

Vietnam Green Bond Market: 2025 Review and Outlook

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List of Abbreviations

No.	Abbreviation	Full name
1	AIA	AIA Group (institutional investor referenced in the report)
2	BIDV	Bank for Investment and Development of Vietnam
3	BII	British International Investment
4	BPG	Binh Thuan Plastic Group
5	CBAM	Carbon Border Adjustment Mechanism (EU)
6	CBI	Climate Bonds Initiative
7	CGIF	Credit Guarantee and Investment Facility
8	CIT	Corporate Income Tax
9	DFI	Development Finance Institution
10	DPPA	Direct Power Purchase Agreement
11	ESG	Environmental, Social, and Governance
12	ESMS	Environmental and Social Management System
13	EU	European Union
14	FCY	Foreign Currency
15	FMO	Dutch Entrepreneurial Development Bank
16	GBF	Green Bond Framework
17	GBP	Green Bond Principles (ICMA)
18	GGGI	Global Green Growth Institute
19	GSS	Green, Social, and Sustainability (bonds)
20	HNX	Hanoi Stock Exchange
21	HSBC	Hongkong and Shanghai Banking Corporation
22	ICMA	International Capital Market Association
23	IFC	International Finance Corporation

24	IRR	Internal Rate of Return
25	JSC	Joint Stock Company
26	LCY	Local Currency
27	MSB	Maritime Commercial Joint Stock Bank
28	PO	Public Offering
29	PP	Private Placement
30	QH15	15th National Assembly of Vietnam (as in Law No. 67/2025/QH15)
31	SBV	State Bank of Vietnam
32	SPO	Second Party Opinion
33	USD	United States Dollar
34	VCB	Vietcombank (Joint Stock Commercial Bank for Foreign Trade of Vietnam)
35	VND	Vietnamese Dong
36	VSCD	Vietnam Securities Depository and Clearing Corporation

Executive Summary

- **Green and Sustainability Bonds: Vietnam's GSS bond market recorded VND 3,407 billion across 5 transactions in 2025**, down from VND 10,325.1 billion across 6 in 2024, with all issuances meeting international standards. The volume decline reflects a deliberate "less volume, higher quality" shift non-financial sector participation grew, issuer diversity widened, and disclosure practices strengthened, signaling a market that prioritizes credibility over rapid expansion. A landmark transaction was Xuan Mai – Hanoi's 20-year green project bond, the longest corporate bond tenor in Vietnam in over a decade, demonstrating the structural tenor advantages green bonds can unlock, particularly for infrastructure-oriented issuers.
- **Green Credit: Outstanding green loans reached 780 trillion VND by end-2025, an increase of almost 15% compared to the previous year and representing 4.2% of total economy-wide credit**, sustained by an average annual growth rate of 21.2% over 2017–2024. Renewable and clean energy remains the dominant use-of-proceeds category at over 37%, followed by green agriculture. The introduction of the National Green Taxonomy in 2025 marks a key milestone in institutionalizing green credit classification across the banking sector.
- **Emerging Instruments: Beyond green bonds and credit, Vietnam's sustainable finance toolkit is broadening.** Social bonds and sustainability-linked bonds are gaining early traction, offering more flexible pathways for issuers with diversified business activities not fully captured by green eligibility criteria. Transition bonds are receiving growing attention — particularly in the context of CBAM's implementation in January 2026, which exposes Vietnam's steel, cement, and aluminum sectors to escalating carbon costs. For these hard-to-abate industries, transition bonds represent a strategically important financing instrument for the decarbonization journey. Blue bonds also present significant longer-term potential, given Vietnam's 3,260-kilometre coastline and growing sustainable marine economy.
- **Policy Breakthroughs: Decision 21 introduced Vietnam's first unified Green Taxonomy, reducing classification ambiguity for issuers and lenders**, while Resolution 198's proposed 2% interest rate subsidy signals meaningful fiscal support to lower financing costs. The 2025 Corporate Income Tax Law strengthens the incentive landscape by exempting investor-side income from green bond holdings, improving the effective cost of capital for issuers. The December 2025 launch of IFC Vietnam — with green finance and ESG explicitly designated as a priority business category — reinforces a more coordinated and forward-looking policy environment. On the enabling infrastructure side, the DPPA framework (Decrees 57 & 58) opens direct power purchase agreements for renewable energy, creating new financing opportunities for corporate issuers in the energy transition. Structural gaps nonetheless persist: operationalization guidance under Decision 21 remains incomplete, leaving issuers uncertain on application, and bank-level preferential credit programs remain unevenly accessible, largely favouring larger, better-capitalised enterprises.
- **Market Dynamics — Voluntary Momentum Meets Regulatory Push: Vietnam's green bond market operates primarily on voluntary momentum rather than regulatory compulsion.** On the supply side, issuers have come to market to access diversified capital, strengthen ESG

credentials, and build internal governance capacity — for first-time corporate issuers such as Miza and BPG, developing a Green Bond Framework was as much an institutional strengthening exercise as a financing decision. Central to this process is the Green Bond Framework (GBF) and an independent Second Party Opinion (SPO), which together form the credibility foundation required by institutional investors. Market-building support has also contributed to the development of Vietnam's green and sustainable bond market, including through locally based Second Party Opinion (SPO) services aligned with internationally recognized principles, such as those provided by FiinRatings, and technical assistance for green bond framework development and issuer readiness, such as support provided by GGGI's Green Bond Readiness Programme.

