

CARBON FOOTPRINT REPORT OF VIETNAM HOLDING'S INVESTMENT PORTFOLIO, 2020

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Conducted by:



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Executive summary

In the two consecutive years 2019-2020, Vietnam Holding Limited (VNH) has contracted with Energy and Environment Consultancy JSC (VNEEC) to conduct independent assessment of its portfolio's carbon footprint.

The 2020 report has been done in the context of dramatical changes in climate change policies of Vietnam and international levels. In Vietnam, with the pass of the revised Law on Environmental Protection in November 2020 (Environmental Law 2020) and its entry into force in January 2022, reporting on Greenhouse Gas (GHG) emissions to the government is officially required for certain enterprises which will be defined in the Government's Decree Regulations on GHG Emissions Reduction and Ozone Layer Protection. This means the report on carbon emissions will be compulsory for a number of companies listed in Vietnam Stock Exchange Market (VN Market) from 2022 onwards. At the international level, with the U.S. back in the Paris Agreement right after the inauguration of President Joe Biden, the global community gains momentum in pursuing the critical goal of keeping global warming below 1.5 degrees. This action encourages the international communities to increase the ambition of our climate mitigation.

In this context, the continuing effort of VNH for regular assessment of its portfolio carbon footprint provides a good and pioneering sustainability practice in the Vietnam equity market in terms of sector allocation and stock selection taking into account the investment climate impacts.

The methodologies applied in this study are based upon the internationally recognised Intergovernmental Panel on Climate Change (IPCC) Guidelines and the GHG Protocol developed by World Resources Institute and the World Business Council for Sustainable Development). The carbon footprint of VNH portfolio is achieved by quantifying a carbon emission of each individual holding encapsulating both direct and first tier indirect impacts.

In 2020, the VNH's investment portfolio has a total of 21,045 tonnes carbon dioxide equivalents (tCO₂e) emission from Scopes 1 & 2. The carbon footprint of the portfolio in 2020 is significantly lower when compared against the benchmark of an equivalent investment size in VN Market¹, with 32% or 9,820 tCO₂e less total carbon emissions. This positive performance was the result of both sector allocation and stock selection. Compared to 2019 value, the total carbon emissions of the 2020 portfolio are slightly higher due to the increased investment in the Industrial and Materials sectors. Nevertheless, the Fund has chosen to invest in the best-in-class companies of the Industrial and Materials sectors. Hoa Phat Group JSC (HPG) which is the main contributor to the portfolio's total carbon emissions and has the emission per ton of crude steel lower than its peers in the Vietnamese steel industry.

¹ In this study, the benchmark is defined as all stocks listed in both Hochiminh Stock Exchange (HoSE) and Hanoi Stock Exchange (HNX) or in short is called VN Market.