

ASSESSMENT

6 December 2024



Send Your Feedback

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Ho Chi Minh City Development JSC Bank (HDBank)

Second Party Opinion – Sustainable Finance Framework
Assigned SQS2 Sustainability Quality Score

Summary

We have assigned an SQS2 Sustainability Quality Score (Very good) to Ho Chi Minh City Development JSC Bank's (HDBank) sustainable finance framework, received on 26 November 2024. HDBank has established its use-of-proceeds framework to finance nine eligible green categories and two eligible social categories. The framework is aligned with the four components of the International Capital Market Association's (ICMA) Green Bond Principles (GBP) 2021 (including the June 2022 Appendix 1), Social Bond Principles (SBP) 2023, and the Loan Market Association, Asia-Pacific Loan Market Association and Loan Syndications & Trading Association's (LMA/APLMA/LSTA) Green Loan Principles (GLP) 2023 and Social Loan Principles (SLP) 2023. The framework demonstrates a significant contribution to sustainability.

Sustainability quality score



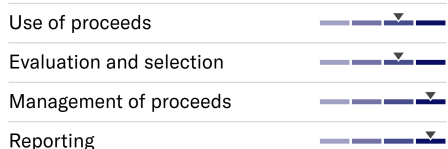
Alignment with principles USE OF PROCEEDS

Overall alignment



FACTORS

ALIGNMENT



Contribution to sustainability

Final contribution to sustainability



Preliminary contribution to sustainability

Relevance and magnitude

Additional considerations No adjustment

POINT-IN-TIME ASSESSMENT

This report was originally published on 26 November 2024 and has been republished on 6 December 2024, with the content remaining unchanged.

Scope

We have provided a Second Party Opinion (SPO) on the sustainability credentials of HDBank's sustainable finance framework, including the framework's alignment with the ICMA's GBP 2021 (including the June 2022 Appendix 1) and SBP 2023, and the LMA/APLMA/LSTA's GLP 2023 and SLP 2023. Under the framework, the bank plans to issue use-of-proceeds sustainable finance instruments to finance and refinance projects across nine green categories and two social categories, as outlined in Appendix 3 of this report.

Our assessment is based on the last updated version of the framework received on 26 November 2024, and our opinion reflects our point-in-time assessment¹ of the details contained in this version of the framework, as well as other public and non-public information provided by the company.

We produced this SPO based on our [Assessment Framework: Second Party Opinions on Sustainable Debt](#), published in November 2024.

Issuer profile

Ho Chi Minh City Development JSC Bank (HDBank) is a privately owned commercial bank headquartered in Ho Chi Minh City, Vietnam. As of 30 June 2024, HDBank held a domestic market share of 3.0% in terms of consolidated assets of VND624.4 trillion (\$25.0 billion) and conducted its operations through its 362 branches (including transaction and representative offices).

HDBank was established in February 1989 as Ho Chi Minh City Housing Development Bank and was renamed HDBank in 2011. As of 29 December 2023, Sovico Holdings, a Vietnamese conglomerate, was the bank's largest shareholder, holding 14.37% of its total share capital.

HDBank faces moderate environmental risks, specifically from carbon transition risk because of its exposures to industries such as manufacturing and agriculture. However, the risks are mitigated by the bank's diversified loan book. The bank faces moderate social risks related to customer relationships, tightening regulatory and compliance standards, and the impact of potential technological disruptions associated with an increasingly digitally active customer base.

Strengths

- » Most of the eligible green and social projects address highly relevant sustainability challenges in Vietnam and for the issuer.
- » The selection and evaluation process is clearly defined and structured, including an appropriate monitoring process.
- » Commitment to obtain an independent verification of the allocation and the environmental and social impact.

Challenges

- » Some eligible categories lack technical thresholds or granular details on specific projects to be financed.
- » Although the framework is in line with current market practices, the inclusion of general corporate purpose loans through pure-play companies constitutes a nonstandard use of proceeds susceptible to specific challenges in terms of asset-level adherence to sustainability objectives, allocation and traceability, impact reporting and an increased risk of double counting.

This publication does not announce a credit rating action. For any credit ratings referenced in this publication, please see the issuer/deal page on <https://ratings.moody.com> for the most updated credit rating action information and rating history.

Alignment with principles

HDBank's sustainable finance framework is aligned with the four core components of the ICMA's GBP 2021 (including the June 2022 Appendix 1) and SBP 2023, and the LMA/APLMA/LSTA's GLP 2023 and SLP 2023. For a summary alignment with principles scorecard, please see Appendix 1.

- | | |
|---|---|
| ☒ Green Bond Principles (GBP) | ☒ Green Loan Principles (GLP) |
| ☒ Social Bond Principles (SBP) | ☒ Social Loan Principles (SLP) |
| ☐ Sustainability-Linked Bond Principles (SLBP) | ☐ Sustainability Linked Loan Principles (SLLP) |

Use of proceeds



Clarity of the eligible categories – ALIGNED

HDBank has clearly communicated the nature of the expenditures, which is mostly capital spending for medium to long-term financing and operating expenditures for short-term financing. The eligibility and exclusion criteria for nearly all projects are clearly defined, and the target project location is Vietnam.

The cornerstone of the ICMA's Green Bond Principles and Social Bond Principles is the full utilization of net bond proceeds to eligible projects with clear environmental or social benefits. HDBank's framework includes general corporate purpose loans to pure-play companies that derive at least 90% of their revenue from activities that adhere to the eligibility criteria defined in the framework. The bank has communicated that a minimal share of net proceeds can be allocated to assets that qualify as pure play. Our assessment considers that pure play investments will continue to represent a small share of the bank's sustainable bond proceeds going forward.

In our view, pure play lending represents a non-standard use of proceeds that introduces certain potential challenges related to asset-level adherence to sustainability objectives, allocation and traceability, impact reporting, as well as an increased risk of double counting. The bank has communicated that the full scale of pure play businesses will be identified, selected, and assessed according to the eligibility and exclusion criteria set out in its framework, and will be monitored annually to ensure compliance with eligibility criteria, as well as monitor ESG controversies. The use of proceeds will be traced and directed toward specific and measurable eligible projects using pure-play expenditure, and the allocation of proceeds, as well as associated E&S benefits, will be recorded and reported. To minimize the risk of double counting, the bank will maintain detailed records of all funded projects and their respective impact, while also coordinating with other lenders and stakeholders to ensure that impacts are not reported multiple times. Overall, with these measures in place – coupled with the limited allocation, 90% revenue threshold, and exclusion criteria for fossil fuels – we consider the structure to be in line with current market practices.

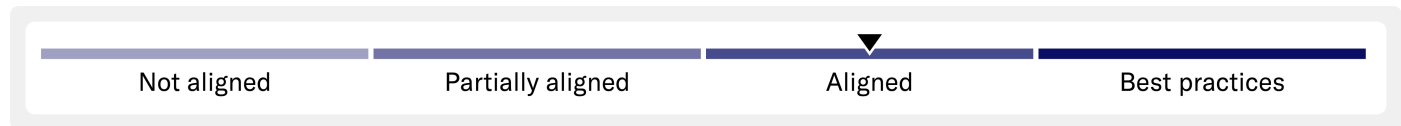
Clarity of the environmental or social objectives – ALIGNED

Relevant environmental and social (E&S) objectives are defined for nearly all categories. The bank has referenced the United Nations' (UN) Sustainable Development Goals (SDGs) in articulating the objectives, which are coherent with these recognized international standards (see Appendix 2 for more details).

