

Workshop on ESG PRACTICES

(Environmental, Social, and Governance)



19-20 APRIL 2023



HANOI, VIET NAM



DAY 2: 20 April 2023

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SESSION # 1

ESG in Viet Nam

Tram Le
ERM

WORKSHOP ON ESG PRACTICES

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ESG Issues linked to SDGs and NDC in Vietnam

ADB Workshop on ESG Practices

Hanoi, 20 April 2023

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The business of sustainability



Session Speakers and Agenda



Tram Le
Associate Partner
ERM Vietnam

Sustainable Development Goals
in Vietnam

Paris Agreement and Nationally
Determined Contribution

How will Business in Vietnam
align with SDGs and NDC?



Sustainable Development Goals in Vietnam

Sustainable Development Goals



Sustainable Development Goals (SDGs) in Vietnam

- In 2015, Vietnam affirmed that Vietnam supported and committed to the 2030 Agenda and all the SDGs
- Decision No. 622/QD-TTg (2017) by the Prime Minister on Implementation of the National Action Plan for the Implementation of the 2030 Agenda for SDGs. In which, Vietnam nationalized the SDGs into 17 Vietnam SDGs and 115 targets reflecting 150/ 169 global ones
- In 2018, the Voluntary National Review Report was conducted for Vietnam for the first time. the second VNR report will be submitted in 2023
- Decision No. 618/QD-TTg (2019) by the PM on the roadmap for the implementation of Vietnam's SDGs to 2030
- Circular No. 03/2019/TT-BKHDT Developing a set of sustainable development statistical indicators of Viet Nam
- In 2020, the National Report 2020 on progress of 5-year implementation of SDGs.



Vietnam's Progress of Implementation of SDGs (as of 2022)

OVERALL PERFORMANCE

COUNTRY RANKING

VIETNAM

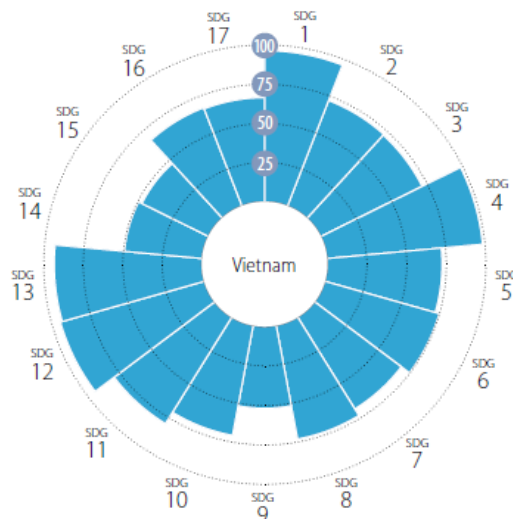
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COUNTRY SCORE



REGIONAL AVERAGE: 65.9

AVERAGE PERFORMANCE BY SDG



SDG DASHBOARDS AND TRENDS



■ Major challenges
 ■ Significant challenges
 ■ Challenges remain
 ■ SDG achieved
 ■ Information unavailable
↓ Decreasing
 → Stagnating
 ↗ Moderately improving
 ↑ On track or maintaining SDG achievement
 ● Information unavailable

Note: The full title of each SDG is available here: <https://sustainabledevelopment.un.org/topics/sustainabledevelopmentgoals>

... to successfully realize the SDGs, it is very important to further integrate the SDGs into development strategies and plans for future periods.

Source: Sustainable Development Report, 2022

How does Climate Change relate to SDGs



- Climate change is already impacting public health, food and water security, migration, peace and security. Climate change, left unchecked, will roll back the development gains we have made over the last decades and will make further gains impossible
- Climate change presents the single biggest threat to sustainable development everywhere and its widespread, unprecedented impacts disproportionately burden the poorest and most vulnerable
- Climate change remains as one of top 10 global risk, as per Global Risk Report 2023
- Tackling climate change and fostering sustainable development are two mutually reinforcing sides of the same coin; sustainable development cannot be achieved without climate action. Conversely, many of the SDGs are addressing the core drivers of climate change

Source: UN and World Economic Forum, Global Risk Report 2023

How does Climate Change relate to SDGs



- Viet Nam is one of the countries most affected by climate change and sudden natural disasters, which will affect the SDG implementation process in the country
- Climate change impacts on the Vietnamese economy and national welfare are already significant—about 3.2 percent of gross domestic product (GDP) in 2020—and they are expected to escalate rapidly even if greater efforts are made to mitigate future climate change around the world.



Paris Agreement and Vietnam's Nationally Determined Contribution

Paris Agreement: Key Points

The Paris climate agreement is a pact, signed in December 2015 by 195 countries.

This is a **historic** agreement, the **first** global legal framework binding the responsibilities of all Parties in **joint efforts** to combat **climate change**.

Keep warming well **below 2°C** and continue all effort to limit the rise in temperature to **1.5°C**

Aim for GHG emission to peak ASAP and **net zero by 2050**

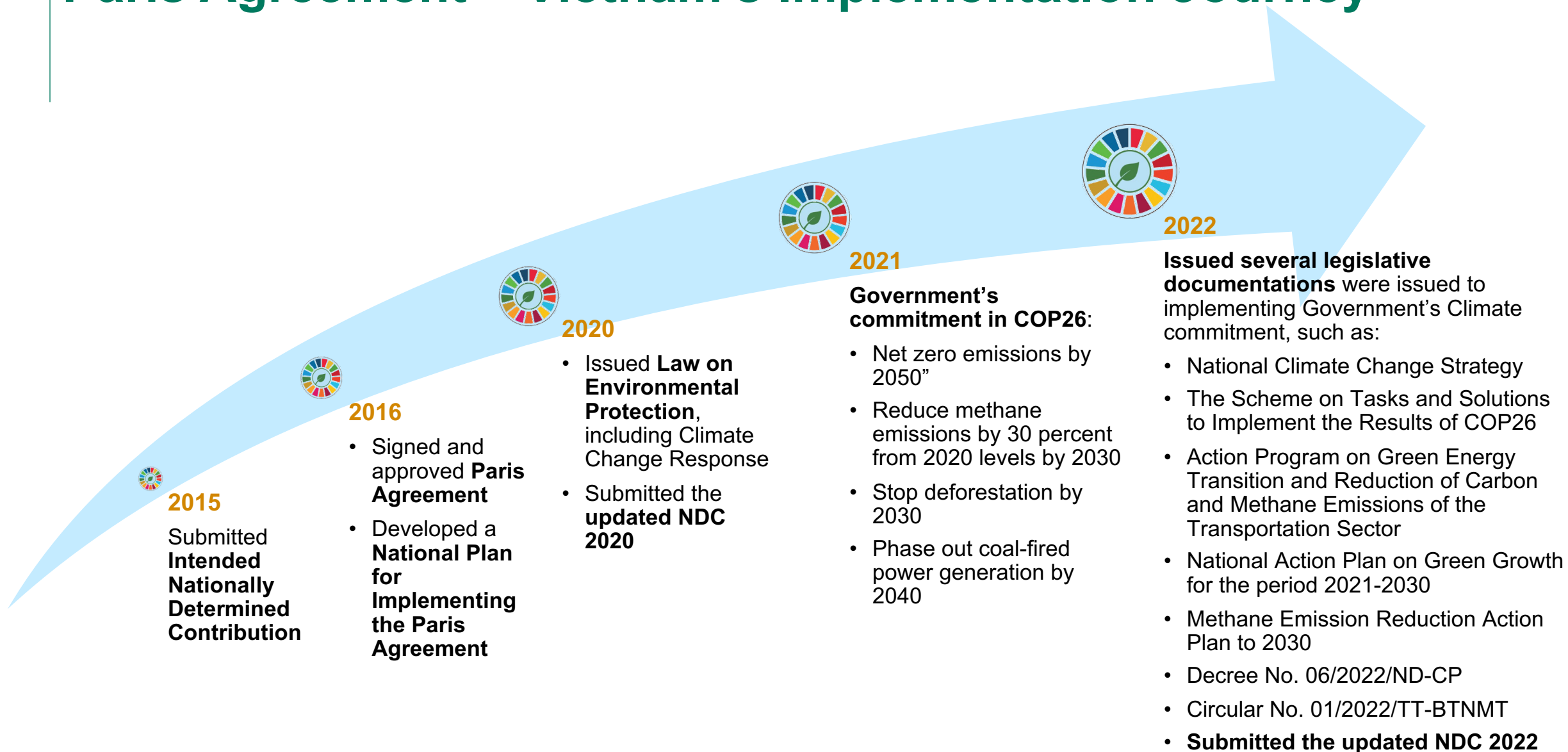
Review and **strengthen** climate actions every 5 years

Align **financial flows** in the world within the objectives

Enhance **resilience** and **adaptation** to climate impacts



Paris Agreement – Vietnam’s Implementation Journey



Vietnam's Nationally Determined Contribution



September 2015

- Reduce GHG emission by 8% compared to BAU (2010) scenario, with domestic resources by 2030
- Reduce GHG emission by 25% compared to BAU (2010) scenario, with international support by 2030



July 2020

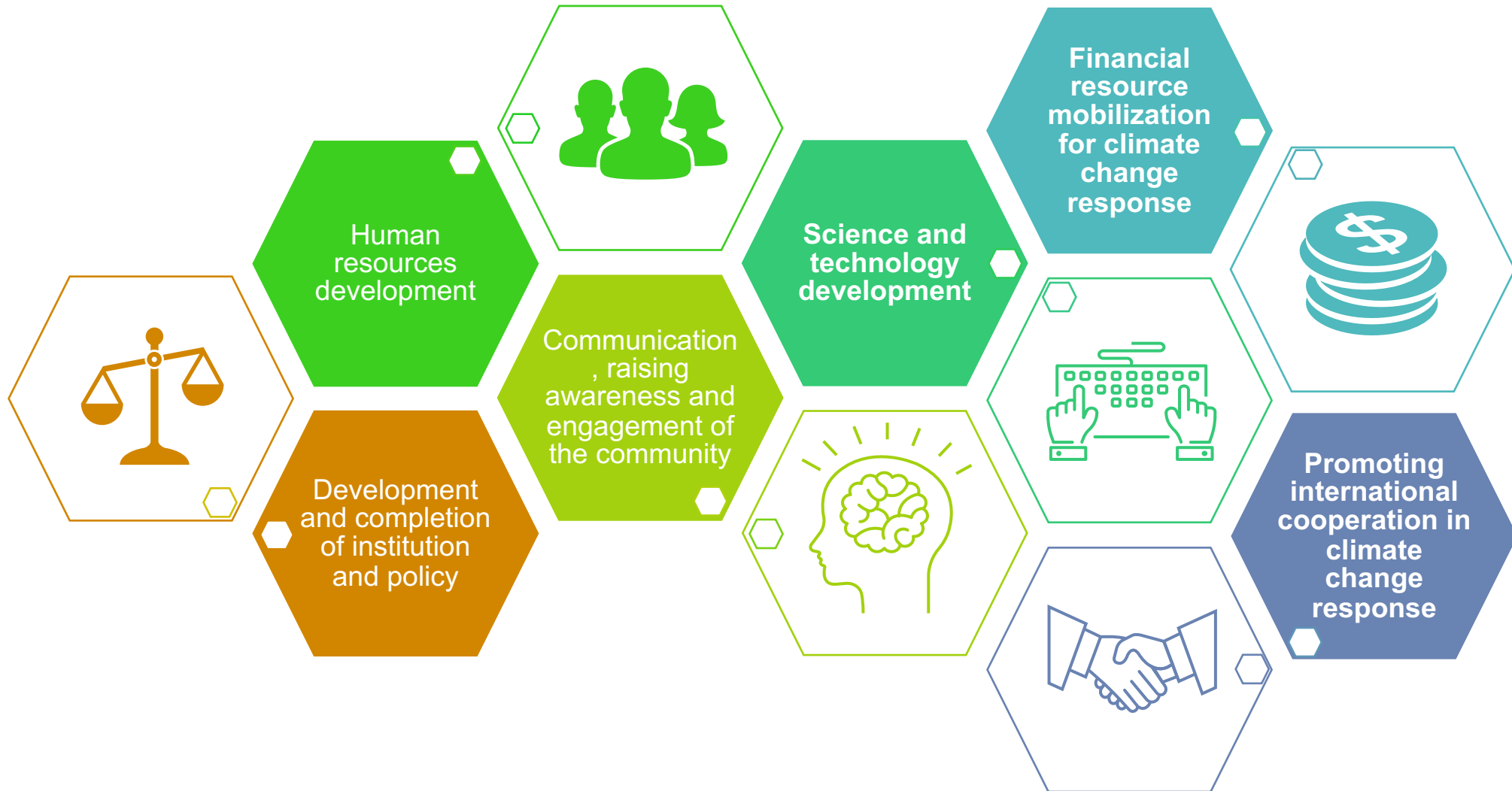
- Reduce GHG emission by 9% compared to BAU (2014) scenario, with domestic resources by 2030
- Reduce GHG emission by 27% compared to BAU (2014) scenario, with international support by 2030



November 2022

- Reduce GHG emission by 15.8% compared to BAU (2014) scenario, with domestic resources by 2030
- Reduce GHG emission by 43.5% compared to BAU (2014) scenario, with international support by 2030

Vietnam's Implementation of NDC



How will Business in Vietnam engage with SDGs and NDC?

ESG Trends in the World



Integrating ESG



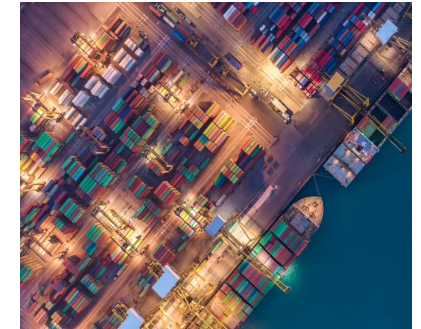
Valuing human capital



Responding to climate change



Safeguarding natural systems



Building sustainable & resilient supply chains



Enabling sustainable consumption & production



Applying technology to sustainability



Respecting fundamental rights



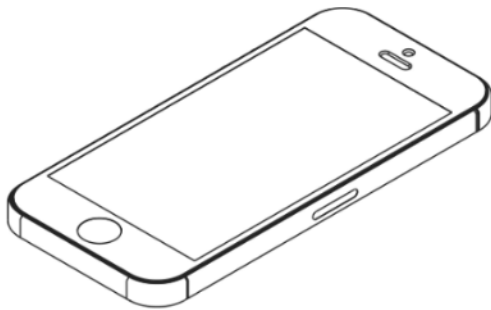
Shaping policy, regulation & norms



Moving toward stakeholder capitalism

Source: *The Ongoing Evolution of Sustainable Business: 2023 Trends Report*, SustainAbility Institute by ERM

Which Sustainability Issues and Trends are more relevant to Vietnam?



1

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Enter the **Code: 1931 2349**
and answer the questions

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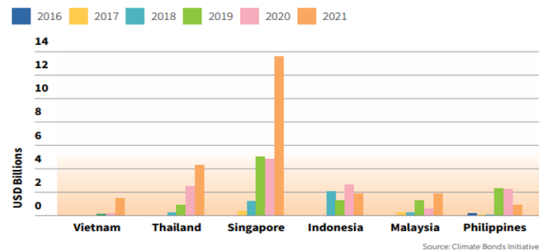
Let us know your thoughts ...

- Why do you think it would be a trend?
- What business can do?

Increasing ESG Expectations and Priorities

INCREASING SUSTAINABLE FINANCE

Annual Green, Social and Sustainability debt issuance from ASEAN-6 countries



ESG funds continue to compete for wider market
 “Sustainability as BlackRock’s New Standard for Investing” – Larry Fink Letter to Clients 2020

INCREASING REGULATION & OVERSIGHT



Dự thảo Thông tư hướng dẫn thực hiện quản lý rủi ro môi trường trong hoạt động cấp tín dụng của tổ chức tín dụng, chi nhánh ngân hàng nước ngoài

Vietnam Corporate Governance Code of Best Practices
 Circular No. 96/2020/TT-BTC dated November 16 2020 setting Sustainability reporting requirements for public and listed companies in Vietnam.

Finance

VN Sustainability Index (VNSI)
 HOSE 07.2017

INCREASED PRESSURE FROM INITIATIVES

SCBX Group sets to become a NET ZERO Financial Technology Group by 2050

- Vietnamese investment funds are taking into account ESG criteria when investing in local companies
- Several Vietnam-focused Private Equity firms have adopted UN Principles for Responsible Investment.

SCB first Thai bank named a signatory to the Equator Principles

INCREASING ACTION BY INVESTORS

Government's and Investors' Demand of Net Zero Commitments following COP 26

CLIMATE-RELATED DRIVERS



Physical Climatic Change

- Acute
- Chronic



Transition to Low Carbon Economy

- Policies and Regulations
- Technology / Market



Legal Liability



Reputational Issues

BUSINESS IMPLICATIONS



Investment Opportunity



Access to / Cost of Capital



Market Demand / Price Shifts



Competitor / Technology Disruption



Supply / Distribution Disruption



Increased Operating Costs



Capital Upgrade Requirements



Litigation Damages



Stranded Assets

RISKS & OPPORTUNITIES FOR INVESTORS AND FOR ACCESSING CAPITAL



Financing / New Product Opportunity with a focus on ESG Investing



Risks Management

Credit & Equity, Market, Reputational and Operational Risks



Net Zero Finance



Growth in Sustainable Bonds



ESG Performance and the Cost of Capital

Trade for Decent Works - Sustainable Supply Chains

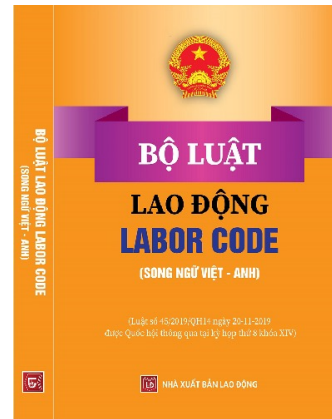
Improve working environment for labours in Vietnam



New generation
free trade
agreement



International
Labour
Organization



Child Labour
Standards on child labour



Seasonal labour,
Forced labour
Change in definition of Labour contract,
debt bondage



Health & Safety
Condition
Provision of training, insurance,
safe condition, right to stop work,
work allocation, grievance



Non-discrimination

What Banking Sector could do to support Companies in Vietnam working toward Sustainable Development?

1

Integrate **ESG** into your company business strategy, as well as lending consideration

2

Develop and implement **E&S management systems (ESMS)** to appropriately assess and manage ESG risks, including climate change risks and impacts

3

Set your own **sustainability-related goals, KPIs** and influence your Clients to perform toward the set goals and KPIs.

4

Promote **green/ sustainable credit/ banking** to create positive impacts along your lending business.

5

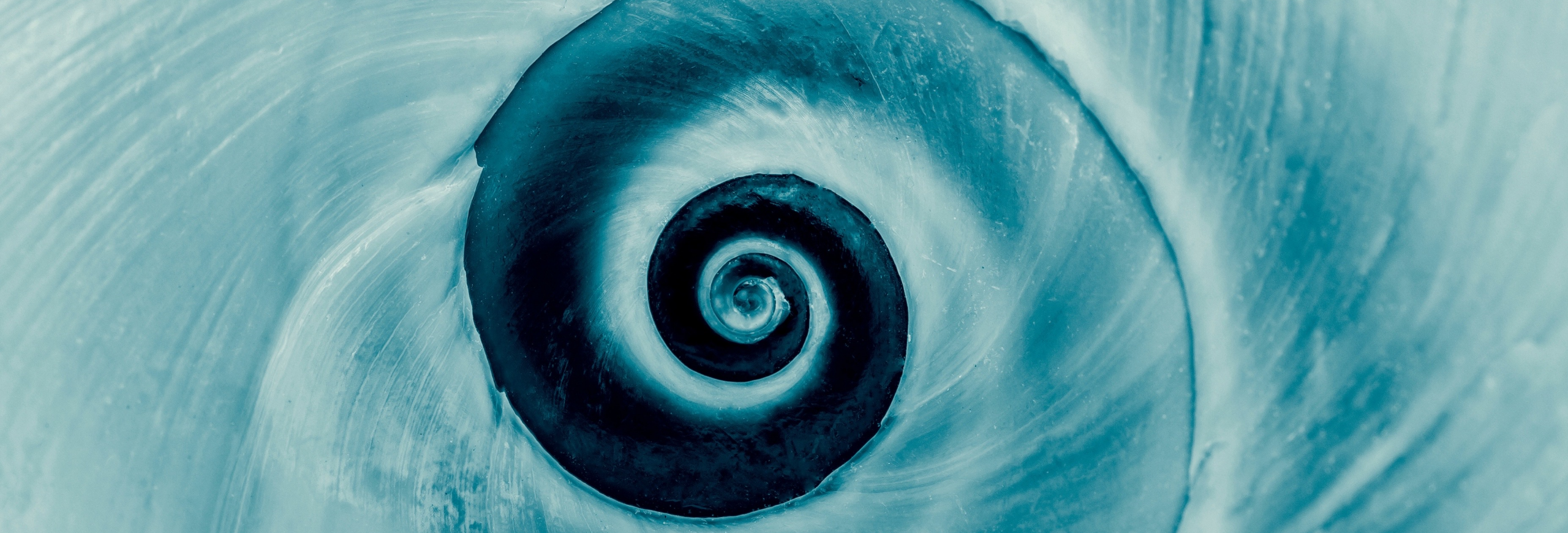
Implement **financial inclusion** to increase access to capital to specific areas, such as agriculture and rural areas, SMEs, women-owned businesses, etc.

