



VIETNAM
HOLDING



Responsible Investment Policy



Our Mission

VietNam Holding Limited (VNH) invests in selected high-growth companies in Vietnam, with a focus on domestic consumption, industrialisation and urbanisation. Launched in 2006, VNH is a closed-end fund listed on the London Stock Exchange. The investment objective of the Company is to achieve long-term capital appreciation by investing in a diversified portfolio of companies domiciled either in Vietnam or having a significant portion of their assets or operations based in Vietnam.

Our Philosophy

As a long-term and responsible investor, we are committed to sustainability and positive impact, which is why these lie at the heart of all our investment decision-making. We believe that Environmental, Social and Governance (ESG) issues can influence investment returns and portfolio risks in the long-term and should be the foundation of responsible investing. We seek to fully integrate ESG principles into our core processes and choose to invest only in enterprises which meet these requirements in both financial and ESG matters.

Our Approach

Advocacy and best practices

VNH has been a signatory of the UN's Principles of Responsible Investing (UNPRI) since 2009, the first investor in Vietnam to be a signatory. As such, we have committed to the following:

- We will incorporate ESG issues into investment analysis and decision-making processes
- We will be active owners and incorporate ESG considerations into our ownership policies and stewardship practices
- We will seek appropriate disclosure on ESG issues by the entities in which we invest
- We will promote acceptance and implementation of the Principles within the investment industry
- We will continuously collaborate to enhance our effectiveness in implementing the Principles
- We will report on our activities and progress towards implementing the Principles

VNH reports to the PRI each year, and in 2020 we received A, A*, A for our ESG practices.

VNH supports the Paris Agreement and the Task Force on Climate Related Financial Disclosures (TCFD).

VNH has conducted workshops and forums to help foster awareness of sustainability principles within Vietnam's investment community over many years:

2010	The Long-term Value of Investor Relations
2011	Strategic Management: Short-term View vs Sustainability
2012	Economic Growth: Managing the Environmental Impact
2013	Building Effective Boards: Strategic Role for Sustainable Growth
2014	ESG Reputation in a Digital World
2015	Managing Corporate Reputation with Responsible Business Practices
2016	Carbon Footprint: Corporate Solutions for Sustainable Growth
2020	ESG Conference (online event organised by QuotedData, UK)
2020	Responsible Investing in Vietnam (online event organised by Spectrum, Singapore)



Experienced investment management team that takes ESG seriously

Dynam Capital, the Investment Manager appointed by the Company in June 2018, has its headquarters in Guernsey and an office in Ho Chi Minh City. Dynam is responsible for the day-to-day management of VNH's investment portfolio in accordance with VNH's investment policies, objective and restrictions. Dynam's investment strategy is based on research-driven fundamental analysis, seeking well-managed companies that have both purpose and a proven commitment to building a sustainable future in Vietnam. Dynam integrates ESG principles into its investment decisions and seeks to influence greater corporate governance and best practices in investee companies, for example, by engaging with companies to improve their investor relations and provide quality financial and non-financial reporting.

The ESG Committee

VNH's ESG Committee was established with the intent to form a unified view of ESG matters by increasing our understanding of the opportunities and interconnectedness of the E, S and G and by promoting the robust standards of corporate governance that the Company adopts. The role of the ESG Committee is to:

- Review and evaluate the procedures and effectiveness of the Investment Manager's ESG Integrated Investment Process, including initial screening, due diligence, investment recommendations and investment monitoring
- Monitor any changes to the Integrated Investment Process which reflect changes in the Investment Manager's ESG Policy
- Monitor relevant rules, regulations, risks and developments relating to ESG procedures and reporting, stewardship and engagement with investee companies
- Discuss with the Investment Manager the effectiveness of the ESG Integrated Investment Process and ESG Policy, providing guidance to the Investment Manager where appropriate and consider and discuss any proposed changes to such process and policy

The Terms of Reference of the ESG Committee were approved by the Board in June 2020.

In 2022 the ESG Committee will also be responsible for reviewing any internal audit or external verifications of the PRI Transparency Report to be submitted by Dynam Capital.

ESG Integration

1 Exclusion list

Based on the guidelines of the UNPRI, of which VNH is a signatory, and the IFC guidelines, we have developed our own exclusion list.