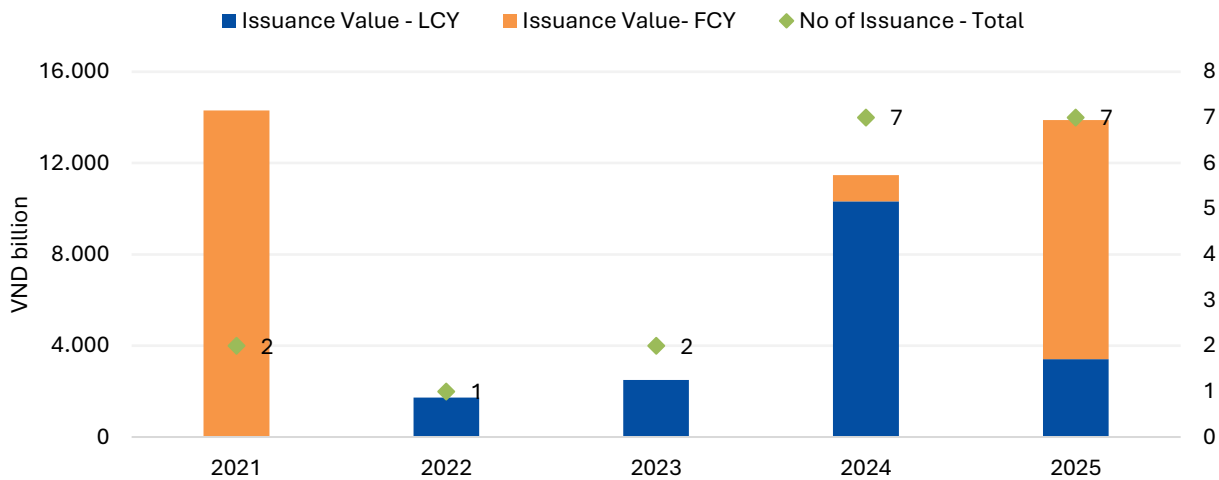
■ **Outlook & Opportunities: Vietnam's sustainable finance market is at an inflection point, where voluntary issuer momentum and a strengthening regulatory environment are beginning to converge.** Meeting Vietnam's climate targets will require an estimated USD 368 billion in green and transition finance by 2040 (World Bank), with nearly half expected from the private sector, anchored by renewable energy as the dominant financing need. For enterprises that have already built green bond frameworks and internal governance capacity, this convergence represents a clear first-mover advantage, as incentives sharpen and the investor base broadens, early adopters will be better positioned to access preferential financing, attract international ESG-mandated investors, and benefit from longer tenors as the market matures. The trajectory is clear; the question is how quickly policy intent translates into market depth.

Note: This report provides a practical review of key developments in Vietnam's green and sustainable bond market during 2025, covering market activity, policy developments, emerging financing instruments, and practical implications for issuers. It is intended to support policymakers, financial institutions, investors, corporates, and other market participants in understanding recent market developments and emerging trends. While the report is intended for a broad range of market participants, it places particular emphasis on practical implications for potential issuers, given the early stage of Vietnam's green and sustainable bond market and the need to strengthen issuer readiness.

1. Market Developments in Vietnam 2025

1.1. Green and Sustainability Bonds

Exhibit 1: Green Bond Issuance value in LCY and FCY (2021-2025)

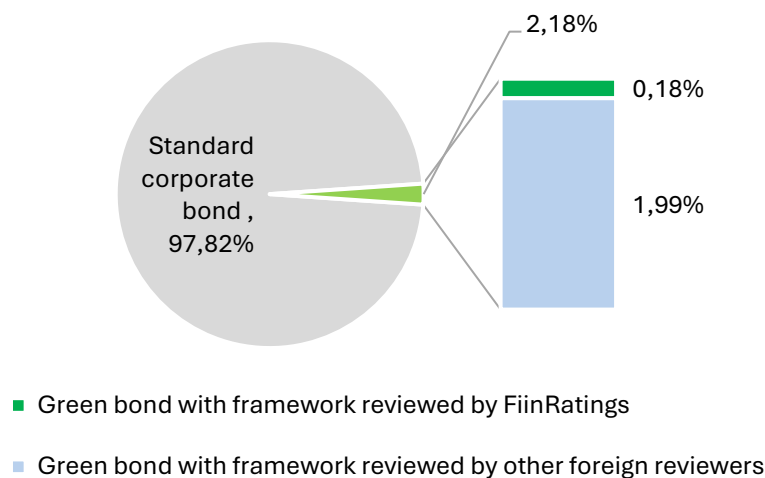


Note: LCY - Local Currency (VND); FCY - Foreign Currency (USD)

Source: FiinRatings

Vietnam's green bonds market recorded new issuance value of VND 3,407 billion in local currency across 5 transactions in 2025, down from VND 10,325.1 billion across 6 transactions in 2024. Looking at the five-year picture, as mentioned above, the keyword for 2025 is 'less volume, higher quality', while new issuance value declined compared to 2024, the five-year pattern reveals a positive step forward in Vietnam's green bond market. Furthermore, 2025 saw greater diversity in green bond issuers compared to the previous four to five years, we will analyze this in greater detail in the following section.

Exhibit 2: Vietnam Green Bond Market in 2025



Source: FiinRatings

Vietnam's green bonds market in 2025 in local currency was led predominantly by financial institutions, which accounted for nearly 79% of total issuance value, while the manufacturing, water management

sectors made up the remaining 21% - split roughly 12% and 9% respectively.

