

# Second-Party Opinion

## VPBank Green Loan Framework



### Evaluation Summary

Sustainalytics is of the opinion that the VPBank Green Loan Framework aligns with the four core components of the Green Loan Principles 2020. This assessment is based on the following:

<b>Evaluation date</b>	August 27, 2020
<b>Issuer Location</b>	Ha Noi, Vietnam

#### Report Sections

Introduction .....	2
Sustainalytics Opinion .....	3
Appendices .....	11

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**USE OF PROCEEDS** The eligible categories for the use of proceeds – (i) Renewable Energy, (ii) Energy Efficiency, (iii) Clean Transportation, (iv) Eco-friendly and/or Circular Economy Adapted Products, Production Processes and Technology, (v) Sustainable Water and Wastewater Management, (vi) Green Buildings, (vii) Agriculture and Forestry, (viii) Pollution Prevention and Control – are aligned with those recognized by the Green Loan Principles 2020. Sustainalytics considers that the eligible categories will lead to positive environmental impacts in Vietnam and advance the UN Sustainable Development Goals, specifically SDG 6, 7, 11, 12, 14 & 15.



**PROJECT EVALUATION / SELECTION** VPBank’s process for project evaluation and selection will be overseen by the Credit Committee (the “Committee”). Relationship managers within business segments will be responsible for identifying potentially eligible projects and propose them for selection for the eligible project portfolio. The Committee will be responsible for ensuring that proposed projects are aligned with the Framework’s eligibility criteria, as well as tracking and monitoring the eligibility of projects throughout the lifetime of the loan. This process is aligned with market practice.



**MANAGEMENT OF PROCEEDS** VPBank’s process for management of use of proceeds is handled by the Balance Sheet Management Department (“BSM”), under the bank’s Finance Division. Proceeds will be allocated on a portfolio basis and tracked by the BSM team. Pending full allocation, unallocated proceeds may be invested in cash or high-quality marketable instruments in line with the bank’s internal liquidity management strategy. This is in line with market practice.



**REPORTING** VPBank intends to report allocation metrics exclusively to lenders on an annual basis until full allocation. Allocation reporting will include metrics such as the aggregate amount of allocation, proportion of net proceeds allocated to new investments, remaining balance of unallocated proceeds, and a list of eligible green assets by project type. Additionally, VPBank is committed to reporting on relevant impact metrics. This is in line with market practice.

## Introduction

Founded in 1993 and headquartered in Ha Noi, Vietnam Prosperity Joint-Stock Commercial Bank (“VPBank”, the “Bank”, or the “Issuer”) provides products and services to the following five segments: (i) retail, (ii) household, (iii) small and medium-sized enterprises (SMEs), (iv) commercial and (v) corporates. As of 2020, VPBank serves 6.3 million customers across 228 branches, 87 SME centers and counts on four Corporate Banking branches. VPBank’s climate-aligned assets predate this Framework and intended issuance; however, the impact and scope of these activities have not been systematically tracked. In efforts to structurally position its lending activities more clearly within the sustainable finance space and ensure the growth of green assets within its portfolio, the bank aims to establish a green loan facility to be underpinned by this Green Loan Framework.

VPBank has developed the VPBank Green Loan Framework (the “Framework”) under which it intends to issue green loans to finance and refinance, in whole or in part, existing and future projects that facilitate a shift to a low-carbon economy in Vietnam while mitigating the adverse impacts of climate change. The Framework defines eligibility criteria in eight areas:

1. Renewable Energy
2. Energy Efficiency
3. Clean Transportation
4. Eco-friendly and/or Circular Economy Adapted Products, Production Processes and Technology
5. Sustainable Water and Wastewater Management
6. Green Buildings
7. Agriculture and Forestry
8. Pollution Prevention and Control

VPBank engaged Sustainalytics to review the VPBank Green Loan Framework, dated August 2020, and provide a second-party opinion on the Framework’s environmental credentials and its alignment with the Green Loan Principles 2020 (GLP).<sup>1</sup> This Framework has been published in a separate document.<sup>2</sup>

### Scope of work and limitations of Sustainalytics Second-Party Opinion

Sustainalytics’ Second-Party Opinion reflects Sustainalytics independent<sup>3</sup> opinion on the alignment of the reviewed Framework with the current market standards and the extent to which the eligible categories are credible and impactful.

As part of the Second-Party Opinion, Sustainalytics assessed the following:

- The Framework’s alignment with Green Loan Principles 2020 as administered by LMA;
- The credibility and anticipated positive impacts of the use of proceeds;
- The alignment of the issuer’s sustainability strategy and performance and sustainability risk management in relation to the use of proceeds.

For the use of proceeds assessment, Sustainalytics relied on its internal taxonomy, version 1.5.1, which is informed by market practice and Sustainalytics’ expertise as an ESG research provider.

As part of this engagement, Sustainalytics held conversations with various members of VPBank’s management team to understand the sustainability impact of their business processes and planned use of proceeds, as well as management of proceeds and reporting aspects of the Framework. VPBank representatives have confirmed (1) they understand it is the sole responsibility of VPBank to ensure that the information provided is complete, accurate or up to date; (2) that they have provided Sustainalytics with all relevant information and (3) that any provided material information has been duly disclosed in a timely manner. Sustainalytics also reviewed relevant public documents and non-public information.

<sup>1</sup> The Green Loan Principles are administered by the Loan Market Association and are available at: <https://www.lsta.org/content/green-loan-principles/>

<sup>2</sup> The VP Bank Green Loan Framework is available on VP Bank’s website at: <https://www.vpbank.com.vn/en/ve-chung-toi/phat-trien-ben-vung/khung-tin-dung-xanh>

<sup>3</sup> When operating multiple lines of business that serve a variety of client types, objective research is a cornerstone of Sustainalytics and ensuring analyst independence is paramount to producing objective, actionable research. Sustainalytics has therefore put in place a robust conflict management framework that specifically addresses the need for analyst independence, consistency of process, structural separation of commercial and research (and engagement) teams, data protection and systems separation. Last but not the least, analyst compensation is not directly tied to specific commercial outcomes. One of Sustainalytics’ hallmarks is integrity, another is transparency.

This document contains Sustainalytics' opinion of the Framework and should be read in conjunction with that Framework.

Any update of the present Second-Party Opinion will be conducted according to the agreed engagement conditions between Sustainalytics and VPBank.

Sustainalytics' Second-Party Opinion, while reflecting on the alignment of the Framework with market standards, is no guarantee of alignment nor warrants any alignment with future versions of relevant market standards. Furthermore, Sustainalytics' Second-Party Opinion addresses the anticipated impacts of eligible projects expected to be financed with bond proceeds but does not measure the actual impact. The measurement and reporting of the impact achieved through projects financed under the Framework is the responsibility of the Framework owner.

In addition, the Second-Party Opinion opines on the intended allocation of proceeds but does not guarantee the realized allocation of the bond proceeds towards eligible activities.

No information provided by Sustainalytics under the present Second-Party Opinion shall be considered as being a statement, representation, warrant or argument either in favor or against, the truthfulness, reliability or completeness of any facts or statements and related surrounding circumstances that VPBank has made available to Sustainalytics for the purpose of this SPO.

