

Workshop on ESG PRACTICES

(Environmental, Social, and Governance)



19-20 APRIL 2023



HANOI, VIET NAM



DAY 1: 19 April 2023

**Workshop on
ESG PRACTICES**
(Environmental, Social, and Governance)

 **19-20 APRIL 2023**

 **HANOI, VIET NAM**





SESSION # 1

Introductory and Welcome Remarks

Andrew Jeffries

Country Director – Vietnam, ADB

WORKSHOP ON ESG PRACTICES

 **19-20 APRIL 2023**

 **HANOI, VIET NAM**



SESSION # 2

ERM Introduction and ESG Trends & Risk Management in the Banking Industry

Rutuja Tendolkar
ERM

Hai Pham
ERM

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📅 19-20 APRIL 2023

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About ERM: Sustainability is our business

We are the world's largest pure play sustainability consultancy

Founded in 1971, we are the largest advisory firm in the world focusing solely on sustainability, offering unparalleled depth and breadth of expertise.

We shape a sustainable future with the world's leading organizations

Our purpose guides everything we do. We create a better future by helping the world's biggest brands address today's sustainability imperatives.

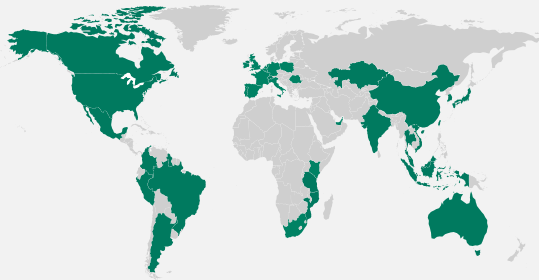
We are the recognised market leader in sustainability services

Numerous industry benchmarks attest to our market leadership and the majority of our work is sole-sourced, reflecting trusted partnerships we build with our clients.

7,000+
professionals

170
Offices

39
Countries &
territories



20,000+

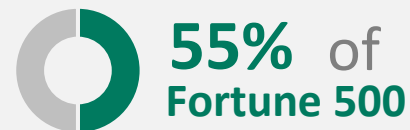


Projects
every year

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Years of
experience

We partner with...



#1

Sustainability service
provider
– HFS 2022

“

The end-to-end provider of
ESG and sustainability
consulting services”

– Verdantix Green Quadrant 2022

ERM in Asia Pacific

An unrivalled regional footprint



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across
13 Countries

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Service Lines and Subject Matter Expertise at Glance

We co-develop meaningful, actionable net zero goals and strategy, empower M&A, ESG and capital projects with due diligence, provide the know-how for TCFD disclosures, enhance safety and operational performance, retire and decommission assets seamlessly

	Corporate Sustainability and Climate Change		Capital Project Delivery		Operational Performance
	Merger and Acquisitions		Product Stewardship		Liability Portfolio Management & Remediation
	EHS Management and Compliance		Safety Services		Digital Services

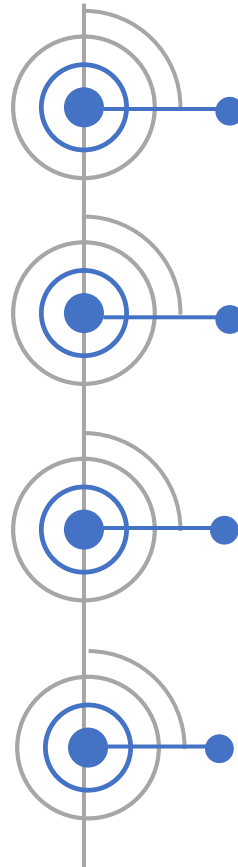
Session Speakers and Agenda



Rutuja Tendolkar
Partner
ERM South and South-east Asia



Hai Pham
Consulting Director
ERM Vietnam

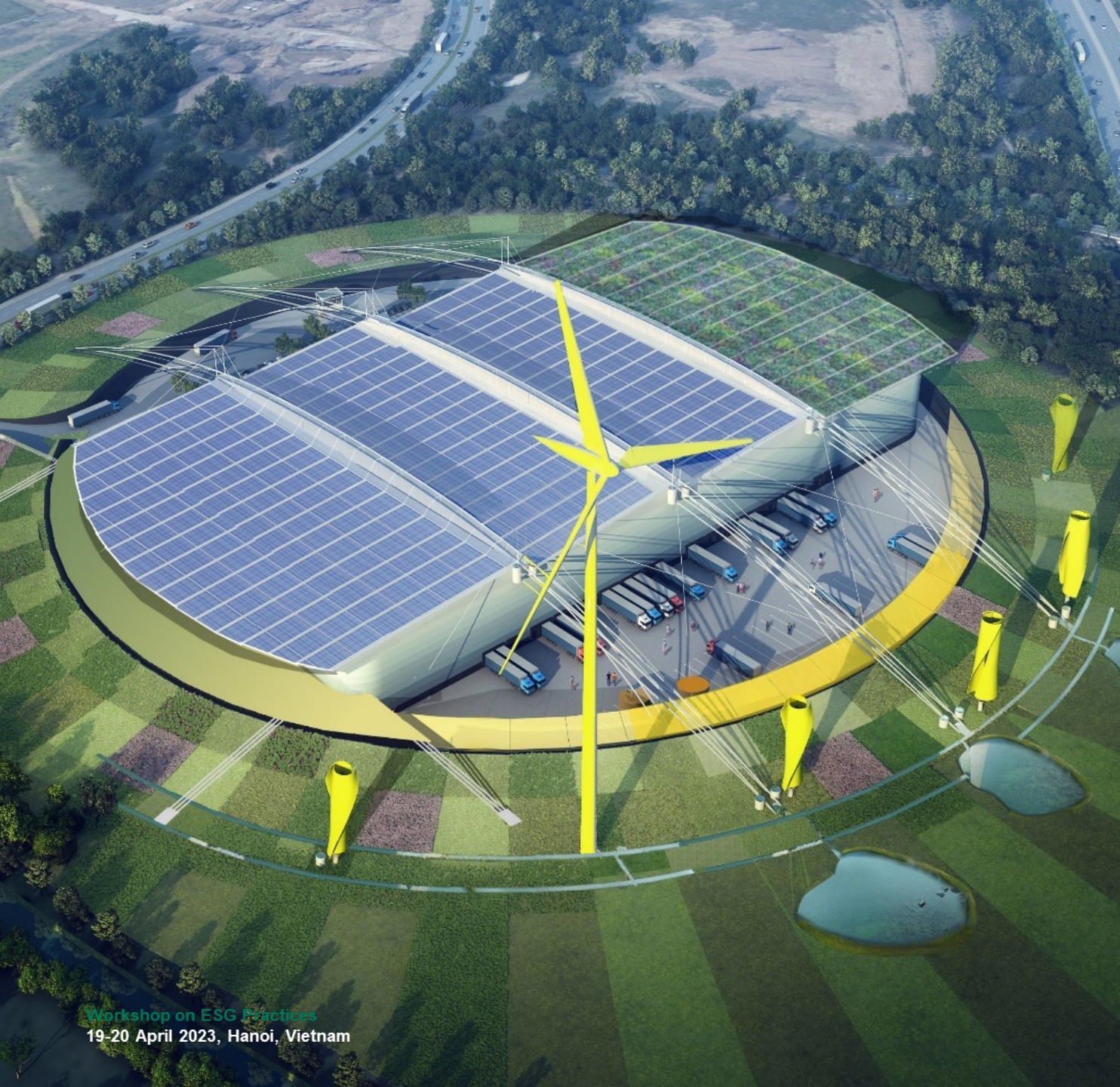


ESG and Sustainability:
The New Normal – Implications for
Banks and Financial Sector (BFIs)

BFIs Navigating ESG and
Sustainability

E&S Risk Management: The Brass Tacks

From Strategy to Action



ESG and Sustainability: The New Normal

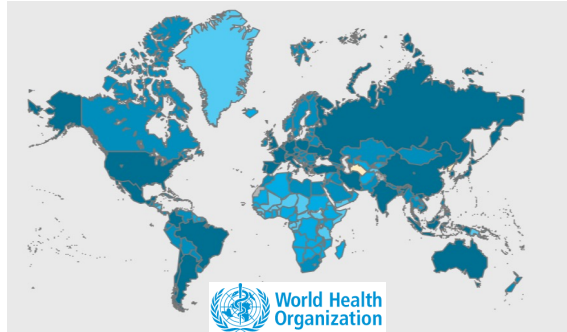
- Implications for Banks and Financial Institutions

SUSTAINABILITY OVER THE YEARS



Key Recent Events that Have Influenced ESG and Sustainability

COVID -19



Cop27 agrees historic 'loss and damage' fund for climate impact in developing countries



Labour rights and the Qatar World Cup 2022

In December 2010, Qatar won its bid to host the 2022 World Cup. In preparation, Qatar is spending an estimated US\$100 billion on infrastructure, including a new airport, roads, hotels and stadiums.

The international media, unions and human rights organizations have shone a spotlight on abuses of migrant workers' rights in Qatar. Major concerns include the exploitative "kafala" sponsorship system; lack of freedom of association / right to form unions; confiscation of passports; and harmful working and housing conditions. The World Cup provides an opportunity to push for change.



Explainer: What's driving 'the Great Resignation'?

SIXTH ASSESSMENT REPORT



EXTREME WEATHER AROUND THE WORLD



RUSSIA'S INVASION OF UKRAINE



Top 10 Global Risks

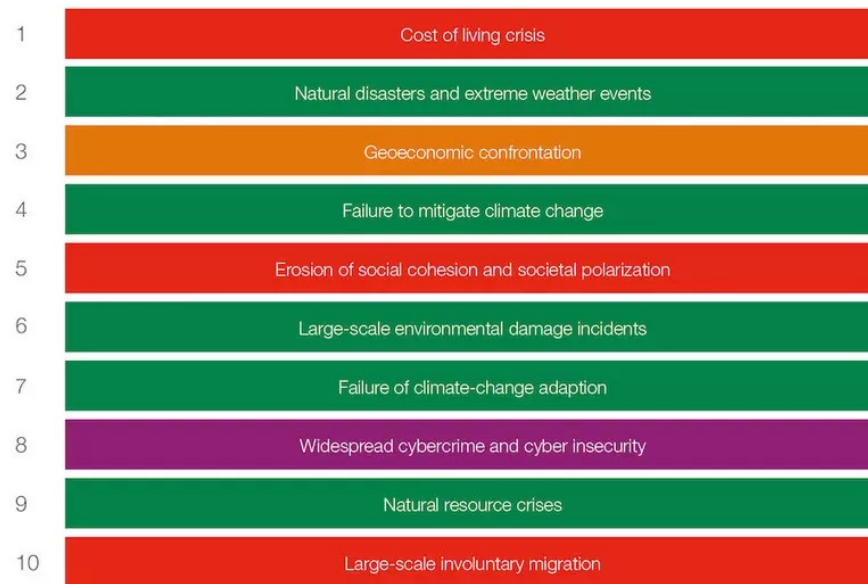
Global Risks Report 2023



Top 10 Risks

“Please estimate the likely impact (severity) of the following risks over a 2-year period”

2 years



Risk categories



Source: World Economic Forum, Global Risks Perception Survey 2022-2023

Global Risks Report 2023



Top 10 Risks

“Please estimate the likely impact (severity) of the following risks over a 10-year period”

10 years

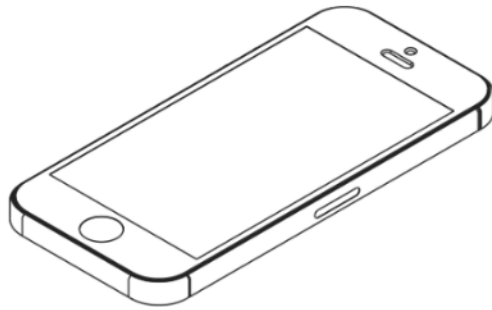


Risk categories



Source: World Economic Forum, Global Risks Perception Survey 2022-2023

Implications for the Finance Sector



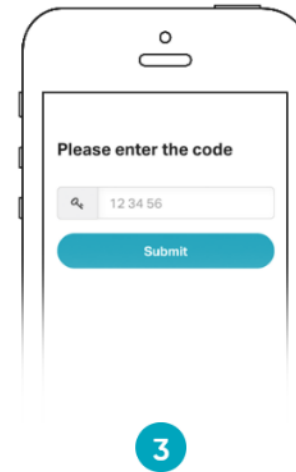
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Type the **Code: 85 75 89 4**
and answer the questions

Result: <https://www.mentimeter.com/app/presentation/alabs1e18q64ywye12dq5nm2eb8yt3mf>

From Global Risks to their Manifestation in the Bank's Portfolio

To Finance or Not to Finance

HSBC, under pressure on climate policies, to stop funding new oil and gas projects

- The bank says it will still provide financing and advisory services to energy sector clients at the corporate level
- HSBC has faced pressure from activists and shareholders to do more to address climate change

Reuters

[Deutsche Bank tightens finance policy on coal, but not on oil](#)

...

Financial firms are under pressure from policymakers and investors ... thermal coal and that its exposure to the sector at the end of 2022...

1 week ago



NPR

[Why some Indonesians worry about a \\$20 billion climate deal](#)

...

Right now Indonesia gets about 60% of its electricity from coal. ... of coal would be for international banks to stop funding any new coal.

1 day ago



The law catches up

Banks face legal risks if they don't stick to climate goals, ECB says

Reuters



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Return or Risk?

Fortune

[ESG markets shudder as Adani Group credit arrangements suggest inadvertent financing of heavy polluters](#)

Financing arrangements across the Adani Group conglomerate have sent a fresh chill through ESG markets as investors wake up to a new risk.

3 weeks ago



Reputation... reputation... reputation

ING, Rabobank accused of funding granite companies that use child labor

ING and Rabobank provided loans to three Dutch importers who purchase granite from quarries that use child labor, according to research from banking watchdog the Eerlijke Bankwijzer, RTL Nieuws reports.

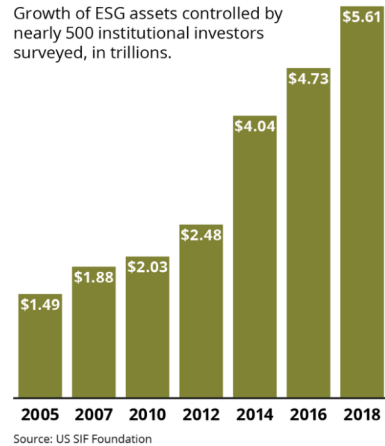
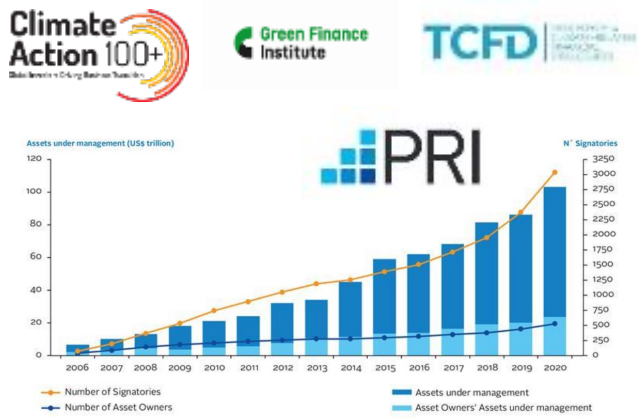
For the Financial Sector: “Embedding ESG future proofs portfolios”

THE DECADE OF ACTION REPRESENTS OPPORTUNITIES



SDGs present a \$12 trillion and 380 million jobs opportunity – ESG at the heart of the investment thesis!

THERE IS HERD IMMUNITY AMONG ESG INVESTORS



INCREASING REGULATION AND OVERSIGHT

CONSULTATION PAPER
POES-2020
June 2020
Proposed Guidelines on Environmental Risk Management (Asset Managers)

BANK OF THAILAND

SEC

HONG KONG MONETARY AUTHORITY
香港金融管理局

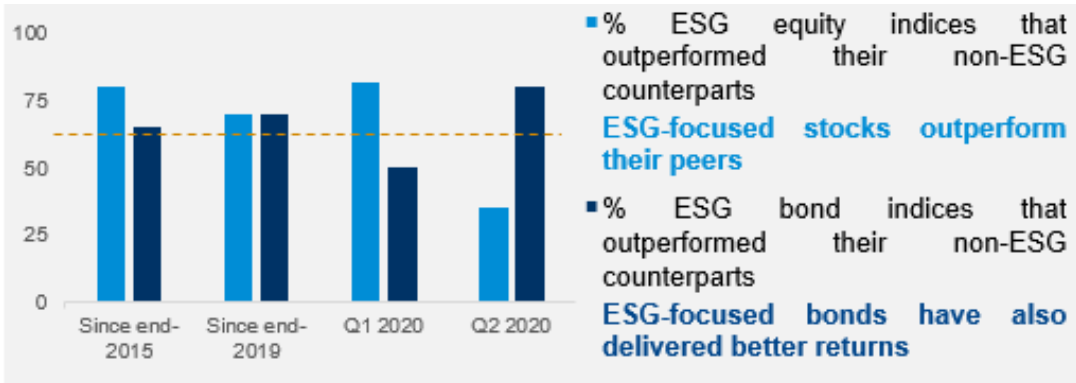
SGX

Sustainable Banking Guidelines Responsible Lending by The Thai Bankers' Association

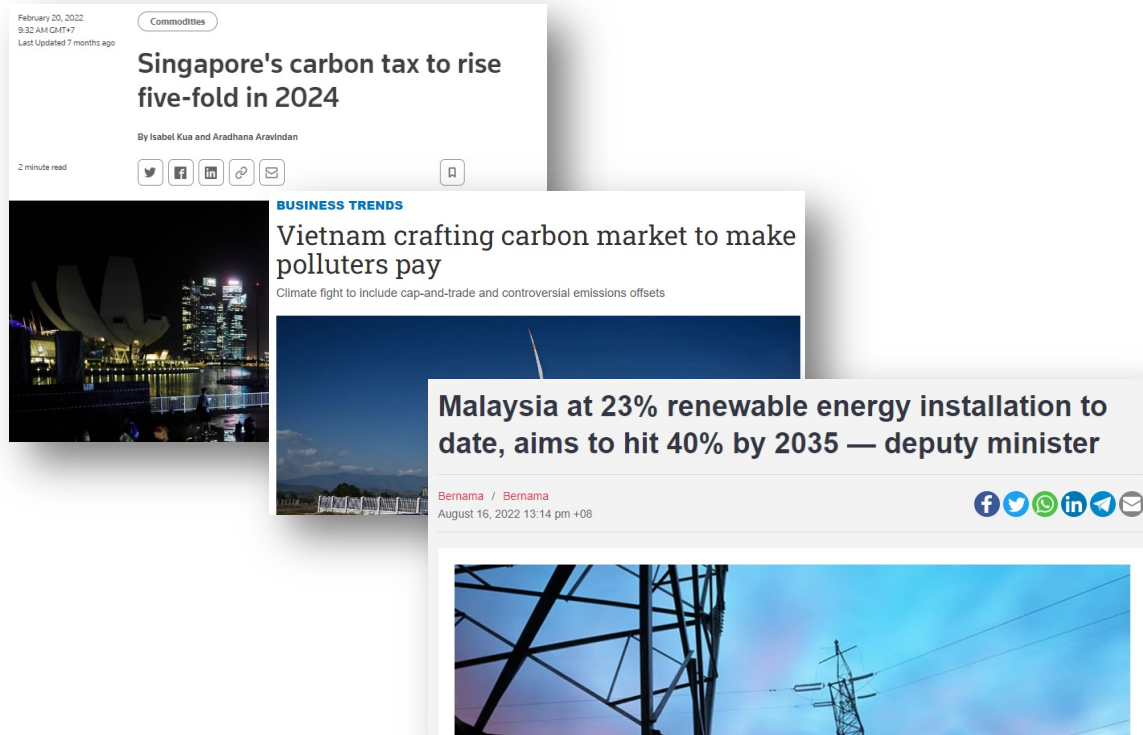
ESG Declaration

2021 이상행위
갈국관 뉴딜
국민보고대회

ESG-FOCUSED STOCKS & BONDS CONTINUE TO OUTPERFORM PEERS IN 2020**



Government Climate Policies could lead to more financing need in the ASEAN



ADB estimates that ASEAN needs \$210 billion per year until 2030 for investment in climate resilience infrastructure, with an annual gap estimated at \$102 billion

Note: National Grand Energy Strategy (GSEN), Power Development Plan (PDP)

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19-20 April 2023, Hanoi, Vietnam



Cop27 agrees historic 'loss and damage' fund for climate impact in developing countries



COP 27: A new funding arrangement on loss and damage – vital progress towards channeling financial support to vulnerable communities that are suffering devastating impacts from climate change



Navigating ESG and Sustainability

- Trends in Risk and Opportunity Management for the Financial Sector

Sustainable Finance: What, Why and How?

What:

- Sustainable Finance is the process of taking due account of environmental, social and governance considerations when making investment decisions in the financial sector, leading to increased longer-term investments into sustainable economic activities and projects (European Commission)

Why:

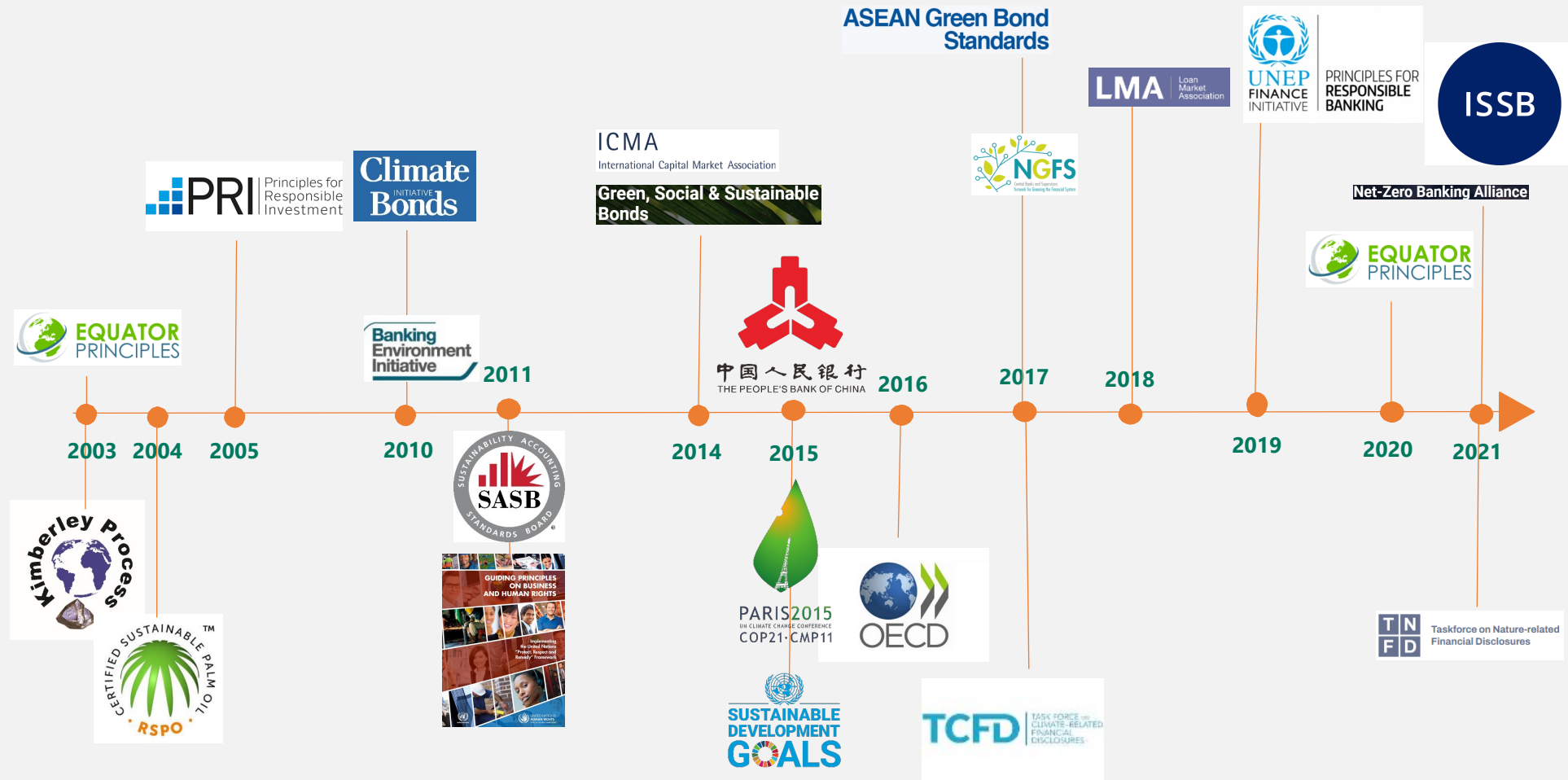
- Beyond compliance towards a forward-looking approach
- Maintain position in markets with more stringent requirements
- Longer-term performance-oriented
- Multi-disciplinary risk and reputation management
- New business opportunities and retaining/ expanding client base

How:

- Mainstreaming conformance to the intent, objectives and principles of international standards by developing ESG framework to avoid green/social washing and offering suitable products



March of ESG and Sustainability Initiatives



Key Trends in E&S Risk Management

- Broadening coverage of different product types and advisory services
- Expanding definitions of:
 - ✓ Prohibited activities
 - ✓ 'Sensitive' sectors, activities, regions
- Balancing of environmental to social issues
- Building out E&S risk management
- Shifting from transactional to relationship
- Building on risk management to develop sustainable finance products and portfolios
- Enhancing integration, governance and involving different 1st and 2nd line desks

Example prohibited activities

- X Modern slavery and child labour
- X World heritage sites
- X Coal
- X Arctic
- X Illegal logging
- X Uncontrolled fire
- X Illegal wildlife trafficking, animal welfare and fur
- X Defence / controversial weapons
- X Ship recycling
- X Tobacco

Example sensitive sectors, activities, regions

- ? O&G – unconventional, upstream
- ? Power - large hydro, nuclear,
- ? Soft commodities - palm oil, soy, timber
- ? Internationally recognised / protected areas / critical habitats
- ? Indigenous peoples

Risk Management Strategies

Risk Adjusted Return
Investment and lending should consider E&S in the reasonable adjustment of risk when assessing returns



Investing and Lending Decision
Enhanced investments and lending decision-making

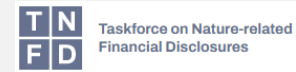


Environment

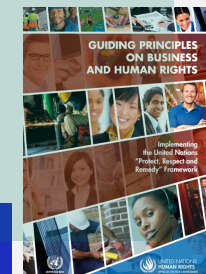
- Transition risk and opportunity
- Physical risk
- Net zero science-based targets
- Protecting natural areas / biodiversity
- Deforestation
- Biodiversity impacts & dependencies
- Air / water / ground pollution

Social

- Modern slavery / child labour
- Labour and working conditions
- Worker / community health & safety
- Minority / vulnerable groups
- Indigenous peoples
- Resettlement and livelihood restoration



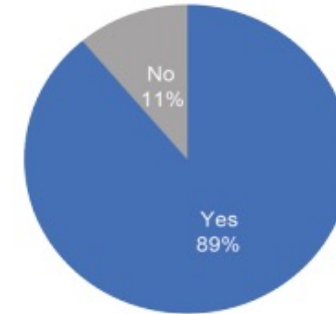
Net-Zero Banking Alliance



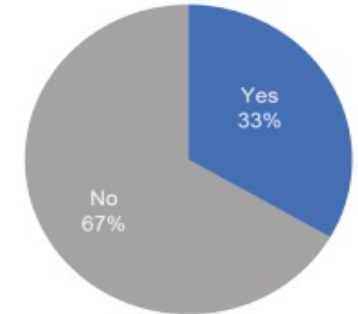
Insights from regulators in Asia

- A clear majority of central banks **(16 out of 18, or 89%)** agree that low-carbon finance has become an important area of focus, particularly since the ratification of the Paris Agreement
- **One-third** of the responding institutions have already issued policy statements on climate change and green finance
- Almost all central banks **(94%)** believe that they should play a role in helping to encourage low-carbon financing initiatives and green finance, such as green bonds

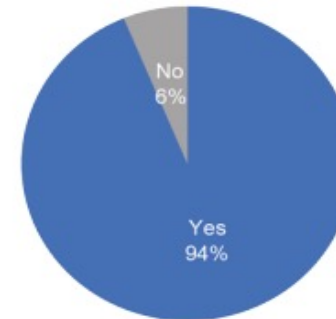
Q.1 Low-carbon finance has become an important area of focus, particularly after the ratification of the Paris Agreement.