Clarity of the expected benefits – ALIGNED

HDBank has identified relevant and measurable expected E&S benefits for nearly all eligible categories through green and social impact indicators. The bank has committed to disclose the estimated share of refinancing and look-back period to investors before each issuance. The look-back period will be no more than 12 months.

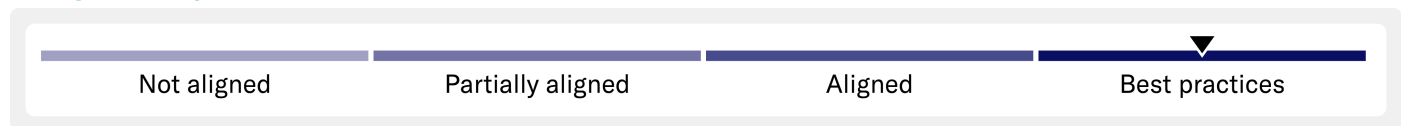
Process for project evaluation and selection



Transparency and clarity of the process for defining and monitoring eligible projects – ALIGNED

HDBank's decision-making process for the selection and evaluation of projects and the E&S risk mitigation process are structured and outlined in the framework, which will be publicly available on its website. The HDBank Credit Council is responsible for approving assets and projects that comply with the framework. The bank has confirmed that it will monitor the continued compliance of financed projects by conducting regular checks on a quarterly, semiannual and annual basis (and upon request) as part of its lending process. If the project is no longer compliant, the financed fund will be withdrawn and transferred to eligible projects.

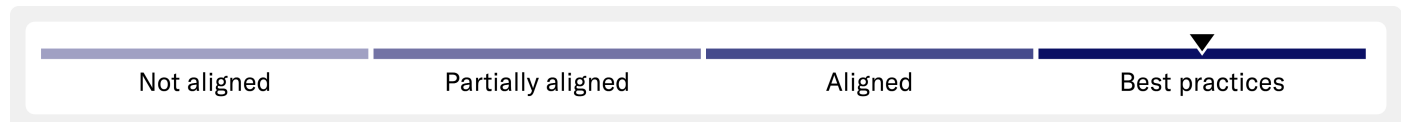
Management of proceeds



Allocation and tracking of proceeds – BEST PRACTICES

The bank has defined a clear process for the management and allocation of proceeds in its publicly available framework. Net proceeds from all projects funded by green, social or sustainability bonds/loans issued under the framework will be placed in the bank's single common pool. HDBank has committed to adjust the balance of tracked proceeds to match the allocation to eligible projects at least annually. In line with the bank's liquidity strategy, the unallocated proceeds will be converted into deposits or other investment forms. The disclosure of these unallocated proceeds is publicly available as part of the framework. The bank intends to allocate all proceeds within 24 months of issuance, which is in line with standard market best practice.

Reporting

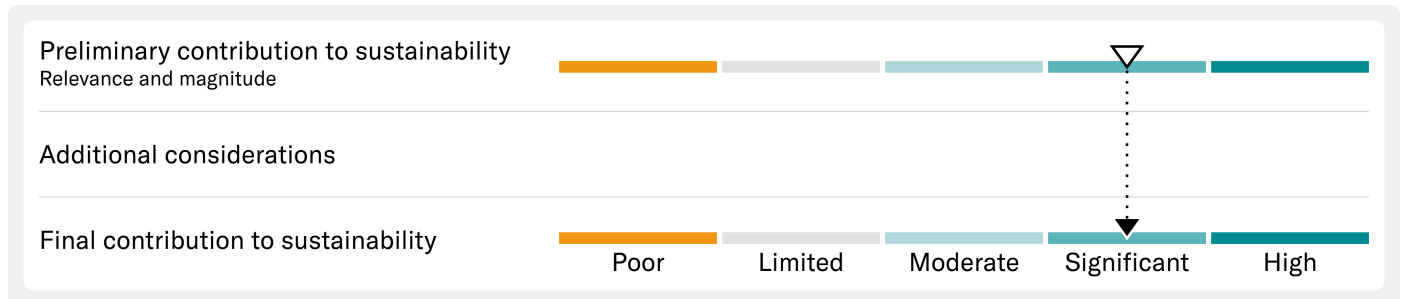


Reporting transparency – BEST PRACTICES

HDBank will report at least annually on the use of proceeds under its framework until full allocation and on a timely basis in case of material developments. The annual Sustainability Progress Report and relevant second party opinion will be publicly available on the bank's website. The bank has clearly communicated in its framework that reporting will cover relevant information about both allocation of proceeds and impact of financed projects. The calculation methodology and assumptions used to report on E&S impacts will be established and published when requested by the funding party, and the bank has committed to obtaining an independent external verification of the allocation reporting and impact reporting.

Contribution to sustainability

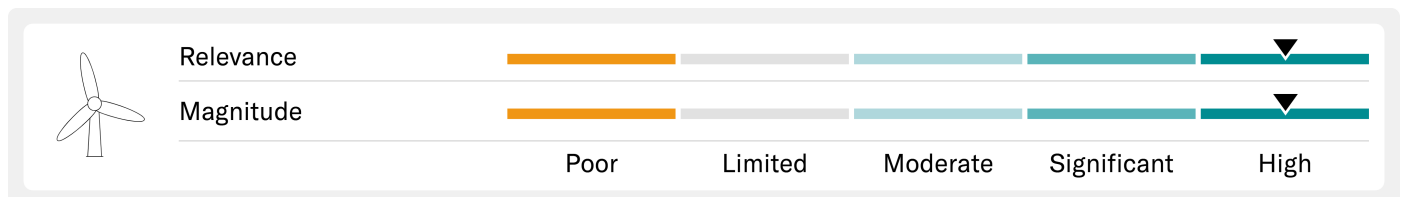
The framework demonstrates a significant overall contribution to sustainability. This reflects a preliminary contribution to the sustainability score of significant, based on the relevance and magnitude of the eligible project categories, and we have not made any adjustment to the preliminary score based on the additional contribution to sustainability considerations.



Preliminary contribution to sustainability

The preliminary contribution to sustainability is significant, based on the relevance and magnitude of the eligible project categories. Based on information provided by the bank, we expect a higher proportion of proceeds from forthcoming issuances to be allocated toward the renewable energy and clean transportation categories. Therefore, we have assigned a higher weight to these categories in our assessment of the overall framework's contribution to sustainability. A detailed assessment by eligible category has been provided below.

