



**FOR PROACTIVE TRANSFORMATION
SUSTAINABLE DEVELOPMENT**



SUSTAINABLE DEVELOPMENT REPORT 2019

LIST OF ABBREVIATIONS

ERP	Enterprise Resource Planning
HSEQ	Health - Safety - Environment - Quality
OHSAS	Occupational Health and Safety Assessment Series
PQI	Performance and Quality Improvement
PDCA	Plan - Do - Check - Act
PEKN Resin	Unsaturated Polyester Resin
PC	Polymer composite
PQC	Process Quality Control
R&D	Research & Development
SPT	Social Performance Team
SDG	Sustainable Development Goals

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MESSAGE FROM THE CHAIRMAN

Dear valued Shareholders, Investors, Customers, Partners and Stakeholders,

The year 2019 marked the beginning of our five-year strategic plan. Trade wars between countries with the largest economies had created economic instability that continues until today. These changes have affected the economies of different countries bringing both positive and negative influences within each state. Despite this uncertainty, Vietnam continued to grow and remains as one of the fastest rising economies in the world.

Vicostone has demonstrated resilience in the wake of the economic turbulence and shown our ability to detect and react to unexpected changes in a timely and effective manner. In fact, we were able to reach our goals and achieved a level of success that was higher than expected. During this year, in 2019, we have enjoyed the success of hitting the first target in our medium-term plan (2019-2023).

Our success can be attributed to the assertiveness, acumen, and accuracy in forecasting of the Board of Directors and The Board of Management and our ability to propose timely scenarios in response to the ever-changing business environment. The Board of Directors appreciates the efforts, creativity, and sense of responsibility of the leadership and employees. The parent company, the Phenikaa Group has also demonstrated complete support and a spirit of cooperation during this time which is also highly appreciated.

2020 will be full of challenges for Vicostone. The global economic forecasts predict a slowdown due to unusual events, with a risk of recession looming. For example, the spread of COVID-19 originating from China could have unpredictable impacts throughout the world. Further examples include concerning rhetoric regarding trade and a possible price war on oil that has already impacted on the demand for new construction and renovations of homes in major markets. We are aware these threats could strongly impact the demand for surface products including quartz stone. Being mindful of these circumstances, Vicostone will address the challenges to improve our competitiveness and achieve our goals for growth.

The Board of Directors believes the competitiveness of Vicostone products will grow and the Company can create good impressions through following our motto "Responsive transformation and technological innovation to make a difference." This includes careful planning and careful solutions for each scenario at different risk levels. We believe this will make VICOSTONE® a global leading brand for quartz stone.

On behalf of the Board of Directors, I would like to express my deepest and sincerest appreciation to all our customers, partners, government agencies, the press and media, as well as managers, employees, shareholders and investors of Vicostone and the Phenikaa Group. In recent years, your confidence and whole-hearted cooperation along with your support and diligence have contributed to our success. Your efforts have helped Vicostone continue to develop strength as we have realized our objectives together successfully in 2019. It is my earnest hope that this successful partnership will be maintained throughout the course of the company's sustained development.

Wishing you all good health, happiness and success.

Chairman of the Board of Directors



Ho Xuan Nang

OVERVIEW OF VICOSTONE 2019 SUSTAINABLE DEVELOPMENT REPORT

I Vicostone's "Proactive Transformation for Sustainable Development"

As the world's leading enterprise in the production and provision of quartz stones, whose market extends over 40 countries across 5 continents, Vicostone has determined sustainable development to be a thorough strategy, requiring uniformed and effective actions which are suitable for each period.

In 2019, both the international and domestic situations continued to experience economic, social, and environmental uncertainties. Through tireless efforts in the consolidation and strengthening of its foundational elements, ceaseless reformation and innovation, as well as formation and transformation, in 2019 the Company has successfully managed risks and seized opportunities, hence achieving expectation-defying outcomes. 2019 was a pivotal year for the 5-year plan of 2019-2023, and has been regarded as a year of success and exponential growth for the Company.

This outcome has been achieved thanks to the comprehensive and proactive responsiveness of the Company with respect to the People – Systems – Technologies elements, ensuring harmony in all three Economic – Environmental – Social aspects of its operational strategy. In addition, the risk management of Vicostone has proven its effectiveness by accurately identifying the company's key risks, which include: Market development risks, including the tariff measures of the U.S against Chinese quartz stones, Risks from competitive pressure, Legal risks, and Exchange rate risks. These helped Vicostone to choose the right path and provide flexible action options in order to respond and transform in a timely fashion, turning challenges into opportunities.

2020 will continue to be a challenging year with economic, political, and social uncertainties, especially due to the consequences of the COVID-19 pandemic and climate change. Against this backdrop, Vicostone must further mobilize its proactiveness, innovation, flair, and flexibility, accelerate the process of comprehensive digitalization, complete and improve administrative systems of the Company, as well as develop future-proof skills for its human resources, so as to create and synergize values for communities, in line with its mission to "Realize all commitments".

II 2019 Sustainable development report of Vicostone

In a sustainable development strategy, Vicostone determines: Economic development must go hand in hand with community and social development, company must connect with all stakeholders to establish an entire sustainable ecosystem or global sustainable value chain. The 2019 Sustainable Development Report is the 6th consecutive independent sustainable development report from Vicostone. The Report paints a broad picture of the long-term economic benefits and the Company's contributions to national and global development through assessment of its activities and their impact on the economy, environment, the social. Vicostone believes that sustainable development is not only a macro strategy but also needs to be implemented in every business activities. The Sustainable Development Report, above all, is an administrative tool, a statement showing Vicostone's commitment and actions, contributing to the national, regional and global efforts to make a more peaceful, stable and prosperous society.

1. Applicable standards

Vicostone conforms to the GRI Standards, the most up-to-date set of standards developed by the Global Reporting Initiative to proactively manage and assess the implementation of its sustainable development commitments.

As the most globally-accepted and standardized sustaining reporting system, GRI Standards is a set of criteria that applies comprehensively and systematically, clearly outlining the economic, community, environmental impact of an organization. This is the basis for Vicostone to identify the Company's strengths, limitations in sustainability, from which to select and improve specific criterion in each part of the business, harmonize the goals of economic and community development, contributing to the environment and the community.

This year, Vicostone has opted to comply with the Core GRI Standards option, to focus on the key components reflecting the Company's impacts related to economic, environmental, and social topics, which are interrelated and will have major impact on the decisions of stakeholders involved in Vicostone's value chain, to highlight topic of the report: "Proactive transformation for sustainable development".

In 2019, in order to improve the quality of the Sustainable Development Report, Vicostone participated in the Competition Trade Program, organized by the Global Reporting Initiative - GRI in cooperation with the Swiss Government in 6 countries, including Vietnam. Within the framework of the program, Vicostone has been further instructed on the application of the GRI standards to make the 2019 company's report become a management tool for Vicostone and a transparent and reliable document for stakeholders.

2. Reporting principles

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

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


Reporting Principles for defining report content	Reporting Principles for defining report quality
<ul style="list-style-type: none"> Stakeholder Inclusiveness Sustainability Context Materiality Completeness 	<ul style="list-style-type: none"> Accuracy Balance Clarity Comparability Reliability Timeliness





3. Reporting frequency: Once/annum

4. Reporting period: 01/01/2019 – 31/12/2019

5. Contact information

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



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 TITLE	CEO
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 ADD.	Hoa Lac Hi-tech Park, Thach Hoa Commune, Thach That District, Hanoi, Vietnam.

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



III Limited Assurance Report of the Board of Auditors



VICOSTONE JOINT STOCK COMPANY

Subject: Ensuring some indicators of Sustainable development

THE SOCIALIST REPUBLIC OF VIET NAM
Independence – Freedom – Happiness

Hanoi, 28 April, 2020

To: Vicostone Joint Stock Company

To ensure the reliability of some indicators in the 2019 Sustainable Development Report and improve the quality of the report of the Company, the Board of Auditors has conducted its review and provided limited assurances to some of the indicators of Sustainable development for 2019.

RESPONSIBILITIES OF THE BOARD OF MANAGEMENT

The Board of Management has the responsibility to conduct and deliberate on the 2019 Sustainable Development Report in accordance with the Sustainability Reporting Standards of the Global Reporting Initiative (GRI) and sector-specific scopes of activity. At the same time, the Board of Management is responsible for the design and implementation of internal reviews which it deems necessary to ensure the accuracy, reliability, of information and statistics in the 2019 Sustainability Report.

RESPONSIBILITIES OF THE BOARD OF AUDITORS

The Board of Auditors has the responsibility to provide limited assurance to Sustainable Development indicators which have been selected in accordance with stipulations under the Handbook on Internal Auditing of the Company. These stipulations require the internal auditors to comply with the Professional Ethic Standards and risk-based sampling procedures, from inspection planning to implementation, in order to provide its independent view of the 2019 Sustainable Development Report.

The limited assurance is mainly conducted through interviews, complementary analysis procedures, including the selection and inspection of sample records and documents, internal reports, receipts and invoices, and confirmation from suppliers, and comparisons. The limited assurance is applicable to statistics relating to selected indicators within the fiscal year that ends on 31 December 2019, without reference to previous periods outside the scope of assurance.

The outcome of the assurance and recommendations are discussed with the Board of Management and managers of concerned Departments, Divisions, and Units, and are the bases upon which the plans for improvement tasks for 2020 are established.

SCOPE OF REVIEW

With its existing resources, the Board of Auditors has inspected some Sustainable Development indicators for the fiscal year ending on 31 December 2019 of the 2019 Sustainable Development Report on the basis of the GRI Reporting Standards, including:

Criteria	Content
GRI 201 - 1	Direct economic value generated and distributed (presented in pages 68 - 72)
GRI 301 - 1	Materials used by weight or volume (presented in pages 88 - 93)
GRI 302 - 1	Energy consumption within the organization (presented in pages 94 - 97)
GRI 307 - 1	Non-compliance with environmental laws and regulations (presented in pages 77 - 87)

CONCLUSION

In the course of conducting the limited assurance in accordance with the aforementioned procedures and standards, the Board of Auditors did not find any issues that can lead us to believe that the effectiveness of activities according to the Sustainable Development Report indicators selected in the scope of review had not been presented in a reasonable fashion, based on key aspects, and in accordance with the principles and scope of activities of the Company on the Sustainable Development Report which was presented in the section on the Overview of the Sustainable Development Report for the fiscal year ending on 31 December 2019.

Recipients:

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

THE BOARD OF AUDITORS

Head of Division

Nguyen Dieu Thuy Ngoc





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GENERAL INFORMATION



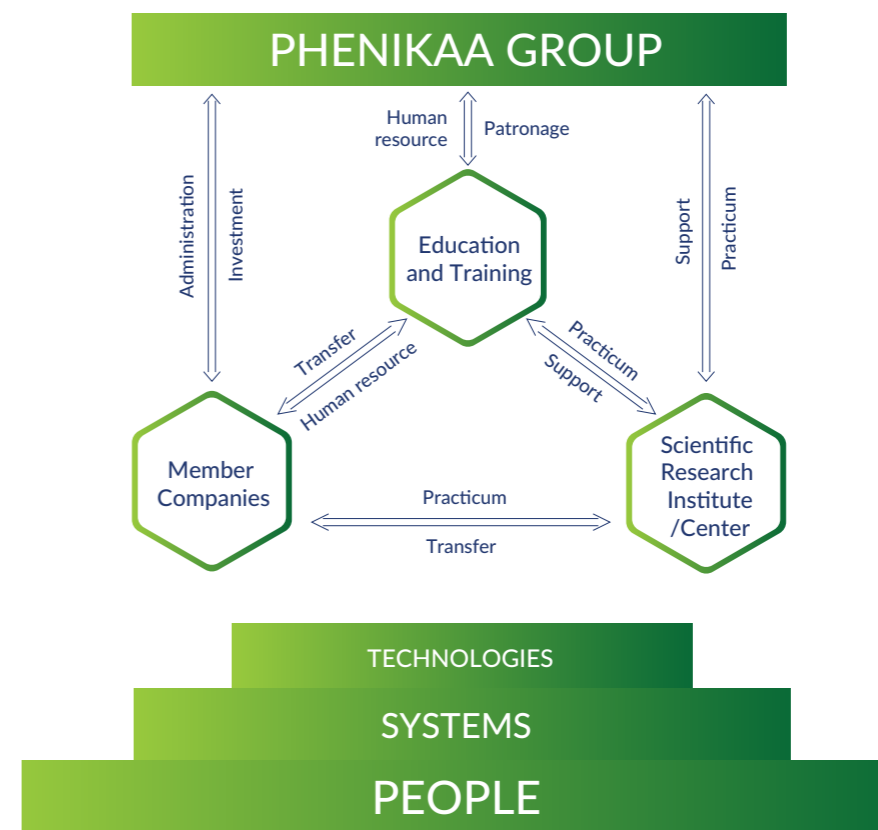
Vicostone's factory

Vicostone, a member of Phenikaa Group, is one of the leading quartz-based manufacturers in the world. With global system of distributors, Vicostone's products are exported to over 40 countries across 5 continents.



VICOSTONE JOINT STOCK COMPANY	
International name	VICOSTONE JOINT STOCK COMPANY
Abbreviated name	VICOSTONE
Address	Hoa Lac Hi-Tech Park, Thach Hoa Commune, Thach That District, Hanoi, Vietnam
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Fax	+84 24 3368 6652
Website	http://vicostone.com
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VICOSTONE WITHIN THE PHENIKAA ECOSYSTEM OF THE PHENIKAA GROUP



Phenikaa Ecosystem Model - Phenikaa Group

The Phenikaa Ecosystem - Phenikaa Group was established based on 3 main pillars, namely: Business - Scientific Research - Education and Training, on the foundations of People - Systems - Technologies. These sectors closely link with one another, complement and coordinate with each other to ensure the smoothest, synchronized, and effective operation of the Phenikaa Ecosystem. Among the pillars, Industrial Manufacture is the enduring traditional sector which plays a vital role in creating developmental momentum for other sectors of the Ecosystem.

Vicostone is a member of the Phenikaa Group, an organization with 17 years of formation and development, and is currently a large contributor of revenue for the industrial manufacture sector in particular, as well as the Phenikaa Group in general. In recent years, by effectively conducting research and development and applying improvements, Vicostone has been relentlessly innovating and reforming in order to provide its best, most unique and elegant products and services to the market and customers, thereby contributing to the Group's mission to "Realize all Commitments". The confidence of the customers and their choice in VICOSTONE® has significantly contributed to popularize the brand VICOSTONE® in particular and the Phenikaa Group in general, both domestically and internationally. Within the Phenikaa Ecosystem, Vicostone and other member companies of the Group instruct research institutions and scientists to conduct research and provide/transfer technological solutions based on the market's demands. At the same time, Vicostone also provides students of the Group's educational sector with the best chance to practice, experience, and enhance career opportunities upon graduation.





VISION

To become among the Top three brands in quartz surfaces through constant development, innovations and application of new technologies and materials to create artistic, unique and inspiring quartz surfaces for everyone.



MISSION

To realize all commitments, pioneer innovations to offer unique and artistic quartz products, be the trendsetter through leading quality, satisfy all customers' demands and inspire creativity in their lives.



STRATEGIC ORIENTATION

Positioning smart industrial manufacturing as the core business, eco-friendly materials and high-tech products as spearhead with focal products are quartz-based and high-valued composite products.



BRAND STATEMENT

The Art of Quartz



CORE VALUE

Reliability

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

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

Pioneer

In new technologies, materials, setter of new market trends; green and sustainable development.

Inspiration

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

COMPREHENSIVE QUALITY MANAGEMENT EXCELLENCE

1

The quality of our products is guided by customers. Our customers purchase products and services which meet their needs and expectations at appropriate cost to usage.

2

Comprehensive quality excellence can be best achieved through prevention rather than repair.

3

Products and services are delivered through employees' efficiency. Each employee is another employee's "customer"; each step is the "customer" of the previous step. All of these will affect customer's satisfaction; Each employee is responsible for helping others improve their job quality.

4

Comprehensive quality excellence requires continuous improvement in every process. Every employee is encouraged to evaluate their current performance and to find ways to improve.

5

Employees are the brains and take necessary actions to make continuous improvements;

6

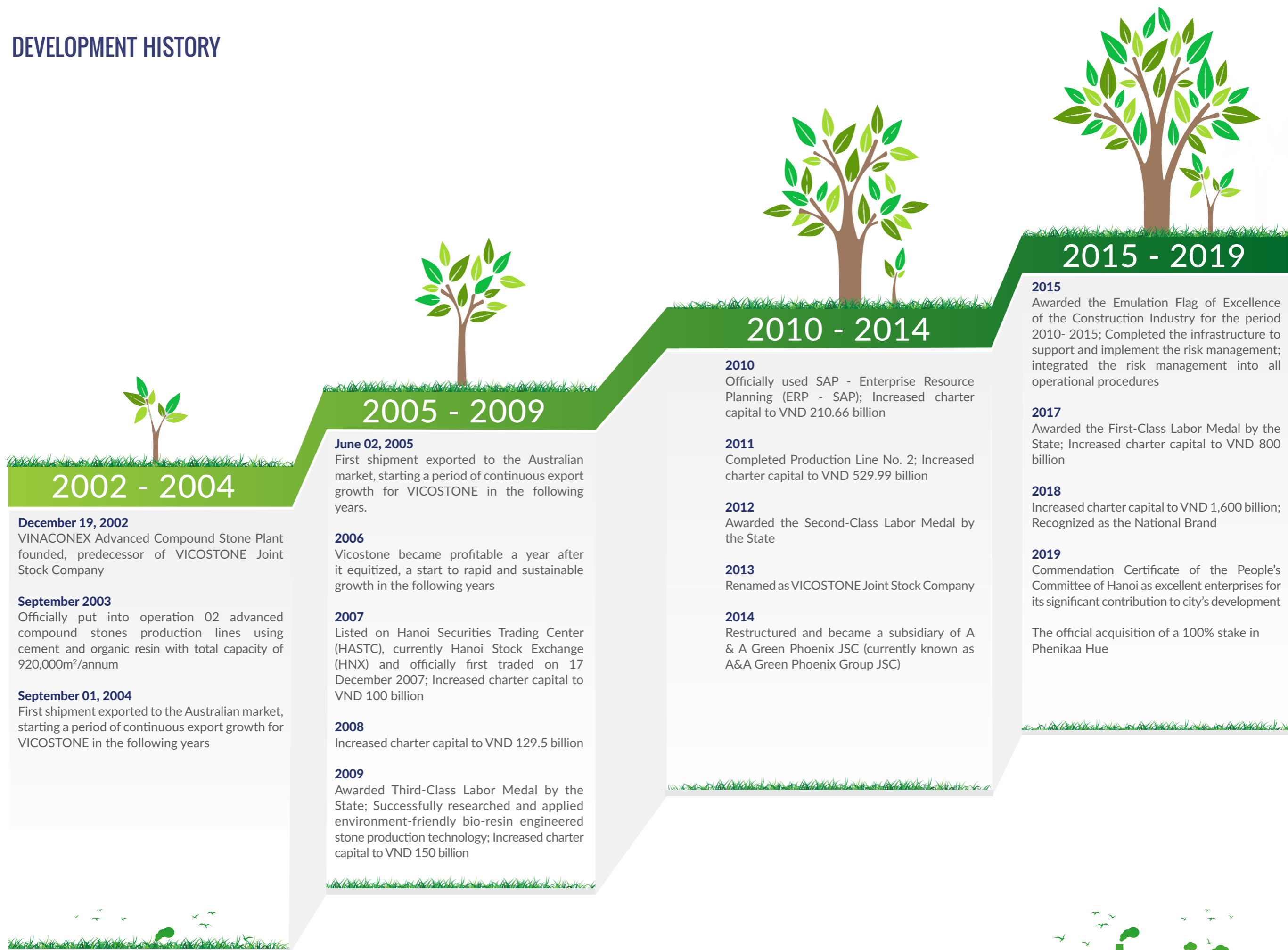
Optimal enterprise resource planning, modern technology-based enterprise governance is critical to sustainable development and professionalism.



Vicostone's booth at Quebec Expo Habitat exhibition in Quebec, Canada



DEVELOPMENT HISTORY



2002 - 2004

December 19, 2002

VINACONEX Advanced Compound Stone Plant founded, predecessor of VICOSTONE Joint Stock Company

September 2003

Officially put into operation 02 advanced compound stones production lines using cement and organic resin with total capacity of 920,000m²/annum

September 01, 2004

First shipment exported to the Australian market, starting a period of continuous export growth for VICOSTONE in the following years

2005 - 2009

June 02, 2005

First shipment exported to the Australian market, starting a period of continuous export growth for VICOSTONE in the following years.

2006

Vicostone became profitable a year after it equitized, a start to rapid and sustainable growth in the following years

2007

Listed on Hanoi Securities Trading Center (HASTC), currently Hanoi Stock Exchange (HNX) and officially first traded on 17 December 2007; Increased charter capital to VND 100 billion

2008

Increased charter capital to VND 129.5 billion

2009

Awarded Third-Class Labor Medal by the State; Successfully researched and applied environment-friendly bio-resin engineered stone production technology; Increased charter capital to VND 150 billion

2010 - 2014

2010

Officially used SAP - Enterprise Resource Planning (ERP - SAP); Increased charter capital to VND 210.66 billion

2011

Completed Production Line No. 2; Increased charter capital to VND 529.99 billion

2012

Awarded the Second-Class Labor Medal by the State

2013

Renamed as VICOSTONE Joint Stock Company

2014

Restructured and became a subsidiary of A & A Green Phoenix JSC (currently known as A&A Green Phoenix Group JSC)

2015 - 2019

2015

Awarded the Emulation Flag of Excellence of the Construction Industry for the period 2010- 2015; Completed the infrastructure to support and implement the risk management; integrated the risk management into all operational procedures

2017

Awarded the First-Class Labor Medal by the State; Increased charter capital to VND 800 billion

2018

Increased charter capital to VND 1,600 billion; Recognized as the National Brand

2019

Commendation Certificate of the People's Committee of Hanoi as excellent enterprises for its significant contribution to city's development

The official acquisition of a 100% stake in Phenikaa Hue



MARKET

Vicostone is one of the leading companies in the world in production of Quartz whose products are exported to over 40 countries across 5 continents.



■ Export markets of VICOSTONE® quartz products

Argentina	China	Ethiopia	India	Lebanon	Portugal	South Africa	Taiwan
Australia	Colombia	Finl	Indonesia	Lichtenstein	Qatar	South Korea	Ukraine
Belgium	Congo	France	Ireland	Mexico	Russia	Spain	United States
Brazil	Cyprus	Germany	Israel	New Caledonia	Singapore	Sri Lanka	United Arab Emirates (UAE)
Canada	Czech	Greece	Italy	New Zealand	Serbia	Taiwan	
	England	Hong Kong	Japan	Philippine	Slovenia		

Vicostone's revenue comes mainly from export activities. Revenue from key markets such as North America, Australia, and Europe accounts for over 98% of total export revenue. In the past two years, Vicostone has taken advantage of favorable conditions to further the momentum of its market share growth in the North American market amid intense US - China trade war.

With support of the Phenikaa Group, besides its extensive sales network through distribution partners, the company has effectively invested in a direct distribution system under the VICOSTONE® brand in the North American market, with 08 distribution centers: 04 are located in the US, and 04 are in Canada.

Throughout 2018 - 2019 multiple fluctuations in the American market were experienced as a result of the US - China trade war. This environment generated and anti-dumping, anti-subsidy duties, as well as lawsuits against quartz products from China, India, and Turkey. With the central mantra, "Proactive transformation for sustainable development." Vicostone has taken the initiative to seize opportunities,



Vicostone's booth at VietBuild international exhibition, one of the biggest construction industry exhibition in Viet Nam

boosted commercial operations in the US, played a big role in helping Vietnam to become one of the leading exporters of quartz surfaces to the US. Specifically, quartz surface imports from Viet Nam to the US jumped three-fold year-on-year in November 2019 (according to USITC). These are important foundations for Vicostone to continue to expand its direct distribution network in the US and North America soon.

In the Vietnamese market, following two years of methodical investment in integrated marketing and communications, Vicostone has strengthened its brand recognition, built trust and gradually become the leading choice for domestic consumers. In line with the positive signals in the economy in general and of the construction, real estate industry in particular in 2019, Vicostone's business performance in Viet Nam has seen impressive growth, affirming its position as the No.1 quartz surface brand in Viet Nam.



NOTABLE SUSTAINABLE DEVELOPMENT ACTIVITIES IN 2019 (CONTINUED)



ECONOMIC

GROSS REVENUE

growth **22.48%** compared to 2018

PROFIT BEFORE TAX

growth **25.34%** compared to 2018

NET PROFIT AFTER-TAX

growth **25.51%** compared to 2018

CORPORATE TAX CONTRIBUTION

growth **56.16%** compared to 2018

KAIZEN IDEAS

1,232 Kaizen ideas finalized with profit value exceeding VND 5 billion



ENVIRONMENTAL

- Continued compliance with, upgrade, and improvement of the integrated HSEQ management system in all environmental supervision and assessment activities;
- Finalization of basic localization of input raw materials for the production of quartz stones;
- Entry into cooperative agreements to produce concrete bricks using Geopolymer technologies, production of nearly 1 million concrete bricks (in 2019);
- Utilization of solar-powered national electric grid for both operating houses of the Group;
- Reuse of 100% industrial waste water for production chains, no environmental emission.



SOCIAL

- 13% increase in employees' income per capita per month compared to 2018;
- Spending of nearly VND 14 billion for mandatory and non-mandatory insurance;
- Purchase of PJICO healthcare and medical support insurance for 100% of the Company's work force, increase of insurance value by nearly 8 times compared to previous years;
- 100% of employees entitled to participate in training programs on communication and critical thinking skills;
- Contribution of more than VND 2 billion to community social responsibilities.



NOTABLE SUSTAINABLE DEVELOPMENT ACTIVITIES IN 2019

Vicostone, whose goal is to rank among the world's Top 3 manufactures of quartz stones, considers Sustainable Development to be an important requirement in its long-term development strategy and a necessary step towards realizing all commitments to all relevant parties. During its course of sustainable development, Vicostone has been praised, recognized, and accorded with reputable awards and prizes by many organizations, both domestic and international.

Some awards and prizes in 2019 such as:



- The National Quality Award, managed by the Directorate for Standards, Metrology and Quality under the Ministry of Science and Technology
- Top 10 large-cap enterprises with the best Annual Report in 2019 ranking by HOSE, HNX, VIR, and Dragon Capital
- Top 50 best listed-companies in Viet Nam, ranking by Forbes Vietnam
- Top 10 Company with the Best Corporate Governance: ranking by VCCI, VBF Magazine, the Institute of Business Studies and Development INBUS, Viet Nam Association of Accountants and Auditors (VAA), and Viet Nam Association of Corporate Directors
- Top 100 Sustainable Businesses for 2019: ranking by VCCI in continued coordination with MOLISA, MONRE, Viet Nam General Confederation of Labor (VGCL)
- No. 4 in the Top 50 Best Performing Companies in Viet Nam: ranking by Nhip Cau Dau Tu Magazine and Thien Viet Securities

- Top 100 Public Listed Companies in Viet Nam: survey and ranking by Forbes Viet Nam
- Top 500 Most Profitable Companies in Viet Nam: survey and ranking by Vietnam Report and Vietnamnet
- Top 500 Company in Viet Nam: survey and ranking by Vietnam Report and Vietnamnet
- Viet Nam Strong Brand: survey and ranking by Viet Nam Economic Times
- Top 10 Most Reputable Building Material Companies 2019: survey and ranking by Vietnam Report
- Notable Brand of the Construction Industry Viet Nam 2019: by Construction Magazine in coordination with departments, associations in the industry through popular voting





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VICOSTONE'S SUSTAINABLE DEVELOPMENT STRATEGY

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VICOSTONE'S SUSTAINABLE DEVELOPMENT STRATEGY

Vision and awareness of the global trend of sustainable development



According to the definition by the World Commission on Environment and Development in the Brundtland Report (1987), "Sustainable development is development that meets the needs of the present without compromising the ability of future generations to meet their own needs". As a world leading enterprise in producing quartz stones and distributing products to more than 40 countries across 5 continents, including developed markets such as North America, Australia, and Europe, Vicostone is cognisant of the need to professionally comply with and exercise administration to aspects relating to Sustainable Development.

