



Leading the Way in Sustainable Finance Assessment

# Methodology for Second-Party Opinion

15 September 2024

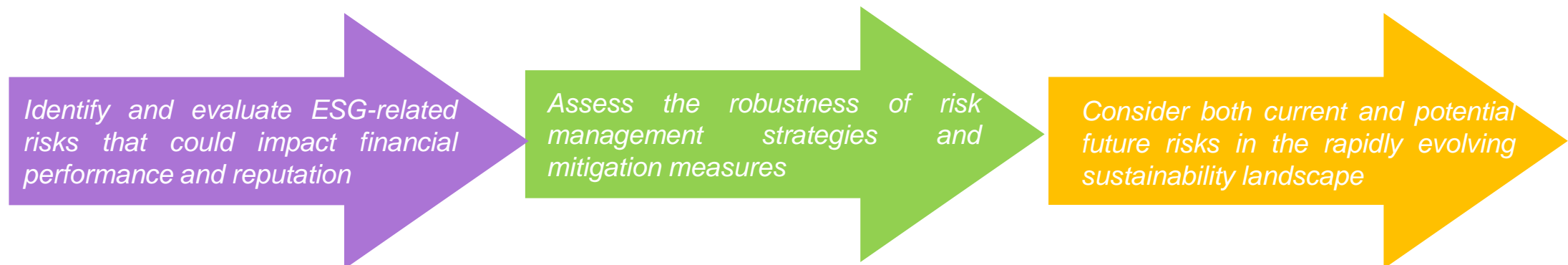
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# 1. Our Holistic Approach to Sustainability

*At FiinRatings, we believe that true sustainability goes beyond surface-level compliance. Our approach is rooted in a holistic understanding of Environmental, Social, and Governance (ESG) factors and their interconnected impacts on businesses, society, and the planet.*



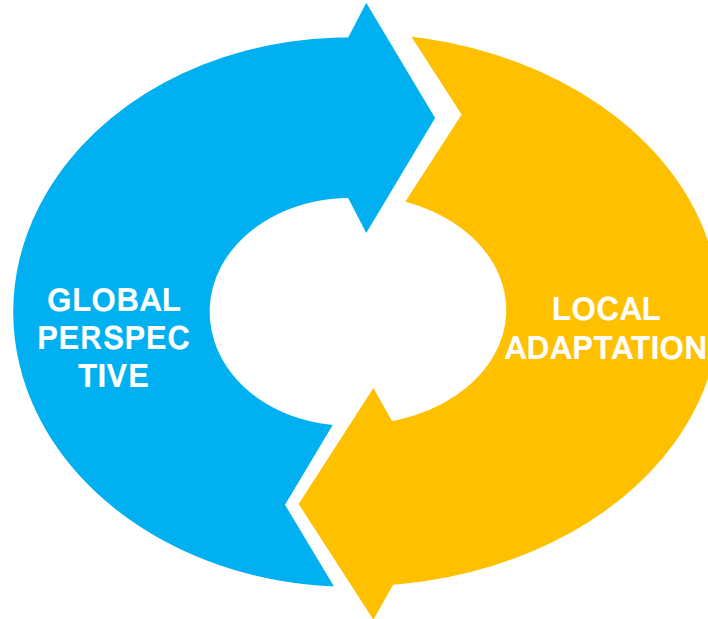
*Our risk assessment is designed to identify and assess how organizations not only manage ESG risks but also capitalize on sustainability opportunities.*



# 1. Our Holistic Approach to Sustainability

*Our approach offers meaningful insights and drive genuine progress towards a more sustainable future, striking a balance between global best practices and regional realities, that*

- Incorporate insights from leading initiatives such as the UN Sustainable Development Goals and the Paris Agreement
- Benchmark against best-in-class sustainability practices across industries



- Tailor our approach to the unique sustainability challenges and opportunities in Vietnam and Southeast Asia
- Consider local regulatory environments, cultural nuances, and market dynamics

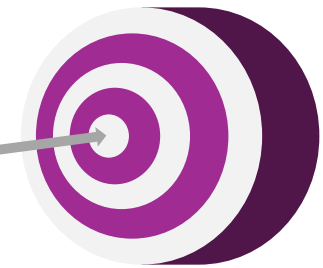
**Regular engagement**  
with various stakeholders to  
incorporate varied  
perspectives



