overcome these challenges, support from the government, sectors, localities, and experience sharing from large enterprises are essential. With awareness and concerted efforts, ESG can become a significant trend, contributing to Vietnam's sustainable economic development.

ESG is becoming a crucial factor not only in global investors' decisions but also in corporate management. This increased interest is also reflected in changes in consumer attitudes and behaviors, as they increasingly prefer products and services from ESG-committed businesses. In Vietnam, the interest of international investors in ESG has opened new opportunities for businesses, while also creating pressure to improve ESG practices. However, the implementation of ESG still faces many challenges, but also presents opportunities for businesses to create value for both themselves and society.

Previous studies focused more on one aspect of ESG's impact on business performance rather than analyzing all three aspects simultaneously. In Vietnam, this is a new issue, so there are very few studies on ESG and business performance, with much debate about this relationship. Some studies have shown a positive link, while others have yielded negative or no correlation. Furthermore, research on ESG and business performance in Vietnam faces difficulties due to businesses' limited approach to this new topic, creating challenges in finding and collecting research data. Therefore, the authors hope this study will provide a clear and objective view of ESG's impact on business performance, thereby supporting businesses in adjusting their ESG strategies appropriately and effectively.

The research focuses on the relationship between ESG and the business performance of listed companies in Vietnam from 2020 to 2022. The results show that ESG has a positive impact on ROA, especially the Environmental and Governance factors. However, Social responsibility has a negative impact. In the context of interaction with the company's ownership structure, the results indicate that while the foreign ownership ratio reverses the impact of ESG on business performance, state ownership contributes to enhancing this positive correlation. Control variables such as financial leverage, liquidity, and company size also significantly affect. The relationship between ESG and foreign and state ownership ratios is also examined, with a large foreign ownership ratio reducing the positive impact of ESG on ROA. Overall, this study emphasizes the crucial role of ESG in improving business performance, while highlighting the challenges to be overcome.

This study is organized into five main chapters. Chapter 1 introduces the overall context, providing a comprehensive view of the research issue. Chapter 2 offers an in-depth overview of research related to the relationship between ESG (Environmental, Social, and Corporate Governance) and the business performance of listed companies in Vietnam, clarifying the importance of this issue for the domestic financial market. Chapter 3 focuses on the research methodology and data collection process, ensuring the transparency and reliability of the data used in the study. Chapter 4 presents the main findings of the research, offering an in-depth analysis of the relationship between ESG indicators and the business performance of highly capitalized listed companies in Vietnam. Finally, Chapter 5 synthesizes the conclusions from the study and suggests future development directions, creating a comprehensive and useful framework for both the research community and practical businesses.

Theoretical Basis and Literature Review

1.1. Theoretical basis of Environment, Governance and Corporate Society

Environment, Society and Corporate Governance, also known as ESG, is a common criteria that businesses and investors use to evaluate their effectiveness and approach to their goals and social responsibility (Sukhveer Kaur, 2022). This is not limited to the role of the company in making a profit, but also emphasizes transparency and responsibility in interpreting their actions, which in turn forms the basis for their decisions. ESG engagement as a useful means of measuring, evaluating and implementing sustainability measures, showing how a business can strike a balance between economic ability and social responsibility.

The ESG principle is a system of criteria consisting of Environmental (E), Social (S) and Governance (G) factors. The "E" factor in ESG refers to issues related to environmental factors and the exploitation of natural resources. The 'S' factor in ESG refers to the 'Social' aspect, which focuses on evaluating the social relationships that businesses build, including those with their customers and partners. The 'G' factor in ESG refers to the 'Administration' aspect, which is very important in investment and business decision making (Andrea, 2022).

ESG creates a key set of standards that help the organization make a clear assessment of risks and opportunities, as well as a better understanding of its impact when applied to the day-to-day processes and operations of the business. This brings great benefits to the management and adjustment of business strategies, making it easier for organizations to identify and respond to environmental, social, and corporate governance challenges more effectively. Therefore, this is a sign to determine the strong business performance of the business for many years to come.

1.2. Theoretical basis of business performance

According to Lynne Milgram & colleagues (1999), business performance refers to how well a company performs in terms of revenue and profit. However, it should also be noted that this factor is not only evaluated based on financial level but also includes other factors such as resource utilization, value creation for customers, risk management, and environmental protection. Business performance also refers to the ability of a company to generate profits and resources, reflecting the success or failure of management decisions (Lourdes Trevino and Alejandro Alvarado-Rodriguez, 2016). Therefore, this is not only about generating short-term profits but also about building the sustainable development and success of the organization in the long term.

