

PROMPT TRANSFORMATION TREND INITIATION





Vicostone quartz product Amarcord - BQ9500

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PROMPT TRANSFORMATION TREND INITIATION



MESSAGE FROM THE CHAIRMAN

Dear Valued Shareholders, Investors, Customers, Partners and other Stakeholders

Impacts of the COVID-19 pandemic, trade wars, and political instability made 2020 a year of great turmoil and challenges for the entire world. Vietnam was inevitably not immune from these adverse trends. However, thanks to the resolute and effective leadership of the Communist Party and the Government of Vietnam in implementing aggressive measures aimed at pandemic containment and prevention in tandem with economic development and people's livelihood assurance, Vietnam managed to achieve a record 2.91% GDP growth rate (according to the General Statistics Office's report released in December 2020), ranking among the world's fastest-growing economies in 2020.

In this context, in 2020, Vicostone, by virtue of its prompt adaptability and timely transformation to respond to market changes as well as solid governance foundation, managed to overcome adversities and recovered immediately following the initial shock caused by the outbreak of the COVID-19 pandemic during the first quarter. The Company promptly stabilized its operations and delivered satisfactory outcomes. In particular, in 2020, the Company recorded total net revenue of approximately VND 5,660 billion, which represented a 1.7% increase YOY, and a pre-tax profit of approximately VND1,668 billion, thereby fulfilling business targets approved at the 2020 Annual General Meeting of Shareholders. Furthermore, the Company continued to sustain and develop markets by expanding export markets to over 50 countries, became the third-largest supplier of engineered stone countertops to the global market according to the independent evaluation and research conducted by the reputable American market research firm Freedonia, and finalized its closed-loop input supply chains for the production of advanced quartz-based engineered stone. In 2020, Vicostone also proactively initiated and exercised measures to ensure occupational health and safety for laborers, joined the Government to fight the COVID-19 pandemic, and provided both financial and physical support for local residents and authorities being hit by natural disasters, etc.

These positive outcomes are the results of the Board of Management's business acumen and determined leadership, as well as corporate risk management capabilities and proactive response to overcome unpredictable changes in the global economy. They also are the proof for Vicostone's cultural characteristics of being united, being responsible and realizing all commitments to related parties.

The new year 2021 is expected to be full of new challenges due to the continuous complex development of the COVID-19 pandemic. Vicostone will act on the strategic direction of "Prompt Transformation - Trend Initiation" to pursue sustainable development in the "new normal" period which is coupled with rapid and vigorous digital transformation in all aspects of the economy. The key missions, goals, and roadmaps for implementation are well determined by the Company as follows:

- Continuous promotion of Research and Development (R&D) activities to create new generations of pioneering products, improve business competitiveness through our distinct technological advantages;
- Expansion of business scale and cost optimization;
- Strengthening of the Company's role and connections with other key business units of Phenikaa Group's ecosystem to enhance business values and benefits based on the collective strength of the Group;
- Demonstration of the Company's internal strengths and a conscious business culture that places the harmonization of stakeholders' interests as the focus for all activities.

Vicostone understands that the sustainability of the Company can only be achieved in a sustainable community. Therefore, we commit to joining the Government and related parties in the development activities that best benefit the economy, society and environment.

On behalf of the Board of Directors, I would like to extend my sincerest gratitude to State agencies, Customers, Shareholders, Investors, Media Agencies, etc., and all of our employees as well as our parent company Phenikaa Group for your constant trust and companionship with Vicostone on our journey towards a sustainable and prosperous future.

Wishing you all Health, Peace and Happiness!

With sincere thanks,

CHAIRMAN OF THE BOARD OF DIRECTORS

HO XUAN NANG

LIMITED ASSURANCE REPORT OF THE BOARD OF INTERNAL AUDITORS



VICOSTONE JOINT STOCK COMPANY

Subject: Ensuring some indicators of Sustainable Development

To: Vicostone Joint Stock Company

To ensure the reliability of some indicators in the 2020 Sustainable Development Report and improve the quality of the report of the Company, the Board of Internal Auditors has conducted its review and provided limited assurances to some of the indicators of Sustainable Development for 2020.

Responsibilities of the Board of Management

The Board of Management has the responsibility to conduct and deliberate on the 2020 Sustainable Development Report in accordance with the Sustainability Reporting Standards of the Global Reporting Initiative (GRI) and sector-specific scopes of activity. At the same time, the Board of Management is responsible for the design and implementation of internal reviews which it deems necessary to ensure the accuracy and reliability of information and statistics in the 2020 Sustainable Development Report.

Responsibilities of the Board of Internal Auditors

The Board of Internal Auditors has the responsibility to provide limited assurance to Sustainable Development indicators which have been selected in accordance with stipulations under the Handbook on Internal Auditing of the Company. These stipulations require the internal auditors to comply with the Professional Ethical Standards and risk-based sampling procedures, from inspection planning to implementation, in order to provide its independent view of the 2020 Sustainable Development Report.

The limited assurance is mainly conducted through interviews, complementary analysis procedures, including the selection and inspection of sample records and documents, internal reports, receipts and invoices, and confirmation from suppliers, and comparisons. The limited assurance is applicable to statistics relating to selected indicators within the fiscal year that ended on December 31, 2020, without reference to previous periods outside the scope of assurance.

The outcomes of the assurance and recommendations are discussed with the Board of Management and managers of concerned Departments, Divisions, and Units, and are the bases upon which the plans for improvement tasks for 2021 are established.

Scope of Review

With its existing resources, the Board of Internal Auditors has inspected some Sustainable Development indicators for the fiscal year ending on December 31, 2020 of the 2020 Sustainable Development Report on the basis of the GRI Reporting Standards, including:

THE SOCIALIST REPUBLIC OF VIETNAM
Independence – Freedom – Happiness

Hanoi, May 25, 2021

Criteria	Disclosure	Sustainable Development Indicators
GRI 302: Energy	GRI 302-1	Energy consumption within the organization (presented in pages 131-134)
GRI 305: Emissions	GRI 305-7	Indicators of disposal and emissions: Nitrogen oxides (NOX), sulfur oxides (SOX), volatile organic compounds (VOCs), hazardous air pollutants (HAPs) and other significant air emissions (presented on pages 138, 139, 144 and 145).
GRI 306: Effluents and wastes	GRI 306-1	Indicators of domestic wastewater (presented on pages 140-143 and 145-147)
	GRI 306-2	The percentage of processed wastes and treatment methods (presented on pages 140-143 and 145-147)
GRI 403: Occupational health and safety	GRI 403	The official joint committees on occupational health and safety.
		The percentage of employees elected into the joint committees on occupational health and safety (presented on pages 168-169)
GRI 413: Local communities	GRI 413-1	Community-supporting activities (presented on pages 192-195)
GRI 416: Customer health and safety	GRI 416-1	Indicators of product quality and customer satisfaction (presented on pages 180-191)

Conclusion

In the course of conducting the limited assurance in accordance with the aforementioned procedures and standards, the Board of Internal Auditors did not find any issues that can lead us to believe that the effectiveness of activities according to the Sustainable Development Report indicators selected in the scope of review had not been presented in a reasonable fashion, based on key aspects, and in accordance with the principles and scope of activities of the Company on the Sustainable Development Report which was presented in the section on the Overview of the Sustainable Development Report for the fiscal year ending on December 31, 2020.

Recipients:

- As above
- Chairman of the Board of Directors (to report)
- Record kept at Archives, The Board of Internal Auditors

THE BOARD OF INTERNAL AUDITORS
Head of the Board

Nguyen Dieu Thuy Ngoc

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VICOSTONE'S OVERVIEW (GRI 100)

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GENERAL INFORMATION

VICOSTONE JOINT STOCK COMPANY

Vicostone is the third-largest supplier of engineered stone countertops to the global market. The Company has set up a broad distribution network in all five continents as well as secured the intellectual property rights for VICOSTONE® brands in 67 countries.



International name: **VICOSTONE JOINT STOCK COMPANY**
Abbreviated name: **VICOSTONE**



Charter capital: **VND 1,600,000,000,000**
(One trillion six hundred billion Vietnamese dong)



The certificate of business registration: 0500469512 issued by the Hanoi Department of Planning and Investment on June 2, 2005 and registered for the 18th amendment on April 16, 2018.



Address: Hoa Lac Hi-Tech Park, Thach Hoa Commune, Thach That District, Hanoi
Tel: (+84)24 3368 5826
Fax: (+84)24 3368 6652
Website: <https://vicostone.com>
Email: quanhecodong@vicostone.com



Responsible for information disclosure



MR. PHAM ANH TUAN

Position: General Director

Vicostone Joint Stock Company

Tel: (+84)24 3368 5826

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Address: Hoa Lac Hi-Tech Park, Thach Hoa Commune, Thach That District, Hanoi, Vietnam.

Mobile: 0977 150 881



VISION – MISSION – CORE VALUES



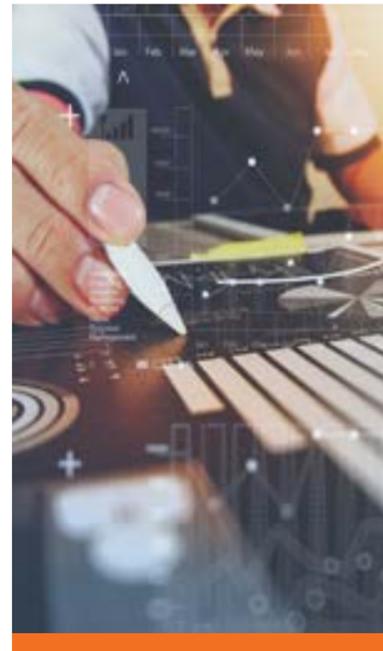
VISION

To keep promoting the standing of VICOSTONE® brands on the international market through limitless innovation and appliance of advanced technologies and materials to create unique, artistic inspirational quartz products.



MISSION

To realize all commitments, pioneer innovations to offer top-quality unique, artistic, trend-leading products, satisfy the demand of customers and inspire individual creativity



STRATEGIC ORIENTATION

To position smart industrial production as the core business, eco-friendly materials and hi-tech products as the spearheads, and to focus on engineered quartz stone and advanced composite materials

CORE VALUES



RELIABILITY

Vicostone has established a proven culture of “Talk the Talk, and Walk the Walk” and “Realize all commitments” based on:

- High-quality human resource equipped with the knowledge, talent, responsibility, passion and creativity, and dare-to-think and dare-to-do attitude;
- Satisfaction and trust of each employee, customer, shareholder as Vicostone's ultimate goal;
- Effective application and update of the latest technologies, advancements in production and corporate governance;
- Strong financial capability and advanced management technologies for good business performance and sustainable development;
- Corporate social responsibility.

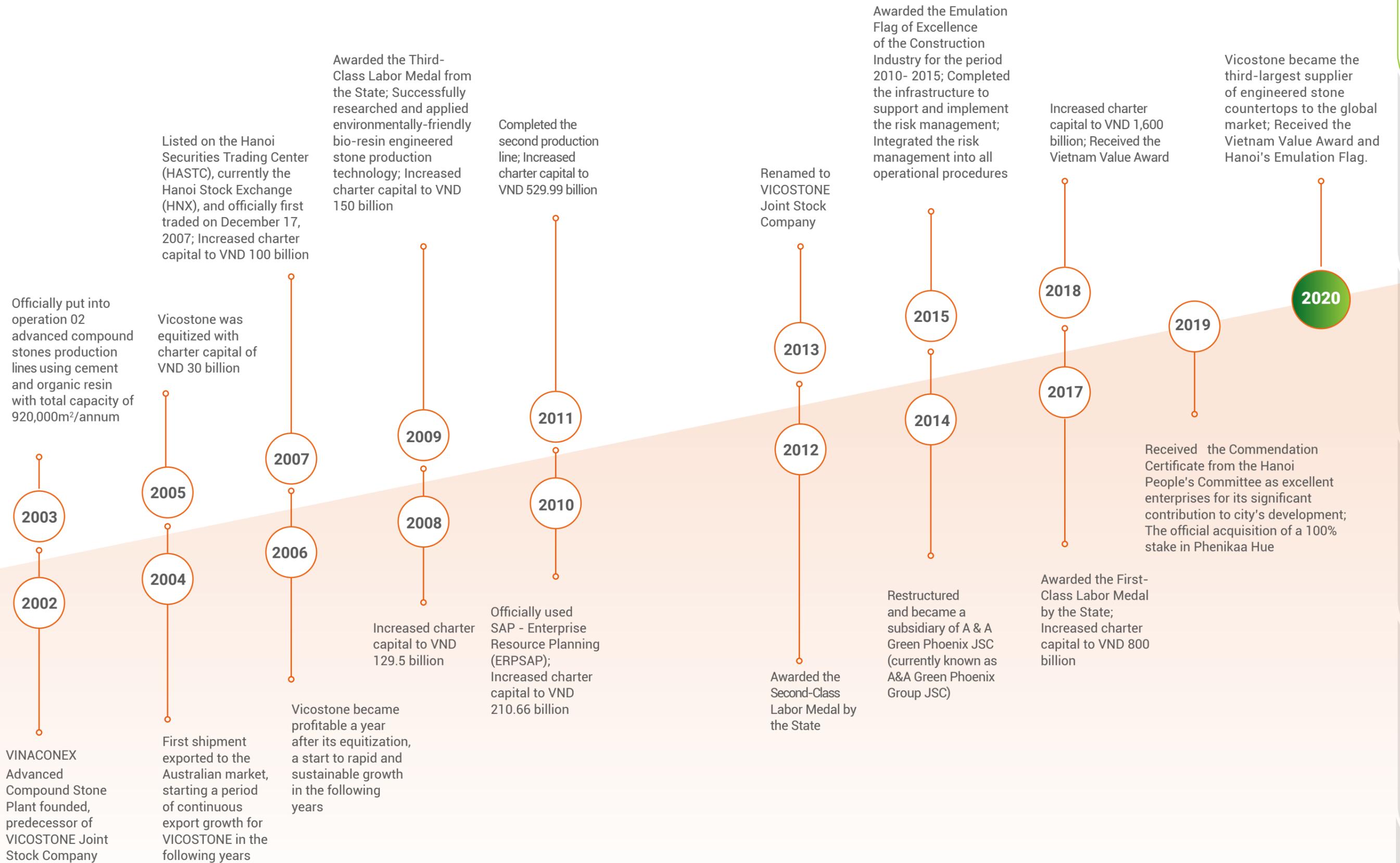
PIONEER

To lead in advanced technologies and materials, create new market trends and achieve ecofriendly, sustainable development.

INSPIRATION

To make Vicostone's products the quintessence of the nature and inspire customers to confidently pursue and create personalized living space.

DEVELOPMENT HISTORY



NOTABLE ACHIEVEMENTS OF 2020

01 VICOSTONE – THE WORLD’S THIRD-LARGEST PRODUCER OF ENGINEERED STONE COUNTERTOPS



As a result of relentless efforts of its Board of Directors and staff, in 2020 Vicostone became the third-largest supplier of engineered stone countertops to the global market, with 06 production lines operating with total production capacity of more than 3,000,000m² of big-size stone slabs per year, and 02 production factories, with total production capacity of more than 500,000m² cut-to-size stone per year. The ranking was independently conducted by the U.S.-based market researcher Freedonia.

02 VICOSTONE® REMAINED VIETNAM’S MOST VALUED BRAND



The Vietnam Value Award is an exclusive brand-valuing program developed by the Vietnamese Government to promote and develop national branding of distinguished domestic products. Participants are rigorously and transparently selected based on a set of clear criteria that are integral to core values, namely, Quality, Innovation and Pioneering. In 2020, VICOSTONE® – the product brand of Phenikaa Group – was once again honored with the Vietnam Value Award. This was a recognition by the Government, customers and partners, for the efforts, pioneering, and unrelenting innovation of the people at Vicostone in particular, and those at Phenikaa Group in general for sustaining and strengthening the position of Vietnamese brands in the global market.

03 SECURED CLOSED-LOOP INPUT SUPPLY CHAINS FOR ADVANCED QUARTZ PRODUCTION

As a result of localization of and participation in the supply chains of critical input materials - a key strategy developed by the parent firm Phenikaa Group – Vicostone managed to reduce the risks of dependence on imported materials and forex rate volatility, optimized the selling prices and secured the supply and quality of both production materials and end-products; thus enhancing product quality; improving the management of production expenses; and improving competitive advantages.

- Quartz & Cristobalite: Vicostone secured the supply of quartz and cristobalite inputs by acquiring Phenikaa Hue – one of three cristobalite plants in the world.
- Polyester resin: In 2020, Phenikaa Chemical Plant entered into operation with a focal mission to supply polyester resin – a prime material in producing engineered quartz stones, thus driving Vicostone towards full localization and reinforcement production.



NOTABLE ACHIEVEMENTS OF 2020 (CONTINUED)

04 INVESTED IN ADDITIONAL PRODUCTION LINE WITH CAPACITY OF 500,000M² OF SLAB PER YEAR



With a view to enhance production capacity of stone slabs, expand productivity scales, as well as improve technologies to develop new and unique products and enhance the Company's competitiveness, Vicostone installed an additional production line with the capacity of 500,000m² of stone slabs per year. The new production line raised the total number of lines at Vicostone to six and lifted the total output to more than 3,000,000m² of stone slabs per year.

The investment and installment of a new production line demonstrated the strengths and potentials of Vicostone as well as its proactiveness in planning for production in accordance with each developmental phase.

05 EXPANDED EXPORT MARKETS TO MORE THAN 50 COUNTRIES



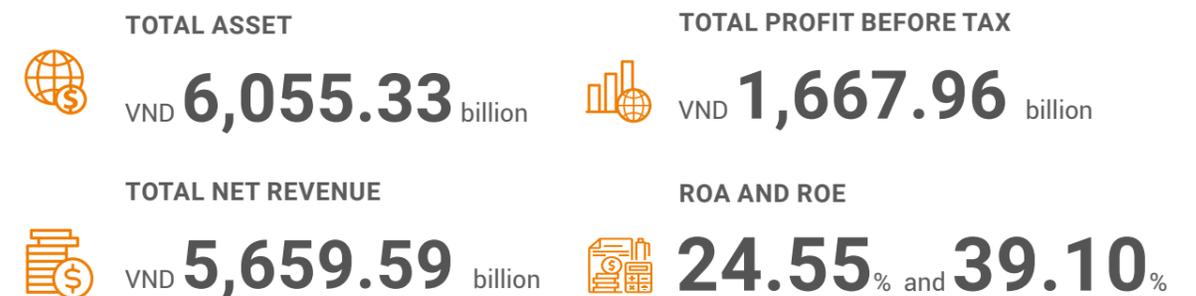
In 2020, despite the severe economic impacts engendered by the COVID-19 pandemic, both domestically and internationally, Vicostone still made its strong impressions by remaining resilient in overcoming difficulties, maintaining business operations, securing jobs for employees and expanding markets. With its goals to achieve sustainable development, contributing towards the fostering a strong and prosperous nation, and promoting domestically manufactured brands to the world, Vicostone continued to strengthen its development in key markets. At the same time, we expanded to new regions by broadening agency networks and spending more on Integrated Marketing and Communication activities. This lifted the total number of export markets for VICOSTONE® products to more than 50 countries worldwide.

06 INTRODUCED THE WORLD'S FIRST-EVER 5MM QUARTZ, PROVIDING ALTERNATIVES FOR GLOBAL CUSTOMERS

As a pioneer and trend-setter with creative, unique and inspirational product lines, in 2020, Vicostone successfully introduced and commercialized VICOSTONE® Ultrathin, the first 5mm-thick quartz product in the world. Driven by the state-of-the-art, cutting-edge technology, the product possessed advanced attributes, including its lightness, thinness, ease of use, and the provision of a variety of options for consumers. The freshness and utility of this brand new product has made strong impressions on our customers, especially the Japanese, who always had a penchant for convenience and simplicity.



07 MAINTAINED STABLE BUSINESS OPERATION AMID COVID-19 PANDEMIC



By the end of 2020, the total asset of Vicostone was valued at VND6,055.33 billion, total net revenue was VND5,659.59 billion and total pre-tax profit was VND1,667.96 billion. The results were encouraging for a global-scale business amid the COVID-19 pandemic and the volatility of global social-economic-political conditions, demonstrating the Company's ability to adapt and proactively transform.

NOTABLE ACHIEVEMENTS OF 2020 (CONTINUED)

08 STABILIZED INCOMES, INCREASED JOBS AMID THE COVID-19 CRISIS



In 2020, in face of the global pandemic with unpredictable developments, Vicostone ensured incomes for its employees and expanded the labor force while implementing safety measures to prevent the contraction and spread of the disease. These actions proved the Company was strong enough to adapt to any changes, defeat obstacles and stand firm against this crisis.

In 2020, Vicostone hired 95 new employees, increasing its staff by 5% from 2019, whereas other businesses were forced to lay people off and scale down operations.

09 ACTIVELY JOINED GOVERNMENT'S SOCIAL ACTIVITIES TO MAKE LIFE SAFER AND BETTER FOR THE COMMUNITY AND SOCIETY



As a conscious global business with a mission to fulfill all commitments to stakeholders, Vicostone continued to focus on developing society and community programs in an effort to make life better every day. In 2020, Vicostone and Phenikaa Group actively joined with the Government to implement meaningful programs that included the donation of VND6.5 billion to assist the Government to fight the COVID-19 pandemic, the donation of VND5 billion directed to the "For the Poor" Foundation, and VND2 billion for Vietnamese children with cancer via the VinaCapital Foundation.

10 VICOSTONE HONORED BY THE PARTY, STATE AND REPUTABLE DOMESTIC, INTERNATIONAL INSTITUTIONS

Vicostone received numerous awards from the Party, the State and the Government and ranked highly by reputable domestic and international institutions.



Vicostone received honorable Emulation Flag of the Hanoi People's Committee



Vicostone is honored in the Top 50 Best Performing Companies in 2020

NOTABLE ACHIEVEMENTS OF 2020 (CONTINUED)

10 VICOSTONE HONORED BY THE PARTY, STATE AND REPUTABLE DOMESTIC, INTERNATIONAL INSTITUTIONS (CONTINUED)



Vicostone is honored in Top 500 Largest Companies in Vietnam

- Hanoi City's Emulation Flag from the local People's Committee;
- Vietnam's Top 50 listed companies by Forbes Vietnam;
- Vietnam's 100 Largest Public Companies by Forbes Vietnam;
- Top 100 Sustainable Companies by the Vietnam Business Council for Sustainable Development (VBCSD) under the Vietnam Chamber of Commerce and Industry (VCCI) in co-operation with the Ministry of Labor, War Invalids and Social Affairs, the Ministry of Natural Resources and the Environment, and Vietnam General Confederation of Labor;
- Top 10 Reputable Building Material Companies in Vietnam by Vietnam Report and VietnamNet Newspaper;
- Vietnam's Top 500 Fastest Growing Companies (FAST500) by Vietnam Report and VietnamNet Newspaper;
- Vietnam's 50 Best Performing Companies by Nhip Cau Dau Tu Magazine and Thien Viet Securities JSC;



Vicostone is lauded in the Top 50 Most Competitive Listed Companies

- Top 500 Most Profitable Companies in Vietnam (PROFIT500) by Vietnam Report and VietnamNet Newspaper;
- Vietnam's Top 500 Largest Companies (VNR500) by Vietnam Report and VietnamNet Newspaper;
- Top 100 Best Tax-paying Companies in Vietnam by the General Tax Department;
- Company with the best Information Transparency and Corporate Governance in 2019-2020 by the Hanoi Stock Exchange (HNX);
- Top 10 Companies with the Best Annual Reports by the Ho Chi Minh Stock Exchange (HOSE), the Hanoi Stock Exchange (HNX) and Dau Tu Newspaper;
- Top 50 Most Competitive Companies by Vietnam Chamber of Commerce and Industry (VCCI), Dien Dan Doanh Nghiep Magazine, Institute of Business Studies and Development (INBUS) and Vietnam Association of Accountants and Auditors (VAA).

MARKETS AND PRODUCTS



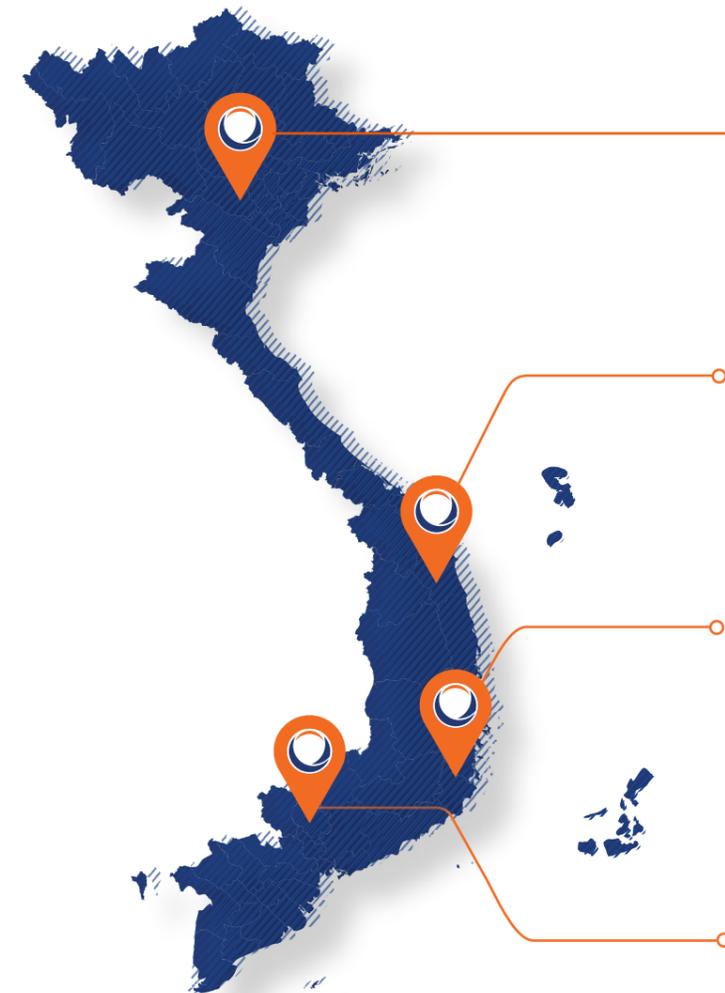
Vicostone-made products on show at IMM Cologne Exhibition 2020 in Germany

In 2020, Vicostone was one of the three largest suppliers of engineered stone countertops to the global market, exporting and selling products in more than 50 countries spanning over all five continents with more than 10,000 local sellers/partners. Exports still accounted for a majority of Vicostone's total revenue with strong focus on North American and European markets. In North America, given the support of the parent firm Phenikaa Group, Vicostone not only partnered with big distributors but also set up its direct wholly-owned subsidiaries with 9 distribution centers in North America (5 centers in the U.S. and 4 centers in Canada).

The outbreak of the COVID-19 pandemic adversely affected the global economy with severe contractions in nearly all sectors, especially construction and renovation works. A large number of building projects were delayed or canceled, which had strong negative impact on both construction and building material companies – especially those having depended mostly on exports. Directed by the strategic direction of "Fast Adaptation, Timely Transformation", Vicostone actively studied the new conditions of the market and implemented appropriate actions to stabilize its production. Export sales in key markets – North America and Europe

– were kept stable, particularly, Vicostone saw slight growth of sales in the U.S., making Vietnam one of the three largest quartz exporters to that market. According to the United States International Trade Commission (USITC), the total value of engineered stone imports in the U.S. from Vietnam in 2020 accounted for 15.78% of total imports. The figure was up 57.2% year-on-year and it was considered highly positive amid the unpredictability of the COVID-19 pandemic. This development gave Vicostone the opportunity to expand its market share for the foreseeable future in the U.S. in particular and throughout North America in general.

Similar to the international market, the Vietnamese construction market also suffered a downturn. This was especially true in ongoing real estate projects, causing difficulties for all material firms. Revenue in 2020 from commercial projects fell from 2019 level. Despite the challenges and the unpredictable nature of the COVID-19 pandemic, the Company stood out among local building material businesses as sales of residential projects grew well. Besides, the Phenikaa Hue Plant properly came into operation to meet the demands of Cristobalite from Vicostone, Phenikaa Group and the domestic market. With these achievements, Vicostone stood out among all building material companies amid the complicated



Showroom in Hanoi:

167 Hoang Ngan, Trung Hoa Ward, Cau Giay District, Hanoi.

Representative office in Danang:

No. 502-504 Nguyen Huu Tho, Khue Trung Ward, Cam Le Dist., Danang.

Representative office in Nha Trang:

No. 2 To Huu, Phuoc Hai Ward, Nha Trang, Khanh Hoa Province.

Representative office in HCM City:

72 Nguyen Co Thach Street, An Loi Dong Ward, District 2, HCM City

fallout of the COVID-19 pandemic.

After three years of focusing on Integrated Marketing and Communication, Vicostone in 2020 enhanced its brand awareness, won market confidence and became one of most reputable and valuable choices for domestic consumers, based on survey from a leading market research company in Vietnam. By the end of 2020, the Company had opened one showroom in Hanoi and three representative offices in Ho Chi Minh

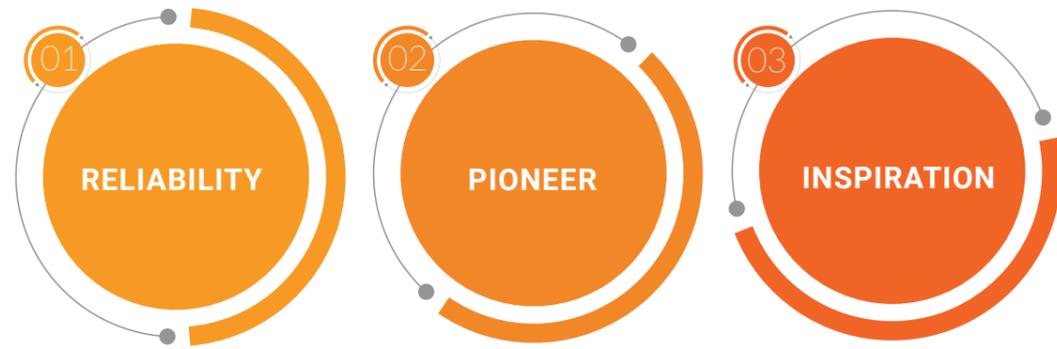
City, Nha Trang and Da Nang as well as positioning its products on shelves at more than 1,000 agencies across the country. By keeping its business going forward amid the COVID-19 pandemic, Vicostone demonstrated the policies set by the Board of Directors and the Board of Management were accurate, constantly responsive, fast adaptive and effectively transformative for dealing with an ever-changing business environment.

ETHICS AND INTEGRITY

I. VICOSTONE'S CONSCIOUS CULTURE

1. CORE VALUES

Since its very first day, the sustainability of business development and the balance of interests among all related parties (Partners, Customers, Employees, Shareholders, Community and Society...) are the decisive factors for all decisions and actions of the Company and social responsibilities are the core of the business that help create, foster better values for the community today and the future generations. Vicostone's system of three core values and seven cultural characteristics is at the heart of the Phenikaa culture – the culture of the conscious business. The values and characteristics are as follows:



Employees discuss specific tasks at the office

2. Cultural characteristics



- **Trust**
Built within Vicostone and between the Company and stakeholders;
- **Accountability**
Clarity, transparency and good communication about all aspects for all stakeholders;
- **Care**
Cautious and honest conducts on sympathy, sharing attitude and recognition to each other;
- **Transparency**
Clarity and accuracy of information, policies, plans, targets...;
- **Integrity**
Honest, straightforward, serious and committed to humanity;
- **Loyalty**
Commitment, dedication and strong efforts;
- **Equality**
Encouragement of free, open expression and two-way feedback (between employees and managers/leaders)



All employees strictly follow the rules to ensure occupational safety and health amid the COVID-19 pandemic

ETHICS AND INTEGRITY (CONTINUE)

II. CODE OF CONDUCT

Vicostone's Code of Conduct (COC) was developed on the basis of consensus between the Company's top-level executives and employees collectively, in full compliance with current legal regulations, and is a constructive, voluntary multi-party commitment between Vicostone and stakeholders, including employees, customers, investors, shareholders, government agencies, the community... The COC is not just a guiding compass for Vicostone's employees, but also the internal link between Vicostoners, helping to propagate Vicostone's corporate culture and images of professionalism, reliability and constant innovation.

1. Aims of Vicostone's COC

- Establish common principles of in/appropriate, un/encouraged behaviors to guide, codify proper behaviors for Vicostone employees;
- The COC reflects the core values and cultural characteristics of Vicostone in engagement with stakeholders. The COC is exercised along other internal regulations, policies, guidances and processes by various units and departments in the Company;
- The COC is subject to the laws of Vietnam and refers to the laws of other countries in which Vicostone is either doing business or planning to launch business, and matches the COC of Phenikaa Group – parent firm of Vicostone.

2. Subjects and scope of application

- The COC is applied throughout all units of the Company, including representative offices, branches, production plants and other dependents. All persons of the Company, from members of the boards of Director and Management to senior managers and employees are subject to the COC.
- Vicostone will make the best effort to assure suppliers, contractors, representatives and other third-party units acknowledge, honor and commit to the COC or apply similar policies in association with Vicostone.

ETHICS AND INTEGRITY (CONTINUE)

3. Vicostone's COC to stakeholders



a. To Laborers

Vicostone believes the value and success of the Company are built on the creativity, passion and discipline of each person. Therefore, the Company develops a happy, professional, and friendly working environment that upholds constructive criticism and encourages individuals to freely demonstrate creativity and reach their full potential, thus making differences and contributions to the growth of the Company. Upon mutual understanding, caring and sharing, Vicostone is home to those whose dreams are nurtured and aspirations are awakened, developed and realized.



Mutual respect and critical thinking are key principles participants must have when joining a discussion

- Respect:** Vicostone acknowledges the laborers are the "Source of Power" of the Company, therefore, their ideas are highly appreciated and well-received by the Board of Leadership. The employees are given opportunities to maximize professional capabilities, improve professional experiences and develop their careers, thus accomplishing personal achievements and new achievements of knowledge and work;
- Information sharing:** Vicostone encourages work-related information to be shared among all employees upon constructive criticism and open communication. All employees are free and highly-appreciated to raise their voice and their personal information is secure and remains confidential. The collection, processing, storage and use of employees' personal information can only be done if necessary and the action must comply to the laws;
- Equal treatment:** Employees are treated, assessed fairly based on their competencies, attitude, qualities and the results will facilitate the Company in recruitment, promotion, training, salary raise and disciplinary measures. Based on the professional requirements of each particular position, the Company is able to send employees to training courses to improve their professional qualities. Each worker is overseen by the internal system to evaluate their work results so any success or failure is fairly considered;
- Occupational safety and health:** The Company is obliged to facilitate employees the best working conditions, which refer to personal space, equipment and device, internal disciplinary rules, etc., to guarantee the physical conditions for laborers by complying strictly to the rules on occupational safety and health; and to responsively deal with conflicts to make sure they are dealt with fairly, quickly and legally.