## Sustainalytics' Opinion

### Section 1: Sustainalytics' Opinion on the VPBank Green Loan Framework

Sustainalytics is of the opinion that the VPBank Green Loan Framework aligns with the four core components of the GLP. Sustainalytics highlights the following elements of VPBank's Green Loan Framework:

- Use of Proceeds:
  - VPBank plans to use the proceeds of Green Loans to finance or refinance projects and activities under the following eligible categories – (i) Renewable Energy, (ii) Energy Efficiency, (iii) Clean Transportation, (iv) Eco-friendly and/or Circular Economy Adapted Products, Production Technology, (v) Sustainable Water Management and Wastewater Disposal, (vi) Green Buildings, (vii) Agriculture and Forestry, and (viii) Pollution Prevention and Control – are among with those recognized by the GLP. Sustainalytics views that VPBank's financing under the Framework may contribute to the transition towards a low-carbon economy in Vietnam while mitigating the adverse impacts of climate change.
  - Under the Renewable Energy category, VPBank may finance or refinance the following:
    - Projects/activities related to generation and transmission of electricity from renewable sources including (i) wind, (ii) hydropower<sup>4</sup> <10MW, (iii) solar<sup>5</sup>, (iv) geothermal, (v) biomass/biofuel<sup>6</sup> and (vi) tidal. VPBank has confirmed to Sustainalytics that feedstock will be sourced from both waste<sup>7</sup> and non-waste<sup>8</sup> sources. Sustainalytics positively views investments into renewable energy and considers the emissions thresholds and feedstock sourcing requirements set by VPBank to be credible and aligned with market practice. However, Sustainalytics notes that for geothermal projects VPBank has committed to a "net reduction in GHG emissions", while market practice is a direct emissions threshold of 100gCO<sub>2</sub>/kWh or

<sup>4</sup> Hydropower plants must be small dams (<10MW)

<sup>5</sup> VP Bank confirms to Sustainalytics that any concentrated solar heat & power generation (CSP) and solar thermal plants, majority of electricity generated (>85%) will be sourced from solar energy.

<sup>6</sup> VP Bank has also confirmed that for projects of electricity generation from non-waste biomass, projects' life cycle GHG emissions intensity will remain at or below 100g CO<sub>2</sub>/kWh.

<sup>7</sup> For waste-based feedstock, VP Bank confirms sources will be limited to: lignocellulosic waste biomass, including wood waste (forestry residue from well managed forests), forestry residues, straw, cane trash, sugarcane bagasse, animal manure, agricultural residue (from well managed agricultural production) such as corn cobs, nut shells, soybean hulls, and waste from RSPO-certified palm oil operations, such as palm kernel shells.

<sup>8</sup> For non-waste feedstock, VP Bank confirms that production of biofuel feedstock does not take place on land with high biodiversity (at least within last 10-15 years), does not take place on land with a high amount of carbon has not been converted for biofuel feedstock production, does not represent competition with food production, and use only wood pellets originated from certified forestry operations.

lower. Geothermal emissions intensity can vary significantly and Sustainalytics encourages the Bank to favor projects with low emissions intensity and to report on average intensity of financed projects.

- VPBank may also finance or refinance district heating and cooling projects, all of which will be powered by renewable sources.
- VPBank may also finance or refinance projects aimed at waste reduction and improving recycling as well as waste-to-energy projects that follow the waste hierarchy and segregate recyclable and hazardous materials prior to combustion/incineration. Sustainalytics positively notes VPBank's commitment to segregating recyclable and hazardous materials prior to incineration and views waste reduction and recycling projects as contributing to positive environmental impact.
- Regarding Energy Efficiency expenditures, VPBank may finance or refinance the following:
  - Projects or sub-projects (including both industrial and non-industrial) that replace, redesign, or refurbish equipment, systems and/contracting services/products to improve energy efficiency. The Bank has established the following energy efficiency thresholds for energy efficiency projects (i) a minimum energy savings of 15%, or (ii) reduction in electricity consumption by at least 50GWh/yr or (iii) reduction of GHG emissions by at least 25k tonnes of CO<sub>2</sub>-e/yr.
  - Additionally, the Bank may finance or refinance the development or installation of energy efficient products or technologies (e.g. energy-saving air conditioners, refrigerators, and lighting systems for buildings). To be eligible, appliances<sup>9</sup> must obtain one of the following (i) a 5-Star Vietnam Energy Star Label (also known as the "Comparative Energy Label"), which demonstrates a 20-30% improvement in energy efficiency, (ii) the Confirmative Energy Label, which represents energy savings equal to or greater than the 5-star rating of the Comparative Energy Label, or achieve at least a 15% improvement in energy savings compared to the baseline performance. Sustainalytics positively views the inclusion of energy efficiency thresholds for the installation of energy-efficient systems, equipment, or technologies. For Sustainalytics assessment of the Vietnam Energy Star certification scheme, please refer to Appendix 1.
- Under the Clean Transportation category, VPBank may finance or refinance the following:
  - Low emission transportation assets, systems, infrastructure, or the manufacturing of components for green transportation, applications, and services.<sup>10</sup> This excludes any infrastructure or rolling stock assets used for the transportation of fossil fuel products. The Bank may also provide financing of electric vehicles and financing for vehicles to switch fuel from high carbon intensive fuel to low carbon intensive fuel.<sup>11</sup> Sustainalytics positively views investments into transportation infrastructure that facilitates access to low-carbon modes of transport and encourages the Issuer to report on financed projects and their positive impacts. Furthermore, Sustainalytics notes that financing of low-carbon intensive fuels may be impactful if they meet a designated emissions threshold, however VPBank has opted not to set an emissions threshold, which is viewed as a limitation.
  - This category may also include expenditures in the development of facilities intended to produce electric motors for hybrid and electric passenger vehicles. VPBank has confirmed to Sustainalytics that vehicles in this category are not limited by CO<sub>2</sub> emissions thresholds,<sup>12</sup> which is viewed as a limitation to the Framework.

<sup>9</sup> VPBank has confirmed that it is only considering rice cookers, refrigerators and AC appliances that meet the 5-star level or the Confirmative Energy Label for High Performance Standard (HEPS); falling within the top 20-30% in terms of energy performance.

<sup>10</sup> a. Urban transport modal change: i. Urban mass transit ii. Nonmotorized transport (bicycles and pedestrian mobility) b. Transport-oriented urban development i. Integration of transport and urban development planning (e.g., dense development, multiple land use, walking communities, transit connectivity) leading to a reduction in use of passenger cars ii. Transport demand management measures dedicated to reducing GHG emissions (e.g., speed limits, high-occupancy-vehicle lanes, congestion charging or road pricing, parking management, restriction or auctioning of license plates, car-free city areas, low-emission zones) c. Interurban transport i. Railway transport ensuring a modal shift of passenger transport from road to rail (improvement of existing lines or construction of new lines) ii. Waterway transport ensuring a modal shift of passenger transport from road to waterways (improvement of existing infrastructure or construction of new infrastructure)

<sup>11</sup> Defined as sustainable biofuels or hydrogen. Additionally, biofuels must demonstrate a >50% reduction compared to a fossil fuel baseline.

<sup>12</sup> Sustainalytics views the following thresholds as market practice: <75gCO<sub>2</sub>/p-km (passenger), or <25gCO<sub>2</sub>/t-km (freight).

Sustainalytics encourages VPBank to report on the average emissions intensity of the produced vehicles.