VNH does not invest in a company where there is a high probability of exposure to the following activities and issues:

- Production or trade in any product or activity deemed illegal under the Vietnamese laws or regulations or international conventions and agreements, or subject to international bans, such as pharmaceuticals, pesticides/herbicides, ozone depleting substances, PCB's, wildlife or products regulated under CITES
- Production or trade in weapons and munitions
- Production or trade in distilled alcoholic beverages (excluding beer and wine) that accounts for more than 5% of the company's revenue or profit
- Production or trade in tobacco
- Gambling, casinos and equivalent enterprises
- Production or trade in radioactive materials. This does not apply to the purchase of medical equipment, quality control (measurement) equipment and any equipment where VNH considers the radioactive source to be trivial and/or adequately shielded
- Production or trade in unbonded asbestos fibers. This does not apply to purchase and use of bonded asbestos cement sheeting where the asbestos content is less than 20%
- Large-scale drift net fishing in the offshore international waters using nets in excess of 2.5 km in length

In addition, VNH will not invest in companies that do not rectify any violation of Vietnamese laws and regulations on corporate governance and information disclosure including:

- Delays in submitting financial reports, without an adequate and approved reason
- Inadequate disclosures of trading transactions by Board/management members and related persons of Board/management members
- Unsanctioned or unreported related party relations or cross holdings that are material to its financial performance
- Sanctions for Price manipulation on the stock market
- Companies known to have been involved in any violation of any other local laws or regulations

As a supporter of the Paris Agreement, VNH will not invest in companies that generate more than 25% of their revenues from thermal coal production.



2 ESG Management System

We recognise that ESG is a ‘journey’ for many companies in Vietnam, with some at more advanced stages than others. We consider ourselves patient investors and have seen, and indeed played a part in, the positive developments in our portfolio companies on several ESG levels.

Our ESG Management System is a customised set of policies, procedures, tools and reporting guidance designed to identify, assess, manage and report on ESG risks and take advantage of opportunities for positive impacts associated with the activities of portfolio companies.

The ESG Management System has been developed by our Investment Manager to:

- Integrate ESG issues into every single step of the investment process: initial screening, due diligence, investment decision and investment monitoring.
- Provide a framework for monitoring and reporting on ESG aspects to stakeholders.
- Work in partnership with our portfolio companies to help them identify and implement ESG opportunities that create sustainable enhancement to their overall financial performance.





3 Active ownership through a Dedicated Company Engagement Programme

We assign high priority to the engagement mandate entrusted to us by our shareholders and have been devoted to engaging with portfolio company executives through face-to-face meetings as part of our Company Engagement Programme since 2012. This focuses on improving a portfolio company's financial performance and emphasising the necessity to systematically implement ESG factors. By enhancing our knowledge on specific issues we are able to support investee companies in both financial and ESG aspects: from influencing better governance to helping them take positive steps toward improving sustainability policies, practices and performance. This not only helps us in our investment decisions but also adds value by influencing positive change at the investee companies.

The main goals of the company engagement programme include:

- Establishing a dialogue with top management on all material ESG issues, seeking their buy-in and agreement on annual specific - and ideally quantified - commitments to make improvement where needed
- Creating awareness of key issues on ESG for discussion and improvement
- Encouraging the application of international best practice and introduction to resources and consultants where relevant
- Maintaining the on-going discussion on addressing identified key ESG factors
- Support the investee company on developing an action plan for improvement of relevant ESG matters

4 Building a climate-smart strategy

According to the United Nations Framework Convention on Climate Change (UNFCCC), Vietnam is one of the five countries most vulnerable to climate change. Focusing solely on the Vietnamese market, we are strongly aware of climate-related risks and opportunities presented to the country, the investee companies and thus our investments in the long-term. We pay particular attention to manage the climate risks of the portfolio by keeping track of the portfolio's total carbon emissions, further analysing the transition risks of climate-sensitive industries and helping our companies to do more on reporting their carbon emissions.

Dynam Capital, our Investment Manager, is also a member of the Asia Investor Group on Climate Change (AIGCC).

5 Voluntary measuring and reporting

Our aim in Responsible Investing is to: **'Do more, measure more and report more'**. As a signatory to the UNPRI, we report on our responsible investment activities every year through the PRI Transparency Reporting framework, the largest global reporting initiative for responsible investing. We also measure and publicly report the Company's carbon footprint, our estimated portfolio-level carbon footprint, and assess the performance of the portfolio's investee companies against the UN's 17 Sustainable Development Goals.