ETHICS AND INTEGRITY (CONTINUE)



b. To Shareholders and Investors

Transparency, respect, equality and cooperation are the keys to Vicostone's relationship with investors and shareholders. The Company commits to bringing sustainable benefits to shareholders and investors through efficient business and investment activities, law abidance and honest, prompt information disclosure to publicly report the results of corporate governance and business operation.

- Transparent information disclosure: Vicostone pledges the reports on business performance, legal documents and other records provided for shareholders and investors are prompt, accurate, highly informative and legible;
- Respect of all stakeholders on the win-win principle: Reasonable feedbacks, requests and benefits of shareholders and investors are always appreciated; the Company also commits each worker acts for the common goals and will not take advantage of the Company's support for personal benefits and damage the profits of shareholders and investors.

Chairman of the Board of Directors responds to shareholders' inquiries at the Company's Annual General Meeting of Shareholders 2020



Vicostone products are introduced to buyers at an exhibition



c. To Customers and Partners

Customers, partners and agencies are the center for Vicostone's decision making. They are also considered key assets and members that assist the Company to realize its strategies and achieve the targets.

- The products and services are of high qualities, international standards and creativity. Based on advanced technologies, they are created and updated to remain unique and divergent;
- A credible relationship with customers: The Company follows fair, honest business ethical standards upon the advantages of the products, services and resources; bribery is not tolerated; and employees are advised to listen to customers to understand their needs and add new values to the products and services;
- Abidance to regulations on international trade and confidentiality of customer information: The information of customers is protected and secured by the Company in accordance with the existing laws;
- Mutual respect: A win-win relationship is developed which assures information confidentiality for all parties and a fair competition for all partners, and employees are forbid from receiving any forms of bribes from suppliers and partners;
- Information is provided fully and accurately about the rules and working protocols to make sure the cooperation with suppliers and partners is fair, competitive and thorough;
- Law abidance: Legal standards are considered fundamental for every action and policy, especially those regarding employees' occupational health and safety.

ETHICS AND INTEGRITY (CONTINUE)



d. To Competitors

Every competitor is a teacher and a friend for Vicostone to learn from and compete equally as the Company wants to keep improving its products and services, thus pushing the overall socio-economic development of the country.

- The Company prioritizes fair competition, does not violate the rights and benefits of the competitors while pledging to avoid unhealthy actions such as collecting the confidential information about the competitors and spreading false information about the competitors to weaken their strengths;
- The Company does not sign agreements and memoranda with competitors to take the actions that have negative impact on the market and customers;
- Strictly abide to the rules, agreements and accords signed with other parties; honor the confidentiality of the competitors, and avoid retaliations that go against the domestic and international rules on competition;
- Honor other companies' intellectual and property rights as Vicostone considers competition a drive to boost the performance of the Company by learning from its own competitors.



e. To State Agencies

Vicostone pledges to honor and abide by the laws on Competition, Environmental Protection, Labor, Intellectual Property and Securities Market.

- Fulfill the obligations and duties in accordance with the regulations issued by the State;
- Stay righteous in the relationship with the State agencies, forbid any illegal and unethical actions even though they benefit the Company;
- Work with the regulatory bodies if needed.



Employees and leaders of Vicostone actively partake in social development activities



f. To Community and Society

As a member of the community and a cell of the society, Vicostone acknowledges its key role in environmental protection. The Company is willing to partner with the State and other stakeholders to improve the living conditions for Vietnamese people and enhance the country's socio-economic development through smart technologies and production methods as well as scientific researches.

- Vicostone commits to fulfilling its social responsibilities upon its capabilities by making environmental protection a priority for all production units, constantly improving and using initiative methods to minimize the use of natural resources and energy so that the Company is able to prevent the chance of environmental pollution. The Company also pledges to take part in community services to help develop a sustainable society;
- Employees and workers are encouraged to come up with ideas and initiatives to improve their working conditions and protect the environment, and to join community service activities;
- Support for local communities: Vicostone has been actively participating in the programs by the Government to improve living conditions for local people, hastening the projects to build and upgrade the local infrastructure, reduce poverty, create jobs and launch charity projects to assist local people and authorities;
- Vicostone has also organized programs to raise public awareness about sustainable development and environmental protection such as efficient use of energy and prevention and handling of natural disasters, while jointly working with other organizations to hold activities on climate change.

ETHICS AND INTEGRITY (CONTINUE)

3. Communications, training and monitoring of the implementation of the COC

a. Communications and training

The COC is disseminated to each worker through various Vicostone channels such as: direct training, internal network, short bulletins, magazine, Facebook, website, internal event... Following the passing of the COC, communication and Q&A sessions are held for all employees. Aside from large scale training, the Company also has developed a network of trainers in each production unit to provide retraining and guidance for employees in their units, and for new recruits in implementation of the COC. These ensure quick adaptation, understanding, and exercising of standard behaviors by employees once they have become a member of the Company.

b. Monitoring of the implementation of the COC

The implementation of Vicostone's COC is guided and encouraged by the Company's Board of Management, all violations of the COC are quickly, accurately and fairly investigated and resolved. The Human Resources Department is the focal point for receiving violation complaints or concerns related to the COC. Employees may also contact, report to their direct superior or the HR Office if they discover violations. The Company commits to keep confidential the identity of whistleblowers within the purview of the law and Company's regulations.

REPORTING CHANNEL

- Email: truyenthong@phenikaa.com
- Tel: (+84)24 3368 5980

If any violations are reported, the Company shall impose appropriate punitive measures upon the seriousness of violations including the issuance of written reprimands, the delay in salary raise with a total period not exceeding 6 months, dismissal or lay-off, etc.

In 2020, Vicostone did not receive any complaints or reports related to COC violations or threats thereof.

Vicostone quartz product Volakano - BQ8885



02

VICOSTONE'S SUSTAINABLE DEVELOPMENT STRATEGY (GRI 100)

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OVERVIEW OF 2020 VICOSTONE SUSTAINABLE DEVELOPMENT REPORT

I. "PROMPT TRANSFORMATION – TREND INITIATION"

2020 featured a series of economic, political, social and environmental changes which greatly affected businesses' sales and operations, including those of Vicostone. Due to the outbreak and global spread of the COVID-19 pandemic, many businesses faced multiple crises like difficulties in liquidity, disruptions in the global supply chain, and vast changes in consumers' needs and behaviors, to name a few. In light of such challenges, "Prompt Transformation" became a must for all businesses.

Vicostone, as an internationally-operating company whose revenue mainly comes from its export markets, fully understood this. As early as the beginning of 2020, the Company was studying the market realities, constructing scenarios, as well as making necessary adjustments to its previously set developmental strategies and targets. Among such measures, "Prompt Transformation – Trend Initiation" was established as Vicostone's guideline for this period. For the Company, "Prompt Transformation" and "Trend Initiation" were manifested through both its thinking and actions, including:

- Reinforcement of the risk management system to quickly identify and respond to the general situation (economic, political and social instability as well as scientific and technological advancements), proactively conduct forecasts and construct action scenarios, and catch trends and embrace all opportunities.
- Enhancing internal strengths with strategies to manage sources of input materials and expand potential markets.
- Readiness of resources, especially human resources, empowering them with the most critical skills and knowledge to face and take advantage of opportunities and quickly recover during and after the period of instability.
- Promotion of the spirit of Innovative Renovation: Innovative thinking and ceaseless learning to apply initiatives and effectively adopt scientific and technological research results in sales and operations.

In responding to the "new normal" and post-pandemic recovery, Vicostone made the decision to fully and uniformly implement measures to achieve quality, speed and efficiency. This was the foundation for the long-term competitive advantages that helped the Company withstand challenges and "realize all commitments" with relevant parties in pursuance of sustainable development.



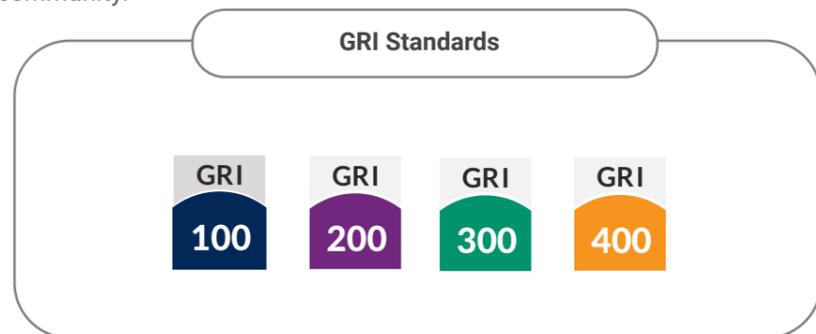
OVERVIEW OF 2020 VICOSTONE SUSTAINABLE DEVELOPMENT REPORT (CONTINUE)

II. 2020 VICOSTONE SUSTAINABLE DEVELOPMENT REPORT

In the sustainable development strategy, Vicostone determines: Economic development must go hand in hand with community and social development, and the Company must connect with all stakeholders to establish an entire sustainable ecosystem or global sustainable value chain. The 2020 Sustainable Development Report is the 7th consecutive independent sustainable development report from Vicostone. The Report paints a broad picture of the long-term economic benefits and the Company's contributions to national and global development through assessment of its activities and their impact on the economy, environment and society. Vicostone believes that sustainable development is not only a macro strategy but also needs to be implemented in every business activity. The Sustainable Development Report, above all, is an administrative tool, a statement showing Vicostone's commitment and actions, contributing to the national, regional and global efforts to make a more peaceful, stable and prosperous society.

a. Applicable standards

Vicostone conforms to the GRI Standards, the most up-to-date set of standards developed by the Global Reporting Initiative to proactively manage and assess the implementation of its sustainable development commitments. As the most globally-accepted and standardized sustaining reporting system, GRI Standards is a set of criteria that applies comprehensively and systematically, clearly outlining the economic, community, environmental impact of an organization. This is the basis for Vicostone to identify the Company's strengths, limitations in sustainability, from which to select and improve specific criterion in each part of the business, harmonize the goals of economic and community development, contributing to the environment and the community.



This report has been prepared in accordance with the GRI Standards: Core Option, to focus on the key components reflecting the Company's impacts related to economic, environmental and social topics, which are interrelated and will have major impact on the decisions of stakeholders involved in Vicostone's value chain, to highlight topic of the report: "Prompt Transformation – Trend Initiation".

In 2020, Vicostone remained as a member of the Competition Trade Program, organized by the Global Reporting Initiative - GRI in cooperation with the Swiss government in 6 countries, including Vietnam. Within the framework of the program, Vicostone has been further instructed on the application of the GRI standards to make the Company's 2020 report become a management tool for Vicostone and a transparent and reliable document for stakeholders.



b. Reporting principles

Vicostone's Sustainable Development Report is developed to report publicly on the Company's implementation of its sustainable development strategy. It is the reflection of Vicostone's proactive and positive approach to informing Investors, Shareholders, Customers, Employees and other stakeholders. This is among the important measures to develop a sustainable social ecosystem, one that is closely linked to Vicostone's business performance. The report is developed annually to review and assess the Company's implementation of its sustainable development strategy, combined with feedbacks from stakeholders to take stock, and reassess its performance over the course of the year, to develop plans and make the necessary adjustments for future years.

Vicostone's sustainable development report is drafted based on the following principles:

Reporting principles for defining report content



OVERVIEW OF 2020 VICOSTONE SUSTAINABLE DEVELOPMENT REPORT (CONTINUE)

Reporting principles for defining report quality



c. Scope of the Report

The Report evaluates the implementation and plans for carrying out the sustainable development strategies of the Vicostone JSC. Data presented in the Report is based on the results of measurements made by the Company's departments and units, some financial documentation is in reference to the audited consolidated Financial Statements of Phenikaa Group – Vicostone's parent company.

d. Reporting frequency: Once/annum

e. Reporting period: 01/01/2020 – 31/12/2020

f. Contact information

For all enquiries and recommendations related to Vicostone's sustainable development activities as well as the contents of the Report, please contact:

MR. PHAM ANH TUAN

- Position: General Director
Vicostone Joint Stock Company
- Tel: (+84)24 3368 5826 | Fax: (+84)24 3368 6652
- Mobile: 0977 150 881
- Address: Hoa Lac Hi-Tech Park, Thach Hoa Commune, Thach That District, Hanoi, Vietnam.

Your responses will be invaluable contributions to allow us better understanding of the needs and wishes of stakeholders in the timeliest and quickest manner. The feedbacks will be the foundation for the Company to assess and adjust current strategies and sustainable development programs to ensure alignment of interests with stakeholders', and to best realize Vicostone's sustainable development strategy.



VICOSTONE IN THE GLOBAL SUSTAINABLE DEVELOPMENT CONTEXT

Sustainable development is a global concern. The concept of sustainable development is formed in part by social realities, and is an inevitable trend. Awareness about sustainable development started from recognition of the importance of environmental protection and naturally developed to become recognition of the need to address social issues. In 1992, the United Nations Conference on Environment and Development held in Rio de Janeiro, Brazil resulted in the Agenda for the 21st century (Agenda 21) in which sustainable development is defined as: "The development that satisfies the needs of the current generation without negatively affecting the ability to satisfy the needs of future generations". Even today, the global consensus still holds for this definition and the goals of sustainable development have also turned into the Sustainable Development Goals.

In that context, each country must decide on the appropriate development strategies in line with the motto "Think global, act local", and take into consideration global factors to opt for the appropriate strategies and orientations. This is the reason why Vicostone is concerned with the sustainable development trends in the region and the world, to use as the bases for its assessment and selection of the strategic orientation in line with the Company's development goals.

I. SUSTAINABLE DEVELOPMENT IN THE CONTEXT OF COVID-19 PANDEMIC

Since early 2020, the global outbreak and unpredictable developments of the COVID-19 pandemic have affected all countries and industries, pushing the world economy into a recession not seen since the Great Depression in 1929 – 1933. According to international organizations, the world economy contracted by 4-4.5%, in which global trade was forecasted to contract by approximately 9.2-10%, investment by 10-15%, and foreign direct investment by 25 -30%, primarily due to the COVID-19 pandemic.

By the end of 2020, signs of world economic recovery had become more apparent due to efforts and positive outcomes of the following aspects:



- The healthcare sector achieved significant milestones in the development of vaccines and treatment of COVID-19 patients;
- Unprecedented stimulus packages by governments and central banks had been somewhat effective, helping global economic activities to gradually recover;
- Unemployment and job losses had been steadily decreasing;
- Most economic sectors had recovered to varying degrees but remained vulnerable.

While the world economy entered a deep recession due to the severe impacts of the COVID-19 pandemic, the Vietnamese economy still managed to achieve remarkable outcomes:

- Vietnam was one of the few countries in the world that successfully managed the pandemic situation. Thanks to the resolute and swift leadership of the Party, National Assembly, Government, and ministries, agencies, localities, organizations, and businesses, with a spirit of "fighting the pandemic like an enemy" and the guidance of being "determined to implement dual targets" as well as the support, sympathy, and strict adherence to the rules of the people, COVID-19 outbreaks were quickly controlled, helping to resume socio-economic activities and create a foundation for economic recovery in the final months of 2020.
- GDP growth was ranked among the highest in the world while growth quality continued to improve. GDP growth in 2020 was at 2.91%, though the lowest rate in the past 10 years, but was still positive growth and among the world's highest.
- Inflation was controlled within targets. In 2020, on average, the CPI increased by 3.23% which was quite lower than the 4% target, and in the 2016-2020 period by about 3.2%, a sharp decrease from the 2011-2015 period (7.65%).
- Exports continued to experience positive growth (with a value of US\$281.5 billion, a 6.5% increase from 2019) while global trade in 2020 was estimated to contract by about 10% (WTO, October 2020). Imports in 2020 were valued at US\$262.4 billion, increasing 3.6% from 2019, thus, the trade balance achieved a record surplus of US\$19.1 billion.
- Digital economic, innovative, and start-up activities developed quickly. The promulgation of Decision No. 749 (June 2020) of the Government approving the "National Digital Transformation Program by 2025, Vision for 2030" was an important milestone in Vietnam's digital transformation leading to 2030. Vietnam ranked second in ASEAN in terms of digital economic growth with an average rate of 27% in the 2015-2020 period (according to Google, Temasek and Brain & Company in November 2020).

VICOSTONE IN THE GLOBAL SUSTAINABLE DEVELOPMENT CONTEXT (CONTINUE)

II. A “ZERO EMISSION” GREEN ECONOMY AND VIETNAM’S ACTION STATEMENT AT THE LEADERS’ SUMMIT ON CLIMATE

At the invitation of U.S. President Joe Biden, President Nguyen Xuan Phuc delivered an important statement on “Economic Benefits of Climate Actions” at the Leaders’ Summit on Climate, which was held virtually on April 22 and 23, 2021. In his remarks, the President outlined specific statements on Vietnam’s commitment to act in concert with other countries to respond to global climate change, especially the trend towards a “zero emission” green economy. This is also an important basis for Vicostone and the business community to develop plans and adjust strategies to strengthen their protection of the environment.

- First, the transformation must be equitable and inclusive, equitable in the opportunities and benefits for the people, place the people at the center, “leave no one behind”, and be supported by the people, businesses, and scientists.
- Second, along with leading in their strong commitments to reducing emissions, developed countries should enhance their practical support to developing countries, including Vietnam, in terms of finance, development of new technologies, green energy, effective and high-quality construction of infrastructure integral with job creation. We highly value and hope to receive support from the International Climate Finance Plan of the United States and other international financial institutions, including international companies and groups.
- Third, the implementation of climate goals should suit the conditions of each country, including those requiring changes in lifestyle and methods of production and work and should be incorporated into national development strategies and plans; countries should first exert their own efforts and efficiently use resources gained from international support. At the same time, there should be national mechanisms for the monitoring and evaluation of outcomes to increase the ability to recover.

The President said that Vietnam as a developing country had only begun its industrialization process merely three decades ago, but had always strived to contribute to common global actions. By 2030, Vietnam commits to reduce 9% of its carbon emissions with its domestic resources, and up to 27% with bilateral and multilateral international support and continue to implement its “Plant a Billion Trees Plan” by 2025.

Vicostone, as a component of the economy operating in the industrial production sector, is keenly aware of its responsibilities in helping the nation achieve these goals. In recent years, the Company has and continues to implement various action plans to slow the pace of climate change and jointly protect the environment with communities and society, including:

- The development and application of science and technology, investment in green technologies and continuous promotion of initiatives on energy saving and on the reduction of emission.
- The reduced use of materials with high carbon emission rates and promotion of the utilization of clean and renewable energy resources.
- Sustained environmental supervision with continuous and frequent measurement, observation, analysis, and control according to requirements in environmental impact assessments and timely response.
- Timely updates and dissemination of legal documents on environmental protection.



III. THE UN 17 SUSTAINABLE DEVELOPMENT GOALS (17 SDGS)

The 17 Sustainable Development Goals, also known as the SDGs were adopted by UN members in September 2015. The 17 SDGs and 169 targets focus on two main areas: the community and the environment. Some social goals aim to meet basic needs such as ending poverty and ensuring access to healthcare, clean water and sanitation for all. Other goals aim to promote human rights, provide empowerment through quality education, gender equality, decent work, inequality reduction, innovation in industries and infrastructures for a better life for mankind, a life of respect. A survey by the Council for Sustainable Development shows half the business community believing that implementation of the SDGs is a job for governments. However, the 17 SDGs view the private sector as indispensable to realizing Goal 17 “partnerships for sustainable development”. As a private company that is part of the global supply chain, Vicostone supports the view that realizing the Goals is the common responsibility of both the public and private sector. The contents of Vicostone’s sustainable development strategies and orientations are developed based on the SDGs in Economy, Environment and Community.

IV. NATIONAL ACTION FOR SUSTAINABLE DEVELOPMENT IN VIETNAM

Vietnam has identified sustainable development as a consistent national development policy; it will closely, appropriately and harmoniously combine socioeconomic development with protection of natural resources and the environment, active response to climate change, at the same time ensuring national defense, security, social order and safety as well as safeguard national independence and sovereignty. Vietnam will maintain sustainable economic development in tandem with social advancement, equality, protection of the environment and the ecosystem, effective management and use of natural resources, active response to climate change; guarantee that all citizens can develop their full potentials and equitably enjoy the fruits of development; and engage in nation building for a peaceful, prosperous, democratic, equitable, cultured and sustainable Vietnamese society. As an active member of the international community, one who has expressed support and taken part in the implementation of sustainable development strategy on a global scale, on June 4, 2019, Prime Minister Nguyen Xuan Phuc had signed Decision No. 681/QĐ-TTg on promulgation of the Implementation Roadmap for the Sustainable Development Goals in Vietnam to 2030, further elaborating the National Action Plan to realize the 2030 Agenda for Sustainable Development at Decision No. 622/QĐ-TTg dated May 10, 2017. Just prior, on May 20, 2019, Directive No. 13/CT-TTg on Sustainable Development was also passed to encourage, call on, provide guidance to relevant government agencies and businesses to jointly address outstanding shortcomings, difficulties in realization of Vietnam’s SDGs to 2030. These are favorable frameworks and incentives for Vicostone to continue implementation of its sustainable development strategy.

SUSTAINABLE DEVELOPMENT STRATEGY AND ORIENTATION

I. SUSTAINABLE DEVELOPMENT STRATEGY AND ORIENTATION

In its 18 years of development, Vicostone has always considered "Sustainable Development" a focus and guideline for all its activities in production, business, governance, research and development, as well as human resources. Awareness and action in conformity with its commitments for the interests of people and society have been basic principles in the operations of Vicostone. Satisfying all reasonable requests of customers, protecting the environment, and ensuring social security and occupational health and safety are the foundations for sustainable development at Vicostone. In this light, Vicostone commits to:

- Develop human resources – the internal strength of the business.
- Realize all commitments to relevant stakeholders.
- Join hands for the betterment of the Community and Society.
- Use resources effectively, apply green, clean, and sustainable technology.
- Respect the rule of law, remain just and transparent.
- Provide all necessary resources to maintain and ceaselessly improve the management system of quality control – environmental protection – corporate social responsibilities – occupational safety and health in accordance with ISO 9001:2015, ISO 14001:2015, SA 8000:2014 and ISO 45001:2018 standards.

1. Overview of operations in 2020

With resoluteness in the leadership and governance of the Board of Management, risk management and proactiveness in light of changes and the ceaseless efforts of employees, despite unstable changes in the global economy in 2020, especially the severe impacts of the COVID-19 pandemic, Vicostone basically fulfilled its plans and recorded moderate growth in business outcomes:



SUSTAINABLE ECONOMIC DEVELOPMENT

- Net revenue in 2020 achieved 100.49% of stated plans, increasing 1.74% from 2019, with a 16% increase in the 2016-2020 period;
- Profit before tax in 2020 achieved 99.94% of stated plans, increasing 0.93% from 2019, with 20% growth in the 2016-2020 period;
- Revenue in the Asian market grew by 210%, a threefold increase from 2019.

EMPHASIS ON BUSINESS GOVERNANCE

- The Company's internal strengths continued to be fostered in terms of human resources, systems, technology, finance, etc;
- Effective governance, especially in risk management, identified and managed risks to provide timely responses, at the same time, promptly enacted changes with flexible solutions under all circumstances. The control and reduction of costs were also implemented in all of the Company's operations with solutions in the application of technology, innovation, renovation, etc., to ensure cost effectiveness in achieving stated targets;
- Increased marketing activities targeted at end users, experts, and architects, including the Quartz Flower Campaign, Kitchen Stories 7.0, 24h Overview, S.O.S Kitchen Creativity Contest, etc.

DEVELOPMENT OF HUMAN RESOURCES AMID THE PANDEMIC

- Median income of workers reached VND17.64 million, a 9.59% increase from the past five years;
- 100% of workers had job and income stability during the COVID-19 pandemic;
- COVID-19 prevention was strictly, proactively and creatively carried out, ensuring health and safety for workers.

CONTRIBUTION TO COMMON EFFORTS IN COMMUNITY DEVELOPMENT

- The contribution to the State budget reached VND307.797 billion, a 43.28% increase from the past five years;
- Active participation in joint activities with the Government to combat the pandemic and natural disasters, and to support communities. The Company donated to the National Anti COVID-19 Fund, produced and donated hand sanitizers to nearby localities and schools, and supported children with cancer through the Mr. Sun Program, etc.



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SUSTAINABLE DEVELOPMENT STRATEGY AND ORIENTATION (CONTINUE)

2. Development strategy to 2025 with vision to 2030

Following the results of 2020 and the analyses and forecasts of the socio-economic development for years to come, Vicostone will continue improving the strategies on science-technology development, business restructuring, market development, risk management, human resource training and financial management... to match the conditions of the Company and of the market in pursuance of sustainable development in years to come. The key missions in Vicostone's five-year strategy for 2020-2025 with vision to 2030:



TECHNOLOGY



HUMAN RESOURCES



CORPORATE GOVERNANCE



MARKET DEVELOPMENT



FINANCE



BUSINESS RESTRUCTURING



a. Technology

- Execute all business operations and activities with applied digital transformation instruments;
- Hasten R&D activities of the Group and Vicostone, adopt technological researches from the Group's research institutes to improve the Company's production;
- Further study smart, AI-based production technologies to automate the production lines and increase the precision and production efficiency in creation of advanced, cost-efficient products and in improvement of the Company's market competitiveness.



b. Human Resources

Education and training is among major concerns of the Company to develop a competent, skillful generation of directors and managers for the Company's long-term development in time of the technological era.

- Leaders and managers are sent to short/long-term training courses on business administration to improve management and leadership qualities;
- The Company organizes in-depth training courses for employees in digitalization, smart production, AI and IoT...;
- The Company makes the utmost efforts to keep employees happy, thus lifting their productivity and efficiency, at the same time, enhancing the labor/management relations in pursuance of sustainable development.



SUSTAINABLE DEVELOPMENT STRATEGY AND ORIENTATION (CONTINUE)



c. Corporate Governance

- Process the system through comprehensive digital transformation in completion of smart administration and in sustainable optimization of resource consumption;
- Invest in the upgrade of the IT system to create fast, efficient working tools for employees in pursuance of full potential abilities;
- Improve the risk management system and exercise required tasks to monitor defined key risks.



f. Business Restructuring

- Continue to restructure the business operations and become the sole producer of slabs and input raw materials in Phenikaa Group;
- Expand the facilities on expectations that at least two new production lines will come into operation in 2021-2024 to raise the production capacity to 5,000,000m² of stone slabs per year

d. Market Development

- Strengthen the Company's presence in key international markets to sustain major sources of sale revenues; manage the risks the Company may have for focusing its operations in those markets;
- Enlarge the Company's market share in Vietnam to raise the ratio of domestic sales over the total revenue and minimize the risks of depending on key export markets.



e. Finance

- Sustain adequate financial indicators as present, in attempts to reach the lowest ratio of owner's equity over total asset of 80% in 2023;
- Exercise better cost control policies to improve the Company's market competitiveness through top-tier products and reasonable selling prices.



SUSTAINABLE DEVELOPMENT STRATEGY AND ORIENTATION (CONTINUE)

3. Business plan and key tasks for 2021

a. Business operations

- Accomplish the business targets set for 2021 and the resolutions passed at the Annual General Meeting of Shareholders, and assure the balance of benefits for all concerned parties;
- Concentrate resources on science and technology R&D to create market competitive advantages, initiate new trends through uniqueness, differentiation, innovation and creativity in provision of better products and services.

	2020 (VND billion)	Plan for 2021 (VND billion)	Annual growth (%)
TOTAL NET REVENUE FROM SALES AND SERVICE SUPPLIES	5,660	6,797	20.1
TOTAL PROFIT BEFORE TAX	1,668	1,919	15.1

b. Corporate governance

- Continue to review and standardize the corporate governance system to meet the requirements on trade defense and to improve working productivity through the application of scientific and technological solutions;
- Upgrade the infrastructure and facilities and hasten the digital transformation process to respond to all changes of economy, market and technology;
- Continue to implement Kaizen-5S program to guarantee the quality of products, services and environment and better control the costs.



Individuals with brilliant Kaizen ideas being awarded by Vicostone's General Director

c. Human resources

- Implement possible solutions to maintain the sufficient number of high-quality employees; assure the readiness and availability of young, capable next generations for all positions through regular training;
- Improve training policies to raise the quality of professional knowledge and skills for employees;
- Develop proper working and remuneration policies in formity of group interest, create a united, happy environment and make the Company a true home for employees.



Employees of Vicostone are encouraged to think critically and be open to discussions in order to develop a comfortable working environment

d. Corporate culture

Maintain and improve the cultural characteristics of the Company – a culture of commitment, determination, resilience, creativity, innovation and consciousness for the benefits of all stakeholders.

SUSTAINABLE DEVELOPMENT STRATEGY AND ORIENTATION (CONTINUE)

II. INCORPORATING THE 2020 SUSTAINABLE DEVELOPMENT PLAN WITH 17 SUSTAINABLE DEVELOPMENT GOALS OF THE UNITED NATIONS



For sustainable growth, comprehensive digital transformation



For the cause of green and clean production



For the development of people as the center of all actions and decisions



VICOSTONE'S KEY ISSUES IN 2020

GRI	GRI	GRI
201	202	206

17 SDGS EQUIVALENTS



Action Guidelines

- Strict implementation of resolutions and decisions by the Annual General Meeting of Shareholders, fulfill production and business targets for 2020 and **ensure sustainable development** and realize commitments to relevant stakeholders.
- **Implementation of digital transformation** according to the strategic roadmap, comprehensive implementation in production, business, and governance aspects of the Company to effectively and proactively respond to economic, market, and technological changes.
- **Financially**, secure the improvement of sustainable profitability and revenue growth by continuously maintaining and developing existing markets, conducting market research, approaching and exploiting potential markets.
- **With respect to customers**, the improvement of distinct competitive advantages with pricing strategies suitable to each category of targeted customers and characteristics of each markets; ceaseless innovation in developing new, unique, and differentiated products; continuous improvement and renovation to increase levels of satisfaction, confidence, and loyalty of customers with Vicostone, and aspiring to become the leading brand in priority markets and number one in Vietnam.
- **In governance**, improvement of production efficiency through governance of material sources, continued implementation of material localization strategies to become 95% self-sufficient in input materials; improvement of production technologies and processes to increase productivity and output products in accordance with the circular economic model; ensuring the entire process of operation, production and business conform with environmental standards and regulations in Vietnam and export markets of VICOSTONE® products.



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SUSTAINABLE DEVELOPMENT STRATEGY AND ORIENTATION (CONTINUE)



VICOSTONE'S KEY ISSUES IN 2020

GRI	GRI	GRI	GRI	GRI	GRI
301	302	303	305	306	307

17 SDGS EQUIVALENTS



Action Guidelines

- **Become a "Green Business"**, minimizing negative impacts on the environment through the efficient use of energy and "green" equipment.
- **Establishment and maintenance of togetherness in environmental protection activities** between the Company and workers, customers, partners, and other relevant stakeholders.
- **Application of automatic observation system**, strengthened evaluation and selection of suppliers based on commitments to society and environment. Sustained application and update of international standards on environmental protection.



VICOSTONE'S KEY ISSUES IN 2020

GRI	GRI	GRI	GRI	GRI	GRI
401	402	403	404	416	413

17 SDGS EQUIVALENTS



Action Guidelines

- **Sustainable development of human resources** and the establishment of a happy working environment for workers; implementation of capacity planning and development for subsequent generations of leadership; enhanced and proactive training of workers with necessary knowledge and skills for digital transformation and the trends of increased application of technology in industrial production; building capacity in research and development, scientific application, and market research to enhance competitive advantages to effectively exploit priority markets and potential markets; encouraging a culture of critical thinking so that individual unceasingly innovates and contributes to the sustainable development of Vicostone.
- **Community, locality development:** Vicostone focuses on supporting basic and advanced living conditions for local people, assisting them in the betterment of themselves and their families through recruitment programs, creation of jobs for localities, improvement of and support in creating a better living environment; actively participating in social activities including donating to flood victims, providing lifetime support to Heroic Mothers of Vietnam, providing care for vulnerable children, investing in the development of youth generations, improving infrastructure, roads, schools; and continue applying international standards in fulfilling responsibilities to communities and societies.



VICOSTONE'S CORPORATE GOVERNANCE FOR SUSTAINABLE DEVELOPMENT

I. VICOSTONE'S VALUE CHAIN

Operation block



01 Research and Development



02 Procurement



03 Production



04 Inventory and Distribution Management



05 Customer Services

Supporting Block

Marketing

- Research and forecast developmental trends and end-users' tastes in target markets
- Diversify methods of advertisement and promotion of business' brands and products

Finance - Accounting

- Create professional and thorough business plans according to PBF process, link long-term strategies and monthly and quarterly business plans with financial activities

Human Resources Management

- Focus investment on training, enhancing, and developing capacities for all employees
- Recruit and attract talents
- Superior salary, bonus, and welfare preferences and policies, along with long-term worker engagement; ensure preferences and conditions for work safety, production safety, insurance, and regular health check-ups, etc;
- Apply social accountability standards such as SA8000

Business Risk Management

- Apply modern business risk management standards such as ISO 31000, COSO
- Enhance system of internal control and internal audit; improve effectiveness of administration and management

Business Capacity Management

- Enhance administrative quality according to international practices, apply modern administrative tools such as balance score card - BSC, key performance indicator - KPI, ISO 9001:2015 standard

Information Technology Management

- Invest in and develop modern Information Technology infrastructure, apply modern management systems such as ERP-SAP
- Research and apply artificial intelligence (AI) technologies in production, quality control, logistics, etc...