6

Attract **more funding** from international parties for domestic market



Q&A



Thank you!

Tram Le

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SESSION # 2

Labour Risk Management in the Banking Industry: Interactive Session

Olga Skotareva
E&S Safeguards
ADB

Hanh Nguyen
ERM

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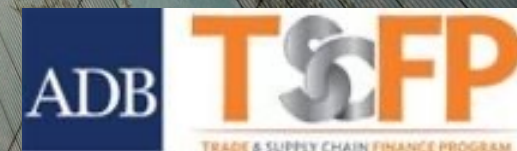
Labor Risk Management in the Banking Industry

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The business of sustainability



Session Speakers and Agenda



Olga Skotareva
Senior Safeguards Specialist
Asian Development Bank



Hanh Nguyen
Senior Social Consultant
ERM Vietnam



Labor risks in supply chains, if left unmanaged, can lead to adverse consequences for financial institutions

Key facts & figures

- **16 million people** working in the **private sector** are estimated to be in conditions of forced labor.¹
- **Women and girls** account for **71%** of modern slavery victims.¹
- **25%** of modern slavery victims are **children**.¹

Risks for Financial Institutions²

CLIENT/ CLIENT'S SUPPLY CHAIN

Unmanaged labor risks in operations



- Disruption of operations
- Fines and penalties
- Market devaluation due to liabilities



FINANCIAL INSTITUTIONS

Direct Risks

- Liability for damage caused by client
- Regulatory risk

Indirect Risks

- Reduced repayment capacity
- Negative publicity



Consequences

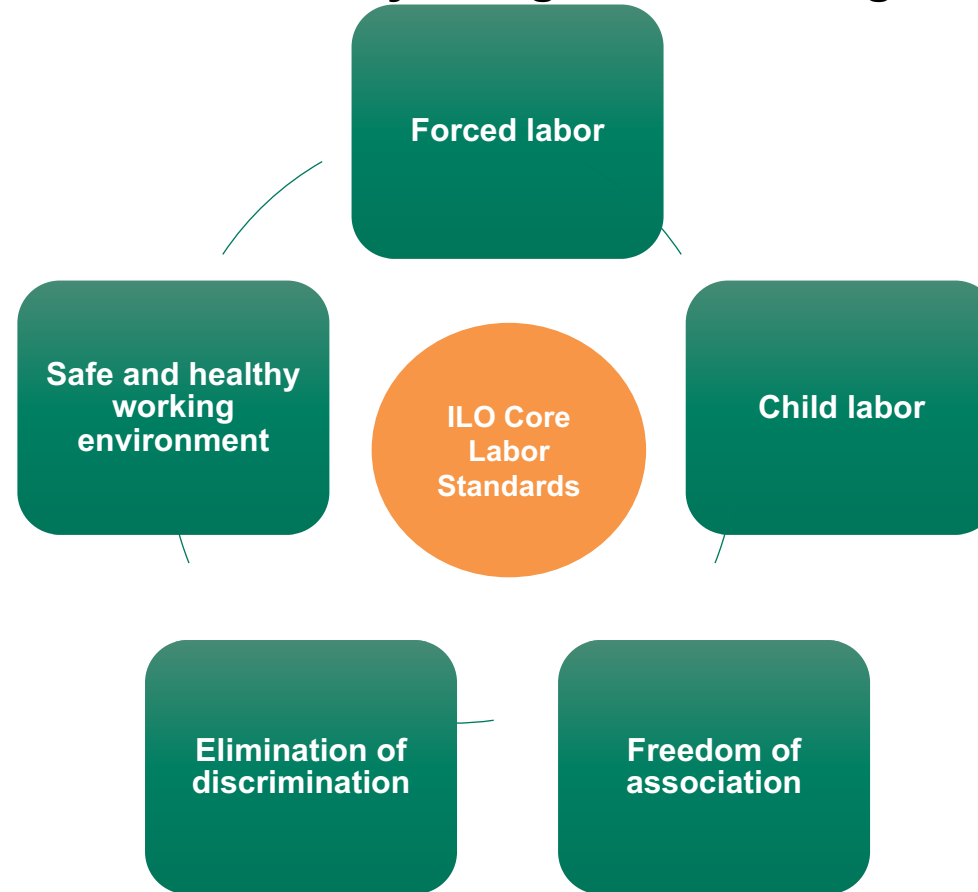
- Loss of assets
- Reduced profits
- Reputational damage

¹IFC, CDC Group Plc, the European Bank for Reconstruction and Development (EBRD), and the UK Department for International Development (DFID). 2018. *Managing Risks Associated with Modern Slavery: Good Practice Note for the Private Sector*.

²IFC (n.d.) *Managing Environmental and Social Risks for Financial Institutions*; Themis International Services Ltd., Tribe Foundation, and Independent Anti-Slavery Commissioner. 2021. *Preventing Modern Slavery and Human Trafficking: An Agenda for Action Across the Financial Services Sector*.

The ILO Core Labor Standards

ILO Core Labor Standards: Internationally recognised basic rights and principles at work



ADB has a **Prohibited Investment Activity List (PIAL)** and as part of its **Social Protection Strategy**, adopts the Core Labor Standards in design and formation of its investment projects.

ILO Definition of Forced Labor

ILO definition of forced labor: “All work or service which is exacted from any person under the menace of any 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

[What is forced labor, modern slavery and human trafficking \(ilo.org\)](https://www.ilo.org/)

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

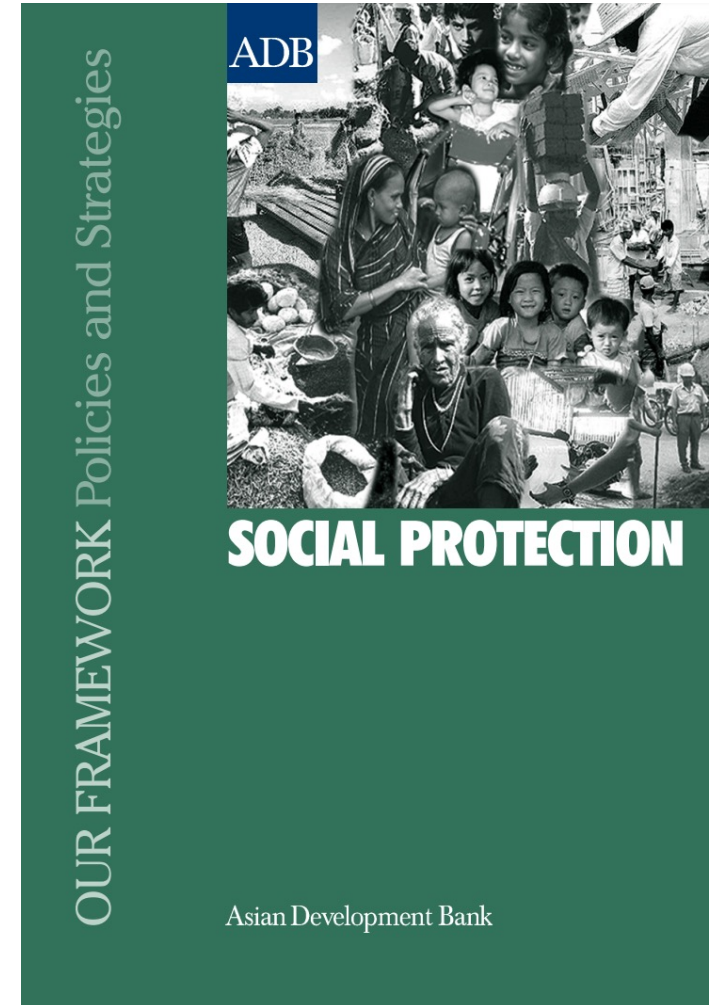
Requires them to attempt to **combine school attendance** with excessively long and heavy work

[International Programme on the Elimination of Child Labor \(IPEC\) \(IPEC\) \(ilo.org\)](https://www.ilo.org/)

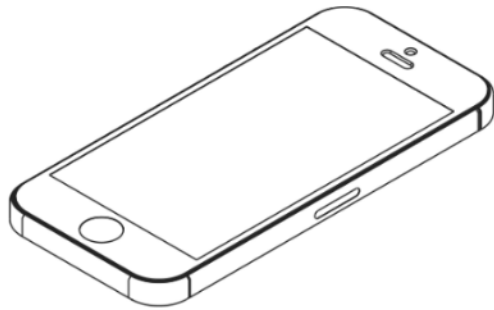
ADB's Commitment to Core Labor Standards (CLS)

- Safeguard Policy Statement (2009)
- Social Protection Strategy (2001)

- ADB and the Core Labor Standards in Practice:
 - Environmental and Social documents of the borrowers
 - ESMS of the borrowers
 - Loan Covenant/Agreements



What risks do child and forced labor raise for operations in your bank?



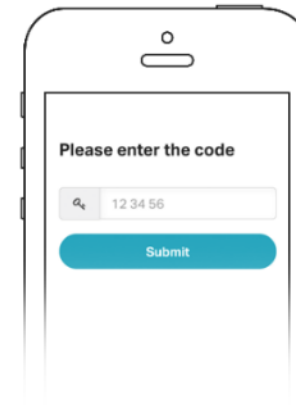
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Type the **Code: 2568 3361**
and answer the questions

Result: <https://www.mentimeter.com/app/presentation/alrvnyc2mkaur1rjogpmpdmv9y8pz6e>

To manage risk exposure, TSCFP Partner Banks should assess the contextual factors relating to their clients/supply chain in which labor risks are highest

CONTEXTUAL FACTORS/ RISK AREAS

COUNTRY AND SECTOR LEVEL

Country and sector have high CL&FL risk (2022)

Goods with the Most Child Labor Listings by Number of Countries



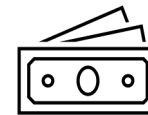
Goods with the Most Forced Labor Listings by Number of Countries



CHARACTERISTICS OF WORKSITES/SUPPLY CHAINS AND THIRD-PARTY MANAGEMENT SYSTEMS THAT MAY LEAD TO RISK¹



Presence of (large number of) migrant workers



Recruitment fees and wage advances



Allegation of poor business practices



Presence of women² and children



High production targets that workers have to render excessive overtime



Lack of transparency & grievance redress mechanism



Presence of low-skilled workers (e.g cleaning, catering, logistics)



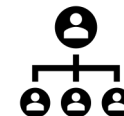
Control of employee documents



Weak E&S system



Presence of temporary/contractual/seasonal workers



Complex sub-contracting



Abnormally low contract/tender cost

¹ IFC, CDC Group Plc, the European Bank for Reconstruction and Development (EBRD), and the UK Department for International Development (DFID). 2018. *Managing Risks Associated with Modern Slavery: Good Practice Note for the Private Sector.*; International Labor Organization (ILO). 2019: *Labor Standards in Global Supply Chain: How to Meet to become competitive and sustainable.*

² Women are often subject to higher likelihood of threat, coercion, and abuse.

TSCFP's Approach to Managing Labor Risks

TSCFP will not finance transactions:

Excluded goods

that include goods that are on ADB's prohibited investment activities list

Sanctions

where counterparties are subject to international sanctions

Legislation

that do not comply with applicable national laws and regulations

TSCFP Safeguards

that do not align with additional safeguards established by TSCFP



Child and Forced Labor Risk Management

Child and Forced Labor Risk Management

6. Communication on due diligence/risk management activities and progress and any remediation action taken.

5. Establish a bank-level grievance mechanism and/or encourage clients to establish project-level grievance mechanisms.

4. Track the implementation and effectiveness of the adopted measures on a continuous basis.

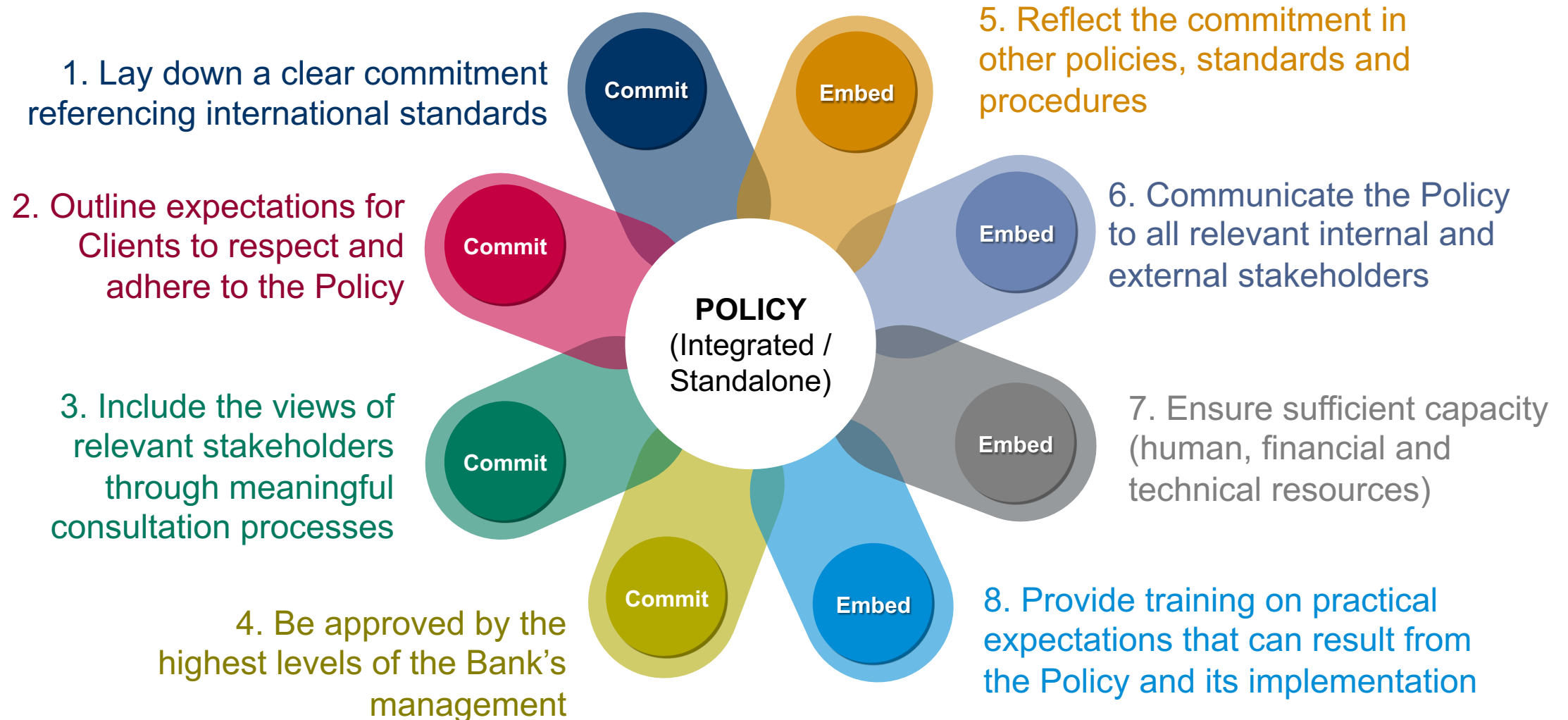


1. Develop a formal policy which demonstrates the bank's commitment to upholding labor standards.

2. Assess labor risks by identifying, screening and analysing labor risks in the bank's own operations and client portfolio.

3. Cease, prevent and mitigate labor risks in the bank's own operations and client portfolio, adopt risk mitigation measures.

1. Develop a Policy



2. Assess Child and Forced Labor Risks

High-level Risk Assessment on Operating Context

- Identify high-level labor risks in financial activities.
- Identify and prioritize areas of business (geographies and materials) where Child and Forced labor risks are more likely to be present and more significant.

Risk Categorization

- Re-categorize transactions by assigning a risk level (Low, Medium, and High-risk).
- Project specific financial information, project specificities and feedback from grievance mechanisms.



Exclusion List Screening

Screen all financial requests against the Partner Bank's defined Exclusion List.

Risk Assessment of Financial Transactions

- Desk-based reviews based on publicly available information, national and international databases
- Interview based on desk-based reviews

Enhanced Due Diligence

- Implement enhanced due diligence for medium and high-risk transactions.
- Desk reviews and site visits by the Participating Bank.

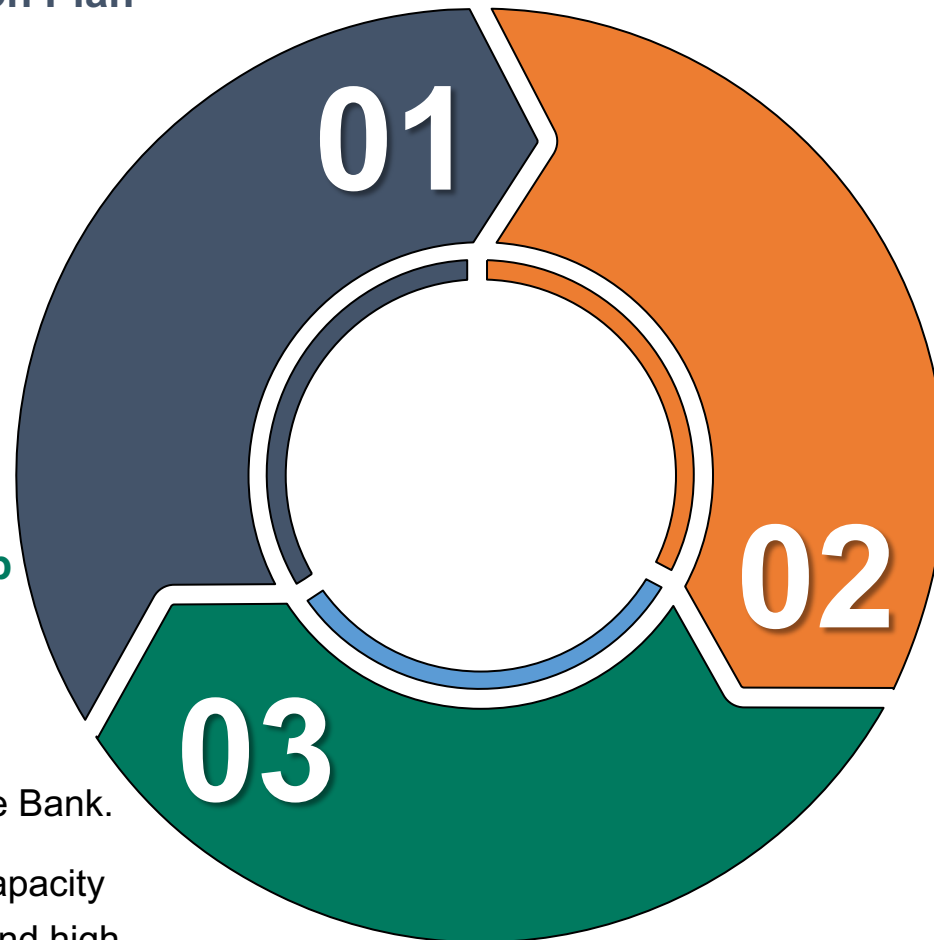
3. Cease, Prevent and Mitigate Child and Forced Labor Risks

Step 1: Initial Corrective Action Plan

- Develop initial Corrective Action Plans.
- Ensure that clients take ownership of the initial Corrective Action Plans and agree to implement the actions.

Step 3: Ongoing relationship Management- Incident Management and Training

- Establish a formalized Incident Management System within the Bank.
- Provide training and/or other capacity building activities for medium and high-risk transaction clients



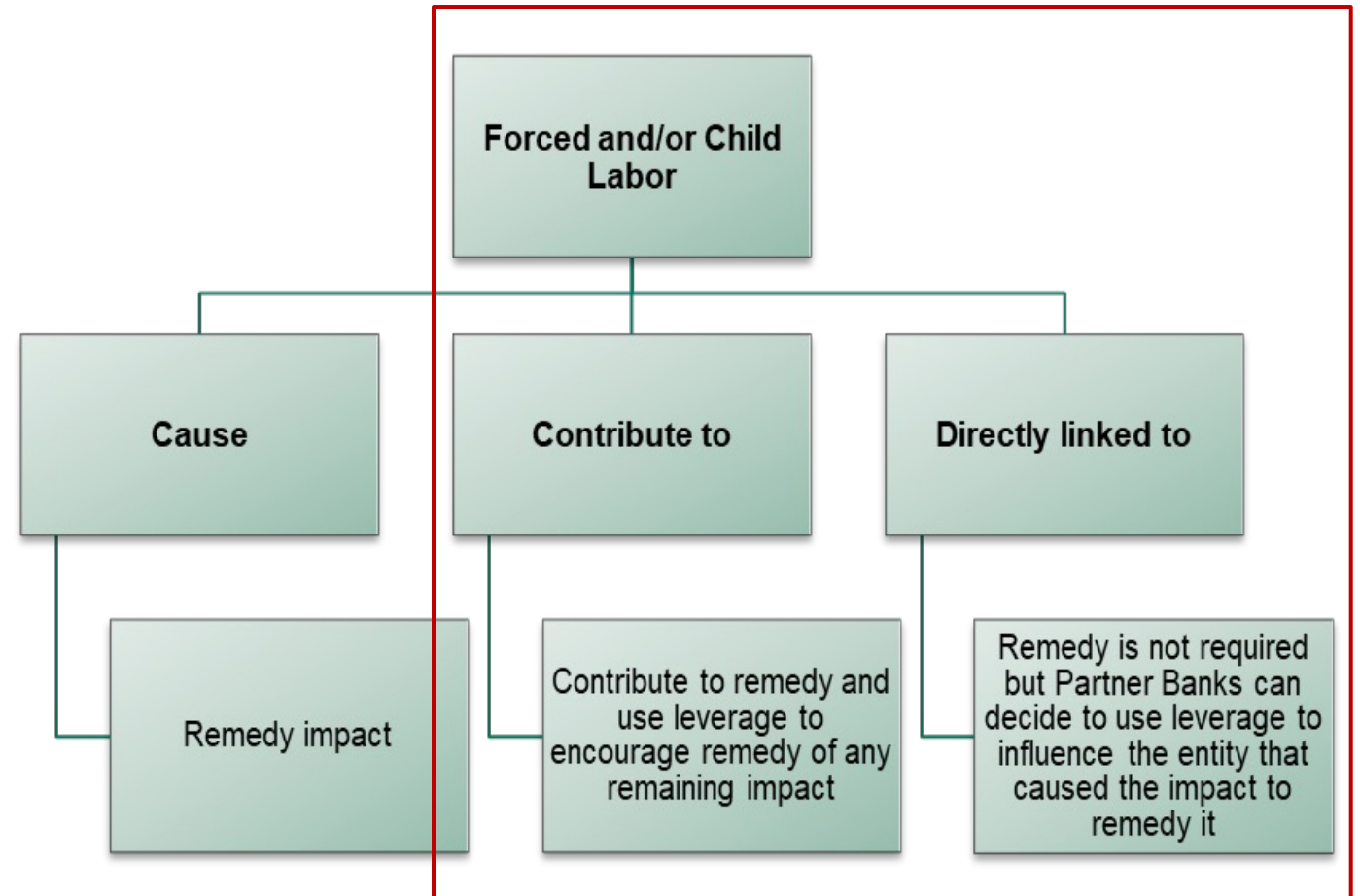
Step 2: Transaction Approval- Contractual Clause

- **Commitment-** Clients must not engage or be linked to Child and Forced labor.
- **Reporting-** identified child and forced labor related issues must be immediately communicated to the Partner Bank by clients. Clients should also report any business change or sector expansion.
- **Corrective Action plans** – Clients to adopt and implement initial and any subsequent Corrective Action Plans.