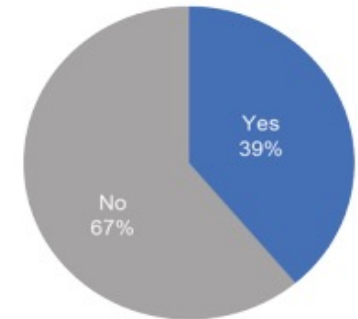
Q.2 Has your institution issued any policy statements on climate change and green finance?



Q.3 In your opinion, should your institution be involved in playing a role to help encourage low-carbon financing initiatives/green finance (e.g., green bonds)?



Q.4 Does your institution have a special task force/division/group that focuses on climate actions and mainstreaming green finance, etc.?



Source: ADB Institute - The Role of Central Banks in Scaling up Sustainable Finance: What do Monetary Authorities in Asia and the Pacific think?

Vietnam ESG Landscape

At COP 26, Vietnam made a commitment to stop deforestation by 2030 and phase out coal-fired power generation by 2040

Vietnam has updated its National Determined Contribution after 5 years, committed of decreasing green house gas emissions by 9% (equivalent to 83.9 million tonnes of CO₂eq) relying solely on domestic resources or by 27% (equivalent to 250.8 million tonnes of CO₂eq) with international support through bilateral and multilateral cooperation and mechanisms under the Paris Agreement, by 2030 compared to the 2014 base-year.



Increasing regulation and voluntary initiatives



- **Create A low-carbon economy** - [Vietnam's 'Green Growth Strategy' \(2012\)](#)



- Proactive response to natural disasters, ensuring food and water security in the context of climate change, sustainable development of forests and **conservation of biodiversity**, **increase investment efficiency for climate change** - [Decision No. 1055/QD-TTg \(2020\) on National Climate Change Adaptation Plan for the period of 2021 – 2030, vision to 2050](#)



- **Circular Economy, Ban on single use plastic, & Extended Producer Responsibility.** Sustainable consumption and production in Vietnam, enhancing sustainable lifestyles and improving the quality of people's lives towards a circular economy - [National Green Growth Strategy period 2021-2030, vision to 2050 \(2021\)](#), [National Action Plan on Sustainable Consumption and Production 2021-2030 \(2020\)](#)



- **Sustainability reporting** requirements - [Circular No. 96/2020/TT-BTC](#)




- Guidelines on **environmental risk management** for financial institutes operated in Vietnam - [Circular No. 17/2022/TT-NHNN](#)

Regulatory Expectations from Banks in Vietnam

Scheme on green bank development in Vietnam: Directing credit flows into eco-friendly projects

08/21/2018

[Copy link](#) | [Font size: A- A+](#) | [Contrast](#) | 

On August 7, 2018, the Governor of the State Bank of Vietnam (SBV) issued Decision No.1640/QD-NHNN approving the Scheme on the green bank development in Vietnam.



Illustration Photo (from Internet)

The overall goal of the Scheme is to accelerate the awareness and corporate responsibility of the banking sector about the environmental protection, the climate change response, directing credit resources into eco-friendly projects/programs, boosting green production, services, as well as clean and renewable energy, in order to contribute to the promotion of the green and sustainable growth.

October 23, 2021 | 11:32 GMT+7

Environmental risk management in credit granting promoted

Vũ Phong - [Like 0](#) [Share](#)

Many credit institutions in Vietnam have cooperated with and received technical support from international financial institutions to develop regulations on environmental risk management when granting credit. Green growth and sustainable development have therefore become trends and goals for every country to aspire to, Deputy Governor of the State Bank of Vietnam (SBV) Dao Minh Tu told a seminar on promulgating a Circular guiding environmental risk management in the credit granting activities of credit institutions.



Deputy SBV Governor Dao Minh Tu addresses the seminar.

Increased Pressure from Initiatives and Sustainable Finance

In 2017, HOSE introduced [VN Sustainability Index \(VNSI\)](#) - to provide investors and enterprises with a benchmark on sustainable development in the securities market.



[Vietnam Just Energy Transition Partnership Agreement](#)

Vietnam landed an agreement on Just Energy Transition Partnership. To unpack the US\$15.5B in next 3 – 5 years, aside from green grants, loans agreement, **the issuance of green bonds will potentially pick up**



Examples of Increasing Sustainable Finance



Green Finance / ESG Investing / Treasury & Capital Markets

IFC boosts support for Vietnam sustainable finance

State Securities Commission to promote adoption of ESG standards and practices

The Asset
14 Nov 2022

The International Financial Economics Affairs (SECF) finance and spur private commitments. Vietnam

A new memorandum of announced on November climate change through

BIDV – first Vietnamese bank to issue Sustainable Loan Framework

The Bank for Investment and Development of Vietnam (BIDV) on February 16 officially issued a Sustainable Loan Framework in consultation with the Carbon Trust.

VNA - Friday, February 17, 2023 21:17 <https://link.gov.vn/ccA9nytE>

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RELATED NEWS

Vietnam speeds up projects supporting green growth to achieve carbon neutrality
Wednesday, February 15, 2023 16:12

MoIT acts in response to climate change
Saturday, February 04, 2023 09:43

Vietnam has opportunity for energy transition towards green growth
Thursday, December 01, 2022 17:57

Green transition creates opportunities for Vietnam's export forum
Tuesday, November 29, 2022 10:40



BIDV has promoted sustainable and green growth as a goal in the bank's business strategy for 2021-25 and vision for 2030. (Photo courtesy of BIDV)

Hanoi (VNS/VNA) – The Bank for Investment and Development of Vietnam (BIDV) on February 16 officially issued a Sustainable Loan Framework in consultation with the Carbon Trust.

MOST POPULAR



- 1 Vietnam's economy likely to boom in H2: expert
- 2 Vietnam boasts high potential to become new global production hub: expert
- 3 High-level seminar explores new possibilities for Vietnam-Japan relations
- 4 Vietnam's overseas investments rise sharply in January-February
- 5 INFOGRAPHIC Vietnam's economic performance in two months

ADB Leads \$135 Million Climate Financing Package to Support Electric Mobility in Viet Nam



News Release | 24
October 2022
Read time: 7 mins

Việt Nam makes significant progress in sustainable finance reforms: SBN

October, 10/2019 - 19:35

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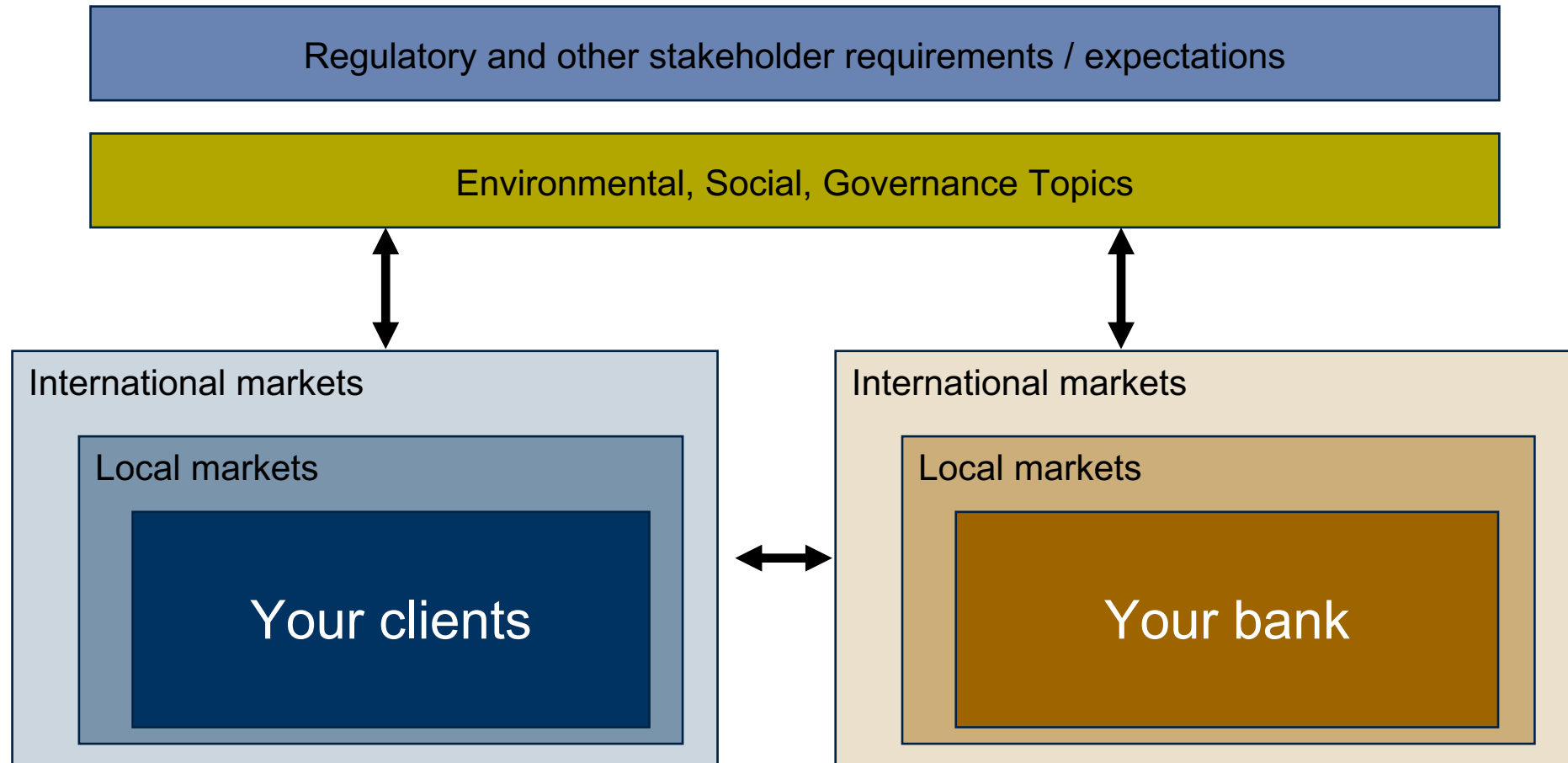
Việt Nam is among 38 emerging market economies to have adopted significant banking reforms to boost development and combat climate change, the second Global Progress Report of the IFC-facilitated Sustainable Banking Network (SBN) showed.



Customers make transactions in HDBank's branch. Việt Nam is among 38 emerging market economies to have adopted significant banking reforms to boost development and combat climate change. — Photo thoibaonghang.vn

19-20 April 2023, Hanoi, Vietnam

Becoming ESG Strong



From Strategy to Action

- Recommendations for BFIs

E&S Integration Maturity Curve

Where, do you think, are commercial banks in Vietnam in this journey?

Compliance

- Reactive, focused on regulatory drivers
- Ad hoc philanthropy initiatives
- Minimum ESG 'to tick the box'

Beyond Compliance

- Ad hoc initiatives around priority focus areas
- Adherence to international standards and good practices beyond local regulations / standards
- ESG policy in place; regular ESG disclosure
- ESMS function / role established

Integrated

- Sustainability is embedded in corporate-wide strategy, purpose, & business model
- ESG and climate risks (and opportunities) are seen as drivers for business transformation and value creation
- Chief ESG Officer at the EC level; sustainability governed at board level; compensation tied to sustainability performance

COMPLIANCE

BEYOND
COMPLIANCE

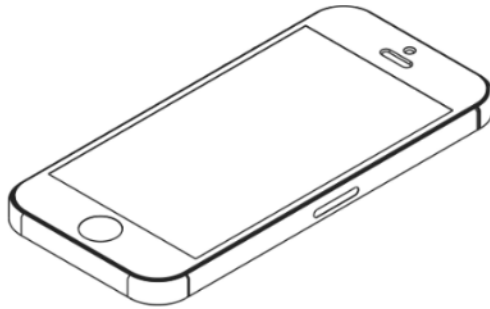
ESG INTEGRATION

BUSINESS
INNOVATION

Business Innovation

- Sustainability consideration is embedded into lending and product development process
- Open collaboration with strategic cross-sectoral partners
- Thought-leader with high ESG ratings contributing to future development of ESG innovation across the sector

Where, do you think, are commercial banks in Vietnam in this journey?



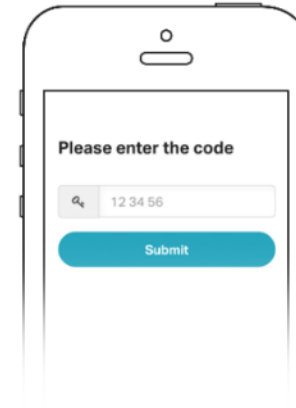
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and answer the questions

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In implementing ESG and climate strategies, we commonly encounter three situations.

Do any of these resonate with you?

We need to improve our vision & delivery plan

... we have yet to fully evaluate ESG risk and opportunity and don't yet have a complete handle on how ESG will impact our business.



We have a vision, but no detailed plan

... and regulators and investors are asking tough questions. We need to make progress, develop a credible plan and start delivering.



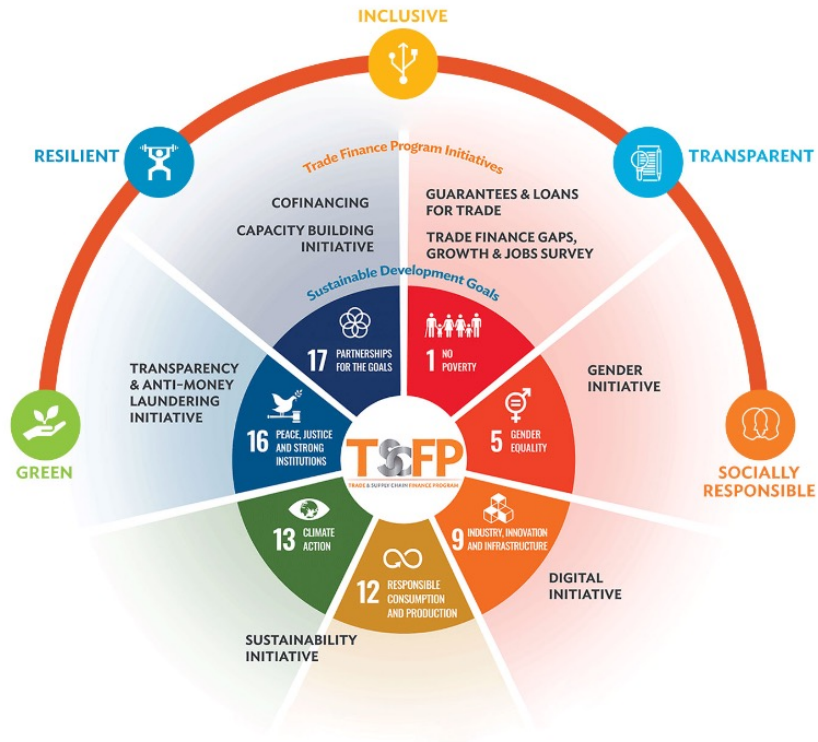
We have a detailed plan

... and now we are implementing with some successes. In some areas we are challenged by how to operationalise the actions we want to take.



Resources

ADB's TSCFP delivers Sustainable Development Goals



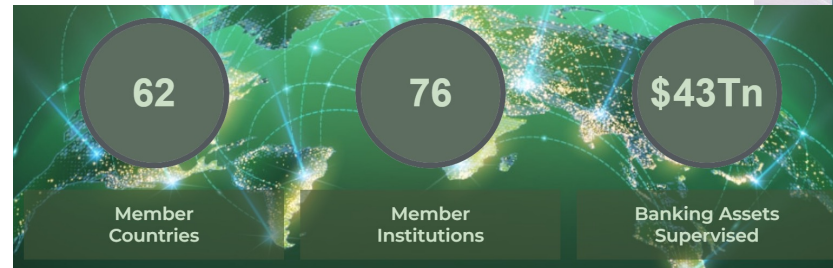
[Trade and Supply Chain Finance Program \(TSCFP\) | Asian Development Bank \(adb.org\)](https://www.adb.org/trade-and-supply-chain-finance-program)

On December 23, 2022, The Governor of the State Bank of Vietnam issues Circular No. 17/2022/TT-NHNN providing guidance on environmental risk management in credit extension activities of credit institutions and foreign bank branches.

Accordingly, information serving the environmental risk management in credit extension activities includes:

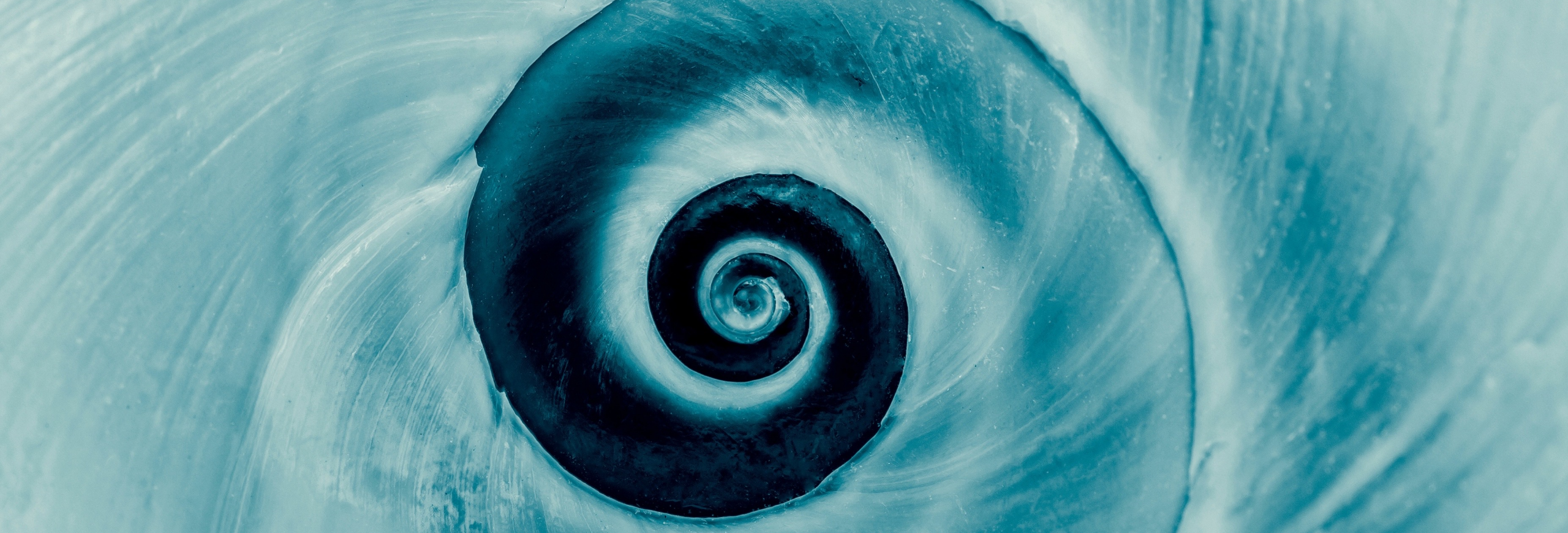
- Environmental information about the client's investment project;
- Decision on approval of appraisal results of preliminary environmental impact assessment report, environmental impact assessment report as prescribed by law, environmental license, and environmental registration (if any).
- Inspection and examination results in terms of compliance with regulations on environmental protection by the investment project given by competent environmental protection agencies.
- The environmental protection reports submitted by the client to competent state agencies in accordance with the law on environmental protection....

The **Sustainable Banking and Finance Network (SBFN)** is a platform for knowledge sharing and capacity building on sustainable finance for financial sector regulators and industry associations across emerging markets.



[Home | Sustainable Banking And Finance Network \(sbfnetwork.org\)](https://www.sbfnetwork.org)

Q&A



Thank you!

- **Hai Pham**
 - Consulting Director
 - ERM Vietnam
 - Hai.Pham@erm.com
 -
- **Rutuja Tendolkar**
 - Partner
 - ERM South and South-east Asia
 - Rutuja.Tendolkar@erm.com



SESSION # 3

Material ESG Issues in Trade Finance & ADB E&S Safeguards in the TSCFP

Laurence Vannut Genee

E&S Safeguards, ADB

Roberto Leva

TSCFP, ADB

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 **HANOI, VIET NAM**

Session Speakers and Agenda



Laurence Genee
Principal Safeguards
Specialist, ADB



Roberto Leva
Trade Finance RM,
ADB

Introduction to E&S Risks in Trade Finance

E&S Risks in Supply Chain

ADB TSCFP Safeguards

ADB Initiatives and Programs

Q&A

Introduction to E&S risks in Trade Finance

Five broad components of the value chain where E&S risks can arise & accumulate during trade finance:

- raw material generation
- processing/manufacturing
- transportation
- end use/user of the good
- disposal (end-of-life)

Key industry drivers of E&S Risk Management in Trade Finance

International Chamber of Commerce (ICC)

- ICC's Sustainable Trade Finance Customer Due Diligence Guidelines (Questionnaire) – 2019
- ICC's Standards for Sustainable Trade & Sustainable Trade Finance 2021

SWIFT and ICC Collaboration

- SWIFT's KYC Registry incorporates the ICC's Sustainable Trade Finance Customer Due Diligence Questionnaire – 2022

EBRD's Trade Finance Environmental and Social Procedures

- European Bank of Reconstruction and Development's Environmental and Social requirements for its Trade Finance Program – 2015