In recent years, the evaluation of performance with different indicators of profitability has played an increasingly important role in reflecting the success or failure of the business (Pantea, M. & al., 2014). According to Anatol & Fortifications (2022), business performance plays an extremely important role in an organization because it is not only a means of evaluating the effectiveness and performance of operations, but also helps manage risk and make strategic decisions.

To measure the business performance of a business, there can be many different ways of measuring, but it requires a combination of many tools to provide the most overall view. Businesses are largely concerned with profitability, with the ultimate goal being the profitability of the business. In this study, the team used the net profit margin to total assets (ROA) index to measure the business performance of the business. The ROA index helps determine the profit that the company makes compared to the value of the assets it has, in which the company's assets include all the resources owned or controlled to create business value. In addition, this coefficient also helps stakeholders to have an overarching assessment of past financial performance as well as the future profit and growth potential of the business.

The net margin on total assets (ROA) is the main indicator used to measure financial performance by relating net profit to total assets, as stated in the study by Izabela (2020). The net margin on total assets (ROA) represents the profit generated per unit of average asset invested in a period.

$$\mathbf{ROA = Net\ income \div Total\ assets \times 100\%}$$

In which:

Net profit is calculated as profit achieved minus tax.

Total assets include all capital used by the business, including equity and borrowed capital (total assets = equity + debt).

1.3. Overview of research on the relationship between ESG and business performance of enterprises

The majority of previous studies indicate that Environment, Society, and Corporate Governance (ESG) have a positive effect on business performance. Before the 2000s, some studies were approached from an individual perspective on the influence of each factor on business performance. The studies of Vance (1975) and Russo & Fouts (1997) demonstrated a positive link between social responsibility and financial performance, with the value of social responsibility as a sustainable competitive advantage. Friede & colleagues (2015) discovered a positive correlation between ESG and financial performance, after reviewing more than 2200 experimental studies. About 90% of them have discovered a neutral or favorable link between ESG and the company's financial performance. Hay Whelan & al. (2020) linked previous studies and proved that there is a favorable relationship between all 3 ESG factors with financial performance and stock price. In Vietnam, there are very few documents and studies on ESG. Hung (2021) pointed out that the sustainable operation of businesses has a positive effect on their financial performance, especially in the long term.

However, there are still studies that show that implementing ESG has a negative impact on the business performance of the business. Studies by Ullman (1985) and Lin, Yang and Liou (2009) have shown that the exercise of social responsibility often comes with costs, and therefore can have a negative effect on the financial performance of the business, leading to a decline in competitiveness compared to less socially responsible companies.

Besides, there are also studies that show that with different forms of evaluation and evaluation data, ESG can both positively and negatively impact business performance. Regarding corporate governance, according to Chi's research (2019), the size of the board of directors creates a negative impact on the value on the business's report, but positively affects the value in the market of companies in Vietnam. Meanwhile, most recently, Anh and Linh (2023) found that investing in ESG had a negative impact on financial performance based on accounting data but a positive impact on financial performance based on market data.

There are studies that show that there is no relationship between the practice of ESG and the financial performance of the business. Landi & Sciarelli (2018) found that shareholders who used ESG elements in their selection did not experience any impact on financial performance. In addition, Junius (2020) also studied to find out the impact of ESG performance on business performance and market value, resulting in that there is no significant impact from ESG score on company performance and market value.

From previous studies, the author group makes the following assumptions:

Hypothesis H1: ESG has a positive impact on business performance of enterprises

Hypothesis H2: E has a positive impact on business performance of enterprises

Hypothesis H3: S has a positive impact on the business performance of the business

Hypothesis H4: G has a positive impact on business performance of enterprises

Research Methodology

1.4. Research process

The primary research method employed by the authors is the quantitative method. This method is not only applied during the ESG scoring process but is also used to examine and clarify the impact relationship of ESG on the business performance of enterprises through multivariate regression techniques with panel data. Alongside the quantitative method, qualitative methods are also utilized in the research, combined with several other methods such as statistical methods, analytical methods, synthesis methods, inductive methods, and comparative methods to enhance the reliability of data collection and analysis.

1.5. Research data

The research data is collected and compiled from annual reports, sustainability reports, and individual financial statements, in combination with data sourced from the FiinPro system of the 100 highest capitalized listed companies on the Vietnamese stock market across both the Ho Chi Minh City and Hanoi exchanges. The data used by the authors in the ESG scoring process (via a custom-built scoring system based on the guidelines for sustainability report disclosure from SSC, IFC, and GRI), is also utilized to establish control variables based on the data collected for each enterprise annually from 2020 to 2022, thereby compiling a complete dataset.