All five 2025 LCY green bond issuances obtained pre-issuance external reviews in the form of Second Party Opinions (SPOs) on their Green Bond Frameworks. Three out of five SPOs were conducted by FiinRatings, Vietnam's first domestic SPO provider and the only CBI-approved verifier in the country. The remaining two were conducted by international reviewers. Notably, all reports were issued on a pre-issuance basis, consistent with ICMA Green Bond Principles' best practice.

Exhibit 3: Transaction details: Green and Sustainability Bonds Issued in 2025 (LCY)

No.	Issuer	Bond Type	Bond Value (VND billion)	Tenor	Announcement Date	Applicable Principles	Green SPO Provider	Domestic Credit Rating Result
1	Xuan Mai – Hanoi Clean Water Transmission Company Limited	Green Bond	317.2	20-year	08/04/2025	ICMA	 FiinRatings A Strategic Partner of S&P Global	Issuer credit rating: BB ; Bond rating: AAA , assigned by FiinRatings
2	Vietnam Maritime Commercial Joint Stock Bank (MSB)	Sustainable Bond	680	5-year	11/07/2025	ICMA		Issuer credit rating: A , assigned by FiinRatings
3	Miza Nghi Son Company Limited	Green Bond	150	7-year	26/12/2025	ICMA	 FiinRatings A Strategic Partner of S&P Global	Issuer credit rating: BBB- , assigned by Thien Minh Rating
4	Binh Thuan Plastics Group Joint Stock Company	Green Bond	260	7-year	05/12/2025	ICMA	 FiinRatings A Strategic Partner of S&P Global	Issuer credit rating: BBB- ; Bond rating: AAA , assigned by FiinRatings
5	Joint Stock Commercial Bank for Foreign Trade of Viet Nam (Vietcombank)	Sustainable Bond	2,000	2-year	18/12/2025	ICMA		Issuer credit rating: AAA ; Bond rating: AAA , assigned by FiinRatings
Total			3,407.2					

Note: SPO - Second Party Opinion

Source: FiinRatings

In terms of tenor, the 2025 cohort showed a widespread. From VCB's 2-year issuance and MSB's 5 year notes to Miza's 7-year bond – with most transactions carrying tenors under seven years. This concentration, however, reflects the composition of 2025 issuers rather than a structural preference: financial institutions typically issue at shorter tenors to match their liability profiles, while infrastructure-oriented issuers have demonstrated appetite for significantly longer maturities. As Phase 2 of AquaOne's green financing program, building on the 20-year Xuan Mai – Ha Noi issuance in 2024, the Xuan Mai – Ha Noi 20-year green project bond stands among the longest corporate bond tenors in Vietnam in over a decade, providing a more representative signal of evolving market dynamics as green bonds expand beyond financial institutions into project finance and infrastructure.

Based on our analysis, financial institutions structured their sustainability bond frameworks broadly, covering diverse project categories including renewable energy, clean transportation, sustainable water management, and green buildings, all aligned with the international principles. Non-financial corporates, by contrast, took a narrower approach: Miza focused on circular economy, energy efficiency, wastewater management; Xuan Mai – Ha Noi on sustainable water treatment, each reflecting the specific environmental footprint of their core operations. Notably, while few frameworks were developed under international principles, the subsequent introduction of Vietnam's Green Taxonomy under Decision 21 provides issuers with a nationally recognized classification reference that future frameworks can additionally align with.

Compared to local currency (LCY) issuances, the number of foreign currency (FCY) GSS bond issuances

have been considerably more limited in number over the past five years. However, their total issuance value remains significant, reaching approximately USD 1,075 million across only five transactions: BIM Land (2021), Vingroup (2021), SeABank (2024), and HDBank and VPBank (2025). Notably, in 2025, two FCY-denominated green and sustainability bond issuances totaling approximately USD 400 million were recorded, representing a significant milestone. This is particularly notable given that, since BIM Land and Vingroup's issuance in 2021, the market had not seen transactions of similar scale until 2025.

The investor base for LCY denominated domestic green bonds is predominantly composed of institutional investors, including AIA, Manulife, ...etc. By contrast, FCY denominated issuances by HDBank and VPBank have attracted international development finance institutions and impact investors, such as the International Finance Corporation (IFC), Dutch Entrepreneurial Development Bank (FMO), and British International Investment (BII), etc.

