



VINAMILK



REACHING BEYOND THE SEA

SUSTAINABLE DEVELOPMENT REPORT 2017

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SUSTAINABLE DEVELOPMENT
REPORT 2017

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Vinamilk sets sustainable development objectives at the level of strategy and governance. We are committed to doing business responsibly and pursuit the sustainable development roadmap in accordance with the development of the world in general and Vietnam in particular.

”





OUR CEO'S MESSAGE



“

2018 is the year Vinamilk braves to change and speeds up as a leader. With the desire to bring valuable nutrition to all generations, with the aspiration to bring Vietnamese milk to all five continents, the cooperation and support of all stakeholders will be a strong and sustainable driving force for Vinamilk to reach beyond the sea.

”

Dear Shareholders and stakeholders,

In 2017, Vinamilk reached record sales of VND 51,135 billion, the market share of the whole dairy industry increased 2% compared with its in 2016 and became one of the 50 largest dairy companies in the world in terms of sales.

This is the result of unceasing effort and creativity of the Board of Management and all employees of the Company; support and cohesion of consumers; support and companionship of the Government; dedicated cooperation of suppliers and partners; and the trust of shareholders and investors. Success in approaching and responding to concerns and expectations of stakeholders, Vinamilk is continuing to get successful in the context of global change in all economic, scientific and technological, political, cultural and social aspects.

Not only achieved great achievements in terms of sales, in 2017, Vinamilk gained three milestones on the journey of sustainable development:

Firstly, **implementation of the review project of Sustainable Development Strategy**. In collaboration with PwC Vietnam, Vinamilk internally evaluated the business and compared it with the global and national sustainable development picture. It then set out a feasible road map and strategy that was eligible, aiming to integrate broader and deeper sustainable development goals into production and business.

Secondly, **promotion of transparency in information disclosure**, including financial and non-financial information, by continuing to maintain Sustainable Development Report assured by the independent appraiser.

Thirdly, **comprehensive review of the needs and expectations of stakeholders**, seeking optimal approaches and solutions to understand, integrate, and to work with stakeholders for sustainable development.

These are also three prominent issues in Vinamilk's Sustainable Development Report 2017. The report elaborates the method of strategic management and sustainable management with risk-based thinking. At the same time, it clearly outlines the directions, objectives and achievements that Vinamilk has gained during the past time. All show the determination to become a business that is not only worthy of international scale in production and business but also leading in social responsibility.

Keep consistent with the goal of bringing the highest value to the stakeholders, Vinamilk is committed:

- For Employees: growing sustainable human resources
- For Shareholders: sustainable growth
- For the Government: accompanying in creation of a rich and powerful Vietnam and a sustainable world
- For Customers: sticking for the health and joy of life
- For the Community: joining hands for a better Vietnam
- For Partners: cooperating for sustainable development

2018 is the year Vinamilk **braves to change and speeds up as a leader**. With the desire to bring valuable nutrition to all generations, with the aspiration to bring Vietnamese milk to all five continents, the cooperation and support of all stakeholders will be a strong and sustainable driving force for Vinamilk to reach beyond the sea.

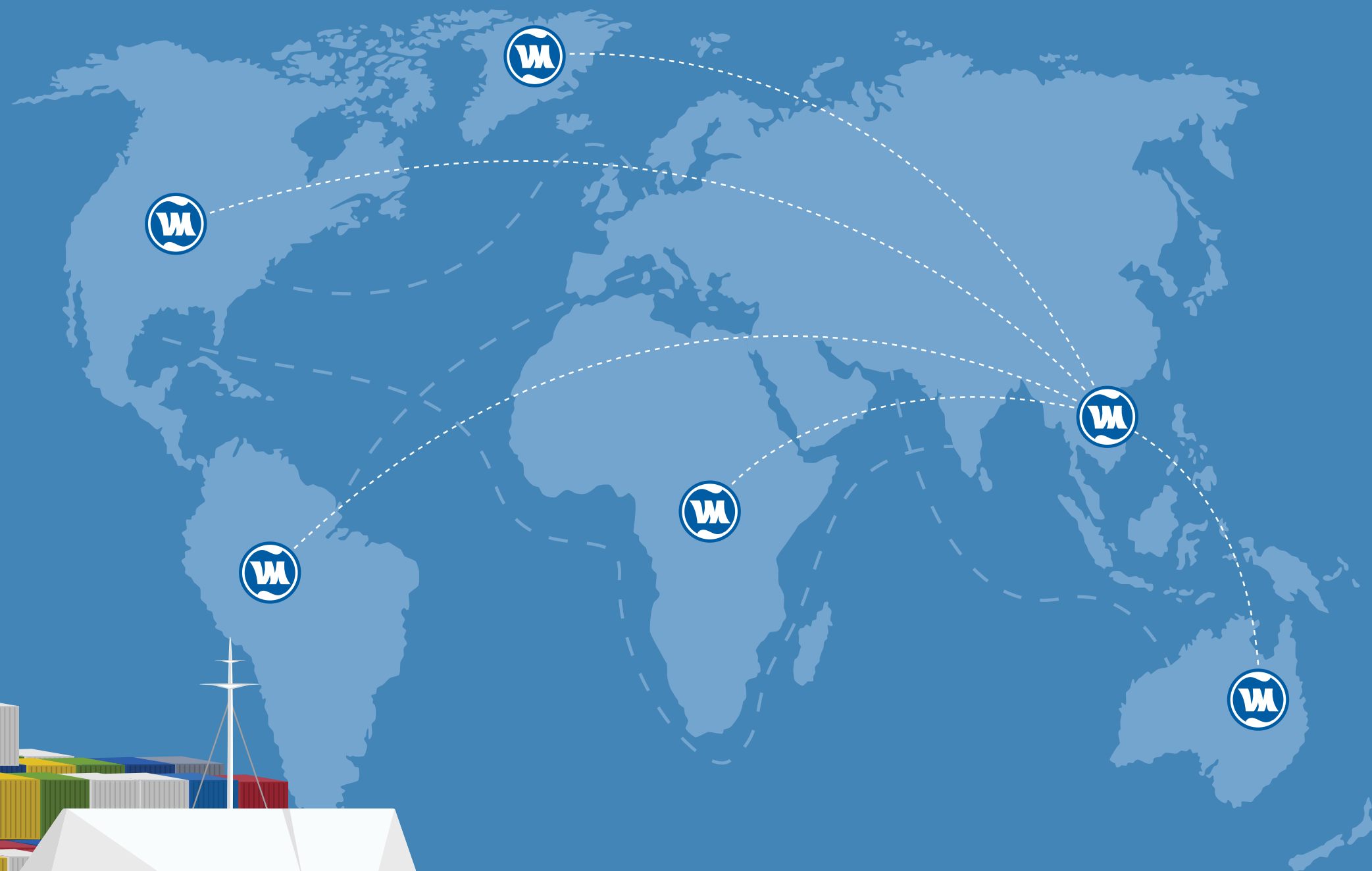
MAI KIEU LIEN
CEO





VINAMILK

Vinamilk Voyage





VIETNAM DAIRY PRODUCT JOINT STOCK COMPANY

Stock code : VNM

Vietnamese name : Công ty Cổ phần Sữa Việt Nam

Abbreviated name : Vinamilk

Charter capital : VND 14,514,534,290,000

Head office : 10 Tan Trao, Tan Phu Ward, District 7, Ho Chi Minh City

Telephone : (84-28) 54 155 555

Fax : (84-28) 54 161 226

Email : vinamilk@vinamilk.com.vn

Website : www.vinamilk.com.vn

www.vuoncaovietnam.com

www.youtube.com/user/Vinamilk

Business registration certificate and tax code: 0300588569



13

DAIRY FACTORIES SPREAD THROUGHOUT VIETNAM

46

COUNTRIES AND TERRITORIES
CONSUMING VINAMILK PRODUCTS



VINAMILK SHIP

VINAMILK SAILS THE WORLD



13

factories



10

farms



51,135

VND billion in revenue



250

products



~ 17.3

million products
consumed each day

“

2017 marked 41 years of Vinamilk's establishment and development with the bold mark in the production, business and branding reputation. So far, Vinamilk is proud to be Dairy Company No.1 in Vietnam, ranking 49th in the top 50 most profitable dairy companies in the world.

”



418

“Vietnam Dairy Dream” shops



250,651

retail points



3,250

large and small supermarkets



Shopping online on
Vinamilk eShop with
nationwide delivery



46

countries and territories
consuming Vinamilk products



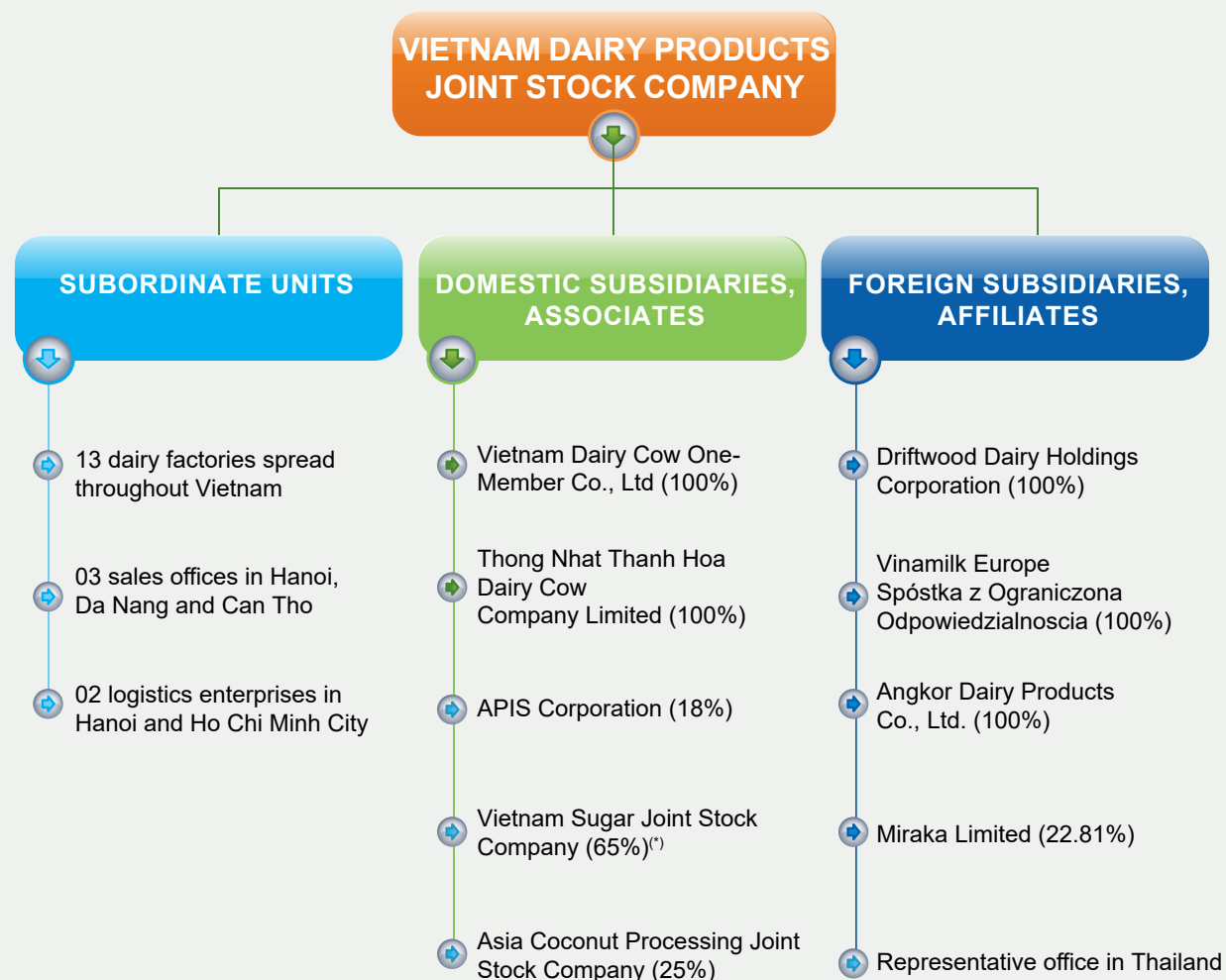
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countries and territories where
Vinamilk has production activities



VINAMILK SHIP

GROUP STRUCTURE



(*): This company was merged and became a subsidiary of Vinamilk in November 2017.





ACTIVITIES, BRANDS, PRODUCTS AND SERVICES

Vinamilk offers a wide range of products to meet the needs of all consumers with delicious and nutritious products, international standards and reasonable price range. Vinamilk brands are associated with the market leader, which are popular among consumers like: Vinamilk Organic fresh milk qualifying EU Organic standard, 100% UHT Fresh Milk, Vinamilk Yogurt, Optimum Gold powdered milk, Dielac Grow Plus powdered milk, Probi Yogurt, Ong Tho sweetened condensed milk, Southern Star condensed milk, Vfresh fruit juices, etc.

10 CATEGORIES



FRESH MILK



YOGURT



POWDERED MILK



NUTRITION POWDER



POWDERED MILK FOR ADULTS



CONDENSED MILK



BEVERAGE



ICE CREAM



CHEESE



SOYMILK



BUSINESS PHILOSOPHY



“Continuous development of production, trade and service in the areas of business activities in order for: maximizing the benefits and enhancing the Company’s value in harmony with the interests of the Shareholders; improving the living conditions, income and working environment of employees; also ensuring the interests of other stakeholders towards sustainable and responsible development.”





VISION

To become a world grade brand in food and beverage industry, where people put all their trust in nutrient and health products.

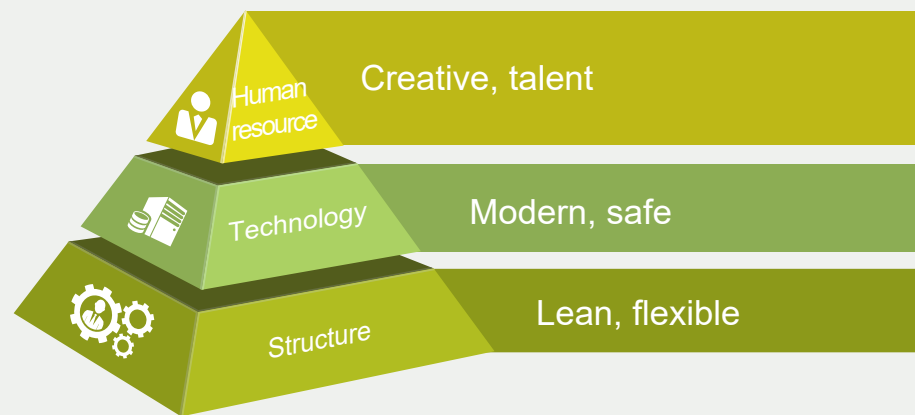


MISSION

To deliver the most valuable nutrition to community with all respect, love and responsibility.



CORE VALUES



“

In order to orient the culture, stimulate the ability to change and adapt changes in the organization, at the same time increase the motivation of all employees, and enhance the thinking and skills of the management level, the Company has formally adopted 6 sets of Cultural Principles and 7 Leadership Behaviors.

”



MANAGEMENT STRUCTURE

“

At the General Meeting of Shareholders held on 15 April 2017, Vinamilk elected nine members under the structure of the Board of Directors (BOD) for the term 2017-2021, with one third are the independent members, in charge of 3 important subcommittees: human resources, audit and remuneration.

”



Board of Directors is responsible for developing strategies and identifying business priorities of the Company; orientation and control of management; making decisions on the following key areas:

- Strategic monitoring and control of the management, selection and monitoring of CEO and senior managers;
- Holding the General Meeting of Shareholders;
- Charter capital and assets of the Company;
- Disclosing information and insuring the transparency of information.

Strategy Subcommittee will carry out the following functions and tasks:

- Identifying the development strategy, objectives, plans, as well as basic performance indicators of the Company;
- Identifying operational priorities;
- Developing dividend policy;
- Assessing the long-term effectiveness of the company's activities.

Human resources Subcommittee performs the following functions and tasks:

- Appointing/dismissing/nominating members of BOD and members of the management apparatus;
- Setting criteria for quality and competence; objective evaluation of the performance of members of BOD or members of the management apparatus;
- Developing a plan for human resource development; identifying, recruiting, training and retraining senior managers;
- Implementing other tasks assigned by BOD relating to the Company's personnel policy.

Remuneration Subcommittee performs the following functions and tasks:

- Suggesting remuneration policy (salary and other benefits) for the members of BOD, and the management apparatus;
- Proposing remuneration limits for members of BOD, and the management apparatus; setting up evaluation criteria related to rewarding activities of the management apparatus; objectively assessing the size and structure of salary, bonus and other benefits of each member of BOD and the management apparatus;
- Implementing other tasks assigned by BOD relating to the company's remuneration policy.

Audit Subcommittee performs the following functions and tasks:

- Supervising the functions of the Independent Auditor; assessment of independence and the appointment/dismissal of the Independent Auditor; reviewing the scope and results of the audit and cost effectiveness;
- Supervising the application of accounting standards; reviewing the materiality and evaluations in financial statements;
- Supervising the application of consolidated financial statements of subsidiaries;
- Evaluating the accuracy and completeness of the financial information before disclosure;
- Supervising the risk management of the company;
- Considering the adequacy, appropriateness and effectiveness of the internal audit activities.
- Implementing other tasks assigned by BOD relating to the audit function in the Company.



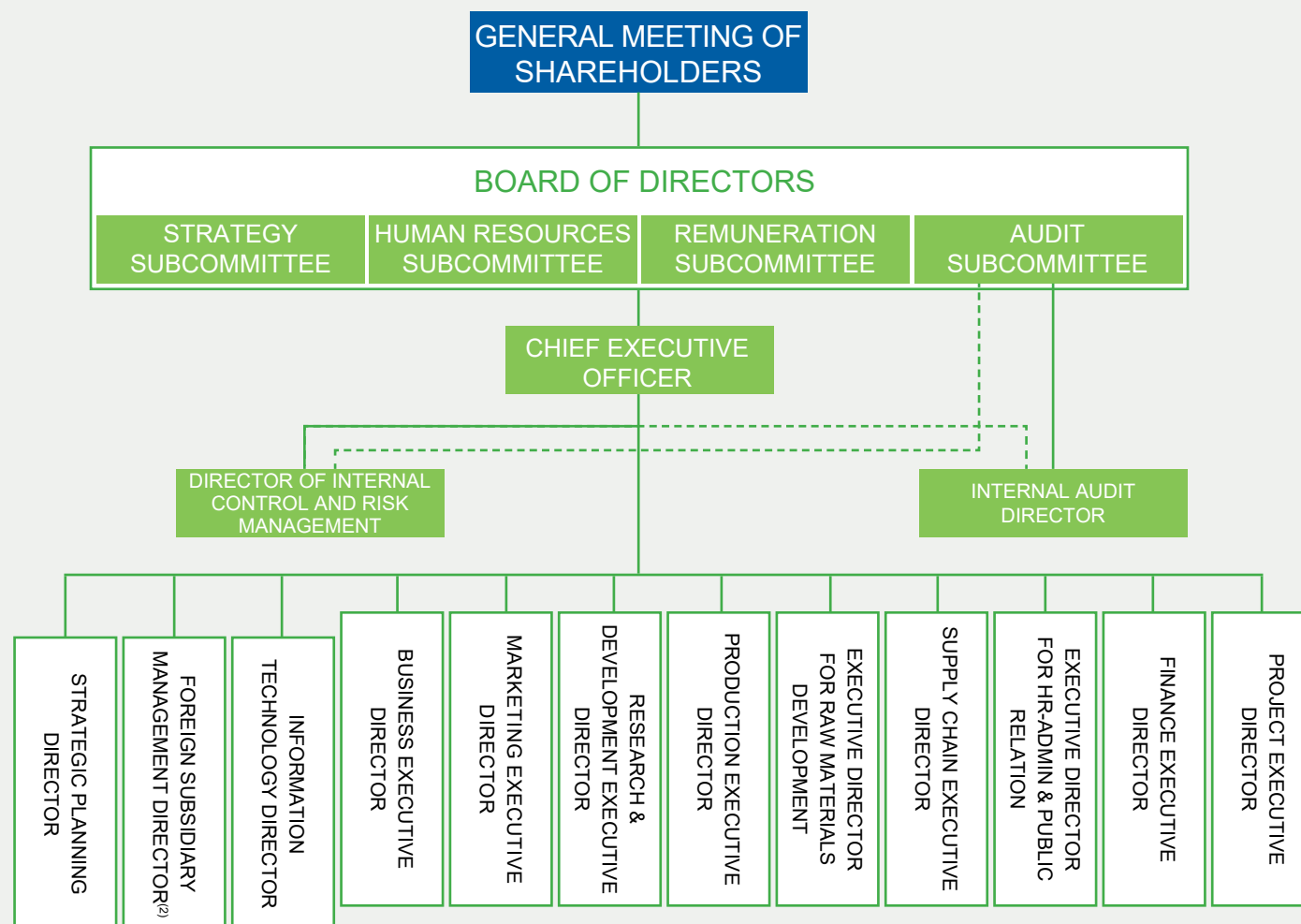
MANAGEMENT STRUCTURE



“

In order to operate the management, Vinamilk builds the Company's structure in a concentrated and unified manner from the top down. Duties and powers are assigned to each department, each level, clearly and thoroughly from the BOD to the Executive Committees, managers and staff.

”



⁽¹⁾ Project Department has ended operations since 01 March 2018

⁽²⁾ Foreign subsidiary management department has been moved under Business Department since 01 March 2018

Roles and responsibility of highest management level in setting goals, values and strategies

BOARD OF DIRECTORS

To make decision on the plan for development of production and business and annual budget;

To identify operational objectives on the basis of the strategic objectives approved by the General Meeting of Shareholders;

To decide the Company's organizational structure;

CHIEF EXECUTIVE OFFICER

To organize the implementation of decisions of the Board of Directors and the General Meeting of Shareholders;

To organize and run the daily production and business activities of the Company in accordance with the best management practices;

To establish and implement a detailed business plan for the next financial year on the basis of meeting the requirements of the appropriate budget;

To propose measures to improve the operation and management of the Company;

To manage the day-to-day business of the Company in accordance with the provisions of Law, this Charter and the Company's regulations issued by the Board of Directors, resolutions of the Board of Directors, and labor contract signed with the Company;

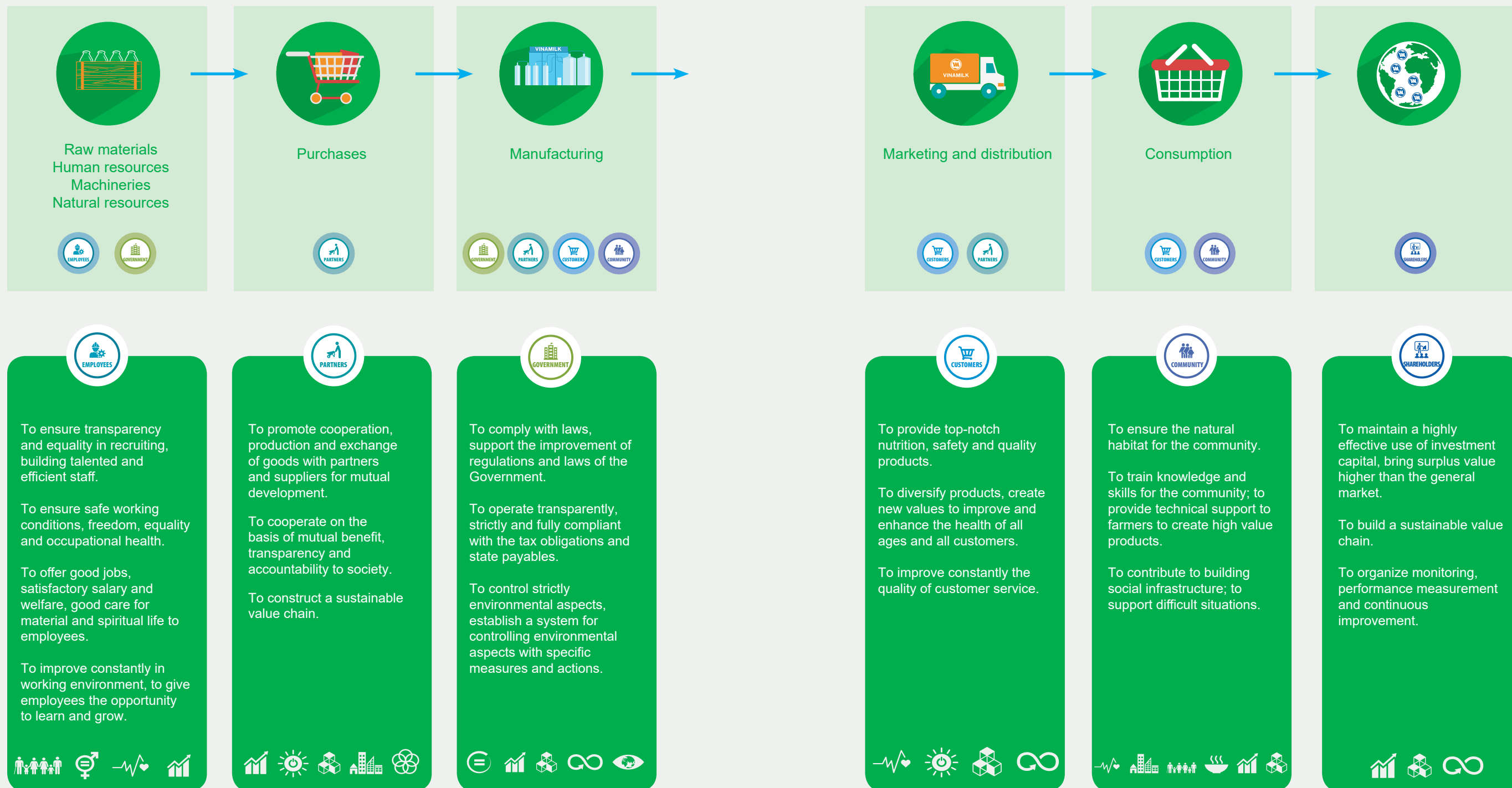
To report to the Board of Directors and Shareholders. To be responsible to the Board of Directors and the General Meeting of Shareholders for the performance of assigned duties and powers and shall report to these bodies upon request.

MANAGING DIRECTORS

To perform duties as assigned and authorized by the Chief Executive Officer;

To take responsibility to the Chief Executive Officer, the Board of Directors and the Law for the scope of work assigned and authorized.

SUSTAINABLE VALUE CHAIN



ACHIEVEMENTS IN 2017

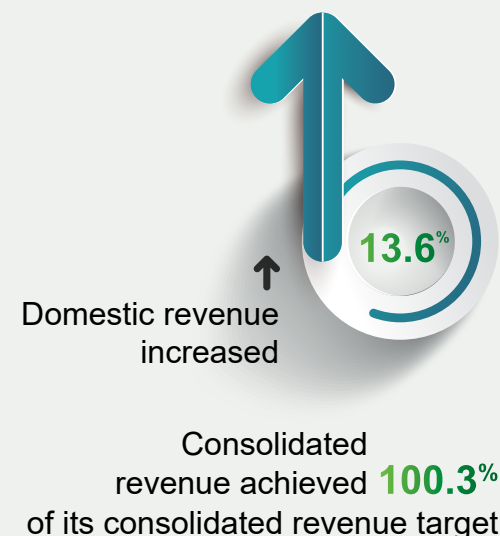
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2017 is a challenging year when the domestic and foreign markets are in strong fluctuation. The competition has been fiercer, the price of raw materials has increased, the situation of export has been reduced due to the impact of political instability in the Middle East and the World...

”



In that context, sticking to BOD's direction and the business plan, with timely changes, flexibility in product development strategy, business market strategy, quickly building a more appropriate distribution network, transforming resources into more efficient sales channels in the domestic segment, etc. in order to bring the business to the right track, Vinamilk has completed all targets of revenue, profit and market share growth set out by the Board of Directors and General Assembly of Shareholders in 2017. Specifically, Vinamilk achieved 100.3% of its consolidated revenue target (of which domestic sales increased 13.6% and exports decreased 23%) and reached 105.6% of the consolidated post-tax profit target, the market share of the whole dairy industry increased by 2% compared to the target of 1% increase and is continuing to maintain the leading position in the national dairy market.



Maintain the number 1 position in Vietnam dairy market

ON RISK MANAGEMENT

2017 was the year marking the start of the new development of the Company, in the direction of the Strategy for the period 2017 - 2021 and also the first year the Company operates under the new management model with the establishment of the BOD's Audit Subcommittee in replacement for the model with the Board of Supervisors. Risk management has thus changed to fit the new paradigm and has been increasingly integrated into specific operations, particularly the integrated orientation of risk management which becomes an important part of quality management system across the Company.

Change in Risk Management Structure

In the new model, the Audit Subcommittee is established and assumed the role instead of the former Risk Management Subcommittee and the Board of Supervisors, including management of internal auditing and internal control systems and risk management. This risk management structure changes in accordance with the change of the Company's management model from having the Board of Supervisors to the absence of Board of Supervisors, the main operational direction and control through the Board of Directors.

Implementation of the risk management system for subsidiaries

In 2017, Vinamilk's subsidiaries also set up an integrated risk management system based on ISO 9001: 2015, risk-based thinking. In addition to the risks reported periodically in Vinamilk's risk portfolio, subsidiaries also track individual, specific risks. These risks are monitored and deployed to smaller levels, from Company to Farmers, Working Groups.

ON OPERATION PROCESS

Integrated risk management into operations

Following the development trend of company management and operational processes, management systems will increasingly be integrated to standardize and unify throughout the Company. The risk management system is no exception. Standard ISO 9001: 2015 also requires risk-based thinking, so the risk management system in accordance with ISO 31000 standard that Vinamilk is applying is also reviewed and integrated into the common system in the planning, implementation and monitoring.

More specifically:

- Targeting is considered based on assumptions and risks to ensure a challenging, viable and effective goal. Risks are also identified at the same time for timely management, assigning appropriate managers to increase the ability to accomplish goals.
- Processes of operation, control when established and changed are considered based on the risk factors and the level of risk to be managed.
- The self-assessment and review of controls is carried out periodically by the persons who exercise control, to ensure that the risks are monitored, and that controls are effective.



ACHIEVEMENTS IN 2017

OUTSTANDING HIGHLIGHTS



Vinamilk inaugurated Organic Da Lat dairy farm - the first organic farm qualifying EU standards in Vietnam.



Milestone of 5-year journey of the One million trees for Vietnam Fund: with more than 400,000 trees planted in more than 20 provinces and cities.



Milestone of 10 years of milking journey of the Stand Tall Vietnam Milk Fund. So far, Vinamilk has donated 31.5 million cups of milk valued nearly VND 130 billion to approximately 400,000 children in Vietnam.



Vinamilk signed the strategic partnership "Pioneer application of advanced probiotic strains in Vinamilk milk products" with Chr. Hansen (Denmark).



The School Milk Program marks the 10th anniversary of Vinamilk's pioneer and companion, with a total budget of VND 100 billion, equivalent to nearly 40 million milk cans for 500,000 pre-school, primary children nationwide.



Vinamilk products always accompany the major events of the country, especially the conference series in the Asia Pacific Economic Cooperation (APEC 2017).



On 28 November 2017, Vinamilk officially entered the sugar industry, with the introduction of Vietnam Sugar Joint Stock Company (Vietsugar), opening a new direction for the sugar industry of Vietnam.



ACHIEVEMENTS IN 2017

NUMBER 1 BRAND IN VIETNAM

MAJOR HONORS AND PRIZES

NAME OF AWARD	AWARDER	DATE OF PUBLICATION	CONTENT
AWARDS OF THE REGION AND THE WORLD			
Global 2000 - List of 2000 largest global listed companies	Forbes	05/2017	Vinamilk - Vietnam's only fast moving consumer goods company listed on list of the world's 2,000 largest public companies, with revenue of USD 2.1 billion and capitalization of USD 9.1 billion.
Nikkei Asia 300 - 300 Best Businesses in Asia	Nikkei Asia	06/2017	Vinamilk is the only Vietnamese representative, and the only company in the Asian food and beverage sector (F&B) to be in the top 10 most efficient business enterprises in Asia.
Top 10 Most Promising Advertisements in the Asia-Pacific Region	Youtube	09/2017	Advertisement of Vinamilk milk powder brand Dielac Alpha with the name: "The secret of raising children with comprehensive development" - "His wife" version, leading the Asia-Pacific region's Youtube ad ranking, it demonstrates the explosive creativity of the executives and the strong appeal of the Vinamilk brand.
AWARDS IN VIETNAM			
High quality Vietnam goods 2017	Business Association of High Quality Vietnamese Goods	03/2018	Vinamilk - the only dairy brand in 21 consecutive years has received the award of high quality Vietnamese goods voted by consumers.
Top 100 best workplaces in Vietnam	Anphabe	03/2017	Vinamilk is secondly ranked in the top 100 best working places in Vietnam for 3 consecutive years. According to the survey, Vinamilk is in the top on three categories: Leadership and Management, Quality of Work and Life, Corporate Reputation. In addition, Vinamilk is one of the five companies that received the Best Employer Brand Award for the Generation Y (people being born in the 1980s and early 1990s), demonstrating strong internal strength and dynamic working environment attractive to young, creative resources.
Favorite Employers 2016	CareerBuilder Vietnam	03/2017	Vinamilk surpassed 199 enterprises to be in top of "2016 Favorite Employers" announced by the employment and recruitment network - CareerBuilder Vietnam.

