

CARE TO CHANGE



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RISK MANAGEMENT REPORT 2023



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The global landscape in 2023 was in significant flux, characterized by rapid, intricate, and often unpredictable dynamics across the economic, political, social, and security spheres. In particular, economic growth across most nations fell short of projections, while inflationary pressures, though exhibiting signs of moderation, remained elevated. Many major economies continued their tightened monetary policies accompanied by high interest rates, further constricting global trade, consumption, and investment. Additionally, concerns surrounding geopolitical instability, food security, natural disasters, and climate change, etc. continued to intensify. Together, this exerted profound impacts on the global business environment.



Vietnam, as a highly integrated economy, was also significantly susceptible to the volatile global economic landscape of 2023. This was exemplified by the declining Purchasing Managers' Index (PMI), indicating a weakening manufacturing sector attributed to both domestic and international demand contraction. Despite such obstacles, the Government's close guidance and drastic policies effectively mitigated hardships, fostered economic growth, and preserved macroeconomic stability along with key economic balances. This, consequently, helped the Vietnamese economy end 2023 on a positive note.

As 2024 begins, potential risks emanating from the global economic climate, including inflation, global growth, and geopolitical instability, etc. continue to present unpredictable challenges to the anticipated economic recovery. Notably, the interconnected nature of risks has given way to pressing short-term and long-term concerns. This underscores the importance of managing risks from a portfolio, enterprise-wide perspective. To effectively navigate the rapids of uncertainty, businesses must develop a sound corporate governance culture with robust internal control and risk management systems. This plays a key role in anticipating changes, hence turning potential threats into opportunities by leveraging and strengthening the competitive advantages, which ultimately paves the way to sustainable growth.

VINAMILK'S CURRENT RISK MANAGEMENT SYSTEM

The Company's Risk Management Structure is maintained with four levels, including

ESTABLISHMENT

MANAGEMENT

EXECUTION

ASSURANCE

The levels are well-designed and aligned with defined roles and responsibilities.

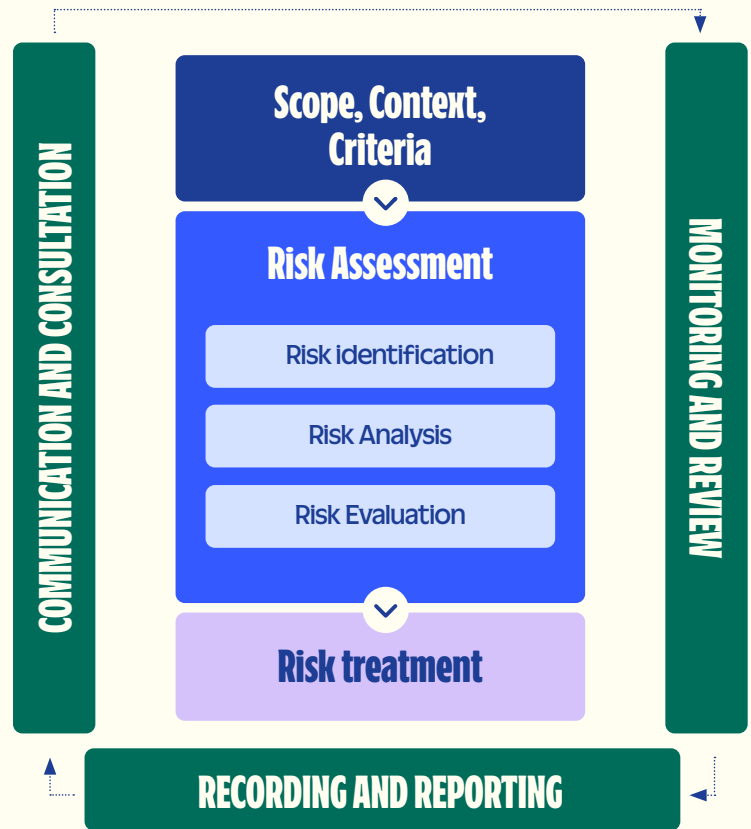


The Risk Management Framework is designed in line with international standards and best practices on enterprise risk management to ensure its effective establishment, operation, integration, and continuous improvement.