External Relations Management

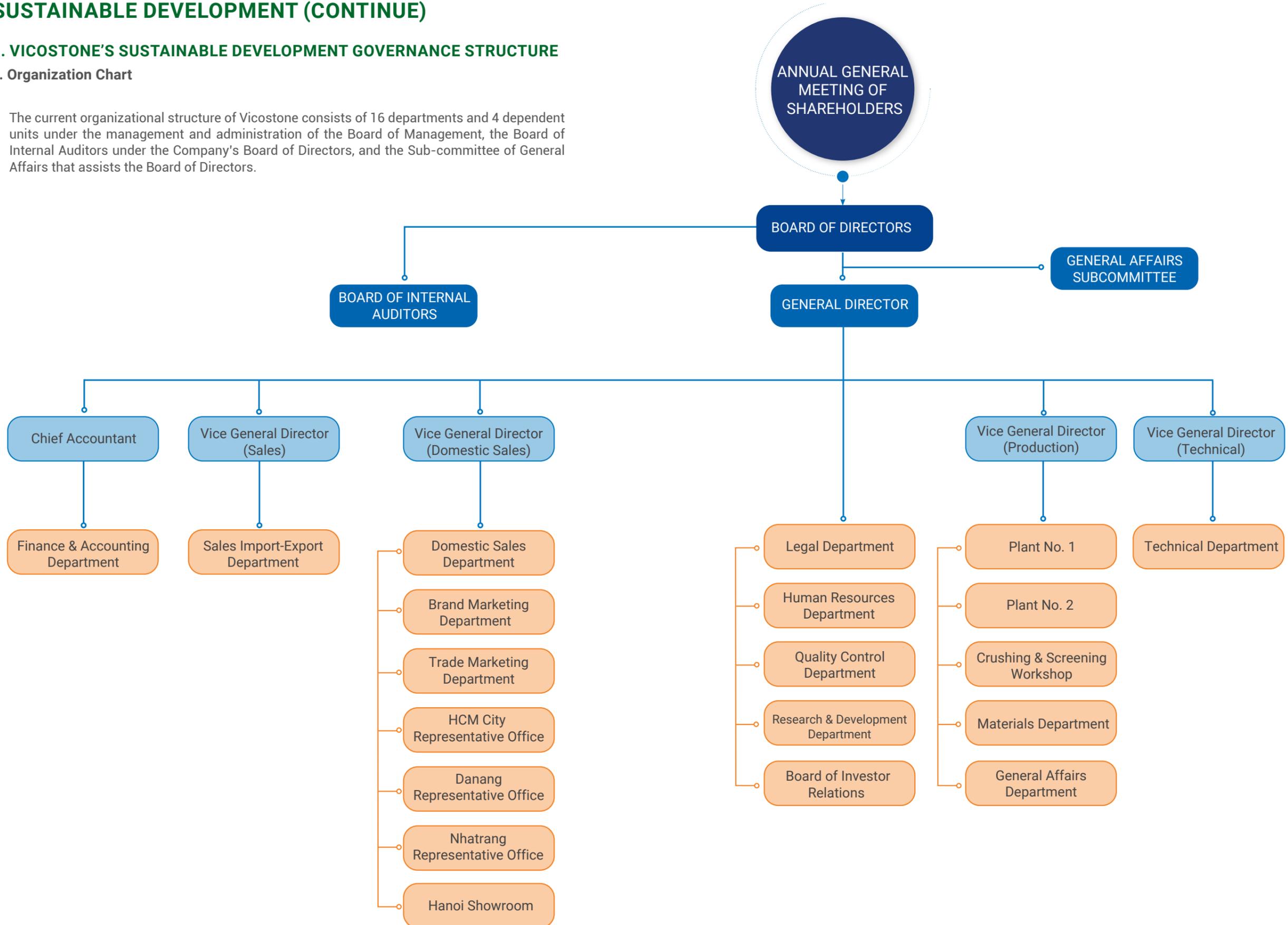
- Conduct public relations functions and active communication with relevant parties

VICOSTONE'S CORPORATE GOVERNANCE FOR SUSTAINABLE DEVELOPMENT (CONTINUE)

II. VICOSTONE'S SUSTAINABLE DEVELOPMENT GOVERNANCE STRUCTURE

1. Organization Chart

The current organizational structure of Vicostone consists of 16 departments and 4 dependent units under the management and administration of the Board of Management, the Board of Internal Auditors under the Company's Board of Directors, and the Sub-committee of General Affairs that assists the Board of Directors.



VICOSTONE'S CORPORATE GOVERNANCE FOR SUSTAINABLE DEVELOPMENT (CONTINUE)

2. Functions and Tasks of the Board of Management and Specialized Units in Sustainable Development Governance

a. Principles of Governance and Implementation of Sustainable Development at Vicostone:

01 Commitment to mandatory and recommended standards

Compliance with the laws and practices on corporate governance both domestically and internationally, with reference to the Corporate Sustainability Index (CSI) developed by the Vietnam Chamber of Commerce and Industry (VCCI), the Vietnam Business Council for Sustainable Development (VBCSD), experts from various State agencies, and independent organizations.

02 An organizational structure with close coordination

All persons, from the Board of Management to employees, commit to seriously participate in and perform tasks assigned to them in the organizational structure to successfully implement the sustainable development strategy, as well as promote the role of the Board of Management in performing strategic supervision and adjustments according to the realities of the business environment.

03 Transparency in all business activities

Ensure information transparency in all financial and non-financial disclosures, honestly and promptly report on significant events and information that affect the implementation of the strategy and stated targets in order to enact timely, appropriate necessary adjustments and responses.

04 Promote control functions within the business

Develop an accurate, adequate, and effective system of risk management and internal auditing to monitor and manage tangible and intangible assets, as well as ensure that production and sales targets, authenticity of reports, compliance with relevant policies, processes, legal requirements, etc., are monitored and in compliance with guiding principles and regulations.

05 Prioritize the harmonization of stakeholders' interests above all else in all actions

Each of functional units and departments shall exercise the principle of equitable treatment, secure the roles and interests of all stakeholders, including shareholders, customers, partners, and workers, refrain from bias or wrongdoing in contravention of the Company's Code of Conduct for personal gains.

b. The roles and responsibilities of the Board of Management and functional units



Vicostone does not have a specialized Sub-committee on sustainable development. Instead, the Company tasks functional units with incorporating sustainable development goals into each of the Company's professional activities and implementing activities to realize the sustainable development strategies set by the Board of Management.

VICOSTONE'S CORPORATE GOVERNANCE FOR SUSTAINABLE DEVELOPMENT (CONTINUE)

The roles of professional units in the administration and implementation of actions related to sustainable development are as follows:

No.	Main Department/ Division	Roles and responsibilities in the administrative structure for sustainable development
1	Board of Internal Auditors	<ul style="list-style-type: none"> Risk management: Develop and recommend strategies, policies, regulations, models, structures and procedures to improve risk management in the Company; evaluate the entirety of the management process and risk indicators on a monthly basis; review the early warning system; Internal audit: Develop annual internal audit plans and execute them; conduct inspection on all departments of the Company and subsidiary; propose solutions to improve the process; etc... Supervise, give opinions on the development of financial statements.
2	Department of Research, Development, and Application of New Technologies (R&D)	<ul style="list-style-type: none"> Research and develop new products of the highest efficiency and quality to be provided to customers; Research and improve technologies to improve productivity and product quality; supervise and coordinate technological compliance in all stages of the production processes; Research the possibility of producing and utilizing new materials, raw materials in the Company's production and business activities; Research the effects and impacts of environmental and climate conditions and working conditions on the quality of products and offer solutions if necessary.
3	Legal Department	<ul style="list-style-type: none"> Advise the Board of Management, functional departments and divisions on legal matters relating to the Company's production and business activities; Inspect and control the legality of activities within the Company and documents it promulgates; recommend measures to treat and correct activities that are inconsistent with legal regulations; Support relevant units in undertaking procedures to register copyrights, trademark protections, and other intellectual property rights of the Company in Vietnam and other countries; Participate in the resolution of disputes between the Company and its employees, partners, customers, or other organizations.
4	Finance and Accounting Department	<ul style="list-style-type: none"> Conduct accounting, inspection and control with respect to all economic activities of the Company; Balance accounts, regulate financial resources of the Company, effectively exploit and use sources of capital in consistency with the sustainable development goals of the Company; Inspect, supervise mandatory financial spending, receivables, debt payment and collection, inspect the management and use of assets and their sources, identify and prevent acts in violation of laws on finance and accounting; Create full and transparent reports annually or irregularly upon requests.

No.	Main Department/ Division	Roles and responsibilities in the administrative structure for sustainable development
5	Import and Export Sales Department	<ul style="list-style-type: none"> International market sales: Develop a sales strategy; develop and issue sales policies; develop earnings forecasts; develop and manage the selling network and international partnership network; evaluate new customers; lead the Company's participation in international exhibitions; administer the packaging and logistic tasks on customers' demands; etc...; Procurement: Develop proper strategies on material procurement and supply; develop and issue the procurement regulations for the Company; establish annual procurement plans; proceed with the procurement activities and negotiate contracts with partners; develop the network of domestic and international suppliers; etc; Customer care: Administer the relations with international customers; develop proper customer care policies, monitor and measure the effectiveness of said policies, and evaluate the satisfaction of customers; etc; Support and consult with import-export sales teams at member units.
6	Brand Marketing Department	<ul style="list-style-type: none"> Participate in the development of marketing and brand promotion campaigns for the domestic market in short, medium and long terms, implement and evaluate effectiveness of said campaigns; Evaluate brand health and enact prompt measures to ensure brand strength; Administer media channels for products and domestic business market; Coordinate with the Marketing Department of Phenikaa Group to develop plans and implement programs related to the image and development of the branding of products.
7	Trade Marketing Department	<ul style="list-style-type: none"> Develop comprehensive marketing strategies for the domestic market; Conduct trade promotions targeted at intermediaries and end users: Conduct researches on markets, competitors, business partners, and consumers; develop sales programs based on the Integrated Marketing and Communication (IMC) plan; Establish product and brand presence in the sales system; Initiate interactions with intermediaries and end users: Organize conferences, workshops, trade fairs, etc.
8	Domestic Sales Department	<ul style="list-style-type: none"> Participate in organizing marketing and advertisement activities to introduce products, search and expand markets for the Company's products with a wide range of domestic partners; Manage vendors and retailers who introduce and sell the Company's products in the domestic market, propose plans to develop networks of distributors and representative offices;

VICOSTONE'S CORPORATE GOVERNANCE FOR SUSTAINABLE DEVELOPMENT (CONTINUE)

No.	Main Department/ Division	Roles and responsibilities in the administrative structure for sustainable development
8	Domestic Sales Department (Continue)	<ul style="list-style-type: none"> Deliver and install products upon customers' demands, support customers, receive and process customers' feedbacks; take care of customers, regularly conduct surveys on customers' satisfaction.
9	Production Plants	<ul style="list-style-type: none"> Develop production plans, conduct production, ensuring the productivity and quality according to the requirements and goals of the Company; Control input production costs to enhance efficiency in production and business.
10	Technical Department	<ul style="list-style-type: none"> Manage inventory of the machinery, equipment and technological chains of the Company; Test and maintain equipment and machines regularly and upon the request of the Company, ensure the consistent operation, occupational safety and industrial sanitation; Localize accessories and parts of machines, conduct research and implement technical improvement projects; supervise, generalize, popularize and apply new technical improvement initiatives to contribute to reducing production costs and product pricings; Manage, apply, supervise, maintain and improve the energy management system in accordance with the ISO 50001 standard.
11	Materials and Equipment Department	<ul style="list-style-type: none"> Manage the receipt and delivery of depots, accessories, input equipment, and finished and semi-finished outputs of the production process, ensure accuracy, effectiveness and timeliness; Allocate appropriate resources to fix stones, reduce the number of stones failing to satisfy quality and sales requirements; Manage and coordinate equipment, including fork-lifts, excavators and cranes under the management of the department, for use in production and business activities and deposit management.
12	Human Resources Department	<ul style="list-style-type: none"> Human resources planning: ensure adequate man-power in terms of number and quality to effectively implement the Company's production and business plans; Recruitment: Announce recruitment information and publicly conduct recruitment to find employees most suitable to the requirements of the Company; Training and development: Identify training needs, organize training courses, check and supervise training programs, evaluate their effectiveness in serving the development needs of the Company and ensuring employees' development;

No.	Main Department/ Division	Roles and responsibilities in the administrative structure for sustainable development
12	Human Resources Department (Continue)	<ul style="list-style-type: none"> Evaluate employees' performances: Create methods and processes, evaluate the performance and achievements of employees for the purposes of paying salaries and bonuses and initiating programs to train, develop, transfer and promote employees within the Company; Manage salaries, welfares: Create and implement compensation and welfare policies within the Company to maintain and encourage the workforce; fulfill labor policies benefiting the employees in accordance with existing laws and regulations of the State; Labor/management relations: Ensure a good relationship between employers and employees through negotiations, talks and policies issued by the Company; carry out annual happiness and satisfaction assessments among all employees to find solutions and improve HR policies; Serve as a permanent body of the Sanction Committee and of the SA8000 social accountability system of the Company;
13	Board of Investor Relations	<ul style="list-style-type: none"> Receive and respond to investors' inquiries or requests; schedule annual meetings between the Chairman of the Board of Directors or General Director and investors; Assist the Board of Management to resolve the issues with investor and shareholder relation policies of the Company; Organize/issue the announcement of information in accordance with existing regulations;
14	General Affairs Department	<ul style="list-style-type: none"> Manage facilities, provide working equipment for all employees of the Company; Ensure the security and safety of the entire Company; Ensure occupational safety and sanitation, prevent fire hazards; Inspect working conditions and physical conditions for employees through regular health management and check-ups; Serve as focal point for the management, implementation, and improvement of the OHSAS 18001:2007 Occupational Health and Safety System and the Kaizen-5S Program.
15	Quality Control Department	<ul style="list-style-type: none"> Establish standards for raw production materials according to technological requirements, control the quality of raw materials subject to stocking; evaluate quality of products; inspect quality of finished products in production chains and those subject to packaging, ensuring that all products are inspected in accordance with the promulgated standards; Manage, apply, maintain, and improve quality control systems as applied in the Company, including: The Quality Control Standard (ISO 9001) and Environmental Management Standard (ISO 14001); Coordinate with the General Affairs Department to inspect and supervise occupational safety and environmental sanitation.



VICOSTONE'S CORPORATE GOVERNANCE FOR SUSTAINABLE DEVELOPMENT (CONTINUE)

III. RISK MANAGEMENT

Against the backdrop of a troubled world, as a large-scale production company operating mainly in the international market, Vicostone constantly faces various risks and uncertain events that fall outside its initial plans. Therefore, to maintain sustainable in Economic, Environmental and Social terms, the Company has promoted its risk management (RM) in all of its operations, from market research and strategic planning to the implementation of its annual business management and administration. The Risk Management and Forecasting system is an important tool that helps the Company stand firmly and overcome the changes in the business environment and take advantage of opportunities for long-term development. A good risk management system assists Vicostone in reaching its strategic targets based on forecasting the level of possibility and impact of potential risks on the business as well as opportunities under different scenarios; identifying the sources of damage, and assisting the Company in effectively responding to business risks.

In addition to preparing plans to minimize the impacts from risks, the Company accepts a certain level of risk to take full advantage of opportunities and challenges instead of preventing or eliminating all possible risks.

Besides, in order to support the RM system, Vicostone is one of the few private Vietnamese companies who have proactively established their own internal audit function since 2015 – four years before the Decree No. 05/2019/ND-CP made it mandatory for listed companies to do so. Since late 2015, the Company has brought risk management and internal audit functions into effective under the support and consultation from Ernst & Young Vietnam's experts. The role of this function is to help the Company's Board of Directors assess the effectiveness of the system and support its subordinate units to improve their risk management in corporate governance, management, operation and business planning.

Based on the review and assessment of the Company's risk profile in 2020, the analysis of the current conditions and the forecast of trends upon information available at the time of reporting, it is foreseen that in 2021 the Company may likely face the following major risks as follows:



1. Risks from the COVID-19 pandemic

Although several countries have introduced and provided COVID-19 vaccines since late 2020, it will take longer to determine their effectiveness and universality. On the other hand, the complex development of the COVID-19 pandemic with new variants of the SARS-CoV-2 virus being identified is still a substantial challenge.

According to the International Monetary Fund (IMF), the COVID-19 pandemic is the greatest ever socio-economic crisis since World War II¹. The impact of the pandemic has even surpassed those of the global financial crisis in 2008 and even the Great Depression in 1930s.

According to international financial, economic and research organizations, the recovery of the global economy may vary from one country to another, depending on how effectively the pandemic will be controlled by each, how widely economies will be re-opened, as well as what new economic policies will be taken. In the optimistic scenario, the global economy may reach the bottom low in 2021 and bounce back in late 2021 or early 2022. Still, there are more pessimistic forecasts, for example, the IMF has predicted that the world will have to go through many more difficult months, or even years.

With the above forecasts, 2021 may continue to be a year of hardship for the global economy in all sectors. The quartz-based engineered stone manufacturers will be not immune from that, including Vicostone, who has been operating in international markets. Major risks may include:

- **Disruption in production and business:** If another pandemic outbreak occurs in Vietnam, the Government may implement lockdown, social distancing, or quarantine policy. In such a case, the Company's operations may be affected, even the production and supply chains may have to be suspended to comply with State regulations.
- **Declining revenue and profit:** The pandemic affects consumers and the global economy in general, causing a decline in the demand for VICOSTONE® products, especially in key markets such as the U.S., Canada, Belgium, and England, etc.
- **Rising competition:** Vicostone may face an increase in unfair competition from other competitors as they seek to sell the outputs by any means.

Being aware of these adverse risks, in addition to complying with rules and instructions on disease prevention and containment in the workplace as required by the Ministry of Health, the Company has aggressively developed and executed various trade promotion programs and sales scenarios to proactively offer suitable sales solutions for each market at specific times.

¹ <https://www.qdnd.vn/thoi-su-quoc-te/doi-song-quoc-te/imf-lac-quan-hon-ve-trien-vong-kinh-te-the-gioi-640884>

VICOSTONE'S CORPORATE GOVERNANCE FOR SUSTAINABLE DEVELOPMENT (CONTINUE)

2. Increase in market competition



a. Competition from other quartz-based engineered stone manufacturers

In recent years, the risk of increased competitive pressure has always been one of the key risks that the Company has focused resources to monitor and evaluate. Especially in the context of the current world economic situation facing many difficulties and challenges, competition risk becomes more and more obvious.

Attractive profitability ratios and low trade barriers have encouraged more companies to enter the industry in recent years. The six major manufacturers, namely Cosentino, Caesarstone, Vicostone, Compac, Shandong Hefeng Group, and Cambria, are holding only 27.8% of the global total output. This is a big downsize compared to 10 years ago when Cosentino alone produced 30% of the world's total product output. Regionally, factories located in Asia-Pacific have the highest production capacity, especially in China and India where hundreds of low-cost quartz plants are operating. In China alone, there are more than 300 quartz and marble factories².

At the same time, Freedonia market research company's 2020 report suggested the global quartz market in 2019-2024 would experience a negative growth and scale down by 1.7% each year due to the negative impact of the COVID-19 pandemic.

Thus, the significant increase in supply and decline in demand will cause fierce competition for market shares among quartz producers. This is the greatest risk for producers using Breton technology in general, and for Vicostone in particular, as their products are often more expensive due to huge investment in production technologies and R&D to bring added values, differentiation, and uniqueness to products while other producers who use China's technology, with lower investment cost, may offer much lower price products with lower quality and design features. As the economy is predicted to remain difficult in 2021, consumers might prefer cheaper products, to save their money. This is considered a major risk factor for the Company in 2021.

² According to a Freedonia's report

An additional potential risk is arised from business mergers and acquisitions (M&A) in the engineered stone production industry where competitors acquire or merge with smaller companies. Through these activities, they may gain a competitive advantage due to growth in production scale and market coverage.

These factors increase competitive pressure for Vicostone, especially in the situation that competitors who possess strong financial capability and willingness to offer product prices far lower than those of Vicostone to compete unfairly and gain market shares.

To compete and maintain revenue growth, market share, and leadership, Vicostone continues to choose a differentiated strategy for its products. Accordingly, Vicostone continues to focus on investing in R&D, to research new materials and new products with unique and different characteristics that are difficult to imitate with outstanding advantages. Simultaneously, methods to optimize costs are also implemented synchronously by the Company such as localize the materials, implementation of programs to review and optimize costs in all activities, etc., in order to increase competitive advantages.

b. Competition from alternative materials

According to a Freedonia's report, the sales of engineered stone currently account for 11% of the global market's total revenue. Alternatives for the engineered stone include granite, marble, ceramic, laminates, and recently developed products such as porcelain slab and sintered stone (such as Dekton), etc. The development of substitute materials and the change of customer appetites will have a direct impact on Vicostone's ambition of market share expansion.

To remain competitive against alternative product producers, Vicostone will enhance product renovation and diversification to create comparative advantages based on customer understanding, design, and technological know-how combined with the intelligence and creativity of Vicostone's human capital. The Company will also constantly upgrade production technologies, maintain merchandise availability, expand distribution networks, and improve customer care services, etc.



Raw materials are stored and neatly arranged to make sure of occupational safety and healthy

VICOSTONE'S CORPORATE GOVERNANCE FOR SUSTAINABLE DEVELOPMENT (CONTINUE)

3. Risks in cybersecurity and information confidentiality

The Fourth Industrial Revolution (Industry 4.0) has raised concerns for both producers and smart digital solutions providers. The business community not only has to seize opportunities to grow but also encounters the risks of cybersecurity and information confidentiality due to the interconnection between industries and the digitalization progress. Producers and their distribution network may suffer from these risks due to a lack of responsive solutions.

As one of the top 3 largest suppliers of engineered stone countertops to the global market, Vicostone could become a target for competitors to copy its business model and technological know-how.

On the other hand, Vicostone – as a high profile listed public enterprise – can also be a target for hackers who want to attack its system to steal information on business results and confidential information that are not yet released to the public by the Company in order to make profits. These actions could damage the interests and benefits of the Company, its investors and shareholders, etc.

With full awareness of these issues, Vicostone has identified two major sources of risks in cyber and information security, namely:

a. Systematic risks

As Vicostone is undergoing an intense stage of digital transformation, systematic interruption is hardly avoidable. The Company's system may be breached, key information could be stolen and the whole system could be infected with viruses and malware programs.

b. Human resource risks

People are often the weakest link in the cybersecurity system of an organization, and in fact, the human factor is typically the main cause behind any cyber-attack. Whether the attack is unintentional or explicit, the consequences are often extremely serious, as information may be leaked by those who left the Company to work for the competitors. This consequence can

cause significant damages and losses for the business.

Fully aware of those risks, Vicostone has upgraded its information security system and applied a digitalized internal network, in which all activities are strictly controlled. The system is closely monitored and has been decentralized to mitigate risks to the overall structure.

Furthermore, the Company educates its workers and employees so that they understand and acknowledge their duties and obligations to keep the information secured. Vicostone also imposes internal rules related to information security, and signs information security contracts with the employees during their probationary or long-term contract terms and/or before the expiration of their contracts.



4. Risks from U.S. tariff measures

The risk of high tax imposition by the U.S. may occur when Vietnam is included in the list of currency manipulators and faces the risk that Vietnam's quartz stone production industry will be sued for anti-dumping and anti-subsidy due to the increasing volume of quartz stone exports to the U.S. from Vietnam and the decreasing in average price due to the market participation of Chinese technology manufacturers in Vietnam, specifically:

a. Risk of high tariffs as Vietnam is labeled as a currency manipulator

The U.S. Department of Treasury on December 16, 2020, released a report on "Macroeconomic policies and currency practices of major U.S. trading partners". The report suggested Vietnam was among several nations that were involved in currency manipulation according to the Omnibus Foreign Trade and Competitiveness Act of 1988. Under the Omnibus Act, to be labeled a manipulator, a country must have at least a \$20 billion bilateral trade surplus with the United States, foreign currency intervention exceeding 2% of GDP, and a global current account surplus exceeding 2% of GDP³. According to the U.S. laws, it takes maximum one year for the U.S. and Vietnamese governments to seek the proper solutions for trade conflicts. In other words, this means that being labeled as a currency manipulator is not concurrent with the imposition of import tax on Vietnamese goods immediately; however, this does not exclude the risks that the U.S. may impose import tariff sanctions upon Vietnamese products if bilateral negotiations fail to produce favorable outcomes. According to experts, Vietnam may be subject to U.S. tariff measures up to 25% on certain exports, causing an increase in the prices of products entering the U.S. market, similar to what has happened to Chinese.

On April 16, 2021, the U.S. Department of Treasury submitted to the Congress its semi-annual report on the "Macroeconomic and Foreign Exchange Policies of Major Trading Partners of the United States". The report stated that there was insufficient evidence to conclude that Vietnam had manipulated its currency in accordance with the 1988 Act, however, the fact that Vietnam has been listed in previous lists of currency manipulators is a notable risk for Vietnamese businesses in general and Vicostone in particular in 2021, as the U.S. will remain being a major market of the Company.

³ <https://tapchitaichinh.vn/ngan-hang/viet-nam-bi-gan-mac-thao-tung-tien-te-nha-dau-tu-co-nen-lo-lang-330794.html>



VICOSTONE'S CORPORATE GOVERNANCE FOR SUSTAINABLE DEVELOPMENT (CONTINUE)

b. Risk of litigations on export dumping and subsidy charges

Also related to the U.S. market, the risks of litigation in regards to anti-dumping and anti-subsidy tariff measures have been included in Vicostone's lists of major risks in recent years.

After Chinese quartz slabs were taxed in the U.S, the number of quartz slabs produced by Chinese technology and exported directly from China to the U.S. nearly fell to zero. Instead, a large number of quartz slabs which are mainly produced under Chinese technology, have been exported to the U.S. from India and Turkey. The U.S. then responds immediately with anti-dumping and anti-subsidy tariff against quartz slabs imported from these two countries. As a result, data on imports of engineered quartz stones from these two countries into the U.S. in December 2019 showed signs of a sharp decline.

In 2020, Vietnam was the second largest general exporter to the U.S. after Spain⁴ while remaining the third largest quartz exporter to the U.S. according to the United States International Trade Commission (US ITC). Vietnam has been increasing exports to the U.S. on a lower average selling price with Vietnamese producers using Chinese technologies. Hence, Vietnam could be the next possible target of such accusations after China, India, and Turkey.

Fully understanding the risk and its damages to the business, Vicostone constantly reviews its internal risk control system to ensure production processes and outputs are completely controlled, and related records and documents are submitted on schedule as per requests.

In addition, the Company also studies the regulatory documents of the U.S. justice agencies on anti-dumping and works with reputable international legal firms to develop a data reporting system in an attempt to abide by the laws and prepare all required papers for potential lawsuits.



Vicostone quartz product Diamante - BQ8788

⁴ <https://www.sggp.org.vn/xuat-khau-vao-hoa-ky-tang-hang-705582.html>

5. Macroeconomic policies, administrative and legal regulations

Vicostone is selling products to more than 50 countries and territories across the globe, therefore, the Company fully understands the importance of updates on macroeconomic policies and administrative and legal regulations in every nation and region. It is especially important for the Company in key export markets to maintain responsive business plans and to reduce potential risks. These risks include:



6. Environmental risks

a. Risks from environmental emissions

As a company operating in the stone producing industry, Vicostone is cognizant of the regular risks of potential environmental impacts from its daily production and business activities. The emission of exhaust gases, dust, noise, solid wastes, wastewater, etc., and the use of natural materials such as quartz and sand in production processes are unavoidable.

These risks, if not effectively managed, may affect the health of workers, nearby communities, the environment and cause changes in the ecosystem. In such cases, the Company's reputation and branding may be severely affected.

Aware of the importance of and responsibilities in environmental protection, Vicostone has and continues to implement various environmental protection measures, including:

- Regular update, upgrade and strict conformity with regulations of the environmental management system according to the ISO 14001:2015 standard.
- Daily assessment and inspection of environmental protection tasks, prompt response to incidents, and prevention of environmental pollution.
- Establishment and regular operation of vacuum systems and water treatment systems, satisfying Vietnamese and international standards.
- Continue implementing the projects that repurpose waste stone and utilize clean solar energy.
- Establishment of system to manage and train employees on the compliance and improvement of standard processes and systems.
- Regular update and implementation of control measures to strictly comply with environmental laws.
- Furthermore, in the evaluation and selection of suppliers, Vicostone thoroughly reviews their qualifications and attaches great importance to the certification of environmental standards in selecting suppliers. These measures aim to minimize negative impacts from production on the environment.

VICOSTONE'S CORPORATE GOVERNANCE FOR SUSTAINABLE DEVELOPMENT (CONTINUE)

Other environmental risks



ENVIRONMENTAL IMPACTS ON VICOSTONE

- Climate change
- Natural disasters
- Diseases
- Ecological imbalance

Sources	Causes	Administrative measures
<p>Human</p>	Failure to comply in full or in parts with the law on environmental protection	Compliance with and staying up-to-date on environmental legal regulations; Communication and initiation of programs and measures to protect the environment.
<p>Environment</p>	Other undesirable external factors	Supervision and updating of outside information, implementation of measures to minimize environmental impacts and reduce phenomena induced by climate change.
<p>Input raw materials</p>	Ineffective use of resources; Unreliable quality of raw materials, affecting the environment	Utilization of eco-friendly raw materials; Effective use of resources; Enhanced recycling and reuse to reduce wastes.



VICOSTONE'S IMPACTS ON THE ENVIRONMENT

- Solid wastes
- Emissions
- Effluents
- Use of natural materials

Sources	Causes	Administrative measures
<p>Machinery, equipment</p>	Unreliable waste and pollutant processing systems; Inaccurate measuring and inspecting equipments	Regularly upgrade and control of the operation of equipments.
<p>Processes, methods</p>	Ineffective environmental management systems	Improvement of and update on new international standards; Formation of a system to manage and educate employees on the compliance and improvement of standard processes and systems.



Tasks are discussed by technical staff of Phenikaa Hue Co. Ltd.

b. Risks from negative impacts of climate change

According to Germanwatch's report on the long-term climate risk index, Vietnam is ranked among the top 10 countries which are mostly affected by climate change. In fact, it has shown recent years that climate change in Vietnam has taken on complex developments with increased frequency of disasters and natural disasters and severity of damage, causing direct impacts on people's livelihoods and economic activities. Against such a backdrop, Vicostone constantly faces risks from climate change as disasters that can disrupt production and business activities as well as the supply chain of input materials.

To respond to and reduce risks from impacts of climate change, the Company regularly monitored and updated information from external sources and constructed responsive scenarios for disasters. The Company will proactively exercise preventive measures to minimize negative impacts of climate change to production and business activities, including investments in reinforcement of storage, regular inspection of safety and carrying capacity of factories and architectures and proactive storage and security of supply chain of input materials.

IV. HSEQ INTEGRATED MANAGEMENT SYSTEM AT VICOSTONE

In proactively responding to economic and social changes as well as the rapid development of science and technology, Vicostone determined that it needed to continuously update and apply new business governance solutions to improve its management capacity, seize opportunities, and resolve challenges. To better monitor and evaluate the implementation of production, environmental protection, and caring for the livelihood of workers at the Company, in 2020, Vicostone continued to improve its HSEQ (Health – Safety – Environment – Quality) integrated management system according to current modern standards. On this basis, the Company delivered to its customers products that are stable in quality, the best services, and aligned the development of the Company with community obligations and sustainable protection of the environment.

1. Comprehensive quality guidelines

- 01 Quality is guided by customers. Customers purchase products and services to satisfy their needs and desires with prices that match their value;
- 02 Comprehensive quality perfection can only be best achieved by proactively preventing incidents rather than correcting after they have surfaced;
- 03 The process of creating products and services is affected by the efficiency of each employee. Each of them is a "customer" of other employees, each of these processes is a "customer" of the immediately preceding process, and all affect customers' satisfaction; employees should also provide feedback to each other so that quality of work can continuously improve;
- 04 Perfection in quality requires that each process is continuously improved. This means that each employee should continuously assess their current level of work and how it can be improved;
- 05 Humans provide wisdom and take necessary actions to enable improvements;
- 06 Optimizing business resources and managing business based on modern technology are the key factors in sustainable and professional development;

VICOSTONE'S CORPORATE GOVERNANCE FOR SUSTAINABLE DEVELOPMENT (CONTINUE)

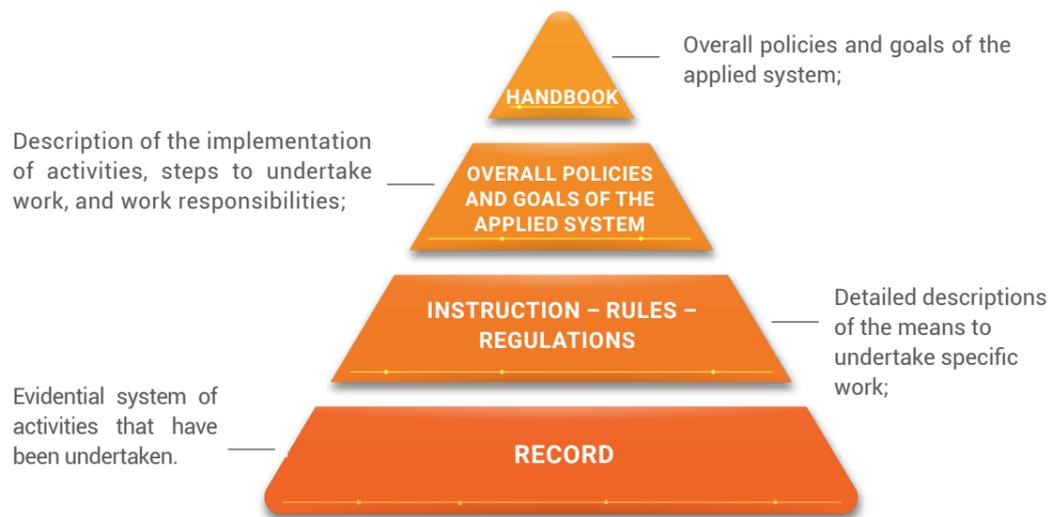
2. HSEQ integrated management system

Aiming to provide products that are safe for the health of consumers and workers, in addition to prioritizing the use of green and clean technology that conserves resources and energy and prevention and reduction of pollution in safeguarding occupational safety and health, Vicostone also applies and improves its HSEQ (Health Safety Environment & Quality) management system. Particularly:

Standard applied	Date of preliminary registration	Date of latest amendment	Effective date	Certification number	Certification body
ISO 9001:2015	05/11/2005	14/09/2018	14/09/2018	FM692548	BSI
ISO 14001:2015	25/10/2006	14/09/2018	14/09/2018	EMS692550	BSI
ISO 45001:2018 (previously OHSAS 18001:2007)	20/10/2015	16/08/2019	16/08/2019	OHS692551	BSI
SA 8000:2014	21/12/2010	30/11/2019	21/12/2019	SA569249	BSI

System operation

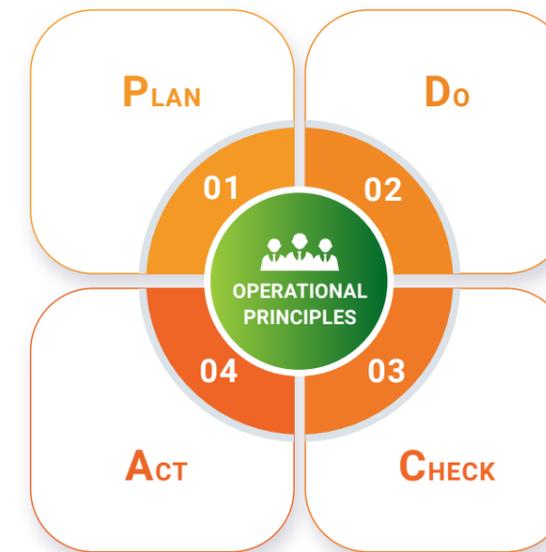
To ensure that standards in the integrated management system are implemented effectively and consistent with the contextual reality, the Company has established and applied a tailored guiding system for each standard, including:



The document system is continuously improved according to the P – D – C – A (Plan – Do – Check – Act) operating principle to conform to the actual operational context of each period, is implemented in all sectors, departments, and divisions. From this, operational processes are effectively implemented based on the proactive foundation and resources, minimizing risks and enhancing the values of the Company.

Operational principles

The HSEQ integrated management system operates on the principle of P – D – C – A to ensure all activities and processes operate and improve consistently according to each specific context.