- Eco-friendly and/or circular economy adapted products, production processes and technologies may include providing financing for the use of recycled materials as inputs to produce goods and packaging. Sustainalytics positively views investments that further drive the market for recyclable materials.
- Sustainable Water Management and Wastewater Management may include financing or refinancing activities related to wastewater collection, treatment, recycling, re-use, technologies, and related infrastructure,<sup>13</sup> as well as projects that reduce water consumption by at least 10% compared to the baseline consumption. Sustainalytics positively views investments into water and wastewater management and highlights VPBank's establishment of a minimum water savings threshold for water reduction projects.
- Within the Green Buildings category, VPBank may allocate loan proceeds to finance or refinance the acquisition, development, and construction of green buildings and/or mortgage financing. In order to be considered eligible, buildings must have one of the following criteria:
  - Buildings must either be certified to one of the following schemes: LEED ("Gold" or above), EDGE, BREEAM ("Excellent" or above), DGNB ("Gold" or above), Green Star (5 or above)<sup>14</sup>, or any other equivalent internationally recognized green building certification schemes. Sustainalytics recognizes these as credible, robust certification schemes and notes that the minimum certification levels are aligned with market practice. For Sustainalytics assessment of these schemes, please refer to Appendix 1.
  - Or, buildings must demonstrate a 20% reduction in energy consumption compared to the baseline. Sustainalytics considers this threshold to be aligned with market practice.
- The Agriculture and Forestry category considers activities that contribute to Climate Smart Agriculture and an overall reduction of emissions.<sup>15</sup> This ambition will be pursued through the following possible activities.
  - Financing or refinancing of agriculture activities that are certified to one of the following standards: Bonsucro, Roundtable on Sustainable Biomaterials (RSB), Global G.A.P. or an equivalent standard. Sustainalytics recognizes these are credible, robust certification schemes, and additionally notes that livestock production has been excluded from the Framework, which aligns with market expectations. However, Global G.A.P.<sup>16</sup> for agriculture relies on national legislation for fertilizer/pesticide use, which is a drawback of the certification standard. For Sustainalytics assessment of these schemes, please refer to Appendix 2.
  - VPBank may also finance or refinance afforestation, reforestation, and biosphere conservation projects. Specific activities that may be financed include afforestation of non-forested land, reforestation of previously forested land as well as sustainable forest management activities and efforts to mitigate deforestation. Sustainalytics positively views investments into afforestation and reforestation.
- Pollution Prevention and Control expenditures may be allocated to the following projects and activities:
  - Reduction of air pollution and GHG emissions, soil remediation and waste management, including the recycling of glass, plastics, and metals. Sustainalytics positively notes that the issuer has excluded GHG reduction activities from any fossil fuel technology or any hard-to-abate industrial activities that are inherently carbon intensive.

<sup>13</sup> Such as pipelines, collection sewers, tanks, water quality monitoring equipment.

<sup>14</sup> The Green Buildings Council of Australia has confirmed to Sustainalytics that Green Star 5 or Green Star 6 ratings would be the equivalent of LEED Gold or Platinum certification level.

<sup>15</sup> Climate-smart agriculture is an integrated approach to managing landscapes – cropland, livestock, forests and fisheries – that address the interlinked challenges of food security and climate change. See more at: <https://www.worldbank.org/en/topic/climate-smart-agriculture>

<sup>16</sup> Sustainalytics notes that VPBank has excluded livestock production as an eligible activity.

- Additional financing within this category may include climate change and adaptation projects and activities. As per the Issuer's Framework, in order to be considered as an eligible project, one of the following requirements must be satisfied: (i) a clear explanation for how the project will reduce risk, exposure or sensitivity to climate change; (ii) a clear argument for how it improves climate resilience; (iii) clear explanation for how it builds problem-solving capacity to developed responses to climate risks, vulnerabilities or effects; or (iv) how it addresses effects directly linked to climate change. Sustainalytics recognizes the importance of climate change adaptation projects and views the above criteria as robust and encourages the Bank to report on financed projects and their associated positive impacts.
    - VPBank has established a 36-month lookback period for refinancing.
    - Sustainalytics positively notes that the Bank has established a robust set of exclusionary criteria, which, among other activities, excludes any investments into fossil-fuel based technologies (excl. hybrid vehicles). For a full list of exclusionary criteria, please refer to the Annexure A in the Issuer's Framework.
  - Project Evaluation and Selection:
    - VPBank's project evaluation and selection process begins with an initial screening conducted by Relationship Managers within business segments. It is the responsibility of the Relationship Managers to evaluate and propose projects based on their alignment with the Framework's eligibility criteria and to ensure that projects do not involve any excluded activities. Proposed projects are then approved by the Credit Committee,<sup>17</sup> E&S Specialists<sup>18</sup> and Green Specialist.<sup>19</sup> Approved green assets are then selected for the Eligible Green Asset portfolio.
    - Sustainalytics considers this process to be in line with market practice.
  - Management of Proceeds:
    - The Balance Sheet Management Department ("BSM"), under the Bank's Finance Division, will manage the use of proceeds on a portfolio basis. BSM will keep an updated status of proceeds utilization and pool. Proceeds will be drawn from the Green Loan proceed pool by an equivalent amount corresponding to the financing of Eligible Green Assets. Pending full allocation, unallocated proceeds will be temporarily held in cash or high-quality marketable instruments aligned with VPBank's internal liquidity management strategy. VPBank confirmed that the unallocated proceeds will not be invested in highly polluting or energy intensive projects. The BSM will monitor and update any changes made in the portfolio. If an Eligible Green Asset no longer qualifies or if the underlying project or asset is divested or ceases to exist, an amount equal to the green loan allocated towards it will be re-credited to green loan proceeds pool.
    - Sustainalytics considers this process to be in line with market practice.
  - Reporting:
    - On an annual basis, VPBank commits to providing allocation and impact reporting exclusively to lenders. Allocation reporting will include information on (i) the aggregate amount of allocation, (ii) proportion of net proceeds allocated to new investments and remaining balance of unallocated proceeds, and (iii) a list of eligible green assets by project type, where feasible, including brief descriptions of these projects. Additionally, the Bank intends to report on relevant impact metrics. For a full list of potential indicators, please refer to Appendix 3.
    - Sustainalytics considers this process to be in line with market practice.

<sup>17</sup> The Credit Committee was established to implement credit approval and transaction limits with financial institutions at VPBank. Members include: Chairman: approval experts appointed by the Board of Directors; Secretary: senior officer in the Re-Appraisal Department under the Credit Division; Members: other approval experts, representatives of Risk Management Division, representatives of Business Division, representatives of relevant units.

<sup>18</sup> Officers who has environmental expertise, responsible for assessing the high potential E&S risks of credit applications which are approach to the Green Credit Program of VPBank.

<sup>19</sup> Officer who is granted a Green Finance Expert Certificate (issued by the Renewables Academy AG of Germany or equivalent certificates) responsible for evaluating and confirming that the Customer meets the green criteria under the Green Credit Program of VPBank



### Alignment with Green Loan Principles 2020

Sustainalytics has determined that the VPBank Green Loan Framework aligns to the four core components of the GLP. For detailed information please refer to Appendix 3: Green Bond/Green Bond Programme External Review Form.

## Section 2: Sustainability Strategy of VPBank

### Contribution of framework to VPBank's sustainability strategy

As a commercial development bank, VPBank has embedded sustainability in its strategy through the integration of green credit growth throughout its business operations, initiated by the State Bank of Vietnam (SBV) through the *Directive No. 03/CT-NHNN (March 24, 2015)*.<sup>20</sup> The Directive encourages financial institutions to prioritize their lending services for businesses and activities associated with environmental protection, the preservation of natural resources and energy efficiency improvement, environment quality enhancement and human health protection.<sup>21</sup> Pursuant to the SBV's initiatives for green credit, VPBank established Environmental and Social Risk Management System (ESMS)<sup>22</sup> and Exclusion List<sup>23</sup>, which has been applied to all of its lending activities as of 2016. Furthermore, VPBank prioritizes lending for activities deemed to be in alignment with the Sustainable Development Goals (SDGs), especially SDG7 (Affordable & Clean Energy) and SDG9 (Industry, Innovation & Infrastructure) aimed at increasing the share of renewable energy and green buildings in Vietnam.<sup>24</sup>

Based on the above, Sustainalytics is of the opinion that the VPBank Green Loan Framework is aligned with the Bank's overall approach to sustainability, while encouraging the Bank to establish time-bounded quantitative sustainability targets where feasible.

