

Introduction to the Programme:

ESG Scoring for Vietnamese Public Companies

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Presented by: FiinGroup and VASB

Technical Collaboration Partner:
S&P Global
Ratings



The Need for a Common ESG Framework and Standards for Vietnam

- ESG has been emerging trend in not only equity investment, fixed incomes/ bonds, credit market/ banking loans but also commercial operations around the World and in the region.
- There are great demand in investing and working with companies in Vietnam with ESG integrated businesses by institutional investors, credit institutions and commercial business conducts.
- However, the lack of comprehensive ESG reporting and reliable data on sustainability performance has hampered the growth of investments, credits and cross-border trades in Vietnam.
- In the capital market, Vietnam Sustainability Index (VNSI) has been introduced by HOSE since 2019 but it is the the stock price index covered only 20 evaluated companies in VN100 Index. The ESG score is not the public outcome of the index and the coverage is still small.
- In commercial domain, many Vietnamese companies have also started to recognize the importance of ESG issues, with some already making significant progress in improving their sustainability performance.
- Given the relatively underdeveloped state of ESG investing in Vietnam, there is an urgent need to construct ESG Score for Vietnamese companies to enable investors to make informed decisions, **across capital markets, investments and trades.**

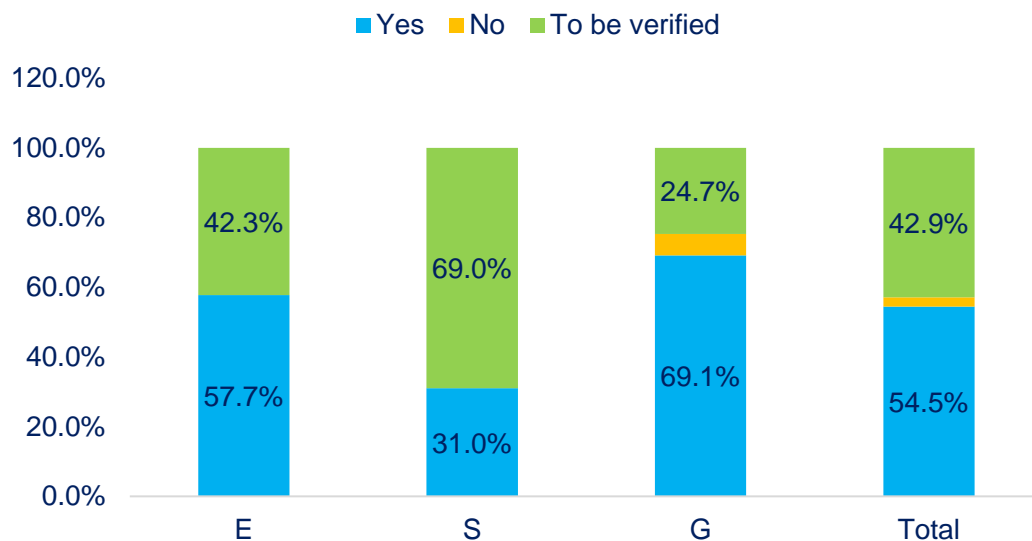


The Status of ESG Adoption in the Securities Market

- In the securities sector, ESG was mentioned in the **2019 Law on Securities, Decree 155/2020/ND-CP** elaboration of some Articles of the Law on Securities in Vietnam, and **Circular 96/2020/TT-BTC** on providing guidelines on disclosure of information on securities market, including clauses on ESG disclosure, not only applicable to public companies, bond issuers but also fund management and securities companies...
 - Vietnam also has the Vietnam Sustainability Index (VNSI), which created a reference for investing in 20 selected listed companies in the VN100. However, its ESG scores has not been published and expanded to other public companies.
 - International organizations, including IFC, have also strongly supported Vietnam in providing ESG standards for different industries to serve IFC's investment activities and referenced by a number of organizations and regulation in the market.
 - However, **the ESG scoring, methodology and information disclosure of each corporate and financial institution are still fragmented.**
- According to FiinGroup's assessment, these challenges are addressed:
 - *Firstly*, there is not a common set of standards on ESG: financial institution's ESG score, application and information disclosure is still scattered. There is a high degree of standardization to determine the extent to which ESG standards are met.
 - *Secondly*, The available information and published data for conducting ESG assessment and scoring is still very limited, especially for components E and S due to the sensitivity of disclosed information.
 - *Thirdly*, it is difficult to apply ESG Scoring results as the criteria for specific investment, lending, and partner selection activities.
 - *Fourthly*, the above fact increase transaction costs for businesses, investors, financial credit institutions and related partners in specific transactions and investments.
 - *Finally*, policy framework development lacks reference to actual results that are applied and recognized in the market.

