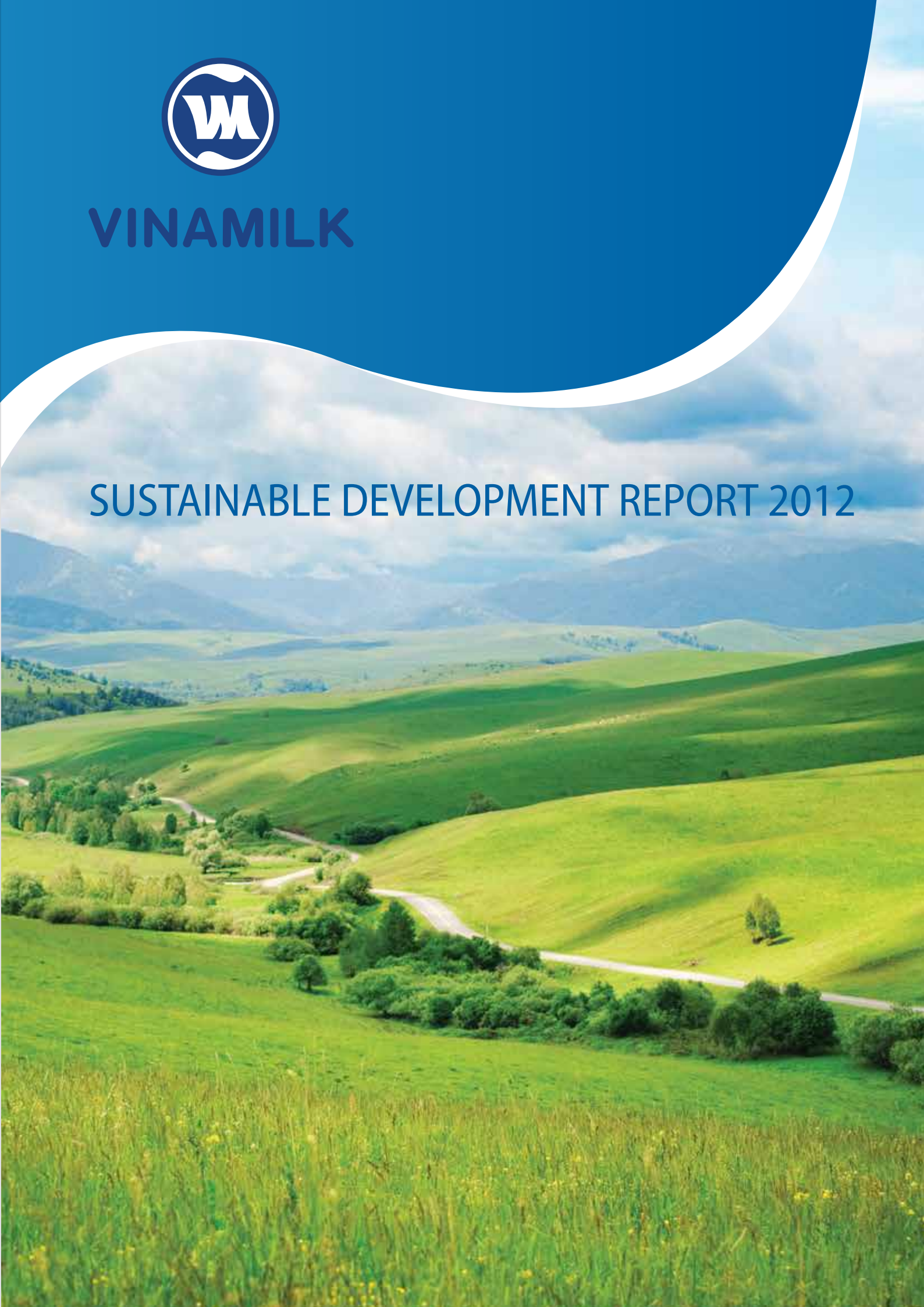




**VINAMILK**

# SUSTAINABLE DEVELOPMENT REPORT 2012





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## MESSAGE FROM BOARD OF MANAGEMENT



As we may know, Vinamilk has become a nation-wide brand and is striving to become the brand of Asia and the world. With all achievements, we can proudly affirm that Vinamilk does have sound strategies, goals and is effectively implementating these strategies. Vinamilk not only aims at business but also carries out the mission to provide nutritious and healthy products to the community.

The sustainable development of society is the convergence of sustainable development of each part in society. In order to promote the sustainable development, it is necessary for all of us to join. The larger organization scale becomes and the more activities are held, the higher responsibility forthe sustainable development is and more widely it affects the society. This is an interactive relationship, which means that if an organization wants to exist it has to have a positive effect on society and vice versa, a society of stable development will be the good condi- tion for the development of that organization.

Thus, while carrying out our mission and development, step by step, Vinamilk realized the harmonic combination of business goals, sustainable development goals and social responsibility. Vinamilk hopes to become a corporate of not only large scale but also strong and high status and to bring solid value to society.

To realize those goals, we started to consolidate the governance mechanism for all activities of Vinamilk with the experience from the past and integration of advanced models, practice and governance standards in the world. The improvement in business results and social responsibility implementation will be reflected in many aspects and with many related parties. It will be visible through our products we provide, effort to minimize adverse effect on environment, business effectiveness we bring, values foremployees we create and social activities we participate in.

These are the main content of the 2012 Sustainable Development Report that Vinamilk would like to convey to shareholders, customers, partners, employees and community.

On behalf of Vinamilk, I would like to extend our gratitude to State Security Committee, International Financial Corporation (IFC) who held programs and conferences to introduce and raise the awareness of sustainable development and to technically assist Vinamilk as well as other organizations to be able to make this Sustainable Development Report.

Yours faithfully,  
On behalf of Board of Management

MAI KIEU LIEN  
Chairwoman and CEO





A steady growth  
& improvement

## CORPORATE PROFILE

## CORPORATE PROFILE

Vietnam Dairy Products Joint Stock Company ("Vinamilk"), was founded in 1976 under the name of SouthernCoffee-Dairy Company, a subsidiary of the Food General Directorate. Over periods of development, in 2003, Company became a joint stock company with the official name "Vietnam Dairy Products Joint Stock Company". In 2006, Vinamilk officially was listed on Ho Chi Minh City Stock Exchange. Currently, Vinamilk is one of the largest-scale public companies in Vietnam.

### Information about business areas, main products and market:

#### Main business areas:

- Producing, trading milk and dairy products
- Producing and trading beverages
- Breeding dairy cows, producing fresh milk materials (in 100% capital owned companies)

#### Main products and brands:

Vinamilk has more than 200 products, divided into 5 main groups:

- Powdered milk and nutrition powder: Dielac, Ridielac.
- Condensed milk: Ong Tho Milk, Southern star Milk.
- Liquid milk: Vinamilk 100% Flex, ADM.
- Yoghurt, ice-cream, cheese: Yoghurt - ice-cream - cheese Vinamilk, Susu, Probi, ProBeauty.
- Soy bean milk and beverages: GoldSoy, Vfresh, Icy.

#### Main market :

- Vinamilk products mainly serve Vietnam market with all lines of product. Domestic market takes account of >80% of Vinamilk's total revenue.
- For foreign market, the main markets of Vinamilk are Middle-East area, Cambodia, Thailand, Philippines. Main exported products are powdered milk and condensed milk. In 2012, export revenue of the Company made up 14% Vinamilk's total revenue.



Customers :

- In Vietnam market, Vinamilk products come to customers through the system of distribution partners and direct distribution channel of Vinamilk:
  - › Distribution partner system (General trade Channel - GT): including more than 250 distributors and more than 196,000 retail outlets.
  - › Nation-wide chain of supermarkets (Modern Trade Channel - MT).
  - › Promotion and Trading Stores .
  - › Direct distribution to factories, schools, entertainment sites (KA Channel).
- In foreign market, Vinamilk’s customers are distributors.

Scale index of Vinamilk

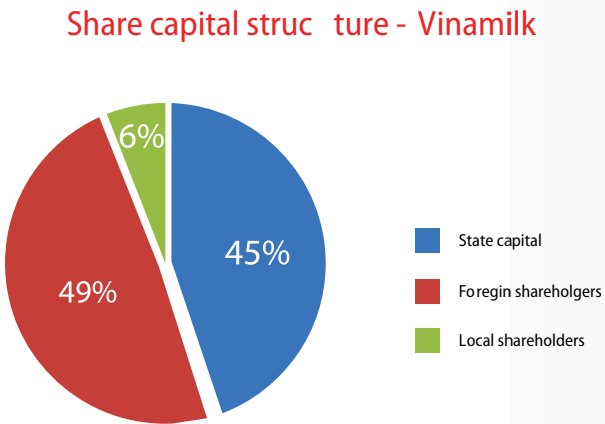
Business result index: (VND billion)

	2010	2011	2012
Revenue	16,081	22,071	27,102
% Revenue increase	N/A	37%	23%
Profit after tax	3,616	4,218	5,819
% Profit after tax increase	N/A	17%	38%

Operation scale index: (VND billion)

	2010	2011	2012
Share capital	3,531	5,561	8,339
Total assets	10,773	15,583	19,668
Owner’s equity	7,964	12,477	15,493

In 2012, the Company increased the share capital by issuing new shares with the ratio of 2:1 (shareholders receive 01 new share for 02 shares they are owning). By the end of 2012, the share capital increase is completed with 277,841,042 of the new shares and capital share of Vinamilk increased from VND5.561 billion to VND8.339 billion. Capital ownership structure of Vinamilk by 2012 is as follows:



Number of Employees:

	2010	2011	2012
Total number of permanent employees	4,510	4,564	4,853

Organizational structure and operating units:

Structure of Vinamilk includes:

- › Head office in No. 10, Tan Trao, Tan Phu Ward, District 7, HCM City
- › 03 sales branches in Hanoi, Da Nang, Can Tho.
- › 02 logistics enterprises in Hanoi and Ho Chi Minh City.
- › 10 operational factories and 2 factories under construction, expected to come into operation in 2013.
- › 01 clinic in Ho Chi Minh City.