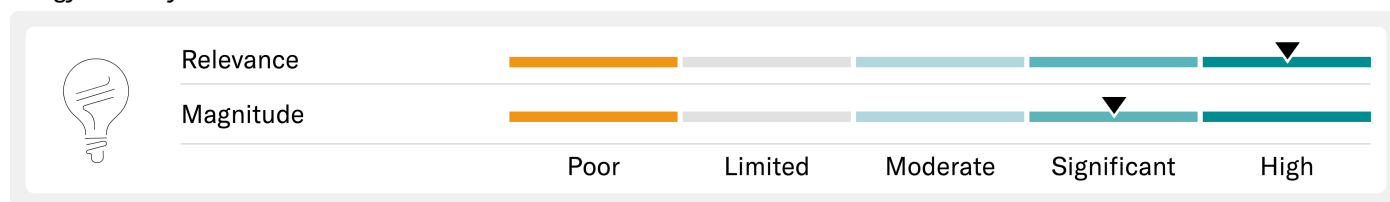
Renewable energy



Financing the energy transition is highly relevant to the banking sector because of its critical role in channeling capital to support green and sustainable development amid increasing scrutiny from stakeholders to decarbonize portfolios. It is particularly important for banks operating in Asia-Pacific (APAC) because the region accounts for most of the global energy consumption, with 85% powered by fossil fuels in 2022². It is also highly relevant in the context of Vietnam, where the electricity system relies significantly on fossil fuels (with coal accounting for 50% of total generation in 2020 and natural gas for 14%)³.

The magnitude of this category is high. HDBank has communicated that most of the proceeds will be allocated to financing eligible solar power projects, which are considered use of best available technologies with limited negative externalities. For hydropower projects, the bank has communicated through internal documentation that projects will include conventional, run-of-river, and pump-storage with a power density of greater than or equal to 10W/m² or GHG emissions intensity less than or equal to 50gCO₂e/kWh, which is in line with CBI's Criteria for hydropower facilities commencing operation in or after 2020. For storage projects, the bank has confirmed through internal documentation that it will finance only those transmission infrastructures that are wholly dedicated to renewable energy sources.

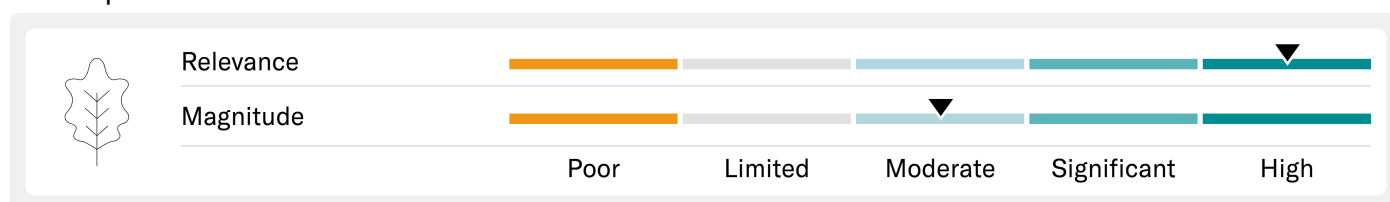
Energy efficiency



The energy efficiency projects are considered highly relevant to the banking sector and Vietnam's GHG reduction target. Energy efficiency is a key measure to achieve decarbonization, along with the expansion of electrification and renewable energy use. The category also aligns with Vietnam's Energy Efficiency Program, which sets a national target to reduce energy consumption by 8%-10% through 2030⁴.

The magnitude of this category is significant. The financed energy efficiency projects are likely to lead to significant emission reduction because projects will aim to reduce at least 25,000 tons of carbon dioxide equivalent (tCO₂e)/year, reduce electricity consumption by 50 gigawatt-hour (GWh)/year, or aim to achieve a 20% energy consumption reduction threshold. While industry best practices for the real estate sector is 30%, a 20% improvement in energy efficiency will lead to energy savings across the bank's target sectors (specified as agricultural, manufacturing, processing and consumer financing). For the purchase and manufacture of energy-efficient equipment and appliances, the bank will require energy efficiency assurance labels (for example, Energy Star, white appliances in the Most Efficient Energy Star list, Vietstar 5 or 4 star), which are able to achieve an energy efficiency improvement of at least 20%. However, the score also reflects the lack of specific project details which limits our visibility into the full extent of the overall expected impact.

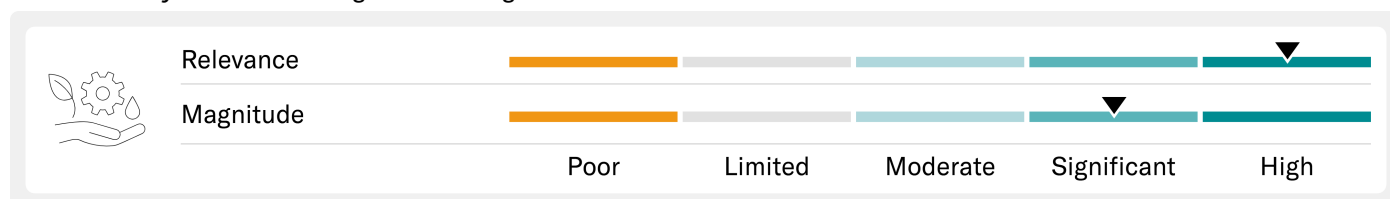
Pollution prevention and control



The relevance of this category is high because waste management and wastewater pollution are significant sustainability challenges in Vietnam. Around 75% of solid waste is improperly disposed of and the recycle rate of plastic waste is less than 30%⁵. According to a report by the World Bank, less than 10% of urban wastewater in Vietnam is centrally treated⁶. Most of the urban households use inadequately maintained on-site sanitation systems, resulting in significant volumes of untreated wastewater being directly discharged into the environment.

The magnitude of this category is moderate because financed projects will positively contribute to better waste management. The category includes waste recycling facilities, collection, transportation and processing activities, which will follow a waste hierarchy. The bank has communicated to us through internal documentation that it will set a recovery efficiency rate of 90% for secondary raw material processing. Waste collection vehicles will adhere to the eligibility criteria of the clean transportation category, but it may lead to lock-in emissions from hybrid vehicles. The bank has also confirmed through internal documentation that landfills and waste-to-energy (WtE) plants will be excluded, but will include wastewater treatment projects (such as sewer networks and treatment, and manure/slurry treatment facilities), which may result in lock-in emissions and negative E&S externalities in the absence of clear technical thresholds for energy consumption and emissions, mitigation and monitoring measures for methane leakage, end-use or final disposal of the biogas or digestate output, among others. The bank has confirmed that wastewater treatment facilities will follow Vietnam's 13 national standards for wastewater management.