**Investment in R&D**  
to enhance our sustainability  
assessment capabilities



**Continuous learning & adaptation**  
To emerging sustainability  
trends and standards



## 2. The Need for Comprehensive Second-Party Opinions

*The sustainable finance market in Vietnam and Southeast Asia is experiencing unprecedented growth, driven by increasing awareness of environmental and social challenges, evolving regulatory landscapes, and shifting investor preferences. This rapid expansion brings both opportunities and challenges, underscoring the critical need for comprehensive, reliable Second-Party Opinions.*

### MARKET GROWTH

- Green bonds issuance in ASEAN grew from \$1.2 billion in 2016 to over \$12.8 billion in 2022.
- Vietnam needs about \$368 billion by 2040 to stay on track to achieve the net-zero emissions target, according to the World Bank.
- Sustainable investment products are diversifying beyond green bonds to include sustainability-linked loans, blue bonds, and transition finance instruments



### Comprehensive Second-Party Opinions

#### Play a crucial role in:

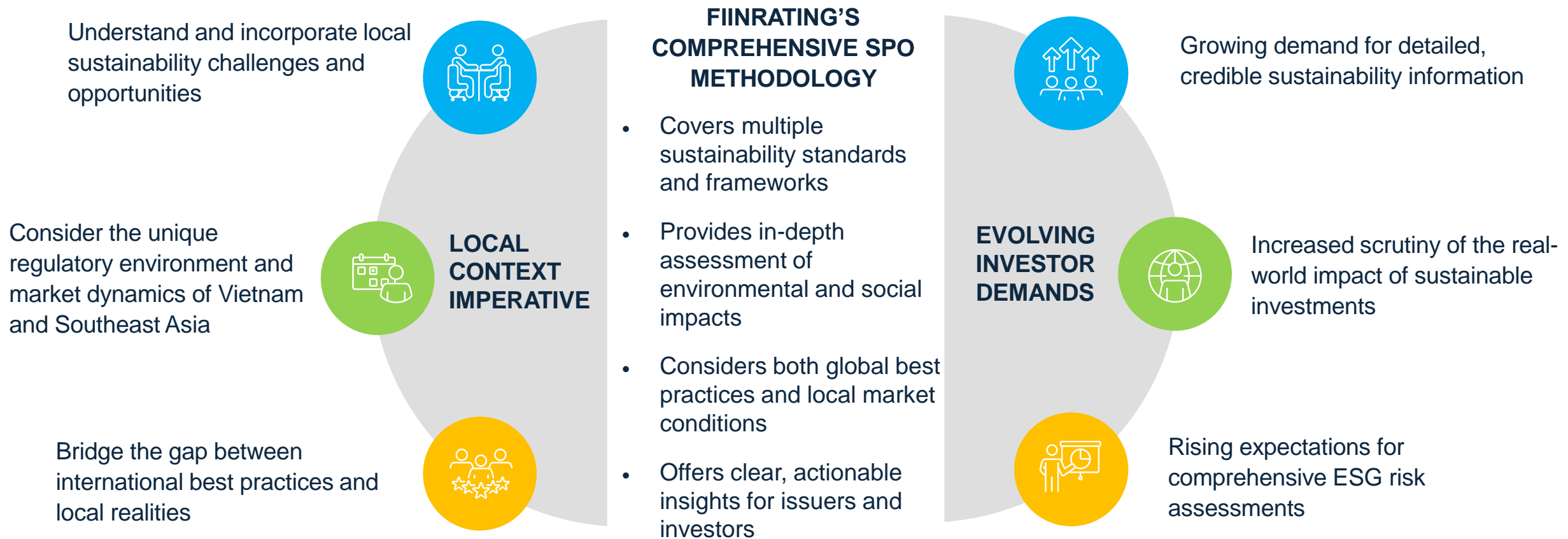
- Providing independent, objective assessments of sustainability claims
- Enhancing transparency and credibility in the sustainable finance market
- Helping investors distinguish between genuine sustainable investments and those that merely pay lip service to sustainability

### COMPLEXITY

- Multiple, sometimes overlapping sustainability standards and frameworks
- Varying definitions of 'green' and 'sustainable' across jurisdictions
- Rapid evolution of sustainability criteria and performance metrics
- Greenwashing risks: the practice of making unsubstantiated or misleading claims about the sustainability characteristics of a financial product

