

INITIAL PROGRESS TOWARDS SUSTAINABILITY

ENVIRONMENTAL, SOCIAL, AND GOVERNANCE COMMITMENTS IN THE BANKING SECTOR

Case studies of 11 Vietnamese commercial banks in 2022





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The report is part of a series of documents aiming to provide information for a broad discussion on development and humanitarian policies.

For more details about the issues referred to in the report, please contact Ms. Bui Thi Thu Loan, Program Coordinator, at: loanbtt77@gmail.com

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EXECUTIVE SUMMARY

In the fields of finance, banking, and investment. adopting Environmental, Social, and Governance (ESG) criteria has become a popular trend and is gradually becoming the "norm" in the region and the world. This represents one of the ways in which financial institutions1 can contribute to reducing negative environmental impacts; preventing hunger, poverty, and inequality; and promoting a sustainable economy which, in turn, can lead to the realisation of the Sustainable Development Goals (SDGs). Many more financial institutions and investors have been paying increasing attention to and considering these non-financial criteria in their risk assessment process when they make investment decisions and demonstrate responsible business goals for sustainable development. Globally, many agencies and organisations act as independent third parties to evaluate ESG adoption and audit the sustainability reports of companies and banks. Customers, investors, fund managers, and other interested parties often refer to such independent reports to benchmark companies, assess risks, and make investment and service use decisions.

In Vietnam, ESG factors have been reflected in multiple decisions, directives, and documents of the Government, the State Bank of Vietnam (SBV), and related authorities to promote the commitments of the finance and banking sector towards green growth and sustainable development.

In the past two years, ESG has been increasingly stipulated in legal regulations instead of in guiding documents as before. National policies, regulations, and laws serve as an important ground to set out favourable conditions and requirements for banks to implement ESG policy commitments. In reality, a number of Vietnamese commercial banks have been engaging in or adopting international initiatives on ESG. These include integrating some Global Reporting Initiative (GRI) standards in sustainability reporting, making reports based on the Task Force on Climate-related Financial Disclosures, and applying International Finance Corporation (IFC) Performance Standards on Environmental and Social Sustainability to credit activities, in addition to other initiatives.

To provide further information about ESG commitments in the domestic finance-banking sector, help Vietnamese commercial banks fulfill their environmental and social responsibilities, heighten their position in Southeast Asia (ASEAN) and in the global market, as well as attract more capital from responsible investors and investment funds worldwide, Fair Finance Vietnam (FFV) adopted the Fair Finance Guide (FFG) methodology, jointly developed by Profundo and Fair Finance International (FFI), to conduct an analysis on the alignment of policies widely disclosed by Vietnamese commercial banks with international ESG standards for two years (2020 and 2022).

The assessment report on the ESG policies of 10 Vietnamese commercial banks in 2020 showed that these banks had just taken the initial steps towards publicly disclosed ESG policy commitments. If this is thought of as a "race to the top", they had just started the climb.²

^[1] In the context of this report, financial institution or financial organisation represents a broad meaning, including credit institutions. According to Investopedia, a financial institution is a company engaged in the business of dealing with financial and monetary transactions such as deposits, loans, investments, and currency exchange. Financial institutions include banks, financial companies, financial intermediaries, and brokerage companies. Source: https://www.investopedia.com/terms/f/financialinstitution.asp. According to Article 4 of the Law on Credit Institutions 2010, "a credit institution is an enterprise engaged in one, several, or all banking activities". Credit institutions under Directive No. 03/CT-NHNN include commercial banks, financial companies, finance leasing companies, cooperative banks, and foreign bank branches operating in Vietnam.

^[2] Please see the report Towards Sustainable Finance - Environmental, Social, and Governance Commitments in the Banking Sector: Overview and Case Studies of 10 Vietnamese Commercial Banks. Fair Finance Vietnam (2020).

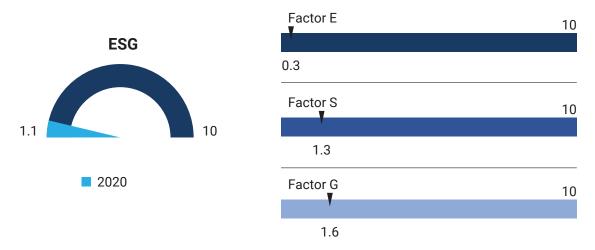


Figure 1: Overview of 10 banks' ESG policy commitments in 2020 (Fair Finance Vietnam, according to FFG methodology, 2020)

The 2022 report, analysing for the second time the ESG policy commitments of 11 Vietnamese commercial banks, including 10 from the first analysis and one new bank, shows that Vietnamese commercial banks are changing with new progress in the 'race to the top'. ESG commitments have been publicly mentioned in

various policies, 2021 sustainable development reports, 2021 annual reports, and official information sources of these institutions. This change is not taking place at the same pace in all the banks assessed. There are differences across themes and in the magnitude of change in each institution.

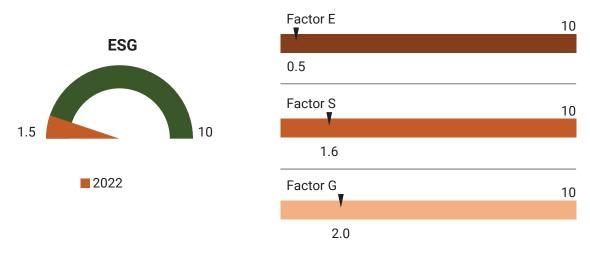


Figure 2: Overview of ESG policy commitments of 11 commercial banks in 2022

Analysis of ESG policy commitments of Vietnamese commercial banks in 2022 shows that there has been an improvement across all three pillars (Environment (E), Social (S), and Governance (G)) compared to 2020. Of the three pillars, (E) witnessed the least change, followed by (S). The (G) pillar witnessed the most obvious change. However, similar to the first analysis, Vietnamese commercial banks' policy commitments on ESG have just entered the initial stage.

Policy commitments concerning the environmental (E) pillar publicly disclosed by the assessed banks in 2022 improved compared to 2020 but remained lackluster.

Among all the themes of the E pillar, the information disclosed by 11 banks mainly related to the theme of Power Generation. Most showed that they made capital investments in the renewable energy industry. Regarding Nature and Climate Change policy commitments, banks still lack alignment with international standards. Very few made public commitments on the theme of nature (only 1 bank) or climate change (2 banks) in conformity with international standards. At the ASEAN level, the average score (on a scale of 10) of the 11 Vietnamese commercial banks on the themes of Climate Change and Nature was lower than that achieved by Thai banks in 2022 (Assessment Report on the ESG Policy Commitments of Thai Banks, Fair Finance Thailand, 2023)."

The Social (S) pillar in policy commitments publicly disclosed by the 11 banks also witnessed moderate improvement in a number of themes compared to 2020.

Financial Inclusion is the most prominent theme among the five social themes and has gained the most improvement compared to 2020. All 11 commercial banks have disclosed their commitments on the criteria of financial inclusion to different extents. At the ASEAN level, the average score on the theme of Financial Inclusion achieved by Vietnamese banks (5.7/10) is higher than that of Indonesian (5.2 in 2022) and Philippine (4.4 in 2019) banks (data compiled from Assessment Reports on ESG Policy Commitments of Indonesian and Philippine Banks, Fair Finance Indonesia, 2022ⁱⁱⁱ and Philippines, 2020^{iv}).

In addition, the public commitments of the 11 banks on the themes of Gender Equality, Human Rights, and Labour Rights in 2022 showed an improvement against 2020. However, such improvement remains modest compared to several ASEAN countries. Only a few Vietnamese commercial banks made public commitments on the theme of Human Rights (3 banks) and on the theme of Labour Rights (5 banks).

Governance (G) saw the greatest improvement of the three ESG pillars compared to 2020.

The average score of the G pilar in the two assessments was higher than that of the E and S pillars. In the second 2022 analysis, all 11 banks publicly disclosed their policies on Anti-Corruption, Customer Protection, Tax, and Transparency and Accountability – albeit to different extents. Of the four themes under the G pillar, Anti-corruption and Transparency and Accountability showed the most improvement, followed by Customer Protection and Tax.

However, the G pillar of Vietnamese banks is still limited compared to the G commitments made by those in other ASEAN countries. Specifically, Philippine, Indonesian, and Thai banks, respectively, achieved an average score of 2.2 (2019), 3.0 (2022), and 3.6 (2022) for the same themes under the G pillar (data compiled from Assessment Reports on ESG Policy Commitments of Indonesian, Philippine, and Thai Banks, Fair Finance Indonesia (2022), Philippines (2020), and Thailand (2023)).

The scope of application of ESG statements, commitments, and policies has not yet covered the entire operation of the assessed commercial banks.

Generally, ESG policy commitments publicly announced by Vietnamese commercial banks are mainly applied in their internal operations or loan and investment portfolio management activities. ESG policies that require or encourage businesses to take investment or credit from banks are rarely publicly announced by most of the analysed commercial banks.

In the first (2020) and second (2022) analyses, some information was found in bank policies concerning corporate culture, codes of conduct, and anti-corruption/terrorism financing posted on customer service channels or websites. Most of the information about ESG commitments was found in their annual reports. Therefore, public ESG commitments lacked stability and were unevenly disclosed, making it more difficult for customers, investors, and other stakeholders to access. Some banks made statements about ESG criteria in their 2018 annual reports, however, that content was missing in the 2021 annual reports.

In addition, based on the analysis of the 11 commercial banks, the "INITIAL PROGRESS TOWARDS SUSTAINABILITY: ENVIRONMENTAL - SOCIAL - GOVERNANCE COMMITMENTS IN THE BANKING SECTOR - Case studies of 11 Vietnamese Commercial Banks 2022" report provides recommendations to the State Bank of Vietnam and commercial banks to promote their ESG commitments in accordance with international standards while approaching the regional level.

Commercial banks

- Refer to and select an ESG assessment methodology (FFG is one possible reference methodology) to enable commercial banks to:
 - (i) Review the status of their ESG policies, including their internal operating policies, investment/lending policies, and those applied to corporate customers who take out credit or receive investment from them;

- (ii) Review their level of information disclosure and ESG commitments;
- (iii) Develop plans for policy revision, updating, and formulation in line with each bank's strategic goals, and;
- (iv) Apply policies in their operations and monitor ESG adoption across their organisations.
- 2. Make ESG information disclosures regarding themes that commercial banks have policies on and have been implementing. Such policies should align or closely align with international and regional standards. Commercial banks can consolidate publicly disclosed information about ESG from sustainability reports and post it on their website in a systematic and transparent manner to regularly keep their stakeholders informed. They can disclose their policy information in a brief format or provide some key information on their policies.
- 3. Commercial banks can play a role in creating sustainable development through their investments and loans with policies in which their customers are asked or encouraged to declare and implement ESG commitments. They play a leading role in shifting investments towards an economy that consumes less CO₂ as well as encouraging companies to produce less CO₂ emissions. As a result, they should promote the disclosure of their ESG policies to businesses that receive credit and investments from them.
- 4. In the long run, they should select and prioritise a number of ESG themes to develop strategies and plans with specific focuses including measurable objectives and targets and disclose information about the process,

- progress, and achieved results in each period. This does not imply that they do not need to pay attention to other themes. On the contrary, setting out priorities and roadmaps will make the process of developing ESG commitments feasible and align with their development path.
- 5. Commercial banks can only improve ESG adoption when they have clear strategies and effective management systems and adopt governance towards sustainability while taking into account the E and S factors. Thus, they need to have strategic directions that integrate ESG in their policies and actual implementation towards the application of international standards. To make this possible, they need to have a dedicated ESG department/personnel in charge of studying and consulting the development of an ESG policy roadmap in line with their strategy. Also, mechanisms are required to monitor and measure the realisation of ESG commitments and policies. As ESG cuts across all activities, products, and services of banks, the dedicated unit/personnel should play the role of information coordination and consolidation, thus, coordination and collaboration between departments is particularly important.
- 6. Since the themes of the E and S pillars are cross-cutting and require knowledge of various fields of expertise, the openness of commercial banks to policy recommendations, information, and evidence provided by the community, social groups, and science and technology organisations will ensure the practicability of ESG integration policies, thereby helping them identify ESG risks more clearly. Therefore, exchange activities should be strengthened between banks at the national and regional levels on the improvement of ESG commitments and practices toward sustainability.

For the State Bank of Vietnam and relevant ministries and departments

Commercial banks that implement and conform to ESG policies require the completion of a legal framework as well as supporting policies to encourage their transition from traditional to responsible business models. This requires strong coordination between the State Bank of Vietnam and competent authorities. Based on the policy analysis and requirements from the practical context, some recommendations drawn from the assessment include the need to:

- 1. Develop a common set of ESG standards for commercial banks to adopt in Vietnam in alignment with international standards and conventions. It is recommended that voluntary compliance be applied to commercial banks in the first two years, followed by mandatory compliance or conditions on bank operations in subsequent years. At the same time, specific sanctions should be introduced to request that commercial banks adopt policies that meet international good practice standards. Meanwhile, criteria for green classification (taxonomy) in the field of credit and investment should be quickly developed and announced.
- 2. Develop a set of tools to evaluate and rank the level of ESG commitments of commercial banks with possible reference to the FFG tool based on the common standards released by the State Bank of Vietnam. It is recommended that the evaluation process embraces transparent consultation with social organisations, research institutes, experts, and social activists.
- 3. The State Bank can annually rank and give awards to the 10 best commercial banks in

- terms of ESG responsibility fulfillment, in addition to rankings based on their credit growth and asset scale. This will help shape and enable commercial banks to increasingly integrate ESG in their banking operations, enhance their social and community responsibilities, and improve their reputation and brand.
- 4. Suitably incorporate concrete ESG factors and criteria into the banking industry's policies, including decisions, directives, and regulations related to investment, credit, and other financial services as well as the commercial bank governance system.
- 5. Since Environmental and Social factors are cross-cutting and require knowledge of various fields, the openness of the State Bank of Vietnam and line ministries and departments, together with contributions from the community, social groups, and science and technology organisations will ensure the practicability of developed policies in which E and S criteria are successfully integrated.
- 6. Ensure close coordination between relevant ministries and departments as well as cooperation with non-state initiatives, research institutes, and universities to promote ESG commitments among commercial banks in Vietnam as these ESG criteria involve multiple sectors and industries.



TABLE OF CONTENTS

Acknowledgement		
EXECUTIVE SUMMARY		
Acronyms and Abbreviations	12	
List of Figures, Tables, and Boxes	14	
INTRODUCTION	17	
PART 1: ENVIRONMENTAL - SOCIAL - GOVERNANCE OVERVIEW IN THE FINANCE - BANKING SECTOR	21	
1.1 Global ESG trends	22	
1.2 ESG trends and initiatives in Vietnam	24	
PART TWO: INTRODUCTION TO METHODOLOGY	29	
2.1 Fair Finance Guide Methodology	30	
2.2 Themes for analysis	31	
2.3 Data for analysis	32	
2.4 Analytics toolkit	33	
2.5 Participating commercial banks	34	
2.6 Implementation process	35	
2.7 Limitations of the methodology	36	
PART THREE: POLICY COMMITMENTS ON ESG BY 11 COMMERCIAL BANKS IN VIETNAM	37	
3.1. Policy commitments on the Environmental (E) factor	38	
3.2 Policy commitments on the Social (S) factor	47	

3.3. Policy commitments on the Governance (G) factor	62	
3.3.1 Consumer Protection	64	
3.3.2 Anti-corruption	68	
3.3.3 Transparency and Accountability	71	
3.3.4 Tax	75	
PART FOUR: CONCLUSIONS AND RECOMMENDATIONS	77	
4.1 Conclusions	78	
4.2 Recommendations	82	
4.2.1 For commercial banks	82	
4.2.2 For the State Bank of Vietnam, relevant ministries, and departments	82	
Annex 1	84	
Annex 2	86	
Annex 3	99	
List of references	101	

ACRONYMS & ABBREVIATIONS

Agribank	Vietnam Bank for Agriculture and Rural Development		
ASEAN	Association of Southeast Asian Nations		
BCBS	Basel Committee on Banking Supervision		
BIDV	Joint Stock Commercial Bank for Investment and Development of Vietnam		
CEDAW	The Convention on the Elimination of All Forms of Discrimination Against Women		
CITES	The Convention on International Trade in Endangered Species of Wild Fauna and Flora		
СРТРР	The Comprehensive and Progressive Agreement for Trans-Pacific Partnership		
CRPD	The United Nations Convention on the Rights of Persons with Disabilities		
E	Environmental		
EHS	The Environmental, Health, and Safety Guidelines		
EP	The Equator Principles		
ESG	Environmental - Social - Governance		
Eximbank/EIB	Vietnam Export Import Commercial Joint Stock Bank		
EVFTA	EU-Vietnam Free Trade Agreement		
FFG	Fair Finance Guide		
FFI	Fair Finance International		
G	Governance		
GRI	Global Reporting Initiative		
HDBank/HDB	Ho Chi Minh City Development Joint Stock Commercial Bank		
ICESCR	The International Covenant on Economic, Social, and Cultural Rights		
IFC	The International Financial Organisation		
ILO	The International Labour Organisation		

IUCN	The International Union for Conservation of Nature and Natural Resources - IUCN	
LPBank/ LPB	Lien Viet Commercial Joint Stock Bank	
MSB	Vietnam Maritime Commercial Joint Stock Bank	
NCD	Nationally Determined Contributions	
SBV	The State Bank of Vietnam	
AML	Anti-money laundering	
SD	Sustainable Development	
TCFD	Task Force on Climate-Related Financial Disclosures	
Techcombank/TCB	Viet Nam Technological and Commercial Joint Stock Bank	
TF	Terrorist financing	
s	Social	
SBFN	Sustainable Banking and Finance Network	
SDGs	Sustainable Development Goals	
UNFCCC	The United Nations Framework Convention on Climate Change	
UNGCP	The United Nations Guidelines for Customer Protection	
UNGP	The United Nations Guiding Principles on Business and Human Rights	
UN PRB	The United Nations Principles for Responsible Banking	
UN PRI	The United Nations Principles for Responsible Investment	
VIB	Vietnam International Commercial Joint Stock Bank	
Vietcombank/VCB	Joint Stock Commercial Bank for Foreign Trade of Vietnam	
Vietinbank/CTG	Vietnam Joint Stock Commercial Bank For Industry And Trade	
VPBank/VPBank	Vietnam Prosperity Commercial Joint Stock Bank. The former name: Vietnam Commercial Joint Stock Bank for Private Enterprises	

LIST OF FIGURES, TABLES & BOXES

List of Figure

Figure 1: Overview of 10 banks' ESG policy commitments in 2020	5
Figure 2: Overview of ESG policy commitments of 11 commercial banks in 2022	5
Figure 3: FFG methodology and international conventions and standards	31
Figure 4: Mandatory themes under FFG methodology	31
Figure 5: ESG themes under FFV analysis	32
Figure 6: Implementation process for 2022 assessment in Vietnam	35
Figure 7: Commitments on Environmental (E) factor of 11 commercial banks in 2022	38
Figure 8: Commitments on Environmental (E) factor by 10 commercial banks in 2020	38
Figure 9: Policy commitments on Climate Change of commercial banks in 2022 and 2020	40
Figure 10: Commitments on power generation by commercial banks in 2022 and 2020	43
Figure 11: Policy commitments on Nature by commercial banks in 2020 and 2022	46
Figure 12: Commitments on the Social (S) factor by 11 commercial banks in 2022	48
Figure 13: Commitments on the Social (S) factor by 10 commercial banks in 2020	48
Figure 14: Commitments on Financial Inclusion by commercial banks in 2020 and 2022	50
Figure 15: Policy commitments on Gender Equality by commercial banks in 2020 and 2022	54
Figure 16: Commitments on Human Rights by commercial banks in 2020 and 2022	57
Figure 17: Commitments on Labour Rights by commercial banks in 2020 and 2022	59
Figure 18: Commitments on No Arms Investment by commercial banks in 2020 and 2022	62
Figure 19: Commitments on Governance (G) of 11 commercial banks in 2022	63
Figure 20: Commitments on Governance (G) of 10 commercial banks in 2020	63
Figure 21: Commercial banks' policy commitments on Consumer Protection in 2020 and 2022	65
Figure 22: Commercial banks' commitments on Anti-corruption in 2020 and 2022	69
Figure 23: Commercial banks' commitments on Transparency and Accountability	72
Figure 24: Commercial banks' commitments on Tax in 2020 and 2022	76
Figure 25: ESG commitments of commercial banks in 2020 and 2022 (on a 10-point scale)	78

Figure 26: Commercial banks' ESG commitments in 2020 and 2022	79
Figure 27: Commitments of Vietnamese commercial banks by theme in 2020 and 2022 (on a 10-point scale)	80
List of Tables	
Table 1: List of banks under analysis	34
Table 2: Average score in Social (S) pillar of banks in some ASEAN countriesAN	49
List of Boxes	
Box 1: Introduction to Fair Finance	27
Box 2: Feedback of commercial banks regarding FFG assessment	35
Box 3: Examples of commitments on climate change by commercial banks	41
Box 4: Examples of commitments on power generation by commercial banks	44
Box 5: Examples of policy commitments on nature by commercial banks	47
Box 6: Examples of policy commitments on financial inclusion by commercial banks	52
Box 7: Examples of commitments on Gender Equality by commercial banks	55
Box 8: Examples of commitments on Human Rights by commercial banks	58
Box 9: Examples of commitments on Labour Rights by commercial banks	60
Box 10: Examples of commercial banks' commitments on Consumer Protection	67
Box 11: Examples of commercial banks' commitments on Anti-corruption	70
Box 12: Examples of commercial banks' commitments on Transparency and Accountability	74



The United Nations Brundtland Commission defined sustainable development as development that "meets the needs of the present without compromising the ability of future generations to meet their own needs." The triple bottom line approach was adopted to achieve sustainable development which balances between the environment, social justice, and economic growth. In other words, this approach to sustainable development refers to people, planet, and profit.vi Challenges of sustainable development do not only occur in individual countries, they are also global issues. The Sustainable Development Goals (SDGs) are a global call to action to end poverty, protect the planet, and improve the lives of every human worldwide. United Nations member states have supported the 17 SDGs launched in 2015 in the 2030 program for sustainable development. The SDGs were made into a 15-year framework for action to improve human lives and mitigate the negative impacts of man-made climate change. viii

One of the challenges is how to balance economic activities with social responsibilities and social justice. The engagement of the private sector, in addition to the state and society, plays a crucial role to address this challenge and contribute to achieving the SDGs by 2030. Commercial banks are financial institutions that accept deposits, make loans and investments, and provide payment services. Commercial banks play a very important role in the economy in developing countries like Vietnam as they provide credit to individuals and businesses. However. this activity also poses risks. Besides traditional risks regularly identified and controlled by commercial banks, environmental adverse impacts, climate change, social issues, corporate governance, and business operations are also

viewed as risks that should be supervised and addressed as a responsible business standard.

