

# Vinamilk's journey to implement the Dairy Sustainability Framework in Vietnam- Case Study



## About the project

Dairy for Social Impact, a project funded by the International Fund for Agricultural Development (IFAD) and Global Dairy Platform (GDP), assists dairy organisations in emerging dairy markets to implement the Dairy Sustainability Framework (DSF). This is a process implemented by all DSF member organisations that includes the review and prioritisation of sustainability challenges, and establishment of a local management group (LMG) to act as an advisory board for sustainability topics. Reviewing and prioritising challenges specific to that region ensures that improvement strategies are effective and deliver tangible results, while the LMG provides valuable input from a stakeholder's perspective. The project objective is to capture the experiences of the dairy organisations in different geographies and markets and therefore to provide guidance to others. The experiences and learnings of the organisations partnered with the DSF in this project are a valuable resource for other dairy value chain organisations that want to better understand how to improve their sustainability performance by applying the DSF.

The partners in this pilot were Vinamilk, Vietnam's largest dairy processor, and the DSF, a non-profit organisation developed by



the global dairy industry to monitor and report the aggregate sustainability progress of the sector and to provide a platform for pre-competitive collaboration and knowledge sharing.

Vinamilk is a joint-stock company that is owned both by private investors and the Vietnamese government. In 2021, Vinamilk owned 14 farms and sourced raw milk from another 5,124 farms in Vietnam. It employed nearly 8,000 people with revenues of 61,012 billion VND (2.57 billion USD). The company is unique in being active along the entire dairy value chain, from farm production to processing and product manufacture, distribution and retailing. Vinamilk both operates and markets its products internationally.

## Executive Summary

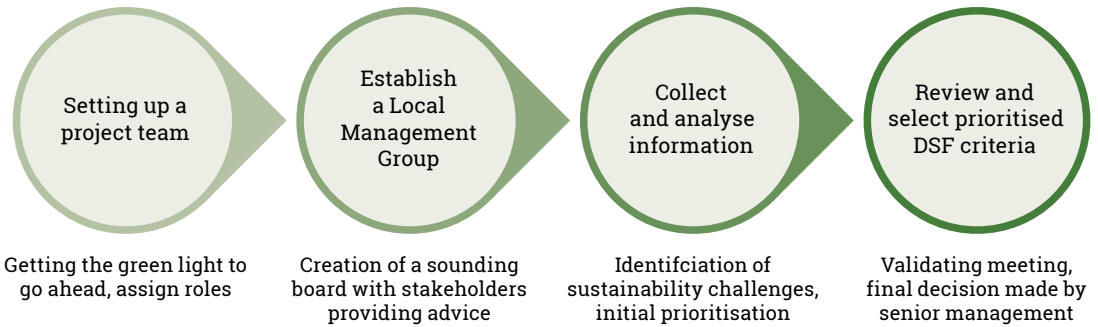
Vinamilk implemented the DSF approach from 2020 to 2022. A key learning for Vinamilk was the new experience of implementing a structured approach guided by the DSF to review sustainability challenges and identify priorities. The company also learnt to appreciate and apply the inputs and perspectives provided from stakeholders while developing a sustainability strategy.

The results of the prioritisation validated that Vinamilk was on the right track, giving the company the confidence to continue in the proposed direction. The project strengthened the working relationships within and across departments within the company; helped Vinamilk to recognise that sustainability is a companywide

investment and helped to align efforts. The project also helped to strengthen the relationships between Vinamilk and outside stakeholders. The LMG remains as a highly motivated advisory board and is keen to continue supporting Vinamilk in their sustainability strategy delivery. Vinamilk has also decided to become a member of the DSF to better connect and exchange experiences with other global dairy member organisations and to contribute to the annual reporting of sustainability performance of the global dairy sector.

Overall, the pilot has been very successful and Vinamilk is motivated to continue improving business sustainability.

## Steps to implement the DSF approach



## Project

Vinamilk had already been reporting on the company's sustainability performance for a number of years. Previously, the company had undertaken an assessment of key sustainability topics based on senior management's knowledge and experience and demands from stakeholders that were engaged with Vinamilk.