Provide Remedy

Remediation Process

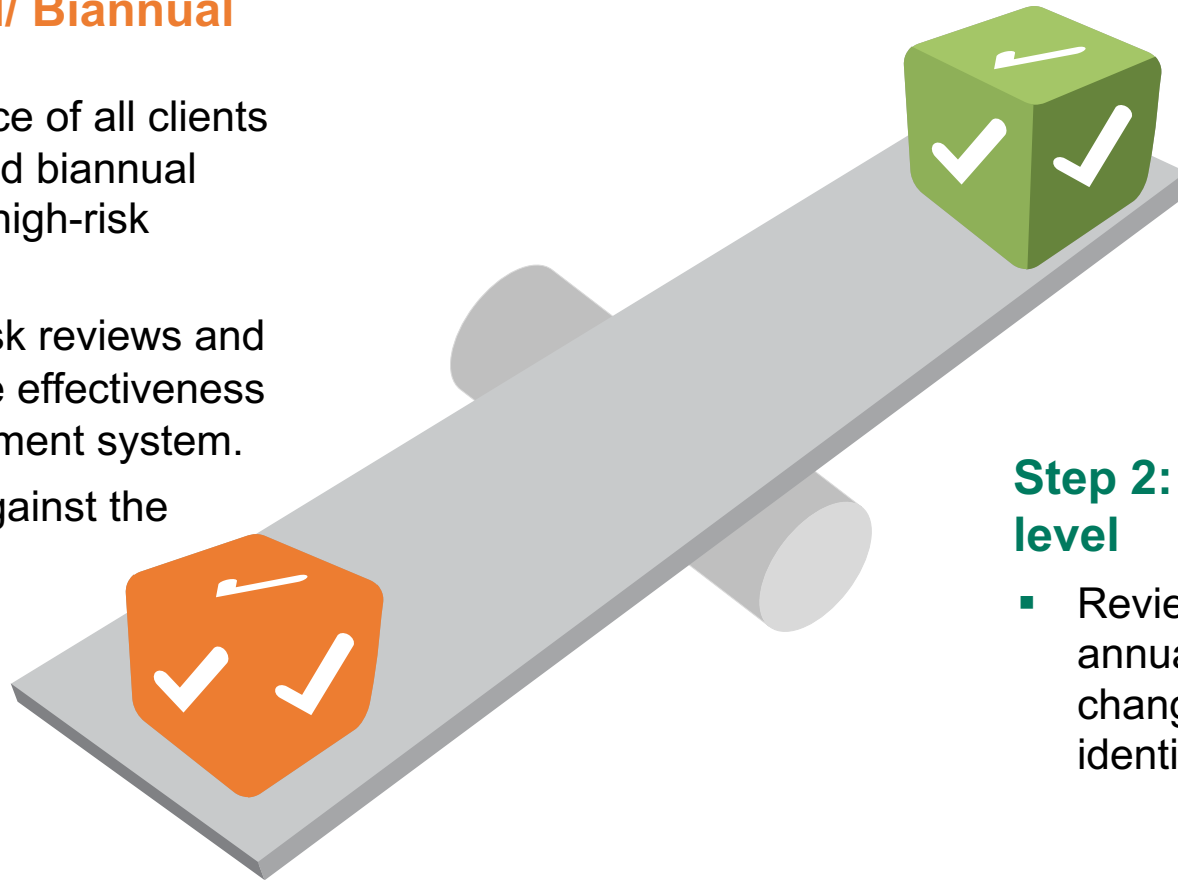
- Apologies, restitution, or rehabilitation.
- Financial or non-financial compensation.
- Cooperation in legal processes.
- Cooperation in non-judicial mechanisms.
- Participation in Global Framework Agreements or collective bargaining agreements with trade unions.



4. Track the Implementation and Effectiveness

Step 1: Set up Annual/ Biannual Monitoring

- Monitor the performance of all clients at least once a year and biannual basis for medium and high-risk transactions.
- Monitoring through desk reviews and site visits to assess the effectiveness of client's risk management system.
- Performance review against the Corrective Action Plan.



Step 2: Review Transaction Risk level

- Review of transaction risk level annually and on ad hoc basis if any change in or expansion of risk is identified or expected.

5. Establish Grievance Mechanisms



- A grievance mechanism to allow stakeholders to raise concerns in relation to financial activities (not limited to child and forced labor).
- A procedure including scope, timeline, process to respond to grievances, including an escalation process.



- A grievance mechanism in line with the Effectiveness Criteria detailed in the UN Guiding Principles for Business and Human Rights: legitimate, accessible, predictable, equitable, transparent, rights-compatible, based on engagement and dialogue, and a source of continuous learning

6. Communicate



Information should be disclosed at a suitable frequency and respect legitimate requirements of commercial confidentiality.



Child and Forced Labor Risk Due Diligence

Child and Forced Labor Risk Due Diligence Process

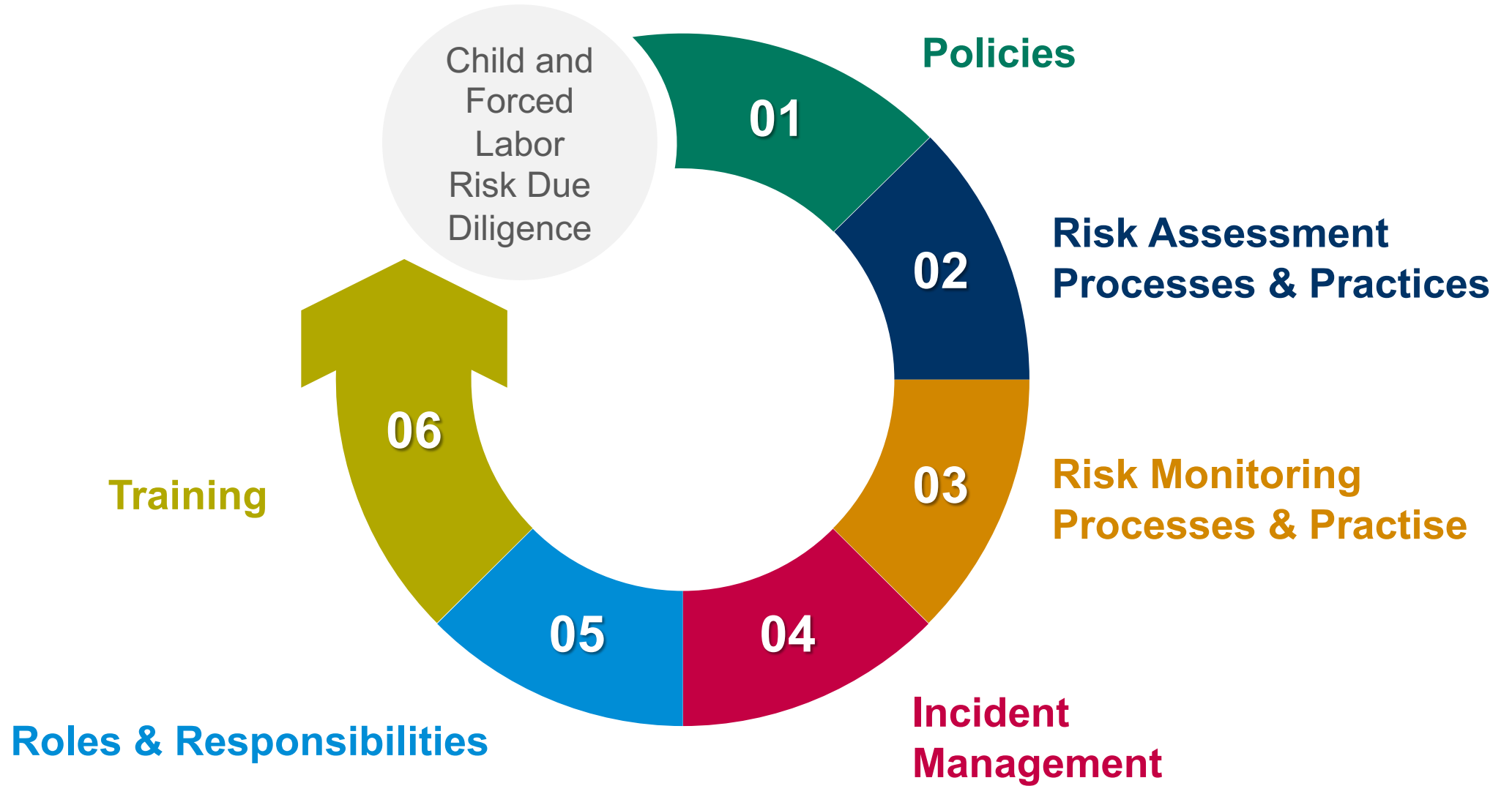
Approach and Methodology

- Adopt a checklist to assess Child and Forced Labour Risks.
- Review the written responses received by Clients to identify good practice and areas of improvements.
- Conduct a validation interview with representatives of Client Teams.
- Complete a virtual site visit/worker interviews to review key policies and procedures that the Client has in place to mitigate risks.

Main Contents of the Due Diligence Report

- Outlines key findings and observations related to Client's management capacity of child and forced labor risk due diligence addressing:
 - Risk identification;
 - Identified risk management and mitigation; and
 - Capacity and resources status and requirements.
- Based on the findings, areas of good management to mitigate any risks identified and key areas of improvement

Topics



Prioritization Matrix

Topic	HIGH Absence of, Lack of	MEDIUM In place but need further embedment; some processes but need updated	LOW Specific commitment, mature process, strong mechanism, formalised system
Policies	<ul style="list-style-type: none"> Absence of any Policy commitments on Child and Forced labor. 	<ul style="list-style-type: none"> Broad ESG Policy commitments are in place. However, there is a lack of specific commitments on Child and forced labor issues. Commitments should be further embedded in the organization. 	<ul style="list-style-type: none"> Policies make specific commitments not to be engaged/ linked to Child and Forced labor. Minimal changes required to bring policies in line with international standards.
Risk Assessment Processes & Practices	<ul style="list-style-type: none"> Absence of any Risk assessment process to manage Child and Forced labor risks. 	<ul style="list-style-type: none"> There are some risk assessment processes. However, processes need to be updated to bring them in line with international standards. 	<ul style="list-style-type: none"> Mature risk assessment processes, minimal changes required to ensure processes are in line with international standards.
Risk Monitoring Processes & Practise	<ul style="list-style-type: none"> Absence of any risk monitoring mechanisms to identify evolving Child and Forced labor risks during the project period. 	<ul style="list-style-type: none"> There are some monitoring mechanisms. However, processes need to be updated to bring them in line with international standards. 	<ul style="list-style-type: none"> Strong monitoring mechanisms to identify evolving Child and Forced labor risks. Minimal changes required to ensure processes are in line with international standards.
Incident Management	<ul style="list-style-type: none"> Absence of any Incident Management system to deal with Child and Forced labor incidents. 	<ul style="list-style-type: none"> There is an informal system of managing Child and Forced labor incidents when they occur, but lack of a formalized structure. 	<ul style="list-style-type: none"> There is a formalized system to manage Child and Forced labor incidents.
Roles & Responsibilities	<ul style="list-style-type: none"> Roles and responsibilities to manage Child and Forced labor risks are not clearly defined. Lack of capacity to manage Child and Forced labor issues. 	<ul style="list-style-type: none"> Roles and responsibilities to manage Child and Forced labor risks are clearly defined. However, there is a lack of technical capacity to manage social risks, including Child and Forced labor issues. 	<ul style="list-style-type: none"> Roles and responsibilities are defined. Sufficient social specialist expertise to cover Child and Forced labor risks.
Training	<ul style="list-style-type: none"> Internal training is provided for employees on broader ESG topics, but there is no training on Child and forced labor issues. 	<ul style="list-style-type: none"> Internal training is provided on Child and Forced labor issues, but training is conducted in an ad hoc manner. Frequency of training and engagement is not defined. 	<ul style="list-style-type: none"> Child and Forced labor issues are covered during trainings on an ongoing basis. Frequency of trainings is defined.



Exercise

Case Study 1

Case Background: A multinational sports apparel brand (*Run Right*) based in Vietnam has its manufacturing facilities across Bangladesh and Cambodia. These countries have been in the news for poor implementation of regulatory provisions linked to working conditions and health and safety. The facilities also subcontract their processes to other factories.

Run Right is seeking financing for their business expansion in view of export to EU countries.

Run Right does not have any policies or formalized risk assessment and monitoring processes in place to manage potential child and forced labour risks. They have limited internal capacity to identify and manage child and forced labour risks.

Questions:

- *What are the child and forced labor risks that you should consider?*
- *As a potential lender to Run Right, which risks would be high/medium/low priority?*
- *How would you mitigate the high-risk issues?*

Case Study 2

Case Scenario: ABC Group Vietnam (ABC VN) is a green coffee trader and part of the global ABC Group based in Europe. ABC VN sources raw green coffee beans from 150 suppliers/collectors and works closely with 2,000 farmers in four (04) key producing areas in Central Highlands of Vietnam. It has a warehouse and dry mill processing plant located in Industrial Zone in Ho Chi Minh City.

ABC Group is seeking support to conduct ESG assessment to understand how environmental, social, including labor, risks affect to ABC VN operation for employees, suppliers and local communities. The need for ESG assessment is also to enable ABC Group to transparently communicate with interested stakeholders.

The assessment identified that ABC Group has an ESMS detailing a formalized process to identify and manage Child and Forced labour risks across its projects and subsidiaries. ABC VN has a Human Resource policy that includes specific reference to the prohibition of child and forced labour. ABC VN conducts periodic checks coffee suppliers by reviewing employee documentation.

Questions:

- *Which of these issues identified by the Bank's due diligence team are the high-risk issues?*
- *As a potential lender to ABC VN, how would you mitigate the high-risk issues?*
- *How would you monitor the issues?*



Q&A

Key Takeaways

- Child and forced labor risks may have significant **financial and reputational implications** to the Banks.
- TSCFP provides a process to **'cease, prevent and mitigate'** child and forced labor risks
- **Key steps** of the child and forced labor management process are:
 - **Integrate** child and forced labor risk management within banks' ESMS systems;
 - Develop **holistic processes** to identify, assess and mitigate child and forced labor risks;
 - Set up processes to **continuously monitor** child and forced labor risks;
 - Develop formalized **grievance mechanisms** and remediation measures;
 - Provide **capacity building** for all relevant employees on child and forced labor risks. Consider hiring more resources to support the management of child and forced labor risks (and wider ESG risks).



Thank you!

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COFFEE BREAK

(15 MINUTES)

WORKSHOP ON ESG PRACTICES

 **19-20 APRIL 2023**

 **HANOI, VIET NAM**



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SESSION # 3

Climate Risk Management in the Banking Industry: Interactive Session

Tram Le
ERM

Hai Pham
ERM

Climate Risk Management in the Banking Industry

ADB Workshop on ESG Practices

Hanoi, 20 April 2023

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The business of sustainability



Session Speakers



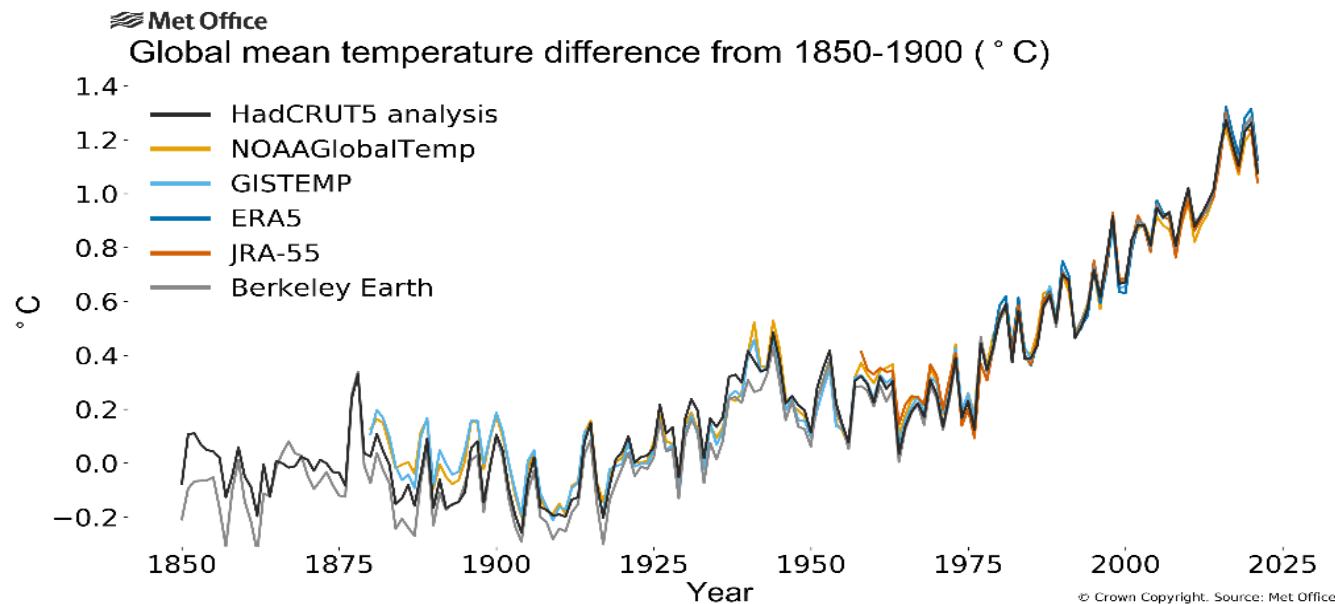
Hai Pham
Consulting Director
ERM Vietnam



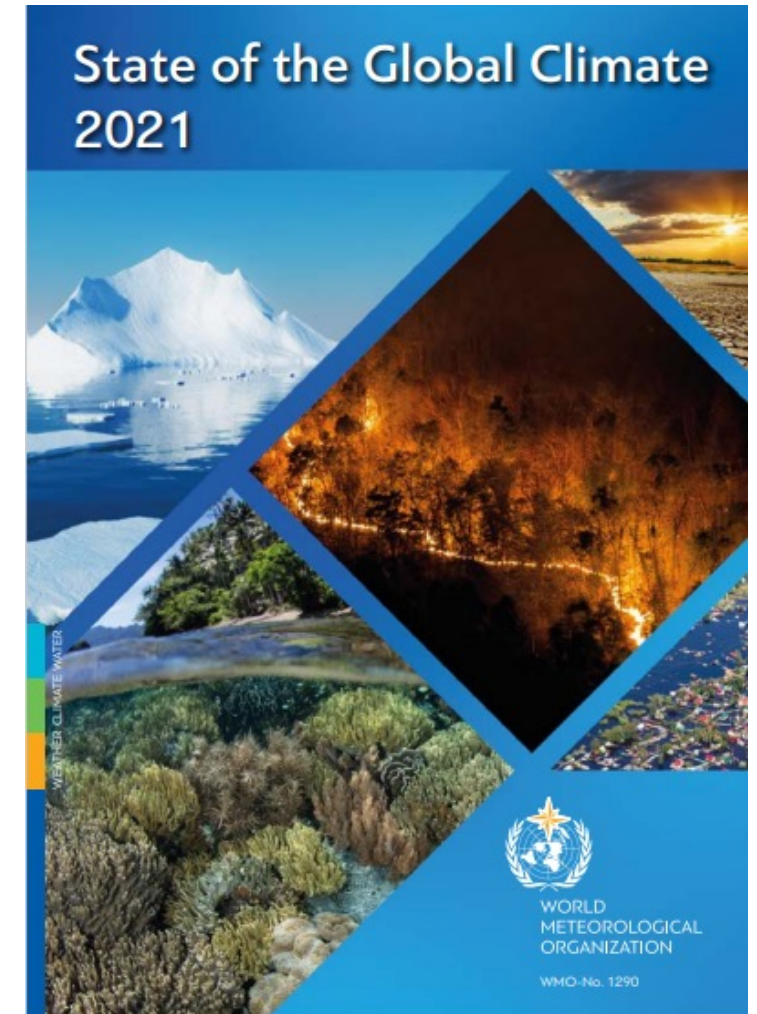
Tram Le
Associate Partner
ERM Vietnam

Extreme Weather Events Are 'The New Norm'