In the field of finance, banking, and investment, adopting Environmental, Social, and Governance (ESG) criteria has become a popular trend and is gradually becoming the "norm" in the region and around the world. This represents one of the ways in which financial institutions3 can contribute to reducing negative environmental impacts, preventing hunger and poverty, and promoting a sustainable economy in order to realise the SDGs. Many more financial institutions and investors have been paying increasing attention to and considering these non-financial criteria in the risk assessment process when they make investment decisions and demonstrate responsible business goals to sustainable development.

Studies and reports have increasingly proven the effectiveness of ESG adoption to businesses. A report from the Global Alliance for Banking on Values also shows that commercial banks that adopt ESG criteria have better performance than those that do not.ix A team of authors from New York University's Stern Center for Sustainable Business and Rockefeller Asset Management compiled and analysed over 1,000 studies conducted in a five-year period (2015-2020) to study the relationship between ESG and financial performance. Accordingly, the authors indicated that (i) improved financial performance thanks to ESG has become more and more evident over a long enough period of time; (ii) an investment strategy that integrates ESG works better than the approach that screens and prevents negative ESG factors; (iii) investments taking ESG into account appear to offer security, especially during social or economic crises; (iv)

^[3] In the context of this report, financial institution or financial organisation represents a broad meaning, including credit institutions. According to Investopedia, a financial institution is a company engaged in the business of dealing with financial and monetary transactions such as deposits, loans, investments, and currency exchange. Financial institutions include banks, financial companies, financial intermediaries, and brokerage companies.

Source: https://www.investopedia.com/terms/f/financialinstitution.asp. According to Article 4 of the Law on Credit Institutions 2010, "a credit institution is an enterprise engaged in one, several or all banking activities". Credit institutions under Directive No. 03/CT-NHNN include commercial banks, financial companies, finance leasing companies, cooperative banks, and foreign bank branches operating in Vietnam.

sustainability initiatives at businesses drive a better financial performance thanks to intermediary factors such as improved risk management and greater innovation; (v) management towards a low emission future also heightens financial performance, and; (vi) the ESG disclosure alone will not result in financial returns.*

In Vietnam, ESG has been unevenly stated in a number of policies and documents⁴ of the Government, the State Bank of Vietnam (SBV), and related agencies to promote commitments of the finance and banking sector towards green growth and sustainable development. In reality, several Vietnamese commercial banks have been engaging in or adopting international initiatives on ESG. This includes, for example, integrating some GRI standards in sustainability reporting, making reports based on the Task Force on Climate-related Financial Disclosures, and applying IFC Performance Standards on Environmental and Social Sustainability to credit activities, in addition to other initiatives.

The COP27 conference ended in November 2022 with a commitment to arranging the source of

finance to support vulnerable and climate change-affected countries for losses and damages they have suffered^{xi} and Vietnam is among the world's most vulnerable countries to climate change. One of the opportunities to access this funding is through the adoption of sustainability initiatives by businesses such as public disclosure of ESG commitments and ESG integration in their business, governance, and risk management, as a result, minimising negative environmental and social impacts and contributing to sustainability goals in global economic growth and development.

This is also why Fair Finance Vietnam (FFV), part of Fair Finance Asia and Fair Finance International (FFI), has carried out activities to promote banks' incorporation of ESG criteria in their policies and operations and moving towards sustainable development together with other countries such as India, Cambodia, the Netherlands, Indonesia, Japan, Norway, the Philippines, Thailand, and Sweden. This practice also contributes to the efforts of the Vietnamese Government and banking sector in implementing and realising the strategic goals towards green

^[4] Decision No. 1658/QD-TTg of the Prime Minister on approving the National Green Growth for period 2021 - 2030, vision to 2050, dated October 1, 2021.

Decision No. 882/QD-TTg of the Prime Minister on approving the National Green Growth Action Plan for period 2021-2030, dated July 22, 2022. Decision 149/QD-TTg of the Prime Minister of Vietnam on approving the national financial inclusion strategy to 2025, vision to 2030, dated January 22, 2020.

Decision No. 1309/QD-NHNN of the Governor of the State Bank of Vietnam on issuance of the banking sector's plan to implement the national financial inclusion strategy to 2025, vision to 2030, dated July 24, 2020.

The Law on Environmental Protection No. 72/2020/QH14 dated November 17, 2020, coming into effect from January 1, 2022.

 $Decree\ No.\ 80/2022/ND-CP\ of\ the\ government\ detailing\ a\ number\ of\ articles\ of\ the\ Law\ on\ Environmental\ Protection,\ dated\ January\ 10,\ 2022.$

The Law on anti-money laundering No. 14/2022/QH15 dated November 15, 2022, coming into effect from March 1, 2023.

Decree No. 153/2020/ND-CP of the Government prescribing private placement and trading of privately placed corporate bonds in the domestic market and the offering of corporate bonds to the international market, dated December 31, 2020.

Circular No. 96/2020/TT-BTC dated November 16, 2020 of the Ministry of Finance guiding information disclosure on the securities market. The State Securities Commission issued the handbook How to issue green bonds, social bonds, and sustainability bonds in January 2021.

Directive No. 03/CT-NHNN of the State Bank on promoting green credit growth and management of environmental and social risks in credit granting activities dated March 24, 2015.

Decision No. 986/QD-TTg of the Prime Minister on approving the Development Strategy of the Banking sector in Vietnam to 2025, vision to 2030, dated August 8, 2018.

Circular No. 17 /2022/TT-NHNN of the State Bank guiding environmental risk management in credit granting activities by credit institutions and foreign bank branches dated December 23, 2022.

Circular No. 13/2018/TT-NHNN of the SBV stipulating the internal control system of commercial banks and foreign bank branches, dated May 18, 2018.

Circular No. 39/2016/TT-NHNN of the SBV regulating lending activities by credit institutions and foreign bank branches to customers, dated December 20, 2016.

Decision No. 1604/QD-NHNN of the Governor of the State Bank on the approval of the Green Banking Development Project in Vietnam, dated August 7, 2018.

Decision No. 1731/QD-NHNN of the Governor of the State Bank of Vietnam on issuance of the Action Plan of the Banking sector to implement the 2030 Agenda for Sustainable Development, dated August 31, 2018.

growth and sustainable development in Vietnam as well as heightening the standing of Vietnamese commercial banks on the regional and global ESG map.

With the desire to provide further information about ESG commitments in the domestic finance-banking sector, help Vietnamese commercial banks fulfill their environmental and social responsibilities, strengthen their position regionally in ASEAN and in the global market, as well as attract more capital from responsible investors and investment funds worldwide, in 2020, FFV adopted the Fair Finance Guide (FFG) methodology, jointly developed by Profundo and FFI, to conduct an analysis of the alignment of policies widely disclosed by Vietnamese commercial banks against international ESG standards. The assessment report on ESG policies of 10 Vietnamese commercial banks in 2020 shows that, generally, these commercial banks have just taken the initial steps towards publicly disclosed ESG policy commitments. If this is considered a "race to the top", they have just entered the race with the first climb.

Inheriting the 2020 assessment, FFV continued to conduct the second analysis of ESG policy commitments in 2022 in 11 Vietnamese commercial banks, including 10 institutions included in the first analysis and one new bank. The analytical approach is based on the FFG methodology updated in 2021 by Profundo and FFI. The report "INITIAL STEPS TOWARDS **SUSTAINABILITY: ENVIRONMENTAL - SOCIAL -GOVERNANCE COMMITMENTS IN THE BANKING SECTOR: Case Studies of 11 Vietnamese** Commercial Banks 2022" provides analytical results and recommendations to commercial banks and SBV for the enhancement of ESG integration in their policies, information disclosures, and implementation towards

The report consists of five main sections as follows:

- Introduction
- Part one: Overview of ESG in the Finance Banking Sector
- Part two: Introduction to the Methodology
- Part three: ESG Policy Commitments of 11
 Vietnamese Commercial Banks
- Part four: Conclusions and Recommendations

international norms and standards.



1.1 Global ESG trends

ESG factors are no longer new. They have now become mainstream in the awareness and practices of international investors. Generally, they have increasingly recognised the correlation between investment risks and ESG themes in recent years. As measured by Scatigna et al.,xii ESG has been mentioned more regularly in Annual General Meetings' earning calls of large S&P 500 companies when there has been more news related to increasing climate change and greater social inequality.

Survey results released by PWC in 2021 show that 79% of investor respondents said that ESG risk is one important factor for them to consider when making investment decisions, and 49% responded that they are willing to divest from companies that do not take appropriate action on ESG issues.xiii Given increasing pressures, enterprises are required to publicly disclose information about their ESG activities and commitments to proactively make changes and create positive impacts to enable the establishment of partnerships holding the same vision of long-term sustainable values.xiv Sustainable investments at the global level have been on the rise with total assets under management reaching \$44 billion in 2022. This is estimated to reach \$50 billion in 2025 compared to \$35.3 billion in 2020.xv The financial market for ESG-related assets is flourishing. The bond market - using ESG self-labelling to finance projects that bring environmental and social benefits - has grown tenfold in the past five years, with an estimated value of around \$2 trillion. Assets held by ESG funds (with ESG missions defined by the funds themselves) have grown multiple times over the

last five years, estimated to reach \$2.4 trillion with around 60% stocks and 20% bonds.xvi International practices and initiatives on ESG are emerging and have been increasingly adopted with the participation of various stakeholders such as governments, intergovernmental agencies, civil society organisations, international agencies, ratings agencies, and auditing firms.

In the field of finance and banking, consideration and integration of ESG criteria have gained more evident representation and gradually become universal with the introduction of the United Nations Principles for Responsible Investment (UN PRI) in 2006 and the United Nations Principles for Responsible Banking (UN PRB)⁵ in 2019. UN PRB provides the banking sector with a framework for the integration of sustainability at the strategy, investment portfolio, and transaction levels, and covers all business areas.6 These principles align banks with environmental and social sustainability goals, such as the Paris Agreement on Climate Change or the United Nations Guiding Principles on Business and Human Rights (UNGP).7 In addition, banks often apply industry standards towards core values of sustainability such as economic efficiency, environmental performance, and community benefits.xvii These standards have been developed by different organisations, for example, the **Environmental and Social Performance** Standards (IFC); the Environmental, Health, and Safety (EHS) Guidelines (World Bank); the Equator Principles (EP); and many more.

ESG updates have also been provided by the Basel Committee on Banking Supervision (BCBS). In June 2022, the Committee introduced 18 principles for effective management and

^[5] UN PRB provides the banking industry with a framework for integration of sustainability at the strategy, investment portfolio and transactional levels, and covers all business areas.

^[6] For Responsible Banking Principles, see https://www.unepfi.org/banking/bankingprinciples/

^[7] The Guiding Principles on Business and Human Rights (UNGP) consists of 31 principles that define the obligations of the state and the role of businesses to implement the "Respect, Protect and Remedy" framework of the United Nations. UNGP was adopted by the United Nations Human Rights Council through the resolution 17/4 dated June 16, 2011, available at

 $https://www.ohchr.org/Documents/\ Publications/GuidingPrinciplesBusinessHR_EN.pdf$

supervision of climate-related financial risks.8 These principles help improve banks' management and oversight of climate-related financial risks with a focus on internal governance, internal controls, risk assessment, management, and reporting. This is part of the Committee's holistic approach to mitigating climate-related financial risks for the global banking system. The approach includes the assessment, measurement, and mitigation of such risks through supervisory, regulatory, and disclosure measures for the banking system.xviii The Basel Framework, an international policy framework for banks which took effect from 1 January 2023, has integrated Basel III as minimum standards to strengthen the risk policy, supervision, and management of banks.xix Accordingly, climate-related financial risks have been incorporated with clearer explanations in the calculation of risk-weighted assets for credit risk (CRE - calculation of RWA for credit risk); calculation of risk-weighted assets for operational risk (OPE - calculation of RWA for operational risk); calculation of risk-weighted assets for market risk (MAR - calculation of RWA for market risk); and the Supervisory Review Process (SRP).9

Initiatives to promote non-financial disclosure led to the advent of sustainability reporting.

Sustainability reports are usually incorporated into annual reports or released independently. The content of such reports often focuses on ESG themes such as environment, biodiversity, labour rights, human rights, gender equality, transparency and accountability, and anti-corruption.

Sustainability reporting initiatives often include stakeholder consultation, including civil society organisations and NGOs. In 2016, the Global Reporting Initiative (GRI) transformed and

established the first global standards for sustainable development reporting (or GRI standards) to promote transparency and accountability among businesses and stakeholders. Any organisation or business of different scales in different industries and sectors can apply GRI standards to systematically and transparently report and disclose information about their environmental, social, and economic impacts. These GRI standards have been regularly supplemented and updated by consulting stakeholders including civil society organisations, throughout this process.xx Currently, GRI 2021 is the most up-to-date standard. More than 10,000 organisations and businesses across 100 countries have applied GRI to their Sustainable Development Reporting.xxi Focusing on the theme of climate, the Task Force on Climate-related Financial Disclosures (TCFD)¹⁰ provides market actors with guidance on how to disclose information about financial impacts resulting from climate-related risks or opportunities. In addition, 'Big Four' international audit firms like Ernst and Young and KPMG have consulted on and audited sustainability reports.

Quite a few independent organisations have conducted assessments and reported on ESG information disclosures, commitments, and adoption by companies and banks. Examples include Bloomberg's ESG Data Service, Corporate Knights Global 100, the DowJones Sustainability Index, Sustainalytics ESG Risk Assessment, and the Thomson Reuters ESG Score. The methodology, coverage, assessment criteria, scoring, and reporting adopted by these evaluators varies significantly. And their independently produced reports are often used by

^[8] See more of the principles at https://www.bis.org/bcbs/publ/d532.pdf

^[9] See details at the Basel Framework at https://www.bis.org/basel_framework/index.htm?m=2697

^[10] Learn more about TCFD at https://www.fsb-tcfd.org

clients, investors, fund managers, and other interested parties as a reference source for benchmarking companies, assessing risks, and making investment and service use decisions.

Given the development of the ESG-related financial market, as well as an increasing number of financial institutions publicly disclosing their commitments on the environment, responses to climate change, and sustainable development, it is essential to have a definition or consensus on a common understanding of 'green' or 'sustainability' among banks, investors, and customers. Central banks are participating in and performing their regulatory role by introducing or developing sustainable finance classification systems or green finance classification systems (taxonomy). ASEAN introduced the first version of the ASEAN taxonomy for sustainable finance in November 2021 and the second version in 2023.11 It serves as a common regional framework and provides a common understanding of 'sustainability' for ASEAN member states with regard to foreign investment attraction while taking into account typical requirements and priorities of each member state. In early 2022, the Indonesian Financial Services Agency (OJK) issued a green taxonomy providing guidance to financiers when investing in Indonesia's green economy. Apart from the foregoing ASEAN sustainable finance classification system (2021), ASEAN also issued the ASEAN Green Bond Standards (2018), ASEAN Social Bond Standards (2018), ASEAN Sustainablity Bond Standards (2018), ASEAN Central Banks' Agenda on Sustainable Banking (2020), ASEAN Sustainable Banking Principles (2020), and the Roadmap for ASEAN Sustainable Capital Markets (2020).

1.2 ESG trends and initiatives in Vietnam

Climate change has gained special attention from countries with commitments at the international level in recent years. At the 26th Conference of the Parties to the United Nations Framework Convention on Climate Change (COP26), held in November 2021 in the UK, Vietnam announced its commitments and demonstrated its high determination on issues related to sustainable development, especially the commitment to achieving the goal of net zero carbon by 2050.xxiii In December 2022, the Vietnamese government and a group of international partners reached the Just Energy Transition Partnership (JETP) agreement with a target of USD 15.5 billion in financial support from the public and private sectors through financial institutions in three years to help Vietnam realise its commitment to net zero by 2050.12

Green growth and sustainable economic development have become the focus in the Vietnamese Government's guidelines, policies, and development programs. The national strategy on green growth has been issued for each specific period. The most recent is Decision No. 1658/QD-TTg¹³, promulgated by the Prime Minister on 1 October 2021, on ratification of the national strategy on green growth for 2021-2030, vision to 2050, with the following goals: "Green growth contributes to restructuring the economy in conjunction with renewing the growth model to achieve economic prosperity, environmental sustainability, and social justice, moving towards a green, carbon-neutral economy and contributing to the goal of limiting global temperature rise." The specific goals include "Reducing the

^[11] For more, see the article Towards Sustainable Finance: ASEAN Sustainable Finance Classification System and Implications for Vietnam at https://vietnam.fairfinanceasia.org/2022/11/10/huong-den-tai-chinh-ben-vung-he-thong-phan-loai-tai-chinh-ben-vung-asean-va-ham-y-for-viet-nam/

^[12] European Commission 2022, https://ec.europa.eu/commission/presscorner/detail/en/ip_22_7671

^[13] https://datafiles.chinhphu.vn/cpp/files/vbpq/2021/10/1658.signed.pdf

greenhouse emissions intensity per unit of GDP", "Greenifying economic sectors", "Greenifying the people's lifestyles and promoting sustainable consumption", and "Greenifying the transformation process based on the principles of equality, inclusivity, and improving resilience". SBV was tasked with "reviewing, adjusting, and refining banking and credit institutions in alignment with green growth targets; studying and developing green banking development models; promulgating credit policies incentivising green investment projects." Decision No. 882/QD-TTg14, promulgated by the Prime Minister on 22 July 2022 on the approval of the national action plan on green growth for 2021-2030, includes the following tasks for the banking industry: "Completing the legal framework for green credit and green banking" and "Improving the legal framework for the management of environmental and social risks and climate and natural disaster risks in credit granting activities". A number of policy documents have also been issued to provide directions, shape policy frameworks, and encourage the implementation of sustainable development goals in general and ESG in the finance and banking sector in particular (see footnote 5).

Since 2020, ESG has been increasingly stipulated in legal regulations instead of in guiding documents as before. The directions and policies on financing for sustainable development and ESG integration in the financial - banking industry have become clearer. Legal and policy frameworks on mainstreaming ESG and financing for sustainable development are being developed and further adopted over and above climate-related risk management.xxiv In particular, 2022 saw greater attention on the environment from state agencies in the financial and banking sector. For instance, SBV issued Circular No. 17/2022/TT-NHNN guiding environmental risk management in credit extension activities by credit institutions and foreign bank branches. Meanwhile, initial

stipulations on green credit and green bonds as well as mechanisms to encourage the development of green economic activities and projects have been incorporated in various articles of the Law on Environmental Protection 2020 and Decree No. 80/2022/ND-CP detailing a number of articles of the Law on Environmental Protection coming into effect in 2022. Accordingly, the Ministry of Natural Resources and Environment is the focal agency to formulate a decision of the Prime Minister on promulgating environmental criteria and certification of green credit and green bond issuance projects. In the national green growth strategy for 2021-2030, vision to 2050, the Ministry of Planning and Investment was tasked with developing a national system of green classification standards and criteria. These documents lean heavily on the Environmental pillar.

At the level of international integration, the Development Strategy of the Vietnam Banking Sector to 2025, with a vision to 2030, sets out development goals at the ASEAN and Asian levels, in alignment with international standards and practices. However, as of early 2023, Vietnam did not issue green bonds, social bonds, or sustainability bonds in accordance with ASEAN standards.xxv The Sustainable Banking and Financial Network (SBFN) was established in 2012 and is committed to promoting sustainable finance based on international good practices and priorities of member countries. As of October 2021, SBFN members including 63 agencies and organisations representing 43 countries were all committed to (i) strengthening ESG and climate change risk management in financial activities, and; (ii) increasing flows of capital to activities that bring positive environmental and social impacts, climate change mitigation, and adaptation activities.xxvi Vietnamese agency representatives in the network are SBV and the Ministry of Natural Resources and Environment.

 $^{[14]\} https://datafiles.chinhphu.vn/cpp/files/vbpq/2022/07/882.signed.pdf$



In addition, the organisations that play a strategic role in promoting sustainable finance in Vietnam include ASEAN, the ASEAN Capital Market Forum (ACMF), the Ministry of Finance, and the State Securities Commission of Vietnam.xxvii

Given quite positive changes, Vietnamese commercial banks have started paying attention to and gradually shaping their ESG strategies towards environmental, social, and business sustainability. This move has come from both state-owned and private commercial banks. While compliance with applicable laws and regulations is viewed as a minimum and universal standard applicable to all sectors and industries, in the past two years, more Vietnamese commercial banks have been progressively approaching international standards and good practices such as applying international initiatives on information transparency e.g., GRI, TCFD, or IFC standards in some credit programs and the ASEAN corporate governance scorecard. In 2021, HDBank signed a cooperation agreement with Affinity Equity

Partners, an international investment fund, the Proparco-Development Finance Institution of the French government, and DEG – a development finance institution of KFW Reconstruction Bank from Germany for credits that meet sustainability standards in Vietnam. HDBank also signed an agreement with IFC with regard to loans to mitigate negative climate change impacts in Vietnam.xxviii In the same year, BIDV signed a Green Credit Agreement with the French Development Agency (AFD) to finance enterprises investing in renewable energy. xxix In 2022, Vietnam Prosperity Joint Stock Commercial Bank (VPBank) signed a syndicated loan agreement with the Asian Development Bank (ADB), Sumitomo Mitsui Banking Corporation (SMBC), Japan International Cooperation Agency (JICA), ANZ Bank, and Maybank Securities Pte Co. Ltd., a member of Maybank Investment Group, to support Vietnamese small and medium-sized enterprises (SMEs) and women-owned businesses.xxx

Box 1: Introduction to Fair Finance

Fair Finance International

Established in 2009, FFI is a network of more than 100 civil society organisations initiated by Oxfam to strengthen the commitments of banks and other financial institutions to environmental, social, and human rights standards. FFI currently operates in many countries such as Bangladesh, Belgium, Brazil, Cambodia, Germany, India, Indonesia, Japan, Lao, the Netherlands, Norway, Pakistan, South Africa, Sweden, Thailand, the Philippines, and Vietnam. FFI provides evidence based on rigorous evaluation methods to evaluate and motivate financial institutions and stakeholders to introduce and enforce more responsible policies. FFI encourages clients to demand more socially accountable, equitable, and sustainable investment.

