



# TOWARDS SUSTAINABLE FINANCE

## ENVIRONMENTAL, SOCIAL AND GOVERNANCE COMMITMENTS IN THE BANKING INDUSTRY

Case Studies of 10 Vietnamese Commercial Banks



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# List of Acronyms and Abbreviations

Agribank	Vietnam Bank for Agriculture and Rural Development
BIDV	Joint Stock Commercial Bank for Investment and Development of Vietnam
CBD	The United Nations Convention on Biological Diversity
CC	Climate Change
CEDAW	The United Nations 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
COP21	Paris Climate Agreement
CRBP	Children’s Rights and Business Principles
CRPD	The United Nations Convention on the Rights of Persons with Disabilities
EP	The Equator Principles
E&S	Environmental and Social
ESG	Environmental, Social and Governance
Eximbank	Joint Stock Commercial Bank for Import and Export of Vietnam
FFA	Fair Finance Asia
FFGI	Fair Finance Guide International
FFI	Fair Finance International
FFV	Fair Finance Vietnam
GHG	Greenhouse Gas
GLF	Green Loan Framework
GPFI	Global Partnership for Financial Inclusion
GreenID	Green Innovation and Development Centre
GRI	Global Reporting Initiative
ICCPR	International Covenant on Civil and Political Rights
ICESCR	International Covenant on Economic, Social and Cultural Rights
IFC	International Finance Corporation
ILO	International Labour Organisation
IPCC	Intergovernmental Panel on Climate Change
ISIC	International Standard Industrial Classification of All Economic Activities
IUCN	International Union for Conservation of Nature
LienVietPostBank	LienViet Post Joint Stock Commercial Bank
MSB	Vietnam Maritime Joint Stock Commercial Bank
MSMEs	Micro, Small and Medium Enterprises
OECD	Organisation for Economic Cooperation and Development

<b>Agribank</b>	<b>Vietnam Bank for Agriculture and Rural Development</b>
Saccombank	Saigon Thuong Tin Joint Stock Commercial Bank
SBN	Sustainable Banking Network
SBV	State Bank of Vietnam
SDGs	Sustainable Development Goals
SMEs	Small and Medium-sized enterprises
Techcombank	Vietnam Technological and Commercial Joint Stock Bank
UDHR	The Universal Declaration of Human Rights
UNCAC	The United Nations Convention against Corruption
UNCDF	The United Nations Capital Development Fund
UNCLOS	The United Nations Convention on the Law of the Sea
UNESCO	The United Nations Convention concerning the Protection of World Cultural and Natural Heritage
UNFCCC	The United Nations Framework Convention on Climate Change
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 Joint Stock Commercial Bank
Vietcombank	Joint Stock Commercial Bank for Foreign Trade of Vietnam
VietinBank	Joint Stock Commercial Bank for Industry and Trade of Vietnam
VPBank	Vietnam Prosperity Joint Stock Commercial Bank
WARECOD	Centre for Water Resources Conservation and Development

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# Summary

## INTRODUCTION

The integration of Environmental, Social and Governance (ESG) criteria in the banking and financial industry and investment practices is a rising global trend actively contributes towards achieving the Sustainable Development Goals (SDGs), mitigating adverse environmental impacts, reaching sustainable economic development, and alleviating poverty.

Banks play an essential role in realising these goals through their credit business, financial products, and internal operations. Fair Finance Vietnam (FFV) has, therefore, in a joint global effort with other Fair Finance coalitions in countries across Asia and Europe (e.g., India, Cambodia, the Netherlands, Indonesia, Japan, Norway, the Philippines, Thailand, and Sweden), been campaigning for financial institutions to adopt ESG criteria in their policies and practices, through a wide range of activities by member organisations. These include the Centre for Water Resources Conservation and Development (WARECOD), the Green Innovation and Development Centre (GreenID), and Oxfam in Vietnam.

In Vietnam, multiple decisions, directives, and documents<sup>1</sup> of the government, the State Bank of Vietnam (SBV) and related agencies reflect ESG criteria to promote green growth and sustainable development in the banking industry. Several Vietnamese commercial banks have adopted international ESG initiatives, such as incorporating the Global Reporting Initiative (GRI) standards in their annual reports or following the IFC Performance

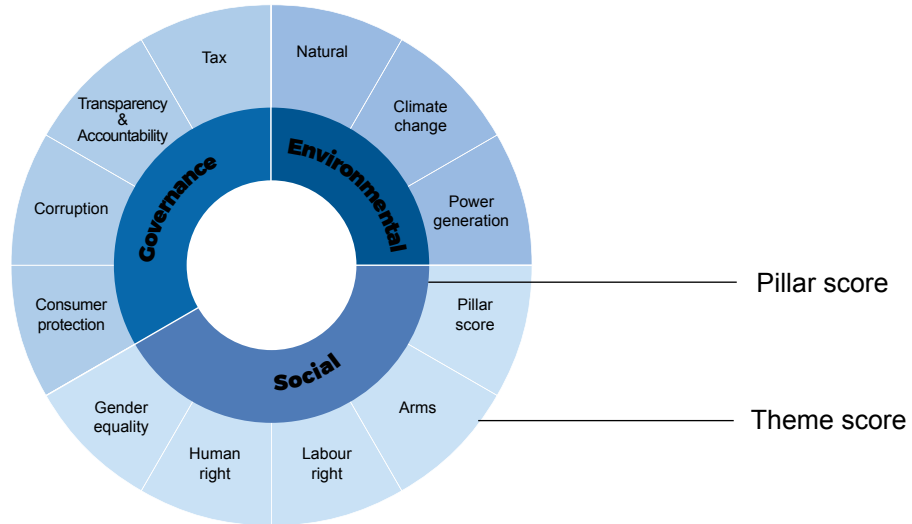
Standards on Environmental and Social Sustainability.

FFV relies on the Fair Finance Guidelines International (FFGI) Methodology that Profundo and Fair Finance International have jointly developed to analyse the alignment of the publicly disclosed policies of ten Vietnamese commercial banks with ESG criteria. This report presents policy assessment scores based on which recommendations are made to commercial banks and banking regulators to ensure their ESG commitments align with international conventions and standards. This helps Vietnamese commercial banks fulfil their environmental and social responsibilities, enhance their position in ASEAN and global markets, and attract responsible investors worldwide. Globally, various independent agencies conduct an increasing number of ESG ratings and rankings to measure companies and banks' performance, commitment, and effectiveness. Clients, investors, asset managers and other stakeholders often refer to these independent reports for comparing companies, risk assessment and decision-making regarding investments and use of services.

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<sup>1</sup> Decision No. 403/QĐ-TTg of the Prime Minister dated 20 March 2014 approving the National Green Growth Action Plan for period 2014-2020, Decision No. 432/QĐ-TTg approving the Vietnam Sustainable Development Strategy for period 2011-2020, Directive No. 03/CT-NHNN dated March 24, 2015 on promoting green credit and managing environmental and social risks in credit granting activities the SBV's Decision No. 1552/QĐ-NHNN on Banking Industry's Action Plan on the implementation of the National Strategy on Green Growth to 2020; the SBV's Decision No. 1604/QĐ-NHNN, dated August 7, 2018, on approving the Scheme on the Green Bank Development in Vietnam to increase awareness and social responsibility of the banking system for environmental protection, combating climate change, gradual greening of banking operations, directing credit flows to environmentally friendly project financing, promoting green manufacturing, services and consumption, clean and renewable energy, promoting green growth and sustainable development the SBV's Directive No. 03/CT-NHNN (Directive 03) on promoting green credit growth and managing environmental and social risks in credit activities, dated March 24, 2015; Circular No. 155/2015/TT-BTC of the Ministry of Finance dated October 6, 2015 providing guidance on stock market disclosure.

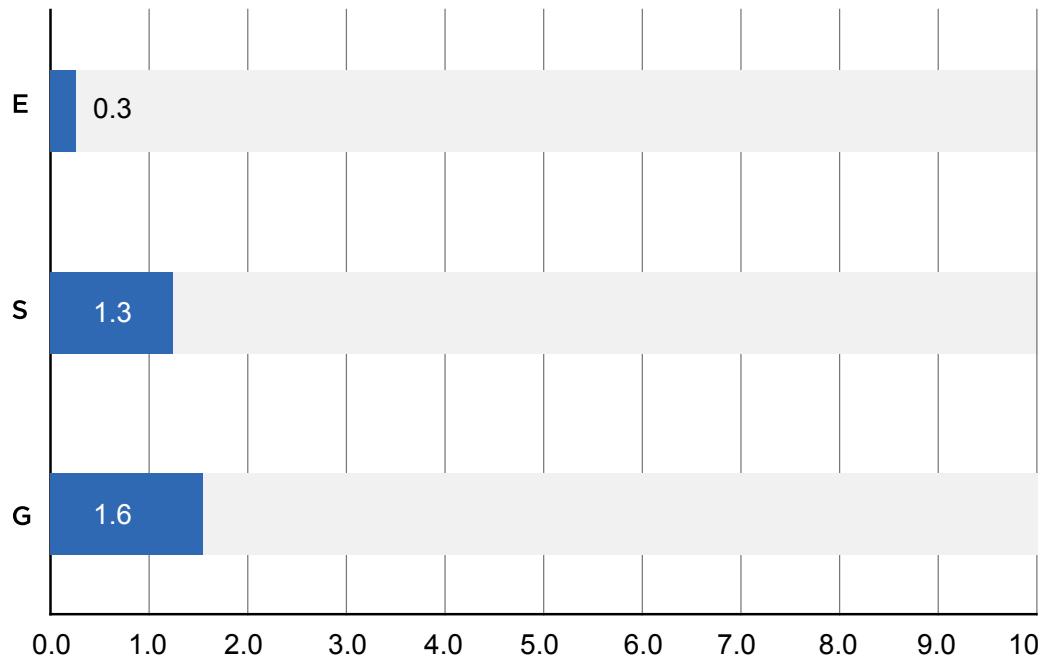
**Figure 1. ESG criteria under the assessment in Vietnam**



### ESG COMMITMENTS OF 10 COMMERCIAL BANKS

Despite the State Bank of Vietnam’s regulations, policies and documents related to ESG, the ten assessed commercial banks have as yet taken only initial steps concerning ESG policy commitments. In other words, in the “*race to the top*”, these ten banks have just entered the race. The Environmental (E), Social (S), and Governance (S) scores average at only 0.3/10, 1.3/10 and 1.6/10, respectively. The E score is far below that for Social and Governance (see Figure 2).

**Figure 2. ESG average scores of 10 assessed Commercial Banks**





**Environmental (E):** Most commercial banks have not publicly disclosed any commitment regarding the themes of climate change and nature. None of the assessed commercial banks has made a public policy commitment to stop financing power generation from fossil fuels, including coal-fired power projects, or to increase its finance for renewable energy generation.



**Social (S):** Most of the assessed banks have not published their commitments to labour rights, human rights, and no investment in arms. Even in cases where bank policies require or encourage their financed companies to recognise social commitments, these are neither concrete nor made public. While a few commercial banks have public policies that explicitly mention their commitments to pay equity or against gender-based discrimination, none of the banks has published any policy requiring or encouraging the companies they finance to fulfil responsibilities on gender equality. It is worth noting that commercial banks show a strong commitment to financial inclusion.

Everyone can access and effectively use financial products and services provided with quality, and be better informed,<sup>2</sup> and the average score for all assessed banks stands at 5/10. Financial inclusion as a policy focus is evident in Decision no.149/QĐ-TTg on ratification of the National Financial Inclusion Strategy to 2025, with a vision to 2030,<sup>3</sup> and the State Bank of Vietnam's National Financial Inclusion Strategy.



**Governance (G):** Almost all banks have policies regarding anti-corruption, consumer protection, tax, and transparency and accountability. Among all Governance themes, policy commitments on Transparency and Accountability are still limited (0.5/10), while Consumer protection scores the highest (2.4/10). While Vietnamese commercial banks score higher for Governance than Environment and Social pillar, their scores are lower than their Thai and Indonesian counterparts.

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<sup>2</sup> Financial inclusion means "access to a full suite of financial services, provided with quality, to everyone who can use financial services, with financial capability, through a diverse and competitive marketplace". For more details, refer to the definition of the Centre for Financial Inclusion, "Our Definition of Financial Inclusion. CFI's Vision for Financial Inclusion", available at [www.centerforfinancialinclusion.org/our-definition-of-financial-inclusion](http://www.centerforfinancialinclusion.org/our-definition-of-financial-inclusion), and Ledgerwood, J., J. Earne and C. Nelson (2013), The New Microfinance Handbook. A Financial Market System Perspective, Washington D.C., United States: The World Bank, p. 17.

<sup>3</sup> It was passed on January 22, 2020 by the Prime Minister

# Recommendations

## TO THE STATE BANK OF VIETNAM

1. Develop common ESG standards for commercial banks in Vietnam in alignment with international standards and conventions. Voluntary compliance for the first two years, followed by mandatory compliance after that, is recommended. In addition, concrete sanctions might be imposed for compliance.
2. Develop the assessment and ranking tool on ESG based on the aforementioned common ESG standards, with possible reference to the FFGI methodology. The assessment process should be transparent, with engagement and consultation with civil society organisations, academia, institutes, and other relevant stakeholders. On an annual basis, SBV publishes a list of the top 10 leading ESG banks in addition to the traditional rankings in terms of credit growth or assets. It helps shape commercial banks' business operations towards ESG incorporation, strengthen their environmental and social responsibilities, and enhance brand positioning.
3. Issue regulations requiring commercial banks to make public disclosure on ESG commitments and implementation.
4. Incorporate concrete ESG criteria appropriately in the banking industry's policy, including decisions, directives, and regulations regarding investments, credit, and other financial services, as well as commercial banks' governance.
5. Collaborate with relevant ministries and agencies, private initiatives, academia and institutes to promote ESG commitments among commercial banks in Vietnam.

## TO COMMERCIAL BANKS

6. Disclose and update ESG-related policies and information concerning the banks' internal operations and the companies receiving investment or credit that have not been published yet in a comprehensive, concrete, accessible and verifiable manner.
7. Develop and update ESG policies in alignment with international standards and conventions. The commercial banks should prioritise one or several ESG themes based on their strategies, even where the 12 assessed ESG themes are all prominent. For example, those targeting the energy sector should prioritise such themes as climate change, nature and power generation. Those planning to invest overseas should prioritise themes such as transparency and accountability, anti-corruption, and labour rights. However, this does not imply that commercial banks should ignore other themes. Appropriate prioritisation and a time-bound framework help the banks incorporate and develop ESG criteria in a more feasible way in alignment with their overall development.



PART I.  
**Introduction**

# Background

## GLOBAL ESG TRENDS

ESG is an abbreviation for Environmental, Social and Governance. ESG includes, but is not limited to:



**Environmental:** Nature Conservation, Biodiversity, Greenhouse Gas (GHG) Emission Reduction, Climate Change (CC), Pollution Prevention, Regulations on Carbon Emissions, and Renewable Energy.



**Social:** Human Rights, Labour Rights, Occupational Health and Safety, Gender Equality, Financial Inclusion, and No investment in Arms.



**Governance:** Anti-Corruption and Bribery, Management Efficiency, Tax Compliance, Consumer Protection, and Transparency and Accountability.

Attention to ESG issues initially gained prominence in the stock markets in the 1990s, expanding subsequently to other forms of financial institutions' services, products and investments.<sup>4</sup> Today, ESG integration has gained global prominence in the banking and financial sector, lending its contribution to achieving the Sustainable Development Goals (SDGs), mitigating harmful environmental impacts, sustainable economic development, and poverty reduction.

