

Environmental and Social Due Diligence (ESDD) Summary

Issuer	Tecomen Holding Joint Stock Company (“Tecomen”)
Use of CGIF’s guarantee	The use of proceeds (UOP) are allocated to: (i). Purchase new equipment to upgrade the existing factory; and (ii). Investment in new distribution stores and warehouses.
Countries of operations	Vietnam
Categorisation	General-purpose Corporate Bond (GCB) – High

Environmental and social management system (ESMS)	<p>The environmental and social due diligence (ESDD) confirmed that Tecomen’s management of the risks and impacts associated with its operations are in accordance with the applicable laws and regulations in Vietnam, although minor improvements are required to meet CGIF’s Environmental and Social Safeguards (ESS) requirements. Although some elements of environmental, health and safety (EHS) risk assessment are contained within their existing procedures, Tecomen has not developed a standalone and overarching Environmental and Social Management System (ESMS) specific to their business operations.</p> <p>The ESDD confirmed that Tecomen has developed labor policies and procedures in line with Vietnamese labor laws; however, there is no indication that these have been disclosed to the relevant stakeholders and/or imposed binding clauses in the contracts with third party suppliers and contractors to ensure Tecomen’s labour standards are maintained and implemented by their contracted third parties. A Stakeholder Engagement Plan (SEP) is also required to disclose the policies, including labor, to relevant stakeholders and additionally to disclose Tecomen’s environmental license to the community and stakeholders as a compulsory requirement of Vietnam’s Environment Law of 2022.</p> <p>Prior to bond issuance, Tecomen, with support from CGIF, developed an ESMS and associated policies and procedures to ensure compliance with CGIF ESS requirements. The ESMS will be adopted, as a minimum, by the assets/operations that are guaranteed by CGIF, but is recommended to be consistently applied across all Tecomen’s operations. The ESMS includes environmental and social (E&S) policy; screening, categorization and assessment; organizational capacity and training; E&S management planning, monitoring and reporting; and stakeholder engagement. The overriding structure of the ESMS will allow Tecomen to consistently manage how E&S issues are identified and addressed against the objectives and principles of CGIF ESS requirements.</p>
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<p>Screening and identification of risks</p>	<p>The ESDD confirmed that the nature of Tecomen’s operations at its existing Hung Yen facility pose limited environmental risks; hence, would be deemed classified as Category B for Environment. The identified risks include (i) generation of sanitary wastewater, which is treated onsite, prior to discharge into the public drainage system in accordance with the local regulations; (ii) emission of exhaust fumes from the dust treatment system in the filters’ cartridge production line; and (iii) storage and use of chemicals and hazardous substances, which are mitigated through implementation of management plans. Although minor issues were identified in the management of activated carbon and hazardous materials, there have been no reported adverse impacts on biodiversity and natural resources from Tecomen operations, and monitoring reports confirmed compliance with relevant Vietnamese regulations. The issues related to activated carbon and hazardous materials are site specific and can be mitigated by enhancing and implementing appropriate management measures, which are included in the corrective action plan (CAP) and will be monitored by CGIF throughout the tenor of the bond.</p> <p>The ESDD confirmed that Tecomen uses R-134a in its water purifier products as well as R32 or R410a for air conditioner products. R-134a and R32 are refrigerants with high global warming potential (GWP) and are subject to phase down based on Kigali Amendment to the Montreal Protocol on Substances that Deplete the Ozone Layer. The ESDD confirmed that a 5-year plan is already in place to replace R-134a with R600; therefore, CGIF consider that Tecomen’s current plan to switch to R600 by the end of 2028 is sufficient to address greenhouse gas (GHG) concerns. CGIF will monitor the implementation of the 5-year plan and Tecomen performance against this plan will be reported to CGIF within the tenor of the transaction.</p> <p>No involuntary resettlement (IR) risks were identified or triggered, supporting a deemed Category C classification. The ESDD confirmed the Land Use Rights Certificate (LURC) was issued to Tecomen’s Hung Yen facility in June 2017 and there are no residual issues or complaint related to the land. The ESDD confirmed there are no communities of ethnic minorities or indigenous peoples present in the vicinity of Hung Yen facility, supporting a deemed Category C classification for Indigenous Peoples.</p>
<p>Institutional capacity, commitment and development</p>	<p>An ESMS Manager has been appointed at the corporate level with the overall responsibility to (i) oversee the effective and consistent implementation of ESMS; (ii) ensure Tecomen meets its regulatory obligations and E&S performance and reporting commitments in line with Vietnam national government and (iii) ensure Tecomen meets CGIF’s ESS requirements, including annual reporting submissions. The ESMS Manager will be supported by the ESMS Committee comprising the Health Safety and Environment (HSE) Specialist, ESMS Officer, and Social Specialist.</p>

	<p>As a post issuance requirement, CGIF will provide a high level ESMS awareness training to Tecomen personnel, including those with designated roles and responsibilities under the ESMS to ensure they can consistently implement this.</p>
<p>Stakeholder communication, participation and consultation</p>	<p>Tecomen’s ESMS includes an overarching stakeholder engagement plan (SEP), as outlined as the ESMS requirements above, which defines required stakeholder identification and mapping, engagement, reporting and monitoring. The SEP includes (i) internal communication procedure to ensure E&S-related information are communicated with internal stakeholders; and (ii) external communication procedure established to maintain publicly available and accessible channel for external stakeholders.</p> <p>A grievance redress mechanism (GRM) was also developed as part of the SEP to ensure internal and external stakeholders have the opportunity to raise complaints or provide feedback.</p>
<p>Reporting requirements</p>	<p>The ESMS Manager will monitor and report the E&S performance of Tecomen via the submission of an environmental and social safeguards performance report (ESSPR) on an annual basis throughout the tenor of the bond. The ESSPR will include monitoring and reporting of (i) safeguards risks and updates to ESMS and ESMS-related resourcing, and (ii) actual performance of its 5-year plan to replace R-134a and R-32 with R600, HFC use, and confirmation statement that they remain on track in relation to the GHG reduction plan targets.</p>