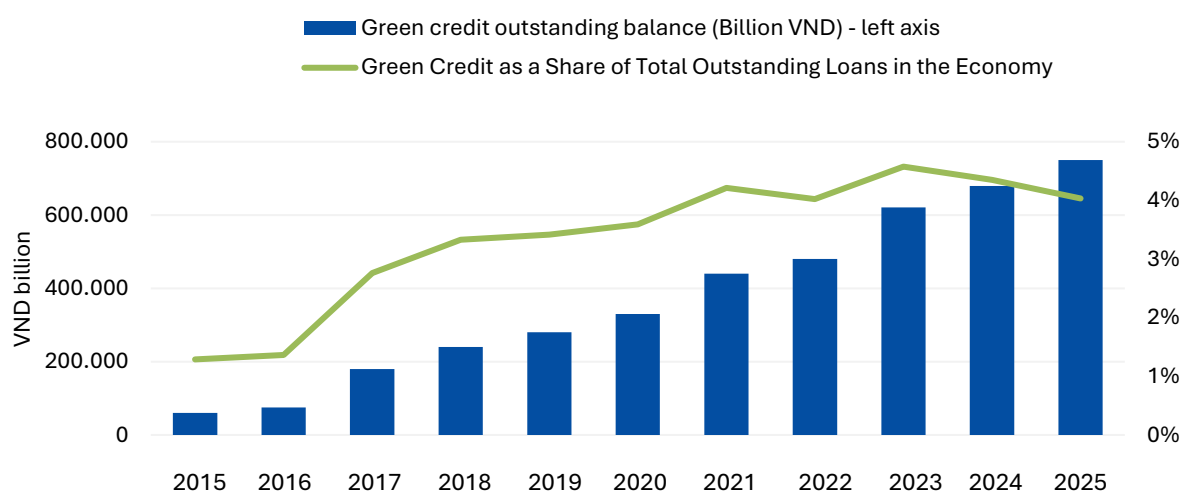
The majority of green bond issues in the market have been privately placed (PP), with only one green bond - FCY issued via public offering (PO) in 2021 over the past five years. While green bonds are becoming increasingly common in financial markets, corporates and banks in Vietnam's market have consistently favored the PP format over PO, driven by factors such as faster capital mobilization, greater confidentiality, and fewer procedural complexities compared to public offerings.

Beyond external reviews, technical assistance from development partners has also supported first-time issuers in preparing credible Green Bond Frameworks, strengthening internal governance, and navigating investor expectations. Initiatives such as GGGI's Green Bond Readiness Program have contributed to this process by providing targeted technical assistance to selected market participants.

1.2. Green Credit

Green credit as a share of total outstanding loans in the economy has grown significantly over the past decade, rising from VND 60,000 billion in 2015 to VND 780,000 billion in 2025, equivalent to an increase from 1% to over 4%. That said, a share of just almost 4.2% indicates that there remains substantial room for growth, with considerable potential for this market in the years ahead.

Exhibit 4: Vietnam green credit market (2015-2025)



Source: FiinRatings

By the end of 2025, outstanding green credit reached VND 780 trillion, while green credit has primarily focused on renewable and clean energy, accounting for over 37% of the total, followed by green agriculture, which accounts for over 29% according to State Bank of Vietnam.

Notably, the market has seen the emergence of targeted credit packages designed to lower the cost of green financing. TPBank has launched a VND 5,000 billion credit package for priority sustainable sectors, including renewable energy, clean energy, sustainable transportation, and sustainable agriculture, featuring promotional rates of 0% for the first three months. Similarly, BIDV offers interest rate reductions of up to 1.5% for eligible clean water projects. These initiatives reflect a broader shift among commercial banks toward deploying concessional green lending as both a competitive differentiator and a contribution to national sustainability targets.

1.3. Emerging Sustainable and Transition Instruments

Beyond green bonds and green credit, Viet Nam's sustainable finance market is beginning to show interest in a broader set of instruments, including sustainability-linked bonds, blue bonds, and transition bonds. These instruments remain at an early stage, but they are becoming increasingly relevant as Viet Nam seeks to deepen its capital markets, attract international investors, support industrial decarbonization, and advance its International Financial Center agenda.

Sustainability-linked bonds offer a more flexible pathway for issuers whose business activities are not fully captured by use-of-proceeds green bond criteria. Unlike green bonds, sustainability-linked bonds and loans do not require proceeds to be ring-fenced for specific eligible projects. Instead, financing terms are linked to predefined sustainability performance targets, such as emissions reduction, energy efficiency, or green certification. In Viet Nam, sustainability-linked loans have gained relatively more traction than sustainability-linked bonds, reflecting the country's bank-led financial system. Several international and domestic banks, including HSBC, Standard Chartered, Vietcombank, BIDV, Techcombank, and VPBank, have introduced or explored sustainability-linked loan structures, often in collaboration with development finance institutions.

Blue bonds also present longer-term potential, particularly given Viet Nam's coastline, marine economy, aquaculture sector, offshore renewable energy potential, and coastal ecosystem protection needs. However, there is currently no dedicated legal framework or established market identity for blue bonds in Viet Nam. Near-term development will likely depend on clearer eligibility guidance, bankable project pipelines, and investor appetite. International references, such as International Finance Corporation (IFC)'s Guidelines for Blue Finance, may provide useful benchmarks as the market evolves.

Transition bonds are also gaining relevance in the context of Viet Nam's industrial decarbonization agenda. For carbon-intensive and export-oriented sectors such as steel, cement, aluminum, manufacturing, logistics, and transport, the transition to lower-carbon production will require significant capital investment over time. International regulatory developments, including the EU's Carbon Border Adjustment Mechanism, are increasing attention on financing instruments that can support credible decarbonization pathways, while Viet Nam's domestic carbon market is also expected to increase compliance pressure on emissions-intensive sectors. In this context, transition bonds, sustainability-linked bonds, and sustainability-linked loans may become relevant tools, provided they are backed by robust targets, credible transition plans, and transparent reporting.

Overall, these emerging instruments should be viewed as complementary to Viet Nam's green bond and green credit markets, rather than as substitutes. As the regulatory framework matures and the International Financial Center agenda develops, Viet Nam has an opportunity to position itself not only around green finance, but also around sustainable, blue, and transition finance. Realizing this potential will require stronger disclosure standards, credible external review practices, clearer taxonomy alignment, and a broader investor base.

