

VIETNAM HOLDING ASSET MANAGEMENT

GLOBAL COMPACT COMMUNICATION ON PROGRESS 2016



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 & Vice Chairman of the Board
Tel: +84 8 3929 1515
Website: www.vnham.com
Reporting date: 21 Jan 2017
Reporting period: 2016
Membership date: 12 December 2007
Number of Employee: 16



VIETNAM HOLDING
Asset Management Ltd



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, Vietnam¹ 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.



VIETNAM HOLDING
Asset Management Ltd



Message from the Chairman

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.

VNHAM, its sole investment manager, is a founding member of the Global Compact Network in Vietnam and has committed to apply the ten principles of the Global Compact in its operations. Accordingly, VNHAM fully integrates ESG factors in its investment analysis and portfolio management processes. VNHAM further translated its ESG policy into tangible actions, in particular by regularly suggesting pertinent AGM resolutions to VNH investee companies and cooperating with like-minded investors. The subsequent "Sustainable Investment" section provides more details in this regard.

In 2016, VNH was the first investment fund in Vietnam to appoint a professional third party for the assessment of the climate impact of the companies forming its investment portfolio and to publish the carbon footprint of its investment portfolio. Assessing the carbon footprint of our investee companies, allows us to select the better performing companies and to encourage the investee companies to adopt/expand green technologies in a more focused and pertinent way. Alternatively, these data help us in our decision to divest from companies with whom our active engagement did not provide sufficient results over time.

VNH continued its policy of organizing VNH Forums as a mean to improve the corporate governance of its portfolio companies as well as communicating the ESG message to the Vietnam business community in general. The topic of the 11th VNH Forum and Workshop that took place in December 2016 in Ho Chi Minh City was "Carbon Footprint: Corporate Solutions for Sustainable Growth". It was animated by Mr. Nick Beglinger, Co-Founder and CEO of Cleantech21 and by a panel of specialists in the field of climate change and energy. The Forum discussions were focused on global tendencies surrounding climate change issues, as well as policymaking orientation and practical solutions regarding the reduction of energy consumption and greenhouse gas in Vietnam. Adding further value to this Forum, Ms. Dang Thi Hong Hanh, Co-founder and Deputy Executive Director of Vietnam Energy and Environment Consultancy Company headed a Workshop on "Corporate Accounting and Reporting of a Carbon Footprint" gathering key representatives of VNH's leading investee companies .

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 7 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



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 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.



SUSTAINABLE INVESTMENT

ENVIRONMENT

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

In 2016, 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 schemes, non-core business expansion, aggressive capital raising and potential dilution, and profit margins in a competitive market situation. In 2016, VNH attended 23 AGMs in which a total of more than 200 individual agenda items were proposed. The investment team considered each issue on the basis of its strategic merit and long-term profitability.

LABOUR

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

In 2016 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 one food and beverage company and one construction and materials company which displayed a low level of corporate governance standards by ignoring minority shareholders’ interest and transferring loss of an affiliated company into the parent company's business result.

In 2016 our directors attended 23 meetings with 21 different investee companies from the industry sectors VNH invests in. The topics discussed during those engagement meetings with local executives were mainly concerning information disclosure, environmental monitoring procedures, environmental and social management systems (i.e. ISO certification), carbon footprint and corporate governance. The local executives generally appreciated our suggestions regarding improvements to their operations and committed to implement these in the near future. The directors of VNH and VNHAM are fully committed to continue their active engagement program in the coming years.

ANTI-CORRUPTION

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



VIETNAM HOLDING
Asset Management Ltd



ENVIRONMENT

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

HELPING OTHERS

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

VNH FOUNDATION

VNH Foundation was set up as an extension of VietNam Holding’s corporate social responsibility. The primary objective of the Foundation is to help disadvantaged children in Vietnam by supporting the one group that runs the highest risk of getting left behind in Vietnam’s economic rise—the country’s orphaned and handicapped children. The VNH Foundation currently supports several projects in Vietnam as well as in Thailand. The Foundation also operates in neighboring countries, predominantly Thailand, through projects funded by sponsors other than itself.

The Foundation’s primary operational goal is to identify worthy, charitable projects where the funds allocated by the Foundation, its partner organizations and other benefactors will be of tangible benefit to the targeted recipients, with the highest achievable efficiency in implementation.

The secondary objective is to identify other donors and supporters whose objectives are consistent with those of the Foundation. The Foundation allocates 100% of third-party donations to the selected projects, provides proactive and regular monitoring, evaluation and reports on the progress of these projects.

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 could 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 1,700 orphaned and handicapped 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 2016, VNHF supports Blue Dragon and 5 Colors. Blue Dragon’s aim is to rescue kids, reunite them with their families, and provide the needs for recovery and growth, while 5 Color’s mission is to provide development opportunities for deaf people. VNHF provides financial and medical professional training both organizations.

By the end of fiscal year 2016, the VNH Foundation received a substantial donation from VNHAM. As a result, the Foundation plans on taking on several new projects in 2017.



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 <http://vnham.com> and <http://www.globalcompactvietnam.org/>