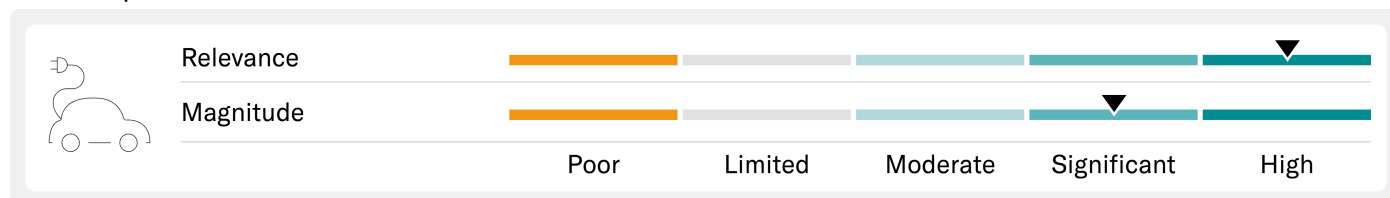
Environmentally sustainable management of living natural resources and land use



The relevance of this category is high because eligible projects aim to address sustainability challenges in the agriculture, forestry and fishing sectors, which are highly important sectors in Vietnam in terms of their contribution to the national economy and workforce. The banking sector plays an important role of channeling capital to retail borrowers in these sectors and supporting projects that aim to promote sustainable agriculture and forestry practices. The category is also highly relevant to HDBank because the agriculture and rural sectors represented 29.2% of the bank's total retail loans in 2023⁷.

The magnitude of this category is significant because the eligible projects are likely to generate positive environmental impact in terms of sustainable agriculture practices, reforestation and carbon reduction, and will not lead to significant negative externalities. While the eligibility criteria are broadly defined in general, the agriculture sub-category has clearly defined technical thresholds. The eligible projects will be certified with internationally recognized certifications related to agriculture, fishery and forestry. For climate-smart agriculture projects, the bank has confirmed that it will explicitly exclude intensive livestock production, factory farming and palm oil, as well as the manufacturing or distribution of fertilizers, pesticides and herbicides, mitigating potential negative E&S externalities. For sustainable forestry projects, eligible projects will be certified by the Forest Stewardship Council and will only be considered if approved by relevant governmental authorities. The projects must also adhere to the Sustainable Forest Management Standard, Group Forest Management Standard and other standards/guidelines by Vietnam Forest Certification Office (VFCO). The bank has also communicated that carbon-certified forest projects will be developed for the purpose of carbon offsets. However, the trading or purchase of carbon credits will be excluded from financing. Forestry economy development projects will not involve the construction of artificial parks, will prioritize native habitats and species, and will require eco-tourism approval or certification by relevant authorities.

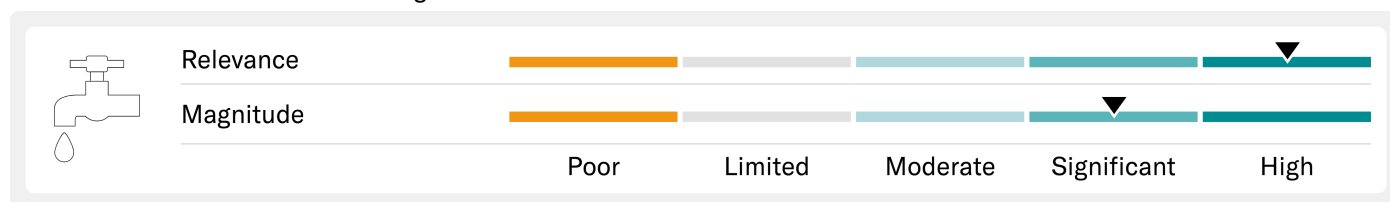
Clean transportation



The relevance of this category is high. CO₂ emissions from the transport sector accounted for 37% of total global CO₂ emissions from end-use sectors in 2021, having the highest reliance on fossil fuels among all sectors. GHG emissions from the transport sector in APAC are projected to grow significantly in the next few decades, particularly in the region's developing countries. In Vietnam, the penetration rate for passenger electric vehicles (EVs) was about 2.9% in 2022⁸. Hence, decarbonizing the transport sector in the country is highly relevant in the local context, which has also been emphasized in Vietnam's transportation strategy for 2022-2030 and 2030-2050.

The magnitude of this category is significant because the majority of proceeds in this category will be allocated to EVs, which is considered the best available technology with no lock-in emissions. The category also includes financing of low-emission fuel-based vehicles – such as hybrid passenger vehicles, buses, heavy trucks, and railway vehicles – which are not explicitly limited to zero-tailpipe emission modes and can lead to locked-in emissions. However, the bank has set CO₂ emissions thresholds in line with relevant market standards such as the CBI Criteria. While hybrid passenger vehicles will follow a threshold of 50gCO₂eq/km (equivalent to 80.47 gCO₂/mile), the bank has not specified whether this threshold will gradually decrease to zero in 2026. Eligible projects will not be used for the transport of fossil fuels, in line with the framework's exclusion criteria.

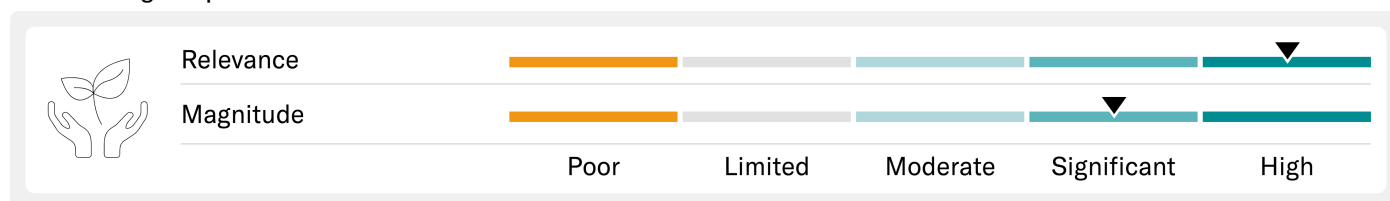
Sustainable water and wastewater management



The relevance of this category is high because it addresses a highly important sustainability issue in Vietnam. The country faces critical problems related to water scarcity because of a combination of factors, including population growth, rapid urbanization, industrialization, over-exploitation of resources, pollution and climate change. In urban areas, the demand for water in households, industry and agriculture often exceeds the available supply. Such challenges are likely to be further exacerbated by the country's rapid economic growth, urbanization and increasing impact from climate change.

The magnitude of this category is significant because projects are likely to lead to positive impact through improved management of water resources and reduced wastewater pollution. Water treatment projects will be required to reduce water usage by at least 20% compared to a baseline level, and comply with an average energy consumption threshold of 0.5 kWh/m³ for the total authorized water supply of the system (including abstraction, treatment and distribution), whether billed or unbilled. The bank has communicated to us that projects will use water efficiency systems or equipment to reduce water and energy use. Wastewater treatment projects will be required to follow engineering and environmental requirements, including monitoring measures to minimize methane leakage, and will follow Vietnam's 13 national standards for wastewater management, although an energy efficiency or performance threshold has not been specified. The bank has confirmed that it will not finance desalination plants.