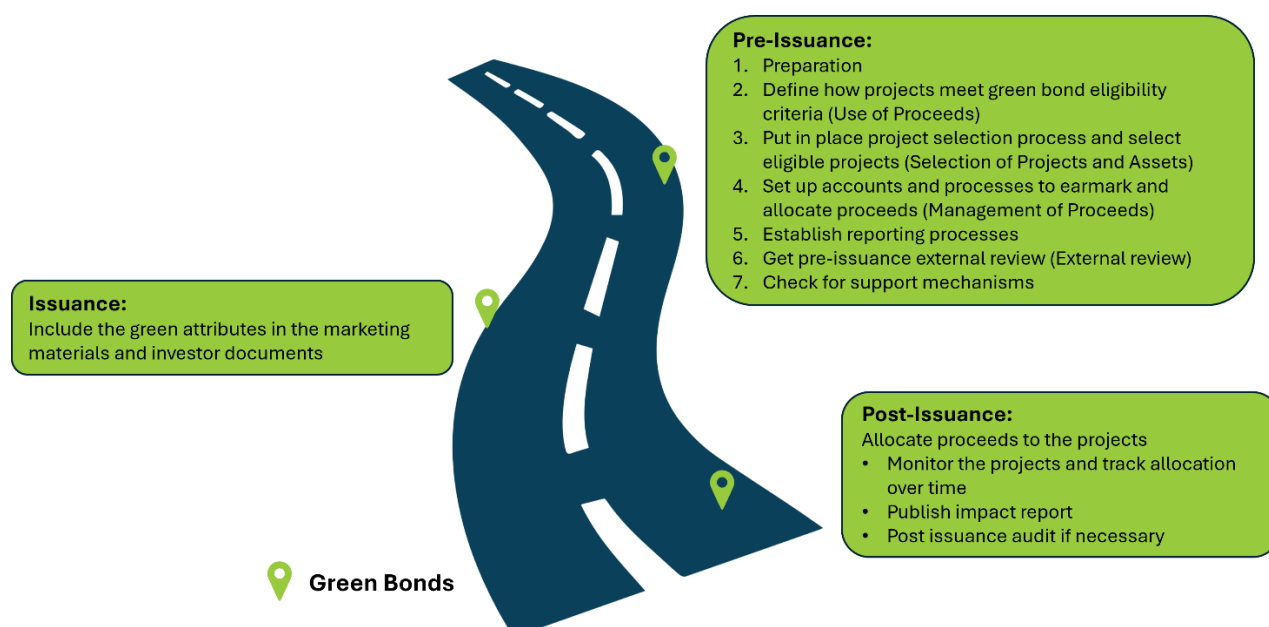
2. Green Bonds in Practice: Issuance Process and Market Outlook in Viet Nam

2.1. Green Bond Issuance Process

Before initiating a green bond issuance, enterprises must first establish a Green Bond framework (GBF) – a voluntary set of guidelines detailing how they will select, manage and report on projects funded by 'green bonds'. GBF is basically a formal document that articulates how the issuance aligns with recognized green finance principles, most commonly the ICMA Green Bond Principles. GBF serves as the foundational disclosure document for investors and is a prerequisite for obtaining an external review. In practice, the most widely adopted form of external review is a Second Party Opinion (SPO), issued by an independent reviewer who assesses whether the framework meets international standards/principles for green finance. Without a credible GBF and a corresponding verification, a bond cannot be credibly marketed as "green" in the eyes of institutional investors.

For enterprises, GBF is not only a technical exercise, but also a declaration of sustainability strategy – articulating how the company's environmental goals are embedded into its business direction, and how the proceeds from the bond issuance will serve as a concrete instrument to pursue and achieve those goals. Companies that approach the GBF development process seriously often find it catalyzes internal alignment around ESG priorities and strengthens their narrative with both investors and regulators.

Exhibit 5: Green Bonds Issuance Process



Source: Climate Bonds Initiative

Issuing green bonds provides enterprises with several strategic and financial advantages, ranging from access to a broader investor base and potential pricing benefits, to enhanced corporate reputation and stronger alignment with ESG mandates.

Exhibit 6: Strategic and Financial Advantages of Issuing Green Bonds

Preferential capital and competitive pricing	Risk management and governance capacity	Reputation and brand enhancement	Investor base diversification	Competitive positioning
Green bonds enable companies to tap into dedicated pools of sustainable finance, often at more competitive interest rates compared to conventional bonds, particularly when the investor demand for ESG-aligned assets is strong.	The issuance process requires compliance with strict regulatory requirements and recognized frameworks before, during, and after issuance. → strengthens internal governance, improves transparency, and aligns the company with both domestic and international standards.	Adhere to environmental standards enhances corporate image among partners, customers, investors, reinforcing the company's long-term commitment to sustainability.	Green bonds attract institutional investors and dedicated sustainability-focused funds , reducing reliance on traditional bank lending and broadening access to capital markets.	By issuing green bonds, companies proactively align with the global green transition, improving their ability to participate in international supply chains that increasingly require strong environmental accountability.

Source: FiinRatings

Exhibit 7: Issuers and Investors Testimonials

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Following the initial second party opinion (SPO), we successfully issued VND 2,500 billion in green bonds and VND 3,000 billion in sustainability bonds in accordance with ICMA standards. Notably, BIDV's Green Bond Allocation Report underwent an independent assessment by FiinRatings, confirming that the project selection and allocation of green bond proceeds fully complied with the guidelines outlined in the Green Bond Framework.