Report for 2021 highlights a world that is "changing before our eyes."
Past 7 years were the warmest on record, sea level at new high

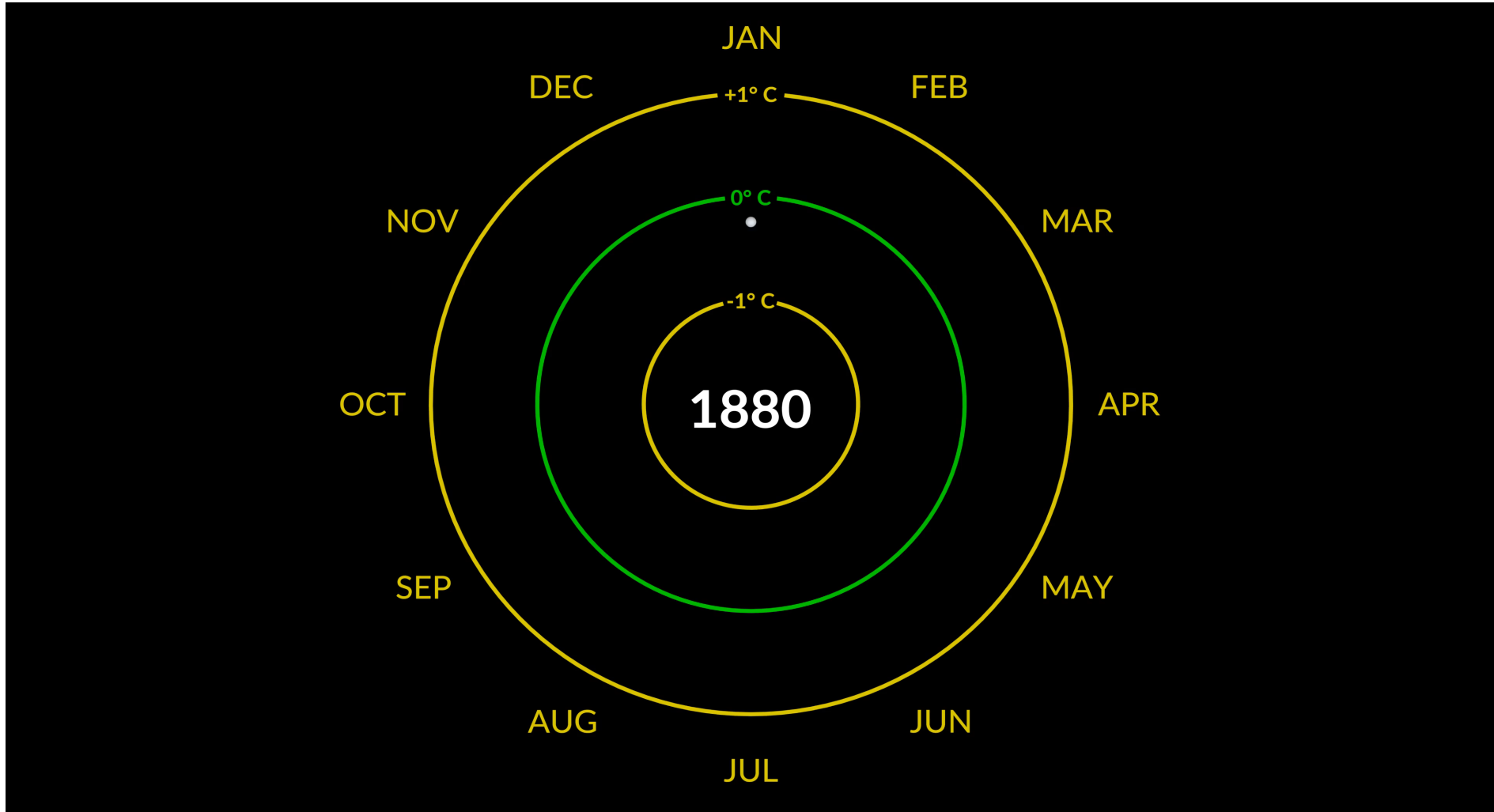


Global annual mean temperature difference from preindustrial conditions (1850–1900) for six global temperature data sets



Average global temperatures

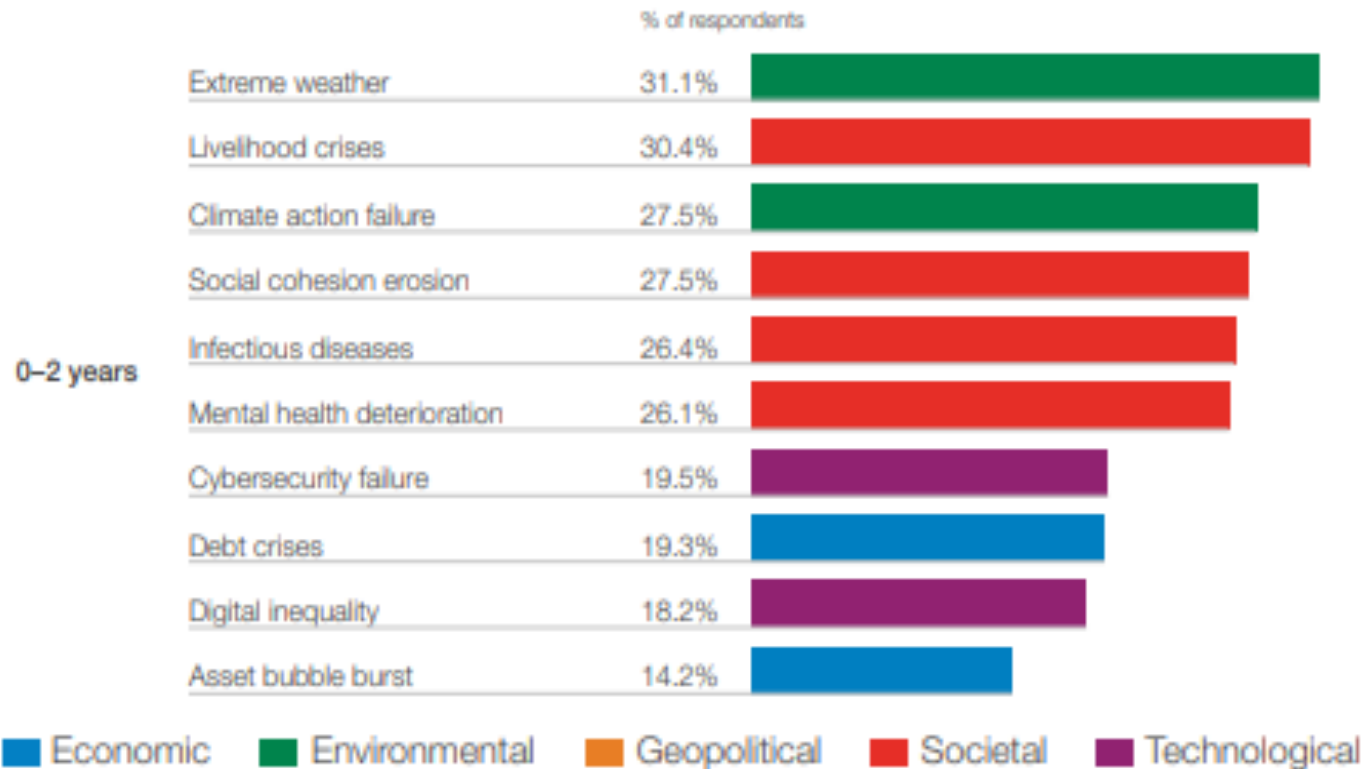
1880 - 2021



Climate Change Recognized as Most Significant Macro Risk

WEF Global Risks Report, 2022

'When will risks become a critical threat to the world?'



- Two climate related risk considered 'top three' in the short and medium term
- 'Climate action failure' moves to 'top risk' in medium (5-10 year) timeframe
- Climate action failure / extreme weather linked to other identified risks:

Environmental

- Biodiversity loss
- Natural resource crises
- Human environmental damage
- Geophysical disasters

Social

- Involuntary migration
- Livelihood crisis
- Public infrastructure failure

Vietnam's Climate Risks Portfolio

• Climate trends:

- Mean annual temperature has increased by 0.5°C–0.7°C since 1960*
- Increased rainfall in Central regions, and reduced rainfall in northern and southern regions*
- Average sea level rises for coastal areas at about 22 cm by 2050 (Representative Concentration Pathway – RCP 4.5 scenario)**

• Impacts*:

- Increase in intensity and frequencies of flooding, saline intrusion and cyclones. Flood is the largest risk by economic impact in Vietnam
- Most vulnerable regions: Red River Delta and Mekong River Delta.
- Most vulnerable sectors: Agriculture, Industry, and Infrastructure.
- Most vulnerable group: the poor, women, children, and ethnic minorities.

* Source: [World Bank Group and Asian Development Bank \(2021\)](#)

**Source [Ministry of Natural Resources and Environment \(2016\)](#)

News

Year's highest tides flood Can Tho streets

By [Cuu Long](#) October 7, 2022 | 10:00 PM

Many streets in Can Tho City in the Mekong Delta were flooded on Saturday as tides on the Hau River peaked at 2.16 meters, the highest this year.

Climate change is driving migration from Vietnam's Mekong delta

January 11, 2018 | 4:16 PM

Saltwater intrusion and drought are destroying crops in one of the most fertile places on earth, prompting an exodus of farmers

News

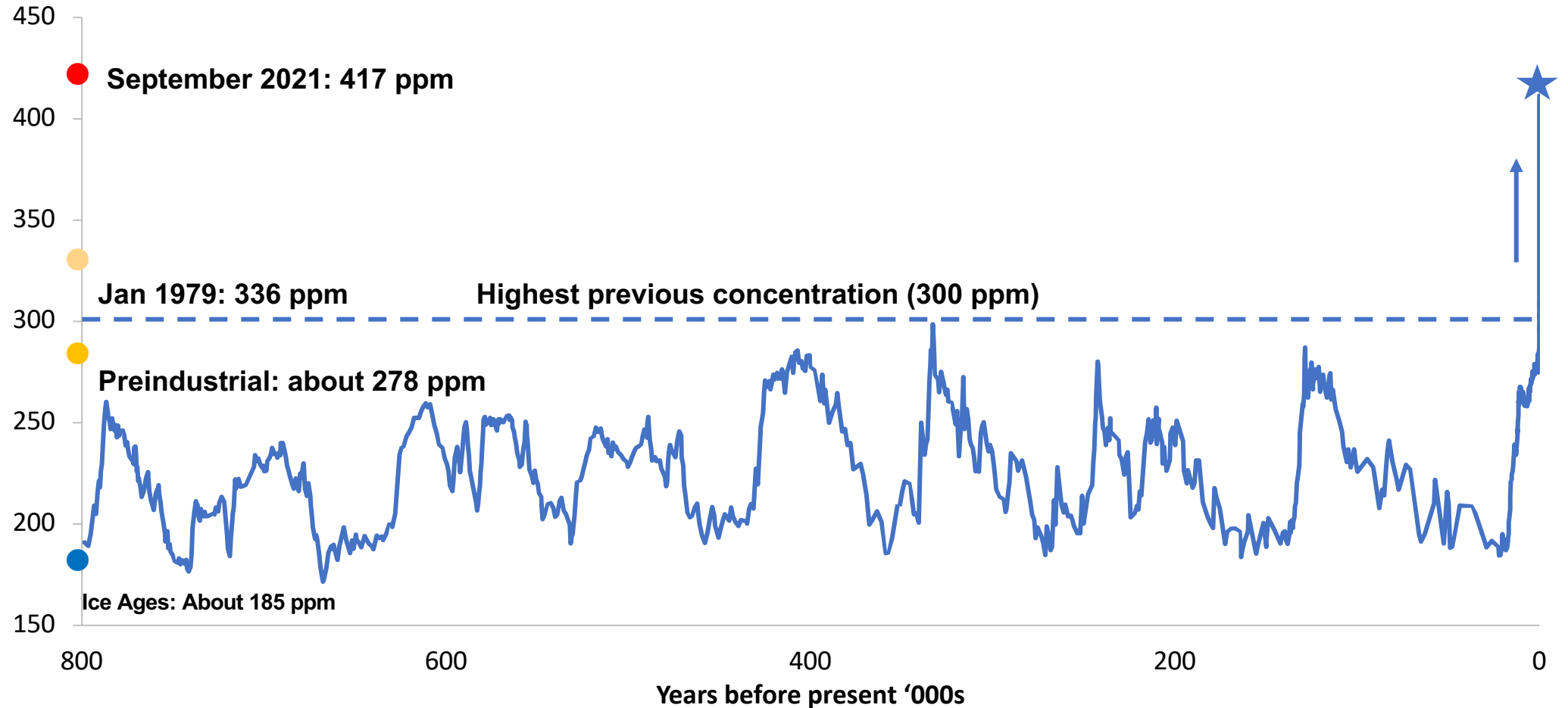
Central Vietnam: a month in tragedies

By [Staff reporters](#) November 2, 2020 | 7:28 PM

In just a month, central Vietnam got struck by three floods, four storms and a series of landslides that claimed 159 lives and left 71 missing.

The Growth in Greenhouse Gases

Carbon dioxide concentrations are much higher than at any point over the last 800,000 years.

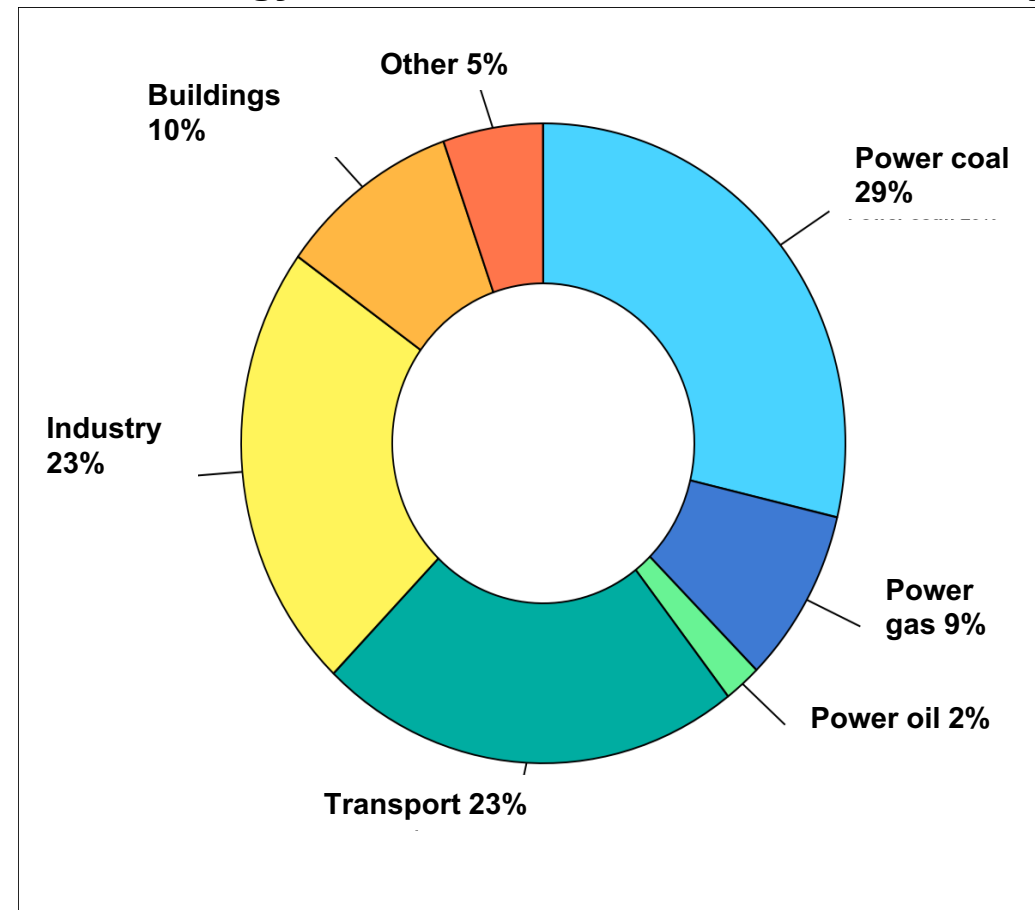


Energy is the Primary Source of GHG Emissions

Global context

- Energy accounts for ~75% of global GHG emissions
- Industrial emissions (cement, chemicals), waste management and agriculture, forestry and land use make up the other 25%

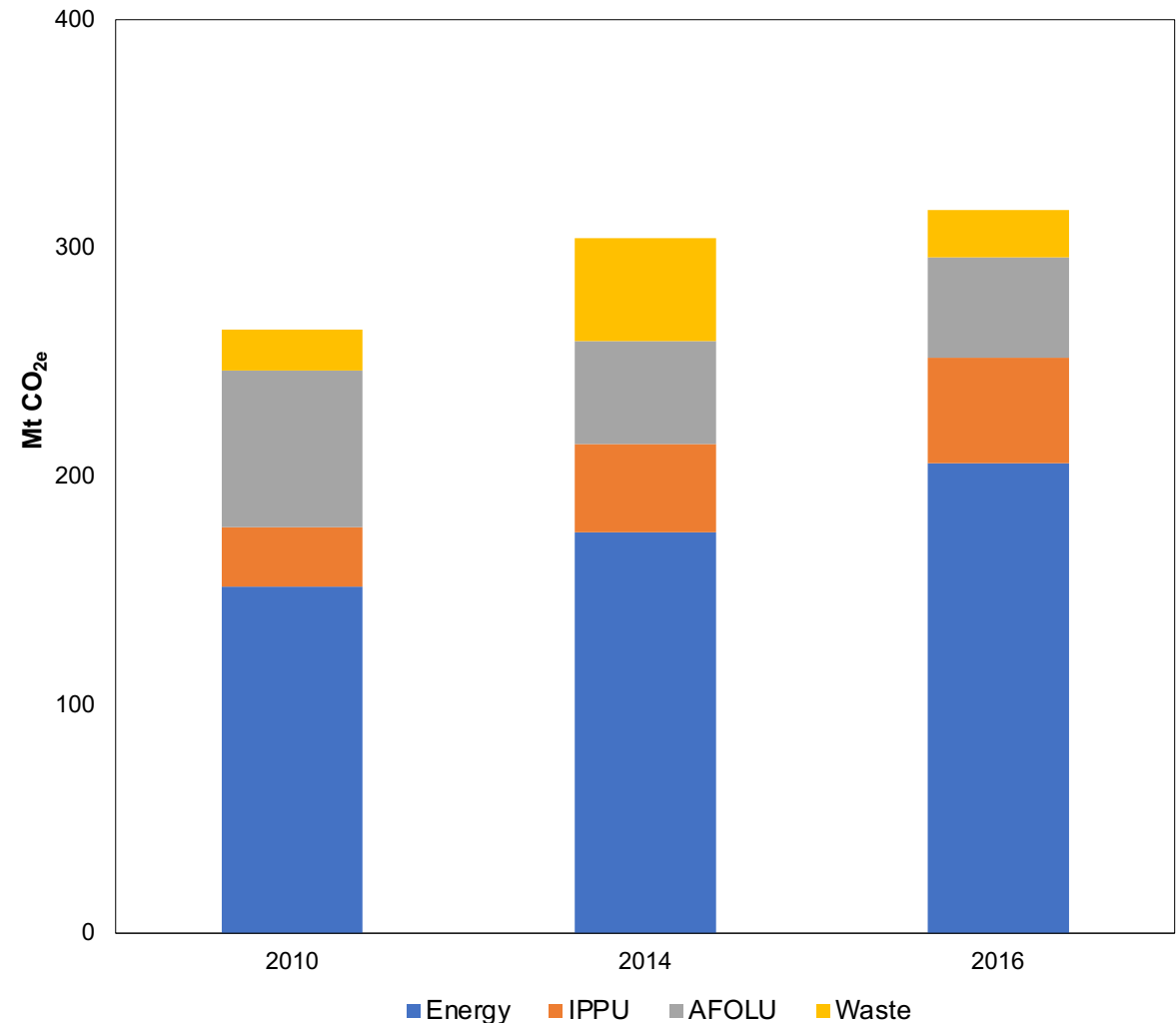
Global energy-related carbon dioxide emissions by sector



Source: [International Energy Agency](#)