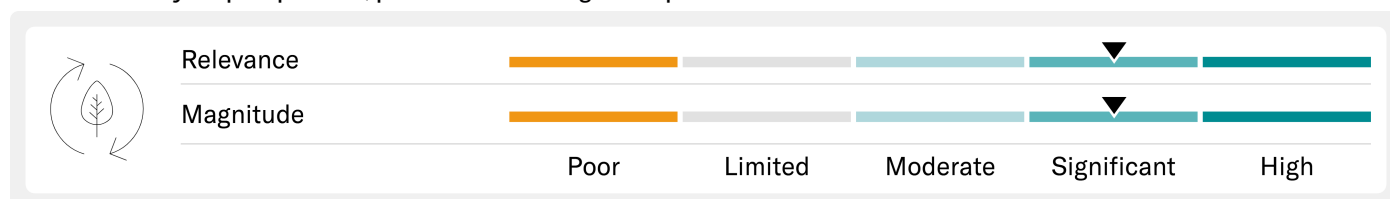
Climate change adaptation



The relevance of this category is high because Vietnam, with its extensive coastline and high population density in coastal and low-lying areas, is especially vulnerable to the physical impacts of climate change. The country faces significant investment requirements for adaptation measures, because rising sea levels and the increasing frequency of severe climate change-related weather shocks over time will pose risks of significant adaptation and reconstruction costs. Because of the viability of commercializing climate change adaptation and mitigation projects, the banking sector plays a critical role in channeling capital to support adaptation efforts to mitigate further risks and damages stemming from climate change.

The magnitude of this category is significant because the eligible projects are likely to positively contribute to reducing physical impacts of natural disasters. The eligible projects include early warning systems for storms, droughts and floods; nature-based solutions, such as planting mangroves; and the construction of floodwalls, river defenses, embankments, and underground drainage and reservoir systems. Early warning systems and nature-based solutions are considered best available technologies with no major negative E&S externalities. However, the construction of large-scale preventative infrastructure can involve significant inherent negative E&S externalities and risks. The bank plans to mitigate such externalities by requiring Environmental Impact Assessments for large-scale construction projects and independent external reviews to evaluate the negative impacts for coastal defense projects before project commencement.

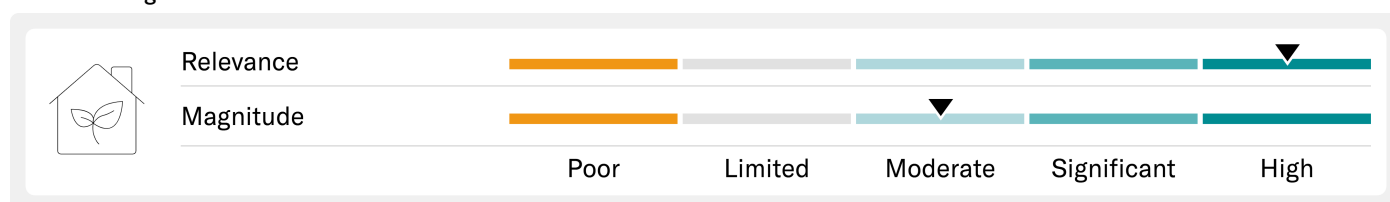
Circular economy adapted products, production technologies and processes



The relevance of this category is significant because countries in Southeast Asia, including Vietnam, rely significantly on landfill sites for waste disposal and have very low recycling rates with limited recycling infrastructure for a wide range of wastes, such as municipal solid waste, plastic and e-waste⁹. Eligible projects in this category are relevant because they address a critical challenge in Vietnam by promoting higher recycling rates and contributing to a circular economy within the country. However, the relevance of this category is not high because this is not the most urgent sustainability issue faced by the banking sector compared with other green categories.

The magnitude of this category is significant because recycling and reuse of materials are likely to contribute positively to environmental objectives such as pollution prevention and the promotion of a circular economy. The bank has confirmed that eco-efficient output products will be 100% recyclable, with a target rate of input recycled materials of 90% or above, which is considered to be in line with industry best practices. For R&D projects, the bank will require clear environmental benefits to be demonstrated before financing projects. However, the category is broadly defined and lacks details regarding specific types of input source materials and the treatment of secondary raw materials no longer considered waste. This limits visibility into the full extent of the category's contribution to its stated objectives.

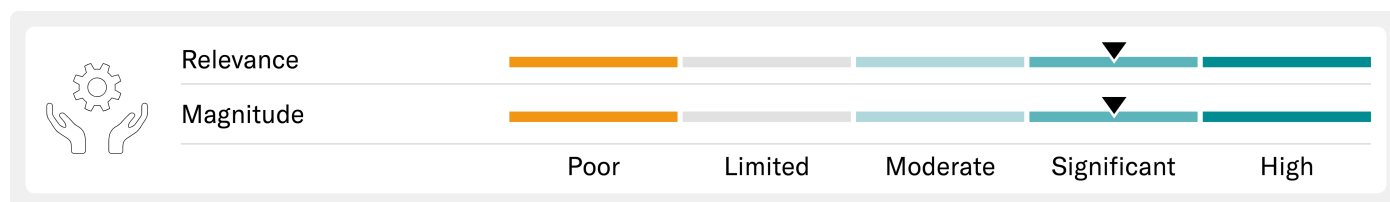
Green buildings



The relevance of this category is high because banks play an important role in channeling capital through loans to businesses in the real estate sector, which, according to the UN, accounts for 40% of the global energy consumption and 30% of GHG emissions. The Ministry of Construction forecasts that housing demand in Vietnam will increase by 70 million square meters each year, equivalent to 17,500 buildings of 30 floors, by 2030. However, as of year-end 2021, Vietnam recorded slightly more than 200 green building projects, which highlights the need for further investments in green buildings.

The magnitude of this category is moderate because financing green buildings will positively contribute to reducing carbon emissions from the buildings sector. The bank has confirmed that internationally recognized building certifications such as 'EDGE' and 'LEED Gold and above' will be the two most frequently used among the list of eligible certifications. The bank has also set a 20% energy efficiency improvement threshold which can lead to positive energy efficiency gains in the context of developing countries, although we note that this is below industry best practices of 30%. The moderate score also reflects the fact that green building certifications can be used on a stand-alone basis without always applying the 20% threshold, as communicated by the bank through internal documentation, which limits visibility over the actual energy performance of the eligible buildings. The bank has also confirmed that most of the proceeds will be allocated to new building construction activities, which involves inherent negative externalities, such as increased absolute energy consumption, higher GHG emissions and E&S risks associated with the construction phase. Lastly, the category may encompass certifications beyond those explicitly mentioned in the framework, which limits visibility into the full extent of the category's expected impact.