European investors often have a more evident standpoint on ESG and sustainability-linked loans, as exemplified by several cases of prominent investment funds divesting from companies that do not adhere to their social responsibility or sustainable development stances. For example, KLP - a public pension fund in Norway with a total capital of around USD 80 billion, recently sold its stakes from 46 such companies, especially those that derive more than 5% of their revenue from coal. These include 6 Japanese companies in the energy industry and one trading house. Following the KLP, many other European investors have also divested from projects that they have deemed to have fallen short of ESG requirements.<sup>i</sup> In recent years, banks such as the Dutch ING Group have restructured their loan portfolio, lending at a lower interest rate to clients willing to improve their sustainability goals.<sup>ii</sup>

In Asia, Mizuho Finance Group Inc. - a major Japanese financial corporation, has decided to decrease its credit in loans to coal-fired power projects to half by 2030 and zero by 2050.<sup>iii</sup> Also, Japan's Mitsubishi UFJ Financial Group (MUFG) in 2019, and Sumitomo Mitsui Financial Group (SMFG) in 2020, announced their decision to stop investing in new coal-fired power projects. In early 2019, the Singapore-based Overseas-Chinese Banking Corporation (OCBC) announced that they would transition to funding renewable energy henceforth, with Nghi Son 2 and Van Phong 1 being the last

<sup>4</sup> In this report, financial institution has 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, finance companies, intermediary finance companies, and brokerage firms. Source: <https://www.investopedia.com/terms/f/financialinstitution.asp>. Pursuant 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 institution is prescribed under Directive No. 03/CT-NHNN to include commercial banks, finance companies, finance leasing companies, cooperative banks, and foreign bank branches operating in Vietnam.

coal-fired power projects that they would finance.<sup>iv</sup> UK-based HSBC bank has already withdrawn from the Vinh Tan 3 coal-fired power project in Vietnam. This is a concrete move of HSBC following an

article published on January 22, 2019, criticising the bank's delay in withdrawing from their finance in coal-fired power projects in Asia.<sup>v</sup>

### Box 1. ESG and Operations of Banks and Investors<sup>5</sup>

According to Reuters, during the COVID-19 pandemic, investors prioritising ESG lost less money than their non-ESG peers as billions of dollars disappeared from the stock market in March 2020.

A Global Alliance for Banking on Value report (with support from Deloitte and European Investment Bank) reveals that commercial banks adopting ESG elements have outperformed their non-ESG peers.

Many global initiatives are currently in place to ensure that companies, banks, and other financial institutions fulfil their social and environmental responsibilities. One of the most important instruments is the **United Nations Guiding Principles on Business and Human Rights (UNGPR)**. These include 31 principles that define the duties of states and responsibilities of business enterprises in implementing the United Nations' "**Protect, Respect and Remedy**" framework.<sup>6</sup> The introduction of the **United Nations Principles of Responsible Investment (UN PRI)** in 2006, and most recently, the **United Nations Principles for Responsible Banking (UN PRB)** in 2019, have ensured that ESG criteria become a prominent trend in the banking and finance sector. The UN PRB provides a framework for the banking industry to incorporate sustainability at strategic, portfolio and transactional levels and across all

business areas.<sup>7</sup> These principles align signatory banks' strategies and practices with the SDGs and the Paris Climate Agreements. The **IFC Performance Standards on Environmental and Social Sustainability**,<sup>8</sup> the **World Bank Group Environment, Health, and Safety (EHS) Guidelines**, and the **Equator Principles (EP)**,<sup>9</sup> are commonly used by banks. Although developed by different institutions, these standards and guidelines all emphasise the core values of sustainability, such as the environment, community well-being, and economic efficiency.<sup>vi</sup>

Globally, an increasing number of independent agencies now rank and rate ESG commitments and performance by companies and banks. Clients, investors, fund managers and other stakeholders often refer to these independent reports for risk assessment, decision making, and

<sup>5</sup> For details, see: <https://uk.reuters.com/article/us-health-coronavirus-funds-esg/graphic-sustainable-funds-a-safer-harbour-in-coronavirus-market-meltdown-idUKKBN21O1AF>; "Do sustainable banks outperform?" <http://www.gabv.org/wp-content/uploads/Do-sustainable-banks-outperform.pdf> (accessed June 10, 2020).

<sup>6</sup> UNGP was approved by the United Nations Human Rights Council with resolution 17/4 dated June 16, 2011, available at [https://www.ohchr.org/Documents/Publications/GuidingPrinciplesBusinessHR\\_EN.pdf](https://www.ohchr.org/Documents/Publications/GuidingPrinciplesBusinessHR_EN.pdf)

<sup>7</sup> For more details on UN PRB, see <https://www.unepfi.org/banking/bankingprinciples/>

<sup>8</sup> These standards are part of the IFC Sustainability Framework which is globally recognised as minimum standards on environmental and social aspects in private sector.

<sup>9</sup> EP is a risk management framework used by financial institutions to identify, evaluate and manage environmental and social risks of projects. EP provides minimum evaluation and monitoring standards to support responsible decision-making. EP version 4 takes effect from 1 July 2020 and applies globally to all industries and sectors. For an analysis of EP, see Bui Khac Hoai Phuong (2020) "Sustainable banking development in Vietnam", *Banking Magazine*, Vol. 18/2020.

to compare companies. Methodologies, coverage, assessment elements, scoring results and reporting may vary widely depending on the agencies. The most frequently referenced ESG ratings and rankings today are **Bloomberg's ESG data service, Corporate Knights' Global 100, Dow Jones Sustainability Index (DJSI), Sustainalytics ESG ratings and Thomson Reuters ESG Scores**, among others.

This report summarises 10 Vietnamese commercial banks' scores on their ESG policy commitments in line with this trend. It provides recommendations to promote the performance of such commitments to align with international standards. This also helps commercial banks in Vietnam fulfil their environmental and social responsibilities, enhance their position in ASEAN and global markets, and attract responsible investors globally.

## ESG IN THE VIETNAMESE BANKING SYSTEM

ESG criteria reflected in the banking industry's regulations and policies

Various documents and policies issued by the SBV consistently reflect ESG criteria. These include:

- Those<sup>10</sup> specifying the implementation of the **National Green Growth Strategy** for the period 2011 - 2020 with a vision to 2050<sup>11</sup>
- **National Action Plan on Green Growth** for the period 2014-2020<sup>12</sup>
- **Banking Industry's Action Plan** on the implementation of the 2030 Agenda

for Sustainable Development<sup>13</sup>

- **Banking Industry's Development Strategy** to 2025 with an Orientation to 2030<sup>14</sup>
- Decision No. 149/QD-TTg on the National Financial Inclusion Strategy<sup>15</sup>
- Decision No. 1309/QD-NHNN on the Banking Industry's Action Plan on the implementation of the National Financial Inclusion Strategy<sup>16</sup>
- Circular No. 40/VBHN-NHNN guiding the implementation of selected money laundering provisions<sup>17</sup>

<sup>10</sup> These policies include: the SBV's Directive No. 03/CT-NHNN (Directive 03) on promoting green credit growth and managing environmental and social risks in credit activities, dated March 24, 2015; the SBV's Decision No. 1552/QD-NHNN on Banking Industry's Action Plan on the implementation of the National Strategy on Green Growth to 2020; and the SBV's Decision No. 1604/QD-NHNN on approving the Scheme on the Green Bank Development in Vietnam dated August 7, 2018.

<sup>11</sup> On September 25, 2012, the Prime Minister issued Decision No. 1393/QD-TTg, approving the National Strategy on Green Growth, for reference at [http://www2.chinhphu.vn/portal/page/portal/chinhphu/noidungchienluocphattrienkinhtexahoi?\\_piref33\\_14725\\_33\\_14721\\_14721.strutsAction=ViewDetailAction.do&\\_piref33\\_14725\\_33\\_14721\\_14721.docid=1514&\\_piref33\\_14725\\_33\\_14721\\_14721.substract=](http://www2.chinhphu.vn/portal/page/portal/chinhphu/noidungchienluocphattrienkinhtexahoi?_piref33_14725_33_14721_14721.strutsAction=ViewDetailAction.do&_piref33_14725_33_14721_14721.docid=1514&_piref33_14725_33_14721_14721.substract=)

<sup>12</sup> On March 20, 2014, the Prime Minister issued Decision No. 403/QD-TTg, approving the National Green Growth Action Plan for period 2014-2020, for reference at: [http://vanban.chinhphu.vn/portal/page/portal/chinhphu/hethongvanban?class\\_id=2&\\_page=1&mode=detail&document\\_id=172886](http://vanban.chinhphu.vn/portal/page/portal/chinhphu/hethongvanban?class_id=2&_page=1&mode=detail&document_id=172886).

<sup>13</sup> Decision No. 1731/QD-NHNN, for reference at [https://sbv.gov.vn/webcenter/portal/vi/menu/trangchu/hdk/hdkhcn/clptnnh/clptnnh\\_chitiet?leftWidth=20%25&showFooter=false&showHeader=false&dDocName=SBV402198&rightWidth=0%25&centerWidth=80%25&\\_afriLoop=12628693322424297#%40%3F\\_afriLoop%3D12628693322424297%26centerWidth%3D80%2525%26dDocName%3DSBV402198%26leftWidth%3D20%2525%26rightWidth%3D0%2525%26showFooter%3Dfalse%26showHeader%3Dfalse%26\\_adf.ctrl-state%3D11fi-07j9e1\\_9](https://sbv.gov.vn/webcenter/portal/vi/menu/trangchu/hdk/hdkhcn/clptnnh/clptnnh_chitiet?leftWidth=20%25&showFooter=false&showHeader=false&dDocName=SBV402198&rightWidth=0%25&centerWidth=80%25&_afriLoop=12628693322424297#%40%3F_afriLoop%3D12628693322424297%26centerWidth%3D80%2525%26dDocName%3DSBV402198%26leftWidth%3D20%2525%26rightWidth%3D0%2525%26showFooter%3Dfalse%26showHeader%3Dfalse%26_adf.ctrl-state%3D11fi-07j9e1_9).

<sup>14</sup> Decision No. 986/QD-TTg dated August 8, 2018, for reference at: [https://sbv.gov.vn/webcenter/portal/vi/menu/trangchu/hdk/hdkhcn/clptnnh/clptnnh\\_chitiet?leftWidth=20%25&showFooter=false&showHeader=false&dDocName=SBV402200&rightWidth=0%25&centerWidth=80%25&\\_afriLoop=12628765772242297#%40%3F\\_afriLoop%3D12628765772242297%26centerWidth%3D80%2525%26dDocName%3DSBV402200%26leftWidth%3D20%2525%26rightWidth%3D0%2525%26showFooter%3Dfalse%26showHeader%3Dfalse%26\\_adf.ctrl-state%3D11fi-07j9e1\\_51](https://sbv.gov.vn/webcenter/portal/vi/menu/trangchu/hdk/hdkhcn/clptnnh/clptnnh_chitiet?leftWidth=20%25&showFooter=false&showHeader=false&dDocName=SBV402200&rightWidth=0%25&centerWidth=80%25&_afriLoop=12628765772242297#%40%3F_afriLoop%3D12628765772242297%26centerWidth%3D80%2525%26dDocName%3DSBV402200%26leftWidth%3D20%2525%26rightWidth%3D0%2525%26showFooter%3Dfalse%26showHeader%3Dfalse%26_adf.ctrl-state%3D11fi-07j9e1_51).

<sup>15</sup> Issued in January 2020 by the Prime Minister of Vietnam, for reference at [http://vanban.chinhphu.vn/portal/page/portal/chinhphu/hethongvanban?class\\_id=2&\\_page=1&mode=detail&document\\_id=198928](http://vanban.chinhphu.vn/portal/page/portal/chinhphu/hethongvanban?class_id=2&_page=1&mode=detail&document_id=198928).

<sup>16</sup> Issued in July 2020 by the SBV, for reference at <https://luatvietnam.vn/tai-chinh/quyet-dinh-1309-qd-nhnn-ke-hoach-thuc-hien-chien-luoc-tai-chinh-toan-dien-quoc-gia-188547-d1.html>.

<sup>17</sup> Issued on November 29, 2019 by SBV for reference at <https://bientap.vbpl.vn/FileData/TW/Lists/vbpl/Attach->



The Banking Industry's Action Plan on the implementation of the 2030 Agenda for Sustainable Development emphasises the banking industry's responsibility in achieving Vietnam's sustainable development goals. The Vietnam Banking Industry's Development Strategy to 2025 with a Vision to 2030 sets out development targets at ASEAN and Asian regional levels, in line with international standards and best practices.

ESG criteria are reflected in the banking industry's regulations and policies, as follow:



### Environmental (E):

- Environmental protection
- Climate change
- Credit enhancement for environment-friendly projects
- Green manufacturing
- Services and consumption
- Energy efficiency
- Clean and renewable energy.



### Social (S):

- Human health protection and financial inclusion
- Removal of access barriers and access to essential banking services for small and medium enterprises, the poor, and marginal groups. (Social themes are scarcely mentioned in these documents).



### Governance (G):

- Institutional enhancement for banking and credit
- Strengthened awareness and capacity
- Environmental and social responsibility of the banking system
- Environmental and social risk management
- Anti-money laundering and counter-terrorism financing
- Compliance with banking governance and operational safety standards to align with international practices.

At the national level, these policies issued by the government, the SBV and other ministries refer to Environmental criteria (E) extensively. Simultaneously, references to Social (S) and Governance (G) are fragmented and unclear.

*“Currently, the SBV’s framework for environmental and social (E&S) due diligence can divide into two major streams. Firstly, where a loan is under the requirement of the environmental regulations, credit institutions must conduct E&S due diligence. The second stream argues that documents such as Directive 03/CT-NHNN or the Action Plan, or the Scheme on the Green Bank Development in Vietnam are not mandatory but only guidelines. It is the fundamental reason why policy commitments of commercial banks have been vague.”*

Pham Xuan Hoe, M.A. Former Deputy Director of the Banking Strategy Institute, the SBV

## Box 2. ESG Implementation by SBV and Commercial Banks in Vietnam

**In 2017, the SBV introduced several initiatives, including the Green Project Portfolio<sup>18</sup> and Guidelines for Green Credit Reporting for commercial banks in Vietnam.<sup>vii</sup>**

A survey of commercial banks on green growth and green credit carried out by the SBV in March 2019 showed a significant improvement in their level of understanding of green credit. In terms of environmental criteria, 19 credit institutions have developed an environmental and social risk management strategy, while 13 have integrated environmental and social risk management in the green credit appraisal process. 10 credit institutions have also developed credit and financial services for green sectors/areas and dedicated part of their deposit mobilisation for medium- and long-term green loans, with lower interest rates offered to green projects. Finally, 17 credit institutions use the Handbook for Environmental and Social Risk Assessment (jointly developed by SVB-IFC) for ten economic sectors (issued August 2018).<sup>viii</sup>

Green finance in the banking industry demonstrates promising signals of credit growth for green growth. By the end of March 2019, outstanding loans assessed against environmental and social risks were close to VND 314 trillion.<sup>ix</sup> By the end of June 2019, outstanding loans for green projects reached around VND 317.6 trillion, up by VND 3.6 trillion compared to the end of March 2019. These green credits focused mostly on green agriculture (45%), renewable and clean energy (17%), sustainable water management in urban and rural areas (11%), and sustainable forestry (5%).<sup>x</sup>

### The Banking Industry and Global ESG Initiatives

Vietnam is a member of the Sustainable Banking Network (SBN), a voluntary network of financial regulators and banking associations in emerging markets committed to promoting sustainable finance based on international best practices. The 38 members of the network are committed to driving the financial industry towards sustainability, improving and managing ESG risks, and increasing capital flows into activities with positive climate impacts. The SBN offers a sustainable financial framework with three pillars:

**(i) Strategic Alignment:** national policy is compatible with global best practices and international standards

**(ii) Climate and Green Finance:** financial products with climate, environmental and social objectives are becoming more popular to achieve SDGs

**(iii) ESG Integration:** banks that effectively manage ESG risks will be able to minimise credit risks while contributing to financial stability

<sup>18</sup> Official Letter No. 237/BQLDA3 of the State Bank of Vietnam, April 2017.