Mr. Long Tran
Deputy CEO of BIDV



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The successful issuance of the VND 700 billion AAA-rated bond is a significant milestone in BIWASE Long An's development, reaffirming company's financial strength and commitment to sustainability. This achievement strengthens investor confidence and opens avenues for long-term capital mobilization to support clean water infrastructure and service.

Mr. Duc Tan Tran
Deputy General Director of BIWASE



Source: FiinRatings. Published with the speakers' consent.

Across issuers and investors, the message is consistent: a credible issuance process — anchored by a well-structured Green Bond Framework and an independent SPO from a reputable reviewer — is not a procedural formality, but a decisive factor in building transaction credibility, strengthening investor confidence, and elevating the issuer's standing in both domestic and international markets.

2.2. Market Outlook: Investor Demand, Policy Incentives, and Remaining Gaps

Viet Nam's green bond market is increasingly shaped by two reinforcing forces: voluntary market demand and a strengthening policy environment. On the market side, issuers are using green bonds to diversify funding sources, strengthen ESG credentials, and build internal governance capacity. On the

policy side, recent developments in green bonds, green credit, taxonomy, tax incentives, and preferential lending are beginning to create a more supportive enabling environment. The table below summarizes these two dynamics: investor pull from market participants and regulatory push through emerging policy incentives and remaining implementation gaps.

From an investor perspective, the development of credible green and sustainable bond instruments can help expand investable opportunities in Viet Nam while improving transparency around use of proceeds, environmental impact, and issuer governance. Institutional investors, particularly those with ESG mandates, are likely to place greater emphasis on the quality of Green Bond Frameworks, independent external reviews, post-issuance reporting, and the issuer's broader transition strategy. As the market develops, investor confidence will depend not only on the availability of labeled instruments, but also on the consistency and credibility of disclosure, verification, and impact reporting practices.

Investor Pull: Market Practice in a Voluntary Market	Regulatory Push: Incentives, Policy Signals and Remaining Gaps
Vietnam's green bond market today operates primarily on voluntary momentum rather than regulatory compulsion, and understanding who is driving that momentum, and why, is essential to assessing the market's near-term trajectory. On the supply side, issuers have come to market to access diversified capital, strengthen ESG credentials, and build internal governance capacity. For first-time corporate issuers such as Miza and BPG, developing a green bond framework was as much an institutional strengthening exercise as a financing decision. In practice, voluntary enterprise-driven dynamic is the more durable engine of market growth. Regulatory push tends to lag behind market practice, and Vietnam's green finance landscape is no exception, which makes the quality and credibility of the voluntary pipeline more significant.	<u>For Green Bonds</u> ■ Fee incentives (50% off VSDC custody & HNX transaction fees) have had limited impact — too small relative to total issuance costs ■ 2025 Corporate Income Tax Law (No. 67/2025/QH15) is the more consequential shift, introducing tax exemptions on: (i) Interest income from green bonds; (ii) Gains from first transfer of green bonds post-issuance; (iii) Income from carbon credit and emission reduction certificate transfers ■ Green investment projects (e.g., renewable energy) already benefit from a preferential 10% CIT rate for 15 years ■ Overall direction: regulation is moving from procedural recognition → tangible financial incentives <u>For Green Credit</u> ■ Circular 17: mandates integration of ESG into credit appraisal and risk management ■ Decision 1663: environmental and social risk management framework for commercial banks ■ Resolution 198: introduces a 2% interest rate subsidy for green lending ■ SBV-IFC ESMS Handbook (May 2025): practical guidance for ESG-aligned risk management in credit

	institutions ■ SBV signaled intent to study further interest rate support mechanisms for green, circular economy, and ESG projects Constraints remain: Despite these advances, structural gaps persist. While Decision 21 (2025) introduced a unified green taxonomy, the absence of operationalization guidance has left issuers uncertain on application, undermining consistency in green credit classification, while bank-level preferential programs remain unevenly accessible, largely favoring larger, better-capitalized enterprises.
<u>Putting it together</u> Viet Nam’s sustainable finance market is entering a more structured phase. Voluntary momentum from credible issuers is helping establish market practice from the bottom up, while the regulatory environment is gradually introducing more tangible financial incentives. For issuers, this creates an opportunity to build readiness early through green bond frameworks, governance systems, and reporting capacity. For investors, the key issue will be whether the market can provide a deeper pipeline of credible, transparent, and investable green and sustainable finance instruments. The key challenge is to translate policy signals into consistent implementation and broader market participation.	

3. Green Bond Issuer Readiness in Viet Nam

3.1. Practical Q&A

For enterprises considering green bond issuance as a financing tool for green assets, projects, or business expansion, the pathway to market requires preparation that is both external and internal in nature. So, what enterprises need to know before issuing green bonds?

Q1: Can issuing green bonds give us access to longer tenors?

Yes, and this is one of the more concrete structural benefits green bonds offer. For most conventional corporate bonds in Vietnam, tenors beyond 5–7 years are rare. Green bonds, particularly those backed by DFI guarantees or structured around long-lived infrastructure assets, have demonstrated the ability to extend tenor meaningfully, as ESG-mandated investors tend to have longer investment horizons. Vietnam's first 20-year green project bond, issued by Hoa Binh-Xuan Mai Clean Water LLC with support from GuarantCo and GGGI, is the clearest example to date of how credit enhancement and technical assistance can help unlock longer-tenor financing for green infrastructure. For enterprises with capital-intensive green projects, this tenor extension can often deliver more tangible value than any marginal interest rate saving.