Subsidiaries & associates:

No.	Company name	Business line	Share capital (VND billion)	Vinamilk’s ownership rate
Subsidiaries				
1	Vietnam Dairy Cow One Member Co., Ltd.	Breeding dairy cows and producing fresh milk material	1550	100%
2	Lam Son Dairy One Member Co., Ltd.	Producing, trading dairy products	80	100%
3	International Real Estate One Member Co., Ltd.	Real estate business	160	100%
Associate (*)				
1	Asia Saigon Food Ingredients JSC	Producing cream powder used for foods	120	15%
2	Miraka Co., Ltd.	Producing and trading dairy products	NZD 55 million	19,3%

(\*) Based on the presence of Vinamilk’s representative in Board of Management of associates



VISION  
MISSION  
CODE OF CONDUCT

VISION

“To become the leading Vietnamese trusted brand on nutrient and healthy products for human life”

MISSION

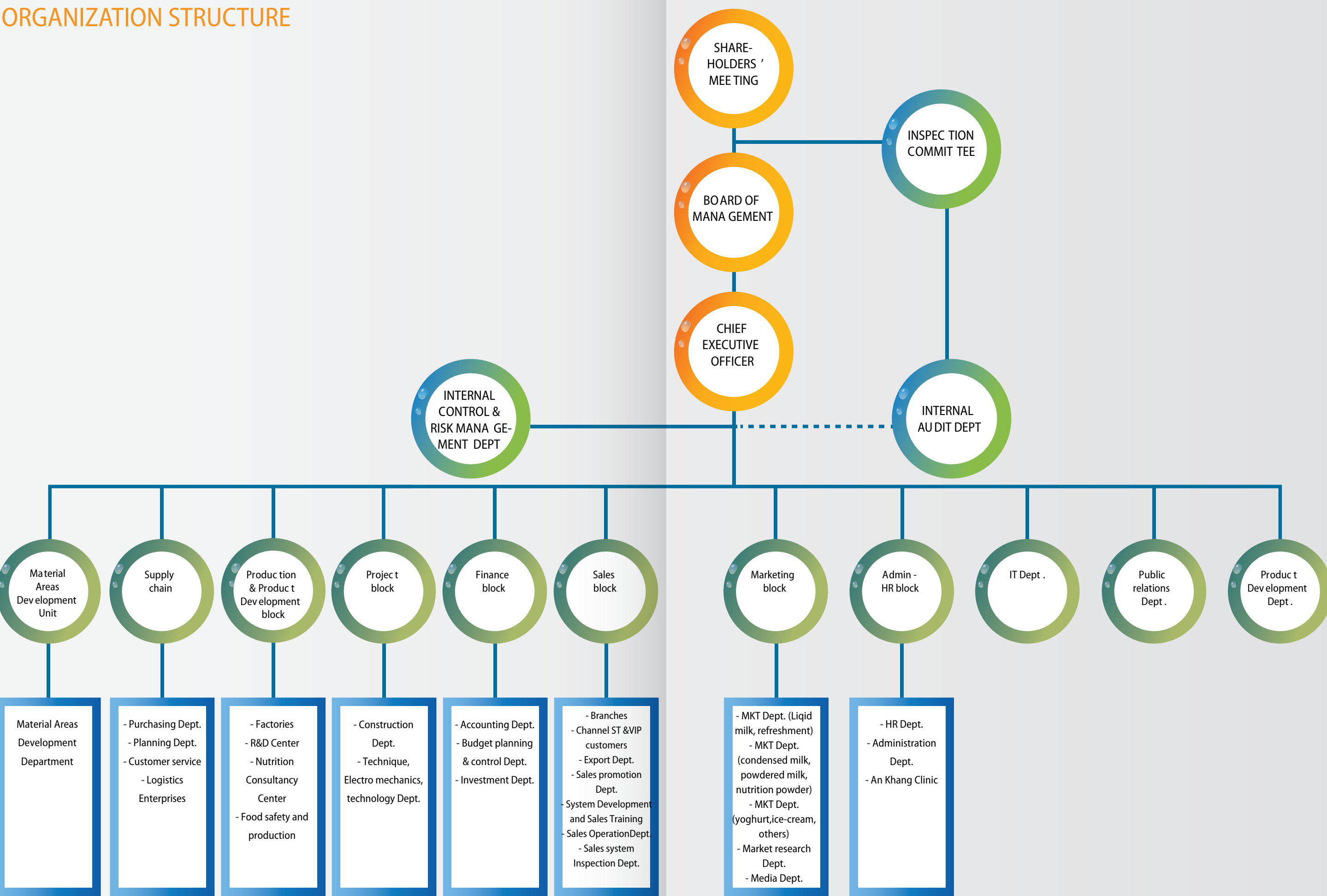
“Vinamilk commits to bring best-quality nutrition to communities that reflects our respect, love and responsibility for the people, life and society”

CODE OF CONDUCT

Since 2010, the Code of Conduct of Vinamilk has been issued to sum up the core values and to guide all activities. Accordingly, the core values that Vinamilk always appreciates are:



ORGANIZATION STRUCTURE



## Governance Structure of Vinamilk

Vinamilk is a large-scale public joint stock company listed on stock exchange and owned by more than 10,000 shareholders. Accordingly:

- › Shareholders's meeting is the highest authority in the Company.
- › Board of Management is the highest governance authority. It governs the Company and operates under the supervision of Inspection Committee.
- › Inspection Committee is the highest inspection authority in the Company, appointed by Shareholders' Meeting.
- › Chief Executive Officer is the legal representative of the Company, taking the highest responsibility for implementing the business strategies and plans approved by Board of Management Shareholders' Meeting
- › Executive Officers are the head of each area, under Chief Executive Officer's management and instructions,

## Board of Management Structure

Being the highest governance organ, BoM is responsible for planning strategies, vision, operating orientation, setting goals of priority and management orientation of Vinamilk.

Number and structure of BoM

The 2012-2016 term, BoM includes 05 members, i.e., 01 Chairwoman and 04 members. To be more detailed :

- › In terms of gender: number of male members is 3, female members 2 including Chairwoman.
- › There are 3 non-executive members out of 5 members, 2/5 members concurrently hold positions of Chief Executive Officer and Finance Executive Officer.

Now Ms Mai Kieu Lien holds the position of Chairwoman and also Chief Executive Officer of Vinamilk. This concurrence aims to create the smooth combination and information transmission among the governance organs, to implement the strategic goals as oriented and to closely inspect the implementation. By the achievements since the capitalization in 2003, it proves that this concurrence has been effective. The concurrence is approved by the Shareholders' Meeting every year.

With the operating scale expanding steadily and to be pursuant to the legislation that requires the number of independent members in BoM to make up at least 1/3 of total number of members, Vinamilk will discuss on this matter in the General Shareholders' Meeting 2013 to increase the number of BoM members into 07, adding 02 independent members.



## Committees of the Board of Management (BoM)

In order to ensure the efficiency of the management work, the Board of Management established 04 committees in charge of main and most essential pieces of work, including:

No.	Committees	Main functions	No. of members
1	Development and policy committee	To determine and orient development strategies, their objectives and plans; to establish long-term management and development orientations for the Company.	3
2	Audit committee	To evaluate and supervise the transparency and honesty of financial statements, the observance of legislations, the capacity and independence of independent and internal audit.	2
3	Nomination Committee	To manage personnel issues concerning members of the BoM and the executive apparatus: to initiate and assess the scale and component of the BoM; to recommend the appointment, dismissal of a member of BoM, the Chief Executive Officer, senior managers; To build up human resources development plans.	3
4	Remuneration committee	To establish policies on salary, rewards and other benefits for members of the BoM and the executive apparatus; To counsel CEO in establishing remuneration policies of the company.	2

Members of committees are also members of BoM.



Governance structure of sustainable development

The year 2012 witnessed the systematism and enhancement of governance level in the sustainable development matter:

- › The Corporate Social Responsibility Policy (Sustainable development policy) was enforced.
- › The structure of staff in charge of sustainable development was defined.
- › Issues on sustainable development were mentioned in an independent report and submitted in accordance with common standards.

The structure of the member in charge of sustainable development:

BoM level	Development and Policies committee
Company level	Chief Executive Officer The board of sustainable development project at company level
Department level	In charge of implementing activities on sustainable development

With this structure, the sustainable development issues will:

- › Be directed and oriented from the BoM level.
- › Be organized and implemented directly by CEO.
- › Involve the participation of all departments, from specialized to general management departments.

The core staff of Vinamilk Board of Sustainable Development Project includes:

- Chief Executive Officer
- Executive director of Production and R&D
- Executive director of Supply Chain
- Executive director of Raw Material Development
- Project Executive Director
- Marketing Executive Director
- HR Director
- Public Relations Director
- Internal control and risk management director

THE MECHANISM OF RECEIVING OPINIONS FROM SHAREHOLDERS AND EMPLOYEES

To shareholders

Shareholders are an important stakeholder of the Company. The relationship between Vinamilk and shareholders is being attached special attention. So far Vinamilk has established an Investor Relation department to responsible for the establishment and maintenance of the relations. This department, which also receives opinions and recommendations from shareholders, is a significant information and communication channel between Vinamilk and its shareholders. Accordingly, they can approach and send their opinions to Vinamilk by:

- › Contacting the Investor relations department directly, via emails or phone calls, or by sending documents
- › Posting their opinions on the Company's website (www.vinamilk.com.vn)

All shareholders' opinions and recommendations will be synthesized, analyzed and reported to CEO. CEO will consider and recommend to the BoM about contents within the competence of the BoM.

To employees

The information channels between Vinamilk and its employees take various forms. Employees can contribute their opinions to the company periodically or regularly by:

- › Proposing their opinions and recommendations every six months within the consideration period of the managers
- › Giving opinions in employee surveys (at least once a year)
- › Sending their opinions directly to the company's email address: vinamilk@vinamilk.com.vn

Besides, in delicate cases or if the employee wants to keep his information confidential, he can contact the Compliance department by email (compliance@vinamilk.com.vn) or by phonecalls. This department is directly under CEO.

TITLES ACHIEVED IN THE REPORT PERIOD

Stt	Titles	Date	Certifying organizations
1	National Brand Name 2012	Jan. 2013	Ministry of Industry and Commerce
2	Vietnam Strong Brand Name	March 2012	Vietnam Economic Times Newspaper
3	Top 5 Vienam High Quality Products 2012	March 2012	Sai Gon Tiep Thi Newspaper
4	"Trusted and Used" Products	Nov. 2012	Vietnam Economic Times Newspaper
5	Leading role in "Vietnamese use Vietnamese goods" movement in 2012	Nov. 2012	People's Committee of Daklak Province
6	Excellent record in "Vietnamese use Vietnamese goods" campaign	Jan. 2012	People's Committee of HCM City
7	One of 500 fastest-growing enterprises in Vietnam	March 2012	Fast 500
8	One of 50 most effective enterprises in Vietnam	May 2012	Nhip cau Dau tu Newspaper
9	Excellent record in organizing "Green Drawing Contest"	June 2012	People's Committee of HCM City
10	Top 30 Best annual report of the year 2012	July 2012	HCM Stock Exchange and Securities Investment Newspaper
11	Best annual report for 05 consecutive years (2008 – 2012)	July 2012	State Securities Commission
12	Best "Investor Relations" award for the year 2012 in Vietnam	July 2012	Vietstock communications
13	"Green enterprise" title for Truong Tho, Thong Nhat and Sai Gon dairy factories	Dec. 2012	Sai Gon Liberation Newspaper & HCM Environment and Natural Resources Department



# THE INFORMATION ABOUT THE 2012 REPORT

"Development that meets the needs of the present without compromising the ability of future generation to meet their own needs".  
The Bruntland Commission

## Overview Sustainable Development Report

2012 is the first year when Vinamilk submitted the Sustainable Development Report separately from the Annual Report (previously, these contents were included in the Annual Report). This was aimed at providing sufficient information for stakeholders about the development orientation of Vinamilk in relation with the environment, community and society. In this report, Vinamilk focused on 5 main issues: Responsibility for Products - Environment- Economic Development- Working environment and Public and Social Activities.