According to the global progress report, Vietnam is currently in the advancing step of the implementation stage. This means that Vietnam already has policies on sustainable finance and voluntary rules and implementation instruments. Credit institutions report on the implementation of strategies, policies, and action plans following guidelines and templates issued by regulators or banking associations.<sup>xi</sup>

Several Vietnamese commercial banks have joined or adopted international ESG initiatives:

- VPBank has developed and issued an Environmental and Social Policy in compliance with the IFC Performance Standards and national laws.

- BIDV has integrated several Global Reporting Initiative (GRI)<sup>19</sup> standards in its Sustainable Development Report.
- In 2018, Maritime Bank was one of the first three business enterprises in Vietnam to receive the EDGE (Economic Dividends for Gender Equality) certification.<sup>20</sup>
- Sacombank has established an Environmental and Social Management System following international standards such as the EP, IFC Performance Standards, as well as Vietnam's E&S standards.<sup>xii</sup>

Other specific examples can be found in Part III.

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<sup>19</sup> The GRI is an independent international organisation that assists companies and other institutions to take responsibility for their impacts by offering a common reporting global language to report on such impacts. GRI provides the most widely used sustainability reporting standards globally. For more details, see <https://www.globalreporting.org/>.

<sup>20</sup> EDGE is a global methodology for assessment and business certification for gender equality. The assessment measures organisations' commitment to gender equality, pay equity, and effectiveness of policies and practices to ensure equality as well as inclusiveness of their culture. For more details, see <https://edge-cert.org/certifications/#intro>.

# Introduction to Fair Finance



## Fair Finance International

Fair Finance International (FFI)<sup>21</sup> is an international civil society network of 70 CSOs initiated by Oxfam. With active member organisations in Asia, Europe and Latin America, it seeks to strengthen banks' and other financial institutions' commitments to social, environmental and human rights standards. Through a rigorous methodology for assessment, FFI provides evidence to advocate for the State Banks and financial institutions to formulate and enforce more responsible policies. FFI encourages policyholders and consumers to demand more socially accountable, equitable, and sustainable investments.

FFI encourages banks to 'race to the top' in corporate social responsibility (CSR), transparency, and other social, environmental and human rights standards, adopting these standards for sustainable lending, investment, and asset management decisions.

For more details on FFI, see <https://fairfinanceguide.org/ff-international/about-us/#panel-0>

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<sup>21</sup> At the time of its founding in 2009, the organisation was named the International Fair Finance Guide (FFGI).



## FAIR FINANCE ASIA

### Fair Finance Asia

Fair Finance Asia (FFA) is a regional civil society network in Asia with members from seven countries in the region, including Cambodia, Indonesia, India, Japan, the Philippines, Thailand and Vietnam. It is committed to ensuring that regional financial institutions' business

decisions and financing strategies respect community social and environmental well-being.

For more details on FFA, see <https://fairfinanceasia.org/us>



### Fair Finance Vietnam

Fair Finance Vietnam (FFV) is the creation of the collective efforts of several civil society organisations, including the Center for Water Conservation and Development (WARECOD), the Green Innovation and Development Center (GreenID), the Center for Media in Educating Community (MEC), and Oxfam in Vietnam. They are currently active in the field of environmental protection and community development for sustainable development.

FFV analyses Vietnamese commercial banks and relevant stakeholders' efforts and then provides recommendations for ESG-related policy formulation and implementation by the Government of Vietnam, the SBV, and individual commercial banks, thereby contributing to green growth and sustainable development.<sup>22</sup>

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<sup>22</sup> For example, Decision No. 403/QĐ-TTg of the Prime Minister dated March 20, 2014, on approving the National Green Growth Action Plan for period 2014-2020; Decision No. 432/QĐ-TTg on approving the Vietnam Sustainable Development Strategy for period 2011-2020; Directive No. 03/CT-NHNN dated March 24, 2015 on promoting green credit and managing environmental and social risks in credit granting activities; Decision No. 1552/QĐ-NHNN dated August 6, 2015 promulgating the Banking Sector Action Plan to implement the National Green Growth Strategy to 2020; and Decision 1604/QĐ-NHNN dated August 7, 2018 approving the Vietnam Green Banking Development Project.

PART II.  
**Assessment  
Methodology**

## 2.1

# Introduction to Fair Finance Guide International Methodology

Profundo and FFI jointly developed the Fair Finance Guide International (FFGI) Methodology to analyse and assess the

policies of commercial banks and other financial institutions in countries like India, Brazil, Japan, Indonesia and Thailand.

### Box 3. Scores for Selected Asian Countries following FFGI Methodology

Scores for several Asian countries using FFGI Methodology have been made publicly available on the following websites:

- For Japanese banks and financial corporations: <https://fairfinance.jp/>
- For Indian banks: <https://fairfinanceindia.org/bank-guide/policy-scores/>
- For Indonesian banks: <https://responsibank.id/>
- For Thai banks: <https://fairfinancethailand.org/>

The FFGI methodology covers 23 themes, of which nine are mandatory: climate change, gender equality, anti-corruption, human rights, labour rights, nature, tax, no investment in arms, transparency, and accountability.

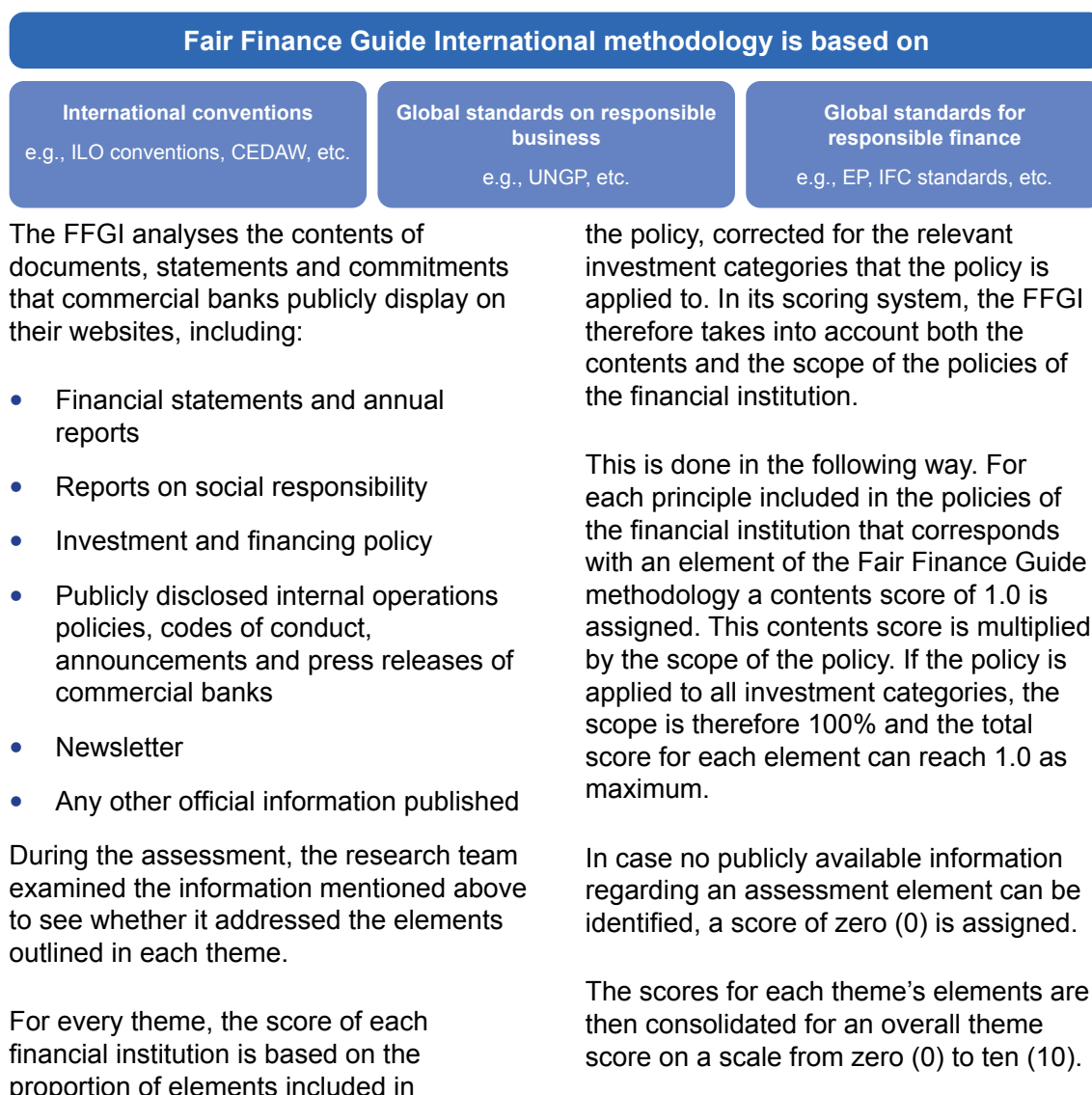
Within each theme, FFGI provides specific assessment elements for two types of policies:

(i) Policies regarding financial institutions' internal operations

(ii) Policies regarding the companies that a financial institution invests in or finances (hereafter referred to as **corporate customers**).

The assessment elements have been developed based on international conventions, standards, and initiatives. Financial institutions, including commercial banks, are therefore expected to adopt measures that are generally more stringent than the minimum requirements set out in national laws and regulations.

**Figure 3. FFGI Methodology and International Conventions and Standards**



**Box 4. The FFGI and the National Legal Framework**

- The FFGI has been developed from the perspective of (current and potential) customers and investors of financial institutions to examine their ESG policy commitments.
- The FFGI focuses on the alignment of banks' policy commitments with international standards, not the compliance with national laws and regulations, nor the alignment of national laws and regulations with international standards.
- Financial institutions' operations and financial mobilisation are not limited to one country. They also make investments and provide loans and other products and services to customers who might operate overseas or foreign-based entities.
- The FFGI does not focus on national policy and legal instruments. Where laws or regulations of one country coincide with or correspond to FFGI assessment elements, commercial banks should identify such laws and regulations and disclose their compliance publicly.



## 2.2

# Policy Assessment in Vietnam

Preparatory work for the policy assessment in Vietnam started at the end of 2018, including training and capacity building on FFGI Methodology, selecting commercial

banks and assessment themes, and introducing an assessment approach to specified banks.

**Figure 4. Policy Assessment Process in Vietnam**



## VIETNAMESE COMMERCIAL BANKS IN ASSESSMENT

Ten Vietnamese commercial banks were selected based on the presence of one or both of the following criteria:

(i) The commercial bank has prior or existing investments in or loans to coal-fired power projects. Coal-fired power is a significant contributor to CO<sub>2</sub> emissions globally, and in Vietnam, coal-fired power projects are a major environmental concern due to their detrimental impacts on human health and livelihood<sup>23</sup>

(ii) The commercial bank is among Vietnam's commercial banks with the largest charter capital based on data published by SBV as of June 30, 2019.<sup>24</sup>

Table 1 shows a list of the ten commercial banks satisfying either or both of the selection criteria.

<sup>23</sup> For more details on concerns regarding coal-fired power, see Minh Ha-Duong, Truong An Ha, Nguyen Hong Nam, Nguyen Trinh Hoang Anh (2016). Synthesis report, Environmental and Social Impacts of Coal and Coal-fired Power Plants in Vietnam. Available at <http://greenidvietnam.org.vn/app/webroot/upload/files/GreenID%20-%20Impacts%20of%20Coal%20power%20-%20Tieng%20Viet%2020160727.pdf> GreenID (2015). Impact Survey of Coal-fired Power Plants in Vietnam. Available at: <http://greenidvietnam.org.vn/app/webroot/upload/files/Khao%20sat%20NMN%20C4%90%20VN.pdf> GreenID (2016). Perception of people from Tu Mai commune about the impacts of the Pha Lai coal-fired power plant. Environ. Sci. Technol , 51 , 3 , 1467–1476 (2017). Burden of Disease from Rising Coal-fired Power Plant Emissions in Southeast Asia . Available at <https://pubs.acs.org/doi/10.1021/acs.est.6b03731>

<sup>24</sup> Source: State Bank of Vietnam [https://www.sbv.gov.vn/webcenter/portal/en/menu/fm/htctctd/nh/nhtm/nhtmnn?\\_afz-Loop=8664608621044297#%40%3F\\_afzLoop%3D8664608621044297%26centerWidth%3D80%2525%3 % 2525% 26rightWidth% 3D0% 2525% 26showFooter% 3Dfalse% 26showHeader% 3Dfalse% 26\\_adf.ctrl-state% 3D8fdzgx-7ux\\_95](https://www.sbv.gov.vn/webcenter/portal/en/menu/fm/htctctd/nh/nhtm/nhtmnn?_afz-Loop=8664608621044297#%40%3F_afzLoop%3D8664608621044297%26centerWidth%3D80%2525%3 % 2525% 26rightWidth% 3D0% 2525% 26showFooter% 3Dfalse% 26showHeader% 3Dfalse% 26_adf.ctrl-state% 3D8fdzgx-7ux_95) , accessed March 2, 2020.

**Table 1: List of Commercial Banks for Assessment**

	Abbreviated Name	Full Name
1	Agribank	Vietnam Bank for Agriculture and Rural Development
2	BIDV	Joint Stock Commercial Bank for Investment and Development of Vietnam
3	Eximbank Vietnam	Vietnam Export Import Commercial Joint-Stock Bank
4	LienVietPostBank	LienViet Post Joint Stock Commercial Bank
5	MSB	Vietnam Maritime Joint Stock Commercial Bank
6	TechComBank	Vietnam Technological and Commercial Joint Stock Bank
7	VIB	Vietnam International Joint Stock Commercial Bank
8	Vietcombank	Joint Stock Commercial Bank for Foreign Trade of Vietnam
9	VietinBank	Vietnam Joint Stock Commercial Bank for Industry and Trade
10	VPBank	Vietnam Prosperity Joint Stock Commercial Bank

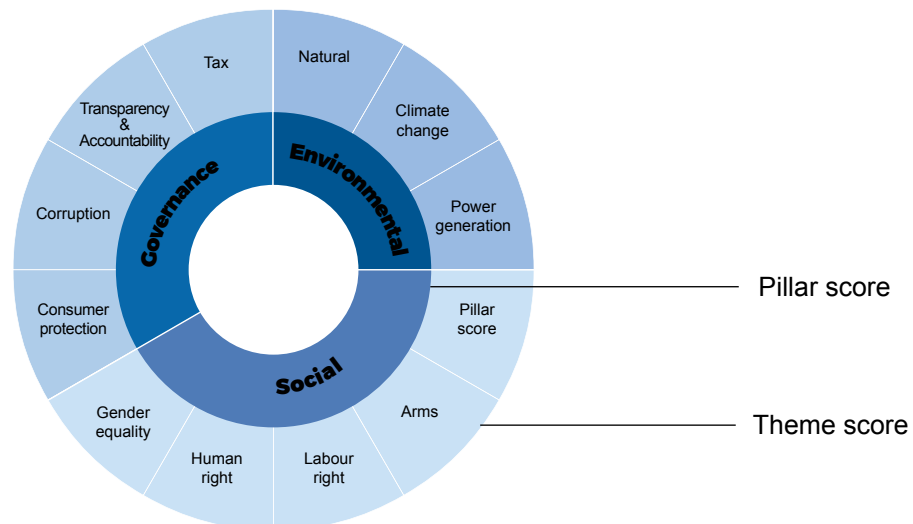
Note: The list is arranged in alphabetical order of abbreviated names. Assessment results shown Part III charts are also displayed in this order.