The comprehensive sustainable development strategy, encompassing economic, environmental, and social aspects, is important to ensure the best management of potential risks arising from the business model. The placing of the interests of all relevant parties at the core as well as the continuous, responsible, and thorough resolution of their issues are important motivations for Vicostone to ceaselessly innovate and set trends in order to create groundbreaking values that are of long-term significance to all aspects of its activities.

In order to effectively implement the above principle, in its entire production and business chains and administration, Vicostone always chooses to apply global and long-term standards that are consistent with the interests of all relevant parties. Vicostone has clearly determined that it needs to project the role of a business in contributing to the efforts to implement the National Action Plan for the United Nations' 2030 Agenda for Sustainable Development, which includes 17 general goals and 115 specific goals.

Table on the correlations between Vicostone's 2019 priorities and the 17 Sustainable Development Goals (SDGs):

	Vicostone's priorities in 2019	Corresponding goal in the 17 Sustainable Development Goals (SDGs)
Economic	<ul style="list-style-type: none"> GRI 201 - Economic Performance GRI 202 - Market Presence GRI 203 - Indirect Economic Impacts 	
Environmental	<ul style="list-style-type: none"> GRI 301 - Materials GRI 302 - Energy GRI 303 - Water GRI 305 - Emissions GRI 306 - Effluents and Waste GRI 307 - Environmental Compliance 	
Social	<ul style="list-style-type: none"> GRI 401 - Employment GRI 403 - Occupation Health and Safety GRI 404 - Training and Education GRI 413 - Local Communities GRI 414 - Supplier Social Assessment GRI 416 - Customer Health and Safety GRI 417 - Marketing and Labeling 	

As a company operating in the industrial and ecological material production sector, Vicostone is highly aware of the scarcity of resources and its responsibility towards protecting the environment. In Vicostone's planning for a sustainable development strategy, the Company aims to operate in accordance with the principle of a circular economy, a model that works with 5 underlying principles:

- Design for reuse;
- Flexibility based on diversity;
- Energy consumption from limitless sources;
- Systemic thinking;
- Biological foundation.

The awareness and application of this model help Vicostone to continuously improve and innovate the design, production, and provision of services that serve to lengthen the life-span of materials and remove negative impacts to the environment, ensuring the support for the management and recycle of resources in a closed circuit, so as to avoid producing waste. The positioning towards a circular economy enables Vicostone to foster a better and more sustainable future with its actions today.



RISK MANAGEMENT FOR SUSTAINABLE DEVELOPMENT

In 2019, there are a lot of fluctuation in Economy - Politic - Environment situation in the world, as well as in Vietnam. To overcome these fluctuations, companies, especially international business companies like Vicostone, are requested to have a serious and careful risk management strategy to minimize risk and take advantage of opportunities for development. In particular, identifying key risks is an important element in company's strategy.

Office of Vicostone USA in Dallas, USA

VICOSTONE
QUARTZ SURFACES

KEY RISKS

Assessment of key risks for 2019 through the analysis of recent internal feedback metrics and forecasting models of near future predictions, Vicostone has developed the following potential risk portfolio. This analysis is based on the most current information available at the time of the writing of this report.

I Litigation risks arising from anti-dumping, anti-subsidy charges in the US

American direct imports of quartz slabs using Chinese technology has reach near-zero levels due to the imposition of anti-dumping, anti-subsidy duties imposed on Chinese goods by the Trump administration. This gap has been replaced by the import of a sizable quantity of quartz slabs, mainly manufactured using Chinese technology from India and Turkey from in late 2018 and to the middle of 2019. Anti-dumping and anti-subsidy duties were promptly imposed on imported quartz from these two markets. While investigations have yet to yield final results, data on the import of artificial quartz from these countries into the US has exhibited a sharp decline in December 2020. Viet Nam has become the third largest exporter of quartz slabs into the US since December 2020. Previously, quartz slabs exported to the US from Viet Nam were primarily manufactured by Vicostone; however, in recent years, several Vietnamese companies have been using Chinese technology and machineries in production. These companies have joined the

market, with the aim of producing lower-cost products. This could potentially lead to a sharp increase in quartz export from Viet Nam to the US but with a lower average price. We have concerns that the American government may impose safeguard measures against artificial quartz imported from Viet Nam in response to this trend.

Our Company has been conducting periodic reviews of its entire management system, ensuring the traceability and accountability of our sourced products—in an open, professional and scientific manner—to affirm the practicality of all costs, and the transparency and fairness of its business performance.

The Company has also proactively conducted thorough research on the US laws on dumping and anti-dumping practices. We have taken these actions in order to prepare all necessary documents and files to address any potential regulatory investigations or legal actions.

II Risks from COVID-19

The recent outbreak of the corona virus pandemic (COVID-19) is an important risk factor that can affect end-consumers and the global economy, thereby reducing demand for Vicostone's products, disrupting operations and adversely affecting the Company's business and financial performance.

The continued, hard-to-control spread of the pandemic could heighten the risk of a serious global economic recession, reduce demand to renovate, repair homes or build new residential areas. This could seriously affect the growth of the construction industry in general and in particular, the engineered quartz production industry. The risk of reduced demand of construction materials, including engineered quartz, could lead to fiercer competition among manufacturers, including Vicostone especially in key markets such as North America, Australia, and Europe. This will in turn impact the Company's revenue and profit.

In addition, COVID-19 may also adversely affect the Company's ability to efficiently manage business and production in the case of countries limiting travel, trade or reduced access to labor. In these events, Vicostone may face difficulties in transporting of input materials;

in export and product installation; as well as in allocation of human resources to ensure the Company's continuous operation and safety for all its employees. COVID-19 has also led to unpredictable fluctuations on the global and domestic stock markets, which could severely and negatively affect the share pricing, and trading volumes for Vicostone and other major corporations.

In response to potential complications from COVID-19, Vicostone has taken the initiative to prevent and control operations in accordance with guidance from the Ministry of Health. This includes setting up a system to monitor and update the health status of all employees, investing in medical equipment, and ensuring a safe working environment. The Company has also developed action plans for contingencies in case of outbreaks to minimize risks and head off challenges.



III Market development risks

1. Vicostone's revenue mainly comes from major international markets.

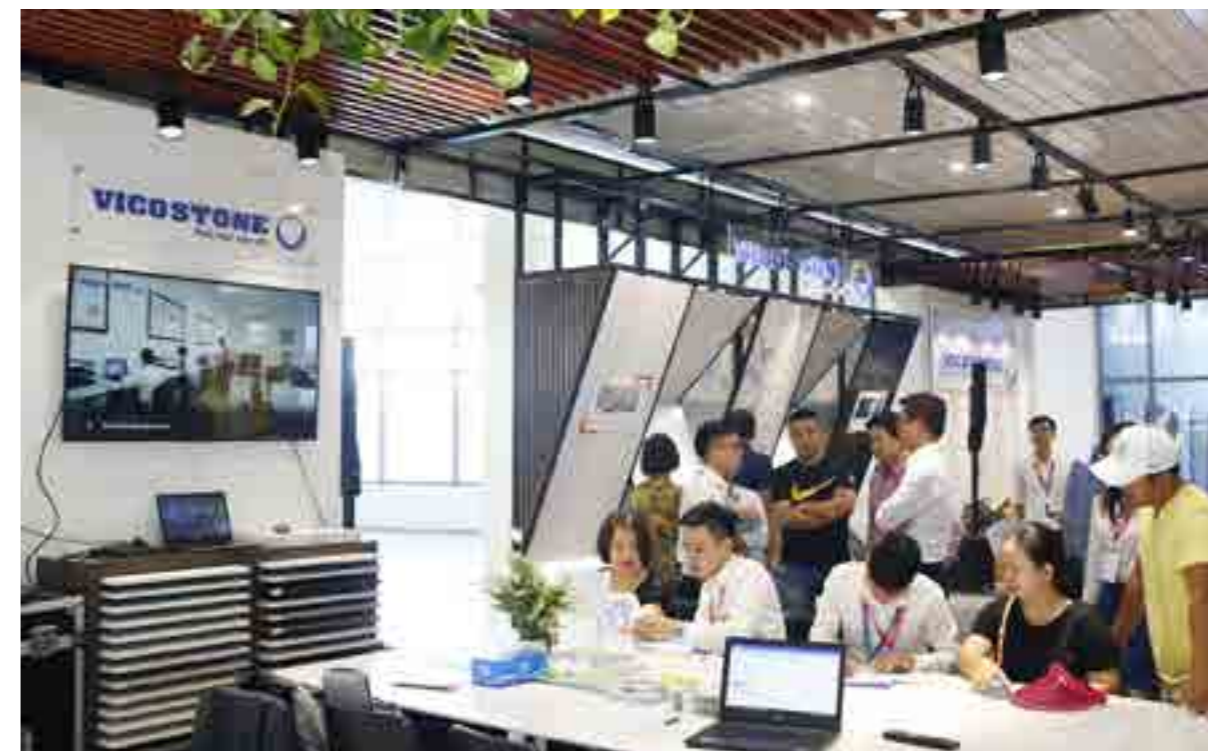
Since 2015, export sales to major markets such as North America, Australia and Europe have accounted for nearly one hundred percent of the Company's total export revenue. Vicostone saw the highest levels of revenue growth in company history from 2015 to 2019. The US market has always been the Company's dominant market, contributing over fifty-percent of total export revenues. The distribution of sales among all markets remained stable from 2015 to 2018; however, there was a substantial shift in sales during 2019. Revenues have shifted to increase in the Americas while decreasing in Australia and Europe.

The concentration of most exports into a few dominant markets could lead to enormous risks in the event of a crisis or decline in demand in these particular markets. Potential risks arising from major fluctuations in key markets may be beyond the Company's control. Vicostone's activities in each market are influenced by local characteristics such as socioeconomic and political change, changes in domestic laws, or policies. Other factors include fluctuations in the level of supply and demand such as the real

estate market, the level of investment in home renovation and repairs, construction of new residential areas, changing consumption trends, market competition, etc. All these issues could impact the Company's business performance operational strategies and plans.

Potential negative impacts may come from increasing import of other engineered-stone manufacturers' products into Vicostone's main markets, particularly in the US, Australia and Canada. The convert of product origin to developing countries by Chinese manufacturers as well as their divestment into other markets will present a significant risk to Vicostone's business operations.

Potential risks that could negatively impact Vicostone's business performance may come from the concentration of revenue from only a few main distributors. In indirect markets, Vicostone's business performance is dependent on the success, and effort made by agents in marketing and sales. Any disruption, and adverse changes (if any) of agents in the Company's distribution network may severely affect Vicostone's operation and business results.



Vicostone's booth at VietBuild international exhibition

2. Domestic market

The Vietnamese domestic market has not yet accounted for a large portion of Vicostone's revenue but has great potential. Aside from general risks similar to all markets, Vicostone has identified a number of risk factors unique to Viet Nam that could impact the Company.

In Viet Nam, using natural stone remains the main consumption trend. In order to gain access and a massive market share, the Company will need to invest in communications, and marketing to develop the VICOSTONE® brand and will also need to demonstrate differentiation of its new products and change consumption views, which is otherwise known as "educating" consumers. The inability to change consumption behavior, or consumers' perception, or to "speed up" after a trend has been started, could lead to competitors benefiting from Vicostone's market-educating efforts. In this case, Vicostone could lose its competitive advantage as well as the opportunity to pioneer and lead the market.

In addition, new challenges also arise from the market entry of other quartz-based engineered stone manufacturers using low-cost Chinese technology. This could potentially increase market

"saturation" and increase pressure from price competition as a result of lower-quality, lower-priced products. This could create incentives for agents and business partners to intentionally pass off lower-quality, counterfeit products as VICOSTONE® products for greater profits, which will inherently impact customers' confidence and brand reputation.

In order to minimize the negative impacts from these risks, in tandem with continuous improvements to introduce new, unique and distinctive products and improved quality of services, Vicostone will continue to invest in professional and methodical marketing and communication campaigns to raise awareness about the VICOSTONE® brand and its quartz based engineered stone products; expedite the expansion of its distribution system in key domestic markets; establish and grow a network of showrooms, workshops and satellite warehouses in target markets to guarantee the best product quality and fastest order-fulfillment time for end users. The Company will also continue to enhance quality control in all stages, from production to installation, with a strong focus on service quality control at agent and affiliate levels.



Vicostone's booth at IMM Cologne exhibition, Germany



IV Risks from competition pressure

In the engineered stone industry, Vicostone faces competition pressure not only from other quartz manufacturers and natural stone miners, but also from manufacturers of tiling materials alternatives such as laminate, large ceramic slabs, or pressed wood, cement, steel, etc. This may impact the Company's business performance and financial position.

1. Competition from other quartz-based engineered stone manufacturers

Vicostone could face market pressure from fierce competition as a result of the growing number of quartz factories. Following the anti-dumping, anti-subsidy duties applied on Chinese quartz imports into the US, several US-based businesses have invested in new production lines in the US. Chinese manufacturers, unable to export directly to the US, have moved production to Viet Nam and other developing countries—such as India, Malaysia, and the Philippines to continue their exports to the US. As a result of the anti-dumping, anti-subsidy lawsuit, Chinese quartz-imported into the US fell sharply. Chinese manufacturers channeled large export volumes to the Australian and Canadian markets at substantially lower prices, which led to severe competition in these markets.

Another potential risk is the high possibility of counterfeit designs in the engineered stone industry. Of course, thanks to our trade and technological secrets, counterfeiters find it difficult to achieve comparable quality and sophistication, particularly in terms of design and colors. To offset this particular type of risk, Vicostone has always paid careful attention to respect the copyrights and industrial designs registration regulations of products in key markets. This practice applies to both current and future products; however, these protection measures are geographically limited in nature, and therefore, it is hard to ensure that counterfeit designs are not replicated in markets outside of Vicostone's control.

Another challenge that could reduce the Company's market competitiveness is the issue of sale prices. Due to substantial investment in R&D as well as the application of new technologies, Vicostone's quartz-based engineered stones cannot be sold at low price. Meanwhile, other manufacturers replicating Vicostone's product designs and manufacturing technologies benefit from these counterfeits as a result of not having to invest in R&D. They can easily offer much lower prices than the actual cost of our products. Moreover, the manufacturers that use low cost Chinese technologies are able to sell inferior products, both in terms of physio-mechanical properties and designs, at very low prices, which poses a risk detrimental to Vicostone's market share, revenue, profit and business activities.

2. Competition from alternative products

Aside from competition pressure from engineered quartz surface stone manufacturers, Vicostone must also face intense competition from suppliers of natural stone and other alternative surface materials, including laminate, granite, engineered marble, large ceramic slabs, or cement and steel.

These alternative products may not be superior in terms of physio-mechanical properties or aesthetics as compared to engineered quartz surface but do offer certain advantages in certain circumstances such as: more reasonable prices, more diverse application than engineered quartz surface or natural stone. This in turn results in greater ease in meeting customers' needs. This can become a major obstacle to Vicostone's expansion and increased market share.



V Legal risks

1. Risks from changes in environmental production standards

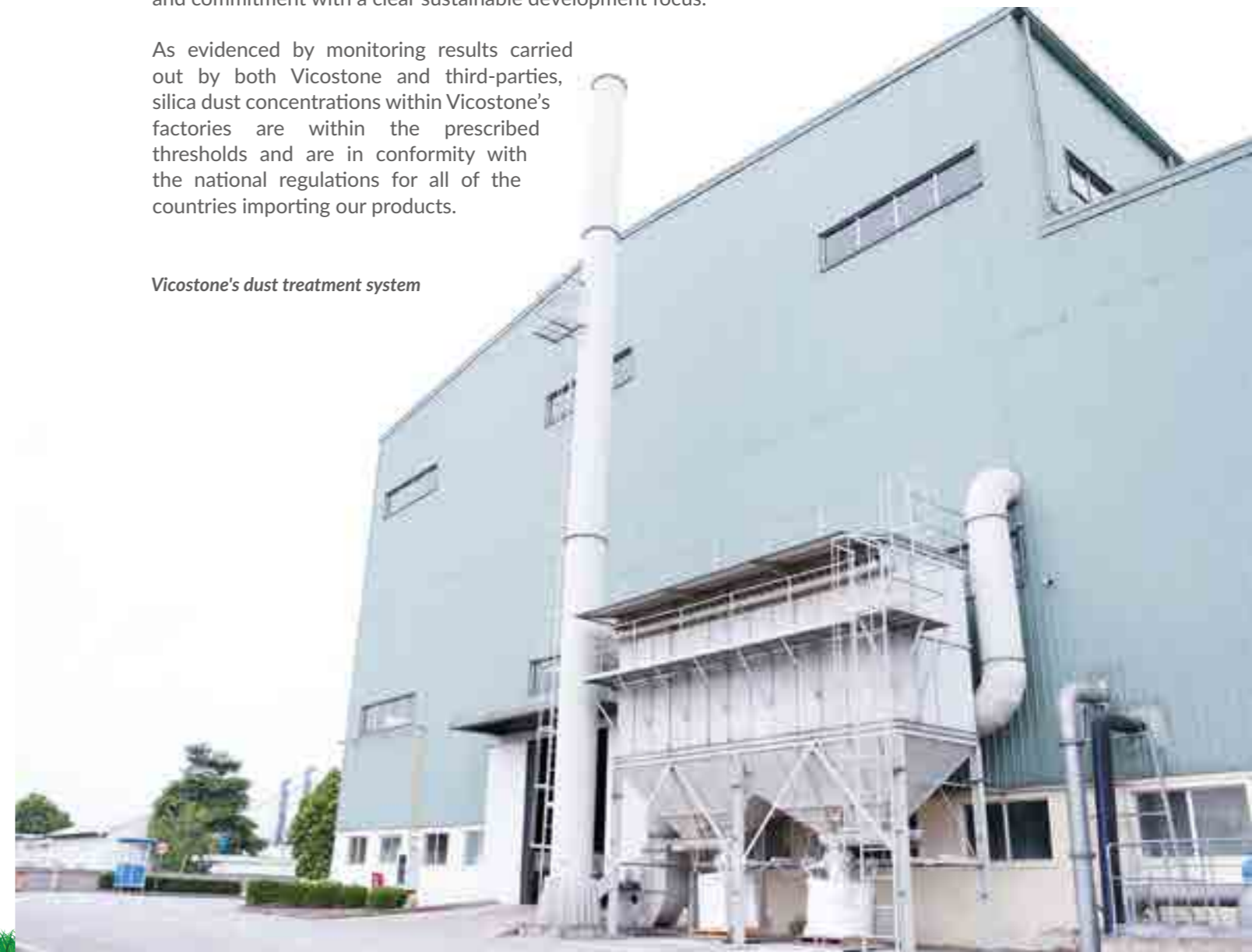
In line with current global trends, many countries not only have stringent requirements concerning environmental safety and friendliness for products, but also pay precise attention to environmental safety issues during the production process, which includes silica dust, which is the chief risk factor for the development of silicosis. Countries particularly concerned with this issue include members of the developed world such as the US, Australia, and countries from the EU.

According to the World Economic Forum's Global Risks Report, 2020, the top 5 global risks in terms of likelihood, and 3 out of the top 5 global risks in terms of impact are all environmentally related. The year 2020 stands to be a year when the world's attention will be focused on the environment. As such, similar to other countries Vietnam will adapt increasingly stringent requirements and regulations related to safety in the production and working environment, as well as the environmental impact of business activities. This could be a risk, and challenge for Vicostone in conquering new markets, and maintaining a presence in current markets.

As a Company that deeply respects the environment, Vicostone strive towards our strategic environmental protection goals through specific actions that has been diligently and professionally executed. Vicostone views this as an opportunity to gain the confidence and affection of its customers, partners and the community. In addition, it is the embodiment of Vicostone's corporate responsibility and commitment with a clear sustainable development focus.

As evidenced by monitoring results carried out by both Vicostone and third-parties, silica dust concentrations within Vicostone's factories are within the prescribed thresholds and are in conformity with the national regulations for all of the countries importing our products.

Vicostone's dust treatment system



V Legal risks

Automated monitoring systems for factories in the Phenikaa Group in general and specifically for Vicostone have been active in controlling emissions and wastewater quality. Automated monitoring systems within factories include: inorganic gas monitoring stations (flow, temperature, pressure, total dust, SO₂, NO_x, CO); organic gas monitoring stations (temperature, flow, pressure, toluene, benzene, styrene) and wastewater monitoring stations (temperature, flow, PH, COD, TSS, ammonium, etc.). Thanks to this practice, Vicostone enjoys greater control in regularly monitoring and controlling wastewater, gas, and dust emissions indicators to take timely safeguard measures to prevent potential negative impacts to the health of employees and the environment. This sequentially helps to develop a safe working environment in the Company in accordance with Vietnamese and international standards.

Changes in the production environment standards can also be a risk and a challenge for Vicostone in conducting business in existing and potential markets. Risks may arise from changes in local regulations and/or customers' apprehension due to incomplete understanding, and lack of access to information about the actual situation and scope of the warnings. Vicostone's strategy for 2020—as well as for the next 5 years—is to continue to prioritize the goal of producing eco-friendly and environmentally-friendly materials. Vicostone is continuing the development of new, environmentally friendly products that are safe for users and participants of the production process and we will enhance its corporate social responsibility activities. Vicostone applies the HSEQ (Health – Safety – Environment - Quality) management system that is strictly managed and operated across all activities.



The application of international standards, proactive improvement of production processes, technological innovation to increasingly improve the environment and HSEQ standards is an opportunity for Vicostone to conquer the toughest of markets and take the initiative in adapting to changes in regulations and environmental requirements.

2. Legal compliance risks

Vicostone's products are currently sold and distributed in over 40 countries and territories. Keeping abreast of changes in the regulatory framework, in tandem with developing contingency plans and responses across all regions, is a daunting task. As such, Vicostone's business operations are always subjected to potential impacts from regulatory changes. The company is also at risk of inadvertently violating national laws or regional policies as a result of lagging information. Facing with not only changes in international laws, the Company's operation also must contend with inadvertent violation of domestic regulations, due to the relatively fast-changing rules governing business performance such as tax, customs, accounting, securities, and contracts in Vietnam. In instances of noncompliance for any reason, Vicostone face not only fines, but also injury to its corporate image; which could potentially lead to many disadvantages, predominantly the timeliness of business activities.

VI Exchange rate risks

In 2019, a stable exchange rate helped many businesses cut down on losses due to exchange rate fluctuations, Vicostone also benefited from this stability. However, since the beginning of 2020, due to the COVID-19 outbreak, the exchange rates for many foreign currencies have fluctuated abnormally.

The price of the USD has slumped as a result of investors' concern over the impact of COVID-19 on the global economy, and the 30% decline in oil prices following OPEC's failure to reach an agreement to reduce production outputs.

In addition, with the Fed's decision to cut interest rates, the market expects other major central banks to follow suit and cut interest rates and adjust the exchange rate. Since the end of February, the domestic central rate of VND to USD has continually fallen, dropping to VND 23,195 on March 9th, 2020.

Meanwhile, Viet Nam's recent inclusion in the US currency manipulator watch list is also a worrying signal. In addition, demand for imported goods from Viet Nam this coming year may be affected by the decline in global demand. Thus, foreign currency revenue from exports may not be as positive as in 2019. In such an unstable global economic situation, experts forecast that the exchange rate in 2020 is on a downward trend.

On-the-other-hand, Vietnam's appearance on the US "currency manipulation" watch list is a big risk. This requires the State Bank of Viet Nam to be cautious in sharply depreciating the value of the VND.



VII Environmental risks

Environmental risks always have grave impacts on the human health, surrounding environment, properties, reputation, and brand of the Company. Vicostone has enacted specific and practical actions to prevent potential environmental risks by seriously indentifying, evaluating, and issuing appropriate administrative measures against the causes of environmental risks, so as to minimize the potential threat of environmental risks, protect the environment, properties, reputation, and brand of the Company.

Risks	Impacts	Sources	Causes	Administrative measures
Environmental impacts on Vicostone: <ul style="list-style-type: none"> • Climate Change • Natural Disasters • Diseases • Ecological imbalance 	<ul style="list-style-type: none"> • Effects on the environment and the health of Employees and people residing in areas near the Factory; • Effects on the Company's production: sources of input raw materials, product quality, productivity, flow of goods, interaction with relevant parties 	Human	Failure to comply in full or in parts with the law on environmental protection	Compliance with and staying up-to-date on environmental legal regulations; Communication and initiation of programs and measures to protect the environment.
		Environment	Other undesirable external factors	Supervision and updating of outside information, implementation of measures to minimize environmental impacts and reduce phenomena induced by climate change.
		Input raw materials	Ineffective use of resources: Unreliable quality of raw materials, affecting the environment	Utilization of environment-friendly raw materials; Effective use of resources; Enhanced recycling and reuse to reduce wastes.
		Vicostone's impact on the environment: <ul style="list-style-type: none"> • Emission • Waste • Effluents • Use of natural materials 	<ul style="list-style-type: none"> • Great impact on the sales performance of the Company, thus the impact on relevant parties, including: Employees, shareholders, customers, etc. • Effects on the reputation and brand of the Company. 	Machines, equipments
Processes, methods	Ineffective environmental management systems			Improvement of and update on new internationally recognized standards; Formation of a system to manage and educate employees on the compliance and improvement of standard processes and systems.

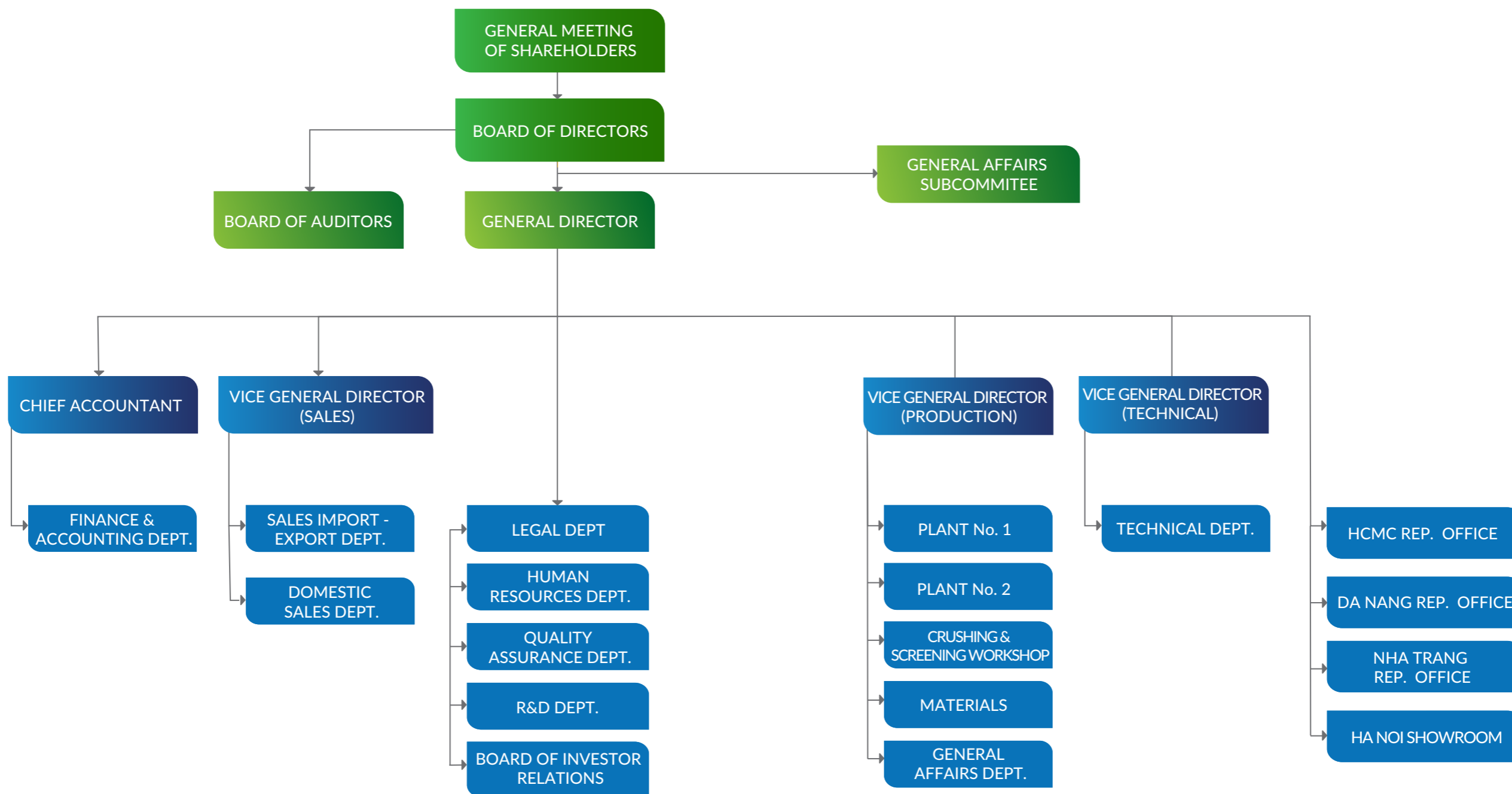
Vicostone Acacia quartz - BQ9610



VICOSTONE'S SUSTAINABLE DEVELOPMENT GOVERNANCE STRUCTURE

Organization chart

Vicostone's organizational structure currently includes 14 departments under the supervision and guidance of the Board of Management, 01 Board of Auditors under the Company's Board of Directors and a sub-committee for General Affairs to assist the Board of Directors.