To use the more structured approach of the DSF with greater input from external stakeholders to identify key sustainability topics, a 20-member project team was created across multiple departments (Research and Development; Production; Human Resource; Supply Chain and Internal Control & Risk Management). Members were asked to join based on their expertise and ability to cover all 11 DSF criteria. This approach proved extremely valuable as each member led the collection and analysis of information in their specific area of expertise. This approach also helped to strengthen internal alignment regarding the needs to improve sustainability and the actions needed to address challenges. One employee

was assigned to be the internal coordinator to lead and be the main point of contact for the project. The executive directors of the Research and Development Department and Dairy Farming Department oversaw the project.

*"Building on our existing efforts and applying the DSF process through being part of this initiative, we are able to advance our efforts in a more targeted way and will be able to clearly monitor and report our continuous sustainability improvement as a business".*

Mrs. Mai Kieu Lien  
CEO Vinamilk

## Creation of a Local Management Group

A multi-stakeholder LMG is composed of the senior management of the DSF member organisation plus external stakeholders with an interest in the business's sustainability efforts and performance. The member selects which organisations will be represented - farmers, customers, suppliers, investors, local authorities, NGOs, academia, etc. The role of the LMG is to serve as a local sounding board and provide advice that is applicable and appropriate to that region, while the member organisation makes all final decisions. The LMG therefore provides input during collection and analysis of information, and prioritisation of sustainability topics. Later in the process, the LMG can guide the organisation in developing targets and action plans to address the priority criteria identified by the member organisation.

The project team made a list of stakeholder groups that they would ideally like to be part of the LMG. The project team nominated suitable participants to represent each of the different stakeholder groups, primarily people known through their own networks who were knowledgeable and familiar with Vinamilk and its sustainability journey. The team consciously invited stakeholders that they knew would be eager to work together and who would actively engage with the process. These decisions were seen as being key to a successful working relationship between Vinamilk and the LMG. Invitations were sent to the identified stakeholders,

stating that Vinamilk was striving to continuously improve sustainability and that the stakeholders' input would support them in 'getting it right'. In addition, the invitation provided an explanation of the LMG's role and why Vinamilk was selecting them to be part of it.

The LMG was a new concept, not just to Vinamilk but also to the stakeholders. The team received several clarifying enquiries from those they invited to join. Overall, this was a positive process that ensured all were on the same page regarding work practices. The LMG comprised of investors, farmers, suppliers and the Vietnam Council of Sustainable Development Enterprise (a government organisation). Stakeholders were both keen to participate in Vinamilk's sustainability efforts and appreciative of being part of the LMG process. Vinamilk hopes to also include NGOs and customers in their LMG in the future, but in the meantime, both groups have provided survey input.

Due to the COVID pandemic, Vinamilk was only able to connect with their LMG through email, online messaging and virtual meetings. In the future, Vinamilk plans to meet more face-to-face with the LMG in recognition of their support, and is currently planning a meeting one year after finishing the project. As a result of the project, the LMG remains highly motivated and keen to continue supporting Vinamilk in their sustainability strategy delivery.

# Materiality Assessment

Materiality assessment is the process of identifying, refining, and assessing numerous potential environmental, social, and economic challenges (including governance) that could affect the business, and/or the business's stakeholders. These challenges are condensed into a short-list of priority areas that inform and guide company strategy, actions, targets, and progress reporting. The DSF acknowledges that all 11 DSF criteria are important, but also recommends that members only prioritise a small number of sustainability criteria on which to focus efforts for action. Prioritisation enables a dairy organisation to sequence efforts and allocate resources accordingly. This ensures that the sustainability programme is effective and yields tangible and quantifiable results. Over time and as resources permit, subsequent materiality reviews can target other sustainability criteria. Project participants were therefore guided by the following sentiments:

- › Progress over perfection.
- › Strive for continuous improvement.
- › Start with a small number of priority criteria areas and build momentum from there.

A materiality assessment helps inform the prioritisation and selection process. For this pilot project, Vinamilk was supported by an external organization that specializes in corporate responsibility and reporting to facilitate and conduct the assessment sharing the principles and practices of materiality with Vinamilk as they progressed. As a result of the project Vinamilk now has the skills to undertake their own materiality assessment in 4-5 years' time, as required by the DSF.