## 2. The Need for Comprehensive Second-Party Opinions

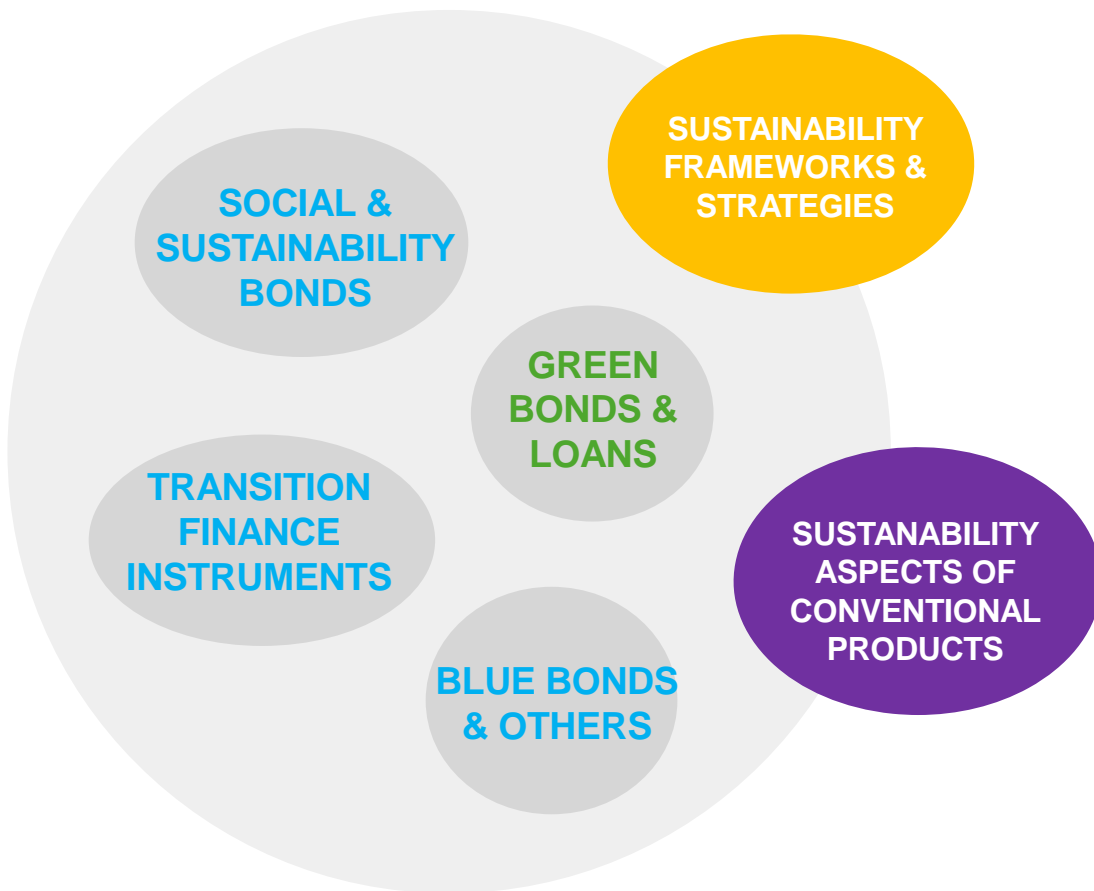
*The sustainable finance market in Vietnam and Southeast Asia is experiencing unprecedented growth, driven by increasing awareness of environmental and social challenges, evolving regulatory landscapes, and shifting investor preferences. This rapid expansion brings both opportunities and challenges, underscoring the critical need for comprehensive, reliable Second-Party Opinions.*



### 3. FiinRatings' Approach to Second-Party Opinions

*At FiinRatings, we've developed a distinctive approach to Second-Party Opinions that addresses the evolving needs of the sustainable finance market in Vietnam. Our methodology goes beyond traditional assessments to provide a more comprehensive, nuanced, and impactful evaluation.*

*The broad scope of our Second-Party Opinions allows us to provide a more holistic view of an entity's sustainability efforts and impacts*



**Multi-Standard Approach:** Our approach incorporates multiple sustainability standards and frameworks, providing a comprehensive evaluation that considers:

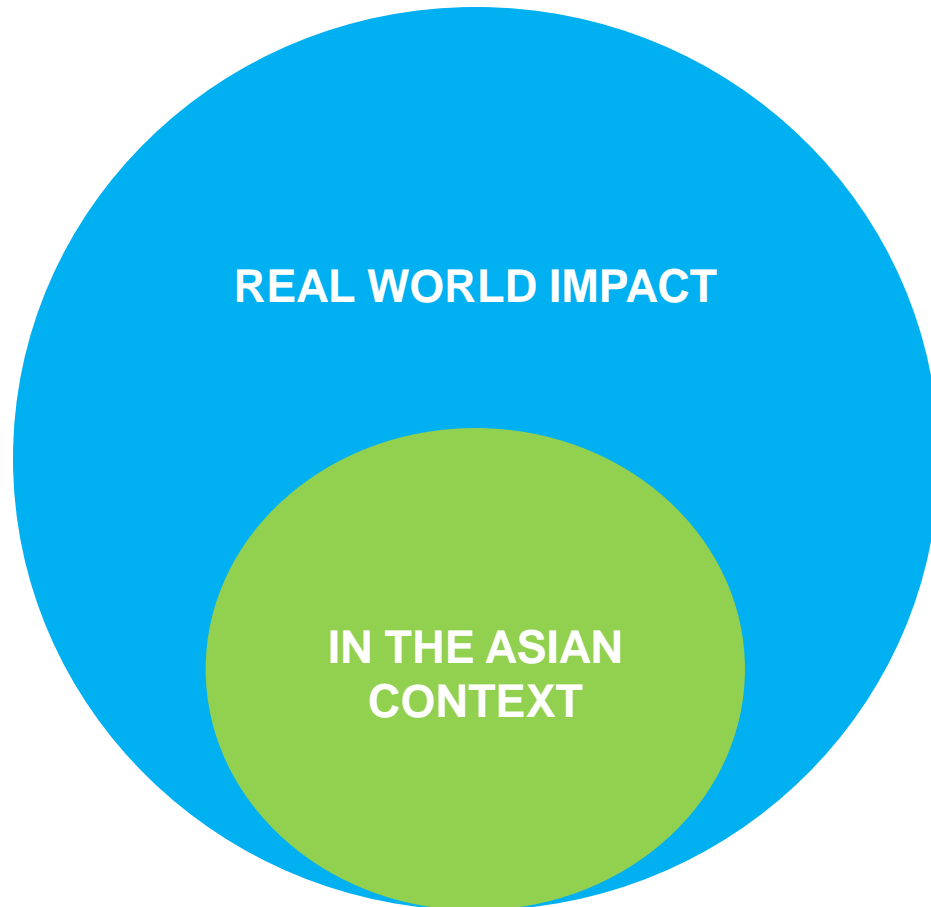
- **Global standards:** Green Bond Principles, Climate Bonds Standard
- **Regional frameworks:** ASEAN Taxonomy for Sustainable Finance
- **Local regulations:** Upcoming Vietnam Green Taxonomy
- **Investment principles:** UN Principles for Responsible Investment (UN-PRI)
- **Impact-focused approaches:** Sustainable Development Investments (SDIs) Taxonomy

By assessing against multiple standards, we offer a **more robust and globally relevant opinion while ensuring local applicability.**



### 3. FiinRatings' Approach to Second-Party Opinions

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#### STRONG EMPHASIS ON ASSESSING REAL-WORLD ENVIRONMENTAL & SOCIAL OUTCOMES

- Detailed evaluation of projected and actual sustainability impacts
- Consideration of both positive contributions and potential negative externalities
- Assessment of the long-term sustainability trajectory of the entity or project

#### ADDRESS THE SPECIFIC SUSTAINABILITY CHALLENGES & OPPORTUNITIES IN VIETNAM AND THE BROADER SOUTHEAST ASIAN REGION

- Consideration of local environmental priorities (e.g., climate resilience, biodiversity conservation)
- Evaluation of social impacts in the context of regional development goals
- Alignment with national and regional sustainability strategies and regulations