FFI encourages banks to 'race to the top' in terms of responsible business and the transparency of social, environmental, and human rights standards in the finance and banking sector. The organisation also encourages banks to adopt these standards to make sustainable lending, investment, and asset management decisions.

For more information about FFI, please see: https://fairfinanceguide.org/ff-international/about-us/#panel-0

Fair Finance Asia

Financial Equity Asia (FFA) is a regional civil society network in Asia committed to ensuring that regional financial institutions' business decisions and financing strategies respect community social and environmental interests. FFA members come from ten countries in the region including Bangladesh, India, Cambodia, Indonesia, Japan, Lao, Pakistan, the Philippines, Thailand, and Vietnam.

For more information about FFI, please see https://fairfinanceasia.org/us.

Fair Finance Vietnam

Fair Finance Vietnam (FFV) is the creation of the collective efforts of several organisations, including the Center for Water Conservation and Development (WARECOD), Business Administration Faculty - Hanoi University of Industry (HaUI), Communication Initiative Todocabi and Oxfam in Vietnam. They are currently active in the field of environmental protection, education, communication and community participation for sustainable development.

This initiative contributes to making recommendations and encouraging Vietnamese commercial banks and stakeholders to plan and implement ESG policies, thereby contributing to green growth and sustainable development.

For more information about FFV, please see https://vietnam.fairfinanceasia.org/

^[15] At the time of establishment, in 2009, the organisation was named Fair Finance Guide International (FFG).





2.1 Fair Finance Guide (FFG) Methodology

The analysis of policy commitments on ESG by commercial banks in Vietnam is conducted based on the FFG methodology, developed by Profundo and FFI¹⁶, and widely used and published in Asia, Europe, and Latin America.¹⁷ In Asia, this method has been used to analyse the policies of financial institutions in Bangladesh, Japan, India, Thailand, Indonesia, the Philippines, and Vietnam. Reports on analysis results can be found on the FFA's official website.¹⁸

The approach of the FFG methodology

FFG methodology is built from the perspective of (current and potential) customers, shareholders, and investors to consider decisions to use services of, do business with, and invest in financial institutions. Accordingly, announcements and commitments on ESG will be one of the factors that help these parties make decisions. That's why the methodology only focuses on publicly available information posted by the banks themselves.

Because of the transnational nature of the finance and banking industry, the methodology focuses on comparing the bank's policy commitments with international standards, rather than comparing the compatibility of the bank's policies with national laws or comparing national laws with international standards. The bank may cite or declare its compliance with national laws

and policies in its own policies and statements. When national laws and regulations are in line with FFG criteria, FFG encourages commercial banks to identify and publicly share their compliance with these laws and regulations.

The FFG methodology develops criteria for analytics tools based on sustainable finance initiatives, international conventions, and standards by major organisations and institutions such as the UN, IFC, and OECD.¹⁹ Core references include IFC Performance Standards on Environmental and Social Sustainability; SDGs; the **UN Framework Convention on Climate Change** (UNFCCC); the Kyoto Protocol (1997) that aims to reduce the emission of gases that contribute to global warming; the 2015 Paris Agreement on Climate Change; OECD Guidelines for Multinational Enterprises; G20 High-Level Principles on Financial Consumer Protection; UN Guidelines for Consumer Protection (UNGCP); the UN Convention on the Rights of Persons with Disabilities (CRPD); the Convention on the Elimination of All Forms of Discrimination Against Women; several fundamental conventions of the International Labour Organisation (ILO), such as Convention No. 98 on the Right to Organise and Collective Bargaining and Convention No. 111 on Discrimination; the International Covenant on Economic, Social, and Cultural Rights (ICESCR); the International Union for the Conservation of Nature (IUCN); and the Convention on International Trade in Endangered Species of Wild Fauna and Flora (CITES).

^[16] For details on the methodology and tools, please visit https://fairfinanceguide.org/ff-international/about-us/#panel-2

^[17] Results for analysis of banks in India: https://fairfinanceindia.org/bank-guide/policy-scores/.
Results for analysis of banks and financial institutions in Japan: https://fairfinance.jp/.
Scores of banks in Indonesia: https://responsibank.id/.
Results for analysis of banks in Thailand: https://fairfinancethailand.org/

^[18] https://fairfinanceasia.org/partners/

^[19] The application of initiatives and international standards implies that standards for evaluating commercial banks' commitments on ESG need to follow best practices, beyond compliance to minimum rules under each country's regulations and laws.

Fair Finance Guide methodology utilises

International conventions

For example: ILO and

CEDAW

International standards on responsible business conduct

For example: UNGP and UDHR

International standards on responsible finance

For example: EP and IFC standards

Figure 3: FFG methodology and international conventions and standards

2.2 Themes for analysis

FFG methodology consists of three key standards on ESG with 23 themes, each of which has 12 to 26 criteria (Annex 1). As of 2022, Fair Finance has agreed on nine mandatory themes, including:

Environmental (E): Climate Change, Nature

Social (S): Gender Equality, Human Rights, Labour Rights, No Arms Investment

Governance (G): Anti-Corruption, Tax, Transparency and Accountability



Figure 4: Mandatory themes under FFG methodology

In Vietnam, FFV analyses 12 themes to present the commitments of commercial banks on ESG. In addition to nine mandatory themes under FFG methodology, themes including power generation, financial inclusion, and consumer protection are added. Specifically:

E: Nature, Climate Change, Power Generation

S: Gender Equality, Labour Rights, Human Rights, Financial Inclusion, No Arms Investment

G: Tax, Transparency and Accountability, Anti-Corruption, Consumer Protection.

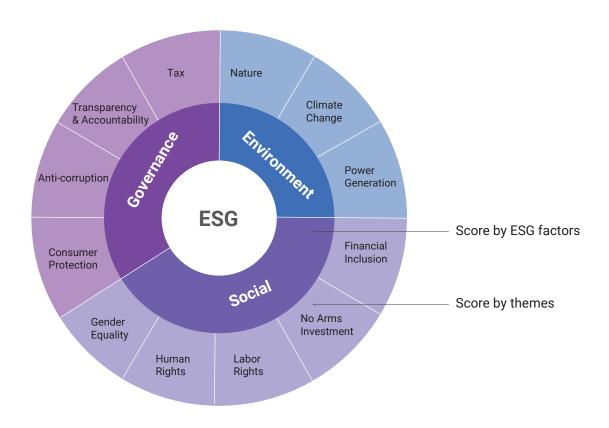


Figure 5: ESG themes under FFV analysis

2.3 Data for analysis

Data collected for analysis is published by the bank themselves on their websites.

Regarding the bank's updates, data was collected until 31 December 2022 for analysis. Regarding information in press releases, the data must be updated no sooner than 12 months before the deadline for scoring (2021). The methodology doesn't use the bank's information if it is provided by third parties.

The bank's public data is demonstrated in the following documents:

- Bank policies including those on its internal operations, policies on investment and/or lending, or policies for corporate customers receiving loans or investment from banks.
- · Annual Report 2021.
- · Sustainability Report 2021.

- Climate Finance Reports (TCFDs), green credit frameworks, and social finance reports.
- The bank's policies on investment and lending and its exclusion list.
- The bank's charter.
- (Public) policies on the bank's internal operations, the bank's publicly available code of conduct, culture handbook, announcements, press releases, etc.
- · Newsletters valid for 12 months.
- Conditions, terms, product and service information, and introductions published on the bank's website.
- Any other official information published on the bank's website.

2.4 Analytics toolkit

The FFG methodology builds an analytics toolkit based on themes, with different criteria under each theme. Due to frequent and continuous changes in the finance and banking industry, the FFG methodology is updated and modified every year with comments from Fair Finance initiatives of countries implementing it, which is reflected through changes to the criteria of the analytics toolkit.

When the methodology was first implemented in 2020, FFV used the FFG 2018 toolkit. In the second implementation (2022), the FFG 2021 toolkit was used. The difference between these two toolkits is changes to the criteria under each theme, including the addition and removal of criteria or modification of part of criteria. Scores for each theme are averaged across groups of criteria. Therefore, the FFG method essentially ensures uniformity across different scoring times.

Using a content analysis method, FFV uses the bank's public information and documents as mentioned above to see whether this information refers to content including criteria under each theme. Depending on the clarity and scope of application of criteria to the bank's products and services, a criterion's scores will be from zero to one. The score of a criterion will be calculated by combining the score for content and the score for scope of application (applicable to every activity and service of the bank or part of the bank's activities and services such as credit activities).

- If the implementation of a criterion for all products and services provided by a bank is clearly mentioned in available information, that bank will score one point.
- If a criterion is clearly mentioned in available information but it is not obvious to which activity and service it applies, then the bank will often score 0.5 points. Accordingly, the score for content is 1 and the score for scope of application is 0.
- If no public information mentioning a criterion is found, the score will be 0. This score means that this criterion is not mentioned in the bank's public documents and information. It does not imply that the bank has no policies or commitments on the implementation of such criterion.
- A cautious approach is applied during analysis to avoid missing information by sending a bank's analytics toolkit to that bank for feedback before announcing the final results.
- A theme score will be based on a combination of scores for all criteria. Accordingly, a theme score will be adapted to a 0-10 scale, in which 10 is the highest score.

2.5 Participating commercial banks

In the first implementation (2020), 10 commercial banks were analysed based on criteria such as the largest charter capital²⁰ and/or undertaking financial activities for energy projects. In the second analysis (2022),

these ten banks continued to be analysed, and one was added - HDBank - a bank doing business in the renewable energy industry. As such, the 2022 analysis of policy commitments on ESG was conducted with 11 commercial banks as mentioned in the following table:

	Abbreviations	Ticker symbol	Full name
1	Agribank	-	Vietnam Bank for Agriculture and Rural Development
2	BIDV	BIDV	Joint Stock Commercial Bank for Investment and Development of Vietnam
3	EximBank	EIB	Vietnam Export Import Commercial Joint Stock - Eximbank
4	HDBank	HDB	Ho Chi Minh City Development Joint Stock Commercial Bank
4	LPBank	LPB	Lien Viet Post Joint Stock Commercial Bank
5	MSB	MSB	The Maritime Commercial Joint Stock Bank
6	Techcombank	ТСВ	Viet Nam Technological and Commercial Joint Stock Bank
7	VIB	VIB	Vietnam International Commercial Joint Stock Bank
8	VietcomBank	VCB	Joint Stock Commercial Bank for Foreign Trade of Vietnam -VCB
9	VietinBank	CTG	Vietnam Joint Stock Commercial Bank of Industry and Trade
10	VP Bank	VPB	Vietnam Prosperity Commercial Joint Stock Bank, former name: Vietnam Commercial Joint Stock Bank for Private Enterprise

Table 1: List of banks under analysis

^[20] https://www.sbv.gov.vn/webcenter/portal/vi/menu/fm/htctctd/nh/nhtm/nhtmnn

2.6 Implementation process

There are three main stages in the implementation process: (1) Preparation; (2) analysis and quality control, and; (3) reporting.



Figure 6: Implementation process for 2022 assessment in Vietnam

During preparation for the second analysis, FFV sent each commercial bank, via email or through official dispatches, their own analytics toolkit that was used in the first implementation and informed them about the second analysis in 2022. After conducting the analysis, followed by internal quality control and technical support periodically carried out by experts from Profundo, FFV sent the second detailed analysis of each bank to them for their feedback through face-to-face meetings, in addition to feedback

received via email. Moreover, an extensive consultation with the participation of 11 commercial banks was held on 23 November 2022 to introduce the analysis methodology and findings, thanks to the collaboration and coordination of the Vietnam Banks Association. The report combines analysis results and recommendations on policy commitments on ESG developed after feedback is received through face-to-face communication with the bank in 2022.

Box 2: Feedback from commercial banks regarding FFG assessment

"We are sincerely thankful for documents related to ESG assessment provided by your organisations. We highly appreciate your efforts and contributions to the development and sustainability of ESG."

Vietnam Export Import Commercial Joint Stock - Eximbank

"We would like to say thank you for the opportunity to attend the conference that recently took place in Hanoi. We assess the importance of content related to ESG to the bank. HDB has an executive board regarding ESG under a risk management committee - Sales Division which is performing E-S assessment."

Ho Chi Minh City Development Joint Stock Commercial Bank - HDBank

"We would like to thank the Project Team for spending time attending a sharing session with us about FFG methodology and analysis results related to ESG policies, and listening to feedback from Agribank regarding ESG practices in our bank. We hope to receive support from the Team during the realisation of ESG in Agribank's policies."

Vietnam Bank for Agriculture and Rural Development - Agribank

The report's analysis results are publicly announced on the Fair Finance Asia website. Combined analysis results of 11 commercial banks will help provide information and an overview of ESG in the banking and finance industry in Vietnam, thereby positioning it to improve its position in ASEAN and on the international market, as well as to attract capital from responsible investors and investment funds on a global scale.

2.7 Limitations of the methodology

The FFG methodology has the following limitations:

- The FFG methodology focuses on analysing commercial banks' public policies. Therefore, the zero (0) point in the analytics toolkit does not mean that the bank has no policy or commitment on the criteria and themes under assessment. Sometimes, such commitment is specified in commercial banks' policies/commitments that are not publicly available and not used by this methodology.
- Analysing commercial banks' public policies based on ESG-related criteria does not reflect the level of implementation of such criteria by commercial banks in reality. For that reason, it is necessary to have reports, assessments, and research using other approaches to understand ESG implementation at each bank.



3.1. Policy commitments on the Environmental (E) pillar

The Environmental (E) pillar is reflected through three themes including Climate Change, Power Generation, and Nature. 2022 policy commitments on the Environmental (E) factor by 11 commercial banks scored 0.5/10 points, increasing by 0.2 points (or 40%) compared to 2020. Policy commitments on these themes saw improvements compared to 2020. However, this positive change only occurred in a few banks. 2022 and 2020 policy commitments on the

Environmental (E) pillar are at the first stage of implementation without any significant changes, although banks have gradually shown more interest in green growth, environmental protection, and nature. At the same time, they have directed their financial flows into projects reducing greenhouse gas emissions, green energy, and social - environmental risk control during credit granting. Few commercial banks have made public policy commitments on nature and climate change, as compatible with international standards.

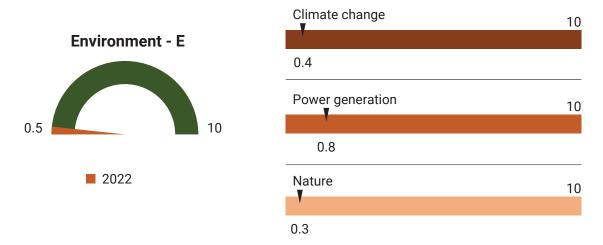


Figure 7: Commitments on Environmental (E) factor of 11 commercial banks in 2022

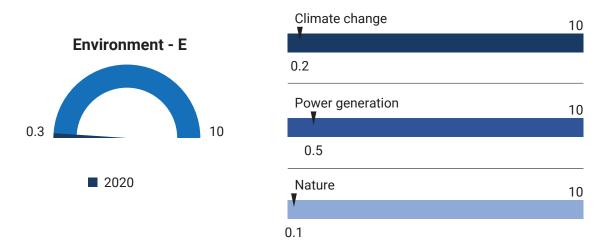


Figure 8: Commitments on Environmental (E) factor by 10 commercial banks in 2020 (Fair Finance Vietnam, according to FFG methodology, 2020)

At the ASEAN level, the average score (out of 10) of commercial banks in Vietnam in 2022 for Climate Change was 0.4. This was lower than banks in Thailand (2022) with a score of 0.9, and banks in Indonesia with a score of 0.9, but higher than banks in the Philippines (2019) with a score of 0.2. The average score of commercial banks in Vietnam in 2022 for Power Generation was 0.8, lower than banks in Indonesia (1.4). The average score of commercial banks in Vietnam in 2022 for Nature was 0.3, considerably lower than banks in Thailand (2022) with a score of 1.7, and the Philippines (2019) with a score of 0.8 (data compiled from Assessment Reports on ESG Policy Commitments of Indonesian, Philippine, and Thai banks, Fair Finance Indonesia (2022), Philippines (2020), and Thailand (2023)).

Details on themes including Climate Change, Power Generation, and Nature are presented in the following sections.

3.1.1 Climate Change

Introduction to the theme and Vietnam's commitments

The criteria used to analyse policy commitments on Climate Change by banks are built based on international principles and standards. These include the 12 principles in the Roundtable on Sustainable Biomaterials (RSB), the Paris Agreement on Climate Change (COP21), the UN Framework Convention on Climate Change (UNFCCC), the Kyoto Protocol, and the Intergovernmental Panel on Climate Change (IPCC) guidelines.

Vietnam ratified the country's participation in the UNFCCC on 16 November 1994, the Kyoto Protocol on 25 September 2002, and accepted the Paris Agreement on 3 November 2016.²¹ On 20 July 2020, the Prime Minister signed and promulgated Decision No. 1055/QD-TTg on the National Plan to Adapt to Climate Change for the period 2021-2030,

with a vision to 2050.22 This aims to minimise the vulnerability to and risk of climate change by strengthening the resilience and adaptive capacity of communities, economic sectors, and ecosystems and promoting the integration of climate change adaptation into strategies and plans.xxxi At the 26th session of the Conference of the Parties (COP 26) to the UNFCCC, which took place in November 2021, Vietnam presented specific goals to achieve net-zero emissions in 2050.xxxii The 2020 Nationally Determined Contribution (NDC)²³ is a plan demonstrating Vietnam's commitment to reducing greenhouse gas emissions and adapting to climate change, with an analysis of harmonisation and co-benefits between mitigation of greenhouse gas emissions, adaption to climate change, and socioeconomic development that sticks to the SDGs.xxxiii Climate change is a common theme in new-generation free trade agreements to which Vietnam is a party, such as the EU-Vietnam Free Trade Agreement (EVFTA).

2022 policy commitments on Climate Change by 11 commercial banks

Policy commitments on Climate Change by 11 commercial banks are all limited, with only one bank having a positive improvement compared to 2020.

Although the theme of climate change has been somehow different compared to 2020, this change mainly comes from policy commitments by two commercial banks: HDBank and VPBank. In other words, although many banks have made strong commitments to protecting the environment and saving energy, only two out of 11 commercial banks have publicly announced their policy commitments on climate change in line with criteria developed based on international commitments, statements, standards, and initiatives. Nine banks did not demonstrate their commitment to climate change based on criteria meeting international standards in 2020 and 2022.

^[21] For more commitments made by Vietnam, please visit https://treaties.un.org/Pages/ViewDetails.aspx?src=TREATY&mtdsg_no=XXVII-7-d&chapter=27&clang=_en

^[22] On July 20, 2020, the Prime Minister signed and promulgated Decision No. 1055/QD-TTg on the National Plan to Adapt to Climate Change for the period 2021-2030, with a vision to 2050.

^[23] Vietnam's Nationally Determined Contribution (NDC) is a national plan reflecting the country's efforts to respond to climate change, contributing to global action. This plan is submitted to the UNFCCC Secretariat as well as reviewed and updated every 5 years.

Commitments on Climate Change

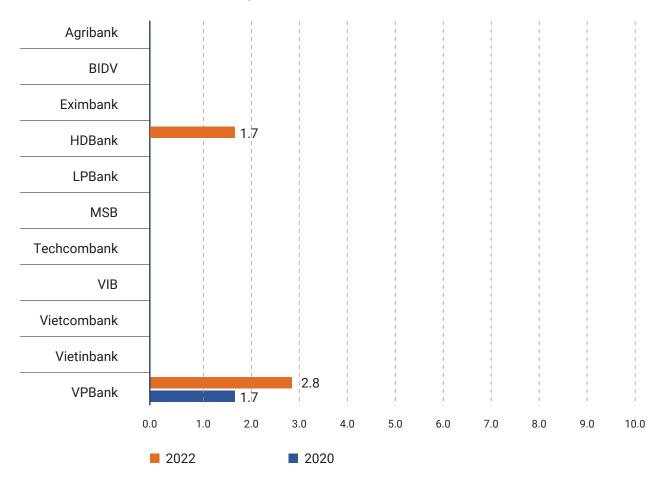


Figure 9: Policy commitments on Climate Change of commercial banks in 2022 and 2020 (Source for comparison: Fair Finance Vietnam, according to FFG methodology, 2020)

In particular, two banks have clearly mentioned coal, including coal mining and coal-fired power generation, but have not mentioned other fossil fuels such as oil and gas. No commercial bank has published information on greenhouse gas emissions related to companies and/or sectors invested or funded by that bank. Most commercial banks (10 out of 11) have set no measurable goals compatible with the goal to maintain a global temperature rise of 1.5 degrees Celsius. No bank has published its data requirements regarding greenhouse gas emissions and climate risks during environmental impact assessments for large projects (if any).

In addition, most commercial banks have not published policies requiring or encouraging corporate customers to implement policy commitments for businesses receiving the bank's credit or investment on Climate Change, e.g. publishing information about the amount of greenhouse gas emissions, shifting from fossil fuels to renewable energy, not participating in policy advocacy that weakens environmental policies and provisions in policies agreed upon by businesses and subcontractors and suppliers, etc.

Box 3: Examples of commitments on climate change by commercial banks

HD Bank: "Our bank pioneers in commitments to not finance coal-related activities including coal mining, coal transportation, or coal-fired power plants, as well as dedicated infrastructure services that support related activities." (HDBank (2022), 2021 Annual Report; page 189)

VP Bank: In 2022, VP Bank made a report on 2021 Climate-Related Financial Disclosures (TCFD), with all four types of information regarding climate-related impacts under TCFD recommendations, including governance, strategy, risk management, and measurement of indicators and goals. "VPBank aims to reduce methane emissions by at least 30% by 2027 and achieve net-zero emissions for the total amount of greenhouse gas emissions across all bank operations by 2050, in line with [the] commitment of the Government of Vietnam at COP26, while mobilising at least USD 1 billion by 2030 for sustainable finance to support customers' transformation efforts to address climate change". (VPBank (2022) - 2021 TCFD, page 3)

This bank made some clear commitments on climate change in their 2020 Green Credit Framework (GCF) to introduce a process for using and managing green loan capital during the lending of projects meeting green criteria. ²⁴ GLF is one of the credit products provided by VP Bank, encouraging customers to reduce greenhouse gas emissions, obtain certification under standards in the Roundtable on Sustainable Biomaterials (RSB) for agricultural activities, and issuing a list of exclusions in credit granting. According to the list, VPBank does not grant credit for technology applications powered by fossil fuels, which means coal-fired thermal power is also included in the list of exclusions of this credit package. **xxxiv**

VP Bank also commits to limit credit to "New coal-fired power projects or active coal-fired power plants" and to not grant credit for "Coal mining or dedicated services and infrastructure for coal mining." (VPBank (2022), list of exclusions in credit granting due to social and environmental issues; Sections I.2 and II.14)

3.1.2 Power Generation

Introduction to the theme and Vietnam's commitments

Criteria to analyse policy commitments on Power Generation by banks are built based on international principles and standards. These include the Ramsar Convention on Wetlands; the Convention Concerning the Protection of the World Cultural and Natural Heritage (UNESCO); the Paris Agreement on Climate Change (COP21); IFC Performance Standard 6 on Biodiversity Conservation and Sustainable Management of Living Natural Resources; the International Covenant on Economic, Social, and Cultural Rights (ICESCR); the International Union for Conservation of Nature (IUCN); the Convention on

^[24] In May 2020, VPBank officially announced their Green Credit program for customers satisfying green criteria (loans made to finance projects, production, business and consumption with goals to fight climate change, reduce carbon emissions, and promote the transition to a sustainable, environmentally friendly economy).