NAME OF AWARD	AWARDER	DATE OF PUBLICATION	CONTENT
Top Brands 2016	Vietnam Economics Times	04/2017	Vinamilk is in the top five leading brands of Vietnam, voted by the Vietnam Economic Times. This is an award recognizing the efforts of the most efficient and active businesses in the national economy.
Brand No.1 in Vietnam - Brand Footprint	Kantar World Panel	05/2017	Vinamilk in 3 consecutive years is the "Brand No.1" most selected in Vietnam. This shows that Vinamilk's "brand footprint" in the minds of Vietnamese consumers is still being maintained and continuously grown.
Top "50 Most Effective Business Companies in Vietnam"	Investment bridge	06/2017	Vinamilk continues to be ranked in the Top 50 most effective companies in Vietnam in 2016 voted by Investment Bridge magazine. Especially, Vinamilk has won this prestigious award for 6 consecutive years.
Top "40 most valuable brands in Vietnam" - Forbes Vietnam	Forbes Vietnam	07/2017	Vinamilk leads the list of 40 most valuable brand names in Vietnam, with a brand value of over USD 1.7 billion, accounting for over 30% of total USD 5.4 billion of 40 brands.
100% Vinamilk fresh milk is the market leader in Vietnam	Nielsen	10/2017	According to the latest information from Nielsen Vietnam Co. Ltd, Vietnam Dairy Products Joint Stock Company's 100% Vinamilk fresh milk product is the leader in both productivity and sales in the fresh milk brand segment from 2015 to July, 2017.
Top 10 prestigious food and beverage companies in Vietnam in 2017	Vietnam Report	10/2017	Vinamilk is the most reputable food company in Vietnam and in Top 10 Prestigious Listed Companies in 2017.
Top 10 Prestigious Listed Companies	Vietnam Report	12/2017	Vinamilk leads the Top 10 prestigious listed companies in 2017 disclosed by the Vietnam Report. This is the third consecutive year Vinamilk has been voted as a leader with the highest rate of choice.



TARGET AND ACTION STRATEGY TO 2021



Sustainably pioneering, speeding up as a leader is the motto throughout the voyage beyond the sea of Vinamilk.

1

To maintain the No. 1 position in Vietnam market and aim to be in **Top 30** largest dairy companies in the world in terms of sales, Vinamilk identified its development strategy including:

TARGETS ON REVENUE AND GROWTH RATE

Total target revenue to 2021 is VND 80,000 billion; of which, domestic revenue is VND 61,000 billion (accounting for 75%), turnover in overseas markets is VND 19,000 billion.

Annual average growth rate of domestic sales: 10%/year, equal to or higher than the average growth rate of the market.

Growth of total market share: 1% per annum on average.

INCREASES IN INVESTMENT AND PRODUCTION CAPACITY

Investment of VND 17,000 billion in improving production capacity and Vinamilk farms;

Vinamilk's average production capacity will increase to 2.8 million tons per annum by 2021, an increase of 70% over the average capacity in 2016;

As of 2021, total number of cows on Vinamilk farms is expected to reach 44,400. The amount of milk collected from Vinamilk farms reaches 157,000 tons, and milk from farmers reaches 251,000 tons.



TECHNOLOGY INVESTMENT AND CORE PRODUCT DEVELOPMENT

Continuing research and development of new products for the purpose of innovation and diversification of product portfolio on the basis of consistent with consumer tastes and needs of customers.

MAXIMIZING THE POTENTIAL OF DOMESTIC MARKET

Prioritizing in exploiting the domestic market with great potential for expanding.

Focusing on rural markets with the current

consumption of dairy products accounted for only 50% of urban dairy consumption, while the share of urban/rural population is presently at 35%/65%.

MARKET SEGMENTATION AND PRODUCT POSITIONING

Promoting the focus on middle and high-end product segments with added value in urban areas, continuing to penetrate and cover rural areas with popular product lines.

BRANDING AND MARKET EXPANSION

Getting ready for merger and acquisition activities (M&A) and extending strong partnerships with partners in all three directions of horizontal integration, vertical integration and integration.

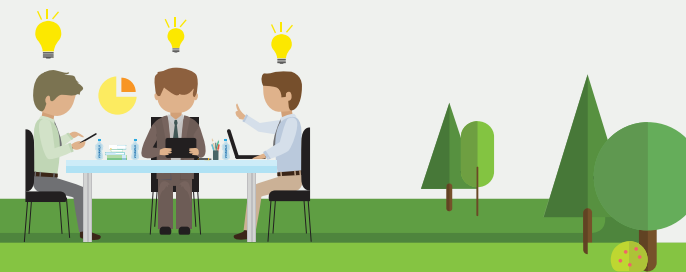
Prioritizing to seek M&A opportunities with dairy companies in other countries for the purpose of expanding the market and increasing sales.

Actively building brand image by implementing advertising strategies through the media; at the same time, committing to make high investment in all stages, especially the advantages of distribution network, marketing and human resources.


80,000
VND billion
target revenue in 2021



TARGET AND ACTION STRATEGY TO 2021



“ Basing on the forecast of domestic and international macro-economic situation, development trend and strategic direction of the Company, Board of Management (BOM) has set specific orientations and targets for each functional activity in 2018. ”

RESEARCH AND DEVELOPMENT (R&D)

To continue investing in developing R&D activities in line with world trends; to focus on developing organic food and apply Biotechnology to aim to become a symbol of Vietnam's leading belief in nutrition and health products for human life.

To prioritize the healthy criteria and focus on product development specifically for the elderly, patients and children.



MARKETING - BUSINESS ACTIVITIES

Domestic

To continue leading in product innovation and new product development in all key industries, remaining No. 1 position and leading in new trends.

To raise marketing activities to create higher value.

To continue implementing the restructuring program and strengthen the capacity of the distributor system; drastic and timely implementation of many activities to increase the competitiveness in the market.

To closely collaborating business and marketing in order to effectively and productively carry out the product launch and re-launch programs.

Export

To continue expanding key potential markets.

To flexibly access and promote various types of business cooperation with international partners.

PRODUCTION, SUPPLY AND LOGISTICS

To implement projects to upgrade and expand existing plants and invest in new plants in accordance with the planned strategic investment.

To encourage and apply broadly effective solutions to optimize the overall cost of production and ensure sustainable development.

To continuously implement strategic supplier/partner planning and collaboration. To establish a standard system in supplier assessment to ensure both efficiency and product safety and towards sustainable development.

To optimize supply and distribution lines, increase delivery rates on time, and deliver quality service.

DEVELOPMENT OF RAW MATERIAL

To carry out the upgrading and construction of new planned farms that integrate sustainable development requirements and adaptation to climate change.

To standardize the system of machinery and equipment according to the application of advanced technology of the world that is suitable with the climate conditions of farming in Vietnam.

To expand and upgrade the contingent of highly qualified veterinary engineers and steps up the level of advanced countries in the world.

SUPPORT ACTIVITIES

Finance

To focus on enhancing the diversity, usefulness,

completeness of management reports and forecasts, assessing appraisal of new investment projects, expansive investment and evaluating post-investment efficiency.

To strengthen the management and control of costs.

To continue to apply the ERP management system for foreign subsidiaries, aiming to synchronize data information across the group.

Internal control

To keep improving LEAN-oriented internal control system and effectively integrate information technology applications to automate/ digitize manual operations to enhance competitive advantage.

Human Resources - External Relations

To strengthen external activities, organizational activities for the community to communicate in order to improve the reputation of the Company and the employer brand that improves competitiveness in business and attracts talent.



Vinamilk
Sustainable development
to outreach



SUSTAINABLE DEVELOPMENT AND GLOBAL CHANGE



GLOBAL CONTEXT

What is a sustainable world?

How can we do it?

What role does the enterprise play in securing progress towards such a world?

These are the three main issues raised by the 2050 Vision, an agenda that the World Business Council for Sustainable Development (WBCSD) sets out to envision the future of a sustainable world by 2050, as well as the business opportunities that this vision opens.

Along with the development of economy, advanced progress in science and technology, strong changes in politics, economy, culture and society, Sustainable Development, especially “**green economy**” has become the focus of forums and countries around the world.

According to the report “Better Business, Better World - Sustainable Business Opportunities in Asia” by the Business and Sustainable Development Commission, by 2030, in addition to the social benefits and the environment, sustainable development can create a USD 5 trillion market for the region and bring in 230 million new jobs, equivalent to 12% of the total workforce here.

- The world population will increase by 30%, or around 9 billion by 2050. For businesses, this growth will create billions of new consumers.
- The continuous development of science and technology, especially the industrial revolution 4.0.

New opportunities are always associated with new challenges, specifically:

- Political instability in countries
- Explosion of population is also causing lots of threats to food security on a global scale.
- Climate change, exhaustion of natural resources, or extreme climatic events.
- Pollution of water, air and land caused by waste from production and business activities
- Actions to reduce carbon in the world.

In the face of these challenges and opportunities, the responsibilities of the stakeholders for the mission and goals of sustainable development are becoming clearer and more urgent.

For the nations, the greatest task is to portray the picture of a sustainable country, with its practical programs, directions and strategic goals, in order to connect and create a global image of a sustainable world.

For businesses, the biggest task is to connect and integrate into the global scene of sustainability; to join hands and accompany the nation in the implementation of programs and orientations; to accelerate and ensure the achievement of sustainable development goals.

17 Sustainable Development Goals and Dairy Industry Sustainability Framework

The Sustainable Development Goals (SDGs) include 17 goals and 169 indicators that help countries identify progress in international development on economic, environmental and social aspects. Launched in September 2015 at the United Nations (UN) Summit, SDGs promoted by the UN with the belief in “**a comprehensive and transparent inter-governmental process for all stakeholders**”.

Meanwhile, the Dairy Industry Sustainability Framework (DSF) is a global collaborative project, involving a wide range of dairy stakeholders from around the world. It provides a mechanism for organizations throughout the milk supply chain to establish a network and link their existing sustainability activities with other similar organizations in a globally recognized, collaborative way.

Towards 17 United Nations' Sustainable Development Goals (SDGs), applying the Dairy Industry Sustainability Framework in the Company's



chain of operations, thus orient the enterprise's long-term goals, strategies and actions which are the solid foundation of dairy enterprises, including Vinamilk.



THE DAIRY SUSTAINABILITY FRAMEWORK: REPRESENTING THE UN'S SUSTAINABLE DEVELOPMENT GOALS IN THE DAIRY SECTOR*

Criteria

The DSF reports on the dairy industry's performance using the following 11 criteria:

Economic

- Rural economies
- Market development

Social

- Working conditions
- Product safety and quality
- Animal care

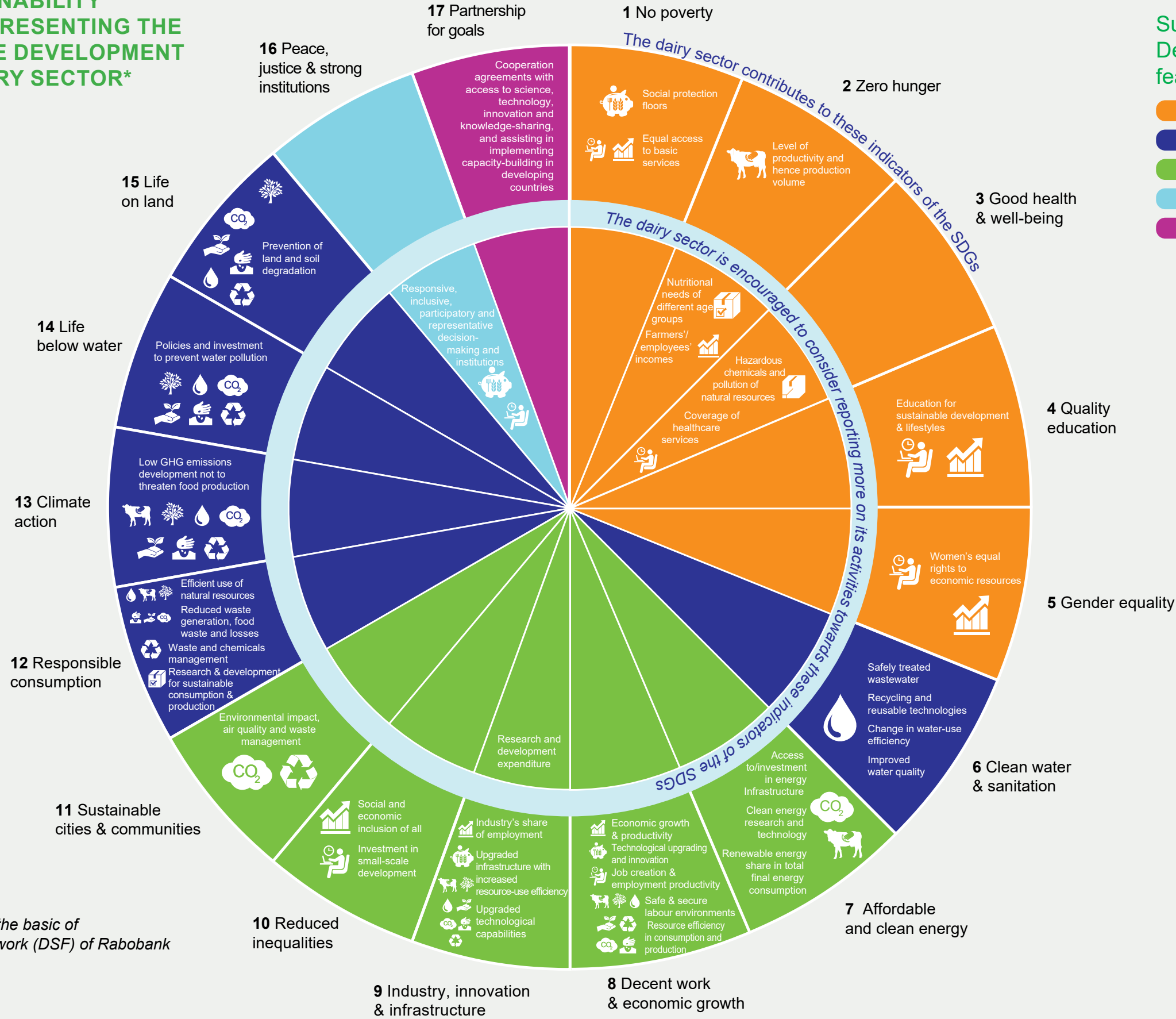
Environmental

- Biodiversity
- Waste
- Water
- Greenhouse gas emissions
- Soil
- Soil nutrients

* This framework is set on the basis of Dairy Sustainability Framework (DSF) of Rabobank

Sustainable Development Goals featured 5 Ps

- People
- Planet
- Prosperity
- Peace
- Partnership





SUSTAINABLE DEVELOPMENT AND GLOBAL CHANGE



BACKGROUND OF VIETNAM

After more than 30 years of renovation, the face of the country has changed day by day: high economic growth rate, increasingly modern infrastructure, improved people's living standard, average income per capita increased.

Not out of the general movement of the world, Vietnam also determines that sustainable development is a strategic and long-term goal. Towards prosperity coupled with environmental protection, on the platform of technological innovation through the revolution 4.0, the key solutions that Vietnam focuses on include:

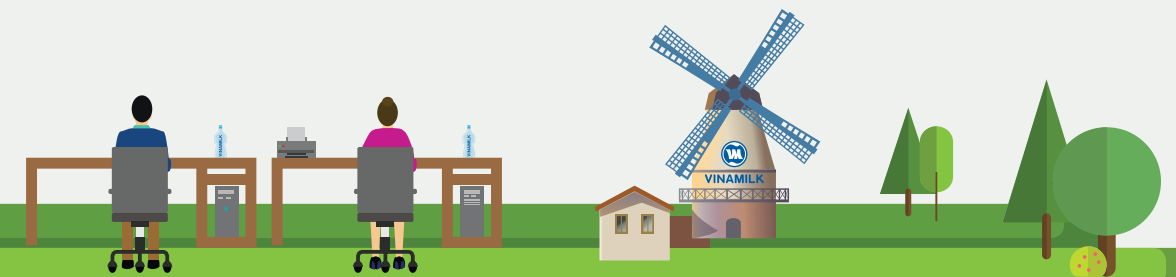
- Establishing institutions, laws, mechanisms, policies and environment
- Creating favorable conditions for the market economy to operate fully, smoothly, effectively and integrate into the international market;
- Creating a fair business environment, stepping up the restructuring of state enterprises,
- Strongly developing the private sector, selectively attracting foreign direct investment; developing the capacity of innovation and creativity; promoting the growth poles, improving the regional and urban economic efficiency;
- Ensuring equity and social inclusion as well as sustainable development of the environment and adaptation to climate change.

(According to Minister Nguyen Chi Dung - Minister of Planning and Investment of Vietnam).

To concretize such centered solutions, Decision No. 622/QĐ-TTg on promulgating national action plan for implementing the 2030 agenda for sustainable development, issued on 10 May 2017, detailing the objectives, accompanying 17 SDGs of the United Nations. Accordingly, a road map with specific plans and objectives and action programs has been set up as a clear premise and orientation for enterprises, organizations and individuals to implement sustainable development.



NEEDS AND EXPECTATIONS OF STAKEHOLDERS



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In addition to grasping international trends and understanding the context and national action program, engaging and capturing the needs and expectations of stakeholders is an important piece of work that helps the picture of organizational context become complete.

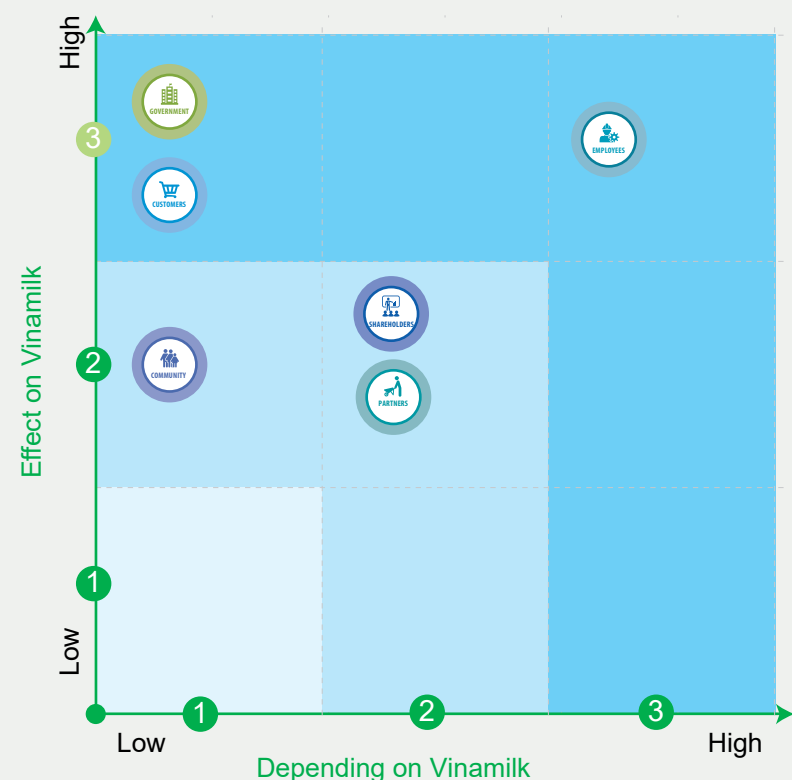
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Stakeholder engagement is the foundation for establishing a development orientation and building trust in a mutually reinforcing relationship based on mutual respect and cooperation.

To identify and understand the organizational context, as well as the needs and expectations



of stakeholders, Vinamilk has implemented the advanced ISO 9001: 2015 in conjunction with the Global Sustainability Practice. Vinamilk's stakeholder engagement is carried out on an annual basis with continuous improvement measures on the basis of effective interaction, constant improvement of value and benefits to stakeholders.

KEY STAKEHOLDERS OF VINAMILK



APPROACHES FOR STAKEHOLDER ENGAGEMENT

Vinamilk's primary and important objective is to create long-term value for stakeholders. To achieve that goal, Vinamilk understands the importance of maintaining effective interaction and dialogue with the parties, based on trust, transparency and enhancement of corporate ethics.

STAKE-HOLDERS	APPROACH	DONE IN 2017
 SHAREHOLDERS	<ul style="list-style-type: none"> Meet and consult directly through the General Assembly of Shareholders. Collect shareholder comments in writing. Directly exchange major shareholders through investment projects. Investigate shareholders opinion on key areas by online survey tool. 	<p>In 2017, Vinamilk conducted a survey on 09 shareholders/strategic investors. 7/9 shareholders/ investors assess the relationship of Vinamilk with shareholders and investors is good or very good.</p> <p>No shareholders/investors do not appreciate the relationship with Vinamilk.</p>
 EMPLOYEES	<ul style="list-style-type: none"> Survey all employees on the working environment: salaries, bonuses and welfare, work, superiors, colleagues, training and development opportunities. Internal notifications. Annual training and conferences Disseminate and raise awareness on sustainable development through training, updating knowledge 	<p>In 2017, Vinamilk collaborated with the Independence Assurance Unit - PwC to conduct seminars/talks with senior and middle managers on sustainable development at Vinamilk, and look for opportunities to improve awareness and action to practice sustainable development more effectively.</p>



NEEDS AND EXPECTATIONS OF STAKEHOLDERS

STAKE-HOLDERS	APPROACH	DONE IN 2017
GOVERNMENT	<ul style="list-style-type: none"> Actively participate and contribute ideas at conferences and seminars organized by the State. Pioneer in updating and applying new policies/regulations promulgated by the State. Proactively recommend and comment on legal documents, actively interacts with government to improve the legal system. 	<p>Giving some remarkable suggestions and comments in:</p> <ul style="list-style-type: none"> Promoting commercial cooperation between Vietnam and Myanmar Managing public companies Completing the standards, conditions of dairy products from Vietnam exporting to China Using and recycling organic cow dung in agricultural manufacturing ... <p>See further details of these recommendations on page 98</p>
PARTNERS	<ul style="list-style-type: none"> Meet and talk directly with the purchasing department and service user. Evaluate supplier and track supply process. Exchange through training programs for farmers. 	<p>Especially in 2017, Vinamilk implemented sustainable development criteria to evaluate suppliers. Including the main criteria:</p> <ul style="list-style-type: none"> Safe and quality goods Environmental protection Occupational safety and health Suppliers' social responsibility <p>At the same time, supplement the terms of commitment to sustainable development into economic contracts with a number of major suppliers.</p>

STAKE-HOLDERS	APPROACH	DONE IN 2017
COMMUNITY	<ul style="list-style-type: none"> Organize events in many provinces and cities nationwide. Coordinate with local authorities Disseminate and raise awareness on sustainable development through propaganda and promotion of Vinamilk programs and activities. 	<p>In 2017, Vinamilk continued to implement many meaningful programs for the community:</p> <ul style="list-style-type: none"> 1 million trees fund - greening the country, preserving nature for future generations Stand Tall Vietnam Milk Fund, School Milk Program - nurturing intellectual, tall, healthy future generations. Nutrition and health care counseling program for all ages: small children, pregnant women, elderly people, etc. Programs to share the pain of the Community: donating blood, walking for the community, gratituding for the honored, helping the flood victims, etc.
CUSTOMERS	<ul style="list-style-type: none"> Collect information from salesman/distributors. Support customer online and hotline. Survey the tastes of expert organizations. Survey and evaluate customer satisfaction. Disseminate and raise awareness on sustainable development through the use of environmentally-friendly products. Update and disseminate information on sustainable consumption on websites. 	<p>Results of survey and customer satisfaction assessment.</p> <p>Domestic:</p> <ul style="list-style-type: none"> 99% of customers are satisfied with the speed and quality of delivery; 98% are satisfied with customer service. <p>International:</p> <ul style="list-style-type: none"> 11/11 top foreign customers are satisfied with the quality of products as well as the quality of Vinamilk's customer service.

NEEDS AND EXPECTATIONS OF STAKEHOLDERS



MAJOR CONCERNS OF STAKEHOLDERS

SHAREHOLDERS

- Effectiveness of using investment capital
- Information transparency
- Assurance of investor interests
- Market value of the stock and the value of the business
- Good corporate governance capacity

EMPLOYEES

- Safe, free, non-discriminatory working environment
- Good welfare and good working policy
- Opportunities for training and promotion
- Achievements and contributions recorded

GOVERNMENT

- Compliance with law
- Contribution to the State budget
- Responsible implementation of business production
- Implementation and support of the State's policies

PARTNERS

- Cooperation for development
- Practicing energy saving, efficient production
- Purchasing raw milk at reasonable prices, stable demand

COMMUNITY

- Contribution to the community
- Support of basic living conditions for local people
- Construction of local facilities
- Livestock production, production and business activities in a responsible manner, and protection of the living environment

CUSTOMERS

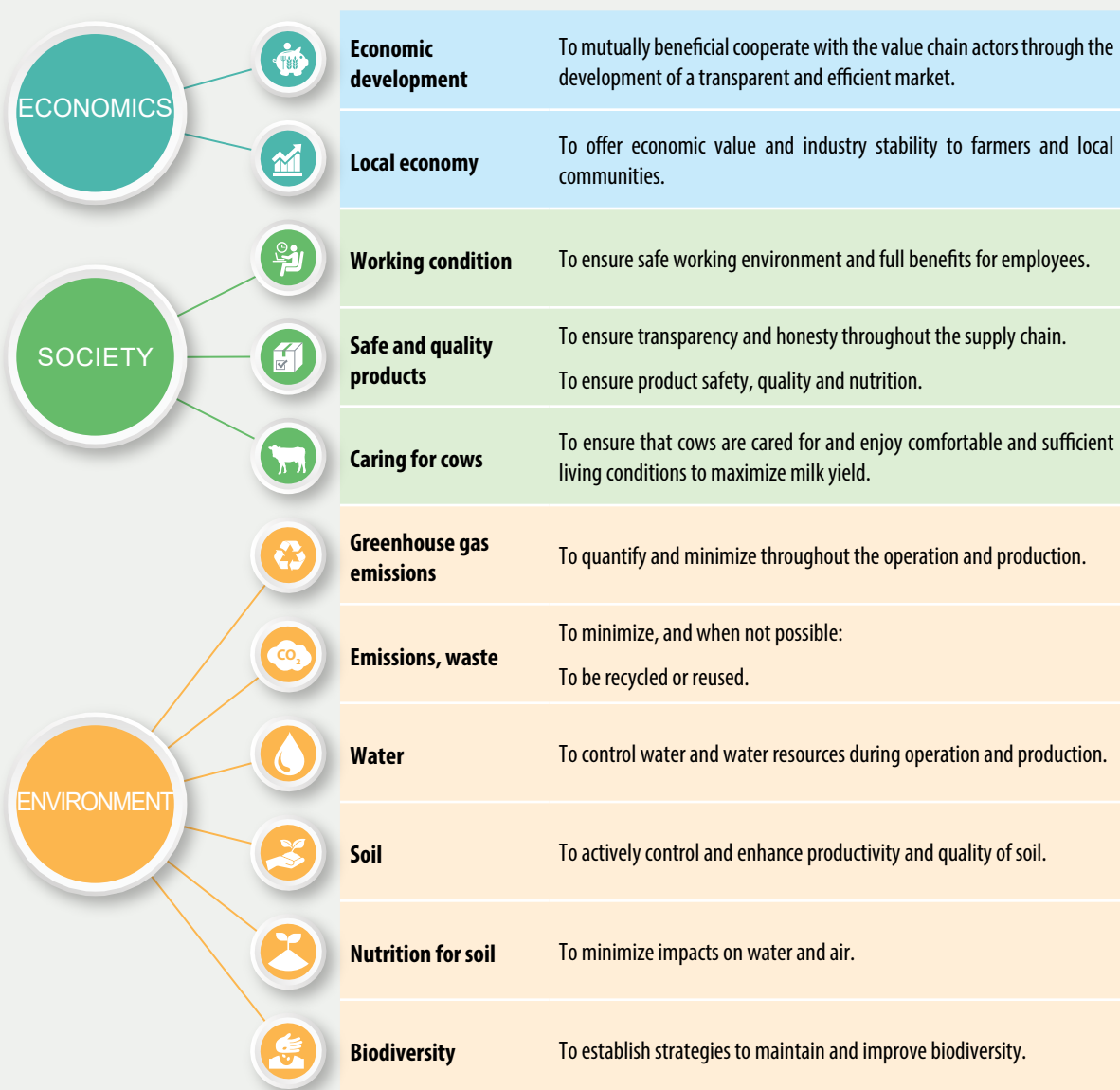
- Product with quality, safety, high nutritional value
- A diversified product portfolio that meet the needs of different groups of customers
- Products made at prices affordable, accessible to all customers
- Transparent, reliable information
- Good customer service



MATERIAL CRITERIA AT VINAMILK

BASIS OF SELECTION

Understanding the organizational context in sustainable development, in combination with the dairy sustainability framework, Vinamilk offers a selection of key issues for its goals and strategies for sustainable development. These material criteria are classified into 03 major sections: Economics, Environment and Society.



MATERIALITY AND SUBJECT RANGES

From the current approaches with stakeholders, combining careful consideration of the impact of each of these areas on Vinamilk's operations, we provide an assessment of the key areas as follows:



VINAMILK GREEN STRATEGY AND TARGET

“

Vinamilk builds the Company's structure in a concentrated and unified manner from the top down. Duties and powers are assigned to each department, each level, clearly and thoroughly from the BOD to the BOM, manager and staff.

”

SUSTAINABLE PLANNING

For implementing the strategy and target of sustainable development, Vinamilk assigns responsibilities as follows:

- The Strategy Subcommittee on behalf of the Board of Directors is in charge of defining the direction, trends and objectives of each period; ratifying key areas and stakeholders; setting a roadmap and supervising the implementation of sustainable development;
- The Chief Executive Officer is in charge of implementing the sustainable development orientation approved by the BOD; submitting boundary and implementation plan; organizing the assignment and management of implementation and reporting according to international standards (form, framework, regulations and applicable certification) of sustainable development activities.

To enhance sustainable development management

In 2017, together with PwC Vietnam, Vinamilk conducted a review of sustainable development strategy.

Thereby:

- To review the strategy for sustainable development of Vinamilk in the period 2017 - 2020
- To identify areas to improve to shorten the gap between existing sustainable development activities of the Company and leading companies in the field of sustainable development; on the basis of harmony with the orientation of sustainable development and improvement of operation efficiency in line with the business strategy;
- To establish a deployment route for defined distances.

Standard assessment on sustainable development practice

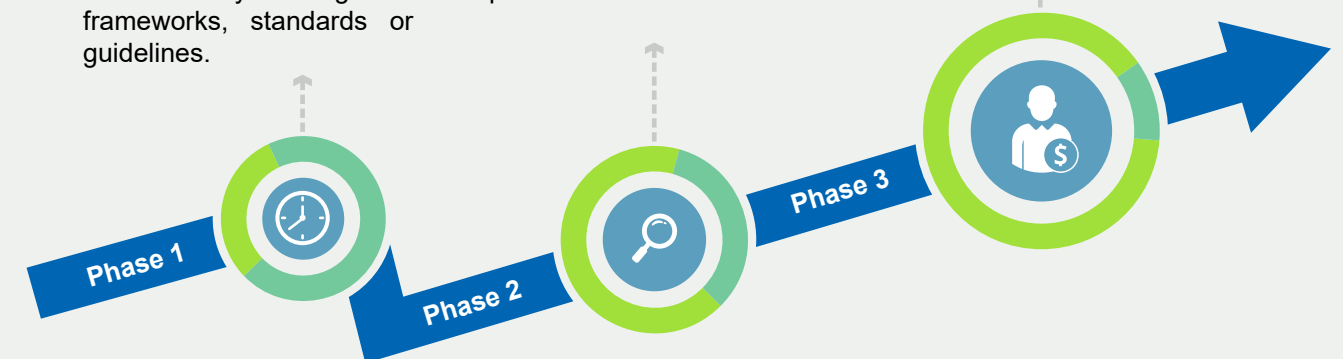
- To study the standardized evaluation against industry leading companies.
- To identify of standard basics to demonstrate the “optimal” industry practice based on locally and internationally recognized frameworks, standards or guidelines.

Distance Analysis

- To use the standardized basis defined in Phase 1 to determine the performance of Vinamilk.
- To provide an overall/ comprehensive report that details the gaps in current practice.

Provision of deployment schedule

- To build the implementation roadmap.
- To present and consult on the implementation roadmap.



- To report comparative benchmark that outlines the efficiency of sustainability operations compared to leading companies in sustainable development practices.

- To comprehensively analyze that clearly demonstrates the industry best practices.

- To raise the implementation roadmap and appropriate actions to improve.

This is a strategic step that demonstrates Vinamilk's strong commitment to sustainable development. Most of all, Vinamilk understands that business performance is the value brought about for the stakeholders. Enhancing the sustainable development management is the firm foundation to help Vinamilk firmly outreach beyond the sea.



VINAMILK GREEN STRATEGY AND TARGET

TARGETS TO 2020

From the organizational context, in companying with the results of activities related to the stakeholders; and at the same time, inheriting important current strategy, policy and development plan of the country, Vinamilk sets out the following objectives and strategies for action in close association with sustainable development.

In particular:

- 1 To enhance the role of Sustainable Development in Vinamilk's Strategy and Governance
 - Assess the current situation in the field of sustainable development in the world, in Vietnam and in Vinamilk.
 - Establish long-term and short-term goals. Integrate objectives and implementation plans into the annual production and business activities.
 - Consult the Strategy Subcommittee and the Board of Directors on direction, trends, and annual targets for sustainable development.
- 2 To operate the business with responsibility, in accordance with the sustainable development goals
 - Integrate sustainable development goals into practical production and business.
 - Improve/update management systems and internal processes to suit the orientation of sustainable development and market trends.
 - Establish/assign teams to implement, control and report.
 - Communicate on benefits, objectives and action programs for sustainable development at Vinamilk to raise stakeholder awareness, thus positively impacting and encouraging them to move towards sustainable development.
- 3 To act in line with the world's sustainable development orientation in the context of Vietnam.
 - Consult with independent appraisers and stakeholders feedback on Vinamilk's objectives, programs and actions, and then adjust and improve the route and resources accordingly.
 - Continuously update specialized knowledge, improve competence for implementation, control and reporting teams.
 - Recognize and evaluate appropriately the achievements and failures, strengths and weaknesses, challenges and opportunities from which to make improvements and remedies for the next planning.

MANAGEMENT OF ECONOMIC, ENVIRONMENTAL, SOCIAL ISSUES AND RISKS

“

To create and protect value as well as increase the chances of achieving the objectives, Vinamilk applies the risk management program in accordance with ISO 31000, quality management and food hygiene and safety in accordance with ISO 9001 and FSSC 22000, information security management in accordance with ISO 27000, management of environmental problems, energy, occupational health and safety in accordance with ISO 14000, ISO 50000 and OHSAS 18000.