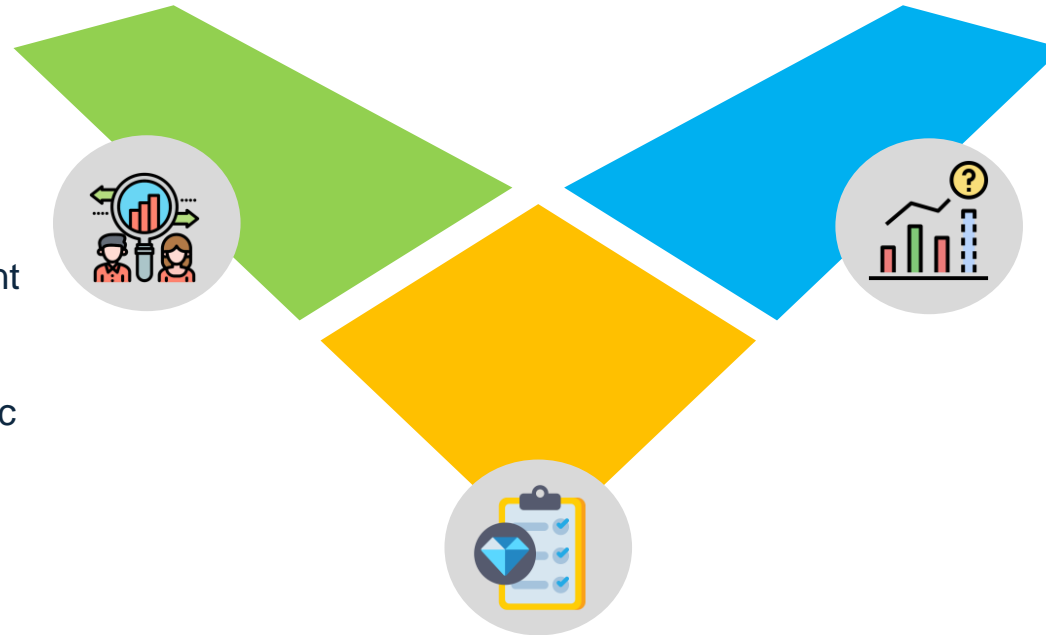


### 3. FiinRatings' Approach to Second-Party Opinions

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#### INTEGRATION OF QUANTITATIVE AND QUALITATIVE ANALYSES

- Data-driven analysis of sustainability metrics and KPIs
- In-depth qualitative assessment of governance structures, policies, and practices
- Consideration of sector-specific sustainability issues and best practices



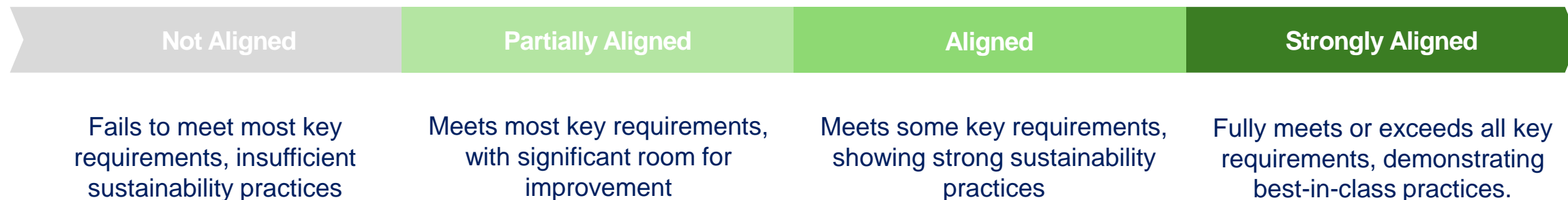
#### FUTURE TRAJECTORIES

- Evaluation of sustainability strategies and transition plans
- Assessment of an entity's adaptability to evolving sustainability challenges
- Consideration of emerging risks and opportunities in the sustainability landscape

**FiinRatings' Second-Party Opinions provide valuable insights** that go beyond simple compliance checks. **We aim to foster genuine progress in sustainable finance**, helping issuers improve their sustainability practices and enabling investors to make more informed decisions.

## 4. Key Features of Our Methodology

***Rigorous Assessment Process with Clear, Four-Tier Alignment Scale: Our evaluation process is structured and transparent, culminating in a clear alignment rating***



***In-Depth Evaluation of Environmental, Social, and Governance Factors: We conduct a thorough analysis across all ESG dimensions***



### ENVIRONMENTAL

- Climate change mitigation and adaptation
- Resource efficiency and circular economy
- Biodiversity and ecosystem conservation



### SOCIAL

- Human rights and labor standards
- Community impact and engagement
- Product responsibility and customer welfare



### GOVERNANCE

- Corporate governance structures
- Business ethics and transparency
- Risk management and stakeholder engagement

# 4. Key Features of Our Methodology

*Consideration of Sector-Specific Sustainability Issues: We recognize that sustainability challenges and opportunities vary across industries. Our methodology incorporates:*