Access to essential services



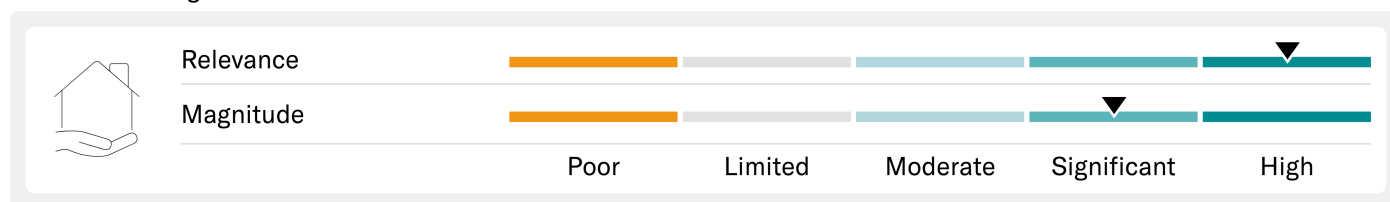
The relevance of this category is significant. Small and medium-sized enterprises (SMEs) account for roughly 97% of all businesses in Vietnam, but continue to face difficulties in accessing credit¹⁰, while women-owned businesses face a significant financing gap in terms of accessing equal capital opportunities as their male-owned counterparts. Furthermore, Vietnam's access to quality healthcare and education remains a key challenge, particularly in rural areas where facilities are inadequate, and in urban areas where overcrowding issues continue to strain healthcare facilities. Educational reform is also viewed as a national priority because of limited access to quality lower secondary education in remote areas, poor conditions of existing facilities and inadequate resources. Although financing micro, small and medium-sized enterprises (MSMEs) is highly relevant to HDBank because they account for the bulk of the bank's loan portfolio (53.7% as of 2023)¹¹, the significant score reflects the fact that education and healthcare are not among the main sectors financed by HDBank.

The overall magnitude of the category is significant, primarily driven by the "employment generation; socioeconomic advancement, and empowerment; MSME financing" sub-category, which HDBank confirmed is expected to receive most of the proceeds within this category. The eligibility criteria of MSMEs and women-owned enterprises are clearly defined with relevant thresholds, and the bank has confirmed through internal documentation that the most vulnerable sub-segments (for example, micro and small businesses, and women-owned enterprises) will be prioritized to ensure target populations most in need could benefit from eligible social projects. HDBank will provide eligible customers with a preferential interest rate of around 1% lower than the standard interest rates offered to corporate customers. For digital services projects, although this could enhance the digital reach of financial services without physical limitations, it is unclear how such projects can lead to employment generation for the target population (which is one of the target social objectives), given that hiring decisions are made at the individual enterprise level.

For healthcare, the development of both public and private healthcare facilities and hospitals is likely to provide long-term benefits. While HDBank will target the entire population rather than prioritize rural vulnerable populations, we expect this to positively benefit both urban and rural areas alike in terms of alleviating overcrowding issues. However, the inclusion of private facilities introduces limitations because out-of-pocket expenses may not ensure financial accessibility for all, especially the most vulnerable. While out-of-pocket expenses related to health spending have decreased, they remain relatively high at 41%¹². Nevertheless, affordability concerns are minimized by the government subsidizing costs for certain vulnerable groups through its universal healthcare system.

For education and vocational training, the bank plans to finance both public and private educational facilities that adhere to Vietnamese national educational plans, programs and student loans, and teacher training and recruitment costs. This is likely to lead to long-term positive impact in Vietnam in terms of improving access to essential services. However, we have limited visibility into the potential out-of-pocket costs that will be incurred by vulnerable populations, and whether areas in most need will be prioritized.

Affordable housing



The relevance of this category is high. Housing demand and housing affordability have been an imminent social issue in major cities in Vietnam. Urban areas are facing rapid urbanization and population growth challenges because of the rural to urban migration of workers in search of better employment opportunities. This has led housing demand in such cities and industrial zones to significantly outpace supply. This situation has driven up property prices and led to housing affordability issues. In response, in 2023, Prime Minister Pham Minh Chinh approved a plan to build at least one million social housing units for low-income people and workers in industrial zones from 2021 to 2030¹³. However, the progress so far has been slow because of the lack of incentives for developers and lengthy land allocation procedures.

The magnitude of this category is significant because eligible housing projects are likely to have substantial positive long-term impact on the target population, focusing primarily on disadvantaged homebuyers and individuals affected by natural disasters in Vietnam. The eligibility criteria of homebuyers have been clearly defined in the framework in line with the Housing Law. However, it is unclear whether eligible projects will prioritize the most vulnerable demographic segments. This is because other groups, which may not be as vulnerable (for example, civil servants and public employees in national defense, among others), along with low-income individuals and households slightly above the poverty line in urban and rural areas, are also eligible for social housing under the Housing Law. The monthly income ceiling for social housing projects is also relatively high compared with Vietnam's GDP per capita. The bank has not specified whether it would prioritize social housing projects in rural or remote areas to maximize the social impact and help ensure the most vulnerable populations can physically access and benefit from the projects. Nonetheless, we expect the target population to benefit from the bank's preferential interest rate, which is typically 1% lower than that offered for commercial apartments. To mitigate the risk of borrower over-indebtedness, the bank will conduct thorough due diligence on borrowers. However, offering financial literacy training programs together with such measures would have a greater impact.

Additional contribution to sustainability considerations

We have not made any adjustment to the preliminary contribution to sustainability score based on additional considerations. HDBank has established an E&S risk management policy and system to identify, assess and manage E&S risks associated with the financed projects, and will monitor the projects for continued compliance with the eligibility and exclusion criteria. Particularly, it conducts enhanced due diligence and approval requirements for transactions with significant ESG risks, and has established an Environmental and Social Council to monitor the implementation of HDBank's E&S objectives. In line with its ESG management policy, the bank has committed to not finance activities related to coal, oil exploration and production, as well as infrastructure related to coal and coal-fired power plants. The eligible green and social projects are in line with the bank's ESG strategy to increase its green loan portfolio, and ultimately support national efforts to achieve net zero by 2050.

Appendix 1 - Alignment with principles scorecard for HDBank's sustainable financing framework

Factor	Sub-factor	Component	Component score	Sub-factor score	Factor score
Use of proceeds	Clarity of the eligible categories	Nature of expenditure	A	Aligned	Aligned
		Definition of content, eligibility and exclusion criteria for nearly all categories	A		
		Location	A		
		BP: Definition of content, eligibility and exclusion criteria for all categories	No		
	Clarity of the objectives	Relevance of objectives to project categories for nearly all categories	A	Aligned	
		Coherence of project category objectives with standards for nearly all categories	A		
		BP: Objectives are defined, relevant and coherent for all categories	No		
	Clarity of expected benefits	Identification and relevance of expected benefits for nearly all categories	A	Aligned	
		Measurability of expected benefits for nearly all categories	A		
		BP: Relevant benefits are identified for all categories	No		
		BP: Benefits are measurable for all categories	No		
		BP: Disclosure of refinancing prior to issuance and in post-allocation reporting	Yes		
		BP: Commitment to communicate refinancing look-back period prior to issuance	Yes		
Process for project evaluation and selection	Transparency and clarity of the process for defining and monitoring eligible projects	Clarity of the process	A	Aligned	Aligned
		Disclosure of the process	A		
		Transparency of the environmental and social risk mitigation process	A		
		BP: Monitoring of continued project compliance	No		
Management of proceeds	Allocation and tracking of proceeds	Tracking of proceeds	A	Best practices	Best practices
		Periodic adjustment of proceeds to match allocations	A		
		Disclosure of the intended types of temporary placements of unallocated proceeds	A		
		BP: Disclosure of the proceeds management process	Yes		
		BP: Allocation period is 24 months or less	Yes		
Reporting	Reporting transparency	Reporting frequency	A	Best practices	Best practices
		Reporting duration	A		
		Report disclosure	A		
		Reporting exhaustivity	A		
		BP: Allocation reporting at least until full allocation of proceeds, and impact reporting until full bond maturity or loan payback	Yes		
		BP: Clarity and relevance of the indicators on the sustainability benefits	Yes		
		BP: Disclosure of reporting methodology and calculation assumptions	Yes		
		BP: Independent external auditor, or other third party, to verify the tracking and allocation of funds	Yes		
		BP: Independent impact assessment on environmental and social benefits	Yes		
Overall alignment with principles score:					Aligned