See more at: https://www.vpbank.com.vn/ve-chung-toi/phat-trien-ben-vung/khung-tin-dung-xanh

International Trade in Endangered Species of Wild Fauna and Flora (CITES).

Vietnam ratified, accepted, and joined the Ramsar Convention in 1989, CITES in 1994, and COP21 and ICESCR in 1982. On 11 February 2020, the Politburo issued Resolution No. 55-NQ/TW on the orientation of Vietnam's National Energy Development Strategy to 2030 with a vision to 2045. This includes orientations to increase the proportion of renewable energy sources from 2030 to 2045 and reduce greenhouse gas emissions caused by activities using energy. It also includes a roadmap to reasonably reduce the proportion of coal-fired power used, ensure full compliance with laws on ecological safety in coal-fired power development according to international standards, and special determination to close factories that do not upgrade their technology as prescribed. The Prime Minister issued Decision No. 2068/QD-TTg dated 25 November 2015 approving the Development Strategy of Renewable Energy of Vietnam by 2030 with a vision to 2050. One of the development perspectives is to "focus on using proven technologies in the field of renewable energy, such as hydropower, wind energy, solar energy, biomass energy, [and] biogas, to develop renewable energy sources that effectively provide electricity for the national electricity system and thermal energy for heat demand in production and daily life."25 As specified in the Prime Minister's Decision No. 500/QD-TTg dated 15 May 2023 approving the National Power Development Master Plan for 2021-2030, with a

vision to 2050, the plan sets goals for equitable energy transition including strong development of renewable energy sources for power generation and control of greenhouse gas emissions caused by power generation.²⁶

2022 policy commitments on Power Generation by 11 commercial banks

Policy commitments on power generation by 11 commercial banks are relatively different; few banks have achieved improvements compared to 2020

The second analysis in 2022 shows that two banks have achieved positive changes in the publication of their commitments on power generation. Meanwhile, two banks have negative changes and seven have made no changes compared to the first analysis in 2020.

Most commercial banks (8 out 11) published information about financing for renewable energy production, contributing to Vietnam's renewable energy development strategy. Though some commercial banks report on green credit growth, credit in the renewable energy sector, and demonstrate the increase in this sector, no specific, measurable goals for increasing capital for renewable energy production have been published in the bank's policies on internal operations. Only two out of eleven commercial banks set specific, measurable goals to reduce capital financing for power generation using fossil fuels.

^[25] https://datafiles.chinhphu.vn/cpp/files/vbpq/2015/11/2068.signed.pdf

^[26] For more details on Power Development Plan VIII, please visit https://xaydungchinhsach.chinhphu.vn/toan-van-quy-hoach-phat-trien-dien-luc-quoc-gia-11923051616315244.htm

Commitments on Power Generation

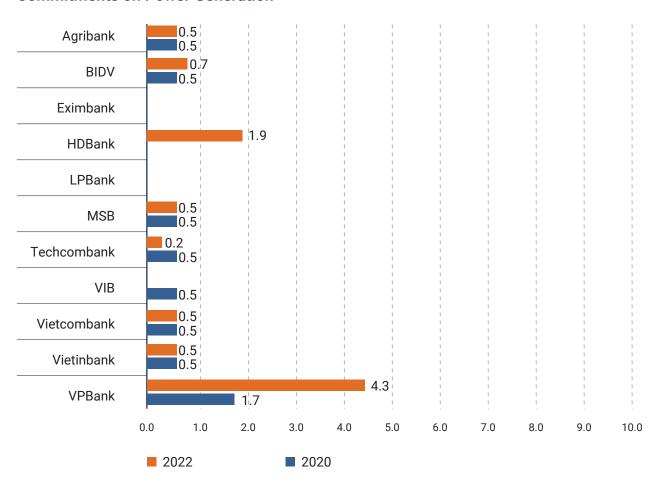


Figure 10: Commitments on power generation by commercial banks in 2022 and 2020 (Source for comparison: Fair Finance Vietnam, according to FFG methodology, 2020)

Few banks have published their policies with requirements or incentives for corporate customers in the power generation industry who receive grants/loans. Only two out of eleven commercial banks make explicit statements about coal-fired thermal power, such as that "no investment is for new coal-fired thermal power."

However, no bank has required corporate customers receiving the bank's investment or credit to integrate ESG criteria into their operating processes and policies, publish sustainability reports, or prepare procedures to take corrective measures for negative impacts on human rights caused or contributed to by their businesses.

Box 4: Examples of commitments on power generation by commercial banks

Agribank: "Agribank has participated in many projects related to environmental protection sponsored by the World Bank (WB) and financial organisations, including: development of biogas program; wind power." (Agribank (2022), 2021 Annual Report, page 32)

BIDV: "In the period 2021-2025, BIDV will continue to provide "green credit" packages, devote a certain proportion to offer customer financing in [the] clean and renewable energy sector, thereby contributing to the transformation of the economy towards green growth and environmental protection" ... "By the end of 2021, BIDV's credit contribution in the renewable energy sector was more than USD 1.7 billion, accounting for 36% of outstanding credit for renewable energy in Vietnam." (BIDV (2022), 2021 Annual Report, page 47 and page 190)

HD Bank: "To achieve our development goal in the period 2021-2025, HDBank has set specific short- and medium-term sustainable development goals as follows: Expand climate finance portfolio to USD 800 million by 2025, contributing to the reduction of more than 54,000 tons of carbon dioxide per year... Commit to not finance coal-related activities including coal mining, coal transportation, or coal-fired power plants, as well as dedicated infrastructure services that support related activities." The bank's 2022 Operational Orientation was to "Direct and oversee the implementation of programs demonstrating HDBank's responsibility to society, including promoting the implementation of green credit programs by financing projects related to renewable energy, high-tech application in agriculture, aiming for sustainable development and environmental protection; continuing to implement programs and social work that demonstrate HDBank's responsibility to the community." (HDBank (2022), 2021 Annual Report; page 65 and page 181)

MSB: "MSB's credit balance for financing renewable energy projects has seen a sharp increase in both absolute balance and ratio as compared to the total portfolio of the power and energy distribution industry as this ratio went up from 29% in 2020 to 50% in 2021." (MSB (2022), 2021 Annual Report, page 69)

Vietinbank: "Regarding Green Finance and sustainable development, VietinBank has done business in 6 sectors including Green Agriculture; Sustainable Forestry; Clean, Renewable Energy; Recycling and Reuse of Resources; Waste Treatment and Pollution Prevention; Sustainable Water Management in Urban and Rural Areas. There has been an increase over time in the proportion of outstanding credit for sustainable development as compared to the bank's total outstanding credit, from 1.47% in 2018 to 4.05% in mid-2021." (Vietinbank (2022), 2021 Annual Report, page 127)

VP Bank: The bank's perspective is to limit financing for new or existing coal-fired power generation, facilitating the renewable energy industry, and introduce policies requiring and motivating businesses receiving the bank's credit or investment to, within the scope of their operation and management, prevent negative impacts on protected areas mentioned in sections I-IV of the International Union for Conservation of Nature (IUCN); prevent negative impacts on UNESCO World Heritage Sites; prevent negative impacts on protected areas mentioned in the Ramsar Convention on Wetlands; prevent conflicts over land rights and natural resource access by seriously consulting with local communities and achieving free, prior, and informed consent (FPIC) for projects related to ethnic minorities and indigenous people; prevent conflicts over land rights and natural resources through FPIC with customary land users; make sure that the construction of dams follows seven principles of the World Commission on Dams; and ensure that the biomaterial production follows 12 principles in the Roundtable on Sustainable Biomaterials, which should be demonstrated through policy commitments (VPBank (2022) - List of exclusions in credit granting due to social and environmental issues (Sections I.2; II.11; II.13; II.2); VPBank (2022) - 2021 TCFD (Page 23); VPBank (2020), Green Credit Framework)

3.1.3 Nature

Introduction to the theme and Vietnam's commitments

Criteria used to analyse policy commitments on Nature by banks are built based on international principles and standards. These include the UN Convention on Biological Diversity (CBD); the UN Convention on the Law of the Sea (UNCLOS); the Ramsar Convention on Wetlands; the Convention Concerning the Protection of the World Cultural and Natural Heritage (UNESCO); CITES; IFC Performance Standard 6 on Biodiversity Conservation and Sustainable Management of Living Natural Resources; the International Union for Conservation of Nature (IUCN); and SDGs no. 6, 14, and 15.

Vietnam has ratified and joined these international conventions, and the Ministry of



Natural Resources and Environment is also a member of IUCN.27 To implement these international conventions, Vietnam has also issued legal documents such as the 2020 Law on Investment²⁸ and the 2020 Law on Environmental Protection.29 Prohibited business lines are regulated in the 2020 Law on Investment, Article 6, including "Business in specimens of wild flora and fauna specified in Appendix 1 of Convention on International Trade in Endangered Species of Wild Fauna and Flora; specimens of rare and/or endangered species of wild fauna and flora in Group I of Appendix III hereof." According to Circular No. 39/2016/TT-NHNN, Article 8, Clauses 1 and 3, a credit institution may not provide loans to meet the following demands: "carrying out investment or business activities in sectors and trades in which such activities are banned by law" or "buying and using goods and services of sectors and trades in which investment and business activities are banned by law". In addition, content concerning biological diversity, invasion of alien species, and implementation of CITES is also included in new generation free trade agreements to which Vietnam is a party, such as the EVFTA and Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP).

2022 policy commitments on Nature by 11 commercial banks

Policy commitments on Nature by 11 commercial banks are all limited with almost no change compared to 2020.

Most banks have not published information about the theme of Nature so that their customers, investors, and other stakeholders can easily access it. Only one bank has published its commitment on this theme and has achieved improvements compared to 2020.

^[27] Members directory | IUCN

^[28] https://datafiles.chinhphu.vn/cpp/files/vbpq/2021/02/72.signed.pdf

^[29] https://datafiles.chinhphu.vn/cpp/files/vbpq/2020/07/61.signed.pdf

Commitments on Nature

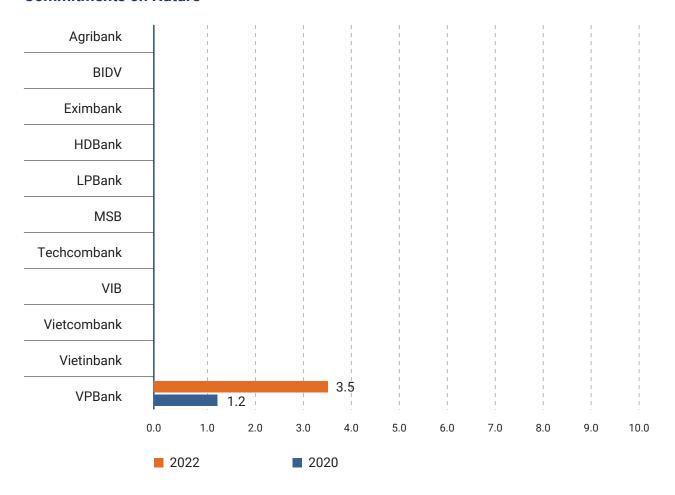


Figure 11: Policy commitments on Nature by commercial banks in 2020 and 2022 (Source for comparison: Fair Finance Vietnam, according to FFG methodology, 2020)

Some commercial banks are announcing their commitments on the environmental factor in general, natural heritage, and compliance with Vietnamese laws and policies such as the Law on Environmental Protection. Several nature-related contents, including biological diversity and natural habitat, have been incorporated into the assessment of environmental and social risks at various banks. However, most (10 out of 11) have not developed policies requiring or encouraging businesses receiving the bank's credit or

investment to make commitments on Nature. Of these, nine banks had no specific commitments on this theme that were compatible with criteria under international standards in 2020 and 2022.

Almost no commercial banks have published requirements or incentives for businesses receiving credit or investment to: prevent negative impacts and protect natural forests, including primary forests, swamps, mangrove forests, and tropical forests, as mentioned in the High Conservation Values (HCV) (developed by

the Forest Stewardship Council); prevent negative impacts on areas to be protected as classified by IUCN in the Ramsar Convention, species that need to be protected in the IUCN Red List, UNESCO world heritage sites, and water-scarce areas; prevent the introduction of invasive alien species into the ecosystem; assess the impact of water scarcity and prevent

negative effects on water-scarce areas; integrate nature-related criteria in their operating processes and policies; and incorporate nature-related compliance clauses into contracts with subcontractors and suppliers. These requirements or incentives are still absent in banks' publicly available policies.

Box 5: Examples of policy commitments on nature by commercial banks

VPBank

The bank commits not to grant credit to projects, methods of production, business, and services related to environmental and social risks:

- Section 1. Produce or trade any products or services that violate Vietnamese laws or international regulations, conventions, agreements, or are subject to international bans/partial removal orders such as hazardous pharmaceutical products, pesticides/herbicides, chemicals, ozone-depleting substances, PCBs, wildlife or products under CITES.
- Section 10. Conduct commercial logging operations in primary humid tropical forests for use.
- Section 11. Destroy High Conservation Value areas (including UNESCO World Heritage Sites, conservation areas for IUCN Threatened Species, wetland protection areas under Ramsar Convention, etc.).
- Section 12. Produce or trade wood or other forestry products that are not harvested from sustainably managed forests.

(VPBank (2022), list of exclusions in credit granting due to social and environmental issues)

3.2. Policy commitments on the Social (S) pillar

The Social (S) pillar covers five themes including Financial Inclusion, Gender Equality, Labour Rights, Human Rights, and No Arms Investment.

2022 policy commitments on the Social (S) factor by 11 commercial banks scored 1.6/10 points, increasing by 0.3 points (equivalent to 26%) compared to 2020.

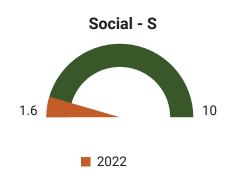
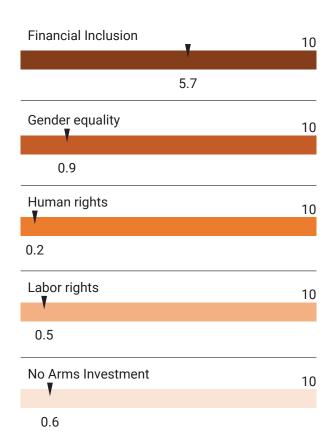


Figure 12: Commitments on the Social (S) factor by 11 commercial banks in 2022



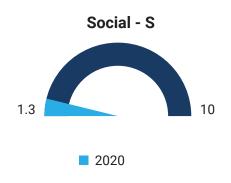
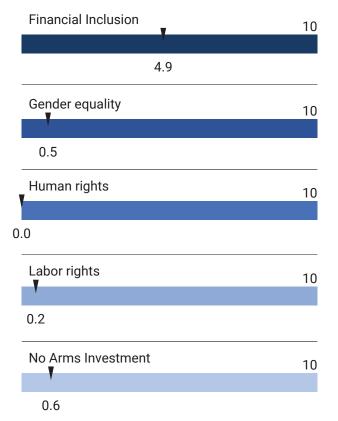


Figure 13: Commitments on the Social
(S) factor by 10 commercial banks in
2020
(Fair Finance Vietnam, according to FFG
methodology, 2020)



Financial Inclusion was the theme most published by 11 commercial banks and saw the most improvement compared to 2020. At the ASEAN level, the average score of commercial banks in Vietnam (2022) regarding Financial Inclusion was 5.7, higher than banks in Indonesia (5.2) and the Philippines (4.4 in 2019) (data compiled from Assessment Reports on ESG Policy Commitments of Indonesian and Philippine Banks, Fair Finance Indonesia (2022) and Philippines (2020)).

In addition, public commitments on the three themes of Gender Equality, Human Rights, and Labour Rights by commercial banks in 2022 were improved compared to 2020. However, this was not considerable compared to other countries in ASEAN (see Table 2 below). Few commercial banks in Vietnam had public commitments on Human Rights (3) or Labour Rights (5). There was no improvement in statements by commercial banks in Vietnam about No Arms Investment, compared to 2020, since the score remained 0.6 – lower than some countries in the region.

Theme	Vietnam (2022)	Thailand (2022)	Indonesia (2022)	Philippines (2019)
Gender Equality	0.9	1.6	0.8	0.6
Human Rights	0.2	1.9	1.1	1.1
Labour Rights	0.5	2.0	2.4	1.5
No Arms Investment	0.6	4.4	1	0.9

Table 2: Average score in Social (S) pillar of banks in some ASEAN countries (Data compiled from Assessment Reports on ESG Policy Commitments of Indonesian, Philippine, and Thai banks, Fair Finance Indonesia (2022), Philippines (2020), and Thailand (2023))

Details on themes including Financial Inclusion, Gender Equality, Labour Rights, Human Rights, and No Arms Investment are presented in the next sections.

3.2.1 Financial Inclusion

Introduction to the theme and Vietnam's commitments

The criteria used to analyse policy commitments on Financial Inclusion are built based on a number of international principles and standards. These include principles of micro-finance and client protection by the Consultative Group to Assist the Poor (CGAP), UN Principles for Responsible Investment (UN_PRI), the UN

Environment Program (UNEP)'s Requirements for Designing Sustainable Financial Systems, the Maya Declaration on Financial Inclusion, and ISO 12812-1:2017 Standards.

Vietnam is a partner of UNEP's Requirements for Designing Sustainable Financial Systems, focusing on green finance. In recent years, Financial Inclusion has been a goal of the Government and has been mentioned in legal documents issued by the Government and relevant ministries. One example is Decision No. 149/QD-TTg promulgated by the Government on 22 January 2020 approving the National Financial Inclusion Strategy to 2025, Vision to 2030. This aims to ensure that individuals and enterprises have access to financial products and services in

a safe, convenient way, at affordable prices, depending on their needs. These products and services must be responsibly and sustainably provided by certified organisations. On 24 July 2020, the Governor of SBV issued Decision No. 1309/QD-NHNN on the banking sector's Action Plan to implement the National Financial Inclusion Strategy to 2025, Vision to 2030.

As a characteristic of Vietnam's economy, "the micro and small-scale enterprise sector has the highest number of enterprises. According to the 2020 Vietnamese Enterprises White Book, as of 31 December 2018, there were 382,444 micro-sized enterprises, accounting for 62.6% of enterprises nationwide".xxxx

Policy commitments on Financial Inclusion by 11 commercial banks

All 11 commercial banks announced their commitments on financial inclusion, and most banks had improvements compared to 2020

Of 12 themes for analysis concerning policy commitments on ESG by commercial banks, financial inclusion had the highest score. In 2022, the average score regarding Financial Inclusion was 5.7, higher than that in 2020 (4.9). All 11 commercial banks published their policies on Financial Inclusion. Eight commercial banks made positive improvements in publishing policies on Financial Inclusion, while two published fewer policies on this theme compared to 2020.

Commitments on Financial Inclusion by commercial banks

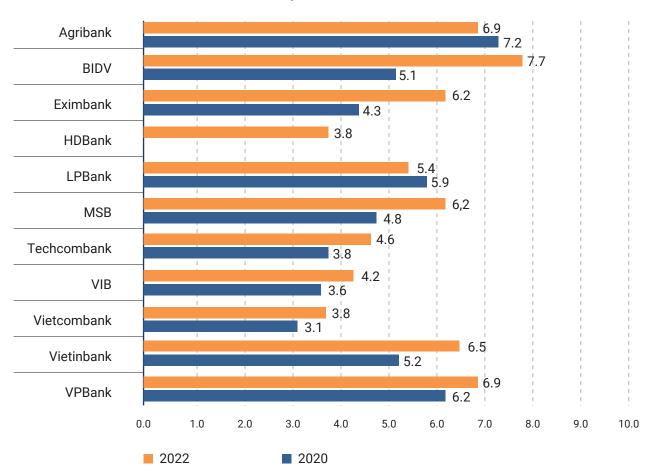


Figure 14: Commitments on Financial Inclusion by commercial banks in 2020 and 2022 (Source for comparison: Fair Finance Vietnam, according to FFG methodology, 2020)



Most commercial banks have policies, services, and products targeting poor and vulnerable groups such as micro, small, and medium-sized enterprises (MSMEs) and farmers. Most also have branches in rural areas, offer online banking, grant credit to MSMEs at a rate of over 10% of total outstanding debt without requiring collateral, open bank accounts without a fee, and have websites in Vietnamese.

Few commercial banks have policies to improve financial knowledge for low-income people,

vulnerable groups, and MSMEs; provide information about credit processing times; do not require a minimum balance to maintain an account; or offer housing-related financial products for low-income groups.

However, no commercial bank has published its policy on customer rights and product and service risks (including the risk of over-indebtedness) for MSMEs and customers with low levels of education.

Box 6: Examples of policy commitments on financial inclusion by commercial banks

Seven of the 11 commercial banks (Agribank, BIDV, Vietinbank, VPBank, Eximbank, MSB, and TCB) have published data showing that the lending rate for SMEs is more than 10%.

Agribank: The bank "always strives to diversify capital channels, bringing banking services to rural and remote areas of the country. During 33 years of construction and development, Agribank has always stuck to and accompanied the development of policies related to agriculture, rural areas, and farmers. Agribank's credit programs have significantly contributed to hunger eradication and poverty reduction, promoting the restructuring of [the] agricultural sector and building new-style rural areas in the country. Enhancing financial inclusion helps people, especially people in agricultural, rural, and remote areas, have easier access to necessary financial resources to improve their life and production and business activities, positively contributing to combating "black credit"" (Agribank (2022), 2021 Annual Report, page 31).