### Well positioned to address common environmental and social risks associated with the projects

Sustainalytics recognizes that the net proceeds from the loans issued under the Framework will be directed towards eligible green projects that are considered to be environmentally impactful. However, by offering lending and financial services, banks are exposed to risks associated with controversial companies and/or projects that they may finance, and as such, may inadvertently finance activities that have negative environmental and/or social impacts if appropriate screening measures are not in place. These risks include, but are not limited to, pollution and impacts on biodiversity from construction and infrastructure development, as well as impacts on local communities. Sustainalytics is of the opinion that VPBank can manage and mitigate potential risks through the implementation of the following measures.

During the credit approval process, VPBank assesses environmental and social (E&S) risks by applying its ESMS Policy, as overseen by the Bank's Environmental and Social Department. As part of this process, VPBank follows a series of steps, including but not limited to: screening prospective clients to ensure that activities are not on the Exclusion List; collecting environmental and social information and conducting on-site visits if feasible, and hiring independent experts to assess E&S risks in the event that the Bank does not have sufficient data to complete a thorough evaluation. In the event that an E&S risk is identified, VPBank works with its clients to form an E&S Action Plan through which it aims to minimize or remedy the negative E&S risks and impacts and provide a concrete implementation and reporting process to determine whether financing is feasible. Through the application of its ESMS Policy, VP Bank complies with the International Finance Corporation's (IFC) Performance Standards.<sup>25</sup> The IFC Performance Standards ensure the mitigation of environmental and social risks associated with projects through the following eight performance standards: (i) Environmental and Social Assessment and Management System, (ii) Labor and Working Conditions, (iii) Pollution Prevention and Abatement, (iv) Community Health, Safety and Security, (v) Land Acquisition and Involuntary Resettlement, (vi) Biodiversity Conservation and Sustainable Natural Resource Management, (vii) Indigenous Peoples and (viii) Cultural Heritage. To comply with the above-

<sup>20</sup> State Bank of Vietnam, "DIRECTIVE On Promoting Green Credit Growth and Environmental – Social Risks Management in Credit Granting Activities", (2015), at:

<https://www.ifc.org/wps/wcm/connect/758c9ed5-cf12-4f15-b0a5-952dcae9b0c4/Directive+on+Green+Credit+and+E%26S+Risk+management.pdf?MOD=AJPERES&CVID=kOkF7YL>

<sup>21</sup> VP Bank, "VP Bank's commitment to environment and society", (2020), at: <https://www.VP.Bank.com.vn/en/ve-chung-toi/phat-trien-ben-vung/cam-ket-cua-VP-Bank-ve-moi-truong-va-xa-hoi>

<sup>22</sup> VPBank shared its Environmental and Social Risk Management System Policy with Sustainalytics.

<sup>23</sup> VP Bank, "VP Bank's Exclusion List", at: <https://quantri.vpbank.com.vn/-/media/VPBank%20Latest/8AboutVPBank/Phat%20trien%20ben%20vung/En%20exclusion%20list%20VPBank%202020>

<sup>24</sup> VP Bank Green Loan Framework

<sup>25</sup> IFC, "IFC Performance Standards on Environmental and Social Sustainability", (2012), at: [https://www.ifc.org/wps/wcm/connect/c02c2e86-e6cd-4b55-95a2-b3395d204279/IFC\\_Performance\\_Standards.pdf?MOD=AJPERES&CVID=kTjHBzk](https://www.ifc.org/wps/wcm/connect/c02c2e86-e6cd-4b55-95a2-b3395d204279/IFC_Performance_Standards.pdf?MOD=AJPERES&CVID=kTjHBzk)

mentioned Standards, VPBank is required to identify the environmental and social impacts and risks through a comprehensive due diligence process, including local community engagements<sup>26</sup> and the Bank is also responsible for monitoring and managing the potential and remaining environmental and social risks throughout the project life cycle.

Based on these standards and processes, Sustainalytics is of the opinion that VPBank has implemented adequate measures and is well positioned to manage and mitigate environmental and social risks commonly associated with the eligible categories.

### Section 3: Impact of Use of Proceeds

All eight use of proceeds categories are aligned with those recognized by the GLP. Sustainalytics has focused on two below where the impact is specifically relevant in the local context.

#### Importance of a transition to clean transportation in Vietnam

Fueled by economic and political reforms, Vietnam has experienced rapid economic growth and urbanization over the last three decades.<sup>27</sup> This growth has resulted in significant investments aimed at expanding Vietnam's road network.<sup>28</sup> While road expansion provides important social benefits such as increased accessibility and improved connectivity, this undertaking has also resulted in the transport sector becoming a significant contributor to greenhouse gas (GHG) emissions in Vietnam, accounting for 18% of total CO<sub>2</sub> emissions in 2014.<sup>29</sup> Although the overall carbon intensity in Vietnam is notably declining, population growth and rural/urban migration continue to drive demand for increased mobility and imply a consistent growth in emissions from transport in the future.

As part of its commitment to the Paris Agreement, the Government of Vietnam outlined its Nationally Determined Contributions<sup>30</sup> (NDC) in 2015.<sup>31</sup> Under these NDCs, Vietnam established a target of 8% reduction in GHG emissions from the transport sector by 2030 against a 2010 baseline.<sup>32</sup> The country intends to achieve these reductions through a multi-pronged approach, which includes the deployment of renewables and low GHG emission energy sources, establishing standards on fuel consumption, and further developing public transport infrastructure.<sup>33</sup> The World Bank has stated in order for Vietnam to shift towards a lower carbon economy, transport-related priorities will include shifting traffic from roads to inland waterways and coastal transport, deploying stricter vehicle fuel economy standards, and promoting electric mobility.

VPBank intends to finance electric vehicles and infrastructure in Vietnam, thereby contributing to the national ambitions outlined above. Sustainalytics is of the opinion that VPBank's financing can facilitate the transition from fossil fuel-based transportation to clean transportation in Vietnam, thereby contributing to the GHG reduction from transportation.

#### Importance of increasing the share of green buildings in Vietnam

While considered an emerging market economic success story, Vietnam's urbanization and population growth have led to a significant increase in the floor area of buildings and related emissions from the construction and buildings sector. According to the Ministry of Construction, the average annual growth rate of the total floor area of commercial and residential buildings is between 6-7%, with the industry and construction sector responsible for approximately 43% of final energy consumption in the country as of

<sup>26</sup> IFC, "Performance Standard 1 Assessment and Management of Environmental and Social Risks and Impacts", at: [https://www.ifc.org/wps/wcm/connect/8804e6fb-bd51-4822-92cf-3dfd8221be28/PS1\\_English\\_2012.pdf?MOD=AJPERES&CVID=jjVQlfe](https://www.ifc.org/wps/wcm/connect/8804e6fb-bd51-4822-92cf-3dfd8221be28/PS1_English_2012.pdf?MOD=AJPERES&CVID=jjVQlfe)

<sup>27</sup> The World Bank, "The World Bank in Vietnam: Overview", at: <https://www.worldbank.org/en/country/vietnam/overview>

<sup>28</sup> The World Bank and Deutsche Gesellschaft für Internationale Zusammenarbeit GmbH., "Addressing Climate Change in Transport Volume 1: Pathway to Low-Carbon Transport", (2019), at: <http://documents1.worldbank.org/curated/en/581131568121810607/pdf/Volume-1-Pathway-to-Low-Carbon-Transport.pdf>

<sup>29</sup> The World Bank and Deutsche Gesellschaft für Internationale Zusammenarbeit GmbH., "Addressing Climate Change in Transport Volume 1: Pathway to Low-Carbon Transport", (2019), at: <http://documents1.worldbank.org/curated/en/581131568121810607/pdf/Volume-1-Pathway-to-Low-Carbon-Transport.pdf>

<sup>30</sup> Each signatory to the Paris Agreement developed individual Nationally Determined Contributions (NDC), to outline goals and targets they will strive to implement in order to contribute to the achievement of the global targets set forth by the Paris Agreement.

