

A Sustainable Banking Network (SBN)
Flagship Report
Addendum to SBN Global Progress Report

October 2019

Country Progress Report

Vietnam



Sustainable
Banking
Network



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1. Country progress summary –Vietnam



SBN Member:

- ☐ [State Bank of Vietnam \(SBV\)](#) (member since 2012)
- ☐ [Vietnam Ministry of Natural Resources & Environmental Protection](#) (member since 2012)

SBN Working Group: Measurement Working Group

Key policy documents:

- ☐ Directive on promoting green credit growth and ES risk management in credit granting activities (No 03/CT-NHNN, State Bank of Vietnam, 2015)
- ☐ Decision on issuance of Action Plan of the banking sector to implement the National Strategy on Green growth toward 2020 (No 1552/QD-NHNN, State Bank of Vietnam, 2015)

Key milestones since 2018 SBN Report:

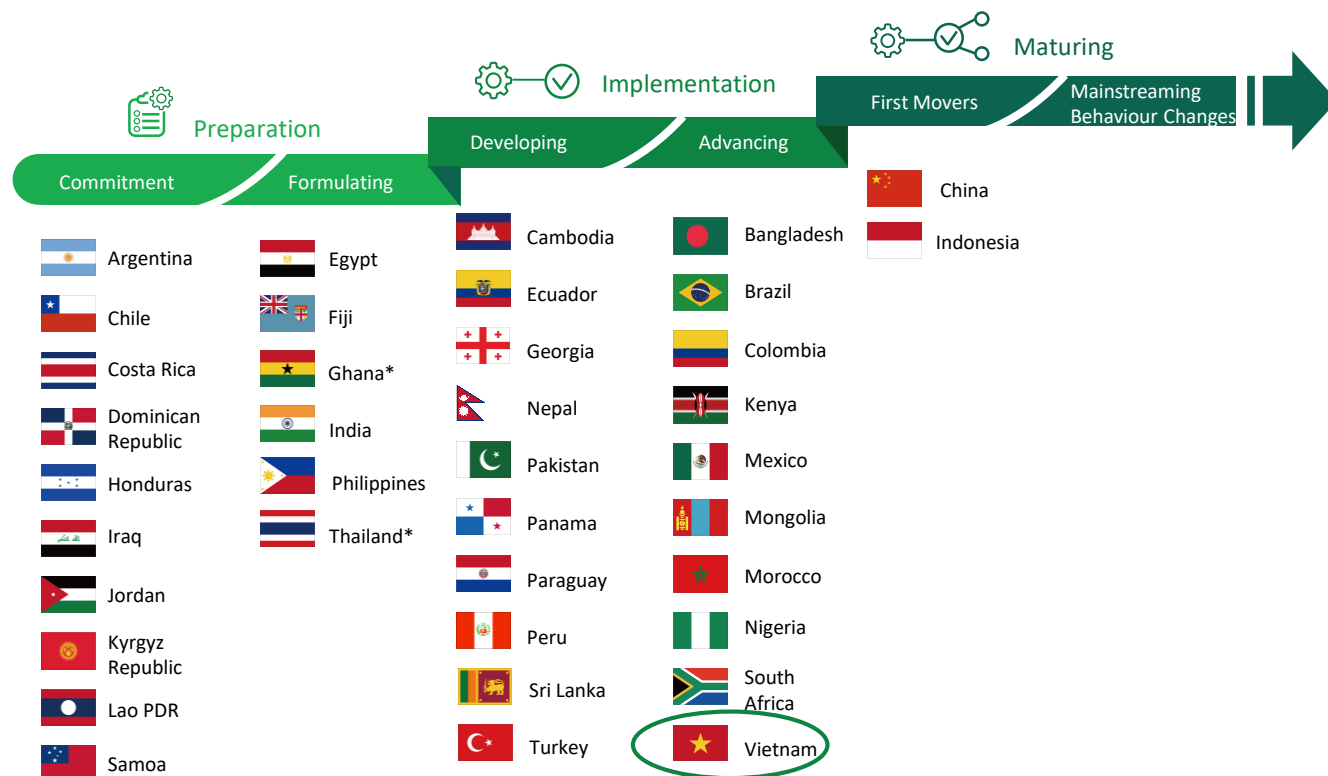
- ☐ Decision approving the scheme on green bank development in Vietnam (No 1604/QD-NHNN, State bank of Vietnam, 2018)
- ☐ Decree No. 95/2018 /ND-CP on government debt instruments dated June 30, 2018 (Government of Vietnam, 2018)
- ☐ Decree 163/2018/ND-CP on corporate bond issuance dated December 4, 2018, including green bonds (Government of Vietnam, 2018)
- ☐ Decision 1731/2018/QD-NHNN has been issued to set the Action Plan of the banking sector towards the 2030 agenda and Vietnam SDGs (State Bank of Vietnam, 2018)

Ambitions for next phase: SBV intends to develop financial incentives to promote green banking.