The bank "strengthens cooperation with the Farmers' Union, Women's Union, and Cooperative Alliance to convey, disseminate, spread information and raise awareness of customers in agricultural, rural, and remote areas about banking and financial services and products, retail banking services; increase understanding and develop digital payment habits when conducting transactions on e-commerce platforms."³⁰

BIDV: The bank "provides checking accounts with no requirements for maintenance fee and minimum balance which are linked to ATM cards for retirees, social welfare beneficiaries, the elderly, the poor, students and other vulnerable groups in need" (BIDV (2022), 2021 Annual Report, page 155).

"BIDV has identified women-owned small and medium-sized enterprises as a separate customer segment that needs special attention and support during the current period. On that basis, BIDV has researched and promoted the development of financial inclusion and has implemented many support solutions and programs for women-owned small and medium-sized enterprises. BIDV also implements non-financial solutions such as participating in the SheTrades project of the International Trade Centre (ITC) and the SheMeansBusiness program sponsored by Facebook, to support training and financial connection with WSMEs. In the near future, BIDV will proactively develop non-financial solutions and online training dedicated for WSMEs." (BIDV (2022), 2021 Annual Report, page 140).

HD Bank: The bank "offers fee-free remittance services for customers; accordingly, customers can receive remittance within 10 minutes after the sender completes procedures, easily find RIA payment locations at all HDBank transaction offices nationwide" (HDBank - Remittance services at RIA counter).

Lien Viet Post Bank: The bank provides loan products to individual customers through the "Retirement Group"³¹ to meet the needs for capital loans of retired customers receiving pensions and customers who have lost their ability to work and are paid Social Insurance benefits according to provisions of laws.

Vietcombank does not require a checking account balance for all customers.32

^[30] For more information about Agribank and solutions for developing retail banking services in agricultural, rural areas, please visit: https://www.agribank.com.vn/vn/ve-agribank/tin-tuc-su-kien/tin-ve-agribank/hoat-dong-agribank/agribank-va-giai-phap-phat-trien-dich-vu-ngan-hang-ban-le-khu-vuc-nong-nghiep-nong-thon

^[31] For more information about LienVietPostBank's "Retirement Group" loan policy, please visit: https://lienvietpostbank.com.vn/khach-hang/cho-vay-khach-hang-ca-nhan-thong-qua-to-huu-tri/

^[32] For more information about Vietcombank's regulations on account balance, please visit: https://portal.vietcombank.com.vn/News/ProductService/Pages/Ca-nhan.aspx?ltemID=6639

3.2.2 Gender Equality

Introduction to the theme and Vietnam's commitments

The criteria to analyse Gender Equality are built based on a number of international standards. These include the Universal Declaration of Human Rights (UDHR), CESCR, the Convention on the Elimination of All Forms of Discrimination Against Women (CEDAW), the International Covenant on Civil and Political Rights (ICCPR), ILO Equal Remuneration Convention (No. 100), ILO Discrimination (Employment and Occupation) Convention (No. 111), IFC Performance Standard 2 on Labour and Working Conditions, and SDG 5.

In Vietnam, Gender Equality is a theme of interest. Vietnam ratified, accepted, and joined ICESCR in 1982, ICCPR in 1982, CEDAW in 1982, ILO Conventions No. 100 and No. 111 in 1997, etc. Since ratifying and joining CEDAW, Vietnam has fulfilled its obligations to periodically report to the UN CEDAW Committee and receive recommendations. At the same time, the theme of Gender Equality has also been specified in Vietnam's national legal systems such as the 2013 Constitution, the Law on Gender Equality,

and the Labour Code. A general goal set out in the Government's Resolution No. 28/NQ-CP dated 3 March 2021 on the National Strategy on Gender Equality for 2021-2030 is to "continue to narrow the gender gap, create conditions and opportunities for women and men to participate and enjoy equally in all areas of life and society, contributing to the country's sustainable development."

Policy commitments on Gender Equality by 11 commercial banks

Policy commitments on Gender Equality by 11 commercial banks are relatively different; a few banks have achieved improvements compared to 2020

Most commercial banks (8 out of 11) have published policies related to gender equality in their internal operations. This is an improvement on 2020 when only 5 out of 10 commercial banks published policies on this theme. Compared to 2020, six banks have demonstrated improvements in their commitment to gender equality, while three have fewer commitments on this theme, associated with the reduced participation of women and their career progression pathways with equal access to senior management positions.



Commitments on Gender Equality by commercial banks

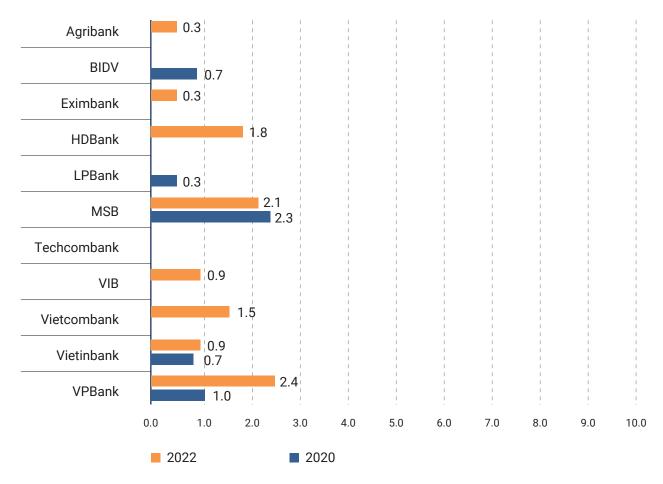


Figure 15: Policy commitments on Gender Equality by commercial banks in 2020 and 2022 (Source for comparison: Fair Finance Vietnam, according to FFG methodology, 2020)

Five out of 11 commercial banks have zero-tolerance policies towards any form of gender-based discrimination at work and have fair compensation systems. In 6 out of 11 commercial banks, 30% of women participate in and have equal access to positions in at least two management departments including the board of directors and/or board of management and/or board of supervisors. Although many commercial banks provide information about career development systems for employees, only a few (3 out of 11) offer career development roadmaps for employees to promote equal access for women to senior management positions. Only 1 out of 11 banks has a zero-tolerance policy that specifies forms of gender-based discrimination in the workplace, including verbal, physical, and sexual harassment.

No bank has demonstrated its commitment to preventing and mitigating gender-based discrimination towards customers, though many have mentioned the code of conduct and culture to be applied in the relationship between staff and customers.

There have been no policy commitments on Gender Equality by commercial banks for corporate customers receiving credit or investment. Most commercial banks have not published policies requiring or encouraging corporate customers to develop policies on preventing gender-based discrimination, prohibiting harassment in the workplace, building a career development roadmap, including a proactive and fair compensation system, or ensuring the proportion of women participating in senior management positions.

Box 7: Examples of commitments on Gender Equality by commercial banks

HDBank, MSB, VIB, Vietcombank, and VPBank have made strong commitments on Gender Equality, pledging zero tolerance towards any form of gender-based discrimination at work and in career progression.

Agribank: "takes the lead in gender equality with a goal to always create conditions and opportunities for female workers to develop their abilities and roles in all fields. In recent years, female employee planning and training has received attention and has been facilitated by the Party Committee, Board of Members, and Executive Board. The proportion of female employees selected and included in planning is increasing, together with the training, fostering, arrangement, and appointment of female employees to leadership and management positions at all levels. Agribank also well implements regimes and policies for female employees to ensure equality in recruitment and job arrangement, thereby encouraging female cadres, officers, and employees to compete in work performance, successfully fulfill their duties with high productivity, quality and efficiency" (Agribank news page, March 2022)

HDBank: "has developed a career development roadmap for each position to provide all potential employees with opportunities to become future leaders. HDBank recruits, evaluates, and appoints employees based on clear criteria including professional qualifications, capacity, work results; discrimination based on religion, nationality, skin colour, gender won't happen in any case" ... "HDBank pays employees according to clear and transparent salary regulations, ensuring compliance with the law, competitiveness in the market, and association with business goals. HDBank salary scale applies on the basis of pay grades and evaluation concerning the level of contribution of each position, without discrimination based on region, gender, or any other discriminatory factor." (HDBank (2022), Annual Report (2021). Pages. 206, 207)

MSB: "ensures gender equality in recruitment and salary. At MSB, employees are treated equally regarding recruitment, employment, training, salary, remuneration, rewards, and promotions; regimes concerning social insurance, health insurance, unemployment insurance, working conditions, labour safety, working time, rest and other welfare. In addition, MSB provides female employees with certain incentives such as the Regulation on Policies and Welfare for Female Employees. MSB develops Labour Regulations, Labour Disciplinary Procedures, and Democracy Regulations to ensure the implementation of principles of democracy and transparency in the workplace." (MSB (2022), 2021 Annual Report, page 72)

VIB: In their 2021 Sustainability Report on Gender Equality, the bank announced a "Policy on Non-Discrimination in Employee Welfare" and stated that "There are no complaints about inequality and discrimination" (VIB (2022), 2021 Annual Report, pages 105 and 128)

Vietcombank: "all decisions related to Vietcombank's employees are made based on transparency and clarity, without discrimination in terms of ethnicity, religion, gender." (Vietcombank (2022), Annual Report (2021), page 131)

Vietinbank: "VietinBank's Division for the Advancement of Women actively advises and introduces outstanding female officials to the Party Committee and authorities in the planning, training, fostering, and use of female officials." (Vietinbank (2022), 2021 Annual Report pages 142-143)

VPBank: The bank has developed a Social Finance Framework to promote fair finance for women-owned enterprises. Women-owned enterprises have to meet the following requirements: "A. 51% of the shares are owned by women or a woman. B. where: (i) at least 20% of the share capital is owned by women or a woman; (ii) the most senior or second-most senior executive is a woman; (iii) at least 30% of board members are women (where a board of management exists), or the share of women in senior management (where a board does not exist) has more than 30% representation of women." (VPBank Social Finance Framework, October 2022).

^[33] See more at:

https://www.agribank.com.vn/vn/ve-agribank/tin-tuc-su-kien/tin-ve-agribank/hoat-dong-agribank/phat-huy-vai-tro-tren-moi-linh-vuc-luc-luong-lao-dong-nu-dong-gop-quan-trong-vao-su-phat-trien-agribank

3.2.3 Human Rights

Introduction to the theme and Vietnam's commitments

The criteria used to analyse policy commitments on Human Rights are built based on a number of international standards and practices. These include UDHR, ICESCR, ICCPR, CEDAW, fundamental ILO Conventions, UNGP, and Children's Rights and Business Principles (CRBP).

Vietnam ratified, accepted, and joined ICESCR in 1982, ICCPR in 1982, CEDAW in 1982, ILO Conventions No. 100 and No. 111 in 1997, the Convention on the Rights of the Child in 1990, and the Convention on the Rights of Persons with Disabilities in 2014. In 2022, Vietnam was one of 14 countries elected to the UN Human Rights Council for the 2023-2025 tenure.xxxvi In 2022, the Government issued Decision No. 1079/QD-TTg approving the Scheme for Communicating Human Rights in Vietnam for 2023-2028.34 In July 2023, the Prime Minister issued the "National Action Plan to improve policies and laws to

promote responsible business practices in Vietnam for 2023-2027".35

Policy commitments on Human Rights by 11 commercial banks

Similar to 2020, banks' public commitments do not mention policies on Human Rights.

Two banks (Vietcombank and VPBank) have made improvements compared to 2020 with some commitments on Human Rights. With the participation of HDBank in the second analysis, three out of 11 commercial banks have made public commitments on this theme, mainly in policies on their internal operations. These three banks have zero-tolerance policies towards any form of discrimination at work and in career progression in terms of gender, race, ethnicity, sexual orientation, and physical ability.

No commercial bank has made a public commitment to respect Human Rights as mentioned in UNGP.



^[34] For more information about the decision, please visit https://xaydungchinhsach.chinhphu.vn/toan-van-quyet-dinh-so-1079-qd-ttg-ngay-14-9-2022-phe-duyet-de-an-truyen-thong-ve-quyen-con-nguoi-o-vi et-nam-119220916111758787.htm

^[35] For more information about the decision, please visit https://vanban.chinhphu.vn/?pageid=27160&docid=208251

Commitments on Human Rights

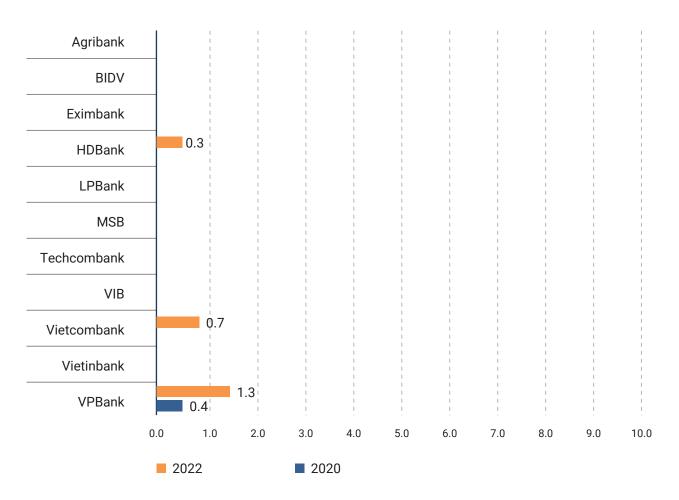


Figure 16: Commitments on Human Rights by commercial banks in 2020 and 2022 (Source for comparison: Fair Finance Vietnam, according to FFG methodology, 2020)

There are still no bank policies on this theme for corporate customers receiving investment or credit. Only one commercial bank has (partially) mentioned the requirements for corporate customers to prevent conflicts over land rights and natural resources through FPIC for projects related to ethnic minorities and indigenous people; and prevent conflicts over land rights and

natural resources through FPIC with customary land users. Other requirements and incentives for corporate customers, such as respecting human rights, preparing mechanisms to verify and prevent violations of human rights and to receive feedback and complaints from the community, and respecting children's rights and those of persons with disabilities, have not been mentioned.

Box 8: Examples of commitments on Human Rights by commercial banks

HDBank: "HDBank recruits, evaluates, and appoints employees based on clear criteria including professional qualifications, capacity, and work results; without any form of discrimination in terms of religion, nationality, skin colour, or gender." (HDBank (2022), 2021 Annual Report, page 206)

Vietcombank: "All decisions related to Vietcombank's employees are made based on transparency and clarity, without discrimination in terms of ethnicity, religion, or gender." (Vietcombank (2022), Annual Report (2021), page 131)

VPBank: "Rule 13: Create a healthy work environment. VPBank strictly prohibits all forms of discrimination, harassment, racism, ethnic discrimination, gender discrimination, theft, fraud, corruption, insults, threats, retaliation, violence, and drug use in the workplace". (VPBank (2013), Professional Ethics and Code of Conduct, page 11)

VPBank does not grant credit to projects, methods of production, business, and service by micro businesses (with revenue under USD 100,000) or other foreign currencies of equivalent value, at the time the application for credit is reviewed or submitted, or where the business is granted a credit of less than USD 10,000, if those businesses' "Production or operations affect lands under legal ownership or use of indigenous people without their informed consent in writing." (VPBank (2022), List of exclusions in credit granting due to social and environmental issues)

3.2.4 Labour Rights

Introduction to the theme and Vietnam's commitments

The criteria used to analyse policy commitments on Labour Rights are built based on international principles and standards. These include fundamental ILO Conventions on Forced Labor (No. 29), the Right to Organise and Collective Bargaining (No. 98), Freedom of Association and Protection of the Right to Organise (No. 87), Remuneration (No. 100), the Abolition of Forced Labour (No. 105), Discrimination (No. 111), Minimum Working Age (No. 138), and the Worst Forms of Child Labour (No. 182); IFC Performance Standard 2 on Labour and Working Conditions; and SDGs 5 and 8.

Vietnam has been a member of the ILO since 1992. As of 31 December 2022, Vietnam had ratified 9 out of 10 fundamental ILO Conventions³⁶, including Forced Labour (No. 29) in 2007, the Right to Organise and Collective Bargaining (No. 98) in 2019, Remuneration (No. 100) and Discrimination (No. 111) in 1997, the Abolition of Forced Labour (No. 105) in 2020, Minimum Working Age (No. 138) in 2003, Occupational Safety and Health (No. 155) in 1994, the Worst Forms of Child Labour (No. 182) in 2007, and the Promotional Framework for Occupational Safety and Health (No. 87) in 2014. Vietnam has not ratified or joined the Freedom of Association and Protection of the Right to Organise (No. 87).

International commitments have also been internalised, including in the Labour Code³⁷, the

^[36] For more information about Vietnam's ratifications of ILO Conventions, please visit: https://www.ilo.org/dyn/normlex/en/f?p=1000:11200:0::NO:11200:P11200_COUNTRY_ID:103004

^[37] For more information about Labour Code No. 45/2019/QH14, please visit: https://datafiles.chinhphu.vn/cpp/files/vbpq/2019/12/45.signed.pdf

Code of Conduct on Sexual Harassment in the Workplace³⁸ (developed by the Labour Relations Committee; the Vietnam General Confederation of Labour; the Ministry of Labor, War Invalids, and Social Affairs; and the Vietnam Chamber of Commerce and Industry in 2015). In addition, content concerning labour rights is also included in new-generation free trade agreements to which Vietnam is a party, such as the EVFTA and CPTPP.

Policy commitments on Labour Rights by 11 commercial banks

Public policy commitments on Labour Rights are still limited, with only a few banks seeing a positive improvement compared to 2020

Five out of 11 commercial banks have published policy commitments on Labour Rights, mainly focusing on policies on internal operations.

Compared to 2020, three banks have achieved improvements and one bank has published fewer policies in its annual report.

Commitments on Labour Rights by commercial banks

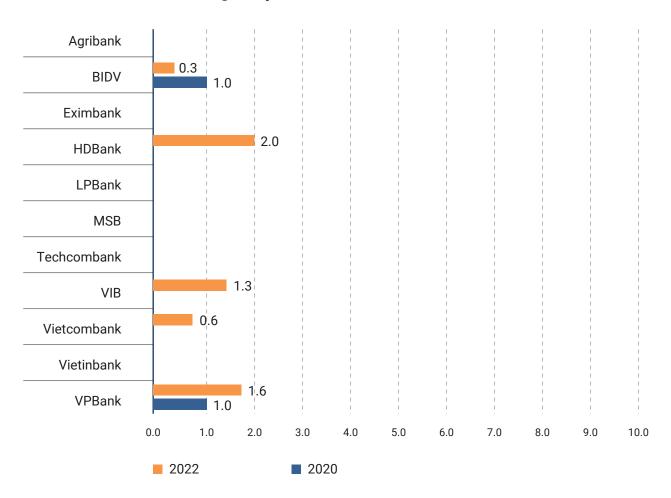


Figure 17: Commitments on Labour Rights by commercial banks in 2020 and 2022 (Source for comparison: Fair Finance Vietnam, according to FFG methodology, 2020)

^[38] For more information about the Code of Conduct on Sexual Harassment in the Workplace, please visit: https://www.ilo.org/wcmsp5/groups/public/--asia/--ro-bangkok/--ilo-hanoi/documents/publication/wcms_636040.pdf

Three commercial banks have fully or nearly fully stated key principles concerning employees' rights as specified in the ILO Declaration on Fundamental Principles and Rights at Work, including: (i) Freedom of association and the effective recognition of the right to collective bargaining; (ii) the elimination of all forms of forced or compulsory labour; (iii) the effective abolition of child labour, and; (iv) the elimination of discrimination in respect of employment and occupation.

Five out of 11 commercial banks (BIDV, Hanak, VIB, Vietcombank and VPBank) have a

mechanism to receive feedback, opinions, and complaints from employees. The role of trade unions is also mentioned in channels used for receiving ideas and communicating with employees.

However, banks' policies for corporate customers receiving funds or investment in terms of Labour Rights have not yet mentioned requirements such as freedom of association and the right to collective bargaining, commitment to fair recruitment, the living wage, non-discrimination, solutions for employee complaints, and zero tolerance for child and forced labour.

Box 9: Examples of commitments on Labour Rights by commercial banks

HDBank: "With their non-discrimination policy, HDBank recruits, evaluates, and appoints employees based on clear criteria including professional qualifications, capacity, and work results; discrimination based on religion, nationality, skin colour, or gender won't happen in any case... Freedom of association, the right to participation in trade unions and the right to collective bargaining are ensured... HDBank does not allow child labour in our bank. Employees working at HDBank must be at least 18 years old or older. With zero tolerance for forced labour, HDBank strictly complies with the Labour Code and relevant regulations on employee's rights and obligations. Accordingly, 100% of employees working at HDBank have signed their employment contracts as provided by laws, specifying their workplace, salary, bonus, days off, work under assignment, and other legitimate rights and interests. Employees are always consulted in a clear and specific manner when there are changes to working conditions compared to their signed contracts, or when they need to work overtime. All decisions concerning employee's rights and interests are only made after communicating and negotiating with employees." (HDBank (2022), 2021 Annual Report; pages 206, 207, and 208)

Vietcombank: "Non-discrimination: All decisions related to Vietcombank's employees are made based on transparency and clarity, without discrimination in terms of ethnicity, religion, gender... Child labour and forced labour are not tolerated. Vietcombank always complies with labour laws. Forced labour is not allowed at Vietcombank." (Vietcombank (2022), 2021 Annual Report, page 131).

VPBank: This bank mentions two criteria in its policy for corporate customers receiving credit. As specified in the list for credit granting, VPBank won't grant credit to: "Production or services that use forced labour or hazardous child labour" (VPBank List of exclusions in credit granting 2022 - No. 9)

3.2.5 No Arms Investment

Introduction to the theme and Vietnam's commitments

The criteria used to analyse policy commitments on Arms Production by banks are built based on international principles and standards. These include International Humanitarian Law (IHL), Non-Proliferation of nuclear weapons treatment (NPT), the Chemical Weapons Convention (CWC), the Convention on Certain Conventional Weapons (CCW), the Biological Weapons Convention (BWC), the Treaty on the Prohibition of Nuclear Weapons (TPNW), the Convention on Cluster Munitions (CCM), and the Anti-Personnel Mines Convention.

Vietnam has ratified and joined the following international conventions on the arms industry: BWC in 1980, IHL in 1957, NPT in 1982, CWC in 1998, and TPNW in 2018. In 2019, Vietnam issued Decree No. 81/2019/ND-CP of the Government on preventing and countering the proliferation of weapons of mass destruction.39 In Vietnam, the arms industry is classified as a sector and trade in which business is conditional, as prescribed in the 2020 Law on Investment. 40 In particular, Appendix 4 of this Law specifies sectors and trades subject to conditional business investment: "Trading in military equipment and supplies for the people's armed forces, military weapons, technical equipment, ammunition and specialised vehicles used for the army and police; components, accessories, spare parts, supplies and specialised equipment and technology used for production

thereof" (Clause 6) and "Trading in chemicals, except banned chemicals according to Convention on the Prohibition of the Development, Production, Stockpiling, and Use of Chemical Weapons and on Their Destruction" (Clause 45).