Appendix 2 - Mapping eligible categories to the United Nations' Sustainable Development Goals

The eleven eligible categories included in HDBank's framework are likely to contribute to twelve of the United Nations' Sustainable Development Goals (SDGs), namely:

UN SDG 17 Goals		SDG Targets
GOAL 3: Good Health and Well-being	Pollution prevention and control	3.9: Substantially reduce the number of deaths and illnesses from hazardous chemicals and air, water and soil pollution
	Access to essential services	3.8: Achieve universal health coverage with access to quality and affordable essential health-care services and medicines for all
GOAL 4: Quality Education	Access to essential services	4.A: Build and upgrade education facilities that provide safe and effective learning environments for all
GOAL 6: Clean Water and Sanitation	Sustainable water and wastewater management	6.2: Achieve access to adequate sanitation and hygiene for all and end open defecation
		6.3: Improve water quality by reducing pollution, eliminating dumping and minimizing hazardous chemicals and materials
		6.4: Increase water-use efficiency across all sectors and ensure sustainable supply of freshwater to reduce water scarcity
GOAL 7: Affordable and Clean Energy	Renewable energy Energy efficiency (EE)	7.2: Increase substantially the share of renewable energy in the global energy mix
		7.3: Double the global rate of improvement in energy efficiency
GOAL 8: Decent Work and Economic Growth	Access to essential services	8.3: Promote policies that support productivity, job creation, entrepreneurship, innovation, and encourage the growth of SMEs
GOAL 9: Industry, Innovation and Infrastructure	Access to essential services	9.3: Increase SMEs' access to finance, and their integration into value chains and markets, particularly in emerging markets
GOAL 10: Reduced Inequality	Access to essential services	10.2: Empower and promote the social, economic and political inclusion of all
GOAL 11: Sustainable Cities and Communities	Green buildings	11.1: Ensure access for all to adequate, safe and affordable housing and basic services and upgrade slums
	Affordable housing Clean transportation	11.2: Provide access to safe, affordable, accessible and sustainable transport systems for all
GOAL 12: Responsible Consumption and Production	Pollution prevention and control Circular economy adapted products, production technologies and processes	12.5: Substantially reduce waste generation through prevention, reduction, recycling and reuse
GOAL 13: Climate Action	Renewable energy Clean transportation Climate change adaptation	13.1: Strengthen resilience and adaptive capacity to climate-related hazards and natural disasters in all countries

UN SDG 17 Goals		SDG Targets
GOAL 14: Life Below Water	<i>Environmentally sustainable management of living natural resources and land use</i>	14.1: Prevent and significantly reduce marine pollution of all kinds, in particular from land-based activities
GOAL 15: Life on Land	<i>Environmentally sustainable management of living natural resources and land use</i>	15.1: Ensure the conservation and sustainable use of terrestrial and inland freshwater ecosystems and their services
		15.2: Promote the implementation of sustainable management of all types of forests
		15.B: Mobilize resources to finance sustainable forest management and provide adequate incentives to emerging markets to advance such management

The United Nations' Sustainable Development Goals (SDGs) mapping in this SPO considers the eligible project categories and associated sustainability objectives/benefits documented in the issuer's financing framework, as well as resources and guidelines from public institutions, such as the ICMA SDG Mapping Guidance and the UN SDG targets and indicators.

Appendix 3 - Summary of eligible categories in HDBank's framework

Eligible categories	Description	Sustainability objectives	Impact reporting
Renewable energy	-Wind energy will include onshore and offshore wind power generation -Solar energy will include onshore photovoltaic (PV) generation and offshore solar power generation, concentrated solar power panels are not included. -Hydropower plants must be installed capacity of the project will not exceed 20MW. -Geothermal projects direct emissions threshold of 100gCO₂/kWh or lower. -Electrical grid development and maintenance will be dedicated to connecting renewables to the power grid and supporting or integrating at least 90% renewable electricity.	Climate change mitigation	-Annual GHG emissions reduced/avoided in tonnes of CO₂ equivalent -Annual renewable energy generation in MWh/GWh (electricity) and GJ/TJ (other energy) -Additional capacity of renewable energy plant(s) constructed or rehabilitated in MW
Energy efficiency (EE)	-An EE sub-project must achieve any of the following minimum thresholds within the project boundary: +Reduce absolute energy consumption by at least 20%, OR +Reduce GHG emissions by at least 25,000 tCO₂e/year, OR +Reduce electricity consumption by at least 50 GWh/year -Eligible energy efficiency assurance label: +Energy Star (IT equipment) +White appliances listed in the annual list of Most Efficient Energy Star +Vietstar 5 or 4 star (Vietnam)	Climate change mitigation	-Annual energy savings in MWh/GWh (electricity) and GJ/TJ (other energy savings) -Annual GHG emissions reduced/avoided in tonnes of CO₂ equivalent
Pollution prevention and control	-Waste recycling will follow a waste hierarchy (prevention, reuse, recycling, recovery, disposal) -Waste collection supports source segregation of waste, sorting, cleaning, refurbishment, reconditioning and repair of products for reuse -Recyclable waste or by-products in industries, agriculture, and forestry, including e.g., metal, wood, paper, glass, concrete -Projects related to the landfills will not be included	Pollution prevention and control	-Waste prevented, minimised, reused, or recycled before and after the project (in % of total waste) and/or in absolute amount (tonnes p.a.) -Annual absolute (gross) amount of wastewater treated, reused or avoided before and after the project (m³ or as %)