SBN and IFC role: IFC has provided advisory services to both SBV and Vietnam Ministry of Natural Resources & Environmental Protection in relation to policy development, implementation, and capacity building, in partnership with the government of Switzerland and Japan. Through SBN, SBV has shared its experience with other SBN members and benefited from the collective SBN knowledge base.

Figure 1: SBN Progression Matrix with Assessment Results¹

Assessment based on progress up to and as of June 2019²

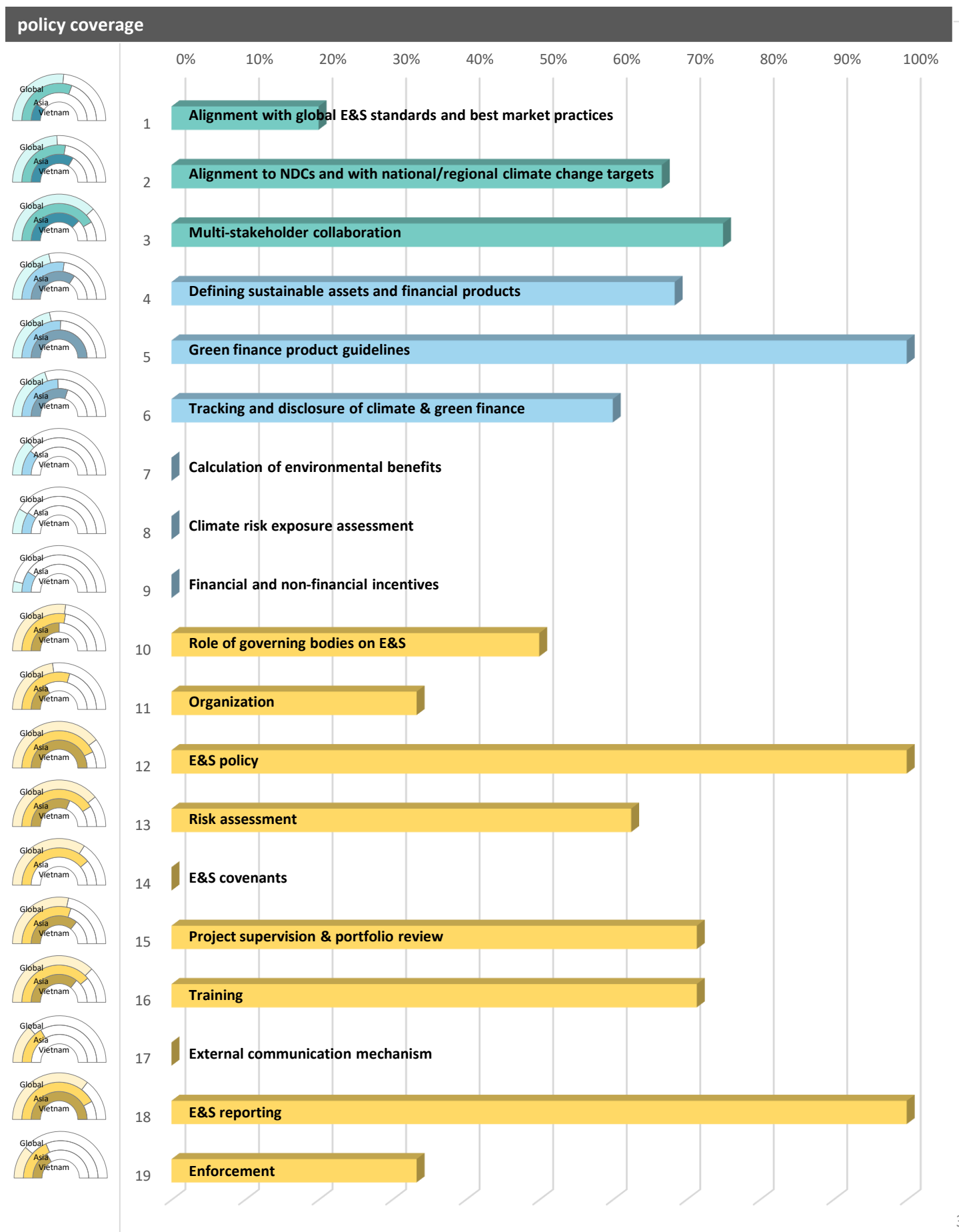


Note:

1. Please refer to the SBN Global Progress Report for an explanation of the Progression Matrix.

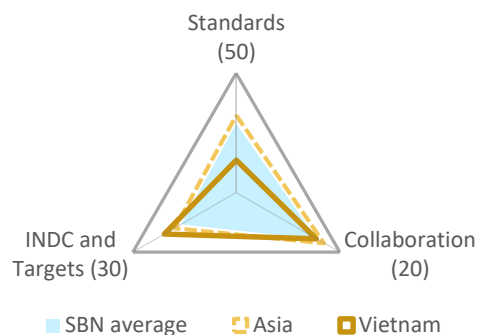
2. Ghana and Thailand launched their policies and principles in August 2019, after the cut-off date of June 2019 for this report.

