

VIETNAM HOLDING ASSET MANAGEMENT

GLOBAL COMPACT COMMUNICATION ON PROGRESS

2015



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Company: VIETNAM HOLDING ASSET MANAGEMENT Ltd.
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Reporting period: 2015
Membership date: 12 December 2007
Number of employees: 16



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Brief description of nature of business

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

VNHAM started its activities in 2006 by managing the investment portfolio of VIETNAM HOLDING Ltd. (VNH), a closed-end investment fund whose shares are traded on London's AIM Market.

Besides its activities as investment manager for VNH, VNHAM also acts as investment advisor to Lumen Vietnam Fund, an open-ended investment fund incorporated in Liechtenstein and managed by CBR Investment AG.



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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, labor, 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's 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 Vietnam.

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.

VNHAM further translated its ESG policy into tangible actions. We work proactively with investee companies to develop solutions for ESG issues that are most relevant to them. VNHAM has regularly suggested pertinent AGM resolutions to VNH investee companies and has cooperated with like-minded investors. The subsequent "Sustainable Investment" section provides more details in this regard.

VNH continued to conduct a series of VNH Forums in an active effort to improve the corporate governance of its portfolio companies as well as communicating the ESG message to the Vietnam's business community in general. The Forums are customized to address senior executives of VNH investee companies. The 10th VNH Forum took place in December 2015 in Ho Chi Minh City. The topic of the Forum was "Managing Corporate Reputation with Responsible Business Practices", and was headed by Prof. Klaus M. Leisinger of the University of Basel, Switzerland. Other notable figures from Vietnam's business elite joined Prof. Leisinger in a panel discussion on the topic.

The VNH Foundation remains close to VNHAM's heart as it displays our solidarity with the less fortunate members of Vietnam's rapidly changing society. I am proud to report that VNHAM was again able to make a financial contribution in support of the Foundation's ongoing projects. Please refer to the "VNH Foundation" section on page 6 for further details.

In these ways and through its own business conduct, VNHAM further illustrates its commitment to support Vietnam's quest for a more sustainable future.

Jean-Christophe Ganz, Chairman
VIETNAM HOLDING ASSET MANAGEMENT Ltd.



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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 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 an 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, we promote acceptance and implementation of the ESG principles within the Vietnamese 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”

In 2015, VNHAM’s successful application of the ESG principles was again highlighted by VNH’s clear NAV outperformance of both the VNAS Index and the fund’s peer group over the year.

We are not satisfied with simply reflecting sustainability in our portfolio - we actively help to grow and promote it throughout the Vietnamese marketplace. Our experience has proven that enterprises which are sensitive to environmental, social and corporate governance issues are usually better managed and more successful than other companies.

We work proactively with our investee companies’ managements to develop solutions for ESG issues that are most relevant to the company, its industry and its immediate market environment. We actively participate and vote at investee company AGMs. VNHAM regularly puts forward AGM resolutions and cooperates with like-minded investors. Our investment team brings to the forefront VNHAM’s constructive opinions on management policies, including segregation of duty in board and management structure, ESOP scheme, non-core business expansion, aggressive capital raising and potential dilution, and profit margins in a competitive market situation. In 2015 VNHAM attended and voted at 22 AGMs, covering every company in VNH’s portfolio.

LABOUR

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

In 2015 VNHAM continued to apply its disciplined exit policy as some investee companies failed to meet our expectations in terms of ESG compliance. Over the course of the year we fully divested from a healthcare equipment distributor as well as two construction and real estate companies which displayed a low level of corporate governance standards by ignoring minority shareholders’ interest and showing a lack of transparency in information disclosure.

In 2015 the VNHAM team arranged more than 24 visits to 20 different investee companies for VNH’s and VNHAM’s members of the respective boards of directors. Both boards continued to be actively engaged with the top managements of the portfolio companies in order to enhance their financial and ESG performance.

The material issues addressed at these company visits included:

- Strategic management and core business activities
- Role of independent board members in the BoD structure
- Leadership transition process
- Environment protection in manufacturing factories
- Improvement of sustainability reporting, introduction of G4 reporting standards
- Green certification for property and construction companies

ANTI-CORRUPTION

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



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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, Switzerland. It supports disadvantaged children and young adults in Vietnam and its neighboring countries. Formed in reflection of our dedication to social responsibility, the Foundation is the creation of VNHAM.

The VNH Foundation identifies worthy projects and structures the allocation of its funds so that 100% of the donations received by the 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 as well as in Thailand.

Starting in 2007, the Foundation has sponsored corrective orthopedic surgery for 173 children affected by Agent Orange in Central Vietnam’s 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, which recently had been 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 to provide medical training to the staff of the Da Nang Orthopedics Hospital. This is achieved by sponsoring annual visits by Swiss doctors and nurses specialized in orthopedic surgery to the hospital.

The 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.

In 2015, the VNH Foundation received a substantial donation from VNHAM. As a result, the Foundation plans on taking on a number of new projects in 2016.



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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 support the ten principles of the Global Compact.

Our COP is available on **www.vnham.com** and **www.unglobalcompact.org**



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