”

RESPONSIBILITIES OF EXECUTIVE LEVEL FOR ECONOMIC, ENVIRONMENTAL AND SOCIAL ISSUES

On risk management

Work	Establishment layer		Management layer		Implementation layer		Assurance layer
	BOD	Audit Subcommittee	Risk Management Council	Risk Management Director	Risk owner	Industry expert	Internal audit
Risk Management Strategy and Parameter Criteria	Approves the Risk Management Strategy	Proposes and adjusts the Risk Management Strategy and approves the Parameter Criteria	Reports the implementation of the company's risk management and proposes improvements	Monitors and records the results of actual implementation of risk management			Monitors and assesses the operation of the Risk Management Mechanism, the effectiveness of the risk management to make recommendations to the Board of Directors and the Board of Management
Risk management structure	Approves the Risk Management Structure, and Risk Management Policy	Reviews Risk Management Structure, Risk Management Policy	Approves the procedures for risk management and other processes, guidelines and documents related	Raises proposal of Risk Management structure, Risk Management Policy, Risk Management Procedures and other related procedures, guidelines			
Risk assessment and measurement		<ul style="list-style-type: none"> Approves the list of important risks Approves the results of risk analysis and reports to BOD 	Reviews and approves risk appetite, risk owner and proposes the material risk list.	<ul style="list-style-type: none"> Guides method of risk identification and risk information appraisal Proposes risk appetite and risk owner Synthesizes and reviews the results of risk assessment 	<ul style="list-style-type: none"> Identifies and provides information about the risks Evaluates the risk according to the approved method and Criteria and Parameters 	Provides professional knowledge and understanding of risk in support of risk assessment	
Response to risks		Approves the risk response plan	Reviews the result of implementation of the risk response plan	Aggregates and reviews risk response plans and the implementation of response measures	Proposes and implements a risk response plan	Proposes risk response measures according to professional knowledge	
Risk Controlling and Reporting		Periodically reviews the risk management reports and assesses the performance of risk management at the Company		<ul style="list-style-type: none"> Synthesizes the results of monitoring risk indicators Organizes the implementation of the risk management report 	<ul style="list-style-type: none"> Tracks and monitors the risk warning indicators Makes the risk management report as regulated 		
Information and disclosure		Approves the contents of risk management in reports published outside the Company	Approves the contents of risk management in internal reports	Prepares the contents of the risk management in the internal reports or reports published outside the Company			
Training and capacity requirements on risk management			Approves the recommendations of the Risk Management Director relating to training and risk management personnel capacity requirements	<ul style="list-style-type: none"> Proposes requirements on capacity and knowledge of risk management personnel in the Company Proposes the objects that should be equipped with skills and knowledge of risk management Develops and implements risk management training programs 			

MANAGEMENT OF ECONOMIC, ENVIRONMENTAL, SOCIAL ISSUES AND RISKS

“

In 2017, Vinamilk continued to manage the list of 13 material risks that the Board of Directors concerns. The events and management measures are continuously reviewed and updated to ensure their effectiveness.

”

IDENTIFICATION AND MANAGEMENT OF ECONOMIC, ENVIRONMENTAL AND SOCIAL IMPACTS



STRATEGIC RISK

Risk of strategic planning

Inadequate strategic planning resulting in an inability to meet long-term strategic objectives.

Controls

- To establish the strategic plan, to communicate to the stakeholders and assign the Strategy planning department to monitor the implementation.
- To approve a list of strategic projects, to implement and monitor the implementation process.

Competitive risk

Risk of loss in competitive advantage, happens when the industry growth reduces and competitors improve their differentiations.

Controls

- To promote strategies to maintain competitive advantage, increase market share.
- To identify timely changes in the market to respond appropriately.

Global economic conditions

Failure to quickly adapt to changes in the economy and global society that lead the company to have unexpected effects in the implementation of the business plan.

Controls

To regularly update the changes of the economic environment, evaluate and analyze the impact on the Company. Thereby take timely action plans.

Political risk

Risk of unexpected or sudden unfavourable changes in the regulatory and political environment in invested countries, possibly hindering operations or decision-making.

Controls

To carry out pre-investment assessments, monitor and supervise when in operation. To regularly update information and have appropriate assessments.

Social media risk

Disreputation or financial loss from being unable to handle the unfavorable information from being distributed on the mass media.

Controls

To track and report promptly negative information through monitor network and professional crisis management team.



MANAGEMENT OF ECONOMIC, ENVIRONMENTAL, SOCIAL ISSUES AND RISKS



STRATEGIC RISK

Succession risk A vacancy in a critical role cannot be filled satisfactorily within an acceptable timeframe.

Controls

To continue the deployment of human resources to lower levels, securing personnel for all levels. To maintain an internship admin program, talent management.

Risk of losing key customers Breakdown of relationship with key customers, resulting in a loss of revenue.

Controls

To track customer relationships, regularly evaluate sales, and have corresponding policies for key customers.

Strategy/Business plan execution risk Failure to execute business strategies, assessed through implementation of portfolio management and specific projects.

Controls

The Project Coordinating Board shall carry out investment projects, monitor and supervise the implementation of budget and schedule. Project Leader shall periodically report and take appropriate action in response to changes.

Data security breach risk The probability or likelihood of occurrence of losses relative to the interruption of IT system, data breach, cyber attack.

Controls

To continue to apply the ISO 27000 information security system, computer protection systems, users. To regularly assess the security risks of information from inside and outside.

OPERATIONAL RISK

Raw material supply risk The insufficient supply of input materials for the production process.

Controls

To secure inventory management, supplier assessment and management, have a plan to make a purchase that is reasonable.

Product contamination risk Any characteristic of a product which hinders its usability for the purpose for which it was designed and manufactured, then request to return a product to avoid endangering the consumer or putting the maker/seller at risk of legal action.

Controls

To set up and regularly check the controls as required by the standards. To set up separate control system evaluation standards to ensure efficiency and optimization. The alert system is set up to promptly identify events and to address them.

Cow disease risk An unexpected diseases cows that lead to cow death or reduced quality cow milk.

Controls

To apply biological safety for the farm, health care, apply appropriate medical treatment for cases arisen.

FINANCIAL RISK

Foreign exchange risk Currency volatility, changes in exchange rates have a substantial influence on companies' operations and profitability.

Controls

To set up demand for foreign currencies, prepare foreign currency reserves, forecast the monitoring and analysis of exchange rate fluctuations to balance demand and adjust the plan accordingly.



FREQUENCY OF REVIEW OF ECONOMIC, ENVIRONMENTAL AND SOCIAL ISSUES

Periodically at least once a year, leadership review meetings will be held. On the basis of full consideration of input requirements and making decisions that meet the output requirements of existing standards, the economic, environmental and social issues for which the leaders shall discuss, review and make timely actions for effective management and continuous improvement.

Besides, every quarter, risk reporting system is also set up to update risks and opportunities on a timely basis to implement the strategy and targets.





SUSTAINABLE DEVELOPMENT IN 2017 AT VINAMILK



“

Typical sustainable development enterprises demonstrate the effort to create an environment conducive to the implementation of the Sustainable Development Goals in Vietnam. At the same time, this is the “green seed” to harvest the target of Vietnam 2030 Agenda and 17 Global Goals”, showing that economic development is linked to social service development without burden on the next generation of home country.

”

In 2017, Vinamilk is proud of the achievements that have created the green imprint on the Sustainable development roadmap, joining hands with the national implementation of 17 SDGs in accordance with the Decision No.: 622/QĐ-TTg.

OUTSTANDING ACHIEVEMENTS OF VINAMILK IN 2017 IN KEY GOALS



SDG 1: No poverty

TARGETS OF VIETNAM

To put an end to all forms of poverty everywhere

To ensure that the per capita income of poor households in the whole country in 2020 will increase 1.5 times compared to its at the end of 2015.

To improve Social Security.

TARGETS OF VINAMILK

To create stable jobs, improve employee income.

To enhance local economic development.

ACHIEVEMENTS IN 2017

The average income in Vinamilk is 4.72 times higher than the regional minimum wage.

In 2017, the total salary fund increased by 1.25 times compared to its in 2016.

Investing and creating jobs for more than 6,600 employees.

100% of employees are covered by occupational health and accident insurance policy.



SDG 2: Zero hunger

TARGETS OF VIETNAM

To eradicate hunger, ensure food security, improve nutrition and promote sustainable agricultural development

Food is safe, nutritious and full all year round

To achieve the National Strategy for Food Safety in period 2011-2020 and Vision 2030.

To enhance capacity of scientific research on nutrition and food.

To set up areas for epidemic-safe production, hi-tech production areas, concentrated production areas, good application practice (GAP); develop garden economy and farm economy.

By 2030, to ensure sustainable food production.

TARGETS OF VINAMILK

To develop sustainable livestock.

To improve production capacity, lead in modern production technology.

To launch products serving diversified nutritional needs.

To enhance capacity of scientific research on nutrition and food.

ACHIEVEMENTS IN 2017

More than 50% of the product portfolio are food supplements.

The Stand Tall Vietnam Milk Fund awarded 1.4 million cups of milk equivalent of VND 9 billion to 16,000 children. Budget of nearly VND 100 billion for School Milk Program. Many programs for nutrition counseling and helping community have been held.





SUSTAINABLE DEVELOPMENT IN 2017 AT VINAMILK



SDG 3: Good health and well-being

TARGETS OF VIETNAM

To ensure healthy living and increased well-being for people of all ages.

To achieve universal health care coverage, including financial risk protection, access to essential health care, medicines and vaccines, safety, effective, quality, in affordability for everyone.

TARGETS OF VINAMILK

To ensure material, physical and mental life of all employees.

To disseminate nutrition knowledge to a wide range of people of all ages and backgrounds.

ACHIEVEMENTS IN 2017

24/24 insurance for all employees, and for relatives of management; 100% of staff received periodic medical examinations.

Got the best conditions for the employees to exercise and ensure health: Lunch support, sport gymnasium equipment at each unit...

Organized many programs for community: Stand Tall Vietnam Milk Fund, support for poor people, etc.

SDG 4: Quality education

TARGETS OF VIETNAM

To ensure quality, fair, comprehensive education and promote lifelong learning opportunities for all.

By 2030, to increase in the number of workers with skills appropriate to the labor market needs for good employment and enterprise ownership.

TARGETS OF VINAMILK

To build up staff with complete skills, ensure competence and meet cultural principles.

ACHIEVEMENTS IN 2017

Organized 601 training courses with a budget of more than VND 16 billion.

100% of management has conducted capacity assessment and developed a Capacity Development Action Plan.

SDG 5: Gender equality

TARGETS OF VIETNAM

To achieve gender equality, empower and provide opportunities for women and girls.

TARGETS OF VINAMILK

Equality, non-discrimination.

ACHIEVEMENTS IN 2017

54% of senior leaders are women.

No gender discrimination in any issues of: welfare, level, remuneration, performance evaluation...

SDG 6: Clean water and sanitation

TARGETS OF VIETNAM

To ensure adequate and sustainable management of water resources and sanitation for all.

To improve water quality, control of polluting sources by 2030.

By 2030, to make a significant increase in water use efficiency in all areas, ensure a sustainable supply of clean water.

TARGETS OF VINAMILK

To comply 100% with the requirements of the law.

To use water efficiently and responsibly.

100% of hazardous wastewater is treated; to promote safe water recycling.

ACHIEVEMENTS IN 2017

No law breaches, no environmental incidents.

100% of hazardous wastewater was treated.

Reduced water use in comparison with its in 2016 by 8.57%.

100% of wastewater in livestock was re-used after satisfactory treatment.

Water exploitation of 100% units was in accordance with the permitted capacity.

SDG 7: Affordable and clean energy

TARGETS OF VIETNAM

To ensure the sustainable, reliable and affordable energy sources for all.

By 2030, to have a substantial increase in the share of renewable energy in the country's primary energy consumption, particularly achievable 31% by 2020 and 32.3% by 2030.

To achieve Vietnam's renewable energy development strategy to 2030 with a vision to 2050.

By 2030, to double the rate of improvement in energy efficiency; reduce electricity consumption by 10% compared to base scenario.

TARGETS OF VINAMILK

To prioritize the use of renewable energy.

To save electricity and use electricity efficiently.

ACHIEVEMENTS IN 2017

Percentage of renewable energy used: 61.92% at Production Department.

The clean energy use rate is 31.05% at Production Department.

Electricity savings of 5.67% compared to 2016 at Production Department.

Thong Nhat Factory awarded environmentally in 2017 by the Ministry of Natural Resources and Environment.





SUSTAINABLE DEVELOPMENT IN 2017 AT VINAMILK



SDG 8: Decent work and economic growth

TARGETS OF VIETNAM

To ensure sustainable, comprehensive and continuous economic growth; create full employment, productivity and good jobs for all.

To maintain a GDP per capita growth of 4-4.5% per annum and annual GDP growth averaging 5-6%.

To develop agricultural and rural economy in association with mechanization and application of scientific and technological advances; develop farm economy, producing large commodities.

By 2030, to create adequate employment, productivity and good employment for all men and women, including youth, persons with disabilities and equal pay for equal work.

TARGETS OF VINAMILK

To improve labor productivity, product quality.

To enhance local economic development.

To ensure a safe working environment.

ACHIEVEMENTS IN 2017

Best support for livestock development in the dairy industry.

Invested and expanded the scale of the farms, focused on the development of the cows for quality and productivity.

No forced labor, no child labor.



SDG 9: Industry, innovation and infrastructure

TARGETS OF VIETNAM

To build high-resilience infrastructure, promote inclusive and sustainable industrialization, and enhance innovation.

By 2030, to accelerate inclusive industrialization and sustainable development; upgrade infrastructure and supporting industries towards sustainability; increase use of resources and application of clean and environmentally friendly technologies and processes.

To accelerate the application of new technologies and modern technologies in order to create technological breakthroughs in production for key industries and supporting industries.

To elaborate and promulgate environmental technical regulations and widely apply clean production processes.

TARGETS OF VINAMILK

To reduce, recycle, reuse waste.

To apply information technology in management and practice.

ACHIEVEMENTS IN 2017

Over 20 initiatives on energy saving, sustainable development have been implemented in production and livestock.

100% of infrastructure was reviewed and newly invested.

Won the Top 10 Excellent Sustainable Manufacturing Enterprises

Deployed a variety of new technologies: Paperless internal approval system, on the web platform; Call center system that significantly improves the efficiency and quality of customer consultation.



SDG 10: Reduced inequalities

TARGETS OF VIETNAM

To reduce inequality in society.

To ensure equal opportunities and reduce inequalities in the benefits for all.

TARGETS OF VINAMILK

Equality, no discrimination in any area.

ACHIEVEMENTS IN 2017

No complaints about inequality in the organization.

No complaints about discrimination in the organization.





SUSTAINABLE DEVELOPMENT IN 2017 AT VINAMILK



SDG 11: Sustainable cities and communities

TARGETS OF VIETNAM

To achieve sustainable urban and rural development; ensure living environment and safe work; rational allocation of population and labor by region.

To reduce the harmful impact of the environment on people in urban areas, enhance the management of air quality, urban waste and other sources of waste.

To promote and closely monitor the implementation of the National Strategy for Integrated Management of Solid Waste until 2025 with a vision to 2050.

TARGETS OF VINAMILK

To run cleaner production and green livestock.

To effectively control waste and trash, ensure legal compliance.

To reduce, recycle, reuse waste. To improve management process, apply and switch to clean technologies.

To enhance the use environmentally friendly raw materials and renewable energy.

ACHIEVEMENTS IN 2017

100% of 3,380,180.00 m³ output waste water in production activities was treated.

100% of waste water was treated as standard.

100% of contractors involved in waste treatment have a license.



SDG 12: Responsible consumption and production

TARGETS OF VIETNAM

To ensure sustainable production and consumption patterns.

To effectively implement the National Action Plan on sustainable production and consumption up to 2020 with a vision to 2030.

To change consumer behavior, implement a sustainable lifestyle.

To improve access to markets and promote exports of key export products of Vietnam in a sustainable manner.

By 2030, to achieve sustainable management and effective use of natural resources; rationally exploit and use economically and sustainably mineral resources.

To encourage the business community to adopt sustainable practices, including cleaner production technologies, the efficient use of natural resources, and the protection of the environment; take social responsibility for the poor and vulnerable groups; integrate sustainability information into the own recurring report.

TARGETS OF VINAMILK

To promote the development, use of new energy, renewable energy, new materials, fuels and materials as a substitute for traditional resources, especially fossil fuels.

To effectively manage waste.

To put sustainable development into the strategy, objectives and operation.

To raise the awareness of managers and employees about Sustainable Development.

To make consumer orientation, enhance reception of the community about sustainable development.

ACHIEVEMENTS IN 2017

Organic milk and yogurt from the organic farm were launched to the market.

The products were exported to 46 countries and territories. The Company constantly expanded the market.

8/9 farms certified Global GAP and 01 farm qualified Organic EU.

13/13 factories certified ISO 14001, ISO 50001, OHSAS 18001.

First prize in the Sustainable Development report 2016.

Top 10 sustainable development enterprises in 2017 organized by the Sustainable Development Enterprise Council.

Overall rating of VNSI 91% - HOSE.





SUSTAINABLE DEVELOPMENT REPORT 2017



SCOPE OF REPORT

In Vinamilk, the Sustainable Development report is prepared annually to present and publicize the official information related to the key areas of Vinamilk sustainable development. In 2017, the Sustainable Development Report continues to be formulated separately from the Annual Report. All figures are reported for the year ended 31 December 2017.

In this report, key areas are identified based on a combination of stakeholder interests and their impact on Vinamilk. The information presented includes management methods, objectives, sustainable development orientation of Vinamilk in each period (including short-term and long-term); commitment of Vinamilk to related parties; current status, programs, activities highlighted in the year relating to key areas; Company's assessments and achievements in 2017, the level of meeting Vinamilk's commitments and the interests of related parties in order to outline the Company's operational picture in 2017, and future sustainable development orientation.

The report is prepared in accordance with the GRI Sustainability Reporting Standards published by the Global Sustainability Standards Board (GSSB) in 2016. This is the latest version and the highest international standard for Sustainability Reporting.

In addition, the objectives and strategic activities of Vinamilk's orientation are aligned with the United Nations 17 Sustainable Development Goals, the Dairy Industry Sustainability Framework (DSF) and the United Nations Global Compact (UNGC).

Any comments or questions related to the report, please contact directly on the website of Vinamilk, at the information feedback (<http://www.vinamilk.com.vn/?vnm=FAQ>) or email to member in charge of Sustainable Development Program.

UNITS INCLUDED IN THE REPORT

This report is prepared for the scope of operations of:

- Vinamilk, including operations of Head Office and 13 factories; 3 domestic sales offices and 2 logistics enterprises.
- Vietnam Dairy Cow One Member Limited Company, including operation of 9 farms.

For indicator of Occupational Health and Safety GRI 403-2, the scope of operations include:

- Vinamilk, including the operations of Headquarter, An Khang Clinic, 3 sales branches, 2 logistic enterprises and 13 factories;
- Vietnam Dairy Cow One Member Co., Ltd., including operations of 9 dairy farms.

INDEPENDENT LIMITED ASSURANCE FOR THE SUSTAINABILITY REPORT

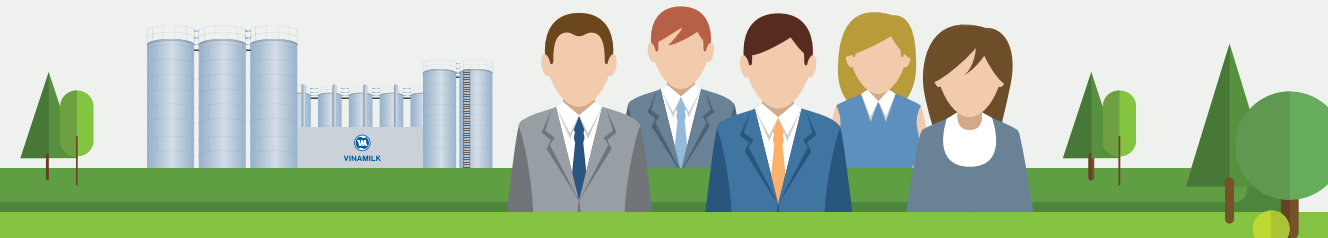
In order to provide accurate and reliable information on the effectiveness of sustainable development to stakeholders, the Sustainable Development Report 2017 has been assured by PwC Vietnam. Vinamilk also claims that there is no conflict of interest in designation of the assurance provider.

Sustainable development indicators are selected according to material issues covering the particular economic, environmental and social aspects including:

- Amount of milk purchased from local farming (kg) - GRI 203-2;
- Accident rate and total working hours lost due to accident/total working hours in the year – GRI 403-2;
- % of sugar reduced products and % low fat products in the product structure – GRI sector supplement – Food processing sector – GRI FP6;
- Amount of energy consumption (kg CO₂) – GRI 305-2;
- Amount of energy consumption (MJ) – GRI 302-1; and
- Water and effluent:
 - + % of water reused/recycled in production – GRI 303-3; and
 - + Waste water discharge per sources – GRI 306-1.
- Total weight of waste by type and disposal method – GRI 306-2.



SUSTAINABLE DEVELOPMENT REPORT 2017



MEMBERS IN CHARGE OF SUSTAINABLE DEVELOPMENT PROGRAM

The Chief Executive Officer directs the program and participatory members, including:

WORKING ENVIRONMENT	
Ms. Bui Thi Huong Executive Director for HR-Admin & Public Relation Email: bthuong@vinamilk.com.vn	General responsibility
Ms. Vu Bich Nghia Human Resources Director Email: vbngghia@vinamilk.com.vn	In charge of personnel matters and working environment
Mr. Le My Ha Acting Recruitment and Employment Relations Senior Manager Email: lmha@vinamilk.com.vn	In charge of recruitment, labor management, promotion and occupational health and safety
Ms. Duong Thi Truc Ly Organizational Development Senior Manager Email: dtty@vinamilk.com.vn	In charge of team development and training programs. Developing tools, criteria for staff evaluation
Mr. Do The Tuyen Acting Wages & Welfare Department Senior Manager Email: dtuyen@vinamilk.com.vn	In charge of salary, bonus and welfare issues
PRODUCT RESPONSIBILITY	
Mr. Nguyen Quoc Khanh Executive Director of Research and Development Email: nqkhanh@vinamilk.com.vn	Responsible for product issues
Ms. Bui Thi Thu Hoai Director of Research and Development Email: btthoai@vinamilk.com.vn	Responsible for research and product development
Ms. Nguyen Thi Hoang Product Management Manager Email: nthoang@vinamilk.com.vn	Responsible for product quality management

ENVIRONMENT & ENERGY	
Mr. Tran Minh Van Production Executive Director Email: tmvan@vinamilk.com.vn	In charge of environmental issues - energy in production
Mr. Trinh Quoc Dung Executive Director for Raw Materials Development Email: tqdung@vinamilk.com.vn	In charge of environmental issues - energy in the operation of farms
Mr. Nguyen Quoc Phong Energy & Environmental Management Manager Email: nqphong@vinamilk.com.vn	Responsible for the implementation of environmental management and energy conservation activities
Mr. Trinh Phuong Nam Director of Agriculture Email: tpnam@vinamilk.com.vn	Responsible for agriculture and animal health
Mr. Nguyen Dang Khoa Technical Director of Vietnam Dairy Cow One Member Co., Ltd Email: ndkhoa@vinamilk.com.vn	Responsible for implementation of environmental and energy management activities at farms
COORDINATION AND REPORTING GROUP	
Mr. Nguyen Tuong Huy Director of Internal Control and Risk Management Email: nthuy@vinamilk.com.vn	In charge of coordination, synthesis and reporting
Ms. Le Hoang Anh Acting System Control Manager Email: lhanh@vinamilk.com.vn	
Ms. Ha Thi Dieu Thu System Control Specialist Email: hdtthu@vinamilk.com.vn	



INDEPENDENT LIMITED ASSURANCE REPORT

TO BOARD OF DIRECTORS OF VIETNAM DAIRY PRODUCTS JOINT STOCK COMPANY

We have been engaged by Vietnam Dairy Products Joint Stock Company ("Vinamilk") to perform an independent limited assurance engagement on non-financial data for the year ended 31 December 2017 selected and reported in Vinamilk's Sustainability Report 2017 (hereon after referred as "selected Sustainability Indicators").

MANAGEMENT'S RESPONSIBILITY

The management of Vinamilk is responsible for the preparation of Vinamilk's Sustainability Report 2017 pertaining to the reporting scope described on page 73 of the report, in which the selected Sustainability Indicators are presented. The responsibility includes the selection and application of the appropriate method to Vinamilk's Sustainability Report 2017 as well as the design, implementation and maintenance of systems and processes relevant for the preparation and presentation. Furthermore, the responsibility includes the use of assumptions and estimates for disclosures made by Vinamilk which are reasonable in the circumstances.

OUR RESPONSIBILITY

Our responsibility is to provide a conclusion on the selected Sustainability Indicators based on our evidence-gathering procedures performed in accordance with the International Standard on Assurance Engagement (ISAE) 3000 "Assurance Engagement Other Than Audits or Reviews of Historical Financial Information". This standard requires that we comply with ethical requirements and plan and perform the assurance engagement under consideration of materiality to express our conclusion with limited assurance.

The accuracy and completeness of selected Sustainability Indicators are subject to inherent limitations given their nature and methods for determining, calculating and estimating such data. Our assurance report should therefore be read in connection with Vinamilk's procedures on the reporting of its sustainability performance. In a limited assurance engagement, the evidence-gathering procedures are more limited than for a reasonable assurance engagement, and therefore less assurance is obtained than in a reasonable assurance engagement.

SUBJECT MATTER

The selected Sustainability Indicators, on which we provide limited assurance, consists of:

- Amount of milk purchased from local farming (kg) - GRI 203-2 (page 155);
- Accident rate and total working hours lost due to accident/total working hours in the year – GRI 403-2 (page 89);
- % of sugar reduced products and % low fat products in the product structure – GRI sector supplement – Food processing sector – GRI FP6 (page 127);
- Amount of energy consumption (kg CO₂) – GRI 305-2 (page 116);
- Amount of energy consumption (MJ) – GRI 302-1 (page 112 and 113); and
- Water and effluent:
 - + % of water reused/recycled in production – GRI 303-3 (page 105); and
 - + Waste water discharge per sources – GRI 306-1 (page 70)
- Total weight of waste by type (Kg) and disposal method – GRI 306-2 (page 107).

Our limited assurance engagement has been undertaken in respect of the selected Sustainability Indicators for the year ended 31 December 2017 as reported in the Sustainability Report 2017 only. Our limited assurance has not been provided for information or data pertaining to earlier periods or any other elements included in the Sustainability Report 2017 and, therefore, we do not express any conclusion thereon.

CRITERIA

The Subject Matter above has been assessed according to the criteria set forth in the defined procedures by which the environmental and social data are gathered, collated and aggregated internally as part of the data management of Vinamilk following the Global Reporting Initiative Standards and pertaining to the reporting scope described on page 73 of Vinamilk's Sustainability Report 2017.

MAIN ASSURANCE PROCEDURES

Our work, which involves no independent examination of any of the underlying financial information, included the following procedures:

- Inquiries of personnel responsible for internal reporting and data collection at the corporate and as and when appropriate at business unit level for the selected Sustainability Indicators;
- Inspection on a sample basis of internal document, reports and invoices provided by Vinamilk and by external service providers; and
- Review the appropriateness of the management, reporting and validating processes for the selected Sustainability Indicators and assessing the collation and reporting of data at the corporate level and business unit level as and when appropriate.

CONCLUSION

Based on the work described above, in all material respects, nothing has come to our attention that causes us to believe that the selected Sustainability Indicators in Vinamilk's Sustainability Report 2017, have not been fairly stated in accordance with its internal policies, reporting scope and principles on sustainability reporting for the year ended 31 December 2017 as presented on page 72 and 73.

USE OF OUR REPORT

This report is addressed to the Board of Director of Vinamilk in connection with reporting on the selected Sustainability Indicators in Vinamilk's Sustainability Report 2017 and should not be used or relied upon for any other purposes. Our report is not to be disseminated to any third party in whole or in part. Accordingly, we will not accept or assume any liability or responsibility to any other party to whom our report is shown or into whose hands it may come.

OTHER MATTER

The independent limited assurance report is prepared in Vietnamese and English. Should there be any conflict between the Vietnamese and English copies, the Vietnamese copy shall take precedence.

For and on behalf of PwC (Vietnam) Limited



Hoang Duc Hung
Deputy General Director
Authorised signatory

Ho Chi Minh City, Vietnam
26 March 2018

The maintenance and integrity of the Vinamilk website is the responsibility of the management; the work carried out by the assurance provider does not involve consideration of these matters and, accordingly, the assurance provider accepts no responsibility for any differences between selected Sustainability Indicators of Vinamilk on which the assurance report was issued or the assurance report that was issued and the information presented on the website.



Partners to sustainability

51,135

Vinamilk's revenue
in 2017
(VND billion)



Growing the
sustainable
human resources –
foundation to
success

Page 80



Vinamilk is
committed to
working with the
Government to
make a better
Vietnam

Page 94



Vinamilk strives to
bring the best
quality products,
for the health and
happiness of
customers

Page 120



Vinamilk is a value
investment with
sustainable
growth

Page 138



Vinamilk joins
hands to build a
better Vietnam

Page 152



Developing
cooperation to
accelerate
sustainable
development

Page 166

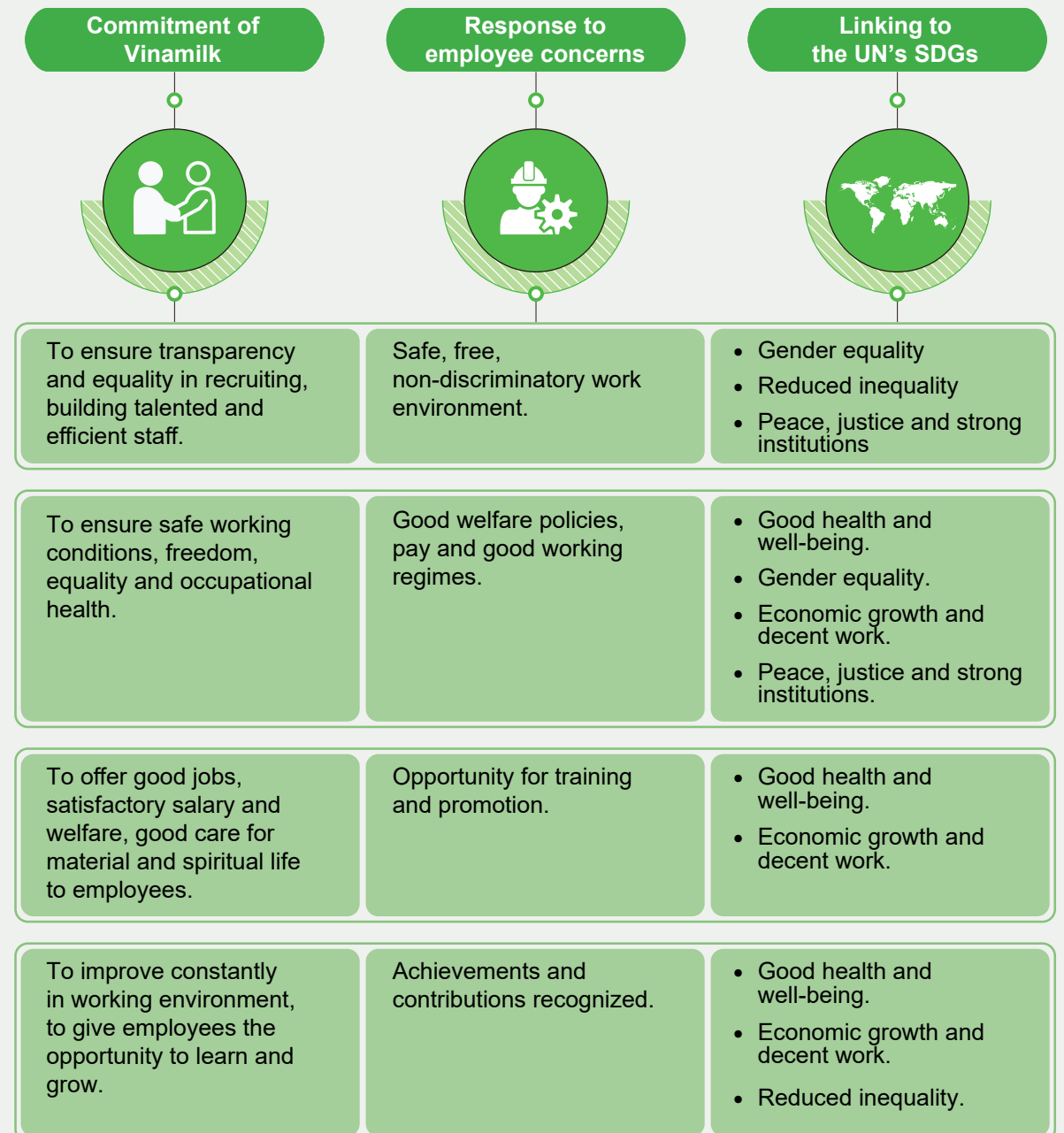
80,000

Vinamilk's target
revenue in 2021
(VND billion)





GROWING SUSTAINABLE HUMAN RESOURCES



GROWING SUSTAINABLE HUMAN RESOURCES



TRANSPARENCY AND EQUALITY IN RECRUITMENT

High quality human resources are the foundation for sustainable development. As a consequence, Vinamilk always attaches importance to quality, transparency and equality in recruitment.

In addition, Vinamilk also balances internal and external recruiting sources appropriately, based on the prioritization of internal resources in line with the company's development policy. Vinamilk prioritizes suitability, respects diversity and does not discriminate in employment.

Vinamilk recruits through various forms

- Posting/ screening from the mass media: Corporate website, in cooperation with the big and prestigious recruitment partners in the market with Vietnam's largest candidate data such as Vietnamworks, Jobstreet, Anphabe.
- Especially the Student Job Fair Companion Program.



University of Technology Job Fair 2017

Considered as one of the most exciting and attractive booths in "University of Technology Job Fair 2017", Vinamilk not only created a friendly and close image, but also brought a lot of practical activities, to understand more about the recruitment needs of Vinamilk in particular and employers in general; orientation counseling about career opportunities for students; knowledge, experience and skills needed to equip, etc.



University of Technology Job Fair 2017

DEVOTEDNESS OF MAINTAINING AND BUILDING TEAM

Succession human resources planning

The Company continues to implement the Succession Human Resources Planning Program for senior and middle-level critical positions for the period 2017 - 2021, in order to meet its Five-Year Strategy. In 2017, the Company focused on finding and evaluating candidates for seven key senior positions and identified a list of 12 candidates to continue developing the Development Plan.

Some of talent development programs, training of typical successors such as management trainee, funding program for students with good academic performance in Russia, designing training programs for international students after graduation and suitable placement for qualified employees.