<p>01. Plan</p> <ul style="list-style-type: none"> Set out policies and goals for each period based on contexts and legal requirements; Set up plans of actions to achieve goals; Establish resource support plans to achieve goals; Identify risks and adopt contingency plans. 	<p>02. Do</p> <ul style="list-style-type: none"> Perform in accordance with establish plans; Perform in accordance with established processes; Conduct regular supplementary training and re-training courses.
<p>04. Act</p> <ul style="list-style-type: none"> Enact improvement according to recommendations from internal and external evaluation reports; Improve, update system according to the most current, modern and updated standards; undertake internal Kaizen – 5S program. 	<p>03. Check</p> <ul style="list-style-type: none"> Internal evaluation by the Company's functional units; Cross-evaluation between units; Evaluation by the customers; Evaluation by certification bodies; Evaluation by State agencies.

Management of the processes and the overall integrated systems may be achieved by applying the P – D – C – A cycle with a common focus on risk-based thinking to seize opportunities and resources, quickly adapt to the changing context, and prevent undesirable outcomes.

VICOSTONE'S CORPORATE GOVERNANCE FOR SUSTAINABLE DEVELOPMENT (CONTINUE)

Quality Control Standard ISO 9001:2015



At present, there are one million companies and organizations in more than 170 countries that have been certified with ISO 9001, making it one of the most popular standards. Since 2005, Vicostone, desiring pace and proactiveness and facilitation for the optimized use of available resources and human capital, has successfully applied the Quality Control System in accordance with ISO 9001:2000 standards. Since then, the Company has updated to the latest quality control systems that have been adopted internationally. The standards not only enable transparency and clarity

in controlled processes but also create active competitive advantages in international markets based on the improvement of products and services and the timely fulfillment of requests by customers and requirements of current laws and regulations.

Most recently, in 2018 Vicostone switched to the latest version of the Quality Control System according to ISO 9001:2015 standards, with the following new features:

01 Organizational context

First is the addition of the provision on "Organizational context": the requirement to establish the internal and external factors that affect the Company through strategic planning tools such as: SWOT, SPACE matrix, QSPM, etc. This allows the Company to understand the expectations of relevant parties, including: employees, investors, customers, suppliers, business partners, competitors, etc., identify risks within the system as well as seize opportunities to establish appropriate policies and targets, better satisfy customers' needs, ensure the integrity of the system, actively manage resources, and promptly distribute and redistribute responsibilities and authorities.

02 Risk management

Second is the provision on "Risk management": risk management helps businesses reduce the harm of directly affecting the quality of products/services, from inputs (human, materials, tools) to outputs of the production process. The new version requires the identification and evaluation of high risks subject to control through targets and procedures. Principles of risk control may include changes in technology or methodology of technological control and incident response.

03 Role of leadership

Third is the provision on the "Role of leadership": requiring the top-level executives of the Company to demonstrate their commitments and roles in the quality control system and participate in direct leadership rather than represent the board in the older version.

Environmental Management System ISO 14001:2015



The purpose of the ISO 14001:2015 standard is to bring balance to the relationship between economic development and environmental protection. Also in 2018, Vicostone successfully updated and switched to the ISO 14001:2015 standards on the basis of the ISO 14001:2004 standards which were previously applied. The new structure with its uniformity in presentation helped the Company easily incorporate various

standards of management systems with numerous different areas of management in the course of implementation. ISO 14001:2015 along with other integrated management systems enabled the Company to better understand the context and desires of concerned parties and identify and manage risks related to the environment, creating a more proactive platform for the production and business without affecting the environment.

The ISO 14001:2015 standards were applied and implemented at Vicostone based on 11 processes, including the sharing of information, consultation with relevant parties, identification and evaluation of environmental aspects, evaluation of level of compliance with laws, control of contractors, management of waste and wastewater, operation of the water circulation system, monitoring and measurement of environmental safety and occupational health, and management of chemicals.

The application of environmental improvement activities helped Vicostone to promptly update and apply legal requirements, improve cost management by reducing preventing environmental incidents that may arise, and reduce costs through efforts to conserve energy and input materials according to requirements set in the process. At the same time, these helped the Company collect data better and more accurately. The Company was regularly regarded and recognized by organizations for environmental activities such as certification of the 4-star industrial producer utilizing green energy by the Hanoi Department of Industry and Trade.



VICOSTONE'S CORPORATE GOVERNANCE FOR SUSTAINABLE DEVELOPMENT (CONTINUE)

Occupational Health and Safety Management System ISO 45001:2018



ISO 45001:2018, previously known as OHSAS 18001, was the world's first set of OH&S standards, helping businesses provide a safe and positive working environment for workers and surrounding communities, control risks related to occupational health and safety, and continuously improve their implementation of occupational health and safety. Aware of the decisive role of workers in the business, in 2019, Vicostone upgraded and switched from the OHSAS 18001:2007 to the management system

according to ISO 45001:2018 standards. This was a correct and timely decision from the Company that contributed to the successful implementation of the sustainable development strategy, achieving both economic development and the harmonized interests of workers. The OH&S management system according to ISO 45001:2018 contains the following features:

- The new ISO 45001: 2008 standards enable the Company to easily incorporate multiple relevant issues like occupational quality, health, and safety and environmental protection into a single management system. The completed structure of the standards enabled the usage of standardized terminologies as well as the simplification of the interpretation of requirements of relevant management systems.
- The new standards help the Company proactively focus on and strengthen risk management through the identification of context of each period and the identification of harms and risks associated with specific activities. The purpose of this is to eliminate harms and risks or promptly establish control measures to reduce impacts and protect workers from potential impacts, and at the same time, raise awareness of harms and risks related to OH&S for each individual in the Company through various forms, including training and drills, etc.
- The new standards help workers strengthen their active roles in OH&S issues through requiring their participation and consultation in the development, planning, implementation, and the assessment of outcomes of activities and recommendation of activities to improve the OH&S management system.

Social Accountability Management System SA 8000:2014



Businesses are the "cells" of a society, so all business activities will affect societal development. Vicostone shares this view, thus, it has since early stages initiated the application of social accountability management system according to SA 8000 standards with nine contents on: Child labor, Forced labor, Occupational health and safety, Freedom of association and right to collective bargaining, Discrimination, Disiplinary practices, Working hours, Remunerations and other social welfares, and Business management system.

The system is a basis for Vicostone to continuously improve working conditions for its workers, protect workers during work, and listen to the desires and recommendations of workers, thus becoming a supporting tool for the evaluation and supervision of the implementation of social accountability for the sustainable development of human resources for the Company.

V. ACTIVE PARTICIPATION IN ASSOCIATIONS FOR CORPORATE SUSTAINABLE DEVELOPMENT

Vicostone has determined that, to successfully implement its sustainable development strategy, it is insufficient to rely solely on the efforts of individual businesses. What is more important is that businesses and organizations act together for a common cause, commit to the compliance with sustainable development regulations, and support and contribute to the global green value chain. This is why in recent years Vicostone has maintained its active membership in organizations/associations that commit to green production and environmental friendliness in Vietnam and abroad, including:

1. The Vietnam Green Building Council (VGBC) and the United States Green Building Council (USGBC)

The World Green Building Council is tasked with developing systems for the evaluation and certification of green buildings in various countries and territories, including Vietnam and the United States. The Council comprises of organizations and individuals who are profoundly interested in climate change and environmental protection. As one of the largest supplier of engineered-stone countertops to the global market and an active member of the Vietnam Green Building Council and the United States Green Building Council that contribute to the realization of the councils' major goals and proliferation of the global movement on green buildings, Vicostone places great importance on the application of energy saving measures, utilization of recycled materials, environmental protection, and development of eco-friendly product lines.

2. World-wide Agglomerated Stone Manufacturers Association (A.St.A.)

The World-wide Agglomerated Stone Manufacturers Association consists of global leading producers of engineered quartz stones. The goal of the Association is to promote the growth and development of the industry of engineered stone production and support, protect and represent its members in related matters. As a member of the Association, in recent years Vicostone has complied with the principles of the latter through its activities in ensuring occupational safety and health for its workers; applying recycled materials, utilizing wastes in the whetting process of unburnt brick production; and developing eco-friendly product lines.

3. Legal Club for Enterprises

The Club came into being under a guiding principle: to become a trusted source for businesses of all economic sectors for timely and regular briefings of legal documents and policies of the State and Party on socio-economic issues, a bridge connecting State agencies with businesses in implementing economic laws, and a forum to promptly identify shortcomings and offer recommendations to improve the economic legal system and business operations. With the spirit of "upholding the rule of law" in all its operations and a clear understanding of compliance with business laws and regulations, since 2012, Vicostone has actively participated in and become a member of the Club. The Company regularly participates in training courses and has registered to receive legal updates to promptly apply to the administration and operation of the Company.

4. FAST 500, Profit 500, VNR 500 clubs

The FAST500 Club (Top 500 Fastest Growing Businesses in Vietnam) – accession in 2011, the PROFIT500 Club (Top 500 Most Profitable Businesses in Vietnam) – accession in 2018, and the VNR500 Club (Top 500 Largest Businesses in Vietnam) – accession in 2018, are chosen by the VietnamNet online newspaper and data service firm Vietnam Report and recognize outstanding businessmen, units, as well as leading businesses in Vietnam and introduce Vietnamese brands to the international market. Not only is this a venue for businesses to promote and develop their brands and advance business operations, it is also a place for exchange and cooperation among Vietnam's top businesses in furtherance of a sustainably developing business community. Vicostone has regularly been a member of these clubs.

VICOSTONE'S CORPORATE GOVERNANCE FOR SUSTAINABLE DEVELOPMENT (CONTINUE)

5. Vietnam Association for Building Materials

The Vietnam Association for Building Materials is the aggregation of a multitude of scientific scholars and businesses in the building materials industry. The primary focus of the Association is the dissemination of information related to science, technology and technical improvement initiatives; the assessment of new materials and products; the organization of trade fairs, exhibitions within and outside the country; provision of advice, rebuttals and social appraisals; and proposal of solutions to protect the interests and enhance the competitiveness of its members. In recent years, as member of the Association, Vicostone has actively participated in the Association's activities to advance the sustainable development of the building materials industry in Vietnam.



Vicostone becomes the member of the Club of Top 10 Most Reputable Companies in Real Estate-Construction-Building Materials

6. The Club of Top 10 Most Reputable Companies in Real Estate-Construction-Building Materials

The Club of Top 10 Most Reputable Companies in Real Estate-Construction-Building Materials is a high-class group for industry-leading businesses and entrepreneurs and also a channel to introduce Vietnamese merchandises to the global market. The Club honors, recognizes the performances and results of the most reputable building material producers that have made great contributions to the development of the Vietnamese building materials industry and to the development of the country. Becoming a member of the Club of Top 10 Most Reputable Companies in Real Estate-Construction-Building Materials has shown Vicostone's top quality and status in the sector and that the Company has won the trust of consumers, especially domestic buyers, for the advanced engineered stone brand VICOSTONE®.

STAKEHOLDERS ENGAGEMENT

I. STAKEHOLDERS OF VICOSTONE



Vicostone believes all concerned parties and stakeholders should share mutual interests based on law abidance and an understanding, respectful, side-to-side partnership. Therefore, the concerns of stakeholders are always the top priorities at the Company. Once the issue is addressed and assessed, Vicostone will develop the most effective, suitable approach and communication to get the stakeholders together based on the Company's business plan.

STAKEHOLDERS ENGAGEMENT (CONTINUE)

II. MUTUAL UNDERSTANDING FOR EFFECTIVE ACTIONS TOWARDS THE BENEFITS OF STAKEHOLDERS

Stakeholder	Concerns of the stakeholder	The goals of Vicostone	Actions of Vicostone	Values brought by the actions
Shareholders and Investors 	<ul style="list-style-type: none"> Efficient business operation; Accurate, transparent, prompt information disclosure; Equality among shareholders and investors; Good corporate governance qualities; Two-way communication between shareholders, investors and the Company 	<ul style="list-style-type: none"> Maintain and further develop the relationship with shareholders and investors; Abide by the rules on transparency and information disclosure; Guarantee the rights and benefits of shareholders and investors. 	<ul style="list-style-type: none"> Annual/extraordinary General Meeting of Shareholders; Collection of written opinions; Email (quanhecodong@vicostone.com) and hotline, which directly links to the Board of Investor Relations; Social media channels of the Company. 	<ul style="list-style-type: none"> Organized the Annual General Meeting of Shareholders as a place to sum up the Company's full-year performance, and to propose and discuss the action plan for the following stages. Vicostone's Annual General Meeting of Shareholders 2020 was held on May 30, 2020 with the presence of 51 shareholders. These shareholders were holding more than 143 million shares or 89.71% of the total voting shares. The agreement was reached on two business plans in 2020 amid the COVID-19 pandemic; Collected written opinions from shareholders; Secured all legal rights of shareholders under existing laws and the Company's Charter; Provided full transparent information for shareholders and investors; Treated all shareholders with equality; Followed, exercised the missions and duties as required by the securities market regulators, and promoted VICOSTONE® to other investors on the stock market.
Employees 	<ul style="list-style-type: none"> Safe, discrimination-free, healthy, collective working environment; Fair, attractive salary and bonus policies; competitive, diverse welfare regime; Opportunities to join training programs and develop personal professional competencies; Individual achievements and efforts recognized. 	<ul style="list-style-type: none"> Improve the teamwork efforts and discipline for employees; Enhance the loyalty of employees to the Company and encourage them to prolong their careers; Evaluate and improve welfare policies for the labor; Educate and encourage Vicostone's employees to make contributions to the community. 	<ul style="list-style-type: none"> Annual meeting of employees; Mailboxes placed at the Company to collect opinions from employees; Direct messages sent to the Human Resources Department; Direct conversations with senior managers; Internal communications and social media pages of the Company; Email and hotline of the Company. 	<ul style="list-style-type: none"> Secured occupational health, safety and equality for employees. In 2020, to prevent the virus spread and protect employees, the Company sterilized all facilities, equipped the buildings and rooms with hand sanitizers and masks, encouraged workers to keep a safe distance from each other...; Maintained salaries and improved beneficial policies for employees. When many other businesses had to declare bankruptcy and dissolution in 2020, Vicostone managed to increase the number of workers while keeping payments unchanged; Improved the working environment, promoted the spirit of teamwork and sharing via community services and sport events; Facilitated all employees to study and develop professional capabilities. Workers and managers were evaluated and sent to advanced training courses to improve knowledge and skills and prepare to lead the Company in the future; Surveyed the happiness of all employees and managers, addressed their concerns to find the solutions.

STAKEHOLDERS ENGAGEMENT (CONTINUE)

Stakeholder	Concerns of the stakeholder	The goals of Vicostone	Actions of Vicostone	Values brought by the actions
Customers 	<ul style="list-style-type: none"> Guaranteed quality of products and services; Purchased merchandises worth every penny; Accessibility to the information of products and services; Provision of prompt accurate information and high-quality consultancy to make decisions to purchase the products and services; Good customer care services, including complaint responsiveness, quick product warranty, and clear agreement terms. 	<ul style="list-style-type: none"> Improve the satisfaction of customers on the products and services offered by Vicostone; Enhance the influence and popularity of the VICOSTONE® brand on the market. 	<ul style="list-style-type: none"> Questionnaires on the quality of products and services, on users' consumption trend, etc; Messages and complaints reported to customer care team at the showroom and on the website; Email and hotline of the Company; Social media channels of the Company. 	<ul style="list-style-type: none"> Improved the satisfaction of customers on the products and services offered by Vicostone; Enhanced the influence and popularity of the VICOSTONE® brand on the market.
Partners and Suppliers 	<ul style="list-style-type: none"> Fair treatment among suppliers; Equal, transparent and win-win cooperation; Confidentiality of partners' information preserved from their competitors. 	<ul style="list-style-type: none"> Co-operation on respect and win-win principle; Make sure all stakeholders comply to their agreed obligations and commitments; Honor and comply to the agreements on partners' information confidentiality. 	<ul style="list-style-type: none"> Regular evaluations and meetings with partners; Feedbacks collected at meetings between departments, between the Company and partners and suppliers; Email and hotline of the Company. 	<ul style="list-style-type: none"> Assured co-operation be reached and executed upon mutual respect and win-win principle; Made sure all stakeholders complied with their agreed obligations and commitments; Honored and complied with the agreements on partners' information confidentiality.
Community and Society 	<ul style="list-style-type: none"> Impact of the production on the local environment and community; Impact on local employment; Development of the economy and infrastructure for the local community, charity and voluntary activities to benefit the society such as taking care of Vietnam's heroic mothers, support for families hit by poverty and natural disasters... 	<ul style="list-style-type: none"> Assist the local socio-economic development and environmental protection; Support the local community to achieve sustainable development; Promote corporate social responsibilities, especially in dealing with the issues on environmental protection and social sustainability. 	<ul style="list-style-type: none"> Messages collected at the offices of the Communist Party Union and the Ho Chi Minh Communist Youth Union that often work with local authorities and organizations; Email and hotline of the Company; Social media channels of the Company. 	<ul style="list-style-type: none"> Worked with parent firm Phenikaa Group and local governments to implement infrastructure development projects, took good care of Vietnamese heroic mothers, donated VND5 billion for the Foundation "For the Poor", donated VND2 billion for cancer children via VinaCapital Foundation, gifted children being treated at the National Institute of Hematology and Blood Transfusion, donated hand sanitizers made by Phenikaa University to local schools and hospitals at Thach Hoa Commune in Hanoi's Thach That District...; Employed local people (80% of all workers were local), improved living conditions for the locals; Joined local activities on poverty reduction and environmental protection; Improved the Company's environmental protection system to keep the environment green, clean and sustainable; Fulfilled all tax duties.

STAKEHOLDERS ENGAGEMENT (CONTINUE)

Stakeholder	Concerns of the stakeholder	The goals of Vicostone	Actions of Vicostone	Values brought by the actions
State Agencies 	<ul style="list-style-type: none"> Compliance to the laws and rules issued by both central and local governments; Accomplishment of the obligations and duties regulated by the State; Participation in activities launched by State agencies. 	<ul style="list-style-type: none"> Join hands to further improve the laws and regulations concerning the Company's activities; Fulfill the obligations and duties required by the State; Perform actively and effectively in the campaigns launched by the State agencies. 	<ul style="list-style-type: none"> Direct discussions with State agencies at meetings, seminars, conferences on business doing, economic development, sustainable development, etc; Training courses on policy and regulation updates held by authorized agencies; Meetings between the Company's departments and State agencies; Email and hotline of the Company. 	<ul style="list-style-type: none"> Updated new regulations on the Company's activities; Accomplished the tasks and obligations asked by the State; Partook in the programs to raise the public awareness of sustainable development and environmental protection; and worked with the Government to provide support and improve living conditions for people across the country. Vicostone and Phenikaa Group together donated VND6.5 billion to assist the Government to fight the COVID-19; donated VND5 billion for the Foundation "For the Poor" via the Vietnam Fatherland Front Central Committee to respond to the Prime Minister's call-out...
Media Agencies 	<ul style="list-style-type: none"> Release of accurate information for the press. 	<ul style="list-style-type: none"> Frequently share and exchange information with the media; Develop the image of a transparent, credible enterprise. 	<ul style="list-style-type: none"> Direct discussions at press conferences, meetings and other events involving media agencies; Regular meetings with media agents, journalists and reporters; Email and hotline of the Company. 	<ul style="list-style-type: none"> Maintained the relationship with media agencies and organized press conferences for notable events and achievements; Frequently, promptly released statements on the business performances and other news to the press; Developed and preserved the sharing culture to make information accessibility fair for all media agencies.

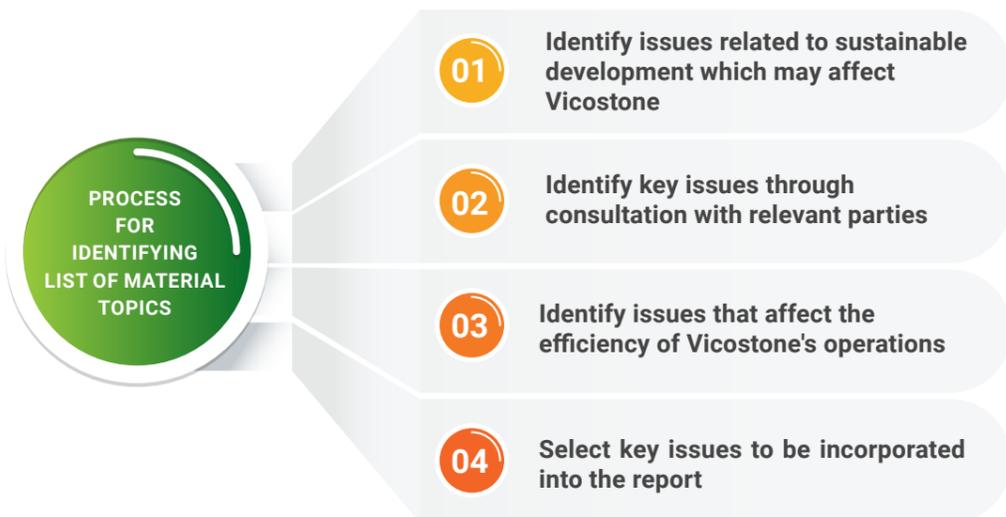


LIST OF MATERIAL TOPICS

I. IDENTIFICATION OF MATERIAL TOPICS

1. Process for identifying list of material topics

On the basis of evaluating the correlation between the level of interest of relevant parties and the level of impact on the Company's business performance, Vicostone identified, selected and created a matrix of material topics in 2020 which served to identify the level of priority and resource distribution in order to ensure harmonization of interests of relevant parties. The process of evaluating and selecting key areas was conducted through consultation and identification of the wishes of relevant parties and internal discussion between the Company's Board of Management and the team responsible for the Company's sustainable development report. The specific identification steps are as follows:



01. Identify issues related to sustainable development which may affect Vicostone

- Monitor and compare with global trends regarding sustainable development;
- Information from associations and conferences related to sustainable development participated by Vicostone;
- Information related to market and industry analyses;
- Consultation with relevant parties: customers, shareholders, investors, employees, suppliers, State agencies, etc.;
- Reference to legal regulations.

02. Identify key issues through consultation with relevant parties

- Consolidate issues of interest to parties;
- Filter important areas to be prioritized by each relevant target;
- Based on GRI standards, categorize issues into 3 areas: Economy, Environment, Society.

03. Identify the issues that affect the efficiency of Vicostone's operations

- Analyze the issues that affect revenue, costs and reputation of the Company, etc. from the inside and outside;
- Prioritize and categorize issues into 3 areas of Economy, Environment and Society.

04. Select key issues to be incorporated into the report

- Create the matrix of key issues that reflect the interest of related parties and significant impact to the Company;
- Upon the strategic direction and the conditions of the Company and market, discuss and evaluate key areas under the management of the Board of Management in charge of sustainable development and of the developers of the Company's Sustainable Development Report;
- Create a list of key issues to be incorporated into the report.

LIST OF MATERIAL TOPICS (CONTINUE)

2. List of material topics

Based on the research and evaluation of the levels of interest of relevant parties in material topics, combined with reference to the strategies and development targets for the upcoming periods set by the Company's Board of Management as well as the analysis of the GRI Standards guidelines, Vicostone focuses on reporting on the following material topics in its 2020 Sustainable Development Report:



- GRI 201 – Economic Performance
- GRI 202 – Market Presence
- GRI 206 – Anti-Competitive Behavior



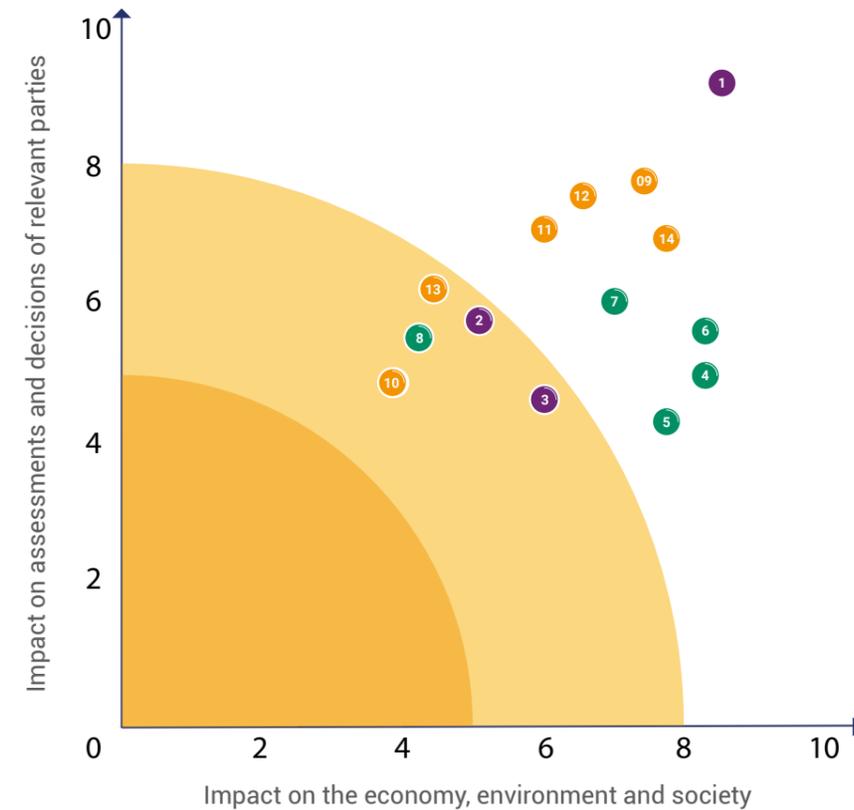
- GRI 301 – Materials
- GRI 302 – Energy
- GRI 303 – Water
- GRI 305 – Emission
- GRI 306 – Effluents and Wastes
- GRI 307 – Environmental Compliance



- GRI 401 – Employment
- GRI 402 – Labor/Management Relations
- GRI 403 – Occupational Health and Safety
- GRI 404 – Training and Education
- GRI 413 – Local Communities
- GRI 416 – Customer Health and Safety

As an industrial production business, in 2020 Vicostone's key areas related to economic performance and markets, and issues related to green production and safety such as the efficient use of materials, energy, water, wastewater management and waste treatment continued to be of interest to relevant parties. Additionally, in the context of the COVID-19 pandemic and frequent floods and natural disasters on a national scale in 2020, the issue of ensuring health and safety for workers and customers as well as the Company's active contributions to common efforts to fight the pandemic and provide support to improve the livelihood of the community and society are also areas that have received growing interest and are analyzed in the present Report.

MATRIX OF KEY AREAS OF 2020



Economic	Environmental	Social
01. Economic performance	04. Materials	09. Employment
02. Market presence	05. Energy	10. Labor/management relations
03. Anti-competitive behaviors	06. Water	11. Occupational safety and health
	07. Emissions, effluents and wastes	12. Education and training
	08. Environmental compliance	13. Customer health and safety
		14. Local communities

03

SUSTAINABLE ECONOMIC GROWTH (GRI 200)

Economic performance	104
Market presence	111
Anti-competitive behaviors	114



PROACTIVITY, VERSATILITY AND SHARPNESS FOR SUSTAINABLE DEVELOPMENT AMID AN EVER-CHANGING WORLD

Amid the COVID-19 pandemic, Vicostone eyes the maximization of internal strength, enhancement of fundamentals of structure, finance and knowledge, proactivity and versatility to stabilize operations and maintain market competitiveness.



GRI
200

ECONOMIC PERFORMANCE

I. MANAGEMENT APPROACH

Application of information-technology solutions for effective resources management

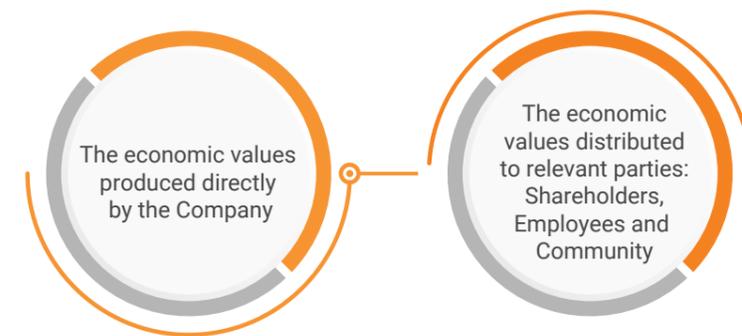
Against the uncertainties of the economy in 2020, Vicostone determined that: In order to ensure stable growth, the Company needed to develop scenarios to promptly respond and take full advantage of opportunities arising from such uncertainties, and at the same time, reinforce its administrative system and apply technological solutions to get ready for transitions. The Company had developed, upgraded, and implemented the application of information-technology (IT) solutions and softwares to serve the administration, operation, and sales activities, and satisfy the competitive requirements in the trend of the 4.0 Industrial Revolution. Moreover, the Company also accelerated the progress of implementing key projects and completed IT infrastructure upgrades to meet the business operation requirements of the digital age. Some of the highlights in the application of IT solutions in 2020 include:

- 01 The Customer Relationship Management (CRM) Program
- 02 The Product Information Management Program
- 03 The Human Resource Management (HRM) Program
- 04 The Production – Z1 Management Program (developed on the SAP – ERP platform)
- 05 The E-learning System

The Company ensured the achievement of its planned revenue growth by improving product quality and labor productivity and by controlling costs. The appropriate reduction and control of costs helped the Company reduce the prices of products, increase profits, and improve the effectiveness of production and business activities.

II. TOPIC'S BOUNDARY

The economic effectiveness of Vicostone is shown in:



III. CREATION AND DISTRIBUTION OF DIRECT ECONOMIC VALUES

In 2020, the COVID-19 outbreak ravaged the global economy and most industries suffered a downturn in market demand, especially the construction and repairing sector. Heavily affected by the disease, many construction projects were canceled or delayed, forcing construction and material companies to scale down their businesses, especially those depending on exports like Vicostone. The Company suffered a significant contraction in revenue and profit in the second quarter, which were attributable to strict measures taken by governments such as lockdowns,

ECONOMIC PERFORMANCE (CONTINUE)

travel restrictions and border closures during the peak of the pandemic. Despite the difficulties, responsive actions and policies drove Vicostone forward in the third and fourth quarters. The Company earned a total net revenue of VND5,659.59 billion in 2020, an annual increase of 1.74%, and a profit before tax of VND1,667.96 billion, fulfilling the business targets approved at the 2020 Annual General Meeting of Shareholders.

The figures are as follows:

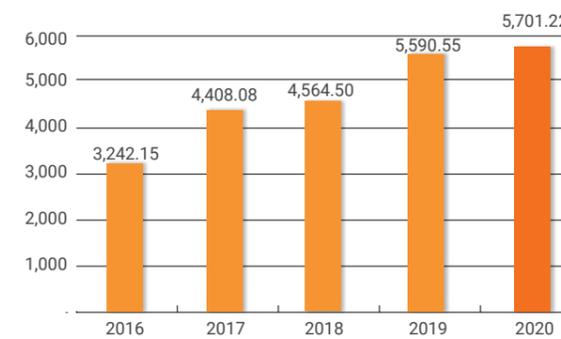
No.	Target	Unit	2016	2017	2018	2019	2020
	Goods import-export volume	USD million	146.97	186.90	204.63	224.46	202.68
1	In which:						
	• Import volume	USD million	31.89	47.73	64.38	42.21	39.05
	• Export volume	USD million	115.08	139.17	140.25	182.25	163.63
2	Total revenue	VND billion	3,242.15	4,408.08	4,564.50	5,590.55	5,701.22
3	Sales costs	VND billion	2,356.29	3,233.16	3,171.98	3,867.11	3,927.76
4	Total profit before tax	VND billion	813.76	1,125.01	1,318.51	1,652.66	1,667.96
5	Total profit after tax	VND billion	675.98	1,121.78	1,123.54	1,410.11	1,428.42
6	Corporate tax contribution	VND billion	214.82	172.14	234.10	365.57	307.80
7	Liabilities	VND billion	1,890.79	1,413.86	1,673.77	2,135.07	2,197.51
8	Owner's equity at year end	VND billion	1,447.14	2,395.89	2,730.55	3,448.69	3,857.82
9	Charter capital	VND billion	600.00	800.00	1,600.00	1,600.00	1,600.00
10	Dividend payment ratio (by cash and shares)	% per value of outstanding shares	53.21%	53.33%	140.00%	42.04%	40.00%
11	Average income per employee/month	VND million/person	16.13	17.02	18.68	21.07	17.67
12	Interest expense	VND billion	50.24	40.60	32.20	55.68	81.06
13	Profit after tax/Net revenue	%	21.05%	25.77%	24.85%	25.35%	25.24%
14	Return on Average Equity (ROAE)	%	55.28%	58.38%	43.83%	45.64%	39.10%
15	Return on Average Asset (ROAA)	%	22.09%	31.39%	27.36%	28.24%	24.55%

(Source: Vicostone's audited consolidated financial statements)

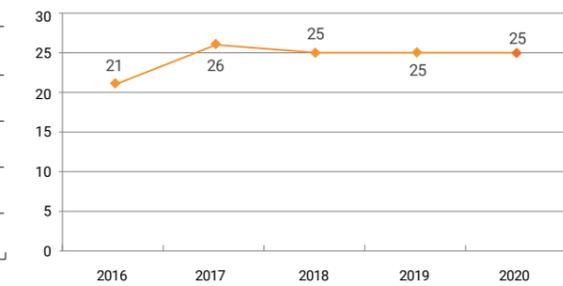
- Total revenue in 2020 was 100.84% of the planned figure, a growth rate of 1.98% compared to 2019;
- Profit before tax hit 99.94% of the planned figure, a 0.93% increase from 2019;
- In 2020, the COVID-19 pandemic significantly affected the Company's business outcomes and prevented its growth rate from achieving the desired figures from previous years. However, the ROAE and ROAA indexes in 2020 were maintained at high levels, demonstrating the effectiveness of capital use: ROA: 24.55%, ROE: 39.10%;
- The liquidity ratio and current ratio were at high levels of 2.76 and 2.45 respectively;
- Revenue from Asian markets increased 210%, three-fold growth from 2019, contributing to stabilizing the Company's revenue.

The above outcomes not only represent the ceaseless efforts, decisiveness, and sharpness of the Board of Management and employees of Vicostone, but also demonstrate its forecasting capability and ability to promptly mobilize resources and use proactive and flexible solutions which were punctually and appropriately adjusted according to each period of time and market to stabilize production and business and sustain its position in the domestic and international markets. Other noteworthy contributing factors include:

- The overcoming of unpredictable challenges in all markets due to impacts of the COVID-19 pandemic, achieving business targets;
- The establishment and reinforcement of Company's internal strength in terms of human resources, system, technology, finance, etc;
- Effective governance, especially in risk management, with the identification and management of risks to readily respond and at the same time proactively transform with flexible solutions under all circumstances. The control and administration of costs were also implemented in all of the Company's activities with such solutions like the application of technology, innovation and renovation to ensure all standards were set in a cost-effective manner.