Energy is the Primary Source of GHG Emissions

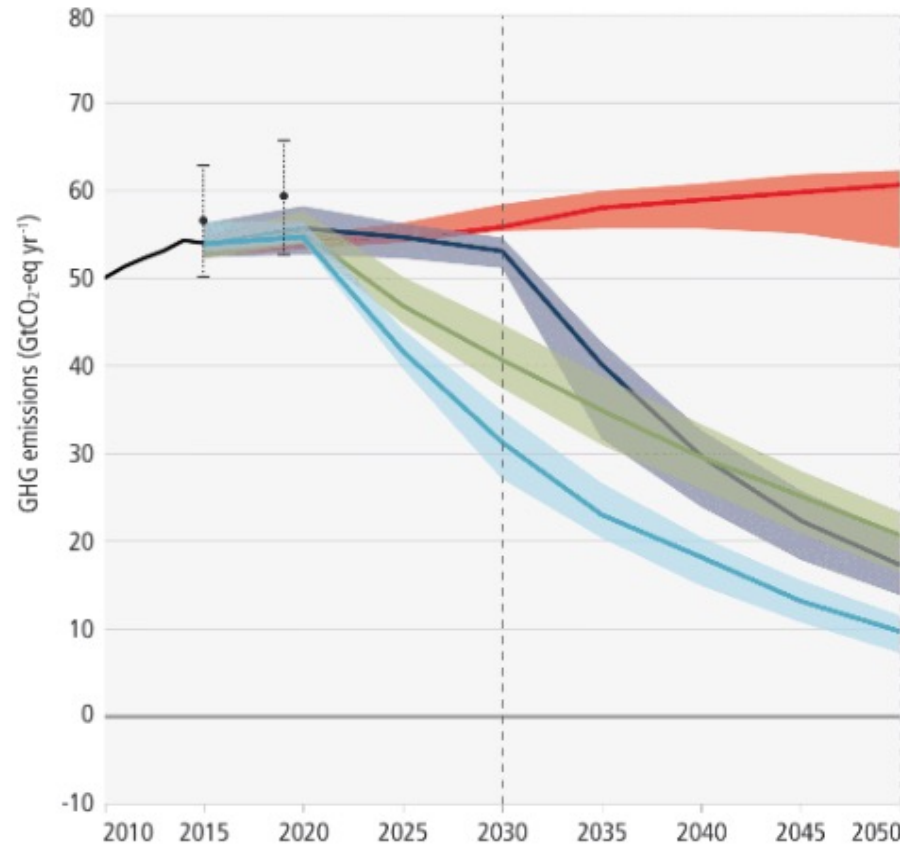
- In 2016, energy sector accounted for nearly two-thirds of Vietnam's national GHG emission
- Industrial Processes and Product Use (IPPU), Agriculture, Forestry, and Other Land Use (AFOLU) and Waste accounted for one-third



Source: [Third Biennial Update Report \(BUR3\) of MONRE \(2021\)](#)

The Scale of the Challenge

Global GHG emissions pathways



A new industrial revolution is required to fundamentally reduce the carbon intensity of the economy

Current policy scenario pathway ~2.5°C

~ 65% reduction

~ 80% reduction

2°C pathways

1.5°C pathway

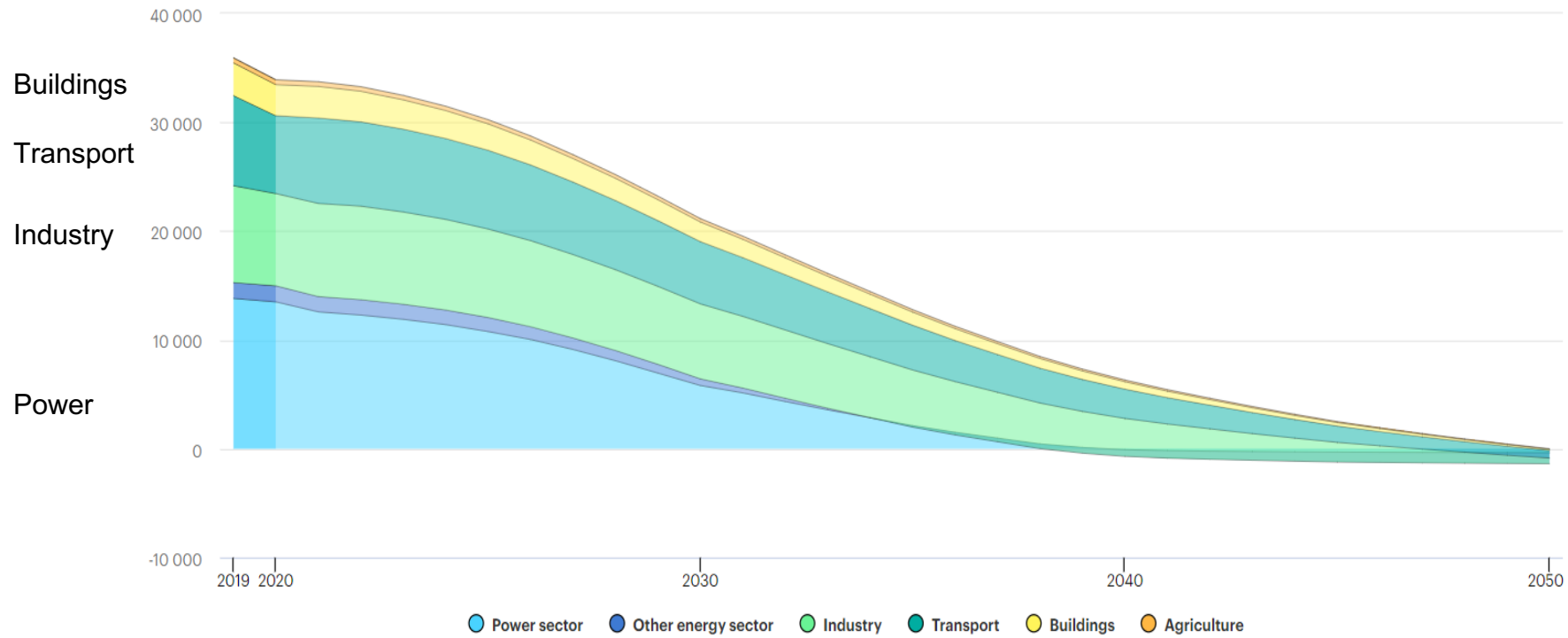
Modelled pathways:

- █ Trend from implemented policies
- █ Limit warming to 2°C (>67%) or return warming to 1.5°C (>50%) after a high overshoot, NDCs until 2030
- █ Limit warming to 2°C (>67%)
- █ Limit warming to 1.5°C (>50%) with no or limited overshoot
- ⋯•⋯ Past GHG emissions and uncertainty for 2015 and 2019 (dot indicates the median)

Source: [IPCC Sixth Assessment Report – Climate Change 2022: Mitigation of Climate Change](#)

Decarbonisation of Key Sectors

CO₂ emissions by sector under a net zero scenario to 2050



Source: [International Energy Agency Net Zero by 2050: A Roadmap for the Global Energy Sector](#)

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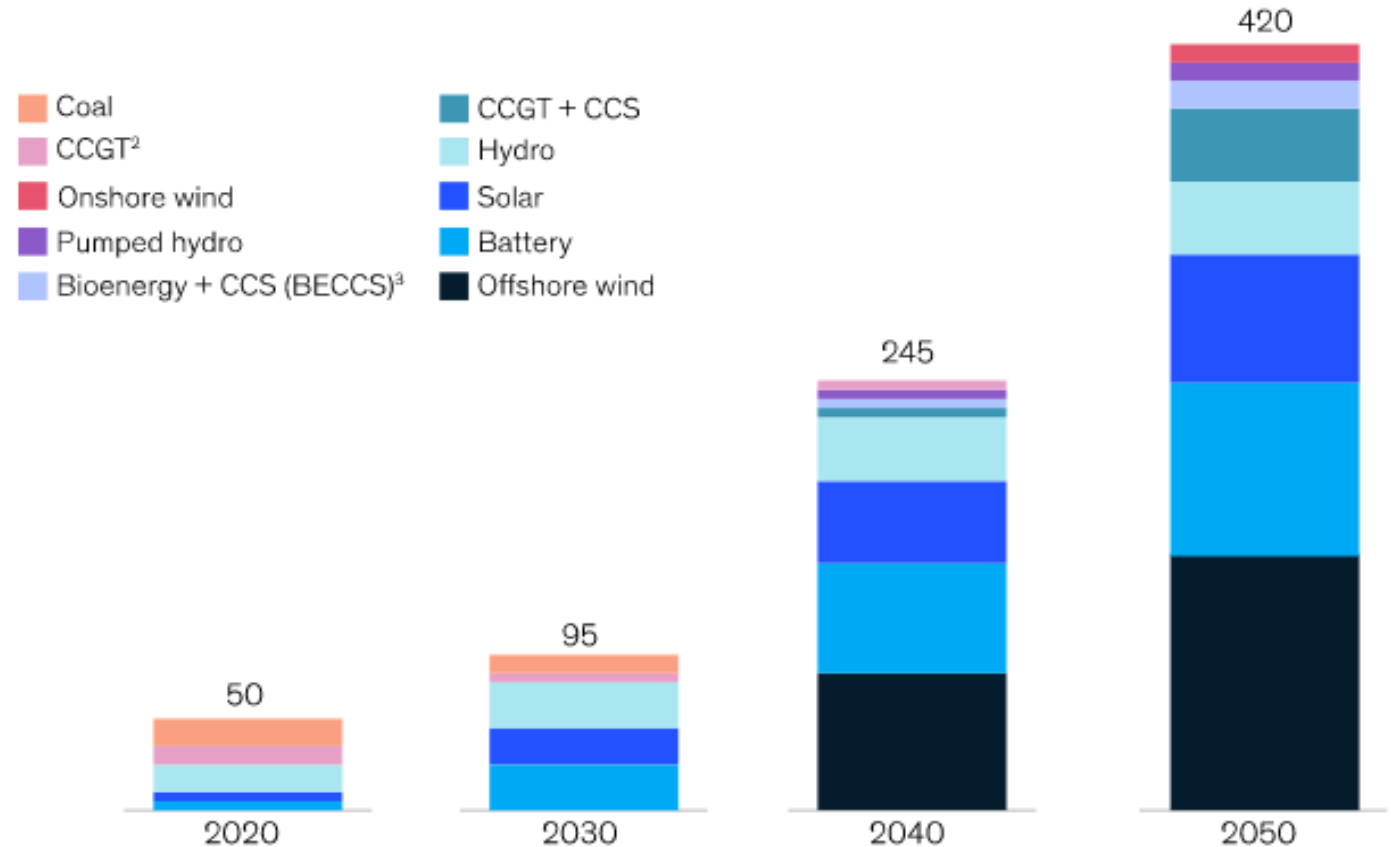
Decarbonisation of Power Sector

Vietnam context

- As per the ambitious targets set in the government's PDP8, to reach net-zero emissions, Vietnam would have to pivot to wind (mostly offshore) and solar by 2050.
- The country would also stop using coal after 2030.

Source: [Charting a path for Vietnam to achieve its net-zero goals](#)

Vietnam installed power capacity in a push for net-zero emissions,¹ gigawatts



Note: GW values are approximate

¹ Based on the following capacity factors: 60% for gas, 30% for offshore wind, 54% for offshore wind, 70% for coal, 22% for solar, 50% for hydro, 60% for diesel, and 63% for bioenergy. To achieve emissions reduction aspiration, carbon capture, utilization and storage must cover thermal generation emissions, assume 90% emissions captured

² Combined-cycle gas turbine

³ Bioenergy and carbon capture and storage

Paris Agreement and Ongoing Efforts

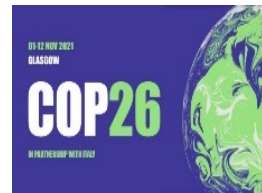
Goal – limit global warming to well below 2 degrees Celsius, preferably to 1.5 degrees Celsius, compared to pre-industrial levels

- Vietnam ratified the Paris Agreement in 2016, committing to reduce greenhouse gas emission by 8% by 2030 as compared to the Business As Usual (BAU) scenario
- At the Conference of the Parties (COP26), Vietnam made a commitment to stop deforestation by 2030 and phase out coal-fired power generation by 2040

196
countries

187
countries

Not
On track



unanimously adopted the 'Paris Agreement'

(98% of global GDP) have national plans ('NDCs') to reduce GHG emissions by 2025 or 2030

for <math><2^{\circ}\text{C}</math> – targets will be 'ratcheted up' at 5 yearly intervals, starting in 2020 (delayed to 2021 due to COVID)

First five year progress review and ambition ratchet

Ambition will continue to grow with a significant focus on finance

Vietnam's Progress to Net Zero

Vietnam targets to reduce GHG emissions by 9% with domestic resources and 27% with international support by 2030 as defined in its Nationally Determined Contribution (NDC).

Key policies implemented over the past years:

- National Program for Thrifty and Efficient use of Energy for the period of 2019 -2030
- National Climate Change Adaptation Plan for 2021-2030 Period with a vision by 2050
- Decision No. 888/QD-TTg, dated 25 July 2022
- National Green Growth Strategy for 2021-2030 Period with a vision by 2050



Without proper adaptation and mitigation measures, it is estimated climate change will cost Vietnam about 12 percent to 14.5 percent of GDP a year by 2050.

Source: [The World Bank](#)

Task Force on Climate-Related Financial Disclosures



Key drivers

Impact to 'real economy'

Impact to investors / lenders

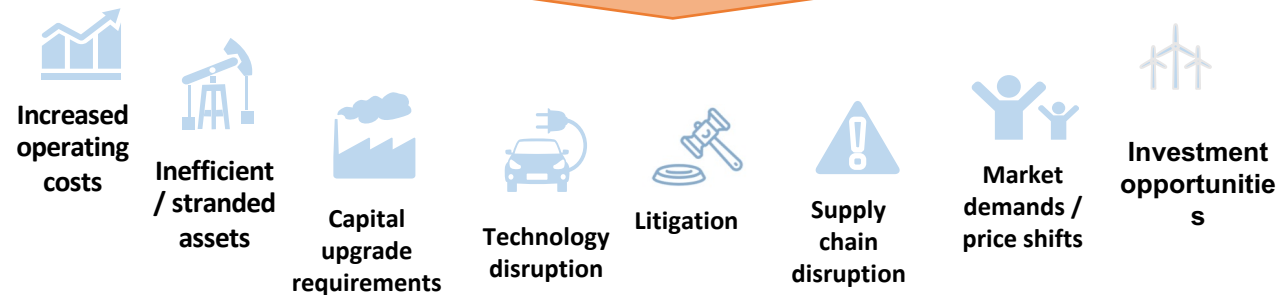
Physical

- Increased intensity and/or frequency of **acute climate events** – e.g. cyclones / hurricanes and floods and their impact on sites
- Longer-term **chronic** shifts in **climatic patterns** – e.g. sea level rise, rising temperatures, which gradually change human and environmental systems and processes

Transition

- Drivers related to the lower-carbon economy transition:
- **Policy and legal** – e.g. constraints on emissions, carbon pricing/taxation, incentives
 - **Technology, market and reputation** – changes in demand / supply due to technology and/or market changes

Potential Impacts



Investment and credit risk / opportunity

Climate Regulations Implications on Bankers

- More and more regulations have been made building on TCFD framework internationally.
- In 2018, Vietnam's government declared all banks must take internal steps to consider environmental risk by 2025. The National Green Growth Strategy urged the review of "policies to create favorable conditions to attract investment capital flows to respond to climate change".
- Banks are required to review its risk management processes, review its portfolio and adopt new standards/ leading practices in climate risks to cope with the changing landscape.

Regulations are evolving at high speed

Regulation timeline

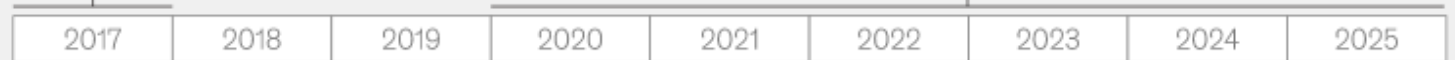
Task Force on Climate-Related Financial Disclosures (TCFD)

Recommendations for disclosures in climate-risk-management approach and risk exposures

European Banking Authority

Guidance planned on the following topics:

- Regulatory expectations for management of environmental, social, and governance (ESG) risks
- Standards for ESG disclosures in Pillar 3 reporting
- Methodology for EU-wide climate stress-testing program and guidance for banks' own testing
- Guidelines on inclusion of ESG risks into supervisory framework



Bank of England

- Supervisory statement on embedding climate risks into risk-management framework
- Draft methodology for comprehensive climate stress-testing program

European Commission

Disclosure recommendations on climate risks, building on TCFD framework

BaFin¹

Expectations for integrating sustainability risks within risk-management framework

¹Bundesanstalt für Finanzdienstleistungsaufsicht.

Source: McKinsey & Co

Advantages of Adopting Climate Strategies


It is our experience that coherent and robust climate strategies and portfolio emissions reduction targets create competitive advantage for banks. Below key levers of value are mentioned that could be created by climate strategies:



Improves asset quality



Strengthens customer relationships



Lower expected capital requirements in the future



Enhances long-term competitiveness



Higher investor confidence



Better hiring and retention



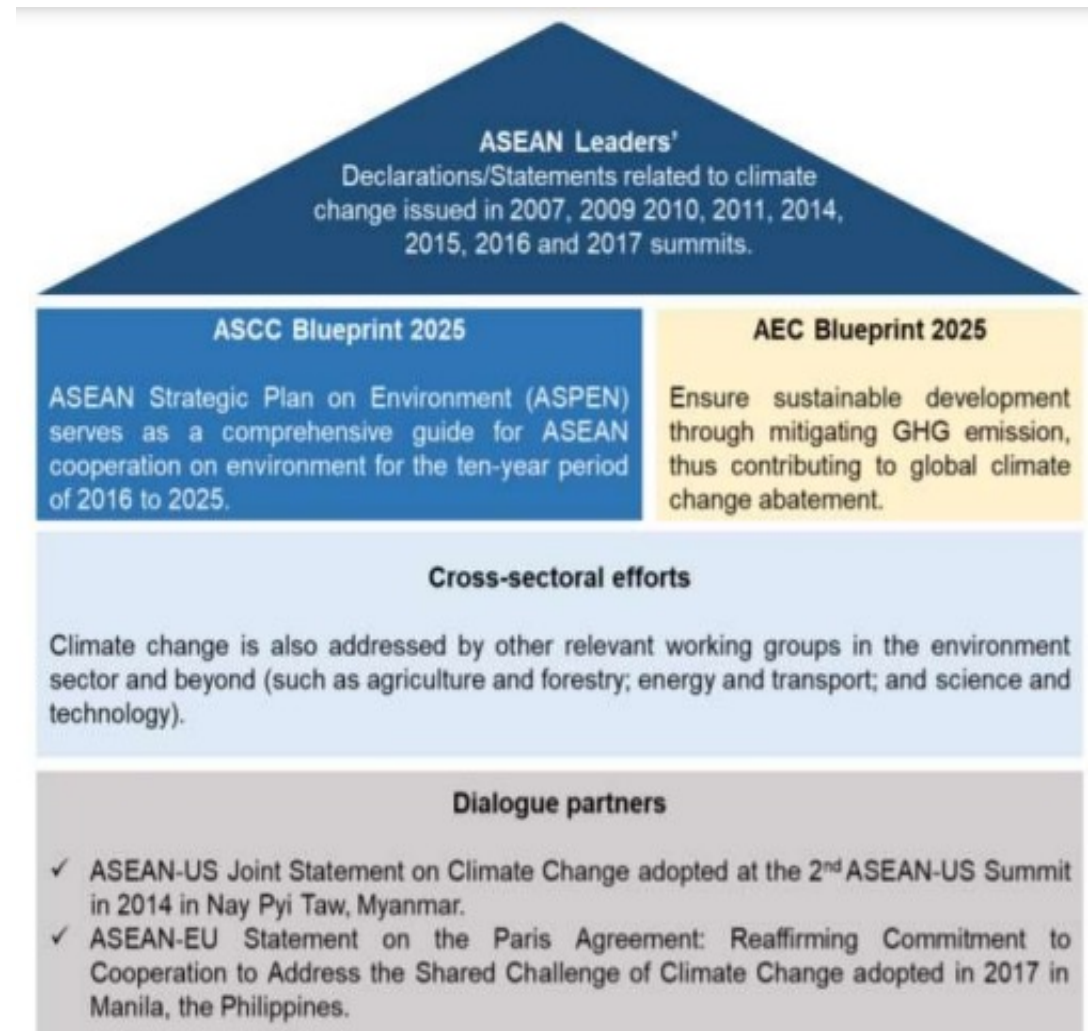
More interest/fee incomes



Lower risk profile

Green taxonomy

- A system that defines criteria which specifies economical activities must meet in order to be considered “green” or “sustainable”.
- Objectives:
 - Prevent greenwashing
 - Help investors in decision-making
 - Channel investment towards sustainable projects.
- ASEAN Taxonomy for Sustainable Finance (ASEAN Taxonomy) was published in November 2021 (version 2 released March 2023) to promote green finance initiatives in Southeast Asia. Member countries are encouraged to introduce their own taxonomies based on ASEAN Taxonomy.
- As of 16 Jan 2023, Vietnam’s Deputy Prime Minister Tran Hong Ha announced in a meeting of the 53rd World Economic Forum Annual Meeting 2023 that Vietnam was actively implementing a roadmap for an improved legal framework for better attracting green finance ([Vietnamplus, 2023](#))



ASEAN’s Commitments towards Climate Change
(ASEAN Taxonomy Board,2021)

ADB's Energy Transition Strategy

❖ ADB Strategy 2030 (2018):

- Prioritize Asia and Pacific's poorest and most vulnerable countries, while sustaining its efforts to eradicate extreme poverty
- Focus on infrastructure as a key priority and expand interventions in sectors such as education, health, and social protection.