<sup>31</sup> Per the drafting of this document, Vietnam's NDCs were undergoing a revision and update per 2019/2020 consultation processes.

<sup>32</sup> Government of Viet Nam, "Intended Nationally Determined Contribution of Viet Nam", (2015), at: <https://www4.unfccc.int/sites/ndcstaging/PublishedDocuments/Viet%20Nam%20First/VIETNAM%27S%20INDC.pdf>

<sup>33</sup> Government of Viet Nam, "Intended Nationally Determined Contribution of Viet Nam", (2015), at: <https://www4.unfccc.int/sites/ndcstaging/PublishedDocuments/Viet%20Nam%20First/VIETNAM%27S%20INDC.pdf>



2015.<sup>34</sup> Despite being the most energy consuming segment in Vietnam, only 3% of buildings maintain sustainable business practices focused on improving energy efficiency.<sup>35</sup> Specifically, Vietnam only has 86 registered LEED building and 15 EDGE-certified buildings, highlighting the need and opportunity for improved energy efficiency within the sector.<sup>36</sup> In order to increase the share of green buildings in Vietnam, the Ministry of Construction updated the Vietnam Energy Efficiency Building Code (VEEBC) in 2017, initially adopted in 2013, to outline the technical standards needed to increase energy efficiency throughout the phases of the design, construction or retrofit of residential and commercial buildings.<sup>37</sup>

Based on the above, Sustainalytics views that VPBank's financing under the Green Buildings category can bring positive environmental impacts by increasing the share of Green Buildings in Vietnam, helping reduce energy consumption from buildings.

#### Alignment with/contribution to SDGs

The Sustainable Development Goals (SDGs) were set in September 2015 and form an agenda for achieving sustainable development by the year 2030. This green loan advances the following SDG goals and targets:

Use of Proceeds Category	SDG	SDG target
Renewable Energy	7. Affordable and Clean Energy	7.2 By 2030, increase substantially the share of renewable energy in the global energy mix
Energy Efficiency	7. Affordable and Clean Energy	7.3 By 2030, double the global rate of improvement in energy efficiency
Clean Transportation	11. Sustainable Cities and Communities	11.2 By 2030, provide access to safe, affordable, accessible and sustainable transport systems for all, improving road safety, notably by expanding public transport, with special attention to the needs of those in vulnerable situations, women, children, persons with disabilities and older persons
Eco-friendly and/or Circular Economy Adapted Products, Production Technology	12. Responsible Consumption and Production	12.2 By 2030, achieve the sustainable management and efficient use of natural resources
Sustainable Water Management and Wastewater Disposal	6. Clean Water and Sanitation	6.3 By 2030, improve water quality by reducing pollution, eliminating dumping and minimizing release of hazardous chemicals and materials, halving the proportion of untreated wastewater and substantially increasing recycling and safe reuse globally  6.4 By 2030, substantially increase water-use efficiency across all sectors and ensure sustainable withdrawals and supply of freshwater to address water scarcity and substantially reduce the number of people suffering from water scarcity
Green Buildings	11. Sustainable Cities and Communities	11.6 By 2030, reduce the adverse per capita environmental impact of cities, including by paying special attention to air quality and municipal and other waste management
Agriculture and Forestry	14. Life Below Water	14.2 By 2020, sustainably manage and protect marine and coastal ecosystems to avoid significant adverse impacts, including by strengthening their resilience, and take action

<sup>34</sup> Copenhagen Centre on Energy Efficiency, "Energy Efficiency in Buildings: Vietnam", (2018), at: <https://c2e2.unepdtu.org/wp-content/uploads/sites/3/2019/07/2018-09-ee-in-buildings-vietnam-1-0.pdf>

<sup>35</sup> Copenhagen Centre on Energy Efficiency, "Energy Efficiency in Buildings: Vietnam", (2018), at: <https://c2e2.unepdtu.org/wp-content/uploads/sites/3/2019/07/2018-09-ee-in-buildings-vietnam-1-0.pdf>

<sup>36</sup> Copenhagen Centre on Energy Efficiency, "Energy Efficiency in Buildings: Vietnam", (2018), at: <https://c2e2.unepdtu.org/wp-content/uploads/sites/3/2019/07/2018-09-ee-in-buildings-vietnam-1-0.pdf>

<sup>37</sup> Applicable to commercial buildings with floor areas of 2,500 m<sup>2</sup> or larger. See more, at: <https://c2e2.unepdtu.org/wp-content/uploads/sites/3/2019/07/2018-09-ee-in-buildings-vietnam-1-0.pdf>

		for their restoration in order to achieve healthy and productive oceans.
	15. Life on Land	15.A Mobilize and significantly increase financial resources from all sources to conserve and sustainably use biodiversity and ecosystems.
Pollution Prevention and Control	12. Responsible Consumption and Production	12.4 By 2020, achieve the environmentally sound management of chemicals and all wastes throughout their life cycle, in accordance with agreed international frameworks, and significantly reduce their release to air, water and soil in order to minimize their adverse impacts on human health and the environment

### **Conclusion**

VPBank has developed the VPBank Green Loan Framework under which it intends to issue green loans and use the proceeds to finance a variety of green projects that will help contribute to Vietnam’s transition to a low-carbon economy. Sustainalytics considers that the projects funded by the green loan proceeds will provide positive environmental and social impact.

VPBank outlines a process by which proceeds will be tracked, allocated, and managed, and commitments have been made for reporting on the allocation and impact of the use of proceeds. Furthermore, Sustainalytics believes that the Framework is aligned with the overall sustainability strategy of the Bank and that the use of proceeds categories will contribute to the advancement of the UN Sustainable Development Goals 6, 7, 11, 12, 14 and 15. Additionally, Sustainalytics is of the opinion that VPBank has adequate measures to identify, manage and mitigate environmental and social risks commonly associated with the eligible projects funded by the use of proceeds.

Based on the above, Sustainalytics is confident that VPBank is well-positioned to issue green loans and that that the VPBank Green Loan Framework is robust, transparent, and in alignment with the four core components of the Green Loan Principles (2020).

## Appendices

### Appendix 1: Green Building and Energy Efficiency Certification Schemes

	EDGE <sup>38</sup>	LEED <sup>39</sup>	BREEAM <sup>40</sup>	DGNB <sup>41</sup>	Green Star <sup>42</sup>	Vietnam Energy Star <sup>43</sup>
<b>Background</b>	EDGE (or “Excellence in Design for Greater Efficiencies”) is a green building standard and certification system developed by the International Finance Corporation and applicable in 160 countries.	Leadership in Energy and Environmental Design (LEED) is a US Certification System for residential and commercial buildings used worldwide. LEED was developed by the non-profit U.S. Green Building Council (USGBC) and covers the design, construction, maintenance and operation of buildings.	BREEAM (Building Research Establishment Environmental Assessment Method) was first published by the Building Research Establishment (BRE) in 1990. Based in the UK. Used for new, refurbished and extension of existing buildings.	DGNB was developed in 2007 by the non-profit German Sustainable Building Council in partnership with the German Federal Ministry of Transport, Building, and Urban Affairs in order to actively encourage sustainable building.	Established in 2003, the Green Building Council of Australia’s Green Star system is the nation’s authority on sustainable buildings, communities and cities. The rating system assesses buildings in one of four categories: Communities, Design & As Built, Interiors, and Performance.	Vietnam Energy Star (or “the Comparative Energy Label”) is a government-mandated label used to compare and provide information about energy consumption, type of energy used and energy efficiency to help consumers compare products in the same category. The label has a range of 1-5-star scores (1 representing the Minimum Energy Performance requirements). The Confirmative Energy Label is an energy label that signals that specific equipment and/or appliances have met or exceeded the High Energy Performance Standard (HEPS) prescribed by the Ministry of Industry and Trade in Vietnam by achieving energy savings equal to or greater than a 5-star rating.