International students participating in collective activities in Russia



GROWING SUSTAINABLE HUMAN RESOURCES

Maintaining stable human resources

Thanks to a good working environment, good physical and mental care, Vinamilk has been very successful in attracting and retaining employees. In 2017, the Company recruited 639 employees, while 380 employees resigned, including 53 cases of retirement. The resignation rate at Vinamilk is maintained at 5.7% (2016: 3.9%), this is the ideal rate that shows the “human health” of Vinamilk is being maintained at a healthy level, personnel changes do not affect production and business activities, but still ensure innovation and screening.

Statistics of new recruits in 2017

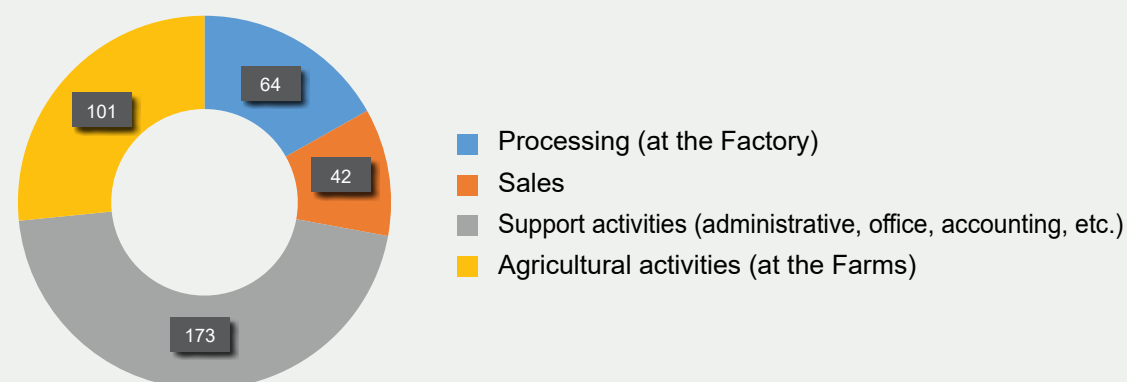


Number of employees	2016			2017		
	Male	Female	Total	Male	Female	Total
Statistics by types of labor contract	4,784	1,556	6,340	5,016	1,597	6,613
Indefinite term	3,874	1,304	5,178	4,099	1,344	5,443
Definite term of 1 - 3 years	905	248	1,153	898	244	1,142
Seasonal, short term contracts	5	4	9	19	9	28
Statistics by industries	4,784	1,556	6,340	5,016	1,597	6,613
Processing (at the Factory)	1,681	250	1,931	1,761	255	2,016
Sales	320	42	362	414	55	469
Support activities (administrative, office, accounting, etc.)	2,226	1,023	3,249	2,433	1,133	3,566
Agricultural activities (at the Farms)	557	241	798	408	154	562
Statistics by age	4,784	1,556	6,340	5,016	1,597	6,613
+ Age under 30	1,313	443	1,756	1,237	431	1,668
+ Age of 30 to 40	2,090	669	2,759	2,311	699	3,010
+ Age of 40 to 50	1,050	356	1,406	1,076	348	1,424
+ Age over 50	331	88	419	392	119	511

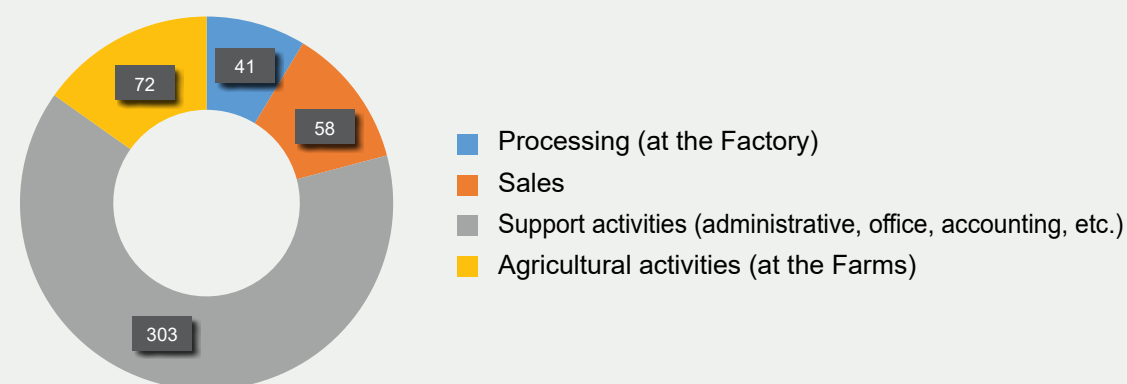




Statistics of rotation employees in 2017



Composition of levels of management in 2017



In 2017, Vinamilk continued to be voted as the most favourable employer and held the second position in the Top 100 Best Workplaces in Vietnam. The achievement is the acknowledgment of Vinamilk's efforts and activities in providing a safe and quality working environment with highly competitive and attractive welfare and reward policies, assuring freedom, fairness, transparency and efficiency; creating a platform for talented employees to develop.

“

In particular, in 2017, Production Unit continued maintaining the Environmental and Occupational Health and Safety (EOHS) for all Factories and completed the training and development of risk assessment methods from occupational hazards.

”

SAFE WORK ENVIRONMENT AND OCCUPATIONAL HEALTH ASSURANCE

The Company strictly and fully complies with relevant regulations of Labor Law and Law on Occupational Safety and Health:

- At the units, the Company establishes the grassroots occupational safety and hygiene councils, assigns the staffs in charge of the safety and health works, sets up the teams for safety and hygiene.
- Has annual plans for occupational safety and health
- Provides adequate personal protective equipment during the work.
- Carries out periodical health examinations for employees, examinations for disease (or risk of illness).
- Provides annual training for employees on occupational safety and hygiene, educates employees' sense and responsibility in safety works, takes initiative in detecting, preventing and commenting on working conditions, safety and health works.
- Carries out self-inspection, supervision and evaluation of daily, monthly and annual safety work in each unit.
- Performs periodical evaluation program (every 6 months) of occupational health and safety at the company level for the units.

Occupational Safety and Health Committee's Operational Model

- At the Company: Assigns the representatives of Human Resources Department and General Production Division, establishes policies, regulations and guidelines on occupational safety and health activities for all units in the Company.

- At each unit:

Establishes the Grassroots Occupational Safety and Hygiene Council: to manage and implement occupational safety and health activities at the unit.

Assigns personnel responsible for occupational safety and health: to supervise, monitor and implement occupational health and safety activities within the unit.

Assigns health employees: to monitor the daily health of the employees, handle the first-aid cases (if any), organize the periodical health examination for the employees.

Sets up a Team of safety and hygiene: to carry out inspection and supervision activities of occupational safety and health works in each working area.

Rate of employees in the committees on occupational safety and health: 8.2%



GROWING SUSTAINABLE HUMAN RESOURCES

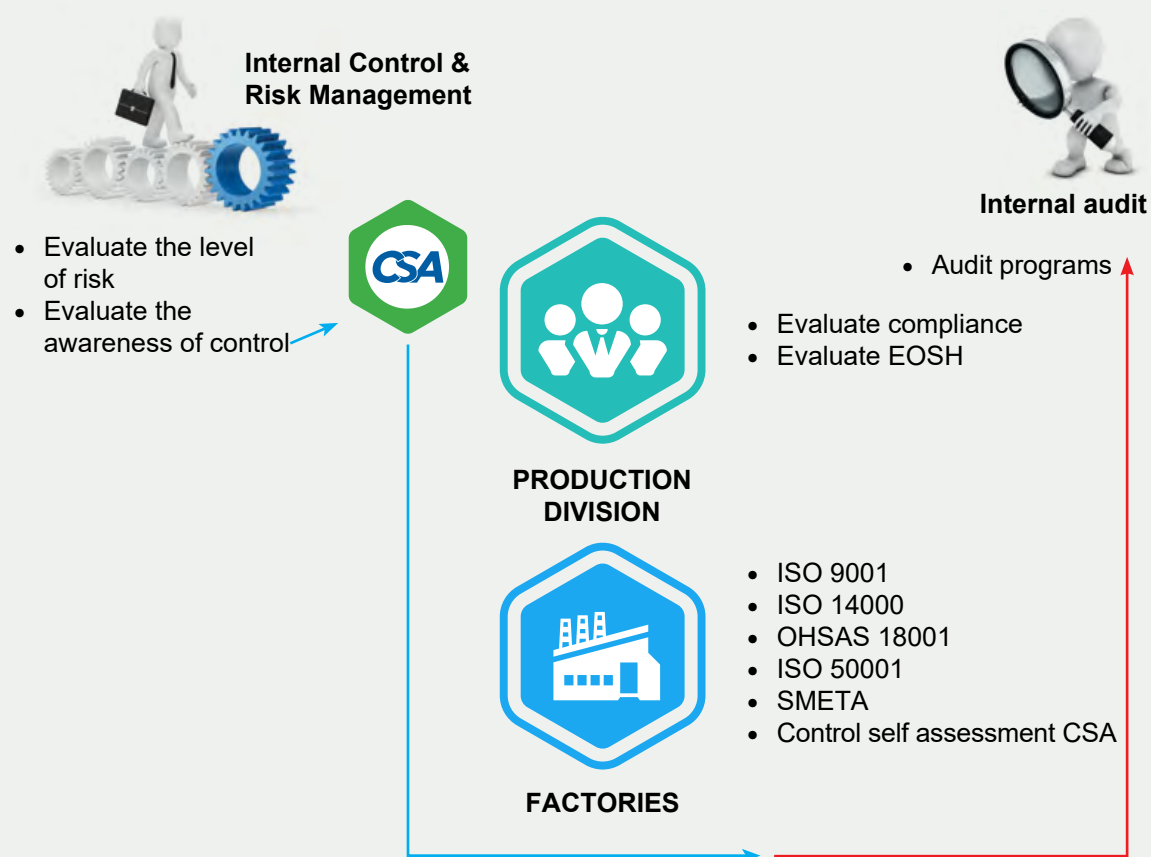
OCCUPATIONAL SAFETY, HYGIENE AND HEALTH MANAGEMENT BY MULTI-LEVEL CONTROL

In addition to the occupational safety, hygiene and health management in accordance with OHSAS 18001 international standard, Vinamilk has continuously deployed various assessment activities to ensure the efficiency and effectiveness of control frequencies.

In particular, in 2017, Production Unit continued maintaining the Environmental and Occupational Health and Safety (EOHS) for all Factories and completed the training and development of risk assessment methods from occupational hazards.

Vinamilk has been and will continue making efforts to improve the effectiveness of occupational safety, sanitation and health and towards an operational model in line with international standards.

Overview of management system



Occupational health and safety index	2016	2017
Occupational Disease Rate (ODR) (a)	0.15	0.15
Leave Day Rate (LDR) (b)	92.11	108.15
Absence Rate (AR) (c)	2,744.93	2,750.25
Injury Rate (IR) (d)	0.03	0.04

Notes:

1. These indicators are consolidated for all of the branches/farms/factories of the Company.

2. The rates are calculated according to the Occupational Health Occupational Standards, of which the rate of 200,000 labor hours represents the number of hours 100 employees working 40 hours per week, 50 weeks per year would work. The results calculated from this standard base refer to the number of employees, not the working hours.

(a)	ODR is calculated by the formula: Number of occupational diseases cases * 200,000/Total actual working hours <i>In which:</i> The number of occupational diseases cases is statisticized according to the records of occupational diseases.
(b)	LDR is calculated by the formula: Number of lost days*200,000/Total actual working hours <i>In which:</i> The number of days off is the number of days lost due to occupational accidents or sickness recorded in the time sheet and the labor accident report/declaration/investigation record, and the medical record of the unit
(c)	AR is calculated by the formula: Number of absent days*200,000/Total actual working days <i>In which:</i> The number of days of employee absence (not working) includes: absence due to occupational accidents or sickness and unpaid leave; excluding holidays, training, maternity leave, leave, and paid leave listed in the time sheet.
(d)	IR is calculated by the formula: Number of injuries * 200,000/Total actual working hours <i>In which:</i> The number of reported injuries is the number of injuries during the work period, including cases of occupational accidents and minor injuries such as abrasions/skin rashes causing bleeding, mild soft part vulnerability, etc., resulting in absences from work recorded in the records of the unit health section.

In 2017, the whole company occurred 03 cases of light labor accidents. All three cases were caused by non-compliance with safe operation procedures during work (two cases of finger stuck due to careless operation of machinery and equipment, the remaining case was shot in the eye due to slipping hand when transporting bucket. All these cases were promptly resumed, employees have returned to normal work after recovery.

As at 31 December 2017, the whole company recorded 11 cases of occupational deafness with the hearing loss of 2-10%. All of these employees have been assigned the right job.

GROWING SUSTAINABLE HUMAN RESOURCES

“

In 2017, Vinamilk continued to be honored as the most attractive salary, bonus and welfare employer.

”

SATISFIED MATERIAL AND FIRM SPIRIT

Salary, bonus and welfare

Every year, Vinamilk participates in the Mercer Market Salary Survey. From the survey result, there have been adjustments in compensation and welfare for employees of the Company, ensuring competition with the leading companies in the fast moving consumer goods sector in Vietnam.

The monthly income structure consists of two parts: Salary by grade, and income by performance.

The Company deducts 10% of after-tax profit in the reward and welfare fund as a reward for employees according to performance evaluation; implements the agreed benefits under the Collective Labor Agreement and spend on social, charity, community activities, etc.

The contribution rate of employer and employees to pension funds is 14% and 8% respectively.

In addition, the Company also encourages the employee's morale by rewarding based on performance during the year, Employee Stock Ownership Plan (ESOP), etc.

Except for the probationary staff, all staff including temporary or part-time employees who have signed labor contracts, are entitled to full benefit policies of the Company such as:

- Health insurance
- 24/24 accident insurance
- Right to buy/own shares
- Maternity benefit
- Lunch allowance
- Annual travel
- Birthday, marriage gifts
- Gifts for female employees on International Women's Day and Vietnamese Women's Day.



A park corner for employees

- Gifts for employees' children: International Children's Day, Mid-Autumn, Excellent students, etc.

With the goal of evaluating the capacity of employees in a comprehensive, effective, fair and transparent manner, Vinamilk is actively improving the criteria and methods of assessment. The company has tested the improvement evaluation on the management team before the wide application in the Company.

In particular:

- From mid-2016, the Human Resources Department has organized training courses introducing the Company's Capabilities and Capability Assessment Skills to the entire level of management throughout the country.
- A Capacity Assessment Process has been developed.
- In February 2017, the capacity evaluation plan 2017 was tested to manager-up level.
- In August 2017, a pilot assessment was conducted for the capacity of management
- Until now: 347/347 managers have conducted a capacity assessment and developed a Capacity Development Action Plan.

Training

In 2017, Vinamilk continued to invest in training with a budget of VND 16.39 billion. The Company organized 601 training courses with 21,523 training turns, the actual training cost was VND 11.29 billion.

Wherein, the average training time by grade group:



Managers:
42 hours/person/year



Employees:
27 hours/person/year

	2016	2017
Training budget (VND billion)	12.26	16.39
Number of training courses	538	601
Number of training turns	23,772	21,523



GROWING SUSTAINABLE HUMAN RESOURCES



OUTSTANDING TRAINING PROGRAMS IN 2017

Capacity building programs for managers

- Senior Leadership Training Consultancy Program for some members of the Board of Management;
- Training to improve the management and execution capacity of the strategic projects for Executive Directors, the Project Leader and some members of the Strategic Project Team in the Company;
- Management capacity training for middle managers for newly promoted management level;
- Advanced Interactive Environment and Leadership Performance Enhancement Program for Board of Directors at the Company;
- Leadership Performance and Sales Culture Enhancement Program for Sales Force Management and Distributors.

In addition, Vinamilk regularly sends staff to participate in international training programs abroad:

- Global Leaders Training Program (Singapore)
- Marketing seminars held at home and abroad (Singapore, USA, China, etc.)

Professional and soft skills training for staff

- Soft skills training for employees: communication skills, planning and time management skills, teamwork skills, influencing skills, thinking and problem-

solving skills, presentation and conferencing skills, contract negotiation skills, etc.

- Knowledge training, sales skills and professional negotiation, strategy to deal with disagreements with customers, etc.
- Training to update legal provisions on labor, tax, accounting; professional medical knowledge updating, etc.
- Training on the contents of occupational safety and hygiene, food safety and hygiene, electric safety, chemical safety, equipment safety, fire and explosion prevention, first aid, etc.
- Training on awareness of quality standards (ISO 9001, ISO 14001 & OHSAS 18001 (PAS99), ISO 50001, HALAL, FSSC 22000, HACCP, ISO 17025: 2005, etc.), internal auditor training.
- Training on processes of production technology, product quality management, operation, repair and maintenance of machinery, equipment, etc.
- Training of animal husbandry technicians, veterinary staff and quality control at raw milk feeder stations, livestock households, etc. on techniques to help dairy cattle households to control and enhance raw milk quality.
- Training of communication in English and specialization to technical staff at the factory, purchasing department to serve professional work and welcome visiting delegations and foreign partners.

Corporate culture

Integration

All new employees are enrolled in the Integration Training program to help them quickly get acquainted with and integrate into the new environment and workplace, while mastering and understanding their rights and responsibilities.

Integration program has been adjusted and updated by a new version from July 2017. The content of the program is streamlined but still full of important contents to convey about Vinamilk, including: Company overview; Vision, Mission, Core Values; General provisions and policies on personnel; Introduction of community and collective activities; Cultural principles, leadership behavior of the Company, etc.

Sticking

The company and its units regularly organize collective activities to foster team spirit and create friendly, cooperative atmosphere among members of the same department; among departments and boards; and among units. Some typical activities:



Sports exchanges after office hours



Break at the farm



Employees joining the Sports Association

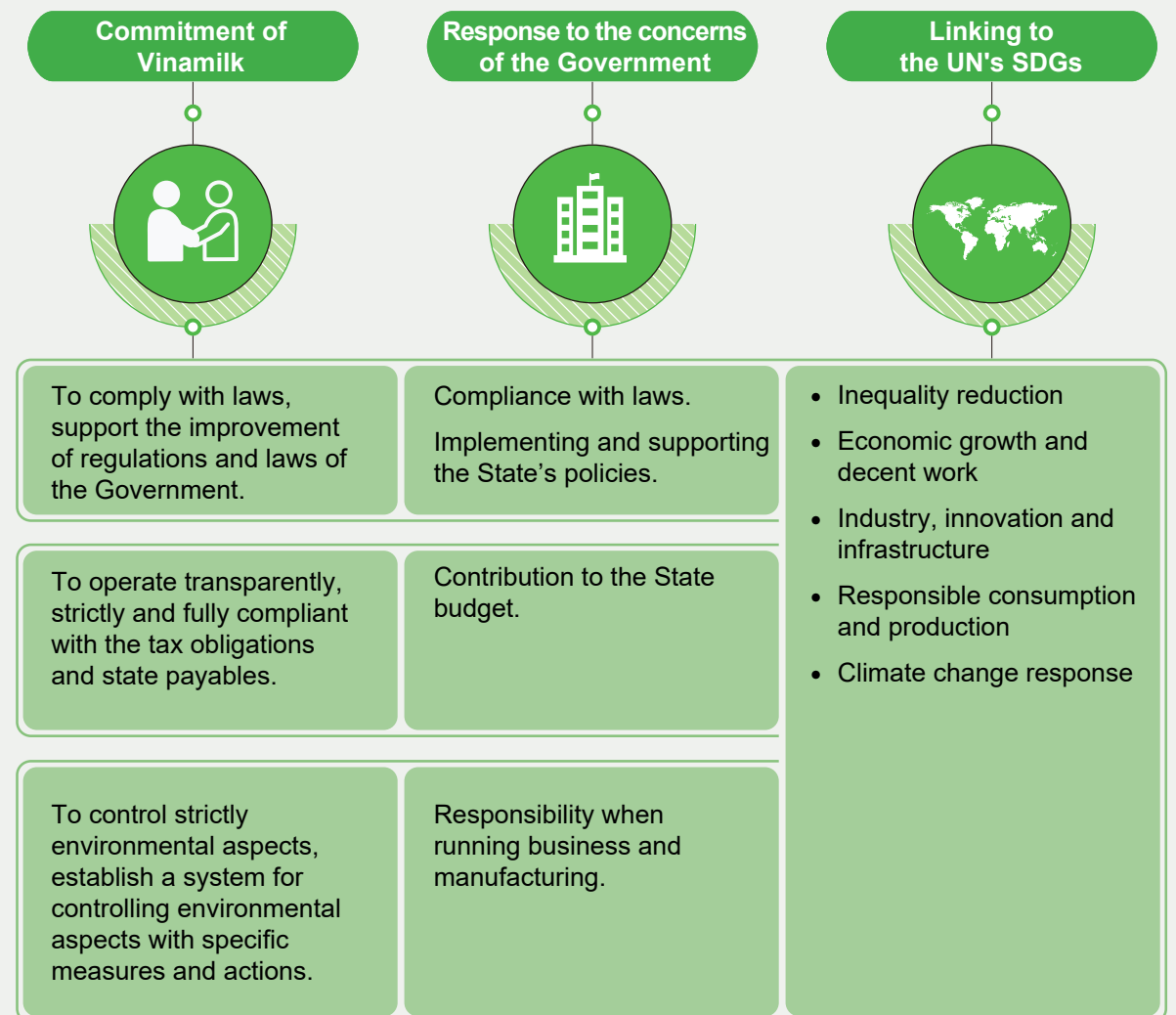


Pilots to participate in the Golden Bell Challenge held at the unit





BEING CONCOMITANT WITH THE CONSTRUCTIVISM GOVERNMENT





BEING CONCOMITANT WITH THE CONSTRUCTIVISM GOVERNMENT



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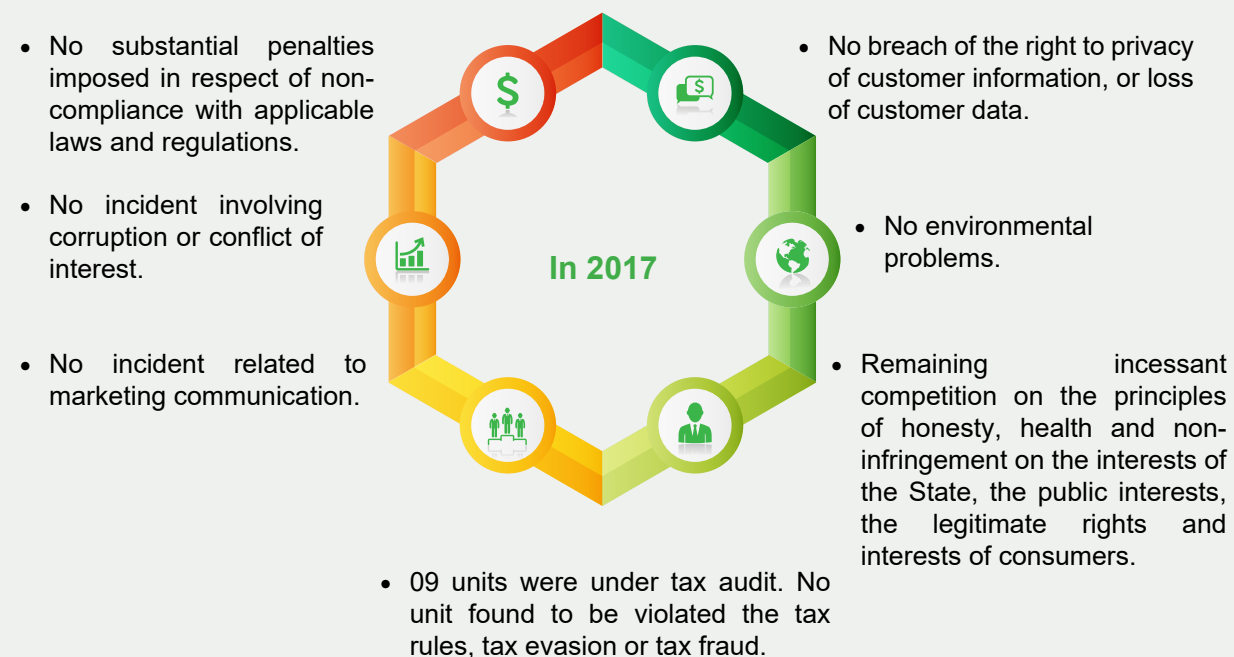
As one of the leading companies in Vietnam, Vinamilk always strives to perform well the role of an exemplary “leader”. Not only does Vinamilk comply with the law; contributing significantly to the national budget; but it also pioneers in responding to the guidelines and policies of the Party and State; at the same time, actively accompanies the Government to create and build a richer Vietnam and a sustainable world.

”

A RICHER VIETNAM

Compliance with laws

Vinamilk always puts the compliance with law and legal regulations on the top priority. This is at all times mentioned first in the Code of Conduct and internal regulations of the Company.



Prevention from conflicts of interest, anti-corruption and anti-bribery

- In Vinamilk, prevention from conflicts of interest, anti-corruption and anti-bribery rules are always laid out in a clear and rigorous manner, and are disseminated to all workers in various forms: implementing directly through the management level, emailing to all employees, and being stated in the Code of Conduct.
- All managers and staff in positions often interact with partners, customers, etc., must sign the contract appendix with the company, which commits professional responsibility, code of conduct, etc.
- These rules are disseminated to partners, suppliers of the Company, etc. so that they understand and follow the rules.
- In 2017, the Company has deployed all Conflict of Interest Declarations online. The compulsory declaration is applied to the entire management level, the Board of Management members, members of the Board of Directors; and major shareholders of the Company. Information to be declared includes all organizations with related interests (owned by capital contribution or shares), individuals with related interests (including immediate family members, authorized representatives, etc.)
- The interest conflict declaration also applies to partners (contractors, suppliers) with great value transactions, all Distributors and Shops introducing and selling products of partners.





BEING CONCOMITANT WITH THE CONSTRUCTIVISM GOVERNMENT



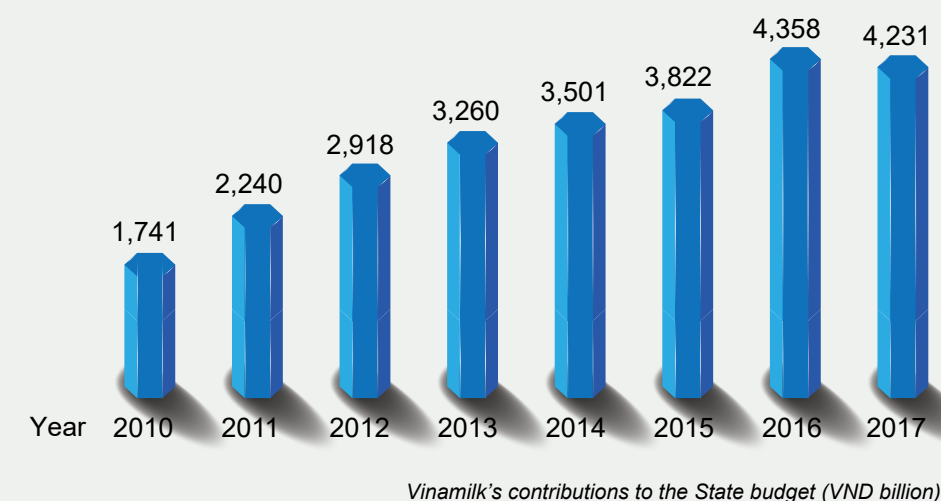
In addition to the maintenance of absolute legal compliance, Vinamilk is also a powerful hand to support comments and complete the regulations and policies of the State. Some recommendations Vinamilk raised in 2017 are as follows:

No.	RECOMMENDATIONS, SUGGESTIONS	INTERACTIVE AGENCIES
1	Proposal on withdrawing the “fresh milk” item from the “List of terrestrial animals and animal products subject to quarantine” when being transported out of the provincial area.	Government and Ministry of Agriculture and Rural Development
2	Comment on the content of the agenda for the 9 th session of the Viet Nam-Myanmar Joint Sub-Committee on Trade to promote commercial cooperation between the two countries.	Ministry of Industry and Trade
3	Comment on the Draft Circular guiding the decree on Corporate Governance applicable to public companies	State Securities Commission of Vietnam
4	Comment on perfecting Vietnam regulation on liquid milk	Agency of Food Safety- Ministry of Health
5	Proposal on promptly urging China to improve the standards and conditions of dairy products exported from Vietnam to China	Ministry of Industry and Trade
6	Proposal for promulgating regulation on the use of recycled organic cow dung in agricultural production	Committee on Science, Technology and Environment of the National Assembly
7	Suggested amendment of Decree 37/2006/ND-CP on trade promotion.	Ministry of Industry and Trade
8	Comment on Draft proposal of internal audit	Ministry of Finance
9	Comment on the Draft Circular promulgating the list of milk and functional foods for children	Ministry of Industry and Trade
10	Recommendation to consider raising VAT and offering commercial discounts/discounted payments in the promotional forms	Ministry of Industry and Trade, Ministry of Finance
11	Recommendation to amend Decree on Safety Food Law instructions.	Ministry of Health
12	Comment on the Draft Decree on organic management	Ministry of Agriculture and Rural Development
13	Proposal for non-collection of tax on imported refined sugar entitled to special preferential tariffs under the ATIGA Agreement.	Prime Minister Ministry of Finance General Department of Customs
14	Comment on the proposal of the Ministry of Industry and Trade to remove difficulties in issuing C/O (origin of goods).	Ministry of Industry and Trade
15	Suggestion for Youtube to remove Vinamilk ads in the clip content violating the law of Vietnam	Ministry of Information and Communications

Contribution to the State budget

Tax responsibility

For many years, Vinamilk has been one of the top business contributors to the State budget.



Solution of the labor problem

With more than 6,600 official employees and thousands of indirect employees, Vinamilk shares the major concerns of the government on labor problems. The staff is trained and practices in a professional working environment, ensuring high quality of workmanship and qualifications.





BEING CONCOMITANT WITH THE CONSTRUCTIVISM GOVERNMENT

“

Understanding the strategic directions of the country, adapting flexibly in the context of global change, recognizing the role of industry leaders in the common development and remaining consistency in the business philosophy and commitment given, Vinamilk not only strives to accelerate but also joins hands in creating a sustainable environment.

”



A SUSTAINABLE WORLD

Clean production - Green livestock

Leading in applications of science technology

Continuous application of modern science and technology to production and business is the guideline to help Vinamilk firmly pioneer.

Owning a system of widespread factories and farms, automatic production lines, which are modern and closed, Vinamilk constantly seeks and applies modern science and technology into production with the desire to be the pioneer to the peak of technology always.

Investment in green technology

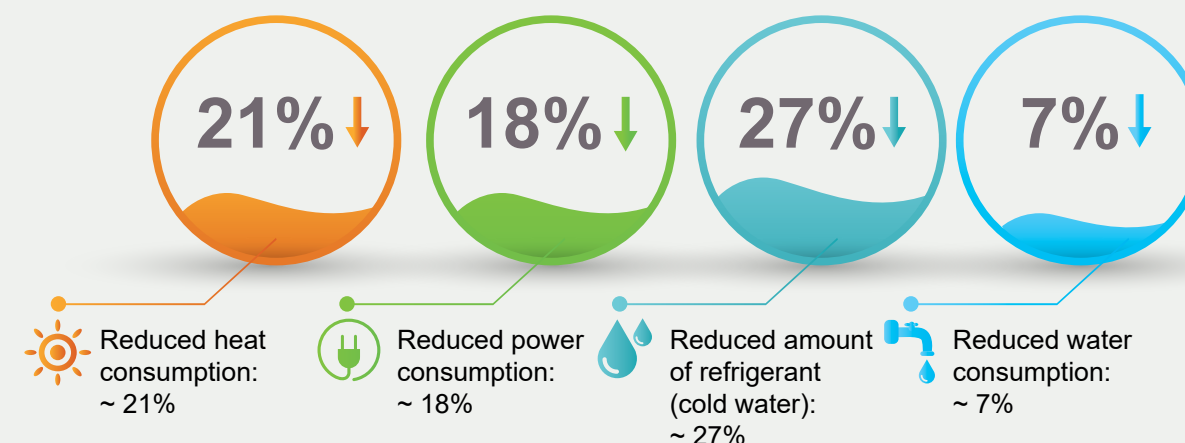
In 2017, Vinamilk promoted strategic projects to increase the productivity of the whole plant system. In particular, the highlight was the investment project in Da Nang factory with One step technology, leading processing technology from Tetra Pak. This affirms that green technology is always the first choice of Vinamilk.

One Step - Top Processing Technology from Tetra Pak



By eliminating many intermediate storage steps during the milk preparation process, optimizing and simplifying the production process to accelerate the preparation of raw milk, **OneStep** technology allows complete automation and continuous operation, reducing the traditional loss between processing steps and improving uniformity of product quality.

Putting this technology into application to bring about great energy savings, such as:



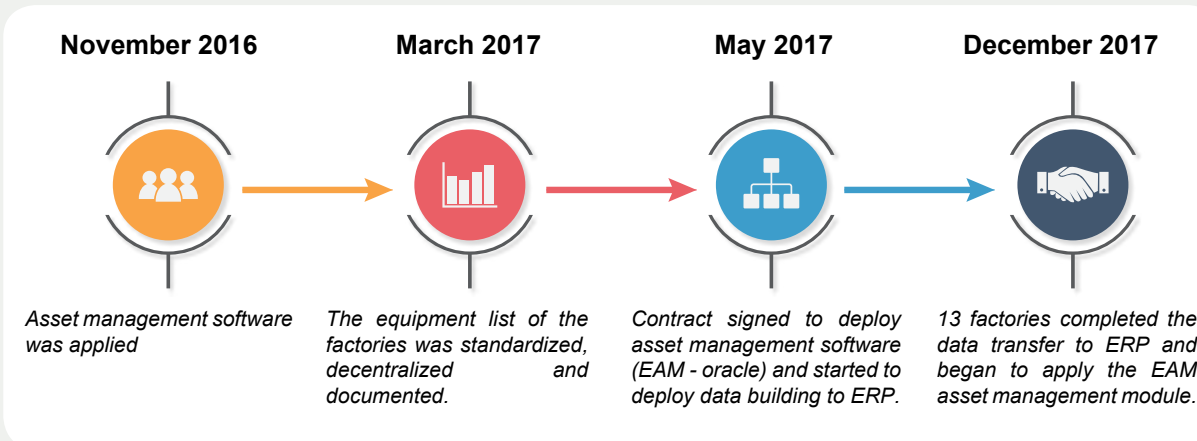
Production capacity optimization

Efficient management and maintenance of machinery and equipment

In 2017, Information Technology Department & Production Division coordinated to study the application of asset management software to integrate data into the ERP system.