### Information about the report

- › Report period: This report was made for the year ending on the 31st December 2012 (the same year as the 2012 Annual Report ).
- › The Sustainable development report will be made every year.

## The scope of the report

### The scope of reporting units

This report was made for the operation scope of:

- › Vinamilk.
- › Vietnam Dairy Cow One Member Co., Ltd.: with 4 farms
- › Lam Son Dairy One Member Co., Ltd.: with 1 factory and 1 farm.

Hence, in this report, there are 11 factories and 5 farms in total. the number of factories and farms summarized consists of 11 factories and 5 farms.

## The scope of operating fields

This report was made within Vietnamese territory in the fields of dairies and beverages production and dairy cow breeding in farms.

### The limits of the report scope

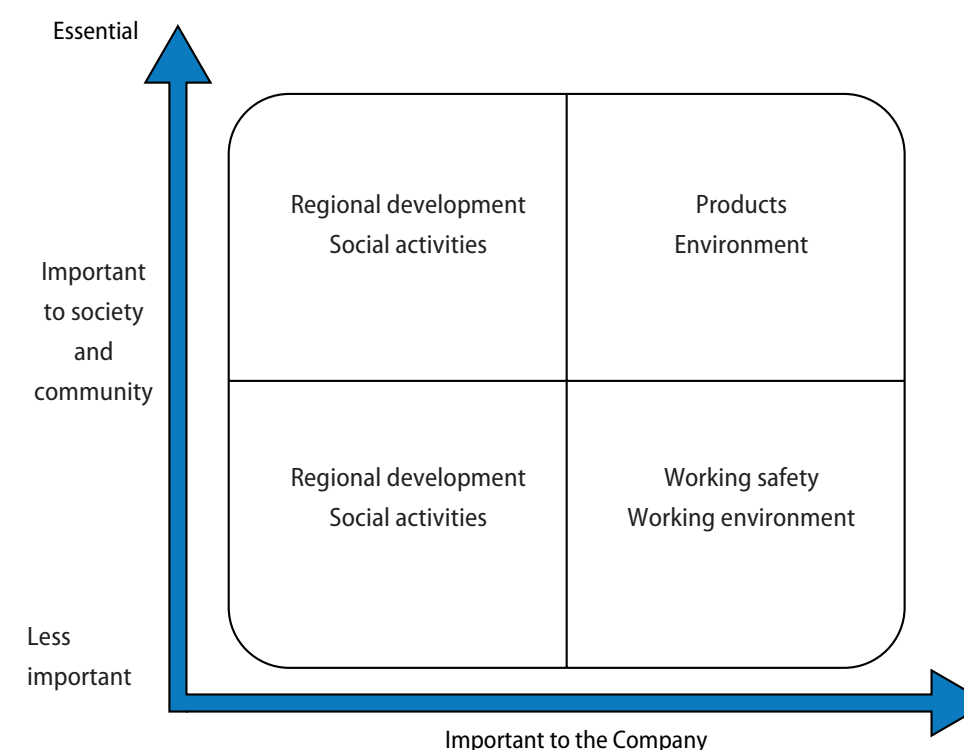
This report does not include the operation of International Real Estate One Member Co., Ltd. and An Khang Clinic:

- › Regarding real estate business, Vinamilk has not implemented any project yet to focus on the main businesses.
- › The clinic business operation has characteristics different from the main business fields and does not take up the considerable proportion in the operation of Vinamilk.

## The method of determining the report contents

Contents on sustainable development are defined by Vinamilk based on the interest level of the company and concerned parties. The interest of concerned parties is acknowledged and evaluated in terms of priority by Vinamilk via the below information channels:

- › Shareholders: Through opinions of the members of the BoM who represent major shareholders and opinions recorded in Shareholder relation activities.
- › Employees: results of employee surveys and other opinion receiving channels.
- › Customers and consumers: results of customer and consumer surveys and opinions received through consulting and customer services.
- › Local authorities: while working in investment projects and operating in the local areas.



## Applied standards

This report was established based on Instructions for Submission of Sustainable Development Report released by State Security Commission of Vietnam in association with IFC (International Finance Corporation).

The report was made with reference to guidelines of Global Reporting Initiative (GRI), Guidelines 3.1 Content Index- Food Processing Sector Supplement.


## Contact information about the report

Any comments and contributions to the report or related questions can be posted directly on the website of Vinamilk in FAQ section or sent via e-mail to the department in charge:

+ Mr. Nguyen Trung - Internal control and risk management director: ntrung@vinamilk.com.vn

+ Mr. Nguyen Tuong Huy - Head of System Management and ISO: nthuy@vinamilk.com.vn





"Being responsible for products directly affecting nutrition and health, Vinamilk is giving the highest priority to quality assurance process that is the guiding principle in all business activities"

## RESPONSIBILITY FOR PRODUCTS

Nowadays, it is the foremost concern for everyone and their family to choose safe products, especially food products and others directly affecting health. Everyday, information about disqualified and poisoned food is disseminated widely, which worries consumers more and more. Therefore, producers should become more responsible for their products.

Vinamilk, with its "highest priority to quality" policy, always ensures to providing consumers with high quality and safe products and contributes to human physical and intellectual development. Responsibility for products of Vinamilk is presented by the following aspects:

- Assuring food safety
- Increasing product value
- Providing truthful and complete information about products



## FOOD SAFETY ASSURANCE – FOREMOST CRITERIA

In Vinamilk, production follows the procedure as below:

**Idea development → Formula research and development → Formula testing → Experimental production → Organoleptic evaluation → Mass-production → Quality testing → Product launching.**

A safe product ensures the following aspects:

- ✓ Using safe ingredients and formula
- ✓ Using safe material
- ✓ Complying with production safety regulations
- ✓ Controlling quality closely

### 1 . Using safe formula and ingredients

All products of Vinamilk need to comply with the following requirements:

- ✓ Material is chosen carefully, substances adversely affecting health are strictly forbidden
- ✓ All product components from material to package are evaluated and tested to measure its impact on human health.
- ✓ Product safety and stability test is conducted in each step.

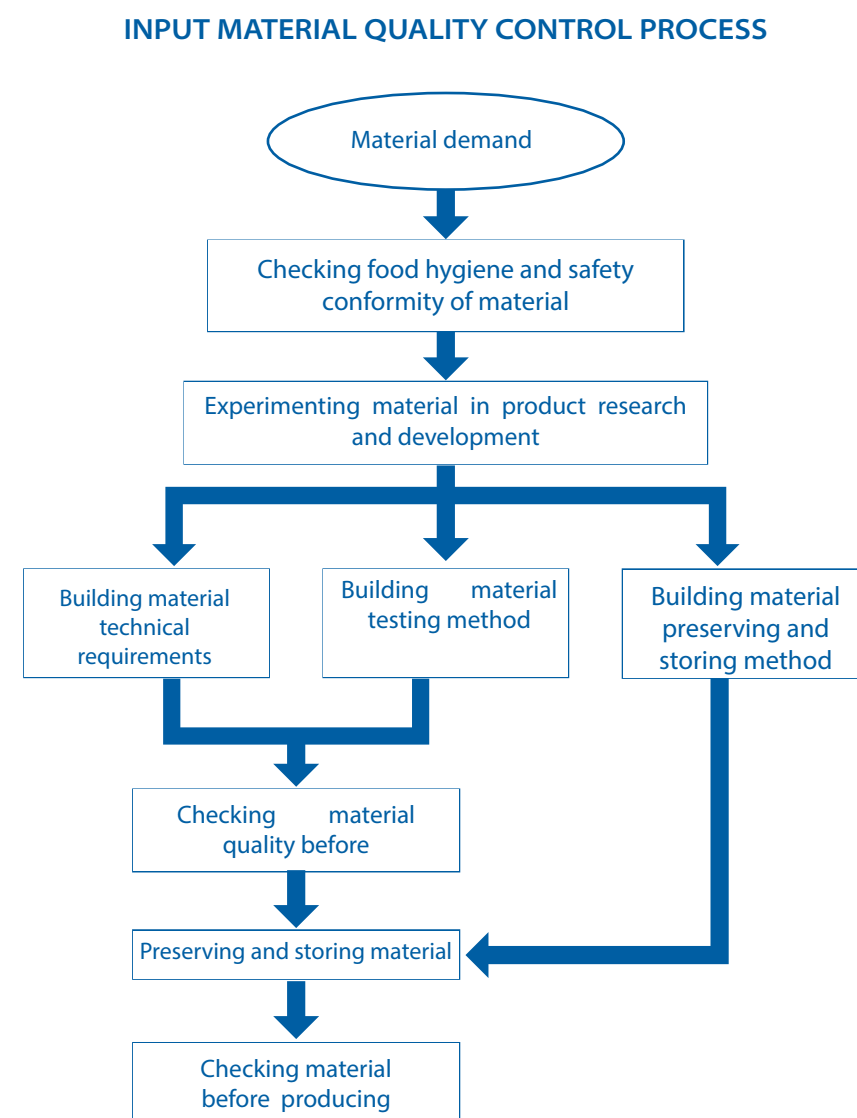
The activities on ingredient research, testing innovation and testing method standardization are regularly conducted by Research and Development Center, Food Safety and Production Department of Vinamilk. In 2012, Vinamilk cooperated with National Institute of Nutrition and testing centers to build and perfect testing procedure and method on criteria of food hygiene and safety, amount of noxious substances.





## 2 . Using safe materials

In order to have safe products, input material quality is the main factor. Input material quality control follows the steps below:



The choice of material is also an important factor to ensure product quality. For the main materials, Vinamilk gives priority to the supply sources from advanced agriculture with high criteria and requirements for food quality and safety. The main supply sources of Vinamilk now are the United States of America, New Zealand, Germany, Poland and other European countries.

## 3 . Fresh milk material :

Fresh milk is one of the most important materials in milk production. Therefore, building a supply area of qualified and safe fresh milk becomes a vital strategy of Vinamilk. The development strategy of the fresh milk supply area of Vinamilk aims at 02 purposes:

- ✓ Building a modern farm system of Vinamilk to ensure qualified and stable supply.
- ✓ Cooperate with farmers to develop and improve the effectiveness of breeding of dairy cows

## Farms of Vinamilk

Up to 2012, through subsidiaries, Vinamilk built 05 dairy cow farms in Tuyen Quang, Nghe An, Thanh Hoa, Binh Dinh and Lam Dong with totally 8,200 heads.

With the goal of making high quality fresh milk source, farms are invested in many aspects:

- ✓ Modern infrastructure and equipments: using modern automatic technology from European countries of advanced technology.
- ✓ Choosing qualified breeding cows: this is one of the most important activities. Vinamilk always gives priority to high quality cow breeds with known origin and the certification from Dairy cow breed Association from many countries. From 2009 to now, Vinamilk imported more than 4,000 heads of high yielding dairy breed HF in total from Australia and New Zealand.
- ✓ Breeding and harvesting process is strictly quality controlled.