Eligible categories	Description	Sustainability objectives	Impact reporting
Environmentally sustainable management of living natural resources and land use	-Eligible CSA sub-projects must document that they meet at least one of the following conditions: +At least a 20% productivity increase without increasing GHG emissions per product unit; +At least 20% reduction in GHG emissions per unit of product (emission intensity); +At least 20% post-harvest losses reduction; or +Reduction of the vulnerability to climate change impacts -Sub-projects that are certified under the following agri-certification schemes are automatically eligible: +Roundtable on Sustainable Biomaterials Standard +Roundtable on Responsible Soy Association Standard +Better Cotton Initiative +Bonsucro Production Standard +Fairtrade Standard for Small-Scale Producer Organizations +Rainforest Alliance 2020 Sustainable Agriculture Standard -Sustainable animal husbandry includes investments and expenditures related to construction, development, maintenance, acquisition, and improvement related to: +Integrated cropland-livestock-forestry systems (ICLFS) and agroforestry systems +R&D projects related to emissions reduction, such as specialized feed technology for livestock (with the aim to reduce methane emissions from enteric fermentation) -Sustainable fisheries and seafood production sub-projects that are certified under the following certification schemes are automatically eligible: +Aquaculture Stewardship Council Standards for farmed seafood +Marine Stewardship Council for fishing seafood	Natural resource conservation	-Reduction in net GHG emissions, GHG intensity (e.g. tCO₂e/unit of output) or energy intensity (e.g. GJ/unit of output) -Increase in area under certified organic or sustainable agriculture (ha and % of acreage farmed) -Maintenance/safeguarding/increase of natural landscape area (including forest) in km² and in % for increase
Clean transportation	-Low-emission fuel-based modes related to: +Hybrids include traditional hybrids, and plug-in hybrid electric (PHEVs) which at or below the threshold of 50 gCO₂/km or 80.47 gCO₂/mile, based on lab tests WLTP +Heavy trucks at or below the threshold of 25 gCO₂/tkm +Railway vehicles that meet the threshold for direct CO₂ emissions (less than 50g CO₂/km per passenger or less than 25g CO₂/km per ton of cargo) -The charging infrastructure will be dedicated to EVs.	Climate change mitigation	-Measurement of CO₂ and other greenhouse gas emissions reductions from transportation projects -Fuel consumption per passenger-kilometer or ton-kilometer -µg/m³ or mg/m³ of reduction in pollutants such as NO_x, PM_{2.5}, and PM₁₀ -Number of new energy vehicles deployed (e.g. electric vehicles, electric buses) -Km of tracks or dedicated lanes built (applicable to Rail Tram, Metro and Bus Rapid Transit Systems) -Number of passengers transported (applicable to Rail Tram, Metro and Bus Rapid Transit Systems) -Number and type of new energy transportation infrastructure built -Percentage of population with access to public transportation within a certain distance

Eligible categories	Description	Sustainability objectives	Impact reporting
Sustainable water and wastewater management	-Water consumption reduction should decrease in water utilization from baseline by greater than or equal to 20%. -Recycling water treatment examples include primary, secondary and tertiary treatment with an average energy consumption of the system including abstraction treatment and distribution) of 0.5 kWh per m3 billed/ unbilled authorized water supply	Sustainable water and wastewater management; pollution prevention and control	-m ³ /m ² of GBA p.a; and Annual absolute (gross) water use before and after the project in m ³ /a (for retrofitted buildings) and/or -% of water reduced/avoided vs local baseline/baseline certification level/IGCC/International Plumbing Code
Climate change adaptation	Environmental Impact Assessment (EIA) will be conducted for the types of activities that can have significant E&S negative externalities	Climate change adaptation	-The decreased number of people or assets exposed to climate risks -The increased capacity of communities to respond to climate impacts -Improvements in infrastructure and systems to withstand climate events -Reduction in climate-related health issues such as heat stress and vector-borne diseases -Measures to protect and restore ecosystems and biodiversity, such as increase of natural landscape area (including forest) in km ² and in % for increase. -Reduction in economic losses due to climate-related events
Circular economy adapted products, production technologies and processes	-R&D focused on renewable and resource-efficient/low-carbon products (including packaging), processes, and technologies -Procurement of recycled/waste/resource-efficient materials as an input -Production of eco-efficient (including packaging) using recycled, waste and/or bio-based materials or certified by RSB	Natural resource conservation; pollution prevention and control	-Tons of waste reduced -Products changed to increase waste reduction -Tons of secondary raw materials or compost produced
Green buildings	-Regional, national or internationally recognized standards or certifications related to: +BREEAM: Excellent +DGNB: Gold and above +LEED: Gold and above +IFC EDGE +GREEN STAR: 5 or above +BCA Green Mark: Gold Plus and Premium +or equivalent certifications -Documented twenty percent (20%) energy savings compared to a baseline building without energy-efficient design.	Climate change mitigation	-List of third-party environmental certifications received -% of energy use reduced/avoided vs. local baseline/building code -% of renewable energy generated on-site (if relevant)

Eligible categories	Description	Sustainability objectives	Impact reporting
Access to essential services	Employment Generation; Socioeconomic advancement and empowerment; MSME Financing -The development, distribution, and expansion of financial products and services to MSMEs and women-owned/led enterprises -The development, distribution and expansion of digital services to increase MSME's access to financial services.	Access to essential services	-Number of people served -No. of loans disbursed to MSMEs and Women-Owned/Led Enterprises. -No. of jobs created (in case of financing new projects) -No. of jobs created for women (in case of financing new projects)
	Healthcare -Enhancing access to comprehensive healthcare in medical facilities and hospitals to ensure well-being and healthy lives, covering expenses such as: +Expanding access to quality essential healthcare services and affordable medicines and vaccines for all through the expansion of universal health coverage. +Increase health financing and address the recruitment, training, development, and retention of the health workforce. +Improving healthcare infrastructure, including land, buildings, property adaptations, renovations, and associated fixtures and retrofits. +Upgrading, replacing, and purchasing healthcare machinery, equipment, and digital infrastructure and software.		-No. of hospital/healthcare services centers/school projects funded. -No. of people with access to healthcare services
	Education and vocational training -Educational establishments in the public sector, schools, and both public and private vocational training institutions, as well as organizations that provide and advocate for inclusive lifelong learning opportunities for all, covering expenses such as: +Offering affordable and quality kindergarten, primary, lower secondary, upper secondary education, and vocational training +Upkeep and enhancement of educational facilities for children and individuals with disabilities +Teacher recruitment, training, purchasing of educational equipment, materials, software		-No. of people with access to educational and vocational training
Affordable housing	-Making housing accessible for disadvantaged buyers, which includes covering expenses such as: +Granting mortgages to disadvantaged buyers +Offering home improvement loans to disadvantaged homeowners +Investing in, constructing, repairing, or renovating social housing as per national regulations	Affordable housing	-Number of homes built -Amount of loans disbursed to HDB buyers

Endnotes

- ¹ The point-in-time assessment is applicable only on the date of assignment or update.
- ² [Asia and Pacific](#), International Renewable Energy Agency, accessed on 20 September 2023.
- ³ [Viet Nam](#), IEA 50, accessed on 20 September 2023.
- ⁴ [VIETNAM ENERGY EFFICIENCY](#), accessed in November 2024.
- ⁵ [Ripples of Change: Viet Nam's Journey to Reduce Plastic Pollution](#), UN Development Programme, February 2024.
- ⁶ [Urban Sanitation Issues in Viet Nam](#), ADB, 2015.
- ⁷ [Sustainability Report 2023](#), HDBank, accessed on 14 November 2024
- ⁸ [Vietnam's EV ownership will see 'strong growth' in 2023](#), per the new report, August 2023.
- ⁹ [Waste Management in ASEAN Countries](#), UN environment, 2017.

[10 PM urges banks to ease lending requirements for SMEs](#), Hanoi Times, 7 July 2023.

[11 Sustainability Report 2023](#), HDBank, accessed on 14 November 2024

[12 Health financing in Viet Nam](#), World Health Organization (WHO), accessed on 18 November 2024.

[13 Plan for one million social housing units: tackling shortage](#), Hanoi Times, 25 February 2024.

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