Q2: Are ICMA and CBI standards recognized under Vietnamese law?

ICMA and CBI standards have not been incorporated into Vietnamese law, and Decision 21 establishes Vietnam's own green taxonomy framework independently. In practice, alignment with international standards is driven by market convention: issuers voluntarily adopt ICMA or CBI principles because their target investors — particularly ESG-mandated funds and domestic life insurance companies — require such alignment as a condition of investment. The two frameworks are nonetheless complementary: Decision 21's technical screening criteria can serve as a useful reference when defining eligible project categories within a Green Bond Framework, creating synergy between domestic taxonomy compliance and international standard alignment. Enterprises targeting both domestic preferential financing and international capital should therefore treat the two as working in tandem rather than in isolation.

Q3: If we use Decision 21's taxonomy, will international investors recognize it?

Partly, and with an important practical caveat. As noted above, Decision 21 and international standards such as ICMA GBP are broadly compatible in spirit, and Decision 21's technical screening criteria serve as a useful domestic reference for project eligibility. However, Vietnam has not yet seen any project or asset formally assessed as compliant with Decision 21, meaning the taxonomy currently functions more as a classification reference than a verified compliance standard. In practice, international investors currently rely on an independent SPO as their primary governance signal — and for those with ESG mandates, the SPO remains non-negotiable. This raises a practical cost consideration: issuers seeking both domestic regulatory recognition and international investor confidence may face the prospect of two separate external review processes, which is not optimal, particularly for first-time or smaller issuers. The more pragmatic approach is to use Decision 21's criteria as an input to the Green Bond Framework's project selection process, while obtaining a single SPO that assesses alignment with international principles — capturing both domestic and international credibility.

Q4: Will issuing a green bond give us a lower interest rate?

Possibly, but the benefit should not be overstated. A direct 'greenium', where green bonds price tighter than equivalent conventional bonds purely due to their green label, has not been consistently observed in Vietnam's market. The more realistic near-term advantage lies in investors diversification: a credible green bond framework signals governance quality and opens access to international institutional investors with ESG mandates who may not otherwise participate in a Vietnamese issuance. Looking ahead, the recently passed CIT Law 2025 in Vietnam, which exempts interest income and first-transfer gains on green bonds from corporate income tax, is expected to improve the instrument's attractiveness to domestic institutional investors and gradually bring down effective borrowing costs.

Q5: Green investment is expensive and the benefits aren't obvious yet. Is it worthwhile?

This is the most common hesitation, and it deserves a direct answer. In terms of greenium in Vietnam, there is insufficient transaction data to rigorously assess the cost advantage of issuing green bonds. However, the overall benefits of green bond issuance are considered to outweigh the costs. From the issuer's perspective, these benefits extend beyond labeling or marketing, and include: (i) longer tenors (e.g., Xuan Mai – Hanoi's 20-year green bond, the longest tenor recorded in

Vietnam over the past decade); (ii) a broader and more diversified investor base; and (iii) enhanced corporate credibility with both domestic and international stakeholders. From a regulatory perspective, Vietnam has introduced Decision 21 in 2025, alongside its Net Zero 2050 commitment. Going forward, the regulatory landscape is expected to evolve positively, further strengthening incentives for both investors and issuers in the green bond market. The question is less "is it worth it now?" and more "what is the cost of not building this capacity before it becomes mandatory?".

Q6: What additional preparation does a green bond require, and how can issuers manage the associated cost and capacity burden?

Green bonds require more preparation than conventional bonds. Issuers need to develop a Green Bond Framework, define eligible projects, establish governance and proceeds management processes, obtain a Second Party Opinion, and prepare post-issuance allocation and impact reporting. These steps involve additional costs, including technical advisory fees, SPO fees, reporting costs, and verification fees, but they can also strengthen issuer capacity and build investor confidence.

In the early stages of market development, technical assistance from development partners can help reduce cost and capacity barriers for first-time issuers. For example, under GGGI's Green Bond Readiness Program, supported by the Government of Luxembourg, selected issuers have received technical support for Green Bond Framework development, internal readiness, SPO preparation, post-issuance reporting, and related verification requirements, subject to program scope and eligibility. Such support is transitional in nature: as market practices become more standardized, local advisory and verification capacity expands, and green bond issuance becomes more mainstream, issuers are expected to internalize these processes as part of normal capital market practice.

Q7: Who actually buys green bonds in Vietnam?

The primary buyers are domestic institutional investors, principally life insurance companies, bond funds, pension funds and certain impact funds or foreign Development Finance Institutions.

Q8: How do we avoid greenwashing risk?

Greenwashing risk is managed through process, not intention. The three essential controls are (i) a well-constructed GBF with clearly defined eligible project categories and explicit exclusion criteria; (ii) an independent SPO from a credible third-party reviewer prior to issuance; and (iii) robust post-issuance allocation and impact reporting that tracks how proceeds are deployed. Greenwashing remains one of the key challenges hindering the green bond market's expansion globally, alongside regulatory complexity and high issuance costs. Enterprises that align their GBF with both domestic and international frameworks, subject to external review, are well-protected against greenwashing accusations from both domestic regulators and international investors.