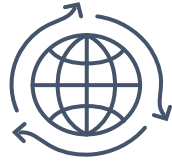
ADB's TSCFP E&S Guides and ESMS

- Safeguards Guides and ESMS Pilot since 2019

International Trade & UN Sustainable Develop



Context of E&S Risks in International Trade



Complexity of Global Supply Chains

Increased complexity adds to the sustainability risk of the product



Global Communications

Advances in IT enables stakeholder scrutiny throughout the supply chain

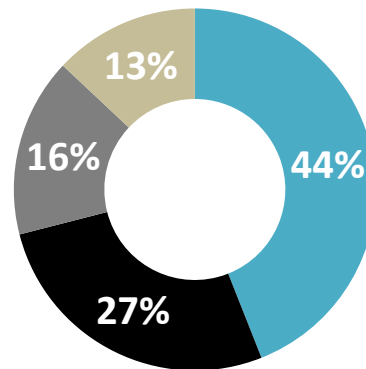


Corporate Reputation

Battered reputation has a detrimental effect in stock and enterprise value

World Export of Agricultural Products*, 2016

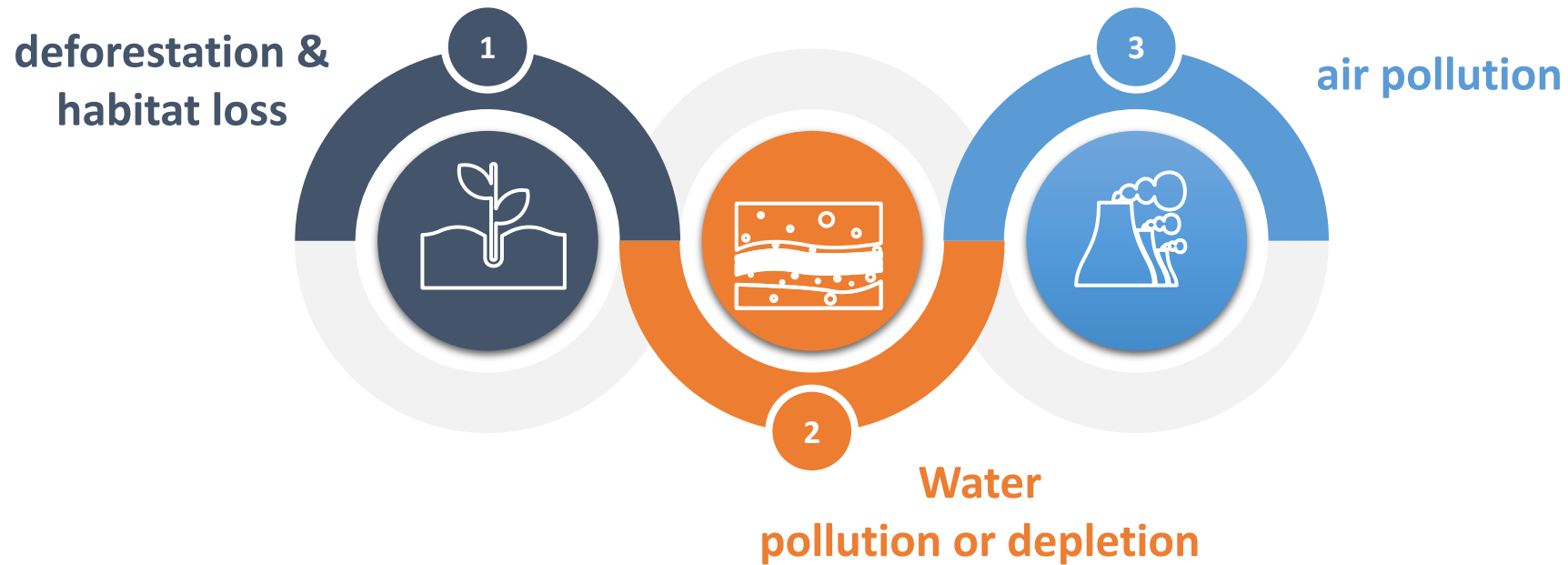
Percentage Share



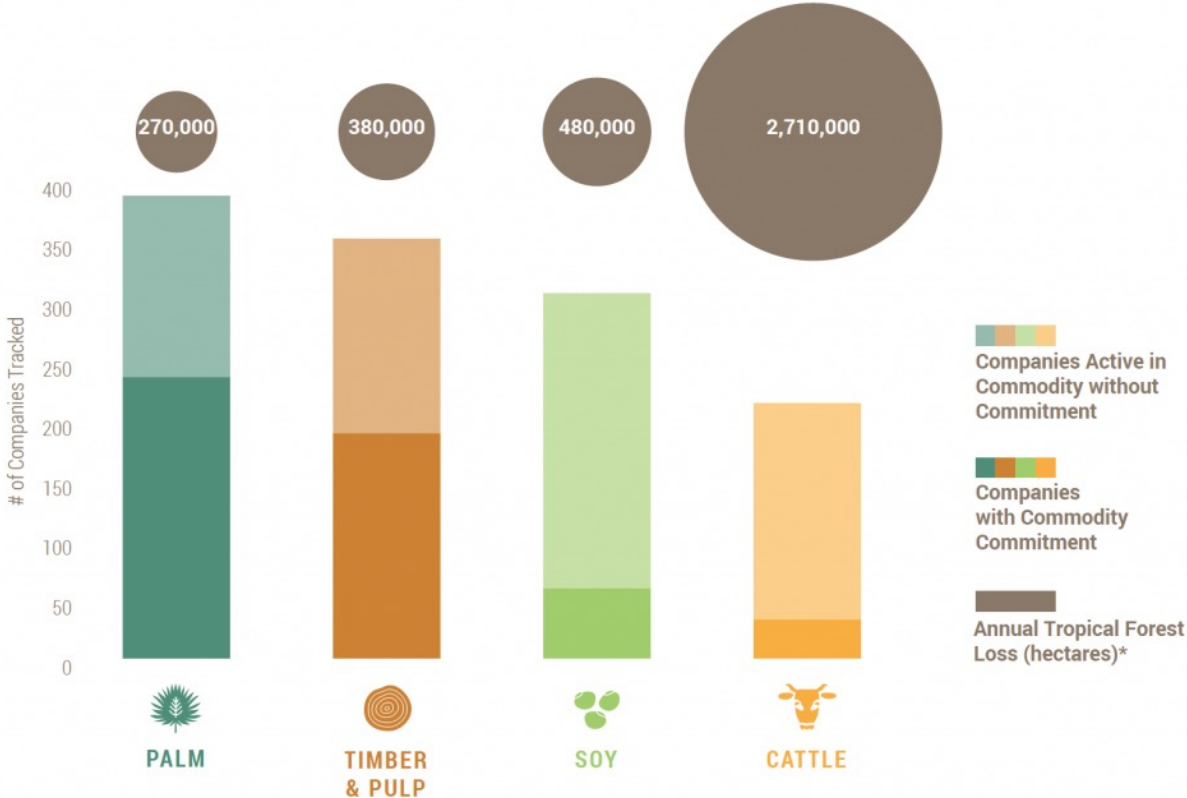
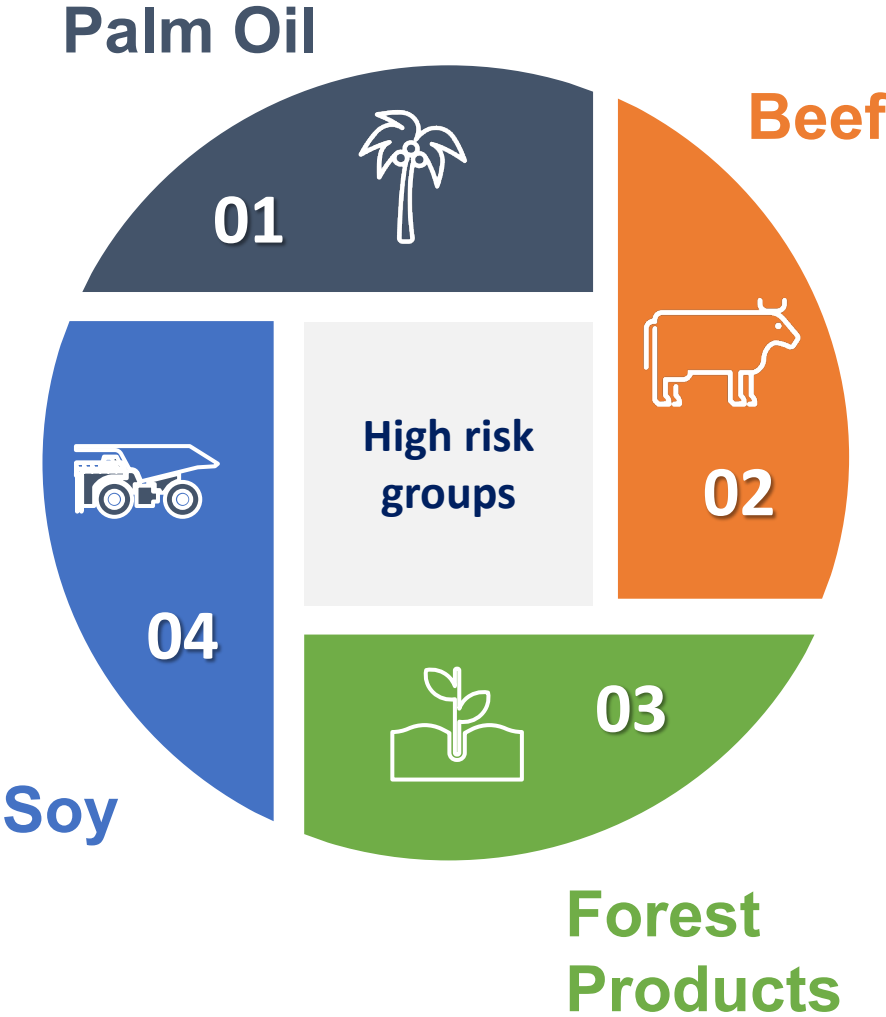
- Processed agricultural products
- Semi-processed agricultural products
- Primary bulk products
- Horticulture

*excluding fishery
Source WTO estimates based on UN Comtrade

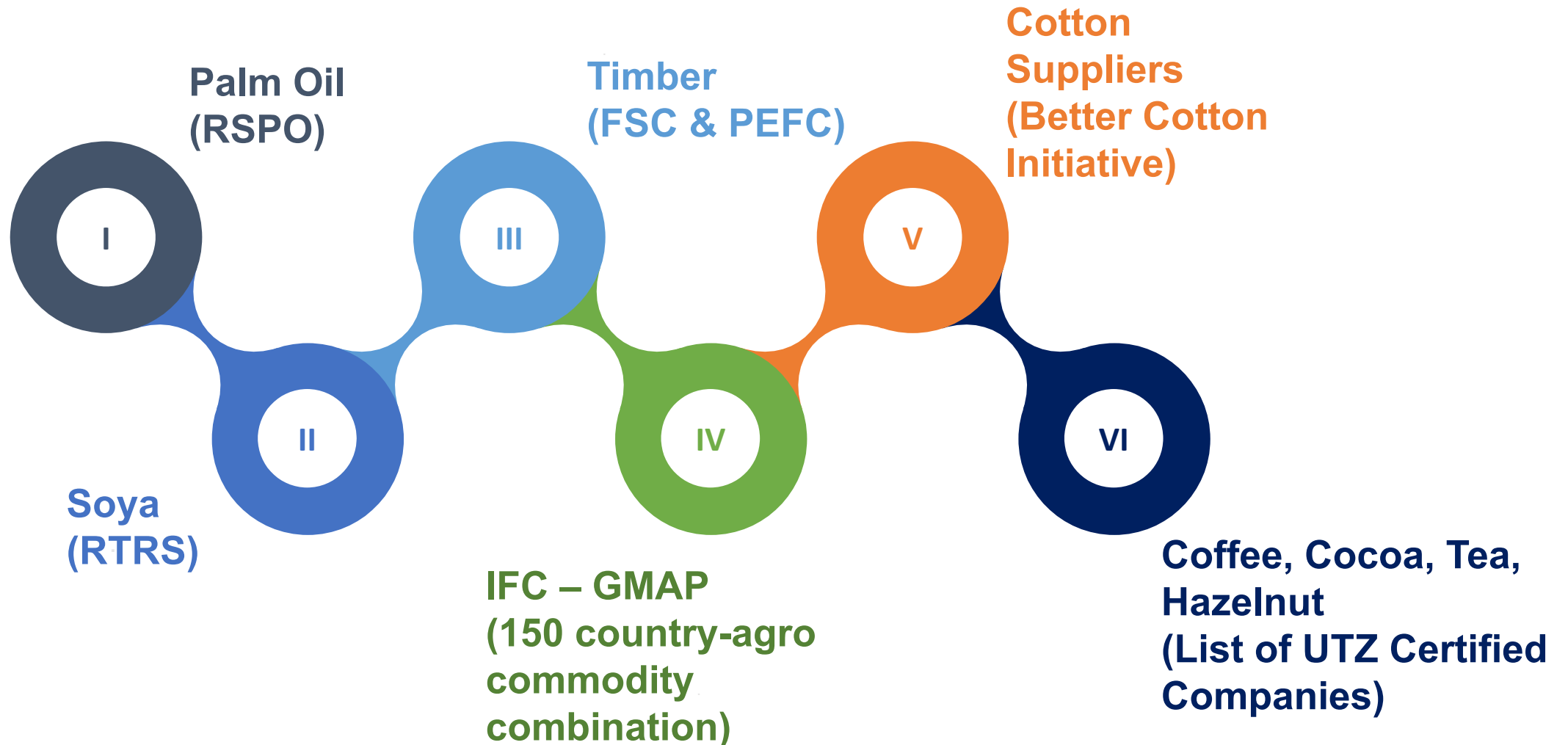
Environmental Risks at Production Stage



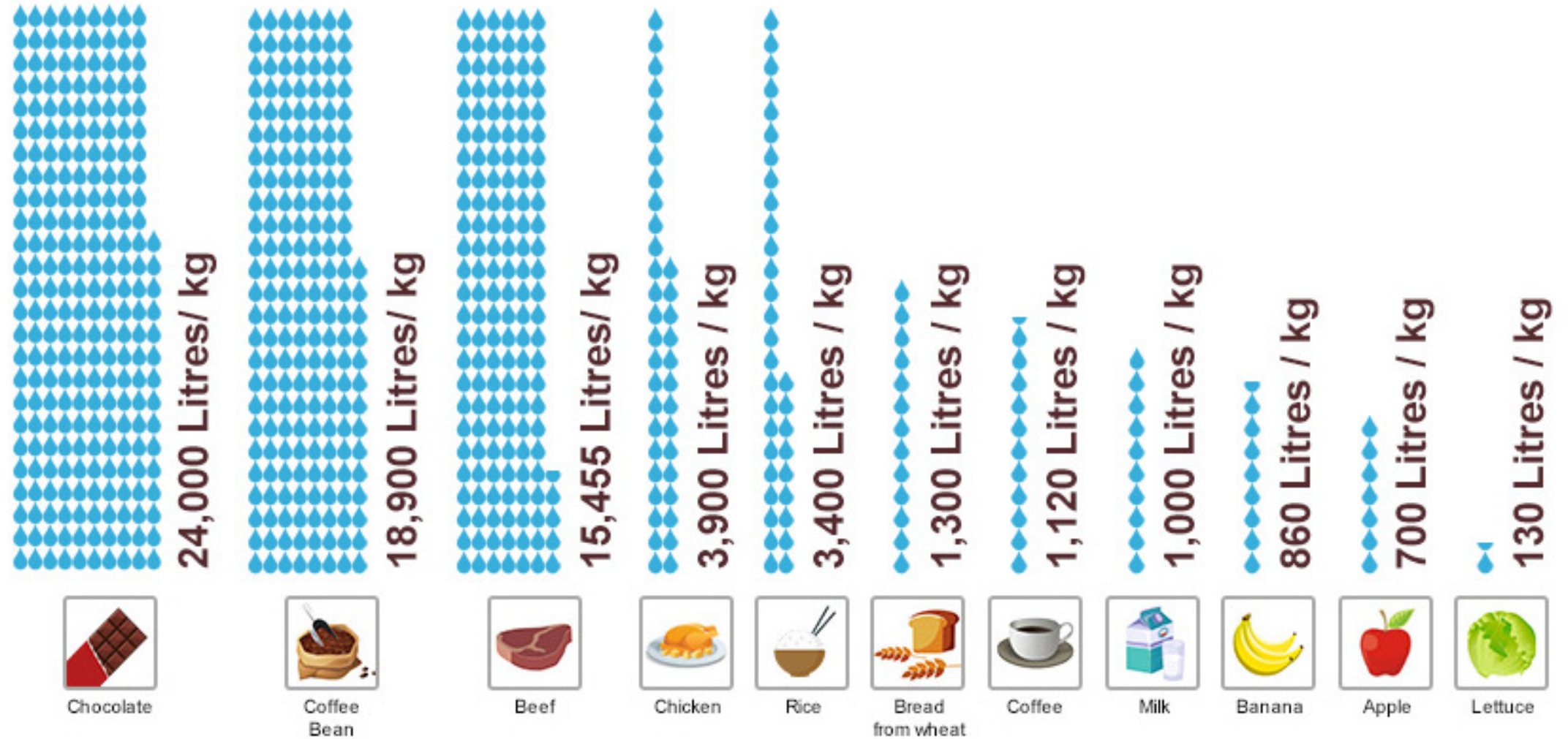
Deforestation and Soft Commodities



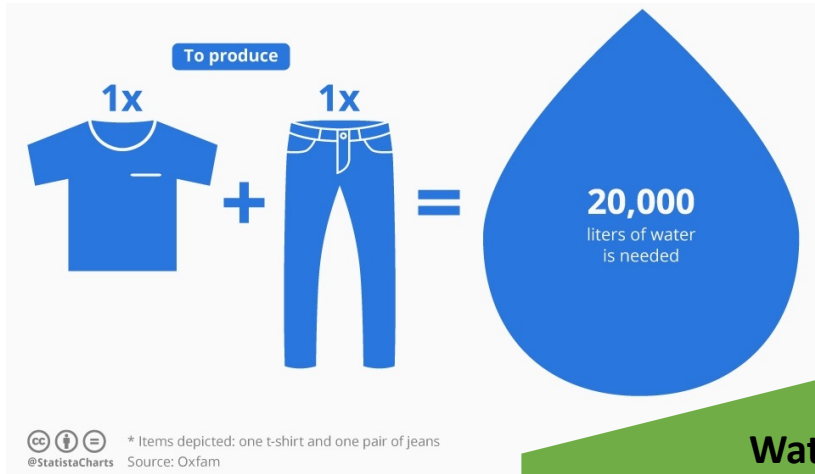
Sustainability Certifications of Soft Commodities



How much water is used in producing your daily food?



Water Consumption in Fashion Industry



Water Consumption

To produce one cotton t-shirt takes 2,700 litres of water = three years' worth of drinking water



Fertilisers

In cotton production the use of fertilisers can cause eutrophication (enrichment of water with nitrogen) which impacts drinking water.

Water Depletion

Cotton production require intensive irrigation –that may deplete freshwater resources and create conflict among users.

Social Risks at the Production Stage



Example of Health and Safety Risks in Manufacturing



**Raza Plaza Building Accident, Bangladesh,
2013**

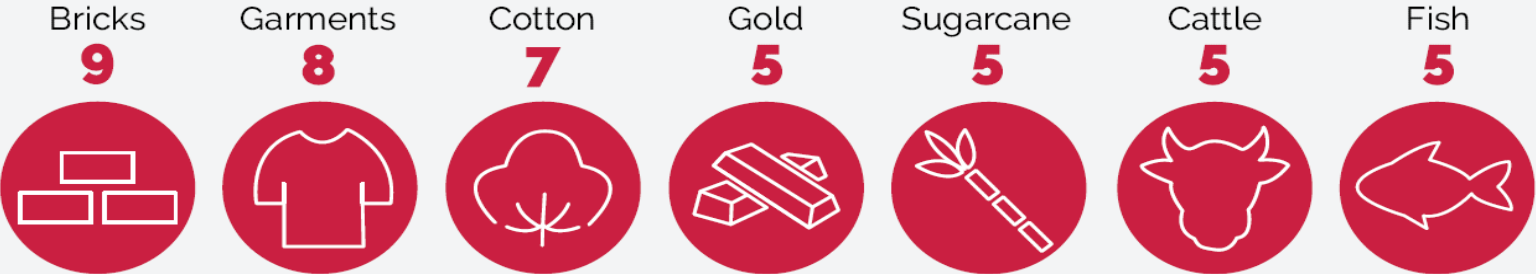
- Collapse of Building housing garment factories
- More than 1,000 people died and 2,500 workers were rescued
- Reputation damage extended through the supply chain
- 23 international brands were customers of the 5 garment factories included Walmart, Benetton and Primark

Goods with Child and Forced Labor Risks

Goods with the Most Child Labor Listings by Number of Countries

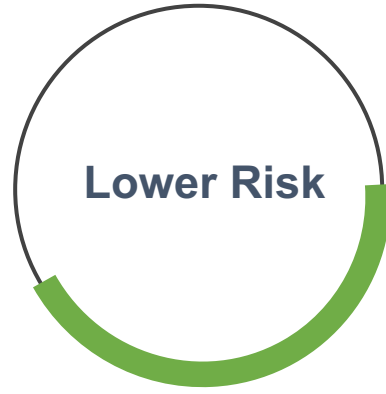


Goods with the Most Forced Labor Listings by Number of Countries



Why E&S Management?

- E&S Management during trade finance is imperative
- Firms that can demonstrate **sound E&S risk management:**



ADB TFP Safeguards

ADB TSCFP Exclusion List

ADB TSCFP follows the ADB Prohibited Investment Activities List, Appendix 5 of ADB's [Safeguard Policy Statement](#) with a few additional items. The following do not qualify for TSCFP financing:

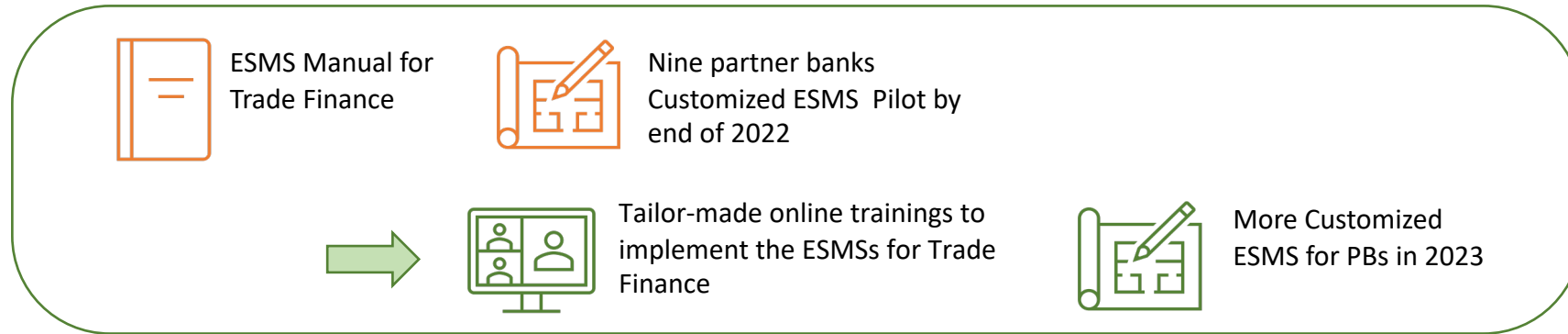
- Forced labor/ child labor
- Any products/ activities deemed illegal under host country laws or international conventions
- Trade in weapons and munitions
- Alcoholic beverages*
- Tobacco¹
- Gambling¹
- Radioactive materials²
- Unbonded asbestos fibers³
- Commercial logging in primary tropical moist forests/ old-growth forests
- Marine and coastal fishing practices which are harmful to vulnerable and protected species
- coal mining⁴, processing, storage, and transportation;
- coal-fired power and heat generation;
- coal to chemicals processes;
- extraction of peat;
- peat-fired power and heat generation;
- upstream oil exploration, drilling or extraction activities;
- natural gas exploration or drilling activities⁵;
- gold mining and ore processing activities;
- ship breaking activities.

ADB TSCFP Specification

- ADB implements specific checks and require evidence of good management on high-risk items:
- Ammoniacal nitrogen / ammonium nitrate
- Cashews (Madagascar)
- Diamonds
- Livestock (Australia)
- Livestock (EU)
- Palm oil derivatives
- Timber and wood products (Including paper and pulp)
- Tin, Tungsten, Tantalum and Gold
- Oil and oil-related products
- Urea

ADB TSCFP Supports for Partner Banks

- ESMS Development



ADB TSCFP ESG Guidance Notes

2022

- Palm Oil
- Energy Transition Safeguards
- Category B Guidance

• 2023

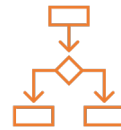
- Forest products
- Cotton



Energy Transition Safeguard Guidance Note



Palm Oil Safeguard Guidance Note



Category B Safeguard Guidance Note



Forest Products Safeguard Guidance Note



Cotton Safeguard Guidance Note

ADB TSCFP Knowledge Products

- GMAP enhancement and training
- Online training on sustainable trade finance
- ESG webinars and f2f training



Podcast with
ICC



Webinar on
ESMS value



Webinar and
guidance document
on purpose and
value of ESRM for
partner banks'
clients (SMEs)



Webinar and
guidance
document on
Sustainable
Goods



GMAP enhancement &
Webinar on GMAP



ESG training
Istanbul, Hanoi and
more



Online ESMS and Labor
DD Webinars and
Guidance Notes

Q&A



Thank you!



LUNCH BREAK

(60 MINUTES)

WORKSHOP ON ESG PRACTICES

📅 19-20 APRIL 2023

📍 HANOI, VIET NAM



SESSION # 4

Introduction to ESMS & Industry Tools

Phuong Tran
ERM

Huong Thien Nguyen
IFC

Session Speakers and Agenda



Phuong Tran
Senior Consultant

ERM Vietnam



Thien Huong
Nguyen

IFC

Introduction to ESMS

Best Practice Approach

Industry Tools and Training

Q&A

The world has changed...

...The evolving global ESG policy landscape presents challenges and opportunities that require increasingly sophisticated E&S Management Systems of financial organizations themselves, but also their clients – equity and loan receivers

Financial organizations - and their clients - have to respond to quickly changing sustainability policies and increasing stakeholder scrutiny. This means that they must build an **Environmental and Social Management Systems (ESMS)** to address a wide range of issues – from climate risks to human rights.

UN Guiding Principles on Business and Human Rights	Require all business enterprises, including entities in the financial sector and their clients , to make a policy commitment to respect human rights , covering all business operations
Equator Principles	Require that clients of Equator Principles Financial Institutions develop and/ or maintain an ESMS
Taskforce on Climate related financial disclosures (TCFD)	Requires companies and financial organizations to incorporate its recommendations in governance systems to enable them to identify, quantify and disclose climate risks and opportunities
Sustainable finance work stream under the EU Green Deal	Underlines that the process of taking due account of E&S considerations when making investment decisions has to be based on the governance, including management structures
ADB, IFC, EBRD, CDC, KfW	Clients are required to have their own ESMS in place comprising of organizational capacity and competency, policies, trainings, stakeholder engagement, monitoring and reporting procedures
Circular No. 17/2022/TT-NHNN	Requires management of environmental risk in credit granting by financial institutes operated in Vietnam



What is Environmental Social Management System (ESMS)?

Does your Bank have an ESMS?

- An ESMS is a **framework** that **integrates E&S risk management** into Financial Institution's (FI) business process.
- An ESMS is **a set of policies, procedures, processes** that are **implemented concurrently** with the existing FI's management process.
- The framework is written in a **standalone document or integrated** within financial institutions risk management system.

Benefits of an ESMS

An ESMS is a tool that:



helps banks make more informed decisions about the clients and transactions they support



provides a systematic way of assessing and managing E&S risks

An ESMS adds value to the business through:



Proactively managing risks



Enhancing relationships with stakeholders



Protecting & Enhancing reputation



Encouraging clients to improve E&S management



Maintaining & enhancing client access to capital and support

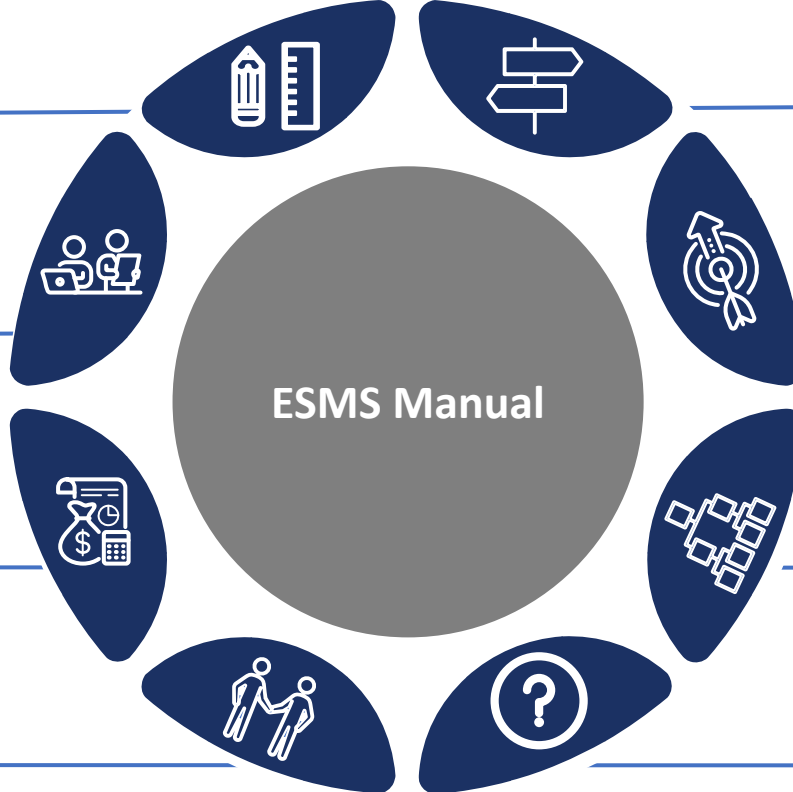
Key Elements of an ESMS in Banking Sector

8. Bank's ESMS Management Review

7. Bank External Reporting and Monitoring

6. Client E&S Performance Monitoring and Client E&S Self-Monitoring Reporting

5. E&S Risk Approval and E&S Covenants



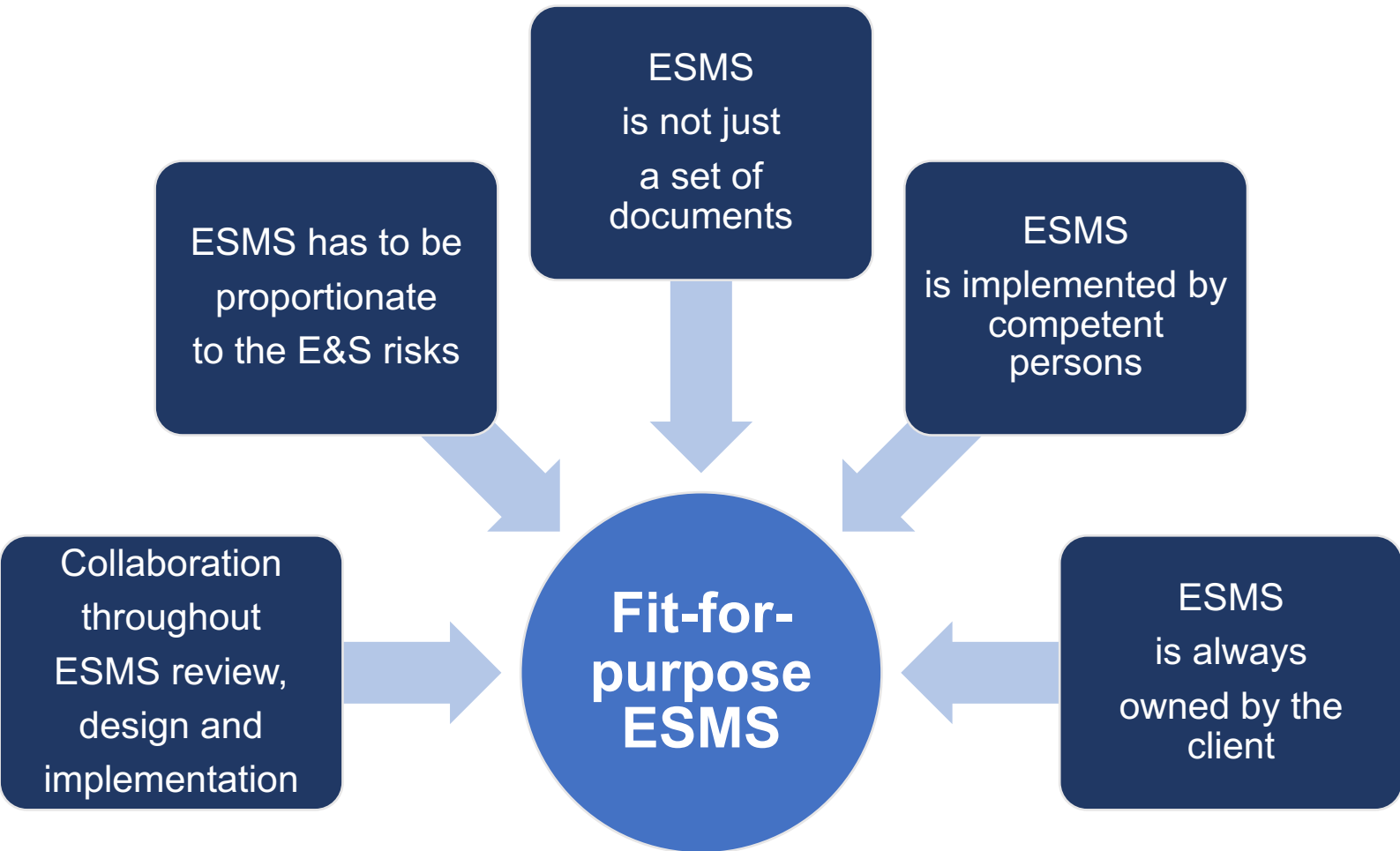
1. E&S Policy Commitment

2. Scope of Applicability

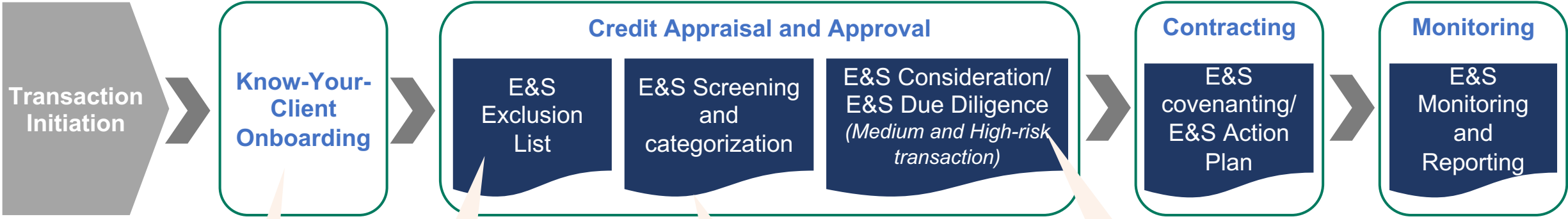
3. Governance Structure

4. E&S Risk Screening, Categorization and Due Diligence

Key Principles to Build a fit-for-purpose ESMS



How ESMS is Integrated into Bank's Investment Decision-making?