<sup>38</sup> EDGE: <https://www.edgebuildings.com/>

<sup>39</sup> USGBC, LEED: <https://www.usgbc.org/leed>

<sup>40</sup> BREEAM: <https://www.breeam.com/>

<sup>41</sup> DGNB: <https://www.dgnb.de/en/index.php>







<sup>42</sup> GBCA, Green Star: <https://new.gbca.org.au/>

<sup>43</sup> Vietnam Energy Star: <http://nhannangluong.com/introduce>

# VP Bank Green Loan Framework

<b>Certification levels</b>	EDGE Certified, EDGE Advanced, EDGE Zero Carbon	<ul style="list-style-type: none"> <li>• Certified</li> <li>• Silver</li> <li>• Gold</li> <li>• Platinum</li> </ul>	<ul style="list-style-type: none"> <li>• Pass</li> <li>• Good</li> <li>• Very Good</li> <li>• Excellent</li> <li>• Outstanding</li> </ul>	<ul style="list-style-type: none"> <li>• Bronze</li> <li>• Silver</li> <li>• Gold</li> <li>• Platinum</li> </ul>	<ul style="list-style-type: none"> <li>• 1 Star (Minimum Practice)</li> <li>• 2 Star (Average Practice)</li> <li>• 3 Star (Good Practice)</li> <li>• 4 Star (Best Practice)</li> <li>• 5 Star (Australian Excellence)</li> <li>• 6 Star (World Leadership)</li> </ul>	<ul style="list-style-type: none"> <li>• 1 Star</li> <li>• 2 Star</li> <li>• 3 Star</li> <li>• 4 Star</li> <li>• 5 Star (HEPS or best energy performance)</li> </ul>
<b>Areas of Assessment :</b>	Resource efficiency is part of the core framework of EDGE. <sup>44</sup>	<ul style="list-style-type: none"> <li>• Energy and Atmosphere</li> <li>• Sustainable Sites</li> <li>• Location and Transportation</li> <li>• Materials and Resources</li> <li>• Water Efficiency</li> <li>• Indoor Environmental Quality</li> <li>• Innovation in Design</li> <li>• Regional Priority</li> </ul>	<ul style="list-style-type: none"> <li>• Management</li> <li>• Energy</li> <li>• Land Use and Ecology</li> <li>• Pollution</li> <li>• Transport</li> <li>• Materials</li> <li>• Water</li> <li>• Waste</li> <li>• Health and Wellbeing</li> <li>• Innovation</li> </ul>	<ul style="list-style-type: none"> <li>• Environment</li> <li>• Economic</li> <li>• Sociocultural and functional aspects</li> <li>• Technology</li> <li>• Processes &amp; Sites</li> </ul>	<i>Areas assessed for Design &amp; As Built, Interiors, and Performance:</i> <ul style="list-style-type: none"> <li>• Management</li> <li>• Indoor Environment Quality</li> <li>• Energy</li> <li>• Transport</li> <li>• Water</li> <li>• Materials</li> <li>• Land Use and Ecology</li> <li>• Emissions</li> <li>• Innovation</li> </ul>	<ul style="list-style-type: none"> <li>• Energy use</li> </ul>
<b>Requirements</b>	To achieve the EDGE standard, a building must demonstrate a minimum 20% reduction in operational energy consumption, water use and embodied energy in materials as compared to typical local practices.	<p>Prerequisites (independent of level of certification) and credits with associated points.</p> <p>These points are then added together to obtain the LEED level of certification</p> <p>There are several different rating systems within LEED. Each rating system is designed to apply to a specific sector</p>	<p>Prerequisites depending on the levels of certification and credits with associated points</p> <p>This number of points is then weighted by item and gives a BREEAM level of certification, which is based on the overall score obtained (expressed as a percentage). Majority of BREEAM issues are flexible, meaning that the client can</p>	<p>Percentage-based performance index. The total performance index (expressed as a percentage) is calculated by adding the six key areas of assessment.</p> <p>Depending on the total performance index, a DGNB award will be given to the project, starting from Silver. Bronze is awarded for existing</p>	<p>Point system, "category score" awarded based on performance (% of points achieved) within a given category. For some categories there is a minimum threshold (i.e. GHG/sqm/yr) and points are awarded for exceeding the minimum. Categories are weighted based on building location (to reflect that in some areas of Australia, certain metrics may be more relevant). Total score is then given out of 100.</p>	<p>Under the Comparative Energy Label, a score of 1-5 is awarded depending on the appliance's energy performance. A 1-star level indicates that the appliances meet the MEPS, while a 5-star (highest level/HEPS) label is representative of performing in the top 20-30% for certain appliances (rice cookers, refrigerators and AC). The Confirmative Energy Label is awarded to verify</p>

<sup>44</sup> EDGE, EDGE Methodology Report: <https://www.edgebuildings.com/wp-content/uploads/2018/10/181018-EDGE-Methodology-Version-2.pdf>

		(e.g. New Construction, Major Renovation, Core and Shell Development, Schools-/Retail-/Healthcare New Construction and Major Renovations, Existing Buildings: Operation and Maintenance).	choose which to comply with to build their BREEAM performance score.  BREAAM has two stages/ audit reports: a 'BREEAM Design Stage' and a 'Post Construction Stage', with different assessment criteria.	buildings and is conferred as the lowest rank.	For the areas of Communities, Design & As-Built, and Interiors, no certification is awarded for buildings scoring below 45 points/3 stars.	that the equipment and/or appliance has met the HEPS, therefore representing energy savings equal to or greater than the 5-star rating of the Comparative Energy Label.
<b>Performance Display</b>						
<b>Qualitative Considerations</b>	Strong assurance of overall quality due to the EDGE's development under the IFC umbrella.	Widely recognised internationally, and strong assurance of overall quality.	Used in more than 70 countries: Good adaptation to the local normative context. Predominant environmental focus. Minimum standards less strict than LEED.	DGNB certification is based on current European Union standards.	Commonly used in Australia, New Zealand, and South Africa. Set up similar to BREEAM and LEED.	The label only accounts for energy use, not other measures of environmental performance. Only used in Vietnam. A 5-star level indicates varying energy performance depending on the appliance, and as such each appliance should be treated individually.