Consideration of Sector-Specific Sustainability Issues	Transparent Reporting and Disclosure Practices	Continuous Improvement and Adaptation
<p>We recognize that sustainability challenges and opportunities vary across industries. Our methodology incorporates:</p> <ul style="list-style-type: none"><li>Sector-specific sustainability criteria and benchmarks</li><li>Industry best practices and emerging trends</li><li>Tailored assessment of material ESG risks and opportunities for each sector</li></ul>	<p>Our Second-Party Opinion reports are designed to provide clear, comprehensive, and actionable insights:</p> <ul style="list-style-type: none"><li>Executive summary with key findings and alignment rating</li><li>Detailed assessment against each relevant standard</li><li>In-depth analysis of environmental and social impacts</li><li>Evaluation of governance structures and processes</li><li>Recommendations for improvement and ongoing monitoring</li></ul>	<p>Our methodology is not static. We are committed to:</p> <ul style="list-style-type: none"><li>Regular reviews, updates to reflect evolving sustainability standards and market practices</li><li>Incorporation of feedback from issuers, investors, and other stakeholders</li><li>Ongoing research to enhance our assessment techniques and metrics</li></ul>

## 5. Standards Covered

*FiinRatings' Second-Party Opinion methodology incorporates a comprehensive range of global, regional, and local sustainability standards.*



### GREEN BOND PRINCIPLES (GBP)

Developed by the **International Capital Market Association (ICMA)**, the GBP are voluntary process guidelines for issuing green bonds.

#### Key Components

- Use of Proceeds
- Process for Project Evaluation and Selection
- Management of Proceeds
- Reporting

#### Our Approach

- Assess alignment with each component
- Evaluate the quality and impact of eligible green projects
- Review transparency and reporting commitments



### CLIMATE BOND STANDARDS (CBS)

A certification scheme for bonds, loans, and other debt instruments to ensure they genuinely contribute to addressing climate change.

#### Key Features

- Sector-specific eligibility criteria
- Pre-issuance and post-issuance requirements
- Alignment with Paris Agreement goals

#### Our Assessment

- Verify compliance with sector criteria
- Evaluate issuer's internal processes and controls
- Assess ongoing monitoring and reporting mechanisms

## 5. Standards Covered

*FiinRatings' Second-Party Opinion methodology incorporates a comprehensive range of global, regional, and local sustainability standards. This multi-standard approach ensures that our assessments are both internationally recognized and locally relevant. Here's an in-depth look at the key standards we cover:*

### KEY ASPECTS

#### ASEAN TAXONOMY FOR SUSTAINABLE FINANCE

A classification system to guide capital flows towards sustainable activities in the ASEAN region.

Taxonomy structure includes (i) Foundation Framework and (ii) Plus Standard

#### UPCOMING VIETNAM GREEN TAXONOMY

##### Expected features:

- Alignment with national climate and environmental targets
- Sector-specific criteria for Vietnamese industries

#### SUSTAINABLE DEVELOPMENT INVESTMENTS (SDIs) TAXONOMY

A classification system that links investments to their contribution to UN Sustainable Development Goals (SDGs).

- SDG alignment
- Impact measurement and management

### OUR ASSESSMENT

- Assess alignment with environmental objectives
  - Review technical screening criteria compliance
  - Evaluate contribution to ASEAN sustainability goals
- 
- Monitor development and incorporate upon release
  - Ensure alignment with local regulatory requirements
  - Provide insights on potential impacts on issuers and investors
- 
- Assess contribution to specific SDGs
  - Evaluate impact measurement methodologies
  - Review alignment with SDI Asset Owner Platform guidance

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### KEY ASPECTS

#### UN PRINCIPLES FOR RESPONSIBLE INVESTMENT (UN-PRI)

Six principles:

- Incorporate ESG issues into investment analysis and decision-making processes
- Be active owners and incorporate ESG issues into ownership policies and practices
- Seek appropriate disclosure on ESG issues by the entities invested in
- Promote acceptance and implementation of the Principles within the investment industry
- Work together to enhance effectiveness in implementing the Principles
- Report on activities and progress towards implementing the

### OUR ASSESSMENT

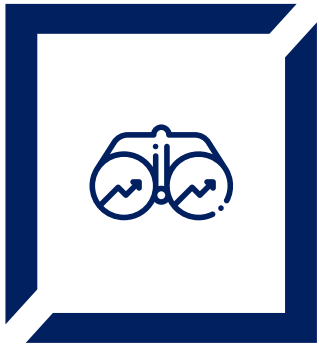
- Evaluate alignment with each principle
- Review implementation strategies and practices
- Assess reporting and disclosure quality

*By covering this comprehensive range of standards, FiinRatings ensures that our Second-Party Opinions provide a holistic view of sustainability alignment. We continuously monitor the evolution of these standards and incorporate updates into our methodology to maintain its relevance and effectiveness.*