The project team collected a wide range of information related to the 11 DSF criteria, both globally and locally, to prioritise the criteria. The team also conducted internal and external landscape reviews.

The internal business review was based on studying existing documents and conducting interviews with internal and external stakeholders. Vinamilk's sustainability reports, website, and other company materials were reviewed to better understand the business strategy, company vision and values. Interviews were conducted with in-house experts on the different DSF criteria to learn more about the current performance on the criteria, its impact on the business and the company's ability to improve criteria performance. The team also drew on existing internal knowledge and learnings from Vinamilk's past sustainability efforts. Criteria performance were evaluated with regards to the Strategic Intentions outlined in the Framework. Interconnections along the value chain were also mapped, as work to improve one sustainability criteria can positively or negatively affect other criteria.

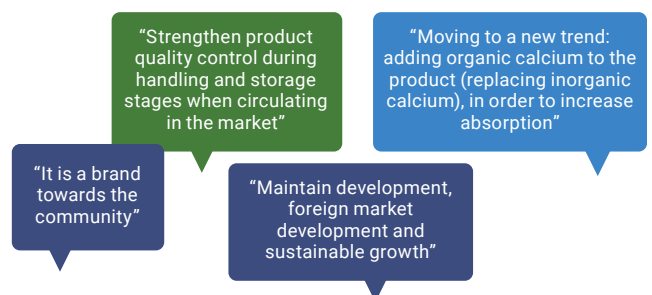
Experts were interviewed about Vinamilk's current data records and ability to report progress on the criteria. A list of topics to be discussed was circulated before the interviews, with topics covering milk supply and farmer relations; production and operations; logistics; employment and working conditions; product development; the strategic overview; and market development. The analysis also considered corporate management practices,



strategies, objectives, measurement, evaluation, risks and opportunities.

For the external assessment, the project team studied global and regional sustainability standards and frameworks, including documents from international organisations. These included reports on the Sustainable Development Goals, the Sustainability Accounting Standards Board, Dairy Asia, the Global Reporting Initiative and others, to assess how sustainability challenges are perceived by other initiatives both regionally and globally. In addition, the team reviewed national regulations, programs and priorities from the Vietnamese Ministry of Agricultural and Rural Development and studied local newspaper articles and topic reports to appreciate the challenges and perceptions of stakeholders within the region.

The project team then developed and circulated a survey designed to capture and integrate perspectives of a wider group of internal and external stakeholders. This online survey took less than ten minutes to complete. Respondents were asked to rank the sustainability criteria that were most important (1) to them and (2) for Vinamilk to focus on in the coming years; and (3) to rate Vinamilk's current performance on the sustainability criteria. The survey was completed by 150 employees, 14 directors, 11 partners, 10 suppliers, 8 investors, 7 customers, 3 community members, 2 respondents from non-governmental organisations and one respondent from the local government, with an overall response rate of 73%. More than a third of respondents also entered comments, which demonstrated a high level of engagement.



The project team then met to discuss the findings of the desktop study, interviews and survey to start prioritising the sustainability criteria. The team created multiple rankings using the priorities identified in Vinamilk's prior sustainability strategy before the start of the project (it is important that the DSF process builds on the previous positive work); the outcomes of the stakeholder survey; and information from the desktop study and interviews. For the third rank, the "pairwise comparison" method was used to combine different types of information. Each of the criteria was weighed against the others, while considering criteria performance, impact, leverage (control and influence), interconnections and reportability.

Comparing the ranking of topics across different perspectives enabled the team to highlight topics that were consistently at the top versus others that showed more variability in their ranked placement. The criteria were categorised into preliminary groups of highest and lowest priority based on these rankings. Higher priority criteria were product safety and quality, working conditions, rural economies, GHG emissions and animal care. After the initial grouping, the project team decided to move waste up in the rankings, based on Vinamilk's current packaging and zero waste initiatives and the importance of this topic to customers and consumers.