Policy commitments on No Arms Investment by 11 commercial banks

Policy commitments on No Arms Investment by commercial banks are not considerable

Almost no commercial banks have published information about investment in arms on channels that are accessible to customers, investors, and other stakeholders. Although a few banks have mentioned content related to the arms industry, such content is not specific and cannot ensure the comprehension of criteria for analysis under international standards. As a result, most banks gained no score for this theme. However, this does not mean that these banks have operations in the field.

^[39] Pursuant to Article 4, Clause 1 of this Decree, weapons of mass destruction refer to weapons that are developed or manufactured capable of inflicting serious damage on a large scale, capable of destroying or causing heavy casualties regarding humans, technical equipment, facilities, buildings, environment and ecosystem, and terrorising humans mentally and psychologically, including nuclear weapons, radiological weapons, chemical weapons, biological weapons and other weapons with functions and use similar to those of weapons of mass destruction. For more information, please visit

https://thuvienphapluat.vn/van-ban/Linh-vuc-khac/Nghi-dinh-81-2019-ND-CP-phong-chong-pho-bien-vu-khi-huy-diet-hang-loat-428229.aspx

^[40] Law No. 61/2020/QH 14 is available at https://datafiles.chinhphu.vn/cpp/files/vbpq/2020/07/61.signed.pdf



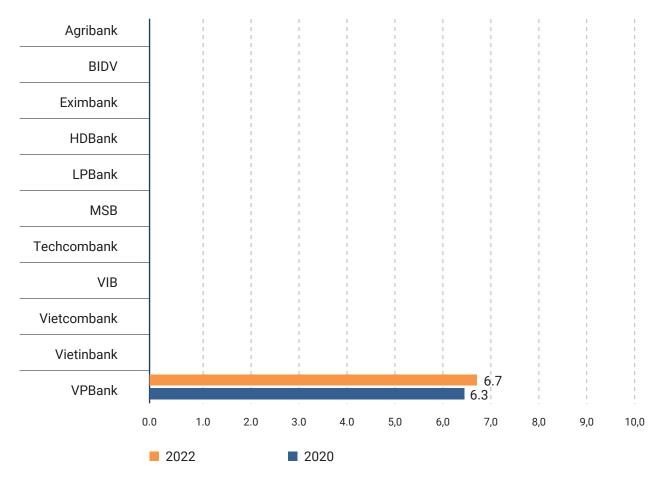


Figure 18: Commitments on No Arms Investment by commercial banks in 2020 and 2022 (Source for comparison: Fair Finance Vietnam, according to FFG methodology, 2020)

VPBank is the only bank that has announced a commitment not to sponsor arms in their list of exclusions in credit granting. Accordingly, VPBank will not grant credit to "the following projects, methods of production, business, and service related to environmental and social risks: "Production or trade of arms and ammunition including materials used for military purposes." (VPBank, 2022, List of exclusions in credit granting due to social and environmental issues, page 1).

3.3. Policy commitments on the Governance (G) factor

The Governance (G) pillar is constituted by four themes: Consumer Protection, Transparency and Accountability, Anti-corruption, and Tax. The average score of the G pillar in 2022 reached 2.0/10, increasing compared to 2020 (1.6/10). In comparison with the Environmental and Social factors, Governance experienced the most significant improvement compared to 2020 and achieved the highest scores in both the 2020 and 2022 analyses. All banks publicly announced their policies on the four G themes to varying degrees.

However, the Governance (G) pillar of Vietnamese banks was still limited when compared to the commitments of some ASEAN banks. For example, the average G score of banks was 2.2 in the Philippines (2019), 3.0 in Indonesia (2022), and 3.6 in Thailand (2022) (data compiled from

Assessment Reports on ESG Policy Commitments of Indonesian, Philippine, and Thai banks, Fair Finance Indonesia (2022), Philippines (2020), and Thailand (2023)).

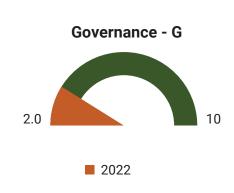
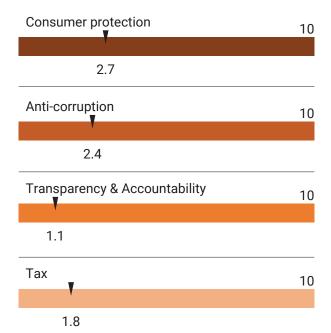


Figure 19: Commitments on Governance (G) of 11 commercial banks in 2022



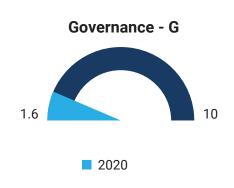
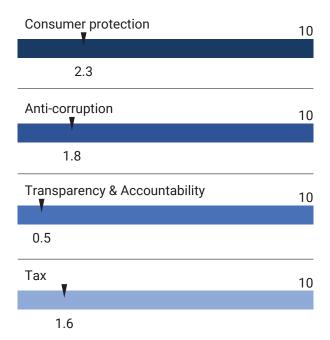


Figure 20: Commitments on Governance (G) of 10 commercial banks in 2020 (Fair Finance Vietnam, according to FFG methodology, 2020)



Among the four G themes, Anti-corruption and Transparency and Accountability showed the greatest improvement, followed by Consumer Protection and Tax. Similarly, in 2020, the Consumer Protection score remained the highest among the G themes.

3.3.1 Consumer Protection

About the theme and Vietnam's commitments

The criteria used to analyse banks' policy commitments on Consumer Protection were based on several international standards. These include the OECD guidelines for multinational enterprises, the G20 High-level Principles on Financial Customer Protection, the UN Guidelines on Consumer Protection (UNGCP), and the International Convention on the Rights of People with Disabilities (CRPD).

One of the goals set out by Vietnam's Government in the National Financial Inclusion Strategy is to "provide for mechanisms for protecting financial consumers against unfair treatment from financial service providers; information transparency requirements for financial service providers; and transparent approach to and efficient settlement of disputes by financial service providers for financial consumers."⁴¹ Such goals are echoed by SBV in the banking industry's action plan under Decision 1309/QD-NHNN.

By the end of 2022, the Law on the Protection of Consumer Rights was being amended and was expected to be passed in 2023. Vietnam ratified and joined the CRPD Convention in 2015 and internalised the Convention's commitments for practical implementation to ensure fairness for

people with disabilities. In the banking industry, SBV has also provided for appropriate processes, procedures, and measures to be taken by payment service providers so that visually impaired individuals can open and use payment accounts and bank cards as per Document No. 8343/NHNN-TT of SBV dated 2 November 2018.

Policy commitments of 11 commercial banks on Consumer Protection

The policy commitments on Consumer Protection of several banks improved compared to 2020

Consumer Protection is one of the Governance themes to which banks attach particular importance. All (11/11) banks announced some policy commitments on this theme. The average score on Consumer Protection in 2020 was 2.3, rising by 0.4 to 2.7 in 2022. However, the commitments of Vietnamese commercial banks were still lower than that of their Thai (6.6 in 2022) and Indonesian (4.6 in 2022) counterparts, yet higher than that of Philippine commercial banks (2.5 in 2019) (data compiled from Assessment Reports on ESG Policy Commitments of Indonesian, Philippine, and Thai banks, Fair Finance Indonesia (2022), Philippines (2020), and Thailand (2023)).

Compared to 2020, five commercial banks with noticeable improvements frequently announced their commitments on Consumer Protection, while four other banks had few announcements on the same theme.

^[41] As per Decision 149/QD-TTg, Section III clause 5b

Commercial banks' policy commitments on Consumer Protection

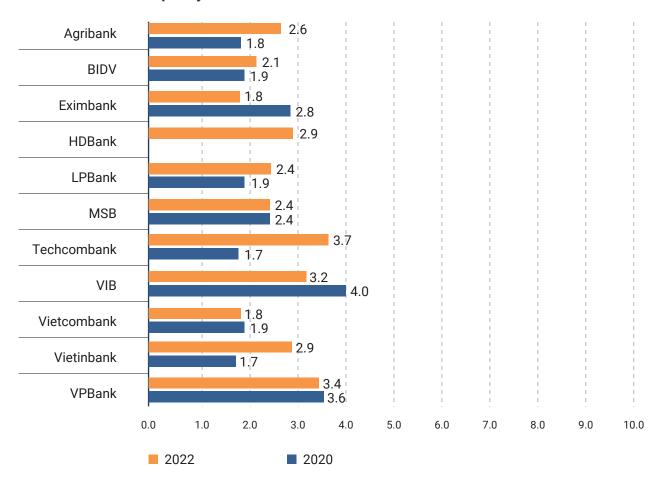


Figure 21: Commercial banks' policy commitments on Consumer Protection in 2020 and 2022 (Source for comparison: Fair Finance Vietnam, according to FFG methodology, 2020)

Due to the impact of COVID-19, bank customers were affected, and support was provided by all 11 commercial banks for this group, including those with overdue debts. However, 4/11 banks announced that their debt settlement policies were already in place for customers with overdue debts. Similarly, 4/11 reported that they had debt collection processes or policies, and 3/11 said they had policies or standards to protect customers from overdue debts.

Few (2/11) banks disclosed their overall policies regarding customer rights and product and service risks, although most customer rights and obligations were mentioned in the terms, conditions, and agreements of the banks' individual products and services.

Most banks established codes of conduct for bank employees towards customers, while only two clarified the principle of non-discrimination



towards customers. Similarly, a few (3/11) mentioned organising formal training for employees and authorised agents about the products and services they provided to customers. Only one provided information about formal training for its employees and authorised agents on customer rights as well as consumer protection policies and practices.

All (11/11) banks developed many contact channels to receive customer feedback and complaints via customer service centers, transaction offices, email, hotlines, and websites. However, only three provided partial information on complaint handling and supervision results such as the number of complaints, common complaints, feedback recipients, or feedback and complaint channels. None of the banks announced any goal to minimise negative feedback and complaints from customers.

Data privacy for customers accessing the websites was publicly announced by the banks. In addition to data privacy on websites, 10/11 commercial banks declared that they respected the security of customers' personal data and would not disclose it to other parties without

customers' consent. Some banks included this content in their charters. However, only a few (3/11) banks announced data control and security mechanisms on what customer information is collected, how it is used, and for what purposes.

All (11/11) banks maintained their services not only at branches and transaction offices but also online and via software such as internet and mobile banking, contributing to better access by many groups of customers, including those who have limited knowledge about online services and information technology, or do not own smartphones. Despite that, no commercial bank announced any policy committed to accessibility for customers with disabilities and customers with other special needs to ensure the comprehensiveness and inclusion of their services and products.

In addition to strong commitments on Consumer Protection, no commercial banks have announced risk profiles for investment products, processes and policies against cross-selling, or a remuneration structure to encourage responsible business practices, despite a fair employee salary structure already being in place.

Box 10: Examples of commercial banks' commitments on Consumer Protection

Agribank: As mentioned in the bank's charter, "Article 10.4: Protecting customers' rights: Disclosing deposit interest rates, service fees, and customers' rights and obligations for each type of product and service being offered." (Agribank (2012) Charter of organisation and operation (No. 600/QD-HDTV) (Agribank's charter)

Agribank's Charter, Article 13.3. "Information security: Agribank shall not provide information related to customers' accounts, deposits, deposited assets, and transactions at Agribank to other organisations and individuals, unless requested by a competent state agency in accordance with the law or customers' consent". At the same time, it is committed in the Safety and Security policy that: "Agribank shall not disclose customer's information to any individual or organisation unless it has been notified and received the customer's consent or according to the provisions of law" ... "Agribank shall use its best efforts to keep customer's personal information confidential in compliance with the provisions of Vietnamese law." (Agribank (2012) Charter of organisation and operation (No. 600/QD-HDTV) (Agribank's charter)

Regarding Agribank culture, "Article 5.2: Bank officials must dress neatly and politely, have a serious and proper attitude at work, treat partners and customers with respect and fairness, handle tasks in a proper and reasonable manner; avoid bias, causing trouble or harassment to customers and partners; avoid actions that may lead to conflicts of interest and negatively affect customer and partner relationships." (Agribank Culture, viewed July 2022)

HDBank: The bank disclosed its debt settlement policy for customers with overdue debts: "In case customers cannot afford due debts, and the parties have not otherwise come to agreement, the bank has the right to handle the debts, or assets securing loans according to loan contracts, guarantee contracts, and legal regulations. The restructuring of the bank's debt repayment term shall comply with the regulations of the State Bank of Vietnam... In case the borrower or guarantor cannot repay the debts due to bankruptcy, the bank shall collect the debts in compliance with the provisions of bankruptcy law". (HDBank (2022), Bank Charter, Article 5 and Article 7, page 9)

Techcombank: "Techcombank in general and Techcombank AMC in particular are aiming to develop a large database, managing and perfecting the data and information system to ensure consistency in data and measurement methods so that Techcombank AMC can become an essential link in the entire closed loan - debt collection process. Techcombank AMC is accordingly establishing measurement models and tools to analyse data and promote a quick strategic decision-making process to ensure business efficiency as well as risk management and cost optimisation. The Fair Debt Collection Practices Act, issued and applied at Techcombank AMC, has also become a guideline for all employees of the Company, whereby Techcombank AMC always orients to carry out debt handling activities in the sense of respect for the law, fairness, and transparency. The Company always prioritises debt handling and customer support to optimise customer benefits following the debt settlement process. Techcombank AMC employees always perform our operations with respect, honesty, and customer orientation, ensuring that debt handling is carried out professionally and meets international standards." (Techcombank (2022), Annual Report 2021, p.38 viewed July 2022)

VPBank: "Training themes on Workplace Safety, Security and Privacy, Corporate Risk and Occupational Safety and Health Act, Protecting Human Rights, Preventing Harassment and Promoting Respect are continued by VPBank, along with new themes added to the training list, including the Global Code of Conduct Solutions, Accommodations for People with Disabilities, Global Workplace Harassment Prevention, and Privacy Concerns (UK)." (VPBank (2022), Annual Report 2021, p.187)

3.3.2 Anti-corruption

About the theme and Vietnam's commitments

The criteria used to analyse banks' policy commitments on Anti-corruption are based on a number of international standards. These include the UN Convention against Corruption (UNCAC), OECD Guidelines for Multinational Enterprises, the OECD Convention on Combating Bribery of Foreign Public Officials in International Business Transactions, Business Principles for Countering Bribery, Wolfsberg Guidance on Anti-Bribery and Corruption, Transparency International's Business Principles for Countering Bribery, ISO 26000:2010 - Guidance on Social Responsibility, and ISO 20400:2017 - Guidance on Sustainable Procurement.

Vietnam has been a member of the UNCAC convention since 2009 and the 34th member of the Asia-Pacific Group on Money Laundering (APG) since 2007, acting in compliance with recommendations of the Financial Action Task Force (FATF). Anti-corruption is also regulated in Vietnam's legal documents such as the Anti-Corruption Law⁴² on the prevention and combat of corruption, and the amended Law on Anti-Money Laundering⁴³ promulgated on 15 November 2022 on the prevention and combat of money laundering, effective since 1 March 2023.

"Amendments to the Law on Anti-Money
Laundering must ensure adequate
institutionalisation of the Party and State's
policies; meet integration requirements, implement
international treaties and commitments, and
overcome shortcomings of current laws; ensure
national security and financial and monetary

safety in the face of the world's complex developments and rapid development of science and technology; promote and enhance effective prevention and combat of corruption and negativity; overcome shortcomings in the anti-money laundering and counter-terrorist financing mechanisms, and financing of the proliferation of mass-destruction weapons according to recommendations and assessment reports from international organisations, to avoid Vietnam being put on the "Grey List" and show that Vietnam is a responsible member in the prevention and combat of money laundering, terrorist financing, and financing of the proliferation of mass-destruction weapons in the region and the world."xxxxviii

Policy commitments of 11 commercial banks on Anti-corruption

The policy commitments on Anti-corruption of several banks improved considerably compared to 2020

All 11 banks announced their anti-money laundering policies to varying degrees of specificity in accordance with international criteria. Compared to 2020, six commercial banks underwent positive changes in announcing their commitments on anti-corruption. The average Anti-corruption score in 2020 was 1.8, increasing by 0.6 points to 2.4 in 2022. However, the commitments of Vietnamese commercial banks were still lower than that of their Thai (4.5 in 2022), Philippine (4.0 in 2019), and Indonesian (3.6 in 2022) counterparts (data compiled from Assessment Reports on ESG Policy Commitments of Indonesian, Philippine, and Thai banks, Fair Finance Indonesia (2022), Philippines (2020), and Thailand (2023)).

^[42] See more about Law No. 36/2018/QH14 on Anti-Corruption 2018 at https://vbpl.vn/TW/Pages/vbpq-toanvan.aspx?ItemID=137284&Keyword=Lu%E1%BA%ADt%20ph%C3%B2ng%20ch%E1%BB%91ng%20tham%20n h%C5%A9ng

^[43] See more about Law No. 14/2022/QH15 on Anti-Money Laundering 2022 https://vbpl.vn/TW/Pages/vbpq-toanvan.aspx?ItemID=157721&Keyword=Lu%E1%BA%ADt%20ph%C3%B2ng%20ch%E1%BB%91ng%20r%E1%BB %ADa%20ti%E1%BB%81n

Commercial banks' commitments on Anti-corruption

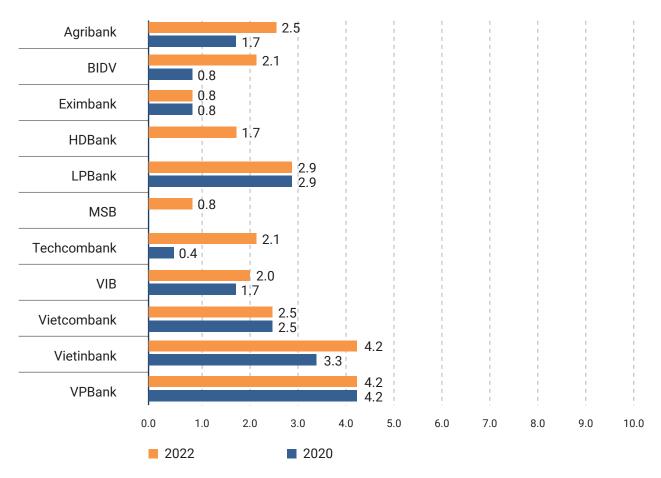


Figure 22: Commercial banks' commitments on Anti-corruption in 2020 and 2022 (Source for comparison: Fair Finance Vietnam, according to FFG methodology, 2020)

Nine banks publicly announced their commitments to rejecting the giving, promising, and requesting, whether directly or indirectly, bribing and using other advantages to get and maintain jobs as well as other benefits. Most of these commitments are included in their policies on professional ethics, codes of conduct, and corporate culture. Eleven commercial banks publicly announced anti-money laundering policies, and nine disclosed counter-terrorist financing policies.

Only 3/11 banks mentioned taking enhanced security measures to maintain direct or indirect business relationships with politically exposed persons (PEPs). Only four published information related to certifying ultimate business owners, although KYC or eKYC, with a single focus on

authenticating customers when they are using services, had been applicable throughout the bank system.

Only one commercial bank reported its participation in the decision-making process related to regulations and laws. In its 2021 annual report, HDBank reported on its participation in providing comments and developing legal documents.

Similar to the first analysis in 2020, information related to requirements or incentives for corporate customers to receive investments or loans from banks for anti-corruption remained limited. Almost no commercial banks published such information on channels that were accessible to customers, investors, and other stakeholders.

Box 11: Examples of commercial banks' commitments on Anti-corruption

Agribank: "Anti-money laundering and counter-terrorist financing responsibilities. Agribank is responsible for: (i) Not concealing or carrying out business activities involving money that has evidence of illegal origin. (ii) Developing internal regulations on anti-money laundering and counter-terrorist financing. (iii) Taking measures to prevent and combat money laundering and terrorist financing. (iv) Cooperating with competent state agencies in investigating money laundering and terrorist financing." (Agribank, Bank Charter)

BIDV: "BIDV has implemented comprehensive AML⁴⁴ in all aspects by (i) Establishing a compliance structure according to the 3-line-of-defense model; (ii) Providing for AML/CTF; monitoring AML/CTF implementation, and providing timely updates in compliance with legal requirements and international practices; (iii) Investing in a modern information technology system to support AML/CTF; etc. All transactions at BIDV must comply with BIDV's customer acceptance policy, ensuring no violation of the embargo policy. BIDV has specified requirements regarding know-your-customer (KYC), enhanced due diligence (EDD), identification, reporting and handling of suspicious transactions."

HDBank: "Providing feedback and developing legal documents continues to draw more attention. HDBank will coordinate closely with the Banking Association in making proposals to improve legal regulations on the Bank's operations and business." (HDBank (2022), Annual Report 2021, p.141)

LPBank: "AML/CTF has continued to be improved and enhanced through uniform implementation of the AML/CTF framework (identification, transaction scanning, warnings, etc.), and strengthened monitoring of suspicious transactions. Training and warning programs on AML/CTF are taken seriously and deployed throughout the system." (Lien Viet Post Bank (2022), Annual Report 2021, p.43).