## ASSESSMENT THEMES

Given the context in Vietnam and the resources available for the assessment,

12 themes were selected and grouped by ESG pillars, as shown in Figure 5.<sup>25</sup>

**Figure 5. ESG Themes under the Assessment in Vietnam**



<sup>25</sup> Each theme been developed in alignment with international standards, many of which include UN conventions and agreements that Vietnam has ratified. Details will be discussed in detail in the later sections of the report.

In 2019, FFV started assessing the policies of commercial banks following the FFGI methodology. The research team relied upon annual reports as a main source of policy for assessment along with other banks' policies. Annual reports for the year 2018 were used, as several assessed banks had not published 2019 reports at the time of data collection and assessment. During this period, the research team received regular support from Profundo, including technical support and quality control.

In 2020, following Profundo's quality control, scores were sent to individual assessed banks for comments and feedback (see Box 5), based on which revisions were made accordingly. The assessment was completed on October 15, 2020.

#### **Box 5. Feedback from the Assessed Commercial Banks on FFGI Assessment**

In 2020, FFV contacted ten commercial banks for comments and feedback on the scores. Among them, four commercial banks (Agribank, BIDV, LienVietPostBank, and VPBank) responded. Listed below are excerpts from their written comments:

##### **From Agribank:**

*"...1. The Bank for Agriculture and Rural Development of Vietnam appreciates the assessment based on the 12 themes concerning environmental, social and governance criteria. It helps credit institutions take steps to move closer to international standards and assess environmental, social and governance risks in a comprehensive and multidimensional assessment way.*

*2. In terms of environmental and social risk management, Vietnam Bank for Agriculture and Rural Development has been increasing the share of loans to prioritised green sectors and industries, promoting digitalisation in transaction, payment and financial services hence bringing about change in customer relation, and e-banking development.*

*3. In terms of feedback regarding ESG policy assessment, please use the information that has been publicly disclosed on the websites of Agribank and those of State agencies in Vietnam for work requirements."*

##### **From BIDV:**

*"... To affirm its direction towards sustainable development, the BIDV has made an explicit statement of its mission to offer maximum benefits and convenience to customers, shareholders, employees, community, and society. The BIDV has dedicated about VND 20,000 billion to co-finance green loan projects and loan programs for sustainable development, with priority given to small and medium-sized enterprises owned by women and enterprises in the field of agriculture and rural development. BIDV is entrusted by international organisations such as the World Bank and the Asian Development bank to manage green credit trust funds.*

*BIDV always emphasises environmental and social risks management in terms of stringent lending procedures, social and environmental due diligence in the credit appraisal, and requirements for customers' compliance with environmental legislation..."*

**From LienVietPostBank:**

*“We look forward to your [FFV] sharing and support us [LienVietPostBank] to access international standards such as ESG assessment elements towards positive changes and contribution to green banking and sustainable development ...”*

**From VPBank’s response:**

*“Regarding social and environmental risk management, the VPBank has established an environmental and social management system (ESMS) and adopted the IFC’s Performance Standards. Due to the large volume of information for which our feedback is required, especially regarding the various assessment elements that were published by different organisations, VPBank is not yet able to specify the similarities or differences of these elements/standards. The research team [should] make their assessments based on the similarities between the IFC Performance standards and other standards as mentioned in the scoring format...”*

## 2.3

# Limitations of the Methodology

### THE FFGI METHODOLOGY HAS THE FOLLOWING LIMITATIONS:

- It examines and assesses only publicly disclosed policies of commercial banks. Hence, a zero (0) score does not mean that the banks have no policy or commitment regarding the assessment themes or elements. In several cases, the banks do have such policies/commitments in place but do not make them public, thus excluding them from scoring.
- The scoring of publicly disclosed policies based on the assessment elements is not a reflection of the extent to which the assessed banks fulfil these elements in practice.

PART III.

**ESG Commitments  
of 10 Commercial  
Banks in Vietnam**

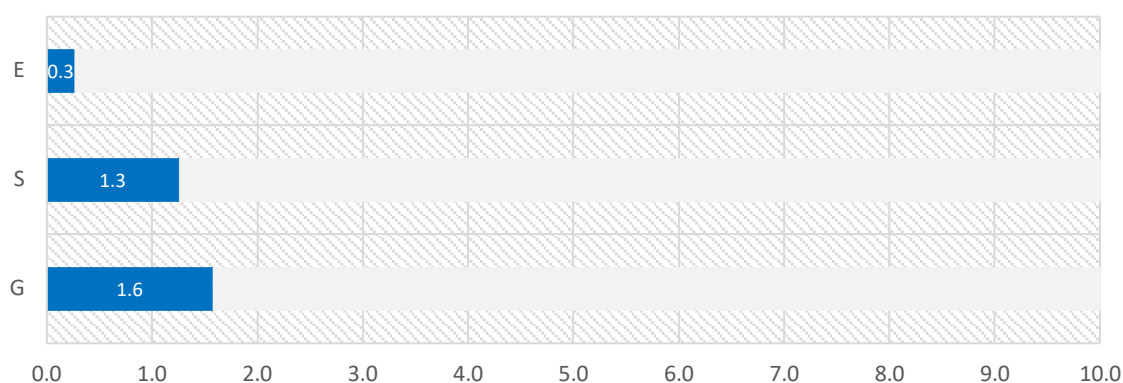
# 3.1

## Overview

Assessment results for ESG policy commitments of 10 Vietnamese commercial banks based on FFGI methodology show that these banks are still at an early stage. The average score for ten commercial banks across all three pillars of Environment, Social, and Governance is only 1.1 out of 10.

In particular, environmental commitments are the ones least referred to in these banks' publicly disclosed policies. Although Social (S) and Governance (G) commitments are better reflected, they score just below average.

**Figure 6. ESG Commitments to Commercial Banks**



From a regional perspective, the E&S policy commitments of commercial banks in Vietnam are not too different from those of Indonesian and Thai banks.<sup>26</sup> In terms of Governance, Thai banks are the top performers, scoring 3.5 out of 10.<sup>27</sup> However, overall ESG commitments of all three countries (Indonesia, Thailand and Vietnam) are still limited when scored against a 10-point scale.

*“If ESG criteria are not institutionalised to regulate banking services and operations, commercial banks are often very vague in their policy commitments. It partially explains why ESG commitments of the assessed banks were considered weak by the FFGI research team.”*

*Pham Xuan Hoe, M.A., Former Deputy Director, Banking Strategy Institute*

The below table presents the average ESG pillar score of each commercial bank.

**Table 2. The average ESG score and pillar score of each commercial bank**

Bank name	ESG Score (/10)	E Score (/10)	S Score (/10)	G Score (/10)
1 AgriBank	0.99	0.16	1.44	1.10
2 BIDV	0.93	0.16	1.34	1.00
3 EximBank Vietnam	0.90	0.00	0.86	1.60
4 LienVietPostBank	1.19	0.00	1.26	2.00
5 MSB	1.05	0.16	1.42	1.30

<sup>26</sup> Includes only domestic banks, with the exception of international and foreign banks operating in the country. For scoring results for each theme of Indonesian banks, see <https://responsibank.id/>

<sup>27</sup> For scoring results for each theme of Thai banks, see <https://fairfinancethailand.org/bank-guide/policy-scores/>

	Bank name	ESG Score (/10)	E Score (/10)	S Score (/10)	G Score (/10)
6	TechComBank	0.76	0.16	0.77	1.20
7	VIB	1.04	0.16	0.72	2.10
8	VietcomBank	0.73	0.16	0.62	1.30
9	VietinBank	1.01	0.16	1.16	1.50
10	VPBank	2.52	1.52	2.95	2.70

## 3.2

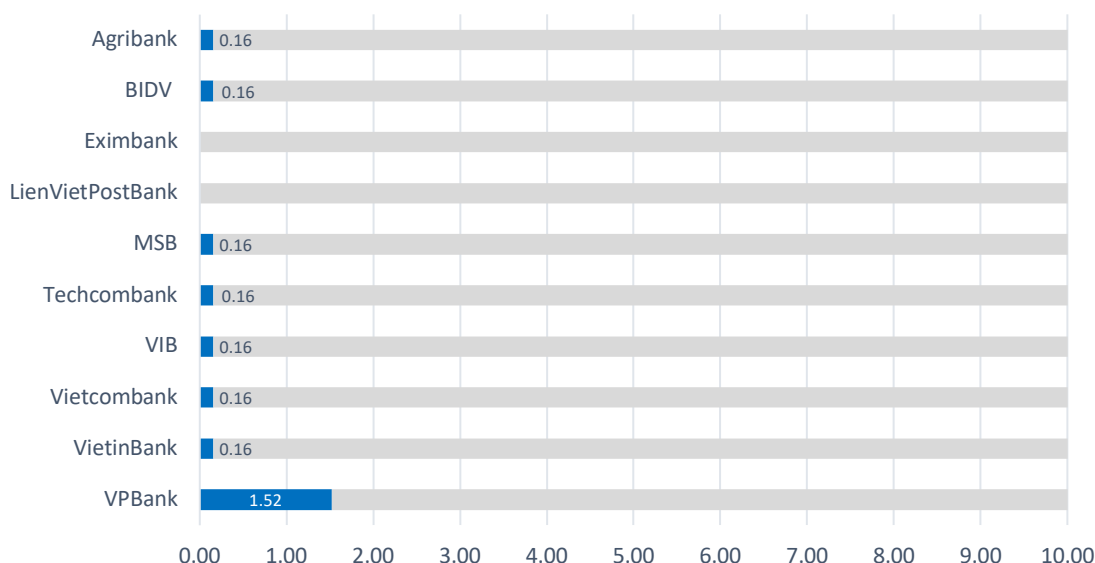
# Environmental Pillar

This section discusses the policy commitments on Environment (E) made by the commercial banks in three specific themes. They are Climate Change, Power Generation, and Nature. Although E has been extensively referred to in the SBV's

regulations and policies, all ten banks' average score is relatively low, at only 0.3/10.

Figure 7 shows the E score of each commercial bank.

**Figure 7. Environmental Policy Commitments of 10 Assessed commercial banks**



## CLIMATE CHANGE

### Introduction to the theme and Vietnam's commitments

The elements in this theme have been developed based on international commitments, agreements, and conventions, such as the **Paris Agreement on Climate Change (COP21)**; the **United Nations Framework Convention on Climate Change (UNFCCC)**; the **Kyoto Protocol**; **Intergovernmental Panel on**

**Climate Change (IPCC) Guidelines**; and the **SDG 7, 12 and 13**, amongst others.

Vietnam ratified the UNFCCC on November 16, 1994, and the Kyoto Protocol on September 25, 2002. Besides, the country approved the Paris Agreement

on November 3, 2016.<sup>28</sup> On July 20, 2020, the Prime Minister issued Decision No. 1055/QD-TTg on the national plan on climate change adaptation for 2021-2030, with a vision to 2050.<sup>29</sup> It aims to mitigate vulnerability to climate change impacts by strengthening the resilience and adaptive capacity of communities, economic sectors, and ecosystems and promote the integration of climate change adaptation into strategies and plans.<sup>xiii</sup>

The Nationally Determined Contribution (NDC), 2020<sup>30</sup> demonstrates Vietnam's commitments to GHG emission reduction and climate change adaptation, providing an analysis of the harmonisation and co-benefits between GHG emission mitigation, climate change adaptation and socio-economic development in association with the fulfilment of SDGs.<sup>xiv</sup>

### Commitments of the ten assessed commercial banks

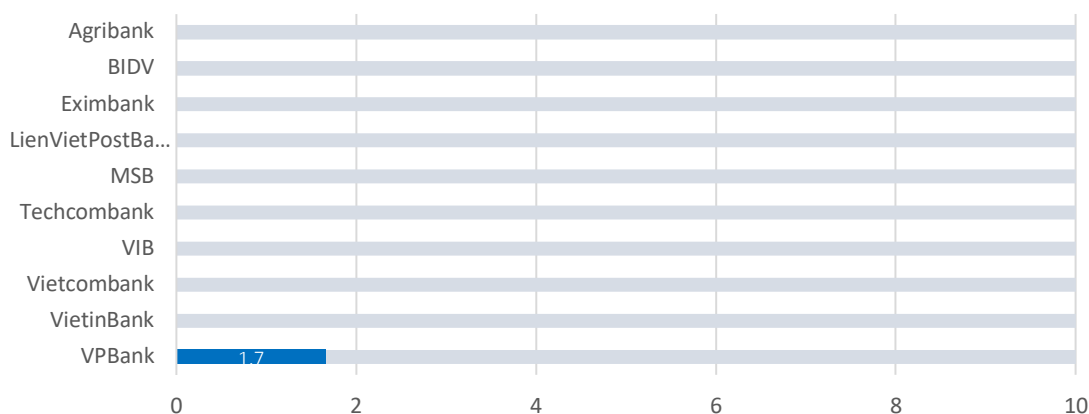
The climate change policy commitments of 10 commercial banks are all limited.

None of the banks has made a public commitment to this theme in their internal operation policies and statements. They have not publicly announced or established internal operation policies with GHG emission reduction targets to contribute to limiting global temperature rise to below 1.5 °C. Neither have they placed restrictions on lending to or investing in coal-fired power or coal mining projects. None of them has publicly disclosed their operations' climate impacts as per the Task Force's recommendations on Climate-Related Financial Disclosure (TCFD). They have not released any information on GHG

emissions from their operations or the enterprises or projects they have financed.

Their policies on corporate clients demonstrate little commitment to climate change concerns. The assessed commercial banks have not established any policies that require or encourage their corporate clients to disclose their GHG emission, to switch from using fossil fuels to using renewable energy sources, to refrain from advocacy to weaken environmental policies, or to integrate environmental clauses in their policies as well as in contracts with subcontractors and suppliers.

**Figure 8. Commitments of 10 Assessed Commercial Banks on Climate Change**



<sup>28</sup> For more details on Vietnam's commitments, see [https://treaties.un.org/Pages/ViewDetails.aspx?src=TREATY&mtdsg\\_no=XXVII-7-d&chapter=27&clang=\\_en](https://treaties.un.org/Pages/ViewDetails.aspx?src=TREATY&mtdsg_no=XXVII-7-d&chapter=27&clang=_en)

<sup>29</sup> On July 20, 2020, the Prime Minister issued Decision No. 1055/QD-TTg on the national plan on climate change adaptation for period 2021 - 2030, with a vision to 2050.

<sup>30</sup> Viet Nam's Nationally Determined Contribution (NDC) is a national plan of climate change efforts in contribution to global efforts; the NDC is submitted to the UNFCCC Secretariat and will be reviewed and updated every 5 years.



## Box 6. Examples of Commercial Bank Commitments on Climate Change and Power Generation

**VPBank:** It has already made several concrete climate change commitments in its Green Loan Framework (GLF), which guides the VPBank's process for management and use of green loans applied to projects that meet their green criteria.<sup>31</sup> The GLF, the VPBank's credit product, encourages customers to reduce GHG emissions and require their agricultural activities to become certified to the Roundtable on Sustainable Biomaterials (RSB) standards. The GLF also provides an exclusion list for financing. According to the exclusion list, the bank does not offer credit to fossil fuel-operated technology applications, including coal-fired power.<sup>xv</sup>

Although there aren't yet any explicit commitments on renewable energy and fossil fuels in policies for internal operations and corporate customers, the exclusion list indicates VPBank's commitments regarding power generation (analysed in the following section).