## Appendix 2: Sustainalytics' assessment of agriculture certification schemes



	Bonsucro <sup>45</sup>	Roundtable for Sustainable Biomaterials (RSB) <sup>46</sup>	Global G.A.P. Agriculture <sup>47</sup>
<b>Background</b>	Bonsucro was developed out of the Better Sugarcane Initiative, an international multi-stakeholder NGO whose purpose is to lower the environmental and social impacts of sugarcane production. The Bonsucro Production Standard aims to ensure that the sugarcane production and sugarcane derived products are sustainably produced.	The Roundtable on Sustainable Biomaterials (RSB) is an international initiative that promotes and supports the sustainability of biomaterials production and processing, bringing together companies, farmers, NGOs, and inter-governmental agencies. While the RSB was set up in 2007 as a means of ensuring the sustainability of liquid biofuels for transport, in 2013, it expanded its scope to include biomaterials.	The Global G.A.P. (Global Good Agricultural Practice) is a global organization that promotes safe, sustainable agriculture worldwide
<b>Clear positive impact</b>	Promoting sustainable sugarcane production.	Promoting sustainable biomaterials	Promoting sustainable agriculture practices.
<b>Minimum standards</b>	The Bonsucro Production Standard sets minimum requirements in the areas of legal compliance, biodiversity and ecosystem impacts, human rights, production and processing and continuous improvement.	The RSB sets minimum requirements in the areas of legality, planning, monitoring and continuous improvement, GHG emissions, human and labour rights, rural and social development, local food security, conservation, soil, water and air management, use of technology, inputs and management of waste, land rights and chain of custody. The RSB standard requires that biofuels achieve 50% lower lifecycle GHG emissions compared with a fossil fuel baseline. Each Principle also includes type of feedstock as a specific indicator of compliance.	The Global G.A.P. standard places a high degree of emphasis on the implementation of management plans and procedures, with a correspondingly lower focus on quantitative targets. Compliance Criteria consists of 3 types of control points. To obtain certification the following are required: <i>Major Musts:</i> 100% compliance is compulsory <i>Minor Musts:</i> 95% compliance is required <i>Recommendations:</i> no minimum % required
<b>Scope of certification or programme</b>	The Standard can be applied globally to any sugarcane mill, and their supplying area, who are looking to sell sugarcane derived products certified under the Bonsucro label. The Standard evaluates how the practices have been implemented at both the mill and farm levels and assesses the sustainable production of sugarcane and all sugarcane derived products in respect of economic, social and environmental dimensions.	The RBS certification addresses key risks such as human and labour rights, supply chain, resource management, and land and biodiversity use through its criteria.	1. Applies to farm crop base: (i) fruit and vegetables, (ii) flowers and ornamentals, (iii) combinable crops, (iv) tea, (v) plant propagation material, (v) hop. 2. Covers the certification of the whole agricultural production process of the product, from before the plant is in the ground (origin and propagation material control points) to non-processes product. - Food safety and traceability; Environment (including biodiversity); Workers' health, safety and welfare; Animal welfare; Includes Integrated Crop Management (ICM), Integrated Pest Control (IPC), Quality Management System (QMS), and Hazard Analysis and Critical Control Points (HACCP) 3. Waste, conservation (weak), water
<b>Verification of</b>	Certified entities undergo third	Certified entities undergo a self-	Global G.A.P. approves certification

<sup>45</sup> Bonsucro: <https://www.bonsucro.com/>

<sup>46</sup> RSB: <https://rsb.org/>

<sup>47</sup> Global G.A.P.: [https://www.globalgap.org/uk\\_en/](https://www.globalgap.org/uk_en/)



<p><b>standards and risk mitigation</b></p>	<p>party audits to ensure compliance with the criteria and continuous improvement.</p>	<p>assessment process and, afterward, receives a visit from a third-party auditor. Annual audits will also take place after the validation.</p>	<p>bodies, which can then in turn carry out audits and verification. Certification is valid for one year.</p>
<p><b>Third party expertise and multi-stakeholder process</b></p>	<p>Standard setting is aligned with the ISEAL Standard Setting Code, the ISEAL Assurance Code, the ISEAL Impacts Code, and the EU Renewables Directive (EU RED).</p>	<p>RSB is a full member of the ISEAL Alliance and respects its Codes of Good Practice for multi-stakeholder sustainability standards. RSB’s benchmarks are available with Rainforest Alliance, the Sustainable Agriculture Network, the Forest Stewardship Council, Bonsucro and the IFC Performance standards.</p>	<p>The standards are informed by FAO guidelines.</p>
<p><b>Performance display</b></p>			
<p><b>Qualitative considerations</b></p>	<p>Global recognition across more than 40 countries with approximately 500 members. Bonsucro has a robust and transparent system in place to ensure that requirements are regularly met. The Bonsucro Production Standard focuses on achieving sustainable production of sugarcane in respect to economic, social and environmental dimensions, while the Bonsucro Chain of Custody Standard focuses on the entire supply chain, including production, processing and trade.</p>	<p>The RSB certification is considered strong by organizations such as WWF, IUCN and NRDC. In 2017, RSB certified 50 industrial facilities and 56 784 hectares of farmland.</p>	<p>Widely recognized internationally, and strong assurance of overall quality. However, the environmental dimension, Global G.A.P. does not prohibit the use of pesticides beyond those permitted by national regulations. Furthermore, the certification includes no requirements for reducing, minimizing or substituting pesticides.</p>

## Appendix 3: Green Bond / Green Bond Programme - External Review Form

### Section 1. Basic Information

<b>Issuer name:</b>	Vietnam Prosperity Joint-Stock Commercial Bank ("VPBank")
<b>Green Bond ISIN or Issuer Green Bond Framework Name, if applicable:</b>	VPBank Green Loan Framework
<b>Review provider's name:</b>	Sustainalytics
<b>Completion date of this form:</b>	August 24, 2020
<b>Publication date of review publication:</b>	

### Section 2. Review overview

#### SCOPE OF REVIEW

The following may be used or adapted, where appropriate, to summarize the scope of the review.

The review assessed the following elements and confirmed their alignment with the GBP:

- |                                                            |                                                                                  |
|------------------------------------------------------------|----------------------------------------------------------------------------------|
| <input checked="" type="checkbox"/> Use of Proceeds        | <input checked="" type="checkbox"/> Process for Project Evaluation and Selection |
| <input checked="" type="checkbox"/> Management of Proceeds | <input checked="" type="checkbox"/> Reporting                                    |

#### ROLE(S) OF REVIEW PROVIDER

- |                                                                                 |                                        |
|---------------------------------------------------------------------------------|----------------------------------------|
| <input checked="" type="checkbox"/> Consultancy (incl. 2 <sup>nd</sup> opinion) | <input type="checkbox"/> Certification |
| <input type="checkbox"/> Verification                                           | <input type="checkbox"/> Rating        |
| <input type="checkbox"/> Other ( <i>please specify</i> ):                       |                                        |

Note: In case of multiple reviews / different providers, please provide separate forms for each review.

#### EXECUTIVE SUMMARY OF REVIEW and/or LINK TO FULL REVIEW (*if applicable*)

Please refer to Evaluation Summary above.

### Section 3. Detailed review

Reviewers are encouraged to provide the information below to the extent possible and use the comment section to explain the scope of their review.

## 1. USE OF PROCEEDS

Overall comment on section (if applicable):

The eligible categories for the use of proceeds – (i) Renewable Energy, (ii) Energy Efficiency, (iii) Clean Transportation, (iv) Eco-friendly and/or Circular Economy Adapted Products, Production Processes and Technology, (v) Sustainable Water and Wastewater Management, (vi) Green Buildings, (vii) Agriculture and Forestry, (viii) Pollution Prevention and Control – are aligned with those recognized by the Green Loan Principles 2020. Sustainalytics considers that the eligible categories will lead to positive environmental impacts in Vietnam and advance the UN Sustainable Development Goals, specifically SDG 6, 7, 11, 12, 14 & 15.