1.6. Research model

Table 1: Summary table of variables in the research model

Symbols	Interpretation	Previous Studies
	Dependent variable	
ROA	Net profit on total assets	Kim & Li (2021), Pulino et al. (2022)
	Independent variables	
ESG	ESG score	Kim & Li (2021)
E	Environmental score	Pulino et al. (2022)
S	Social score	Pulino et al. (2022), Kim & Li (2021)
G	Governance score	Pulino et al. (2022), Kim & Li (2021)
ESGxFF	ESG and foreign ownership ratio interaction	
ESGxSTATE	ESG and domestic institutional ownership ratio interaction	
LEV	Financial leverage	Singh & Bagga (2019), Salami & Iddirisu (2011), Biger et al. (2007), Thủy et al. (2015)
LIQ	Liquidity	Daryanto et al. (2018) and Thuy et al. (2015)
ROIC	Return on invested capital	Kim & Li (2021)

SIZE	Firm size	Chang, F. M. et al. (2014) and Ma, J. (2015)
FF	Foreign ownership ratio	Hue & Lam (2017)
STATE	State ownership ratio	Thuy et al. (2015)

Source: Compiled by the authors (2024).

Based on theoretical foundations and prominent previous studies such as those by Kim & Li (2021), Pulino et al. (2022), Singh & Bagga (2019), Salami & Iddirisu (2011), Biger et al. (2007), Thủy et al. (2015), and others, the authors propose research models to examine and clarify the impact relationship of ESG, as well as each individual E, S, G factor, on the business performance of enterprises as follows:

Firstly, to assess the correlation between ESG scores and net profit on total assets, the study utilizes the model:

$$ROA_{it} = \boldsymbol{\beta}_{\mathbf{0}} + \boldsymbol{\beta}_1.\ ESG_{it} + \boldsymbol{\beta}_2.\ ESGxFF_{it} + \boldsymbol{\beta}_3.\ ESGxSTATE_{it} + \boldsymbol{\beta}_4.\ LEV_{it} + \boldsymbol{\beta}_5.\ LIQ_{it} + \boldsymbol{\beta}_6.\ ROIC_{it} + \boldsymbol{\beta}_7.\ SIZE_{it} + \boldsymbol{\beta}_8.\ FF_{it} + \boldsymbol{\beta}_9.\ STATE_{it} + u_1 \qquad (1)$$

Secondly, to assess the correlation between each individual E, S, and G factor and the net profit on total assets, the study utilizes the model:

$$ROA_{it} = \boldsymbol{\beta}_{10} + \boldsymbol{\beta}_{11}.E_{it} + \boldsymbol{\beta}_{12}.S_{it} + \boldsymbol{\beta}_{13}.G_{it} + \boldsymbol{\beta}_{14}.LEV_{it} + \boldsymbol{\beta}_{15}.LIQ_{it} + \boldsymbol{\beta}_{16}.ROIC_{it} + \boldsymbol{\beta}_{17}.SIZE_{it} + \boldsymbol{\beta}_{18}.FF_{it} + \boldsymbol{\beta}_{19}.STATE_{it} + u_2 \qquad (2)$$

The research employs the Ordinary Least Squares (OLS) method. In addition, Fixed Effects Models (FEM) and the Generalized Method of Moments (GMM) are also used to address model deficiencies such as omitted variable bias (Ramsey RESET test) and endogeneity.

Research Results on the Impact of ESG on Business Performance

In this research, OLS regression is applied to estimate results of both Model (1) and Model (2). Firstly, model errors testing and correction are taken into consideration. The severity of multicollinearity measured by VIF shows that the two models do not get multicollinearity. Heteroskedasticity is detected by the Breusch – Pagan test in the two models, so Robust Standard Errors are used for errors correction. Both models pass the serial correlation test. The Omitted variable problem discovered by Ramsey RESET test is solved by FEM. For endogeneity testing, Durbin-Wu-Hausman test is taken through 2SLS regression with every single independent variable and control variable. The results then indicate LEV and SIZE as endogenous variables in both Model (1) and Model (2); therefore, the Generalized Method of Moments GMM is applied to correct the errors.