The LMG and other stakeholders who had contributed to the process were invited to a validation meeting to discuss the

proposed prioritisation of the criteria. The meeting confirmed the order of priorities identified by the project team, giving Vinamilk the confidence to continue. Some additional points were also raised, e.g. forest protection, which Vinamilk will monitor and possibly include in future materiality reviews.

After guidance from stakeholders and the DSF, the project team and Vinamilk's senior management met to decide on a final set of priorities. They categorised the criteria into three groups of highest to lowest priority, based on preliminary prioritisation and positive feedback from the validation meeting, and taking into account available resources, planned and on-going work, the business strategy and company values.

## High Priority Criteria

Vinamilk identified six high priority criteria:

### Product safety and quality

Safeguarding product nutrition, quality and safety is very important for Vinamilk's reputation. The company recognises these characteristics as being the foundation for customer trust.

### Working conditions

The COVID pandemic meant that an even stronger focus was placed on occupational health, safety, and well-being. Health and safety was identified as a high-risk area during internal interviews.

### Rural economies

Vinamilk's sustainability performance is dependent on the success of its own dairy farm operations and that of the dairy farmers in their supply chain; as well as the vitality of the rural communities in which they live and work.

### GHG emissions

Climate change is a major concern for the agriculture sector and the effects are already being experienced, with increasing frequency and intensity of extreme weather events.

### Animal care

Cow health and well-being have a significant, well-documented influence on productivity. Customers and investors are increasingly seeking assurance that dairy cows are well cared-for.

### Waste

Waste depletes natural resources, generates GHG emissions and has other negative impacts on ecosystems and communities. For example, the environmental impacts of plastic waste are receiving increased attention. Food loss and waste is also an important subtopic for addressing the dual challenges of food security and reducing the associated environmental impacts of food production.

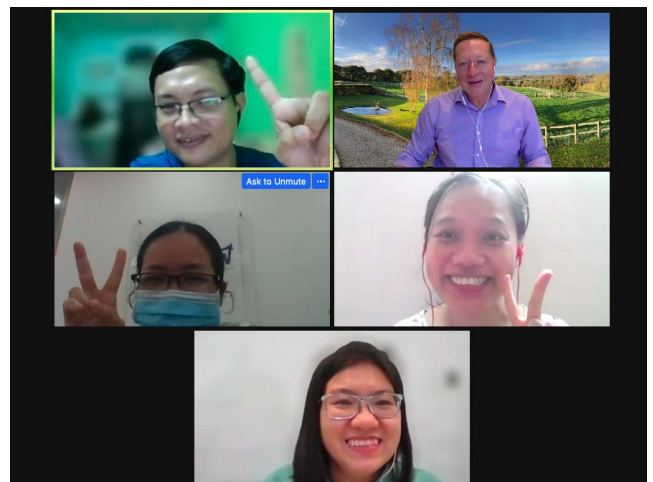
## Outcomes

The project team has collected and reviewed information on all 11 DSF Sustainability Criteria.

Through the assessment several new sustainability topics that were not part of Vinamilk's existing sustainability strategy were more thoroughly examined - for example, biodiversity and soil quality and retention. The exercise validated that Vinamilk was on the right track with its sustainability efforts and led to a more focused approach, with categories of high, medium and low priority. Vinamilk is planning to develop a 5-year strategy to address the high priority sustainability criteria; a 3-year strategy for medium-priority criteria and a 1-year strategy for low-priority criteria. These strategies include developing action plans with timelines and developing local key performance indicators to monitor and report progress while continuing the good practices already implemented. The project strengthened working relationships within and across Vinamilk departments, demonstrating that sustainability is a companywide investment.

Vinamilk also set up a LMG of external stakeholders to guide Vinamilk in its sustainability efforts. The LMG remains highly motivated and has planned to continue meeting after completion of the project because of the value they bring and as a requirement

of DSF membership. After implementing the DSF model, Vinamilk decided to become a member of the DSF in order to connect and exchange experiences with other global dairy member organisations and contribute to the annual reporting of sustainability performance of the global dairy sector.