*This approach allows us to offer insights that are globally recognized, regionally relevant, and locally applicable, providing valuable guidance for both issuers and investors in the rapidly evolving sustainable finance landscape.*

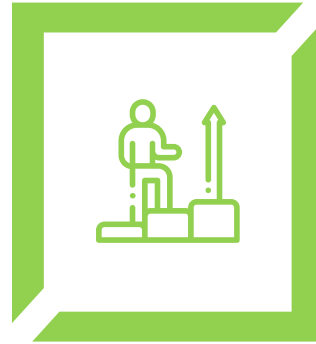
## 6. Our Commitment

*At FiinRatings, our commitment to excellence in sustainable finance assessment goes beyond just providing Second-Party Opinions. We are dedicated to continuous improvement, market engagement, and the advancement of sustainable finance in Vietnam and the broader Southeast Asian region.*



### Methodology Adaptation & Improvement

We recognize that the sustainable finance landscape is rapidly evolving, and our methodology must keep pace



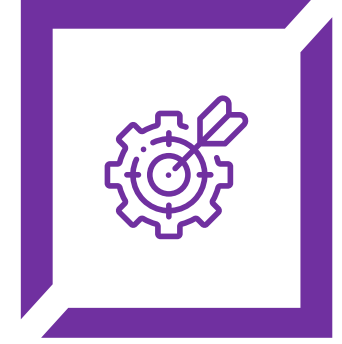
### Market participants & Regulator Engagement

We believe that close collaboration with the market is crucial for the development of effective and relevant assessment methodologies.



### Research & Development Investment

We are committed to staying at the forefront of sustainable finance assessment through continued investment in R&D.



### Sustainable Finance Advancement

We see our role as not just service providers, but as active contributors to the growth and maturation of the sustainable finance market.



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### Methodology Adaptation & Improvement



#### Regular Reviews

- Systematic annual review of our methodology
- Ad-hoc updates in response to significant market developments



#### Incorporation of Feedback

- Active solicitation of feedback from issuers, investors, and other stakeholders
- Transparent process for considering and implementing methodological improvements



#### Alignment with Emerging Best Practices

- Ongoing monitoring of global sustainable finance trends
- Swift incorporation of new standards and frameworks as they emerge

### Market participants & Regulator Engagement



#### Stakeholder Dialogues

- Regular roundtable discussions with issuers, investors, and other market participants
- Active participation in industry forums and working groups



#### Regulatory Engagement

- Close cooperation with local and regional financial regulators
- Contribution to the development of sustainable finance regulations and guidelines



#### Knowledge Sharing

- Publication of thought leadership papers on sustainable finance trends
- Hosting of educational seminars and workshops for market participants

## 6. Our Commitment

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### Research & Development Investment



#### Data Analytics

- Development of advanced data analysis tools for ESG assessment
- Exploration of AI and machine learning applications in sustainability evaluation



#### Impact Measurement

- Research into innovative methodologies for quantifying environmental and social impacts
- Development of sector-specific impact metrics and benchmarks



#### Scenario Analysis

- Integration of climate scenario analysis into our assessment methodology
- Development of tools for assessing long-term sustainability risks and opportunities

### Sustainable Finance Advancement



#### Market Development Initiatives

- Collaboration with stock exchanges on sustainable finance product development
- Support for the establishment of local green finance associations



#### Capacity Building

- Provision of training programs for issuers and investors
- Development of educational resources on sustainable finance



#### Promoting Standardization

- Active participation in efforts to harmonize sustainable finance standards
- Advocacy for consistent and comparable ESG disclosure practices



*Through these commitments, FiinRatings aims to not only provide high-quality Second-Party Opinions but also to play a pivotal role in shaping the future of sustainable finance in Vietnam and Southeast Asia. We are dedicated to fostering a robust, transparent, and impactful sustainable finance ecosystem that drives genuine progress towards sustainability goals.*

## 7. Benefits of FiinRatings' Second-Party Opinion

*FiinRatings' comprehensive approach to Second-Party Opinions offers significant advantages to issuers, investors, and the broader sustainable finance ecosystem. Our methodology is designed to provide value beyond mere compliance checks, delivering insights that drive genuine sustainability progress.*

### ◆ Enhanced Credibility

Our rigorous and transparent assessment process bolsters the credibility of sustainable finance instruments and frameworks

### ◆ Comprehensive Assessment

Our multi-standard approach provides a holistic view of sustainability alignment.