"It is strictly forbidden for collectives and individual junior officers, employees throughout the system to spend collective or individual money on gifts given to leaders and managerial officials of Lien Viet Post Bank (superiors) in any form, at all times; subordinates had better show their gratitude to their superiors (if any) by virtue of accomplishments and keep it to themselves. This is the most necessary and effective way to say thanks because it prevents formality, waste of materials and time, and a discreditable precedent for Lien Viet Post Bank culture. In case of violations, disciplinary actions shall be taken in the form of dismissal against both the giver and the recipient. It is strictly forbidden to accept "envelopes" and commissions from customers and partners when performing the Bank's operations and services. In case of violations, employees shall be subject to forced resignation or prosecution by law." (Corporate culture – Lien Viet Post Bank)

Vietinbank: The Commercial Bank expressed a very concrete commitment on AML/CTF on its website: "VietinBank has formed an organisational structure to comply with the 3-line-of-defense AML/CTF in accordance with international practices; perfected our mechanisms and policies with the introduction of the AML/CTF regulation framework; AML/CTF risk reporting within VietinBank; customer information identification and update within VietinBank; Modernised the reporting, detection, and handling of suspicious transactions, reviewed and refined the embargo list; Regularly issued updated guidance and embargo risk warnings according to the provisions of the law and international AML/CTF watches." (Vietinbank, commitments to anti-money laundering and counter-terrorist financing.⁴⁶)

Vietcombank: "Corruption in form of accepting gifts from customers and partners is forbidden: To avoid misunderstandings and ensure transparency in handling work, Vietcombank people are not allowed to accept gifts of money, artifacts or valuable services from customers and partners; when it is particularly impossible to refuse, one shall report to superiors for further handling; Corrupt acts that damage the interests, reputation and image of Vietcombank are strictly prohibited; It is strictly forbidden to abuse one's power and position to solicit and harass customers and partners for material benefits (no matter how negligible) of oneself." (Vietcombank Culture Handbook, p.15)

^[44] See more about BIDV's anti-money laundering and counter-terrorist financing policy at https://www.bidv.com.vn/vn/quan-he-nha-dau-tu/quan-tri-doanh-nghiep/fatca

^[45] See more about Corporate culture – LienVietpostBank at https://lienvietpostbank.com.vn/van-hoa-doanh-nghiep/

^[46] See more about Vietinbank's commitments to anti-money laundering and counter-terrorist financing at https://www.vietinbank.vn/sites/mediafile/VTB034022

3.3.3 Transparency and Accountability

About the theme and Vietnam's commitments

The criteria used to analyse banks' policy commitments on Transparency and Accountability are based on various international principles and standards. These include EP, GRI, the UN International Standard Industrial Classification of All Economic Activities (ISIC), IFC's Access to Information Policy, the Global Alliance for Banking on Values, the Statistical Classification of Economic Activities in the European Community (NACE), ISO 26000:2010 - Guidance on social responsibility, UNGP, and the UNEP Finance Initiative.

The Transparency and Accountability theme is mentioned in a number of Vietnam's legal documents such as the Law on Accounting 2015, which requires business units to disclose their financial reports no later than 120 days from the end of an annual accounting period. In addition, Decision No. 27/2018/QD-TTg of the Prime Minister has aligned the economic subsector system with ISIC. Circular 96/2020/TT-BTC dated 16 November 2020 of the Ministry of Finance on

providing guidelines on disclosure of information on the securities market, states that ESG reporting by businesses is part of an annual report (Appendix IV).

Policy commitments of 11 banks on Transparency and Accountability

The policy commitments on Transparency and Accountability improved considerably compared to 2020

11/11 banks announced policies on Transparency and Accountability to varying degrees of specificity in accordance with international criteria. Compared to 2020, nine underwent positive changes in announcing their commitments on Transparency and Accountability. The average score on Transparency and Accountability in 2022 reached 1.1, an increase of 0.6 points compared to 2020 (0.5), but lower than that of Thai (1.7 in 2022), Indonesian (2.4 in 2022) and Philippine banks (1.1 in 2019) (data compiled from Assessment Reports on ESG Policy Commitments of Indonesian, Philippine, and Thai banks, Fair Finance Indonesia (2022), Philippines (2020), and Thailand (2023)).



Commercial banks' commitments on Transparency and Accountability

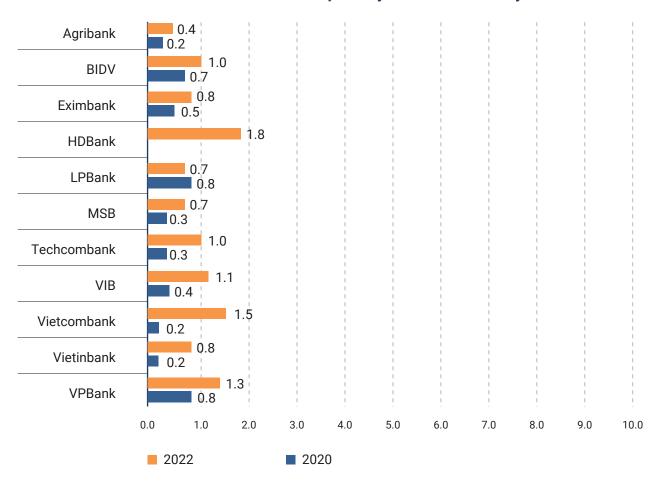


Figure 23: Commercial banks' commitments on Transparency and Accountability (Source for comparison: Fair Finance Vietnam, according to FFG methodology, 2020)

Most banks approached ESG from the perspective of social and environmental risk management, and 8/11 declared a social and environmental risk management framework in credit extension.

However, it is not clear whether the banks' Social and Environmental Risk Management Framework was audited by third parties.

In the first analysis (2020), many commercial banks published their environment and social reports which mainly covered charity events.

Meanwhile, only one published a sustainability report that addressed a number of the GRI themes in its 2018 annual report. In the second analysis

(2022), 9/11 commercial banks, in their 2021 annual reports, published sustainability reports that covered a few GRI-compatible aspects, some of which were commonly spoken of, including labour and stakeholder engagement. However, only 4/11 announced that their sustainability reports were based on GRI Standards, though these were not as inclusive as the Initiative. It is not clear whether these sustainability reports were verified by third parties, either.

Some (4/11) banks also disclosed the department in charge of sustainable development or information and contact channels that are



accessible to third parties such as individuals or communities affected by their financial resources. A small number of banks (2/11) announced the process of receiving and handling feedback and complaints from individuals and communities affected by their investments and loans. This affected group may not be users of the banks' services and products. However, no banks revealed the content of any feedback and complaints from this affected group.

In their annual reports, all banks made a list of credit extension industries and types of corporate customers. However, such industries had not yet been arranged or designated with Vietnam's level 2 and/or level 4 sector codes.

Information about the names of governments and companies in which banks invest (such as bonds and stocks); businesses that had their credit extended or rejected, or bank-invested projects; announcements on voting policies, including instructions on how to vote on shareholder resolutions related to ESG themes; announcements on voting results at joint stock banking companies; and the names and quantities of corporate customers involved with banks in ESG were still missing in relevant announced commitments of all commercial banks. Such information was not yet available on channels that could be easily accessed by customers, investors, and other stakeholders as stated in the annual reports and/or on bank websites.

Box 12: Examples of commercial banks' commitments on Transparency and Accountability

Agribank: The bank "researched and perfected its credit policy and mechanism associated with social and environmental management; trained and communicated to raise awareness about green loan and efficient use of energy, etc. In the credit operations process, Agribank's credit handbook always associates project due diligence and loan plans with ecological and environmental protection, thereby projects must have an environmental impact assessment report approved by competent authorities in accordance with the law, and resolutely reject credit extension for projects with the potential to have major and adverse impacts on the environment and society." (Agribank (2022), Annual Report 2021, p.32).

BIDV: "BIDV always attaches importance to environmental and social risk management in credit extension. According to the credit extension process applicable to corporate customers, BIDV has stipulated social and environmental risk assessment for each extended credit amount, ensuring the financed projects fully meet legal regulations on environmental protection, provided risk prevention measures, and carried out regular periodic inspection and supervision over loan projects" ... "The environmental and social risk management framework provides for the environmental and social risk assessment process, including the following contents: (i) Screening and classification of environmental and social risks; (ii) Detailed assessment of environmental and social risks in accordance with general regulations and specific regulations of 10 industries; (iii) Corrective action plan as well as environmental social reporting and monitoring regime after loan." (BIDV (2022), Annual Report 2021, p.185).

Vietinbank: The bank "has implemented uniform solutions of financial inclusion to promote business activities towards environmental protection. VietinBank has developed internal regulations on environmental and social risk management, and 100% of the Bank-funded projects are assessed for environmental and social risks with environmental standards applied." (Vietinbank (2022), Annual Report 2021, p.127).

VPBank: The bank has issued on its website guidelines on receiving and addressing external opinions on environmental and social matters:⁴⁷

- "1. Channels for receiving opinions:
 - a) Direct channels:
 - Email: moitruongxahoi@vpbank.com.vn
 - Postal address: Environmental and Social Department L&C Division Vietnam Prosperity Joint Stock Commercial Bank, 16th floor, No. 89 Lang Ha St., Dong Da Dist., Hanoi
 - b) Indirect channels:
 - Hotline of 24/7 Contact Center: 0439288880/1900545415
 - Email: customercare@vpb.com.vn
 - Others channels regulated by VPBank in specific periods
- 2. Guidance for senders:
 - a) If the opinions are related to customers, senders are first encouraged to discuss the matters directly with customers. In case the opinions were not addressed reasonably by customers, the senders may submit their opinions to VPBank and provide information according to Environmental and Social Opinions Form (click here to download).
 - b) The senders are requested to prioritise the use of direct channels for sending their environmental and social opinions to VPBank. However, this does not exclude the use of indirect channels as mentioned above.
 - c) Sending comments is completely free, without fear of retaliation. The sender can request VPBank not to disclose its identity to the customer without prior permission." (VPBank, Guidelines on receiving and addressing external opinions on environmental and social matters)

"In 2017, VPBank built a channel to receive external opinions on environmental and social matters and published it on the bank's official website to ensure that E&S matters of customers shall be received and addressed in a timely manner as per international standards." (VPBank (2022), Annual Report 2021, p. 80).

^[47] See more at https://www.vpbank.com.vn/ve-chung-toi/phat-trien-ben-vung/huong-dan-tiep-nhan-va-xu-ly-y-kien-tu-ben-ngoai vào 8/2022



3.3.4 Tax

About the theme and Vietnam's commitments

The criteria used to analyse banks' policy commitments on Tax are based on various international standards. These include OECD Guidelines for multinational enterprises, CRI Sustainability Reporting Standards – Guidance on corporate tax responsibilities, the Global Forum on Transparency and Exchange of Information for Tax Purposes, the European Commission's list of international tax havens 2015, the EU's list of non-cooperative jurisdictions for tax purposes, ISO 26000:2010 - Guidance on Social Responsibility, and ISO 20400:2017 - Sustainable Procurement.

Vietnam is currently a member of the Global Forum on Transparency and Exchange of Information for Tax Purposes with a commitment to implementing the Standard for Automatic Exchange of Financial Account Information in Tax Matters (AEOI Standard 2014). Since 2017, Vietnam has been a member of the Base Erosion and Profit Shifting (BEPS) Forum with a commitment to implementing 15 BEPS actions, including four minimum standards. XXXVIIII In 2018, the Ministry of Finance issued Circular No. 16/2018/TT-BTC guiding a number of articles on financial regime applicable to credit institutions

and foreign bank branches.

Policy commitments of 11 banks on Tax

The policy commitments on Tax of several banks improved compared to 2020

11/11 banks announced their tax policies to varying degrees of specificity in accordance with international criteria. Compared to 2020, three improved in announcing their tax commitments. These banks (BIDV, Vietcombank, and Vietinbank) operated abroad, while the six only operated in Vietnam with no changes recorded. However, commercial banks with branches, offices, and subsidiaries abroad got lower scores because they failed to disclose complete information about revenue, profits, total assets, and their number of employees in countries where the banks operated.

The average score on Tax in 2022 reached 1.8, showing not much change compared to 2020 (1.6). The average score on Tax earned by Vietnamese commercial banks in 2022 was higher than that of Philippine (1.0 in 2019), Thai (1.7 in 2022), and Indonesian (1.4 in 2022) banks (data compiled from Assessment Reports on ESG Policy Commitments of Indonesian, Philippine, and Thai Banks, Fair Finance Indonesia (2022), Philippines (2020), and Thailand (2023)).

Commercial banks' commitments on Tax

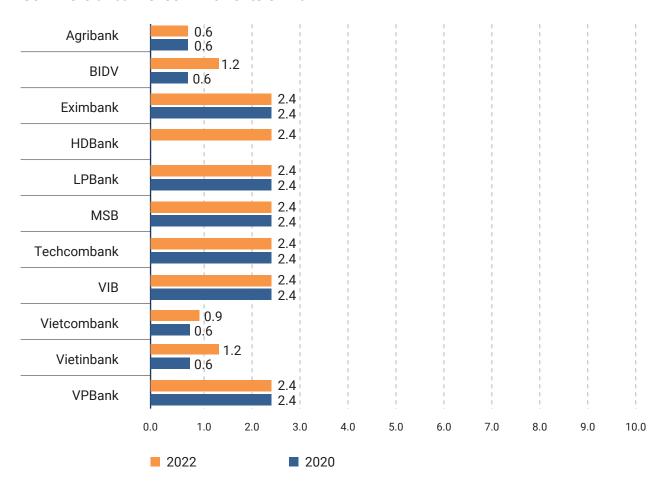


Figure 24: Commercial banks' commitments on Tax in 2020 and 2022 (Source for comparison: Fair Finance Vietnam, according to FFG methodology, 2020)

None of the 11 banks had subsidiaries, branches, or affiliates in countries in places where there is 0% corporate tax or in places with poor corporate tax practices, unless such banks have assets and profits generated from local economic activities.

However, information related to commitments to not giving customers advice on developing or transacting with transnational systems for the purpose of tax evasion; not providing financial services to businesses in tax havens, unless such businesses own assets and profits generated from local economic activities; or providing information about businesses that receive separate tax incentives under agreements with tax authorities; or policies towards corporate customers on tax commitments were lacking and not announced by all banks (11/11) on channels that can be easily accessed by customers, investors, and other stakeholders such as on the banks' websites or annual reports.



4.1 Conclusions

Sustainable development in general, and ESG commitments in particular, are no longer a new theme in the world or in Vietnam. This is a strategic trend that has been considered and chosen by many businesses and financial institutions globally towards responsible investment and business, and Vietnamese commercial banks are not going to be left behind. In recent years, an increasing number of commercial banks have become more interested in and open to disclosing information about their commitments to ESG.

The ESG commitments of Vietnamese commercial banks in 2022 saw improvement compared to 2020, according to the FFG methodology. Out of the 11 banks analysed for ESG policies, 10 participated in the first analysis in 2020 and one (HDBank) joined the second. Despite an improvement in the 2022 ESG score, this does not mean that all banks participating in the analysis of ESG policy commitments, using the FFG methodology, showed positive changes

in their commitments. This varied by theme and how each bank announced its commitments. Out of the 10 banks participating in both analyses, nine committed more to ESG policies, and their ESG scores increased compared to 2020 as a sign of positive progress. This change took place in all four state-owned commercial banks and five private joint-stock commercial banks. VPBank, Vietinbank, Vietcombank and Techcombank made the biggest changes, followed by BIDV, VIB, Agribank, MSB and Eximbank. However, the level of improvement varied by bank and theme under the three ESG factors.

The ESG scores in 2022 and 2020 were 1.5 and 1.1, respectively. Among E, S, and G, the Environmental (E) pillar had the least change, from 0.3 (2020) to 0.5 (2022), followed by the Social (S) pillar increasing from 1.3 (2020) to 1.6 (2022). The Governance (G) pillar had the most obvious change, from 1.6 (2020) to 2.0 (2022). However, the Governance (G) of Vietnamese banks was still limited when compared to the G commitments of some ASEAN banks.

E,S, and G commitments in 2020 and 2022

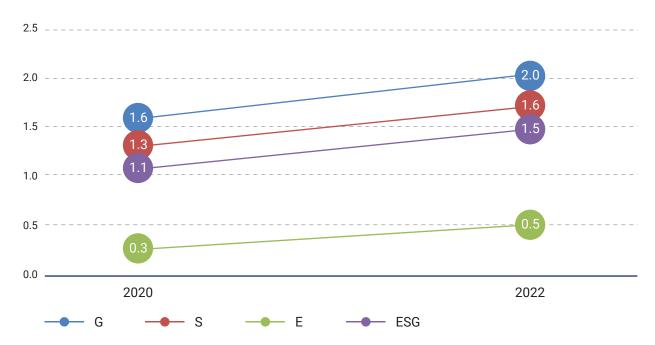


Figure 25: ESG commitments of Vietnamese commercial banks in 2020 and 2022 (on a 10-point scale) (Source for comparison: Fair Finance Vietnam, according to FFG methodology, 2020)

Despite such positive changes, the ESG policy commitments of Vietnamese commercial banks participating in the second analysis remained in the early stages of this "climbing process". Among the 11 banks participating in the 2022 analysis, those with the most public policy commitments on ESG compatible with international standards were VPBank, HDBank,

Vietinbank and VIB, followed by BIDV, Agribank, Vietcombank, MSB, and Techcombank. However, public policy commitments on ESG mainly focused on internal operations and financing/investment policies of commercial banks themselves. The announcement of ESG policies for corporate recipients of grants, loans, and investment capital from banks was rarely public.

Commercial banks' ESG commitments in 2020 and 2022

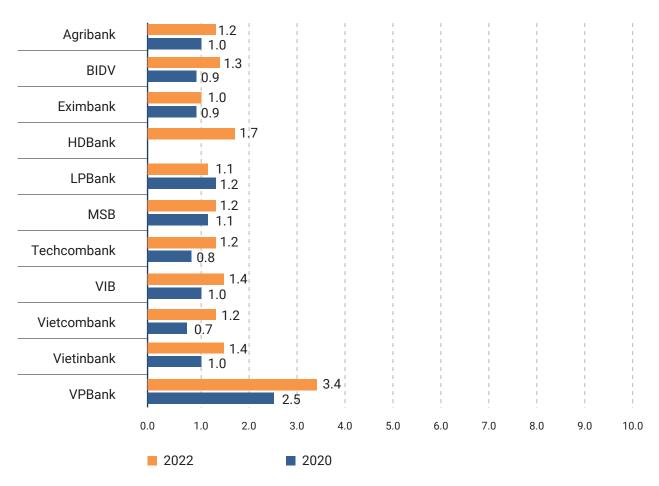


Figure 26: Commercial banks' ESG commitments in 2020 and 2022 (Source for comparison: Fair Finance Vietnam, according to FFG methodology, 2020)

The Environment (E) remained a pillar in which commercial banks made vague commitments and that had few significant changes compared to 2020.

Among the three E themes, announcements of commercial banks were mainly about **Power Generation.** Most banks reported investments in the renewable energy sector. Most commercial

banks did not publish much on themes that are compatible with criteria according to international standards such as **Nature** and **Climate Change**. Only one published its policy commitment on Nature, and two have commitments on Climate Change with content compatible with international standards.

At the ASEAN level, Vietnamese commercial banks' average scores (on a 10-point scale) on Climate Change and Nature were lower than those of Thai banks in 2022 (Assessment Report on the ESG Policy Commitments of Thai Banks, Fair Finance Thailand, 2023).

Commercial banks' commitments by ESG themes

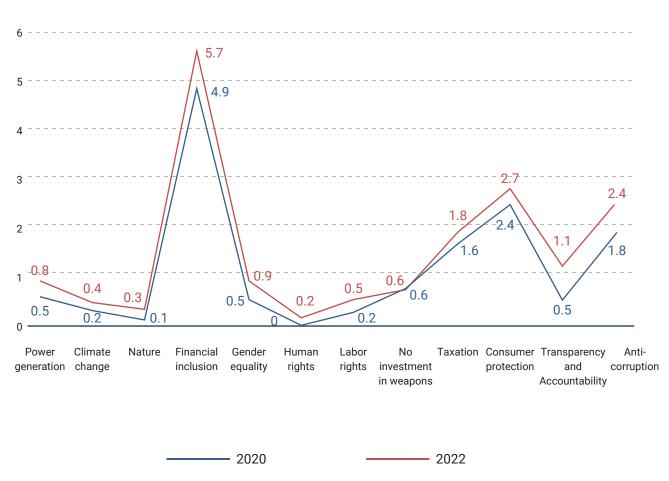


Figure 27: Commitments of Vietnamese commercial banks by theme in 2020 and 2022 (on a 10-point scale) (Source for comparison: Fair Finance Vietnam, according to FFG methodology, 2020)

The Social (S) pillar on public policy commitments in a number of themes also saw a moderate improvement compared to 2020.

Financial Inclusion was the most prominent S

theme with the most improvement compared to 2020. All 11 commercial banks announced their commitments to this theme's criteria to varying degrees. At the ASEAN level, Vietnamese commercial banks' average score on Financial

Inclusion was higher than that of Indonesian and Philippine banks (2019) (data compiled from Assessment Reports on ESG Policy Commitments of Indonesian and Philippine banks, Fair Finance Indonesia (2022) and Philippines (2020)).

Vietnamese commercial banks' public commitments on Gender Equality, Human Rights, and Labour Rights in 2022 also improved compared to 2020 yet remained modest compared to a number of ASEAN countries. Only a few Vietnamese commercial banks made public commitments on Human Rights (3/11 banks) and Labour Rights (5/11 banks), while 8/11 banks announced commitments to Gender Equality. Vietnamese commercial banks' average score on Gender Equality (2022) was lower than that of Thai banks (2022), but higher than that of Indonesian (2022) and Philippine banks (2019). Vietnamese commercial banks' average score on Human Rights and Labour Rights (2022) was lower than those of Thai (2022), Indonesian (2022), and Philippine banks (2019) (data compiled from Assessment Reports on ESG Policy Commitments of Indonesian, Philippine, and Thai banks, Fair Finance Indonesia (2022), Philippines (2020) and Thailand (2023)).

There was no improvement in Vietnamese commercial banks' announcements on **No Arms Investment** compared to 2020, with a lower average score than that of Thai (2022), Indonesian (2022), and Philippine banks (2019) (data compiled from Assessment Reports on ESG Policy Commitments of Indonesian, Philippine, and Thai banks, Fair Finance Indonesia (2022), the Philippines (2020) and Thailand (2023)). Only one Vietnamese commercial bank made a public announcement on this theme.

Governance showed the most improvement among the three ESG pillars compared to 2020.

The average Governance scores in both analyses were higher than E and S in the second analysis in 2022. All (11/11) banks published policies on Anti-corruption, Consumer Protection, Tax, and Transparency and Accountability at different levels.

Among the four Governance themes,

Anti-corruption and Transparency and

Accountability showed the most improvement,
followed by Consumer Protection and Tax.

However, the Governance (G) pilar of Vietnamese banks was still limited in comparison with the commitments of some ASEAN banks. For example, the average score of G earned by domestic banks was 2.2 (2019) in the Philippines, 3.0 in Indonesia (2022) and 3.6 in Thailand (2022).

The scope of regulation of ESG announcements, commitments, and policies failed to cover commercial banks' entire operations.

In general, the ESG policy commitments disclosed by commercial banks mainly focused on internal operations or loan and investment portfolio management of the commercial banks themselves. Policies requiring or encouraging businesses to receive investment or loans from banks on ESG themes were rarely disclosed by almost all commercial banks participating in the analysis.