In the time to come, Vinamilk continues implementing investment activities on the farms in Thanh Hoa, Ha Tinh, Tay Ninh Province. According to the 2012 – 2016 plan, Vinamilk will increase the herd up to 25,500 and 28,000 heads in 2015 and 2016 respectively.



## Cooperation with farmers

In the hope of developing a stable fresh milk supply area in terms of quantity and quality, Vinamilk not only develops its own farms but also cooperates with farmers in breeding dairy cows. This cooperation varies in many aspects: cooperation in purchasing, technique assistance, infrastructure assistance, etc. By this way, farmers can improve efficiency and quality of cow breeding meanwhile Vinamilk has a high quality fresh milk supply.

More details on cooperation activities with farmers in **Economy Development** section.

## 4 . Safe production:

Safe production goal is achieved by developing a synchronous and comprehensive system in the following aspects:

- ✓ Safe production management
- ✓ Advanced production technology and facility

## Safe production management

Vinamilk has established a system of production methods and procedures to ensure close and consistent control of product quality. Production management fully conforms to the requirements and all product lines are certified by Food safety management system HACCP. All factories in operation of Vinamilk are evaluated and certified by Food safety management system HACCP.

## Advanced production technology and facility

Production technology and facility are the main factors to make qualified products. Hence, Vinamilk always adopts advanced production technology and facility from top partners in dairy production technology and facility in the world such as Tetra Pak Group, GEA Group, etc. This ensures a closed production cycle and limits faults and external effect on products.



### 5. Quality safety control

At Vinamilk, all products undergo strict quality testing, and only products conforming all safety and technical requirements are accepted for circulation and distribution.

The system of quality assurance testing rooms (QA) established in all production units meet these requirements:

- ✓ Adequate and modern facilities
- ✓ Normalized testing methods to ensure that product quality are controlled consistently

Vinamilk commits that its testing rooms conform fully to the ISO/IEC 17025:2005 standards.

#### Tracing and recalling products

With the manufacturer's highest responsibility towards consumers, Vinamilk, besides building strict food safety management system, also established a system of tracing and recalling products. This system is for minimizing the risks to consumers' health, if any. Vinamilk commits to fulfill the following goals:

- ✓ Recalling unsafe products thoroughly and quickly.
- ✓ Informing the consumers in the quickest and most convenient way about the matters
- ✓ Identifying the main reasons to overcome matters and prevent possible ones in the future.

Product tracing and recalling are controlled and practised periodically to ensure the efficiency of the procedure and help staff to have a thorough grasp of implementation when needed.

### ENHANCING PRODUCT VALUE ON HUMAN HEALTH

Product value lies not only in safety but also in its benefits. Consequently, product development strategy of Vinamilk always aims at increasing product benefits for human health of all aspects, i.e. physical – intellectual health.

In order to implement this strategy, activities and goals of Vinamilk in research and development mainly are as follows:

- ✓ Cooperating with research groups in nutrition, medical, health service such as ARLA, CHR, DSM, GELITA, etc. to develop technology, ingredient, and method to improve product nutrition quality.
- ✓ Diversifying products to aim at various consumer groups and to be compatible with health characteristics of each group.
- ✓ Developing the products to help prevent adverse health effect and increase stamina in modern living environment.

Some research projects that Vinamilk cooperated with National Nutrition Institute:

- ✓ Evaluating the efficiency of using live yeast yoghurt Probi, and Probiotics biotechnology applied products on digestive and immune health.
- ✓ Researching a product formula specific for diabetes patients.



### Some outstanding products that are developed and launched in the market in 2012:

- Skimmed milk product for people in need of weight control.
- Collagen and Vitamine C added yoghurt Probeauty, good for skin.
- Probiotics added yoghurt Probi and SUSU, good for digestion.
- Special nutritious products Sure Prevent for the elderly and health recovering people.
- Special nutritious products Calcium Pro with low fat, added calcium, good for knucklebone, preventing osteoporosis.
- Goldsoy milk from non-genetically modified soy beans, with added micronutrients.

### PROVIDING TRUTHFUL AND COMPLETE INFORMATION ABOUT THE PRODUCTS

It is manufacturers' responsibility to provide consumer with truthful and complete information about the products. This plays an important role in terms of foodstuff because the products directly affect human health. Therefore Vinamilk will ensure to give consumers necessary information so that they can choose the suitable products and use them in the best way.



### Product labelling

This is the easiest and most direct method to provide the products' information to the consumers. All the Vinamilk products' information is truthfully and completely labelled regarding many aspects as follows:

- ✓ Product properties, including
  - Product type.
  - Ingredients.
  - Nutrition facts.
- ✓ Usage instruction
  - Usage instruction
  - Storage instruction
- ✓ Manufacture date and expiry date.
- ✓ Information about product quality management.
  - Basic quality standards.
  - Quality management systems applied to manufacturing.
- ✓ Information about the Company and the manufacturing unit:
  - Information about Vinamilk and code of the manufacturing unit.
  - Contact phone number and email address.

This information is provided not only for consumers but also for Vinamilk to control the quality and expiry date, and tracing when necessary.

In order to meet the new conditions of HACCP standard regarding allergen, Vinamilk will add some information on the labels warning consumers of the substances that can cause allergy in the coming time.





Information providing activities :

In an effort to convey information to consumers, Vinamilk has always been organizing many workshops about its products and nutritional consultancy in order to share the information that Vinamilk has obtained after studying nutritional researches and applying nutritional advances all over the world. This gives consumers additional information relating to human health as well as properties and effects of the products, therefore they will have better living and consumption habits.

In 2012, Vinamilk and Consumers' Rights Protection Association jointly held a series of activities to disseminate the law on Consumer Rights Protection and consult about nutritions and product consumption countrywide, even in solitary places which have difficulty in accessing information such as Ha Tinh, Quang Tri, Dac Lac, Khanh Hoa, Da Nang, Kien Giang, etc...

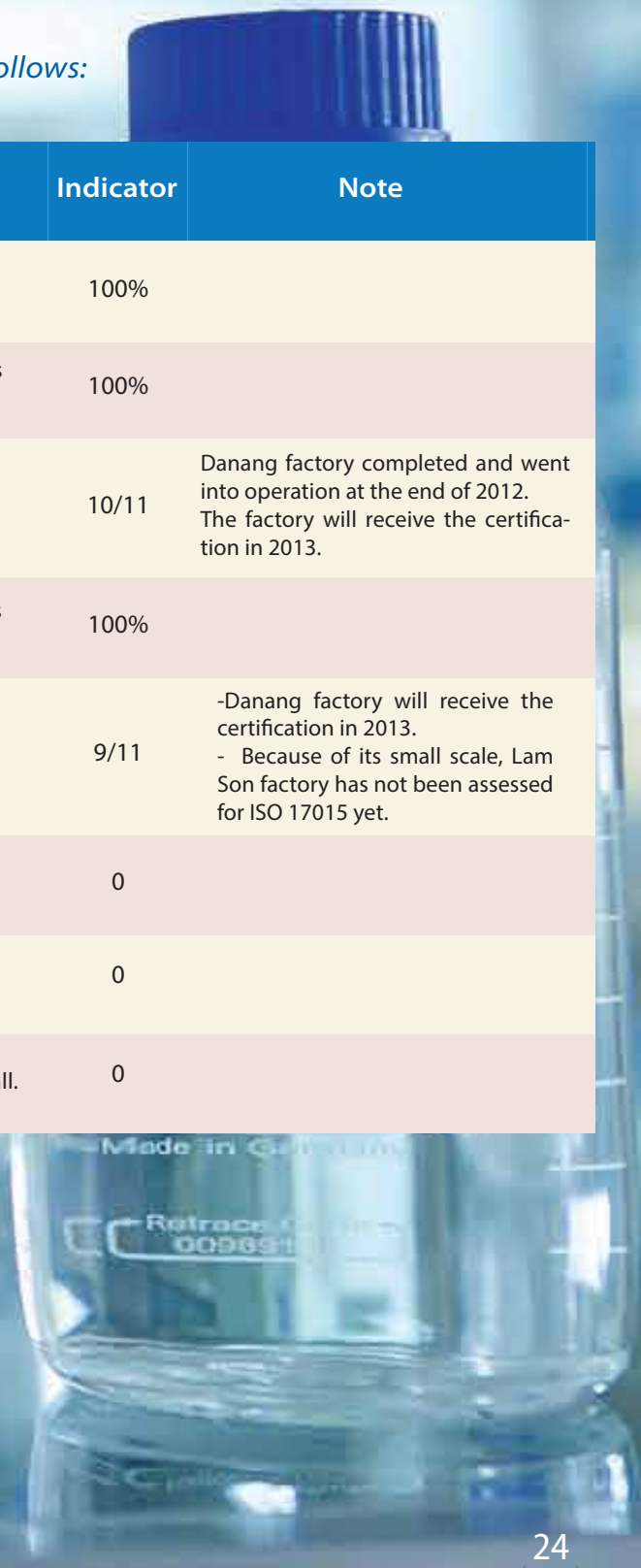


Nutrition consulting activities

Understanding mothers' concerns about the health of their children, Vinamilk also organize Nutrition Consulting Center in Ha Noi, Da Nang and Can Tho to offer free consultancy about nutritional health, especially kids nutrition.

The 2012 Product Responsibility Indexes are as follows:

NO.	Criteria	Indicator	Note
1	Number of non-preservative products/ total number	100%	
2	Rate of products which are assessed via quality tests before putting into mass production	100%	
3	Number of factories obtained HACCP and ISO 9001:2008 Certification	10/11	Danang factory completed and went into operation at the end of 2012. The factory will receive the certification in 2013.
4	Rate of product portfolios meeting HACCP standards and quality management system ISO 9001:2008	100%	
5	Rate of factories having Experiment Room with ISO/IEC 17025:2005 certified regarding Chemistry and Biology.	9/11	-Danang factory will receive the certification in 2013. - Because of its small scale, Lam Son factory has not been assessed for ISO 17015 yet.
6	Number of food safety violation cases	0	
7	Number of Trademark and Product Information infringement cases	0	
8	A number of cases regarding low quality product recall.	0	





## RESPONSIBILITY FOR THE ENVIRONMENT

Nowadays, environmental and climate change issues have become a common concern to all nations and peoples. Together with industrial economy, expansion of human population results in many adverse effects on our living environment. These effects have become more serious in the developing and emerging countries where industrial production activities are accelerated.

All production and business activities in any fields in general and of Vinamilk in particular, have impact on environment and utilization of resources. Therefore, Vinamilk always tries its best to find solutions to minimize the bad effects on environment, to make the best use of resources and energy. The solutions follow the below main goals:

- ✓ Making the best use of input factors: materials, energy, water resource.
- ✓ Taking good control of output to minimize adverse effects on environment.

### 1. MAKING THE BEST USE OF ENERGY

Production activity scale is proportionate to energy demand. Thus, searching for and implementing solutions to make the best use of energy are among the focuses in sustainable development policy of Vinamilk, which shows its responsibility for environment, society and together with government contributes to implement the policy on energy security.