### ◆ Tailored Insights

Our deep understanding of local contexts provides unique value



### ◆ Sustainable Finance Development

Our Second-Party Opinions contribute to the growth and maturation of the sustainable finance market

### ◆ Transparency Promotion

Our comprehensive reports and clear recommendations drive continuous improvement

## 7. Benefits of FiinRatings' Second-Party Opinion

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### ◆ Enhanced Credibility

For Issuers and Investors



#### For Issuers

- Independent validation of sustainability claims
- Demonstration of commitment to best practices
- Potential for improved investor confidence and broader market access



#### For Investors

- Reliable third-party assessment to inform investment decisions
- Mitigation of greenwashing risks
- Enhanced due diligence and risk management

### ◆ Comprehensive Assessment

Across Multiple Standards



#### Global Recognition

- Alignment with internationally recognized standards ensures global relevance
- Facilitates access to international sustainable finance markets



#### Local Applicability

- Incorporation of regional and local standards ensures contextual relevance
- Supports compliance with emerging local regulations



#### Futureproofing

- Assessment against multiple standards helps prepare for evolving regulatory landscapes
- Identifies areas for improvement to meet future sustainability requirements

## 7. Benefits of FiinRatings' Second-Party Opinion

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### ◆ Tailored Insights

For Vietnamese and Southeast Asian Markets



#### Market-Specific Analysis

- Consider local sustainability challenges and opportunities
- Align with regional development goals and priorities



#### Regulatory Navigation

- Insights on compliance with current and upcoming local regulations
- Guidance on adapting global standards to local contexts



#### Competitive Positioning

- Benchmarking against regional peers and industry best practices
- Identification of sustainability leadership opportunities in the local market

### ◆ Sustainable Finance Development

Support the Ecosystem



#### Market Education

- Raise awareness of sustainability standards and best practices
- Promote understanding of ESG risks and opportunities



#### Capacity Building

- Help issuers develop robust sustainability frameworks and practices
- Support investors in enhancing their ESG integration capabilities



#### Market Education

- Contribute to the standardization of sustainability assessments
- Enhance transparency and comparability in the market

## 7. Benefits of FiinRatings' Second-Party Opinion

*FiinRatings' comprehensive approach to Second-Party Opinions offers significant advantages to issuers, investors, and the broader sustainable finance ecosystem. Our methodology is designed to provide value beyond mere compliance checks, delivering insights that drive genuine sustainability progress.*

### ◆ Transparency Promotion

Along with Best Practices



#### Detailed Insights

- In-depth analysis of strengths and areas for improvement
- Actionable recommendations for enhancing sustainability practices



#### Ongoing Guidance

- Support for post-issuance reporting and impact measurement
- Insights on emerging trends and evolving best practices



#### Stakeholder Communication

- Clear, comprehensive reports to facilitate stakeholder engagement
- Support for enhanced sustainability disclosure and reporting



*By leveraging FiinRatings' Second-Party Opinions, market participants can navigate the complex sustainable finance landscape with greater confidence and effectiveness. Our tailored, comprehensive approach not only supports individual transactions but also contributes to the overall development of a robust, credible sustainable finance market in Vietnam and Southeast Asia.*

## 8. About FiinRatings

### About FiinRatings

- Licensed by the Ministry of Finance, the main services offered by FiinRatings are:
  - Issuer Credit Ratings
  - Issue Credit Ratings
  - Services For Investors
  - Green Bond Verification

### Partnership

**S&P Global**  
Ratings



### Climate Bonds INITIATIVE

- **Climate Bonds Initiative (CBI):** an international organisation working to mobilise global capital for climate action. We achieve this through the development of the Climate Bonds Standard and Certification Scheme, Policy Engagement and Market Intelligence work.
- The organization has 100+ partners including Banks, Funds, Data Providers, Stock Exchanges.
- This is the only certification widely used in 30 countries. The Climate Bond Certified Mark “Certification Mark” is used to designate Certified Climate Bonds, Certified Climate Loans and Certified Climate Debt Instruments.

### FiinRatings’ role in the green finance market

- **FiinRatings/ FiinGroup** has been officially approved by the Climate Bonds Initiative (CBI) as the first authorized company in Vietnam.
- FiinRatings directly works with issuers to verify their assets and projects in compliance with CBI's green bond standards.
- Support CBI by providing assurance reports to issue green bond certification.
- Other services include: Second Party Opinion, E&S Evaluation, E&S implementation, Green finance training



If you have any questions, please kindly contact us:

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FiinRatings provides credit ratings and research 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. For more information, please visit <https://www.fiinratings.vn>

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