Total revenues of Vicostone in 2016-2020



Profit after tax/Net revenue ratios of Vicostone in 2016-2020

ECONOMIC PERFORMANCE (CONTINUE)

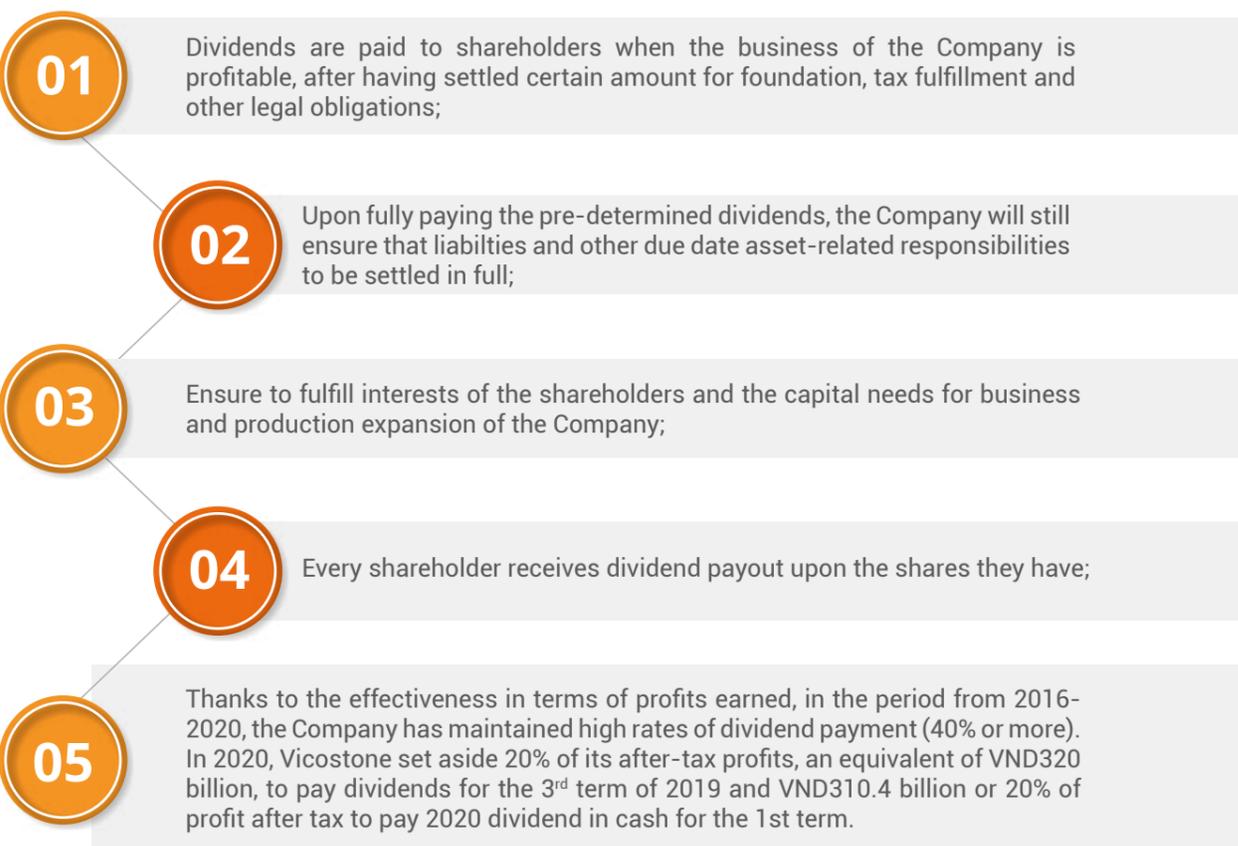
1. Contribution to the State budget

Vicostone is highly aware of the importance of contributing to the State budget – a tool that enables socioeconomic adjustments at the macro level and stimulates economic growth and social wellbeing. The contribution to the State budget is always maintained at a high level, since the Company always strives to accomplish its plans for high growth in both revenue and profit.

In 2020 the Company contributed VND307.80 billion to the State budget, a large portion of which came from corporate income tax expenses, value-added import tax, personal income tax, and import tax.

2. Dividend payment

Dividend is considered one of the most crucial interests of investors, and through annual cash dividend payments, Vicostone makes sure shareholders receive fixed dividends and stable income. Dividend payment by ratio and the form of payment, either in cash or bonus shares, are decided by the shareholders at the Annual General Meeting of Shareholders based on the BOD's proposal and complies with the following principles:

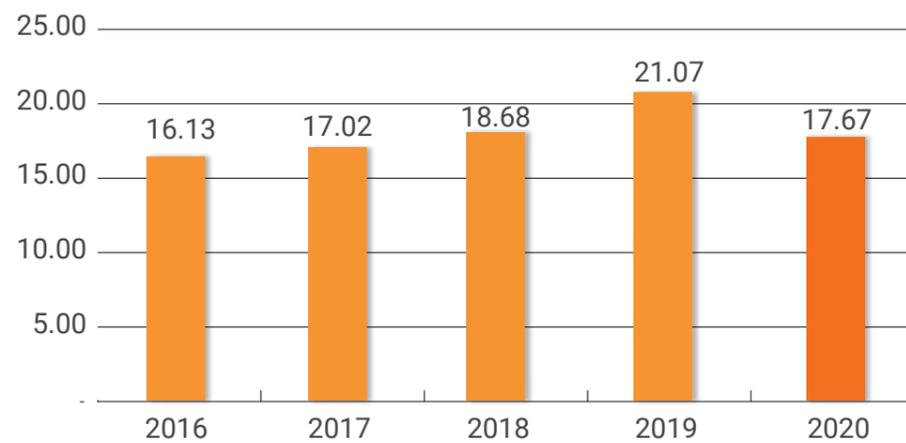


Year	Dividend ratio	Dividend payable (VND)	Total paid dividend (VND)	Note
2007	14%	3,354,483,463	3,284,483,463	Drawn from profit after tax 2006
2008	20%	14,717,824,240	14,787,824,240	Drawn from profit after tax 2007
2009	-	1,497,600,000	1,497,600,000	Drawn from profit after tax 2008
2010	35%	53,625,000,000	53,625,000,000	20% drawn from profit after tax 2009
				15% drawn from profit after tax 2010
2011	5%	9,942,391,000	10,533,300,000	Drawn from profit after tax 2010
2012	20%	105,998,502,000	106,427,397,000	Drawn from profit after tax 2011
2013	-	-	124,536,000	
2014	25%	111,298,527,500	26,495,156,100	5% drawn from profit after tax 2013
				20% drawn from profit after tax 2014
2015	40%	169,597,804,000	169,571,493,275	Drawn from profit after tax 2015
2016	40%	190,797,404,000	275,186,472,700	Drawn from profit after tax 2016
				13.21%
2017	20%	120,000,000,000	120,012,199,500	Drawn from profit after tax 2017
				33.33%
2018	40%	476,800,000,000	388,181,228,100	20% drawn from profit after tax 2017
2019	40%	627,200,000,000	713,512,226,500	40% drawn from profit after tax 2019
				2.04%
2020	40%	630,400,000,000	630,400,000,000	20% drawn from profit after tax 2019 + 20% drawn from profit after tax 2020

ECONOMIC PERFORMANCE (CONTINUE)

3. Compensation and worker relations regime

The Company offers attractive salaries, bonuses, and welfare regimes to its workers, such as regular holiday salaries and bonuses, purchasing of health insurance for workers and insurance for relatives of key personnel, and the spending of money on workers during special occasions such as birthdays, the Vietnam family day, March 8, June 1, October 20, July 27, etc. At the same time, the Company organizes teambuilding events to establish bonds between workers and the Company. This is an important policy and is also a tool to effectively establish and manage human resources. The median monthly income of workers in 2020 reached VND17.67 million per person, a reduction from 2019 due to the impact of the COVID-19 pandemic on the world economy. This figure, however, was still relatively high compared to other companies in the region.



Median monthly income of workers (VND million/person)



MARKET PRESENCE

I. MANAGEMENT APPROACH

Ensure fairness and growth in compensation to employees

Vicostone's market presence appears in the contributions of the Company to the socio-economic development of the local area where the Company is headquartered and operated. Vicostone pays special attention to the employment of local workforce and the development of fair, attractive salary and bonus policies for employees.

Vicostone builds its compensation policies on the following principles:



Salary is paid to employees in 2 methods:



Employee's salary level is determined upon position, on the basis of clear quantitative evaluation criteria and work performance equivalence. Regardless of gender, employee's probation and starting salary levels are higher than the Government's minimum salary amount set by regions.

In 2020, Vicostone continued to improve the competency-based assessment using the Performance Framework for each position and unit in order to accurately evaluate the performance of its employees, thus enhancing the fairness criteria in salary payment. In addition to income adjustment to economic inflation, the Company offered pay raises to employees who exhibited high performance and outstanding results.

MARKET PRESENCE (CONTINUE)



Moreover, the Company incorporated policies on work-related allowances such as feeding-up allowances, occupational allowances (vehicle fuels, phone, lunch money, etc.) to help the employees feel reassured and devoted to the Company. The compensation policies were closely linked with work performance and business effectiveness, including: performance bonus, monthly performance, sales bonus, technical improvement initiative bonus, collective bonus, and bonus for outstanding employees (Outstanding Teams, Outstanding Employees). Though the Company encountered some difficulties brought by the COVID-19 pandemic, Vicostone maintained full salary payment for employees, secured their jobs and offered them bonus for major holidays such as New Year, Lunar New Year, International Labor Day, the Company's anniversary of establishment, etc, to help them stabilize amid the pandemic.

II. TOPIC'S BOUNDARY

- The fair and non-gender discriminatory payment of salary at Vicostone;
- Average income of Vicostone's employees from 2016 to 2020.

III. SALARY LEVEL AND MEDIAN INCOME OF EMPLOYEES

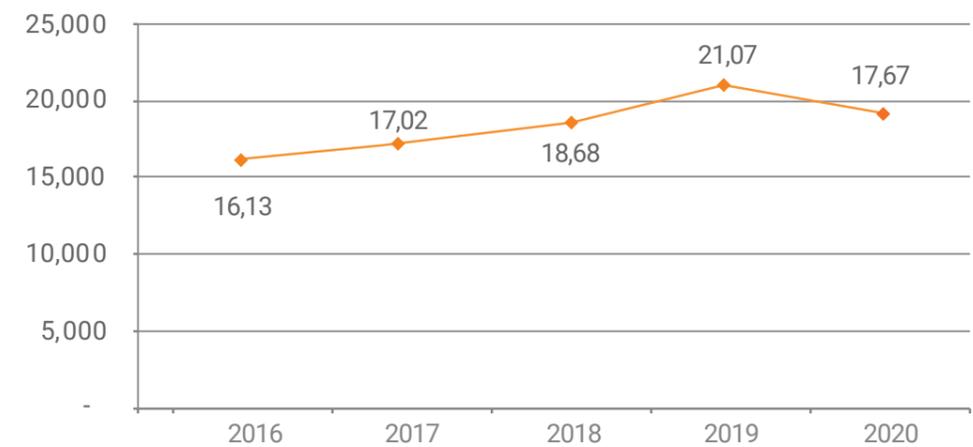
Probation salary: The median of the lowest income levels paid to employees was equivalent to 124% of the region-specific minimum salary level. The median of the lowest income levels equal to at least 287% of the region specific minimum salary level.

Starting salary: The ratio between the lowest median starting salary of the employee was at least 145% and on average 223% of the region-specific minimum salary level.

Vicostone pays salary to its Employees based on position and work performance regardless of gender.

No.	Criteria	Unit	Lowest Month in 2020	Median Month in 2020
1	Region-specific minimum salary according to State regulations	VND	4,420,000	4,420,000
2	Probation salary	VND	5,500,000	6,350,000
3	Median starting salary of newly recruited employees	VND	6,408,000	9,875,245
4	Ratio (%) of probation salary of newly recruited employees against region-specific minimum salary	%	124%	287%
5	Ratio (%) of average negotiated salary of employees against region-specific minimum salary	%	135%	345%
6	Ratio (%) of average income of employees against region-specific minimum salary	%	450.65%	540.25%

The year of 2020 was full of challenges for the Vietnamese and global economies as the COVID-19 pandemic had caused severe damages to both. In the face of the difficulties, Vicostone was committed to exercising a number of measures to keep employees secure and safe from the disease and to assure their living conditions remain unchanged. The Company did not make any cutbacks in the payroll, allowed office staff to work from home, and made full salary payment for all employees during the social distancing period.



Average personal income in 2016-2020 (Unit: VND thousand/person/month)

ANTI-COMPETITIVE BEHAVIORS

I. MANAGEMENT APPROACH

As one of the leading enterprises in Vietnam and the world's top 3 in high-end quartz stone production, Vicostone understands its role in contributing to a healthy business environment with stakeholders. The Company not only commits to fully complying with the provisions of the law related to anti-competitive, monopolistic behaviors, but also proactively develops appropriate measures to ensure fair and equitable competition in the market.

Vicostone is currently taking legal measures to protect its intellectual properties, execute actions against anti-competitive behaviors, monopolies and antitrust practices under the Intellectual Property Law, the Competition Law, and the Antitrust Law. It has registered for the protection of trademarks, domain names and industrial designs, taken measures to prevent violations to protect intellectual and creative achievements; applied measures to enforce intellectual property protection under the Intellectual Property Law and the Competition Law in order to limit unhealthy competition acts and handle violations in accordance with Vicostone's regulations.

II. TOPIC'S BOUNDARY

Measures implemented by Vicostone to:

- 01 Protect trademarks, intellectual property rights, proactively prevent acts of unfair competition
- 02 Measures to address violations

III. MEASURES TO PROTECT TRADEMARKS, INTELLECTUAL PROPERTY RIGHTS AND PREVENT UNFAIR COMPETITION ACTS

In order to protect IPs, creative products of employees, Vicostone has applied IP protection measures under the IP Law, the Competition Law to prevent and limit unfair competition acts from competitors in the industry both domestically and internationally.

1. Domestic and international IP registration

Registration for trademark protection: Currently, the VICOSTONE® trademark has been registered for protection in 67 countries (including 27 countries in the EU), and the Company has also successfully registered for logo protection in 62 countries (including 27 countries in the EU, 16 countries in the Organisation Africaine de la Propriete Intellectuelle - OAPI), covering major markets such as the US, Canada, Australia, New Zealand, the EU, and Argentina.

Registration for product brand protection:



Registration for the protection of industrial designs in Vietnam:

Since 2017, the Company has applied for industrial design protection on key products. At the time of compiling this Report, Vicostone had obtained industrial design protection certificates for 16 brands (BQ8863, BQ8840, BQ8860, BQ8686, BQ8730, BQ 9500....).



ANTI-COMPETITIVE BEHAVIORS (CONTINUE)

2. Other brand protection measures

In fact, it is very common for competitors to copy and modify stone patterns. Therefore, Vicostone is always proactive in IP and brand protection, specifically:

Anti-counterfeiting tool

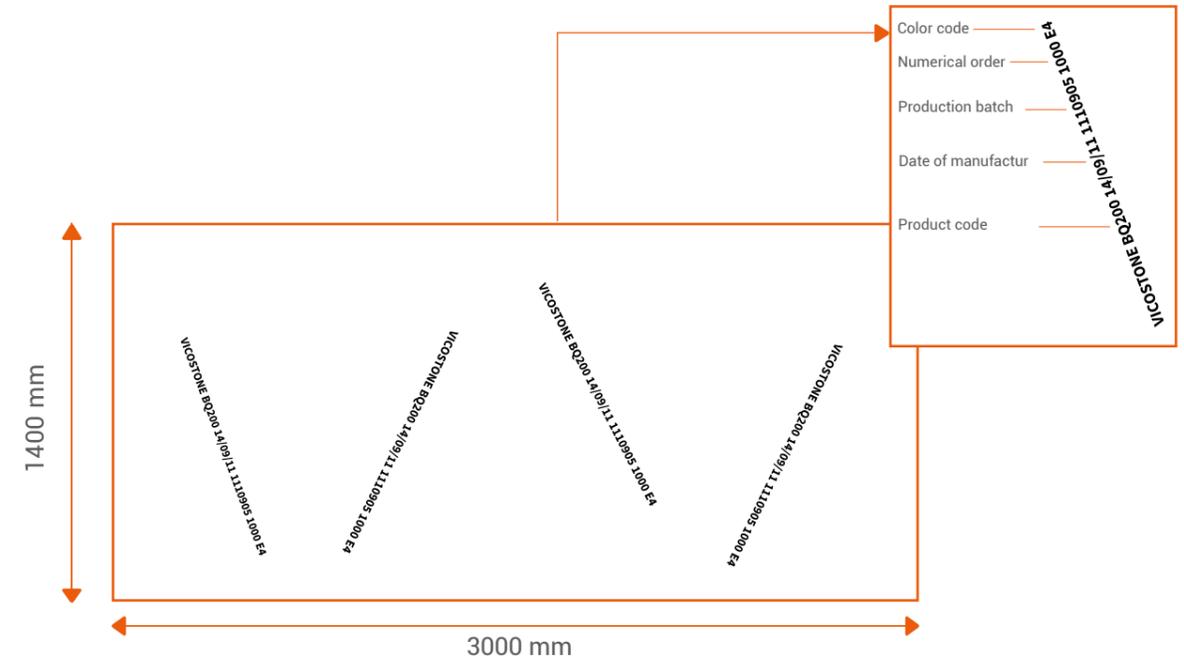
Currently, the Company uses a barcode system to manage all product information (product identification number). The product code will be generated by a central server and converted into a two-dimensional barcode and then attached to the product in two ways:

- 01 • Printed on the label, which is attached to the product: The system will print a barcode on a label and a label will be affixed on the corresponding product.
- 02 • Printed directly on the back of the product: VICOSTONE® brand is printed on the back of the stone with information about product code, production date, serial number and color code to strengthen the brand identity. These pieces of information will not be lost or obscured during transportation, processing and permanently exists with the product.

Each product is labeled with a unique barcode to ensure quick and accurate information traceability. These pieces of information will be used for customer's registration for product warranty on the Company's website and confirm whether the product is real or fake.



Barcode labeled on Vicostone's end products



Information of the product printed directly on the back of the product

Technical measures

In addition to the protection of trademarks (for products and product names) and industrial designs, the Company has strengthened the protection on the Internet to avoid disputes, domain name, IP cyber-squatting, etc. Specifically, the Company has used the domain name identical to the trademark (<http://vicostone.com/>) and invested in the domain name of the Company's website in nearly 50 countries around the world. Key markets for Vicostone such as North America (USA - vicostoneus.com, Canada - vicostone.ca) and other markets like Europe (vicostone.co.uk, vicostone.fr, vicostone.eu) all carry information about the Company's products, brands, authorized distributors on the Company's website.

Other measures

- 01 The Company has applied strict internal control measures regarding the confidentiality of technology, equipment, production lines, and others. Examples include the prohibition of cameras in the production and business areas; all employees must sign a NDA, preventing confidential information breach, both during and after their time at the Company;
- 02 Partners are requested to comply with intellectual property rights of the Company's brands. In transactions with foreign partners, sales contracts, the customers must commit to not violating the Trademark rights, or they have to compensate for any damage caused according to legal provisions.

ANTI-COMPETITIVE BEHAVIORS (CONTINUE)

In the Vietnamese market, Vicostone provides a full-service package to customers, including pricing, installation, warranty, website-based warranty registration, etc., which greatly reduce the possibility for counterfeits and imitations of VICOSTONE® quartz-stone brand.

As the Company is growing stronger and larger with increasing number of intellectual properties, it becomes a harder and more urgent task for Vicostone to protect its IP rights from violations. To better perform in this activity, Vicostone will implement following actions in 2021 beside the development and operation of the data management and IP right administration systems:

01

Develop, implement the IP administration strategies and policies inside the Company;

02

Form a team specializing in IP administration in the Company, including members from Legal, Marketing and Communication departments and R&D Center;

03

Develop a well-trained group of professional employees focusing on IP issues and implement comprehensive, synchronous and organized activities in the Company.

3. Measures to handle violations

If any violation of a third party is detected, Vicostone will take appropriate preventive measures or remedies in accordance with the provisions of the Intellectual Property Law and the Competition Law.

- Send a written notification to individuals, organizations that violate Vicostone's trademarks and images, requesting for remedies within the deadline provided by Vicostone;
- Upon the remedy completion, the violating individual or organization must report the results to Vicostone; Vicostone also conducts regular checks and monitoring to avoid repeated violations;
- If no remedy is carried out upon the receipt of Vicostone's second notification or repeated violations are made, harming the VICOSTONE® brand, Vicostone will consider taking the following measures:

01

Violations causing physical, reputational harm: Request the violating individual or organization to pay damages in accordance with the relevant laws and regulations of Vicostone;

02

Violations causing harm to the VICOSTONE® brand: Temporarily terminate the right to use VICOSTONE® brand of the violating agency for verification, revoke or terminate the VICOSTONE® brand use right as prescribed in the agency contract, brand licensing contract.

03

Individuals and organizations: The Company will report the violations to authorized State agencies for proceedings if the individual or organization is not a related party to Vicostone.



04

SUSTAINABLE ENVIRONMENTAL PROTECTION (GRI 300)

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BETTER AWARENESS AND RESPONSIBILITIES FOR THE PROTECTION OF SUSTAINABLE ENVIRONMENT

Beyond the efficient use of resources and energy as well as the reduction of pollutants, Vicostone always seeks initiatives and solutions for better environmental protection and responses to climate change.



MATERIALS

I. MANAGEMENT APPROACH

1. Material quality control

The global economy is being weighed down by worries about the depletion of natural resources. In the context of a booming world population and a skyrocketing demand for raw materials, efforts by governments to maintain economic, political and social stability in the face of threats from the shortage of natural resources are becoming more urgent than ever. Under that circumstance, Vicostone always seeks to continuously improve production technology and management system to enhance the use of resources. In the production process, all materials for Vicostone's quartz stone production are provided by reputable domestic and foreign partners, and strictly controlled with the following process:

a. Material quality control procedures

Pre-import
<ul style="list-style-type: none"> • A sample of material is tested in the lab and production before the importation; • The supplier is examined regarding the production capabilities; • The supplier is checked regarding the management competencies; • The supplier is assessed regarding the ability to sustain and stabilize.
Bulk import
<ul style="list-style-type: none"> • Raw materials imported in bulk must meet quality standards following bulk testing on the production line; • Vicostone may implement a field trip to inspect the supplier and production facilities before deciding whether the materials should be imported in bulk.
Pre-storage check
<ul style="list-style-type: none"> • 100% of material packages are checked before being stored in accordance with existing regulations and standards; • If one package of materials is not qualified, it will be put aside and Vicostone will work with the supplier to fix the problem. The package should not be used in the production to secure the quality standard; • The Company studies all potential problems with the package to address the risks and develops action plans to respond to similar cases in the future.

Storing control

- All materials are secured in standardized storehouses. The Company regularly checks, evaluates the quality of the materials and storehouses to make sure the materials are of the best quality before being used.

In-production supervision

- The materials are kept in standardized storehouses and reviewed regularly by the Company. If there are doubts about the quality of the materials, the Quality Control Department and the R&D Center will carry out some examinations and make recommendations/warnings about the conditions of the materials;
- During the production, if any problems regarding the quality of materials are found, the line will be stopped and separated, then a specialized team will study and handle the problem.

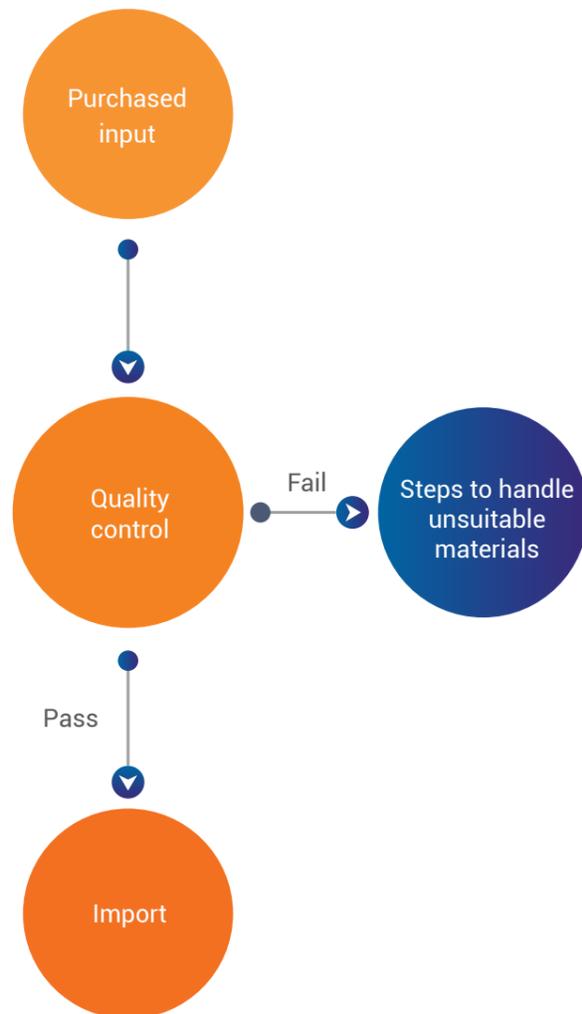
Evaluation

- All products are assessed following existing quality standards.

Prior to the storage, the materials are tested by the Input Quality Control team to make sure they match national or international measurement standards. The materials must meet Vicostone's strict requirements on environmental protection and be compatible with the Company's technology. After being imported, the materials are stored in standardized facilities so that their qualities cannot degrade. Before being used for production, the materials are assessed the second time regarding their qualities and environmental safety measurements.

MATERIALS (CONTINUE)

Quality control process for imported materials



Step description

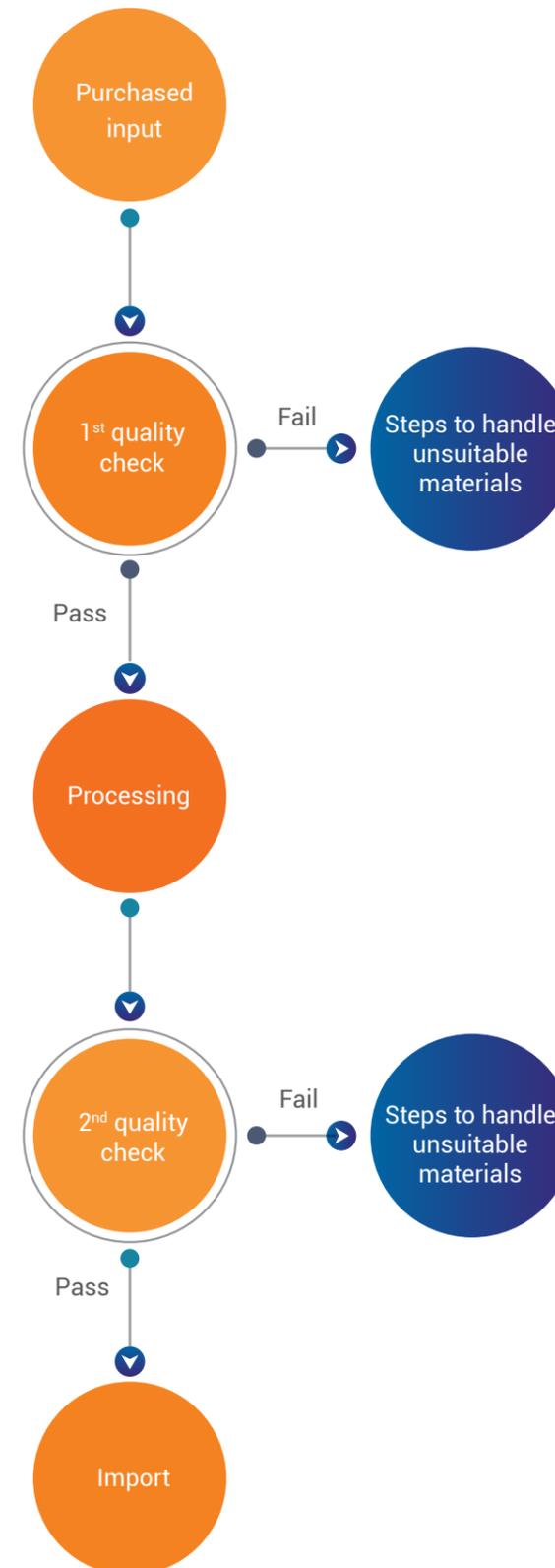
The purchases of overseas-imported materials must comply with the "Procurement Procedure" developed by the Sales Department. Relevant offices will be informed about the purchases and prepare to receive the packages.

The Materials and Quality Control works to examine the materials as planned.

The Quality Control Department's IQC staff evaluates all materials the first time (first check) following the guidelines approved by the BOD. If the materials:

- Pass: The Input Quality Control decides to import 100% of materials.
- Fail: The Input Quality Control requests for remedies as per regulations

Quality control process for domestically-supplied materials



Process

The purchases of domestically-made materials must comply with the "Procurement Procedure" developed by the Sales Department. Relevant offices will be informed about the purchases and prepare to receive the packages.

The Materials and Quality Control works to examine the materials as planned.

The Quality Control Department's KCS staff follows the guidelines approved by the BOD to inspect 100% of the materials for the first time (first check). If the materials:

- Pass: The materials are imported and stored in standardized facilities;
- Fail: The Input Control Quality requests for remedies as per regulations.

The staff of the Crushing and Screening Workshop follow the "Crushing and Screening Control Standard" to process raw materials into pure materials for production.

The Quality Control Department's PQC staff assesses the quality of materials during the production. After being processed, 100% of the materials are tested and assessed for the second time following guidelines and standards. The action has two results:

- Pass: The materials are stored and kept at standardized houses;
- Fail: The Input Quality Control requests for remedies as per regulations.

Materials passing the second test then transferred to the Inventory Department for standardized storage, in which the quality and quantity are prevented from degradation during the storage period

MATERIALS (CONTINUE)

Thanks to the efficient integrated management system and Vicostone people's creativity in quality control, 100% of purchased materials are assessed and assured of the best qualities before being imported into the production line. After materials are stored, authorized departments continued monitoring the production lines and made sure the production strongly comply with the standards. The standards are publicly and consistently available at all factories. The following are the work-flow on a production line at Vicostone:

No	Control	Guideline	Percentage	Short description
1	Check on input materials	"Process on input material control" QT30	100% of all material package units	Purchased materials are tested before being stored.
2	Production line control	"Product quality control process" QT-32	100% of all working shifts	Each stage of production is examined by the Product Quality Control Department to match the Company's technological requirements
3	Product origin traceability	"Product origin traceability and recognition" QT-07	100% of slabs	The Company equips the machinery and solutions for product identification; makes sure the production is monitored and regularly measured
4	Product quality control	"Product quality control process" QT-32	100% of made packages	Corresponding products are tested at least once against strict criteria to meet quality standards
5	Mechanic, physical and chemical test	"Product quality control process" QT-32	100% of made packages	All packages of products have to take the mechanic, physical and chemical test so they meet consumers' requirements
6	Check of safety qualities	"New product sale and development process" QT-08	100% of made packages	All features regarding user safety such as slip-resistance, flame-resistance... are checked regularly from the first stage of development
7	Environmental protection features	"New product sale and development process" QT-08	In accordance with the rules by certifying agencies	Each year, Vicostone sends a product sample to GreenGuard to examine the characteristics regarding its environmental impact at UL Environment lab in the United States

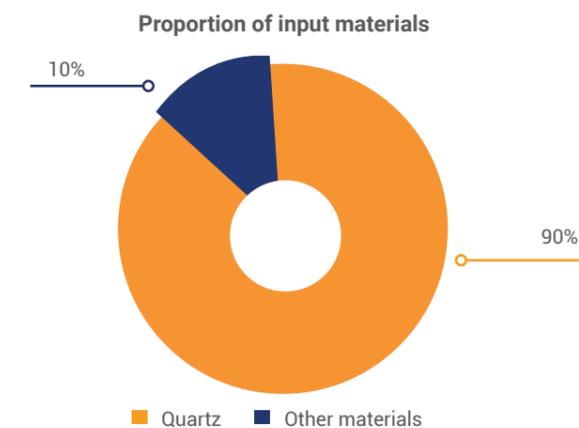
No	Control	Guideline	Percentage	Short description
8	Check of safety qualities	"New product sale and development process" QT-08	In accordance with the rules by certifying agencies	Food safety information such as the percentage of heavy metals must be examined and confirmed by NSF International in the United States
9	Packaging control	"Packaging process" QT-28	100% of all containers	The Quality Control Department's KCS staff inspects 100% of containers regarding the quality of packages and packaging before checking them out

2. The scope of Report

- The quantity of imported and exported materials and the ratio of product failures on raw materials
- Enhancement of material recycling

3. The use of materials and recycling of materials

a. The use of materials in production



MATERIALS (CONTINUE)

Quartz is the main ingredient that makes up 90% of VICOSTONE® stone outputs. After the Company completed the plan on material localization, quartz was gradually replaced with Cristobalite produced by Vicostone's member Phenikaa Hue Mineral Processing and Investment Co. Ltd.

The operation of Phenikaa Hue Plant and the production of Cristobalite, in line with international standards, are key factors to Vicostone's stable self-supply of input materials and lower selling prices. The closed-loop production of quartz materials has given Vicostone some comparative advantages in the market and made Vietnam one of a few producers of Cristobalite after the likes of the U.S., Spain and Belgium. In 2020, Phenikaa Hue was able to meet a majority of Phenikaa Group and Vicostone's demand for high-quality Cristobalite to replace natural quartz. The Plant supplied 80% of its outputs for Phenikaa Group and Vicostone's production and sold the remainders (20% of outputs) to the domestic and international markets.

Furthermore, the control and optimization of the use of resources not only improved the Company's production efficiency but also reduced the probability of product failures caused by sub-standard input materials.

Item	2016	2017	2018	2019	2020
Quantity of imported quartz (ton)	48,742	65,126	88,550	27,845	24,900
Quantity of domestically-supplied quartz (ton)	24,233	29,582	27,593	76,416	85,819
Ratio of product failures caused by substandard materials	3.83%	3.24 %	1.83 %	0.93 %	0.90%

b. Investment in and implementation of research projects for the reuse and recycling of materials

The use of eco-friendly materials

Since the very first days of operation, Vicostone has made and tested a lot of eco-friendly materials such as bio-resin – a plant-originated, eco-friendly polyester that could replace oil-originated resin to make green, environmentally-friendly, harmless products. In addition, the Company has developed alternative products from recycled materials (glass, shell).

Type of material	2016	2017	2018	2019	2020
Recycled material (kg) (Glass, shell)	482,735	520,940	570,000	281,060	430,000

The recycling of solid waste

With support from Phenikaa Group, Vicostone has in recent years studied possible solutions to restrain the impact of its manufacturing activities on the environment, including the reuse of solid wastes disposed from the making of eco-friendly outputs. Some key science researches were as follows:

Research into reusing waste stone powder from countertop manufacturing to produce cementbased dry ready-mixed mortar (floor glue, mortar for masonry, wall mortar...)