II Vicostone's sustainable governance model

BOARD OF DIRECTORS

Provide general guidance on Company's strategic sustainable development issues.

Approve targets and action plans.

BOARD OF MANAGEMENT

Develop & submits to the Board of Directors Company's sustainable development targets and action plans;

Share sustainable development strategy, target and plan with the Company;

Ensure the sustainable development plan reaches set targets.



FUNCTIONAL DEPTS

Implement and realize the sustainable development plan in accordance with the orientations set by the Board of Management.

EMPLOYEES

Carry out day-to-day operations related to sustainable development.

Vicostone does not establish a specialized Sub-committee on sustainable development. Instead, the Company incorporates sustainable development function into each of the Company's professional activity and implement activities to realize the sustainable development strategy. The role of professional units in the administration and implementation of actions for the goal of sustainable development are as follows:

No.	Departments/ Divisions	Role and responsibility in the administrative structure for sustainable development
I Concurrent Participation in 2 or 3 aspects: Economic – Social - Environmental		
1	Board of Auditors	<ul style="list-style-type: none"> Supervise, research, review, recommend, and evaluate the administration of environmental risks within and outside the Company on all 3 aspects: <ul style="list-style-type: none"> Economic: Markets, economic and political changes, domestic and foreign policy changes...; Environmental: Impacts of climate change on the production and business activities of the Company and vice versa – the potential impacts of the Company on the environment, policies, regulations, agreements on environmental inside and outside the country...; Social: Impacts of changes in the social situation on the employees, potential impacts of the Company on communities, societies, localities...; Develop and recommend options and policies to respond to risks, ensure the sound development and the harmony of interests between the Company and relevant parties and the social community; Inspect, review, and conduct independent and objective evaluation of the Company's sustainable development contents, recommend measures to correct, treat, and improve the effectiveness of sustainable development administration....
2	Research and Development Center	<ul style="list-style-type: none"> Research and develop new products of highest efficiency and quality to be provided to customers; Research and improve technologies to improve productivity and product quality; supervise and coordinate technological compliance in all stages of the production processes; Research the possibility of producing and applying new materials, raw materials in the Company's production and business activities; Research the effects and impacts of environmental and climate conditions and working conditions on the quality of products, if any, and offer solutions thereto.



II Vicostone's sustainable governance model (Continued)

No.	Departments/ Divisions	Role and responsibility in the administrative structure for sustainable development
3	Legal Department	<ul style="list-style-type: none"> Advise the Board of Management, functional Departments and Divisions on legal matters relating to the Company's production and business activities; Inspect and control the legality of activities within the Company and documents it promulgates; recommend measures to treat and correct activities that are inconsistent with legal regulations; Support relevant units in undertaking procedures to register copyrights, trademark protections, and other intellectual properties rights of the Company in Viet Nam and other countries; Participate in the resolution of disputes between the Company and its employees, partners, customers, or other organizations.
II Economic Aspect		
1	Finance and Accounting Department	<ul style="list-style-type: none"> Conduct accounting, inspection, and control with respect to all economic activities of the Company; Balance accounts, regulate financial resources of the Company, effectively exploit and use capitals in consistence with the sustainable development goals of the Company; Inspect, supervise mandatory financial spending and collecting and debt payment and collection, inspect the management and use of assets and their sources, discover and prevent acts in violation of laws on finance and accounting. Create full and transparent reports annually or irregularly upon requests.
2	Import and Export Sales Department	<ul style="list-style-type: none"> Conduct sales planning, ensure sustainable economic growth for the Company; Research, develop/build marketing and advertisement campaign for brand promotion in short - medium - long terms; Participate in marketing activities, introduce and expand markets, support and take care of customers, receive and process feedback information from customers; Propose improvements, fulfill and enhance competitiveness of the brand and products; Evaluate and select suppliers, develop networks of suppliers both domestically and internationally, procure raw materials and depot of the Company, ensure safety and quality.

No.	Departments/ Divisions	Role and responsibility in the administrative structure for sustainable development
3	Domestic Sales Department	<ul style="list-style-type: none"> Participate in organizing marketing and advertisement activities to introduce products, search and expand markets for the Company's product in relations to domestic partners; Manage vendors and retails who introduce and sell the Company's products in the domestic market, propose plans to develop networks of distributors and representative offices; Deliver and install goods according to the customers' demands, support customers, receive and process customers' feedbacks; take care of customers, regularly conduct surveys on customers' satisfaction.
4	Plant	<ul style="list-style-type: none"> Develop/Build production plans, conduct production, ensuring the productivity and quality according to the requirements and goals of the Company; Control input production costs to enhance efficiency in production and business.
5	Technical Department	<ul style="list-style-type: none"> Manage inventory of machineries, equipments, and technological chains of the Company; Test and maintain equipments and machines regularly and upon the request of the Company, ensure the consistent operation, occupational safety, and industrial sanitation. Localize accessories and parts of machines, onduct research and implement technical improvement projects; supervise, generalize, popularize, and apply new technical improvement initiatives to contribute to reducing production costs and product pricings; Manage, apply, supervise, maintain, and improve the energy management system in accordance with the ISO 50001 standard.
6	Materials Department	<ul style="list-style-type: none"> Manage the receipt and delivery of depots, accessories, input equipments, and output finished and semi-finished products of the production process, ensure accuracy, effectiveness, and timeliness. Allocate appropriate resources to fix stones, reduce the number of stones failing to satisfy quality and sales requirements; Manage and coordinate equipments, including fork-lifts, excavators, and cranes under the management of the Division, for use in production and business activities and deposit management.



II Vicostone's sustainable governance model (Continued)

No.	Departments/ Divisions	Role and responsibility in the administrative structure for sustainable development
III Social Aspect		
1	Human Resources Department	<ul style="list-style-type: none"> • Human resources planning: ensure adequate man-power in terms of number and quality to effectively implement the Company's production and business; • Recruitment: Announce recruitment information and publicly conduct recruitment to find employees most suitable to the requirements of the Company; • Training and development: Identify training needs, organize trainings, check and supervise trainings, evaluate their effectiveness in serving the development needs of the Company and ensuring the employees' development; • Evaluate employees' performance and outcome: Create methods and processes, evaluate the performance and achievements of employees for the purposes of paying salaries and bonuses and initiating programs to train, develop, transfer and promote employees within the Company; • Manage salaries, welfares: Create and implement compensation and welfare policies within the Company to maintain and encourage the workforce. Fulfill labor policies benefiting the employees in accordance with relevant laws on labor and regulations of the State; • Work relations: Ensure positive relations between the employers and employees through consultations, dialogues, and the Company's policies towards the employees; conduct surveys on HR policies and annual level of satisfaction for all employees to improve HR policies; • Serve as a permanent body of the Sanction Committee and of the SA8000 social accountability system of the Company.
2	Board of Investor Relations	<ul style="list-style-type: none"> • Receive and respond to investors' inquiries or requests. Schedule annual programs for the meeting between the Chairman of the Board of Directors with investors; • Advise the Board of Management on issues relating to the Company's strategic direction of relations with investors and shareholders; • Organize/issue the announcement of information in accordance with the law; • Provide information and respond to shareholders' inquiry or requests.

No.	Departments/ Divisions	Role and responsibility in the administrative structure for sustainable development
		<ul style="list-style-type: none"> • Receive and respond to investors' inquiries or requests. Schedule annual programs for the meeting between the Chairman of the Board or the Chief Executive Officer with investors; • Advise the Board of Management on issues relating to the Company's strategic direction of relations with investors and shareholders; • Organize/issue the announcement of information in accordance with the law; • Provide information and respond to shareholders' inquiry or requests.
IV Environmental Aspect		
1	Quality Control Department	<ul style="list-style-type: none"> • Establish standards for raw production materials according to technological requirements, control the quality of raw materials subject to stocking; evaluate quality of products; inspect quality of finished products in production chains and those subject to packaging, ensuring that all products are inspected in accordance with the promulgated standards; • Manage, apply, maintain, and improve quality control systems as applied in the Company, including: The Quality management system (ISO 9001) and Environmental management system (ISO 14001); • Coordinate with the General Affairs Department in inspecting and supervising occupational safety and environmental sanitation.
2	General Affairs Department	<ul style="list-style-type: none"> • Manage facilities, provide working equipments for all employees of the Company; • Ensure security and safety of the entire Company; • Ensure occupational safety and sanitation, prevent fire hazards; • Inspect working environments and healthcare for employees though regular health management and check-ups; • Serve as focal point for the management, implementation, and improvement of the OHSAS 18001:2007 Occupational Health and Safety System and the Kaizen-5S Program



VICOSTONE'S SUSTAINABLE DEVELOPMENT STRATEGY AND ORIENTATION

In direction of sustainable development, Vicostone identifies: "Position industrial manufacturing, high-class new materials as the core business, ecological materials are the key, balance the business development and community contribution, ensure a green and clean working environment in the Company - no smoke, no toxic and no harm to the environment". In this spirit, Vicostone built a sustainable development strategy in parallel with the production - business strategy with the goal of: Ensuring harmony between economic efficiency and responsibility for stakeholders, focusing on sustainable environmental protection.



I Strategic orientations to 2025 and vision to 2030

Building on its successes in 2019 the first year in the 2019-2023 lustrum, Vicostone regularly conducts reviews, acknowledges and closely follows the developments in the global market. Strategies on input materials, technology, business restructuring, market development, human resource management, financial management, and corporate governance will continue to be improved, upgraded and amended in accordance with Vicostone's structural and operational realities in accordance with our goals.

1 RESTRUCTURING

- Step up the implementation of the current restructuring strategy to become the sole business unit producing stone slabs and input materials in the whole Phenikaa Group. From this, Vicostone can continue to expand and invest to improve efficiency. We expect to complete at least 2 additional quartz stone production lines, increasing capacity to 5 million square meters/year from 2021 to 2024.

2 MANAGEMENT SYSTEMS

- Transit to a comprehensive digital transformation system, continually improve an intelligent management system, optimize resources sustainably, and compile database (big data).
- Invest in a modern IT system, develop quick and effective working tools that can help employees maximize individual capacity.
- Continue to improve the risk management system in tandem with managing key, identified risks.



Engineer in control central room of Phenikaa Hue



I Strategic orientations to 2025 and vision to 2030 (Continued)

3 TECHNOLOGY

- Pursue digital transformation in all business activities.
- Promote research and application of R&D, particularly Vicostone's and Phenikaa's R&D Departments in collaboration with Phenikaa's Research Institutes to transfer research products that address practical issues in manufacturing and business matters.
- Continue to conduct research and deploy intelligent production technologies to introduce AI and automate key production areas, optimize production efficiency, make product and cost distinctions to improve competitiveness.

4 HUMAN RESOURCES

- Ensure that the current and future leadership of the Company be equipped with a modern mindset and leadership skill sets suited to the technological development trends in the long-term. Human resource training should be made a priority. Such courses should include:
 - » Short-term, long-term training courses on business administration and leadership... for managers and executives; as well as thematic training courses in digital technologies, smart production, AI, IoT, etc.
 - » For highly technical fields, in-depth training should be organized for current employees in: digital technologies, smart production, AI, IoT, new materials...
- Improve employees' happiness to increase, productivity and employees' attachment to the organization.



Employees engage in discussions and learn from the work experiences of Vicostone executive



Vicostone's booth at SIDIM exhibition - Salon du Design in Montreal, Canada

5 MARKETS

- Continue to grow international markets as Vicostone's main consumer market, proactively manage risks, including major risks in these markets, and risks from concentration in single main market.
- Identify Vietnam as a potential market. Set the goal during this period to increase sales, and limit risk from the largest international markets.

6 FINANCES

- Continue to maintain financial indicators at the current levels. Hold the ratio of equity/total assets to higher than 80% by 2023.
- Cut and control costs to improve competitiveness based on sensible pricing commensurate to products' quality and class.



II Orientations and operation plan in 2020

Criteria	Related 17 SDGs	Vicostone's strategy
ECONOMIC	   	<ul style="list-style-type: none"> • Seriously observe all Resolutions and Decisions of the General Meeting of Shareholders, meeting the business plan for 2020 as well as Vicostone's commitments to all stakeholders; • Implement the digital transformation process in accordance with the strategic roadmap, in a comprehensive manner across production, business and corporate governance aspects to proactively and effectively adapt to the fluctuations in the economy, market and technological developments; • Financially, improve profitability and ensure sustainable revenue growth through continued expansion and development of existing markets, while conducting market research, access and entering new potential markets; • Customers: Improving Vicostone's competitive advantage with pricing strategy suitable to the target and specific customer segment in each market; continuously innovate and develop new products, create unique products; strive to improve service quality and added values, in order to increase customer satisfaction, trust and loyalty to Vicostone products, aiming to become among the Top 3 brands in key markets and the leading brand in Viet Nam; • Corporate management: Improving production efficiency through management of raw materials, continue to implement the strategy of localization of raw materials to raise self-sufficiency of input materials to over 95%; improve production technology processes to further raise productivity and quality of products; ensure that production processes and business activities strictly comply with environmental standards and regulations in Viet Nam and in export markets.

Criteria	Related 17 SDGs	Vicostone's strategy
SOCIAL	       	<ul style="list-style-type: none"> • Develop sustainable human resources and a happy working environment for employees; implement career planning and capacity development for next-generation managers; strengthen training and proactively equip staff with the necessary knowledge and skills to effectively respond to the digital transformation process and head off the growing tech-intensive industrial production trend; improve the capacity for research and development, application of scientific developments and market research to build on competitive advantages to effectively exploit key and potential markets; encourage a culture of constructive criticism for individual to continually innovate and and continue contributing to the sustainable development of Vicostone. • Development of the community and localities: Vicostone focus on providing assistance for basic living conditions for local populations to better help individuals' and familial development through recruitment, job creation programs for localities; Continue to actively take part in community activities such as: donation drives for victims of floods, life-long care for Heroic Vietnamese mothers, adoption of children in particular hardship, invest in the development of the younger generation, improve infrastructure - roads, schools, clinics...; Continue to apply international standards in terms of corporate social responsibility.
ENVIRONMENTAL	    	<ul style="list-style-type: none"> • Become a "Green enterprise", minimize environmental impact through the efficient use of energy, and certified "green" appliances; • Create alignment of interest in environmental activities between the Company and employees, customers, partners and other stakeholders; • Strengthen suppliers' assessment, review rigor based on corporate social responsibility commitments, including for the community and the environment; maintain application and update of international standards related to environmental protection.



STAKEHOLDERS ENGAGEMENT

Vicostone's code of conduct with stakeholders

1. Conduct with shareholders and investors

- Maintaining transparency in information disclosure: Vicostone commits to provide financial statement and legal records to shareholders and investors in an adequate, accurate and timely manner and in accordance with the laws.
- Respecting parties' interests, equality and mutually beneficial cooperation: Respecting opinions, interests or reasonable requests of shareholders and investors, committing that each employee working at the Company always acts for the common good and never takes advantage of the Company's support for personal benefits, harming the interests of shareholders and investors.

2. Conduct with customers

- Providing high quality products and services at global standards, taking initiatives and applying unique technologies to improve existing products and services as well as developing new and distinctive ones.
- Building trust in customer relations: Conducting business in a fair and honest manner based on advantages of products, services and resources; maintaining no tolerance for bribery; listening to customers' thoughts and needs in order to add values to products and services.
- Complying with international trade regulations on customers' personal information: Respecting personal information protection rights in compliance with the host country's legal regulations.



Vicostone's staff introduced products to visitors in VietBuild Exhibition

3. Conduct with suppliers and partners

- Respecting partners' interests: Creating mutually beneficial relationships, respecting partners' confidential information and healthy competition among suppliers, while prohibiting bribery from suppliers and partners.
- Providing adequate and accurate information on working principles and procedures in order to ensure a smooth and fair workflow as well as healthy competition among suppliers and business partners.
- Strictly complying with the laws and regulations that is basic standard in cooperation, especially paying high attention to safety and health regulations.

4. Conduct with employees

- **Respect:** Vicostone considers employees as its source of strength, thus commits to helping them make the best use of their skills and experience at work, giving them career development opportunities, contributing to each individual's success.
- **Information sharing**
 - » Vicostone promotes sharing relevant information with employees on the basis of critical thinking and open communication, respecting each individual's constructive opinions, regardless of rank or age.
 - » Personal information: Respect employees' personal information and treat it as one of the top confidential information at the Company. Collection, processing, storage and use of employees' personal information may only be performed in case of necessity and in accordance with the laws.



Vicostone's staff exchange information in Company



I Vicostone's code of conduct with stakeholders (Continued)

• Equal opportunities

- » Equality in competence assessment: Based on employees' competence, attitudes, traits and performance to conduct assessment, recruitment, promotion, training, salary review and discipline.
- » Equality in training opportunities: Based on each position's requirements, the Company provides training courses to enhance each employee's competence and increase their career development opportunities.
- » Using advanced monitoring systems and measures to monitor working processes and assess each employee's performance for equal treatment.

• Safe and healthy working environment

- » Providing the best working conditions for employees in all aspects: Convenient, fully-equipped, smoke-free and alcohol-free workspace, fair and disciplinary working environment, etc.
- » Ensuring employees' health: Complying with labor safety and health regulations.
- » Resolving incidents quickly, fairly and accurately in compliance with the laws.



Vicostone factory

5. Conduct with competitors

- Maintaining workable competition, not infringing on the legitimate interests of competitors. The Company commits not to conduct unfair competition practices, for instance: Obtaining competitors' confidential information in a non-legal or unethical method, spreading false information about competitors or hindering competition on the market.
- Not signing agreements or memorandums of understanding with competitors that negatively affect the market in general and the Company's customers in particular.
- Complying with principles, agreements and deals between parties; respecting competitors' confidential information, not taking retaliation against the provisions of competition laws and international conventions.
- Not violating copyrights and intellectual property rights of other entities. The Company considers competition as the driving force for development, respecting and learning from its own competitors as among the steps to success.

6. Conduct with community and society

- Fulfilling responsibilities towards the community and society in accordance with Company's competence and capacity, always focusing on and striving to protect the environment in all business areas, conducting continuous improvement, promoting energy and resource savings, preventing and minimizing environmental pollution, actively participating in the community activities and contributing to building a sustainable society.
- Encouraging and supporting employees to exchange initiatives to improve the working environment and protect the surrounding environment, actively organizing and participating in the community activities and movements.
- Supporting local development: Actively participating in the Government's programs to improve the quality of life for local people, promoting programs to build and upgrade infrastructure, reducing poverty, creating jobs and supporting those in need as well as participating in the Government/local donations and support programs.
- Supporting the community awareness raising programs on sustainable development and environmental protection: Using energy efficiently, preventing and coping with disasters, executing initiatives to cope with climate change launched by the Company and by others.




7. Conduct with the Government

- Strictly complying with the laws and regulations such as: Competition Law, Environmental Protection Law, Labor Law, Intellectual Property Law and Securities Law.
- Maintaining integrity in all relationships with the state agencies, pledging not to commit illegal or immoral acts to gather or cover up information for the Company's own interests.
- Ready to support and cooperate with the state authorities in investigation activities when necessary.






II Stakeholders engagement activities (Continued)

One of Vicostone's most important goals is to harmonize the interests of shareholders, partners, employees, communities and society. Therefore, Vicostone always closely focuses on stakeholders' concerns and effectively engage them. By reviewing and evaluating their issues and concerns, as well as the Company's set goals, Vicostone identifies the most relevant and effective methods to approach the stakeholders and develop engagement plans.

Stakeholder	Concerned issues	Vicostone's purposes and goals	Vicostone's methods	Value creation
 <p>Shareholders and investors</p>	<ul style="list-style-type: none"> • Effective use of investment capital; • Information transparency; • Interests of shareholders and investors; • Values of the Company and its stock; • Good corporate governance. 	<ul style="list-style-type: none"> • Maintain and develop relations with shareholders and investors; • Strictly comply with information disclosure laws and ensure transparency in every work; • Completely execute rights & interests of shareholders and investors. 	<ul style="list-style-type: none"> • Organize the Annual and Extraordinary General Meetings of Shareholders; • Collect shareholders' opinions in writing; • Improve the efficiency of the Board of Shareholders' activities; • Completely exercise shareholders' rights in accordance with the laws and the Company's Charter; • Provide shareholders and investors with information about the Company's production and business performance in a sufficient, transparent and timely manner; • Treat the shareholders equally; • Fully perform and comply with the obligations and responsibilities of a listed company in accordance with the securities law, and promote the VICOSTONE® brand to investors on the securities market. 	<ul style="list-style-type: none"> • Sustainable growth rate; • Information is disclosed in a timely, public and transparent manner; • Pay high dividends to shareholders and investors.
 <p>Customers and distribution partners</p>	<ul style="list-style-type: none"> • The diversity, abundance and good taste of product designs; • Product quality is stable and physio mechanical properties must comply with the technical requirements; • Sale & service policy: Consultant, sale, aftersales service, prices/promotion, warranty. 	<ul style="list-style-type: none"> • Improve level of satisfaction of customers and consumers towards the Company's products; • Increase awareness and consumers' reference to the VICOSTONE® brand; • Provide the best products to consumers with the rewarding prices, services and policies. 	<ul style="list-style-type: none"> • Conduct market researches and surveys to effectively forecast consumer trends. Develop product lines to meet consumer insights & increase competitive advantages in the market. • Continuously expand the distribution system, agents, showrooms to increase coverage and availability of the service to customers; • Select a reliable partner to ensure the quality of service; • Online feedback and customer care at 24/7; • Implement customer satisfaction survey with end-users and distribution partners to evaluate, improve and promote company's strengths 	<ul style="list-style-type: none"> • Providing quality products and services that comply to international standards; • Beautiful and unique products are selected by consumers; • Execute sales and after-sales policies, take care of customers from pre-sale through after-sales to serve them at the best and achieve the highest customer satisfaction; • Gain trust and customer's reference for Company and VICOSTONE® brand.
 <p>Suppliers</p>	<ul style="list-style-type: none"> • Financial benefits; • Confidential information must not be disclosed to their competitors; • Equal competition between suppliers. 	<ul style="list-style-type: none"> • Strengthen and extend supplier system and create a sustainable supply chain; • Ensure mutual benefits; • Execute and comply with relevant obligations to suppliers; 	<ul style="list-style-type: none"> • Exchange information through the contract negotiation; • Direct meetings; • Assess the suppliers' performance annually, with a thorough review of safety and environment protection; • Attend industry fairs and exhibitions; • Receive comments directly via the Company's email and phone number. 	<ul style="list-style-type: none"> • Ensure product quality, competitive prices and fast delivery to help Company leverage desired quality, reasonable and competitive prices in the market.



II Stakeholders engagement activities (Continued)

Stakeholder	Concerned issues	Vicostone's purposes and goals	Vicostone's methods	Value creation
 Employees	<ul style="list-style-type: none"> • Safe, free and discrimination-free working environment; • Attractive salary and bonus policies, diverse and competitive welfare regime in comparison with other enterprises; • Training opportunities; • Timely recognition of employee's achievements and contributions. 	<ul style="list-style-type: none"> • Strengthen solidarity and cooperation in workplace, and discipline; • Strengthen employees' engagement and loyalty; • Evaluate and improve employee welfare policies; • Encourage employees to participate in community activities. 	<ul style="list-style-type: none"> • Ensure safe working conditions, equality, freedom, and occupational health; • Maintain and continuously improve welfare and income policies; • Constantly improve working environment and provide employees with learning and development opportunities; • All employees' work performance are assessed and provided with optimal conditions to promote their capabilities; • Organize team building activities for employees. • Implement survey to evaluate employee satisfaction for improvement towards a happy workplace 	<ul style="list-style-type: none"> • Maintain a safe working environment in which the occupational disease and accident rates are controlled and minimized. • In 2019, the Company held 77 training courses with total cost of over VND 748,000 million; • Salary policy is built on the 3P method (position, person and performance) to ensure fairness, competitiveness and rationality.
 Society and local community	<ul style="list-style-type: none"> • Product's quality, level of safety for users and environmentally friendly • The local environment is not adversely affected by the Company's operation; • Employment issues of local people; • Local economic development; • The Company's contributions to the society. 	<ul style="list-style-type: none"> • Support local socio-economic development and protect the environment; • Contribute to sustainable development of society and community; • Assess suppliers' performance annually with a focus on the safety and environment protection; • Attach corporate development with social responsibility, and provide safe environment, for of local and society. 	<ul style="list-style-type: none"> • Coordinate with the local authorities to receive feedback on the Company; • Company's job creation with good income for the majority of local employees has contributed to stabilizing the social order and life in the locality; • Participate in environmental activities and other activities for the local community; • Implement corporate social responsibility programs based on the capabilities of the Company to build a sustainable society; • Frequent meetings with local government agencies to exchange information, handle and develop environmental protection programs. 	<ul style="list-style-type: none"> • The Company's number of local employees is 537 persons (accounting for 77.6%); • Provide financial support as of 800 million VND to construct and put into use a concrete road, to replace the damaged dirt road section in Hamlet 1, Thach Hoa Commune, Thach That District of Ha Noi; • Provide 30 garbage carts for Thach Hoa town and Thach That district; • Make continuous improvements to achieve best quality, environmentally friendly, and protect the sustainable environment.
 Governmental authorities	<ul style="list-style-type: none"> • Comply with laws in general and the decisions of local authorities in particular; • Implement responsibilities and obligations of Company to adapt the State's regulations; • The Company's active participation in activities organized by the governmental authorities; 	<ul style="list-style-type: none"> • Take part in the completion of laws and the government regulations related to the Company's field of operation; • Implement responsibilities and obligations of Company to adapt the State's regulations; • Build the Company's reputation to create favorable conditions during the operation; 	<ul style="list-style-type: none"> • Continuously update new legal documents related to the Company's field of operation; • Implement responsibilities and obligations of Company to adapt the State's regulations; • Ask for consultation on issues related to the Company's production and business activities; • Give feedback on the policies and regulations of the government; • Participate in training programs on increasing community awareness on sustainable development and environmental protection, and in the government programs to improve the people's life quality. 	<ul style="list-style-type: none"> • Contribute to the transparency of information, promote the brand, products and services to customers by timely updating legal provisions and operating in accordance with the laws; • Make more contributions to the society by fulfilling tax obligations.
 Press agencies	<ul style="list-style-type: none"> • Provide right and timely information to the press. 	<ul style="list-style-type: none"> • Actively exchange and share information with the press agencies to build the image of a prestigious and transparent company. 	<ul style="list-style-type: none"> • Maintain & expand relationship with press agencies; • Ensure transparency with accurate, regular and timely information provision to Company's business performance; • Develop and maintain a "sharing culture" to ensure the equal access to information among the press agencies. 	<ul style="list-style-type: none"> • Contribute to the information transparency and improve brand awareness, brand identity; • Provide news and articles with multi-dimensional perspectives. They are useful tools for Vicostone to collect information, grasp the market, customer needs, etc.