By deploying this management system, all of the asset data is standardized, integrated into and managed on the ERP system. Maintenance work, machinery and equipment status can be easily tracked on the system. Besides, data of similar properties in same group can be linked for the purpose of analysis, evaluation of efficiency and maintenance optimization.

Implementation process:





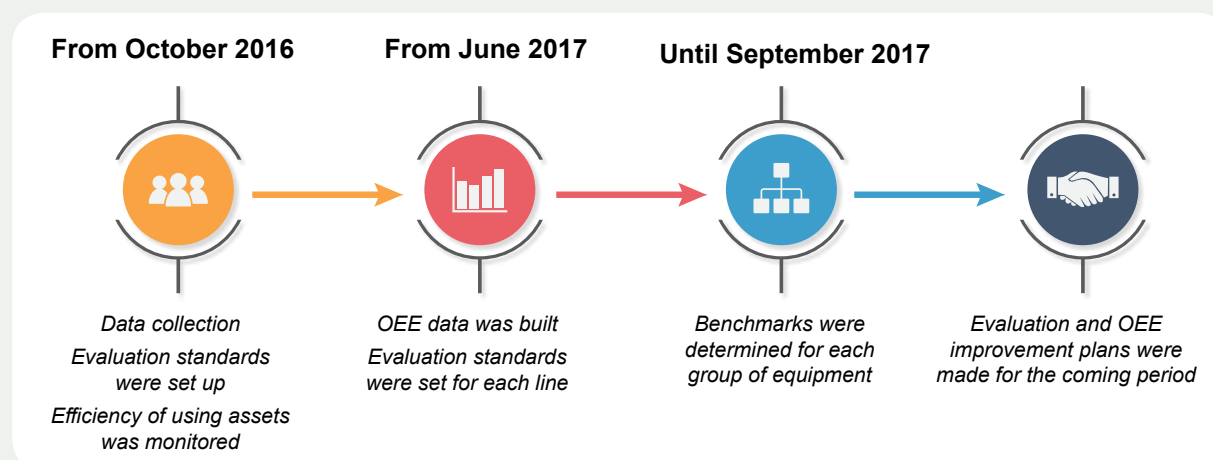
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Overall performance management

In 2017, Vinamilk also promoted the analysis and evaluation of the overall equipment effectiveness (OEE) on key production lines.

Implementation process:



The results of monitoring and measuring the overall equipment efficiency are the basis for analyzing the cause, providing solutions for improved performance, technological innovation as well as considering new investments.

Automation in livestock

Investment of control equipment for temperature-humidity automatic cooling rain spray system (THI) and replacement of coolers with ceiling fans with power saving inverter:

The convection ceiling fans are widely installed for farms and equipped with new cooling system: ceiling fan with large wingspan, low power motor using power saving inverter offers many advantages: saving more electricity, reducing noise, increasing equipment life and ensuring cooling and maximizing ventilation for dairy herds.

All the rain-cooling systems are equipped with new automatic control cabinets: Fully automatic temperature-humidity (THI) operation of the environment. This helps to control the spraying process and to control the speed of

the air blower, which significantly saves energy and water usage, time, frequency, as well as reduces the number of employees due to the fully automated system.

Feed pushing robot equipped:

Feed pushing robots are equipped for the farms: Organic Da Lat, Thanh Hoa, Tay Ninh, to replace jobs handled by humans or tractors. This brings many benefits:

- Efficiency increase
- Noise reduction
- Reduction in fuel consumption due to its light weight, rechargeable battery, energy efficiency - very good mileage.

Promotion use of green energy and renewable energy

9 factories

using Biomass energy

CNG and saturated steam from Biomass have become Vinamilk's main source of energy in recent years, replacing other forms of energy. With technical improvements under the green power and renewable energy promotion policy, in 2017 some of the local backup power sources,

5 factories

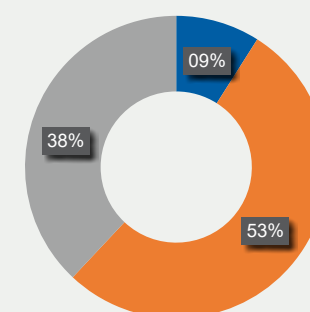
using CNG

such as DO and FO, has been replaced by these clean energy sources.

As for livestock, it has also been studied the application of hot water heating system using biogas to make use of available gas, renewable energy source to reduce environmental pollution.

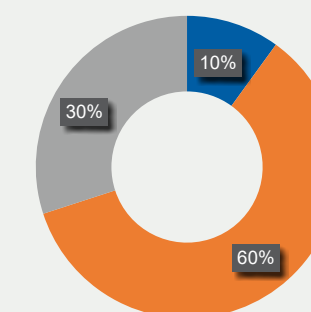
Clean energy used in 2015-2017

2015



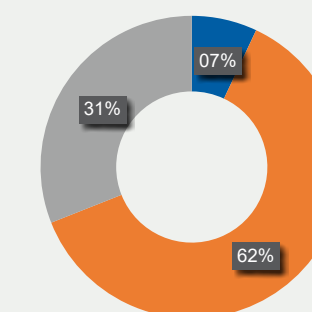
■ DO, FO
■ Vapor
■ CNG

2016



■ DO, FO
■ Vapor
■ CNG

2017



■ DO, FO
■ Vapor
■ CNG





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Protection of land and water - invaluable natural resources



01

farm qualifying Organic standards



8/9

farms certifying Global GAP



100%

of the farms deploying risk assessments on the cultivated area

Land resource

Prevent soil erosion and regulate ground water levels in farms

In 2017, Vietnam Dairy Cow One Member Co., Ltd and Thong Nhat Thanh Hoa Dairy Cow Company Limited planted many trees (acacia, coconut, mango, flowers, etc.) with the total value of over VND 2.5 billion. This is one of the outstanding programs to prevent soil erosion, regulate groundwater level.

Besides, the greenery system also has the effect of improving the microclimate on the farm as it is capable of blocking and filtering solar radiation, preventing evaporation, maintaining soil moisture and air moisture, wind control and air circulation. Especially for some farms located in hilly areas, the planting of trees as a small belt shield for cattle and cows breeding facilities. In addition, trees have the effect of protecting the environment, CO₂ extraction and O₂ supply, preventing toxic gases in adjacent areas, minimizing noise especially in the areas near factories, roads, etc.

Preserve the nature of land by organic livestock

Characteristics of Organic Livestock:

1. No chemicals in food and beverages.
2. No use of pesticides in forage field.
3. No use of chemicals for forage.
4. No artificial growth hormone and no other animal parts to feed cows.
5. Livestock area should have sufficient space for moving animals, not keeping the farm animals.
6. Nitrogen content of soil must be controlled as requirements of Organic EU standards.
7. Legumes should be rotated to improve on organic farm land.

Vinamilk is proud of being the pioneer in organic livestock production. Dalat Farm is the first farm to be certified Organic-EU standard in Vietnam. Vinamilk oriented to continue deploying and expanding this model farm. In addition to strictly enforce the law on environmental protection, applying clean and green breeding technology, especially organic livestock, Vinamilk not only creates clean and high quality products but it also preserves the natural features inherent in the cultivated area, particularly the land resources.

Water resource

In 2017, Vinamilk promoted water saving solutions, reviewed the overall operation of machinery, rationalized production and processes in livestock, optimized CIP programs, set up reasonable production planning. Those efforts yielded remarkable results.

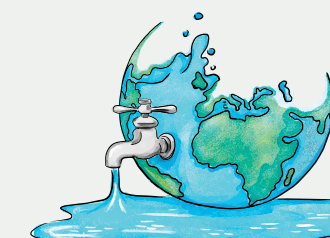
Water saving programs in 2017:



In production

No.	Solutions, innovation initiatives saving water resources	Saved cost (VND million/year)
1	Recovery of cold water at 2 dispensing machines A3	114
2	Renovation of the heat exchanger system at two machines UHT1	95
3	Renovation of the heat exchanger system at two machines UHT2	94
4	Implementation of total solutions to save water: <ul style="list-style-type: none">• Making regulations, raising awareness of employees about saving water in the factory;• General review of the CIP regime• Review of all machines and equipment using water (water ring pumps, assimilation lubricants, etc.), resetting min value within allowed limits.• Reducing sanitary faucets and attaching meters (to raise awareness).	135
5	Washing machine and equipment, cleaning the workshop properly, minimizing recycle, water leakage treatment, planning production reasonably, using water economically.	147
Total		584

Water reuse: In addition to ongoing initiatives, water reuse is a key subject to be implemented, researched and continuously invested in. Major sources of water have been recovered from condensate recovery processes in production such as: water recovery in the equipment clusters (filling machine, UHT), cooling water in the processing system, air conditioning, UHT clusters, boiler blowdown.



Water reuse

In livestock breeding

Investment of control equipment for temperature-humidity automatic cooling rain spray system (THI) saves significantly energy and reduces the amount of water used, ensures the time and frequency

86,088 m³
equivalent to 1.94%^(*)
In 2016

122,790 m³
equivalent to 2.77%^(*)
In 2017

(*) of the used water





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Efficient management of resources



13/13

factories certifying environmental management system in accordance with ISO 14001:2015



0

complaints and sanctions for environmental violations in 2017



100%

of farms invest in waste treatment systems using biogas technology



100%

of contractors in the field of waste management are licensed

In 2017, Vinamilk continued to maintain the effectiveness of waste management activities in both production and livestock sectors. At the same time, 2017 was also the pre-eminent year marking Vinamilk's efforts in effective and exhaustive control of waste streams by statisticizing and reporting the data and waste management activities of the supply and logistics sector.

In production

Plan	Do	Check	Act
Design the Control system with documentation system, guidelines related to waste water and waste management in international standards: <ul style="list-style-type: none">The requirement of laws	Train and retrain periodically	Internal audit	Continuously improve the technology of waste disposal
<ul style="list-style-type: none">Requirements of the ISO 14001:2015 management system	Self-control, continuous monitor wastewater treatment system and waste	Cross audit among units	Continuously improve the management system
	Invest in modern technologies on waste treatment	Inspected by state agencies	
	Operate system according to ISO 14001:2015 standard		

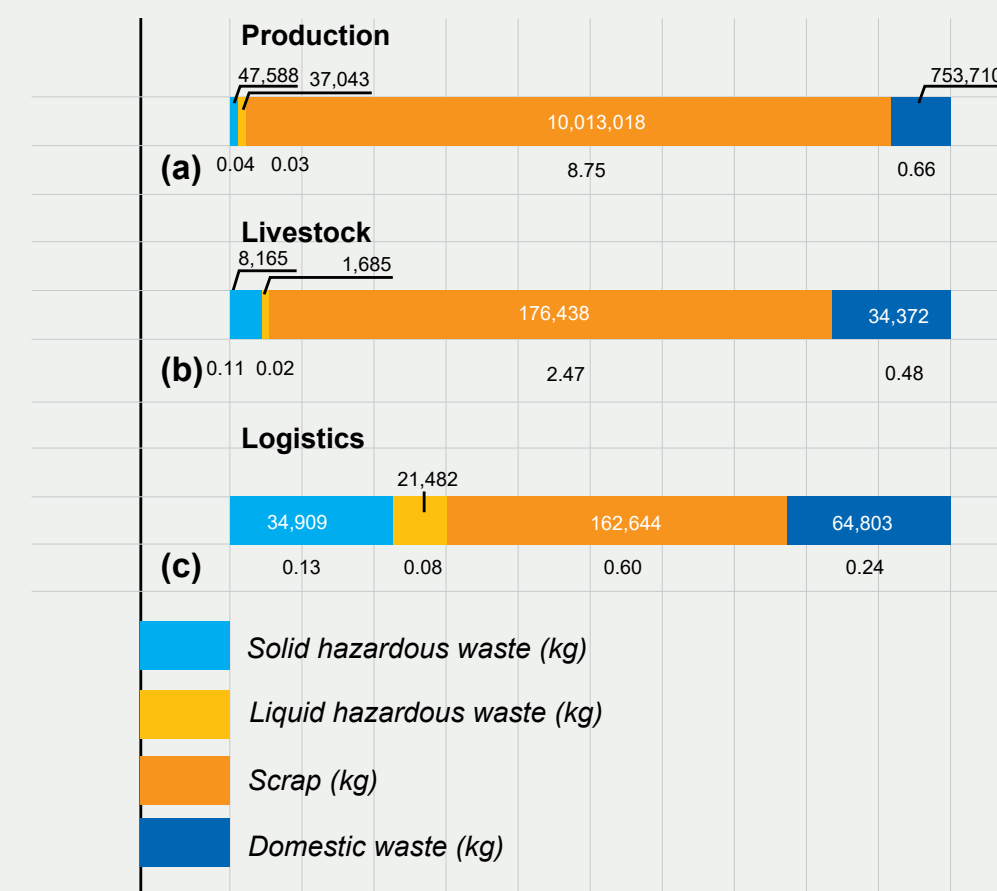
In livestock breeding

- Ensure that the environmental treatment system is operating properly and complies with the operating procedures.

- Continue to study and apply the solutions of environmental treatment, waste in the direction of renewable energy, reuse, and friendly with the environment: biogas generation, use of probiotics prior to separation of manure, and after-separation manure drying system, etc.
- Renovate and build new biological reservoirs of lakes, dredge biogas tanks at camps, maintain the system's capacity and increase the efficiency of waste treatment.
- Collect, classify and store the hazardous waste in separate areas and treated in accordance with regulations.

In Logistics

- 2017 is a hinged year for the development of a database system that underpins the management and improvement of waste management. Vinamilk sets its goals with the ambition of managing the waste more efficiently, getting closer to the green supply pattern in the world.



(a): Average/ton of product from production
(b): Average/ton of product from livestock breeding
(c): Average/ton of product from logistics





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Optimize energy usage



100%

trained employees are aware of environmental protection, energy saving and efficiency



13/13

factories are certified management system according to ISO 50001



13/13

factories are subject to statutory energy audit

Energy plays a particularly important role in maintaining economic growth, improving people's living conditions, contributing to ensure political security, social order and safety and sustainable development.

Energy-saving and efficient use are to use energy reasonably to reduce energy consumption, reduce energy costs of the operation of energy-consuming facilities and equipment while still ensuring the energy required for the production and business of the Company.

Effective and responsible investment planning is made with 100% of investment projects evaluating the criteria of energy saving.



Modern facilities, high technology applications on asset management as well as maintenance of machinery.

Constantly offering energy-saving solutions is the ultimate platform and tool

The management system aims to continually improve according to international standards.

These are the factors that help Vinamilk achieve its goals of optimizing energy use.

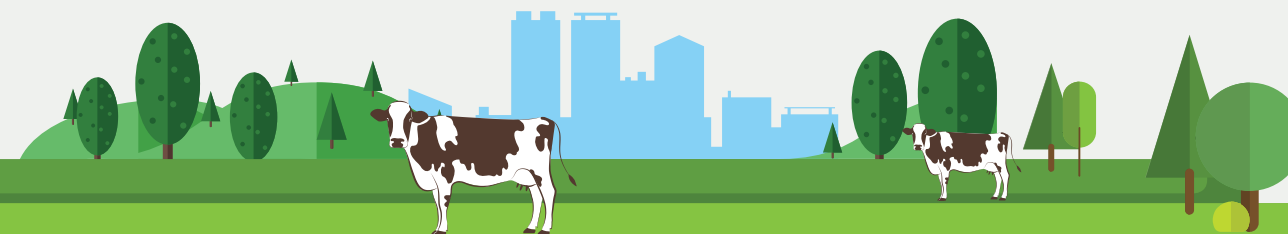
Energy saving solutions in 2017

No.	Solutions, innovation initiatives saving energy	Saved cost (VND million/year)
1	Quick opening-closing door of cold storage	283
2	Replacement of the LED bulb in cafeteria, and other areas	10
3	Renovation of cooling system of the spoon presses	127
4	Renovation of cold storage for subo creams (enclosures, cold storage room partition) instead of 40 feet cold containers.	239
5	Refreshing of cream pasteurizer, yogurt ice cream cooler	23
6	Adjustment of running mode, reduced cost of boiler	205
7	Replacement of old fluorescent bulbs with energy-saving LED bulbs	5.6
8	Repair and replacement of drying tower Chiller 2	608
9	Inspection and repair or replacement of steam valves, leaking steam pusher, leaking steam (check for air leakage: No. 1,2,3 drying tower and drying shaft)	262
10	Optimization of operating mode of the compressed air system: reduced no-load time	564
11	Forklift optimization: Additional parking space at material store is arranged to limit the carriage to the beginning and end of each shift Strengthened staff training to use forklift for the right purpose, minimize the forklift without goods	5
12	Improvement of the control mechanism of the plastic distributor of susu MSB bottle blower (replaced hydraulic pump system including motor 5.5KW with mechanical latch	38
13	Transfer of the chemical tank to the conversion tank using an electro-valve instead of a chemical dosing pump.	105
14	Heat-relieving switch by cold water to cooling tower for yogurt pasteurization process. Turn off electrical appliances when not needed, buy and use energy saving appliances, actively cool during low hours, fix in time for abnormal electrical equipment	2,684
15	Proper operational of the boiler, immediate repair as soon as there are steam leaks, condensate leaks. Making a reasonable production plan, buying steam from outside units.	991
Total		6,149





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Energy saving solutions for livestock breeding in 2017

Upgrading lighting system for Tay Ninh farm

New cages, farms and workshops are illuminated by LEDs that are more economical than previous generation compacts.

Plan to upgrade lighting system using Led lights instead of high voltage lights in the breeding facilities:

- Reduce the electricity consumption but still meet the lighting intensity to ensure the operation of cattle and workers.
- Increase lamp life.

Investing in hot water boiler using Biogas

Biogas is the type of fuel that is created in great amount in the process of wastewater treatment on farms. Studying and investing in systems can utilize the benefit of Biogas to help both reduce environmental pollution and reduce energy consumption.

The system will help meet the demand for hot water in farms, reduce the amount of biomass used, and make use of available free biogas.

Optimizing the performance of mechanical equipment

The mechanical equipment, power equipment with high capacity invested newly in 2017 are all given priority to use energy and fuel saving technology: engines with fuel economical mode (tractors, forklifts, etc.); electric motors using soft starters, using inverter (rotor chopper, pumps, compressors, etc.)

The machinery and equipment are maintained periodically according to schedule and content to optimize their operations, increase the level of energy efficiency. New machinery and equipment meet stringent emission standards, new generation engines, fuel economy.



Overall picture of usage of energy, resources and emissions in 2017

Statistic data

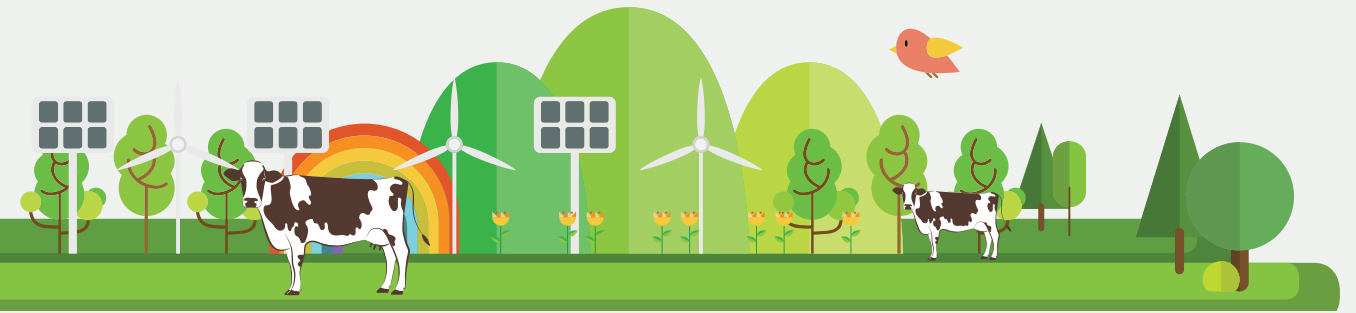
In Production

Goal realization in 2017:

No.	Type of resource/ fuel	Savings rate / ton of product	Savings (compared to 2016)
1	Water used	0.6%	8.57%
2	Electricity	0.95%	5.67%
3	Saturated steam	0.9%	7.0%
4	CNG	0.9%	8.4%
5	FO	0.6%	72.2%
6	DO	0.3%	-0.2%
7	GAS	0.5%	0.7%



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Statistics on energy-resource use in 2015-2017

In production

Reporting criteria	2015	2016	2017
Total products produced (ton)	997,719.00	1,049,029.00	1,144,950.22
Energy			
DO (kg)	1,286,733.00	1,468,363.00	1,606,219.50
Average (kg)/ton products produced	1.32	1.40	1.40
FO (kg)	1,223,632.00	1,277,824.00	388,072.53
Average (kg)/ton products produced	1.25	1.22	0.34
Gas (kg)	224,564.00	261,971.00	283,826.39
Average (kg)/ton products produced	0.23	0.25	0.25
Electricity (kWh)	132,468,905.00	144,360,370.00	148,632,261.86
Average (kWh)/ton products produced	135.49	137.61	129.82
Biomass (Ton of steam)	184,256.00	216,133.00	219,413.78
Average (ton)/ton products produced	0.19	0.21	0.19
CNG (mm BTUi)	379,255.00	311,772.00	311,640.00
Average (mm BTUi)/ton products produced	0.39	0.30	0.27
Total energy consumption (MJ)	1,672,909,375.06	1,773,605,072.58	1,773,086,164.76
Average (MJ)/ton products produced	1,711.03	1,690.71	1,548.61
Resources			
Ground water (m³)	1,891,231.00	2,083,104.00	2,117,168.00
Water (m³)	2,267,892.00	2,352,567.00	2,309,415.20
Average (m³)/ton of products produced	4.25	4.23	3.87
Emission			
Solid hazardous waste (kg)	30,060.00	55,112.00	47,587.60
Average (kg)/ton products produced	0.03	0.05	0.04
Liquid hazardous waste (kg)	22,985.00	31,584.00	37,042.90
Average (kg)/ton products produced	0.02	0.03	0.03
Scrap (kg)	6,372,551.00	9,201,355.00	10,013,018.26
Average (kg)/ton products produced	6.52	8.77	8.75
Domestic waste (kg)	676,407.00	690,211.00	753,710.00
Average (kg)/ton products produced	0.69	0.66	0.66

In livestock breeding

Reporting criteria	2015	2016	2017
Energy			
DO (kg)	282,613.00	366,541.00	574,405.00
Average (kg)/ton of livestock products	6.87	6.63	8.05
Electricity (kWh)	9,026,739.00	12,748,370.00	20,998,531.00
Average (kWh)/ton of livestock products	235.88	248.03	294.20
Total energy consumption (MJ)	43,804,066.60	60,563,526.67	100,306,843.00
Average energy consumption (MJ)/ton of livestock products	1,144.67	1,178.30	1,405.33
Resources			
Ground water (m³)	428,431.00	637,744.00	1,069,543
Water (m³)			
Average (m³)/ ton of livestock products	11.20	12.41	14.98

In logistic

Reporting criteria	2017
Total energy used by sources	
DO (kg)	2,355,903.78
Average (kg)/ton of products self-transported	8.68
Petrol (kg)	171,588.41
Average (kg)/ton of products self-transported	0.63
Electricity (kWh)	1,607,437.00
Average (kg)/ton of products self-transported	5.92
Total energy consumption (MJ)	115,081,198.65
Average energy consumption (MJ)/ton of products self-transported	423.90





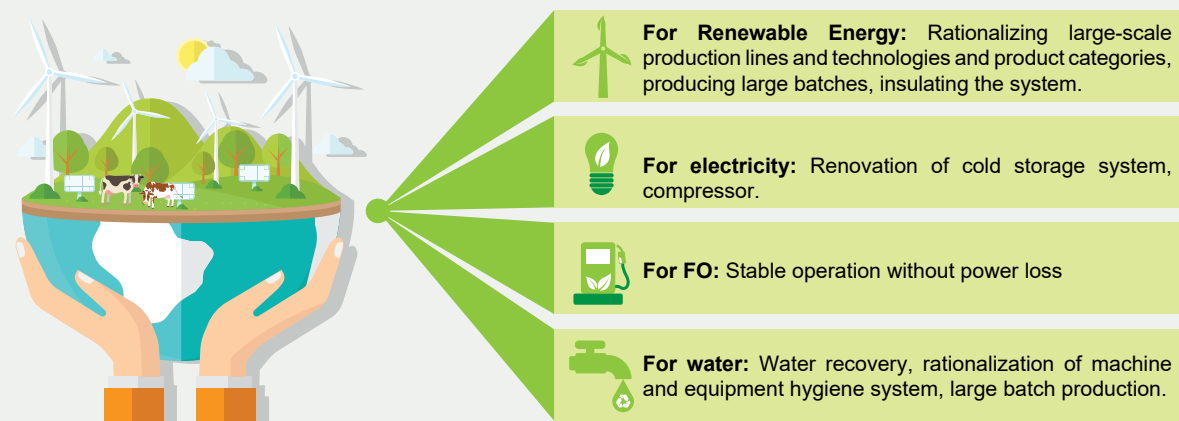
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Assessment of energy-resource use in 2017

In production

Vinamilk achieved positive results in implementing energy-environment targets in 2017 from endless efforts and continuous improvement of management systems:



All indicators of energy use have changed positively and fulfilled beyond the target, except for DO.

DO is used for 2 sources: mostly used for fresh milk tankers from the Farm to the Factory, a small part of running the generator and backing up the boiler, mostly used for fresh milk tankers from the Farm to the Factory. In 2017, the volume of raw milk grew rapidly, so the demand for fresh milk truck to the factory also increased. DO used for milk tankers is an indirect energy in the production activities of the factory, so when being introduced and calculated per ton of product, this coefficient has been increased.

In livestock breeding

In 2017, the company put into operation two new farms, named Organic Da Lat and Tay Ninh. Wherein, Tay Ninh farm is a large-scale farm with 8,000 heads, which is 4 times bigger than the remaining farms. In 2017, these farms started

to import cattle, most of which were not dairy cattle so the milk production was low. Not until December did they start milking stably. Therefore, the total amount of DO, electricity and water was higher than 2016, the average energy and water use per ton product was also higher because of milk production not corresponding to the level of production.

According to calculation data, if excluding Tay Ninh farm, considering the same scope and scale of operation compared to the same period last year, the environmental-energy activities in the farm also recorded many positive results compared to 2016 in terms of per ton product such as: DO savings 30%, electricity saving 9%, total energy saving 7%, water saving 5.8%.

In 2017, the livestock sector also noted efforts to reduce the amount of hazardous waste, scrap and household waste in all farms, on average per ton of products.





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Joining hands to respond to climate change

Statistics on CO₂ emissions in Vinamilk over years

CO ₂ emission	2015	2016	2017
Total CO ₂ emissions (kg) from production	125,853,235	125,683,301	124,999,056
Average (kg) / ton of product	128.72	119.81	109.17
Total CO ₂ emissions (kg) from livestock breeding	27,984,980	31,756,439	48,747,692
Average (kg) / ton of product	731.29	617.84	682.97
Total CO ₂ emissions (kg) from logistics			9,151,872
Average (kg) / ton of product			33.71

Vinamilk joins hands to respond to global climate change in a comprehensive way and by the most practical programs:

- Clean production, green breeding
- Pioneer in the application of science and technology, investing in green technology, continuously promoting energy saving and emission reduction initiatives.
- Maintain environmental monitoring: surveying, monitoring, analyzing and controlling regularly and continuously according to the frequency prescribed in the environmental impact and taking measures to handle in time.
- Update and promptly and regularly publish documents and legal norms on environmental protection. Actively recommend, propose to the authorities the advanced and modern environmental management solutions in the field of dairy farming and production
- Limit use of fuel sources with high carbon dioxide (CO₂) generation rates and the promotion of green energy use

In 2017, the average CO₂ emissions per ton of product in production was 109.17 kg CO₂/ton of products produced, down 8.9% in comparison with 2016. This result marks Vinamilk's progress and efforts in the context of global climate change response.

In logistic sector, this ratio was 33.71 kg CO₂/ton of product self-transported. This is the base year for Vinamilk to collect statistics and do more initiatives to reduce CO₂ emission.

In livestock breeding, due to the fluctuation in energy usage on operating Tay Ninh farm, the ratio is 682.97 kg CO₂/ton of livestock products, increased 10.5% in comparison with 2016.

Action plan

No.	Objectives	Content	Assignment
1	Save at least 1% of annual energy towards the developmental direction of Vinamilk	Regularly monitor the annual situation of energy saving and efficiency in factories. Assess the energy saving indexes annually from production and business activities of factories.	The Energy & Environment Management Section of the Production Department implements the plan. Factories perform and report.
2	Efficiently maintain the energy use management system in accordance with ISO 50001 in management activities of units under Vinamilk	Improve the energy saving and efficiency management model for all plants under Vinamilk: <ul style="list-style-type: none">• Practical instructions.• Improved documentation system, power management profiles.• Established reports as required by Law.	The Energy & Environment Management Section of the Production Department is responsible for the improvement of the system. Factories implement and carry out evaluations.
3	Strengthen the management and raise the awareness about energy conservation and efficiency for all employees of Vinamilk.	Organize training courses to improve management capacity in energy saving and efficient use of energy for leaders of units and energy managers. Deploy and guide the implementation of the law provisions related to energy saving and efficient use for all factories. Participate in community programs on energy saving in association with environmental protection and sustainable socio-economic development.	Factories carry out the program. The Energy & Environment Management Section of the Production Department gives support.





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No.	Objectives	Content	Assignment
4	Implement the energy audit content every three years for the plants under Vinamilk in accordance with current laws related to energy saving and efficiency.	Perform periodic energy audit at the factories. Develop a plan for the implementation of energy efficiency measures proposed after energy audits.	The Energy & Environment Management Section of the Production Department implements the plan. Factories perform and report.
5	Implement energy saving and efficient solutions in the field of lighting.	Develop plans to invest in solar battery systems connected to the grid in lighting. Organize training courses on energy efficiency and conservation for 100% staff of units.	The Energy & Environment Management Section of the Production Department implements the plan. Factories implement the solutions.
6	Invest and build new model of renewable energy application (biogas, biomass, solar power, wind power, etc.).	Continue with the plan of purchasing saturated steam (using fluidized bed boiler technology with Biomass), or use CNG to gradually replace FO fuel burners in factories. Make plans to invest in hot water systems (for processing) using solar energy.	The Energy & Environment Management Section of the Production Department implements the plan. Factories implement the solutions.



Program Implementation Solutions



Financial solution

- Funding for programs is deducted from the cost savings in annual energy savings and efficiency activities (planned for Factory 627 costs), and from the budget in the investment plan.



Solutions on investment, training capacity building

- Make a selective investment in the selection of consultancy organizations for designing, testing, energy auditing, energy management consulting and other consulting activities.
- Invest in the training and improvement of managerial capacity for managers and energy managers in key energy-using units on economical and efficient use of energy.
- Invest in communication, information, education, awareness raising on energy saving.
- Invest in building models of application of new energy and renewable energy (biomass, biogas, solar energy, etc.)



Solutions on science and technology applications

- Learn new forms of energy, clean energy and renewable energy to the application in production and business.



Solutions on cooperation

- Strengthen cooperation with educational organizations and units to enhance the capacity of staff working in the field of energy conservation and efficiency.
- Combine technical assistance programs and policies of energy conservation organizations being implemented in Vietnam.
- Exchange knowledge of scientific and technological achievements in related fields.





ENGAGEMENT FOR CUSTOMERS' HEALTH AND JOY OF LIFE



ENGAGEMENT FOR CUSTOMERS' HEALTH AND JOY OF LIFE



“

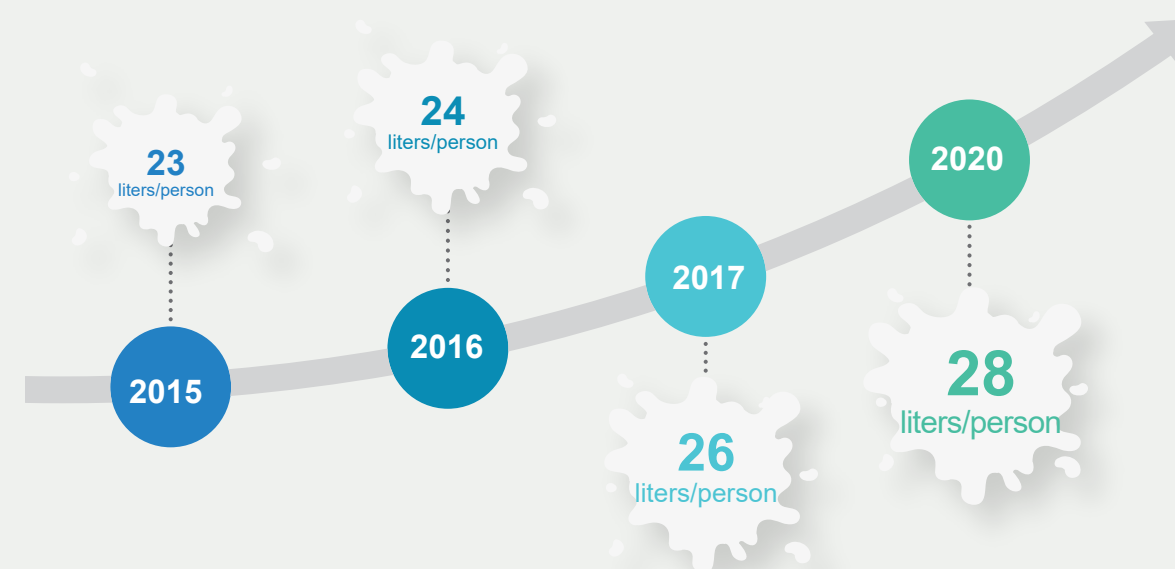
Meeting the customer's needs and achieving customer satisfaction is the key to any sustainable success, and the Company's success is measured by creating value for its customers. Therefore, sharing and enhancing the value to customers is the ultimate goal that Vinamilk always tends.