In the first and second analyses, some information was found in public policies posted on banks' websites such as corporate culture, codes of conduct, AML/CTF commitments, and customer service channels. The majority of ESG commitments were also commonly found in annual reports. As a result, ESG commitments were disclosed in an inconsistent and incomplete manner, becoming inaccessible to customers, investors, and other stakeholders. ESG criteria

were announced by some banks in their 2018 Annual Reports, but not in their 2021 Annual Reports.

4.2 Recommendations

Based on an analysis of ESG policy commitments made by 11 Vietnamese commercial banks, a number of recommendations for commercial banks and state agencies are put forward to nudge the finance and banking sector closer to international and regional standards.

4.2.1 For commercial banks

- Commercial banks should refer to and select an ESG assessment method (FFG being one of the reference methods), then:
 - (i) review the current status of their ESG policies, including their internal operating policy; investment/loan policy; and policies applicable to corporate customers receiving loans or investment from banks;
 - (ii) review their degree of information disclosure and commitment to ESG;
 - (iii) develop a plan to amend, adjust, and develop policies in line with their own strategic goals, and;
 - (iv) apply this in their operations and control ESG deployment.
- 2. Disclose ESG information on which commercial banks have policies in place. Such information should be compatible with or close to international and regional standards. Banks can compile published information about ESG, including that found in sustainability reports, then post and update it regularly on their websites in a systematic and transparent manner for all stakeholders. Banks may briefly disclose their policies with key points highlighted.

- 3. Banks may contribute to sustainable development through their investments and loans based on policies that require and/or encourage customers to declare and fulfill ESG commitments. They play a leading role in shifting investments to a lower-carbon economy as well as providing incentives for companies to emit less CO₂. Commercial banks should promote the disclosure of their policies to businesses receiving loans and investments regarding ESG commitments.
- 4. In the long term, banks should select and prioritise a number of ESG themes to develop and launch strategies and plans with a specific focus, including measurable targets and goals, and periodically disclose processes and implementation results. This does not imply that commercial banks need not pay attention to other themes. On the contrary, the provision of appropriate priorities and roadmaps should make it feasible to build ESG commitments in resonance with commercial banks' development.
- 5. Only with a clear strategy and an effective and sustainable management system, taking into account factors E and S, can commercial banks improve ESG. Therefore, commercial banks need to have their strategic orientations and strategies integrate ESG themes in policy and implementation based on the application of international standards. To this end, commercial banks should establish a specialised department/personnel in charge of ESG matters that researches and consults on building an ESG policy roadmap in accordance with the banks' strategies and ensures compliance, while also having mechanisms to monitor and measure the implementation of ESG commitments and policies. Because of ESG's cross-cutting nature in all bank operations, products, and services, such a specialised department/personnel would play the role of coordinating and receiving information. The coordination among departments is, therefore, of the essence.

6. Because the Environmental and Social themes are cross-cutting, requiring understanding of different specialties, commercial banks' openness to policy suggestions, reflections, and evidence provided by the community, social groups, and science and technology organisations will ensure ESG-integrated and applicable policies, contributing to more coherent consideration of ESG risks. Exchange activities between banks at the national and regional levels should also be strengthened on the improvement of ESG commitments and practices towards sustainability.

4.2.2 For the State Bank of Vietnam, relevant ministries, and departments

Commercial banks should execute and comply with ESG policies that require a complete legal framework while also supporting policies to encourage commercial banks to shift from traditional to responsible business models. This issue requires the synergy of SBV and the authorities. Based on policy analysis and actual requirements, the study hereby draws a number of recommendations as follows:

- Develop a common set of ESG standards for commercial banks in Vietnam based on international standards and conventions.
 Propose that the application within commercial banks range from an incentive level in the first two years to a mandatory or conditional level in the following years; at the same time, specific sanctions shall be introduced to force commercial banks to implement policies that meet international good practice standards.
 Quickly develop and announce criteria for green classification (taxonomy) in the field of credit and investment.
- Develop a toolkit for evaluating and ranking commercial banks' levels of ESG commitment, possibly referring to the FFG tool, based on the common set of standards released by SBV. It is

- recommended that the evaluation process require transparent consultation with social organisations and research institutes as well as experts and social activists.
- 3. From that point, SBV may annually rank and award the top 10 commercial banks in association with ESG responsibilities, in addition to rankings based on credit growth and asset size. This should direct commercial banks towards the goal of integrating ESG in operations to increase their social and community responsibility, as well as their position and brand.
- 4. Properly integrate specific ESG factors and criteria in the banking industry's policies, including decisions, directives, and regulations related to investment, lending, and other financial services as well as the management system in commercial banks.
- 5. Because the Environmental and Social themes are cross-cutting, the openness of SBV and ministries to contributions of the community and social, science, and technology organisations will ensure ES-integrated and applicable policies.
- 6. There should be coordination between relevant ministries and departments and cooperation with non-state initiatives, research institutes, and universities to promote ESG commitment in Vietnamese commercial banks as ESG factors are multi-sectoral.

ANNEX 1

ABOUT THEMES FOR ANALYSIS

The FFG methodology provides criteria to analyse 23 themes. These criteria are regularly updated, and compatible with the SDGs, other international conventions and standards such as COP 21 and international conventions, good practices,

standards of financial institutions, and other international initiatives.

FFV used the 2018 analysis for the first analysis in 2020, and the 2021 analysis for the second analysis in 2022, so the themes updated, omitted, and added criteria.

Applicab in Vietna		List of themes (in English and Vietnamese)		No. Criteria (2020)	No. Criteria (2022)
	 	Animal Welfare	Bảo vệ động vật	15	15
	Χ	Climate Change	Biến đổi khí hậu	24	26
	Χ	Anti-corruption	Phòng chống tham nhũng	12	12
Cross-	Χ	Gender Equality	Bình đẳng giới	15	17
cutting	Г	Health	Sức khỏe	16	16
issues	Χ	Human Rights	Quyền con người	13	15
	Χ	Labor Rights	Quyền của người lao động	14	16
	Χ	Nature	Thiên nhiên	15	15
	Χ	Tax	Thuế	17	17
	Χ	Arms	Vũ khí	16	15
	 	Financial Sector	Ngành tài chính	14	14
	 	Fisheries	Nghề cá	19	19
	Г — — — I I	Food	Thực phẩm	27	27
Invested industries		Forestry	Rừng	14	14
		Housing & Real Estate	Bất động sản & nhà ở	28	28
	 _	Manufacturing Industry	Ngành chế tạo	17	17
	 	Mining	Khai khoáng	22	22

Applicab in Vietna		List of themes (in English and Vietnamese)		No. Criteria (2020)	No. Criteria (2022)
Invested		Oil & Gas	Dầu khí	28	28
industries	Χ	Power Generation	Sản xuất điện	21	21
	Χ	Consumer protection	Bảo vệ khách hàng	21	19
Activities	Χ	Financial Inclusion	Tài chính toàn diện	13	13
Activities		Remuneration	Lương bổng	12	12
	Χ	Transparency & Accountability	Minh bạch và trách nhiệm giải trình	22	28
		1 		 	

The FFG method analysed commercial banks' policies on the following types of financial investments, products, or services:

- Corporate credit
- Project financing
- · Bank asset investment
- Customer asset management
- Private lending for real estate

ANNEX 2

MAIN CONTENTS OF 12 THEMES

	THEME	 	CRITERIA
	_	ENVIRONMENT	
1	Climate change	Sets measurable goals in reducing greenhouse gas emitted by commercial banks and corporate customers; Commits to using only renewable energy sources	The bank discloses information on greenhouse gas emissions relevant to the selection of companies and/or sectors in which the bank invests or finances Publishes information on greenhouse gas emissions relevant to all project companies in which the bank invests or finances. Announces the amount of greenhouse gases emitted, reduces greenhouse gas emissions, and switches from fossil fuels to renewable fuels. Makes environmental impact assessment including data on greenhouse gas emissions and climate hazards faced by large project financings. Rejects coal- or fossil fuel-fired power generation; coal, oil, and gas mining; conversion of peatlands and carbon-rich soils for agricultural development. Has an appropriate biomaterial manufacturing process; CO2 compensation. Is not involved in lobbying to weaken climate policies. Integrates climate change criteria into operating policies and procedures, and contracts with subcontractors and suppliers.

	THEME	 	CRITERIA
		ENVIRONMENT	
2	Nature	N/I	Within the scope of operations and management areas, the bank prevents negative impacts on High Conservation Value (HCV) areas; protected areas in Categories I-IV of the International Union for Conservation of Nature (IUCN); UNESCO World Heritage Sites; protected areas in the Ramsar Convention on Wetlands; number of animal species in the IUCN Red List of Threatened Species. Rejects trade in endangered flora and fauna according to the CITES list. Operates in the fields of genetic materials and genetic engineering that meet the United Nations Convention on Biological Diversity and the Bonn Guidelines or the Nagoya Protocol. Manufactures or trades genetically modified living organisms in compliance with the requirements of the Cartagena Protocol on Biosafety.
3	Power generation	Provides capital to businesses involved in renewable energy production; Sets specific, measurable goals for increasing funding for renewable energy; reduces the total amount of capital for fossil fuel energy, or reduces it in relative terms to finance for renewable energy.	The bank rejects nuclear energy, power generation on coal, fossil fuels, or large-scale hydropower. Within the scope of operations and management areas, the bank prevents negative impacts on protected areas in Categories I-IV of the International Union for Conservation of Nature (IUCN); UNESCO World Heritage Sites; and protected areas in the Ramsar Convention on Wetlands.

	THEME	 	CRITERIA
		ENVIRONMENT	
			Prevents conflicts over land use rights and natural resource acquisition by seriously consulting with local people and relevant land users.
			Has processes to address any negative human rights impacts related to businesses.
			Constructs dams and irrigation infrastructure projects in accordance with the 7 principles of the World Commission on Dams.
			Manufactures biomaterials in accordance with the 12 principles of the Roundtable on Sustainable Biomaterials.
			Publishes sustainability reports including (some) GRI Standards; large enterprises and multinational enterprises publish sustainability reports based on GRI Standards (Core or Overall).
			Integrates environmental, social, and governance (ESG) criteria into operational processes and policies; and contracts with subcontractors and suppliers.
		SOCIETY	
4	Gender equality	Commits to a zero-tolerance policy against any form of gender-based discrimination in employment and occupations; Commits to a zero-tolerance policy against all forms of gender-based	The company has a policy to minimise human rights risks to the community because of their gender. Commits to a zero-tolerance policy against any form of gender-based discrimination in work and

HEME		CRITERIA
	SOCIETY	
	violence in the workplace, including verbal, physical, and sexual harassment; Has systems in place to prevent and reduce gender-based discrimination against customers; Guarantees that at least 30-40% of women participate in and have equal access to senior positions; Has a roadmap to promote equal access for women to senior positions.	occupations. Has systems in place to ensure fair pay; prevents gender-based discrimination against customers. Commits to a zero-tolerance policy against any form of gender-based violence in employment and occupations, including sexual, physical and verbal harassment. Guarantees that at least 30-40% of women participate in and have equal access to senior positions; has a roadmap to promote equal access for women to senior positions; integrates women's rights and gender criteria in operating policies and procedures. Includes women's rights and gender compliance clauses in contracts with subcontractors and suppliers.
5 Human rights	Respects all human rights in the United Nations Guiding Principles on Business and Human Rights; Commit to a zero-tolerance policy against all forms of discrimination in employment and occupations, based on gender, race, ethnicity, sexual orientation, and physical ability.	The company respects all human rights stated in the United Nations Guiding Principles on Business and Human Rights. Commits to the obligation to respect human rights. Conducts in-depth reviews to address impacts on human rights; remediates negative impacts on human rights related to business. Establishes or engages in operational level grievance mechanisms for affected individuals and communities.

 	THEME	 	CRITERIA
		SOCIETY	
			Prevents conflicts over land use rights and natural resources through meaningful consultation; prevents discrimination.
			Respects the rights of ethnic minorities throughout operations.
			Prevents conflicts over land use rights and natural resources through Free, Prior, and Informed Consent (FPIC) with customary land users.
			Pays special attention to respecting the rights of people with disabilities.
1			Promotes fair treatment between women and men; respects children's rights.
			Operates away from occupied lands as in International Humanitarian Law; integrates human rights criteria into the operating processes and policies. Includes human rights compliance clauses in contracts with subcontractors and suppliers.
6	Labour rights	Respects and integrates the ILO (International Labor Organisation) Declaration on Fundamental Principles and Rights at Work into operating policies and procedures; Develops procedures to manage employee complaints and address labour rights violations, including consultation with unions.	Supports freedom of association and recognition of the right to collective bargaining. Rejects all forms of forced and hard labour; forms of child labour. Rejects discrimination in recruitment and occupations; ensures fair treatment and equal working conditions for migrant workers. Pays employees a living wage, applies
1			maximum working hours regulations

THEME	 	CRITERIA
	SOCIETY	
		(such as maximum 48 hours a week and 12 hours overtime); has a health and safety policy.
		Has a transparent management system for monitoring and, if necessary, sanctions as prescribed in labour law.
		Establishes processes and procedures for how to handle employee complaints and resolve violations and conflicts, in consultation with the union.
		Specifies the labour law in operating procedures and policies; and contracts with subcontractors and suppliers.
7 No arms investment	N/I	Rejects the production, maintenance, and sale of anti-personnel mines, ammunition, chemical weapons, and biological weapons, including key parts of mines, ammunition, chemical weapons, and biological weapons.
		Rejects the use, production, development, maintenance, testing, stockpiling, and sale of lethal autonomous weapons systems (LAWS), including devices designed for LAWS.
		Rejects the supply of armament and weapon systems, military transport systems, and other military goods if there is a risk of the use of force in serious violations of human rights and the International Humanitarian Law, or to countries that seriously violate

	THEME	 	CRITERIA
		SOCIETY	
			human rights, have corruption problems, unstable or failed states, and unreasonable budget spending components; or to parties to a conflict, except parties acting pursuant to a resolution of the United Nations Security Council.
8	Financial inclusion	Has policies, services, and products targeting poor and vulnerable groups; Opens branches in rural areas, not just in cities; Provides online banking, e-money, or e-banking and mobile banking services; Issues a loan rate of over 10% for MSMEs (micro, small and medium enterprises); no collateral required when lending to MSMEs; Has a disclosure policy on customer rights and product and service risks (including risks of overdue debt) for low-educated customers and MSMEs; Has a corresponding local language and national language version of the bank's terms and conditions; Has a policy to improve financial knowledge for low-income groups, vulnerable groups, and MSMEs; Charges no fees or reasonable fees when customers open an account; no minimum balance required to maintain a bank account;	N/I
		Applies standards and provides information on credit processing times; Offers financial products that are reasonable, affordable, and convenient	

	THEME	 	CRITERIA
		SOCIETY	
		for receiving or sending remittances through an account; Provides housing financial products for low-income groups.	
9	Anti -corruption	Rejects all forms of corruption, has an anti-money laundering and counter-terrorist financing policy, authenticates ultimate beneficiaries; Takes protection measures when having business relationships with politically exposed persons; Reports participation in lobbying activities.	Announces ultimate beneficiaries. Rejects all forms of corruption. Has an action management system in case of suspected corruption by employees or suppliers. Reports participation in lobbying activities. Includes corruption-related compliance provisions in contracts with subcontractors and suppliers.
10	Tax	For at least three-quarters of the countries in which the bank operates, the bank reports revenue and/or 75% of the bank's total revenue, revenue by country, profits, number of full-time employees, subsidies received from the government and taxes paid to the government in accordance with the omnibus account; In each country in which the bank operates, the bank reports country-specific revenue, profits, number of full-time employees, subsidies received from the government, and taxes paid to the government in accordance with the joint account;	Announces the entire organisational structure, including indirect and co-owned organizations. Explains the operations, functions and ultimate shareholders of each subsidiary, branch, joint stock company or alliance in places where there is 0% corporate tax or no corporate tax or in places with poor corporate tax practices. For each country in which the business operates, such business reports the country-specific revenue, profits, FTEs, subsidies received from the government, and taxes paid to the government. Focuses on international corporate structures and international transactions by reflecting the

THEME	 	CRITERIA
	SOCIETY	
	Does not advise customers to establish international organisations to avoid or evade taxes; does not engage in transactions with international organisations to avoid or evade taxes; Announces key information about business-specific tax regulations that the bank is entitled to; Has no subsidiaries, branches, or affiliated companies in places where there is 0% corporate tax or no corporate tax or in places with poor corporate tax practices, unless the bank has assets and profits generated from local economic activities; provides no financial services to businesses in tax havens, unless the businesses have assets and profits generated from local economic activities.	substance of economic activities and transactions, without seeking tax benefits. Announces key information about business-specific tax regulations to which businesses are entitled. Announces decisions of any award or arbitration to which an enterprise or any of its subsidiaries, as a party, makes to resolve a tax dispute. Has an enforcement management system in case of suspected tax evasion by employees or suppliers. Integrates tax compliance in operating procedures and policies and in contracts with subcontractors and suppliers.
11 Consumer protection	Has a disclosure policy on customer rights and product and service risks; regulations on employee ethics in serving customers based on the principle of non-discrimination; ensures customers have access to grievance mechanisms and remedies based on available due diligence processes; publicises the complaint handling and monitoring results such as number of complaints, main complaint issue, agency/department to which the customer complains (directly or indirectly), and complaint channels	N/I

THEME	CRITERIA
	SOCIETY
	(customer service center, website, hotlines, bank branches);
	Extensively commits to the goal of minimising customer complaints, modifying the goal to make this information accessible to all stakeholders;
	Has alternative dispute resolution (ADR) - an independent process available to resolve complaints that are not effectively resolved by financial service providers and internal dispute resolutions of authorised agencies such as the Inspectorate (Ombudsman);
	Has a debt settlement policy for customers with overdue debts and transparent policies/codes of conduct to protect customers from overdue debts;
	Develops and implements risk profiles related to investment products;
	Respects customers' data privacy (non-disclosure to other parties without customers' consent);
	Protects information about customers' financial situation and personal information through appropriate control and protection mechanisms with detailed instructions on what data is collected, processed, stored, used and disclosed;
	Has a disclosure policy on customers' rights and product and service risks;

	THEME		CRITERIA
		SOCIETY	
		Commits to promptly notifying customers about fee changes; Has a policy regulating employee ethics in serving customers based on the principle of non-discrimination; Ensures that customers have access to grievance mechanisms and remedies based on available due; Has a debt settlement policy for customers with overdue debts, and transparent policies/codes of conduct to protect customers from overdue debts.	
12	Transparency & Accountability	Has a social environmental framework in financial and investment activities, and provides specific information on how the bank ensures investments meet the conditions outlined in its policies; Has the social environmental framework of the Bank's financial and investment activities audited by a third party and publishes the results; Announces names of governments in which the bank invests in bonds, announces names of companies in	N/I
		which the bank invests (stocks, bonds, private equity) and mentions and describes all companies (on the financial institution's website) that receive new loans; Announces the investment portfolio by region, size, and industry (in accordance with GRIs FSSD FS6), provides detailed portfolio tables	

THEME	 	CRITERIA
	SOCIETY	
	incorporating industry and regional data and a full detailed portfolio table, for example, based on first two digits of NACE and ISIC codes alongside the number of companies already involved in social and environmental themes (in line with GRIs G4 FSSD FS10);	
	Discloses names of all project financing transactions and project-based corporate loans, including information required by Equator III;	
	Announces a voting policy, including instructions on how to vote on shareholder resolutions related to environmental, social, and governance themes;	
	Provides a portfolio of assets including internally and/or externally managed assets and a list of asset managers outside the bank;	
	Establishes mechanisms to ensure the relationship and voting behaviour of external asset management companies or service providers comply with sustainability policies; Establishes an accessible grievance mechanism and clearly explains complaint handling steps and reports on the progress and implementation of the grievance mechanism;	
	Announces the results of cooperation and loan approval, including themes, goals, and deadlines and the names of companies that fail to receive investments/loans due to their	

THEME	 	CRITERIA
	SOCIETY	
	involvement in sustainability issues, including the reasons for doing so; Publishes a sustainability report that includes (some) from the GRI Standards, building on the GRI Standards (Core or Overall), validated by a third party;	
	Commits to respecting and cooperating with state non-judicial and judicial grievance mechanisms when relevant cases are referred to them.	

ANNEX 3

HOW TO SELECT 11 COMMERCIAL BANKS FOR ANALYSIS

In the first analysis (2020), 10 commercial banks were analysed based on the criteria of being commercial banks with the highest charter capital, and/or financing energy projects. Thus, in the second analysis (2022) following the previous assessment phase, these ten banks continued to be analysed, and one bank operating in the renewable energy sector was included. Therefore, the 2022 ESG policy commitment report is an analysis of 11 commercial banks.

Criteria 1: Vietnamese commercial banks with financial contributions to thermal power projects according to the 2017 research report on finance for coal-fired thermal power⁴⁸, including eight commercial banks:

No.	Bank
1	AgriBank
2	BIDV
3	EximBank
4	LienVietPostBank
5	Maritime Bank
6	VietcomBank
7	VIB
8	VietinBank

Criteria 2: Except for the eight commercial banks mentioned above, the remaining two commercial banks were selected as being commercial banks with the highest charter capital, based on data announced by SBV on 31 December 2022. Below is a list of six commercial banks with the highest charter capital:

No.	Bank	Charter capital (VND trillion)	Included in the list according to criterion 1
1	Vietinbank	37.234	X
2	Vietcombank	37.089	X
3	Techcombank	34.966	
4	BIDV	34.187	X
5	Agribank	30.496	X
6	VPBank	25.300	·

^[48] Report on finance for coal-fired thermal power, Green ID, 2017: https://cvdvn.net/2017/12/20/phat-trie%CC%89n-nhie%CC%82t-die%CC%82n-than-o%CC%89-vie%CC%82t-nam-goc-nhin-tai-chinh/

11 COMMERCIAL BANKS INVOLVED IN 2022 ESG POLICY ANALYSIS

No.	Bank	Charter capital (December 31, 2021) (VND trillion)
1	BIDV	50.585
2	Vietinbank	48.058
3	VPBank	45.057
4	Vietcombank	37.084
5	Techcombank	35.109
6	Agribank	34.328
7	VPBank	25.300
8	HDBank	20.172
9	MSB	15.275
10	VIB	15.531
11	LPBank	12.036

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Fair Finance Vietnam (FFV) is the creation of the collective efforts of several organisations, including the Center for Water Conservation and Development (WARECOD), Business Administration Faculty - Hanoi University of Industry (HaUI), Communication Initiative Todocabi and Oxfam in Vietnam. They are currently active in the field of environmental protection, education, communication and community participation for sustainable development.

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