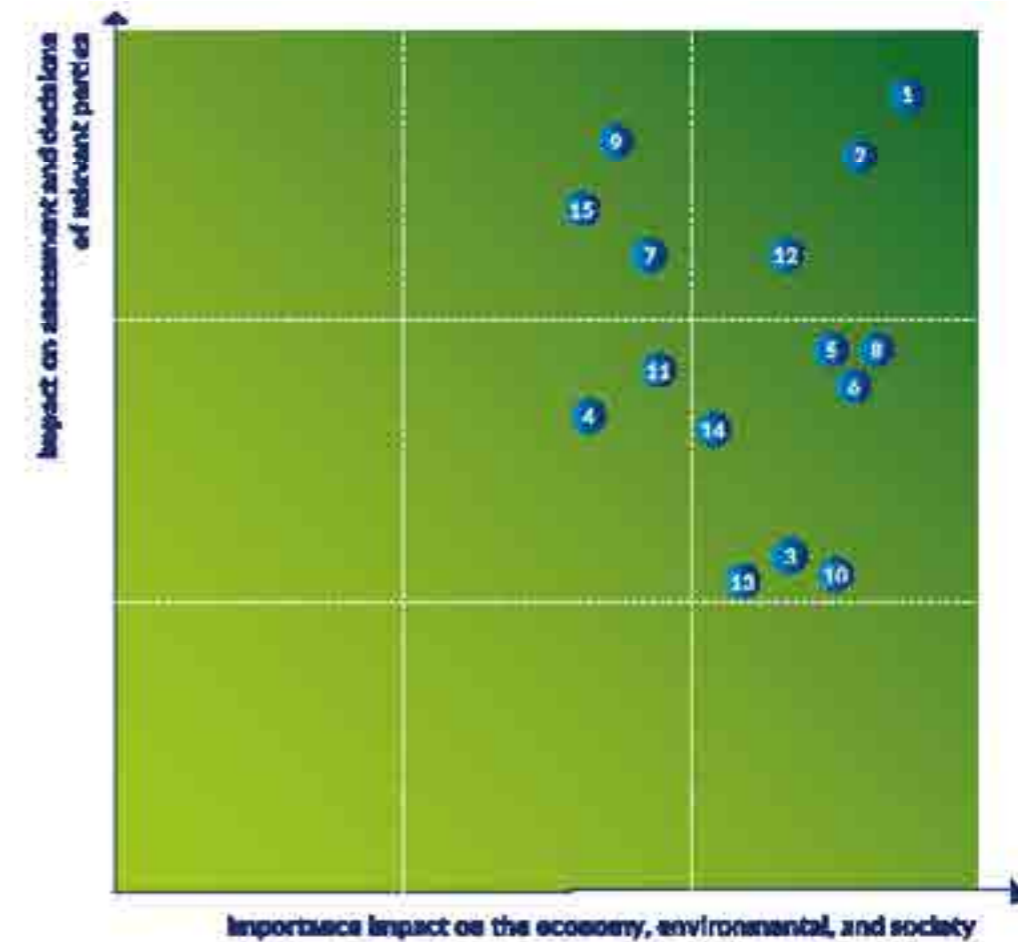
IDENTIFICATION OF KEY AREAS OF OPERATIONS

I Process for identifying key areas

On the basis of evaluating the correlation between the level of interest of relevant parties and the level of impact on the Company's business performance, Vicostone identifies, selects and creates a matrix of key areas in 2019 which serves to identify the level of priority and resource distribution in order to ensure harmonization of interests of relevant parties. The process of evaluating and selecting key areas is conducted through consultation and identification of the wishes of relevant parties and internal discussion between the Company's Executive Board and the team responsible for the Company's sustainable report. The specific identification steps are as follows:

- 1 Identify issues related to sustainable development which may affect Vicostone**
 - Monitor and compare with global trends regarding sustainable development;
 - Information from associations and conferences related to sustainable development participated by Vicostone;
 - Information related to market and industry analyses;
 - Consultation with relevant parties: customers, shareholders, investors, Employees, suppliers, State agencies, etc.;
 - Reference to legal regulations.
- 2 Identify key issues through consultation with relevant parties**
 - Consolidate issues of interest to parties;
 - Filter important areas to be prioritized by each relevant target;
 - Based on GRI standards, categorize areas into 3 areas: Economy - Environment - Society.
- 3 Identify issues that affect the efficiency of Vicostone's operations**
 - Analyze issues that affect revenue, costs, and reputation of the Company, etc. from within and without;
 - Prioritize and categorize issues into 3 areas of Economy, Environment and Society
- 4 Select key issues to incorporate into the report**
 - To create a matrix of key issues that reflect interest of related parties and significant impact to the Company.
 - Create a list of key issues to incorporate into the report.

II Matrix of key areas in 2019



- | | |
|----------------------------------|--------------------------------------|
| 1 Economic performance | 9 Customers' health safety |
| 2 Employment | 10 Local communities |
| 3 Environmental compliance | 11 Water and effluents |
| 4 Market presence | 12 Marketing and labeling |
| 5 Effluents and waste | 13 Supplier environmental assessment |
| 6 Materials | 14 Energy |
| 7 Occupational health and safety | 15 Training and education |
| 8 Innovation | |

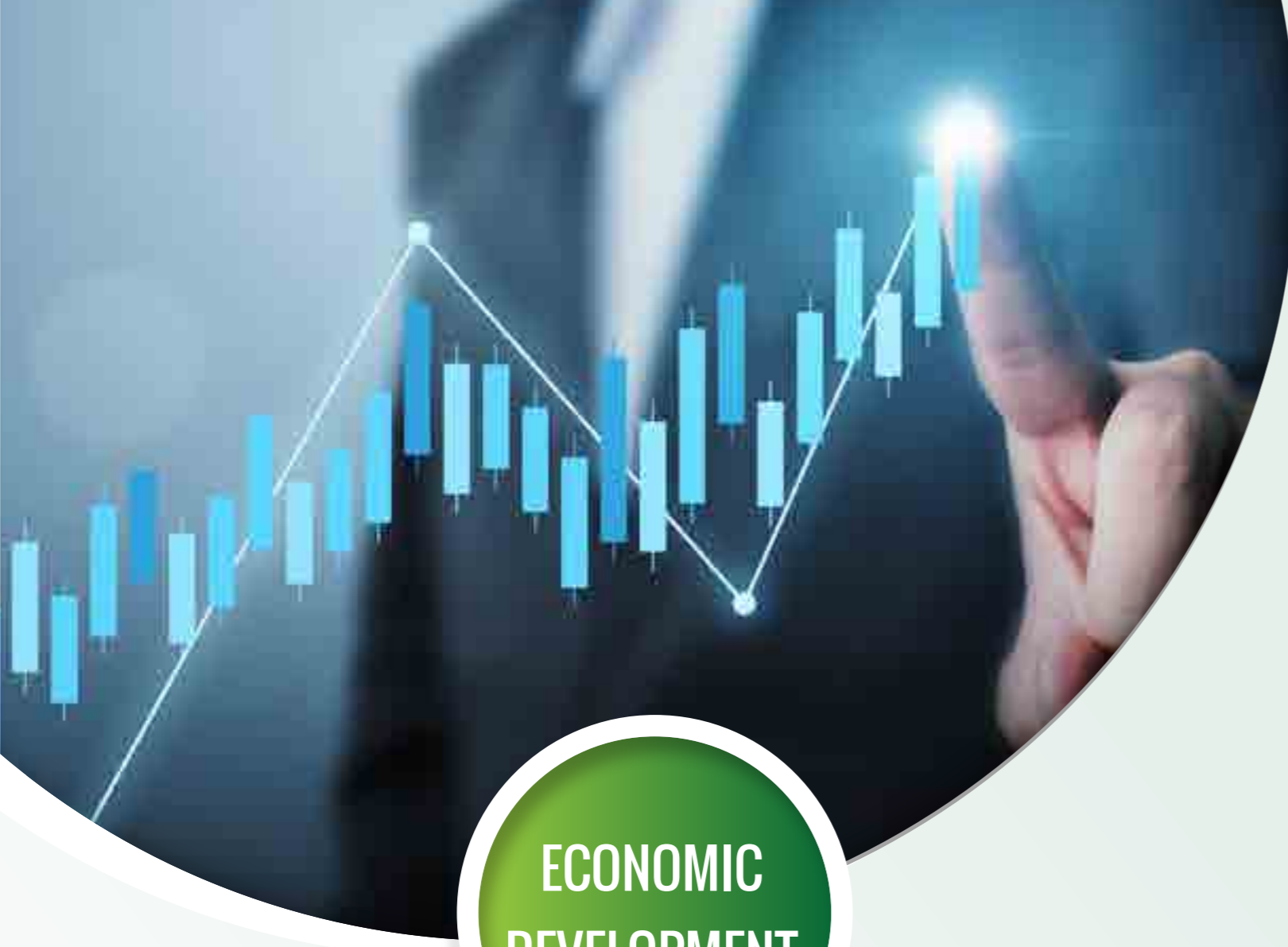




03

PROACTIVE TRANSFORMATION FOR SUSTAINABLE DEVELOPMENT

- 66 **ECONOMIC DEVELOPMENT**
Overcome adversity to achieve sustainable growth
- 67 **ENVIRONMENTAL PROTECTION**
Compliance and improvement for Sustainable Environmental Protection
- 73 **FOR SOCIETAL BETTERMENT**
Promote intellectual capacity and humanity values



ECONOMIC DEVELOPMENT

Overcome adversity to achieve sustainable growth

GRI 201 GRI 202

GRI 201 - Economic performance
GRI 202 - Market presence

I Effectiveness of economic activities

1. Management Approach

Application of information-technology solutions for effective resources management

Against the uncertainties of the economy in 2019, Vicostone has determined that: In order to ensure stable growth, the Company needs to develop scenarios to promptly respond and take full advantage of opportunities arising from such uncertainties, and at the same time, reinforce its administrative system and apply technological solutions to get ready for transitions. The company has developed, upgraded, and implemented the application of information-technology (IT) solutions and softwares to serve the administration, operation, and sales activities, and satisfy the competitive requirements in the trend of the 4.0 industrial revolution. Moreover, the Company has also accelerated the progress of implementing key projects and completed IT infrastructure upgrades to meet the sales requirements of the digital age. Some of the highlights in the application of IT solutions in 2019 include:

- 1 THE CUSTOMER RELATIONSHIP MANAGEMENT (CRM) PROGRAM
- 2 THE PRODUCT INFORMATION MANAGEMENT PROGRAM
- 3 THE HUMAN RESOURCE MANAGEMENT (HRM) PROGRAM
- 4 THE PRODUCTION - Z1 MANAGEMENT PROGRAM (DEVELOPED ON THE SAP - ERP PLATFORM)
- 5 THE E-LEARNING SYSTEM

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

2. Topic's Boundary

The economic effectiveness of Vicostone is shown in:

- The economic value produced directly by the Company
- The economic value distributed to relevant parties: Shareholders, employees, and the community.



I Effectiveness of economic activities

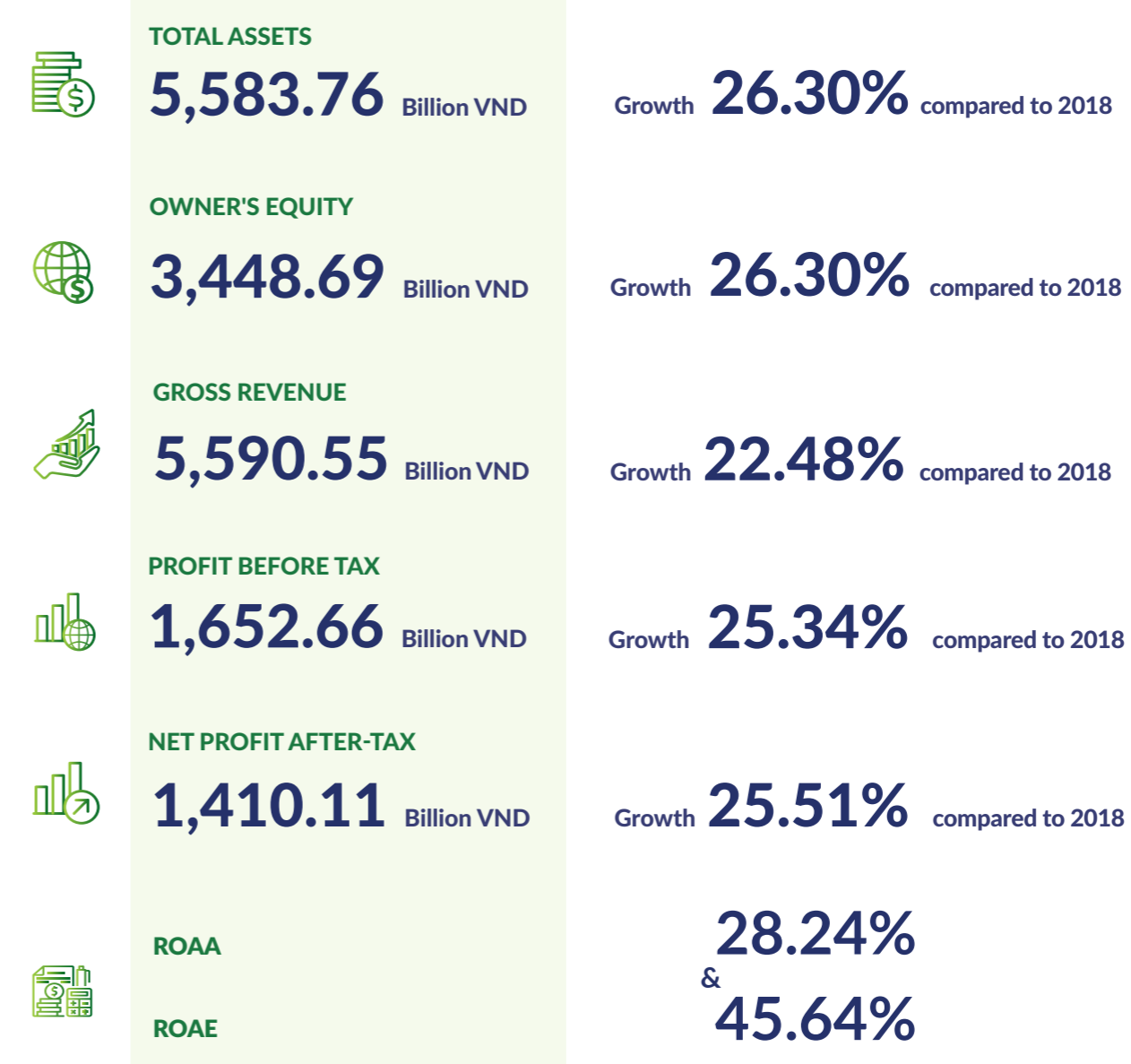
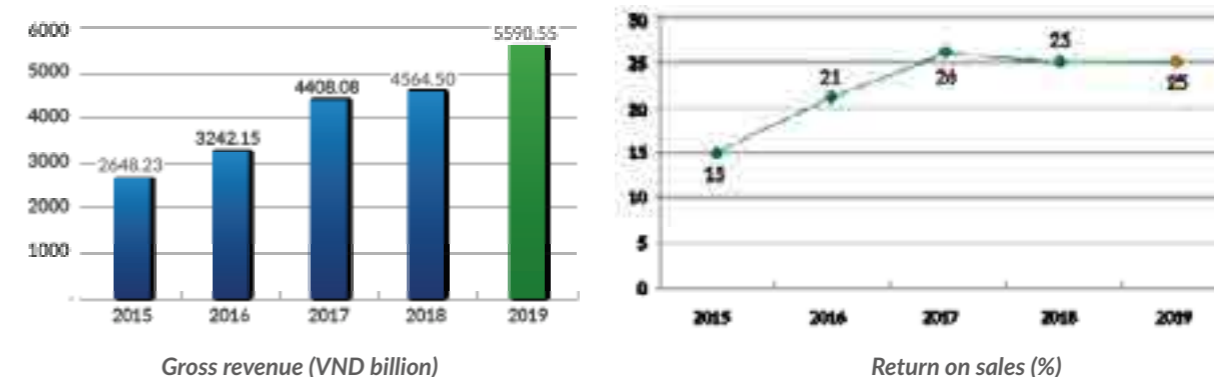
3. Creation and distribution of direct economic value

The global economic situation in 2019 underwent complex changes. However, with the aggressive leadership and close execution of the Board of Directors, solid administrative foundation, flair for business, and the proactiveness and activeness of its employees and staff, Vicostone has enacted appropriate and effective policies, managed risks, and seized opportunities to achieve and exceed the plan for 2019, with growth rates for revenue and profit remarkably higher than 2018

No.	Target	Unit	2015	2016	2017	2018	2019
1	Goods Import-Export Volume	Million USD	135.54	146.97	186.90	204.63	224.46
	In which:						
	• Import Volume	Million USD	41.67	31.89	47.73	64.38	42.21
	• Export Volume	Million USD	93.87	115.08	139.17	140.25	182.25
2	Total revenue	Billion VND	2,648.23	3,242.15	4,408.08	4,564.50	5,590.55
3	Sales costs	Billion VND	1,990.03	2,356.29	3,233.16	3,171.98	3,867.11
4	Total profits before tax	Billion VND	479.21	813.76	1,125.01	1,318.51	1,652.66
5	Total profit after-tax	Billion VND	404.63	675.98	1,121.78	1,123.54	1,410.11
6	Corporate tax contribution	Billion VND	187.92	214.82	172.14	234.10	365.57
7	Liabilities	Billion VND	1,782.89	1,890.79	1,413.86	1,673.77	2,135.07
8	Owner' Equity by end of the period	Billion VND	998.59	1,447.14	2,395.89	2,730.55	3,448.69
9	Charter capital	Billion VND	529.99	600.00	800.00	1,600.00	1,600.00
10	Dividend payment ratio (by cash and shares)	% per value of outstanding shares	40.00%	53.21%	53.33%	140.00%	42.04% (*)
11	Income/month	Million Dong/person	15.18	16.13	17.02	18.68	21.07
12	Interest expense	Billion VND	81.07	50.24	40.60	32.20	55.68

(*): In addition to the 42.04% share dividends paid in 2019, in accordance with Resolution No. 02/2020/NQ-VCS-HDQT dated 31 January 2020, the Board of Directors of the Company has adopted the measure to pay dividends in advance by cash for the third term of 2019 with the payment rate of 20% per share and the time of payment on 31 March 2020.

3.1 Revenue and Profit



I Effectiveness of economic activities (Continued)

Total revenue in 2019 reached 105.29% of the planned figure, representing a growth rate of 22.48% compared to 2018.

Profit before tax reached 105.63% of the planned figure, a 25.34% increase compared to 2018.

Return on sales and Return on Equity in 2019 was maintained at high values and exceeded those of 2018. These indicators were 25.35% and 45.64%, respectively. This is also the fourth consecutive year Vicostone's ROAE was more than 40% and ROAA was more than 20%.

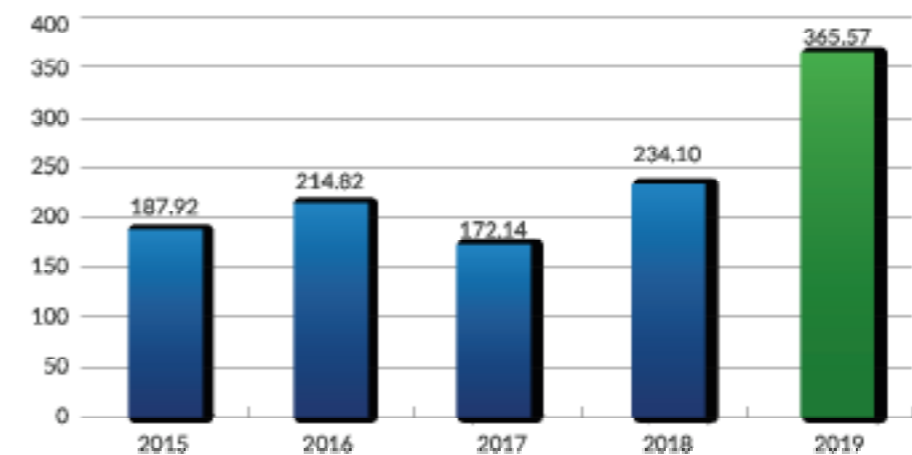
Vicostone's total revenues and profits before tax in 2019 exceeded the planned targets were due to the Company actively forecasting and seizing opportunities and implementing timely responses, specifically:

- Since October 2018, the US has been imposing anti-dumping tariff on China's artificial quartz stones, causing a decline in exports from China into the U.S. market. This was an opportunity for other producers of artificial quartz stones, including those from Viet Nam, to increase their revenue in the U.S. market.
- The Company has projected its sustainable foundation and proactively responded to disturbances in the following key aspects:
 - » Brand value and reputation: In the past year, the Company's brand continued to develop in the domestic and international markets and became one of the top choices of professionals and consumers. This was a competitive advantage and favorable condition for Vicostone to increase its revenue.
 - » The Company's internal strengths continued to develop and improve in the following aspects: manpower, system, technology, finance, etc.
 - » Effective implementation of administrative works, especially in risk management: identify and manage risk in order to respond in a timely manner, at the same time, conduct proactive transition using flexible and sharp solutions. The control and reduction of costs were also carried out in all of the Company's activities by applying technological solutions, innovations and reforming, while ensuring standards and optimal costs.

3.2 Corporate tax contribution

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

In 2019, the Company contributed VND 365.57 billion to the State budget, a large portion of which came from corporate income tax expenses, value-added import tax, personal income tax, and import tax. The contribution achieved a growth rate of 56% compared to 2018.



Corporate tax contribution (Unit: VND billion)



I Effectiveness of economic activities (Continued)

3.3 Dividend payment

The Company pays dividends to shareholders by ratio, with the form of annual payment approved by the General Shareholders' Meeting on the basis of recommendations by the Board of Directors and conforms to the following basic principles:

- Dividends are paid to shareholders when the business of the Company is profitable, after having settled certain amount for foundation, tax fulfillment and other legal obligations.
- Upon fully paying the pre-determined dividends, the Company will still ensure that liabilities and other due date asset-related responsibilities to be settled in full.
- Ensure to fulfil: interests of the shareholders and the capital needs for business and production expansion of the Company.

Thanks to the effectiveness in terms of profits earned, in the period from 2015-2019, the Company has maintained high rates of dividend payment (40% or more). In 2019, Vicostone set aside VND 627.2 billion from its profit after tax to pay dividends in cash in the 1st and 2nd terms, and VND 240.25 billion to pay dividends in shares. In March 2020, the Company continued to set aside 20% of its after-tax profits, an equivalent of VND 320 billion, to pay dividends for the 3rd term of 2019.

Year	Dividend rate	Dividend payable (VND)	Total paid Dividend (VND)	Notes
2015	40%	169,597,804,000	169,571,493,275	Deductible from profit after tax 2015
2016	40%	190,797,404,000	275,186,472,700	Deductible from profit after tax 2016
	-13.21%	70,007,490,000	-	Dividend made in shares
2017	20%	120,000,000,000	120,012,199,500	Deductible from profit after tax 2017
	-33.33%	200,000,000,000	-	Dividend made in shares
2018	40%	476,800,000,000	388,181,228,100	20% deductible from profit after tax for 2017 + 20% deductible from profit after tax 2018
	100%	800,000,000,000	-	Dividend made in shares
2019	40%	627,200,000,000	731,512,226,500	40% deductible from profit after tax 2019
	2.04%	240,247,311,882	-	Allocation of bonus shares for shareholders from treasury shares



II Market presence

1. Management Approach: Ensure fairness and growth in compensation to Employees

Vicostone builds its compensation policies on the following principles: Ensure the fairness and proportionality in relations to the competence and contribution of employees and retain personnel by providing competitive offerings against the labor market.

Vicostone pays salary according to the 3P method (Performance, Position, Productivity) and fixed salary according to production volume and sales revenue. Employee's salary level is determined upon position, on the basis of clear quantitative evaluation criteria and work performance equivalence.

Regardless of gender, employee's probation and starting salary levels are higher than government's minimum salary amount set by regions.

In 2019, the Company established a new Performance Framework for each position and unit in order to accurately evaluate the performance of its employees, thus enhancing the fairness criteria in salary payment. In addition to income adjustment to economic inflation, the Company offers pay raise to employees who exhibited high performance and outstanding results.

Moreover, the Company incorporates policies on work-related allowances such as feeding-up allowances, occupational allowances (vehicle fuels, phone, lunch money, etc.) to help the employees feel reassured and devote to the Company. The compensation policies that are closely linked with work performance and business effectiveness, including: performance bonus, monthly performance, sales bonus, technical improvement initiative bonus, collective bonus, and bonus for outstanding employees (Outstanding collectives, Outstanding Employee). In addition, the Company offers bonus for major holidays (such as New Year, Lunar New Year, Reunification Day and International Worker's Day, National Day), annual vacation, Company anniversary of establishment, etc.



Honoring and presenting "Outstanding employee" award in 2019



II Market presence (Continued)

2. Topic's Boundary

- The fair and non-racially discriminatory payment of salary at Vicostone;
- Average income of Vicostone's employees from 2010 to 2019.

3. Salary level and median income of employees

Probation salary: The ratio between the lowest median income levels paid to employees is equivalent to 108% of the region-specific minimum salary level. The ratios between probation salary levels are equal to at least 126% of the region specific minimum salary level.

Starting salary: The ratio between the lowest median starting income of the Employees is at least 142% and on average 214% of the region-specific minimum salary level.

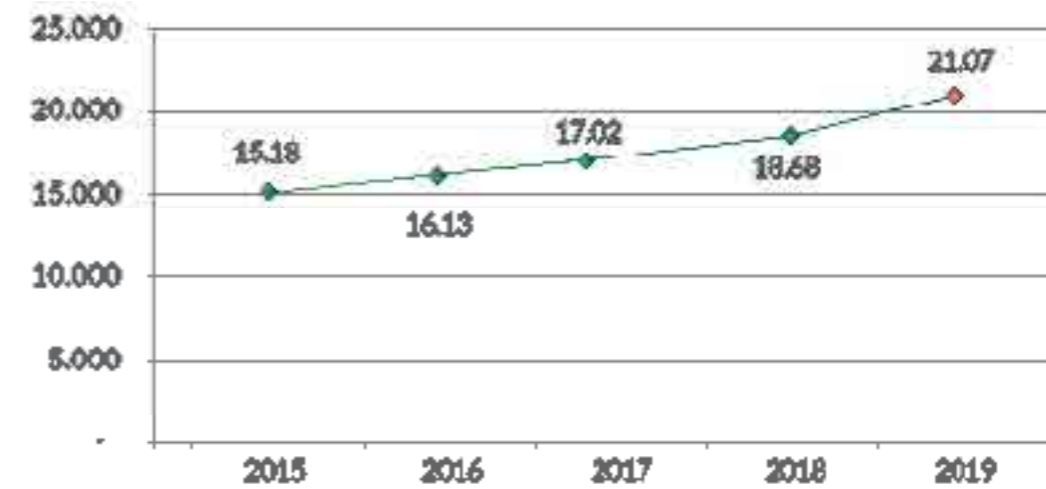
Vicostone pays salary to its Employees based on position and work performance regardless of gender.

No.	Criteria	Unit	Lowest Month in 2019	Median Month in 2019
1	Region-specific minimum salary according to State regulations	VND	4,180,000	4,180,000
2	Probation salary	VND	4,500,000	5,250,000
3	Median starting salary of newly recruited employees	VND	5,953,172	8,937,296
4	Ratio (%) of probation salary of newly recruited employees against region-specific minimum salary	%	108%	126%
5	Ratio (%) of average negotiated salary of employees against region-specific minimum salary	%	142%	214%
6	Ratio (%) of average income of employees against region-specific minimum salary	%	504.14%	504.14%



Vicostone's staff exchange information in company

Average income from 2010 to 2019 of the employees at Vicostone has consistently risen, particularly, the average income per month in 2019 has risen 13% from that of 2018, and risen nearly 40% within the past 5 years (since 2015).



Median income from 2015 - 2019 (VND thousand /person/month)





ENVIRONMENTAL

**Compliance and Improvement
for Sustainable Environmental Protection**

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

- GRI 301 - Materials
- GRI 305 - Emission
- GRI 302 - Energy
- GRI 306 - Effluents and waste
- GRI 303 - Water and effluents
- GRI 307 - Environmental compliance

I Environmental compliance

1. Management Approach

Regarding the legal system: Right from the pre-investment stage, Vicostone has carried out its environmental-impact assessment approved by relevant state authorities and obtained environmental licenses and certificates.

Environmental safety management system: Currently, the Company operates and continuously improve its environmental management system in compliance with ISO 14001:2015, standard requirement and system procedures. Assessment and inspection of environmental protection are implemented daily, promptly handle arising issues without causing environmental pollution.

2. Topic's Boundary

- Vicostone's efforts to comply with environmental laws and regulations;
- HSEQ Management System
- Activities to encourage employees to engage in environmental protection.

3. Compliance with legal regulations

Pursuant to environmental legislations, including the Law on Environmental Protection, Decrees and Circulars related to the environment, Vicostone commits to:

- Provide full environmental documentation in accordance with the legal requirements for environmental dossier of facilities: Environmental impact assessment report, certificate of works completion, environmental protection measures, discharge permit, hazardous waste records;
- Fulfill financial obligations for wastewater discharge (environmental protection fee);
- Fully implement the monitoring activities committed in the environmental impact assessment report and obligations stated in the works completion certificate towards environmental protection;
- Timely submit adequate periodic environmental reports to the State management agencies.