❖ ADB Energy Policy (2021):

- Help developing member countries accelerate the development of sustainable and resilient energy system
- Focus support on renewable and low-carbon solutions
- No financing for new coal-based capacity for power and heat and facilitate the early retirement and decommissioning of coal plants/resources

❖ Energy Transition Mechanism (ETM) framework developed in alignment with the Energy Policy to accelerate transition from coal to low carbon solutions, tailoring political-economic conditions of each country. Indonesia, Philippines and Vietnam are three target countries for piloting feasibility studies.

Some remarkable milestones of ETM program in Indonesia as of Nov 2022:

- Launch of government-led ETM platform
- \$500 million funding under the Climate Investment Funds Accelerating Coal Transition
- Asia's first-ever national level strategic environmental and social assessment (SESA) for a coal-phase out program
- Memorandum of understanding to explore accelerated retirement of the 660-megawatt Cirebon-1 in West Java.

Multilateral Development Banks' Alignment with the Paris Agreement

- ❖ The MDBs' approach is based on **six building blocks (BBs)** that have been identified as the core areas for alignment with the objectives of the Paris Agreement.
- ❖ A joint MDB working group is developing methods and tools to operationalize this effort under each of the BB since 2018.
- ❖ At COP27, a high-level approach to assessing the alignment of policy-based funding (PBF) was introduced as an update on the joint efforts.



*African Development Bank, Asian Development Bank, Asian Infrastructure Investment Bank, Council of Europe Development Bank, European Bank for Reconstruction and Development, European Investment Bank, Inter-American Development Bank, Islamic Development Bank, New Development Bank, World Bank Group

Source: [Joint-MDB at COP27 \(2022\)](#)

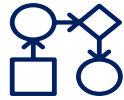
MDBs' Paris Alignment Commitment Status

MDB	Latest Climate Strategy/Policy adopted	Paris alignment commitments with dates
ADB	July 2018, (Strategy 2030).	Alignment of sovereign operations by 1 July 2023; 85% of non-sovereign operations by that same date, full alignment by 1 July 2025.
AfDB	Climate Change and Green Growth Framework: Long-term strategy (2021-2030) and Action Plan (2021-2025).	Full Paris Alignment by 2025. Currently, rolling out the implementation plan.
AIIB	Corporate Strategy (2021-2030): Financing Infrastructure for Tomorrow.	Full alignment by mid-2023.
CEB	CEB Strategy 2020-2022, Development Plan with key policy goals.	Paris Alignment approach and roadmap approved by CEB Administrative Council on 18 November. The objective is to start with the alignment of our direct lending by end 2022 (with the specific methodologies and systems being finalized in 2022 and therefore affecting CEB's activities starting with approvals in Jan 2023).
EBRD	July 2020, Green Economy Transition Approach (2021-2025)	Application to new operations starts in 2021; Full alignment of activities by end-2022.
EIB	November 2020, EIBG Climate Bank Roadmap (CBR) and Updated EIB Climate Strategy covering all 6 building blocks.	All financing activities Paris aligned by end 2020. (Grandfathering of projects under appraisal at 31 Dec 2020 in Energy ends Board of Dec 2021 and other sectors Board of Dec 2022). Paris Alignment Framework for counterparts adopted in 2021, applicable as of January 2022.
IDB	Climate Change Action Plan 2021-2025.	Integration of Paris alignment into IDB and IDB Invest operations procedures. Align 100% of new operations with the Paris Agreement goals by January 2023; pending approval by the IDB Group Board of Directors.
IsDB	Action Plan for Operationalization of the Paris Alignment (2022-2023).	Fully aligning sovereign operations by end of 2023.
NDB	NDB's General Strategy for 2022-2026.	NDB will work towards aligning its new operations with the goals of the Paris Agreement by the end of the strategy cycle (2022-2026).
WBG	WBG Climate Change Action Plan (2021-2025).	World Bank aligning new operations starting July 1, 2023. IFC and MIGA will align 85% of new direct operations starting July 1, 2023, and 100% starting July 1, 2025.

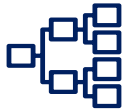
Key Climate-related Challenges for Banks



Enhanced governance and capacity



Data / information procurement, management and analysis

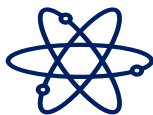


Integration into risk frameworks

- Across risk types – credit, operational, market, liquidity risk
- Adjusting risk appetite
- Undertaking scenario analysis and stress testing
- Building into internal cost of capital assessment processes



Evolving business models and strategies



Responding to regulatory expectations

Group Exercise – Brainstorming Climate Risk and Opportunity

Group Exercise

Objective and Instructions

Objective:

- Identify potential transition and physical drivers that may be relevant to example client business that you might be supporting
- Consider how these may create risk/opportunity to your client's business and hence to your bank

Instructions:

- An asset management firm/ FI intends to invest/ fund in a coastal resort in Central of Vietnam. This project has done all regulatory permits e.g. EIA, construction permits, investment certificates, etc. What are the climate change risks of this transaction?

TSCFP Financing for Green Equipment

- **Tenor:** maximum of 36 months
- **Maximum TSCFP cover*:**
 - 75% of total deal value for underlying unfunded transactions
 - 50% of total deal value for underlying funded transactions
- **Please note:** any support is subject to ADB's availability and review of the individual deal presented.

Sample Eligible Goods

Climate Smart Agriculture

- Aquaculture Stewardship Council: farmed seafood, shrimp
- Certified crops (RTRS, Bonsucro, BCI, RSB, Global GAP)
- Fairtrade Small-Scale Producer: perennial and annual crops
- Medium voltage power distribution networks
- Rainforest Alliance (perennial crops)
- Roundtable on Sustainable Biomaterials: biomaterials, biofuels, and biomass
- Smart metering for water pumping
- Solar-powered irrigation systems

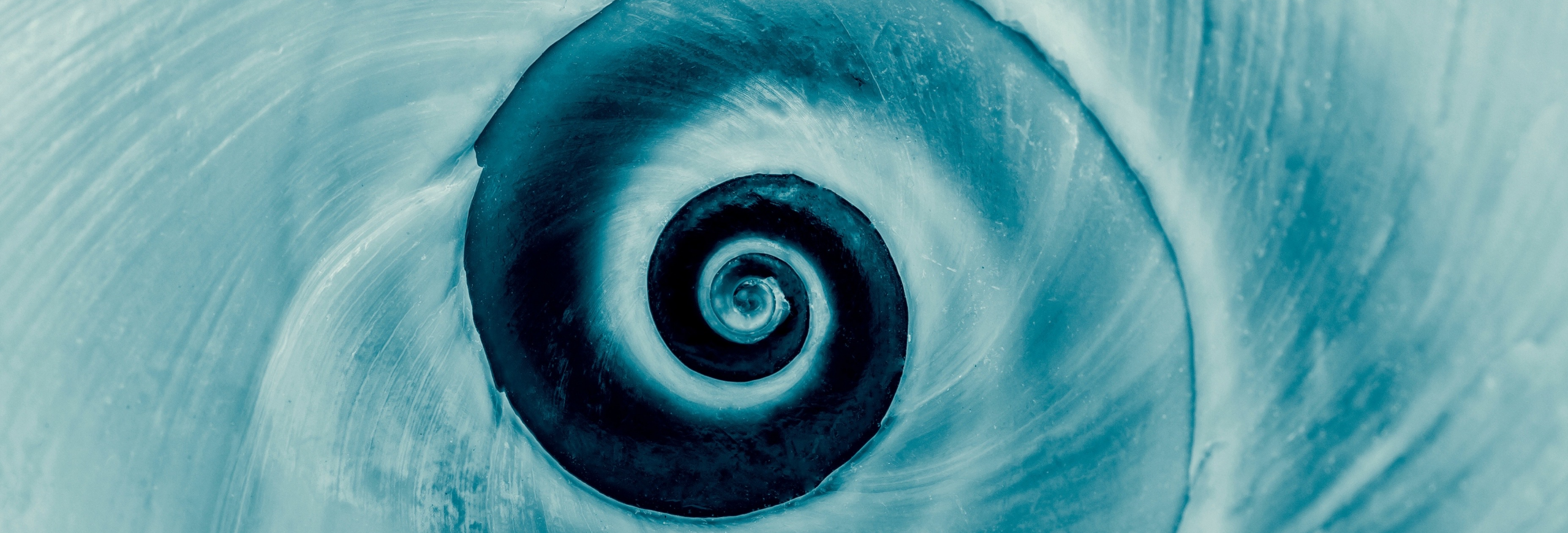
Energy Efficient Goods

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

Renewable Energy

- Cross-border interconnections and long-distance high-voltage lines
- Parts and equipment for any renewable technology
- Biomass & Biogas, Ethanol
- Geothermal (Compressors, heat exchangers, heat pumps)
- Hydro Power (e.g., absorbers, hydraulic pumps, oscillating water columns, etc.)
- Solar Power (e.g., solar inverters, glass tubes, panels, converters for PV plants)
- Wind Power (e.g., wind power poles, blades, control systems, wind turbines, power transformers, etc.)

TSCFP will consider eligible for the facility an energy efficient equipment or machinery, which is a replacement of an older equipment model



Thank you!

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LUNCH BREAK

(60 MINUTES)

WORKSHOP ON ESG PRACTICES

📅 19-20 APRIL 2023

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SESSION # 4

Sustainable Finance and ESG Disclosure Requirements in Viet Nam

Tram Le
ERM

Sustainable Finance and ESG Disclosure Requirements in Vietnam

ADB Workshop on ESG Practices

Hanoi, 20 April 2023

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The business of sustainability



Session Speakers and Agenda



Tram Le
Associate Partner
ERM Vietnam

Introduction to Sustainable Finance

Sustainable Finance Status in Vietnam

Sustainability Reporting and ESG Disclosures

Introduction to Sustainable Finance



Overview of Sustainable Finance Solutions

KPI-linked Financing

Use of Proceed Financing

Sustainability-linked Financing

General corporate purpose

- Pricing mechanism linked to the achievement of the pre-defined sustainability targets

Green Financing

Use of Proceeds Sustainable Financing are no different in their legal form from other financing, except the proceeds are exclusively allocated to finance projects with environmental and/or social benefits.

- Renewable energy
- Energy efficiency
- Pollution prevention and control
- Sustainable management of living natural resources
- Terrestrial & Aquatic Biodiversity Conservation
- Clean Transportation
- Sustainable Water & Wastewater Management
- Climate Change Adaptation
- Eco efficient and/or Circular Economy Products, Production Technologies and Processes
- Green building

Social Financing

- Affordable basic infrastructure
- Access to essential services
- Affordable Housing
- Employment
- Generation
- Food Security
- Socioeconomic Advancement & Empowerment

Sustainability Financing

- Combination of Green + Social categories

SDGs Financing

- Combination of Green + Social categories, specifically mapped against the United Nations Sustainable Development Goals

Transition Financing

- Categories for traditionally carbon intensive and high impact industries aiming to improve environmental performance and transitioning to low carbon operations

Green Loan Principles



The Sustainability Bond Guidelines

The Green Bond Principles

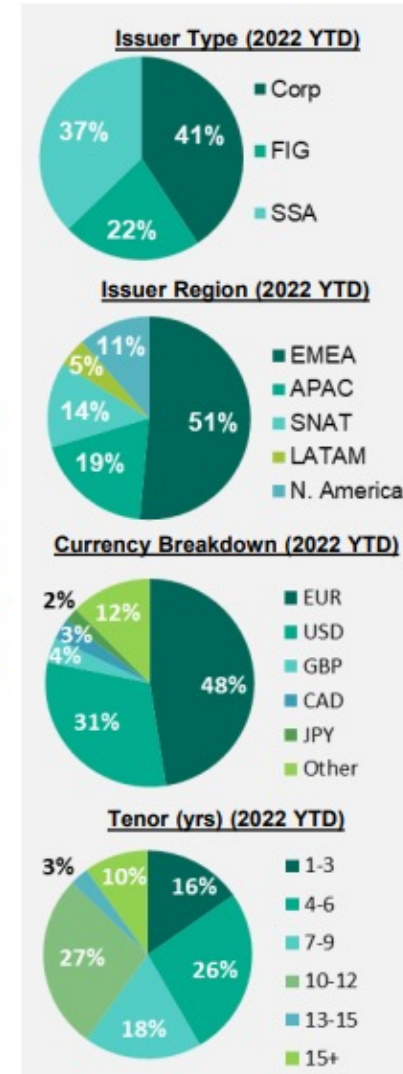
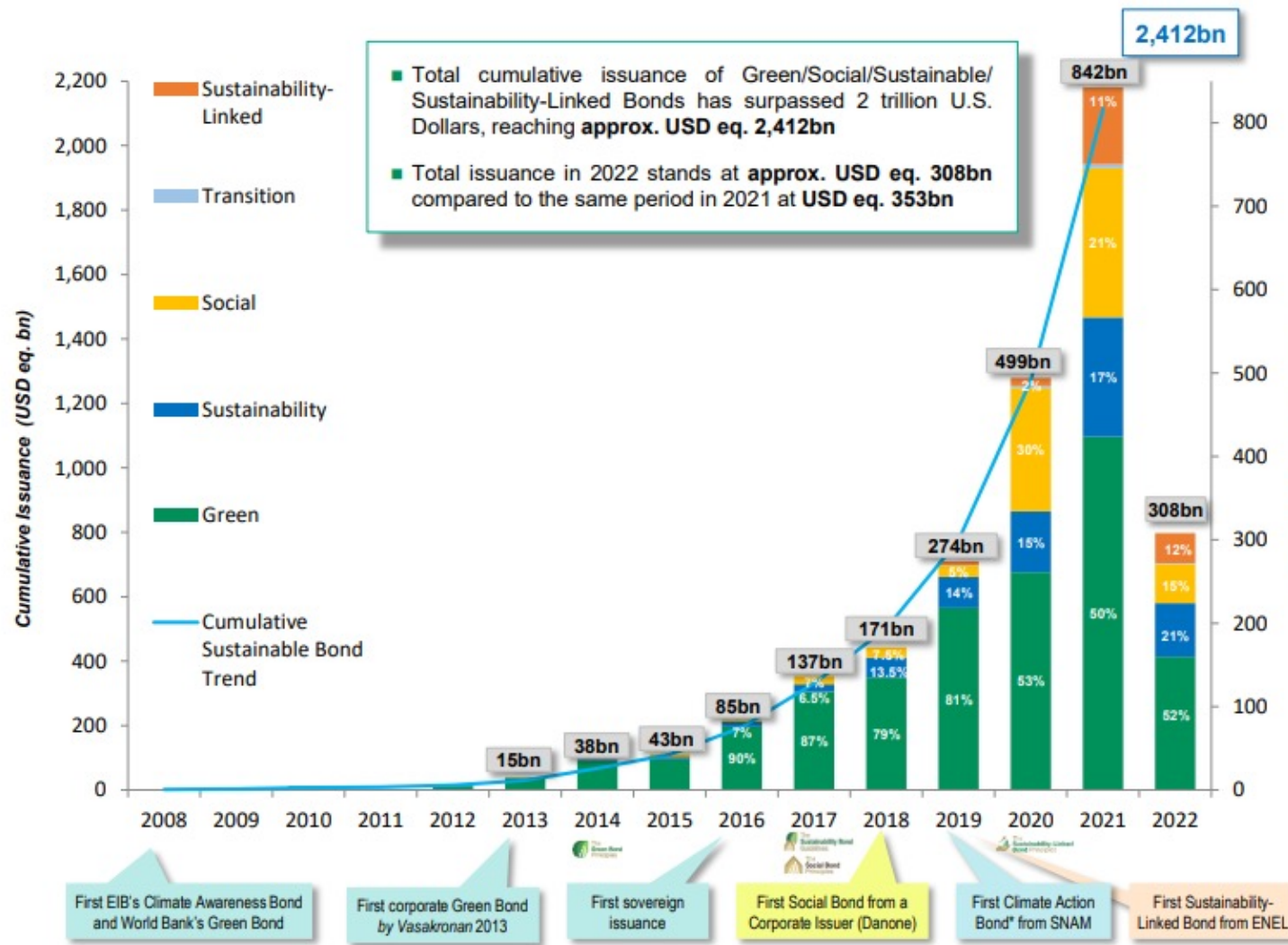
The Sustainability-Linked Bond Principles

The Social Bond Principles

SUSTAINABLE DEVELOPMENT GOALS

Climate Transition Finance

Global Bond Market at a Glance



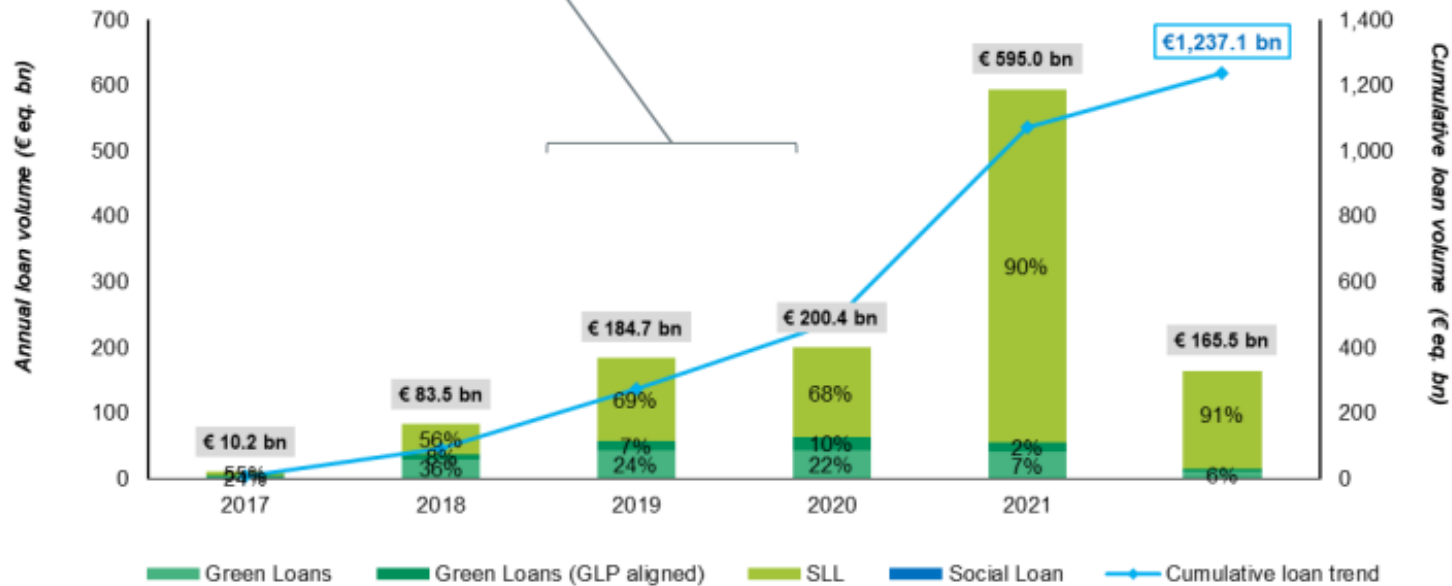
* also known as 'Transition Bonds'
Sources: Bloomberg, BNP Paribas, as of 20th May 2022

Global Loan Market at a Glance

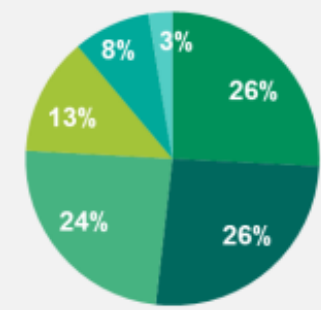
- Trend towards SLLs based on specific ESG KPIs of the borrower vs ESG ratings from external providers has continued
- COVID-19 crisis (-28% volume on global loans but +15% sustainable loans), increasing market attention towards more diversified topics such as Social, Circular economy, Biodiversity
- Notable expansion of sustainability-linked features to new type of instruments and profile of issuers

- Incredible recovery of the sustainable loan market that surpassed whole 2020 year by H1 2021
- US and Asia sustainable loan markets expansion
- Rising interest of ESG linked instrument in the leverage finance market
- 42% of Europe high-grade RCFs raised in 2021 were linked to ESG goals vs 25% in 2020 (source: Bloomberg)

- In 2022, borrowers continue to seek ESG-driven products. Sustainable lending market started the year slowly but surely, reaching app. \$110bn at end of Q1 2022 vs \$140bn in Q1 2021 (source: BNPP and IFR)
- The major share is still for Sustainability-Linked Loans that takes 90% of the sustainable loan market
- Despite the Russia/Ukraine situation, ESG topic is still part of all financing discussions.