2. Overview of policy coverage by indicators



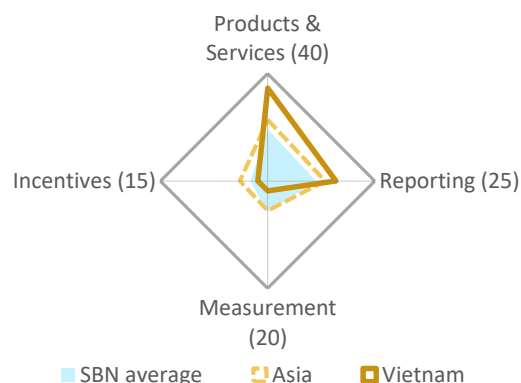
3. Policy coverage developed

Pillar I: Strategic Alignment



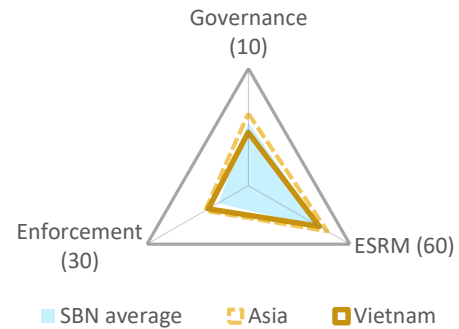
Indicator	Policy requirement	Reference
Alignment with global E&S standards and best market practices		
Indicator 1	The sector specific checklists are referred to WBG EHS Guidelines.	Annex of sector checklists.
Alignment to NDCs and with national/regional climate change targets		
Indicator 2	<p>The State Bank of Vietnam (SBV) has taken a range of actions to support Vietnam's national Green Growth initiatives. In 2015 the SBV issued a Directive on promoting green credit growth and E&S risk management in lending activities, as well as an Action Plan for the banking sector to implement the National Green Growth Strategy.</p> <p>The Directive and Action Plan are clearly aligned with Vietnam's national environmental policies.</p> <p>SBV's 2018 approval of a Scheme for green bank development aims to further encourage and incentivize credit flows into green projects, especially those aligned with Vietnam's national goals for sustainable development.</p>	<p>Decision on issuance of Action Plan of the banking sector to implement the National Strategy on Green growth toward 2020 (No 1552/QĐ-NHNN, State Bank of Vietnam, 2015) - NHNN - page 1</p> <p>Decision approving the Scheme on the green bank development in Vietnam (No 1604/QĐ-NHNN, State bank of Vietnam, 2018)</p>
Multi-stakeholder collaboration		
Indicator 3	-	-

Pillar II: Climate and Green Finance



Indicator	Policy requirement	Reference
Products and services		
Indicator 4, 5	<p>The Directive encourages credit institutions (CIs) to develop products and programs that lend to, or incentivize, green growth focused projects and businesses. It also calls on firms to ‘give funding priority’ to projects in sectors that conserve, develop, and use natural resources efficiently.</p> <p>SBV introduced complementary initiatives, such as a Green Project Catalogue, in 2017 (specifically prioritizing six sectors).</p> <p>In 2018 SBV, together with the World Bank and the Green Climate Fund, launched a project to support energy efficient investments. In the same year, new regulations were issued aiming to facilitate credit flows to high tech and agriculture projects with environmentally friendly features.</p> <p>The green bond concept was introduced by the Ministry of Finance regulation on bonds (Decree 163) in December 2018. The decree creates more relaxed issuance conditions for corporate bonds and a leverage tool to encourage investment in green projects in the private sector.</p> <p>Vietnam is also part of the ASEAN Capital Markets Forum, which has released Green, Social and Sustainability Bond Standards based on the ICMA’s Green, Social, and Sustainability Bond Principles. The 2018 edition of the Standards refer to eligible project categories contributing to five high-level environmental objectives.</p>	<p>Decision on issuance of Action Plan of the banking sector to implement the National Strategy on Green growth toward 2020 (No 1552/QĐ-NHNN, State bank of Vietnam, 2015) - page 3 - 2.3.a)</p> <p>Decree 163/2018/ND-CP on corporate bond issuance (Government of Vietnam, 2018)</p>
Climate and green investment reporting		
Indicator 6	<p>Vietnam is one of the few SBN members to require CIs to report the quantities and values of their green loans. The State Securities Commission’s Sustainability Reporting Handbook also requires listed Financial Institutions (FIs) to report annually any initiatives related to green finance and the percentage of their total investments classified as green finance.</p>	<p>Directive on promoting green credit growth and ES risk management in credit granting activities (No 03/CT-NHNN, State bank of Vietnam, 2015) - page 3 - IV) 4., page 4 – Template</p>
Measurement		
Indicator 7, 8	-	-
Incentives		
Indicator 9	<p>The Scheme establishes a role for SBV to introduce more incentives that might encourage green lending.</p>	-