### POWER GENERATION

#### Introduction to the theme and Vietnam's commitments

The assessment elements in this theme have been developed based on several key international standards, including the:

- **Ramsar Convention on Wetlands**
- **World Heritage Convention (UNESCO)**
- **Paris Agreement on Climate Change (COP21)**
- **IFC Performance Standard 6 on Biodiversity Conservation and Sustainable Management of Living Natural Resource**
- **United Nations Convention on**

#### **Economic, Social and Cultural Rights (ICESCR)**

- **International Union for Conservation of Nature (IUCN).**

Vietnam ratified and approved the Paris Agreement and the ICESCR Convention in 1982, Ramsar Convention in 1989, and the CITES in 1994.

On February 11, 2020, the Politburo issued Resolution 55-NQ/TW on the Orientation of Vietnam's National Energy Development Strategy to 2030, with a vision to 2045. According to this, the share of renewables in the total primary energy supply will reach 15 - 20% by 2030 and 25-30% by

<sup>31</sup> In May 2020, VPBank officially announced a Green Credit Program for customers who satisfy its green criteria (project finance, business loans, and consumer loans that contribute to preventing climate change, reducing carbon emissions, and promoting the transition toward a sustainable, environmentally friendly economy). For more details, see: <https://www.vpbank.com.vn/ve-chung-toi/phat-trien-ben-vung/khung-tin-dung-xanh>

2045. The energy sector’s GHG emission reduction relative to the business-as-usual scenario will be 15% in 2030 and 20% in 2045. For coal-fired power, particularly, the Resolution sets out a roadmap to reasonably reduce the share of coal-fired power, with priority given to high-capacity, high-efficiency units utilising advanced and modern technology (e.g. supercritical or higher). The roadmap further seeks to ensure full compliance with ecological and environmental safety legislation, alignment with international standards, take stock of

and promptly upgrade existing coal-fired power plants for environmental protection and shut down non-compliant plants.

The National Renewable Energy Development Strategy<sup>32</sup> seeks to increase focus on hydropower, wind power, solar power, biomass, biogas and biofuels to increase the share of renewable energy in total power sources to around 7% by 2020 and over 10% by 2030.

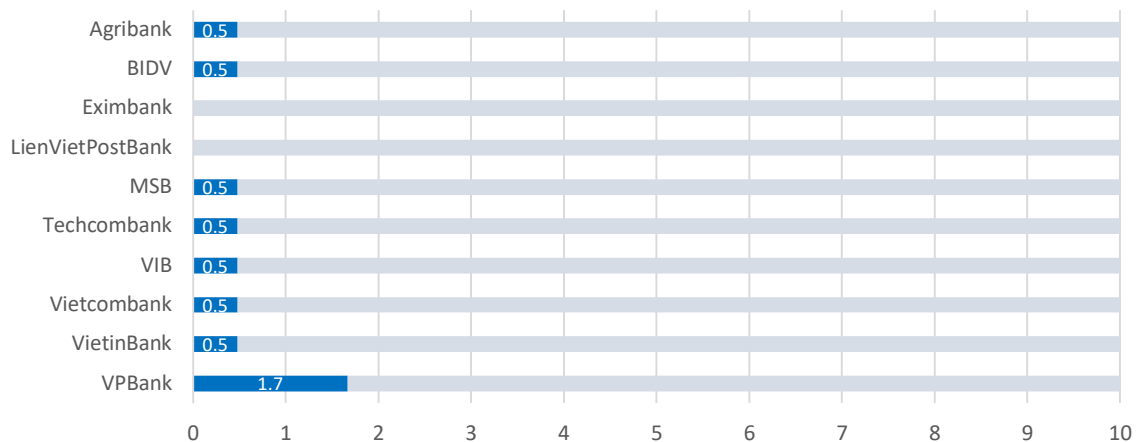
### Commitments of the ten assessed commercial banks

There was a proliferation of loans from commercial banks to renewable energy projects in 2018. From 2018 until now, eight out of the ten commercial banks provide credit to or invest in renewable energy projects.

However, the research team could not access any public information on the involvement of 2 commercial banks -

Eximbank and LienVietPostBank - in this field.

**Figure 9. Commitments of 10 Assessed Commercial Banks on Power Generation**



However, in terms of internal operation policies, none of the ten commercial banks has made a concrete written commitment with measurable targets of reducing lending to or investing in fossil fuels. Quantifiable targets of increasing lending to or investing in renewable energy are similarly lacking. Whether the recent increase in commercial bank loans to renewables has resulted from foreign capital availability or commercial banks’ genuine interest in this segment, therefore, remains to be answered.

The policies of the commercial banks regarding their corporate customers have not demonstrated their power generation commitments clearly. These banks have not expressed their views on nuclear power or power plants using fossil fuels, including coal-fired power. They have not established any policy to require or encourage their corporate customers to comply with the principles of the World Commission on Dams or reporting on GRI standards.

<sup>32</sup> Decision 2068/QĐ-TTg dated November 25, 2015 of the Prime Minister



## NATURE

### Introduction to the theme and Vietnam's commitments

The assessment elements in this theme have been developed based on several key international standards, such as the:

- **United Nations Convention on Biological Diversity (CBD)**
- **United Nations Convention on the Law of the Sea (UNCLOS)**
- **Ramsar Convention on Wetlands**
- **World Heritage Convention (UNESCO)**
- **Convention on International Trade in Endangered Species of Wild Fauna and Flora (CITES)**
- **IFC Performance Standard 6 on Biodiversity Conservation and Sustainable Management of Living Natural Resources**
- **International Union for Conservation of Nature (IUCN)**
- **SDGs 6, 14 and 15**

Vietnam ratified the Ramsar Convention in 1989, the UNCLOS and CITES in 1994, and CBD in 1995. This means Vietnam has an obligation to adopt these conventions in its national legislation and make serious efforts to ensure its effective implementation. Besides, the Ministry of Natural Resources and Environment (MONRE) is a member of the IUCN.<sup>33</sup>

The Investment Law 2020<sup>34</sup> prohibits investment and trading, both within and across Vietnam borders, in specimens of wild flora and fauna as specified in Appendix I of the Convention on International Trade in Endangered Species of Wild Fauna and Flora. It also extends to specimens of endangered, precious and rare forest flora, fauna and aquatic animals originating from the wild (Group I species) as prescribed in Appendix III of the Law. The Circular No. 39/2016/TT-NHNN, dated December 31, 2016, "*prescribes lending operations of credit institutions and foreign bank branches*". Article 8.1 stipulates that credit institutions must not provide loans to businesses prohibited by law.

### Commitments of the ten assessed commercial banks

Policy commitments on the theme of Nature by ten commercial banks are still limited.

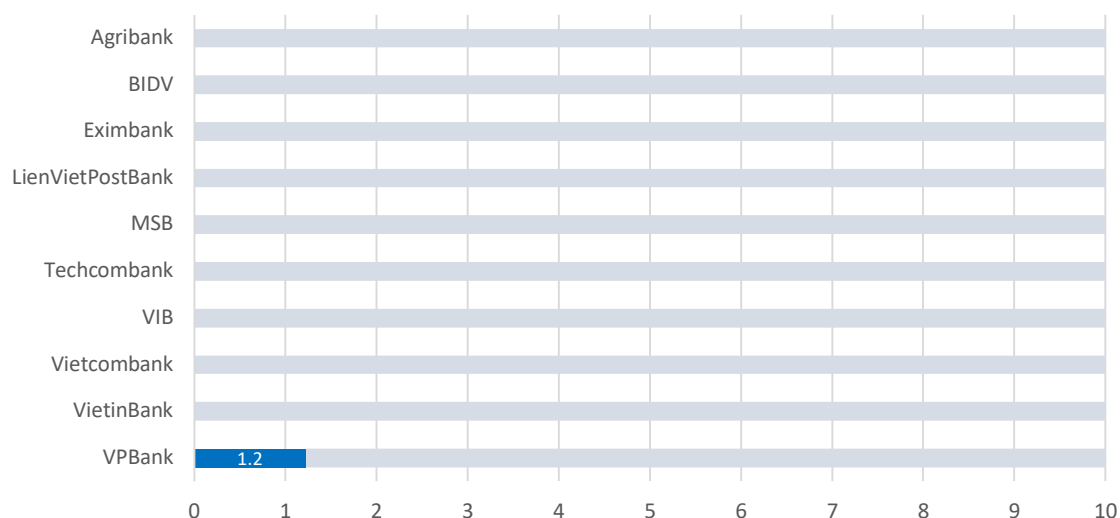
Similar to the theme of climate change, their policies regarding corporate customers have not yet demonstrated any commitment to nature. These commercial banks have not publicly published any policies that require or encourage their corporate customers concerning business areas and sectors that help prevent adverse impacts on areas of water scarcity or in accordance with the IUCN's Protected Area Categories, the Ramsar Convention, the IUCN's Red List of Threatened Species, or the UNESCO world cultural

heritages. Corporate clients should carry out an environmental impact assessment, including impacts on biodiversity, at least according to the Global Reporting Initiative (GRI)304. They should establish clauses related to nature in their policies and contracts with subcontractors and suppliers.

<sup>33</sup> A list of IUCN members is available at <https://www.iucn.org/about/members/iucn-members>

<sup>34</sup> Issued by the National Assembly on June 17, 2020 and takes effect from January 1, 2021

**Figure 10. Commitments of 10 Assessed Commercial Banks on Nature**



**Box 7. Examples of Commercial Bank Commitments to Nature**

**VPBank:** It has made several commitments to Nature under its GLF, whereby it does not provide loans to projects and business plans concerning commercial logging in primary rainforests for consumption, processing or trading, or those that involve other forestry products that are not harvested from sustainably managed forests.<sup>xvi</sup> Additionally, the VPBank has adopted a policy across all credit products, whereby credit will be denied to any project or business plan with potential environmental or social harms, particularly those that violate Vietnamese laws or international regulations, conventions, agreements, or prohibitions. These include prohibited pharmaceutical products, pesticides/herbicides, ozone-depleting substances, PCBs, wildlife or other CITES-prescribed products.<sup>xvii</sup>

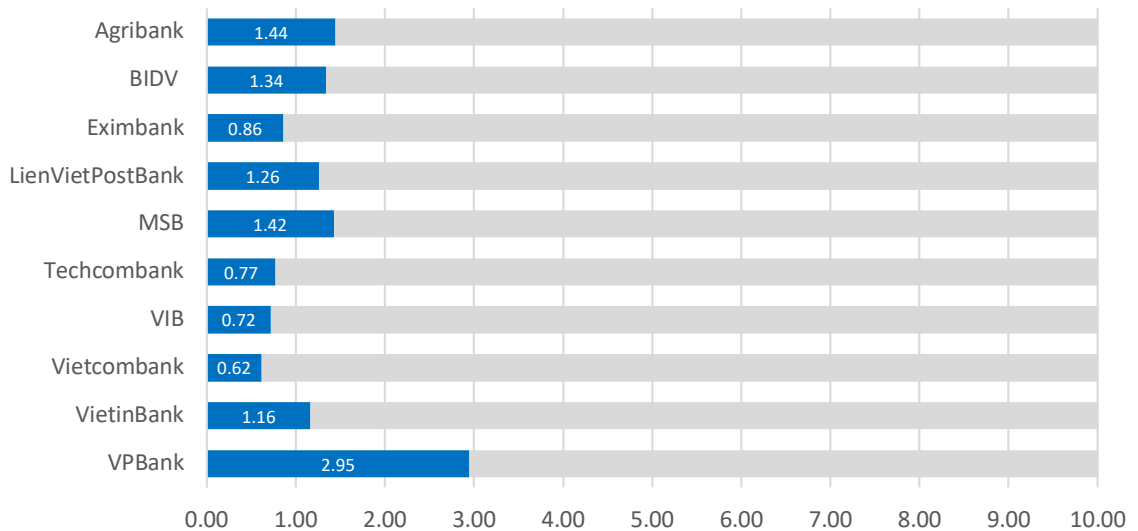
# 3.3

## Social Pillar

This section discusses the assessed banks' policy commitments on themes under the Social (S) pillar. The themes include Gender Equality, Labour Rights, Human Rights, Financial Inclusion, and No investment in Arms. The average score of all ten banks under this theme is 1.3 out of 10.

All ten assessed commercial banks have disclosed their policies indicating their Social commitments at various levels. Figure 11 shows the S score of each assessed commercial bank.

**Figure 11. Social Policy Commitments of 10 Assessed Commercial Banks**



### GENDER EQUALITY

#### Introduction to the theme and Vietnam's commitments

The assessment elements in this theme have been developed based on key international standards, encompassing the:

- **Universal Declaration of Human Rights (UDHR);**
- **ICESCR;**
- **ICCPR;**
- **CEDAW**
- **ILO core conventions, including the C100 on Equal Remuneration Convention and the C111 on Discrimination Convention (Employment and Occupation);**
- **IFC Performance Standard 2 on Working and Labour Conditions;**
- **SDG 5**

Of the above, Vietnam ratified the ICESCR, the CEDAW and the ICCPR in 1982, and the ILO's C100 and C111 in 1997. Following the CEDAW ratification, Vietnam regularly reports to the United Nations' CEDAW Committee and receives its recommendations.

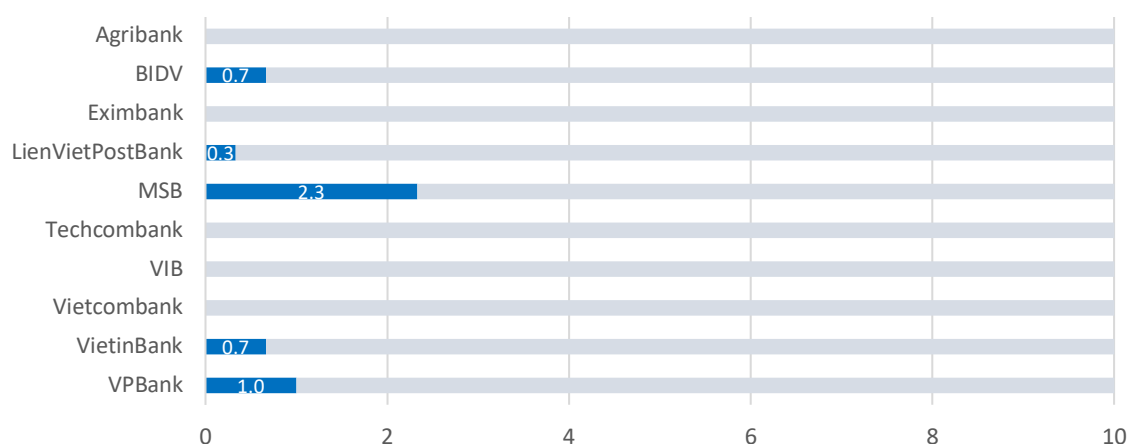
## Commitments of the ten assessed commercial banks

Policy commitments of the assessed commercial banks to gender equality vary.

In terms of internal operation policies, five banks have made public several commitments such as zero tolerance for all form of gender-based discrimination concerning employment and occupation,

including verbal, physical or sexual harassment in the workplace; pay equity system; and professional development to employees for equal promotion of women to leadership positions.

**Figure 12. Commitments of 10 Assessed Commercial Banks on Gender Equality**



Only one commercial bank, MSB, had around 30% women in the Board of Directors, Board of Management, and the Supervisory Board at the time of the

survey (early 2020). The LienVietPostBank and the VPBank have more than 30% of women in their Board of Management and Supervisory Board.

