

# **VIETNAM HOLDING ASSET MANAGEMENT**

## **GLOBAL COMPACT COMMUNICATION ON PROGRESS 2013**



VIETNAM HOLDING  
Asset Management Ltd



# GLOBAL COMPACT COMMUNICATION ON PROGRESS

**Company:** Vietnam Holding Asset Management Ltd.  
**Address:** Floor 8, Nam A Bank Tower, 201-203 Cach Mang Thang Tam Street, Ward 4, District 3, Ho Chi Minh City, Vietnam  
**Contact name:** Mr. Vu Quang Thinh, CEO  
Tel: +84 8 3929 1515  
Website: [www.vnham.com](http://www.vnham.com)  
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**Reporting period:** 2013  
**Membership date:** 12 December 2007  
**Number of Employee:** 15



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## **Brief description of nature of business**

VIETNAM HOLDING ASSET MANAGEMENT LTD. (VNHAM) is an investment management company incorporated in the British Virgin Islands, with a representative office in Ho Chi Minh City, Vietnam and a subsidiary office in Zurich, Switzerland.

VNHAM started its activities in 2006 by managing the investment of VietNam Holding Ltd. (VNH), a closed-end investment fund whose shares are traded on London's AIM Market since 15 June 2006 and Frankfurt's Entry Standard since 20 October 2008. Besides its activity as investment manager for VNH, VNHAM currently acts as investment advisor to Lumen Vietnam Fund, an open-ended investment fund incorporated in Liechtenstein and managed by CBR Investment AG, Balzers (FL).



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## Message from the Chairman

As a founding member of the Global Compact Network in Vietnam, VNHAM fully supports the ten principles of the Global Compact in the fields of human rights, labour, the environment and anti-corruption. The company has committed to make the Global Compact and its principles fundamental parts of its own strategy and day-to-day operations. With this report, we are pleased to announce our continuing progress toward these important goals.

At the VNH Annual General Meeting held in November, 2009, VNH shareholders decided to integrate environmental, social and corporate governance (ESG) factors in their investment process. VNH thereby became the first fully compliant signatory of the United Nations Principles for Responsible Investment in its marketplace.

This strategy has since been consistently applied by VNHAM, its sole investment manager. ESG factors are an integral part of our investment analysis and portfolio management processes. This approach has contributed to reducing portfolio volatility and has led to investments that are better positioned than their competitors and more profitable over the long run.

VNH continued to conduct the series of VNH Forums in an active effort to improve the corporate governance of its portfolio companies and the country's business community. The Forums are customized to address senior executives of VNH investee companies. The 2013 VNH Forum, focused on « Building Effective Boards: Strategy Role for Sustainable Growth », attracted around 60 board and executive level representatives of local companies.

VNHAM further translated its ESG policy into tangible actions. As part of their active Director Engagement Policy, the board members of VNH and VNHAM visited a total of 32 companies during 2013. Likewise, in 2013, both VNH and LVF fully divested from two of their Investee Companies when we learned from the "Rubber Barons" report by Global Witness that these companies were accused of extensive violations of various ESG standards in their rubber plantation expansions in Cambodia.

We work proactively with Investee Companies to develop solutions to ESG issues that are most relevant to them. VNHAM has regularly put forward AGM resolutions and cooperated with like-minded investors and our investment team has offered constructive suggestions on several occasions.

In these ways and through its own business conduct, VietNam Holding Asset Management Ltd. further illustrates its commitment to help Vietnam and its industries build up and deliver the kind of sustainability that ensures the future of the country, its people and the planet.

Jean-Christophe Ganz, Chairman  
**VietNam Holding Asset Management Ltd.**



## CORPORATE GOVERNANCE

We believe that the transparency of business practices among market participants is a key factor in the development of healthy and sustainable capital markets in Vietnam. In support of this conviction, we are committed to actively contributing to the elevation of the country's corporate governance standards and practices.

All VNH and VNHAM staff sign a Code of Ethics contract annually. VNHAM's compliance officer specifically ensures that our company and its staff comply with local laws and regulations, as well as with internal policies in the fields of environment, social responsibility and corporate governance.

## INVESTMENT STRATEGY

Our objective is to achieve long-term capital appreciation by investing in a diversified portfolio of public companies in Vietnam, and in the securities of foreign companies if a majority of their assets and/or operations are based in Vietnam. Target companies must combine measurable value with high growth potential.

We do not intend to take control of any company or entity in which VNH has directly or indirectly invested or to take an active management role in any such company. However, we may appoint one of our directors, employees or other appointees to join the board of the Investee Company and/or may provide certain forms of assistance to such company, subject to prior approval by the VNH Board. VNHAM actively incorporates ESG considerations into its ownership policies and practices. It will seek an active dialogue with the management of the investee companies and will seek appropriate disclosure of ESG issues.