Environmental compliance (Continued)

In 2019, Vicostone saw no environmental violations.

Beside in-house environmental protection activities, Vicostone also cooperates with service providers to implement environmental protection measures. In 2018, the Company invested VND billions in contracts on waste monitoring, collecting, transporting, and treatment and other contracts related to environmental protection, specifically:

No.	Environmental protection activity	Service provider
1	Waste treatment from domestic water treatment systems	Urban Environment and Industrial joint stock company No 11 - URENCO 11
2	Monitoring of working environment	Environment Analyzing and Technique JSC
3	Hazardous waste treatment	Urban Environment and Industrial joint stock company No 11 - URENCO 11
4	Periodic environmental monitoring	Environment Analyzing and Technique JSC
5	Transportation, treatment of ordinary industrial solid waste (stone powder waste)	Ha Noi industrial and environment urban joint stock company Phu Ha Environment company limited
6	Nylon waste transportation and treatment	Urban Environment and Industrial joint stock company No 11 - URENCO 11
7	Domestic waste transportation and treatment	Urban Environment and Industrial joint stock company No 11 - URENCO 11
8	Dust-concentration monitoring to identify internal control solutions	Institute of Occupational Health - MOH
9	Operation of the domestic wastewater treatment system	Viet Nam Water and Environmental Sanitation Company
10	Pay environmental protection fee for industrial waste water	Submit to Hanoi Tax Department

3.1 HSEQ Management System

HSEQ (Health Safety Environment & Quality) is a management system that integrates health, safety, environment, and quality, and uniformly implemented by Vicostone in order to soundly provide safe products and services whose quality meets the customers' demands; protects the health of the employees and consumers; enhances environmental protection and responses to changes in the environmental conditions, while maintaining balance with socio-economic needs.



Standard Applied	Name of System	Date of Preliminary Registration	Effective Date	Certification Number	Certification Body
ISO 9001:2015	Quality Management Systems	24/01/2006	14/09/2018	FM 692548	BSI
ISO 14001:2015	Environmental Management Systems	25/10/2006	14/09/2018	EMS 692550	BSI
ISO 45001:2018	Occupational Health and Safety Management Systems	20/10/2015	16/08/2019	OHS 692551	BSI
SA 8000:2014	Social Responsibilities Systems	21/12/2010	21/12/2019	SA 569249	BSI

In 2019, the Company took the initiative to apply the ISO 45001:2018 Occupational health and safety management systems to replace the earlier version OHSAS 18001:2007 (the OHSAS 18001 system is set to be replaced by the ISO 45001 by 12 March 2021). The ISO 45001:2018 Occupational health and safety management systems is the latest version at the time of application which contains additional provisions on the means of identifying and assessing the context, manage risks and opportunities, understand the needs and expectations of employees and other interested parties. At the same time, it promotes the participation and consultation of employees at all levels and functions that are essential to the development, planning, implementation, and evaluation of the work outcome and actions to continuously improve the OH&S system.



I Environmental compliance (Continued)

For each standard, the Company sets out clear and specific goals based on practical requirements. At the same time, each goal is accompanied by detailed plans and action programs so that resources may be proactively and readily mobilized to reach the goals as desired. In particular:

No.	Standard	Content/Requirement	Goal
1	 <p>ISO 9001:2015</p>	Requirements on the methods of implementing and inspecting the quality of all activities that directly and indirectly affect the production and business activities of the Company: risk identification and management; product research and development; procurement; supplier evaluation; mass production; packaging; customer satisfaction evaluation, etc.	<ul style="list-style-type: none"> Control the quality of processes; create mechanisms for work coordination, cross examination, and waste elimination in the course of production and business. Based on this, products and services are effectively supplied and satisfy customers' demands, relevant legal requirements. Facilitate and provide necessary resources to develop opportunities determined to be consistent with the Company's context in each period. Hence, enhance customer satisfaction. Promptly identify and deal with risks in consistence with the changing context and goals of the Company. Develop control methods to demonstrate the consistency with legal requirements on quality control systems.
2	 <p>ISO 14001:2015</p>	Requirements on: identification of context; risk identification and management; identification, assessment of environmental aspects; compliance with law on environmental protection; supervision and management of environmental safety and occupational health; readiness and response to environmental emergency situations; environment control of contractors; management of effluents, solid wastes, exhausts.	<ul style="list-style-type: none"> Through the identification and assessment of environmental aspects, identify and manage risks corresponding to specific contexts to provide specific, suitable solutions. From this, the environment is protected by preventing or reducing actual or potential adverse impacts. The Company correctly fulfills obligations on compliance. Enhance the outcome of environmental compliance, control or affect the Company's methods of designing, producing for consumption, and processing products and services by applying lifecycle perspectives to prevent environmental impacts arising from carelessness anywhere in the range of the lifecycle. Achieve financial and other benefits from implementing environment-friendly solutions in order to reinforce the Company's position on the market. Being one of the communicating channels on the environment for interested relevant parties.

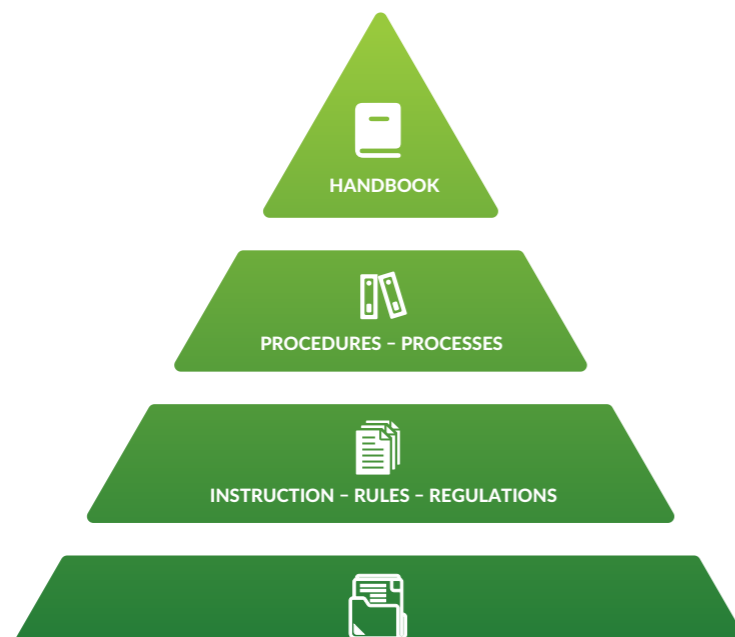
No.	Standard	Content/Requirement	Goal
3	 <p>ISO 45001:2018</p>	Requirements on: identification of context; identification, management of risks and opportunities; needs and expectations of employees and other interested parties; compliance with law on occupational health and safety; leadership and participation by employees; readiness and response to emergency situations relating to occupational health and safety; control of impacts on safety related to contractors; management of occupational health and safety, labor protection.	<ul style="list-style-type: none"> The proactive elimination of threats and reduction of risks on occupational health and safety by implementing precautionary measures and prevention of work-related injuries and ailments and providing a safe and healthy working environment. Support the Company to fulfill legal and other requirements relating to occupational health and safety. Create suitable mechanisms, raise awareness so that employees will actively work and proactively participate in the consultation for the establishment, supervision, and improvement of the occupational health management system. From this, develop a positive environment for activities enhancing production and business efficiency.
4	 <p>SA 8000:2014</p>	Requirements on: child labor; enforced labor; health and safety in the workplace; rights to freedom of association and collective bargaining; salaries and social welfares...	<ul style="list-style-type: none"> Promote customers' confidence in the product being manufactured in a safe and fair working environment, reduced supervision costs. At the same time, help the Company to establish competitive advantages, attract more customers, and penetrate high-demanding markets. Help foster better relations with customers and retain loyal customers Be a testament to relevant parties that policies, procedures, and practical activities are consistent with this standard. Enhance working condition for employees; help the Company to easily attract talented and skillful employees for the establishment of sustainable human resources. Develop a positive social environment to increase productivity and optimize management efficiency.



Environmental compliance (Continued)

System operation

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



Handbook

Overall policies and goals of the applied system

Procedures – Processes

Description of the implementation of activities, steps to undertake work, and work responsibilities

Instruction – Rules – Regulations

Detailed descriptions of the means to undertake specific works

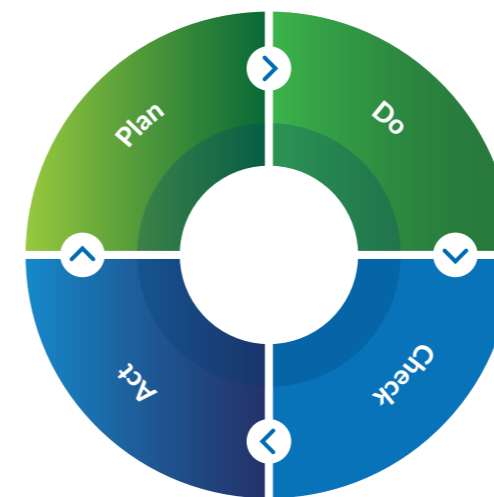
Record

Evidential system of activities that have been undertaken

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

Operational principles

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



- Perform in accordance with established plans
- Perform in accordance with established processes
- Regularly conduct supplementary training and re-training courses



- Internal evaluation by the Company's functional units;
- Cross-evaluation between units;
- Evaluation by the customers;
- Evaluation by certifying bodies;
- Evaluation by State agencies.



- Set out policies and goals for each period based on contexts and legal requirements.
- Set up plans of action to achieve goals
- Establish resource support plans to achieve goals
- Identify risks and adopt contingency plans



- Enact improvement according to recommendations from internal and external evaluation reports;
- Improve, update system according to the most current, modern and updated standards; undertake internal Kaizen – 5S programs

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



Environmental compliance (Continued)

3.2 The Kaizen - 5S program

In order to adapt to changes in the production and business environment, as well as to proactively enhance productivity and quality with the internal strengths of the business, the Kaizen - 5S program has become an indispensable part of the Company's production and daily activities, helping to enable small changes and improvements that contribute to creating positive values and the development of the organization.

With its guideline: "Improve consistently, apply green and clean technologies, save resources and energy, prevent and reduce pollution, ensure employees' occupational health and welfare", the Company encourages innovation and improvement according to the following principles:

1

Encourage innovation through empowerment and self-accountability: The Leadership of the Company specifies the encouragement of the employees' innovation through processes, instructions, delegation, and empowerment so that the subordinates can implement and take responsibilities.

2

Encourage innovation through multifaceted information channels: The encouragement of innovation and improvement comes not only in the form of orders from the leadership to employees, but also the inputs and improvements proposed by all levels. Through functional departments and divisions, these inputs are independently checked and evaluated, then considered and implemented. The motivation stemming from multifaceted sources of information and the innovation and criticism of the employees helps to create a continuous improvement system throughout the business, hence, decisions are promptly made and proposals for improvement are immediately implemented.

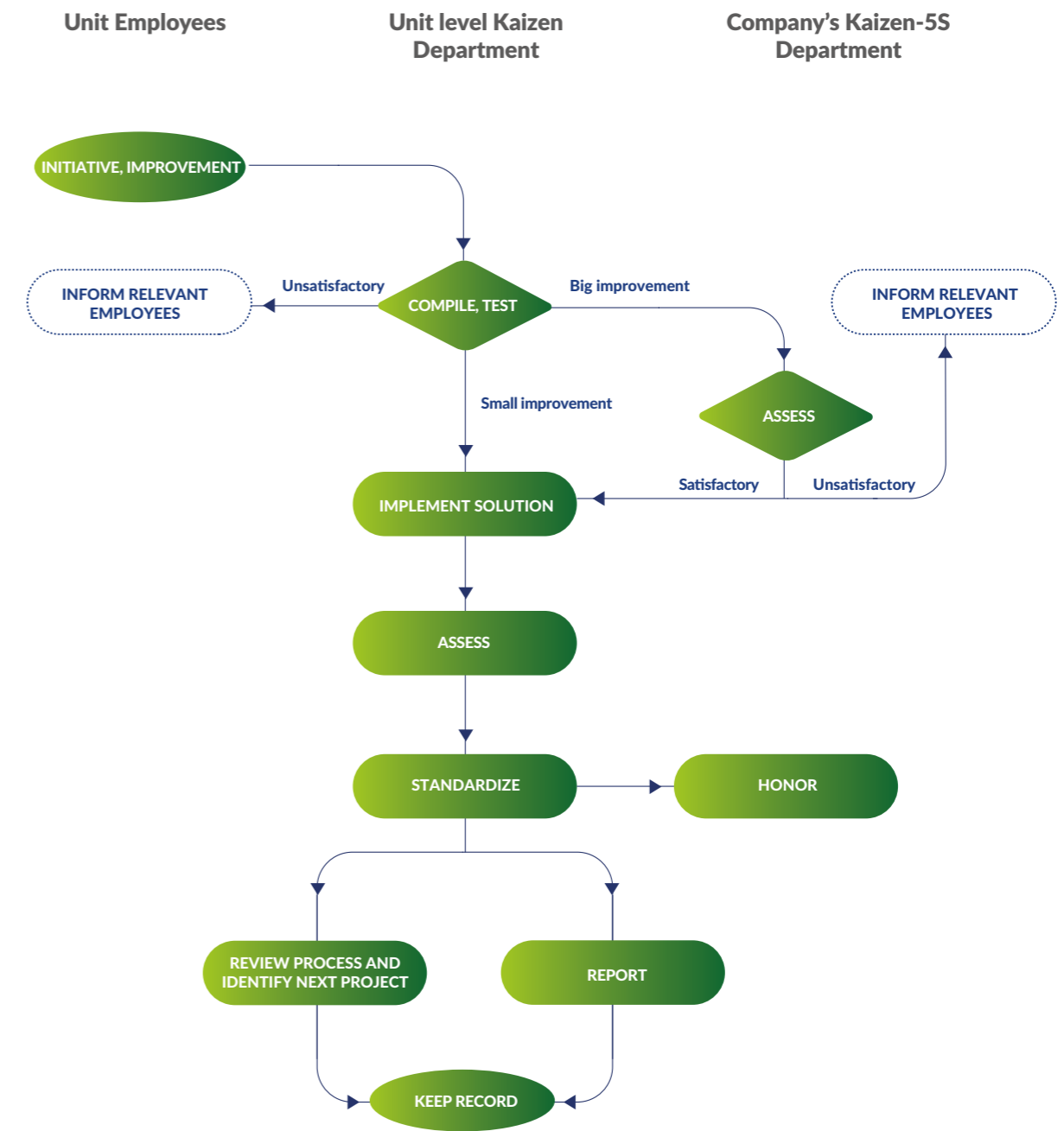
3

Encourage innovation with rewards: An idea is valuable only when it is implemented and validated by the actual outcomes. Ideas and initiatives that are considered to be highly applicable will be promptly rewarded and commended, at the same time, they will be instructed to be applied and popularized.

4

Encourage innovation and improvements through evaluation by independent units such as the Standards Department, Board of Auditors, to look for opportunities to improve and foster flexibility and favourable conditions in the course of labor and production.

Process for the Evaluation and Rewarding of Improvement Innovations



Environmental compliance (Continued)

Kaizen Activities

Vicostone encourages and mobilizes its employees to actively contribute ideas for improvement from the smallest of actions. Kaizen ideas are accepted based on value-based criteria in terms of Safety, Environment, Product Management, Equipment Management, Working space Management, Transportation, Customers Service, Education and Human Development, Management of Productivity, Quality, and Maintenance. In 2019, Kaizen in the production and equipment sectors have brought about high effectiveness values. The number of Kaizen ideas that were accepted, implemented, and produced effectiveness values have sharply increased from previous years. Similarly, the economic effectiveness value in 2019 also improved greatly from previous years.



Kaizen activities outcome 2018 - 2019

The Company's Kaizen - 5S Department conducts quarterly ranking meetings in order to evaluate good ideas and promptly encourage and admonish individuals who have good Kaizen ideas. In addition, at the end of each year, the Company's Board of Executives also gives considerations and evaluations to the best ideas of the year and gives recognition to the high performing worker.

Success of the Kaizen activities at Vicostone originates from changes that, though small, accumulates with time and bring about great values to the Company and its employees. In addition to direct profitability values generated, Kaizen also helps the company to save tens of VND billions through the upgrading of productivity, reduction of power consumption and costs. The ideas that were successfully

applied in 2019 contributed to the increased productivity, from 5.9m² per hour in 2018 to 10.1m² per hour (an increase by 4.2m² per hour), reduced loss of raw material by 2,854 tons, an equivalent of 11.5 billion VND compared to the quota (reduction in 2018 was 1,033 tons), helping to save in costs of whet stones, processing whet water and water-waste and contributing to the protection of the environment and limit the waste of natural resources.

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



Vicostone's staff at awards ceremony of kaizen 5s program

5S Activities

At Vicostone, based on the instructions and the common standard set by the Kaizen-5S Department, the units, departments, and divisions have created 5S standards for each working positions and sectors. These standards are regularly reviewed and upgraded according to changes, with the maximum timeline of 6 months to enact an upgrade. This is also the criterion upon which the 5S Evaluation Department conducts regular evaluation of the unit's 5S performance. The evaluation is conducted once a week, on Wednesday of every week, for the production sector and once every two weeks, on Fridays of weeks 2 and 4 of the month, for the office sector.

All working units and sectors are neatly organized, while record/document cabinets are classified into different categories to enable ease of information inquiry. Many departments and divisions are provided with green trees to help purify the air and create comfort and inspiration for employees. Vicostone initiates the "Bright Friday" program in order to raise the employees' awareness on the protection of the living environment, reduction of waste, and reduction of plastic use, by creating a green lifestyle for all of the Company's employees.



II Materials

1. Management Approach

As a leading manufacture in producing quartz engineered, in order to comply with strict requirements of the world's toughest markets, Vicostone always emphasizes on the control of its raw materials that directly and indirectly constitute the product. The Company has established and promulgated standards for each type of raw material, as well as processes and instructions for the evaluation, inspection, and control in all stages. The strict compliance with the processes and instructions aims to minimize risks from raw materials to the quality of product, thus creating a sustainable value chain and bring about benefits for Vicostone, its customers, and relevant parties.

With the changing market situation, especially due to socio-economic impacts, the usage of imported raw material resources have considerable impacts on Vicostone's production activities and its ability to stay proactive with regards to the quality and quantity of products. Therefore, in addition to keeping control of input quality and sales forecast, the Company also ceaselessly promotes improvement activities to best conserve consumable raw materials while providing products with best qualities, and invest in scientific research projects to recycle and reuse raw materials in the Company.

2. Topic's Boundary

- The control of origins of input raw materials;
- The process of selecting and controlling raw materials;
- Recycled and environmental-friendly materials.

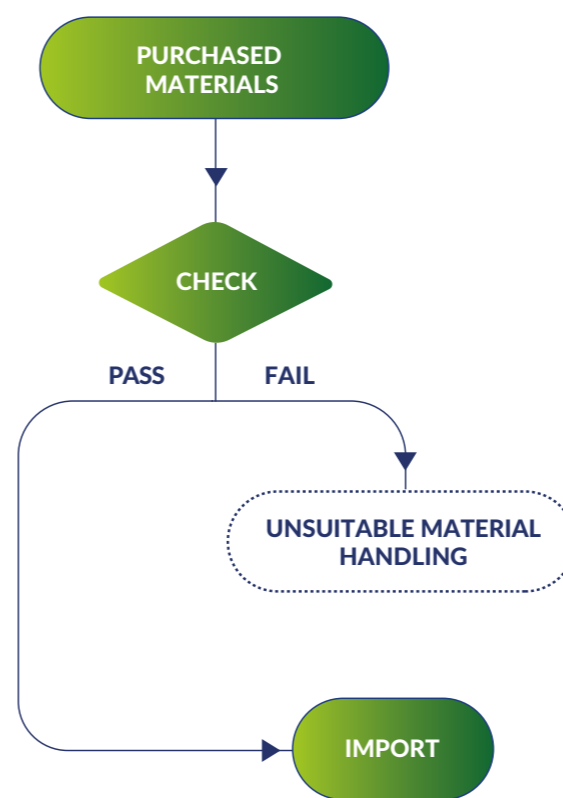
3. Raw material quality control

No.	Step	Actions taken
1	Bulk import	<ul style="list-style-type: none"> • Imported raw materials must meet quality standards following bulk testing on the production line; • Before the decision to import material in bulk (continuous import) is made, supplier evaluation can be organized.
2	Pre-warehouse import control	<ul style="list-style-type: none"> • All raw material consignments are checked before being warehoused in accordance with regulations and standards; • If the checked consignment fails to meet requirements, it is immediately quarantined to await a resolution with the supplier.
3	Warehousing control	<ul style="list-style-type: none"> • All raw materials are stored in standard warehouses. Periodically reviews, checks and evaluations of storage according to specifications and conditions are conducted. The expiration date of chemicals is also verified for conduct of timely control measures.
4	In-production control	<ul style="list-style-type: none"> • Before the feeding, materials must be checked by the factory's PQI; • During production, if any raw material quality issue is detected, the material shall be quarantined and notification shall be sent to the competent unit for control in accordance with procedures.
5	Evaluation	<ul style="list-style-type: none"> • The quality of all products are evaluated according to published standards, including evaluations on defects caused by raw material.

Prior to warehouse import, raw materials shall be tested by IQC staff using specialized equipment, to ensure compliance with standards, environmental safety requirements and suitability with Vicostone's production technology. Upon being warehoused, raw materials are preserved according to standards to maintain required quality during storage. Before being fed into production, raw materials continue to be inspected and evaluated for a second time for quality and environmental safety parameters.

Imported raw material check

Procedure for imported raw material check



Steps

Business Department prepare information in-full about raw materials purchased under the "Procurement Procedure" and notify the Material and Quality Control Departments to check.

PQI staff - Quality Control Department checks and evaluates all raw materials purchased according to guidelines and evaluation standards approved by the Company's Management (1st check). If the material:

- Pass: Import;
- Fail: Request for remedies as per the regulation.

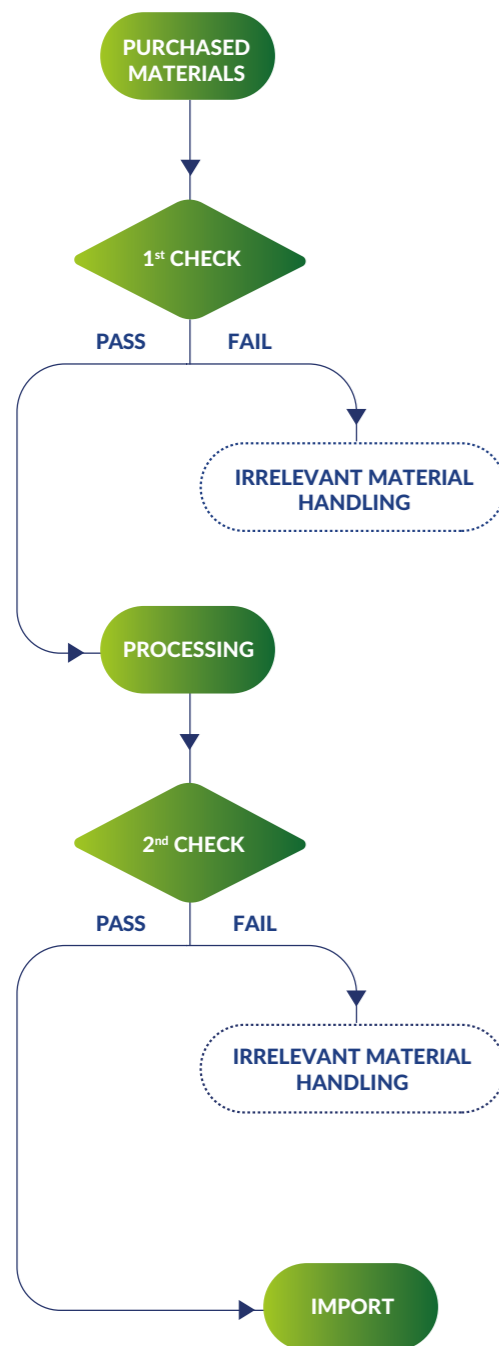
Crushing and Screening Workshop's employees follow the "procedure on crushing and screening control" to process raw materials into fine raw materials that meet production requirements.



II Materials (Continued)

Domestic raw material check

Procedure for domestic raw material check



Steps

Business Department prepare information in-full about raw materials purchased under the "Procurement Procedure" and notify the Material and Quality Control Departments to check.

PQI staff - Quality Control Department checks and evaluates all raw materials purchased according to guidelines and evaluation standards approved by the Company's Management (1st check). If the material:

- Pass: Import;
- Fail: Request for remedies as per the regulation.

Crushing and Screening Workshop's employees follow the "procedure on crushing and screening control" to process raw materials into fine raw materials that meet production requirements.

PQC staff - Quality Control Department take quality control measures of raw materials during processing.

PQI staff - Quality Control Department checks and evaluates all raw materials purchased according to guidelines and evaluation (2nd check). If the material:

- Pass: Import;
- Fail: Request for remedies as per the regulation.

After inspection and verification by PQC - Quality Control Department, raw materials shall be handed over to the Material Department to store according to standards and prevent quality and quantity degradation during the warehousing period.

Thanks to strict quality control and inspection procedures, all raw materials procured are evaluated and quality is guaranteed before being fed into production.

5. Promotion of Research and Development on Alternative Materials and Continued Recycling and Reuse

The creations of high-quality and environmental-friendly products are distinct features that Vicostone aspires towards. In recent years, the Company has paid special attention to investing in researches on solutions to minimize environmental impacts. In addition, the Company has initiated scientific research activities to create its own know-hows and meet the needs of the sustainable development strategy. In the past year, the Company's R&D unit has conducted research and implemented several highly applicable scientific projects which contributed to improving production efficiency, bringing about economic benefits, and resolving environmental issues.

Project: "Research on the production of a special feature polymer that enhances resistance to ultraviolet radiation (UV) and adverse weathers for application in the production of quartz-based engineered stones and composite materials"

Currently, the unsaturated Polyester resin (PEKN resin) used in the production of artificial stones are entirely imported, therefore both the price and technical attributes of resin are heavily dependent on the suppliers. Meanwhile, there are distinct characteristics of PEKN resin used for producing quartz engineered, namely: i) its quantity is relatively small compared to the total volume of PEKN resin used in the market; ii) the requirements are different from other popular PEKN resins, such as: high levels of brightness, opacity, and rigidness, condition of hot solid state formation, low amount of cracks, and level of viciousness within the standard range; iii) it is an important component to improve the quality of quartz-based engineered stones by enhancing special attributes and to promote the competitiveness of artificial stones. These factors are difficult to achieve when the Company is dependent on suppliers. Moreover, PEKN resin products currently produced in Viet Nam are ordinary lines of products and are applied to low-level materials whose main use is for household environments where there is little impact from UV radiations and tough climate conditions. Based on this reality, the Company has put together a project team in order to develop high quality and environmental-friendly PEKN resin products, and has achieved the following outcomes and benefits:

- Contributed to the development of Viet Nam's chemical industry in general and the polymer material production sector in particular;
- The successful research and production of PEKN resin products has helped the Company to create an internationally branded product (VICOSTONE[®] quartz-based engineered stones) with 100% of main raw materials in Viet Nam and export its products to more than 40 countries in all 5 continents, with more than 98% of export revenue coming from large markets with strict requirements such as North America, Australia, and Europe;
- Enabled the Company to become proactive in the research for the improvement and modification of PEKN-based resins to achieve necessary technical attributes for application in the production of quartz-based engineered stones.
- Completed technologies to initiate production of a high quality material which is prioritized by the Government, reaffirming that Viet Nam's science and technology is capable of catching up to those of developed countries in the area of polymer materials, and that the support of the Ministry of Science and Technology to scientific research has been the right decision.



II Materials (Continued)

- The successful research of this project has been a premise to the construction of the factory for the industry-scale production of UV-resistant and weather-resistant PEKN resins whose phase-1 capacity is expected to reach 25,000 tons per year. This will contribute to creating jobs and income for about 100 Vietnamese labors and increasing income for the State budget.

Project: “Research on the application of vinyl ester synthetic resin in the production of polymer composite materials”

Vinyl ester is a material that is highly durable, resilient, alkali resistant, and durable against acids, solvents, and several organic compounds, hence, it is widely applied in industries such as construction, transport, automobiles, electronics, etc. Vinyl ester also tends to be used to increase durability and reduce failures of pipelines and basins in industries that use pipes for substances such as waste and chemicals.