Pillar III: ESG Integration



Indicator	Policy requirement	Reference
Governance of E&S		
Indicator 10, 11	The Directive requires CIs to build the infrastructure needed to implement E&S risk assessments.	-
E&S risk management		
Indicator 12 - 18	<p>SBV has established sector-specific E&S checklists and organizes technical training on E&S risk management and E&S due diligence for CIs. The Directive requires all CIs to formalize their E&S risk management policies and specifies climate change as one of the risks to review and assess.</p> <p>The Directive encourages all commercial, co-operative, and foreign CI's operating in Vietnam to develop E&S risk management systems for lending activities. It also requires lenders to conduct frequent and periodic monitoring of borrowers' own E&S risk management processes.</p> <p>The Scheme requires CIs to formulate specific green lending policies for sensitive sectors, including agriculture, leather and hides, renewable energy, and apparel. It also sets quantitative objectives for E&S risk management for FIs to meet by 2025.</p>	<p>Directive on promoting green credit growth and ES risk management in credit granting activities (No 03/CT-NHNN, State bank of Vietnam, 2015) - page 2 - IV. 1.&2.</p> <p>Directive on promoting green credit growth and ES risk management in credit granting activities (No 03/CT-NHNN, State bank of Vietnam, 2015) - page 2 - IV. 2.</p> <p>Decision approving the Scheme on the green bank development in Vietnam (No 1604/QĐ-NHNN, State bank of Vietnam, 2018)</p>
Enforcement		
Indicator 19	The Directive requires CIs to disclose information on their E&S risk management processes to SBV on a quarterly basis and provides a reporting template to follow.	Directive on promoting green credit growth and ES risk management in credit granting activities (No 03/CT-NHNN, State bank of Vietnam, 2015) - page 3 - IV. 4

4. Policy coverage to be developed

Pillar	Sub Pillar	Gaps	Areas for improvement
Pillar I: Strategic Alignment	Alignment with global E&S standards and best market practices	80%	<ul style="list-style-type: none"> ➤ Reference to international E&S target ➤ Reference to established international green finance reporting standards ➤ Reference to international climate finance reporting standards ➤ Requirement to make E&S policies, practices and results externally verified
	Alignment to NDCs and with national/regional climate change targets	33%	<ul style="list-style-type: none"> ➤ Defined main climate risks for local financial sector
	Multi-stakeholder collaboration	25%	<ul style="list-style-type: none"> ➤ Representation of civil society
Pillar II: Climate and Green Finance	Products & services	15%	<ul style="list-style-type: none"> ➤ Definition/examples for social/sustainable assets ➤ Definition/examples for sustainable financial non-debt products
	Climate & green investment reporting	40%	<ul style="list-style-type: none"> ➤ Requirement of report on portfolio climate risk exposure
	Measurement	100%	<ul style="list-style-type: none"> ➤ Requirement to calculate investments' environmental benefits ➤ Taxonomy of potential environmental impacts ➤ Methodologies, tools, templates to measure/report impacts ➤ Requirement to monitor climate risk exposure at portfolio level ➤ Reference to specific climate exposure methodologies ➤ Encouragement of mitigation steps
	Incentives	100%	<ul style="list-style-type: none"> ➤ Incentives for green financial products/services ➤ Financial incentives on green products/services
Pillar III: ESG Integration	Governance of E&S	60%	<ul style="list-style-type: none"> ➤ Management to report on the E&S strategy implementation to the governing bodies ➤ FI operational bodies to report to the governing bodies on E&S strategy implementation ➤ Highlight the roles of front offices and second lines of defense ➤ Requirement to define role competencies
	E&S risk management	33%	<ul style="list-style-type: none"> ➤ Encouragement to categorized project/client according to E&S risk levels ➤ Encouragement to site visit for high-risk transactions ➤ Invite client engagement to implement mitigation measures ➤ Requirement to incorporate E&S covenants into legal agreement ➤ Encouragement of periodic review of E&S risk at aggregate portfolio level ➤ Training for front officers, second lines of defense, E&S experts ➤ Requirement to establish and maintain inquiry/complaints mechanism to FI's E&S/ESG practices
	Enforcement	67%	<ul style="list-style-type: none"> ➤ Financial and/or non-financial incentives for setting up ESRM ➤ Sanctions/penalties/warnings for non-compliance

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