Through VietNam Holding Forum events, VNHAM will promote acceptance and implementation of the ESG principles within the investment industry. VNHAM is strongly committed to the economic development of Vietnam. We also strive to improve the social welfare of Vietnam's youth through the work of our affiliated VNH Foundation.

We aim to have a corporate governance structure that protects the investments of shareholders, the dedication of its employees, and the interests of other stakeholders. We further strive to operate in a fair and transparent manner, while ensuring a robust and effective system of internal controls and managing operational and investment risks.



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## SUSTAINABLE INVESTMENT

### ENVIRONMENT

**Principle 7:**  
***“Businesses should support a precautionary approach to environmental challenges”***

Since its launch, VNH through VNHAM has pursued a long-term value approach to investing. In 2009, VNHAM’s flagship fund VNH has adopted the UN PRIs.

This sustainable investment approach has proven to be timely in the context of Vietnam's own economic and social development. Awareness of ESG issues has come to the forefront in Vietnam and the region in general. Our annual VietNam Holding Forum on the subject "Building Effective Boards: Strategic Role for Sustainable Growth" was extensively covered by the local media. We have conducted and sponsored eight VNH Forums since August 2007.

VNHAM’s successful application of the ESG principles were further highlighted by the fact that VNH has not only outperformed the benchmark index VNI by over 20% last year with its NAV/share performance of 41.6%, but also all its 15 peer funds.

### LABOUR

***“...we fully support four principles in the field of labour”***

VNHAM continued to apply the measures translating the ESG policy approach into tangible actions. As an example, in 2013, we fully divested for two separate funds from two of our Investee Companies when we learned from the “Rubber Barons” report by London-based NGO Global Witness that both companies were accused of extensive violations of various ESG standards in their rubber plantation expansions in Cambodia.

We work proactively with Investee Companies’ managements to develop solutions to ESG issues that are most relevant to the company, its industry and its immediate market. We actively participate and vote at Investee Company AGM. VNHAM has put forward AGM resolutions and cooperated with like-minded investors. Our investment team has openly voiced concern over management policy, including employment policy and offered constructive suggestions on several occasions.

### ANTI-CORRUPTION

**Principle 10:**  
***“Businesses should work against corruption in all forms, including extortion and bribery”***

We are not content with simply reflecting sustainability in our portfolio - we actively help to grow and promote it throughout the Vietnam marketplace. Our track record has demonstrated that Vietnamese enterprises that are sensitive to environmental, social and corporate governance issues are better managed and more successful companies.

With more than 32 visits organized in 2013, VNH’s and VNHAM’s members of the respective boards of directors continued to be actively engaged in meeting with the top management of the major portfolio companies to review their financial and ESG performance. This provides an opportunity for companies to gain new perspectives, to hear the view of seasoned global executives and to exchange ideas, and to identify an improvement of strategies for sustainable business success.



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## **ENVIRONMENT**

**Principle 8:  
“Undertake  
initiatives to  
promote greater  
environmental  
responsibility”**

## **HELPING OTHERS**

**“While strongly  
committed to the  
economic  
development of  
Vietnam, we also  
strive to improve  
the social welfare.”**

## **VNH FOUNDATION**

The VNH Foundation is a charitable organization based in Zurich, which supports disadvantaged children and young adults in Vietnam and its neighbouring countries. Formed in reflection of our dedication to social responsibility, the Foundation is the creation of VietNam Holding Asset Management Ltd.

The VNH FOUNDATION identifies worthy projects and structures its fund allocation so that 100% of the donations received by the VNH FOUNDATION go towards the targeted recipients and the Foundation’s supported partner organizations. It proactively follows the progress of each project, and reports periodically to the Foundation's board.

The VNH FOUNDATION currently supports a number of projects in VietNam and in Thailand.

Starting in 2007, the Foundation has sponsored corrective orthopedic surgery for 173 children affected by Agent Orange in the Quang Tri Province.

The Foundation has also donated state-of-the-art medical equipment, including an arthroscopy tower, sterilization machines and an operating table to the Da Nang Orthopedics Hospital. The hospital was able to increase its capacity from an initial 780 to over 4'000 operations annually. In cooperation with the Bruderholz Hospital in Basel, Switzerland, the Foundation helps provide medical training to the staff of the Da Nang Orthopedics Center in Vietnam. To achieve this, the foundation sponsors annual visits to the Da Nang Center by Swiss doctors and nurses specialized in orthopedic surgery.

VNH FOUNDATION has provided scholarships in the impoverished Ninh Tuan Province to allow well over 1,000 children to attend primary school.

The VNH FOUNDATION has also built a home for street children in the South of Thailand and supports the ongoing operation of the home by the Baan Nok Kamin Foundation, a Thai organization with roots in Switzerland.



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*As a member of UN Global Compact (UNCG), we are pleased to produce a Communication On Progress (COP) on how we are support the ten principles of the Global Compact.*

Our COP is available on **[www.vnham.com](http://www.vnham.com)** and **[www.unglobalcompact.org](http://www.unglobalcompact.org)**



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