The year 2012 is an important year where Vinamilk boosted and systematized management activities of energy utilization. Vinamilk set the goals of energy management for the period 2013-2017 as follows:

- ✓ Saving the energy at least 3%
- ✓ Establishing and applying energy management system pursuant to the ISO 50001:2011 standard on Energy management.

To achieve these goals, Vinamilk planned programs and solutions as follows:

- ✓ Implementing the models to increase the use of clean and renewable energy resources.
- ✓ Using energy saving devices in lighting.
- ✓ Improving the supervision of energy usage, auditing energy usage periodically
- ✓ Conducting training classes to foster energy management capacity.



### Improving mangament quality

Vinamilk established a specialized department on environment and energy issues. This department is in charge of implementing the programs at company-wide level and establishing energy management system pursuant to ISO 50001:2011 standard. In 2012, Vinamilk

- ✓ Established and issued documentation on energy management policy and implementation procedures.
- ✓ Implemented energy audit in 6 operating factories out of 11.

### Increase the use of clean and renewable energy resources

The use of alternative energy resources to minimize effects on environment is one of the most important solutions. Vinamilk did implement and is implementing the replacement of traditional fuel, FO oil with more beneficial fuels for environment and Vinamilk itself. Vinamilk now has chosen CNG gas fuel and Biomass fuel to use in boiler system in factories instead of using FO oil.

✓ CNG (Compressed Natural Gas) is natural gas that is compressed in high pressure. Using CNG does not emit much poisonous gases such as NO, CO, SO<sub>2</sub> and produces almost no dust, and is able to decrease the emission by 93% of CO<sub>2</sub> amount, 33% of NO amount and 50% of hydrocarbon amount, compared to using oil or petrol engine.

✓ Biomass or biomass fuel comprises chemical energy, sun energy accumulated through photosynthesis. This kind of fuel is made from agricultural wastes (thatch, sugarcane bagasse, corn peel and fiber, etc. ), forestry wastes (dry leaves, wwood chips, etc.), shredded papers, sawdust, etc. This energy resource can be renewable and beneficial to environment thanks to waste recycling, no poisonous gas emission and no contribution to greenhouse gas emission. Meanwhile, to produce 1 ton of gas, in average we have to use from 70 to 75kg of FO oil.

Vinamilk's goal is to apply these energy resources in all factories. In more detail:

+ Biomass fuel is used in factories with enough ground area.

+ CNG fuel is used in factories with limited ground area.

Now, there are 7/11 factories using these 2 kinds of fuels:

- ✓ 4 factories using Biomass fuel: Can Tho Factory, Sai Gon Factory, Binh Dinh Factory and Tien Son Factory
- ✓ 3 factories using CNG fuel: Dielac powdered milk factory (since 2011), Truong Tho Dairy factory and Thong Nhat dairy factory (both will come to operation in 2013)

Especially, both new factories of large scale of Vinamilk which are Vietnam Dairy Factory and Vietnam pPowdered mMilk Ffactory will use these 2 kinds of energy.

### Table of measuring criteria on energy management

#### In production activities

Measurement criteria	2010	2011	2012
Total output (tons)	553.810	662.146	768.552
% of output fluctuation	N/A	19,56%	16,07%
Total of used energy, classified by each kind and the rate of fluctuation:			
-Oil: Output (kg)	12.815.674	10.614.991	10.367.891
% of fluctuation	N/A	-17,2%	-2,3%
-Gas: Output (kg)	464.556	285.108	283.120
% of fluctuation	N/A	-38,63%	-0,70%
-Electric: Output(kwh)	66.688.371	78.171.274	86.983.440
% of fluctuation	N/A	17,22%	11,27%
-Biomass: Output (Tonnes of steam)	-	8.964	33.061
% of fluctuation		N/A	269%
-CNG: Output(mm BTUi)	-	132.934	162.310
% of fluctuation	N/A	N/A	22,10%
Total of average used energy per unit of product by each kind (/ton of products):			
+ Oil(kg)	23,14	16,03	13,49
+ Gas (Kg)	0,84	0,43	0,37
+ Electricity (kwh)	120,42	118,06	113,18
+ Biomass (Tonnes of steam)	-	0,01	0,04
+ CNG (mm BTU)	-	0,20	0,21

#### In breeding activities:

Measurement criteria	2010	2011	2012
Total output (Unit: 1,000L of fresh milk)	8.330	12.720	20.050
% output fluctuation		52,70%	57,63%
Total of used energy, classified by each kind and the rate of fluctuation:			
- Oil : Output (kg)	94.060	112.139	152.520
% of fluctuation	N/A	19,22%	36,01%
- Electricity:Output (kwh)	1.398.997	2.048.429	3.200.257
% of fluctuation	N/A	46,42%	56,23%
Total of average used energy per unit of product by each kind (/1,000L):			
+ Oil (Kg/1000L)	11,29	8,82	7,61
+Electricity (kwh/1000L)	167,95	161,04	159,61

The statistics indicate that:

- + Energy consumption increase is lower than that of output increase.
- + Traditional fuels (oil, gas, electricity) consumption gradually decreases whereas the use of clean and renewable energy increases steadily along the years.



Using energy saving devices for lighting

Now Vinamilk is implementing the experimental project to improve the effectiveness of consuming energy for lighting in Sai Gon Dairy factory. This project includes the design adjustment to optimize capacity, the use of energy saving lighting devices such as LED, Compact T5-T8 lamps. This can help to save up to 70% of energy for lighting compared to high voltage lamps.

In period 2013-2014, this model will be widely applied for all factories of Vinamilk. Estimated expense for this activities is about VND49 billion.

2 . USING WATER RESOURCE

Water resource is very important to life. Until now, however, some think that water resource is endless. In fact, this is a limited resource and the scarcity of fresh water has become a global issue. In order to realize the seriousness of this issue, let us refer to information in *World water forum* in 12/03/2013:

- ✓ World water forum took place in 12/03/2013 in Marseille, France, with 20,000 participants from 140 nations in the world.
- ✓ Report of United Nations Children’s Fund (UNICEF) published before the forum stated that there are 2.5 billions of people lacking clean water, making up more than 1/3 of world population. This is such an alarming figure because just 2 years ago, the figure was 1 billion of people.

Actually, world’s water consists of 97% of sea water, 2% of ice and only about 1% of usable water for humans. In Vietnam, government issued Resolution 27/NQ-CP About urgent solutions in public management of natural resources and environment, including water resource.

Being aware of this issue, together with energy management, Vinamilk focuses on effective water consumption. We aim at:

- ✓ Exploiting and consuming as demand, avoiding wasting.
- ✓ Improving water consumption effectiveness by recycling for many purposes.

Table of measurement criteria on water consumption:

Measurement criteria	Year		
	2010	2011	2012
Total amount of consumed water by sources (m3)	3.125.089	3.080.460	3.556.419
+ Undergroundwater	2.031.942	1.797.712	1.925.645
+ Water bought from water supplier	965.397	1.136.748	1.484.774
+ Lake water	127.750	146.000	146.000
Water catergorized by using pursposes (m3)	3.125.089	3.080.460	3.556.419
+ Production	2.865.939	2.790.285	3.228.944
+ Breeding	259.150	290.175	327.475
Water consumption effectiveness			
Average water amount consumed in production (m3/ton of product)	4,28	4,21	4,20
Average water amount consumed in breeding (m3/1000L of milk)	31	23	16
Rate of reused water	7,37%	8,51%	9,79%

3 . THE USE OF PRODUCT PACKAGE

The use of product package also has impact on environment. Therefore, the suitable and effective use of package contributes to environment protection. Being the producer, package is one of the input factors of Vinamilk, and the use of package aims at:

- ✓ Using as necessary
- ✓ Improving design to optimize the use of materials but still ensuring the package and product quality.
- ✓ Giving priority to partners with transparent and stable policy and programs on sustainable development and environment.

Table of statistics on main packages used:

Package types	2010	2011	2012
Paper (Ton)	7.029	8.134	9.313
Tin (Ton)	20.742	20.016	22.228
Plastic			
+ Pet bottle (bottle)	N/A	36.440.692	30.451.656
+ Plastic glass (glass)	N/A	9.154.560	6.519.888
+ HIPS film (m2)	2.985.761	3.245.765	3.483.221

Paper package of Vinamilk is provided by 02 top package providers of the world, i.e., Tetra pak Group and SIG Conbibloc Group. They are also the leading corporations in sustainable development and environment protection.

For tin package, Vinamilk is gradually changing from 0.19 thick tin to thinner tin to reduce the amount of this material.





#### 4 . ENVIRONMENT MANAGEMENT AND WASTE CONTROL

During the operation of Vinamilk, the production process and breeding activities on farms are the main sources of waste. The first priority of Vinamilk, which was determined right at the planning stage and during the operation of the company, is the investment in waste treatment systems, finding solutions to control effectively waste and effects on the environment. Currently:

- ✓ 11/11 factories had a sewage treatment system in which sewage is treated according to the QCVN 40:2011 standards on industrial sewage.
- ✓ 10/11 factories obtained ISO 1400:2004 certificates on environment management (the other factory was put into operation recently and will be assessed in 2013)
- ✓ 3/5 farms had a sewage treatment system which satisfied the QCVN 39:2011 standards on irrigation water.

##### Production activity in factories

All products are made in factories of Vinamilk. During the production process, waste is discharged under the form of solid waste, liquid waste and exhaust fume. All of those are strictly controlled and managed by Vinamilk with appropriate solutions and equipment system which satisfy the requirements of ISO 1400:2004 on Environment management.

##### Solid waste

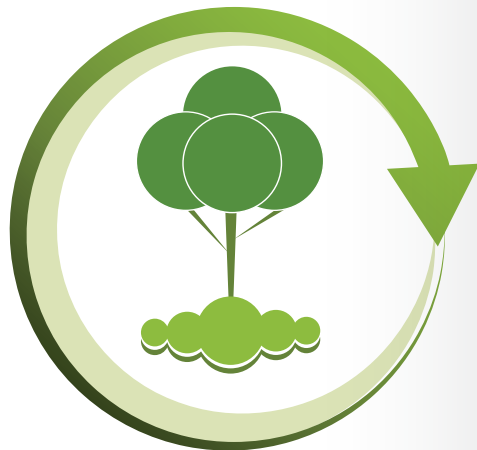
Solid waste includes waste sludge, scrap and used equipments and facilities. Solid waste is classified into two groups: hazardous and non-hazardous solid waste. It is collected and stored in different places. Waste sludge, in fact the solid waste from the sewage treatment process, is desiccated and pressed. Hazardous solid waste and sludge will be transferred to selected waste treatment agencies. These agencies have enough competence, specialized knowledge and experience in waste processing. They are certified and meet all the requirements as well as standards of the laws.

##### Liquid waste

Liquid waste is sewage disposed during the production, equipment cleaning and other activities. Sewage is transmitted and collected to process in the sewage treatment system. Solid waste will be separated from the sewage and pressed into sludge. Only treated waste water which satisfies disposal standards can then be disposed into common emission source or the environment. Currently, all factories of Vinamilk are invested to build up sewage treatment systems satisfying the Vietnam standards (QCVN 40:2011 - National technical regulations on industrial sewage).