### Box 8. Examples of Commercial Banks' Policies Concerning Gender Equality

#### **Commitment against discrimination**

**MSB:** "In 2018, MSB was honoured to receive the EDGE Gender Equality certificate, becoming one of the three first Vietnamese institutions to obtain a world-level certificate in creating an equal workplace for both genders. This is an important milestone for our constant efforts in building an equal and effective work environment where staffs are never discriminated against, regardless of their age, gender, background, religion, or ethnicity. All MSB employees are given equal and fair opportunity to realise their potential and develop their career" (MSB's Annual Report 2018, page 34).<sup>xviii</sup>

#### **Commitment to pay equity**

**BIDV:** "Basic salary and remuneration are not different for Women and Men, based on the work efficiency" (BIDV's Annual Report 2018, page 130).<sup>xix</sup>

#### **Commitment to promote equal access for women to senior leadership positions**

**VietinBank:** "Our Committee for the Advancement of VietinBank Women and VietinBank Trade Union always pay special attention to create favourable conditions for our female employees to have the opportunity to strive, contribute, improve their

*qualifications and participate in various activities to advance their goals at work”*  
(Vietinbank’s Annual Report 2018, page 96).<sup>xx</sup>

Nevertheless, the assessed commercial banks have not established any policy requiring or encouraging their corporate customers to promote gender equality.

They also do not require companies to adopt a zero-tolerance approach for gender-based discrimination or the prohibition of workplace harassment.



## LABOUR RIGHTS

### Introduction to the theme and Vietnam’s commitments

The assessment elements for this theme have been developed mainly based on the:

- **SDGs 5 and 8**
- **ILO core conventions, including:**
  - C029 - Forced Labour Convention,
  - C087- Freedom of Association and Protection of the Right to Organise Convention,
  - C098 - Right to Organise and Collective Bargaining Convention,
  - C100 - Equal Remuneration Convention,
  - C105 - Abolition of Forced Labour Convention,
  - C111 - Discrimination (Employment and Occupation),
  - C138 - Minimum Age Convention,
  - C182 - Worst Forms of Child Labour Convention;
- **IFC Performance Standard 2 on Working and Labour Conditions.**

Vietnam has been a member of the ILO since 1992. As of October 2020, Vietnam has ratified seven out of the eight ILO core conventions<sup>35</sup>. These include:

- C100 and C111 in 1997
- C138 in 2003
- C29 and C182 in 2007
- C098 in 2019
- C105 in 2020<sup>36</sup>

Vietnam has not joined the ILO Convention No. 87 on Freedom of Association and Protection of the Right to Organise. Besides, in 2015, the Industrial Relations Committee under the Ministry of Labour, Invalids and Social Affairs (MOLISA), the Vietnam Confederation of Labour (VGCL) and the Vietnam Chamber of Commerce and Industry (VCCI) made a joint effort to develop the Code of Conduct on Sexual Harassment in the Workplace’ to further specify and enforce legal provisions on sexual harassment in the workplace as a contribution to address the issue.<sup>37</sup>

<sup>35</sup> For more details on the ILO conventions already ratified by Vietnam, see: [https://www.ilo.org/dyn/normlex/en/f?p=1000:-11200Wi::NO:11200:P11200\\_COUNTRY\\_ID:103004](https://www.ilo.org/dyn/normlex/en/f?p=1000:-11200Wi::NO:11200:P11200_COUNTRY_ID:103004)

<sup>36</sup> Will take effect on July 14, 2021

<sup>37</sup> For more details about the Code of Conduct on Workplace Sexual Harassment, see: [https://www.ilo.org/wcmsp5/groups/public/---asia/---ro-bangkok/---ilo-hanoi/documents/publication/wcms\\_636040.pdf](https://www.ilo.org/wcmsp5/groups/public/---asia/---ro-bangkok/---ilo-hanoi/documents/publication/wcms_636040.pdf)

## Commitments of the ten assessed commercial banks

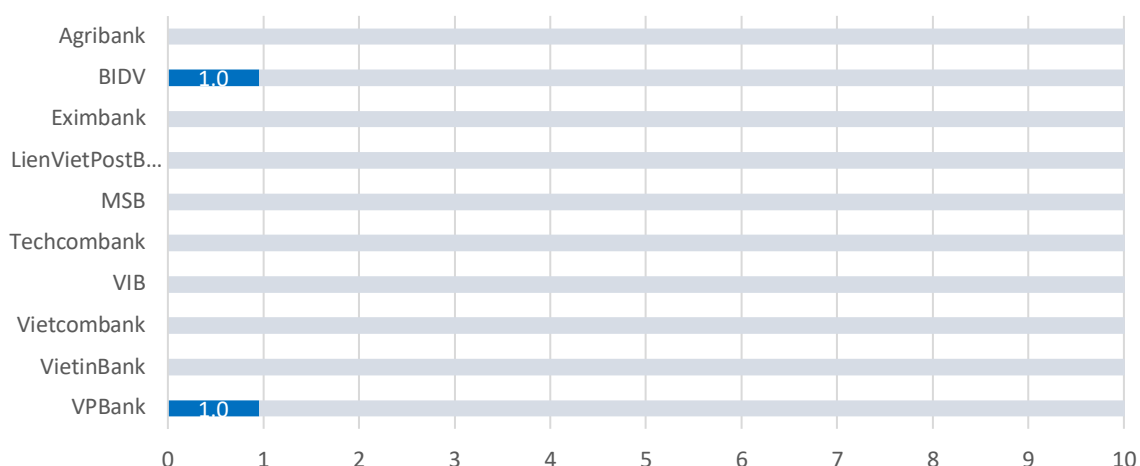
Few of the assessed commercial banks disclose their commitments on Labour Rights.

None of the commercial banks has publicly and fully reflected the ILO's core principles<sup>38</sup> (as specified in the ILO Declaration of Fundamentals Principles and Rights at Work) in their internal operation policies or incorporated them in their procurement.

In terms of their policies regarding corporate

customers (e.g., freedom of assembly and collective bargaining, non-discrimination in employment and occupation, and living wages), only two commercial banks (the BIDV and the VPBank) satisfy 2 of the 12 assessed elements for this theme. These two banks have claimed zero tolerance for child and forced labour.

**Figure 13. Commitments of 10 Assessed Commercial Banks on Labour Rights**



### Box 9. Examples of Commercial Banks' Statements regarding Child Labour and Forced Labour

**BIDV:** “*BIDV will not consider or limit lending to projects/business plans which have high environmental and social risks, or use forced labour, labour exploitation or child labour. Customers borrowing loans from BIDV must commit to comply with current environmental and social laws and BIDV's regulations on environmental and social risk management*” (Excerpt from the BIDV's Annual Report 2018, page 124).<sup>xxi</sup>

**VPBank:** “*Production or activities involving harmful or exploitative forms of forced labor<sup>5</sup> or harmful child labour*” (Excerpt from the VPBank's Exclusion List no.9 2018).<sup>xxii</sup>

<sup>38</sup> These include: freedom of assembly and collective bargaining, elimination of all forms of forced labor, elimination of child labor, and elimination of all forms of discrimination in employment and occupation.





## HUMAN RIGHTS

### Introduction to the theme and Vietnam’s commitments

The assessment elements for this theme have been developed mainly based on the:

- **Universal Declaration of Human Rights**
- **ICESCR**
- **ICCPR**
- **CEDAW**
- **ILO’s core conventions**
- **UNGP**
- **Children’s Rights and Business Principles (CRBP).**

As mentioned above, Vietnam has joined various international human rights treaties and conventions, including the ICESCR, the ICCPR, and the CEDAW.

### Commitments of the ten assessed commercial banks

Policy commitments of all assessed commercial banks on human rights shown to the public are limited.

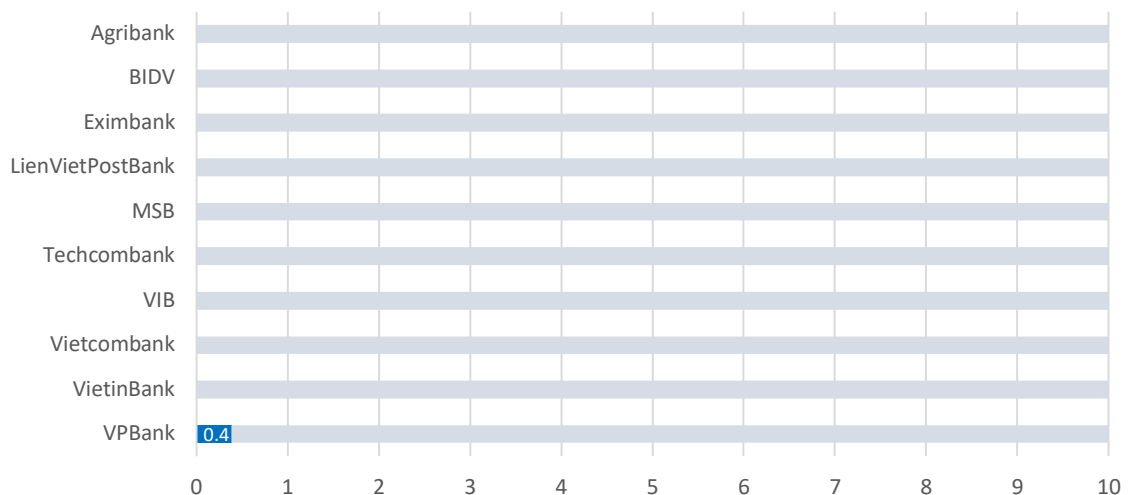
In terms of internal operation policies, none of the banks could demonstrate their commitment to respect human rights as specified in the UNGP.

None of their publicly disclosed policies or statements regarding corporate customers reflects any commitment to human rights. These banks have not published any policies requiring or encouraging their corporate customers to respect human rights, women and children’s rights, or take remedial measures for human rights violations, prevent conflicts over land

rights, and obtain free, prior and informed consent where necessary.

The VPBank is the only one among the ten assessed banks publicly disclosing one of the 12 assessed elements at the time of review. It refuses to finance projects or business plans (with annual sales up to US\$100,000 or equivalent and has applied for or received a loan under US\$10,000 or equivalent) with *“production or activities that impinge on the lands owned, or claimed under adjudication, by Indigenous peoples, without full documented consent of such peoples”*.<sup>xxiii</sup>

**Figure 14. Commitments of 10 Assessed Commercial Banks on Human Rights**





## FINANCIAL INCLUSION<sup>39</sup>

### Introduction to the theme and Vietnam's commitments

The assessment elements for this theme are primarily based on the:

- **United Nations Principles for Responsible Investment (UNPRI);**
- **United Nations Environment Program (UNEP)'s Requirements for Designing a Sustainable Financial System;**
- **Key principles of microfinance and microfinance customer protection advocated by the Consultative Group to Assist the Poor (CGAP);**
- **Global Reporting Initiative (GRI);**

- **Maya Declaration on Financial Inclusion; ISO standards, including ISO 12812-1:2017**

Vietnam is a partner to the UNEP Inquiry for Designing a Sustainable Financial System,<sup>40</sup> which focuses on green finance. Besides, the Prime Minister of Vietnam issued Decision 149/QD-TTg approving the National Financial Inclusion Strategy to 2025, with a vision to 2030. In July 2020, the State Bank of Vietnam issued the Decision 1309/QD-NHNN on the Action Plan of the Banking Industry to implement the National Financial Inclusion Strategy to 2025 with a vision to 2030.

### Commitments of the ten assessed commercial banks

All ten commercial banks in this survey have demonstrated their commitments for financial inclusion, albeit to a different extent.

All these banks provide cashless (e-money) and mobile banking services, as well as remittance-related services. Many of them provide information on financial products and services in Vietnamese and the national languages of the countries where they operate. They also operate branches in rural areas and do not charge

any fee for opening an account. However, all ten banks require a minimum balance to maintain a bank account. Two out of the ten commercial banks publish information on credit processing time.

#### Box 10. Examples of Commercial Banks' Commitments on Products and Services Offered to MSMEs

**Techcombank:** Loans to small and medium enterprises in 2018 made up over 10% *"...Techcombank continued to shift its loan portfolio from large corporate customers to individual customers and small and medium-sized enterprises (SMEs). Therefore, the proportion of loans to large corporate customers decreased significantly from 47% to 35%, giving room to SMEs and individual retail customers,*

<sup>39</sup> Financial inclusion means "everyone can access quality financial products and services and adequate information, and use financial products and services effectively", "by means of diverse and competitive markets". For more details, see the definition of the Center for Financial Inclusion, "Our Definition of Financial Inclusion. CFI's Vision for Financial Inclusion", available at: [www.centerforfinancialinclusion.org/our-definition-of-financial-inclusion](http://www.centerforfinancialinclusion.org/our-definition-of-financial-inclusion), and Ledgerwood, J., J. Earne and C. Nelson (2013), *The New Microfinance Handbook. A Financial Market System Perspective*, Washington DC, United States: The World Bank, p. 17.

<sup>40</sup> For more details on UNEP Inquiry, see <https://unepinquiry.org/about-us/> and <http://unepinquiry.org/countries/>

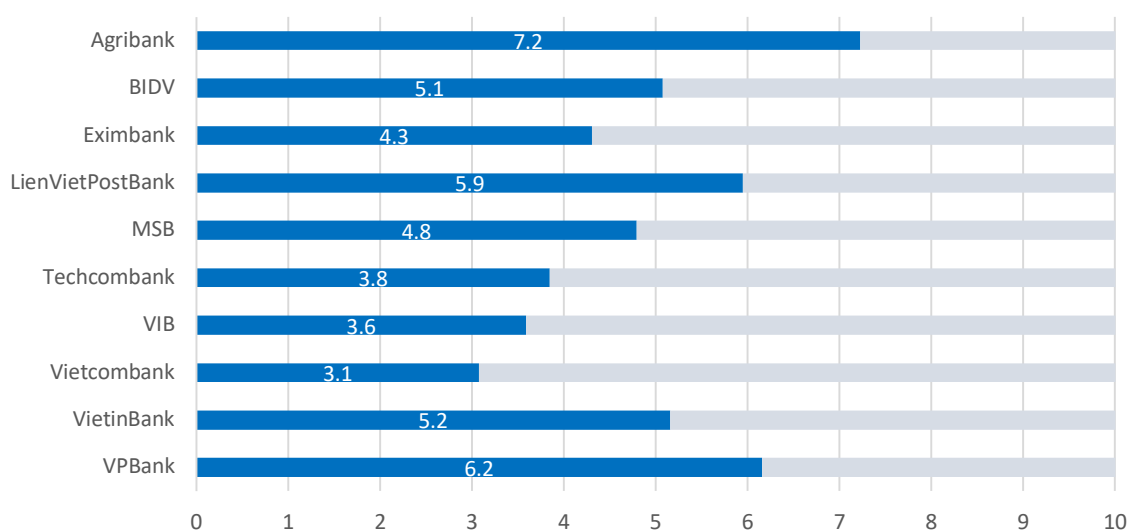
which accounted for 20% and 45% of the total outstanding loan balance, respectively ...” (Excerpt from Techcombank Annual Report 2018, page 54).<sup>xxiv</sup>

**Eximbank:** The bank provides loans to “merchandisers having registered for doing business at markets, supermarkets and shopping centres ... for the addition of business capital or transfer of business location” to “expand or transfer their business” (from the website of Eximbank).<sup>xxv</sup>

Seven out of ten assessed commercial banks have dedicated products and services for the poor, vulnerable populations, and micro, medium and small enterprises (MSMEs). However, only four

of ten banks have their share of loans channelled to MSMEs at above 10%. Only four banks offer MSMEs loans with no collateral requirements.