SWIFT KYC Registry

- ADB's Prohibited Investment Activities List
- IFC's Exclusion List
- Bank's Exclusion List

- ICC's Sustainable Trade Finance Customer Due Diligence Guidelines
- ADB's E&S Categorization
- Equator Principles' E&S Categorization
- IFC's E&S Categorization
- GMAP, ILO, US Department of Labor, etc.

- ADB's Safeguard Policy Statement
- Equator Principles IV
- IFC's Performance Standards

Key Roles and Responsibilities of Leaders

Leaders to drive the change



Accountability for compliance to E&S Risk Management requirements



Senior Leadership Reviews and Meetings on E&S Risk Management Implementation



Senior Development and Regular Reviews of ESMS

Ensure they have sufficient information regarding the potential E&S risks associated with a transaction available to make an informed credit decision and that they are comfortable that the provisions of the Loan agreement are sufficient to ensure identified E&S risks are managed so as to be acceptable to the requirements

Interaction: What Can Be Done Differently?

Scenarios are shown in the following slides. As a group, discuss and present:



- What is the implication to the financial institution?
- What is the bank leader expected to do in this scenario?
- How will the risk be mitigated/ managed?

Scenario 1: What should be done...

Context:

Hoan Kiem Lake Inc (HKL) is Best Hanoi Bank's (BHB) high performing client.

- HKL is operating in cement plant, which commenced operations in 2011 after a 3-year long process of a delayed construction period
- 700 staff and workers are engaged at the plant (including migrant workers). About 25 employees represent over 100 project affected families from whom land was acquired
- HKL's limestone supply comes from the Hotay Conservation Area.

Access to Finance:

HKL intends to install one additional production line in the existing facility, and request BHB's support with providing a bank guarantee for purchasing an important equipment for their new production line.

BHB has recently received a credit line from ADB and the CEO finds the HKL application fits for ADB's finance.

Given this context,

- *What will the BHB be expected to do to ensure HKL can access finance from ADB?*
- *What are the potential E&S risks associated with this scenario?*
- *What could be the implication to the BHB?*

Scenario 2: What is the implication?

- Truc Back Ltd (TBL), a SME specializing in textile industry, wants to import cotton from overseas. TBL is an existing frequent client of Ancient Town Bank (ATB) since 2020. TBL recently requested ATB to provide Letter of Credit for their import of cotton from overseas
- Their requests for trade finance support also went through the Bank's ESMS process
- ATB's Chief Risk Officer and the Relationship Director for TBL are called for an urgent meeting by the Board. During the meeting, the Board indicates that there soon be a news story on TBL for the following issues which indicates major ESG governance concerns:
 - Five complaints of sexual harassment of housekeeping staff in last two years
 - TBL is sourcing cotton from a region with high risk of forced labor
 - MoNRE notices to TBL on non-compliances with the Law on Environmental Protection.



Based on a review of internal documentation, it appears that ATB has no records on either ESAP implementation, reports of any violations, E&S performance monitoring report or any senior leadership review meetings between 2020 to date. The assigned Relationship Manager has made remarks that 'no travel due to COVID-19'.

Typical Concerns relating to Implementing an ESMS

What challenges do the Banks face when implementing an ESMS?

Will integrating ESMS into credit process create additional burden, given credit process is fast-moving?

Will ESMS create a barrier for client to access Bank's finance?



What are the costs involved in setting up an ESMS in a Bank?

Attracting, inspiring, developing and rewarding our people to work with the best clients and on the biggest challenges.

What can the Bank do if the Client does not agree with E&S clauses in the contract and the Bank will lose the Client?

What can the Bank do if the Client does not implement the ESAP?

Examples

Sacombank

Saigon Thuong Tin Commercial Joint Stock Bank (Sacombank) established an ESMS following IFC PSs in 2012.

(<https://vnexpress.net/sacombank-ap-dung-he-thong-esms-2724650.html>)



VPBank

Vietnam Prosperity Joint Stock Commercial Bank (VP Bank), developed and implemented an ESMS according to IFC PSs in 2016, which is integrated in the credit operations.

(<https://vietnamnews.vn/economy/853428/vpbank-praised-for-sustainability.html>)



BIDV

In 2019, Bank for Investment and Development of Vietnam (BIDV) developed and implemented an ESMS satisfactory to ADB requirements to enhance management of E&S risks in credit granting.

(<https://www.bidv.com.vn/bidv/tin-tuc/tin-ve-bidv/bidv-tiep-tuc-lan-gan-hang-sme-tot-nhat-vietnam>)



ADB's Pilot ESMS for Trade Finance

ADB is keen to support other partner banks in this process.



Standards and Tools for ESMS



IFC Performance Standards for Social and Environmental Sustainability



IFC Social and Environmental Management Systems



ISO 14001: Environmental Management Systems



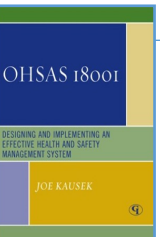
SA (Social Accountability) 8000



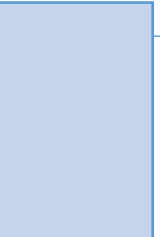
DFI Toolkits e.g. CDC Toolkit, ESG Management Systems for Fund Managers



ISO 9001: Quality Management Systems



ISO 45001: Occupational Health & Safety



EBRD Environmental and Social Risk Management Manual (E-Manual)

Industry Tools for ESMS Implementation

KYC

- SWIFT KYC registry

Screening

- ADB E&S Specification List
- IFC Global Map of Environmental & Social Risk in Agro-Commodity Production (GMAP)
- US Department of Labor
- ILO (International Labor Organization)

ESDD

- Desktop review
- Site visit
- Stakeholder engagement
- External factors analysis

Training


- ADB sponsored ESG online trainings
- TSCFP recorded webinars available on the website
- International Chamber of Commerce (ICC) online trainings

Sharing from IFC about Industry Tools relating to ESMS Implementation

IFC's E&S APPROACH FOR FIs

Integrated ESG
Driving Sustainable Investment

 **IFC** | **International
Finance Corporation**
WORLD BANK GROUP
Creating Markets, Creating Opportunities

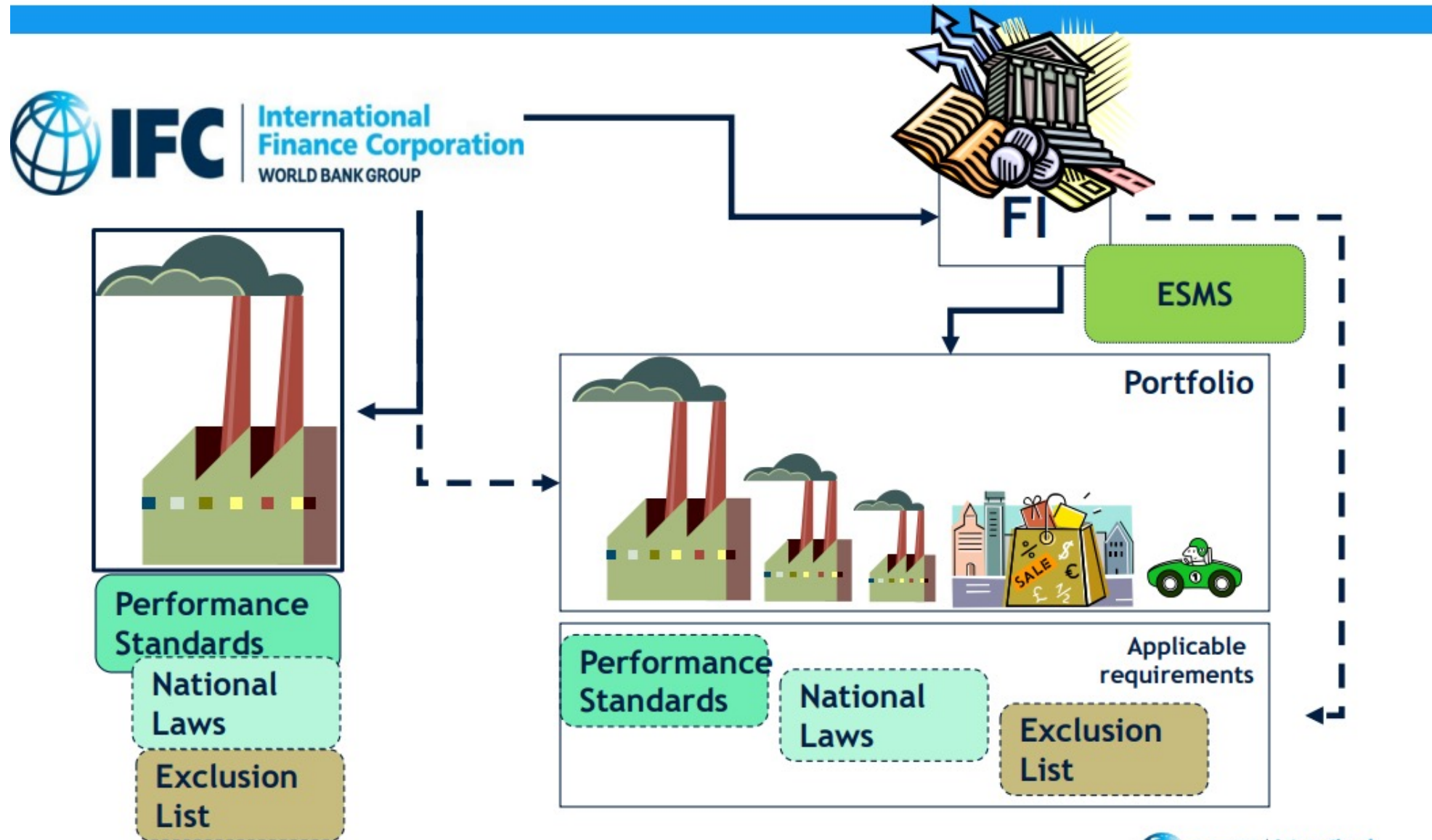
 Schweizerische Eidgenossenschaft
Confédération suisse
Confederazione Svizzera
Confederaziun svizra
Swiss Confederation

Federal Department of Economic Affairs,
Education and Research EAER
State Secretariat for Economic Affairs SECO

IFC Sustainability Framework



IFC's E&S Approach to investments in FIs



Performance Standards



Assessment & Management of Environmental & Social Risks & Impacts



Labor and Working Conditions



Resource Efficiency and Pollution Prevention



Community Health, Safety, and Security



Land Acquisition and Involuntary Resettlement



Biodiversity Conservation and Sustainable Management of Living Natural Resources

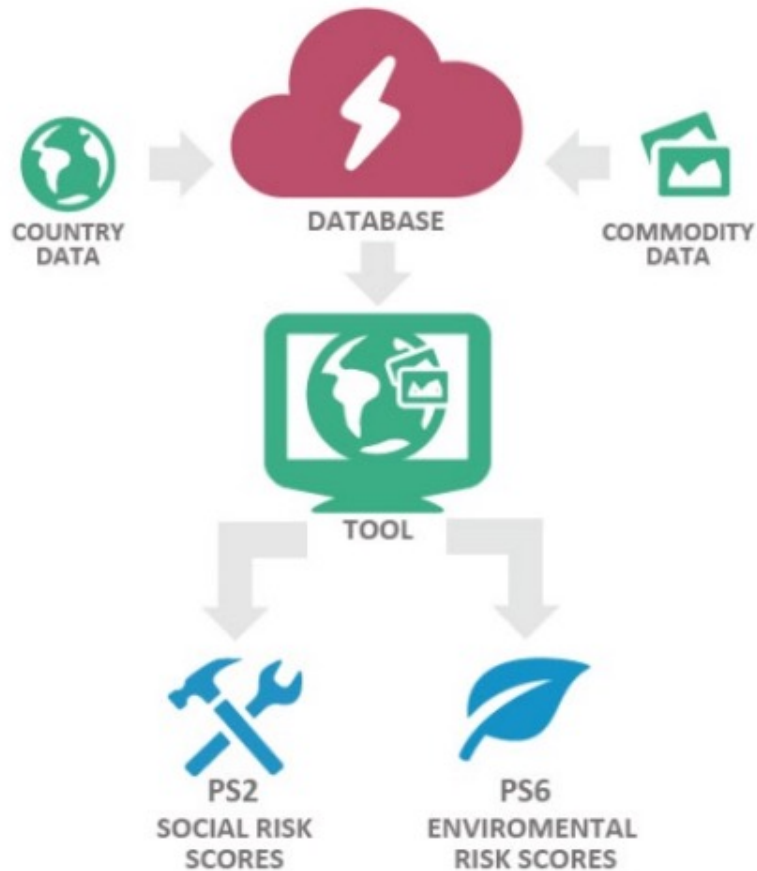


Indigenous Peoples



Cultural Heritage

The Global Map of Environmental & Social Risk in Agro-commodity Production - GMAP



- GMAP - **online database** developed by IFC in partnership with WWF and ITC.
- Aggregates information on **E&S risks** for about 250 country-commodity combinations and assigns a color-coded risk score that provides a basis for more systematic E&S due diligence, risk management, and decision-making on financing.

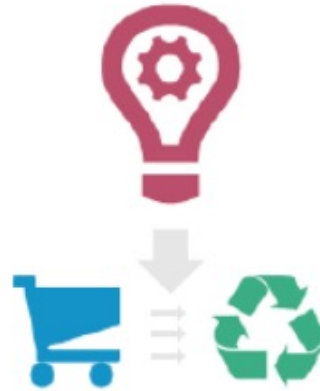
The Global Map of Environmental & Social Risk in Agro-commodity Production - GMAP

STRENGTHEN DD PROCESSES



Support financial institutions to strengthen their environmental and social due diligence screening procedures.

SUSTAINABLE SOURCING



Support agribusiness with undertaking high-level risk assessment of sourcing and defining sustainability sourcing strategies.

EXPEDITE DECISION-MAKING



Expedite agro-commodity short-term and trade financing decisions.

The Global Map of Environmental & Social Risk in Agro-commodity Production - GMAP

GMAP provides a high-level country and commodity-level evaluation of environmental and social risks associated with agro—commodity primary production. The criteria and indicators align with the IFC 2012 Performance Standards on Environmental and Social Sustainability, in particular the supply chain-related requirements of:



Labor and Working Conditions

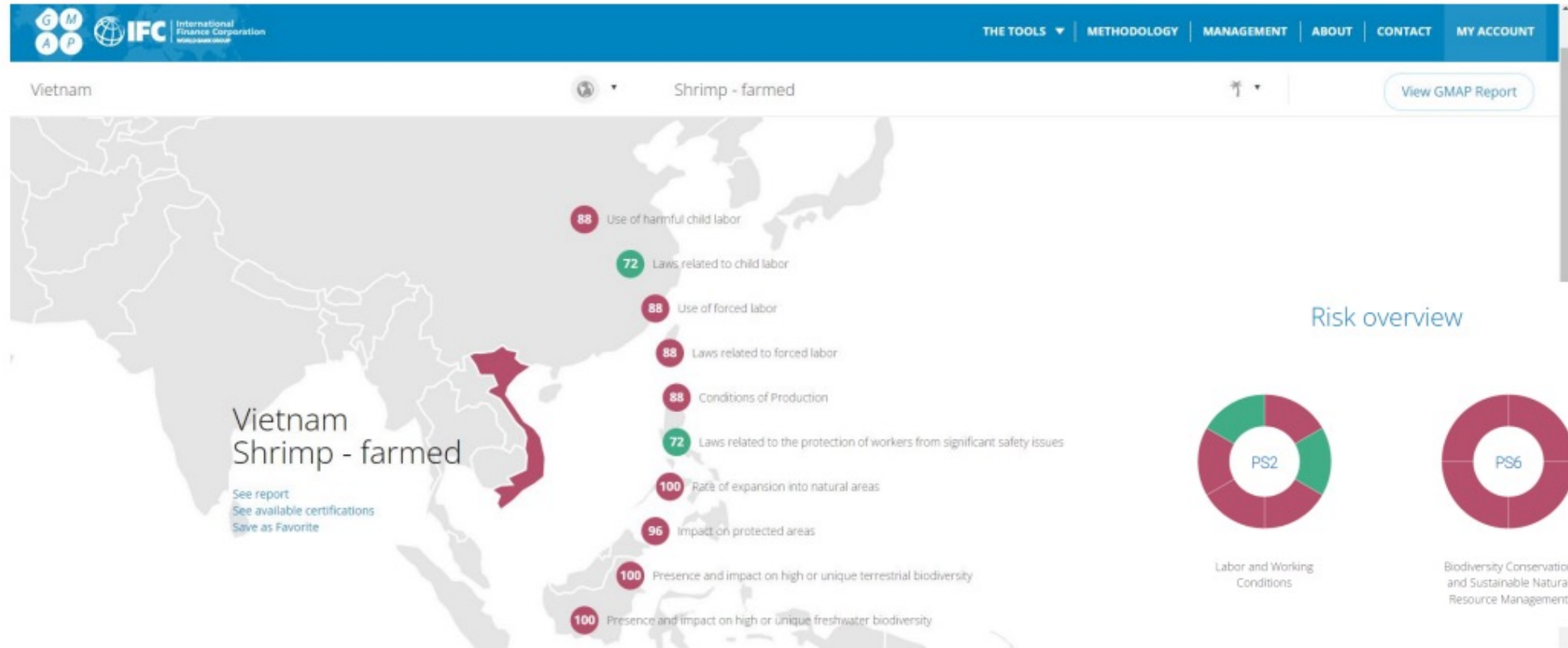
- Use of harmful child labor
- Laws related to child labor
- Use of forced labor
- Laws related to forced labor
- Conditions of production
- Laws related to the protection of workers from significant safety issues



Biodiversity Conservation and Sustainable Management of Living Natural Resources

- Rate of expansion into natural areas
- Impact on protected areas
- Presence and impact on high or unique terrestrial biodiversity
- Presence and impact on high or unique freshwater biodiversity

The Global Map of Environmental & Social Risk in Agro-commodity Production - GMAP



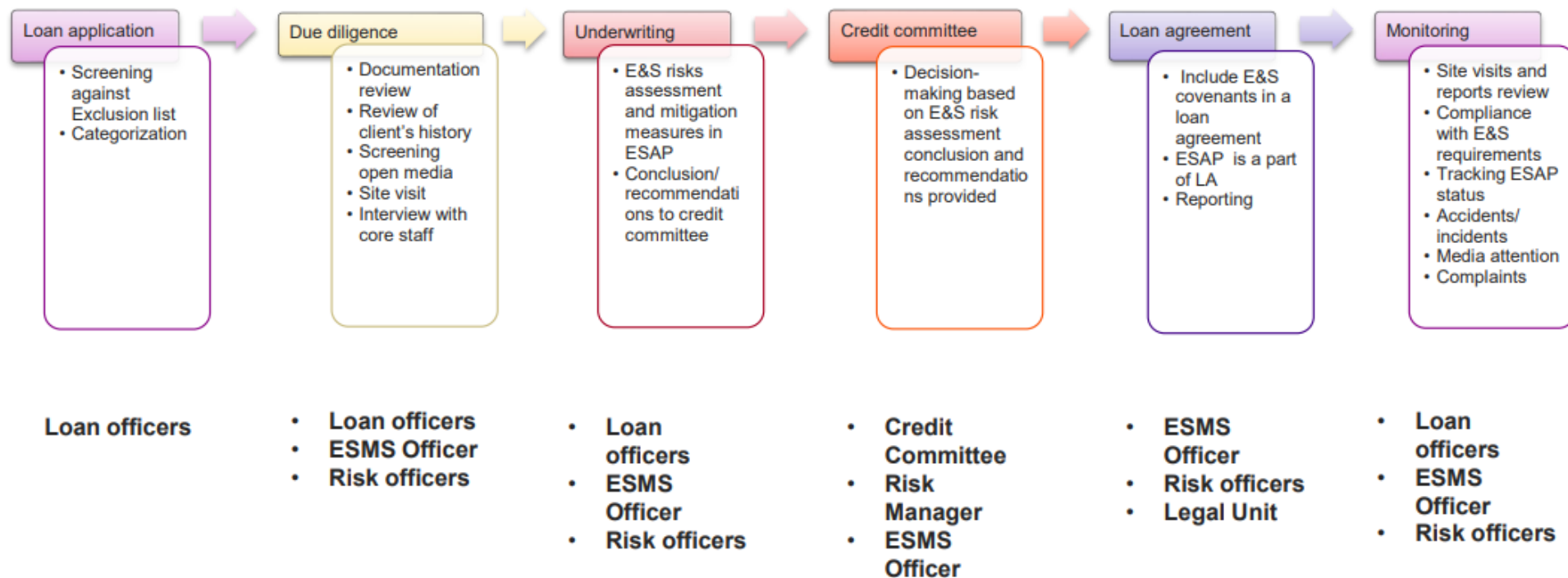
- A higher score on the matrix implies a higher probability of occurrence and severity of impact.
- The higher the score, the higher the risk. The analysis can help to identify and prioritize areas for potential risk management.

KEY COMPONENTS OF ESMS

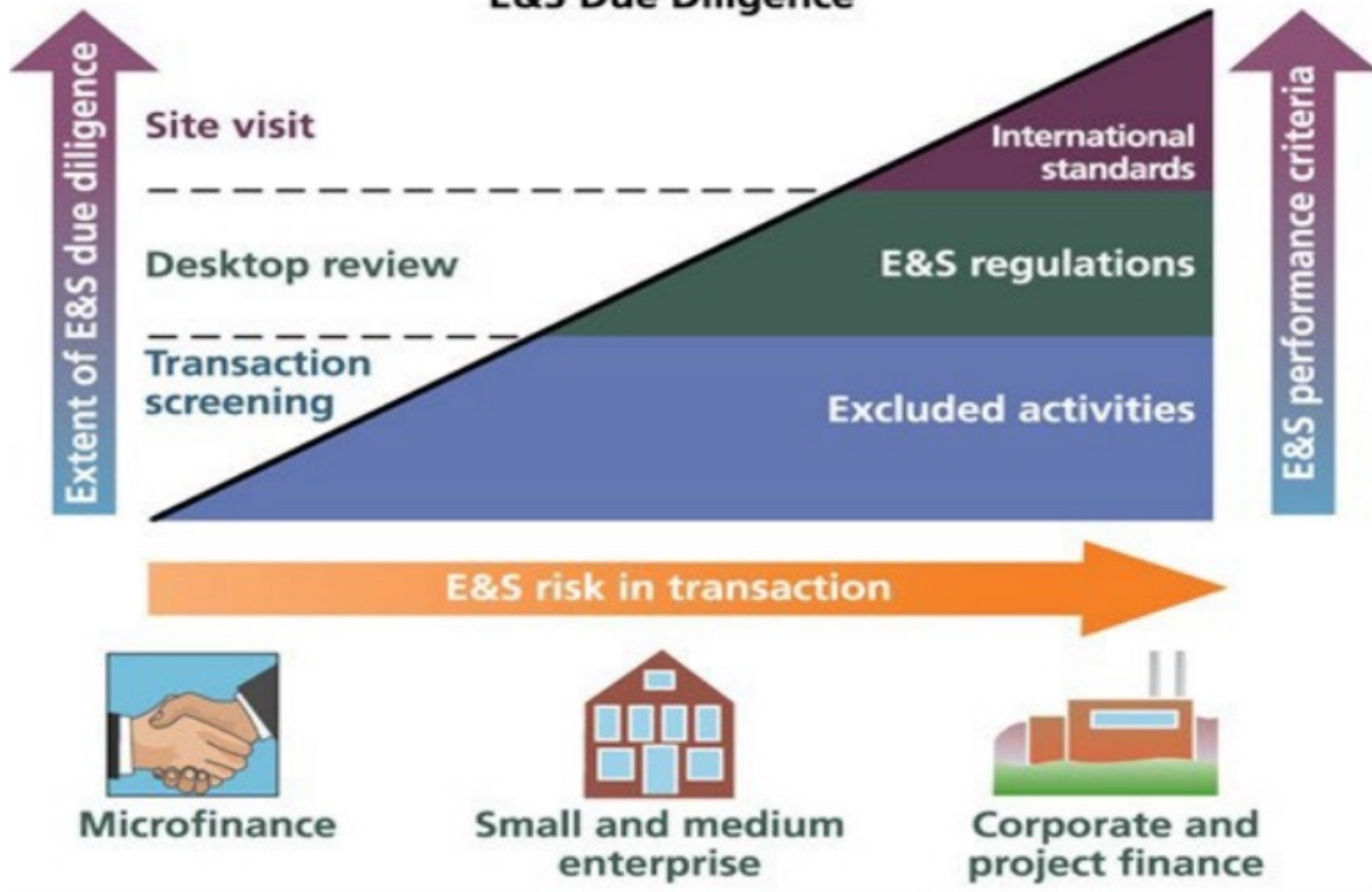
- **E&S Policy**
- **E&S Appraisal procedures: investment screening, risk categorization, E&S due diligence**
- **Decision-making: E&S Requirements for approval**
- **E&S Supervision procedures**
- **E&S Capacity: roles and responsibilities for implementing the procedures**
- **External Communications Mechanism**
- **External reporting**
- **ESMS monitoring and review**



ESMS integrated in credit / investment review process



E&S Due Diligence



ESDD FOR HIGH-RISK TRANSACTIONS

What are potential high-risk transactions:

a) involuntary resettlement

b) risk of adverse impacts on Indigenous Peoples,

c) significant risks to or impacts on the environment, community health and safety, biodiversity, cultural heritage or

d) significant occupational health and safety risks

High Risk

- Transactions typically involve clients/investees with business activities with significant adverse environmental and social impacts that are sensitive, diverse, or unprecedented

Medium Risk

- Transactions typically involve clients/investees with business activities with specific environmental and social impacts that are few in number, generally site-specific, largely reversible and readily addressed through mitigation measures and international best practice

Low Risk

- Transactions typically involve clients/investees with business activities with minimal or no adverse environmental and social impacts

FI client to appropriately assess and require its clients to mitigate these risks and impacts in line with the IFC Performance Standards - External experts to be sourced for helping with ESDD

Environmental and Social Risk management (ESRM) – Role of Board

Board oversees ESRM implementation by the management to ensure:

- A sound risk management framework is in place for the identification, assessment and mitigation of E&S risks, along with other business risks;
- ESRM roles and responsibilities are clearly defined;
- E&S policies and procedures are documented, with proper safeguards and control defined;
- ESRM procedures are executed properly;
- There are structured means to monitor E&S risks, along with other risks, including standard indicators and reporting;
- There is compliance / audit against E&S policies/ procedures, including external audit, as well as compliance reporting to the Board.