Cement-based dry ready-mixed mortar used in the construction of Phenikaa Eletronics Factory - member of Phenikaa Group

The outcome of the project – unburnt brick – was used in Phenikaa Group's construction projects such as:

- Re-construction of Phenikaa University;
- Construction of Phenikaa School;
- Construction of the plant to produce weather and UV-shielded unsaturated polyester resin for the making of engineered countertops and other composite materials;
- Construction of Phenikaa Smart Electronics Plant;
- Other minor projects.

MATERIALS (CONTINUE)

Research on the use of waste stone powder to produce unburnt bricks using Geopolymer technology



An engineer checks the quality of unburnt bricks produced from waste stone powder using Geopolymer technology

The Company found the suitable material and technological process for the production of unburnt bricks using Geopolymer technology – which is a very new technology in the world and Vietnam. The research project has been accepted by the Intellectual Property Office of Vietnam and it is pending for certification. In 2020, Vicostone started mass production of unburnt bricks for the Group's internal projects and for commercial purposes in the near future.

The water circulating system

Countertop manufacturing required an intensive volume of water mixed with stone powder for slab grinding. After use, the water was processed through a cyclone filtration system, combined with treatment chemicals, and through sedimentation, the powder completely deposited. The post-filtration water was 100% reused in the production line. This is considered one of the best solutions for industrial enterprises to minimize the use of clean water, reduce production costs and diminish their impacts on the environment.

The treated powder was then dehydrated and turned into dry sludge, a part of which can be used as unburnt material or any other types of eco-friendly material and the other part was treated as normal solid waste.

Other activities

In addition to research of technological processes on reuse, recycling of solid wastes and wastewater, Vicostone also categorized, reused and recycled plastic and paper wastes to lower the amount of waste disposal to the environment.

ENERGY

I. MANAGEMENT APPROACH

Energy efficiency is the Company's responsibility to the community, future generation and the business itself. Vicostone commits to:

- Building a green and clean working environment;
- Reducing energy consumption of devices, while still meeting the energy needs for production, services and domestic use;
- Not to discharging pollutants and toxic substances into the environment.

In the course of business operation, Vicostone has built and maintained an efficient energy management system in direct and indirect production areas, including:

- Maintaining routine operation of the Steering Committee on Energy Efficiency;
- Maintaining and continuously improving the energy management system;
- Applying a clean water consumption benchmark for each production division;
- Maintain a program on fuel consumption reduction for forklift systems in divisions;
- Improving, enhancing energy efficiency of equipment; maintain a warning system to alert units with above-the-benchmark energy consumption.



Regular technical examination on solar power panels installed on the roof of the Company's management office buildings

2. TOPIC'S BOUNDARY

Current situation and energy saving solutions for:



ENERGY (CONTINUE)

III. CURRENT SITUATION AND SOLUTIONS FOR ENERGY EFFICIENCY

Energy management is a key task in sustainable development. All production stages using electricity, gas, diesel, clean water must comply with benchmarks as per regulations and procedures. A separate unit has been set up to monitor, supervise and analyze energy-usage data to alert and identify timely solutions regarding energy use, avoiding loss while still facilitating production.

Electricity

Electricity consumption

Year	Consumption (KWh)	Consumption (JUN)	M ² of vibro-pressed products	Average electricity consumption (KWh/ m ²)	Average electricity consumption (JUNh/m ²)
2016	11,290,872	40.64x10 ¹²	666,352	16.94	60.98x10 ⁶
2017	12,867,154	46.29x10 ¹²	801,413	16.06	57.81 x10 ⁶
2018	15,328,100	55.15x10 ¹²	928,830	16.50	59.4 x10 ⁶
2019	15,775,600	56.77x10 ¹²	1,016,991	15.51	55.83 x10 ⁶
2020	16,399,300	59.04x10 ¹²	1,150,156	14.25	51.3 x10 ⁶

Electricity consumption of Vicostone in 2016-2020

Vicostone always pays special attention to taking measures to manage electricity consumption in business operations. Despite the introduction of new unique, differentiated products in 2020 and the installation of the new vibro-compression chain in November 2020, the average electricity consumption per m² of product declined from the previous year. The average electricity consumption to produce 1m² of stone in 2020 was down 8% to 14.25kWh/m² from 15.51kWh/m² in 2019. This showed Vicostone had used electricity power better while keeping its production efficient by applying new, energy-saving production technologies and raising awareness of employees about the issue.

Energy efficiency and energy-saving solutions

- **Natural lighting:** In order to reduce the workshop lighting cost in the daytime, the Company made use of natural lighting from doors, transparent panels for the roof and surrounding walls of the factory.
- **Solar power system:** In early 2018, Vicostone installed a national-grid-connected solar power system. This is one of the most advanced green energy solutions in the world. 400 photovoltaic panels have been installed with an installed capacity of 148.6 kWp. Currently, with this capacity, on average, the system can provide 75-85% of the electricity consumption needs of the office building complex. In 2020, the total solar power system, which had been installed for two management office buildings, produced total 128,172kWh, equivalent to 461,419.2 JUN, and met 50% of the demand for electricity. The Company now is planning to expand the solar power system to production and storage facilities in the area.
- **Sensors** were installed for 30kw ventilators at the Production Plant No.1 to lower the speed of ventilation fans and save more electricity. These fans run 24h/24h everyday.



An engineer measures the consumption of electricity

Gas

Gas consumption

Year	Gas Consumption (Kg)	Gas Consumption (JUN)	m ² of warehouse imported product	Average gas consumption (Kg/m ²)	Average gas consumption (GJ/m ²)
2016	160,262	7.314x10 ¹²	639,027	0.25	0.011
2017	184,339	8.412 x10 ¹²	787,199	0.23	0.011
2018	209,573	9.564 x10 ¹²	937,889	0.22	0.010
2019	248,520	11.342 x10 ¹²	1,016,991	0.24	0.011
2020	256,414	8.009 x10 ¹²	1,150,156	0.23	0.011

Gas consumption of Vicostone in 2016 - 2020

ENERGY (CONTINUE)

Gas is used in two areas: Preheating of oil used for stone curing after the pressing stage and in the cafeteria. Particularly for stone curing, the existing incinerator is a high-efficiency incinerator, and can be automatically adjusted to the temperature and pressure of the oil being burned. Hot oil pipelines are insulated to prevent heat loss. Currently, unique and differentiated product lines are being produced continuously, accounting for a large proportion of the Company's total m² output and consuming lots of fuel due to heating and storage time is 1.3 to 1.5 longer than normal products. However, by effective solutions, the Company still controls gas consumption at a stable level. It was obvious that the average gas consumption to produce 1m² of stone in 2020 dropped slightly by 4.1% to 0.23kg/m² from 0.24kg/m² in 2019.

Efficiency solutions

To save gas in production activities, Vicostone has maintained effective saving solutions at the factories, specifically:

- Further promote the efficiency of a solar water heater system to supply hot water to the cafeteria and minimize gas consumption.
- Sufficiently apply 5S in equipment use, maintain the best operating status of the system:
 - » Conduct equipment maintenance and repairs to ensure the highest performance;
 - » Synchronize systems to ensure the highest efficiency of using furnace heat;
 - » Check the pressure and volume of gas used to avoid the surplus, which leads to the waste of energy and affect the performance of the incinerator as the heat is not at the required level and creates soot.

c. Diesel

Diesel consumption

Year	Diesel consumption (liter)	Diesel consumption (JUN)	m ² of product		Average diesel consumption (liter/m ²)	Average diesel consumption (GJ/m ²)
			Exported product (*)	Imported product		
2016	109,150	3.729x10 ¹²	727,725	639,027	0.080	0.003
2017	110,243	3.766 x10 ¹²	806,876	787,199	0.069	0.003
2018	116,379	3.976 x10 ¹²	873,912	937,889	0.064	0.002
2019	120,215	4.107 x10 ¹²	993,948	1,016,991	0.060	0.002
2020	127,984	4.372 x10 ¹²	1,120,095	1,150,156	0.058	0.002

Diesel consumption of Vicostone in 2016-2020

(*) Costs are calculated separately for exported products (excluding domestic sold embryos)

Diesel is used in lifting and transporting for production, mainly for forklifts. It is also used in equipment repairs and for backup generators in case of power outages.

In 2020, the use of diesel is 0.058 liters/m² of product (down 3% compared to 2018 and 64% compared to 2015), the Company effectively uses diesel in recent years.

Efficiency solutions

- Installed a separate oil station within the Company to monitor specific data and assigned a unit to monitor oil consumption for monthly comparison.
- Optimized transport arrangements, reduced shipping volume;
- Regularly checked and monitored vehicles to maintain good vehicle technical condition;
- Organized training courses to improve driving skills and drivers' awareness in conserving diesel;
- Used a travel-time benchmark for vehicles in each production stage;
- Improved the quality of forklift maintenance and repair, using 5S criteria;
- Applied rotary equipment in production to curb the use of forklifts and save fuel;
- Improved the infrastructure to minimize the use of generators with a large capacity of 2,000kw and to avoid wasting oil and driving up costs (a generator consume about 300-350l/h).



WATER

I. MANAGEMENT APPROACH

Vicostone understands that clean water is a precious natural resource of each nation. The effective use and conservation of clean water resources has great significance towards the environment and community.

Vicostone has created a unified process for the improved and effective use of water resources:

- Create improvement programs, look for ways to reduce excessive consumption of clean water;
- Report on the actual amount of excessive water consumption in the production process at factories;
- The Technical Department is responsible for the management and control of Company-wide water resources, frequently analyzes abnormalities and subject units who consume resources in excess of the norm to inspection and sanction.

II. TOPIC'S BOUNDARY

- Actual use of water resources;
- Solutions for the effective use of water resources and circular water treatment system.

III. CURRENT SITUATION AND SOLUTIONS RELATING TO CONTROLLING WATER USAGE

1. Water consumption

The amount of water consumed in the Company includes water used for production activities (water for whetting systems) and domestic water for the daily use by employees.

With respect to water used for production

Industrial wastewater is treated with a closed-loop circular waste treatment system, ensuring that the amount of water used in the production process is returned to the chain without direct effluent to the environment. This is an effective method that helps save water resources used in production while refraining from environmental impacts. The water used in the whetting chain is the amount provided to compensate for the loss caused by absorption into the mud after pressing to ensure the stable operation of the system. The complementary water amount for the whetting chain in 2016 and 2020 are as follows:

Year	Complementary water for whetting chain (1,000 liters)	m ² whetted	Average water consumption (liters/m ²)
2016	7,554	861,208	8.55
2017	7,008	813,706	8.61
2018	10,229	940,086	10.88
2019	8,550	1,016,991	8.41
2020	9,750	1,150,156	8.52

Complementary water for the whetting chain in 2016 - 2020

(*) The necessary amount of water to whet 1m² of finished stone is about 385 to 400 liters/m²

In 2020, the Company refurbished 6 old silos and added 4 new silos at the circular water post, therefore, the amount of water used for the whetting system was higher than that of 2017. Since 2020, the stable operation of the system has helped the Company to ensure the efficient use of water in production.



Vicostone's closed-loop water silo system

Domestic water

Domestic wastewater includes water supplied for office restrooms, production sector restrooms, cafeteria, road cleaning, tree irrigation within the Company's compound, etc. Domestic wastewater is gathered and processed with a domestic wastewater treatment system, ensuring the legally stipulated criteria and exclusion of environmental impact.

Currently, the Company is using clean water resources supplied by the Dong Tien Thanh Ltd. Company from the Song Da Water Plant for production and domestic purposes.

2. Effective use solutions

Vicostone applies a system of circular water silos into its productions. The system is consistently invested and operated to ensure that 100% of industrial wastewater is treated and reused during production. The whetting of finished products usually takes a large amount of water. After this process, the water usually contains talc powder as a result of being dissolved in salt after whetting. The powder is treated in the silos through mechanic deposit process and then pressed and dried through a pressing machine. Pressed, dried powder (or sludge) is used to produce unburnt bricks and other eco-friendly outputs.

Besides, in 2020, Vicostone also improved the equipment clusters of grinding lines (vertical and horizontal cutting machines) to reduce water consumption on the line.

EMISSIONS, EFFLUENTS AND WASTES

I. MANAGEMENT APPROACH

Vicostone carries out activities to control and minimize impacts to the environment, detailed as:

- Operate emission, dust and wastewater treatment systems;
- Perform periodic maintenance, check the conditions of the production line to reduce the pollutants at source;
- Engage a legally-eligible consultant to survey, monitor and analyze the quality of emissions, dust, wastewater and wastes to comply with relevant standards;
- Perform regular assessment of waste treatment service providers;
- Maintain and improve management protocols on environmental protection;
- Report to State agencies on the management of emissions, dust, wastewater and waste.

1. Emissions

Origination and classification

Aerial emissions are mainly generated from the quartz-based engineered stone production, including:

- Organic gas exhausts in spreading stage.
- Emission exhausts in material imports.

Control and treatment measures

To treat and control emissions generated from production, the Company has implemented the following measures:



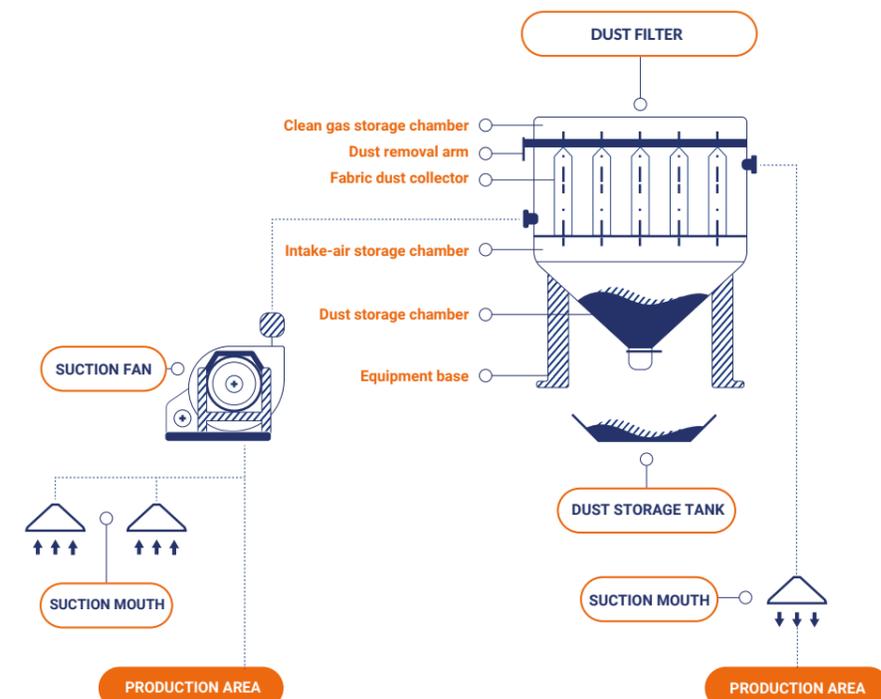
Emission treatment process

In the equipment of the production chain, the resin measurement compartment, material mixture compartment and material spreading compartment were sealed in their entirety to prevent the emission of organic gas and at the same time, suction mouths were placed to draw gas to the common pipeline. Emanated organic gas would be subject to negative pressure by soaking fans and soaked through activated charcoal cloth whose soaking capacity may be controlled through butterfly valves. Processed exhaust was then discharged through 20-meter outlet pipes.

Apart from their participation and contribution directly in the production process, sanitary safety staff regularly monitored and recommended improvements to areas at risk of occupational hazard and those discharging exhausts and supervised the maintenance of the operation of the exhaust treatment, fresh gas supply and ventilation systems.

Dust control

- Each month, the HSE – General Affairs Department organized a delegation to evaluate the current state of the chain, especially places and processes that dust arose, create solutions and implement measures to reduce dust in each factory;
- Regularly coordinate with the Institute for Occupational Health and Environment in measuring dust volume in eight-hour shifts in the working environment;
- Investment and installation of dust treatment system using water-resistant and oil-resistant Polyester filter bags. All dust-generating areas in the factory are equipped with suction heads and dust is delivered to the treatment system. Initial investment for the dust treatment system was nearly VND2.5 billion;
- Provided face masks made for dust protection such as SP52 masks, 225V dust filtering masks from Korea and 3M masks for employees working in areas where dust arose;
- Applied specialized vacuum cleaners to clean factory floors and damp cleaning to reduce dust arising from employees' work.



Dust treatment system

EMISSIONS, EFFLUENTS AND WASTES (CONTINUE)

2. Effluents



Processed water is checked before being used for whetting chain

Source

- Closed-loop recycled production water: Water is used in the whetting stage to polish the surface of the product. Dust and stone powder in the water will be carried back to the treatment system. After the dust and stone powder are removed, the water is circulated for 100% re-use. This treatment system helps the Company save a lot of costs and minimize the impact of effluents on the environment.
- Domestic wastewater: Domestic wastewater includes wastewater from kitchen areas, toilets of employees, and undergo preliminary treatment in septic tanks and grease traps and then delivered to wastewater treatment station.

Control and treatment of domestic wastewater

For domestic wastewater treatment and control to be in compliance with QCVN 14:2008/ BTNMT - National technical regulation on domestic wastewater, the Company implemented the following measures:

- Invested in a domestic wastewater treatment system using AAO + MBR technology with total investment of nearly VND3 billion.
- The operation was regularly supervised by engineers with expertise in environmental techniques to ensure the functionality of the system and that the quality of output wastewater meets requirements according to regulations.
- Regular maintenance was conducted by teams of specialized technicians in accordance with procedures, thus, the system performed stably with no device-related incident affecting the treatment of wastewater in the past year.

- Developed and applied a domestic wastewater control procedure in line with ISO 14001:2015.
- Every three months, the Company engaged a qualified consultant to monitor the quality of treated domestic wastewater.
- Invested in rapid measurement devices (DO, pH), equipments to quickly test the quality of outputs (NH_4^+ , NO_3^-) to supervise the treatment activities of the system.

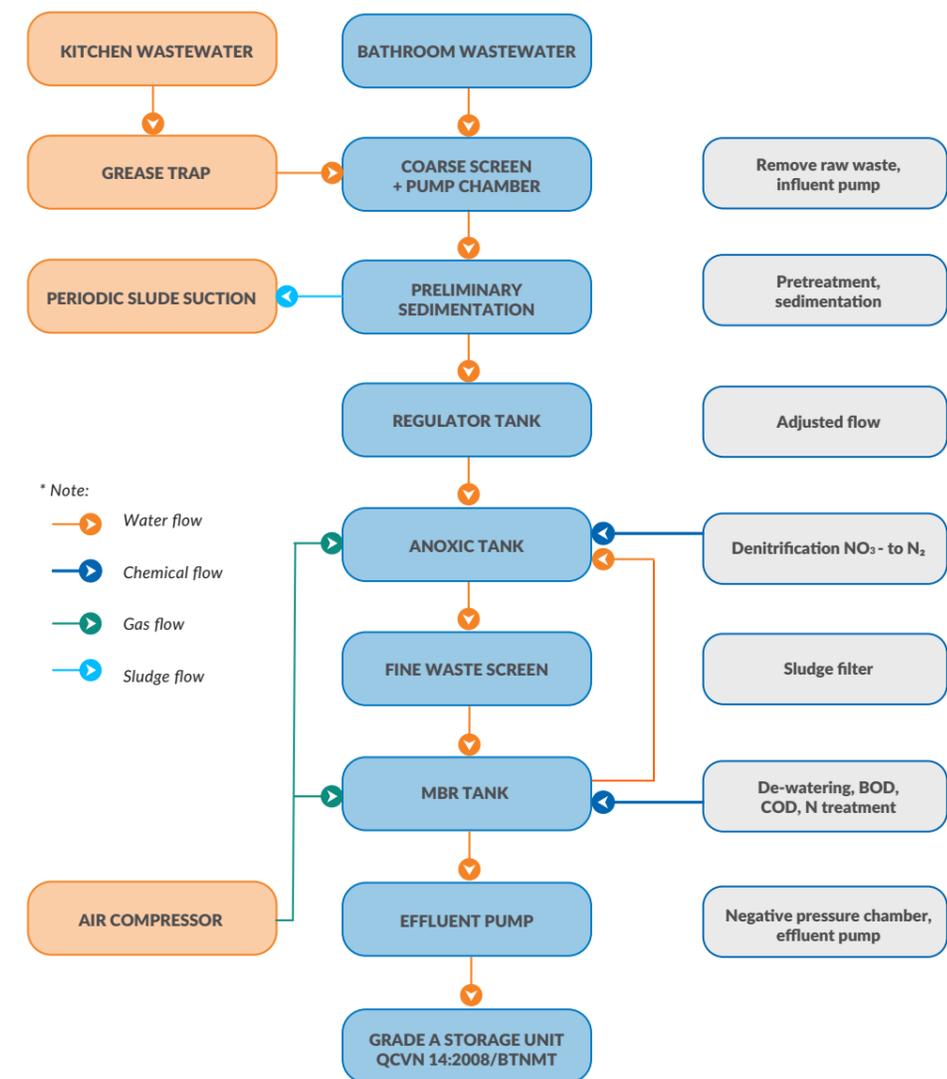


Diagram of domestic wastewater treatment process

EMISSIONS, EFFLUENTS AND WASTES (CONTINUE)

3. Other wastes

Common production wastes

Common production wastes are in the form of:

- Stone chips, burr from production stages;
- Dried sludge from the water treatment system;
- Domestic wastes.

Control and treatment solutions: In order to comply with State regulations on solid waste treatment, the Company strictly controls and clearly categorizes ordinary solid waste and hazardous waste. Specifically:

- Zone and build a temporary solid waste storage, meeting the requirements of an ordinary waste storage under the provisions of Decree 38/2015/ND-CP and Circular 36/2015/TT-BTNMT;
- Develop and apply regulations on waste management;
- Maintained daily inspection of sorting and gathering of waste at units of the Company;
- Normal industrial solid waste was usually processed using two solutions: used as materials to produce unburnt bricks or burial;

Stone powder and efflorescent which are normal and harmless wastes are placed in roofed storage with water collecting drains to ensure environmental protection. These are regularly analyzed by the Environment Analysing And Technique Joint Stock Company.

In addition to producing unburnt bricks, the Company is entering into contracts for waste transport and treatment with units with full capacity to gather, transport, and treat stone powder and efflorescent released from production lines at Vicostone. The transfer of powder and efflorescent for the purpose of transport and treatment is undertaken and managed by the two parties in accordance with Article 3 of Decree No. 40/2019/ND-CP on the management of waste and scrap.

Vicostone creates reports in full and submits them to State agencies on the management of normal wastes in accordance with regulations or irregularly upon request.

Solid domestic wastes

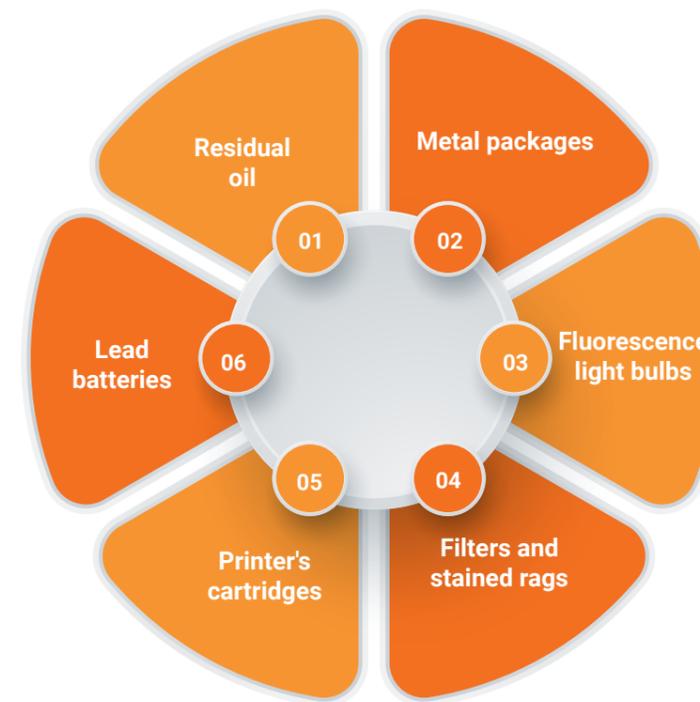
Source: Primarily wastes from cafeterias, offices and operating rooms which are gathered by industrial cleaning staff on a daily basis.

Control and treatment solutions

- Develop and apply regulations on waste management;
- Sort at the source and gather wastes separately in 120-liter plastic barrels with lids;
- On a daily basis, solid wastes are transferred to units with the capacity of waste transport and treatment according to contracts signed between the two parties. The transfer of solid wastes for the purpose of treatment is undertaken and managed by the two parties in accordance with Article 3 of Decree No. 40/2019/ND-CP on the management of waste and scrap.

Hazardous wastes:

Source: Hazardous wastes primarily originate from the maintenance and fixing of equipment, cleaning and maintenance of production chains, while some are from office works (light bulbs, ink cartridges). Hazardous wastes at Vicostone are sorted at its source and categorized into six main types:



Control and treatment solutions

- Develop and apply regulations on waste management;
- To ensure conformity with legal regulations, Vicostone JSC registered its list of regularly generated hazardous wastes and was accorded with a Note of Hazardous Waste Registration No. QLCTNH: 01.000118.T (4th issuance) by the Hanoi Department of Natural Resources and Environment on June 6, 2017;
- Generated hazardous wastes are collected and gathered separately by its categories and placed in the Company's hazardous waste storage. The storage is constructed in accordance with standards set out under Circular No. 36/2015/TT-BTNMT on the management of hazardous wastes. In addition, the hazardous storage is equipped with devices to respond to incidents and drainage systems to collect and prevent leakage;
- The Company transfers its generated hazardous wastes to units with the capacity of waste transport and treatment according to contracts signed between the two parties.

EMISSIONS, EFFLUENTS AND WASTES (CONTINUE)

II. TOPIC'S BOUNDARY

Wastes in Vicostone are divided into the categories below:

- Emissions;
- Effluents;
- Other wastes.

III. MONITORING RESULTS

1. Emissions

Based on the outcomes of waste observation conducted by competent units in accordance with current regulations, the results of aftertreatment exhaust analysis all meet or fall far below National Technical Standard QCVN20:2009 on industrial exhaust related to certain organic substances and Standard QCTĐHN 01:2014 on industrial waste related to dust and inorganic substances within the vicinity of Hanoi.

No.	Parameter	Unit	Results for April 2020	Results for October 2020	National Standard 20:2009/ BTNMT Maximum concentration
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The quality of post-treatment emissions at Plant No.1

1	Benzen	mg/Nm ³	<0.03	<0.003	5
2	Toluen	mg/Nm ³	<0.03	<0.003	750

The quality of post-treatment emissions at Plant No.2

1	Benzen	mg/Nm ³	<0.03	<0.003	5
2	Toluen	mg/Nm ³	<0.03	<0.003	750

No.	Parameter	Unit	Results for April 2020	Results for October 2020	Standard 01:2014/ BTNMT
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The quality of emissions after dust treatment at Plant No.1

1	Total suspended particles	mg/Nm ³	32.7	37.9	200
2	CO	mg/Nm ³	<20	<20	1000
3	SO ₂	mg/Nm ³	<3.4	<3.4	500
4	NO ₂	mg/Nm ³	<5	<5	850

The quality of emissions after dust treatment at Plant No.2

1	Total suspended particles	mg/Nm ³	35.9	37.5	200
2	CO	mg/Nm ³	<20	<20	1000
3	SO ₂	mg/Nm ³	<3.4	<3.4	500
4	NO ₂	mg/Nm ³	<5	<5	850

2. Effluents

Based on the wastewater quality monitoring program included in the environmental impact assessment report of the project approved by the Hanoi People's Committee and the discharge license issued by the Hanoi Department of Natural Resources and Environment, the Company fully conducted observations with required frequency (once every three months).

The results of observations conducted by independent competent units all fell within the allowed range under the National Technical Standards QCVN 14:2008 /BTNMT, column A on the quality of wastewater and Technical Standards QCTĐHN 02:2014/BTNMT, column B on the quality of industrial wastewater within the vicinity of Hanoi. These results were verified by the unit conducting the observations and recorded for the purpose of inspection and reference where necessary.

EMISSIONS, EFFLUENTS AND WASTES (CONTINUE)

No.	Analysis	Unit	Analysis results for 2020				Standard 14:2008 / BTNMT	Standard 02:2014 / BTNMT
			QI	QII	QIII	QIV	Column A	Column B
1	pH	-	7.3	7.2	7.2	7.4	5-9	6-9
2	Biochemical oxygen demand (BOD ₅)	mg/l	13.8	20.5	17.9	15.7	30	50
3	Chemical oxygen demand (COD)	mg/l	36.4	37.6	43.6	32.7	-	150
4	Total suspended solids (TSS)	mg/l	27	26	22,6	31	50	100
5	Total dissolved solids (TDS)	mg/l	320	230	260	250	500	-
6	Asen (As)	mg/l	<0.0005	<0.0005	<0.0005	<0.0005	-	0,1
7	Cadimi (Cd)	mg/l	<0.01	<0.01	<0.00005	<0.0004	-	0,1
8	Lead (Pb)	mg/l	<0.003	<0.003	<0.003	<0.003	-	0,5
9	Mercury (Hg)	mg/l	<0.0003	<0.0003	<0.0003	<0.0005	-	0,01
10	Animal and vegetable fats and oils	mg/l	0.6	0.76	0.76	0.54	10	-
11	Iron (Fe)	mg/l	<0.05	0.112	<0.05	<0.03	-	5
12	Phosphate (PO ₄ ³⁻)	mg/l	3.61	2.87	2.56	0.46	6	-
13	Sulfur (S ²⁻)	mg/l	0.168	0.234	<0.08	<0.064	1	-
14	Amonium (NH ₄ ⁺)	mg/l	2.35	4.21	1.89	3.67	5	10
15	Nitrate (NO ₃ ⁻)	mg/l	17.4	16.8	20.2	13.5	30	-
16	Total surfactants	mg/l	0.8	0.65	0.34	<0.05	5	-
17	Coliform	MPN/100ml	500	800	900	890	3000	5000

The results of analysis on the quality of post-treatment domestic wastewater

3. Wastes

At Vicostone, 100% of wastes generated in the processes of production and other activities, especially hazardous waste, are treated in accordance with procedures adopted by the Company to ensure at the highest level the requirements of current legal regulations, minimize impacts to the environment during production, and aspire towards sustainable development goals.

No.	Category of waste	Solution
1	Normal industrial solid waste (stone powder, swarf)	Reuse/transfer to contractors for treatment
2	Solid waste such as garbage from cafeteria	Scortch
3	Other waste (cleaning cloth, solid metal packing, defunct light bulbs)	Scortch, grind, solidify, rough-wrought, chemico-physical



Wastewater sewage being checked

Stone powder and swarf (normal industrial solid waste) belong to a category of waste that accounted for 90% of total waste mass of the Company and was generated during the process of wetting and polishing of the product surface. The Kaizen 5S tools offered various initiatives to help reduce the amount of stone powder and efflorescent, including the reduction of residual material in the production chain, the reduction of thickness of semi-finished stone products, and the reduction of bent and pock-marked finished products, reducing the thickness of stone subject to wetting and reducing the amount of generated powder and efflorescen. Aside from reducing generated mass, Vicostone adopted the technology of “treatment of waste stone powder and efflorescent for use in production of unburnt bricks with Geopolymer technology” into practical production, thus, more than 50%, or 1,000 tons of waste mass was used as material for the production of unburnt bricks. Once the “Unburnt Brick Production Factory” project is concluded, the entirety of this stone powder and swarf will be repurposed into materials for the production of unburnt bricks. Moreover, the Company is conducting additional research into technological applications to convert this entire category of waste into other eco-friendly materials suitable to the needs of localities.

Solid wastes were gathered at temporary holding areas in barrels with lids under roofs which complied with technical requirements and subsequently transferred to competent environmental companies under contracts for transportation and treatment.

Potential hazardous wastes were registered and Vicostone was accorded with Note of Hazardous Waste Registration No. 01.000118.T by the Hanoi Department of Natural Resources and Environment on June 6, 2017 for waste generated in practice. The temporary holding storage for hazardous waste was built in accordance with relevant regulations, with the storage in closed space, with a roof, anti-leakage systems, firefighting equipments, and identification and caution signs. The transportation and treatment of hazardous wastes were conducted by the third unit with license to treat hazardous wastes according to State regulations.

Whereas the local treatment of waste was undergoing difficulties, Vicostone continued to conduct regular inspection and evaluation of processes of waste transport and treatment to closely control and select trustworthy and competent partners in accordance with legal regulations without causing impacts on the environment.



ENVIRONMENTAL COMPLIANCE

I. MANAGEMENT APPROACH

Regarding the legal system: Immediately at the pre-investment stage, Vicostone conducted environmental impact assessments which subsequently were reviewed, approved, and granted environmental certifications and licenses by State agencies. In the course of its production and operation, wherever new environmental issues arise, the Company always proactively reports to authorities and requests instructions to ensure the highest level of compliance with its commitment to environmental protection. Additionally, the Company invites independent units on an annual basis to supervise its environmental aspects.

Regarding the environmental safety management system: The Company has and continues to apply and improve its environmental management system in compliance with the ISO 14001:2015 standard, its requirements as well as the procedures of said system. The assessment and inspection of environmental protection activities are maintained on a daily basis to promptly handle arising issues without causing environmental pollutions.

II. SCOPE OF REPORT

- Vicostone's efforts to comply with environmental laws and regulations;
- Efforts to encourage employees to partake in environmental protection.

III. ENVIRONMENTAL COMPLIANCE ACTIVITIES AT THE COMPANY

1. Compliance with legal regulations

Pursuant to environmental legislation, including the Law on Environmental Protection, decrees and circulars related to the environment, Vicostone commits to:

Fully complying with the local government's environmental legal record

- Environmental impact assessment reports of projects established, appraised and approved in accordance with Decision No. 1299/QĐ-UBND of the Hanoi People's Committee on March 23, 2010;
- Certification of completion of projects and measures for environmental protection No. 255/STNMT-CCMT issued by the Hanoi Department of Natural Resources and Environment on November 1, 2012;
- License to discharge waste No. 61/GP-UBND issued by the Hanoi People's Committee on February 24, 2020
- Book on the ownership of sources of hazardous waste No. 01.000118.T issued by the Hanoi Department of Natural Resources and Environment for the 4th time on June 6, 2017.

Fulfilling obligations related to the declaration and payment of environmental protection fees with respect to industrial wastewater in accordance with Decree No. 53/2020/ND-CP on the Environmental Protection Fee on Wastewater;

Fulfilling commitments to environmental supervision stated in the Environmental Impact Assessment Report and responsibilities stated in the operational phase of the Certification of Completion of Projects and Measures for Environmental Protection;

Conducting and submitting regular environmental reports to State agencies.

In 2020, Vicostone recorded no instances of violation of environmental laws.