##### Exhaust fume

Exhaust fume is produced from fuel burning process of steam boilers and treated with absorbing towers.



The table of measurement criteria of waste control in production

	2010	2011	2012
<i>Measurement criteria</i>	553.810	662.146	768.552
Total output (ton)			
Solid waste: - Total volume (Kg)	2.279.110	2.740.273	2.852.842
- Kg/ ton of products	4,12	4,14	3,71
Liquid waste: - Total volume (litre)	1.620.897	1.864.689	2.244.183
- Litre/ ton of products	2,93	2,82	2,92
Exhaust fume: - Total volume (kg)	77.925.364	89.504.911	95.556.673
- Kg/Ton of products	141	135	124
Waste sludge: - Total volume (kg)	2.356.438	3.419.248	3.153.768
- Kg/ton of products	4,3	5,2	4,1
Ratio of hazardous waste in total waste volume	0,06%	0,05%	0,05%
Exhaust gas causing greenhouse directly or indirectly (kg)	77.925.364	89.504.911	95.556.673
+ CO2	77.925.364	89.504.911	95.556.673
+ Volume of NOx, SOx	-	-	-
+ Ozone layer destroying emissions	-	-	-
In the total volume of liquid waste:			
- Separately treated hazardous liquid waste	18.431	15.807	17.426
- Volume of treated waste water satisfying disposal standards:	1.602.466	1.848.882	2.226.757
+ Disposed into the environment	777.433	782.324	908.286
+ Disposed into common treatment area of the industrial zone	825.033	1.066.558	1.318.471

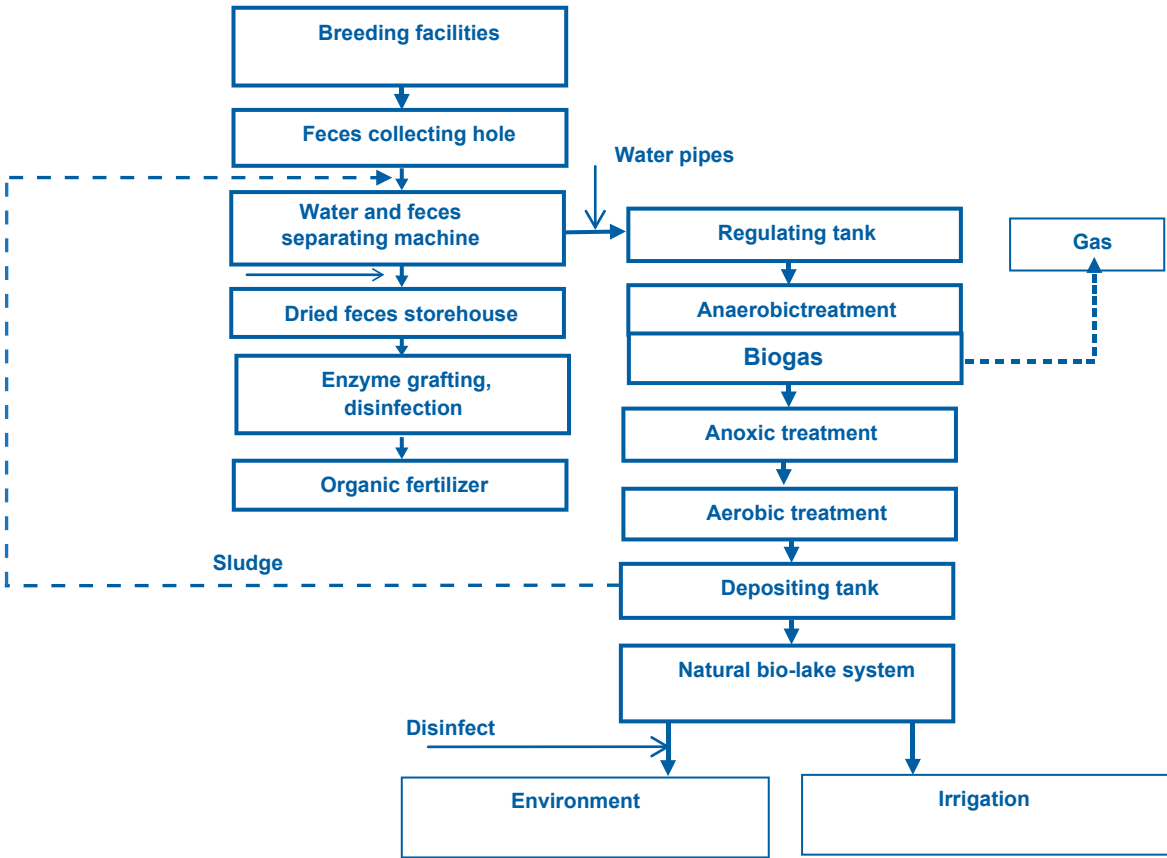
As a recognition of the community towards efforts of Vinamilk in developing green and clean production, all three factories in Ho Chi Minh city which are Truong Tho, Thong Nhat and Sai Gon dairy factories were titled “Green Enterprise” in 2012 - a prestigious award in the field of environment protection in Ho Chi Minh city, jointly presented by Sai Gon Giai Phong newspaper and Department of Natural resources and Environment of Ho Chi Minh city, presided by Ministry of Natural resources and Environment. Among of those, Truong Tho dairy factory won the 1st prize for foreign investment enterprise and large-scaled enterprise category.

Breeding activities on farms

Cow breeding activities mainly produces organic solid waste and sewage. To these activities, being the same as production activities, Vinamilk also pursues the target of effectively controlling the waste disposed into the environment. Out of 5 Vinamilk farms:

- ✓ 3 farms have completed building the sewage treatment systems.
- ✓ 1 farm is setting up the sewage treatment system.
- ✓ 1 farm is building treatment solutions. This farm was built before being acquired by Vinamilk. Due to some limitations in terms of premises, Vinamilk, together with its partners, is finding feasible solutions.

The current waste treatment solution is collecting waste in the treatment system and treating by separating dry and liquid waste. After that, dry waste is processed and turns into organic fertilizer used in agriculture. The liquid waste will be treated according to irrigation water standards for recycling or disinfected before being discharged into the environment. This solution can salvage the waste the best for agricultural purposes.



In reality, waste treatment in dairy cow breeding encounters many difficulties. Large-scaled breeding has just carried out in recent years, so solutions as well as treatment technology have not developed and Vinamilk does not have practical experience in this field as it does in industrial waste treatment.

In 2012, according to the results of the inspection and assessment implemented by Department of Natural resources and Environment of Nghe An province on breeding activities of Nghe An Farm, the farm was required to invest more on facilities to increase the efficiency of waste treatment. Vinamilk has completed the recommended investment. In the near future, Vinamilk will supervise the treatment efficiency to apply into other farms.

The table of measurement criteria of environment management in breeding activities

	2010	2011	2012
Total volume of fresh milk (1000 litre of fresh milk)	8.330	12.720	20.050
Total volume of waste :			
Solid waste: - Total volume	11.145.410	11.050.452	15.050.452
- Kg/1000L	1.338	869	751
Liquid waste: - Total volume	211.438	224.038	253.470
- M3/1000L	25	18	13
Environmental observance			
Environmental penalty times	N/A	N/A	1
Penalty amount in total (Million VND)	N/A	N/A	170

COMMUNAL ENVIRONMENT PROTECTION ACTIVITIES

In order to raise awareness of environment protection, Vinamilk, together with the community, often participates in environment protection programs and activities.

Participating in Waste Recycling Festival

Participating in Waste Recycling Festival organized by the Waste Recycling Fund of Department of Natural resources and Environment of HCM city has become an annual activity of Vinamilk. This activity aims to increase consumers’ aware-ness in protecting the environment and saving awareness by recycling used bags. It also encourages the use of environ-ment-friendly products.

In the program, Vinamilk has collected 13 million milk carton packs, equal to 100 kilos of paper and exchanged them with 1300 packages of milk for consumers. The collected packs will be transported to the recycling factory and then processed into pulp used for making products from recycled paper.

“A-million trees for Vietnam” Fund.

“A-million trees for Vietnam” Fund was established in 2012 by Vfresh, a brand of Vinamilk, and the Center of Environ-ment training and communication of General Department of Environment. The purposes of the fund are:

- ✓ To improve the living environment of urban areas in Vietnam by planting more trees.
- ✓ To call for the whole community to plant more trees for Vietnam

Vinamilk will extract from its turnover 50 dong/Vfresh product to support the operation of the Fund. In 2012, Vinamilk contributed 3 billion VND.

Details about activities of the Fund can be found on website: [www.trieucayxanh.com.vn](http://www.trieucayxanh.com.vn)







*The  
development  
of Vinamilk  
associates with  
region  
development.*

The operation of any organization affects the socio-economic aspects of the region where it operates. Vinamilk tends to combine its development with regional development with such targets below:

- ✓ Comply with all regional as well as governmental tax obligation.
- ✓ Create jobs, preferentially utilize and offer trainings for local workers.

*Complying with tax obligation*

Tax is the important revenue of the regions' and the government's budget for implementing economic development and social security policies. Understanding that importance, Vinamilk commits to fulfil its tax duties in a complete, timely and law-abiding manner.

Vinamilk payment of tax has reached more than VND 13.779 billion since its establishment in 1976. Since 2009, the annual tax payment has been more than VND 1.000 billion, especially in 2012, it was over VND 2.900 billion.

*Creating new jobs and utilize local workers*

Together with Vinamilk's development, new operating units are established and current regional units' scale is broadened. Vinamilk also directly and indirectly creates more jobs in the regions where it extends business activities by:

- ✓ Preferentially recruit local workers.
- ✓ Indirectly recruit workers via job agencies
- ✓ Indirectly create jobs by developing supply chains.

ECONOMIC DEVELOPMENT





List of new operating units from 2010-2012 and the status of using labour force

Newly- established units	Year		
	2010	2011	2012
Manufacturing units	Rate of recruited local workers		
Vina Beverages Factory- Binh Duong province	- Total number: 103 - Number of local workers: 10%		
Danang Dairy Factory- Danang city			- Total number : 191 - Number of local workers: 90%
Vietnam Dairy Factory- Binh Duong province			- Total number : 489 - Number of local workers: 60-70%
Vietnam Powdered Milk Factory- Binh Duong province			- Total number : 305 - Number of local workers: 60-70%
Farms			
Binh Dinh Farm- Binh Dinh province	- Total number : 81 - Number of local workers: 90%		
Thanh Hoa Farm- Thanh Hoa province		- Total number : 61 - Number of local workers: 90%	
Lam Dong Farm			- Total number : 63 - Number of local workers: 80%
Number of workers recruited indirectly via job agencies (Unit: number of workers)		2.158	3.037

Besides, along with developing its distribution system, Vinamilk has also been contributing its efforts to establish a system with more than 250 enterprises and over 4,400 vacancies for job seekers across the country.