E-LEARNING on SUSTAINABLE FINANCE



Đẩy mạnh Phát triển Bền vững



Giới thiệu khóa học

Chương trình Tích hợp Môi trường, Xã hội và Quản trị (ESG) – một sáng kiến hợp tác giữa tổ chức Tài chính Quốc tế (IFC) và Tổng cục Kinh tế Liên bang Thụy Sĩ (SECO) – đã và đang hỗ trợ Ngân hàng Nhà nước Việt Nam trong việc xây dựng các chính sách tài chính bền vững (Theo Chỉ thị về Tín dụng Xanh và Quản lý rủi ro môi trường & xã hội và Thông tư số 39/2016/TT-NHNN). Các chính sách này yêu cầu các ngân hàng thiết lập và triển khai hệ thống quản lý rủi ro môi trường & xã hội (MTXH) trong hoạt động cho vay của mình. Mỗi đầu, vào cuối năm 2018, Ngân hàng Nhà nước đã ban hành Quyết định số 1640/QĐ-NHNN phê duyệt Đề án phát triển ngân hàng xanh tại Việt Nam. Quyết định này đang được nâng lên Thông tư về Quản lý rủi ro môi trường số 17/2022/TT-NHNN ngày 23/12/2022 về Hướng dẫn thực hiện quản lý rủi ro về môi trường trong hoạt động cấp tín dụng nhằm quy định cụ thể việc thực hiện Điều 149 về Tín dụng xanh trong Luật Bảo vệ môi trường 2020.

Nhằm nâng cao kiến thức về tài chính bền vững nói chung và quản lý rủi ro MTXH nói riêng trong ngành ngân hàng, IFC hợp tác với Hiệp hội Ngân hàng Việt Nam (VNBA) xây dựng và tiến khai khóa đào tạo trực tuyến “Tài chính bền vững”, với các học liệu được phát triển và truyền tải dưới nhiều định dạng khác nhau như video bài giảng, tài liệu đọc, bài giảng tương tác và các câu hỏi tình huống.

Nội dung chính của khóa học

- 01 Giới thiệu về tài chính bền vững
- 02 Hệ thống quản lý rủi ro MTXH (ESMS) đối với ngân hàng
- 03 Thẩm định MTXH đối với hoạt động cho vay của ngân hàng
- 04 Sản phẩm tài chính ngân hàng bền vững
- 05 Tác động MTXH của các hoạt động ngân hàng – Giám sát và báo cáo

Thời lượng khóa học

120 phút (không bao gồm thời gian dành cho câu hỏi ôn tập)

Kết quả đạt được

Sau khóa học, học viên có thể:

- Giải thích được khái niệm tài chính bền vững và các yếu tố ảnh hưởng đến tính bền vững
- Nhận diện các tiêu chuẩn MTXH toàn cầu, đặc biệt là các tiêu chuẩn hoạt động của IFC, và các tiêu chuẩn MTXH quốc gia
- Xác định các rủi ro MTXH mà các tổ chức tài chính ngân hàng Việt Nam gặp phải và tầm quan trọng của hệ thống quản lý rủi ro MTXH hiệu quả
- Xác định được các yêu cầu và tiêu chuẩn đối với từng cấu phần và quy trình trong hệ thống ESMS
- Liệt kê các sản phẩm tài chính ngân hàng bền vững điển hình

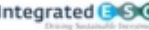
Đối tượng tham gia

Cán bộ cấp quản lý và cấp nhân viên của các ngân hàng thành viên của Hiệp hội Ngân hàng Việt Nam

Giới thiệu khóa học

10 Điểm

10 lượt xem | 0/5 (0 đánh giá) | Đánh giá của bạn



Kiến thức cơ bản về tài chính bền vững


- Khái niệm, yếu tố ảnh hưởng đến tính bền vững
- Trách nhiệm MTXH
- Tiêu chuẩn quản lý rủi ro

Rủi ro MTXH của các tổ chức tài chính VN Hệ thống quản lý rủi ro MTXH


- Thẩm định MTXH
- Giám sát và báo cáo

Sản phẩm tài chính ngân hàng bền vững phổ biến trên thị trường

- Khoản vay xanh
- Trái phiếu xã hội
- Trái phiếu xanh
- Trái phiếu bền vững

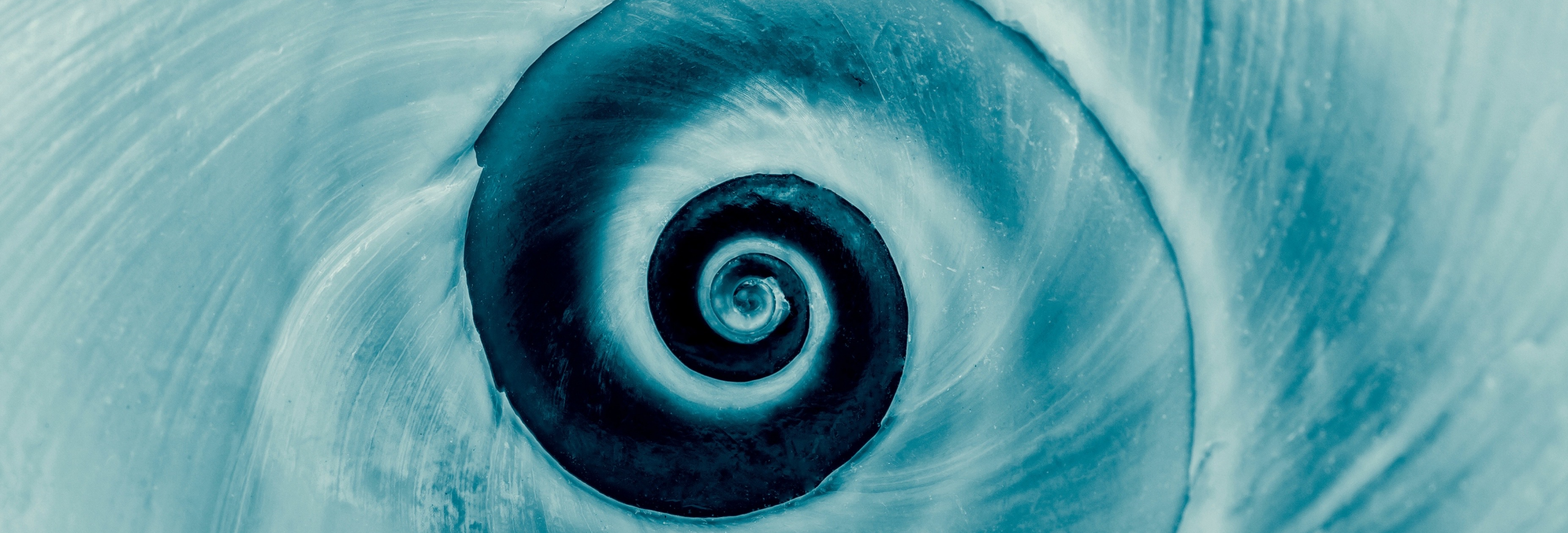


NỘI DUNG CHÍNH



Key Takeaways

- ESMS is a **framework** providing a **systematic** way of assessing and managing **E&S risks**
- An ESMS adds **values** to business
- ESMS is not a stand-alone process, but **integrated** in the Bank's credit process
- **Industry tools** are available to support ESMS implementation



Thank you!

- **Phuong Tran**
- Senior Consultant
- ERM Vietnam
- Phuong.Tran@erm.com
- **Thien Huong Nguyen**
- IFC



SESSION # 5

The Mekong Club Modern Slavery / Labor Risks and Banking Industry

Matt Friedman
Mekong Club

WORKSHOP ON ESG PRACTICES

 **19-20 APRIL 2023**

 **HANOI, VIET NAM**

Session Speakers and Agenda



**Matthew
Friedman**

The Mekong Club

What is Modern Slavery, Facts and Figures

Emerging Trends

Labor Risks in Supply chain

Why manage Labor Risks in the Banking Industry

Workshop on ESG Practices
19-20 April 2023, Hanoi, Vietnam

Forced Prostitution



Fishing



Seafood Packing



Scam Ring





Emerging Risks



Human Trafficking = Modern Slavery



ILO Definition of Forced Labor

- **ILO definition of forced labor:** “All work or service which is exacted from any person under the threat of a penalty and for which the person has not offered himself or herself voluntarily.”.
- **The definition consists of three elements:**

Work or service

refers to all types of work occurring in any activity, industry or sector including in the informal economy

Menace of penalty

refers to a wide range of penalties used to compel a person to work

Involuntariness

refers to a person being unable to exercise his/her right to free and informed consent

ILO Definition of Child Labor

- ILO definition of child labor: “Work that deprives children of their childhood, their potential and their dignity, and that is harmful to physical and mental development”.
- It refers to work that:

Is **mentally, physically, socially or morally harmful** to children

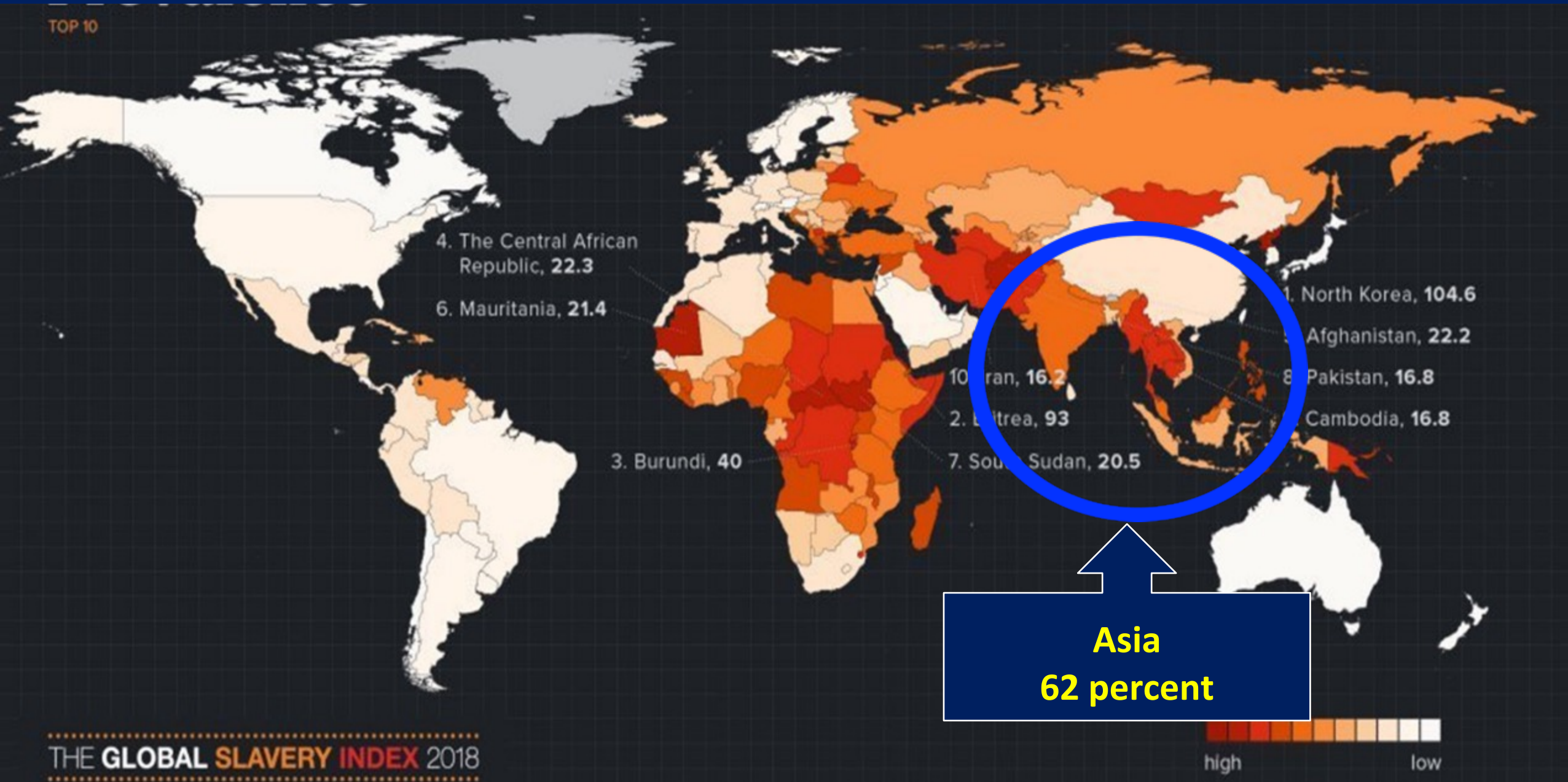
Interferes with their schooling by depriving them of the opportunity to attend school

Requires them to attempt to **combine school attendance** with excessively long and heavy work

Forced labor-modern slavery- child labor

This presentation in introduce these topics. More will follow in a second presentation tomorrow.

Over 50,000,000 Modern Slaves Globally!

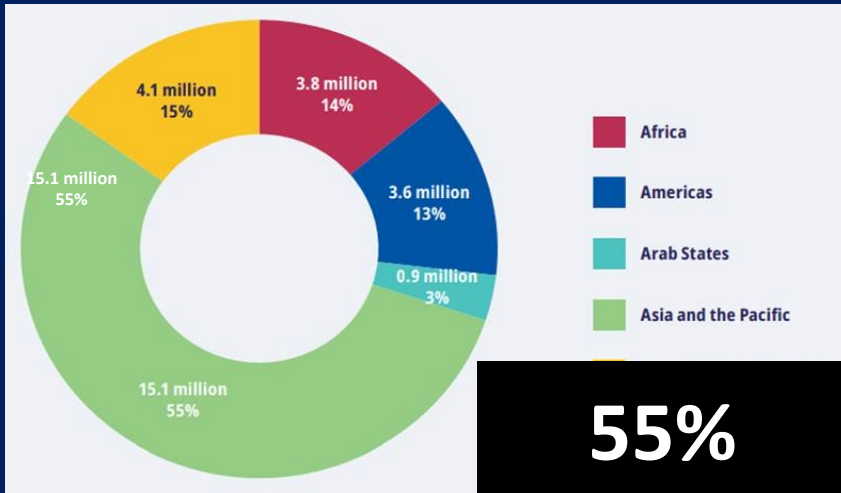


Global Statistics: Forced Labor

27.6 million
people globally



3.3 million
children

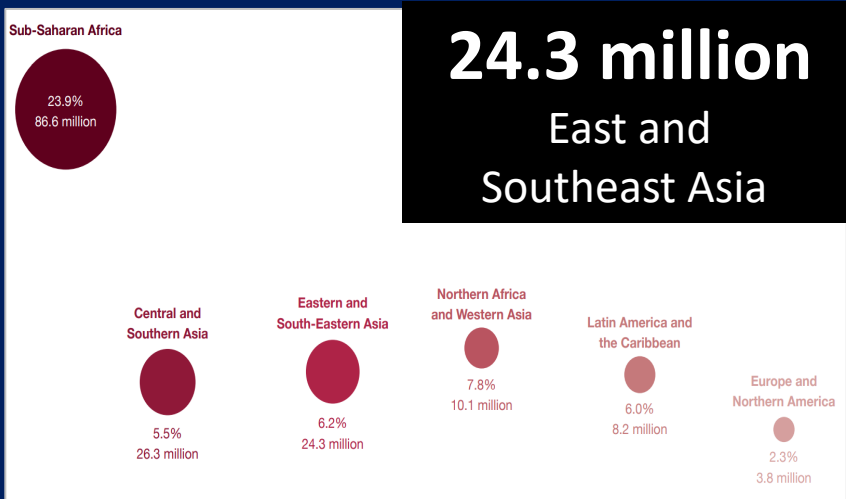


55%
APAC

86%
in private sector

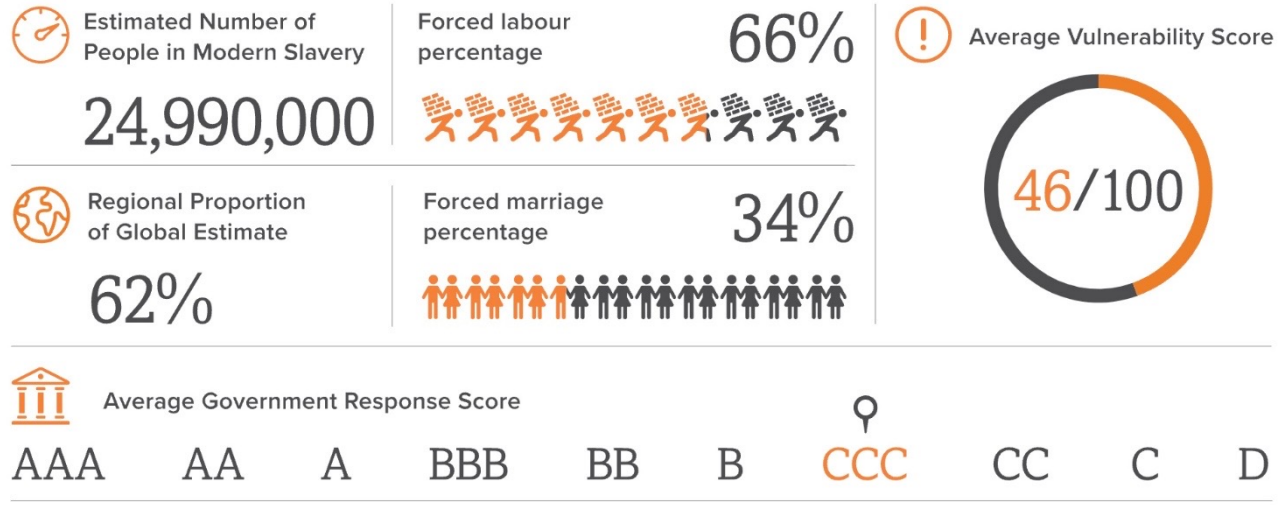


Global Statistics: Child Labour



Human Trafficking in APAC

Slavery Index figures:



Human Trafficking in Vietnam

Vietnam key figures:



Country	Estimated prevalence (victims per 1,000 population)	Estimated absolute number of victims	Population
Viet Nam	4.5	421,000	93,572,000

Rate of Exploitation

1 every 4 seconds

1,050 per hour

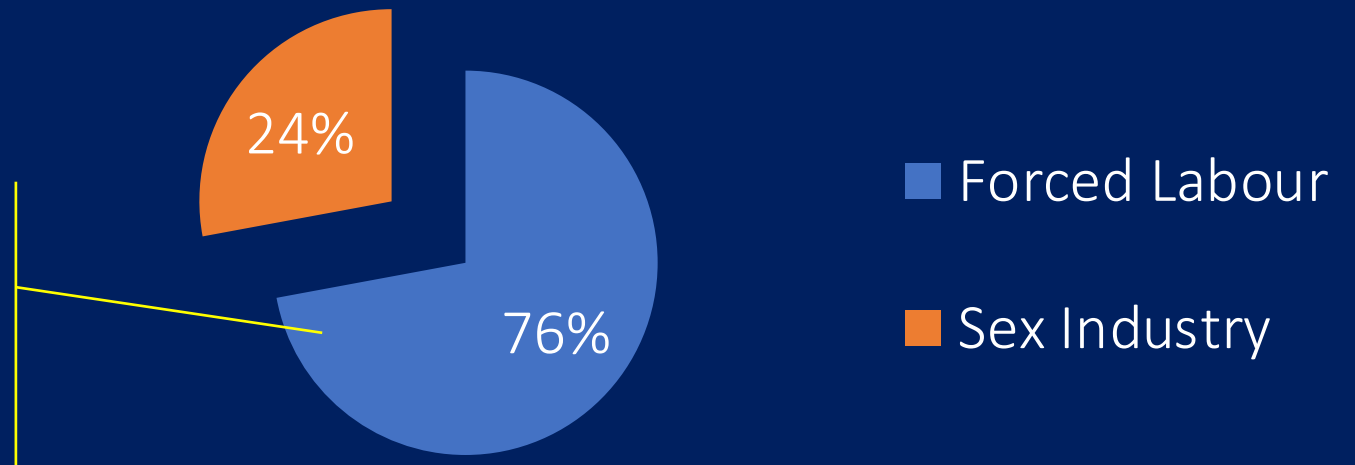
25,200 per day

9.2 million per year



Forced Labor versus Forced Prostitution

60 percent of the cases are associated with product supply chains (the items we all buy)



Who are the Traditional Responders?



Private Sector

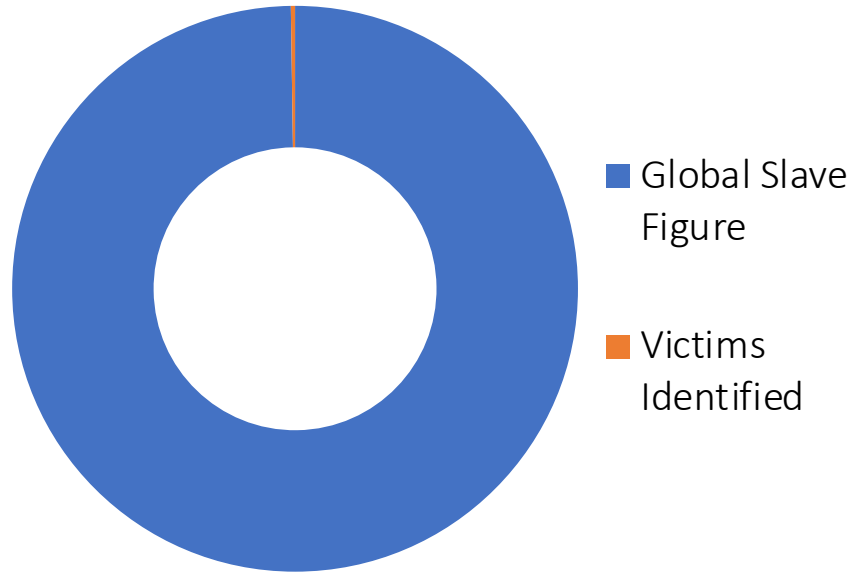


Consumers

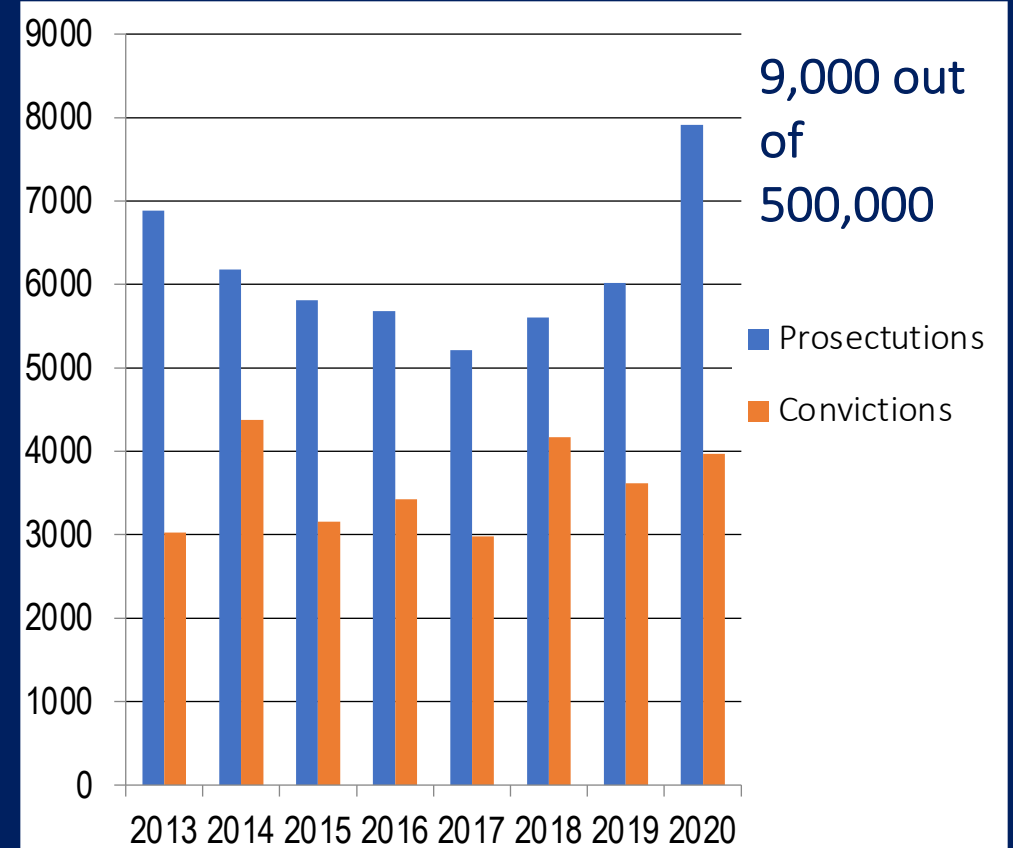


How is the world doing?

108,000 out of 40 million



Only 108,000 People Helped
(0.2 Percent)



Only 9,000 Criminals Convicted
(0.8 percent)

The Profits are Excessive



US\$150 Billion
Profits from
Slavery

Funding
Available
US\$350 Million
(0.23 percent)



21 Days of
Potato Chip
Eating

Why is this so Low?