In addition to in-house environmental protection activities, Vicostone also cooperated with service providers to implement environmental protection measures. In 2020, the Company invested over VND6.5 billion in contracts on waste monitoring, collecting, transporting, and treatment as well as other contracts related to environmental protection, namely:



ENVIRONMENTAL COMPLIANCE (CONTINUE)

No.	Environmental Protection Activity	Service Provider
1	Treatment of oil, grease separator and septic tanks	Industrial and Urban Environment joint stock company No 11 – URENCO 11
2	Monitoring of working environment	Environment Analyzing and Technique JSC (EATC)
3	Hazardous waste treatment	Industrial and Urban Environment joint stock company No 11 – URENCO 11
4	Regular environmental monitoring	Environment Analyzing and Technique JSC (EATC)
5	Analysis of domestic and drinking water	Hanoi Preventive Healthcare Center
6	Sludge analysis	Environment Analyzing and Technique JSC (EATC)
7	Environmental protection fee for industrial wastewater	Vicostone JSC submits environmental protection fee into State budget
8	Transportation, treatment of ordinary industrial solid waste (stone powder)	Hanoi Industrial and Urban Environment Joint Stock Company
9	Nylon waste transportation and treatment	Industrial and Urban Environment joint stock company No 11 – URENCO 11
10	Domestic waste transportation and treatment	Industrial and Urban Environment joint stock company No 11 – URENCO 11
11	Monitoring of dust concentration for internal control solutions	National Institute of Occupational and Environmental Health – Ministry of Health
12	Operation of the domestic wastewater treatment system	Vietnam Water and Environmental Sanitation Company

2. Proactive Publication of HSEQ Handbook with Emphasis on Contents Related to the Environment

Since 2014, Vicostone has drafted and published an Environmental Handbook with frequent amendments to provide instructions to functional departments and employees on implementing environmental compliance activities and to raise awareness of environmental protection.

Principles applicable in the drafting, application and improvement of the environmental management system

- Identify customers' demands, laws, and other concerned parties;
- Establish environmental policies which are clear and suitable to the nature of the Company's operations, and on this basis, establish quantifiable environmental targets to direct the Company's development path and guide its environmental management operations;
- Prepare necessary resources to improve the quality of environmental protection; establish and improve environmental impacts of environmental aspects related to products, operations, and services of the Company;

- Identify criteria and methodologies for the measurement and assessment of each process; Analyze preventive activities against inconsistencies to remove the causes of such inconsistencies;
- Apply continuous improvement to ceaselessly enhance the effectiveness of environmental management operations and achieve targets set by the Company.

Main Contents

- Analyze the background of the Company and expectations of relevant parties;
- Commitment of the Board of Management in implementing environmental protection activities, roles and responsibilities of relevant departments;
- Create planning for environmental aspects in accordance with ISO 14001;
- Manage resources, maintain readiness to respond to emergency situations;
- Evaluate the effectiveness of activities;
- Improvement.

The Handbook is communicated to all units/departments in the Company and available on the website so that employees may quickly learn and comply. Currently, the Company is still conducting reviews, amendments and updates of the Handbook to best meet the requirements of ISO standards as well as changes in its organizational structure and market situation.



Engineers are tasked to regularly monitor and report environmental indicators to handle potential issues

ENVIRONMENTAL COMPLIANCE (CONTINUE)

3. Encourage Employees to Protect the Environment

In addition to proactive compliance with environmental legal requirements, Vicostone also organizes activities to call upon its employees to participate in environmental protection, contribute to a green – clean – beautiful environment, and improve working conditions and productivity. Among these measures, the Kaizen – 5S program is a fundamental activity that has positive impacts on the living and working conditions, enhances workers' sense of awareness and responsibility, and at the same time removes wastes and increases values in the Company's operations.

Having been implemented since 2015, Vicostone's Kaizen – 5S program, with the slogan of "continuous improvement, tidy organization, clean air", has enjoyed popularity and wide participation of all workers at the Company. Staying true to the strategic direction of economic growth with close connection to green production and environmental protection, the targets of the program are designed to improve the working environment, raise employees' awareness of saving energy, recycling, reuse, etc., at each position of work, including those related directly and indirectly to production. The Kaizen – 5S Committee is also established under the close supervision and leadership of the Board of Management and with the participation of the managers of specialized departments.

These ideas not only bring about economic values but also contribute significantly to the Company's environmental protection activities. To increase its efficiency, the Kaizen – 5S program will be implemented in accordance with a set of guiding principles, including: improve to ensure work safety; increase productivity and quality of products; improve the integration into the Company's major projects and programs, etc. The Secretary of the Kaizen – 5S Committee of Phenikaa Group will communicate with other Kaizen – 5S committees within the Group on a regular basis to inquire, learn, and exchange information on outstanding Kaizen initiatives that have been implemented.

Kaizen – 5S activities contribute to raising awareness on the improvement and creativity of all employees at the workplace, creating teamwork, and developing leadership skills of senior and management staff through practical activities and the formation of bases for improvement techniques. Kaizen – 5S has become integral to the culture of the Company and contributed significantly to productivity and environmental protection.



Employees join 5S Program and clean their working areas at the Company

5S Activities

At Vicostone, based on the instructions and common standards set by the Kaizen - 5S Committee, the units, departments, and divisions have created 5S standards for each working position and section with clear indications and division of tasks. These standards are regularly reviewed and upgraded according to changes, with a maximum timeline of six months to enact an upgrade. This is also the criterion upon which the 5S Evaluation Department conducts regular evaluations of the unit's 5S performance. The evaluation is conducted once a week, on Wednesday of every week, for the production sector and once every two weeks on Fridays of the second and fourth weeks of the month for the office sector.

All working units and sectors are neatly organized, while record/document cabinets are classified into different categories to enable ease of access to information. Many departments and divisions are provided with green trees to help purify the air and create comfort and inspiration for employees.

"Bright Friday" Program



The "Bright Friday" campaign receives positive reactions from all employees of the Company

In continuation of the Kaizen 5S program, Vicostone has strengthened its call for workers awareness of environmental protection through its "Bright Friday" program which aims to foster a green lifestyle for all employees of the Company.

The "Bright Friday" program includes smaller activities such as: Cleaning the workspace, classifying waste, communicating on the reduction of plastic waste discharge, economically using electronic, water, paper resources, etc. This program is participated in and supported by the majority of employees and helps strengthen the awareness of environmental protection.

ENVIRONMENTAL COMPLIANCE (CONTINUE)

Kaizen Activities

In tandem with 5S activities, Kaizen activities have also been implemented at Vicostone for a number of years. In keeping with Kaizen's spirit of "Improvement for the better", Vicostone has encouraged and called upon its employees to actively contribute improvement ideas from the smallest actions. In addition to Kaizen ideas on safety, health, and environment, the program has also contributed various ideas that are of high economic values.

At the completion of monthly and quarterly rankings, the Company's Kaizen – 5S Department evaluates, admonishes, and encourages employees who have offered outstanding improvement ideas that have created values for the Company in terms of economic growth, productivity, time, and efforts. The success of the Kaizen at Vicostone originates from changes that, though small, accumulate with time and bring about great values to the Company and its employees.

In 2020, the complex situation surrounding the COVID-19 pandemic affected the plans for production and operation, personnel, workers' morale, and more. However, thanks to the policies of the Board of Management, the Kaizen program continued to attract the interest and contribution of improvement ideas from the employees.

The Kaizen numbers for 2020 are as follows:



The Kaizen - 5S is a testament to the "continuous improvement" spirit, innovation, awareness of problems, and improvement of employees. It is this spirit, along with the consistent efforts of the Board of Management and employees, that has shifted Kaizen 5S from being a movement to a daily activity, becoming a distinct cultural aspect in production and business at Vicostone.

Vicostone quartz product Vivalioro - BQ8918



05

COMMUNITY AND SOCIETY (GRI 400)

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SAFETY AND BENEFIT OF PEOPLE COME FIRST IN ALL OPERATIONS

Vicostone targets better corporate social responsibilities in every production and business activity through give-away for the sake of humanity and happiness.



EMPLOYMENT

1. MANAGEMENT APPROACH

1. Management Approach

Vicostone considers employees as an asset of the Company, as well as being its value driver. Therefore, the Company has been constantly creating, maintaining and improving the working environment, the recruitment process and work allocation to ensure transparency and equality, allowing internal job rotation according to capabilities and suitability to the vacancy. Vicostone is constantly making efforts to improve working conditions and welfare policies to comply with regulations and become more competitive in the labor market.

2. Topic's Boundary

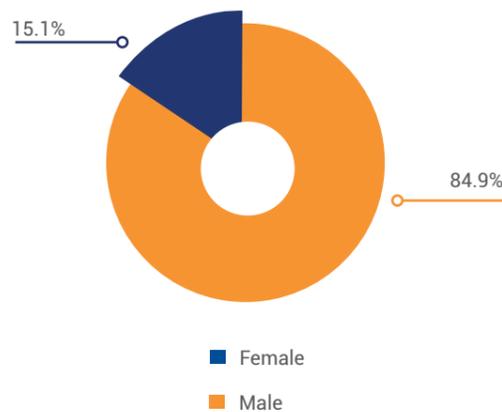
- Labor force structure
- Recruitment policies and employees' mobility

3. Labor force structure

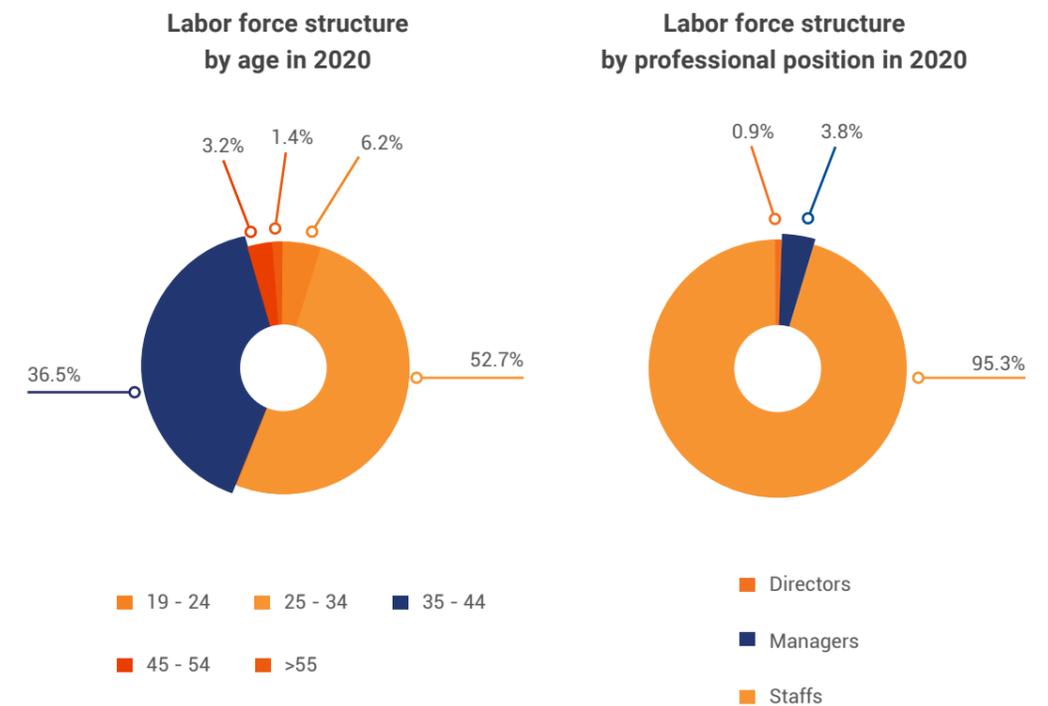
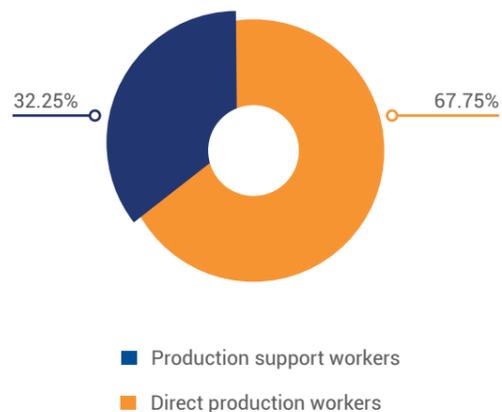
Labor force structure by educational qualification

No.	Educational qualification	2018		2019		2020	
		Number of employees	Percentage (%)	Number of employees	Percentage (%)	Number of employees	Percentage (%)
1	Post-graduate	10	1.47	11	1.59	12	1.66
2	University graduate	192	28.15	194	28.03	190	26.24
3	College graduate	93	13.64	90	13.01	98	13.54
4	Primary, secondary vocational school graduate, technical school graduate	348	51.03	342	49.42	344	47.51
5	Unskilled	39	5.72	55	7.95	80	11.05
	Total	682	100	692	100	724	100

Labor force structure by gender in 2020



Labor force structure by job description in 2020



4. Efforts to stabilize the labor force in 2020

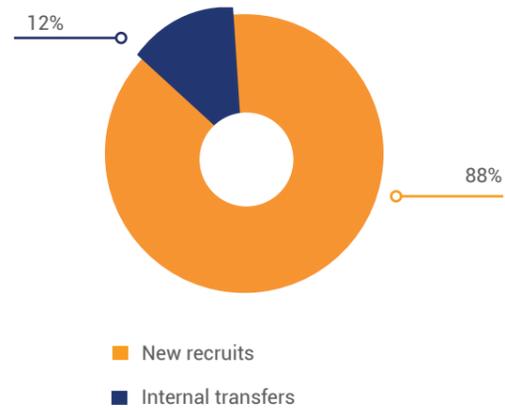
The outbreak of the COVID-19 pandemic has brought unprecedented challenges to the labor market. At a time when many domestic businesses have been forced to reduce staff numbers due to the downscaling of production and business, the Board of Management at Vicostone ordered to maintain 100% stable jobs for workers with no layoffs or reduction of staff due to the pandemic. Not only that, to meet the needs of upscaling, the Company hired new staff, helping to establish competitive advantages and increase the quantity and quality of new hires. In tandem with this measure, Vicostone carried out swift transformation in its recruitment process to respond promptly to the complex development of the pandemic, including switching from in-person interviews to online interviews and implementing safety measures before, during, and after interviews for those positions that require in-person interviews.

Vicostone makes sure the recruitment complies with the following rules:

- Ensure fairness, transparency in the recruitment process;
- Recruit candidates whose capabilities and experiences are best suited to job positions;
- Recruit candidates who fit into to the corporate environment and culture;
- Respect employees' individuality, uniqueness and strength.

EMPLOYMENT (CONTINUE)

Vicostone also balanced internal transfer and recruitment appropriately, on the basis of prioritizing internal resources to maximize the capacity of the existing human resources. In 2020, Vicostone recruited 95 new employees, of which 88.4% were new recruits, and 11.6% were transfers from within the Phenikaa Group.



New recruitment structure in 2020

No.	Number	Percentage
By gender		
1 Male	89	94%
2 Female	6	6%
Total	95	100%
By age		
1 <30	65	68%
2 30-50	30	32%
Total	95	100%

Resigning labor structure by gender in 2020

No.	Gender	Number	Percentage
1	Male	58	90%
2	Female	7	10%
Total		65	100%

The year 2020 witnessed a series of improvements in the recruitment process at Vicostone with various new and effective forms of recruitment, especially through online channels, approaching new human resources of high quality that meet the developmental needs of the Company. In 2020, the turnover rate was about 9%, a reasonable rate reflecting the fact that changes in staff did not affect production and business activities but rather ensured the annual renovation and staff filtering for the Company.

5. Salaries and compensations

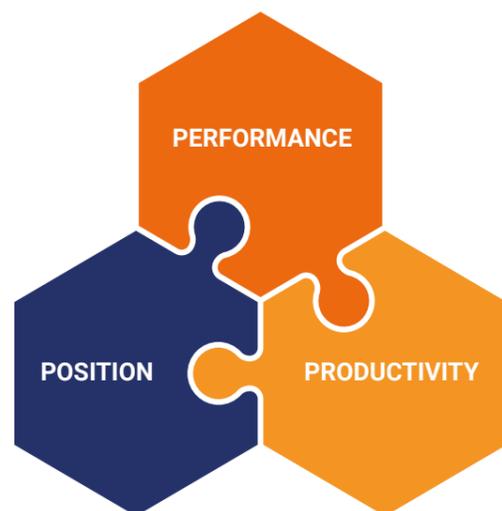
The Company committed to and fulfilled its obligations to the State with respect to policies towards its workers. Vicostone ensured stable jobs for workers even as the pandemic broke out on a global scale and harmed the entire national economy. The Company gradually and annually increased welfare for its workers and implemented diverse and beneficial welfare programs, with notable policies that include:

- 100% of employees had access to health, social and unemployment insurance;
- 100% of employees enjoyed full salary payments despite taking some days off due to the disease;
- 100% of employees were able to purchase the health and medical insurance provided by the third-party private company to guarantee the best physical conditions and reduce financial risks if they suffer accidents or virus infection;
- 100% of employees could send children to Vicostone's kindergarten, enjoying a tuition-free policy;
- All employees got discounts and bank support when buying Vicostone apartments;
- Jobs were secured for all employees.

EMPLOYMENT (CONTINUE)

Salaries and remuneration

Vicostone builds its compensation policies on the following principles: Ensure the fairness and proportionality in relations to the competence and contribution of employees and retain personnel by providing competitive offerings against the labor market. Vicostone pays salary according to the 3P method (Performance, Position, Productivity) and fixed salary according to production volume and sales revenue. Employee's salary level is determined upon position, on the basis of clear quantitative evaluation criteria and work performance equivalence.



3P salary method

Vicostone pays salary according to the 3P method (Performance, Position, Productivity) and fixed salary according to production volume and sales revenue. Employee's salary level is determined upon position, on the basis of clear quantitative evaluation criteria and work performance equivalence. The Company established a new Performance Framework for each position and unit in order to accurately evaluate the performance of its employees, thus enhancing the fairness criteria in salary payment. In addition to income adjustment to economic inflation, the Company offers pay raise to employees who exhibited high performance and outstanding results. Moreover, the Company incorporates policies on work-related allowances such as feeding-up allowances, occupational allowances (vehicle fuels, phone, lunch money, etc.) to help the employees feel reassured and devote to the Company.

The compensation policies that are closely linked with work performance and business effectiveness, including: performance bonus, monthly performance, sales bonus, technical improvement initiative bonus, collective bonus, and bonus for outstanding employees (Outstanding collectives, Outstanding Employee). In addition, the Company offers bonus for major holidays (such as New Year, Lunar New Year, Reunification Day and International Worker's Day, National Day), annual vacation, Company anniversary of establishment, etc.

In 2020, after Hanoi authorities had put the city under social distancing measures amid the COVID-19 pandemic, the Company allowed the office staff to work from home and maintained their full salaries.



Employees at the Company's canteen

Insurance

No.	Type of insurance	Amount in 2020 (VND)	Note
I Compulsory insurances			
1	Social insurance	10,027,965,849	Compulsory insurances as stipulated by the Code of Labor
2	Compulsory health insurance	1,799,999,436	
3	Unemployment insurance	794,208,586	
4	Occupational disease and accident insurance	198,548,046	
Total		12,820,721,917	
II PJICO health care and medical assistance insurance			
1	For Board of Management, managers and their relatives	237,623,000	Non-compulsory health insurance
2	For employees	568,630,000	
Total		806,253,000	

Vicostone's insurance expenses in 2020

EMPLOYMENT (CONTINUE)

Working and rest time

Working time

From January 2019, in addition to help employees have more rest and time to renew labor power, spend more time for family, hobbies and improve work-life balance, all Vicostone's back office employees can take Saturdays and Sundays off, and frontline employees in production and services are allowed 8 days off per month on a rotation basis. This is a policy implemented by few companies, especially those in manufacturing.

Other days off as stipulated by regulations

- Maternity leave: Vicostone complies with regulations of the Code of Labor on paid maternity leave. In 2020, no female employees of Vicostone returned to work before the end of their maternity leave, as stipulated by law. Female employees on maternity leave get paid in full in accordance with social insurance policies as well as bonus payments for holidays.

1 The percentage of female employees returning to work after maternity leave is 100%.

2 The percentage of female employees staying on 12 months after maternity leave is 100%.

- Additionally, all employees are entitled to 10 days paid-leave per year; bereavement leave for death of parents: 3-day leave; bereavement leave for death of siblings: 1-day leave, marriage leave of self: 3-day leave; marriage leave of children: 2-day leave; paternity leave for natural births: 5-day leave; paternity leave for assisted births: 7-day leave.



LABOR AND MANAGEMENT RELATIONS

I. MANAGEMENT APPROACH



Sharing is encouraged to foster the relationship between employees and managers at the Company

Vicostone is highly aware that mankind is the source of power of the enterprise. Thus, in addition to the beneficial policies that provide employees with good welfares, physical and mental assistance, opportunities for further development and connection... Vicostone also keeps its eyes close to the balance of relations among individuals in the Company, especially between employees and their managers. The Company determines that employees and managers, regardless of their rankings, are the cells of the business and should work together for the Company's sustainable development. Therefore, in all operation activities, Vicostone always fulfills the employer's obligations and responsibilities to employees in the spirit of active listening, respect and sharing. Employees have their rights to and are encouraged to partake in the compilation of the Collective Labor Agreement. They also have the rights to be informed of any changes of the Company that may affect their jobs.

II. TOPIC'S BOUNDARY

- Encourage employees to join the compilation of the Collective Labor Agreement;
- Timely update and inform employees of changes in business and production, organizational structure, policies and regulations.

III. LABOR AND MANAGEMENT RELATIONS AT VICOSTONE

a. The participation of employees in the Collective Labor Agreement

To ensure effective management of the Company, the Board of Management and managers are assigned to cooperate and oversee the supervision of departments' operations, to pay attention to employees' wishes and suggestions. To Vicostone, middle managers act as the bridge between the Board of Management and employees by communicating the Board of Management' messages, missions and strategies to each employee, while also express employees' opinions and wishes on their behalf to senior management, ensuring smooth operation throughout the Company.

Every 3 years or whenever there are changes in related regulations, the representatives of employees, the Executive Committee of the Company's Labor Union, and the representative of the Company, the General Director, sign the Collective Labor Agreement, which is an agreement between employer and employees regarding working conditions and limits, as well as rights and responsibilities of each party.

The Collective Labor Agreement is subject to following principles:

- Freewill
- Equality
- Publicity

The percentage of employees who are beneficiary of the Collective Labor Agreement is 100%.

The Collective Labor Agreement is drafted based on results of the meetings between the representatives of the Company and employees (the Company's Labor Union), upon receiving suggestions from employees through surveys, from direct dialogue between employees and the Board of Management, feedbacks made by employees via their respective department's labor unions, and through suggestion mailboxes and online forums. The Labor Union supervises the implementation of the Collective Labor Agreement, receives and consolidates suggestions from employees to propose amendments and additions to the annual Collective Labor Agreement.

Any changes of the Collective Labor Agreement are updated to employees within 3 days from the date of signing and issuance.

b. Minimum time to inform employees about the changes of the Company

In addition, to ensure information transparency within the Company, any changes to the Company that affect employees, such as: business strategic directions, restructuring, changes of members in the Company's Board of Management, new policies and regulations, etc. are announced to employees within two days of the official announcement. Methods of announcement include emails, hardcopies sent to each department, notification to users' accounts and in-meeting briefings, etc... Announcements of holiday breaks are published to employees 2-3 weeks in prior so the employees are able to arrange and balance their work tasks.

OCCUPATIONAL SAFETY AND HEALTH

I. MANAGEMENT APPROACH

Ensuring safety and health for all employees has always been a matter of priority for businesses, especially those operating in the industrial production sector like Vicostone. Since its foundation, the Company has established a legal framework and strict regulations to ensure safety in the workplace as well as raise the awareness of and safeguard rights for its workers. The HSEQ integrated management system which includes the ISO 45001:2018 standards on occupational safety and health has been applied and practiced by the Company since the early stages. Moreover, Vicostone also establishes specialized departments to monitor and supervise the implementation of regulations and action plans on occupational safety and health at the Company with the concurrent participation of representatives of the employer and employees.

1. Social Performance Team (SPT)

The Social Performance Team (SPT) was founded in accordance with Decision No. 228/2019-QĐ/VCS-HR dated November 30, 2019.

The SPT consists of representatives of the employer and employees on a 50:50 ratio:

• Representatives of the employer

Mr. Pham Anh Tuan	General Director	Team Leader
Mr. Nguyen Chi Cong	Vice General Director	Vice Team Leader
Ms. Phan Thi Quynh	Director of Human Resources Management	Permanent team member
Mr. Tran Duc Manh	Acting Director of General Affairs	Member
Ms. Nguyen Thi Kieu Loan	Executive of Human Resources Management	Member/Secretary

• Representatives of the employees

Mr. Tran Manh Cuong	Chairman of the Labor Union	Member
Mr. Phan Xuan Son	Member of the Standing Committee of the Labor Union	Member
Mr. Can Van Nam	Representative of employees on SA8000	Member
Ms. Nguyen Phuong Thuy	Member of the Standing Committee of the Labor Union	Member
Mr. Chu Trong Oanh	Employee of the Quality Control	Member

Functions and Tasks of the Social Performance Team

- Conduct regular assessment of risks at the workplace to identify and rank areas that are inconsistent with standards, recommend the highest-level leadership on measures to resolve/reduce said risks;
- Conduct regular supervision of safety measures at the Company; implement measures in response to risks identified by the SPT; implement action plans to satisfy the requirements of standard sets;
- Collect information from relevant parties, conduct research, analysis, and the resolution of inconsistencies; invite relevant parties to participate in the supervision of implementation of standards;
- Promote regular internal evaluation and report to the top-level executives on the implementation and effectiveness of measures to satisfy standard requirements, including records on identified corrective and preventive measures;
- Organize regular meetings to discuss progress and identify potential measures to foster the implementation of standards.

2. Health and Safety Committee (H&S)

The Health and Safety Committee (H&S) was founded in accordance with Decision No. 226/2020-QĐ/VCS-HR dated November 30, 2020.

The committee consists of:

• Representatives of the employer:

Mr. Pham Anh Tuan	General Director	Chairman of the Committee
Mr. Nguyen Chi Cong	Vice General Director	Vice Chairman
Ms. Phan Thi Quynh	Director of Human Resources Management	Member
Mr. Tran Duc Manh	Acting Director of General Affairs	Permanent Member
Mr. Chu Trong Oanh	Employee of the Quality Control	Member/Secretary

• Representatives of the employees

Mr. Tran Manh Cuong	Chairman of the Labor Union	Member
Mr. Phan Xuan Son	Member of the Standing Committee of the Labor Union	Member
Mr. Can Van Nam	Representative of employees on SA8000	Member
Ms. Nguyen Phuong Thuy	Member of the Standing Committee of the Labor Union	Member
Ms. Nguyen Thi Kieu Loan	Executive of Human Resources Management	Member

OCCUPATIONAL SAFETY AND HEALTH (CONTINUE)

Functions and Tasks of the Health & Safety Committee

- Implement continuous improvement of safety and health conditions at the workplace;
- Assessment of occupational safety and health should be conducted regularly and frequently to identify potential harms to health and safety;
- Store notes on assessments and perform preventive and corrective measures.

II. TOPIC'S BOUNDARY

- Workers' representatives in the Company's committees on occupational safety and health;
- Education and training and regular health check-up programs for workers;
- Number of workers assessed regarding their health and work-related disorders.

III. HEALTHCARE AND COMMUNICATION FOR RAISING AWARENESS OF WORKERS

1. Communication – training on occupational health

Respect for workers and their participation in decisions related to health and safety are important issues. These include the rights of workers to fully understand the risks associated with their work, receive all necessary training and education to safely conduct their work, refuse unsafe work without fear of persecution and fully participate in the creation and implementation of policies, processes, inspection, and the evaluation of risks related to occupational safety and health.

To raise the awareness of workers, the Company organized annual training courses and communication events on labor safety and sanitation and occupational health.

No.	Training content	Purpose	Number of trainees
1	Annual training on occupational safety	Communicate legal policies related to occupational safety. Identify risks associated with work and new forms of risks and harmful factors leading to occupational hazards in production.	100% of Company employees
2	Group 1 occupational training according to Decree No. 44/2016/BLĐTBXH related to workers who are managers and leaders of the Company	Understand legal regulations related to occupational safety as well as current occupational safety management system.	100% of Employees in Group 1 – managers of works related to labor sanitation and safety

No.	Training content	Purpose	Number of trainees
3	Group 2 occupational training according to Decree No. 44/2016/BLĐTBXH related to workers in the labor safety – sanitation sector	Update on legal documents on labor safety as well as risk assessment and control methodologies related to production.	100% of Employees in Group 2 – workers in the labor safety and sanitation sector
4	Group 4 occupational training according to Decree No. 44/2016/BLĐTBXH related to workers operating in works with strict demands on labor sanitation and safety under Circular No. TT36/2016/BLĐTBXH	Help workers understand potential risks related to equipment and works with strict demands, methods to prevent risks during work. Instruct basic steps in emergency first-aid related to basic injuries at work.	100% of Employees in Group 3 – workers operating in works with strict demands on labor sanitation and safety
5	Group 4 occupational training according to Decree No. 44/2016/BLĐTBXH related to workers not falling under groups 1, 2, 3	Communicate the laws of labor safety, disseminate information on identified risks in production.	100% of Employees in Group 4 – workers not falling under groups 1, 2, 3
6	Group 5 occupational training according to Decree No. 44/2016/BLĐTBXH related to people working in the occupational healthcare department	Training for the strengthening of emergency first-aid skills in labor healthcare.	100% of Employees in Group 5 – people working in the Company's Health Department
7	Group 6 occupational training according to Decree No. 44/2016/BLĐTBXH related to people in the Cleaning and Safety group	Communicate on laws related to people working in the sanitation and safety sector, communicate on safety during work and emergency first-aid skills.	100% of Employees in Group 6 – people concurrently holding labor sanitation and safety positions in the Company
8	Training on emergency first-aid skills	Train basic skills in labor healthcare and basic first-aid skills.	100% of Employees who are healthcare workers, representatives of Company's departments
9	Training on chemical safety	Provide knowledge on chemical safety and risks and emergency first-aid related to chemical accidents.	100% of Employees involved in chemical works at Company's factories, including Depot, R&D, blending, etc.

OCCUPATIONAL SAFETY AND HEALTH (CONTINUE)

No.	Training content	Purpose	Number of trainees
10	Drill on response to chemical leakage incidents	Implement steps to respond to chemical leakages and preventive measures against chemical leakages in production areas.	100% of Employees in works related to chemicals in factories.
11	Training on electrical safety	Provide knowledge on electrical safety, responding to electrical incidents, electrical shock first-aid, etc.	100% of Employees working in monitoring, supervision of use of electricity, representatives of the Company's departments
12	Drill on electrical incidents	Preventive measures against electric incidents, steps to respond to electrical shocks to humans.	100% of Employees working in monitoring, supervision of use of electricity, representatives of the Company's departments
13	Fire and Rescue Drills	Implement measures to fight fires occurring in the Company and mobilize firefighters and rescuers.	100% of Employees responsible for implementation and supervision of fire safety and rescue at the Company
14	Drill on gas leakage incidents	Principles in operating gas tubs and steps to respond to incidents related to gas systems.	100% of Employees of departments implementing and managing the use of energy
15	Drill on food poisoning incidents	Measures to treat people with food poisoning, first-aid procedures and categorization of patients.	100% of Employees who are safety staff, cooks or kitchen managers

2. Healthcare policies

Facilities

Since its early days, the Company has established the Health Department with two hospital beds for workers when needs arise related to healthcare. Healthcare staff are available 24/24 and ensure their presence in times of incidents or requirement of health services. Health and emergency equipment is accorded to areas considered at risk of causing occupational hazards to workers during production.

In 2020, in light of the complex COVID-19 situation, the Company promptly established an Anti-COVID-19 Steering Committee under the leadership of the Company's General Director and immediately assigned one quarantine room in the factory to comply with State and Company's instructions and regulations related to persons in close contact with patients (F0) if any, and at the same time, closely worked with the health departments of the Thach Xa Commune and Thach That District to provide timely responses.



Training on occupational safety and health for all employees

OCCUPATIONAL SAFETY AND HEALTH (CONTINUE)

Employee medical check-ups

Annually, the Company's department in charge of safety works with the Health and Environment Safety Committee and the Construction Hospital to conduct full medical check-ups at the Company for employees in all departments. In addition to health check-ups and early detection of diseases, employees are advised by doctors on balanced diets, physical exercise and work-life balance to prevent diseases and health problems. Such activities are aimed at raising awareness of a healthy lifestyle and ensuring employees' peace of mind.

In addition, for employees working in specialized positions, who are frequently exposed to intensive light, noises, etc. the Company conducts on-demand optical and auditory check-ups in national hospitals to help employees prevent occupational diseases.



Regular health check-ups for all employees of Vicostone

EDUCATION AND TRAINING

I. MANAGEMENT APPROACH

Having considered humans to be at the core of development, Vicostone always enables all employees to maximize their competence and strength in their work, as well as create opportunities for their career advancement, thereby contributing to the success of each individual. Especially in the current changing and disrupted market situation, Vicostone determines the most sustainable means to stabilize and develop its business are through reinforcing the foundations and mobilizing its internal strengths, meaning its human resources. In 2020, Vicostone's training policies and programs were designed to equip its workers with core knowledge and skills as well as new and updated skills suitable with the general development trends of the economy to help workers proactively adapt and mobilize their individual expertise to contribute to the overall development of the Company.

Vicostone's principles on launching training programs

- A focus on internal training for the enhancement of professional capabilities, especially with respect to the production and technological sectors;
- The training of core capabilities for the Company according to a unified roadmap in conjunction with actual work, education of new and essential skills integral to the development of economy so that Vicostone people may proactively respond to changes and ensure the sustainable development of the business;
- A priority on training for the Board of Management, managers and adjacent staff;
- Training programs of Vicostone are built based on 2 fundamental needs: the need of the Company and specific units for the competence of their existing human resources to ensure the fulfillment of tasks; the needs of Vicostone's employees for further development to enhance their personal capabilities and values.



Employees present at emergency training courses

EDUCATION AND TRAINING (CONTINUE)

Development of individual competence framework

Accordingly, based on the established competency dictionary and framework, managers annually evaluate the competence of the employees in their units, ensuring that 100% of the Company's laborers are evaluated. Based on the evaluation of their real abilities and comparison with the professional standards for each position, units will then identify the gap between the standard and actual capabilities to recommend the appropriate and necessary training programs to enhance the capabilities of employees and ensure that the employees are adequately competent and skillful to fulfill production and business goals.

In addition, every Vicostone employee has the right to propose training programs to enhance their own capabilities and effectively undertake the existing tasks. The Company always facilitates the participation of employees in training programs, scientific workshops, etc., that help them to enhance personal abilities and values.

II. TOPIC'S BOUNDARY

- Training policies
- Training programs

III. TRAINING PROGRAMS IN 2020

100% of employees

Partook in training courses

63,073

Training hours in total

87.12 hours/person/annum

On average training time

4.26

Courses/person

In 2020, amid the COVID-19 pandemic, the restriction of public gathering and the assurance of safe distance, the Company organized online training courses for employees with the participation of third-party service providers. The total of training hours in 2020 was 63,073 hours with 3,082 trainees and an average of 87.12 hours/person/annum.