Developing agriculture for processing demands

As mentioned in Product Responsibility section, in recent years, Vinamilk has pushed to develop fresh milk material zones by series of various activities and cooperated with the farmers to develop the cow breeding industry in Vietnam.

Building farms and applying advanced breeding technology

Till the end of 2012, Vinamilk completed building and put 5 dairy cow farms into operation with the total area of 170 hectares and about 8.200 heads of cows. By developing large-scaled dairy farms with modern facilities and advanced breeding techonology, Vinamilk aims at applying the most advanced cow breeding technologies to its own business in particular and Vietnam dairy cow breeding industry in general. All the Vinamilk’s dairy farms now meet the international standards, cow health tracking devices use advanced technology of DeLaval Group (Sweden). This is the leading group in providing thorough methods and facilities in dairy cow breeding industry.

The development of large-scaled farm patterns has made positive influences on socio-economic activities in regions. Along with job creation, this also contributes to increasing volume and quality of regional agricultural products by purchasing fresh milk material source and other agricultural products used for feeding cows (such as corn, elephant grass, and fresh straw etc.) from the farmers, therefore they do not have to worry about selling the products and focus on manufacturing. Up to now, there have been 6,000 households which Vinamilk buys materials from.

In particular, when it comes to fresh milk materials, Vinamilk ensures a reasonable purchasing price and a stable purchasing volumes for the farmers. Vinamilk commits a purchasing price policy based on clear and suitable criteria, corresponding with the fresh milk quality and the farmers’ efforts.

The table below shows the Development Index in developing fresh milk material zones.

	2010	2011	2012
Farm scale			
Total area of all farms (unit: hectares)	161	161	170
Total heads of cow	4.942	6.712	8.124
Purchasing activities			
Fresh milk material			
Number of households that Vinamilk buys raw fresh milk from	6.043	6.118	6.091
+ HCM city and its surroundings	5.731	5.009	4.852
+ Nghe An province	38	46	55
+ Tien Son province	235	693	748
+ Binh Dinh and Lam Dong province	23	356	420
+ Can Tho province	16	14	16
Purchasing volumes ( million of liter)	120,23	118,51	141,54
The change rate of purchasing volumes	N/A	(1,43)%	19,43%
Average purchasing price (VND)	7.980	10.762	11.021
Other agricultural products			
Cow's food: corns, elephant grasses, fresh straws, etc...( unit: billion VND)		32	50

Agricultural incentives and technology support for farmers

Vinamilk has always been organizing agricultural incentives and training programmes on breeding technology in order to help farmers improve the breeding methods and efficiency. Besides, other activities that provide facilities such as breeding tools and veterinary drugs etc. for the farmers are also held annually. Vinamilk recognized this demand of the farmer via various consulting activities and surveys in each household. In 2012, Vinamilk held various supporting programmes with an expense of more than VND 1.2 billion in order to:

- ✓ Provide drugs preventing cow mastitis.
- ✓ Provide other drugs and disinfection equipment.
- ✓ Provide breeding technology trainings for the farmers.



## WORKING ENVIRONMENT

Together with globalization tendency, corporations are catching up with each other in terms of technology, engineering that are becoming more accessible. Consequently, it is the human resource factor that makes the difference of a corporation, which decides the success and sustainable development of that corporation, also, the sustainable development of society and contributes to enhance human living quality.

Attracting, maintaining and developing human resources become an important part in operation and sustainable development strategy of each corporation in general and Vinamilk in particular. Vinamilk strives for planning a good human resources policy and working environment presented in the following aspects:

- ✓ Setting up safe working conditions and health care
- ✓ Developing a diversified labor line-up, respecting the difference and combating discrimination.
- ✓ Establishing working relationship based on free will and legal compliance.
- ✓ Acknowledging and paying satisfactorily for performance of employees.
- ✓ Developing employees' skills
- ✓ Promoting a harmonious working culture.

### 1 . Safe working conditions and health care

It is the foremost concern and justifiable need of laborers to work in a safe working environment with good health care. Understanding that, Vinamilk committed to provide employees with good working conditions, well-equipped facilities, and health care activities.

#### Labor safety

- ✓ Well-equipped facilities for employees are always available in Vinamilk in all working sites, from the head office to factories, subsidiaries, farms, etc.
- ✓ Protective devices are examined every year and upgraded with the budget of the Company in order to ensure its adequacy and availability of all devices for labor safety.
- ✓ Coaching and training activities are held every year to provide employees with knowledge about labor safety and to raise their awareness of labor safety:
  - + Training on labor safety: 100% employees in factories participate
  - + Fire drill: 100% employees of the Company participate
- ✓ Medical divisions in working units are established to provide preventative and first-aid measures and deal with incidents of labor safety from employees.

So as to improve quality and systematically manage labor safety pursuant to international standards, from 2012, Vinamilk cooperated with a consultancy unit to experimentally apply Occupational Health and Safety management system (OHSAS 18001:2007) for Dielac Powdered Milk factory. In the future, this model will be applied in all production units of Vinamilk.

#### Support measures and policies for employees

- ✓ In order to support employees financially when accidents occur, Vinamilk bought accident insurances for all employees. This insurance program also includes the medical cost support and income assurance for employees in accident time which is equivalent to salary.
- ✓ Company is willing to set out the best condition for employees to have enough time to recover.

#### Health care activities:

Beside ensuring labor safety, Vinamilk also provided health care activities for employees.

- ✓ Provided nutritious and safe meals: the used food products must have known origin and are provided by prestigious suppliers.
- ✓ Periodic medical check-up program for employees: This program is committed by the Company and regulated in the Collective Labor Agreement.
  - + Male employees: 01 time/year
  - + Female employees: 02 times/year

Moreover, in 2012, Company also held an influenza vaccine injection program for all employees.



Measurement criteria:

Criteria	Year		
	2010	2011	2012
Expenses for ensuring labor safety (VND billion)	6,95	15,96	14,37
Expenses for accident insurance, health insurance for employees (VND billion)	2,06	1,6	2,16
Expenses for health care activities	2,03	3,1	3,6
Total of labor accidents(*):	2	0	0
+Total deaths due to labor accident	0	0	0
+Total cases of being effected on labor capability	0	0	0

(\*) The cases mentioned in this report are considered serious cases where employees hadtheir labor capabilities affected and had to undergo rehabilitation to recover. For two accidents in 2010, company arranged for employees to have rehabilitation leave for 194 days.

2 . Developing a diversified labor line-up, respecting the difference and not allow discrimination

Workforce overview:

Being a corporation in the line of milk and soft drink processing and business, with nation-wide scale, labor force of Vinamilk is a consolidation of about 5,000 people of different occupations. In Vinamilk, we are consistent in the viewpoint of respect and equal treatment to people of different genders, regions and religions. Each person in whatever field or level, is given chance to show his own value and become a part of corporation’s success.



Profile of the labor force (of Vinamilk and subsidiaries):

	Năm	2010	2011	2012
Number of employees		4.510	4.564	4.853
Gender	Male	3.282 72,8%	3.354 73,5%	3.605 74,3%
	Female	1.228 27,2%	1.210 26,5%	1.248 25,7%
Categories	Manufacture- Process	1.604 35,5%	1.625 35,6%	1.703 35,1%
	Sales	391 8,7%	316 6,9%	307 6,3%
	Agricultural activities	152 3,4%	185 4,1%	235 4,8%
	The support activities (Purchasing, Account- ing, Human Resources, Administration, IT,...)	2.363 52,4%	2.438 53,4%	2.608 53,7%
Age	< 30	1.468 32,5%	1.413 31,0%	1.448 29,8%
	30 -> 40	1.902 42,2%	1.925 42,2%	2.046 42,2%
	40 -> 50	845 18,7%	923 20,2%	1.009 20,8%
	> 50	295 6,6%	303 6,6%	350 7,2%
Education level	Vocational/ work training	2.307 51,2%	2.275 49,8%	2.322 47,9%
	College	339 7,5%	357 7,8%	396 8,2%
	University	1.816 40,3%	1.879 41,2%	2.075 42,8%
	Postgraduate	48 1%	53 1,2%	60 1,1%

3 . A working relationship is established based on free will and legal compliance principle.

Establishing working relationship:

Working relationship between Vinamilk and employees are established based on free will and legal compliance principle.

- ✓ All employees’ labor contracts are established based on legal compliance principleand the requirements of job.
- ✓ All employees’ rights under Labor Law are guaranteed.
- ✓ Vinamilk absolutely does not use children labor and forced labor.
- ✓ Collective labor agreement is applied for all employees.



Labor relationship statistics and the fluctuations in a period (Vinamilk and subsidiaries):

Labor contract	Year		
	2010	2011	2012
Indefinite term	3.054	3.438	3.771
Fixed-term (1-3 years)	1.338	1.068	1.012
Under 1 year (*)	118	58	70
Rate of employees with labor contracts	100%	100%	100%
Fluctuation in employees			
New recruit:	648	442	565
Quitting (**):	305	239	229
+ Retirement	15	17	20
+ Contract termination:	290	222	209

(\*) The less than one year labor contracts are one of either:

- + Probationary contracts
- + Contracts with the employees, who have the total working months till their retirement age under 12 months.

(\*\*) In case of termination of the labor contract, the company applied the provisions of the law on notice period. Accordingly, the notice period is 30 days for a fixed-term contract and 45 days for an indefinite contract.

Labor Union

Labor Union, an organization representing the employees’ rights, is organized by Vinamilk in all working units. All employees are encouraged to participate in Labor Union.

Labor disputes acknowledging and settling mechanism

Vinamilk focuses on receiving the feedback and complaints from employees, so that the company can solve problems timely, fairly, transparently and ensure the rights of employees.

Information receiving mechanism:

The employees can send their questions and complaints through these channels:

- ✓ Human Resources Department, Administration-HR Division in their working unit.
- ✓ Labor Union in their working unit.
- ✓ Besides, Vinamilk also established an independent department to receive sensitive and serious feedbacks, complaints and denounces from employees. This can be done via the email (compliance@vinamilk.com.vn) or Compliance telephone at any time. The information should be kept confidential.

Labor disputes settling mechanism:

The mechanism of settling labor disputes is established by Vinamilk into official regulations, which are disseminated to all staffs. The settlement is done with the participation of the Labor Union, ensuring the fairness and transparency. The company Labor Reconciliation Council is set up under the law and with the participation of both of the employers’ and employees’ representatives.

4 . Recognizing and paying satisfactorily for employees’ performance

Recognizing and satisfactorily paying for the contribution of employees to the operation results of Company are always important concerns of Vinamilk. Therefore, policies on remuneration for employees are considered and adjusted periodically every year, and set on the following goals:

- ✓ Fulfilling sensible needs for living of employees.
- ✓ Making remuneration commensurate with the contribution of employees to Company’s success
- ✓ Help employees settle down to work and develop their capabilities to the best.

Remuneration policies of Vinamilk are built in reward with the value of each job. In Vinamilk, there is no difference in remuneration between male and female employees.

From 2010, Vinamilk started to evaluate each job position with Mercer methodology and carried out market survey on remuneration in fast moving consumer goods business in Vietnam market. Thus, remuneration policies are adjusted according to the market and uptrend each year.

