

VIETNAM HOLDING ASSET MANAGEMENT

GLOBAL COMPACT COMMUNICATION ON PROGRESS 2017



VIETNAM HOLDING
Asset Management Ltd



**GLOBAL COMPACT
COMMUNICATION ON PROGRESS**

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Reporting date: 20 Jan 2018
Reporting period: 2017
Membership date: 12 December 2007
Number of Employee: 25

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 Vogt Asset Management Trust.

Message from the Chairman

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Vietnam Holding Ltd and its asset manager Vietnam Holding Asset Management Ltd have now pursued for eight years an “ESG-integrated” model of investing - that is, we assess a comprehensive list of environmental, social and governance factors alongside the more familiar ones used for financial analysis in deciding our investment holdings. As such, we were the first Vietnamese fund to be a member of the Global Compact and of the United Nations Principles for Responsible Investment.

We continue to advance our methods to keep up with global best practice and to lead Vietnam in doing so. For example, since 2016 we have been measuring the carbon dioxide (and equivalent) emissions of our investee companies, and thus of our portfolio, in order to measure our impact on climate change and to strive to minimize it. We do the same measurement for the operations of the asset management company.

At the Vietnam Holding Forum, held annually in Ho Chi Minh City, we involve our investee companies and other interested parties in ESG-related topics. The 12th such forum will take in Spring of 2018. This, and our frequent meetings with investee and potential-investee companies on Vietnam, demonstrate our desire to propagate forward-thinking environmental and corporate governance practices in the country.

Our active ESG and engagement policy is validated by our observation that the various stakeholders of the country’s economy are becoming increasingly aware of the issues at stake and many of them are taking initiative in this direction. We fervently believe that this can make a meaningful difference to the quality of Vietnam’s development over the coming decades.

The VNH Foundation, the majority of whose funds come from its receiving one third of the performance fees owed by the fund to the fund manager, represents a central part of our philosophy of helping those left behind in Vietnam’s fast-growing economy. More details on this can be found on page 6.

May sustainable development be the future for all of us.

Jean-Christophe Ganz

Chairman

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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”

The year 2017 was characterized by a continuous rise of the market indices reflecting Vietnam’s favorable macroeconomic indicators and a renewed interest of foreign investors in the country’s securities markets.

The resulting spectacular increase of Vietnamese stock market capitalization, due to new listings and higher valuations, has necessitated rapid adjustment on the part of all Vietnam investment managers including us. Nevertheless, VNHAM continued to apply the ESG principles that are inherent to its activity, as we remain convinced of their value even in a rapidly changing and dramatically appreciating stock market.

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.

Business ethics is one of the criteria to evaluate a company at due diligence stage to which we pay particular attention. We actively help to grow and promote it throughout the Vietnamese marketplace.

LABOUR

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

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 2017, VNH attended 26 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.

In 2017 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 coal thermal electricity company which was unfriendly to environment, one rope manufacturing company whose products might be harmful to the marine ecosystem and one construction material company which displayed a low level of corporate governance standards following suspicious internal transactions.

ANTI-CORRUPTION

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

In 2017 our directors attended 21 meetings with 20 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 and staff of VNHAM are fully committed to continue their active engagement program in the coming years.



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

The 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 to the Da Nang Orthopedics Hospital and helps to provide medical training to the hospital’s staff, in cooperation with the Bruderholz Hospital in Basel, Switzerland. This is achieved by sponsoring annual visits by Swiss doctors and nurses specialized in orthopedic surgery to the hospital. Additional doctors and psychologists have been sent in 2017 to support efforts in trauma care, as well as the development of caring and re-integrating trafficked women.

The VNH Foundation has provided scholarships in the impoverished Ninh Thuan Province to allow well over 1,700 orphaned and handicapped children to attend primary school.

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.

In 2017, VNHF supported the Association for the Support of Vietnamese Handicapped and Orphans (ASVHO) which was established in April 1992. The Association aims to support and improve the quality of life of disabled, orphaned and underprivileged Vietnamese, as well as to implement policies and legislation on the disabled and orphaned. Its network operates nationwide on the provincial, district and ward levels. VNHF provides housing and water supply to families living with handicaps in Ca Mau, Tra Vinh and Vinh Long province.



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/>



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