Scale

Awareness





Emphasis on “Business Risk”

Emerging Trends



Expanding Legislation

1



Before 2012

UN - Non-binding

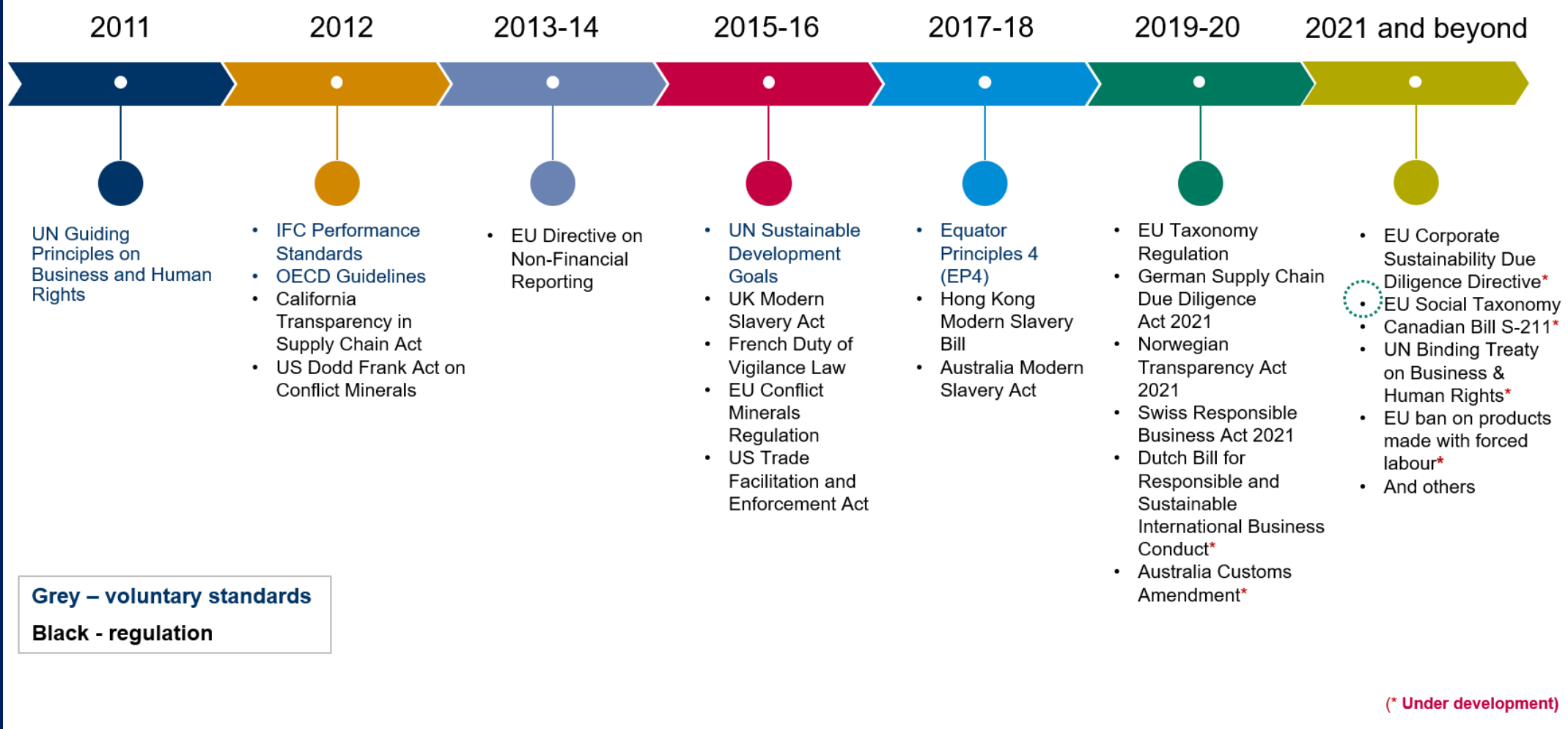
1. UN Principles on Business and Human Rights
2. International Labor Organization Conventions

2012 Onward

Supply Chain Legislation

1. California Transparency in Supply Chains Act
2. UK Modern Slavery Act
3. Duty of Vigilance (France)
4. Australia Modern Slavery Act
5. German/Canada Acts

Legislation is on the Rise



Class Action Lawsuits

Seafood (Retailers)

Chocolate (Major Brands)

2

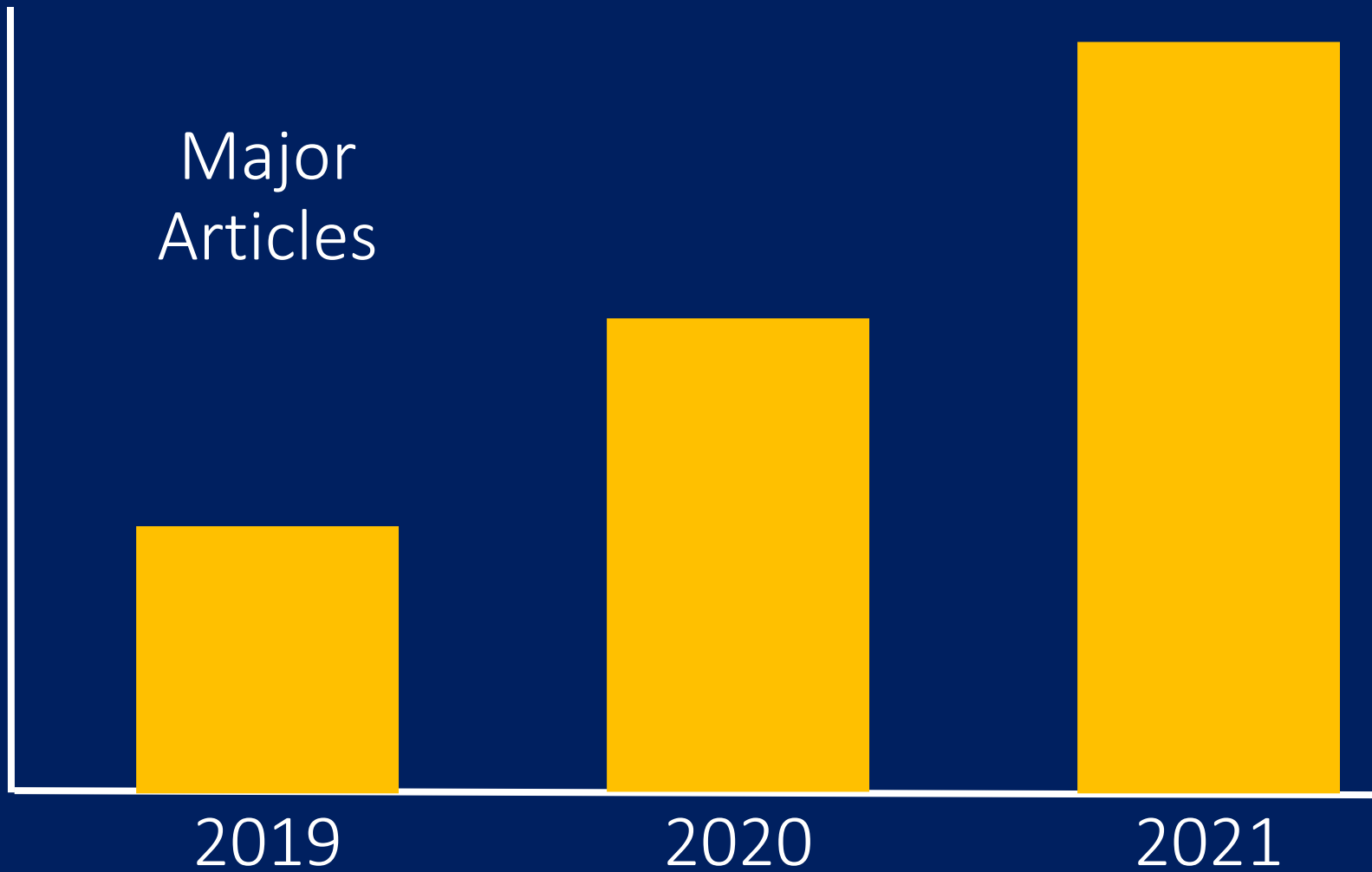


Increased Media Attention

3



Brand “Naming and Shaming” is Increasing



ESG

4



ESG investment will be held by Millennials



84%

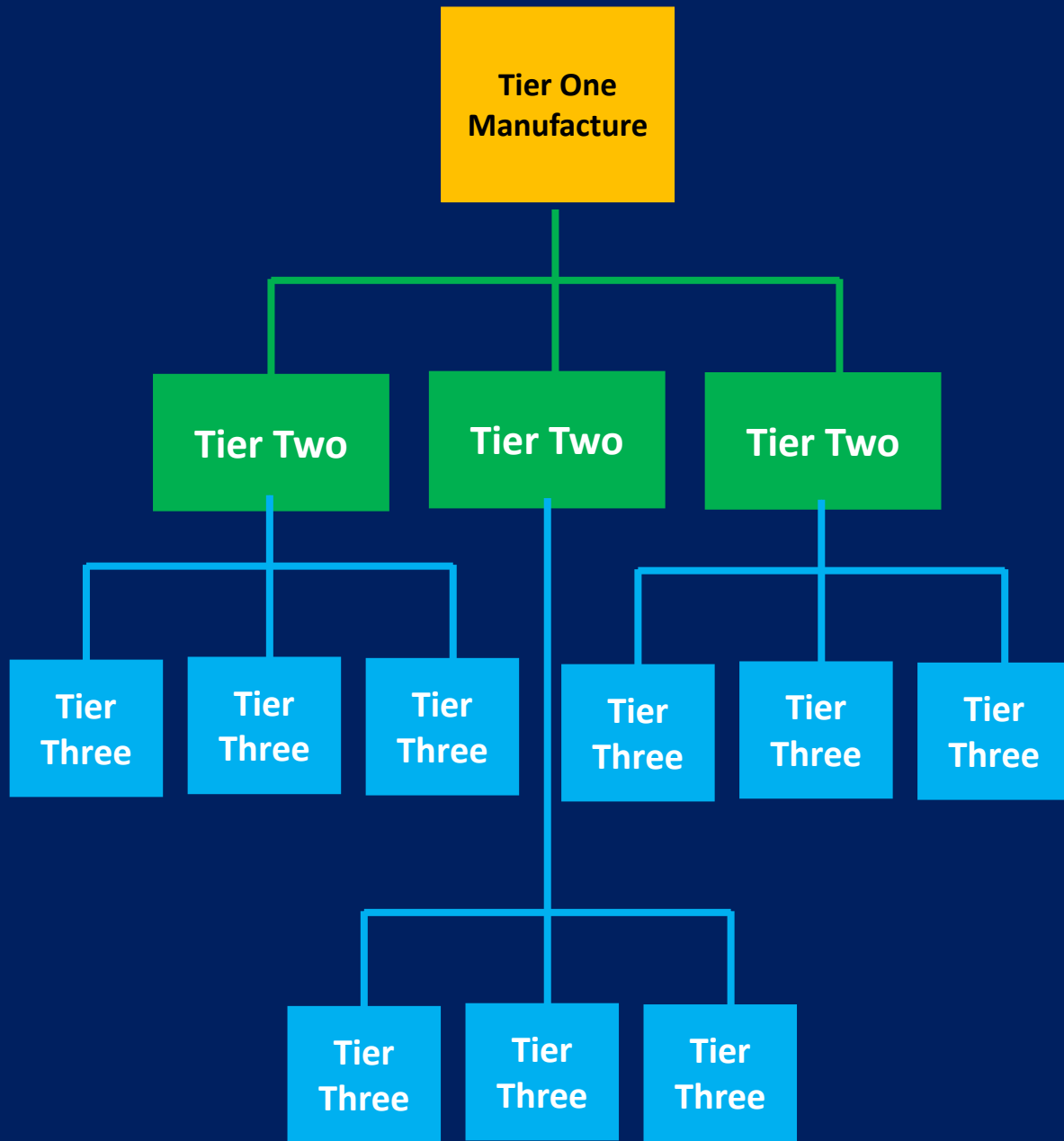
Millennial investors value ESG impact (MS)

\$30 Trillion

Transfer of assets from baby boomers to millennials in the next decade

Supply Chains





ILO Indicators of Forced Labour



Abuse of vulnerability



Deception



Restriction of movement



Isolation



Physical and sexual violence



Intimidation and threats



Retention of identity documents



Withholding of wages



Debt bondage



Abusive working and living conditions



Excessive overtime

Risks



Recruitment Fees



Contracts



Document
Retention

Beyond auditing



All levels



Recruitment and labor standards



Anonymous Reporting

Why Should Banks Care?



US\$150,000,000,000

Annual Estimated Profits from Human Slavery



What are the Risks for Banks

- Fines and penalties
- Reputational risk
- Naming and shaming
- Loss of investments

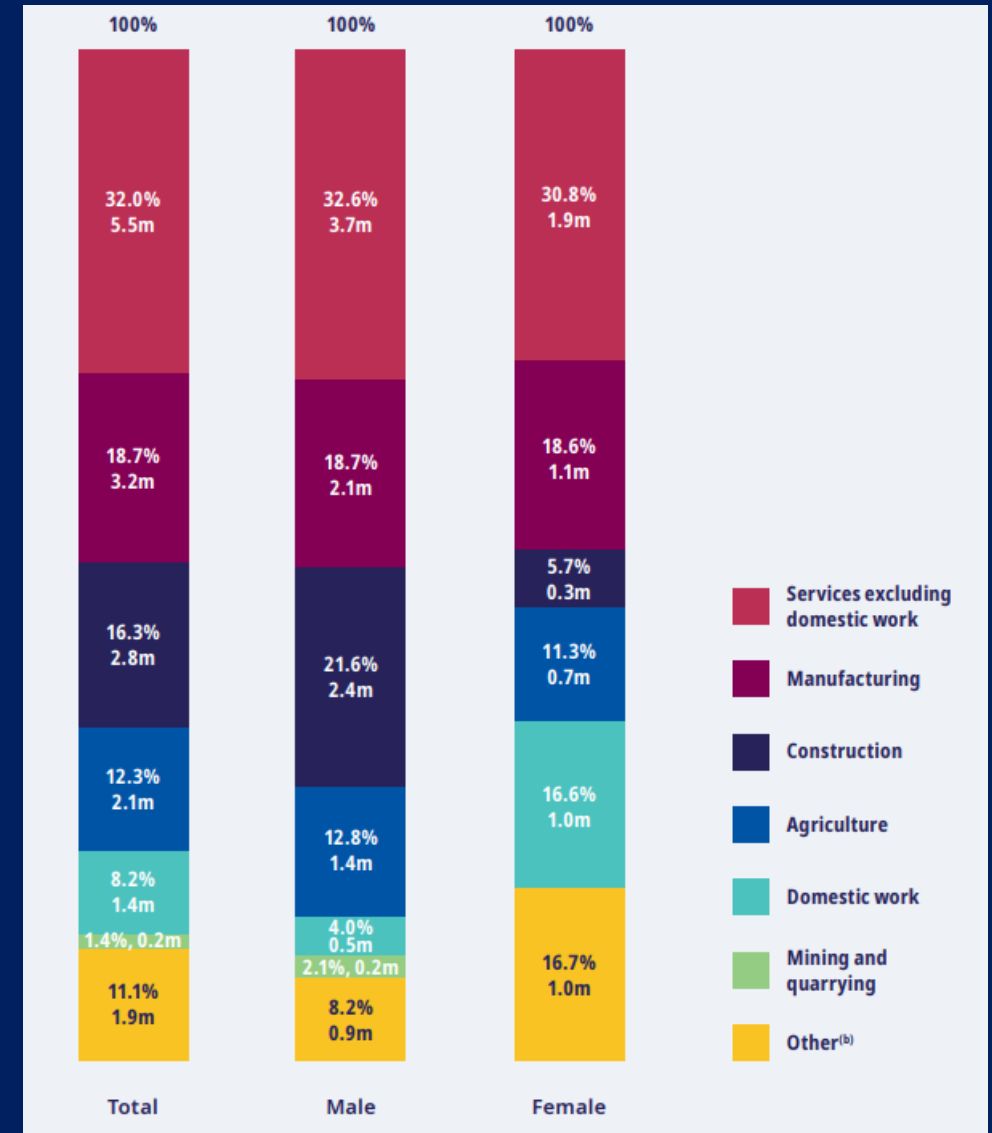


What Can You Do?

We will discuss TSCFP risk
management approach on
Day 2

Banks are Exposed to Labor Risks through their Client Portfolios

This could pose financial, legal, and reputational risks for banks



Four Highest Risk Sectors (Forced Labor)



Services industry

- Trade, transport, hospitality, other
- Low-skilled labour, long hours, low wages, restrictions on movement, slavery, human trafficking



Extraction industry

- Extraction of raw materials (e.g. agriculture, forestry, mining, quarrying)

Manufacturing industry

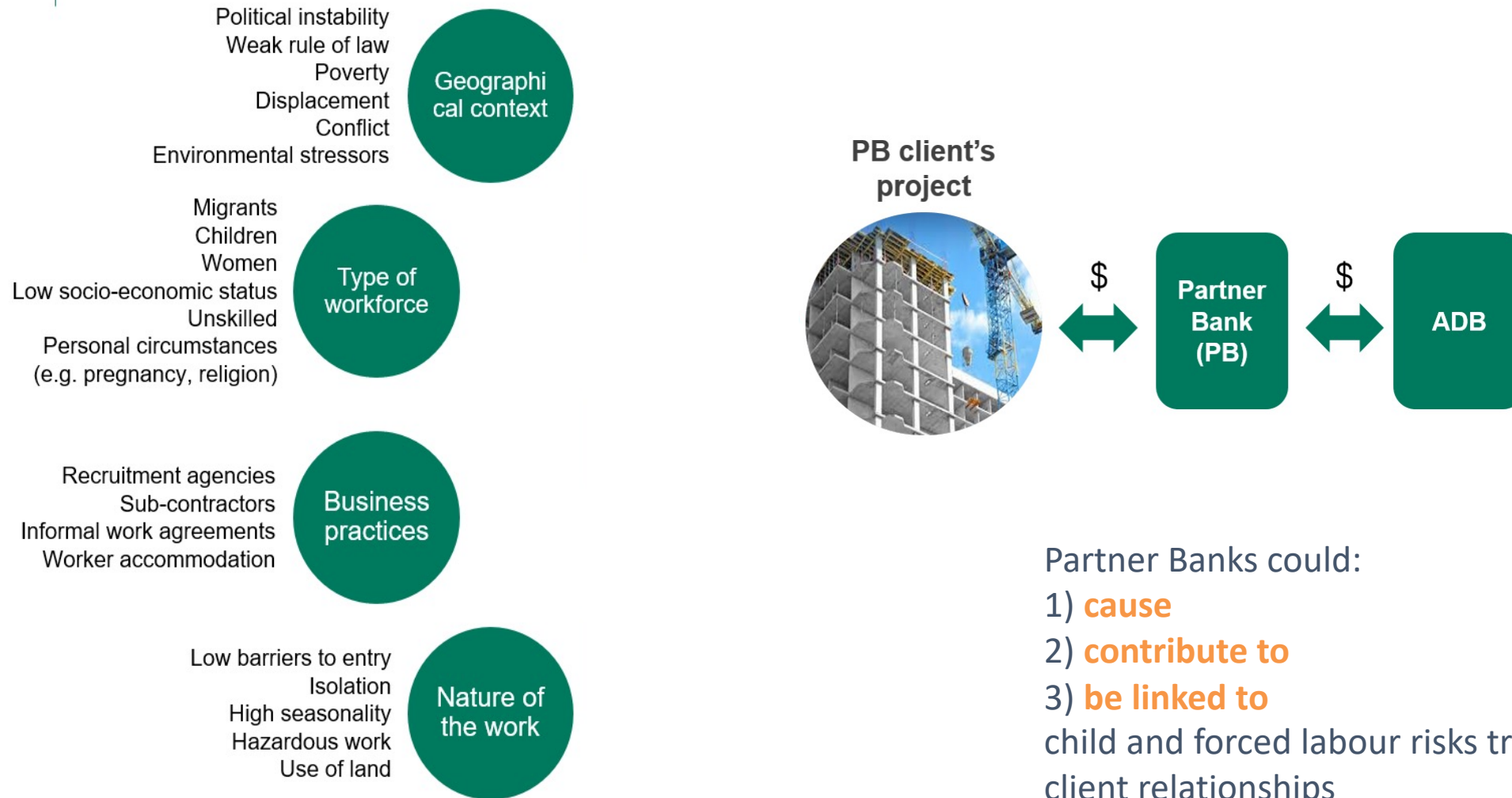
- Transformation of raw materials into new products
- Low-skilled, low wages, subcontracting, hazardous work, withholding of ID



Construction industry

- Buildings, infrastructure, industrial facilities
- Migrant workers, recruitment agencies and fees, debt bondage, hazardous work, long working hours, accommodation

Risk Exposure through the Value Chain



Partner Banks could:

- 1) **cause**
- 2) **contribute to**
- 3) **be linked to**

child and forced labour risks through their client relationships

Examples of Business Involvement in Child Labor



A bank invests in a **cobalt mine** which employs workers from nearby villages with a notable proportion of **children under 14**.



A **coffee company** hires workers who **take their children out of school** to assist on their plantations in order to meet high demand.



A factory employs workers who are **16 years of age**. The work involves **exposure to chemicals** and other harmful substances.

The Finance Sector is Responding



UNEP FI Principles for Responsible Banking

- Coalition of banks (300 signatory banks)
- Mission to accelerate a sustainable banking system by aligning lending and investment policies with the UN Sustainable Development Goals



Investor Alliance for Human Rights

- Membership network of institutional investors (200 signatories across 19 countries representing US\$12 trillion in assets)
- Mission to standardize human rights principles in the finance sector



UN Principles for Responsible Investment

- Network of financial institutions (4,800 signatories across 80 countries representing US\$100 trillion in assets)
- Mission to achieve a more sustainable global financial system by embedding 8 key principles into investment decision-making



What is The Mekong Club?

THE MEKONG CLUB ASSOCIATION



Baseline Assessment

Section 1: Policy	Response
1) Does your company have a modern slavery policy, and/or code of conduct in place?	Yes/No/ Partial/ Don't Know
Is it publicly available?	Free Text
Is it up-to-date (within the last twelve months)?	Free Text
Does it address remediation of forced labor violations?	Free Text
Does it address responsible recruitment processes for your company and your suppliers (no fees/one-month fee, etc.)?	Free Text
Does it address freedom of movement among your supplier's employees?	Free Text
Does it address the withholding of passports or other personal documentation?	Free Text
Does it consider the capacity of suppliers to meet fluctuating demands (e.g. to reduce risk of undeclared sub-contracting)?	Free Text
Does it include a grievance mechanism to assess the worker voice?	Free Text
Section 2: Governance	
2) Does your company ensure that your C-suite and board are informed of the risks of modern slavery on a regular basis and involved in decisions related to this topic?	Yes/No/ Partial/ Don't Know
3) Does your company have a committee, team and/or officer responsible for the implementation of its supply-chain policies and standards relevant to modern slavery?	Yes/No/ Partial/ Don't Know
If yes, who provides this support within your company?	Free Text
Is C-suite represented?	Free Text
4) Are there business key performance indicators (KPIs) related to modern slavery risk and mitigation in place?	Yes/No/ Partial/ Don't Know
5) Are your Modern Slavery Statements required to be approved at Board level (or equivalent) and signed by a director of the entity (or equivalent)?	Yes/No/ Partial/ Don't Know
6) Does your company ensure a functional/direct communication system between Regional/Country offices and the headquarters related to the topic of modern slavery?	Yes/No/ Partial/ Don't Know
Section 3: Training & Awareness Raising	
7) Does your company provide training to staff who have special responsibilities related to modern slavery risk?	Yes/No/ Partial/ Don't Know
Which departments are trained?	Free Text
How is this training delivered?	Free Text
Who provides this training?	Free Text
How often is this training refreshed?	Free Text
How is this knowledge tested?	Free Text
8) Does your company provide training to senior leadership (e.g. C-suite, board members)?	Yes/No/ Partial/ Don't Know
How is this training delivered?	Free Text
Who provides this training?	Free Text
How often is this training refreshed?	Free Text
How is this knowledge tested?	Free Text

E-Learning Toolkit



Watch a short explanatory video



English



हिन्दी
(Caribbean)



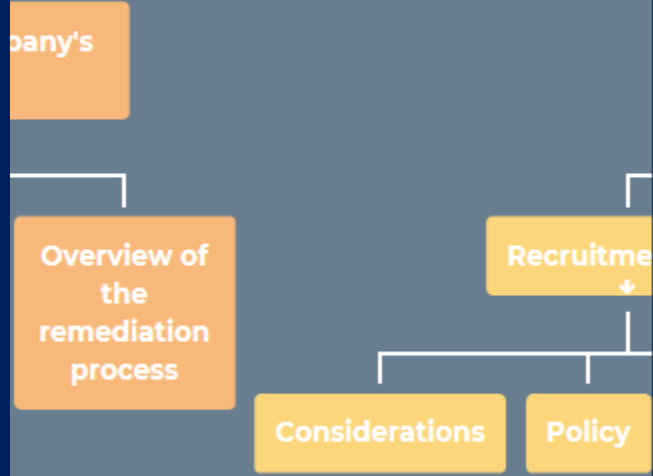
Tiếng Việt
Miền Nam



ខ្មែរ
Cambodia

Apprise App

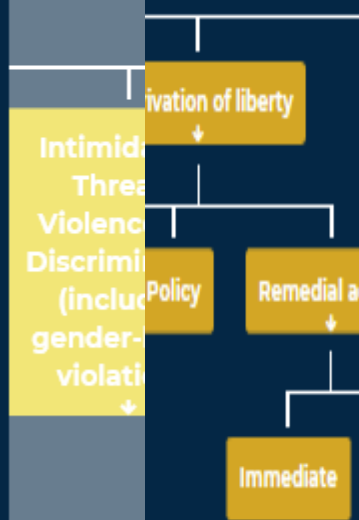


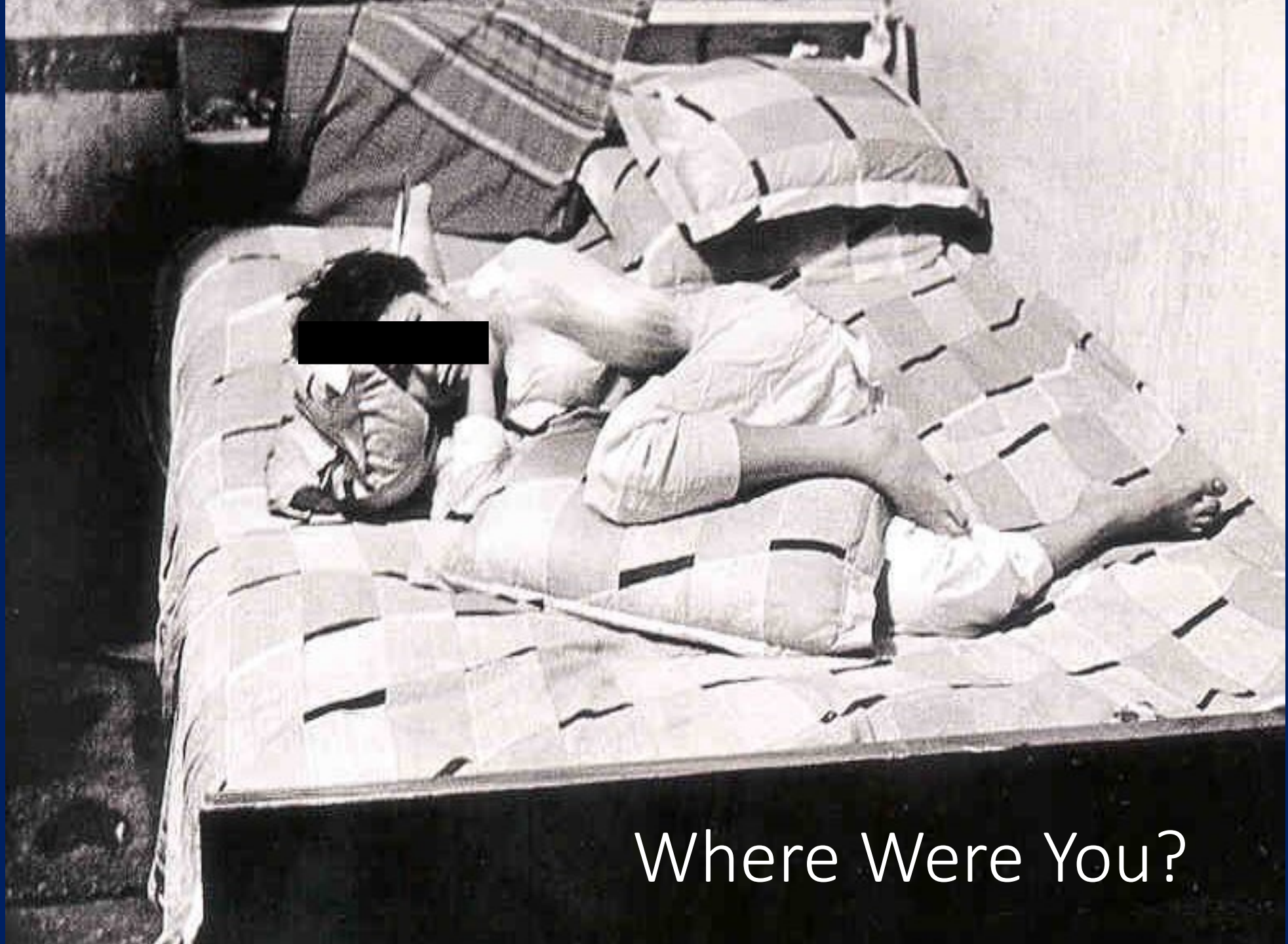


Recruitment fees

Recruitment fee violations involve: 1) the charging of fees where this is expressly prohibited; or 2) the over-charging of approved recruitment fees. Areas to consider include: job recruitment and placement fees; fees to intermediary brokers; transportation from home to workplace and accommodation en route (including "warehousing" of workers); passports, visas and work permits; medical fees; administrative fees; making work-finding services conditional on applicants paying for other services and/or goods; training fees; and other "administrative fees".