In addition to remuneration agreed on the labor contract and other support policies, pursuant to annual business result, Vinamilk has a bonus budget for employees based on working results and contribution to the Company.

	Year	
	2011/2010	2012/2011
Increasing rate of average salary	10%	18,5%
Bonus from remuneration fund, welfare (VND billion)	284,7	445,2
Other allowances (VND billion)	47,5	55

5 . Staff development

Staff development plays an important role in creating a great working environment. A good staff development policy will be a driving force for employees to promote their capability, strengthen the bond with the Company and then make bigger contributions to the Company.

Staff development policy is implemented by Vinamilk according to 3 aspects, namely staff training- staff assessment- staff promotion.

Training

Being one of the most important activities in the Company, training activity is announced to be an official policy by Vinamilk. Besides, Vinamilk also establishes a department dedicated for staff training and development activities.

The training procedure is as follows:

Job requirements, career orientation and development → Create training plans →Implement the training plans → Post-training assessment

Training contents and methods:

Training contents and methods are defined varying from external training courses of specific knowledge to internal training courses of company rules and processes, so that the employees can do their jobs as best as they can.

Training activity indexes (these are Vinamilk's figures solely, not including its subsidiaries' figures)

Measurement criteria	Year	
	2011	2012
Training KPIs		
Number of training courses	239	240
+ Internal trainings	58	42
+ External trainings	181	198
Number of trainees	5.749	8.525
+ Staff level	5.097	7.531
+ Manager level	652	994
Training hours/ employee	31	24
KPIs about budget and expense for training activity		
+ Budget for training activity ( VND billion)	6,4	5
+ Training expense for practical use( VND Billion)	1,5	1,8
+ Rate of actual expense/budget (%)	23,9%	36,4%

The above indicators show that the implementation of training activities in 2011-2012 had not met the expectations as planned. Some main reasons are identified as follows:

- ✓ Working time affects time for training courses.
- ✓ Tentative courses are cancelled by training organizations or are not yet available in Vietnam.

As a result, Vinamilk's targets in training in the coming time are as follows:

- ✓ Improving the practicality and efficiency of training activity to the actual work.
- ✓ Mornitoring and ensuring training activities to be done timely and completely as planned.

Staff assessment

Staff assessment includes the assessment of capability and performance efficiency of the employees (Performance Appraisal-PA, Management by Objective- MBO). This aims at:

- ✓ Helping employees to self-assess their work results, figure out why they did not meet the targets and make future action plans.
- ✓ Creating the interaction and dialogue mechanism between employees and managers. The managers can give comments, advices and plans so that employees can improve their work efficiency and promote their capability.

The result of staff assessment will be an important input to:

- ✓ Consider salary increase for employees who have good performance efficiency in the year.
- ✓ Consider remuneration for employees based on their performance and the sales of the Company.
- ✓ Consider the staff promotion.
- ✓ Design training courses to improve and promote capability and performance efficiency of the employees.

Staff promotion

When looking for a candidate for a position, Vinamilk always prefers its current employees. Capability and performance efficiency are the main keys for recruitment. Opportunities are equally divided to all employees, and those factors such as gender, age and religion do not affect the choice of the Company.

Measurement criteria	Year	
	2011	2012
Number of employees promoted	38	42
Rate (%)	1,22%	0,98%

(\*) These are Vinamilk's statistics solely, not including its subsidiaries's statistics.

This is the number of employees promoted to senior officers according to the ranking system of Vinamilk:

Specialist -> Manager-> Director-> Executive Director.

6 . Develop a harmonious working culture and increase employees' satisfaction:

Develop a harmonious working culture

Having a wide variety of labour resources across the country, Vinamilk always pays attention to organize various activities so that employees can fit in with common working environment, understand the bond between individuals and the organization, and establish fine relationship with the others.

- ✓ Establishing the Code of Conducts regarding the core values that the Company expects all employees to understand, to commit and be transparent about Vinamilk's actions regarding relevant parties, of which employees are an important party.
- ✓ Organizing the events to introduce about the company, the code of conducts, and working environment for employees.
- ✓ Organizing recreational and sporting activities to promote the communication and establish the relationship among employees based on mutual respect, understanding and cooperation.

Employees' satisfaction:

As a desire for improving working environment and understanding the employees' expectations, Vinamilk conducts a periodical survey regarding all aspects of working environment.

	Year	
	2011	2012
The scope of survey	Headquarter office and 2 factories	All units
Criteria		
+ Working condition	92,80%	95,09%
+ Income	81,79%	90,11%
+ Corporate culture	93,28%	95,09%
+ Training	81,74%	83,20%

In the near future, Vinamilk will broaden their scope of employee survey to its subsidiaries.



WORKING ENVIRONMENT AND ITS IMPACT ON VINAMILK’S PARTNERS

In addition to establish a good working environment for itself, Vinamilk also encourages its partners to create good working environment for employees.

Labour service:

Apart from its current employees, Vinamilk also utilizes the labour resources being introduced by job agencies. Accordingly, in the contract with job agencies, Vinamilk requires the providers to sign contract with the employees to be working in Vinamilk, pay the social insurance premium, organize Labour Union activities and implement other policies according to Labour Law. In order to support the providers, Vinamilk agrees for the unexpected costs to be added to its service charge.

Distribution chain partners:

Regarding its distribution partners, Vinamilk requires them to commit to sign contract with the employees and implement relevant policies. Vinamilk also ensures the financial support so that distributors can ensure adequate salary and other policies for the employees.

The average number of employees	Year	
	2011	2012
Labour service	2.158	3.037
Employees work for distributors that Vinamilk provides financial support.	3.871	4.466



THE SOCIAL ACTIVITIES OF VINAMILK

In the recent years, along with contributing efforts to improve the quality of life by manufacturing valuable products, Vinamilk has been organizing many social activities, as well as charity activities, and human development programmes, especially targeting the Vietnamese children. Social activities of Vinamilk aim at:

- Developing physical and intellectual health for children.
- Supporting the poor and sick people, and others affected by natural disasters, etc.

ACTIVITIES FOR THE DEVELOPMENT OF VIETNAMESE CHILDREN

1 . “Vietnam Never Stops Growing” Milk Fund

Milk is an important source of nutrition for the development of human’s physical and intellectual health. In Vietnam, the average milk consumption per capital is still low compared to countries in the same region and the world. In particular, a lot of children are “thirsty” for milk in some poor places. Therefore, along with the goal that every Vietnamese children can drink milk every day, Vinamilk becomes the major sponsor for “Vietnam- Never Stops Growing” Milk Fund, co-sponsoring with Vietnam Children Sponsor Fund under Ministry of Labour, Invalids and Social Affairs.

“Vietnam- Never Stops Growing” Milk Fund originated from One Million Cups Of Milk Fund, established in 2008, aiming at bringing milk source to the poor children. Along with the warm welcome and support from the community, the fund’s scale developed from 1 million cups of milk to 3 million cups of milk and then 6 million cups of milk. In 2010, it was officially renamed “Vietnam- Never Stops Growing” Milk Fund. In the same year, the “Vietnam- Never Stops Growing” Milk Fund programme was honorably nominated as “1 of 10 typical programmes” of the Labour, Invalids and Social Affairs sector.

The program was implemented in the form of hand-to-hand delivery to underprivileged children in solitary and poor areas, and children in special circumstances in social welfare centers. During 5 years of operation, this Milk Fund has brought nearly 19 million cups of milk to more than 273 thousands of children across the country. The total money sponsored by Vinamilk has reached VND 69 billion. In 2012, the Fund delivered milk for 255 children welfare Center with more than 16,000 thousands of children in 42 provinces.

Via this programme, Vinamilk are proud to implement practical activities for Vietnamese children together with the community, and raise the social awareness about children. We commit to cooperate with the community for the development of the Milk Fund in the future.

Please visit our website at [www.vuoncaovietnam.com](http://www.vuoncaovietnam.com) for more details of the Milk Fund’s activities.





## 2. “Vinamilk- Nurturing young Vietnamese Talent”

The scholarship fund “VINAMILK-Nurturing young Vietnamese Talent” was established in 2003 by Vinamilk under the approval of Ministry of Education and Training. The purpose of the programme is to encourage elementary school pupils having excellent results and desire for overcoming difficulties in their study across the country.

During 10 years of operation, the “VINAMILK-Nurturing young Vietnamese Talent” fund has awarded 34 thousands of scholarships with a value of more than VND 19 billion. Besides, libraries were also built in many schools in poor areas. Up to now, 5 libraries have been established in Quang Binh, Lao Cai, Dong Thap, Dak Lak and Cu Chi provinces - HCM City.

The activities in 2011 – 2012:

- Scholarships awarded: 1000 scholarships, equivalent VND 1 Billion.
- Built 3 libraries in Dong Thap, Cu Chi and Dak Lak provinces
- Held the 2011-2012 school year contest “Vinamilk - Seeking Vietnamese talent”, targeted the elementary school pupils in 10 provinces

Vinamilk was honorably recognized by the society and the government for its great contribution and received the “For the Development of Vietnam Education” merit from the Ministry of Education and Training

## CHARITY ACTIVITIES

Key events in 2012

- Contributed VND 500 million to the fund for poor patients in order to support heart surgery for children with congenital heart problem. This is the company’s traditional activity which has lasted for more than 10 years. Up to 2012, Vinamilk has contributed more than VND 2.7 billion to support heart surgery for children
- The company supported patients suffering from unknown diseases in Quang Ngai province with VND 500 million by cooperating with the Ministry of Health to visit and provide milk and nearly 10,000 nutritional products of Vinamilk for local people.
- In 2012, by actively participating in programs for homeland islands, Vinamilk contributed 500 million VND for “For Beloved Students in Spratly Islands” program to build schools and 1.4 billion VND for “For constructing Spratly Islands” program.
- Vinamilk co-operated with the Central Vietnam Calamities Relief Fund to offer 70 rescue boats, costing 600 million VND, to voluntary teams in provinces: Binh Dinh, Thua Thien Hue, Quang Binh, Thanh Hoa, Ninh Thuan, Khanh Hoa, Phu Yen.
- Responding to the “Favour repay”, Vinamilk built up a light system powered by solar-energy in Hang Duong martyrs’ cemetery in Con Dao, worth 600 million VND.



## OPERATION AND REPORTING ORIENTATION IN THE FUTURE

Being the beginning stage of systematically managing sustainable development activities according to global standards and practice, Vinamilk’s 2012 Sustainable Development Report may have some mistakes in contents as well as limitations in measurement methods. In the future, Vinamilk will continue to satisfy more standards which are commonly accepted in making the report. Regulations and guidelines of Global Reporting Initiative (GRI) will be taken as the decisive orientation. This work will be performed in both real-life activities and reporting methods.

- ✓ Activities in each field will be inspected, assessed and improved to satisfy standards.
- ✓ The sustainable development report will be composed based on the reporting frame and requirements on standardized criteria and measurement. The comparison of satisfaction level according to each criterion will be carried out in the next report periods.







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