**Figure 15. Commitments of 10 Assessed Commercial Banks on Financial Inclusion**



Similarly, four banks have policies to improve financial literacy in support of low-income people, vulnerable populations, and MSMEs. However, none of the banks

has made any public disclosure regarding the client’s rights or the risks of products and services offered to these customers.

**Box 11. Examples of Commercial Banks with Financial Literacy Commitments Targeted At Low-Income People, Vulnerable Populations, and MSMEs**

**Agribank:** “In the coming period, the financial education program will focus on providing information about banking services such as payment, savings, loans, etc. and target people in remote areas, young people and groups with little financial information in order to continue to contribute to improving access to financial services, promoting non-cash payment in Vietnam. Agribank continues to join the SBV in implementing financial education programs for the community with the expectation that more and more people from all regions of the country will acquire information, knowledge and use banking and financial services, towards the common goal of successful implementation of the National Financial Inclusion Strategy.” (excerpt: Agribank contributes to promote community financial literacy, 2019).<sup>xxvi</sup>

**LienVietPost Bank:** “Lien Viet Post Joint Stock Commercial Bank (LienVietPostBank) and the United Nations Capital Development Fund (UNCDF) have signed a grant agreement to support “Vi Viet” – an innovative financial solution for Vietnamese women. In this project, LienVietPostBank will collaborate with the Vietnam Women’s Union to develop financial literacy programs focusing on financial management, targeting especially people in rural and peri-urban areas while also helping promote non-cash payments.” (excerpt: “Vi Viet - Premium Quality Product for Women”, *Vi Viet: Digital Bank*).<sup>xxvii</sup>



## NO INVESTMENT IN ARMS

### Introduction to the theme and Vietnam’s commitments

The assessment elements for this theme have been developed mainly based on the:

- **International Humanitarian Law (IHL)**
- **Nuclear Non-proliferation Treaty (NPT)**
- **Chemical Weapons Convention (CWC)**
- **Convention on Certain Conventional Weapons (CCW)**
- **Biological and Toxic Weapons Convention (BWC)**
- **Prohibition of Nuclear Weapons Treaty (PNT)**
- **Convention on Cluster Munitions (CCM)**

- **Landmine Convention**

Vietnam ratified Geneva Conventions on the IHL in 1957, the BWC in 1980, the NPT in 1982, the CWC in 1998, and the PNT in 2018.<sup>41</sup>

The arms trade is classified as a conditional line of business under the Investment Law, 2020.<sup>42</sup> In particular, the list includes trading in military supplies for the armed forces, military weapons, equipment, technologies, ammunitions, special tools for use by the military and police forces, special components, parts, spare parts, supplies and equipment, and technologies used specifically for their production, and trading in chemicals, except for those banned under the CCW.

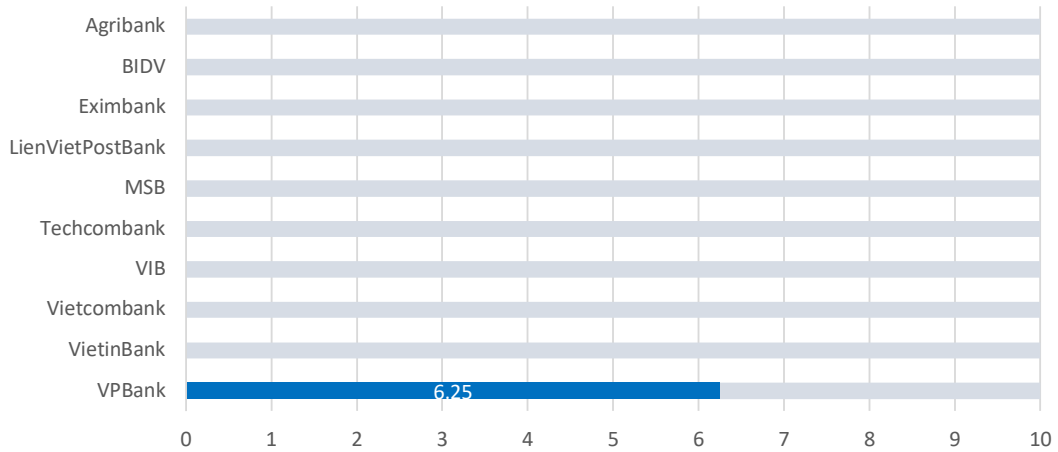
### Commitments of the ten assessed commercial banks

Nine out of ten assessed commercial banks have not disclosed their commitments against investment in arms publicly.

<sup>41</sup> For more details on the status of arms related treaties ratified by Vietnam, see <http://disarmament.un.org/treaties/s/vietnam>

<sup>42</sup> Issued by the National Assembly on June 17, 2020 and takes effect on January 1, 2021.

**Figure 16. Commitments of 10 Assessed Commercial Banks against Investment in Arms**



Except for VPBank, the remaining commercial banks have not published any policy regarding their corporate customers that demonstrate their commitments against investment in arms. The VPBank’s Exclusion List specifies as ineligible projects or business plans involving “*production of or trading in weapons and munitions*” or “*production of or trading in radioactive materials (not applicable to medical equipment, quality control (measurement) equipment and*

*any equipment considered a negligible radioactive source or adequately shielded (to prevent exposure to radiation)*”.<sup>xxviii</sup>

However, it should be noted that the assessed banks receiving a score of 0 for this theme does not necessarily imply their involvement in the arms trade. The laws and regulations mentioned above indicate that the banks may not publicly disclose their commitment to the public.

## 3.4

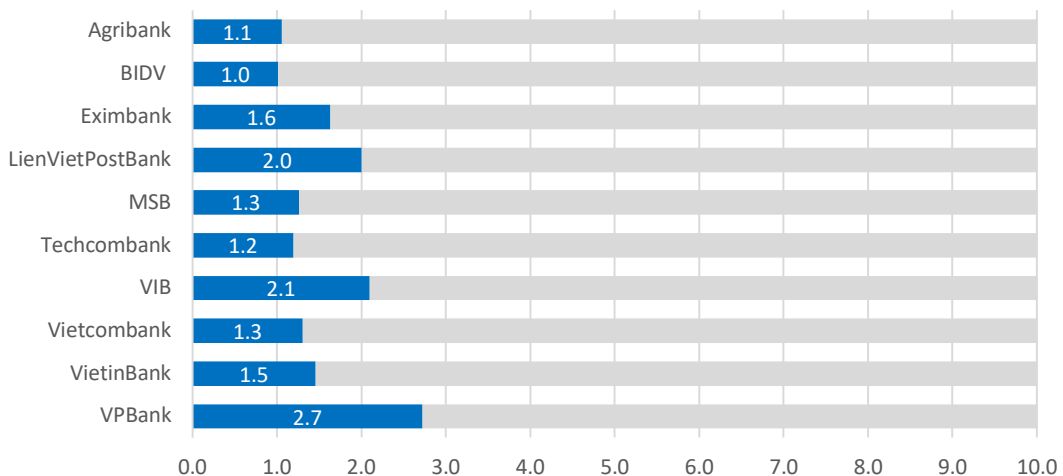
# Governance Pillar

This section discusses the assessed banks’ policy commitments on themes under the Governance (G) pillar. The themes include Consumer Protection, Corruption, Transparency and Accountability, and Tax. The average score of all ten banks under the

Governance pillar is 1.6 out of 10, higher than the E&S pillar.

All ten assessed commercial banks have disclosed their policies indicating their Governance commitments to some extent. The G score of each assessed commercial bank presents below:

**Figure 17. Governance Policy Commitments of 10 Assessed Commercial Banks**





## CONSUMER PROTECTION

### Introduction to the theme and Vietnam's commitments

The assessment elements for this theme have been developed mainly based on the:

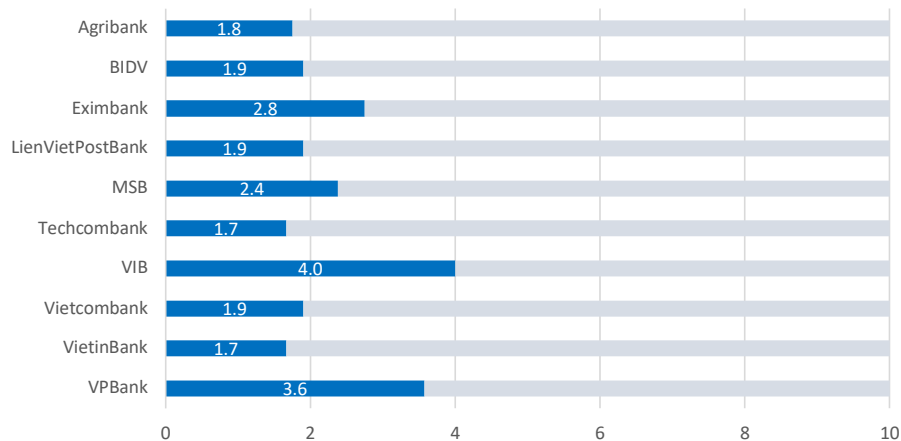
- **OECD Guidelines for Multinational Enterprises**
- **G20 High-Level Principles on Financial Consumer Protection**
- **United Nations Guidelines on Consumer Protection (UNGCP)**
- **United Nations Convention on the Rights of Persons with Disabilities (CRPD)**

Vietnam ratified the CRPD in 2015 with the state's obligation in aligning national legislation and enforcement with the convention to ensure equity for people with disabilities. Document No. 8343/NHNN-TT dated November 2, 2018, requires payment service providers to take immediate actions to establish processes, procedures and measures tailored to the visually impaired (e.g., account opening, bank card issuance) and train their staff accordingly to cater for these customers.<sup>xxix</sup>

### Commitments of the ten assessed commercial banks

All ten assessed commercial banks have developed and published their customer protection policies and statements, applicable to their internal operations and corporate clients, albeit to a different extent.

**Figure 18. Commitments of 10 Assessed Commercial banks on Customer Protection**



Customer protection is a focus of Vietnamese commercial banks towards ESG and sustainable banking. All of the assessed commercial banks have complaint mechanisms available to their customers via hotlines, emails, and branches. They ensure no restrictions for customers because of Information and Communication Technology (ICT) based financial services.

The majority of the assessed commercial banks provide their customers with essential information about product benefits, risks, fees, and terms and conditions. Besides, they claim to protect clients' private data and not disclose it to other parties without customers' prior consent. Only five out of ten banks have published guidelines, policies and protection and control mechanisms

to protect customers' personal and financial information. A few banks have training programmes for their employees and authorised agents on products and services or consumer rights and consumer protection policies. Some have published their debt collection policies and

companies representing the banks. Nine out of ten commercial banks have not published general policies on consumer rights and risks of products and services or debt resolution policies for over-indebted customers.

## Box 12. Examples of Commercial Banks Policies on Consumer Protection

### a. Vietcombank's customer information security

*"... Ensure information security for customers and partners*

- *Confidentiality of information for customers and partners is an ethical requirement for Vietcombank staff and a legal requirement. Hence all Vietcombank's staff are obliged to comply.*
- *Vietcombank's staff are responsible for external customers and partners' information confidentiality and internal information confidentiality. Information of customers and partners shall only be disclosed according to the functions and duties assigned by the Bank ..."* (Excerpt from Vietcombank Cultural Handbook, page 13).<sup>xxx</sup>

*"... Disclosure of personal information ... shall only be made following consent by the concerned party..."*. (Excerpt from the Vietcombank Disclosure Policy, page 6).<sup>xxxi</sup>

### b. VIB's commitments regarding debts, overdue debts, and debt collection

*"End-to-end debt recovery process: Established for both Corporate Banking and Retail Banking, VIB's centralised debt recovery process ensures that debts in Categories 2 - 5 are all managed by the Debt Management Centre under the Risk Management Division in collaboration with the Corporate Banking Division and Retail Banking Division. The result of this efficient debt recovery process is a repurchase of outstanding loans from VAMC in July 2018 and a low NPL [non-performing loan] ratio."* (Excerpt: The VIB Annual Report 2018, page 31).<sup>xxxii</sup>

### c. VPbank's policies regarding disclosure of consumer rights and risks of products and services

*"... all employees of VPBank are obliged to fulfil responsibilities toward customers, partners, suppliers and other... Try best to provide products, services, and experiences of excellence to customers of VPBank, including the provision to customers with accurate, adequate, clear information on VPBank's products and services..."* (Excerpt: The VPBank's Code of Conduct and Professional Ethics, p.11-12).<sup>xxxiii</sup>

However, none of the assessed commercial banks has made an explicit statement of non-discriminatory treatment of customers, or published complaint monitoring results (e.g., number, issues, forms of complaint). Nor did they make public commitments to reducing the number of complaints

and grievances and improving accessibility to any stakeholder. In addition, the banks have not published commitments to ensure that people with disabilities and people with special needs can access all electronic services and services provided at transaction offices and branches.



## CORRUPTION

### Introduction to the theme and Vietnam's commitments

The assessment elements for this theme have been developed mainly based on the:

- **United Nations Convention against Corruption (UNCAC)**
- **OECD Guidelines for Multinational Enterprises**
- **OECD Convention on Combating Bribery of Foreign Public Officials in International Business Transactions**
- **Business Principles for Countering Bribery**
- **Wolfsberg's Anti-Corruption Guidance**
- **Transparency International's Business Principles for Countering Bribery**
- **ISO 26000: 2010 Guidance on Social Responsibility**
- **ISO 20400: 2017 Guidance on Sustainable Procurement**

Vietnam has been a member of the UNCAC since 2009.

Vietnam is currently focusing on institutional and policy strengthening and capacity building for law enforcement, especially in preventing and combating corruption and bribery in business activities and developing a national database to monitor the income and assets of public officials in positions of power. These are two essential elements of the Anti-Corruption Law 2018. Vietnam also became the 34th member of the Asia/Pacific Group on Money Laundering (APG) in 2007 and had been following recommendations of the Financial Action Task Force (FATF).

As prescribed in Decision No. 20/2013/QĐ-TTg of the Prime Minister, commercial banks must establish internal policies and take active measures to prevent money laundering.<sup>43</sup> Also, commercial banks must report to SBV regarding large electronic money transfer transactions and verify/identify the beneficiaries and store information of transactions of significant size in pursuant SBV's Circular 35/2013/TT-NHNN.<sup>44</sup>

### Commitments of the ten assessed commercial banks

Anti-corruption is an area of focus of Vietnamese commercial banks towards ESG efforts and sustainable banking, albeit to a different extent.

Seven out of ten assessed commercial banks have published anti-money laundering policies. Five banks have issued explicit statements that offering, promising, giving and requiring gifts, bribes, and acts of abuse of positions and powers, and other undue advantages to acquire and maintain assignments are

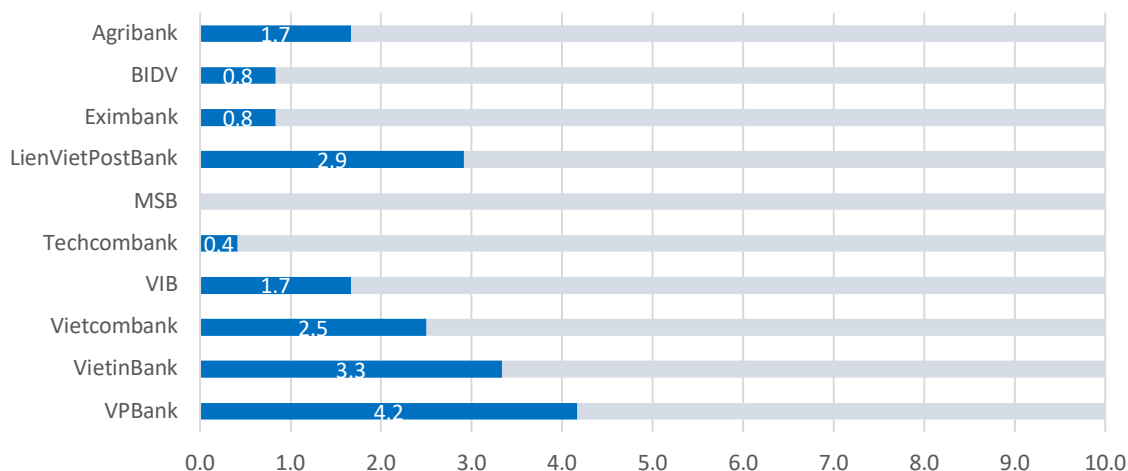
unacceptable. Few commercial banks have made a public commitment against terrorist financing or announced that they have a system to identify a company's ultimate ownership.