For more information on eliminating recruitment fees, [see here](#).






Where Were You?



— BE THE —
HERO
BE THE CHANGE



MATTHEW S. FRIEDMAN

MATTHEW S. FRIEDMAN 



**Where
Were You?**

A Profile of Modern Slavery



COFFEE BREAK

(15 MINUTES)

WORKSHOP ON ESG PRACTICES

📅 19-20 APRIL 2023

📍 HANOI, VIET NAM



SESSION # 6

ADB's ESMS Pilot Project in Viet Nam

Phuong Tran
ERM

Tran Hoai Phuong
HD Bank

Moderator:
Hai Pham
ERM

Panelists:

- **Pham Van Tuyen**, Chairman of the Members' Council, Eight March Textile Company Limited
- **Tran Hoai Phuong**, HD Bank

Session Speakers and Agenda



Phuong Tran
Senior Consultant
ERM Vietnam



Hai Pham
Consulting Director
ERM Vietnam



Tran Hoai Phuong
Director of Commercial Banking Division
HD Bank



Pham Van Tuyen
Chairman of the Members' Council
Eight March Textile Company Limited

ADB's ESMS Pilot Project in Vietnam

Overview of the ESMS of the Pilot Project

Industry Tools for ESMS Implementation

Sharing from Guest Speakers on ESMS Implementation



ADB's ESMS Pilot Project in Vietnam

ADB's Trade and Supply Chain Finance Program (TSCFP)

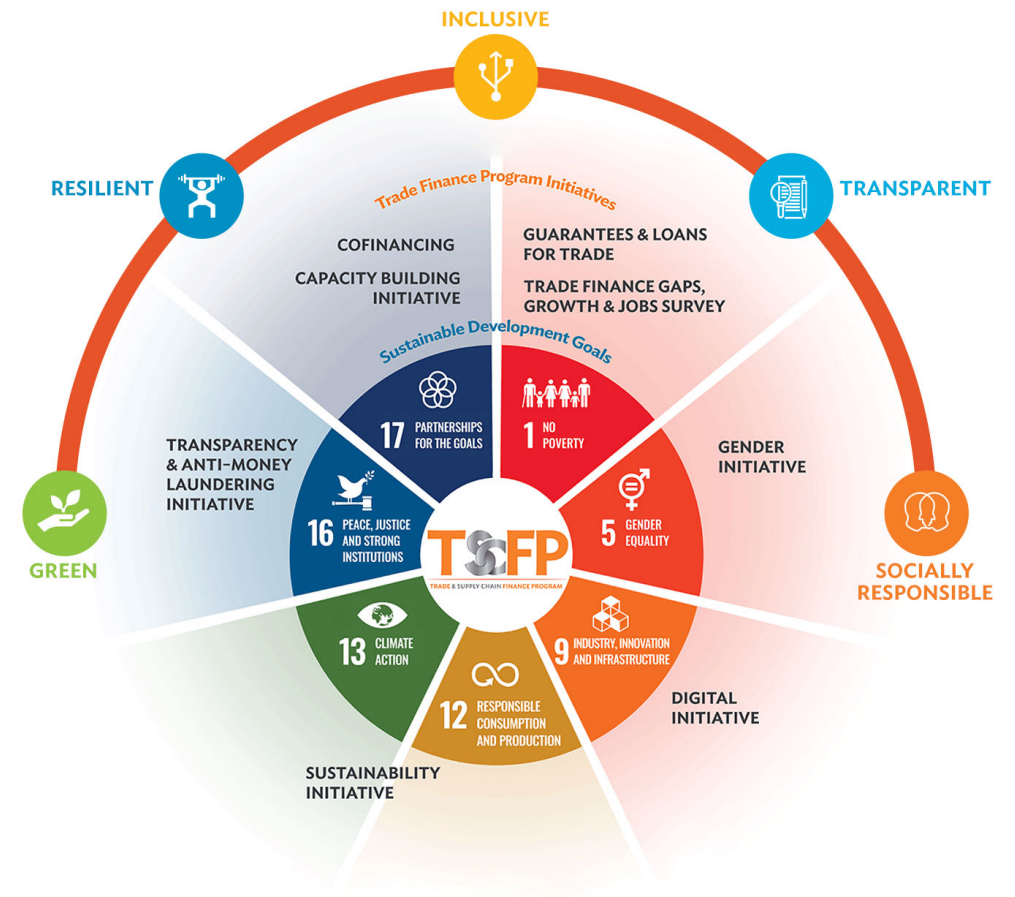
Making global trade green, resilient, inclusive, transparent and socially responsible

Fill market gaps for trade and supply chain finance

Support a wide range of import/ export transaction

Provide guarantee and loans to banks to support trade

Deliver solutions and products with Partners to make global trade green, resilient, inclusive, transparent and socially responsible



Fast Facts

\$1.7 TRILLION

Estimated global trade finance gap (2021)
Source: Trade Finance Gap Study

\$64.8 BILLION

Transactions supported by TSCFP (2009-2022)
Source: TFP Fact Sheet

\$6.3 MILLION

Australia's support for TSCFP (since 2015)
Source: TFP strengthens AML in Pacific Banks

240+

TFP's partner banks
Source: Gender Study on Trade Finance

2022: By the Numbers

\$7.7 BILLION

value of transactions supported
2009-2022: \$64.8 billion

\$5.2 BILLION

in cofinancing
2009-2022: \$39.4 billion

10,115

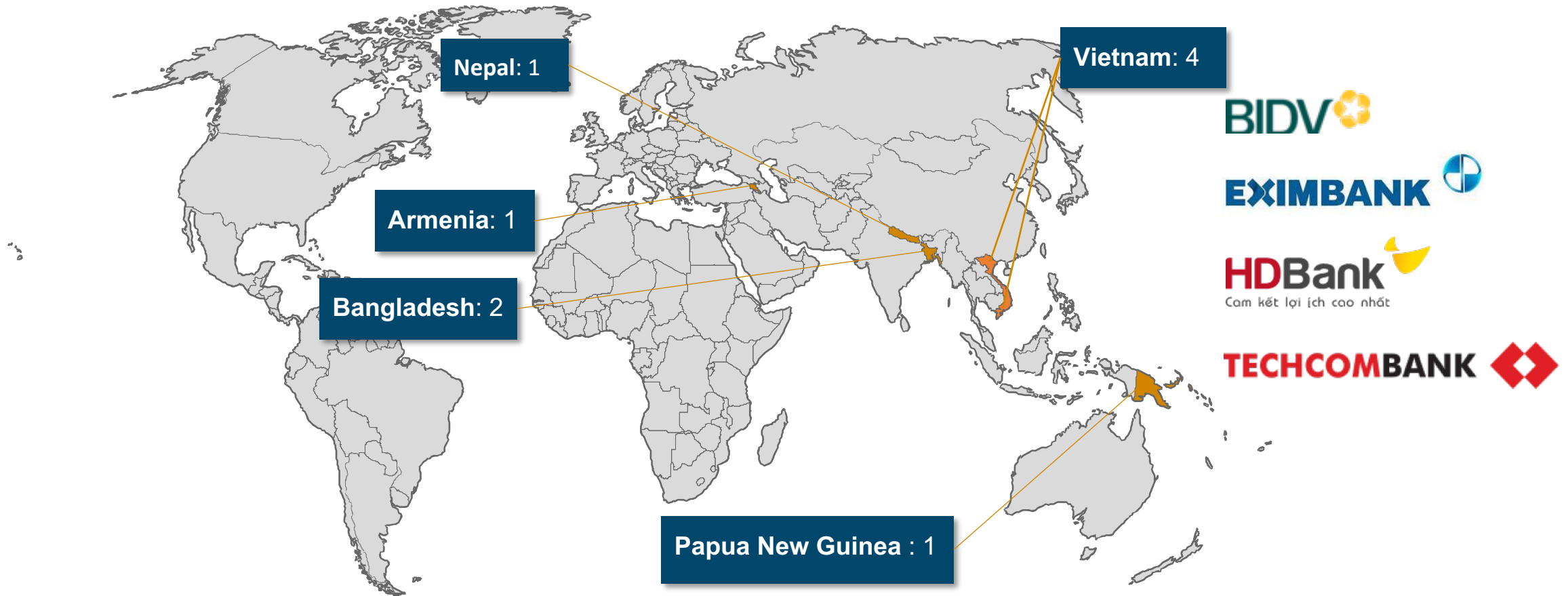
transactions supported
2009-2022: 55,616

6,307

SME transactions supported
2009-2022: 33,616

ESMS for Trade Finance - ADB's Pilot Program

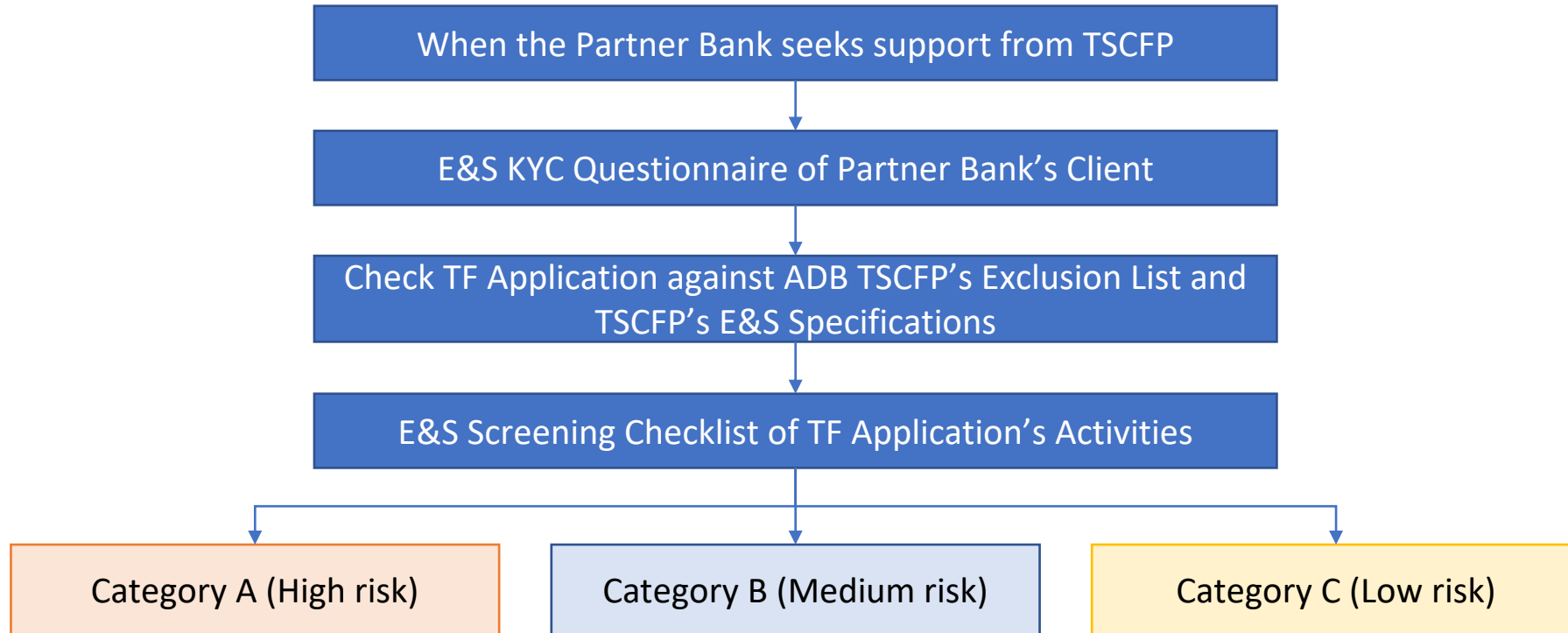
ADB is keen to support other partner banks in this process.



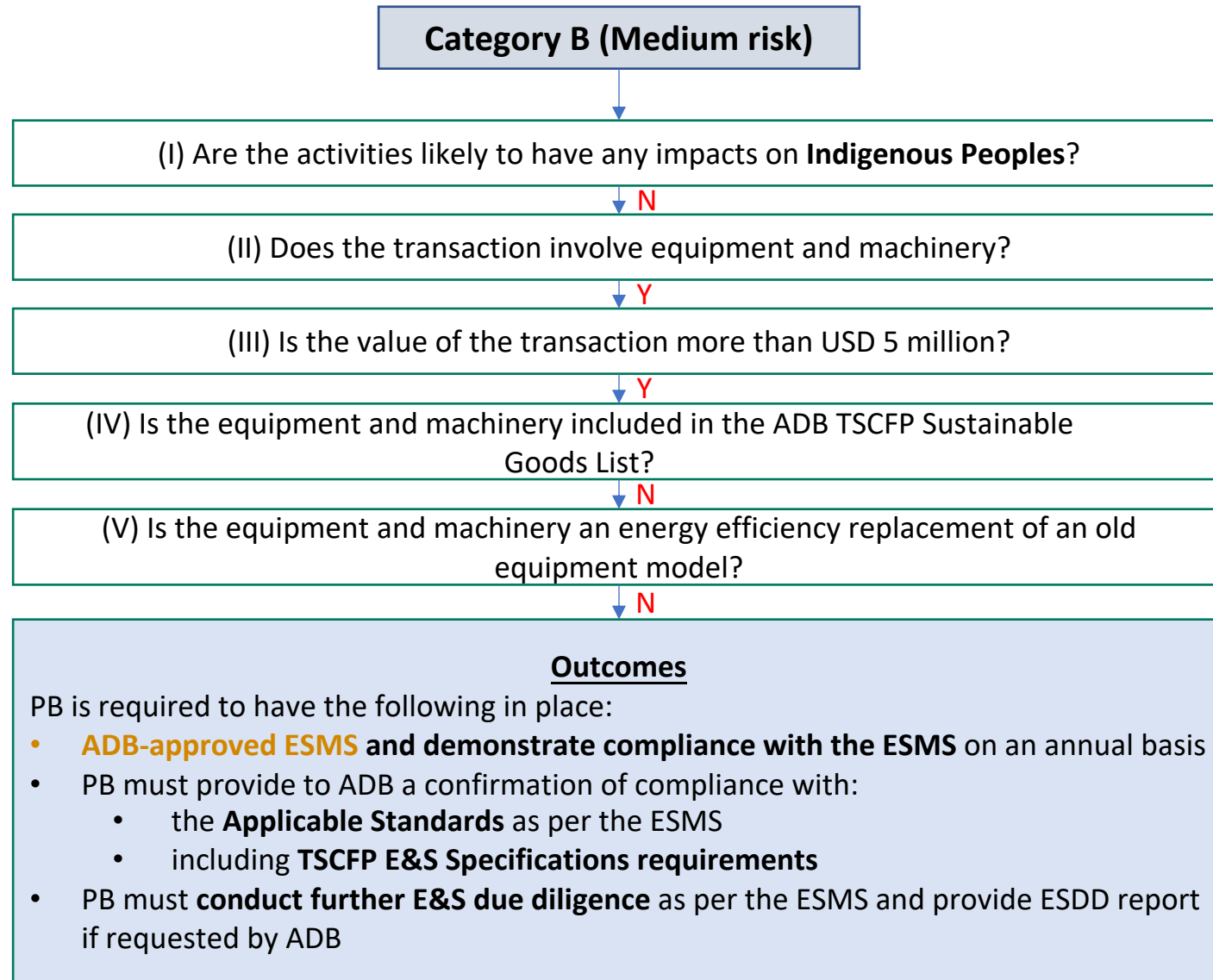


Overview of the ESMS of the Pilot Project

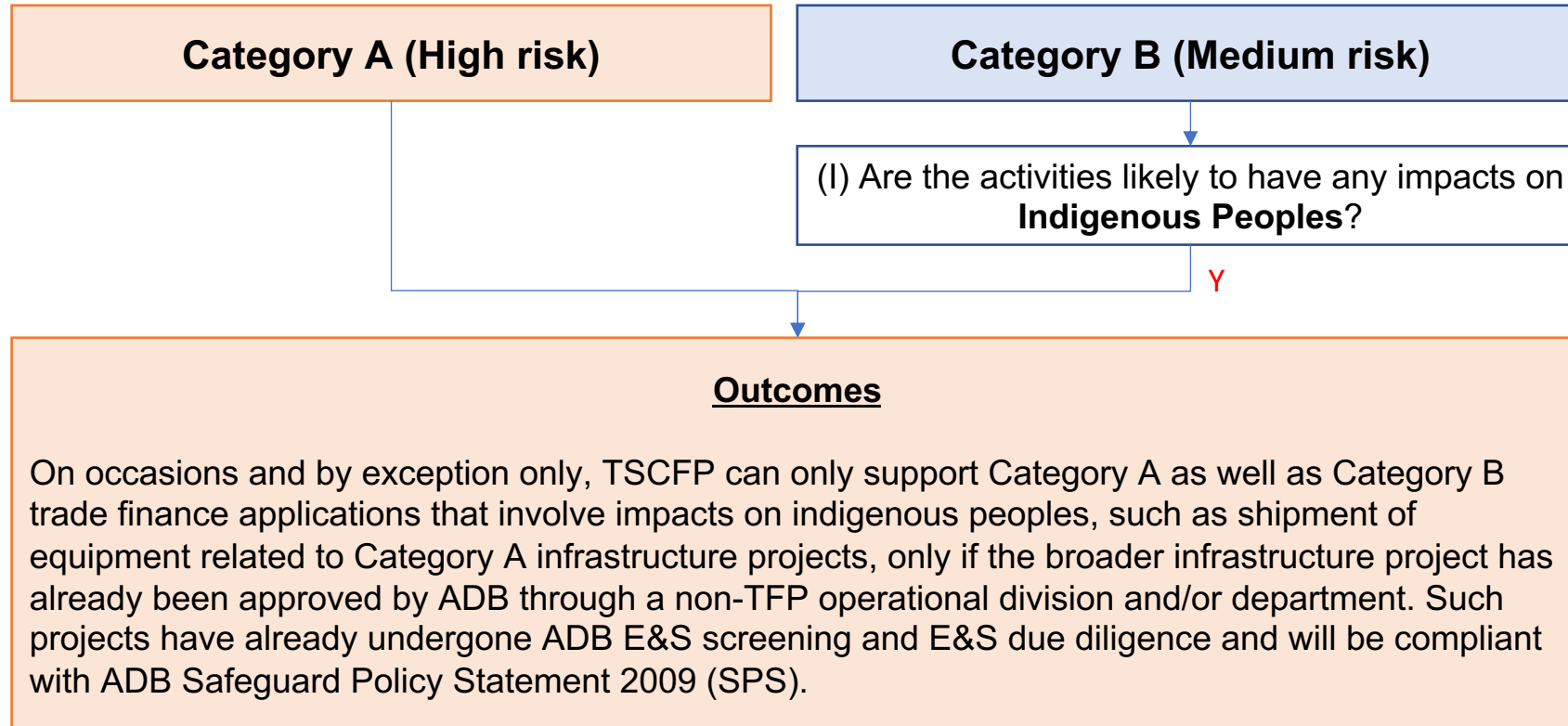
ADB TSCFP Application Overview (1/4)



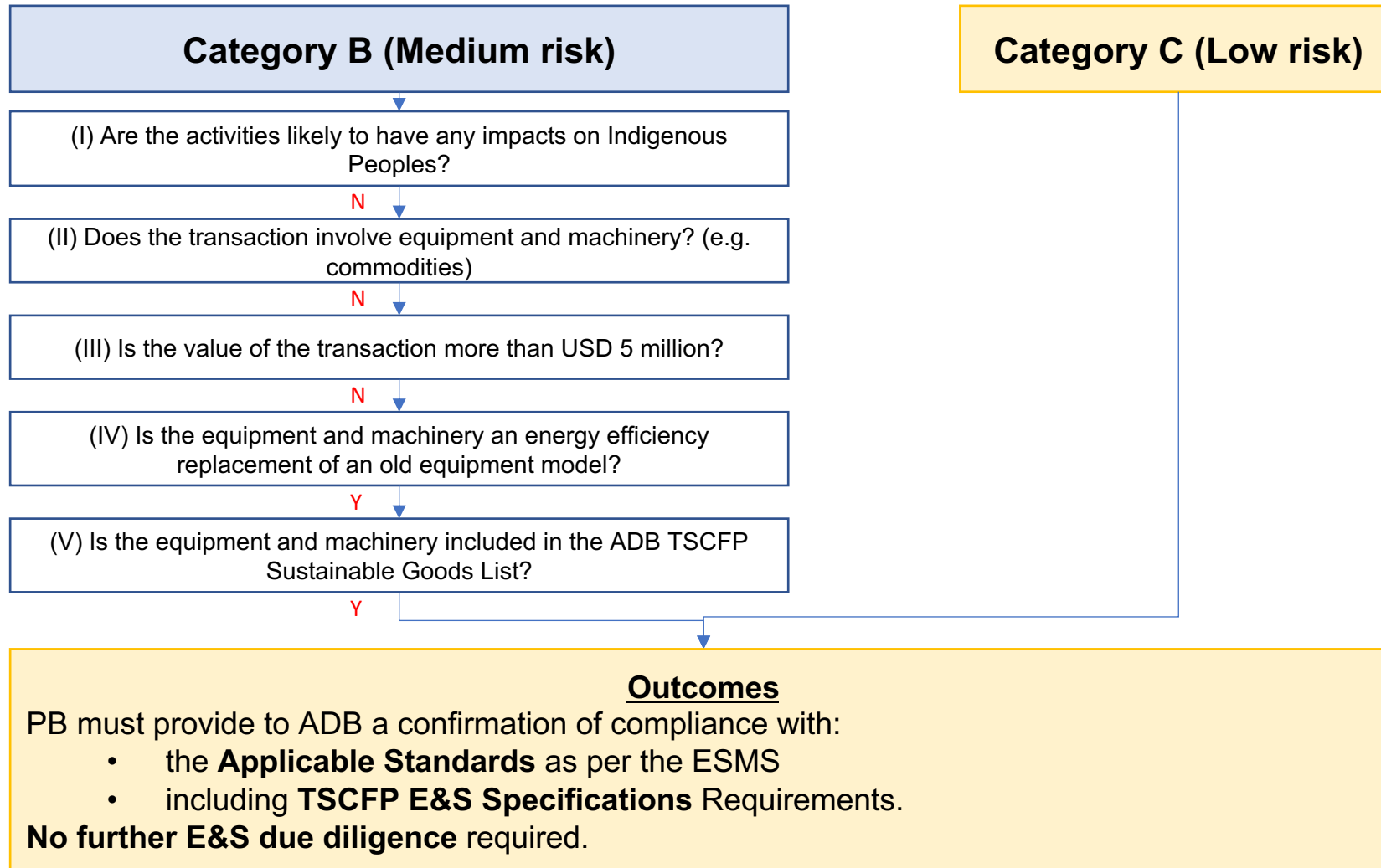
ADB TSCFP Application Overview (2/4)



ADB TSCFP Application Overview (3/4)



ADB TSCFP Application Overview (4/4)



ESMS Objectives

The objective of the ESMS is to assist the relevant staff at the Partner Banks with regards to the following activities:



identify any **E&S risks** associated with the applicant/client, goods, supplier, producer/manufacturer of the goods, and end use/user of the goods



identify and evaluate any potential **financial implications** related to E&S risks



minimise exposure to **financial risks** associated with the identified E&S risks



minimise the potential for **adverse E&S impacts** associated with the goods



protect the Partner Bank and its financing partners (e.g. ADB) from **reputational risks**



protect the Partner Bank and its financing partners (e.g. ADB) from **credit risk**

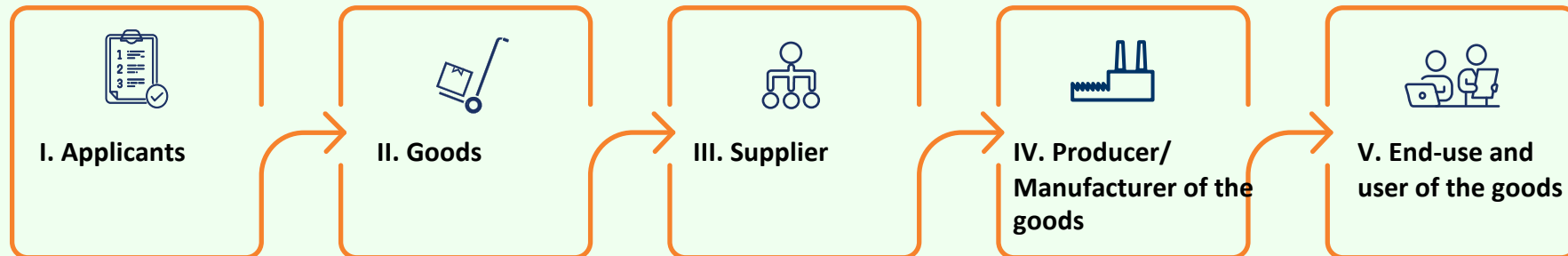


ensure **compliance** with ADB's "Applicable Standards" and SVB's E&S risk management requirements

ESMS Scope

- The objectives of the program is to implement the ESMS during the credit approval stage of the trade finance transaction
- It is recommended that **ESMS applies to all trade finance applications**
- The ESMS should be applied **as part of the KYC process** (client on boarding and annual reviews) and throughout the **tenure of the trade finance agreement**

The ESMS will consider E&S risks associated with the whole value chain:



Applicable Standards

Compliance with Regulations & Treaties:

- i) **Relevant national environmental and social laws and regulations and SVB's guideline**
- ii) **Relevant international treaties** ratified by the Partner Bank's Country Government
- iii) **International Labour Organisation (ILO) Core Conventions** as ratified by the Partner Bank's Country Government

ADB Safeguards:

- iv) **ADB's Safeguard Policy Statement (SPS, 2009)**, whose key components are included in the ESMS for Trade Finance Manual approved by ADB
- v) **ADB TSCFP's E&S Specifications**

Prohibited activities:

- vi) ADB TSCFP's Prohibited Investment Activities List (PIAL) and hereafter referred to as "**ADB TSCFP's Exclusion List**"
- vii) **The Partner Bank's Exclusion List** (if applicable)

ESMS Components

8. Partner Bank's ESMS Management Review

1. E&S Policy Commitment
(e.g. TSCFP Applicable Standards)

7. Partner Bank External Reporting and Monitoring

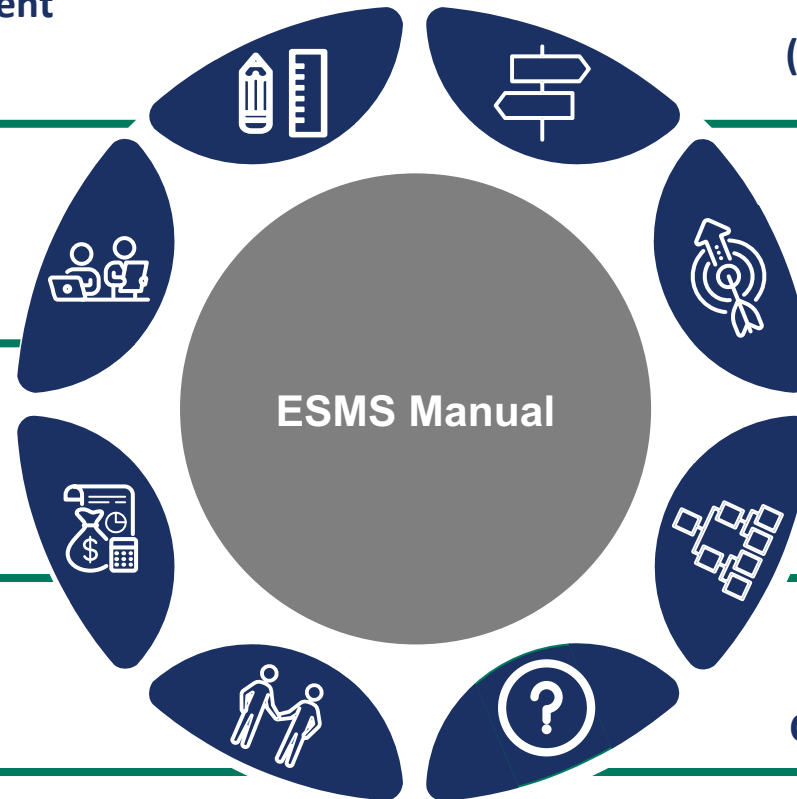
2. Objectives and Scope

6. Client E&S Performance Monitoring and Client E&S Self-Monitoring Reporting

3. Governance

5. E&S Risk Approval and E&S Covenants

4. E&S Risk Screening, Categorization and Due Diligence



Governance

- A core component for the successful implementation of the ESMS is **Senior-level commitment** and the need for **designated roles and responsibilities** of its staff.
- ESMS cannot function well without **competent** people.