Secondly, statistical hypothesis testing is considered. To begin with, the Wald test assesses constraints on statistical parameters to evaluate the two models. The suitability of

Table 2. Regression results of Model (1)

Dependent variable: ROA Independent variables	OLS	Robust OLS	FEM	GMM
ESG	0.0003*** (0.0001)	0.0003** (0.0001)	0.0004 (0.0003)	0.0001 (0.0002)
ESGxFF	-0.0009** (0.0004)	-0.0009** (0.0004)	-0.0017 (0.0014)	0.0004 (0.0005)
ESGxSTATE	0.0003 (0.0003)	0.0003 (0.0002)	-0.0001 (0.0010)	0.0004* (0.0002)
LEV	-0.1143*** (0.0149)	-0.1143*** (0.0156)	0.0127 (0.0345)	0.0397 (0.0491)
LIQ	-6.48e-06 (0.0004)	-6.48e-06 (0.0004)	0.0002 (0.0011)	0.0011 (0.0011)
ROIC	1.9543*** (0.1309)	1.9543*** (0.1532)	1.8657*** (0.2187)	3.2413*** (0.4709)
SIZE	-0.0009 (0.0025)	-0.0009 (0.0030)	0.0023 (0.0073)	0.0067 (0.0137)
FF	0.0586*** (0.0242)	0.0586*** (0.0225)		
STATE	-0.0194 (0.0204)	-0.0194 (0.0168)		

ESG: ESG score; ESGxFF: ESG and foreign ownership ratio interaction; ESGxSTATE: ESG and domestic institutional ownership ratio interaction; LEV: Financial leverage; LIQ: Liquidity; ROIC: Return on invested capital; SIZE: Firm size; FF: Foreign ownership ratio; STATE: State ownership ratio.

*Note: ***, **, * represent statistical significance at the 1%, 5%, and 10% level respectively. Standard deviation in parentheses.*

Source: Compiled by the authors (2024).

Table 3. Regression results of Model (2)

Dependent variable: ROA Independent variables	OLS	Robust	FEM	GMM
E	0.0001695 (0.0001172)	0.0001695 (0.0001172)	-0.0001461 (0.0003493)	0.0004061 (0.0002728)
S	-0.0000314 (0.0001607)	-0.0000314 (0.0001607)	0.0000309 (0.0002732)	-0.0001772 (0.0004243)
G	0.0002864* (0.0001487)	0.0002864* (0.0001487)	0.0008655* (0.0004412)	0.0002 (0.0004323)
LEV	-0.1158099*** (0.0163932)	-0.1158099*** (0.0163932)	0.010363 (0.0339383)	0.0280597 (0.0536159)
LIQ	0.0000249 (0.0004377)	0.0000249 (0.0004377)	0.0002388 (0.0010776)	0.0015139 (0.0010713)
ROIC	1.904222*** (0.1475943)	1.904222*** (0.1475943)	1.871352*** (0.2164016)	3.014091*** (0.4709371)
SIZE	-0.0020143 (0.0030848)	-0.0020143 (0.0030848)	0.0026911 (0.0072272)	0.0036229 (0.0159488)
FF	0.0114673 (0.0133228)	0.0114673 (0.0133228)		
STATE	0.004969 (0.0076258)	0.004969 (0.0076258)		

*E: Environmental score; S: Social score; G: Governance score; LEV: Financial leverage; IQ: Liquidity; ROIC: Return on invested capital; SIZE: Firm size; FF: Foreign ownership ratio; STATE: State ownership ratio. Note: ***, **, * represent statistical significance at the 1%, 5%, and 10% level respectively. Standard deviation in parentheses.*
Source: Compiled by the authors (2024).

The models are evaluated at each significance level of 1%, 5% and 10%. The next step is testing the regression coefficients. The test's results then show that ESG has a positive impact on ROA at statistical significance levels of 1%, 5% and 10%. On the same side, G also has positive correlation with the dependent variable at 10% level. Meanwhile, E and S do not have statistical significance in the model. Considering interaction variables, while ESGxFF has a negative effect on ROA at significance levels of 5% and 10%, ESGxSTATE has no influence on the dependent variable. About control variables, LEV is negatively correlated with ROA at significance levels of 1%, 5% và 10% in both models. In contrast, ROIC has a positive correlation with ROA at 1%, 5% and 10% levels according to the two models' regression results. FF also has a positive impact on ROA; however, this correlation is only statistically significant in Model (1) at 1%, 5% và 10% levels instead of both models. Other control variables LIQ, SIZE and STATE do not have statistical significance in both two models.