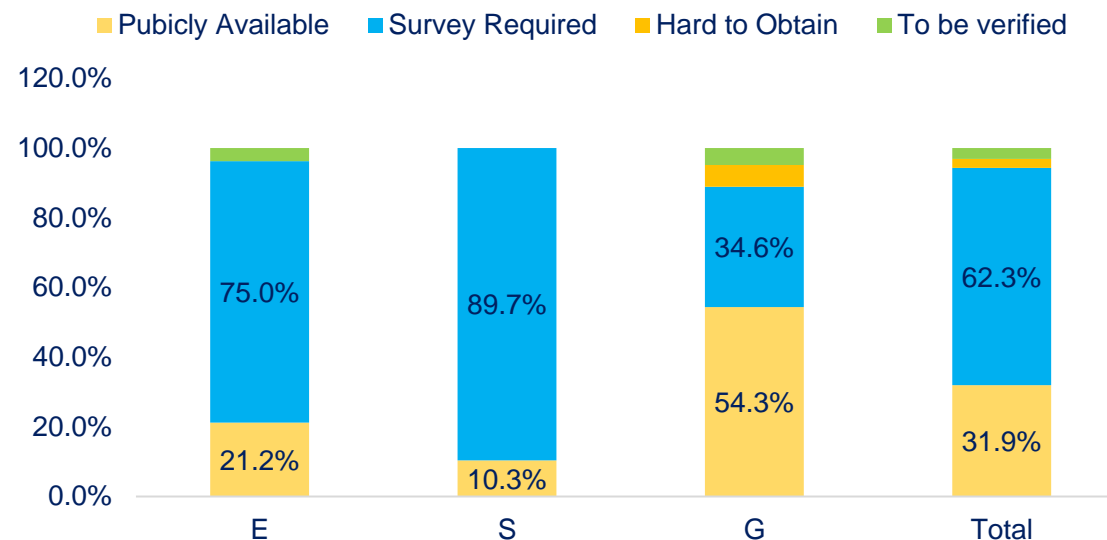
Preliminary Assessment of ESG Data for Public Companies in Vietnam

ESG Data Availability Check (2021)



Source: FiinGroup. Review conducted in Oct 2022

ESG Possible Data Sources (2022)



Source: FiinGroup. Review conducted in Oct 2022

- The above-mentioned survey will be conducted according to the ESG methodology framework applied by FiinGroup based on current regulations about data availability.
- Component G has the highest data availability rate (at 69.1%) while E and S components are at a much lower level. The public information for E and S is limited and insufficient. **Therefore, the implementation of ESG Scoring is encouraged and voluntary to participate and disclose the ESG Score based on the enterprise's decisions for their fund-raising and trade activities.**

ESG Scoring: Objectives and Overview

Main Objectives:

- To encourage Vietnamese companies in having a ESG Score and have ESG integrated in business and capital markets
- To have ESG Score adopted by Investors and Stakeholders
- To create a platform in order to help companies improve their ESG Score

Company Coverage:

- Focus on 2600+ public companies/ 1700+ listed companies first
- *For Year 1*: aiming at least 100 companies participated in the Programme and in top 5 industries linked to global value chain
- Then expanding to other sectors and private companies

Adopters and Users:

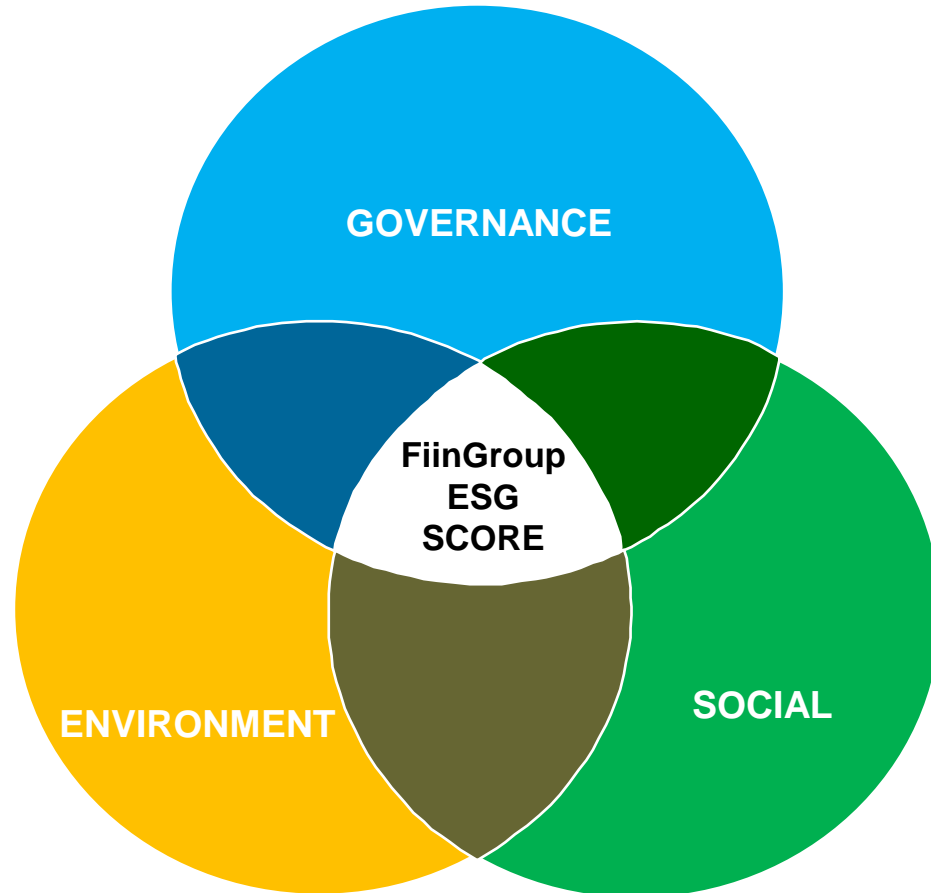
- The Company themselves
- Fund managers
- Credit institutions
- Corporates and their vendors, partners and suppliers in their value chain

Key Principles:

- Participation from Enterprises is in the voluntary basis.
- Bring values and benefits to participating companies
- Toward a common acceptance by Investors and Stakeholders

ESG Scoring Methodology: Overview

Our ESG framework with categorized groups of criteria/ indicators and informed by the Global Corporate Sustainability Assessment with certain modifications for Vietnam