In 2019, the Company has actively conducted research activities and achieved numerous outcomes:

- Successfully identified the optimal blending formula;
- Surveyed and selected the synthetic modes and conditions;
- Created vinyl ester resin in the laboratory that had similar attributes with commercial samples;
- Created polymer composite (PC) materials based on vinyl ester resins, thereby synthesized PC products with characteristics superior to PC samples based on commercial resins.
- Conducted trial production on the 100 liters Pilot equipment system.

In 2020, the Company is expected to continue production with the Pilot system on a larger scale and apply the product to process PC materials and other applications.

Project: “Research on the reuse of talc powder byproducts in the production of artificial stones to produce concrete bricks with Geopolymer technologies”

Currently, according to State regulations on environmental safety, concrete bricks are required to comprise 70% of a construction project. Therefore, there is great demand for concrete bricks in the construction sector. In 2020, total production of bricks used for construction is expected to reach 30 billion bricks, in which concrete bricks account for 40% of bricks used in Viet Nam. According to statistics in 2016, total capacity by design of factories producing concrete bricks in Viet Nam was only about 7 billion bricks. Therefore, the research on reusing talc powder to create concrete bricks is essential and meaningful.

Concrete brick is not a new material, as currently on the market there are various types of concrete bricks being produced and commercially sold with cement being used as adhesive. However, the difference of the project lies in the use of waste byproducts to produce concrete bricks with Geopolymer technologies – a new type of adhesive, and the resulting concrete brick products that conform to the TCVN 6477:2016 standards and can be applied in construction projects.

In October 2019, the Company entered into contracts to cooperate and join with companies who have the production chains for concrete bricks to produce concrete bricks with Geopolymer technologies. By the end of 2019, the Company has produced nearly 1 million concrete bricks.

Achieved outcomes

- Ensured environmental safety.
- Success of the project helped to reduce tens of thousands of tons of industrial waste and save tens of billions on waste processing for the Company. Utilizing the large amount of talc powder byproducts from the production of artificial tile-stones helped to reduce pollution. It also ensured the sustainable development strategy and future application of green materials (adobe materials).
- Created concrete bricks of high quality, construction-friendly, and low cost.
- Helped to create a new type of high quality and environment-friendly construction material from talc powder by products of the production of quartz-based artificial stones.
- In the following phases, as the Company finalize its investment in the production chain of concrete bricks with an estimated production scale of 43,000,000 bricks per year, revenue growth will exceed 40 billion per year and the profitability of the project will increase to about 16 billion VND per year due to the exclusion of hiring for the processing of talc powder byproducts.
- The operation of the production chain of concrete bricks will create stable jobs and income for dozens of employees in Viet Nam.

The Company’s concrete bricks were evaluated and certified as satisfying the QC16:2017/BXD regulations and issued with standard certification number 139/2019/DNSX-VLXD.

Furthermore, the Company applied for a utility solution patent for this project. Then, on 23 October 2019, the Department of Intellectual Properties of the Ministry of Science and Technology issued its approval of the application by Decision No. 93197/QĐ-SHTT.



Sludge used as input for concrete bricks

Additionally, the Company also reused solid wastes from production to develop environment-friendly products and materials such as: waste glass and quartz stones. In 2019, the total recycled raw materials used in the production of VICOSTONE® quartz stones amounted to nearly 190,000 kg.



III Energy

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

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

1. Management Approach

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

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

2. Topic's Boundary

Current situation and energy saving solutions for:

- Electricity;
- Gas;
- Diesel.

3. Current situation and solutions for energy efficiency

Energy management is a key task in sustainable development. The Company has developed an energy management system in accordance with ISO 50001. All production stages using electricity, gas, diesel, clean water must comply with benchmarks as per regulations and procedures. A separate unit has been set up to monitor, supervise and analyze energy-usage data to alert and identify timely solutions regarding energy use, avoiding loss while still facilitating production.

3.1 Electricity

Year	Consumption (KWh)	M ² of pressed products	Average electricity consumption (kW/m ² of pressed products)
2015	13,109,274	877,949	14.93
2016	11,290,872	666,352	16.94
2017	12,867,154	801,413	16.06
2018	15,328,100	928,830	16.50
2019	15,775,600	1,016,991	15.51

Table: Electricity consumption in 2015 - 2019

Vicostone always pays special attention to measures to manage electricity consumption in business operations. In 2019, the proportion of unique and differentiated products increased, but the energy consumption per m² of product almost unchanged compared to the previous year. This indicates the efforts and improvement of Vicostone in effective energy-saving activities and ensuring production and business activities.

Energy efficiency and energy-saving solutions

• Natural lighting

In order to reduce the workshop lighting cost in the daytime, the Company has made use of natural lighting from doors, transparent panels for the roof and surrounding walls of the factory.

• Solar power system

In early 2018, Vicostone installed a national-grid-connected solar power system. This is one of the most advanced green energy solutions in the world. 400 photovoltaic panels have been installed with an installed capacity of 148.6 kWp. Currently, with this capacity, on average, the system can provide 75 - 85% of the electricity consumption needs of the office building complex.



Solar power system

III Energy (Continued)

In 2019, the Company has also implemented many energy efficiency solutions such as gradually replacing halogen bulbs in the Workshop with high-luminous LEDs, which do not give off heat emission to the environment, reducing electricity consumption by 20-50%, saving hundreds of millions of VND in operating costs each year for the Company.

3.2 Gas

Year	Gas consumption (Kg)	M ² of warehouse imported product	Average gas consumption (Kg/m ²)	Average gas consumption (GJ/m ²)
2015	182,324	897,075	0.20	0.009
2016	160,262	639,027	0.25	0.011
2017	184,339	787,199	0.23	0.011
2018	209,573	937,889	0.22	0.010
2019	248,520	1,016,991	0.24	0.011

Gas consumption in 2015 - 2019

Gas is used in two areas: Preheating of oil used for stone curing before the pressing stage and in the cafeteria.

Particularly for stone curing, the existing incinerator is a high-efficiency incinerator, and can be automatically adjusted to the temperature and pressure of the oil being burned. Hot oil pipelines are insulated to prevent heat loss. Currently, unique and differentiated product lines are being produced continuously. It accounts for a large proportion of the Company's total m² output and consumes lots of fuel due to heating and storage time is 1.3 to 1.5 longer than normal products. However, by effective solutions, the Company still controls gas consumption at a stable level.

Vicostone's gas station



Efficiency solutions

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

- Further promote the efficiency of a solar water heater system to supply hot water to the cafeteria and minimize gas consumption.
- Sufficiently apply 5S in equipment use, maintain the best operating status of the system:
 - » Conduct equipment maintenance and repairs to ensure the highest performance;
 - » Synchronize systems to ensure the highest efficiency of using furnace heat.

3.3 Diesel oil

Year	Diesel consumption (Liters)	M ² of product		Average Diesel consumption (Liters /M ²)	Average Diesel consumption (GJ/m ²)
		Exported product (*)	Imported product		
2015	136,915	628,475	897,075	0.090	0.003
2016	109,150	727,725	639,027	0.080	0.003
2017	110,243	806,876	787,199	0.069	0.003
2018	116,379	873,912	937,889	0.064	0.002
2019	120,215	993,948	1,016,991	0.060	0.002

Diesel oil consumption in 2015 - 2019

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

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

In 2019, the use of diesel is 0.060 liters/m² of products (down 7% compared to 2018 and 33% compared to 2015), the Company effectively uses diesel in recent years.

Efficiency solutions

- Install a separate oil station within the Company to monitor specific data and assign a unit to monitor oil consumption for monthly comparison.
- Optimize transport arrangements, reduce shipping volume;
- regularly checked and monitored vehicles by specialized engineers to maintain good vehicle technical condition;
- Organize trainings to improve driving skills and driver's awareness in conserving diesel;
- Use a travel-time benchmark for vehicles in each production stage;
- Improve the quality of forklift maintenance and repair, apply 5S in this area.



IV Water

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

1. Management Approach

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

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

2. Topic's Boundary

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

3. Current situation and solutions relating to controlling water usage:

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

With respect to water used for production:

Industrial water-waste is treated with a closed circular waste treatment system, ensuring that the amount of water used in the production process is returned to the chain without direct effluent to the environment. This is an effective method that helps to save water resources used in production while refraining from environmental impacts. The water used in the whetting chain is the amount provided to compensate for the loss caused by absorption into the mud after pressing to ensure the stable operation of the system. The complementary water amount for the whetting chain in 2016 and 2017 are as follows:

Year	Complementary water for whetting chain (1000 liters)	m ² whetted	Average water consumption (liters/m ²)
2017	7,008	813,706	8.61
2018	10,229	940,086	10.88
2019	8,550	1,016,991	8.41

Complementary water for the whetting chain from 2017 - 2019

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

In 2019, the Company refurbished 6 old silos and added 4 new silos at the circular water post, therefore, the amount of water used for the whetting system was higher than that of 2017. Since 2019, the stable operation of the system has helped the Company to ensure the efficient use of water in production.

Domestic water

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

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

Effective Use Solution

Vicostone applies a system of circular water silos into its productions. The system is consistently invested and operated to ensure that 100% of industrial water-waste is treated and reused during production. The whetting of finished products usually takes a large amount of water. After this process, the water usually contains talc powder as a result of being dissolved in salt after whetting. This water-waste is processed with a filter system to deposit all in mud form. The filtered water is then reused in the production chain. The waste mud is processed through a mud pressing machine and turned into dry mud and can be used as adobe materials or other utility and environment-friendly products.

Furthermore, in 2019, realizing that the Company's clean water supply system has been operating for a number of years, Vicostone has actively invested in the replacement of the entire irrigation system with PPR thermal pipes to eliminate risks of pipe leakage that may cause loss of water. The new surface irrigation system facilitates the control of incidents in order to reduce loss of water which affects the Company and the environment.



Closed-loop water silo system



V Emissions, wastewater and wastes

1. Management Approach

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

- Invest, install emission, dust, wastewater and waste treatment systems;
- Perform periodic maintenance, survey the status of the current production line;
- Engage a legally-eligible consultant to survey, monitor and analyze the quality of emissions, dust, wastewater and waste to comply with relevant standards;
- Report to State agencies on the management of emissions, dust, wastewater and waste

2. Topic's Boundary

Wastes in Vicostone are divided into the categories below:

- Air emissions;
- Wastewater;
- Other wastes.

3. Emission, wastewater, waste monitoring and control

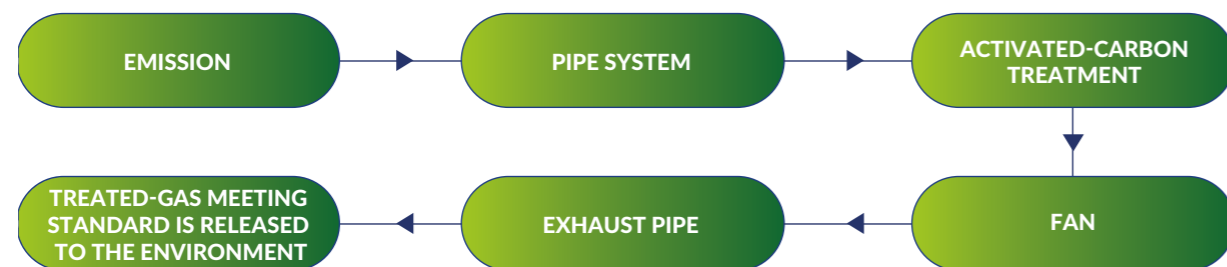
Aerial emission

- Origination

Aerial emission is mainly generated from the quartz-based engineered stone production, including dust, CO, SO₂, NO₂, solvents.

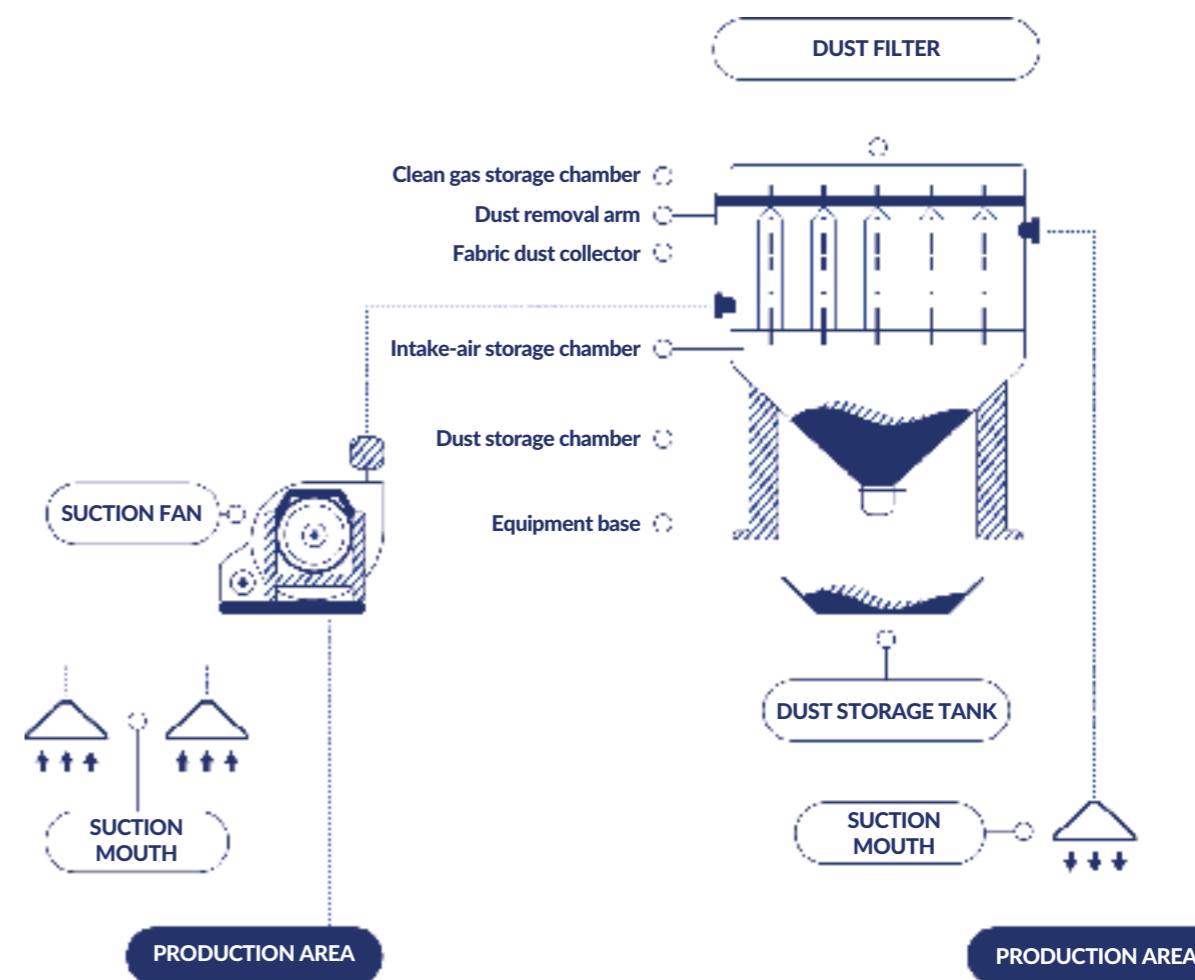
- Control and treatment measures

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



- Dust control

» Investment and installation of dust treatment system using water-resistant and oil-resistant Polyester filter bags. All dust-generating areas in the factory are equipped with suction heads and dust is delivered to the treatment system. Initial investment for the dust treatment system was nearly VND 2.5 billion.



Dust treatment system

» The Company regularly surveys the status of production lines, especially the dust-generating areas and production stages, identifies solutions and implements dust reduction solutions in each factory.

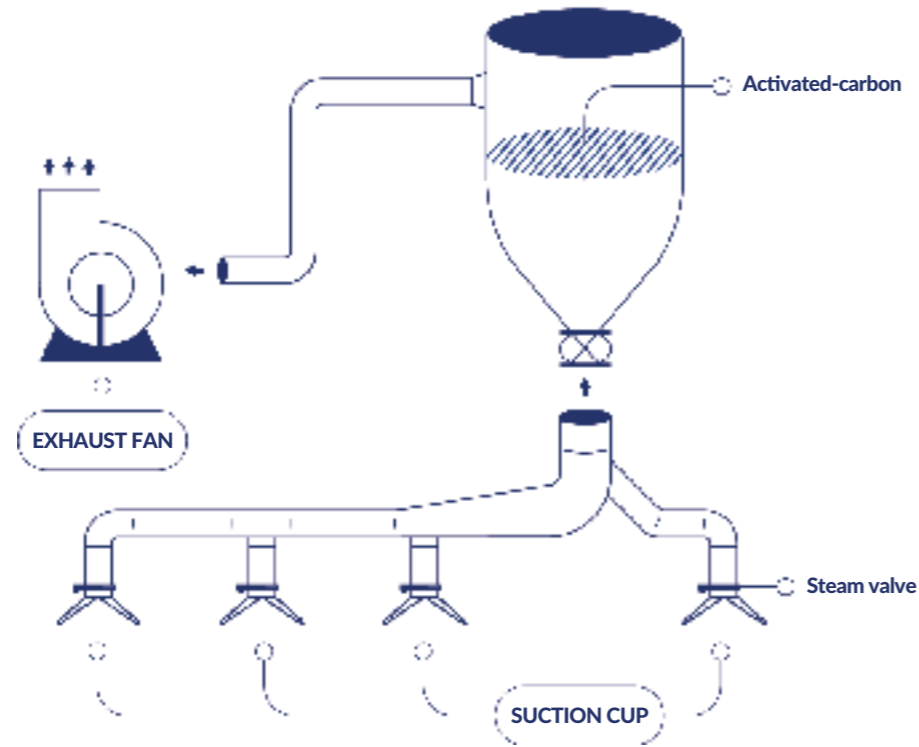
» Periodically conduct dust concentration monitoring in the working environment.



V Emissions, wastewater and wastes (Continued)

- Other air emission control measures

» Invest in an emissions treatment system. All areas generating odors or emissions are equipped with suction heads, emission is collected and filtered by activated-carbon filters before being released into the environment. The initial investment cost for the air emission treatment system was nearly VND 2 billion.



Emission collection system

- Periodically monitor emissions in accordance with commitments in the Environmental Impact Assessment

» Dust and emission monitoring is done by an authorized third-party every 6 months. The Company's regular monitoring results are very low compared to QCVN 19:2009/BTNMT - National technical regulation on industrial emissions of dust and inorganic substances.

» In 2019, Phenikaa Group has invested in an automated monitoring system for factories to be more proactive in managing the quality of emissions and wastewater. The automated monitoring systems at factories will include: inorganic gas monitoring stations (flow, temperature, pressure, total suspended particles (TSP), SO₂, NO_x, CO); organic gas monitoring stations (temperature, volume, pressure, toluene, benzene, styrene) and wastewater monitoring stations (temperature, volume, PH, COD, TSS, Ammonium). With modern and accurate equipment, Vicostone will be more proactive in conducting regular monitoring and management of wastewater, emissions, dust indicators to intervene and promptly handle in case of adverse effect on the health of employees or the environment, to build a safe working environment within the Company.

No.	Parameter	Unit	Results for April 2019	Results for October 2019	QCTĐHN 01:2014/ BTNMT Standard	QCVN 20:2009/ BTNMT Maximum limit
Emission post dust treatment						
1	Total Suspended Particles TSP	mg/Nm ³	26.4	27.1	200	-
2	CO	mg/Nm ³	<20	<20	1000	-
3	SO ₂	mg/Nm ³	<3.4	<3.4	500	-
4	NO ₂	mg/Nm ³	<5	<5	850	-
Emission post odor treatment						
1	Benzen	mg/Nm ³	<0.03	<0.03	-	5
2	Toluen	mg/Nm ³	<0.03	<0.03	-	750

Analysis results of post-treatment aerial emissions of factory 1

No.	Parameter	Unit	Results for April 2019	Results for October 2019	QCTĐHN 01:2014/ BTNMT Standard	QCVN 20:2009/ BTNMT Maximum limit
Emission post dust treatment						
1	Total Suspended Particles TSP	mg/Nm ³	31.5	30.8	200	-
2	CO	mg/Nm ³	<20	<20	1000	-
3	SO ₂	mg/Nm ³	<3.4	<3.4	500	-
4	NO ₂	mg/Nm ³	<5	<5	850	-
Emission post odor treatment						
1	Benzene	mg/Nm ³	<0.03	<0.03	-	5
2	Styrene	mg/Nm ³	6.34	5.15	-	100
3	Toluene	mg/Nm ³	<0.03	<0.03	-	750

Analysis results of post-treatment aerial emissions of factory 2



V Emissions, wastewater and wastes (Continued)

Wastewater

- Source

- » Production wastewater (closed-loop recycling - see section III - Report on water use for Vicostone's recycling system): Stored in a silo and storage tanks system for collection, treatment and recycling in a closed-loop cycle, is not discharged into the environment.
- » Domestic wastewater: Domestic wastewater includes wastewater from kitchen areas, toilets of employees, and undergo preliminary treatment in septic tanks and grease traps and then delivered to wastewater treatment station.

- Control and treatment measures

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

- » Invested in a domestic wastewater treatment system using AAO + MBR technology with total investment of nearly VND 3 billion.
- » Conduct periodic maintenance by technical units in compliance with procedures to ensure output quality.
- » Developed and applied a domestic wastewater control procedure in line with ISO 14001:2015.
- » Every 3 months, the Company engages a qualified consultant to monitor the quality of treated domestic wastewater



Wastewater treatment station

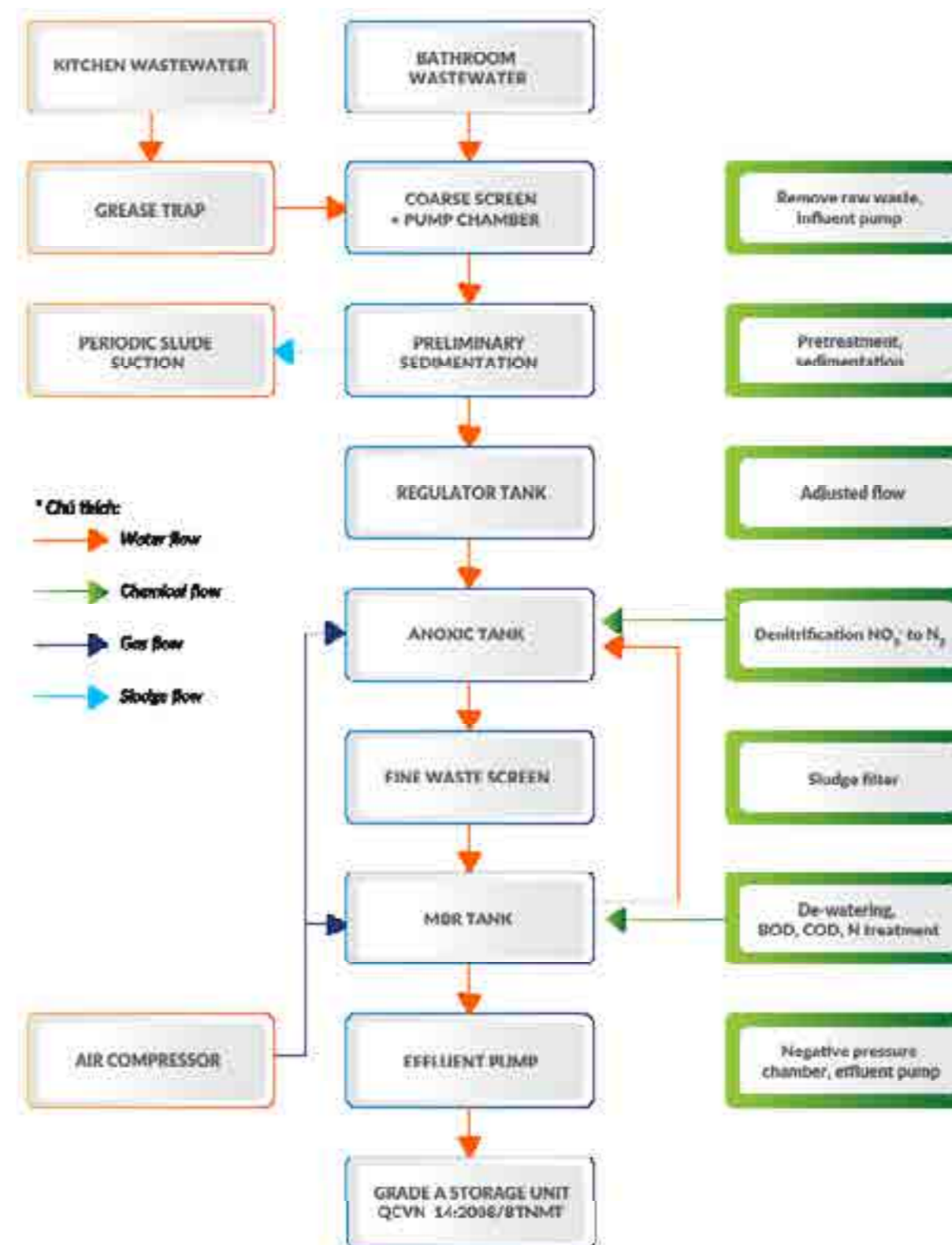


Diagram of Domestic wastewater treatment process



V Emissions, wastewater and wastes (Continued)

Periodic monitoring results show that the quality of Vicostone's domestic wastewater is at a safe level compared with the provisions of QCVN 14:2008/BTNMT - National technical regulation on domestic wastewater.

No.	Analysis	Unit	I Quarter results	II Quarter results	III Quarter results	IV Quarter results	QCVN 14:2008 / BTNMT	
							Grade A	Grade B
1	pH	-	7.18	7.91	7	7.4	5 - 9	6 - 9
2	Chemical Demand (COD) Oxygen	mg/l	32	41.6	45.8	40.5	-	150
3	Biochemical demand (BOD ₅) oxygen	mg/l	18.9	18.3	16.9	17.6	30	50
4	Total Suspended Solids (TSS)	mg/l	15	19	35	24	50	100
5	Total Dissolved Solids (TDS)	mg/l	270	310	288	280	500	-
6	Iron (Fe)	mg/l	0.154	0.112	<0.05	0.119	-	5
7	Mercury (Hg)	mg/l	<0.0003	<0.0003	<0.0003	<0.0003	-	0.01
8	Cadmium (Cd)	mg/l	<0.01	<0.01	<0.01	<0.01	-	0.1
9	Arsenic (As)	mg/l	<0.0005	<0.0005	<0.0005	<0.0005	-	0.1
10	Lead (Pb)	mg/l	<0.003	<0.003	<0.003	<0.003	-	0.5
11	Coliform	MPN/100ml	1600	700	500	310	3000	5000
12	Hydrogen Sulfide (H ₂ S)	mg/l	<0.14	0.18	0.24	0.23	1.0	-
13	Ammoniac (NH ₃)	mg/l	0.49	4.46	4.21	4.76	5	10
14	Nitrate (NO ₃)	mg/l	16.38	23.6	20.9	21.8	30	-
15	Animal and vegetable fats and oils	mg/l	2.56	0.56	0.72	0.64	10	-
16	Total surfactants	mg/l	1.23	0.65	0.72	0.74	5	-
17	PO ₄ ³⁻	mg/l	5.1	4.52	4.72	3.34	6	-

Treated wastewater quality results in 2019

Solid waste

• Source

» Common solid waste

Domestic waste: Mainly generated from the operation of the cafeteria, office areas such as napkins, tea leaves, carton boxes, etc.

Production waste: Stone chips, burr, sludge from water recycling system are dried, and then transferred to the Company's temporary storage area (roofed as per environmental regulations).

» Other wastes: Generated during the Company's production, including, among others, discarded fluorescent light bulbs, waste oil, grease...

• Control and treatment solutions

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

» Zone and build a temporary solid waste storage, meeting the requirements of an ordinary waste storage under the provisions of Decree 38/2015/ND-CP and Circular 36/2015/TT- BTNMT;

» Develop and apply regulations on waste management;

» Engage a legally-competent consultant for waste collection, transport and treatment. Currently, this task is outsourced to Hanoi Urban Environment single-member Limited Company - Urenco 11 in accordance with the law.

» Annually report to State management agencies on compliance with regulations on ordinary waste management.