Vinamilk’s current Risk Management Process employs an iterative, six-stage process (as depicted below) that is integrated into the Company’s operations.

Risk management activities in 2023

2023 marks the second year of the Company’s implementation of the 5-year strategic plan for 2022-2026, highlighted by key projects such as Vinamilk’s rebranding initiative, Pathways to Dairy Net Zero 2050, among others. The achievement of these strategic goals is thanks to the success in risk management, particularly by integrating comprehensive risk management into critical operations. This approach enhances the effectiveness of controls and fosters sustainable growth. Key activities include:



01 | **Review and continuous improvement of the Risk Management System**

02 | **Enhancement of risk management awareness and culture for the entire employees**

03 | **Maintaining regular and effective operation of the Risk Management System**

Vinamilk’s Risk Management System was maintained, thoroughly reviewed, and continuously improved to manage company risks, mainly through the following activities:

1. Continuously monitoring the internal and external business landscape to identify, analyze, and assess emerging risks with the potential to impact Vinamilk’s execution and achievement of strategic goals, thereby developing and implementing corresponding action plans for prompt response.
2. Evaluating the maturity level of the Risk Management System to identify opportunities for improvement, then establishing a risk management enhancement roadmap within the next 1-3 years.

3. Reviewing and updating essential documentation of the Risk Management System, including the Risk Management Policy, Risk Management Procedures, and related implementation templates. Building a Risk and Control Self-Assessment (RCSA) process based on the new approach to provide regulations and guidance for process owners in self-assessing the completeness and effectiveness of their processes, which serves as a crucial foundation for risk assessments at corporate level.

It is imperative for Vinamilk to cultivate and promote a risk management culture among all employees as set out in the Company’s objectives, via the issuance of periodic and ad-hoc newsletters. The goal is to update employees on the current risk landscape and risk incidents of other companies, as well as share valuable lessons learned in risk management

practices. This, hence, helps to elevate individual risk awareness, strengthen the Company’s risk management culture, and empower individuals and departments to proactively identify and assess potential risks within their respective business operations.



Vinamilk’s risk management activities have been deployed consistently and effectively at all levels, from the Board of Directors to all managements and employees. The aim is to manage risks in the portfolio following the process of identification - assessment - monitoring - reporting, with a focus on integrating comprehensive risk management into critical operations to increase the effectiveness of controls:

1. Maintaining quarterly risk assessments and reports for risks identified in the Company’s risk portfolio, or ad-hoc reports in the advent of emerging risks to continuously monitor and assess risk levels, forecast risks, and propose appropriate and timely control measures to ensure that risks are managed within the enterprise’s risk appetite.
2. Tracking Key Risk Indicators (KRIs) to monitor risks and timely implement appropriate action plans in response to risk trends.
3. The Risk Management Council submits quarterly or ad hoc reports, detailing the results of the risk assessment as well as the implementation of response plans, to the BOD’s Audit Committee.



Risk management priorities for 2024

Given the anticipated economic, political, and social complexity in 2024, which leaves ample room for risks, Vinamilk’s implementation of the 5-year strategic plan could be in for a rough ride. To overcome these challenges, critical tasks for risk management have been identified to provide optimal support. While maintaining the current risk management practices, the Risk Management System for 2024 will center around:

01
 Reviewing and updating the Company’s risk portfolio in line with Vinamilk’s strategic goals in 2024.

02
 Continuing to deploy digital transformation projects to enhance both the timeliness and efficacy of risk management processes, promoting risk-informed decision-making.

03
 Adopting a new RCSA approach to support process owners in identifying risks and assessing the completeness and effectiveness of associated controls.

04
 Adhering to the established risk management enhancement roadmap.



05
 Strengthening and elevating the risk management culture to achieve individual adoption via diversified communications approaches.

The goal of these priorities is to level up the maturity of the Risk Management System by elevating Vinamilk’s adaptability and agility to the uncertainty of the current business world, and more importantly, to affirm its strategic role in the Company’s withstanding of the ever-evolving risk landscape.



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