”



OPENING UP THE TREND

The consumption of milk in Vietnam



“

After more than 40 years of constant efforts to bring international quality dairy products to Vietnamese consumers, Vinamilk has contributed to Vietnam from a country in absence of the habit of drinking milk, now milk has become an indispensable nutritional product in the diet of every family in Vietnam, improving Vietnamese stature.

”

Mr. Phan Minh Tien - Marketing Executive Director



ENGAGEMENT FOR CUSTOMERS' HEALTH AND JOY OF LIFE

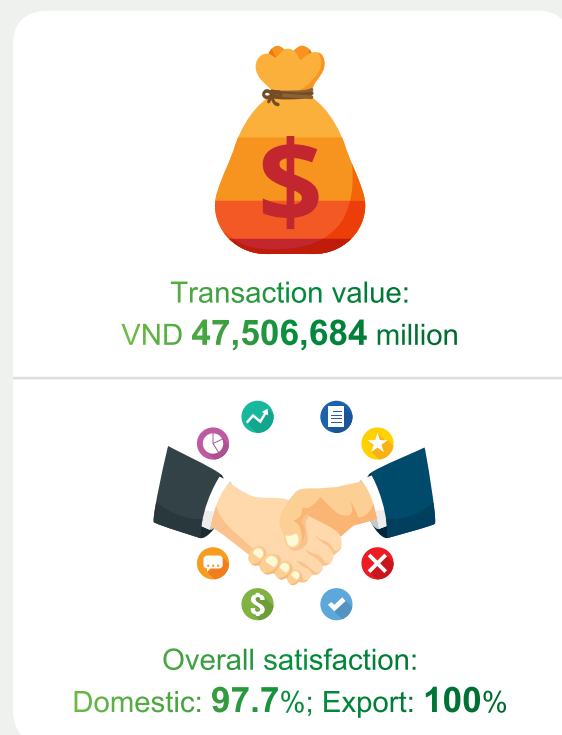


LISTENING TO THE DEMAND

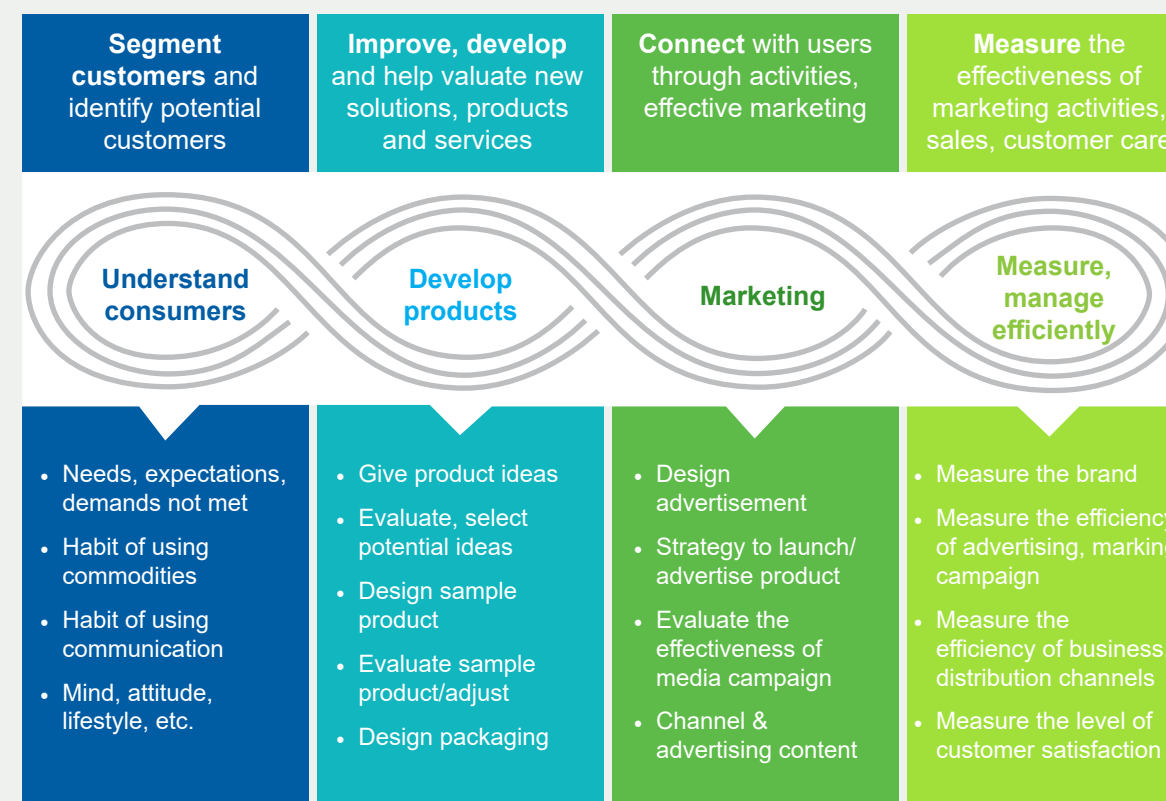
Listening to and understanding customer needs is always a matter that Vinamilk pays special attention and seriously implements. Know what our customers really need and their current experience with the Company's products, thereby setting the foundation for planning marketing strategies, sales, and customer care suitably to not only satisfy but also exceed the expectations of customers and create the link between customers and the brand.

Vinamilk wishes to provide the best quality products, delicious taste and reasonable price for consumers of all ages, all objects to meet their diverse needs. Consequently, customer insight is of particular interest throughout the product lifecycle, from conceptual stage, product development to the product launching. At each stage, different tasks and goals will be the different ones that require the most optimal solutions:

- **In the process of product development ideas:** know who our potential customers are, what products they need, what benefits they deliver, what they serve, etc. thereby, diversify the features and improve the quality of products, aiming to meet and satisfy more than expectations, needs and preferences of customers.
- **At the production stage:** understand the trust of customers placed in the brand is in what respect, what they want from a leading manufacturing business, what makes the brand prestige, etc. thereby, tightly control the production process, consider quality as the vital goal and constantly improve the management system to the international standards with the most stringent requirements.



- **At the launch stage:** understand which message that is conveyed will be most received by the customer, how the brand will be recognized and reminisced, etc. from there, launching effective product launch strategies, enhancing the brand image.
- **And the feedback phase** after a period of time product is widely consumed in the market, from which to make appropriate improvements, or to record the strength of the product, to further improve and orient new products and develop new products.



At Vinamilk, customer needs are received in various ways, based on:

- General market trend analysis reports, from the world's leading providers of reliable information and quality measurement, such as Nielsen;
- Analysis on preferences, tastes of age groups or target groups based on actual surveys. This analysis is conducted by Vinamilk in coordination with professional market research organizations and retail measurement organizations, such as: FFL, Intage, Windows, etc.;
- Analysis on sensory results of a wide range of target customers to find out about the favorite for the upcoming/re-launching product;
- The main consumer interest in dairy products, and related nutritional products is through fanpage, forum, consumer association, etc.
- Complaints and customer satisfaction measurements.



ENGAGEMENT FOR CUSTOMERS' HEALTH AND JOY OF LIFE



RESEARCHING, DEVELOPING AND PRODUCING QUALITY PRODUCTS

For over 40 years of development, Vinamilk has been pioneering the development of new products leading the trend of nutrition and health according to the highest global standards. The current product portfolio of Vinamilk has more than 250 products in the following key product lines: milk, yogurt, powdered milk and nutritious powder, sweetened condensed milk, ice cream, cheese, soy milk, fruit juices and beverages to meet the diverse needs of various objects.

Object	Typical demand	Brand and featured product
Young children in the development stage	Brain development, supplementation of special nutrients	Dielac Alpha, Optimum Gold Dielac Pedia , Dielac Alpha , Alpha Gold, Ridelac, VNM CanxiPro, Dielac Grow Plus, Alpha Gold
Children with special nutritional needs (stunting, lack of calcium, boosting immunity, digestion, etc.)	Weight gain, increased resistance, health protection, increased height	Grow Plus, Pedia
Normal person	Protection for health and joints, fitness, beautiful skin, enhanced digestive system, clean products, organic, vitamin and mineral supplement, etc.	Ong Tho sweetened condensed milk, cheese, pasteurized/sterilized fresh milk, Organic milk, Vinamilk ice cream, Vinamilk yogurt, Soy milk, Vegetable and fruit juice, Artichoke tea, Probiotic yogurt
Pregnant and breastfeeding mothers	Strengthened nutrition, increased resistance, protected health of mothers and children	Dielac Optimum Mama, Dielac Mama
Elderly people or persons with special nutritional needs	Specialized products for diabetics, osteoporosis, daily supplements/meal substitutes, etc.	Sure Prevent, Calcium Pro, Diacerna

Beside the existing products, Vinamilk continuously researches and launches new products, aiming at diversifying products but still ensuring creativity and quality.



In the year 2017, Vinamilk has launched 40 new and improved products, including the following products:

- 100% fresh milk, including: Fresh milk and organic yogurt - 100% organic by European standards
- 100% fresh pasteurized milk - “3 NOs” gift from nature; 100% fresh milk imported from New Zealand
- Condensed milk, including: ADM Gold for children; Adult Flex; Fino “Daily Nutrition”
- Formula milk for mothers and children: Optimum Gold; Optimum Comfort; Optimum Mama Gold
- Kidney Nutrition Powder: Ridelac has many flavors of salty, sweet, diversified choice for baby.
- Vietsugar refined sugar by European and American technology, etc.

Nutrition to live well

Once the demand for food has been met, nutritional needs will become a bigger concern of consumer. At the 2017 Food and Food Conference, held at Chicago (USA), more than 13,000 nutritionists have launched 07 top nutrition trends in 2018. One of them is the tendency to use new raw materials, which reduced the amount of flour, sugar and fat to replace current less healthy raw materials.

To meet the increasing nutritional needs of domestic and international consumers, Vinamilk is constantly striving to improve and develop products, giving consumers the best Quality products and health benefits.

Not only fortifying with healthy micronutrients, enhancing resistance, Vinamilk also aims to reduce the amount of sugar, fat in products.

Statistics for 2017 showed that the reduction in fat loss in each group of products sold of Vinamilk as follows:

Group of products	Percentage of total sales volume	
	Lowered in sugars	Lowered in saturated fats
Beverage	5%	-
Juice	60%	-
Yogurt	8%	1%
Drinking yogurt with live culture	5%	100%
UHT Drinking yogurt	-	100%
Nutrition powder	27%	10%
Soy milk	3%	-
Pasteurized milk	57%	-
UHT milk	90%	20%
UHT Fresh milk	99%	0.5%
Ice cream, Drinking bottled water, Cheese, Condensed milk	0.1%	-



ENGAGEMENT FOR CUSTOMERS' HEALTH AND JOY OF LIFE



Transparent Information - sustainable beliefs

All products of Vinamilk ensure transparency in information disclosure, especially labeling information with multiple layers of control. Prior to publication, all product information is subject to specialized review from the R&D department and legally review from the Legal Department.

In addition to ensuring transparency, Vinamilk also ensures the adequacy, timeliness and effectiveness of product information, ensuring that the information is proper and adequately forwarded to all stakeholders in a consistent and synchronous manner across all relevant information channels.

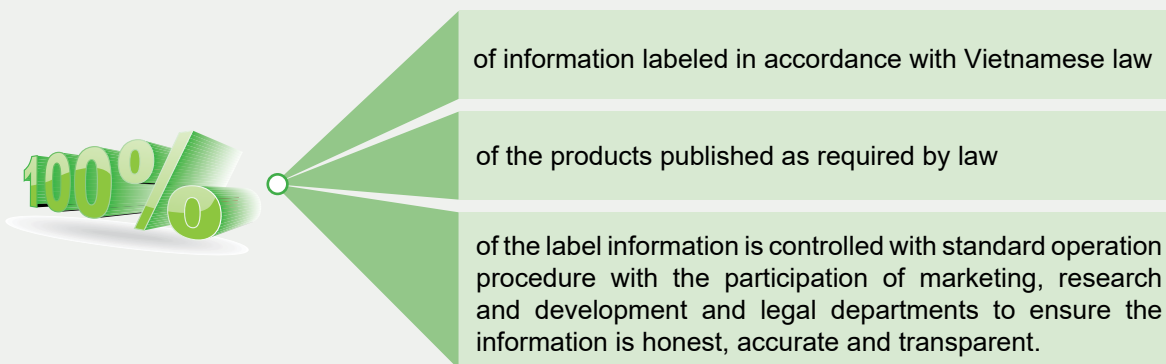
There was no infringement in trademark product disclosure in 2017

Strengthening research and product development activities

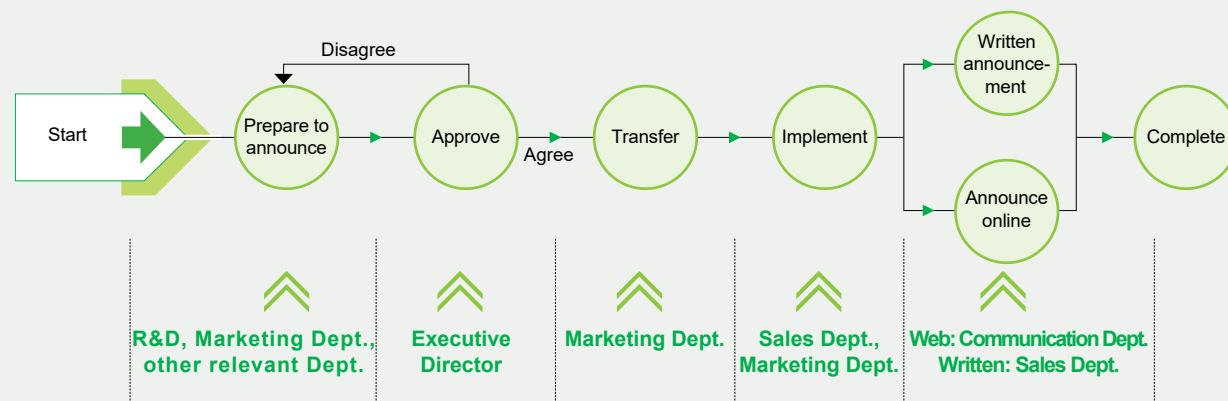
Collaborative signing with Chris Hansen

As the No. 1 dairy company in Vietnam and one of the 50 largest dairy companies in the world in terms of sales, Vinamilk has always pioneered the application of nutritional science to produce international quality dairy products, and improve public health. On 21 September 2017, Vinamilk and Chris Hansen signed a strategic

cooperation **“Pioneering the application of the most advanced probiotic strains in dairy products Vinamilk”** in Denmark. The signing of strategic cooperation with Chr. Hansen is a breakthrough that enhances digestive health, good absorption and resistance to millions of children and families in Vietnam”.



Announcement process of product information



ENGAGEMENT FOR CUSTOMERS' HEALTH AND JOY OF LIFE



“

In the last 40 years, product quality has always been the guiding principle for all of our business. Not only strict compliance with regulations on food safety and hygiene, Vinamilk always strives for international quality products, in accordance with the highest standards of the World, such as European standard organic milk that Vinamilk just released earlier this year.

”

*Mr. Nguyen Quoc Khanh - Research & Development
Executive Director of Vinamilk*

A World-class Production control system

In order to create a safe product that requires strict control from input to output, with a control system of over 40 years, Vinamilk operates the system in accordance with the PDCA principle, ensuring its effectiveness and continuous improvement of the efficiency of the Plan-Do-Check-Act process.



Plan	Do	Check	Act
Quality Management System ISO 9001: 2008	Set goals and work out action plans to achieve product quality goals	Internally review at least once a year all processes	Review of annual leadership
Food safety control system according to FSSC 22000 standard	Validate and verify controls	External reviews every year	Bring innovations for continuous improvement of the control system in a lean way
Global Gap Management System	Ensure quality of input materials: <ul style="list-style-type: none"> Purchase from approved suppliers after the process of evaluating, screening, monitoring the supply process Manage the quality of raw milk according to international standards 	Have regular and irregular inspections of functional agencies	Perform corrective actions when inconsistent

Plan	Do	Check	Act
Organic management system according to EU standards	Control risks and continuously monitor the control systems in accordance with planned standards	Self-assess controls under risk control programs	Join the Milk Association, Dairy Association, attend international conferences on nutrition, technology in food production, etc. seeking opportunities for improvement.
Integration of FSMA-FDA system requirements	Invest in infrastructure, automation to avoid mistakes 100% trained and qualified personnel	Internal audit	
System design according to international standards integrating national technical standards	Collaborate with leading industry experts to continually improve production systems	Assess unit compliance by company level	
Risk management according to the practice of ISO 31000	The ERP application tracking system, performs annual recall assumptions to ensure timely response to emergency situations.		

ENGAGEMENT FOR CUSTOMERS' HEALTH AND JOY OF LIFE



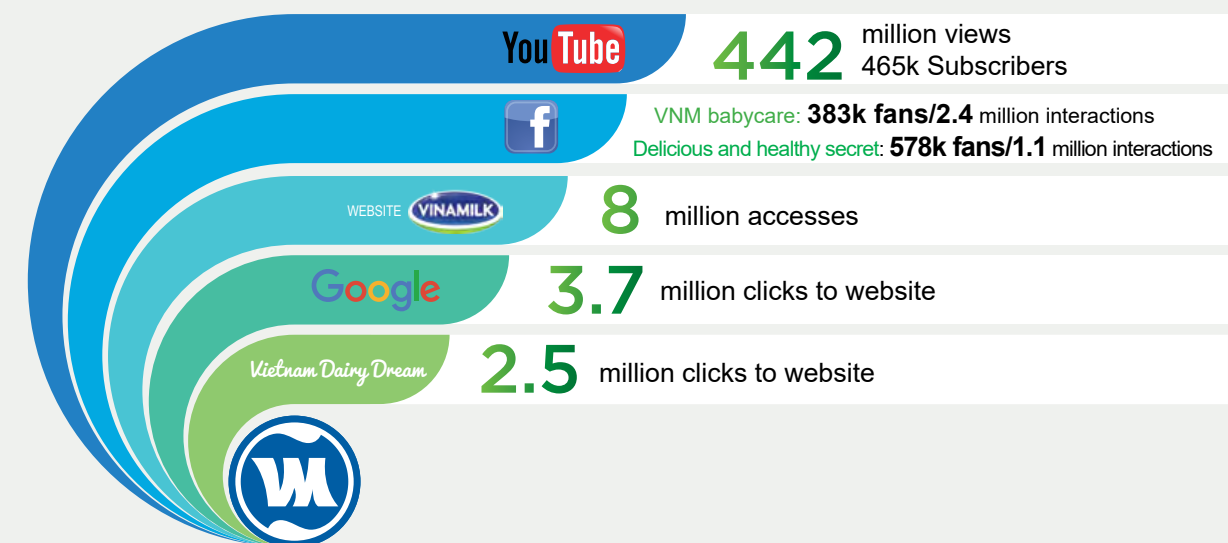
TABLE OF CRITERIA RELATED TO PRODUCT RESPONSIBILITY IN 2017

Criteria	Level
Number of factories certified ISO 9001:2008, FSSC 22000:2011	13/13
Number of factories with laboratories certified according to ISO 17025	13/13
Number of certified factories registered with the US FDA	6/13
Number of factories certified to meet the requirements of EU organic standards	2/13
Number of violations of food safety and hygiene	0
Number of cases subject to product recall due to quality issues	0
Total number of incidents of non-compliance with regulations and standards (voluntary participation) related to the health and safety impact of products and services throughout the life cycle.	0
Number of incidents of non-compliance with voluntary regulations and rules regarding product and service information and labeling	0
Selling prohibited and disputed products	0
Total number of non-compliances with voluntary marketing regulations and laws, including advertising, promotion and sponsorship by type of results.	0
Total claims with evidence of customer privacy violations and loss of customer data	0
Monetary value of significant penalties for non-compliance with laws and regulations regarding the provision and use of products and services.	0

MARKETING AND DISTRIBUTION TO CONSUMERS

With the goal of bringing products to the reach of consumers, increasing the awareness and coverage of Vinamilk products, Vinamilk continues to promote products on the mass media. Vinamilk's films and promotional images often feature cheerful sounds, vivid images, light

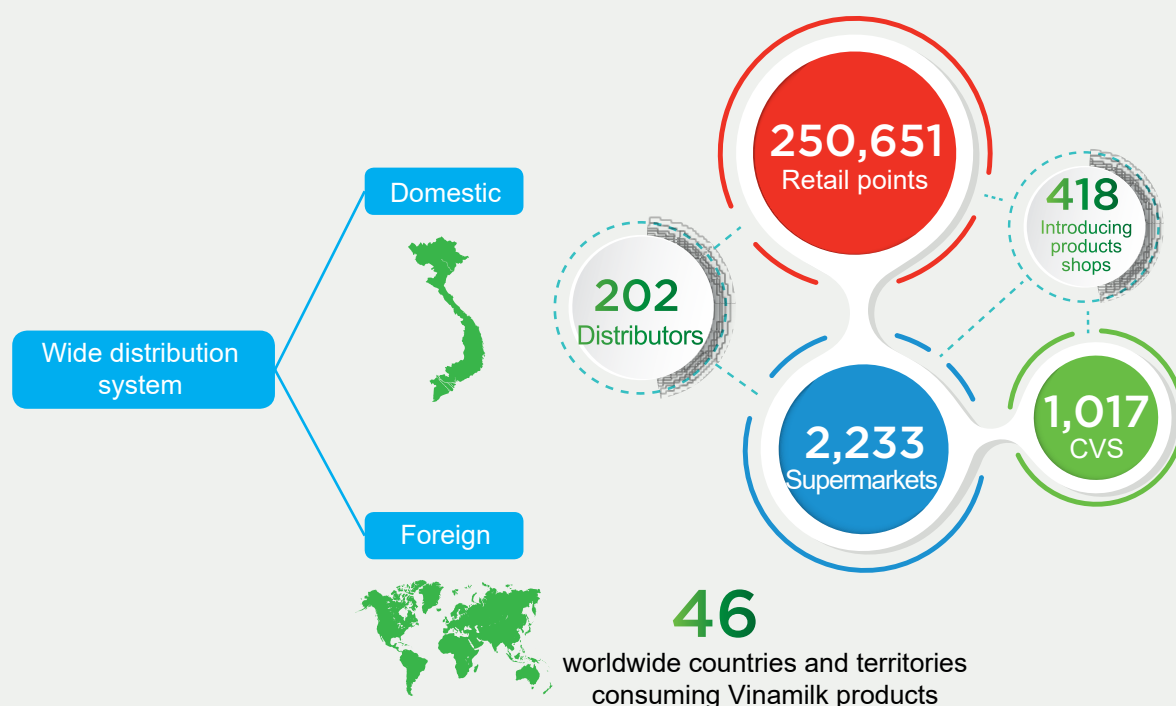
colors and unique message, easy to remember, accessible to all customer's senses, especially children. According to the statistics of the Media and Marketing Department, the number of access and search related to Vinamilk and its products has been increasing, reaching a new record in 2017.



Dielac Alpha's MV *His wife* won the top spot on the Asia Pacific region's 2017 YouTube Chart with over 100 million views.



ENGAGEMENT FOR CUSTOMERS' HEALTH AND JOY OF LIFE



Vinamilk's distribution network continues to be invested and expanded, by 2017, Vinamilk has:

- 202 distributors in all provinces across the country. In order to ensure that Vinamilk products are distributed to consumers remaining perfect quality, each of Vinamilk's distributors is carefully evaluated and monitored closely to ensure that they meet the Company's standards for: legal conditions, possibility of interest conflict; finance; means of transportation; grounds, warehouses, conditions for storage, preservation and transportation of goods.
- 418 Vietnam Dairy Dream shops to introduce and sell Vinamilk's products. Customers can always find the nearest store address on the

Company's website <https://giacmosuaviet.com.vn/pages/he-thong-cua-hang>

- 250,651 retail points, 2,233 supermarkets, 1,017 convenience stores and 202 distributors across the provinces, including rural and remote areas.
- Especially, Vietnam Dairy Dream e-commerce website Vinamilk eShop, <https://giacmosuaviet.com.vn>, started operating from 2016, has been operating stable and effective. All Vinamilk products can be easily ordered through the website, with many attractive promotions. Products are hand delivered within 8 hours, keeping the entire freshness, taste and quality of the product.



CLIENT SERVICE

Improving sales capacity and quality of consultancy for customers

In order to improve the sales and quality of consultancy for customers, in 2017 Vinamilk continues to provide training courses to get the skills of sales staff enhanced. Employees are well trained, tested and supervised during and after the course, ensuring the use of knowledge and skills to provide professional and effective counseling and customer service.

Course	Students	Number of classes	Number of trainees in 2017
Sales skills	Salesman	37	2,649
Communication skills, customer service	PG in Supermarket	6	618
Care skills, customer service	Shop staff	10	632
Total		53	3,899

Receiving information and customer feedback

Vinamilk also extends the channels of receiving information and opinions of customers, so as to create maximum conditions for consumers to express their needs, thus providing a suitable product and service development orientation.

- Hotline for customer care: 1900 636 979
- Email: vinamilk@vinamilk.com.vn
- Customers corner on website Vinamilk: <https://www.vinamilk.com.vn/vi/goc-khach-hang>
- Online consultants on Vinamilk fan pages: Vinamilk - Growing up, Delicious and healthy secrets from nature - Vinamilk Baby Care, Vinamilk - Vietnam Dairy Dream

Complaints are received through customer care channels and received and processed 24/24 by the Customer Service Department of Vinamilk.

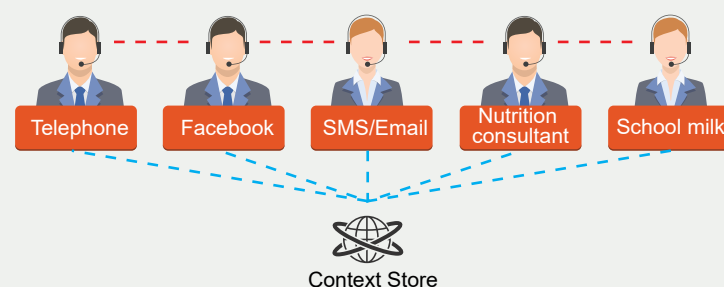


ENGAGEMENT FOR CUSTOMERS' HEALTH AND JOY OF LIFE



The system aims at improving performance and quality of advice, with outstanding features:

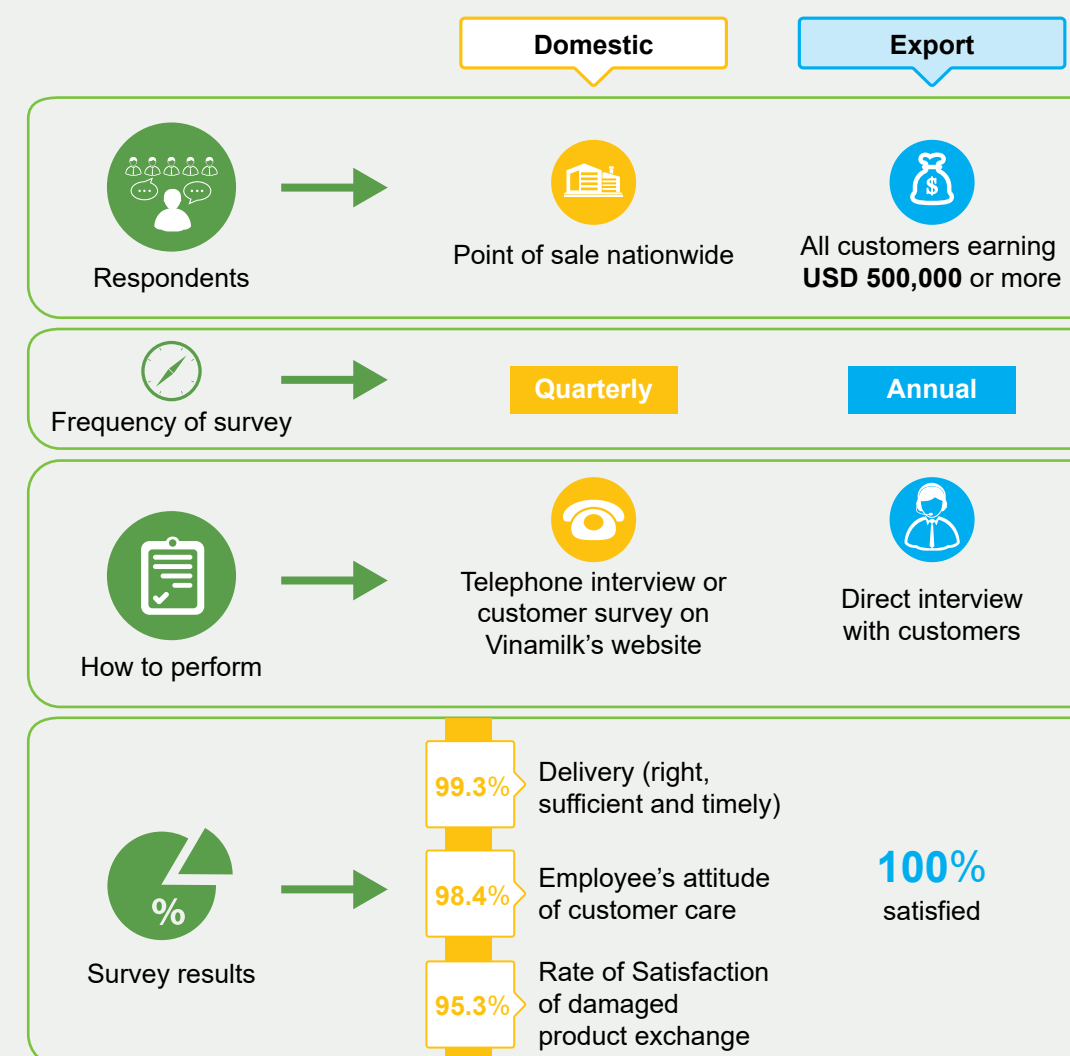
- 1 Smart call routing**
 - Receive 30 calls at the same time
 - Allows the customer to leave a message if the operators are busy
- 2 Automated call distribution system**
 - The system automatically reminds: customer's missed calls, appointed date of solution
- 3 Workload measurement**
 - The system classifies and transfers calls to each appropriate channel -> Ability to measure the number of calls of each Operator on a separate channel -> provide solutions to improve accurate performance



Measuring customer satisfaction

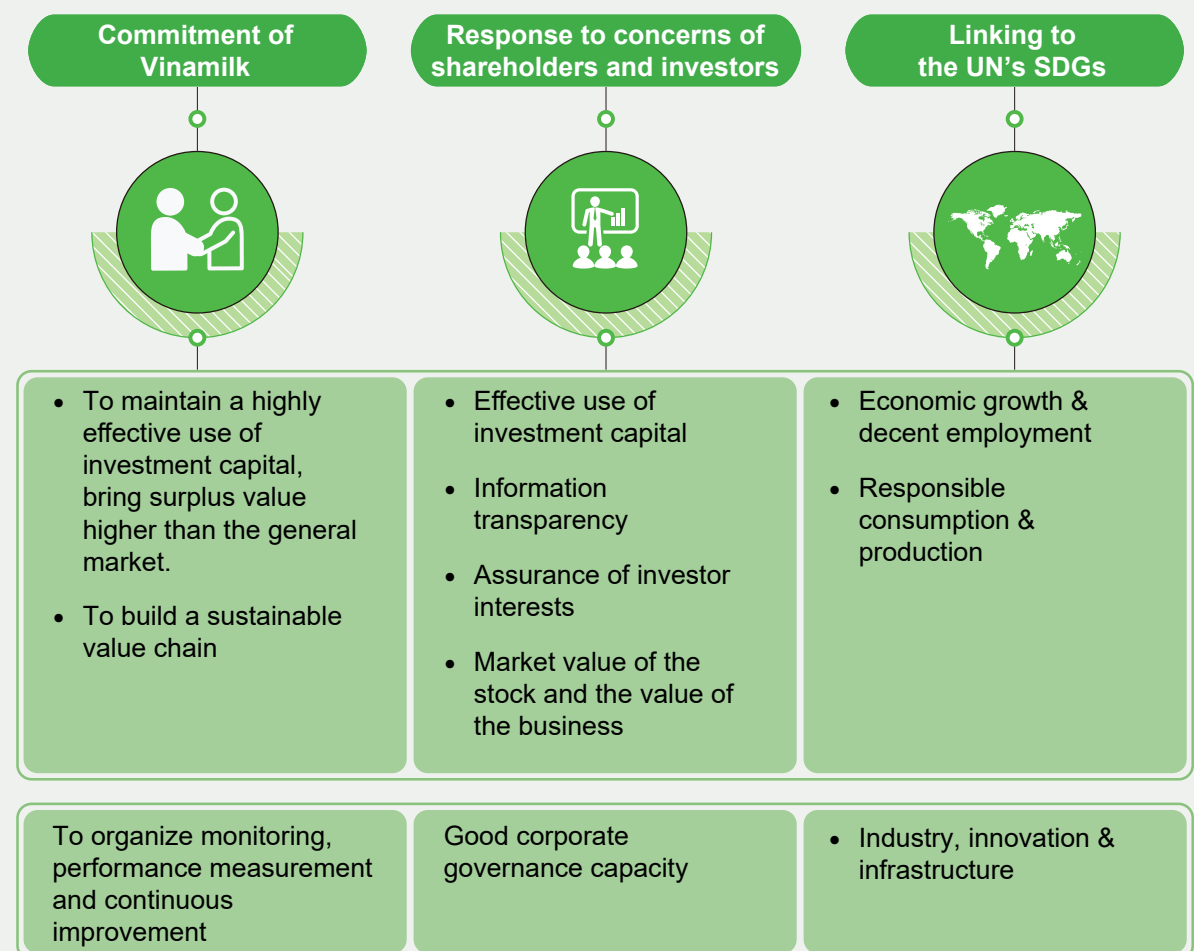
With the "customer-centered" motto, Vinamilk always pays attention to the opinions of customers. For small consumers, the Company receives comments through customer care channels, or receives information and comments through the media channels. For large customer groups, Vinamilk regularly conducts direct surveys based on the following criteria:

- Quality of delivery service (right, sufficient, timely)
- Customer service attitude of the seller
- Percentage of satisfied customers on complaints handling, exchange of damaged products





INVESTMENT AND SUSTAINABLE GROWTH



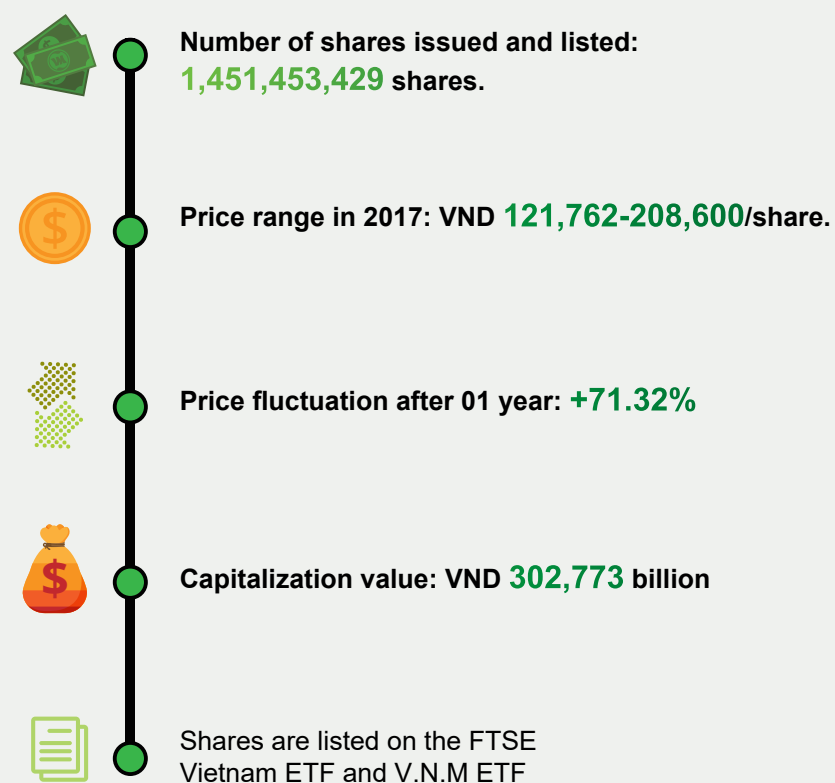
INVESTMENT AND SUSTAINABLE GROWTH

“

Bringing the value of sustainable surplus to shareholders and investors is the leading goal that Vinamilk always aims to. After 11 years of listing, experiencing the ups and downs of Vietnam's stock market, Vinamilk is one of the rare stocks that do not disappoint investors, regardless of any time.