The results in the two tables above lead to several conclusions:

First, ESG positively impacts business performance, but the degree of impact is relatively small. This finding aligns with the study by Kim & Li (2021). Furthermore, Hung (2021) explained that sustainable development practices positively influence and improve enterprises' financial situations, especially in the long term. This result is consistent with previous studies on the impact of sustainable development on business performance, such as Weber (2014), Friede et al. (2015), Almeyda and Darmansyah (2019), and Whelan et al. (2020). Although implementing ESG positively affects ROA, the impact is not substantial, given the current context in Vietnam, where most businesses have yet to fully embrace Environmental, Social, and Corporate Governance (ESG) practices.

Second, the proportion of foreign ownership reverses the impact of ESG on business performance. It can be inferred that higher foreign ownership correlates with a reduced positive impact of ESG practices on business performance. This correlation may arise from foreign investors' concerns about Vietnamese enterprises' ability to practice ESG effectively and the current lack of significant stakeholder support for these practices, which negatively affects expected profits.

Third, the State ownership ratio enhances the positive impact of ESG on business performance. Although the impact level and reliability are not high, it is understood that higher State ownership in enterprises correlates with a more positive contribution of ESG practices to business performance. This relationship can be attributed to the Government and community pressure, demanding strict adherence to ESG standards, and playing a crucial role in managing related risks. This support enhances operational efficiency and reduces costs for enterprises, increasing credibility, attracting investors, and facilitating business operations.

Fourth, the Environmental (E) factor positively impacts business performance, although the effect is relatively small and not statistically significant according to OLS regression results. This positive correlation supports previous studies, such as those by Lamberton (2005) and Yoon (2018). Ha (2017) also indicated that different aspects of the Environmental (E) factor positively affect business performance. Enterprises concerned with and compliant with environmental standards attract broad interest, creating favorable conditions for business operations and investment.

Fifth, the Social (S) factor negatively impacts business performance. However, the impact of the Social (S) factor is minimal, with low reliability. The regression results of this study do not support the hypothesis similar to the research on social responsibility's separate impact on business performance by Kim & Li (2021). This result contrasts with previous studies but provides a comprehensive view of the relationship between social responsibility and business performance. Focusing on social welfare can increase costs and consume resources without high labor efficiency. Ineffective social strategies can negatively affect business performance.

Sixth, the Governance (G) factor positively impacts business performance. This result aligns with the research by Hoa (2023), indicating that corporate governance positively affects business performance in Vietnam. The research results demonstrate that company size has a positive relationship, contributing to improved business performance. The Governance (G) criteria measure the economic value and market reputation of enterprises, positively influencing business performance and reflecting the leadership's seriousness in achieving profit goals.

Recommendations to Enhance ESG Practices

The government should support and guide enterprises in adopting and optimizing ESG strategies, especially in the Social aspect. Establishing transparent income policies to reduce inequality among different social strata or encouraging diversity in labor management is essential in the context of the demand for an equal and civilized society. These policies need to be coordinated among enterprises, NGOs, and government agencies to reduce financial pressure on the budget and create sustainable social solutions. The government should also take on the role of managing key enterprises to promote ESG and raise public awareness about corporate ESG responsibilities, thereby encouraging sustainable and responsible development of businesses.

Enterprises should optimize ESG strategies to both reduce costs and increase profits. Special attention should be given to Social responsibility by setting goals and performance metrics, as well as investing in creating a positive work environment. Implementing social welfare policies and high-quality training will help attract talented employees and create a high-quality workforce, while also building a positive brand within the community, among investors, and strengthening trust with stakeholders. For the remaining two criteria, enterprises can implement transparent governance processes, increase investment in green technology, and improve employee skills to achieve higher business efficiency aligned with ESG goals.

Investors should consider the importance of evaluating and monitoring the environmental and governance policies of enterprises, while also being cautious of risks arising from social issues, especially often-overlooked criteria such as transparency in starting salaries and health safety policies. Investors can combine the ownership ratios of foreign and state holdings in enterprises to evaluate business performance based on ESG practices.

Limitations of the Study and Future Research Directions

Firstly, the evaluation of ESG scores is based on information disclosed on company websites and annual reports, leading to a lack of consistency in presentation and information. This could result in unintentional omissions by the authors.

Secondly, the current research focuses only on the top 100 listed companies with high capitalization in Vietnam, which may not fully reflect the impact of ESG across different sectors and limits the generalizability of the findings to the entire market. To gain a more comprehensive view of the impact of ESG on business performance by industry, the research sample should be expanded to include a diverse range of companies with varying capitalizations and fields of operation. Additionally, further exploration of the impact of macro-environmental variables, such as economic and political conditions, is necessary.