### Use of proceeds categories as per GBP:

- |                                                                                                                                                   |                                                                                                                     |
|---------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------|
| <input checked="" type="checkbox"/> Renewable energy                                                                                              | <input checked="" type="checkbox"/> Energy efficiency                                                               |
| <input checked="" type="checkbox"/> Pollution prevention and control                                                                              | <input checked="" type="checkbox"/> Environmentally sustainable management of living natural resources and land use |
| <input type="checkbox"/> Terrestrial and aquatic biodiversity conservation                                                                        | <input checked="" type="checkbox"/> Clean transportation                                                            |
| <input checked="" type="checkbox"/> Sustainable water and wastewater management                                                                   | <input checked="" type="checkbox"/> Climate change adaptation                                                       |
| <input checked="" type="checkbox"/> Eco-efficient and/or circular economy adapted products, production technologies and processes                 | <input checked="" type="checkbox"/> Green buildings                                                                 |
| <input type="checkbox"/> Unknown at issuance but currently expected to conform with GBP categories, or other eligible areas not yet stated in GBP | <input type="checkbox"/> Other (please specify):                                                                    |

If applicable please specify the environmental taxonomy, if other than GBP:

## 2. PROCESS FOR PROJECT EVALUATION AND SELECTION

Overall comment on section (if applicable):

VPBank's process for project evaluation and selection will be overseen by the Credit Committee (the "Committee"). Relationship managers within business segments will be responsible for identifying potentially eligible projects and propose them for selection for the eligible project's portfolio. The Committee will be responsible for ensuring that proposed projects are aligned with the Framework's eligibility criteria, as well as tracking and monitoring the eligibility of projects throughout the lifetime of the loan. This process is aligned with market practice.

### Evaluation and selection

- |                                                                                                                    |                                                                                                                               |
|--------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------|
| <input checked="" type="checkbox"/> Credentials on the issuer's environmental sustainability objectives            | <input checked="" type="checkbox"/> Documented process to determine that projects fit within defined categories               |
| <input checked="" type="checkbox"/> Defined and transparent criteria for projects eligible for Green Bond proceeds | <input checked="" type="checkbox"/> Documented process to identify and manage potential ESG risks associated with the project |
| <input type="checkbox"/> Summary criteria for project evaluation and selection publicly available                  | <input type="checkbox"/> Other (please specify):                                                                              |

**Information on Responsibilities and Accountability**

- Evaluation / Selection criteria subject to external advice or verification  In-house assessment
- Other (please specify):

**3. MANAGEMENT OF PROCEEDS**

Overall comment on section (if applicable):

VPBank's process for management of use of proceeds is handled by the Balance Sheet Management Department ("BSM"), under the bank's Finance Division. Proceeds will be allocated on a portfolio basis and tracked by the BSM team. Pending full allocation, unallocated proceeds may be invested in cash or high-quality marketable instruments in line with the bank's internal liquidity management strategy. This is in line with market practice.

**Tracking of proceeds:**

- Green Bond proceeds segregated or tracked by the issuer in an appropriate manner
- Disclosure of intended types of temporary investment instruments for unallocated proceeds
- Other (please specify):

**Additional disclosure:**

- Allocations to future investments only  Allocations to both existing and future investments
- Allocation to individual disbursements  Allocation to a portfolio of disbursements
- Disclosure of portfolio balance of unallocated proceeds  Other (please specify):

**4. REPORTING**

Overall comment on section (if applicable):

VPBank intends to report allocation metrics exclusively to lenders on an annual basis until full allocation. Allocation reporting will include metrics such as the aggregate amount of allocation, proportion of net proceeds allocated to new investments, remaining balance of unallocated proceeds, and a list of eligible green assets by project type. Additionally, VPBank is committed to reporting on relevant impact metrics. This is in line with market practice.

**Use of proceeds reporting:**

- Project-by-project  On a project portfolio basis
- Linkage to individual bond(s)  Other (please specify):

**Information reported:**

- Allocated amounts  Green Bond financed share of total investment
- Other (please specify):

**Frequency:**

- Annual  Semi-annual
- Other (please specify):

**Impact reporting:**

- Project-by-project  On a project portfolio basis
- Linkage to individual bond(s)  Other (please specify):

**Information reported (expected or ex-post):**

- GHG Emissions / Savings  Energy Savings
- Decrease in water use  Other ESG indicators (please specify):

Eligible Green	Asset	Impact Indicators
Renewable energy		<ul style="list-style-type: none"> <li>● Installed capacity of renewable energy project</li> <li>● kWh of power generated from renewable energy annually</li> <li>● Annual GHG avoided in tCO<sub>2</sub>eq/year</li> </ul>
Energy efficiency (including Low Carbon and Low Emission Transportation)		<ul style="list-style-type: none"> <li>● Tonnes of CO<sub>2</sub> (or other GHG) avoided</li> <li>● Km of tracks built</li> </ul>
		<ul style="list-style-type: none"> <li>● kWh of energy saved per year</li> <li>● Percentage energy efficiency achieved</li> <li>● Annual GHG reduction in tCO<sub>2</sub>eq/year</li> </ul>
Water efficiency		<ul style="list-style-type: none"> <li>● Annual amount of water saving in m<sup>3</sup>/ year</li> <li>● Annual amount of waste water treated, reused or avoided in m<sup>3</sup>/ year</li> <li>● Annual amount of sludge reused in Tonnes (if applicable)</li> </ul>
Sustainable construction		<ul style="list-style-type: none"> <li>● Annual energy saved in kWh</li> <li>● Annual GHG avoided in tCO<sub>2</sub>eq/year</li> </ul>

**Frequency**

- Annual  Semi-annual
- Other (please specify):

**Means of Disclosure**

- Information published in financial report  Information published in sustainability

report

- Information published in ad hoc documents  Other (please specify):
- Reporting reviewed (if yes, please specify which parts of the reporting are subject to external review):

Where appropriate, please specify name and date of publication in the useful links section.

**USEFUL LINKS** (e.g. to review provider methodology or credentials, to issuer's documentation, etc.)

**SPECIFY OTHER EXTERNAL REVIEWS AVAILABLE, IF APPROPRIATE**

**Type(s) of Review provided:**

- Consultancy (incl. 2<sup>nd</sup> opinion)  Certification
- Verification / Audit  Rating
- Other (please specify):

**Review provider(s):**

**Date of publication:**

**ABOUT ROLE(S) OF INDEPENDENT REVIEW PROVIDERS AS DEFINED BY THE GBP**

- i. Second Party Opinion: An institution with environmental expertise, that is independent from the issuer may issue a Second Party Opinion. The institution should be independent from the issuer's adviser for its Green Bond framework, or appropriate procedures, such as information barriers, will have been implemented within the institution to ensure the independence of the Second Party Opinion. It normally entails an assessment of the alignment with the Green Bond Principles. In particular, it can include an assessment of the issuer's overarching objectives, strategy, policy and/or processes relating to environmental sustainability, and an evaluation of the environmental features of the type of projects intended for the Use of Proceeds.
- ii. Verification: An issuer can obtain independent verification against a designated set of criteria, typically pertaining to business processes and/or environmental criteria. Verification may focus on alignment with internal or external standards or claims made by the issuer. Also, evaluation of the environmentally sustainable features of underlying assets may be termed verification and may reference external criteria. Assurance or attestation regarding an issuer's internal tracking method for use of proceeds, allocation of funds from Green Bond proceeds, statement of environmental impact or alignment of reporting with the GBP, may also be termed verification.
- iii. Certification: An issuer can have its Green Bond or associated Green Bond framework or Use of Proceeds certified against a recognized external green standard or label. A standard or label defines specific criteria, and alignment with such criteria is normally tested by qualified, accredited third parties, which may verify consistency with the certification criteria.
- iv. Green Bond Scoring/Rating: An issuer can have its Green Bond, associated Green Bond framework or a key feature such as Use of Proceeds evaluated or assessed by qualified third parties, such as specialized research providers or rating agencies, according to an established scoring/rating methodology. The output may include a focus on environmental performance data, the process relative to the GBP, or another benchmark, such as a 2-degree climate change scenario. Such scoring/rating is distinct from credit ratings, which may nonetheless reflect material environmental risks.



## Disclaimer

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