”

Shares information as at 29 December 2017



Statistical list of shareholders

(According to the list of shareholders as at 29 December 2017)

	Number of shares	Ownership ratio (%)
Major shareholders (>=5%)	946,795,355	65.23%
• Domestic	522,553,196	36.00%
• Oversea	424,242,159	29.23%
Treasury stock	174,909	0.01%
Other shareholders (<5%)	504,483,165	34.76%
• Domestic	60,867,135	4.19%
• Oversea	443,616,030	30.56%
TOTAL	1,451,453,429	100.00%
In which		
• Domestic	583,595,240	40.21%
• Oversea	867,858,189	59.79%

List of major shareholders

(According to the list of shareholders as at 29 December 2017)

	Number of shares	Ownership ratio (%)
SCIC	522,553,196	36.00%
F&N Dairy Investments Pte, Ltd*	293,463,148	16.50%
F&N Bev Manufacturing Pte, Ltd*	39,189,150	2.70%
Platinum Victory Pte, Ltd	145,589,861	10.03%

Note: (*) F&N Bev Manufacturing Pte, Ltd is a 100% subsidiary owned by F&N Dairy Investments Pte, Ltd.

INVESTMENT AND SUSTAINABLE GROWTH



“

Investment in Vinamilk is the investment in a sustainable stock with the largest market capitalization, strong foundation, strong national brand, international quality products, great growth potential and constantly expanding market.

”

SUSTAINABLE INVESTMENT

Profitability

As at 29 December 2017, Vinamilk continued to be the largest market capitalization company in Vietnam, valued at VND 302,773 billion or USD 13.58 billion.

As a national brand, and one of the mainstay of the Vietnamese stock market, Vinamilk is often considered as the most sustainable and profitable investment stock.



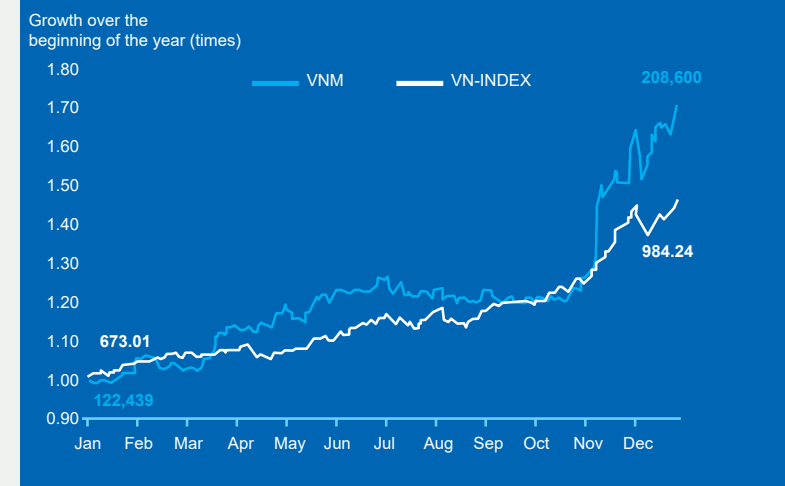
Dividend paid in 2017
VND **7,982** billion

Stock listed in VN Sustainability Index – VNSI

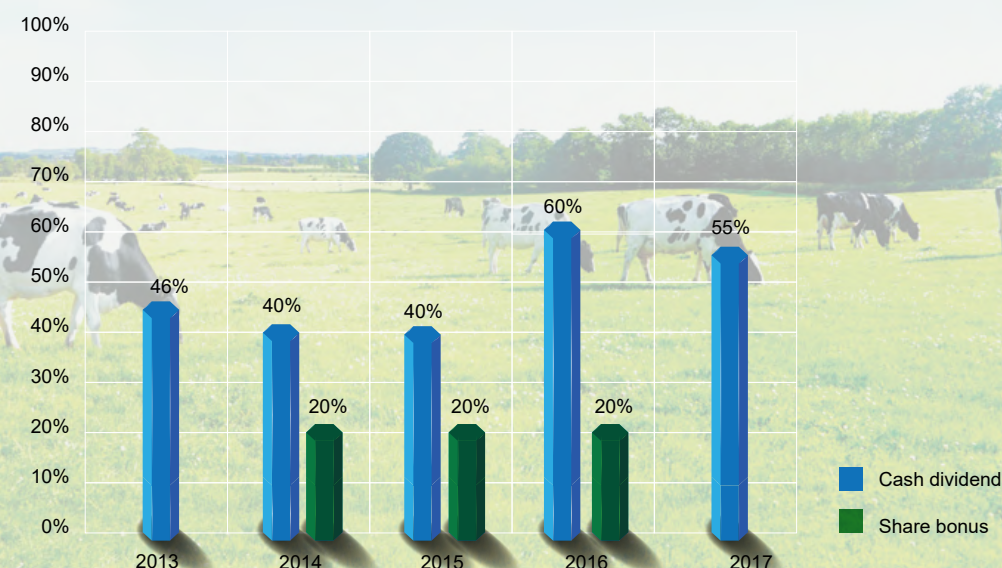
With a total score of 91% on the VNSI, Vinamilk is one of the most prestigious stocks on the market in terms of sustainable development.

Launched in July 2017 with reviewed stock portfolio includes components of VN Index 100, VNSI - jointly investigated by HOSE in cooperation with German Cooperation Agency (GIZ) and the State Securities Commission (SSC), to provide a reference tool for sustainable development in the stock market for investors and businesses.

Price fluctuation of Vinamilk ("VNM") compared to VN-Index.
(closing price adjusted between 03 January 2017 and 29 December 2017)



History of dividends over years



With a total score of **91%** on the VNSI, Vinamilk is one of the **most prestigious** stocks on the market in terms of sustainable development.

Criteria for sustainable development indicators are reviewed and developed based on the OECD Code of Conduct, the GRI Standards; current regulations on information disclosure and corporate governance; consultations from experts, market participants, and reliable financial institutions.

The calculation of sustainable development score in the sustainable development questionnaire focuses on three aspects of a company: environment, society and governance, namely:

- On environment and society aspects: including elements such as policies, commitments of the company; management style and metrics (raw materials, suppliers, emissions, compliance, etc.) or relationships with employees, relationships with customers, etc.
- On corporate governance: including the right of shareholders; equal treatment to all shareholders; accountability to stakeholders; transparent disclosure, roles and responsibilities of the Board of Directors.

The company with the highest sustainable development score will be considered in the basket and ranked in order from high to low.





INVESTMENT AND SUSTAINABLE GROWTH



SUSTAINABLE PLATFORM, SPEEDING UP AS LEADER

2017 is a challenging year when the domestic and foreign markets are in strong fluctuation: The competition has been fiercer, the price of raw materials has increased, exports have been reduced due to the political unrest in the Middle East and the world, etc. However, thanks to the continuous efforts of the Board of Directors and all staff, Vinamilk not only maintains its position, but also widens its market share, and increases its revenue. By the end of 2017, Vinamilk continued to have a 2% increase in its share of the dairy sector in Vietnam by 58%, to a record level of VND 51,135 billion, consolidating its strategic position with high profitability and sustainable growth.

Not only earning great profit, exceeding the plan, Vinamilk also regularly appears in the top businesses with annual profits of thousand billion. After-tax profit of Vinamilk in 2017 reached VND 10,278 billion, up 10% compared to its in 2016. Turnover reached VND 51,135 billion, up 9% over the same period, of which domestic sales reached VND 43,572 billion, up 14% over the same period.

Beyond that, in the strategy and the target of 05 years to 2021, Vinamilk is aiming to maintain its leading position in the Vietnamese market and strives to become one of the Top 30 largest dairy worldwide companies in terms of revenue.

(VND billion)	2012	2013	2014	2015	2016	2017	Average growth/ year
Total revenue	27,102	31,586	35,187	40,223	46,965	51,135	13.5%
Profit before tax	6,930	8,010	7,613	9,367	11,238	12,229	12.0%
Profit after tax	5,819	6,534	6,068	7,770	9,364	10,278	12.0%
Profit allocated to the Company owners	5,819	6,534	6,069	7,773	9,350	10,296	12.1%
Earnings per share (unit: VND)	6,981	6,533	4,556	4,864	5,831	6,355	
Total assets	19,698	22,875	25,770	27,478	29,379	34,667	12.0%
Equity	15,493	17,545	19,800	20,924	22,406	23,873	9.0%
Share capital	8,340	8,340	10,006	12,007	14,515	14,515	11.7%
Total liabilities	4,205	5,307	5,970	6,554	6,973	10,794	20.8%
Equity/Total assets	79%	77%	77%	76%	76%	69%	
Total liabilities/Total assets	21%	23%	23%	24%	24%	31%	
ROE	42%	40%	32%	38%	43%	44%	
ROA	33%	31%	25%	29%	33%	32%	

AFFIRMATION OF BRAND REPUTATION

Strong national brand

For many years, Vinamilk has been honored as a strong national brand, considered as one of the most potent units in corporate governance, product quality, human resources as well as brand strength.

Vietnamese high quality goods

Vinamilk is one of the rare business enterprises selected by consumers for Vietnamese high quality goods for 21 consecutive years. The secrets for Vinamilk to get that are:

- Improving the quality of products, meeting the increasingly high and strict nutrition needs of customer
- Continuously updating, improving design
- Diversifying products, regularly launching new products, meeting the needs of all ages, interests.

In addition, in 2017, Vinamilk continued to be honored with the following awards:

- The only company in the fast-moving consumer goods sector in general and the dairy sector in particular, appeared on the Global 2,000 list – 2,000 largest global listed companies.
- Vietnam's only representative in the Top 10 Best Companies in Asia.
- Vinamilk is the most reputable food company in Vietnam and the Top 10 Prestigious Listed Companies in 2017.
- Vinamilk is the top 50 “best business companies in Vietnam” for 06 consecutive years.
- For 03 consecutive years, it is the brand No.1 in Vietnam (according to Kantar Worldpanel).





INVESTMENT AND SUSTAINABLE GROWTH



PRODUCTS SELECTED AS “TRUST”

Not only liked by consumers, Vinamilk products are also selected to serve in major national events, typically the event of the US President Obama visit to Vietnam, or the Asia-Pacific Economic Cooperation (APEC) held in Da Nang in November 2017.

Vinamilk passed the rigorous qualification exams and was honored to be selected as the only brand to offer milk and beverage products for the APEC 2017 Summit (including the Summit Program taking place in Da Nang and other side events taking place in May 2017 in Ho Chi Minh City, Hanoi, Ha Long, Hue, Can Tho, Vinh and Hoi An). The top three products in the program were fresh milk (100% Vinamilk fresh milk, organic milk), yogurt (organic yogurt, fruit yogurt, Probi yogurt with live active cultures) and 100% Vfresh fruit juice (apple, grape, orange).

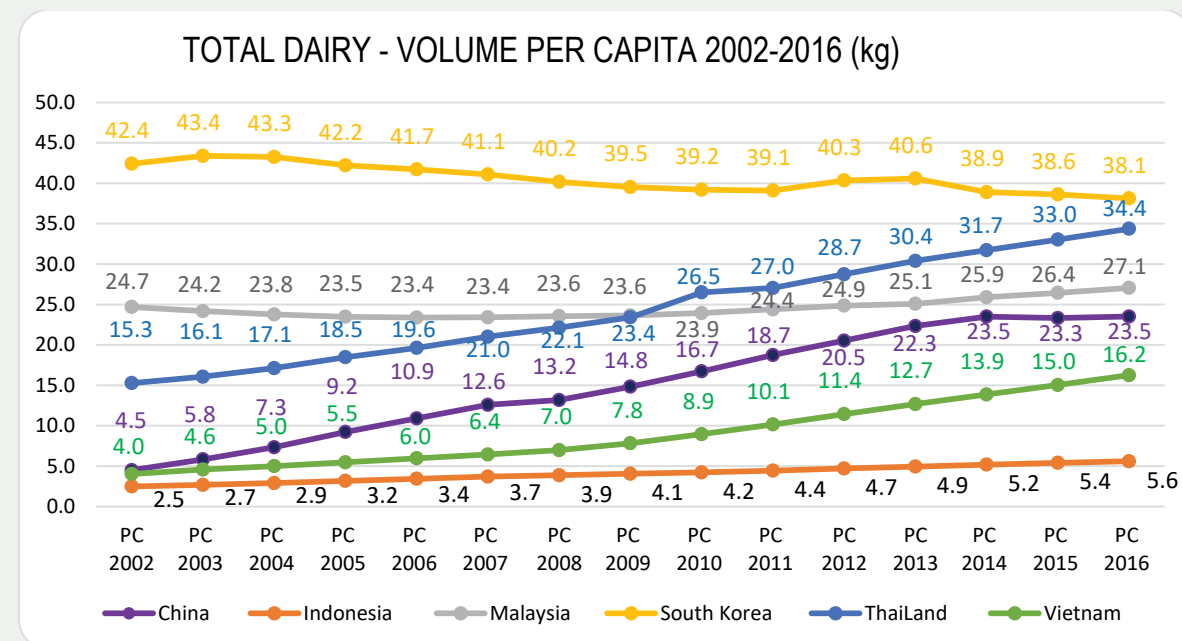
Vinamilk's products were available at high-level meetings, workshops, conferences with the participation of leaders, heads of state from 21 APEC member economies and many officials, and diplomatic delegations.

In addition, Vinamilk's products also served the International Press Center for domestic and foreign correspondents and guests from all over the world.



GROWTH POTENTIAL

Market potential: In 2017, the average milk consumption in Vietnam was 26 liters/year/capita. By 2020, the consumption of milk will increase over 28 liters/year/capita. On the other hand, the trend of improving the health and stature of the Vietnamese people keeps demand for dairy products always on high growth.



Expansion of the herd of cattle, initiative in purchasing and preserving raw milk:

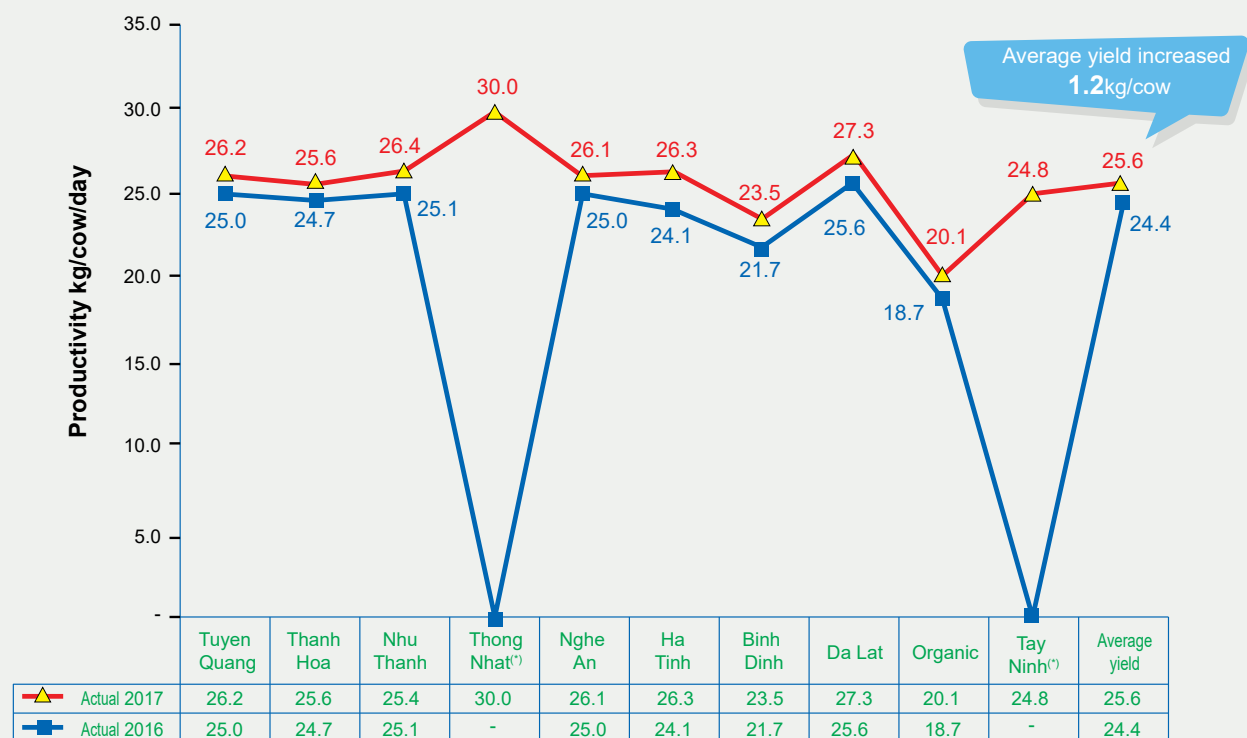
In 2017, Vinamilk put into operation:

- 03 farms:
 - + Dalat Organic Farm - the first farm in Vietnam qualifying organic European standards
 - + Thong Nhat Thanh Hoa Farm, with 4,000 cows
 - + Tay Ninh Farm, with 8,000 cows
- Cu Chi Fresh Raw Milk Center
- 02 large scale milk purchase stations of nearly 100 tons per day in Lam Dong
- Fresh milk production reached 224 million kg, of which from farm (32%): reached 71 million kg, up 82% over the same period of 2016
- Total cows reached 126,000, up 11.5% compared to 2016 (included cows from livestock producers)



INVESTMENT AND SUSTAINABLE GROWTH

AVERAGE MILK YIELD OF VNM'S FARMS IN 2017: 25.6 kg/cow/day,
increased 5% compared to its in 2016
Highest average yield achieved: 32.6 kg/cow/day at Tuyen Quang Farm



(*) This farm started to run and harvest in 2017

In 2018, Vinamilk plans to continue pushing up the expansion of the farms, encourages the development of dairy farming with livestock producers, aiming to increase the number of cows up to 150,000. At the same time, it tries harder in improving weather conditions, harsh soils to enhance productivity; actively invests in modern technologies in the production and processing of fresh milk raw materials; supports the livestock producers to standardize their cow herds, to increase productivity and quality of milk.



Target in 2018

MARKET EXPANSION

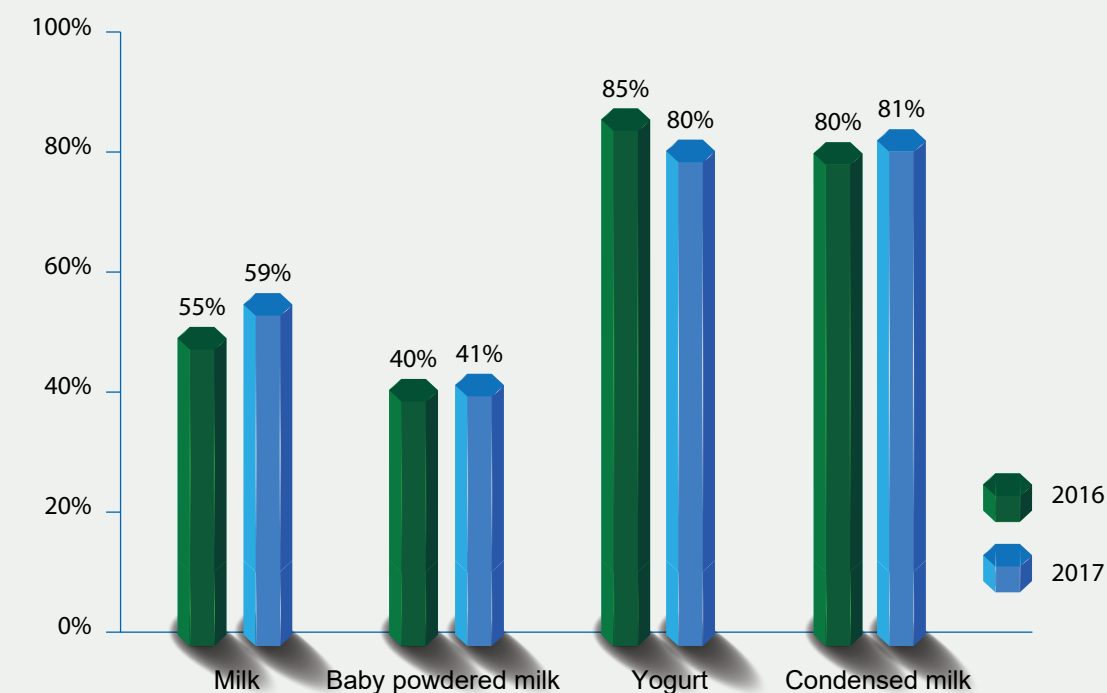
Domestic market

Despite its overwhelming position in Vietnam dairy industry, Vinamilk continues to define its goal in 2018 to further lead, improves its products and develops new products for all major commodities and pioneers in catching and satisfying demand, new trends.

Target revenue in 2021

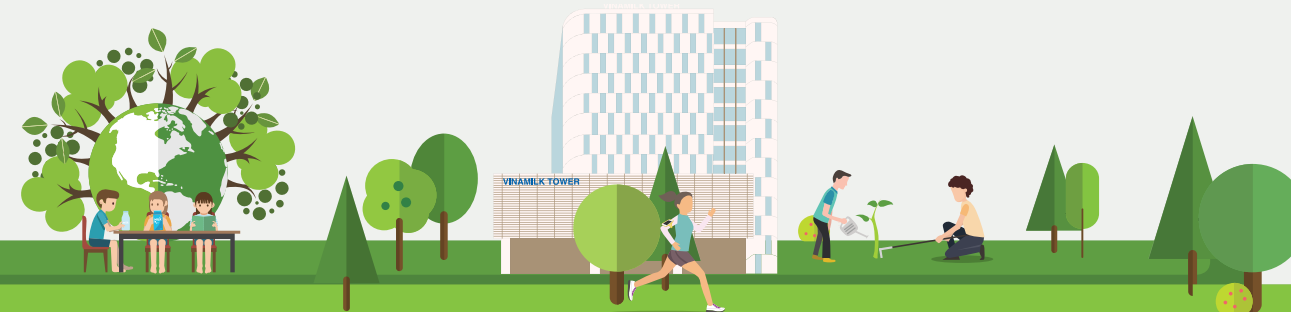


Growth of total market share of dairy sector





INVESTMENT AND SUSTAINABLE GROWTH



Foreign markets

So far, Vinamilk has exported to 46 countries and territories around the world. Expansion to potential overseas markets is currently one of the key strategic areas for Vinamilk to achieve its long-term goals by 2021. In 2017, Vinamilk continually implemented international trade promotion activities with success in potential Asian markets including UAE, Thailand, Myanmar, and Bangladesh.

Thaifex 2017: Where Vinamilk strengthened its trade promotion and distribution activities in Thailand market



Vinamilk's booth at ThaiFex 2017 welcomed more than 5,500 visitors for 5 days of the exhibition



Vinamilk representative confidently responded to the interview by reporters, international news agencies



Interactive events at the event attracted and connected customers more with Vinamilk brand

Dhaka International Exhibition Fair - Bangladesh market: At the Fair, Vinamilk introduced to consumers the mainstream products such as formula powder milk, nutrition powder, fresh milk, drinking yogurt. These products have been confirmed the quality in the international market as well as Vietnam, were selected to match the taste of the people of Bangladesh.



Ambassador Tran Van Khoa and other guests in Bangladesh visited the Vinamilk booth at the 22nd Dhaka International Exhibition Fair.



Vinamilk identifies Bangladesh as a strategic market for its regional and global reach plans in the coming time

VIETEXPO Events -

Myanmar Market: This is the third year Vinamilk participated in the Vietnam High Quality Goods Fair in Myanmar. Apart from reaching consumers through dairy and nutritional products being distributed in the Myanmar market such as Sure Prevent, Sure Diecerna, Calcium Pro, Ridielac Nutrition Powder, Orange Flavor Yogurt, Strawberry, fresh milk, sweetened condensed milk. The booth also introduced new products to consumers at the Fair. Over 1,500 visitors visited it during the 4 days of the fair.



Distributor Representative of Vinamilk introduced to Myanmar Trade Minister and Representative of Vietnam Embassy in Myanmar



Visitors to Vinamilk showcases at Vietnam Expo in Yangon - Myanmar in December 2017

GULFOOD Dubai Event

Gulfood Dubai 2017 Fair is the annual Fair that Vinamilk has been involving since 2013. In 2017, Vinamilk brought to the market the most successful products in the market such as: Powdered milk, nutrition powder, condensed milk and new products such as fruit juices, drinking yogurt. Particularly, Vinamilk booth displayed Alpha condensed milk product shelves that have been distributed at Al Maya supermarkets.



Vinamilk representative attended the inauguration ceremony of Vietnam Pavilion at Gulfood Dubai 2017

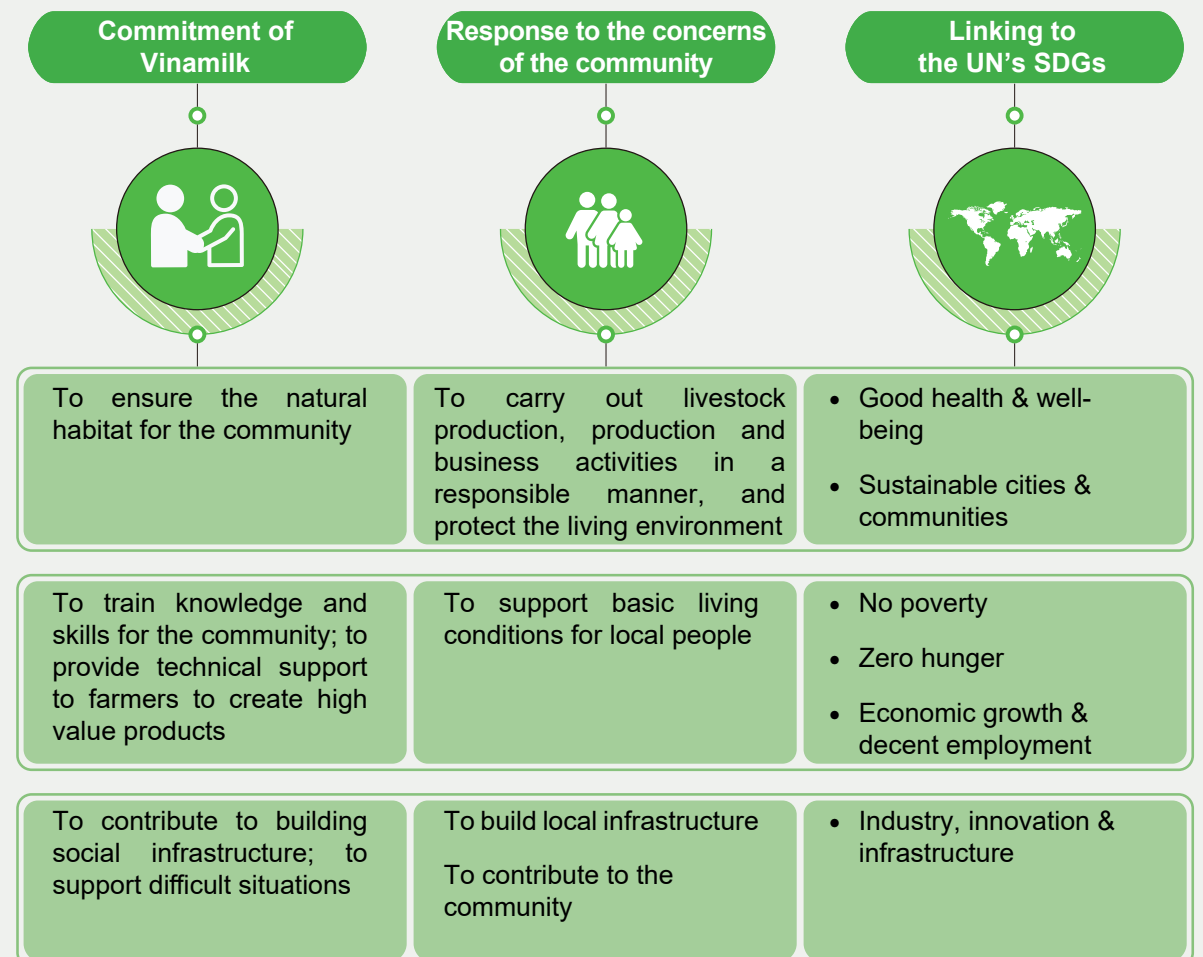


Vinamilk welcomed customers in the Middle East and Africa who were interested in Vinamilk's products

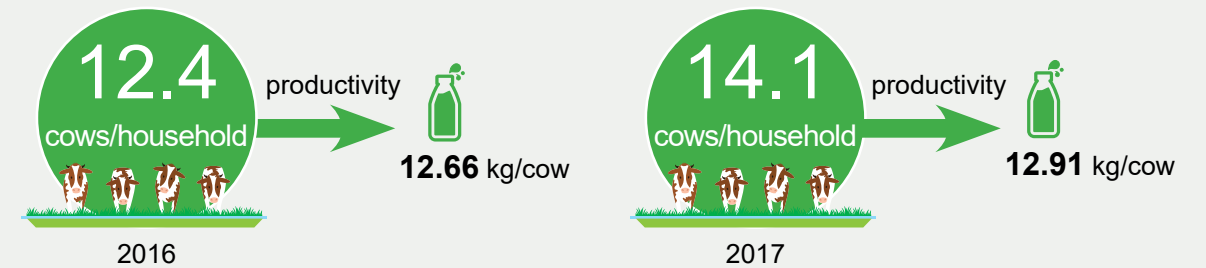




JOINING HANDS FOR A BETTER VIETNAM



DEVELOPMENT OF DAIRY FARMING AND LOCAL ECONOMY



Vinamilk currently has 10 farms and cooperates with thousands of livestock producers in locals. Total number of dairy cows in farms and from livestock producers reaches 126,000 cows. The average daily milk production reaches 25.6 kg/cow. The highest daily production gets 32.6kg/cow in Tuyen Quang Farm. This is a record level of production, marking a big step forward with the dairy farming of Vinamilk in particular and the dairy industry in Vietnam in general.

However, milk productivity and input costs remain highly variable depending on climate and soil conditions. To mitigate the fluctuations, increase productivity, bring productivity asymptotically to the average milk production of advanced countries in the world; reduce raw milk prices; increase purchasing capacity and ensure quality of milk, Vinamilk continuously promotes investment in dairy cow development.

For the farm: Vinamilk constantly invests and improves technology, optimizes the operation process.

For livestock producers: Vinamilk is actively training to improve dairy cow knowledge and skills; supports them throughout the process, from the selection of cattle breed - buying and growing cattle feed - optimizing breeding facility environment, cleaning cattle - to milking, preserving fresh milk - ensuring stable output; facilitates the purchase and transportation conditions most convenient for livestock producers, but still retain the best quality of raw milk.

The size of the cattle herd of the raising households increases from 12.4 cows/household in 2016 to 14.1 cows/household in 2017.

Milk quantity purchased from household reached 152,545,589 kg in 2017. Milk productivity has also improved from 12.66 kg/dairy cow in 2016 to 12.91 kg/dairy cow.

In 2017, Vinamilk implemented a number of support activities for local livestock producers in raising dairy cows:

- Supporting by the fresh milk center of manure for each litter, or left feed (if any) for additional fertilizer.
- Supporting of machine and equipment harvesting by the fresh milk center (deductible on payment).
- Visiting and keeping regular contact with households.
- Training in planting, harvesting, caring for the field, etc.
- Supporting seeds, fertilizers and cover crops.
- Surveying and making recommendations for 100% livestock producers to improve livestock situation.
- Advising livestock producers to use mixed feed for cattle reasonably at 100% feeder stations.
- Training and counseling to improve milk quality.
- Training for new livestock producers in Long An and Ben Tre.

The first farming system in South East Global G.A.P standard.



“

At present, there are still many disadvantaged children in Vietnam, who are not adequately cared for in terms of nutrition, have very little milk or even do not know what milk is, leading to limited physical and intellectual development.

”

(Ms. Dao Hong Lan - Alternate commissioner of Central Party Executive Committee, Deputy Minister of MOLISA)



With the goal of all Vietnamese children supported by the best conditions to maximize their physical and mental development, Vinamilk has carried out many long-term, practical and meaningful programs for children over the years, especially, children in disadvantaged areas, children with special circumstances, etc., helping them have more opportunities to develop in a more bright future.