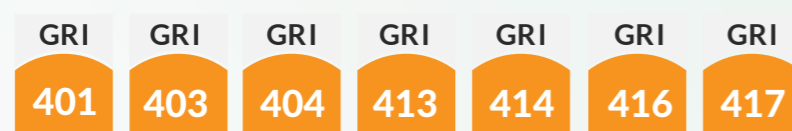
Moreover, in 2019, with the application of **"talc powder to produce concrete bricks using geopolymers technology"** into production, a considerable volume of solid wastes has been utilized as input for making unburnt bricks. With expected capacity of roughly 25 million bricks/year, around 50% of the volume of solid wastes will be used to produce bricks, considerably alleviating the need to process and treat solid waste for Vicostone. As for the remainder, the Company will continue to research other applications to maximize the conversion of solid waste into eco-friendly raw materials.





FOR SOCIETAL BETTERMENT

Promote intellectual capacity and humanity values



- GRI 401 - Employment
- GRI 403 - Occupational health and safety
- GRI 404 - Training and education
- GRI 413 - Local communities
- GRI 414 - Supplier evaluation
- GRI 416 - Customers' health safety
- GRI 417 - Marketing and labeling

I Employment

1. Management Approach

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

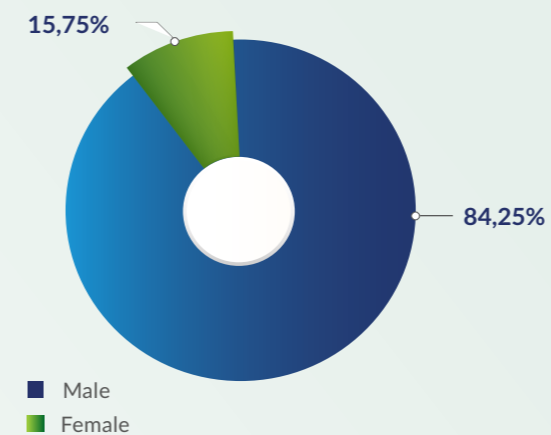
2. Topic's Boundary

- Labor force structure;
- Recruitment policies and employees' mobility

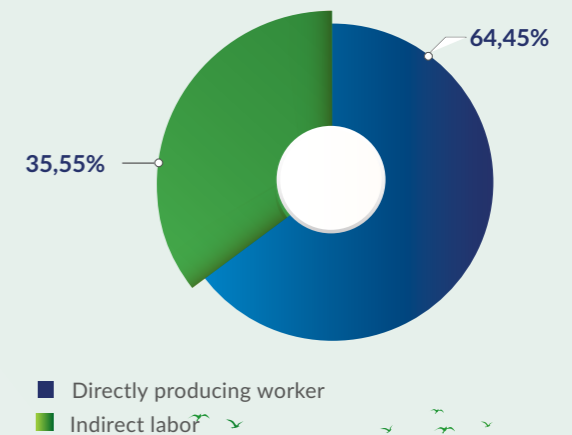
3. Labor force structure

No.	Level of education	2016		2017		2018	
		Number of employees	Percentage (%)	Number of employees	Percentage (%)	Number of employees	Percentage (%)
1	Post-graduate	10	1.56	10	1.47	11	1.59
2	University graduate	175	27.34	192	28.15	194	28.03
3	College graduate	77	12.03	93	13.64	90	13.01
4	Primary, secondary vocational school graduate, technical school graduate	351	54.84	348	51.03	342	49.42
5	Unskilled	27	4.22	39	5.72	55	7.95
	TOTAL	640	100	682	100	692	100

Labor force structure by gender (2019)

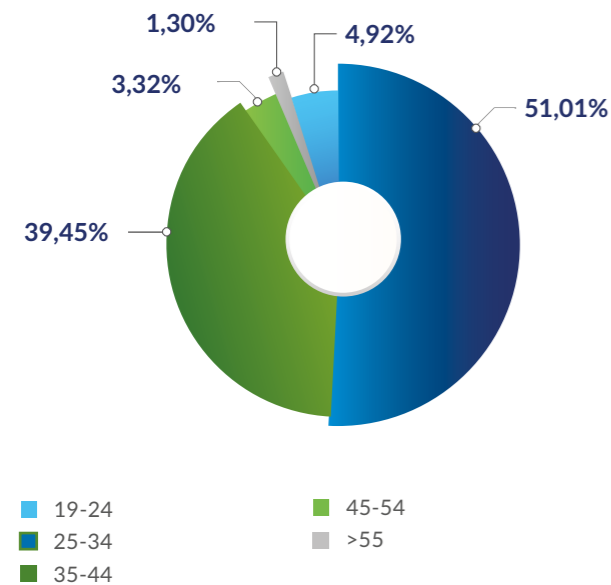


Labor force structure by the nature of work (2019)

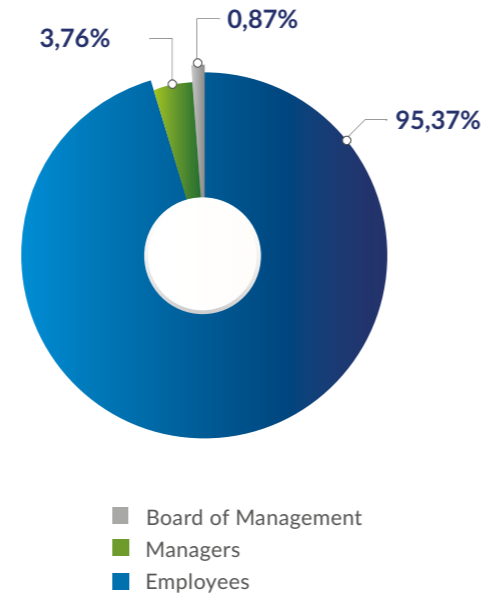


I Employment (Continued)

Labor force structure by age



Labor force structure by level in the power structure



4. Recruitment policies and movement of employees

Employees play the most important role in each organization. The quality of human resources determines the success or failure of every business. Cognizant of this, Vicostone always focuses ensuring both quantity and quality of recruited personnel to serve production and business activities.

4.1 Vicostone's recruitment policy



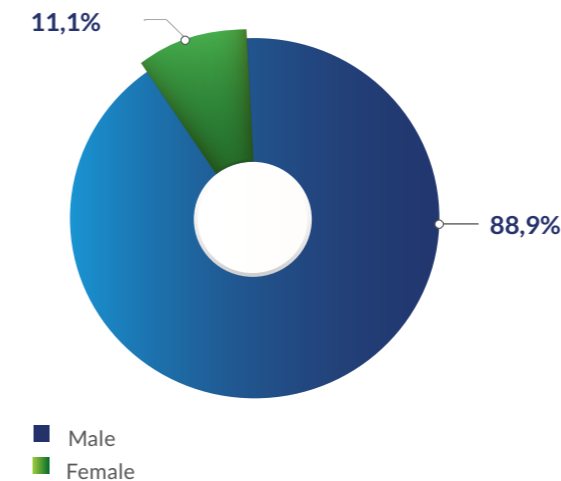
Vicostone's annual recruitment plan is based on its production and business plan, and also meets the requirements of the Company's short and long-term development strategies. Recruits should not only meet the current job requirements, but are also expected to be the seed for future company growth. Vicostone also balances internal transfer and recruitment appropriately, on the basis of prioritizing internal resources to maximize the capacity of the existing human resource. In 2019, Vicostone recruited 90 new employees, 96.7% were new recruits, and 3.3% were transfers from within the Phenikaa Group.

In addition, Vicostone also develops personnel policies to attract and retain talents by means of creating a professional, flexible working environment, fair and equitable remuneration policy commensurate to individuals' capacity while remaining competitive with the labor market, increased rest time, recognize and reward achievements for individuals who have made great contributions to the company.

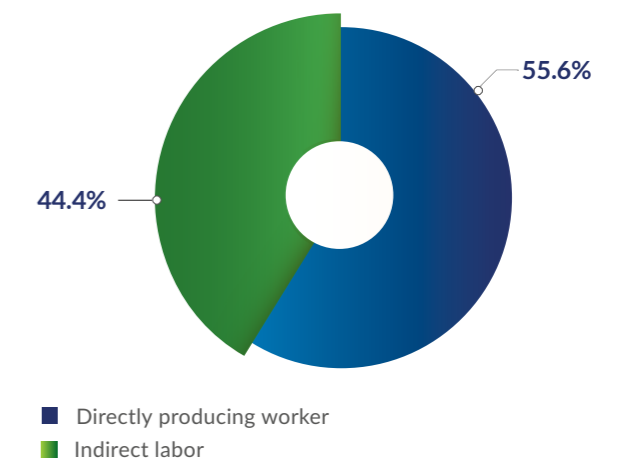
Besides recruiting employees for business and production, Vicostone is cooperating with Phenikaa Group's Human Resource Department to implement Employer Branding projects for the Vicostone employer brand to become better known, become the employer of choice for talents looking for job opportunities in the labor market.

4.2 New recruitment structure in 2019

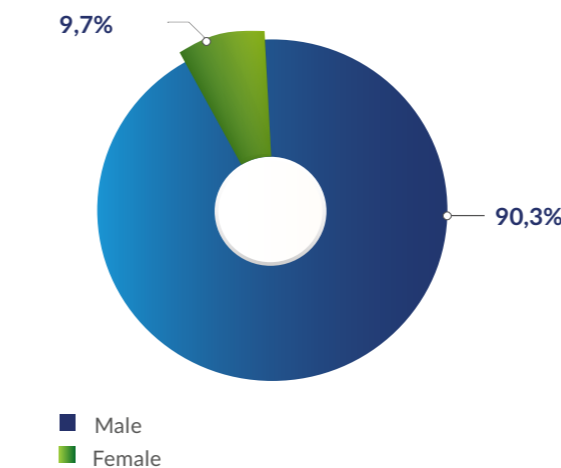
Labor force structure by gender (2019)



Labor force structure by the nature of work (2019)



Resigning Labor structure by gender (2019)



In 2019 witnessed many improvements in the recruitment process of Vicostone with many effective new forms of recruitment, especially on online channels, from which access to new high-quality human resources, meeting the requirements of development of the Company. In 2019, the Company's turnover rate is about 9%. This is considered an appropriate percentage, reflecting the movement of employees having no effects on the Company's performance, while ensuring a steady stream of new recruits which brings a fresh breeze to the Company.



II Occupational Safety and Health

1. Management Approach

Vicostone commits, to the best of its ability, to ensure safe working environments for employees by complying with OHSAS 18001 Occupational Health and Safety and Social Accountability SA 8000 systems, taking initiatives to raise awareness of occupational safety, firefighting prevention and control, equipping personal protective equipment for employees working in specific positions in the Factories.

Safety control layers within the Company

Department	Function and responsibility
General Department combine with the Health and Environment Safety Committee – the specialized department of the Group (Phenikaa)	General management and responsibility for ensuring health and safety of employees in the Company, supervising the safe compliance and offering disciplinary action for violations, proposing measures to ensure safety and improve health for the company’s employees.
Safety and health committee	Advising the employer in the drafting of regulations, programs of actions, occupational safety and health plans and solutions, improvements to working conditions, prevention of occupational diseases and accidents in the Company.
Firefighting prevention and control steering committee	Responsibility and proposing measures relating to ensuring fire safety at the Company, quickly and effectively handling fire and emergency situations in the Company, proposing and organizing training courses safety training on annual fire prevention to raise employees' awareness in protecting themselves and facilities at the Company.
Labor protection committee	Responsibility for monitoring and supervising compliance with labor protection measures to prevent occupational accidents. The Company worked to establish a standard on the use of labor protective equipment to ensure that employees are fully equipped on a monthly, quarterly and annual basis.
Medical staffs	Monitoring employees' health conditions, handle first-aid and emergency care (if necessary), conduct periodic medical check-ups for employees. In addition, the Company established a First-aid and Emergency Team responsible for the handling of accidents.
Hygiene and safety network	A network of approximately 100 employees in charge of implementation, inspection and supervision of occupational safety and health and environment activities in all departments, comprising employees who possess direct expertise and technical knowledge on safety, labor hygiene, who volunteers and are exemplary employees, have the ability to effectively educate other employees, provide guidance and raise awareness about labor protection, as well as ensure compliance with occupational safety and health standards.

2. Topic's Boundary

- Occupational safety and health policies
- Training programs

3. Occupational safety and health policies

Establishment of a specialized committee on occupational health within the Company

To implement and supervise occupational safety and health related activities for employees, Vicostone established a Social Performance Team (SPT) and a Health and Safety Committee (H&S) responsible for the smooth function of the Occupational Health and Safety system (OHSAS) and Social Accountability (SA 8000) system. The Company assigned one (01) Vice Director as a representative of the Board of Director, with responsibility for ensuring safe working conditions for all employees and to be in compliance with SA 8000 requirements on health and safety. The ratios of employer to employee representatives in SPT and H&S are maintained at a balance, which ensures fairness and employees' rights. Employees who are not representatives on the Committees are entitled to the right to evaluate and supervise the performance of these Committees.

Provision of labor protective equipment

Vicostone ensures employees are fully equipped with and trained on how to use personal protective equipment, which allow them to work in safe conditions, with minimized risks of occupational accidents and diseases. In case of potential dangers and risks, employees have the right to cease the tasks at hand, leave the position, refuse to continue the tasks and notify responsible parties for further handling..



Vicostone's engineers in the factory



II Occupational Safety and Health (Continued)

Healthcare policies

Insurance policy

Vicostone commits to always complying with the State's regulations regarding employee welfare policies. Annually, in addition to compulsory insurances (HI, SI, UI, etc.), the Company purchases special health insurance packages to ensure employees' physical well-being, and minimize potential financial losses.



No.	Type of insurance	Amount (VND)	Note
I	COMPULSORY INSURANCES		
1	Social insurance	9,936,845,374	Compulsory insurances as stipulated by the Labor Code
2	Compulsory health insurance	1,811,092,521	
3	Unemployment insurance	794,991,347	
4	Occupational disease and accident insurance	198,714,542	
	SUM	12,741,643,784	
II	HEALTH CARE AND MEDICAL ASSISTANCE INSURANCE		
1	For Board of Directors & Managers	153,588,000	Non-compulsory health insurance
2	For Staff and employees	459,750,000	
	SUM	613,338,000	
III	TOTAL	13,354,981,784	

Employee insurance premium paid in 2019

In 2019, the Company paid 13 billion VND in premium for all compulsory insurances (HI, SI, UI, etc.) in compliance with the Labor Code. Especially, Vicostone paid more 600 million VND for non-compulsory insurance for employees with Pjico healthcare insurance packages. The Company also supports employees purchasing insurances for their families at discounted prices.

Working and rest time

- Working time

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

- Other days off as stipulated by regulations

» Maternity leave: Vicostone complies with regulations of the Labor Code on paid maternity leave. In 2019, no female employees of Vicostone returned to work before the end of their maternity leave, as stipulated by law. Female employees on maternity leave get paid in full in accordance with social insurance policies as well as bonus payments for holidays.

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

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

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



II Occupational Safety and Health (Continued)

Employee medical check-ups

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



Employees of Vicostone participated in a periodic health examination

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

4. Training program on occupational safety and health and firefighting prevention and control

To improve prevention and control, Vicostone conducts annual training programs for employees, such as emergency evacuation, chemical spill management, FFPC rehearsals; other training courses on first aid and emergency care, occupational safety and health training... with 100% participation rate to improve employees' awareness, responsibility and knowledge regarding occupational safety and health.

Thanks to the efforts of all employees, measures to ensure occupational safety and health for employees have been successful, with no accidents so far.

III Education and Training

1. Management Approach

Having considered human to be at the core of development, Vicostone always enable all employees to maximize competence and strength in their work, as well as create opportunities for their career advancement, thereby contributing to the success of each individual. Vicostone's educational policies and programs are designed to equip the Vicostone people with core knowledge and skills of the business as well as new and updated skills according to the general development trend of the economy, helping employee to attain proactive transformation for the sustainable development of the Company and the environment.

2. Topic's Boundary

- Training policies
- Training programs
- Employees' feedback on the training programs

3. Vicostone's Training Policies

Due to its distinct characteristics in production technologies, Vicostone's training policies contains different features from those of other businesses within the same sector, particularly:

- A focus on internal training for the enhancement of professional competence, especially with respect to the production and technological sectors;
- A priority on training for the Board of Executives, Managers, and adjacent staff;
- The training of core competence for the Company according to a unified roadmap in conjunction with actual work; education of new and essential skills integral to the development of the economy so that the Vicostone people may proactively respond to changes and ensure the sustainable development of the business.
- Training programs of Vicostone are built based on 2 fundamental needs:

1

The need of the Company and specific units for the competence of their existing human resources to ensure the fulfillment of tasks

2

The development needs of Vicostone's employees to enhance their personal competence and values.

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

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



III Education and Training (Continued)

4. Training programs in 2019

In 2019, the Company organized 75 training courses, among which 55 were internal training courses and 20 were external. Total training hours for the Company employees in the year amounted to 109,143 hours with external hiring cost of more than 740 million Dong. On average, each Vicostone employee was trained for 157 hours per year (an equivalent of 19.7 days per year).

Some Highlights of Vicostone's Training Programs in 2019

The Newcomer Integration Training Program

100% of newly recruited employees at Vicostone participate in the training program for integration in order to help employees better understand the Company's history of formation and development, working environment, and products. The professional training helps employees to quickly grasp and integrate with the works at Vicostone. The Company organizes mandatory courses related to legal regulations on occupational safety and sanitation.



Vicostone's employees during Critical-thinking training

Professional Training Programs

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



Employees take part in Vicostone's training courses

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

The Critical Thinking Skills Training Program

In addition to training programs to enhance the professional competence for each target groups, in 2019, the Company also initiated a training program for "The skills of critical thinking" – one of the core and essential competences for the employees to proactively pursue self-betterment, analyze, and examine changes in the surrounding environment to adjust and train themselves, and best prepare for the changes of the organization and society.

The training contents of the Program is tailored to the realities of Vicostone's production and sales and its culture and people, and classified by targets, including the Board of Executives, Managers, engineers, and production employees, in order to receive and resolve inquiries in the course of practicing critical thinking for each distinct target group, deliver new knowledge, practice case studies, exchange, and answer questions in order to remove barriers to critical thinking, encourage, and develop the culture of critical thinking within the unit.



III Education and Training (Continued)

Development of a Reading Culture

The Company also focused on the establishment and popularization of the reading culture and sharing of knowledge. Bookshelves were operated with thousands of books in various fields. The sharing of good books was conducted on a monthly basis at the monthly Managerial meetings. Books were also presented as gifts to Managers whose birthday take place in that month. The Company also used social media to communicate the reading culture on a monthly basis.



Vicostone's employee is reading book at The Company's library

Some feedbacks from the employees on the Critical Thinking training program

"The course was meaningful and helped learners to change positively and enhance their knowledge"

Mr. Vuong Van Tien – Factory 1

"I suggest that the Company's leadership organize more courses like this so that employees can enhance knowledge to develop themselves and contribute better to the culture of the Company "

Mr. Nguyen Van Luan – Quality Control Department

" I want more meaningful courses like this"

Mr. Pham The Hien – Depot Division

" The course was practical, helps greatly in critical thinking."

Mr. Nguyen Thanh Doan – Technical Division

"The course trained and promoted critical thinking so that everyone has better skills."

Mr. Phung Van Hoa – Technical Division

"This course is highly practical for work and life, it needs to be more popular."

Mr. Nguyen Van Chuong – General Division



IV Customers' Safety and Health

1. Management Approach

Caring for the health and safety of its customers, Vicostone emphasizes on enhancing product quality, creating products that are safe and conform to environmental-social requirements throughout the production and business processes, particularly:

- 1 Implementation of the method of approaching customers by listening to understand their expectations
- 2 The strategy of localizing raw materials to respond to changes in the international markets
- 3 Development of unique, different, and outstanding products
- 4 Development of new and multi-purpose products: outdoors products, 5mm products
- 5 Development of effective distribution channels – broad market coverage
- 6 Wholesome customer service: fast delivery – timely response to customer – effective addressing of complaints
- 7 Expansion of market scale and production consumption networks to ensure availability and convenience of purchase



Introducing customers to Vicostone's products at The Company's showroom

2. Topic's Boundary

- Safe production process
- Superior safety features of products, in line with international standards on quality and health safety for consumers
- Development of new products
- Development of products' diverse use with superior technologies



IV Customers' Safety and Health (Continued)

3. Safe production process

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

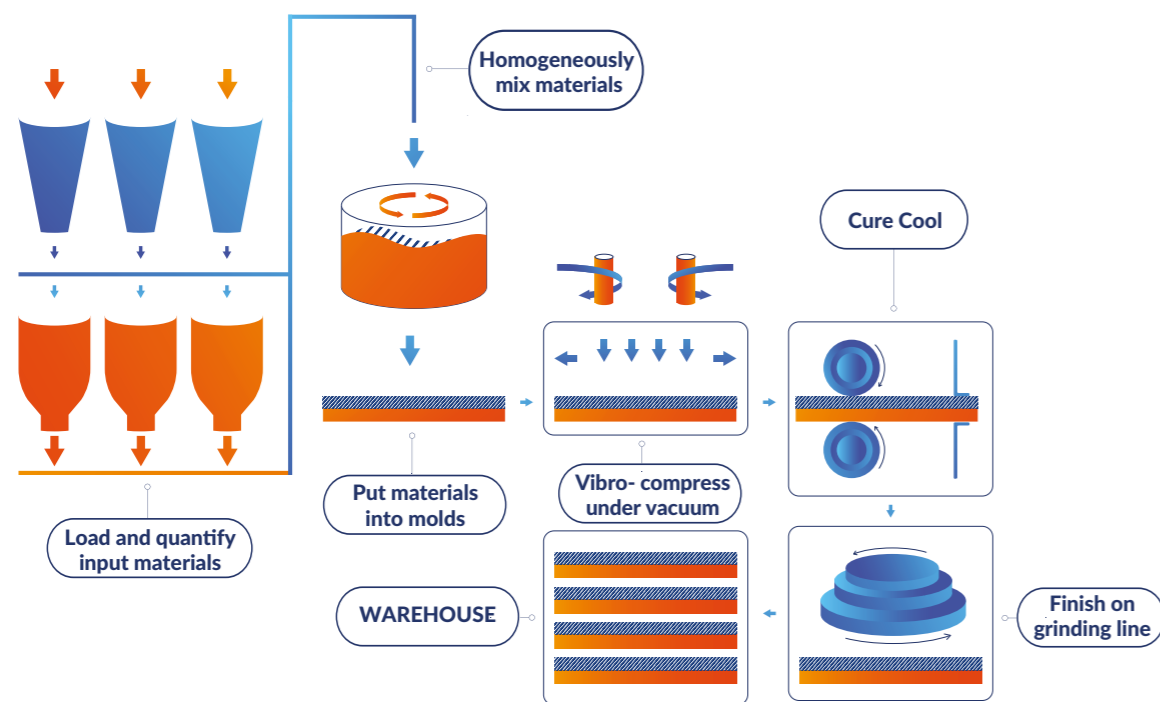
As a composite material, VICOSTONE® products are made of concrete paving materials and have the following outstanding characteristics:

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

Vicostone's engineered quartz slab manufacturing technology is completely environmentally friendly:

- Closed production process allow for ease of end-to-end quality control;
- A closed-loop wastewater treatment system does not discharge pollution into the environment;
- Sludge is reused to produce other eco-friendly construction materials such as concrete bricks, cement-based tile adhesive, block bricks for pavement tiling...

Technical processes



4. Performance advantages of Vicostone's product ensuring customers' safety

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



DURABILITY

Composed about 90 percent of natural Quartz, Vicostone is resistant to scratch, heat, impact and the corrosive chemical agents such as: acids, common cleaning solvents. That makes Vicostone superior to granite and other natural stones.



SAFETY

Certified by NSF for food safety (ANSI 51) and certified by GreenGuard as being safe for indoor air quality of commercial and residential facilities as well as for children and schools, Vicostone is made to be applied in interior design, especially for kitchen applications.

(*) More details in e. International standards for quality and health safety for consumers



LOW MAINTENANCE

Vicostone is stain resistant, that means you can easily clean Vicostone surfaces by using just a mild soap with warm water. While granite and marble will need to be resealed periodically, Vicostone sustains its superior features and keep your kitchen clean and safe to use.



IV Customers' Safety and Health (Continued)

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




CHARACTERISTIC	TEST METHOD	RESULT
Water absorption (% mass)	ASTM C97/C97M-09:2009	≤ 0.05%
	EN 14617-1:2013	≤ 0.06%
Apparent density	ASTM C97/C97M-09:2009	2.2-2.4 g/cm ³
	EN 14617-1:2013	
Bending strength	ASTM C880/C880M-09:2009	> 40 MPa
	EN 14617-2:2008	
Size stability	EN 14617-12:2012	Grade A
Resistivity determination	EN 14617-13:2013	Resistance (Rv) = 0.9 x 10 ¹⁴ Ω resistivity (pv) = 4.88 x 10 ¹⁴ Ωm
Impact resistance	ASTM D1709:2015	≥ 3.0 J
	EN 14617-9:2005	
Compression strength	ASTM C170/C170M-09:2009	≥ 155 Mpa
	EN 14617-15:2005	
Hardness on the Mohs scale	EN101	6.0 – 7.0
Deep abrasion resistance	ASTM C1243:2009	Abraded volume: V ≤ 195 mm ³
	EN 14617-5:2012	
Setting and melting resistance	ASTM C1026:2013	No change after 15 cycles
	EN 14617-5:2012	No change after 25 cycles
Slip resistance at roughness 400	DIN 51130:2004	R9 – R10
Bacteria resistance	ASTM D 6329:2015	Resistance Grade 3: Bacteria do not grow
Chemical and acid resistance	EN 14617-10:2012	Grade C4
Thermal shock resistance	EN 14617-6:2012	No change observed after 20 cycles
Durability when immerse in boiling water	AS 2924,2-7: 1998 (EQUI. TO ISO 4586,2-8: 1997)	Impact on surface (level): 5 - (no change observed)
Durability when dry heating	AS 2924,2-8: 1998 (EQUI. TO ISO 4586,2-8: 1997)	Impact on surface (level): 5 - (no change observed)
Durability when drying	AS 2924,2-15: 1998 (EQUI. TO ISO 4586,2-15: 1997)	Impact on surface (level): 5 - (no change observed)

5. International standards for quality and health safety for consumers

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

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

In order to improve the quality and update new standards of products, Vicostone actively participates in organizations and associations on domestic and international green materials such as:

No.	Association name	Logo	Website
1	Viet Nam Green Building Council (VGBC)		https://vgbc.vn/en/
2	The United State Green Building Council (USGBC)		https://www.usgbc.org/
3	World-wide Agglomerated Stone Manufacturers Association		https://www.astaworldwide.com/



IV Customers' Safety and Health (Continued)

6. Continuous Product Research and Development to best satisfy customers' demands

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

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

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



Developing diverse applications of the product by superior technology and innovation

5mm Ultra-thin Quartz line

2019 marked the strong transformation of Vicostone with its successful development of the ultra-thin Quartz line - the world's first with a thickness of 5mm. The product possesses superior characteristics such as slimness, lightness, installation ease and can be used for many surfaces such as kitchen countertops, kitchen cabinets, bathroom cabinets to wall tiles. The novelty and convenience of this product not only bring forth inspiration for your living space but also offer more options for interior designers around the world, especially in modern life when convenience and simplicity are the current mantra.

The product was officially launched at the IMM exhibition in Germany in January 2020.



IV Customers' Safety and Health (Continued)

Vicostone Amadeus quartz - BQ8887



Different notable products

VICOSTONE® quartz-based products are manufactured using innovative, state-of-the-art technology in tandem with trade secrets. Therefore, VICOSTONE® products exhibit unique, and impressive designs (patterns and colors) drawing inspiration from the aesthetic of natural stones and natural phenomenon.

Thanks to tireless innovation and creativity, Vicostone has launched many new products in 2019. Of special note is the unique Sky Collection, which draws inspiration from the timeless beauty of the formations of clouds and the sky... The collection encapsulates a wide range of emotions when observing clouds at different moments: sometimes clear and gentle, a reminiscent of the floating white clouds; sometimes fierce and strong, a resemblance of dark clouds just before a storm. Other times infinitely mysterious, like the night sky in the polar regions... All these masterpieces have been fully depicted in Vicostone's Sky Collection:

- **Vicostone Gan Eden quartz - BQ8881** stands out with patterns that simulate gentle, clear clouds, randomly arranged but forming a homogeneous overall picture, one that shall trigger the imagination of the viewer.
- **Vicostone Elysian quartz - BQ8884**, highly applicable, is a combination of warm white and gray tones. The stone stripes resemble intense storm clouds randomly arranged to deliver a strong impression of strength.
- **Vicostone Amadeus quartz - BQ8887** is the smooth combination between a black background and golden metallic-tinged lines, creating a unique transparent 3D effect, simulating the polar skies at night, suitable for unique, impressive designs.