<sup>43</sup> Decision No. 20/2013/QĐ-TTg dated April 18, 2013.

<sup>44</sup> Circular 35/2013/TT-NHNN (revised as per Circular 31/2014/TT-NHNN and Circular 20/2019/TT-NHNN) of SBV guiding the implementation of selected AML provisions.



**Figure 19. Commitments of 10 Assessed Commercial Banks on Corruption**



None of the assessed commercial banks has the policy to require or encourage their corporate customers to adopt anti-corruption policies and actions. They do not require or encourage financed companies to publicly disclose the ultimate beneficial owner, including full name,

date of birth, nationality, number and categories of shares, to declare the giving and receiving bribes unacceptable, or to have systems in place which activate immediately if suspicions of corruption arise.

**Box 13. Examples of Commercial Bank Commitments against Corruption**

**VietinBank:** “... At VietinBank, we adopt a compliance structure of 3-round control, which is designed in accordance with international practice; Complete the AML/CTF [Anti-Money Laundering/ Counter-Terrorism Financing] mechanisms and policies with the introduction to AML/CTF regulation framework; Complete the AML/CTF reporting procedure; Complete the identification and update of customer information; Modernise the process of reporting, detecting and handling of suspicious transactions as well as the performing of filter check of sanction lists; Regularly update and issue guidance documents, provide early warnings about sanctions, which are updated according to applicable law and the inter-governmental body combating money laundering and terrorism financing...” (quote: VietinBank Board of Director’s Statement on Anti-Money Laundering and Counter-Terrorism Financing).<sup>xxxiv</sup>

Also, the bank’s website provides other information related to its anti-corruption policies, such as the US Patriot Act Certificate, the Wolfsberg Customer Due Diligence questionnaire on AML/CTF and its commitments and compliance. VietinBank identifies politically exposed persons (PEPs) and enhances due diligence to determine the ultimate beneficial owner of a financed company.<sup>45</sup>

<sup>45</sup> For more information, please see <https://www.vietinbank.vn/sites/mediafile/VTB034456> accessed October 15, 2020



## TRANSPARENCY AND ACCOUNTABILITY

### Introduction to the theme and Vietnam's commitments

The assessment elements for this theme have been developed mainly based on the:

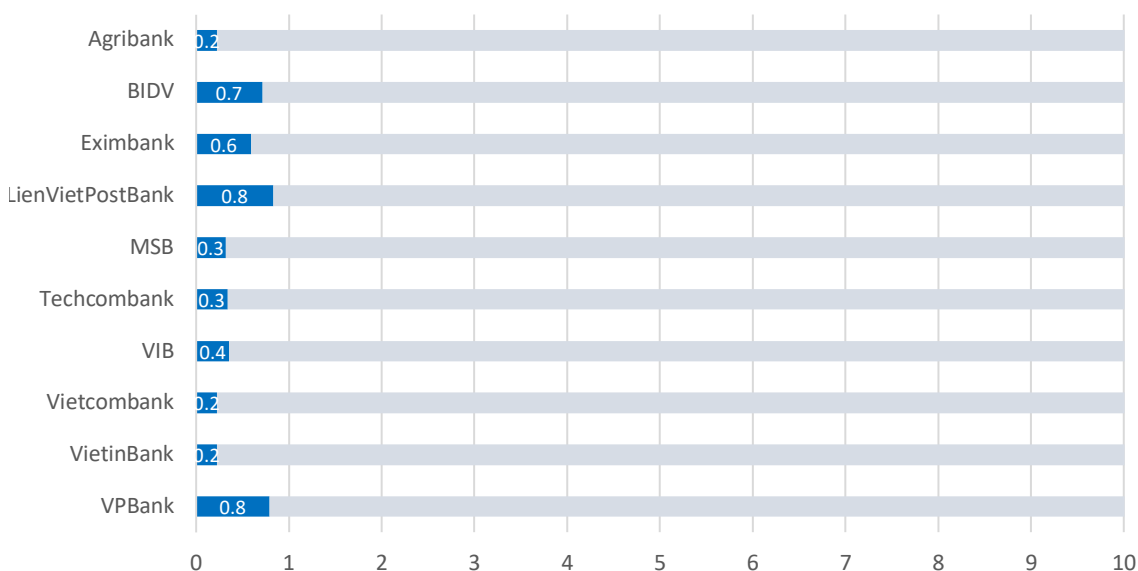
- EP
- GRI
- **United Nations International Standard Industrial Classification of All Economic Activities (ISIC)**
- **IFC's Access to Information Policy**
- **Global Alliance Rules for Banks on Values**
- **Statistical Classification of Economic Activities in the European Community (NACE)**
- **ISO 26000: 2010 Guidelines on the Equator Principles**
- **UNGP**
- **UNEP Financial Initiatives**

The Accounting Law 2015 stipulates that business establishments must publish their financial statements within 120 days at the latest from the end of the annual accounting period.<sup>46</sup> Also, Prime Minister's Decision No. 27/2018/QĐ-TTg requires an alignment of economic activity classification with ISIC.<sup>47</sup>

### Commitments of the ten assessed commercial banks

Policy commitments of all assessed commercial banks on Transparency and Accountability showed to the public are limited.

**Figure 20. Commitments of 10 Assessed Commercial Banks on Transparency and Accountability**



<sup>46</sup> See <http://vbpl.vn/nganhngnhanuoc/Pages/vbpq-van-ban-goc.aspx?ItemID=95924> , accessed October 15, 2020

<sup>47</sup> See <http://vbpl.vn/TW/Pages/vbpq-van-ban-goc.aspx?ItemID=130098> , accessed October 15, 2020.

Six out of ten assessed commercial banks have integrated E&S elements, such as environmental and social management system, in their financial framework. However, most of them do not provide concrete measures in detail to ensure compliance. Similarly, six banks, which operate only in Vietnam, provide

information on investments and lending by region, size, and industry. The four remaining commercial banks with overseas operations have not disclosed country-specific information and hence fail to meet this element's requirements. Besides, only one commercial bank reveals the name of the government in which it invests.

#### Box 14. Examples of Commercial Bank Commitments on Transparency and Accountability

**BIDV:** publishes a Sustainability Report with several elements following some GRI standards.

**VPBank** publishes a framework requirement for credit that takes environmental and social impacts into account and specifies how the bank can ensure compliance with such policy by means of the bank's exclusion list.



## TAX

### Introduction to the theme and Vietnam's commitments

The assessment elements for this theme have been developed mainly based on the:

- **OECD Guidelines for Multinational Enterprises**
- **CRI Sustainability Reporting Standards - A Guide to Corporate Tax Responsibility**
- **Global Forum on Transparency and Exchange of Information for Tax Purposes**
- **European Commission's List of International Tax Havens 2015**
- **EU list of non-cooperative jurisdictions for tax purposes<sup>48</sup>**
- **ISO 26000:2010 on Social Responsibility Guidance and the ISO 20400:2017 on Sustainable Procurement Guidance**

Vietnam is currently a member of the Global Forum on Transparency and Exchange of Information for Tax Purposes. The country has committed to comply with the Automatic Exchange of Information Standard (AEOI Standard 2014).<sup>xxxv</sup>

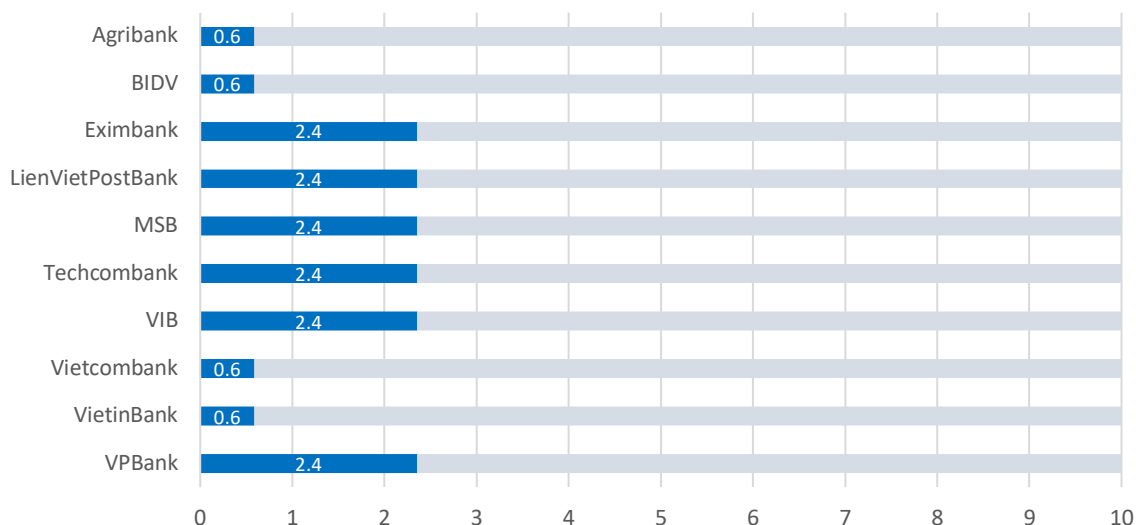
<sup>48</sup> See [https://ec.europa.eu/taxation\\_customs/tax-common-eu-list\\_en](https://ec.europa.eu/taxation_customs/tax-common-eu-list_en)

## Commitments of the ten assessed commercial banks

Policy commitments of ten assessed commercial banks on Tax vary in two groups of banks, as:

- (i) those that operate only in Vietnam
- (ii) those have branches, subsidiaries, offices overseas.

**Figure 21. Commitments of 10 Assessed Commercial Banks on Tax**



None of the ten commercial banks has branches or subsidiaries in jurisdictions with no or zero corporate tax or in jurisdictions with harmful corporate tax practices.

Six out of ten banks publish their reports on their revenue, profit, total assets, number of full-time employees, subsidies received from the government, and taxes paid to the government in at least three-quarters of the countries where they operate. The six banks that satisfy this assessment element are all private commercial banks with operations only in Vietnam. The remaining four banks with overseas branches or representative offices (e.g., in Cambodia, Laos and Myanmar) have not reported the contents mentioned above on a country-by-country basis.

No commercial banks have committed that they will not advise clients to set up

international structures or participate in transactions with global networks with the primary purpose to avoid or evade taxes. The banks have not published any information of any company-specific tax ruling they have obtained from tax authorities. Besides, the research team has not been able to identify any statement regarding their refusal to provide financial services to companies in tax havens.

None of the ten commercial banks has disclosed any tax-related policy commitments regarding their corporate customers. In particular, the banks have not published any policy to require or encourage their financed companies to adopt tax commitments, like publishing complete group structures including directly or jointly owned entities or having a management system in place to respond immediately to suspected cases of tax evasion by employees or suppliers.

PART IV.

**Conclusions and  
Recommendations**

# Conclusions

Despite the existence of the State Bank of Vietnam's regulations, policies and documents related to ESG, the ten commercial banks in the assessment are only in their very first steps to publishing ESG policy commitments. In other words, if ESG adherence is considered a "race to the top", these ten banks have just started the race: Environmental (E), Social (S), and Governance (S) scores average at only 0.3/10, 1.3/10 and 1.6/10, respectively. The Environmental pillar score is far below that for Social and Governance pillar.



## Environmental (E) Pillar:

Policy commitments of all ten assessed banks on the theme of Climate Change and Nature are somewhat limited. None of the assessed commercial banks has made a public policy commitment to stop lending to power generation from fossil fuels, including coal-fired power projects, or to increase its finance for renewable energy generation.

Most of the assessed banks' publicly disclosed policies regarding their financed companies do not demonstrate any commitment to Nature and Climate Change.



## Social (S) Pillar:

The social policy commitments of the ten commercial banks are vague. In particular, these banks have not made any concrete policy to require or encourage their corporate customers to fulfil Social criteria, which encompass Gender equality, Labour Rights, Human rights, No investment in Arms and Financial Inclusion. Most banks have not published commitments to labour rights, human rights, and no investment in arms.

Only a few banks have explicit public policy commitments to zero tolerance for gender-based discrimination or to pay equity. None of the banks has published any policy to require or encourage corporate customers to fulfil their obligations on gender equality.

What is most worth noting is policy commitments to financial inclusion, with the scores for ten banks averaging at 5/10. Financial inclusion has been a policy focus, as evident in the Prime Minister's Decision 149/QD-TTg, dated 22/1/2020 on ratification of the National Financial Inclusion Strategy to 2025, with a vision to 2030; and the State Bank of Vietnam's National Financial Inclusion Strategy.



## Governance (G) Pillar:

Almost all banks have policies regarding anti-corruption, consumer protection, tax, and transparency and accountability. Among all Governance themes, policy commitments to transparency and accountability are still limited (0.5/10), while consumer protection scores the highest (2.4/10). In general, these ten assessed Vietnamese commercial banks score higher for Governance than Environmental and Social. However, it is still lower than that of Thai and Indonesian banks.

# Recommendations

Given the findings mentioned above and conclusions following the assessment of 10 Vietnamese commercial banks, the following recommendations are provided:

## TO THE STATE BANK OF VIETNAM

1. Develop common ESG standards for commercial banks in Vietnam in alignment with international standards and conventions. It is voluntary for the first two years and then becomes mandatory in the following years. In addition, concrete sanctions might be imposed for compliance.
2. Develop the assessment and ranking tool on ESG based on the aforementioned common ESG standards, with possible reference to FFGI methodology. The assessment process should be transparent with the engagement and consultation with civil society organisations, academia, institutes, activists, and other relevant stakeholders. On an annual basis, SBV publishes a list of the top 10 leading ESG banks in addition to the traditional rankings in terms of credit growth or assets. It helps shape commercial banks' business operations towards ESG incorporation to strengthen their environmental, social responsibilities as well as brand positioning.
3. Issue regulations that require commercial banks to make public disclosure on ESG commitments and implementation.
4. Incorporate concrete ESG criteria appropriately in the banking industry's policy, including decisions, directives, and regulations regarding investments, credit, and other financial services, as well as commercial banks' governance.
5. Collaborate with relevant ministries and agencies, private initiatives, academia, institutes to promote ESG commitments among commercial banks in Vietnam.

## TO COMMERCIAL BANKS

6. Disclose and update ESG-related policies and information – concerning the banks' internal operations and the companies receiving investment or credit – that have not yet been published in a comprehensive, concrete, accessible and verifiable manner.
7. Develop and update ESG policies in alignment with international standards and conventions. The commercial banks, given their strategies, should prioritise ESG themes where the 12 assessed ESG themes are all prominent. For example, those targeting the energy sector should prioritise such themes as climate change, nature, and power generation. Those planning to invest overseas should prioritise themes such as transparency and accountability, anti-corruption, and labour rights. It does not imply that commercial banks should not consider other themes. An appropriate prioritisation and a time-bound framework help the banks incorporate and develop ESG criteria in a more feasible way that align their development.

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