One of the many project Zoom calls between the DSF and the Vinamilk team

# About the Dairy Sustainability Framework












The DSF is a monitoring and reporting initiative that tracks the aggregated sustainability progress of the global dairy sector. Launched in 2013, it provides a universal platform for the sector to align, quantify and demonstrate the difference that the sector is making as a result of a range of sustainability actions. The DSF is a unique approach in that it is neither a standard nor a certification, but rather an aspiration for continuous improvement and alignment of reporting. It is a pre-competitive and collaborative initiative that encourages the sharing of both challenges and solutions between its members, who operate across the value chain. To achieve this, the DSF establishes a number of different knowledge-sharing and solution-finding platforms that brings the DSF membership together to accelerate the solution-finding and implementation process.

To encourage implementation of sustainability programs tailored to local circumstances while achieving international alignment, the DSF focuses on 11 Sustainability Criteria identified from an extensive global analysis. Each criteria is linked to a Strategic Intent, which can be described as the ambition of the global dairy sector to achieve as an outcome. Though the Strategic Intents are globally consistent, the way in which they are achieved in different geographies will be very different, recognising a diverse global dairy sector.

Using these 11 criteria as the basis, DSF members decide which criteria they want to prioritise. Identifying priorities help members focus on where they need to invest immediate effort, as well as what to do next in the action plan. It also ensures that programs are effective and deliver tangible and quantifiable results. You can read more about the process in the [DSF Materiality Briefing Paper](#).

After prioritisation, members create improvement and implementation plans for their selected criteria. These plans aspire to deliver Strategic Intents associated with each criteria (see Table on the right). The criteria have high level indicator metrics to measure progress over time, which allows the DSF to align the global dairy sector's sustainability efforts. In addition, the DSF requires members to adopt their own specific, local key performance indicators and timelines for each of the initiatives they implement. The DSF strongly recommends a Plan-Do-Check-Adjust approach. This involves regular reviews to monitor impact and to make amendments if the progress is not aligning with the original design. Members report their performance to the DSF on an annual basis, using the high-level indicator metrics associated with their prioritised criteria. This information is kept confidential, with sector progress only [published](#) at the aggregate level.

## The DSF Sustainability Criteria and Strategic Intents

Criteria	Strategic Intent
<b>Economic</b>	
 <b>Market Development</b>	Participants along the dairy value chain are able to build economically viable businesses through the development of transparent and effective markets.
 <b>Rural Economies</b>	The Dairy Sector contributes to the resilience and economic viability of farmers and rural communities.
<b>Environmental</b>	
 <b>Greenhouse Gas Emissions</b>	GHG Emissions across the full value chain are quantified and reduced through all economically viable mechanisms.
 <b>Soil Nutrients</b>	Nutrient application is managed to minimise impacts on water and air, while maintaining and enhancing soil quality.
 <b>Soil Quality and Retention</b>	Soil quality and retention is proactively managed and enhanced to ensure optimum productivity.
 <b>Water Availability and Quality</b>	Water availability, as well as water quality is managed responsibly throughout the dairy value chain.
 <b>Biodiversity</b>	Direct and indirect biodiversity risks and opportunities are understood, and strategies to maintain or enhance it are established.
 <b>Waste</b>	Waste generation is minimised and, where unavoidable, waste is reused and recycled.
<b>Social</b>	
 <b>Animal Care</b>	Dairy animals are treated with care, and are free from hunger and thirst, discomfort, pain, injury and disease, fear and distress and are able to engage with relatively normal patterns of animal behaviour.
 <b>Working Conditions</b>	Across the dairy value chain, workers operate in a safe environment, and their rights are respected and promoted.
 <b>Product Safety and Quality</b>	The integrity and transparency of the dairy supply chain is safeguarded, so as to insure the optimal nutrition, quality and safety of products.

## Where to Find More Help and Guidance on How To Start The Process

To find out more about DSF and the model implemented by Vinamilk, you can visit the website of the DSF ([www.dairysustainabilityframework.org](http://www.dairysustainabilityframework.org)). The secretariat is happy to answer questions on the DSF, DSF membership and the DSF model, and can provide guidance through the process, [info@dairysustainabilityframework.org](mailto:info@dairysustainabilityframework.org).