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Hanoi, December 23, 2022

## CIRCULAR

### PROVIDING GUIDELINES ON ENVIRONMENTAL RISK MANAGEMENT IN CREDIT EXTENSION BY CREDIT INSTITUTIONS AND FOREIGN BANK BRANCHES

*Pursuant to the Law on the State Bank of Vietnam dated June 16, 2010;*

*Pursuant to the Law on Credit Institutions dated June 16, 2010 and the Law dated November 20, 2017 on amendments to the Law on Credit Institutions;*

*Pursuant to the Law on environmental protection dated November 17, 2020;*

*Pursuant to the Government's Decree No. 102/2022/ND-CP dated December 12, 2022 prescribing functions, tasks, powers and organizational structure of the State bank of Vietnam;*

*At the request of the Director of the Credit Department for Economic Sectors;*

*The Governor of the State Bank of Vietnam (SBV) promulgates a Circular providing guidelines on environmental risk management in credit extension by credit institutions and foreign bank branches.*

#### **Article 1. Scope**

This Circular provides guidelines on environmental risk management in credit extension by credit institutions and foreign bank branches in Vietnam in respect of investment projects requiring environmental risk management in credit extension as prescribed in Clause 1 Article 3 of this Circular.

#### **Article 2. Regulated entities**

1. Credit institutions and foreign bank branches in Vietnam (hereinafter referred to as “credit institutions”) that are established and operating under the Law on Credit Institutions, except microfinance institutions, people’s credit funds, and banks for social policies.
2. Organizations and individuals that are clients of credit institutions.

#### **Article 3. Definitions**

1. Investment projects requiring environmental risk management in credit extension refer to the investment projects defined in Appendixes III, IV, V enclosed with the Government’s Decree No. 08/2022/ND-CP dated January 10, 2022 on elaboration of the Law on Environmental Protection (hereinafter referred to as “investment projects”).
2. Environmental risk means the probability of causing adverse impacts on the environment during the implementation of an investment project resulting in increased costs, reduced incomes or loss of capital and/or assets of the client that is the project owner.
3. Environmental risks in extending credit refer to credit risks that are incurred by a credit institution and arise from its client that is extended credit but face the environmental risks defined in Clause 2 of this Article.
4. Environmental risk assessment in extending credit refers to the process of determining the level of environmental risks in extending credit to an investment project.
5. Environmental risk management in extending credit refers to the process of identifying and assessing environmental risks in extending credit, monitoring, controlling and taking appropriate measures for minimizing environmental risks in extending credit.

#### **Article 4. Rules for environmental risk management in extending credit**

1. Credit institutions shall be responsible for the environmental risk management in extending credit which must be conformable with regulations of law on credit extension and credit risk management in banking sector.
2. Credit institutions shall carry out environmental risk assessment in extending credit to investment projects in order to determine credit risks, determine conditions and manage credit risks for credit amounts extended to clients.
3. The credit institution shall organize assessment of environmental risks for every investment project, or use the report on assessment of environmental risks for that investment project given by a qualified environmental risk

assessment service provider or by another credit institution under terms and conditions of the signed service contract.

4. If the investment project is found to have environmental risks in extending credit according to the assessment report, the credit institution shall reach an agreement with its client on addition of measures to be taken by the client to minimize the environmental risks in extending credit to the credit extension agreement.

5. Clients shall provide all information necessary for the environmental risk management in extending credit at the request of credit institutions and assume responsibility for the accuracy of provided information.

#### **Article 5. Information serving environmental risk management in extending credit**

Information serving the environmental risk management in extending credit includes:

1. Environmental information about the investment project.
2. Decision on approval of appraisal results of preliminary environmental impact assessment report or environmental impact assessment report as prescribed by laws, environmental license and environmental registration certificate (if any).
3. Reports on inspection of compliance with regulations on environmental protection by the investment project given by competent environmental protection authorities (if any).
4. Information on site surveys, information provided by regulatory authorities, social organizations, residential communities and individuals under direct environmental impact of the client's investment project in respect of the compliance with regulations on environmental protection (if any).
5. The environmental protection reports submitted by the client to competent authorities in accordance with regulations of law on environmental protection.
6. The reports sent by the client to the credit institution on its commitments to minimize the environmental risks in extending credit specified in the signed credit extension agreement.
7. Environmental protection reports of relevant authorities and organizations as prescribed in the law on environmental protection (if any).
8. Other information concerning environmental protection activities.

#### **Article 6. Internal regulations on environmental risk management in extending credit**

1. Each credit institution shall formulate its own internal regulations on environmental risk management in extending credit which may be separated from or included in its internal regulations on credit extension and internal control, and must be conformable with regulations of law on credit extension and credit risk management.

2. Internal regulations on environmental risk management in extending credit of a credit institution shall, inter alia, have the following contents:

- a) Identification and classification of applications for credit extension which require environmental risk assessment in extending credit;
- b) Information to be collected to serve the environmental risk management in extending credit;
- c) Environmental risk assessment in extending credit that is carried out in conformity with the provisions of this Circular;
- d) Environmental risk management in extending credit during the consideration, appraisal, approval and management of credit amounts extended;
- dd) Internal reporting on environmental risk management in extending credit.

#### **Article 7. Effect**

1. This Circular comes into force from June 01, 2023.
2. In respect of credit extension agreements which have been concluded before this Circular comes into force, credit institutions may reach agreements with their clients on application of regulations on environmental risk management in extending credit laid down in this Circular.

#### **Article 8. Implementation**

The Chief of the SBV Office, the Director of the Credit Department for Economic Sectors, heads of SBV's affiliated units, credit institutions, foreign bank branches, and relevant organizations and individuals are responsible for the implementation of this Circular./.

**PP. GOVERNOR  
DEPUTY GOVERNOR**

**Dao Minh Tu**