Besides, some notable products in global of VICOSTONE® brands include:

- **Vicostone Venatino quartz- BQ8660:** unique with interweaving grey lines, forming larger details such as big branches, simulating gentle, slender royal poinciana branches.
- **Vicostone Arabescato quartz - BQ8912:** Inspired by the natural beauty of Calacatta marble, the famed Italian marble line - known as the queen of stone, Vicostone Arabescato is an elegant redesign of nature, still on a palette of white; elegant, flexible primary grey veins harmoniously combined with secondary veins.
- **Vicostone White Fusion quartz - BQ8825:** unique with swirling grey veins that blend together to create storm whirls, with soft and natural transitions between the pattern and background.
- **Vicostone Misterio quartz - BQ8815:** unique design using a combination of dual vein layers composed of a light background layer and a thin, linear layer of brown-grey veins harmoniously matched on a luxurious marble white surface.

Vicostone Venatino quartz - BQ8660



Vicostone Arabescato quartz - BQ8912



Vicostone White Fusion quartz - BQ8825



V Marketing and Branding

With a goal to realize all commitments and provide top quality services to consumers, Vicostone has created a system of interactive channels, providing information and services so that customers can access full and accurate information on products in both branding and marketing aspects to facilitate their assessment and selection of products.

1. Management Approach

With an aim to provide top quality services to customers, walk the walk, and over-deliver on commitments, Vicostone has been unceasingly improving its products and services, serving the interests, and providing the best convenience for customers as they approach, study, and use our products.

2. Topic's Boundary

- Ensure availability of products, support in the provision of information, consultation, addressing of complaints, and guarantee
- Administer customer relations
- Result of level of customer satisfaction with services and products

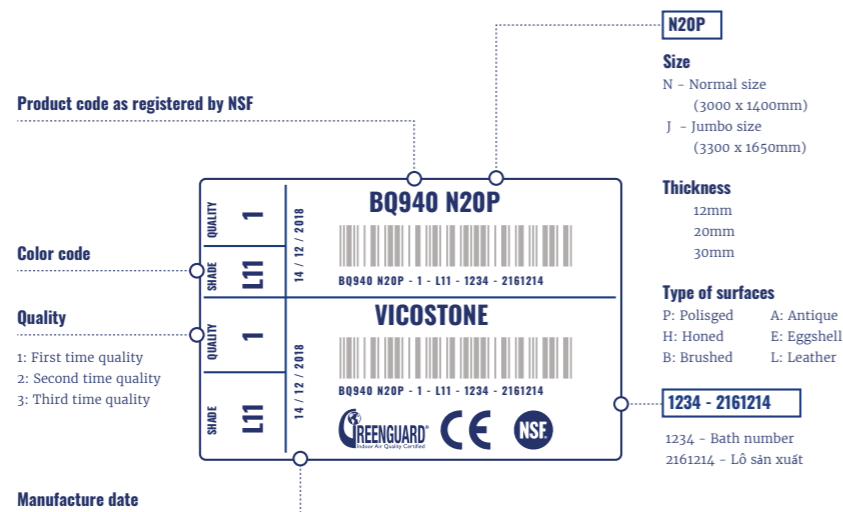
3. Creating the availability of products, supporting customers in finding information, answering inquiries, complaints and warranties

Creating the availability of products

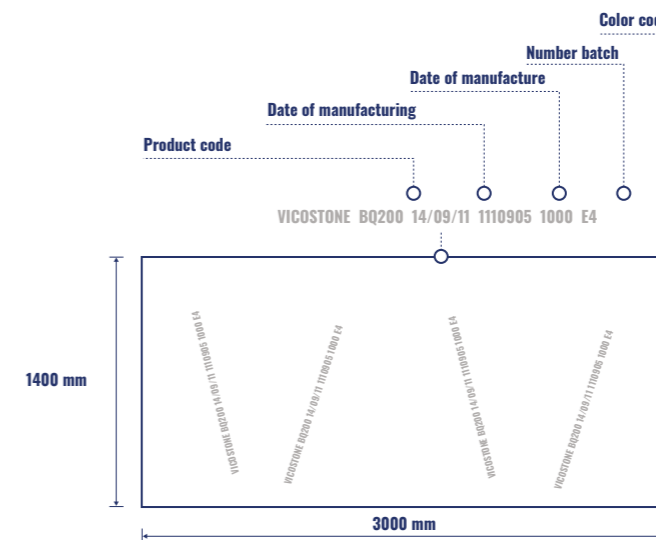
To help customers easily access and choose products/services, the Company has built a wide distribution network in more than 40 countries on 5 continents with more than 10,000 points of sale.

Providing information on products

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



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



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



V Marketing and Branding (Continued)

4. Administration of Customer Relations

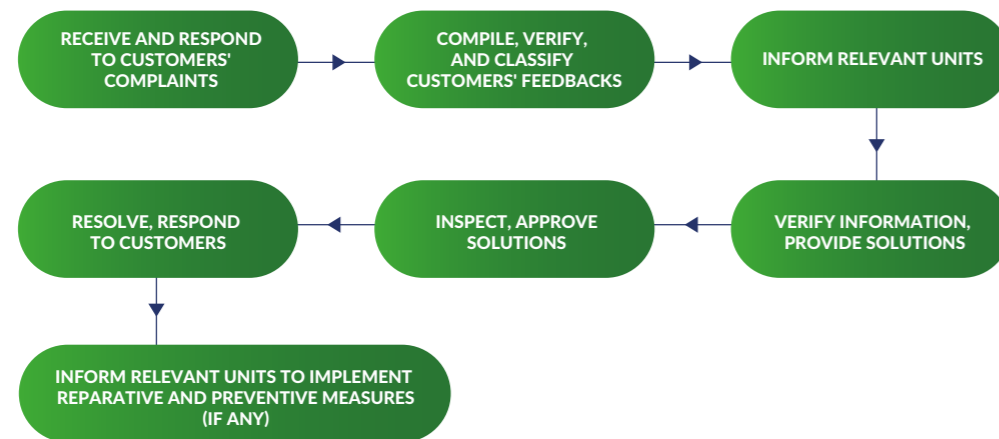
Vicostone has completed its administrative system of customer relations, directly approached many customers, and offered various solutions that met customers' demands before, during, and after sales.

Export Sales:

All requests, letters of communication, and orders of customers relating to the Company's products and services were recorded, updated, monitored, and addressed according to the Sales Processes (QT15) of the ISO 9001:2015 standard by the Sales unit of the Company, ensuring that all requests and orders were adequately, promptly, and accurately addressed.

Address Customer Complaints:

All inquiries, complaints, feedbacks, and guarantee requests from customers regarding the Company's products and services are addressed according to the Process to Address Customer Complaints (QT16) of the ISO 9001:2015 standard by the Customer Service unit of the Company, ensuring that all complaints are fully and promptly addressed.



Vicostone Arabescato quartz - BQ8912

The customer services team regularly pays direct visits to retails/distributors to support customers in addressing complaints and at the same time, continuously improve product qualities and customer services.

Fast delivery and Wholesome Customer Service

Fast delivery is one of the Company's strengths and a core target in the 2019 BSC Effectiveness Survey. To reach this target, the Company consistently kept close and flexible watch of market forecast, raw material preparation, and production planning. According to reports, the outcome was that approximately 98% of orders had been delivered within 2 weeks since customers had placed orders.

Besides the fast delivery, good customer service is also an important indicator that the sales department focus on. It provides customers with the fastest response, official documents, thereby, saving time and cost for customers, towards the highest customer satisfaction.



Marketing and Branding (Continued)

5. Customers' Level of Satisfaction

According to survey data of the Company's market research unit, the customers' levels of satisfaction of Vicostone products are as follows:

Products

More than 90% of customers are satisfied or highly satisfied with Vicostone products, among which, up to 55.6% were highly satisfied. Specifically:

- Product features: 100% of customers were satisfied, among which, 50% were highly satisfied with product features.
- Product color palette: 100% of customers were satisfied
- New products development: Nearly 90% of customers agreed with the statement that Vicostone products can compete with other products on the market.
- 2019' new products: Customers were satisfied and looked forward to Vicostone's next new products in 2020.

Addressing Customers Complaints

Customers also highly value Vicostone's speed and personnel quality in addressing complaints:

- Process and time of addressing complaints: 100% of customers were satisfied with Vicostone's current process and amount of compensation.
- Personnel quality: 100% of customers were satisfied and highly satisfied with Vicostone's current personnel charged with addressing complaints

Services

Nearly 90% of customers were satisfied with Vicostone's services in 2019, among which, up to 62.5% were highly satisfied with Vicostone's services in 2019. The remainder gave neutral opinions.

- Delivery time: nearly 90% of customers were satisfied with Vicostone's current time of delivery.
- Customer feedback: 100% of customers were satisfied with information support from Vicostone's employees.

Vicostone Grande quartz - BQ8729



VI Supplier Evaluation

1. Management Approach

1.1 Vicostone's orientations in procurement and supplier selection

Procurement is the first step in the business process. It provides full, timely, synchronous and appropriate input materials with the quality and form relevant to customer's demands and Company's sales plan. This is the foundation for the Company to have profitable business. To ensure sustainability, Vicostone's policy on procurement and supplier selection are set as follows:

- Develop long-term business relationships with potential suppliers, and treat to all partners equally: Relationships are built on the basis of respect, equality, efficiency, transparency and mutual benefit. Vicostone encourages and promotes comprehensive, long-term strategic relationships with suppliers to leverage each others' strengths and create synergy to further develop and bring about increased efficiency and benefits to all;
- In order to ensure sustainability, Vicostone prioritize suppliers who fully comply with legal requirements, environmentally and socially responsible, and behave as per business code of ethics.

1.2 Procedure and criterias for supplier selection

Based on ISO 9001-2015, to manage risks during implementation, Vicostone has developed and standardized the selection and evaluation of suppliers into a scientific procedure with 2 objects as follows:

- Procedure for first-time procurement of materials:



- Supplier re-evaluation procedure

Consistent quality of material is a critical factor that directly affects the development of any business, particularly manufacturing enterprises such as Vicostone. To assess consistency, monthly/yearly, the Procurement Department shall consolidate the raw materials quality assessment results from departments involved in the import of materials in the past month or the month prior, such as QC Department, R&D Center, Plant. The re-evaluation of suppliers will ensure the implementation of the Company's business plan, and help partners to identify the issues and propose timely remedial measures in the event of defective raw materials



VI Supplier Evaluation (Continued)

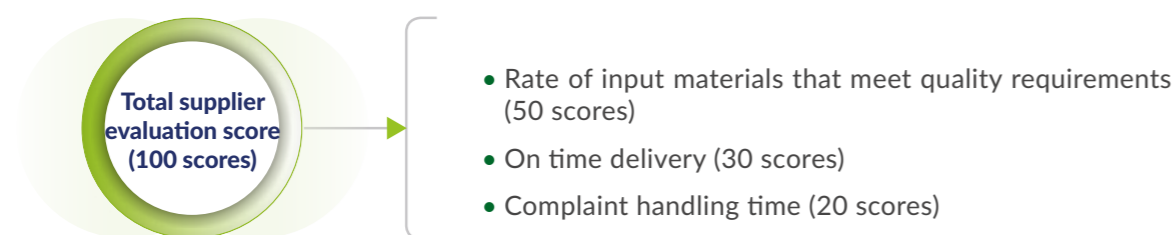
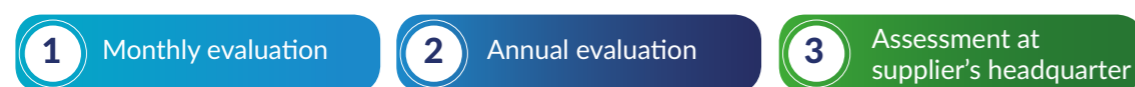
• Evaluation criterias

» General evaluation criterias

Finding suppliers having stable raw materials and meeting standards of quality, health safety, good price... plays a important role for the sustainable development of company. Vicostone's preliminary evaluation of suppliers includes 07 criteria as follows:

» Detailed criterias for each type of assessment

Vicostone periodically evaluates suppliers in three ways:



MONTHLY EVALUATION



VICOSTONE <small>The Art of Quartz</small>		ASSESSMENT FORM FOR MONTHLY EVALUATION				
I. SUPPLIER'S INFORMATION						
Evaluation No.:						
Supplier's name:						
Contact person:						
Tel:		Fax:		Email:		
Kind of products:						
Evaluation method:						
II. EVALUATION						
1. Rate of raw materials meeting quality requirements (50 scores)						
Rate	98% - 100%	95% - 98%	90% - 95%	<90%	Score:	
Score	50	40	25	0		
2. Time to resolve the complaint (20 scores)						
Time	Within 45 days	A week late	2 weeks late	3 weeks late	Score:	
Score	20	10	5	0		
3. On time Delivery (30 scores)						
Time	On time	A week late	2 weeks late	3 weeks late	Score:	
Score	30	20	10	0		
III. RANK						
Score	85 - 100	70 - 85	55 - 70	<55	Score:	
Class	A	B	C	D	Class:	
IV. REQUEST						
Class	A	B	C	D	Other requests	
Request	No Request	Proposing the Company leaders to adjust and add reasonable terms	Notify and request the plan of handling and remedying the next consignments	Notice to the supplier to fix the problems immediately		
Checking person			Evaluation person			

Assessment form for monthly evaluation



VI Supplier Evaluation (Continued)

ANNUAL EVALUATION

This is done through aggregation of reviews according to suppliers' monthly purchase and rating data. A supplier meeting quality requirement $\geq 75\%$ is rated A.

VICOSTONE The Art of Quartz		ASSESSMENT FORM FOR ANNUAL EVALUATION																
I. SUMMARY																		
No.	Supplier	Year												Total score				Result
		Month												%A	%B	%C	%D	
		1	2	3	4	5	6	7	8	9	10	11	12					
1																		
2																		
II. CONCLUSION																		
Sum of %A		Result		Actions														
$\geq 75\%$		Pass		Proposal to add the supplier in approved suppliers List														
$< 75\%$		Fail		Proposal to remove the supplier from approved suppliers List														
Approving person				Checking person				Evaluation person										

Assessment form for annual evaluation

ASSESSMENT AT SUPPLIER'S HEADQUARTER

Depending on the nature of each type of raw material, direct evaluation at the supplier's manufacturing site will be conducted regularly at Vicostone every 1 to 3 years.

Some key criteria for the on-site evaluation of supplier's manufacturing facilities are as follows:

Evaluation criteria		Score scale
I. Overview of supplier		10
1. Overview: Cooperation period of time, date of establishment, total factory area, number of employees, number of member companies, total output, turnover, number of lines, capacity, certificates, if any, etc.		
2. OHS system: Assess the compliance with the supplier's OHS regulations, activities/solutions implemented to protect the environment and worker's safety.		
3. Availability: Monthly/quarterly/yearly quantity, average delivery time.		
II. Raw materials evaluation		20
III. Production process evaluation		30
IV. Finished product quality M&E		30
1. Quality control procedure		
2. Number of employees		
3. Quality monitoring and evaluation equipment		
4. Finished product quality control procedure		
V. Warehousing and packaging		10
1. Finished product warehouse management		
2. Packaging		
CONCLUSION		
Ranking	≥ 80 scores	Supplier meets the Company's requirements. Continue to cooperate, negotiate and sign the contract.
	60 - 80 scores	Supplier does not fully meet the Company's requirements. Review, negotiate on the contract terms, obtain the instruction of the Company's management.
	< 60 scores	Supplier is unable to meet the Company's requirements. Terminate contracts and cooperation, obtain the instruction of the Company's management.



VI Supplier Evaluation (Continued)

Criteria of Environmental and Occupational Health and Safety Systems

Vicostone determines that a sustainable supply chain, including the participation of suppliers, is an important factor contributing to the sustainability of production and business. Vicostone always attaches great importance to the evaluation of partners according to the criteria of environmental compliance and occupational health and safety systems for the employees. Relevant wrong-doings are detailed in the evaluation report and recommendations are then sent to partners along with requirements on product quality, financial clauses, etc. In the next evaluation, if the partner in question fails to adjust or correct the recommendations, the Company will regard them as failing to meet its requirements. Depending on the level of failure and the commitment to adjust/correct of the partner, the Company will consider the continuity of the partnership.

2. Topic's Boundary

- Vicostone's solutions to ensure a stable source of supply

3. Proactive Responsiveness – Ensuring a Stable Source of Supply

In the current globalization context, the localization of supplies has become a part of core strategies which help Vicostone to proactively respond to circumstances and maintain its resources even in cases major changes in market, political and economic context affect the company's import and export activities. Increased rate of localization strengthens the company's independence and proactiveness in raw materials, production ownership, reducing the reliance on imports and foreign exchange rate fluctuation, thus enhancing its competitiveness. In the localization of raw material supply sources, Vicostone has carried out the following projects:

- Localization of Quartz sources.
- Establishment of Factories to produce Cristobalite.
- Implementation of a project to produce unsaturated polyester which is set to start operations in the second quarter of 2020.

90% of VICOSTONE® quartz products' core material is quartz (one of the toughest natural minerals). This material is completely environmental-friendly and absolutely safe for human health. The control processes ensure that 100% of input raw materials fully contain information on the applied reference standards, actual outcomes, and standard requirements which contains the following raw materials:

- Quartz stones: Provided by world leading industries such as: Belgium, India, and Turkey with good administrative systems and modern equipments, ensuring the quality of the source of raw materials for Vicostone. As quartz stone is a natural resource that has a potential risk of altering qualities, seasonal availability, and future decline, Vicostone has actively invested in R&D to conduct researches on alternative raw materials to natural quartz stones.
- Liquid virgin polyester resins: Imported directly from Singapore, Indonesia, Taiwan, and UAE. These countries have the most advanced and modern resin production technologies in the world that conform to high technical standards and offer quality and stable products. Furthermore, Vicostone is also investing in and is set to initiate its own production of Polyester by QIV/2020.



Vicostone's material warehouse

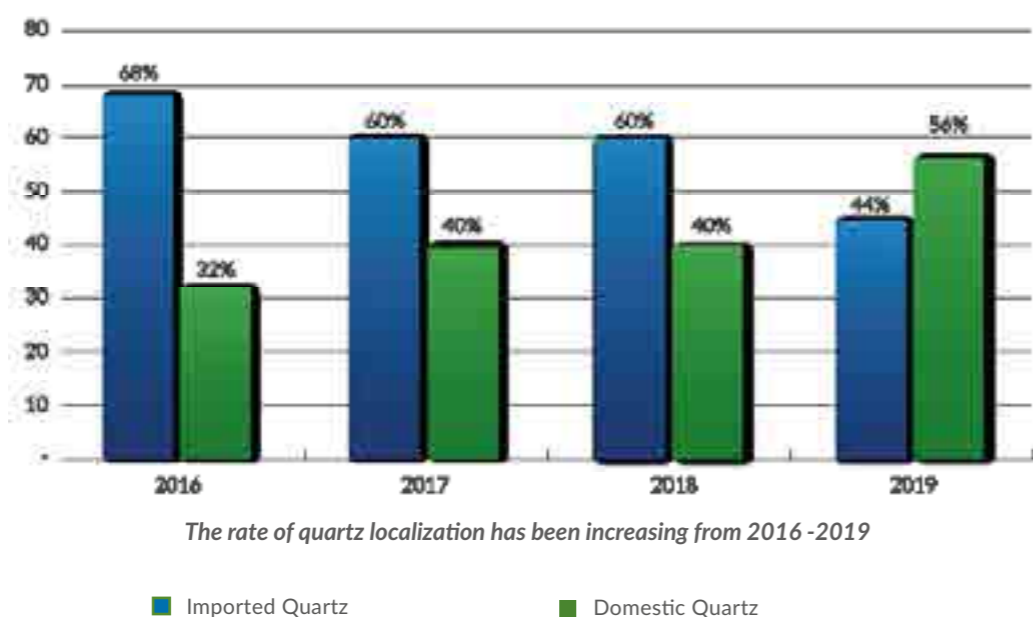
- Chemicals, coloring agents: Directly imported from countries in the European Union such as Germany, Belgium, the Netherlands and other countries like the U.S., Mexico, Australia, etc., who are able to provide necessary licenses and certificates according to European and U.S. standards. Vicostone's chemical suppliers all rank among the top of the industry, including: Wacker, Evonik, and Akzo Nobel. Every month, Vicostone organizes a meeting on raw materials between the production unit and the procurement unit to re-evaluate production plans, real inventory, and plans to ensure 3 months of inventory for core materials and 2-3 months for chemicals, and to ensure availability for unexpected and unusual events majeure events.



VI Supplier Evaluation (Continued)

Localization of input Quartz sources & Investment in Crushing and Screening Plants

The rate of quartz localization has been increasing from 2016-2019. In 2019, the proportion of domestic Quartz was 56% of total Quartz volume in the factories, representing a 16% increase from 2018. It is estimated that in 2020 – 2021, Vicostone will halt the import of Quartz and aim towards 100% localization of Quartz.



At the same time, Vicostone invested in the most modern crushing and screening system which it imported from Europe. In 2018, Vicostone upgraded its crushing and screening system from 01 to 02 chains with an increase in capacity from 1,600 tons per month to 4,000 tons per month. By 2020, the Company is expected to continue to invest in 01 additional chain in its member unit – the Hue Phenikaa Mineral Investment and Processing Company, thereby increasing the total capacity to 6,000 tons per month and meeting the total production demands of the Company.

The investment in crushing and screening plants helped the Company to maintain a stable source of input products and ensure the quality of output products, and at the same time, become more proactive in satisfying the usage requirements for particular products.

Construction of a Cristobalite Production Factory

In 2019, the Phenikaa Group completed the transaction to transfer 100% of its joint capital in the Hue Phenikaa Mineral Investment and Processing One-member Limited Liability Company to Vicostone. Receiving such transfer has helped Vicostone to increase the rate of localization of input raw materials and completely replace the Cristobalite imported from Belgium and Spain.



Factory of Phenikaa Hue

In previous years, the Company had to import this material from other countries at a high cost. In 2018, the Company decided to invest in technologies and a factory which “refine silica sands into super-white, super-smooth high quality products for use in the industrial production of Composite and other industrial products” and which was placed in the Thua Thien Hue Province, with a Phase-1 capacity of about 72,000 tons per year.

Outstanding features of Cristobalite Produced at the Hue Phenikaa Factory

- Near-absolute Purity

This is a line of product produced on the advanced chain from Germany that provides products that are of near-absolute quality and purity.

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



VI Supplier Evaluation (Continued)

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

- Superior whiteness compared to normal quartz materials



Cristobalite has a superior level of whiteness and color brightness, which is an advantage in creating Vicostone's white and pure products.

- Research and Produce UV-Resistant Polyester Resin



Vicostone White Fusion quartz - BQ8825

Polyester Resin only accounts for 10% of the mass but makes up 50% of the raw material price in producing artificial quartz stones. This raw material is mainly imported from overseas producers such as Singapore, Indonesia, Taiwan, and UAE with a total volume of 1200 tons per year. The 100% import of Polyester has driven the cost of raw materials and reduced the competitiveness of Vicostone's stone products. Therefore, the goal of localization of Polyester raw material is an urgent task that is critical to the development of Vicostone, especially during this period of stiff competition in the artificial stone production industry. At the end of 2018, Vicostone completed its art of the trade and technological processes for the production of unsaturated Polyester for the production of artificial stones with its own technologies. Since the end of 2019, the Phenikaa Group has invested in a factory to produce UV-resistant PEKN resin for internal use within the Group to produce artificial stones.

With a total initial investment capital of more than 1 trillion VND, the project began construction in November 2019 and is expected to finish and operate within 2020. The progress of the project is divided into 02 phases:



The production scale of about 2.5 million m² superscript of products per year is equal to the amount of Resin consumed, i.e., 20,000 - 50,000 tones. The project also creates the premise for Vicostone to conduct research and produce the unsaturated UV-resistant Polyester Resin product line in the future. The successful implementation of the project will help the Company to become more proactive in its research and improvement to bring about the best and most advanced products.



VII Corporate social responsibility

1. Management Approach

Vicostone defines that sustainable development is not limited to financial indicators and honored business awards. Sustainable development reflects in the added values that company can bring to all stakeholders, including the community and society. Beyond orientation, those perspectives has lied in core value, corporate culture, responsibilities for social community benefits. To date, Vicostones' activities towards community development have been implemented across 5 priorities:



2. Topic's Boundary

- Notable activities that showcase corporate social responsibility in 2019

3. Notable activities in 2019

DEVELOPING THE LOCAL COMMUNITY AND BUILDING GREEN ENVIRONMENT IN COMPANY

- In 2019, in order to alleviate hardship, and provide greater transport convenience for the local population, as well as to limit unnecessary accidents, Vicostone invested nearly 800 million VND to construct and put into use a concrete road, to replace the damaged dirt road section in Hamlet 1, Thach Hoa Commune, Thach That District of Ha Noi.
- Vicostone has also assisted in environmental protection around Thach Hoa commune through sponsorship of 30 garbage carts, worth nearly 100 million VND, to help in daily trash collection, and ensuring environmental hygiene for hundreds of households in the commune's vicinity.



Handover ceremony of the communal road to representative of the People's Committee of Thach Hoa Commune

- Started the “Vicostone – Green environment, healthy living” and “Bright Friday” programs to raise the environmental protection awareness of employees.
- Job creation, improving the livelihood of the local population: Vicostone is interested in carrying out its duties to the community through provision of employment with good pay for the majority of the local population. This will have the added benefit of maintaining social order, and stabilizing livelihoods in the neighborhood. As an industrial production company, with back office production units working in shifts, the company gives priority to recruiting local employees to allow for ease of commute, and form a stronger bond with their work place. The local population accounts for a high percentage of Vicostone's employees. In 2019, the number of local employees at the Company was 537 (roughly 77.6%). Their average income is VND 21,073,000/person/month.



VII Corporate social responsibility (Continued)

JOINING HANDS TO PROMOTE EDUCATION, NURTURE THE YOUNG GENERATION

• Full funding support for all operational expense for Vicostone Kindergarten

In order to give its employees and the local population peace of mind about childcare, Vicostone has turned the 1st floor of its Phenikaa apartment (roughly 1 km away from its main factory) into a kindergarten for its staff. In addition to learning activities, children can participate in fun and outdoor activities, encouraging creative freedom to allow for both physical and mental development. Vicostone provides full funding of over VND 1 billion/annum for the operation of the kindergarten. In 2019, the Company organized many activities to welcome Vietnamese Teachers' Day on November 20, Children's Day on June 1, Mid-Autumn Festival, book-givings, and gifts to children... and many other exciting activities. The kindergarten also lends its service to the local population.



Vicostone kindergarteners singing on back to school day

• Working together to raise capacity, and training programs for undergraduate students

As one of the core businesses in industrial production and technology of the Phenikaa ecosystem, Vicostone is truly an experience for students. Students are allowed to visit, learn and experience firsthand the business environment under the dedicated guidance of Vicostone's staff. In addition, the leadership and heads of Vicostone's work units not only participate in sharing practical knowledge, work experience, and personal development for students at Phenikaa University, but also a number of other Universities in the Ha Noi area. This helps youngsters better understand and have a more hands-on view of the knowledge and skills required, those that need to be



Employees engage in discussions and learn from the work experiences of Vicostone executives

cultivated further to meet the needs of the labor market and effectively apply to learning and research. Vicostone is also committed to creating employment opportunities for students who excel academically, those that can satisfy the Company's demand, and pass its bar for quality upon graduation.

• Empirical environment, and a place for scientific, applied research projects to be realized

With the aim of becoming a leading enterprise in smart production, Vicostone will become a place for application, technology transfer, and experimentation of research projects from Phenikaa University, institutes and other research centers, to solve real business problems for the Group and meet socioeconomic needs. Together with the Phenikaa Group's Innovation Fund, Vicostone contributes in no small part, to nurturing and developing the scientific talents, capable of delivering breakthrough research, transfer knowledge and bring value to businesses, communities and society.

Vicostone believes that "Economic development must be linked to sustainable development, environmental protection and corporate social responsibility". The community-oriented actions are voluntary, conducted in a responsible manner, and is proof of the desire to contribute to the common development goal of the company leadership and employees. Vicostone people will continue to implement and expand community activities to build a sustainable society with its deeply philanthropic business culture.





04

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Vicostone Cinza quartz - BQ8808






VICOSTONE
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