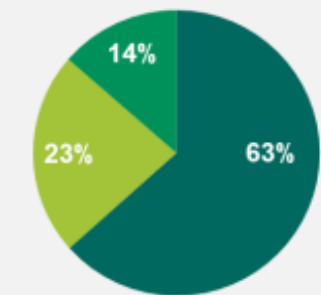


Sector Breakdown (2015 – 2022 YTD)



- Utilities & Waste Management
- Other - Industrials
- Other - Services
- Real Estate & Construction
- Finance
- Food & Agribusiness

Region Breakdown (2015 – 2022 YTD)

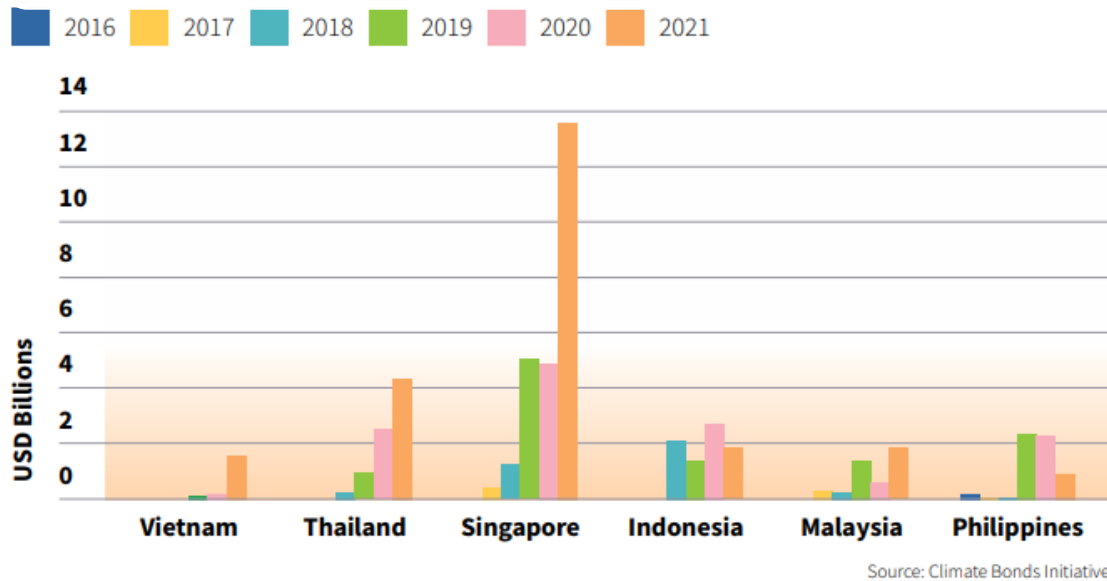


- EMEA
- Americas
- APAC

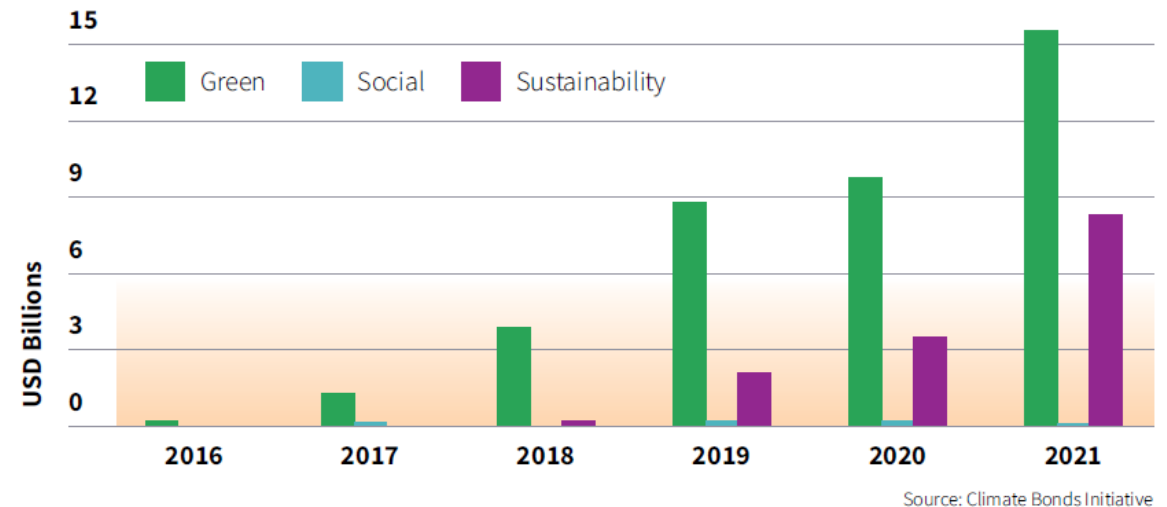
Source: BNP Paribas, IFR as of 20th May 2022

ASEAN Trends: Green, Social & Sustainability Bonds/ Loans

Annual GSS issuance from ASEAN-6 countries



GSS issuance by type



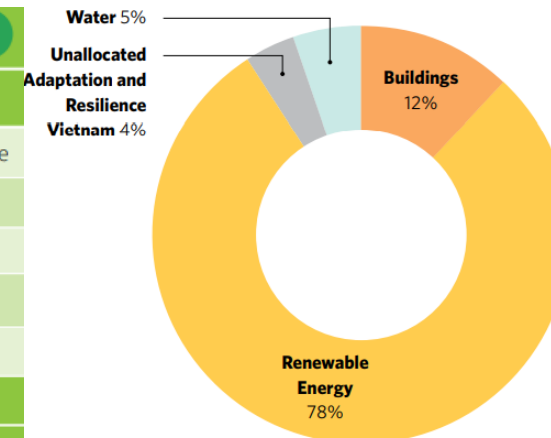
Source: Climate Bonds Initiative, ASEAN Sustainable Finance State of the Market 2021

Vietnam Trends - Green bonds and loans market in Vietnam: Amount issued by Use of Proceeds

2020

Vietnamese green bond and loan issuances to date				
Issuer name	Amount issued	Issue date	Type	Use of proceeds
Vietnam Prosperity Joint-Stock Commercial Bank	USD71m	Jan-20	Loan	Renewables & infrastructure
Phu Yen Joint Stock Company	USD186m	Oct-20	Loan	Solar
Vietcombank	USD200m	Jul-19	Loan	Renewables
Hochiminh City Finance and Investment State-owned Enterprise	VND523.5bn (USD23m)	Oct-16	Bond	Water, Unallocated A&R
People's Committee of Ba Ria Vung Tau Province	VND80bn (USD4m)	Sept-16	Bond	Water
Total	USD484m			

(Source: CBI database) Note: currency conversion rates are taken on date of issue



2021

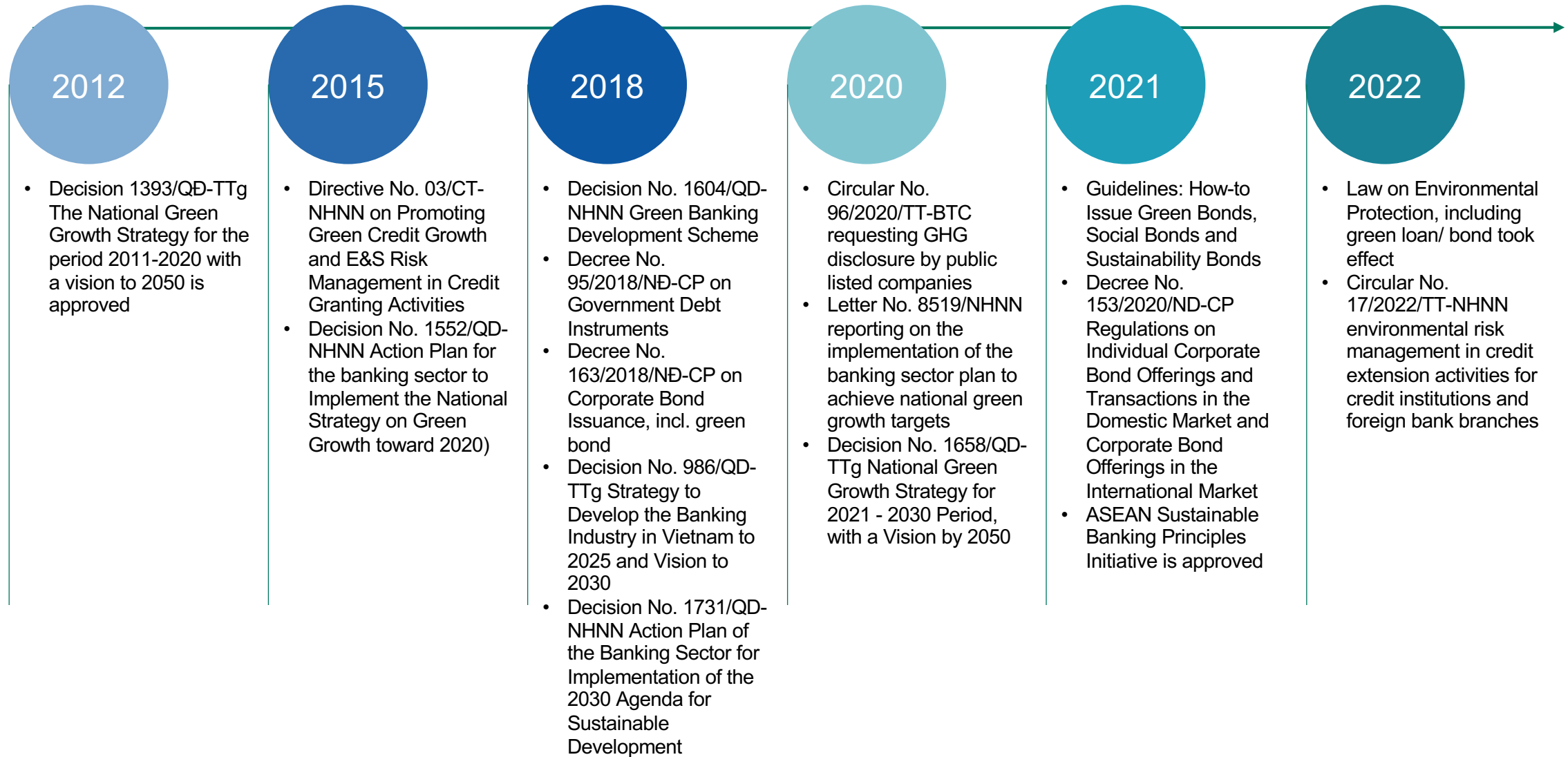
Vietnam - Top issuers					
Issuer	Amount issued (local)	Amount issued (USD)	Format	Number of deals	UoP
Thuan Binh Wind Power JSC	USD57m	USD57m	Green loan	1	Energy
Vinpearl JSC	USD425m	USD425m	Sustainability bond	1	NA
VinFast (Vingroup)	USD400m	USD400m	Green loan	1	Transport
Lien Lap Wind Power Joint Stock Co	USD173m	USD173m	Green loan	4	Energy
Dau Tieng Tay Ninh Energy	USD160.5m	USD160.5m	Green loan	3	Energy

Source: ASEAN Sustainable Finance State of the Market 2020, 2021

Sustainable Finance Status in Vietnam

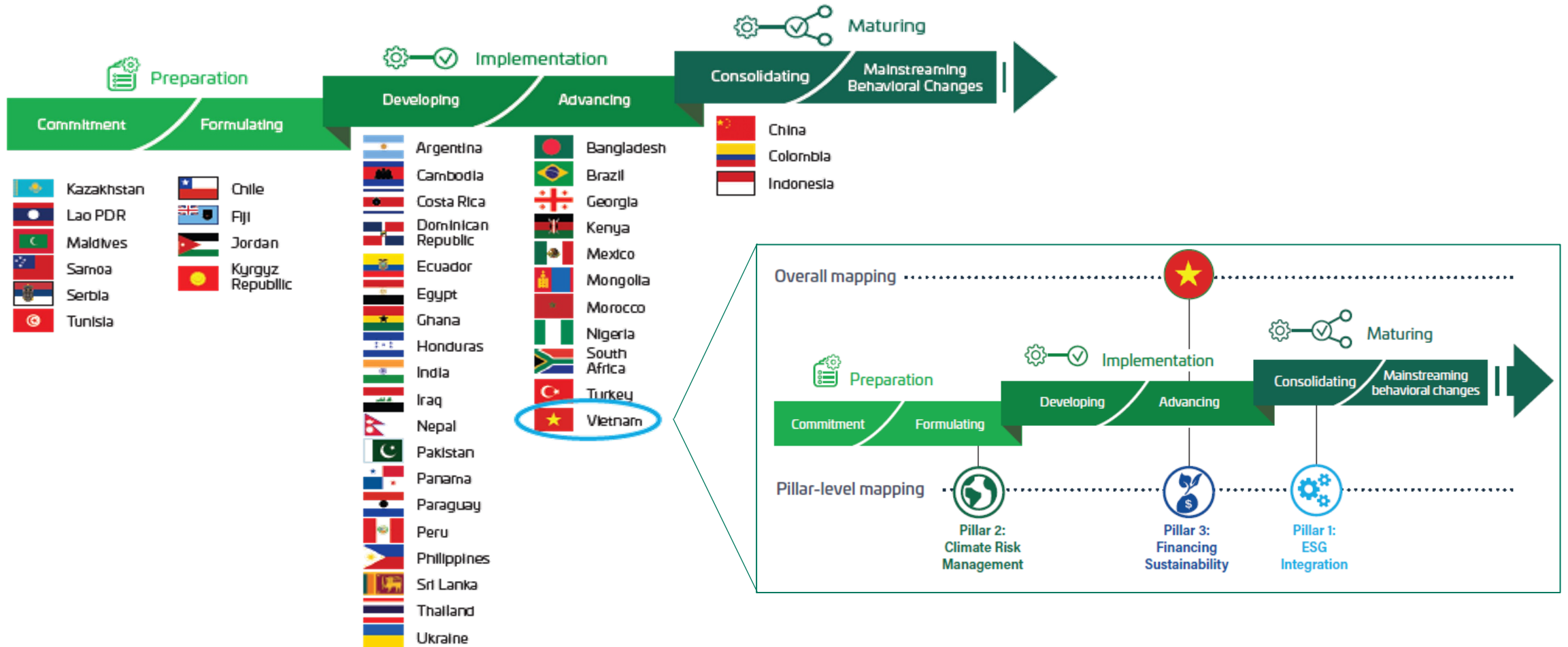


Vietnam's Sustainable Finance Journey



Vietnam's Overall Progress

Vietnam has continued to make progress in the “Advancing” sub-stage of the “Implementation” stage



Sources: Vietnam Country Progress Report 2022

Green Financing in Vietnam

Article 149 of Law on Environmental Protection (LOEP) 2020, green credit is granted to the following investment projects:



Efficient use of natural resources



Conservation of nature and biodiversity



Response to climate change



Rehabilitation of natural ecosystems



Waste management



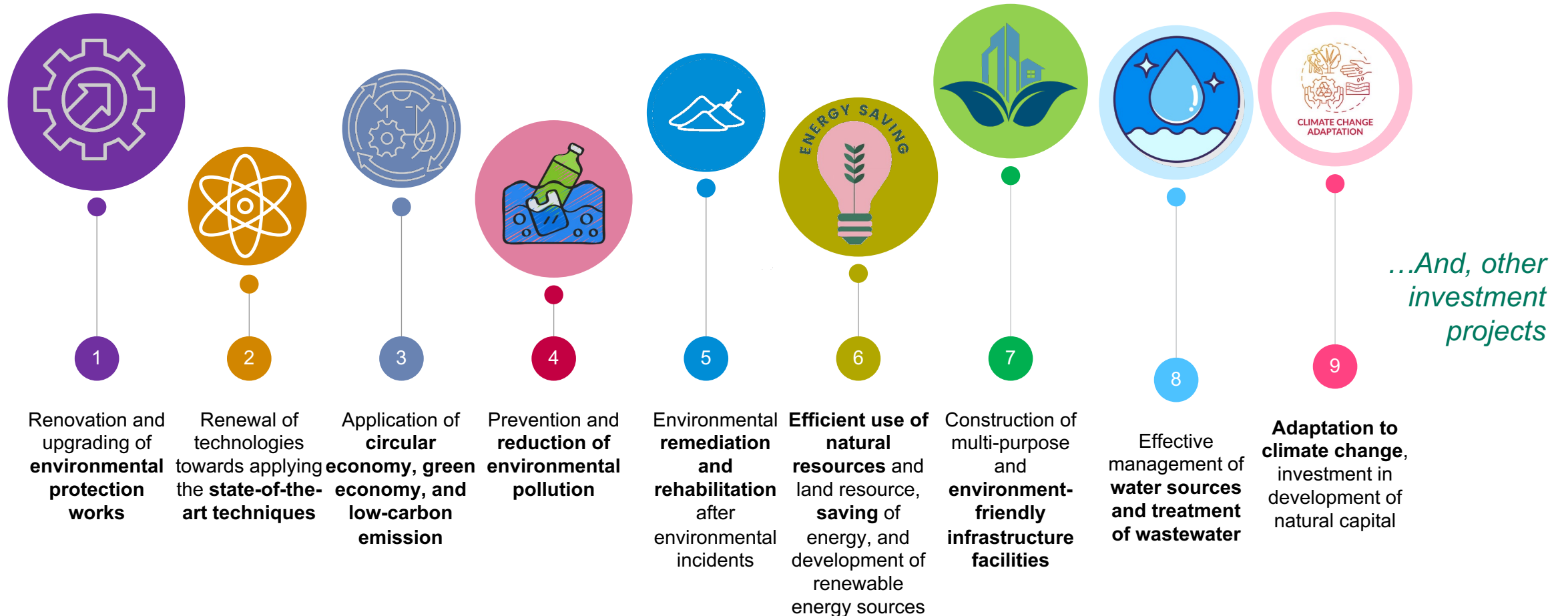
Generation of other environmental benefits




Treatment of pollution and improvement of environmental quality

Green Bond

Article 150 of LoEP 2020: Use of Proceeds from issuance of green bonds shall be used for investment projects in the field of environmental protection, which bring environmental benefits, including:

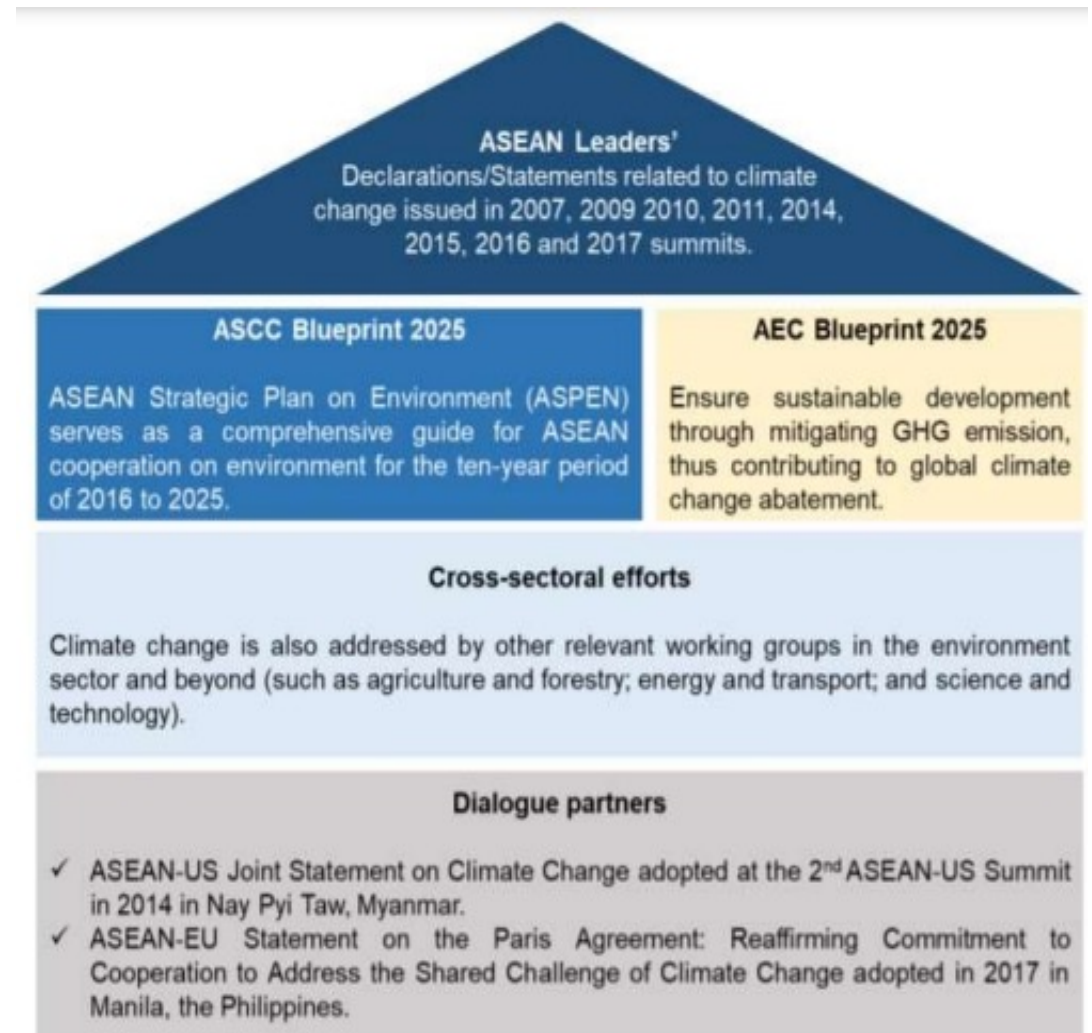


Green Financing in Vietnam – Challenges and Opportunities

- Lack of relevant regulations on sustainable finance. Without a legal framework, greenwashing can occur
 - Lack of awareness of business risks associated with ESG compliance and the importance of sustainable financing
- 
- Vietnam should adopt a mix of regional and international standards in its regulations. The ASEAN Taxonomy for Sustainable Finance and EU taxonomy are good references. Vietnam should consider the balance between stringent regulations and incentives for bond issuers
 - Capacity building and training for the workforce of the banking sector/ financial sector
 - Fostering cooperation with other countries in the region, as well as seeking support from international parties

Green taxonomy

- Vietnam's DPM announced in a meeting of the 53rd World Economic Forum Annual Meeting 2023 that Vietnam was **actively** implementing a roadmap for an improved legal framework for better attracting **green finance** ([Vietnamplus, 2023](#))
- The PM's Decision on promulgation of regulations on environmental criteria and verification for projects financed through green credit and green bond ("Vietnam Green taxonomy") is being developed, which is a regulatory framework to support policies implementation and transparency for **green finance** in Viet Nam



ASEAN's Commitments towards Climate Change
(ASEAN Taxonomy Board,2021)

ESG Disclosures and Sustainability Reporting



What and Why Report?