Know-Your-Client (KYC) Sustainability Questionnaire

KYC Sustainability Questionnaire to be completed by the Partner Bank for **all trade finance clients** during the **on-boarding** and subsequent **client reviews**

The KYC is an **important** process

CLIENT NAME:		Client trial one		
#	QUESTIONS	RESPONSES	ADDITIONAL DETAILS (e.g. summary of commitments / arrangements in place, links to policies and reports, etc.)	SCORES
#1 BUSINESS OVERVIEW				
1a	How many employees does your company have?			
1b	Specify your industry, possibly refer to NAICS codes (https://www.census.gov/eos/www/naics/) or to NACE codes (http://ec.europa.eu/competition/mergers/cases/index/nace_all.html)			
1c	Describe the nature of your business			
1d	Confirm in which country is your HQ located and in which countries you have operational sites			
#2 SUSTAINABILITY COMMITMENTS				
2a	Does your company have policies that cover sustainability issues?	GP	> Provides a publicly available policies providing a commitment to manage all material risks related to Environmental, Social, Human Rights and Labour Issues (e.g. biodiversity, safety, community engagement etc.) > Policies signed by the CEO	3
2b	Does your company commit to international conventions and or internationally recognized best practices? E.g. signatory to the UN Global Compact, member of the RSPD or committed to any other standard/certification scheme	GP	> Will be a signatory/member of industry leading groups (e.g. UNGC, RSPD, IRECA, ICMM etc.) > Active participant that adheres to all reporting expectations dictated by the industry group	3
2c	Does your company monitor performance against the commitments?	GP	> Provides details on all relevant key performance indicators (e.g. fatalities, injuries, environmental incidents) for the previous three years and related independent auditing arrangements > Reporting is in line with Global Reporting Initiative sustainability standards	3
2d	Does your company have any commitments or requirements for independent certifications?	GP	> Provides details on assets, management systems that are independently certified by a recognised standard (e.g. ISO, DHSAS) where relevant given the nature of the organisation	3

Client Test [1607918] - Risk Results Summary

Question Group	#1 BUSINESS OVERVIEW	#2 SUSTAINABILITY COMMITMENTS	#3 SUSTAINABILITY CAPACITY	#4 SUSTAINABILITY TRACK RECORD	#5 SUPPLY CHAIN	#6 COMMODITIES	#7 OTHER INFORMATION
Mean Score	N/A	3.00	1.50	2.00	2.33	1.00	N/A
Weighting used	N/A	10%	25%	25%	20%	20%	N/A
Weighted Score	N/A	0.30	0.38	0.50	0.47	0.20	N/A
OVERALL RISK SCORE	1.84						
OVERALL RISK CATEGORY	Higher Risk						

Finalisation of Overall Risk Category

1) Partner Bank Selected Overall Risk Category	Higher Risk
2) Partner Bank Justification for Selected Category	[insert text]
3) Date of Completion (dd/mm/yyyy)	20/01/2022
4) Date of Review/Update (dd/mm/yyyy)	21/01/2022

Application Check

The Trade Finance application should be checked against:



Partner Bank's Exclusion List



TSCFP's Exclusion List - ADB's Prohibited Investment Activities List with a few additional items



TSCFP's E&S Specifications List – which includes certain requirements, such as certifications, with regards to some specific goods, particularly commodities

ADB TSCFP's Exclusion List

- i. production or activities involving harmful or exploitative forms of **forced labor or child labor**;
- ii. production of or trade in any product or activity deemed illegal under host country laws or regulations or international conventions and agreements or subject to international phaseouts or bans, such as (a) pharmaceuticals, pesticides, and herbicides, (b) ozone-depleting substances, (c) polychlorinated biphenyls and other hazardous chemicals, (d) wildlife or wildlife products regulated under the Convention on International Trade in Endangered Species of Wild Fauna and Flora, and (e) transboundary trade in waste or waste products;
- iii. production of or trade in weapons and munitions, including paramilitary materials;
- iv. production of or trade in alcoholic beverages, excluding beer and wine;
- v. production of or trade in tobacco;
- vi. gambling, casinos, and equivalent enterprises;
- vii. production of or trade in radioactive materials, including nuclear reactors and components thereof;
- viii. Production of, trade in, or use of unbonded asbestos fibers;
- ix. commercial logging operations or the purchase of logging equipment for use in primary tropical moist forests or old-growth forests; and
- x. marine and coastal fishing practices, such as large-scale pelagic drift net fishing and fine mesh net fishing, harmful to vulnerable and protected species in large numbers and damaging to marine biodiversity and habitats.
- xi. coal¹ mining, processing, storage, and transportation²
- xii. coal-fired power and heat generation²
- xiii. coal to chemicals processes²
- xiv. extraction of peat²
- xv. peat-fired power and heat generation²
- xvi. equipment for upstream oil exploration, drilling or extraction activities
- xvii. natural gas exploration or drilling activities, and will be selective in its support for midstream and downstream natural gas
- xviii. gold mining and ore processing activities
- xix. ship breaking activities

ADB TSCFP's E&S Specifications

Goods	Specification description	Further information
Ammoniacal nitrogen / ammonium nitrate	<ul style="list-style-type: none"> Permitted only in the event that the intended use is fertilizer production. 	<ul style="list-style-type: none"> Factories that make fertiliser-grade ammoniacal nitrogen / ammonium nitrate may also produce explosive-grade products; the
Cashews (Madagascar)	<ul style="list-style-type: none"> The following species excluded: <ul style="list-style-type: none"> Operculicarya decarya Operculicarya hyphae Operculicarya pachy 	
Diamonds	<ul style="list-style-type: none"> All rough diamond suppliers must operate within the Kimberly Process Certification Scheme. International shipments must be accompanied by a certificate guaranteeing that they 	
Livestock (Australia)	<ul style="list-style-type: none"> For exports from Australia, the origin must be confirmed to be "feedlot" or "slaughter livestock" with an approved ESCAS certificate. 	
Livestock (EU)	<ul style="list-style-type: none"> Confirmation required to be aligned to the regulations from farming to slaughter and transport. 	
Palm oil derivatives	<ul style="list-style-type: none"> ADB TSCFP considers the use of palm oil derivatives. 	

Goods	Specification Description	Further Information
Timber and wood products (Including paper and pulp)	<ul style="list-style-type: none"> TSCFP considers a comprehensive list of goods requiring FSC / PEFC certification. Confirmation required of Forest Stewardship Council (FSC) certification; or Confirmation of Programme for the Endorsement of Forest Certification (PEFC) certification. 	<ul style="list-style-type: none"> Relates to the mitigation of risks associated with forest products such as deforestation, habitat loss and community displacement. Sources: FSC and PEFC.
Tin, Tungsten, <u>Tantalum</u> and Gold	<ul style="list-style-type: none"> Additional due diligence is required if the material origin is confirmed to be from a Conflict Affected and High-Risk Area (CAHRA) as defined by the European Commission. 	<ul style="list-style-type: none"> TSCFP will only support the trade of these metals from high-risk areas where appropriate due diligence has taken place. Risks include the funding of non-state armed groups and, child and forced labour. Source: CAHRA
Oil and oil-related products	<ul style="list-style-type: none"> TSCFP will exclude support for oil and oil-related products from July 2022 with the exception of imports to Pakistan and Sri Lanka. 	<ul style="list-style-type: none"> The support strategy for Pakistan and Sri Lanka will be updated in due course and communicated to the partner banks accordingly by TSCFP. Current maximum guarantee support for oil flows in the two countries is capped at maximum 75%.
Urea	<ul style="list-style-type: none"> Permitted only in the event that the intended use is fertilizer production. 	<ul style="list-style-type: none"> Urea may also be used to produce explosive-grade products; the possible association with ammunition / military poses a potential reputational risk.

E&S Screening Questionnaire

- E&S Screening Questionnaire is to be used to **inform** the **categorization** of Trade Finance application as:
 - Category A (**High** risk)
 - Category B (**Medium** risk)
 - Category C (**Low** risk)

E&S SCREENING QUESTIONNAIRE

1. Definition of category A, B and C, according to ADB
2. EBRD E&S risk sector classification
3. The scoring of the KYC Sustainability Questionnaire
4. Public data search
5. Impact on environmental protected areas
6. Involuntary resettlement of people
7. Impact on Indigenous people
8. Concerns with respect to Child and Forced Labor (toolkit to be rolled out to Partner Banks by ADB in 2023)

E&S Categorization

C

- Activities which typically have **little or no adverse E&S impact**
- **Involuntary resettlement is not involved**
- **Indigenous People impact is not expected**

B

- Activities for which potential **E&S impacts are less adverse** than those of Category A projects
- The impacts are **site-specific, mostly reversible** and can be readily **predicted, prevented** and/or **mitigated**
- **Involuntary resettlement** impacts are **not deemed significant**
- **Indigenous people impacts** are **limited**

A

- Activities which have the potential to cause **significant adverse E&S impacts** that are **irreversible, diverse and unprecedented**
- The impacts may affect areas larger than the sites or facilities subject to physical works where the goods are to be used
- **Involuntary resettlement** is considered **significant**
- **Indigenous People impacts** are **significant**

TSCFP Sustainable Goods List (Provisional List)

Renewable Energy

Geothermal

- Heat pumps
- Compressors
- Heat exchangers

Hydropower

- Turbines (Kaplan, Francis, Pelton, Turgo)
- Control systems
- Pipes for hydro power plant
- Power Generators for hydro power plant
- Storage reservoirs/pumped storage
- Hydro power transformers
- Hydro power transmission
- Barrages
- Hydraulic pumps
- Oscillating water columns
- Absorbers (wave energy)
- Attenuators (wave energy)
- Overtopping and inverted-pendulum device (wave energy)

Ethanol, Biomass & biogas

- Biodigesters
- Biomass heating systems
- Biomass combustion boilers
- Biomass & biogas cogeneration units
- Dryers

Solar PV, Solar Heat

- PV solar panels
- Solar cells (PV)
- Solar glass tubes
- Converters for PV plants
- Solar hot water heaters, tanks
- Support equipment
- Solar inverters
- Concentrated solar power

Wind Power

- Wind Turbines
- Blades
- Construction bases
- Control systems
- Wind power poles
- Power transformers

Cross-border interconnections and long-distance high-voltage lines

Energy Efficient Goods

- Fluorescent tubes
- EE light bulbs, CFLs, LED lights
- EE windows and doors
- Household appliances (with US Energy Star label or EU Energy label of A and above)
- Electric/hybrid vehicles, electric bicycles
- Heat exchangers
- Insulation materials (for boilers & pipes or for building envelope)
- LPG buses
- Steel for recycling (e.g. shredded steel scrap)
- Thermostats
- Biomass cookstove models
- Solar cookers
- Collectors and discs for cooking and heating applications

Climate Smart Agriculture

- Aquaculture Stewardship Council: farmed seafood, shrimp
- Roundtable on Sustainable Biomaterials: biomaterials, biofuels, and biomass (including perennial grasses, annual crops, algae, oilseeds etc.)
- Fairtrade Small-Scale Producer: perennial and annual crops (sugar cane, cereals, cocoa, coffee nuts, tea, fruit and vegetables, oilseeds, etc.)
- Rainforest Alliance (perennial crops, coffee, cocoa, tea, banana)
- Certified crops (RTRS, Bonsucro, BCI, RSB, Global GAP) – certification to be provided
- Smart metering for water pumping
- Solar-powered irrigation systems
- Medium voltage power distribution networks (for reduction in system losses and theft)

E&S Due Diligence

Site visit



Stakeholder
interview








Document review,
including external
factory review



- ESDD Report
- E&S Action Plan

Approval, Contracting and Review

- The approval process is dependent on the level of risk associated with the trade finance contract.
- Contracts with the client should include provisions for:

-  Implementation of ESAP (if required) or any other E&S requirements
-  Client's self-monitoring E&S reports
-  Client facilitation of monitoring by the Partner Bank
-  Corrective action plans/ESAP
-  Timely reporting of serious environmental and social incidents

- Regular monitoring of the Client's performance and implementation of the contract, including E&S aspects/ ESAP is required
- Issues/ non-compliance is timely reported to respective level of the PBs
- E&S performance is regularly reported by the PB's Client to the PB as agreed in the contract
- The PB shall report to ADB on an annual basis, as per the TSCFP requirements



Industry Tools for ESMS Implementation

Standards and Tools for ESMS



IFC Performance Standards for Social and Environmental Sustainability



IFC Social and Environmental Management Systems



ISO 14001: Environmental Management Systems



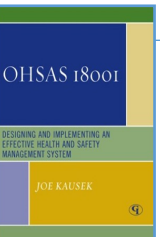
SA (Social Accountability) 8000



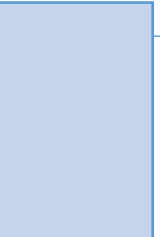
DFI Toolkits e.g. CDC Toolkit, ESG Management Systems for Fund Managers



ISO 9001: Quality Management Systems



ISO 45001: Occupational Health & Safety



EBRD Environmental and Social Risk Management Manual (E-Manual)

Industry Tools for ESMS Implementation

KYC

- SWIFT KYC registry

Screening

- ADB E&S Specification List
- IFC Global Map of Environmental & Social Risk in Agro-Commodity Production (GMAP)
- US Department of Labor
- ILO (International Labor Organization)

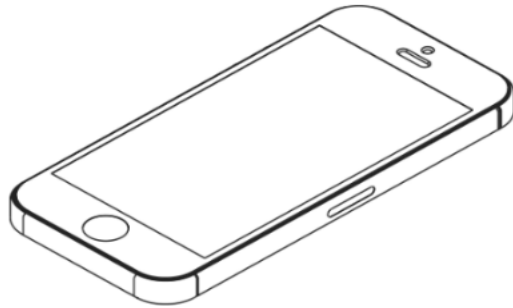
ESDD

- Desktop review
- Site visit
- Stakeholder engagement
- External factors analysis

Training

- ADB sponsored ESG online trainings
- TSCFP recorded webinars available on the website
- International Chamber of Commerce (ICC) online trainings

Your thoughts ...



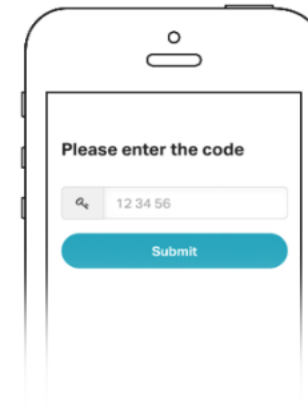
1

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2

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3

Enter the **Code: 5544 1447**
and answer the questions

Result: <https://www.mentimeter.com/app/presentation/al573dy8gz1dib6gsvidqgpt1867dbe>

Key takeaways

Benefits of partnering with ADB in implementing ESMS for Trade Finance

-  Help the PB to manage E&S risks in a systematic way
-  Allow the PB to seek ADB funding for Category B (medium risk) applications
-  Help better aligning of the PB E&S policies and procedures with international E&S risk management standards and controls
-  Provides potential opportunity for the PB to access funding from additional financial partners
-  Provides potential opportunity for the PB's clients to access new international consumers' markets which requires sound E&S risk management policies and practices



Sharing from HD Bank about ESMS Implementation



ESG – Sustainable Finance

**HO CHI MINH CITY DEVELOPMENT JOINT
STOCK COMMERCIAL BANK
(HDBank)**



Executive Summary

HDB has delivered record-breaking results in a year of challenge

FY2022 Key Business Highlights

- 1 Strong credit growth driven by all key business segments
- 2 Profitability further increase thanks to strong credit growth and bancassurance revenue doubled from 2021
- 3 Asset quality and other prudential ratios remain healthy
- 4 Solid capital base laying ground for future growth
- 5 Accelerating digital transformation to facilitate productivity enhancement and leverage our unique ecosystem

Key Financial Indicators for FY2022

Gross loans*: VND 264tn
(+29.8% YOY)

Profit Before Tax: VND 10,268bn
(+27.2% YOY)

Total Operating Income: VND 21,967bn
(+31.1% YOY)

NIM: 5.2%
(From 4.4% as of Dec 2021)

Return on Equity: 23.5%
(From 23.3% as of Dec 2021)

CAR (Basel II): 13.4%

Return on Assets: 2.1%
(From 1.9% as of Dec 2021)

Tier 1 ratio: 10.6%

NPL Ratio (Consolidated): 1.67%

Revenue from bancassurance:
+104.5%

NPL Ratio (Parent Bank): 1.30%

Digital transactions value: 547% YOY

Source: Company data
*Deposits include customer deposits and valuable papers
*Gross loans excluded investments in corporate bonds

ESG Risk Management Strategy and Sustainable Development

HDBank has been incorporated development goals with sustainable values, fulfil its social responsibility and raise awareness on environmental protection

Environmental

The Bank's Action

- Pioneering the implementation of “Green credit” to support renewable energy projects, reducing carbon emission via green credit programs for commercial and retail solar power projects nation-wide.
- Declining credit documentation from customers and projects not meeting regulated environmental standards.
- Proactively raising awareness among employees, launching internal contest to implement “Green ideas” in the workplace

Impact

1.680 MWp – Power output from commercial and roof-top solar power projects pledged by HDBank

US\$800 million – projected climate finance portfolio by 2025, to reduce emissions by >54,000 tons of CO2 per year

>VND 10tn Total credit package to support high-tech agriculture

Social

- Positioning human as the crucial factor in development strategy, thus, regularly launching training courses and mapping clear career pathways in line with equal and transparent treatment for every employee.
- Proactively fulfilling social responsibility through community support and development; flourishing virtuous values.
- Developing products and services meeting customers’ demand and continuously improving customers’ experiences.

Awarded “Best Company to work for in Asia” in **5 consecutive years** from 2018 to 2022

Supporting customers and communities to overcome Covid-19 pandemic and natural disasters

Awarded 2021 Best Bank In Vietnam by Global Brand Magazine

Governance

- Implementing best-practice standards in corporate governance in operational activities to ensure its compliance with the best governance practices.
- Committed to delivering the highest value to shareholders and all stakeholders of the Bank.
- Continuously improving its CSR Risk Management, including generating guidance and allocating specialized executive.

Achieved all 3 Pillars of Basel II standards. Pioneered implementing Basel III

Achieved AGM business targets over many consecutive years

Well-recognized for our openness and accountability to all stakeholders

GREEN CREDIT



➤ Corporate Customers

- ✓ Rooftop Solar Power Project (Solar Rooftop)
- ✓ Solar Power Project in Vietnam (Solar Farm)

As of August 31st, 2022, HDBank has granted credit to many solar energy projects:

Category	Total capacity (MWp)	Credit limit (VND bil.)	Loan outstanding amount (VND bil.)
Solar energy (Solar farm)	570	7,987	5,692
Solar energy (Solar rooftop)	598	6,134	4,814
Total	1,168	14,121	10,506



SUSTAINABILITY – DFI STAKEHOLDERS

KFW DEG

 **IFC** | International
Finance Corporation
WORLD BANK GROUP
Creating Markets, Creating Opportunities


LEAPFROG
INVESTMENTS

AFFINITY EQUITY
PARTNERS


ASIAN DEVELOPMENT BANK

 **PROPARCO**
GROUPE AFD



SUSTAINABILITY – DFI STAKEHOLDERS



- Signed an Investment Agreement with DFIs worth \$165 million on December 21st, 2021;
- Signed a "Green Credit" agreement with IFC worth \$70 million on December 22nd, 2021;
- Loans using these funds will be subject to HDBank's strict E&S policy;
- Completing the ESMS process for HDBank's entire portfolio in 2023
- Dialogue with foreign investors about Green Bond, specific terms will be discussed in 2023;



ESG - GAPS - PERSPECTIVE

GAPS

- *Still gaps between foreign development institutions expectation and what could be done by Vietnam's stakeholders*
- *Difficulty in finding E&S human resource available as needed*
- *Funding capabilities vs demands*
- *Yet to see new flows of sustainable businesses, with feasible business & E&S cases together with capital adequacy participation*

PERSPECTIVE

- *Macro views and policies to push for the sustainability growth that needs concerted movements from stakeholders in different segments*
- *Progressive steps from DFI, SBV and regulatory bodies to encourage private segments, businesses to take part in the journey*
- *Effective and timely plans and initiatives to support investors both from equity, debt and business cases feasibility as well as infrastructure readiness and incentives*

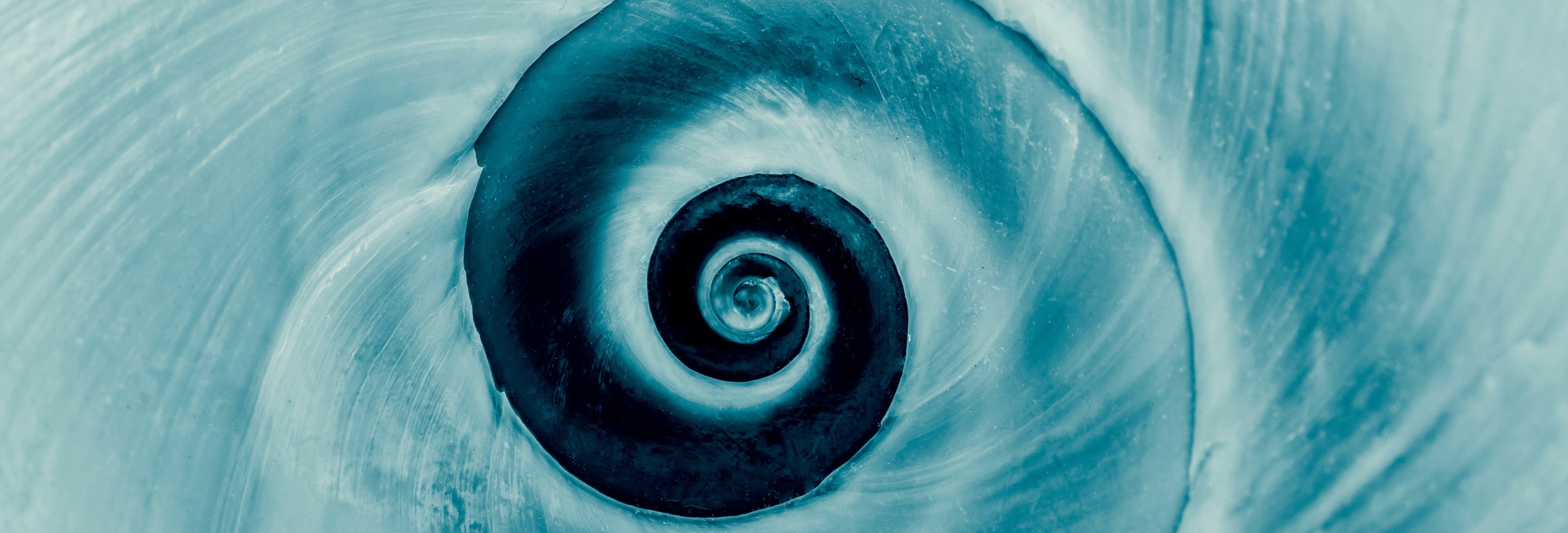
Thank you





Panelist Discussion

Q&A



Thank you!

- **Hai Pham**
- Consulting Director
ERM Vietnam
- Hai.Pham@erm.com

Phuong Tran

Senior Consultant
ERM Vietnam
Phuong.Tran@erm.com





SESSION # 7

WRAP-UP SESSION

Roberto Leva

Investment Specialist, ADB TSCFP

WORKSHOP ON ESG PRACTICES

 **19-20 APRIL 2023**

 **HANOI, VIET NAM**



La Veranda, Sofitel Legend Metropole Hanoi



Networking Session

WORKSHOP ON ESG PRACTICES

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 HANOI, VIET NAM