1000+
Datapoints

Assessed values, text, checkboxes, documents and filings

Source: web-based questionnaires and company documents



130+
Questions

Weighted Data point scores

Industry specifics



30+
Criteria Scores

Weighted Question Scores

61 sectors with specific approach, tailored questions, criteria



3
Dimension Scores
E, S, G

Weighted Criteria Scores

Adjusted for corporate ESG controversies where needed



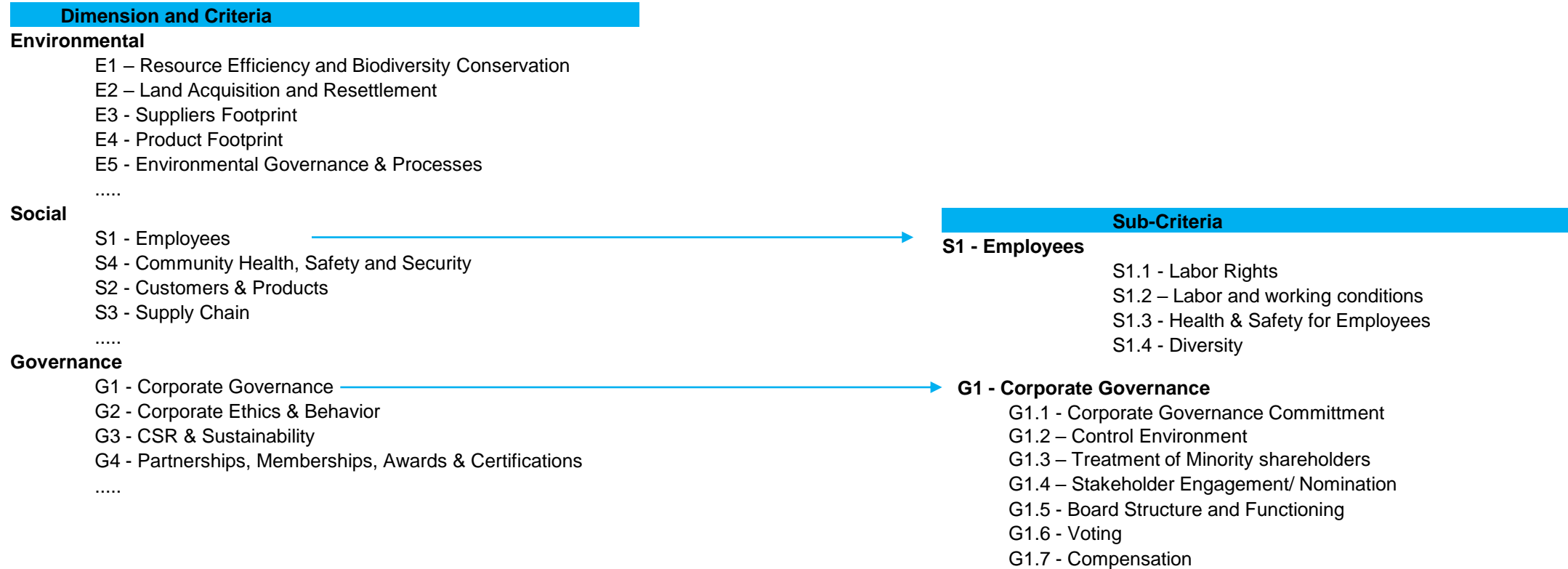
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ESG Score

**Sum of Weighted
Dimension Scores**

ESG Scoring Methodology: Criteria

Our ESG framework with categorized groups of criteria/ indicators and informed by the Global Corporate Sustainability Assessment with certain modifications for Vietnam



ESG Scoring: Outcome (demo only)

FiinESG Score

Each companies participated in our survey will have ESG Score and for each component E, S and G against its Industry Mean and Industry Best.

Score Weighting & Aggregation:

Once Corporate Sustainability Assessment questions have been received points, they are progressively weighted and summed at the Question-, Criteria- and Dimension-levels to reach a final aggregated score, the FiinESG Score. Scores are also produced at each of the levels of aggregation (Question, Criteria and Dimension)