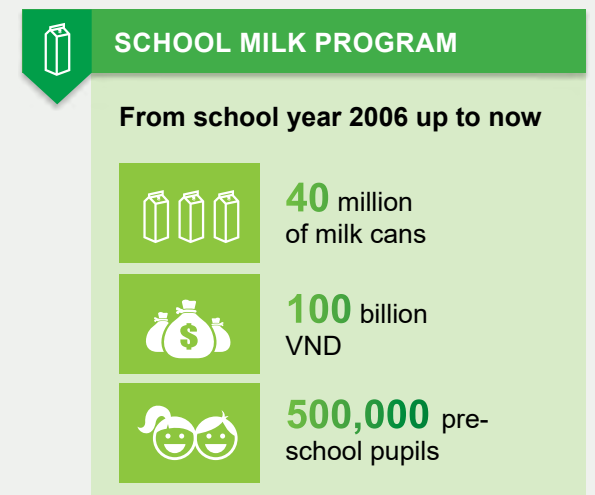
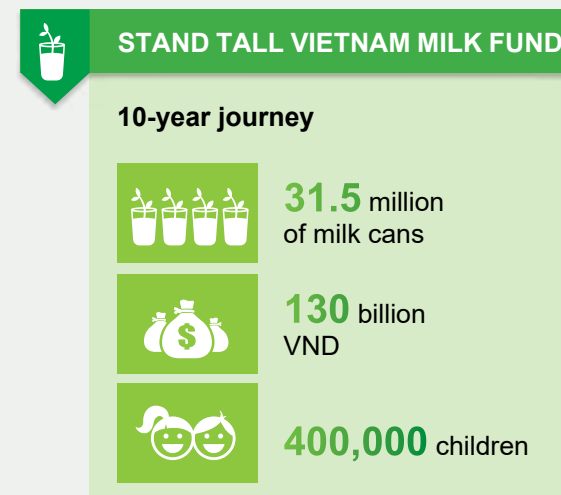
FOR CHILDREN, FOR A STAND TALL VIETNAM

Stand Tall Vietnam Milk Fund

With the goal of contributing to improve the nutritional status of children through milk, the Stand Tall Vietnam Milk Fund has come to many difficult areas in all provinces and cities across the country. In addition, milk giving ceremonies of the Stand Tall Vietnam Milk Fund have really become a festival when the children are happy to play, discover or send together the dreams and ambitions of childhood through the beam of brilliant balloons.

School Milk Program

Since school year 2006-2007, Vinamilk pioneered in implementing the School Milk Program nationwide. The total budget for the program is nearly VND 100 billion, equivalent to nearly 40 million cans of milk for 500,000 pre-school pupils in all provinces nationwide.



World Milk Day

On 01 June 2017, along with 250 different venues around the world, Vinamilk held the World Milk Day at the Vietnam-Soviet Friendship Cultural Palace, Hanoi. This event was part of a series of World Milk Day events organized by the Vietnam Dairy Association in an effort to encourage parents, schools, businesses and the social community to invest in nutrition for Vietnamese children. It helps children improve their stature, physical strength and intellect, and contributes to the development of a talented and healthy young generation. This event has also marked a great step forward in the way of integration with Vietnam's dairy industry in general and Vinamilk in particular.



ONE MILLION TREES - FOR A GREEN, CLEAN AND STRONG VIETNAM

“One million trees for Vietnam Fund” is a program jointly implemented by Vinamilk and the Vietnam Environment Administration to help protect and improve the living environment of today’s and tomorrow’s generations.

After 05 years of implementation, the Fund has planted nearly 400,000 trees of all kinds with the value of nearly VND 06 billion in 20 provinces and cities such as: Ha Noi, Ho Chi Minh City, Lam Dong, Quang Ninh, Quang Binh, Da Nang, etc. The program has also received the response, participation of over 10,000 volunteers who are youth members, residents living in places planting trees, etc. offering more effective and practical benefits for the community.

In 2017, the Fund planted:

- More than 110,000 trees equivalent to over VND 800 million for the area along Cha Va River, Tan Hai Commune, Ba Ria Vung Tau Province - to prevent land encroachment; expand and restore coastal forests; reduce salt marshes and pollution; contribute to improving, protecting the environment and adapting to climate change.
- 80,722 trees, equivalent to nearly VND 900 million at the Pac Bo Special National Monument, Pac Bo village, Truong Ha commune, Ha Quang district, Cao Bang province - as a journey of source, honor, protecting, promoting the historical tradition, the national tradition of **“drink water, honor the source”** along with the preservation of the country’s natural beauty.



IMPROVING NUTRITION KNOWLEDGE - FOR COMMUNITY HEALTH

Examination and nutrition counseling

In order to improve nutrition knowledge and health care for the community, Vinamilk has organized many examination and nutritional counseling programs in 2017, served a wide range of children, pregnant women, and elderly people across the country, especially in remote areas, disaster and storm areas.

Program	Description	Consultee	Number of turns	Number of participants	Location	Note
Examination and nutritional counseling “Vinamilk for community health”	Examination - nutritional counseling appropriate for Preschool - Schooling	Pupils and their parents	17	~ 6,000	Hai Duong	Vinamilk nutrition center organizes under the plan with sales department’s cooperation and support
					Thanh Hoa	
					Thai Nguyen	
					Cao Bang	
					Quang Tri	
					Quang Nam	
					Phu Yen	
					Lam Dong	
					Con Dao - Ba Ria Vung Tau	
					Can Gio - HCMC	
					Can Tho	
					Ca Mau	
					Chuong My - Ha-noi	Vinamilk nutrition center in coordination with public relations department to support flood-hit people and hung yen milk giving ceremony
					Yen Bai	
					Hoa Binh	
					Thanh Hoa	
					Hung Yen	

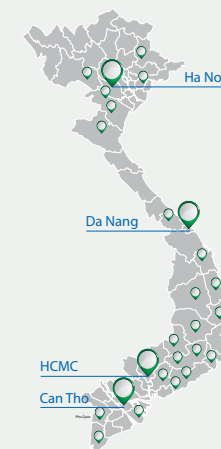
JOINING HANDS FOR A BETTER VIETNAM



Program	Description	Consultee	Number of turns	Number of participants	Location	Note
Examination and nutritional counseling for community	Examination - nutrition counseling	Pupils and their parents, pregnant women, elderly people	15	~750	Can Tho	Branches of nutrition center implement the program locally
			1	~200	Thu Duc, HCMC	
			12	~500	Da Nang	
	Measuring osteoporosis - blood sugar - blood pressure and nutrition advice	Elderly people	2	~600	Hanoi	Fitness Supplement Co-exercise > 5,000 participants; Workshop on Diabetes in Hanoi Medical University
			1	~350	HCMC	Fitness Supplement Competition with more than 3000 participants
	Nutrition consulting	Parents with malnourished children	2	~200	Ha Noi	Nutrition Conference for the first 1,000 days of life
			1	~100	Da Nang	
			1	~100	Can Tho	
	Online nutrition counseling	Parents with malnourished, stunting, anorexia, dementia children	4		HCMC	Combined with VOH and alo-bacsi
			3		HCMC	Livestream
	Phone nutrition counseling	Community		> 22,000	Nationwide	

28 Provinces

A five-year health care journey for nearly 500,000 elderly people (2012 - 2017)



500,000 ELDERLY PEOPLE



Vinamilk's health care trip for the elderly has marked in **28 provinces/cities across the country**.



Over **5-year journey**, the Program has approached & provided health care for nearly **500,000 elderly people**.



Towards the goal of caring for 1 million elderly people in Vietnam.



Achievements in 2017:

1. Number of provinces/cities: 28
2. Number of people approaching 2012 - 2017: nearly 500,000 people (wherein 2017: nearly 150,000 people)
3. Number of programs: 37

Over the past 05 years, Vinamilk has consistently provided health care and nutritional products to the elderly, and regularly diversified its activities to help the elderly not only live well but also live happily.



JOINING HANDS FOR A BETTER VIETNAM



The program **“Fitness Supplement Co-exercise with the largest number of elderly participants in Vietnam”** involved nearly 5,000 elderly people in Hanoi.



Organizing **Celebrations of longevity congratulations for elderly grandparents** in Ho Chi Minh City and Hanoi.



The **Elderly Care Counseling Conference and Celebrations of longevity congratulations for elderly grandparents** is organized monthly.

Throughout these programs, Vinamilk also provides medical staff with free health assessments for the elderly, such as BMI, osteoporosis, blood pressure, health advice, nutrition advice and holds special seminars with the participation of leading doctors.

These activities not only help the elderly to improve their health but also provide spiritual gifts to help them live happily. More importantly, the program has helped spread the movement of health practice, the healthy and useful life of the elderly.

Especially, in October 2017, on the occasion of **“Action for the elderly”**, Vinamilk launched the website **“Live happily, healthily”** - reliable scientific portal and health advice from leading experts, providing comprehensive health care for the elderly, mentally and physically.

Questions about the health of the elderly will be solved directly and quickly by the nutritionists of Vinamilk, and the website also creates a healthy and useful playground for the elderly to communicate with friends and actively participate in social activities, improving the spiritual life effectively.

10,000 Footsteps - Change lives

Vinamilk always devotes its attention to practical social activities, strongly supports and wishes to contribute to the development of the community. The **“10,000 Footsteps - Change lives”** event not only motivates the formation of daily walking habits, but also poses a positive effect on raising awareness of general health care by the diligence in mobility of each person. The program attracted 7,465 participants, through 7 activities in the chain of events with a variety of follow-up activities. Right after the launching ceremony, the messages: **“10,000 Footsteps - Change lives”**, **“Wake up with the city”**, **“Exercise as soon as possible”**, etc. will continue spreading to help the city people to be aware of the benefits of daily exercise combined with dietary adjustment, reasonable nutrition.

Workshop on “Milk and dairy products for public health”

The seminar focuses on issues related to milk benefits, processing and food safety in production and business as well as practical applications of dairy enterprises, typically Vinamilk, in the production process to ensure dairy products are fully nutritious and of international quality when they are delivered to the consumers.





JOINING HANDS FOR A BETTER VIETNAM



HUNDREDS OF GESTURES - A HEART

Sharing with the community

2017 is the record year of disaster: 16 typhoons and 6 tropical depressions caused severe damage. In order to share the pain and support for the disadvantaged households in the locality, all staff at Vinamilk directly supported and called for help from the sponsors, and implemented many meaningful activities.

In 02 provinces Quang Binh and Ha Tinh, the delegation paid a visit and gave gifts to the families suffering from the typhoon 10; supported 24 families with severely damaged houses with each gift amounted VND 5 million; and VND 1 million for each of the 200 poor households affected and flood damage. In September 2017, Vinamilk together with Vice President Dang Thi Ngoc Thinh and the National Fund For Vietnamese Children donated 110,000 milk cans to children in localities affected by the typhoon 10, helping them have the condition to supplement nutrition, physical rehabilitation in harsh weather conditions.

In 03 provinces Thanh Hoa, Hoa Binh and Yen Bai, Vinamilk timely supported VND 3 billion and coordinated with local authorities to build 30

houses (VND 100 million/unit) for households collapsed and lost in the storm.

On the other hand, to add nutrition knowledge and self-protection and self-care measures in the post-flood period in the context of lack of nutrition, threatening by many pathogens, Vinamilk assigned doctors from Vinamilk Nutrition Consultant Center for medical examination and counseling, helped people and especially children here. In addition, the delegation donated 160,000 cups of milk equivalent to VND 1 billion for the people who have difficulty in storms and floods in the provinces and cities: Yen Bai, Hoa Binh, Thanh Hoa, Ha Tinh, Quang Binh, Nghe An and Hanoi.

With these practical supports, Vinamilk hopes to **"...share the difficulties of the people here, contribute to the people and students to stabilize their life, production, work and study. At the same time, contribute to the development of the mind and body with milk-giving and nutrition consultancy"** - Director of Vinamilk Branch in Hanoi, Nguyen Minh Tam shared.

Every drop of blood gives away, a lifetime to stay

With the desire to maintain and multiply the blood donation which is noble and bring a lot of humanitarian meaning in the community, every year, Vinamilk launches blood donation movement in all units. In particular, in 2017, the movement received enormous engagement of 788 employees, donating up to 960 units of blood. The amount of donated blood continues to increase year by year, which means there will be more lives spread throughout the country.



788 employees, donating up to **960** units of blood

Gratitude - warm sentimental attachment

Vinamilk is currently supporting for life of 13 heroic Vietnamese mothers in two provinces Quang Nam and Ben Tre. Every year, on the occasion of the anniversary of War Invalids and Martyrs' Day 27 July and Lunar New Year, representatives of the company's trade union organize a visit to the mothers and their families, to be grateful for the contributions that the mothers have given to the motherland and wish the mothers health and joy.

The visit to Vietnamese heroic mothers not only reflects the tradition of **"repaying the favor", "drinking water, honor the source"** that Vinamilk is always aiming for, but also brings the mother joy, comfort in autumnal age. Therefore, many mothers are not perspicacious because of their high age, but still very happy to recognize the familiar members of Vinamilk who have participated many times in this trip.

In addition, in 2017, the Company's Trade Union and its units also provide over VND 1 billion in donations to disadvantaged people, the elderly, victims of Agent Orange, orphans, poor households throughout the country.





COOPERATION FOR SUSTAINABLE DEVELOPMENT

Commitment of Vinamilk



To promote cooperation, production and exchange of goods with partners and suppliers for mutual development.

To cooperate on the basis of mutual benefit, transparency and accountability to society.

To build a sustainable value chain

Response to suppliers and partners' concerns



- To cooperate for mutual development.
- To practice energy saving, efficient production

Linking to the UN's SDGs



- Economic growth & decent employment.
- Affordable and clean energy.
- Industry, innovation & infrastructure.
- Sustainable cities and communities.
- Partnership for the goals.



COOPERATION FOR SUSTAINABLE DEVELOPMENT



WITH SUPPLIERS: FAIRNESS AND TRANSPARENCY

In Vinamilk, ensuring fairness and transparency in evaluating and selecting suppliers is put on first. All suppliers for each type of goods and services are evaluated and selected based on specific criteria, assigned to each department in charge of assessment, assigned to each level of authority to approve the package.

No.	Criteria	Assessment standards
1	Safety and Quality of goods	FSSC 22000/ PAS 220/PAS 223 Vietnam standards, technical requirements of each item
2	Environment protection	ISO 14001
3	Occupational safety and Health	OHSAS 18001/ ISO 45001
4	Corporate social responsibility	SMETA/SA 8000
5	Ability to supply goods with stability	Ability to supply goods with stability Reputation, scale of the package, evaluation of supply procedure

Criteria for supplier assessment related to sustainable development

Especially, in 2017, Vinamilk has added the criteria related to Sustainable Development to Supplier's assessment. In addition to declaring information to demonstrate the legal capacity, quality of products, ability to meet standards and requirements of Vinamilk, suppliers should also provide information and ensure the ability to meet all aspects related to sustainable development, including:

- Assessment of environmental protection aspects
- Assessment of occupational safety and health
- Assessment of corporate social responsibility



Transaction value:
VND **29,979** billion

WITH DISTRIBUTORS AND RETAILERS: CAPACITY AND QUALITY



250,651

Retail points



202

Distributors

Vinamilk has 250,651 retail points, 2,233 supermarkets, 1,017 convenience stores and 202 distributors. Distributors and retailers play an important role in bringing Vinamilk products to customers, they are the representatives of the Company in contact with customers, listen to feedback as well as directly deal with them. Therefore, Vinamilk always focuses on exchanging and interacting with the management team at distributors and retailers in order to promptly receive and overcome shortcomings or continue to multiply the advantages, quickly capture and change to suit the requirements of the market.

Vinamilk is proud of having a strong distribution network that meets all the requirements of the business, legal and conflicts of interest risk; finance; scale of infrastructure, warehouses, management capacity and especially to meet strict requirements on food safety and hygiene of Vinamilk. Together with Vinamilk, Vinamilk's distributors enjoy a variety of incentives, are supported for management experience, business equipment and support for sales team, PG, etc. to improve the quality of sales, increase sales for distributors.

In addition, Vinamilk regularly organizes work trips, checks at the distributors'site to connect



to timely help solve the infrastructure problems and issues in the operation of the distributor.

In 2018, Vinamilk will continue to implement the program of restructuring and strengthening the system of distributors; Implement aggressively and timely activities to increase market competitiveness in order to achieve the set targets of sales and market coverage.

To improve the performance and sales capabilities, in 2017, Vinamilk has researched and applied the automatic sales model (P.O.S.) for traditional retail outlets. So far, Vinamilk has cooperated with Viettel in software development, tested in Ho Chi Minh City since September 2017. According to the progress of the project, this model will be replicated to assess the level of retail acceptance in 2018.



COOPERATION FOR SUSTAINABLE DEVELOPMENT



Distributors' satisfaction with Vinamilk

In 2017, Vinamilk conducted a survey to measure the level of satisfaction of Distributors. Surveys were conducted on 90% of Distributors, and directly recorded by Vinamilk staff through discussions with Distributors, or online surveys on the Company's website.

Survey results:

Criteria	Satisfied/Very satisfied	Average
Delivery from Vinamilk		
Delivery time	68%	30%
Accuracy of quantity/volume delivered	85%	14%
Status of goods at delivery time at the distributors' warehouse	70%	25%
Attitude of deliveryman	78%	21%
Payment, promotion, display	78%	22%
Credit limits	54%	43%
Reimbursement policy	66%	29%
Processing time of Customer care channel	73%	26%

In addition, Vinamilk also surveyed distributors' satisfaction with the quality of service provided by Vinamilk employees, including: Distributor Supervisor, Regional Sales Manager, Customer Care Officer - Customer Service, Order Processing - Customer Service, Logistics Coordination/Transportation Delivery, Vinamilk Driver, and Outbound Transportation Driver.

All the results of the above surveys were collected, synthesized and analyzed, thus providing solutions to improve and improve service quality. Particularly, in cases where Distributors are not satisfied, Vinamilk also sends staff to discuss more thoroughly to find out and solve outstanding problems. Since then, the relationship between Vinamilk and its distributors has been improved, together we have built a stronger distribution network, on a mutually beneficial basis.



MEMBER OF THE VIETNAM DAIRY ASSOCIATION

From the early days of the Vietnam Dairy Association, Vinamilk has been a key and active member of the association. The Association is a group of enterprises and individuals dedicated to the development of the dairy industry, with focused and thorough discussions on the remaining issues of the industry and the best way for all stakeholders, towards the sustainable development of the dairy industry. In order to integrate with the world, find a common voice, it is very important

to solve internal contradictions and compete healthily and effectively with big brands from all over the world in the domestic market.

As a leading company and one of the active members of the Vietnam Dairy Association, Vinamilk has been continuously contributing to the Association's important objectives, suggesting for the development of the industry, constantly making effort in building the dairy industry stronger in the world market.





APPENDIX

METHOD FOR THE CALCULATION OF CO₂ EMISSIONS

Calculation of CO₂ emissions of used electricity

Step 1

- » Determine the used electricity amount (kWh)

Step 2

- » Calculate CO₂ emissions of used electricity:

CO₂ emissions of used electricity = Electricity amount * CO₂ emission factor of electricity (1)

- » CO₂ emission factor of used electricity = 0.6612 kg CO₂/ kWh (as announced by the Ministry of Natural Resources & Environment)

Calculation of CO₂ emissions of used fuel

Step 1

- » Determine the fuel sources involved in the operation process and used amount

Step 2

- » Calculate the energy consumption of each fuel type:

Energy consumption (TJ) = $q * m / 10^3$

In which:

q: The calorific value of the fuel (GJ/ ton)

m: The fuel quantity (ton)

- » Determine the CO₂, CH₄, N₂O emission factor for each fuel type (in Vol. 2, chapter 2 of IPCC 2006)

Step 3

- » Calculate CO₂ / CH₄ / N₂O emissions:

E (CO₂) = energy consumption * CO₂ emission factor

E (CH₄) = energy consumption * CH₄ emissions factor

E (N₂O) = energy consumption * N₂O emission factor

- » Calculate CO₂ emissions of used fuel:

CO₂ emissions of used fuel = E (CO₂) + 25 * E (CH₄) + 298 * E(N₂O) (2)

- » Factor 25, 298: Global warming potential for 100-year time of CH₄ and N₂O versus CO₂ (as IPCC 2006)

Calculation of CO₂ emissions from wastewater treatment

Step 1

- » Determine the wastewater treated amount

Step 2

- » Determine total COD pollution load
- » Determine total BOD pollution load
- » Determine the total amount of sludge

Step 3

- » Calculate the industrial wastewater emission factor for each discharge system:

CH₄ emission factor (kg CH₄/ kg COD) = CH₄ generated from the process* Methane correction factor

- » CH₄ generated from the process = 0.25 kg CH₄/ kg COD (being chosen to follow Table 6.2, Vol. 5, chapter 6 of IPCC 2006)
- » Methane correction factor: being chosen to follow wastewater treatment technology (following Vol. 5, chapter 6 of IPCC 2006)

Step 4

- » Calculate CH₄ emissions (following formula no. 6.4, Vol.5, chapter 6 of IPCC 2006):

EWastewater = (Total COD load + Total BOD load - Total amount of sludge * CH₄ emission factor

- » Calculate CO₂ emissions from wastewater treatment:

CO₂ emissions from wastewater treatment = 25 * EWastewater (CH₄) (3)

- » FACTOR 25: Global warming potential for 100-year time of CH₄ versus CO₂ (as IPCC 2006)

Calculation of CO₂ emissions from livestock (Cow)

- » Calculate CH₄ emissions from livestock (Cow)

GHG emissions in the livestock breeding sector of Vietnam are based on emission factor following IPCC, with the formula as follows:

$Ea = Pa \times EFa \times 10^{-3}$

In which:

Ea: Ea: CH₄ emissions from livestock "a" (thousand tons /year)

Pa: productivity of livestock "a" (× 1,000 heads)

EFa: CH₄ emission factor of livestock "a" (kgCH₄/head/year)

10⁻³ : Conversion factor (to Thousand tons)

- » The EFa emission factor for livestock in general and for buffalo, cow in particular is still based on the default factor of IPCC for the Asian region.

- » Calculate CO₂ emissions from livestock (Cow)

CO₂ emissions from livestock = 25 * Ea (3)

- » Factor 25: Global warming potential for 100-year time of CH₄ versus CO₂ (as IPCC 2006)



GRI STANDARDS CHECKLIST

GRI Standard Number	GRI STANDARDS	Sustainable Development Report 2017	Page
GRI 102	General Disclosures		
102-1	Name of the organization	<input checked="" type="checkbox"/>	9
102-3	Location of headquarters	<input checked="" type="checkbox"/>	9
102-4	Location of operations	<input checked="" type="checkbox"/>	9-11
102-5	Ownership and legal form	<input checked="" type="checkbox"/>	9
102-6	Markets served	<input checked="" type="checkbox"/>	11, 149-151
102-7	Scale of the organization	<input checked="" type="checkbox"/>	14-15
102-8	Information on employees and other workers	<input checked="" type="checkbox"/>	85
102-9	Supply chain	<input checked="" type="checkbox"/>	26-27
102-10	Significant changes to the organization and its supply chain	<input checked="" type="checkbox"/>	22, 24
102-11	Precautionary Principle or approach	<input checked="" type="checkbox"/>	58-63
102-12	External initiatives	<input checked="" type="checkbox"/>	105, 109, 116
102-13	Membership of associations	<input checked="" type="checkbox"/>	171
102-14	Statement from senior decision-maker	<input checked="" type="checkbox"/>	4-5
102-15	Key impacts, risks, and opportunities	<input checked="" type="checkbox"/>	40-44, 60-63
102-16	Values, principles, standards, and norms of behavior	<input checked="" type="checkbox"/>	20-21
102-17	Mechanisms for advice and concerns about ethics	<input checked="" type="checkbox"/>	143
102-18	Governance structure	<input checked="" type="checkbox"/>	22, 24
102-19	Delegating authority	<input checked="" type="checkbox"/>	23, 25
102-20	Executive-level responsibility for economic, environmental, and social topics	<input checked="" type="checkbox"/>	54-59
102-21	Consulting stakeholders on economic, environmental, and social topics	<input checked="" type="checkbox"/>	58-59
102-22	Composition of the highest governance body and its committees	<input checked="" type="checkbox"/>	22
102-23	Chair of the highest governance body	<input checked="" type="checkbox"/>	22
102-24	Nominating and selecting the highest governance body	<input checked="" type="checkbox"/>	23
102-25	Conflicts of interest	<input checked="" type="checkbox"/>	97
102-26	Role of highest governance body in setting purpose, values, and strategy	<input checked="" type="checkbox"/>	25, 54-55

GRI Standard Number	GRI STANDARDS	Sustainable Development Report 2017	Page
102-27	Collective knowledge of highest governance body	<input checked="" type="checkbox"/>	4-5, 25
102-28	Evaluating the highest governance body's performance	<input checked="" type="checkbox"/>	23
102-29	Identifying and managing economic, environmental, and social impacts	<input checked="" type="checkbox"/>	40-46, 50-52, 60-63
102-30	Effectiveness of risk management processes	<input checked="" type="checkbox"/>	58-63
102-31	Review of economic, environmental, and social topics	<input checked="" type="checkbox"/>	52-53
102-32	Highest governance body's role in sustainability reporting	<input checked="" type="checkbox"/>	25, 54-55
102-33	Communicating critical concerns	<input checked="" type="checkbox"/>	50-51
102-34	Nature and total number of critical concerns	<input checked="" type="checkbox"/>	50-51
102-35	Remuneration policies	<input checked="" type="checkbox"/>	90
102-36	Process for determining remuneration	<input checked="" type="checkbox"/>	23, 90
102-37	Stakeholders' involvement in remuneration	<input checked="" type="checkbox"/>	23
102-38	Annual total compensation ratio	<input checked="" type="checkbox"/>	
102-39	Percentage increase in annual total compensation ratio	<input checked="" type="checkbox"/>	
102-40	List of stakeholder groups	<input checked="" type="checkbox"/>	
102-41	Collective bargaining agreements	<input checked="" type="checkbox"/>	90
102-42	Identifying and selecting stakeholders	<input checked="" type="checkbox"/>	46
102-43	Approach to stakeholder engagement	<input checked="" type="checkbox"/>	47-49
102-44	Key topics and concerns raised	<input checked="" type="checkbox"/>	50-53
102-45	Entities included in the consolidated financial statements	<input checked="" type="checkbox"/>	73
102-46	Defining report content and topic Boundaries	<input checked="" type="checkbox"/>	72
102-47	List of material topics	<input checked="" type="checkbox"/>	53
102-48	Restatements of information	<input checked="" type="checkbox"/>	
102-49	Changes in reporting	<input checked="" type="checkbox"/>	
GRI 103	Management Approach		
103-1	Explanation of the material topic and its Boundary	<input checked="" type="checkbox"/>	50-53
103-2	The management approach and its components	<input checked="" type="checkbox"/>	22-25
103-3	Evaluation of the management approach	<input checked="" type="checkbox"/>	22-25

GRI STANDARDS CHECKLIST

GRI Standard Number	GRI STANDARDS	Sustainable Development Report 2017	Page
GRI 201	Economic Performance		
201-1	Direct economic value generated and distributed	<input checked="" type="checkbox"/>	144
201-2	Financial implications and other risks and opportunities due to climate change	<input checked="" type="checkbox"/>	116
201-3	Defined benefit plan obligations and other retirement plans	<input checked="" type="checkbox"/>	90
201-4	Financial assistance received from government	<input checked="" type="checkbox"/>	
GRI 202	Market Presence		
202-1	Ratios of standard entry level wage by gender compared to local minimum wage	<input checked="" type="checkbox"/>	64
202-2	Proportion of senior management hired from the local community	<input checked="" type="checkbox"/>	
GRI 203	Indirect Economic Impacts		
203-1	Infrastructure investments and services supported	<input checked="" type="checkbox"/>	69, 155
203-2	Significant indirect economic impacts	<input checked="" type="checkbox"/>	69, 155
GRI 204	Procurement Practices		
204-1	Proportion of spending on local suppliers	<input checked="" type="checkbox"/>	
GRI 205	Anti-corruption		
205-1	Operations assessed for risks related to corruption	<input checked="" type="checkbox"/>	97
205-2	Communication and training about anti-corruption policies and procedures	<input checked="" type="checkbox"/>	97
205-3	Confirmed incidents of corruption and actions taken	<input checked="" type="checkbox"/>	97
GRI 206	Anti-competitive Behavior		
206-1	Legal actions for anti-competitive behavior, anti-trust, and monopoly practices	<input checked="" type="checkbox"/>	96
GRI 301	Materials		
301-1	Materials used by weight or volume	<input checked="" type="checkbox"/>	
301-2	Recycled input materials used	<input checked="" type="checkbox"/>	
301-3	Reclaimed products and their packaging materials	<input checked="" type="checkbox"/>	
GRI 302	Energy		
302-1	Energy consumption within the organization	<input checked="" type="checkbox"/>	103, 108-119
302-2	Energy consumption outside of the organization	<input checked="" type="checkbox"/>	
302-3	Energy intensity	<input checked="" type="checkbox"/>	103, 108-119
302-4	Reduction of energy consumption	<input checked="" type="checkbox"/>	103, 108-119
302-5	Reductions in energy requirements of products and services	<input checked="" type="checkbox"/>	103, 108-119

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GRI 303	Water		
303-1	Water withdrawal by source	<input checked="" type="checkbox"/>	105
303-2	Water sources significantly affected by withdrawal of water	<input checked="" type="checkbox"/>	105
303-3	Water recycled and reused	<input checked="" type="checkbox"/>	105
GRI 304	Biodiversity		
304-1	Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	<input checked="" type="checkbox"/>	
304-2	Significant impacts of activities, products, and services on biodiversity	<input checked="" type="checkbox"/>	
304-3	Habitats protected or restored	<input checked="" type="checkbox"/>	
304-4	IUCN Red List species and national conservation list species with habitats in areas affected by operations	<input checked="" type="checkbox"/>	
GRI 305	Emissions		
305-1	Direct (Scope 1) GHG emissions	<input checked="" type="checkbox"/>	116
305-2	Energy indirect (Scope 2) GHG emissions	<input checked="" type="checkbox"/>	116
305-3	Other indirect (Scope 3) GHG emissions	<input checked="" type="checkbox"/>	116
305-4	GHG emissions intensity	<input checked="" type="checkbox"/>	116
305-5	Reduction of GHG emissions	<input checked="" type="checkbox"/>	116
305-6	Emissions of ozone-depleting substances (ODS)	<input checked="" type="checkbox"/>	
305-7	Nitrogen oxides (NO _x), sulfur oxides (SO _x), and other significant air emissions	<input checked="" type="checkbox"/>	
GRI 306	Effluents and Waste		
306-1	Water discharge by quality and destination	<input checked="" type="checkbox"/>	106-107
306-2	Waste by type and disposal method	<input checked="" type="checkbox"/>	106-107
306-3	Significant spills	<input checked="" type="checkbox"/>	
306-4	Transport of hazardous waste	<input checked="" type="checkbox"/>	107
306-5	Water bodies affected by water discharges and/or runoff	<input checked="" type="checkbox"/>	107
GRI 307	Environmental Compliance		
307-1	Non-compliance with environmental laws and regulations	<input checked="" type="checkbox"/>	67, 96
GRI 308	Supplier Environmental Assessment		
308-1	New suppliers that were screened using environmental criteria	<input checked="" type="checkbox"/>	168
308-2	Negative environmental impacts in the supply chain and actions taken	<input checked="" type="checkbox"/>	116-117

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GRI 401	Employment		
401-1	New employee hires and employee turnover	☑	84
401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees	☑	90
401-3	Parental leave	☑	90
GRI 402	Labor/Management Relations		
402-1	Minimum notice periods regarding operational changes	☑	
GRI 403	Occupational Health and Safety		
403-1	Workers representation in formal joint management–worker health and safety committees	☑	87-89
403-2	Types of injury and rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities	☑	89
403-3	Workers with high incidence or high risk of diseases related to their occupation	☑	89
403-4	Health and safety topics covered in formal agreements with trade unions	☑	87
GRI 404	Training and Education		
404-1	Average hours of training per year per employee	☑	91
404-2	Programs for upgrading employee skills and transition assistance programs	☑	92-93
404-3	Percentage of employees receiving regular performance and career development reviews	☑	90
GRI 405	Diversity and Equal Opportunity		
405-1	Diversity of governance bodies and employees	☑	86
405-2	Ratio of basic salary and remuneration of women to men	☑	
GRI 406	Non-discrimination		
406-1	Incidents of discrimination and corrective actions taken	☑	66
GRI 407	Freedom of Association and Collective Bargaining		
407-1	Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk	☑	86
GRI 408	Child Labor		
408-1	Operations and suppliers at significant risk for incidents of child labor	☑	68
GRI 409	Forced or Compulsory Labor		
409-1	Operations and suppliers at significant risk for incidents of forced or compulsory labor	☑	68
GRI 410	Security Practices		
410-1	Security personnel trained in human rights policies or procedures	☑	87-88

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GRI 411	Rights of Indigenous Peoples		
411-1	Incidents of violations involving rights of indigenous peoples	☑	
GRI 412	Human Rights Assessment		
412-1	Operations that have been subject to human rights reviews or impact assessments	☑	
412-2	Employee training on human rights policies or procedures	☑	
412-3	Significant investment agreements and contracts that include human rights clauses or that underwent human rights screening	☑	
GRI 413	Local Communities		
413-1	Operations with local community engagement, impact assessments, and development programs	☑	155, 158
413-2	Operations with significant actual and potential negative impacts on local communities	☑	
GRI 414	Supplier Social Assessment		
414-1	New suppliers that were screened using social criteria	☑	168
414-2	Negative social impacts in the supply chain and actions taken	☑	
GRI 415	Public Policy		
415-1	Political contributions	☑	98
GRI 416	Customer Health and Safety		
416-1	Assessment of the health and safety impacts of product and service categories	☑	122-127
416-2	Incidents of non-compliance concerning the health and safety impacts of products and services	☑	132
GRI 417	Marketing and Labeling		
417-1	Requirements for product and service information and labeling	☑	128
417-2	Incidents of non-compliance concerning product and service information and labeling	☑	128, 132
417-3	Incidents of non-compliance concerning marketing communications	☑	128, 132
GRI 418	Customer Privacy		
418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data	☑	
GRI 419	Socioeconomic Compliance		
419-1	Non-compliance with laws and regulations in the social and economic area	☑	67, 128, 132



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