“

Sustainability reporting is the practice of measuring, disclosing and being accountable to internal and external stakeholders for an organization's performance towards the goal of sustainable development. Companies developing and issuing sustainability reports should evaluate and disclose environmental and social information, in addition to their financial and governance performance, already common practice at a global level

”

**Better risk
management**

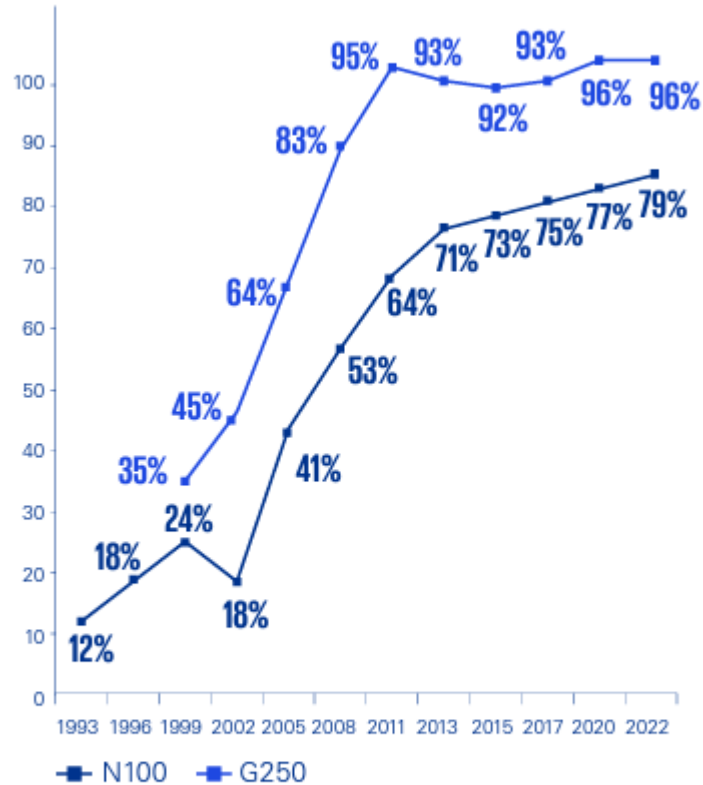
**Decision making
facilitation**

**Improved
corporate
confidence and
reputation**

**Costs and savings
optimization**

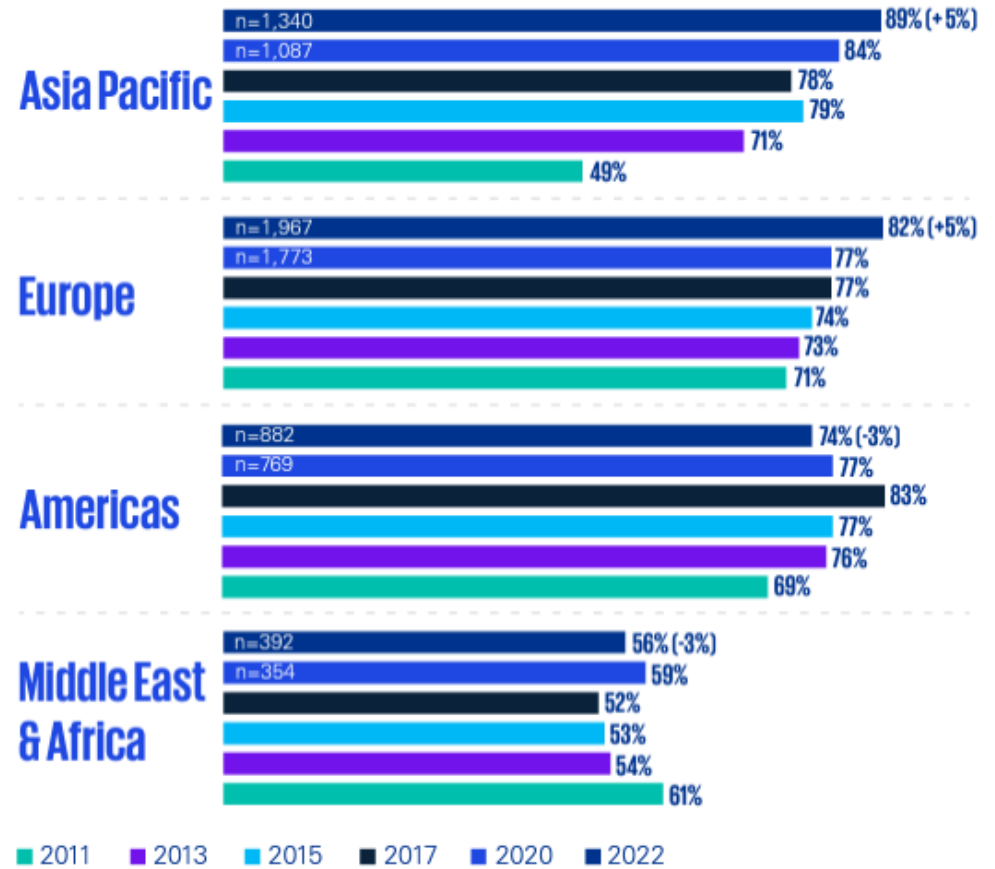
Global Trend in Sustainability Reporting

Global Sustainability Reporting Rates (1993 – 2022)



Base: 5,800 N100 companies and 250 G250 companies
 Source: KPMG Survey of Sustainability Reporting 2022, KPMG International, September 2022

Regional Sustainability Reporting Rates (2011 – 2022)



Base: 5,800 N100 companies
 Source: KPMG Survey of Sustainability Reporting 2022, KPMG International, September 2022

Sustainability Reporting/ ESG Disclosure - Why?

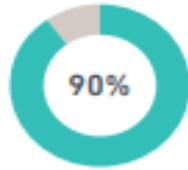
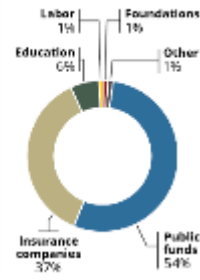
Pressures to systematically improve ESG performance are increasing from different stakeholders

INCREASING ASSET OWNER DEMAND

Growth of ESG assets controlled by nearly 500 institutional investors surveyed, in billions.

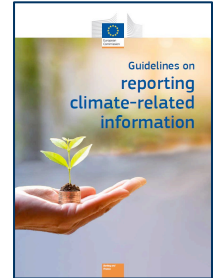


Institutional investment in ESG assets by investor type as of 2018.



90% of Millennials want to grow their allocations to responsible investments in the next five years

INCREASING REGULATION & OVERSIGHT



Finance



PRINCIPLES FOR RESPONSIBLE BANKING

Mike Corbat, CEO, Citi "..... We remain laser focused on incorporating sustainability principles into everything we do to help ensure business success, improve our operations and contribute to a strong global economy. Our clients, colleagues and stakeholders expect no less."



INCREASED PRESSURE FROM INITIATIVES



Sustainable business = opportunity + resourcefulness

Blackstone Launches Impact Investing Platform



\$1bn SDG bond, 3 times oversubscribed












"Sustainability as BlackRock's New Standard for Investing" – Larry Fink Letter to Clients 2020

ASSET MANAGERS & BANKS RAISE THE BAR

Reporting Requirements

Reporting Instruments Referenced in ESG Disclosure Guides (Non-mandatory)

Exchange	ESG Reporting Requirements	GRI	SASB	TCFD	IIRC	CDSB	CDP
 HKEX 香港交易所	Hong Kong: Requires annual ESG report in accordance to stated requirements. <i>Main Board Listing Rule Appendix 27</i>						
 JPX JAPAN EXCHANGE GROUP	Japan: Not mandatory but encourages listed companies to disclose: 1) Develop a basic policy and disclose initiatives on the company's sustainability; and 2) Enhance the quality and quantity of climate-related disclosure based on TCFD recommendations or equivalent international frameworks at Prime Market listed companies						
 KRX KOREA EXCHANGE	Korea: Will mandate KOSPI listed companies with more than 2 trillion won (\$1.8 billion) in assets to disclose their environmental, social and governance (ESG) report starting 2025 and all firms starting 2030.	No Guidance					
 SGX	Singapore: Requires annual ESG report in accordance to any selected global framework. Proposed mandatory disclosure of a list of 27 proposed ESG metrics and TCFD disclosure from 2022 onwards.						
 BURSA MALAYSIA	Malaysia: Requires annual ESG report on what the company deems to be material <i>Main Market Listing Requirements – Sustainability Statement</i>						
 IDX Indonesia Stock Exchange Bursa Efek Indonesia	Indonesia: Requires annual ESG report in accordance to stated requirements. <i>Indonesia Financial Services Authority rule number 51/POJK.03/2017</i>						
 SET The Stock Exchange of Thailand	Thailand: Requires annual ESG report in accordance to any selected global framework. <i>One Report (Form 56-1 One Report) – Corporate Social Responsibility</i>						
 BSE Bombay Stock Exchange	India: Requires annual ESG report for top 1000 companies in market capitalization in accordance to stated requirements. <i>Business Responsibility and Sustainability Report (BRSR) - 2022</i>						
 VNX	Vietnam: Public listed companies (PLCs) are required to report environmental impacts and social commitments in their annual report, according to Circular No. 96/2020/TT-BTC. PLCs are encouraged to apply globally accepted reporting and disclosure standards in preparing the report	No Guidance					

The Increasingly Complicated ESG Ecosystem ...

Based on sustainability reporting standards and frameworks, there are hundreds of organizations producing lists, rankings, ratings and scorecards of the “top companies” and “most sustainable” companies.

Some organizations simply provide **frameworks** for disclosure and do not evaluate companies.



Some **actively** request information, aggregate data, and add ratings.



Some **passively** pull information from sustainability reports, aggregate data, and add ratings.

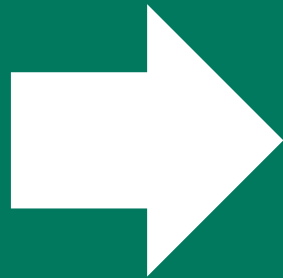


Some **purchase** data and ratings from other raters and add rankings.



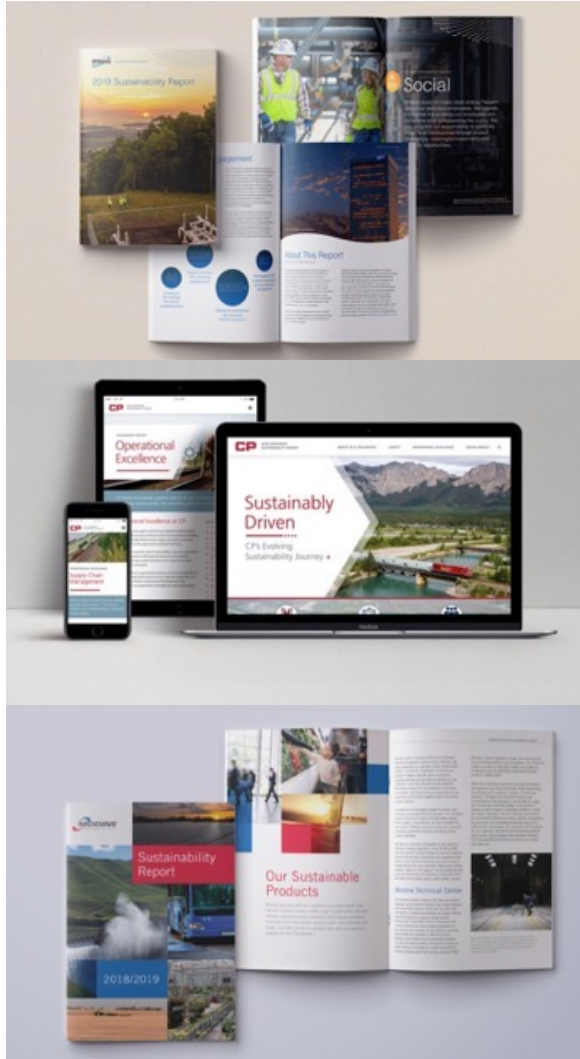
Sustainability Reporting Challenges in Vietnam

- Lack of understanding of sustainability
- Not mandatory in Vietnam
- Various reporting standards and frameworks
- Lack of quality sustainability/ ESG data
- Time-consuming exercise



Corporate commitment for sustainability performance and reporting
Appropriate taskforce for the report preparation
Understand your stakeholders' expectation
Clearly define the most important issues to report on
Plan the data collection process
Determine which standards/ framework to be adopted
Internally audit and gain external assurance on your reports
Continuously improve the report

What does GOOD look like?



Reporting Principles	Description
Accuracy	The organization shall report information that is correct and sufficiently detailed to allow an assessment of the organization's impacts.
Balance	The organization shall report information in an unbiased way and provide a fair representation of the organization's negative and positive impacts.
Clarity	The organization shall present information in a way that is accessible and understandable.
Comparability	The organization shall select, compile, and report information consistently to enable an analysis of changes in the organization's impacts over time and an analysis of these impacts relative to those of other organizations.
Completeness	The organization shall provide sufficient information to enable an assessment of the organization's impacts during the reporting period.
Sustainability context	The organization shall report information about its impacts in the wider context of sustainable development.
Timeliness	The organization shall report information on a regular schedule and make it available in time for information users to make decisions.
Verifiability	The organization shall gather, record, compile, and analyze information in such a way that the information can be examined to establish its quality.

Case study: Sustainability report development

Company: Vinamilk

- The largest dairy corporate in Vietnam as of 2021; the 15th largest company in Vietnam and the most valuable public company listed in Vietnam (UNDP, 2017)
- Sustainability report was firstly published in 2012
- One of the pioneers in applying external assurance for sustainability report

Business sector: Daily products

Achievement:

- Top 10 Sustainable Developing Company in Vietnam (VBCSD)
- Top 10 Best Sustainability Report in Vietnam (VIR)
- Seven years of ESG implementation, from 2014 to 2021, had saved the company VND274 billion in costs
- Vinamilk's brand value rose from \$1.6 billion in 2019 to \$2.8 billion in 2022 on the back of its commitment to ESG
- Level of employee satisfaction stood at over 84 per cent during the period of 2019 - 2022

Source: <https://vietnamnet.vn/en/esg-game-changer-for-firms-seeking-customers-and-funds-2130637.html>

Case Study: Sustainability Report Development

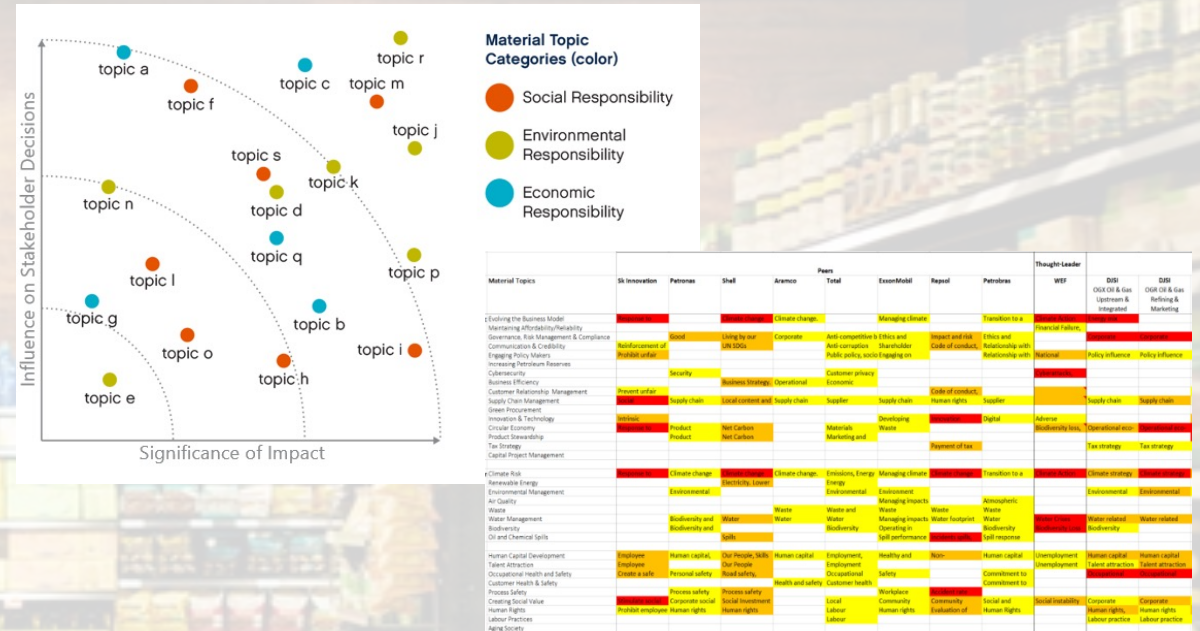
Company: a multi-sector corporation.

Location: Vietnam

Context: The Company's strategy is to IPO one of its subsidiaries that hold their core business segment in the West in the coming years. However, **ESG data was not fully and accurately available** and **ESG disclosure has not been implemented yet.**

Actions taken:

- Review the current practices and advice for a better-integrated corporate structure to include ESG referring to international best practices
- Enhance capacity of staff
- Conduct materiality assessment, develop ESG Roadmap, Goals and KPIs disclosures to form the Company's ESG Strategy
- Prepare and publish Sustainability report



Preserving Environment

We carefully manage our impacts, contribute to conservation of biodiversity and ecosystems, and pursue efficient resource use in our operations.

Climate Change & Energy

Water Management

Biodiversity

Waste Management

Advancing People

We make positive contributions to our employees, the communities and societies connected to our operations

Human Capital Development

Community Engagement

Health and Safety

Human Rights and Labour

Upholding Ethics

We apply ethical business practices and sound systems of governance and transparency.

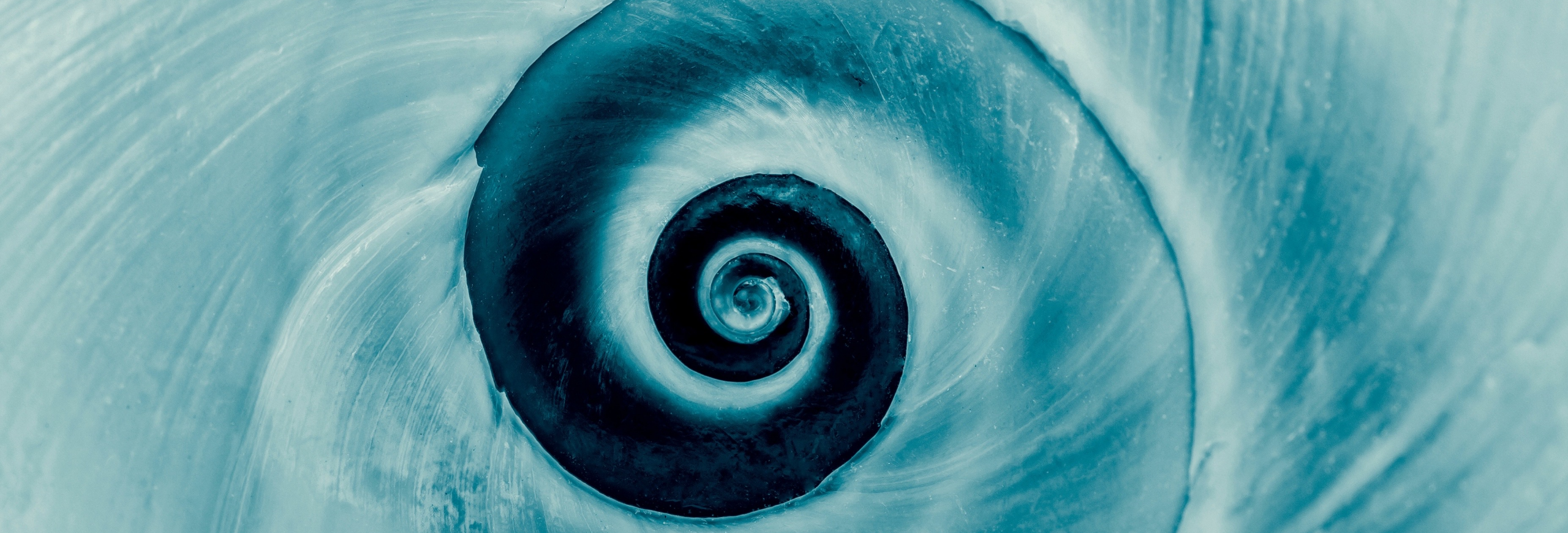
Corporate Governance & Compliance

Stakeholder Engagement

Risk Management

Supply Chain Management

Q&A



Thank you!

Tram Le

Associate Partner
ERM Vietnam
Tram.Le@erm.com





SCAN TO ANSWER THE EVALUATION FORM



**GET YOUR CERTIFICATE OF PARTICIPATION AT THE
REGISTRATION TABLE & RETURN YOUR ID BADGE HOLDER.**



COFFEE BREAK

(15 MINUTES)

WORKSHOP ON ESG PRACTICES

 19-20 APRIL 2023

 HANOI, VIET NAM



SCAN TO ANSWER THE EVALUATION FORM



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SESSION # 5

Panel Discussion: “ESG Risks & Opportunities in the Banking Sector”

Moderator:

Roberto Leva
ADB TSCFP

Speakers:

- Aditya Mazumdar, Standard Chartered
- Coby Wong, Sustainability, Institutional Banking Group, DBS
- Jing Zhang, Trade & Working Capital FIG Payments, JPM



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SESSION # 6

CLOSING REMARKS

Donald Lambert

Principal Private Sector Development Specialist, ADB



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