Company ABC

Ticker: ABC Exchange: HNX Sector ICB 1: 1350 Chemicals

Sector ICB 2: 1357 Fertilisers

ESG Score

37

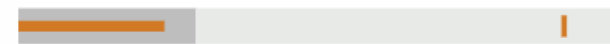
ABC Industry Best Industry Mean

Environmental



Apple Inc. 61 | Industry Mean 33 | Industry Best 95

Social



Apple Inc. 24 | Industry Mean 29 | Industry Best 89

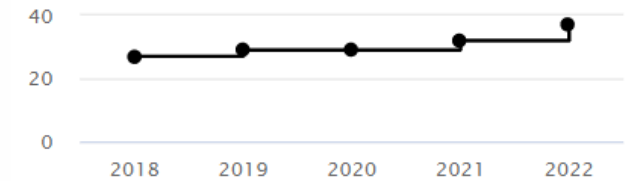
Governance & Economic



Apple Inc. 29 | Industry Mean 32 | Industry Best 89

Score History

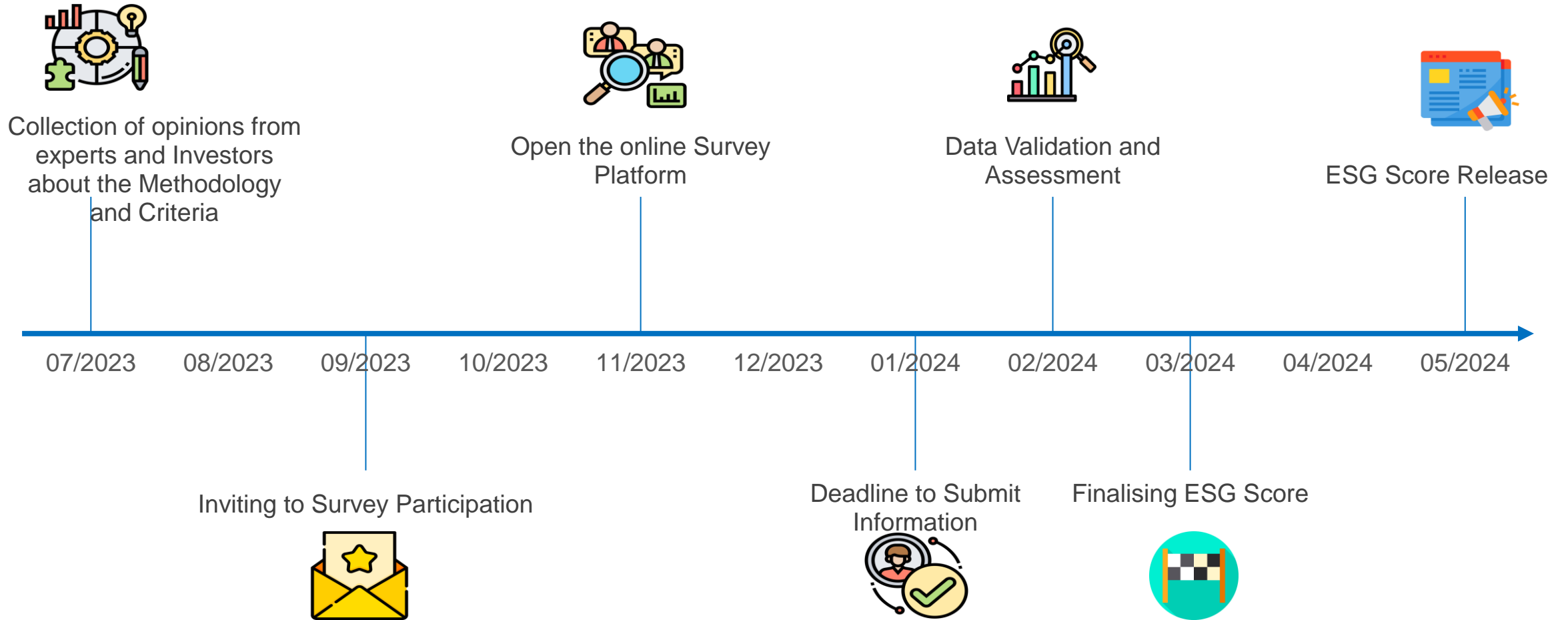
Y/Y Change: 5



Ghi chú: Mang tính mô phỏng và thử nghiệm. Điểm có thể được cập nhật thường niên hoặc thay đổi với những thay đổi trọng yếu

Implementation Timeline for the First Year

The Programme is expected to start in June 2023 and ESG Scoring for the Year 1 will be announced in Q2-2024.



Why FiinGroup in collaboration with VASB?

The experience and skills needed for this Project include:

- FiinGroup's in-house **corporate database** including for ESG data from public sources of over 2,600 public companies, including public and listed companies. Experience in collecting and analyzing ESG data from various sources, including company reports, media, and other stakeholders. Familiarity with local regulations and laws related to ESG disclosure and reporting
- **Extensive experience** in credit scoring and ratings both desk and field-based research, data mining and tech-based scoring; and market surveys/research and legal studies. Each year, FiinGroup deliver 10K+ SME Scoring to its clients. Very strong knowledge and professional experience from Green Finance Service (Verification and SPOs)
- **Sound knowledge of ESG** principles, standards, and metrics, as well as their relevance to the Vietnamese market.
- **Potential ESG adopters and users:** A portfolio of 100+ institutional investors including fund managers, securities houses and other

The experts forming the project team conducting the Programme from:

- FiinGroup JSC (FG) (<https://fiingroup.vn>)
- FiinRatings JSC(FR) (<https://fiinratings.vn/>)