3.2. Action Checklist

Action checklist for issuers in Viet Nam

- **Step 1 – Establish baseline eligibility.** Map existing or planned projects against relevant taxonomies, including Decision 21's and the ICMA Green Bond Principles' use-of-proceeds categories. Identify any gaps in environmental compliance documentation and data availability.
- **Step 2 – Build the Green Bond Framework.** Develop the GBF as both a transaction document and an institutional strengthening exercise. Define eligible project categories, project evaluation and selection processes, management of proceeds, and reporting commitments. Engage the external reviewer early during framework development process to benefit from iterative feedback and minimize delays during the formal review stage.
- **Step 3 – Obtain pre-issuance external review.** Choose a reputable independent reviewer, such as a CBI-approved verifier or internationally recognized SPO provider, to assess alignment with green finance principles. For LCY transactions, domestic providers may offer cost and timing advantages. For FCY transactions targeting international DFI investors, an international SPO provider may be required by investor mandates; in some cases, a dual-review approach is optimal.
- **Step 4 – Structure and place.** Most LCY green bonds in Vietnam have been issued via private placement. Engage anchor institutional investors (such as life insurers and DFIs) early in the process. Consider credit enhancement mechanism, including guarantees from DFIs (e.g. GuarantCo, CGIF) for tenor extension or first-time issuances.
- **Step 5 – Post-issuance discipline.** Provide regular allocation and impact reporting, typically on an annual basis, as recommended by the ICMA GBP and expected as the core ongoing obligation by investors. Post-issuance verification is recommended at least once during the bond life.

In conclusion, Vietnam's sustainable finance market stands at an inflection point. With the convergence of enabling policies (Green Taxonomy, 2% subsidy, International Financial Centers), growing institutional investor interest, and increasing issuer sophistication, the market is positioned for exponential growth.

The role of independent external reviewers like FiinRatings, aligned with international principles and standards from ICMA and CBI, provides the credibility foundation essential for market expansion. Stakeholder commitment, from anchor investors to pioneering issuers, demonstrates market readiness.

As Vietnam pursues its net-zero 2050 commitment and aspires to become a high-income nation by 2045, green and sustainable finance will be the critical enabler of this transformation.

APPENDIX – Key Policy Signals and Implications for Enterprises

	Policy	Main points	Policy Motivation	Implications for enterprises
1	Decision 21/2025 – Green Taxonomy	- Decision 21 establishes Vietnam's first official Green Taxonomy, defining environmental criteria and verification processes to determine whether an investment project qualifies as "green." - It identifies 45 eligible project types across 7 sectors, with mandatory environmental thresholds and compliance requirements. - Projects meeting these criteria are eligible to access green financing instruments, including green credit and green bonds.	The Decision aims to standardize green classification, reduce ambiguity in project eligibility, and align Vietnam's sustainable finance framework with international practices. It also seeks to strengthen investor confidence by introducing clearer environmental benchmarks and verification mechanisms.	- Businesses in renewable energy, recycling, water management, clean transportation, sustainable agriculture, or green buildings stand to benefit directly. Decision 21 provides a clear framework to formally qualify for green financing and unlock preferential capital. - For those outside these sectors, the Taxonomy may create indirect pressure to pursue transition-oriented investments such as energy efficiency upgrades, rooftop solar, or circular economy initiatives in order to remain eligible. - Environmental compliance documentation is a prerequisite, without proper environmental approvals, a project cannot qualify as green regardless of its sustainability intent.
2	Resolution 198 – 2% interest rate subsidy	- Resolution 198 proposes a 2% per annum interest rate subsidy from the State budget on loans for eligible green, circular economy, or ESG-aligned projects. - The scheme is expected to apply to private enterprises, SMEs, business households, and individual entrepreneurs. - To qualify, a project must be officially certified as green, or ESG-compliant, meet taxonomy criteria, and be listed on the Ministry of Agriculture and Environment's online portal, no certification means no subsidy.	The proposal operationalizes Politburo's Resolution 68 on private sector development, while supporting ESG transition and mobilizing concessional capital for sustainable transformation. It also responds to the growing demand for affordable green financing.	- A 2% rate reduction can materially improve project IRR and accelerate investment decisions, particularly for capital-intensive sectors such as renewable energy and clean infrastructure. - Access is conditional on formal green certification, businesses that have not yet aligned with the Green Taxonomy will be unable to benefit. - Execution risk remains implementation depends on coordinated guidance from multiple ministries, and delays in the certification process could limit near-term uptake.

3	Decree 57 & 58 – DPPA framework	- Decree 57 introduces the Direct Power Purchase Agreement (DPPA) mechanism, allowing renewable energy generators and large corporate consumers to contract directly under market-based pricing structures. - This marks a structural shift away from state-backed tariff models toward market-driven renewable energy procurement.	The DPPA framework aims to accelerate renewable energy deployment, mobilize private capital, and support Vietnam’s long-term energy transition strategy while reducing fiscal burden on the State.	- For manufacturing and export-oriented companies, particularly those in supply chains serving Europe, the United States, and Japan, DPPA enables direct procurement of long-term renewable energy contracts. - However, market-based pricing introduces earnings volatility that must be actively managed, representing a new category of financial risk. - Companies should evaluate DPPA participation across three dimensions: financial stability (cash flow impact), credit exposure (counterparty risk), and regulatory durability (susceptibility to policy change).
Key Takeaways for Enterprises: Across all three regulatory developments, enterprises that act early stand to gain the most. Immediate priorities should include assessing eligibility under the Green Taxonomy, preparing environmental compliance documentation, and monitoring final guidance on the 2% subsidy decree. For those considering DPPA participation, integrating energy procurement into broader ESG and financial planning, rather than treating it as an operational matter, will be essential to capturing the opportunity while managing transition risk effectively.				

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