E-learning Program

Due to the pandemic, to safeguard its employees' health, the Board of Management encouraged employees to participate in online training courses and developed E-learning systems at elearning.phenikaa.com/. In addition to planned training programs based on strategic needs and goals, the development of an effective learning culture at the Company was determined to be a key area for development training in the coming years. Within this, online training was established to facilitate access to training programs/documents for employees, contributing to the establishment and maintenance of the learning culture. With the E-learning system, employees were able to learn on their own schedule without affecting their work. Forums also enabled employees to exchange ideas related to their training courses.

The system currently includes documents on:

- Orientation for new employees like the introduction of the Company, the understanding of the technologies in producing high-quality granite tiles, general understandings of the ISO system, first-step occupational safety training, etc;
- Skill development in terms of time management skills, communication skills, testing of English skills, group work, presentation, critical thinking, etc;



E-learning system is designed for online training amid the COVID-19 pandemic

- Specialized knowledge for human resources management, production, quality management, depot management, marketing – communication, computer – computing, technology, healthcare – health, etc;
- Refresher training on HSEQ standards;
- Other social knowledge.

The system continues to be built and finalized to incorporate more features and become accessible on smart devices (phones, tablets, etc.) to facilitate employees' learning. The departments also send an introductory mail attached with information on several training courses for employees to participate and provide feedback to further improve the E-learning online training system.

EDUCATION AND TRAINING (CONTINUE)

Newcomer integration training program

100% of new recruits at Vicostone participated in the integration training program which typically spanned from 3-4 sessions to help workers understand the history and development of the Company, the working rules/regulations, welfare policies, the code of conduct, the basics of the production of Vicostone quartz stones with outstanding attributes, occupational safety, etc., to quickly integrate into work at Vicostone.

This was also an opportunity for new employees to directly communicate with the human resources staff to ready themselves for their new jobs and familiarize themselves with their new colleagues at the Company.



All newly-recruited employees are required to take part in the integration training program

Professional training programs

In keeping with global trends, Vicostone has and continues to implement various new training methods such as internal workshops, self-hosted dialogues by the employees, etc., in order to promote and multiply the spirit of self-learning and self-development and build a new learning culture at Vicostone.

Vicostone regularly organizes training courses that are tailored to its distinct characteristics in production and business, provide capable and hard-working employees with the opportunity to become Director of Production and Director of Quality Control by taking part in resolving the Company's existing challenges and difficulties. This method helps the Company foster its core personnel and inspire the continuous learning and training movement that contribute to the Company-wide development.

In 2020, Vicostone sent its employees to participate in various professional training programs in the areas of techniques, quality management, marketing, sales, and more. Many programs were organized in coordination with the Human Resources Department and other member departments of the Group, such as SAP-ERP, and MBA training for Executives, Managers and core staff.

Occupational health and fire safety training programs

To enhance the spirit of prevention and proactive response, Vicostone worked with the authorities of Thach That District in Hanoi to organize annual training programs, including emergency drills, chemical spillage drills, fire drills, training on emergency first-aid and occupational safety and sanitation. The drills enjoyed an employee participation rate of 100%, helping raise awareness and responsibility and equip employees with practical knowledge in occupational safety and health.

Thanks to the efforts of all employees, efforts to ensure occupational safety and health for workers achieved encouraging outcomes.

Development of a reading culture



The Company is equipped with a library to meet the demand of employees for reading

To establish and spread a culture of reading and sharing of knowledge, in 2018 Vicostone introduced the Phenikaa Library. There are now nearly 500 categories with more than 1,000 books in various fields like professionalism, self-improvement, entrepreneurship, recreation, children's books for employees' children, etc. Employees can access books in the Company's reading room during breaks or rent them to read at home. The Company has digitalized its bookshelf so that workers can register online at elib.phenikaa-uni.edu.vn/.

The sharing of good books is conducted on a monthly basis at the monthly managers' meeting. Books are also presented as gifts to managers whose birthday take place in that month. The Company also uses social media to communicate the reading culture on a monthly basis.

CUSTOMER HEALTH AND SAFETY

I. MANAGEMENT APPROACH

With its products being used directly in customers' living spaces, Vicostone pays special attention to ensuring and enhancing their quality as well as safety features. Each step in the production process, from importing materials, improving technological processes to product quality control are strictly monitored in accordance with international standards so the products not only satisfy physico-mechanical requirements but also bring about added values for customers such as diversity in the designs of product lines, inspiration and the ignition of creativity for the living space of each household.

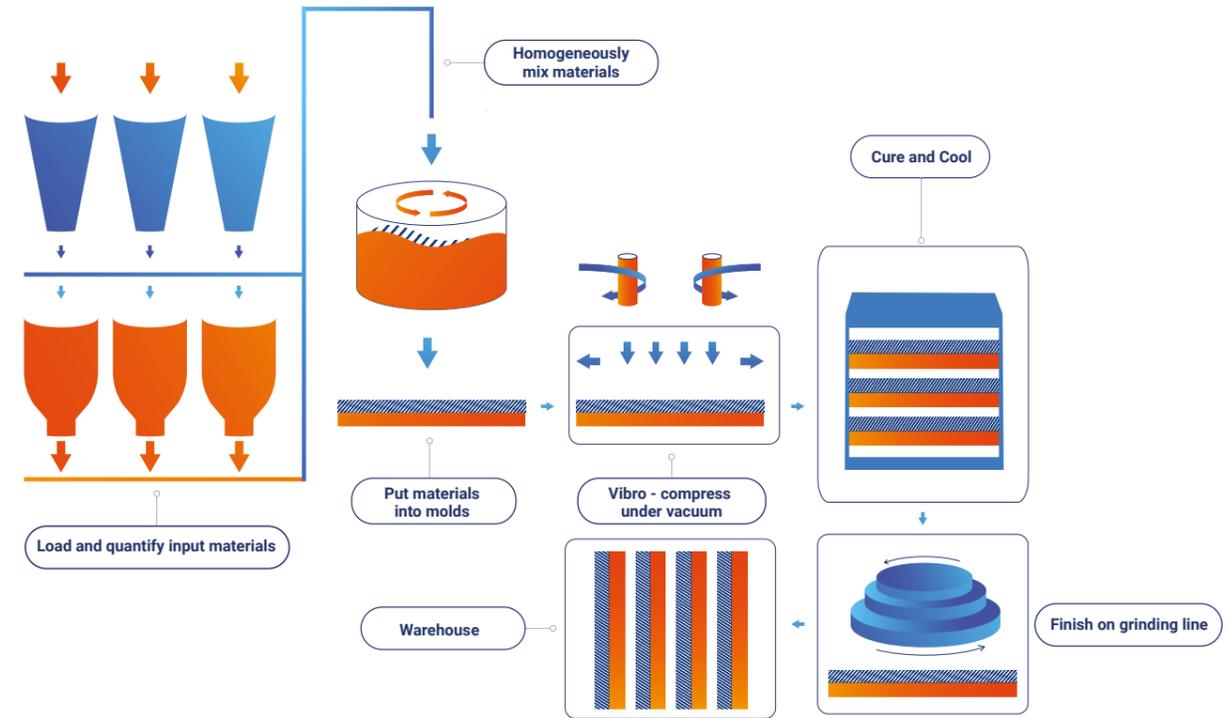
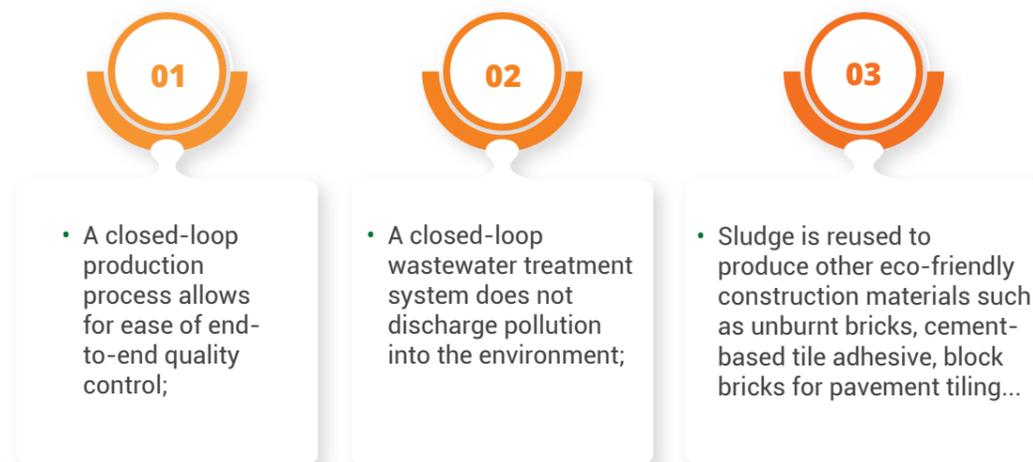
1. Safe production process

VICOSTONE® products are manufactured with "Compaction by Vibro-compression under Vacuum" technology using equipment and machinery transferred from Breton S.p.A (Italy) and groundbreaking innovations by Vicostone's engineer team. With an advanced, modern and highly automated technological foundation, groundbreaking advancements and pure, safe and eco-friendly raw materials, VICOSTONE® products have far superior characteristics over other natural and engineered stone products manufactured with other technologies.

As a composite material, VICOSTONE® products are made of unburnt paving materials and have the following outstanding characteristics:

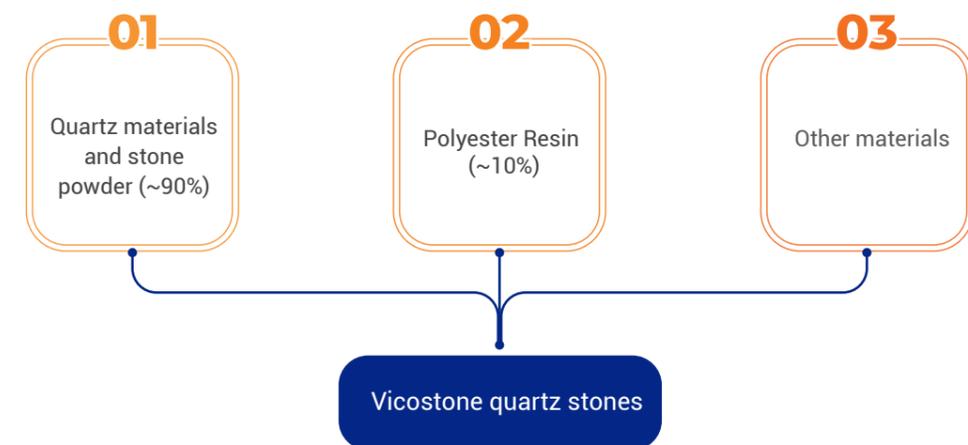
- Save energy (heat) due to elimination of the high-temperature baking process common in the production of engineered flooring materials using other technologies;
- No emissions released from the curing process common in other fired flooring materials;
- Optimal electricity efficiency as the curing process employs the circulating use of heat transfer oil and is accurately regulated by an advanced control system;
- Ensure absolute safety for consumers by checking input materials and assuring the safety of finished products.

Vicostone's engineered quartz slab manufacturing technology is completely eco-friendly with following features:



2. Control input quality via strengthened localization of supply chain of raw materials

Vicostone determines the high quality of products can only be achieved when the input raw materials satisfy all of the stated requirements and standards. In recent years, to control the input raw materials and reduce the dependence on imported raw materials as well as reduce the prices of the products, Vicostone has focused its resources to foster investment in research and development with an aim to localize nearly 100% of the primary input materials, master the technologies in producing raw materials to produce core materials for the Company's production needs as well as take part in the global supply chain of raw materials.



Materials constituting high quality Vicostone quartz stones

CUSTOMER HEALTH AND SAFETY (CONTINUE)

Quartz materials

As the main ingredient in producing high quality quartz stones, quartz accounts for about 90% of the total mass of raw materials. Previously, the Company mainly imported quartz from foreign markets such as India, Turkey and Belgium. However, due to disruptions in supply and quality, the Company decided to invest in research and mastering technologies to introduce Cristobalite – a high-end material that can replace quartz and at the same time satisfy technical requirements – into operation. The Phenikaa Hue Plant, a member unit of Vicostone, was thus born.

Cristobalite from Phenikaa Hue has superior characteristics compared to similar products:

- High level of purity

NO.	Characteristic	Indicator
1	SiO ₂ content	99.9%
2	Color	Bright white
3	Melting temperature	1,750°C
4	Density	2.34kg/dm ³
5	Hardness	7 Mohs
6	Thermal expansion	0.5*10 ⁻⁶

- Cristobalite products with up to 99.9% purity in SiO₂, in addition to serving as material for the production of quartz stones, are also applied in other advanced industries, such as semi-conductors, glass optical fibers, photovoltaic batteries, solar power batteries, liquid-crystal displays, casting frame for precision machinery, household glass, high quality porcelain enamel, and additives for the premium absorbing paint industry.
- Superior whiteness compared to normal quartz materials



Cristobalite has a high level of whiteness, bright and fresh color, with a whiteness index (WI) > 95, so when used, the Cristobalite Hue material increases depth and purity for quartz stones and improves the appearance of the product.

In 2019 and 2020, the Phenikaa Hue Mineral Processing Plant entered its initial stable operational phase and continued to conduct researches and experiments to create a high-quality source of raw materials for the Company as well as participate in the global supply

chain. To ensure the quality of the input Cristobalite material, Vicostone worked with Phenikaa Hue to evaluate and search for viable solutions to stabilize production as well as improve the quality of products, including the experiment on the ratios of input materials and experiment on the modes of processing and treatment.

Unsaturated Polyester Resin materials

Polyester Resin accounts for 10% of the mass but takes up 40% of the price of materials of Vicostone quartz stone products. This material was mainly imported from foreign producers such as Singapore, Indonesia, Taiwan, and the UAE. As part of its efforts to localize materials, Phenikaa Group, parent company of Vicostone, implemented research projects to become self-reliant and proactive in producing Polyester to first of all provide input materials for the production of VICOSTONE® quartz stones.

In 2018, Phenikaa finalized its know-how, processes and successfully transferred the technology to Phenikaa Chemical Plant for the production of unsaturated Polyester to be applied in the production of totally-made-in-Vietnam engineered stones, which was conducted by experts and staff of the Group. The plant entered operations in 2020 with Phase I scale of 25,000 ton of outputs per year – showing the remarkable scale of the composite industry in Vietnam with an investment of nearly US\$20 million.

II. TOPIC'S BOUNDARY

- Production of products in conformity with international standards for quality and safety;
- Self-supply of input materials to best control the quality of products;
- Add values to products and services to best satisfy customers' needs



Vicostone quartz product Valley white - BQ2600

CUSTOMER HEALTH AND SAFETY (CONTINUE)

III. PERFORMANCE ADVANTAGES OF VICOSTONE'S PRODUCT ENSURING CUSTOMERS' SAFETY

The application of VICOSTONE® products are mainly on kitchen countertops, dining tables, bathtubs, etc. so Vicostone focuses on user-friendly features to ensure safety even when directly preparing food on the surface of the product.

- **Durability:** Composed about 90% of natural Quartz – the second hardest mineral after diamond, VICOSTONE® engineered stone is resistant to scratch, heat, impact and the corrosive chemical substances such as: acids, common cleaning solvents. That makes VICOSTONE® superior to granite and other natural stones.
- **Antibiotic Resistance - Safety:** Certified by international organizations like NSF and Green Guard, VICOSTONE® engineered stone is completely safe for users and environment.
- **Low Maintenance:** Unlike natural stones that require regular maintenance or re-polishing, VICOSTONE® engineered stone is easily cleaned, thus sustaining its superior features from year to year.

Vicostone's products are constantly improved to achieve the best quality, be eco-friendly and best fulfill customers' demands. Below is the technical data sheet for VICOSTONE® quartz-based products that have been tested according to international standards:

Characteristic	Test method	Result
Water absorption (% mass)	ASTM C97/C97M-09:2009	≤ 0.05%
	EN 14617-1:2013	≤ 0.06%
Apparent density	ASTM C97/C97M-09:2009	2.2-2.4 g/cm ³
	EN 14617-1:2013	
Bending strength	ASTM C880/C880M-09:2009	> 40 MPa
	EN 14617-2:2008	
Size stability	EN 14617-12:2012	Grade A
Resistivity determination	EN 14617-13:2013	Resistance (Rv) = 0.9 x 10 ¹⁴ Ω resistivity (pv) = 4.88 x 10 ¹⁴ Ωm
Impact resistance	ASTM D1709:2015	≥ 3.0 J
	EN 14617-9:2005	
Compression strength	ASTM C170/C170M-09:2009	≥ 155 Mpa
	EN 14617-15:2005	
Hardness on the Mohs scale	EN101	6.0 – 7.0
Deep abrasion resistance	ASTM C1243:2009	Abraded volume: V ≤ 195 mm ³
	EN 14617-5:2012	
Setting and melting resistance	ASTM C1026:2013	No change after 15 cycles
	EN 14617-5:2012	No change after 25 cycles

Characteristic	Test method	Result
Slip resistance at roughness 400	DIN 51130:2004	R9 – R10
Bacteria resistance	ASTM D 6329:2015	Resistance Grade 3: Bacteria do not grow
Chemical and acid resistance	EN 14617-10:2012	Grade C4
Thermal shock resistance	EN 14617-6:2012	No change observed after 20 cycles
Durability when immerse in boiling water	AS 2924,2-7: 1998 (EQUI. TO ISO 4586,2-8: 1997)	Impact on surface (level): 5 - (no change observed)
Durability when dry heating	AS 2924,2-8: 1998 (EQUI. TO ISO 4586,2-8: 1997)	Impact on surface (level): 5 - (no change observed)
Durability when drying	AS 2924,2-15: 1998 (EQUI. TO ISO 4586,2-15: 1997)	Impact on surface (level): 5 - (no change observed)

International certificates for quality and health and safety for consumers:

Vicostone always maintain a manufacturing system and products that meet the following standards and requirements:

No.	Certifying organization	Description	Time of first certification	Expiry date
1	Vietnam Institute for Building Materials (Ministry of Construction)	VICOSTONE's engineered stones are assessed and certified to conform to National Technical Regulation QCVN 16:2014/BXD on bricks and paving stones.	Re-certified on 04/12/2017	03/12/2020
2	NSF International (United States National Sanitation Foundation)	NSF Standards certify that the Company's products are safe for use in labs, health facilities and environments for food preparation	2008	Maintained yearly
3	Greenguard Environmental Institute	Greenguard Standards and Greenguard Gold certify that the Company's products are safe for indoor environments, schools and children.	2009	Maintained yearly
4	SGS United Kingdom Ltd.	CE Standard (EN 15285:2008 and EN 15286:2013) certifies that the Company's products meet European physio-mechanical standards in terms of dimensions, durability, waterproof, abrasion resistance etc.	2009	Maintained yearly
5	Greenguard Environmental Institute	Microbial Resistance certifies that the Company's products are made from anti-bacterial materials and has anti-bacterial surfaces, guaranteeing safety for consumers and the environment.	2009	Maintained yearly

CUSTOMER HEALTH AND SAFETY (CONTINUE)

IV. CONTINUOUS PRODUCT RESEARCH AND DEVELOPMENT TO BEST SATISFY CUSTOMERS' DEMAND

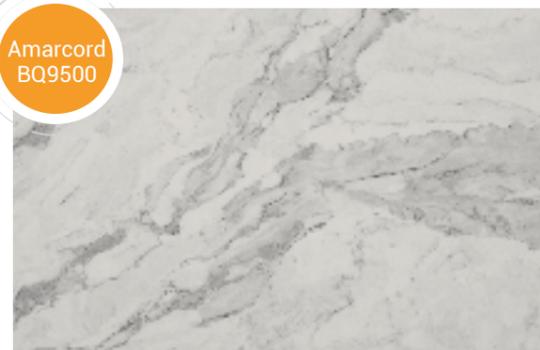
1. Research and development of products for the demand of customization and creativity

On its developmental journey, Vicostone has always been an innovative pioneer that provides unique works of art that leads the trend with their top qualities in order to best satisfy the demands and inspire innovation in the living space of customers. The VICOSTONE® product is a new material, i.e., the composite material with diverse models of surface design, colors, and outstanding physio-machanical features such as scratch resistance, anti-shock, water resistance, and bendability. In order to create precious materials in the course of creating new products, Vicostone always pays attention to market research, customers' interests survey, and trends of eco-friendly green materials, materials of the future. The research on improving production processes and technologies is especially invested in order to bring about technological breakthroughs that carry the distinct characters of Vicostone.

With the spirit of responsiveness for sustainable development, the strategic direction for development of new products focuses on the following key areas:

- Breakthroughs in material technologies to create new products of unique and differentiated designs that leads the sector's market trends;
- Expansion of scope of applicability on the basis of the traditional product lines, focusing on enhancing product attributes, safety qualities, and diverse application by developing outdoor products, tile products, and bendable products.

Vicostone's outstanding advanced engineered stone products introduced in 2020 are as follows:



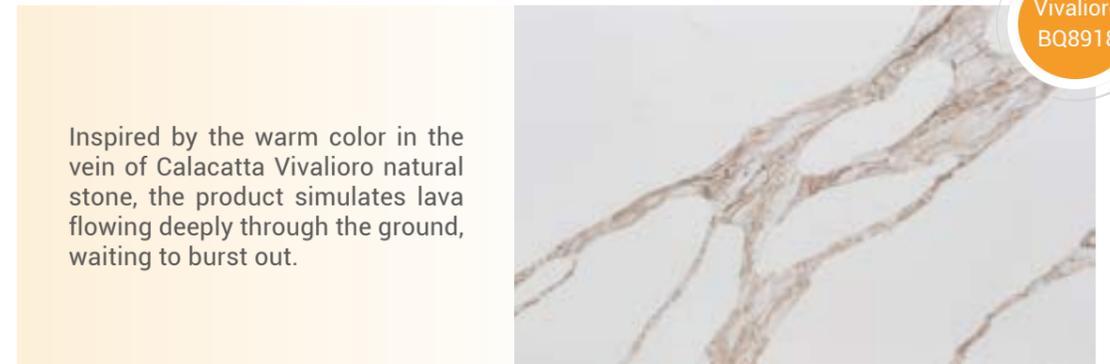
Amarcord
BQ9500

Inspired by the powerful color of the veins of natural quartz, Calacatta Amacord. Vicostone Amacord reflects upon a white jade surface and mimics the flow of streams in the forest as they follow the call of spring into uncharted lands.



Bahia
BQ8883

Stimulating the contrast between light and shadow deep in geologic layers, this design represents the beauty and mysterious power of sediment as it moves below our feet. The design of this product also follows the trending style known as "Big Chunk".



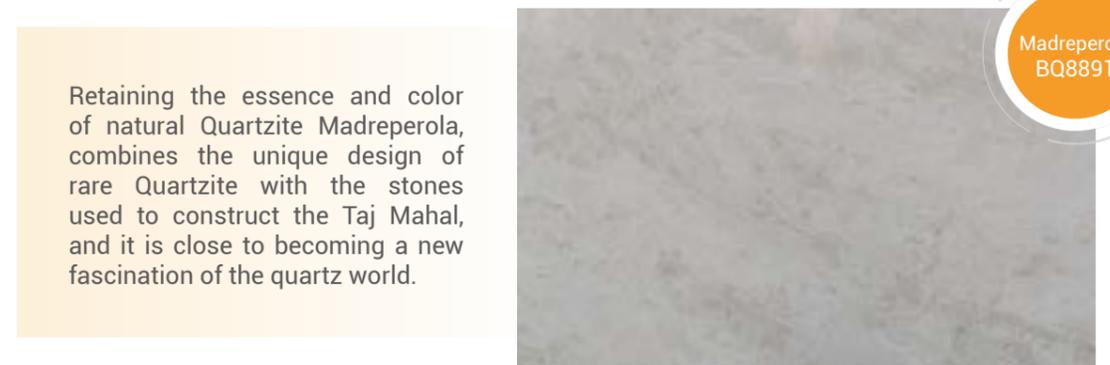
Vivalioro
BQ8918

Inspired by the warm color in the vein of Calacatta Vivalioro natural stone, the product simulates lava flowing deeply through the ground, waiting to burst out.



Volakano
BQ8885

A new win for natural Volakano stone as the product is created with inconsistent dotted vein lines hidden in the light gray patches throughout the whole plate.



Madreperola
BQ8891

Retaining the essence and color of natural Quartzite Madreperola, combines the unique design of rare Quartzite with the stones used to construct the Taj Mahal, and it is close to becoming a new fascination of the quartz world.



Thasos
BQ206

Retaining the essence and color of natural Quartzite Madreperola, combines the unique design of rare Quartzite with the stones used to construct the Taj Mahal, and it is close to becoming a new fascination of the quartz world.

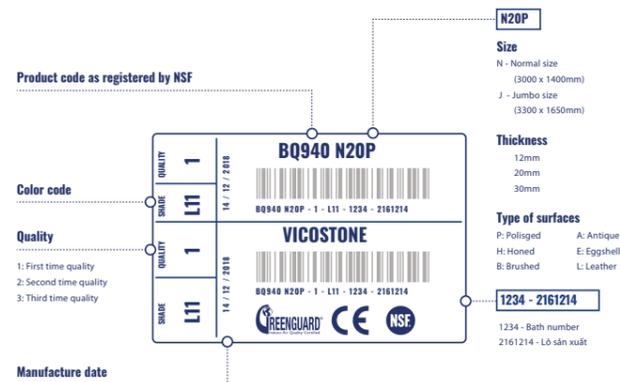
CUSTOMER HEALTH AND SAFETY (CONTINUE)

2. Creation of customer service platform to support buyers with information inquiries, responses to complaints, and warranty requests

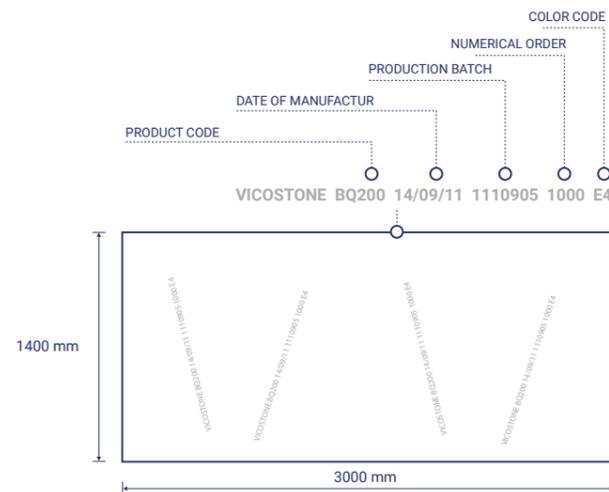
To help customers easily access and choose products/services, the Company has built a wide distribution network in more than 50 countries across 5 continents with more than 10,000 points of sale.

Products' information is provided in full through:

- Barcode labels: Vicostone product's information is fully displayed on attached barcode labels to offer all necessary information for identification and is convenient to trace the origin of the products as follows:



- Information on the back of the stone slab: The VICOSTONE® brand name is printed on the back of the stone slab with information on the product code, date of manufacture, product number and batch number to increase brand identity for consumers.



- Information in the media: The product's technical specifications, characteristics, certificate information and warranty policy are updated on the Company's website, in brochures or product binders in a detailed and complete manner as well as through integrated marketing and communication activities.



Barcode labels for identification of VICOSTONE® quartz stone products

Administration of customer relations:

Vicostone completed its administrative system of customer relations, directly approached many customers, and offered various solutions that met customers' demands before, during, and after sales.

- All requests, letters of communication, and orders of customers relating to the Company's products and services were recorded, updated, monitored and addressed according to the Sales Processes (QT15) of the ISO 9001:2015 standard by the Sales Department of the Company, ensuring that all requests and orders were adequately, promptly, and accurately addressed and that customers were satisfied.
- All inquiries, complaints, feedbacks, and warranty requests from customers regarding the Company's products and services were addressed according to the Process to Address Customer Complaints (QT16) of the ISO 9001:2015 standard by the Customer Services Department of the Company, ensuring that all complaints were fully and promptly addressed. The customer services team regularly paid direct visits to retailers/distributors to support customers in addressing complaints and at the same time, continuously improved product qualities and customer services following the process:

- 01 Receive and respond to customers' complaints
- 02 Compile, verify, and classify customers' feedbacks
- 03 Inform relevant units
- 04 Verify information, provide solutions
- 05 Inspect, approve solutions
- 06 Resolve, respond to customers
- 07 Inform relevant units to implement reparative and preventive measures (if any)

CUSTOMER HEALTH AND SAFETY (CONTINUE)

- Fast delivery and wholesome customer services: Fast delivery is one of the Company's strengths. To reach this target, the Company consistently kept close and flexible watch of market forecast, raw material preparation, and production planning. According to reports, the outcome was that approximately 98% of orders had been delivered within 2 weeks since customers had placed orders. Besides the fast delivery, good customer services were also an important indicator that the sales department focused on. It provided customers with the fastest response, official documents, thereby, saving time and cost for customers, towards the highest customer satisfaction.



Customers are enabled to experience some Vicostone products at the exhibition

Customers' satisfaction:

According to surveys conducted by the market research unit on customers in export markets – those that accounted for more than 90% of Vicostone's revenue – customers' satisfaction levels with Vicostone products are as follows:

WITH THE PRODUCTS **1**

- 100% of customers surveyed were satisfied with Vicostone's products both in terms of characteristics and diversity.
- Among which, customers were especially satisfied with the stability of product quality and the suitability of Vicostone's market trends.

WITH THE PROCESSING OF COMPLAINTS **2**

- 100% of customers were satisfied with the current processes and rate of compensation of Vicostone.
- 100% of customers were satisfied and very satisfied with Vicostone's current staff's handling of complaints.

WITH THE SERVICES **3**

- More than 90% of customers were satisfied with customer services of Vicostone, such as payment processes, communication channels and customer services, feedback time, and support from customer service staff.



VICOSTONE AND PHENIKAA GROUP DONATED VND6.5 BILLION FOR THE GOVERNMENT TO BATTLE THE COVID-19 PANDEMIC

In response to the call-out by the Prime Minister, Vicostone and Phenikaa Group bestowed VND 5 billion at the Central Committee of Vietnam Fatherland Front to help the Ministry of Health purchase protective gears for doctors, nurses and medical specialists and equipment to quarantine and treat virus-infected patients. At the same time, the Company also supported VND 500 million to help the Ministry of Health educate people, raise their awareness and change their behaviors to prevent the spread of the virus.

The leaders of Vicostone and Phenikaa Group also arranged to visit hospitals and schools in Thach That District to hand them the WHO-standard gel hand sanitizers made by scientists and students at Phenikaa University's medical, nursing and basic science departments. This activity was a part of Phenikaa Group's VND 1-billion project to provide free hand sanitizers for the society and community in order to fight the COVID-19 pandemic.

Besides, the leaders of Vicostone also immediately took strict measures to prevent the outbreak at the facilities, stabilize the operation, guarantee a safe working environment and secure the jobs for all employees. For example, employees checked in with ID cards instead of fingerprints, masks and hand sanitizers were freely given to all departments and workers, body temperature checks were done twice a day, all factories were decontaminated twice a week, posters and standees were placed to keep reminding and educating people of the disease, dining tables were divided into various boxes to separate people, and automatic vehicle decontaminators were installed at the gate.



CORPORATE SOCIAL RESPONSIBILITIES

Every enterprise has its own mission and so does Vicostone. The Company firmly believes that profit is not the destination but a tool to facilitate the business, the community and the society to pursue sustainable development. At Vicostone, all activities are carried out alongside the awareness of social responsibilities to show the Company's humane values to give away and make a better life for everyone.

At Vicostone, corporate social responsibilities are divided into three main groups of activities as follows:

- Join the Government and State agencies in prevention of natural resources and diseases and poverty reduction.
- Launch programs in education and healthcare for children.
- Assist disadvantaged households and social welfare beneficiaries (Vietnamese heroic mothers, veterans, families of martyrs...)

In 2020, Vietnam's society and economy were hit hard by floods, storms and the COVID-19 pandemic. Amid the difficulties, Vicostone, supported by parent firm Phenikaa Group, had social activities done to bring a safer, happier life to the people. Some outstanding activities are as follows:

CORPORATE SOCIAL RESPONSIBILITIES (CONTINUE)

AIDS FOR CENTRAL REGION PEOPLE AFFECTED BY FLOODS AND STORMS

The people of the Central Region of Vietnam in 2020-end suffered too much losses and difficulties due to the tropical storms, floods and land erosions. Among the worst-hit localities was Thua Thien-Hue Province where Phenikaa Hue Mineral Processing and Investment Co. Ltd. – a member of Phenikaa Group and Vicostone – is located. Being informed about the hardship of living conditions in the local area, Vicostone's Labor Union and all employees together made tangible, physical donations for colleagues and local people in Thua Thien-Hue Province and shared difficulties with them.

On November 5, 2020, representatives of the Company and the Labor Union Commission gave a donation of VND 500 million to laborers of Phenikaa Hue, their families and local people in Phong Dien District to motivate, encourage them to overcome

the difficulties and settle down after the disasters were over.

In the same month, the leaders of Vicostone – on behalf of Phenikaa Group – donated VND 5 billion to the "For The Poor" Foundation. Of the total, VND 3 billion was sent through the Central Committee of Vietnam Fatherland Front and VND 2 billion was delivered through Thua Thien-Hue Province's Committee of Fatherland Front. The donation aimed to help local people beat the obstacles brought by the COVID-19 and natural disasters and assist disadvantaged cases across the country.



INVESTMENT IN YOUTH EDUCATION AND DEVELOPMENT

Wishing to accompany Vietnamese cancer-affected children, Phenikaa Group – parent of Vicostone – in October 2020 donated VND 2 billion to the Mr. Sun Fund, which is managed by VinaCapital Foundation, to cut a part of the financial burden for the families and motivated children to fight for their lives.

In addition, during a two-day visit to the children treated at K Hospital Tan Trieu and the National Institute of Hematology and Blood Transfusion, gifts were presented to motivate the kids and their families. Moreover, the employees of Vicostone were encouraged to sign up for blood donation at the National Institute of Hematology and Blood Transfusion, thus promoting the value of kindness to the community.

Noticing the demand of care-taking for children, especially from the employees of the Company, Vicostone in the past 10 years had run Vicostone Kindergarten for an average of VND 1 billion per annum as a charge-free facility to take care of their kids. The money was been spent on buying equipment, developing facilities, scheduling training programs, organizing kid festivals and recruiting teachers to help develop the

children perfectly in terms of physical and mental conditions, wiping out worries among employees so they can focus on their jobs.

In addition to these activities, Vicostone in 2020 kept up with other programs such as supporting Vietnamese heroic mothers in Thach That District, arranging free healthcare services for social welfare beneficiaries in the district and developing the infrastructure for the locals in Thach Hoa Commune – where the factories are built, etc.

As an international business aiming to realize all commitments for the benefits of all stakeholders, alongside business operation, activities, which the local community could profit from, were carried out to help improve the living conditions for local people and contribute to the socio-economic development of the district and the country. That was also the proof of Vicostone's business culture –the culture of consciousness and humanity.



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