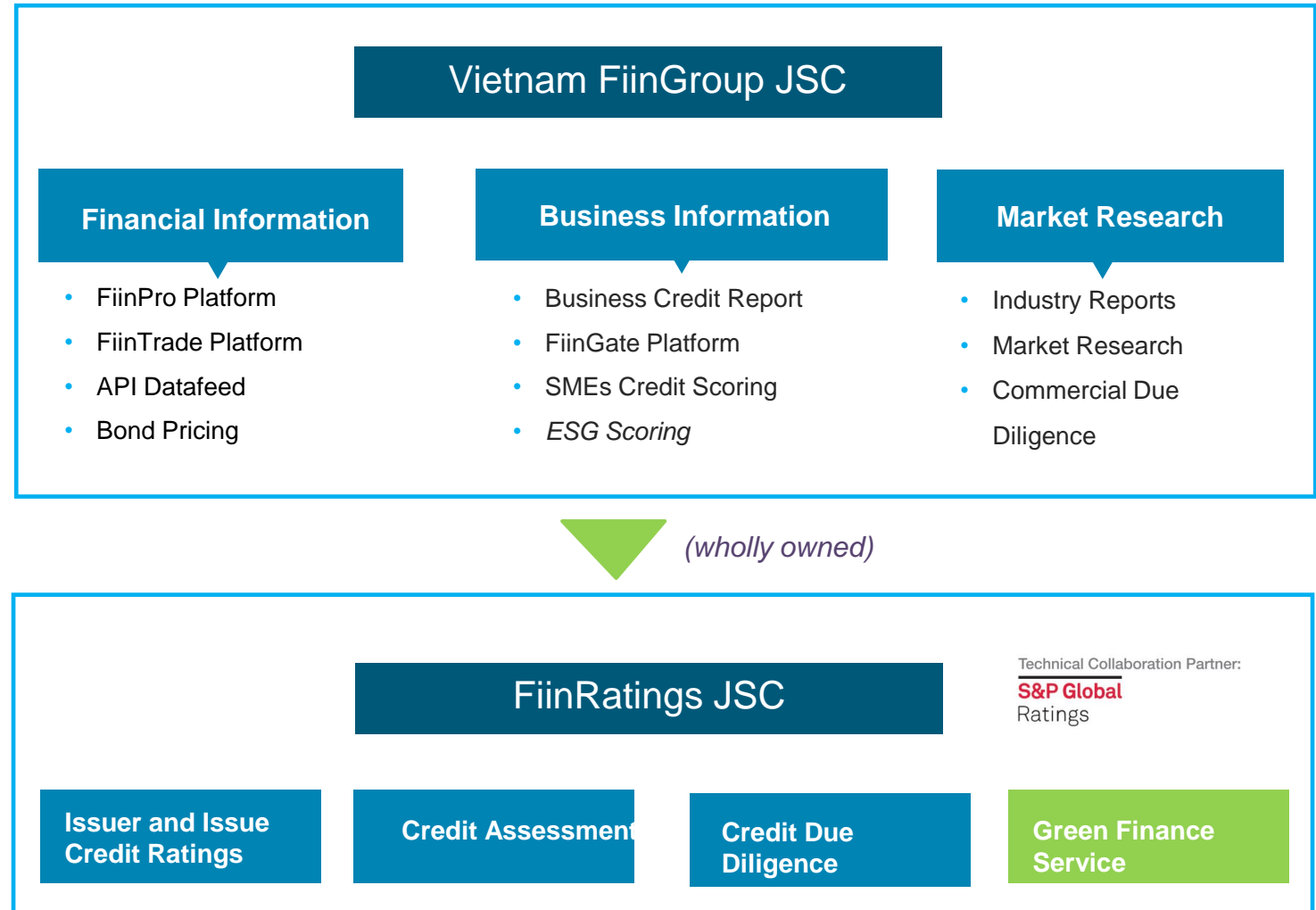
About FiinGroup and FiinRatings



FiinGroup is Vietnam's leading provider of financial data analytics platforms, business intelligence and industry research service to local and foreign investors in capital market and corporates to grow their business in Vietnam.



FiinRatings Joint Stock Company, a member of FiinGroup and a technical collaboration partner with S&P Global Ratings, is a local licensed Credit Rating Agency in Vietnam. FiinRatings provides credit ratings and related services to issuers, creditors and investors in Vietnam credit market. FiinRatings is also Vietnam first green bonds approved verifier, in accordance with the green bond international standard by the Climate Bonds Initiative





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