

*years*  
**20**

**JOURNEY OF  
VICOSTONE®  
SAIL TO OPEN SEA**

**SUSTAINABLE  
DEVELOPMENT REPORT  
2022**

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# MESSAGE FROM THE CHAIRMAN OF THE BOARD OF DIRECTORS



## **To Our valued Shareholders, Customers, and Partners,**

Vicostone JSC would like to express our most sincere greetings and well wishes for health, happiness, and success.

Over 20 years of building and developing (2002- 2022), the proactiveness, adaptability, and relentlessness of our collective staff, in shared visions with the Board of Directors, have firmly established VICOSTONE® as an internationally recognized brand that reaches beyond the border of Vietnam.

Our story began in 2002 with the predecessor of Vicostone JSC: the founding of Vinaconex Advanced Compound Stone Plant aimed at providing new materials for the construction industry in Vietnam. After two decades of highs, lows, and challenges, Vicostone has expanded beyond Vietnam and become the third largest- suppliers of engineered stone countertops to the global market, according to an independent ranking by Freedonia (U.S.). We have maintained our position as the top reputable building material company in Vietnam--in the category of tile and stone material-- according to the Vietnam Report. Also, VICOSTONE® has continuously been honored with the title of Vietnam Value.

We take great pride in building a Vietnamese brand that embodies a unique identity, and vitality, which has then reached a distinguished international stature. VICOSTONE® integrates a conscious business culture that balances the interests and responsibilities between relevant stakeholders, society, and the country. Our products are currently available in over 50 countries across five continents, enhancing the quality of life, and providing spaces filled with positive energy, creative inspiration, and artistic flavor. This is a testament to our strengths in human resources, systems technology, our proactive and flexible business strategies, and our unique branding strategies. These are supported by significant investments in technology and R&D, as well as continuous innovation to create trend-leading products that meet the market's needs. Through these efforts, Vicostone has established its reputation and class, both domestically and internationally, with the mindset of a Vietnam enterprise sailing out to the open sea: always pioneering, relentlessly striving, daring to think and act, and resolutely committing to strategic goals.

Today, Vicostone has built mutual tight-knit collaborations with over 10,000 distributors worldwide, creating jobs and stable incomes for thousands of employees, annually contributing hundreds of billions of VND to the State budget, and actively fulfilling social responsibilities.

The world is presently navigating a challenging and uncertain period with the aftermath of the COVID-19 pandemic and geo-political instability.

2023 is also projected to be a challenging year, marked by numerous domestic business uncertainties, as well as economic and political factors from the global market. Amidst such challenges, a consistent commitment to sustainable development could be the businesses' shield to avoid negative impacts from the economic environment and return to their growth cycle. Therefore, Vicostone remains committed to its sustainable strategies, intensifying its innovative and R&D activities to differentiate products towards sustainable, eco-friendly materials. Our journey continues in pursuit of "The Art of Quartz" with a profound understanding of the market and customers. Vicostone shall maintain our brand position as the premier choice for experts and global consumers.

*With sincere gratitude*

**HO XUAN NANG**  
CHAIRMAN OF THE BOARD

# REPORT

**Subject: Ensuring the reliability of Sustainable Development Report**

To: Vicostone Joint Stock Company

To ensure the reliability and accuracy of some indicators in the 2022 Sustainable Development Report, as well as the accordance of the said indicators with the current GRI (Global Reporting Initiative), the Audit Committee has conducted its review and provided limited assurances to some of the indicators of Sustainable Development for 2022.

## Responsibility of the Board of Management

The Board of Management has the responsibility to prepare and present the 2022 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 controls which it deems necessary to ensure the accuracy and reliability of information and reasonableness to statistics in the 2022 Sustainable Development Report.

## Responsibility of the Audit Committee

The Audit Committee has the responsibility to provide limited independent assurance on the information related to 2022 Sustainable Development indicators which have been selected in accordance with stipulations under the Decree No. 05/2019/ND-CP dated January 22, 2019 by the Government on internal audit, the Regulation on the operation of the Audit Committee, the Handbook on internal audit of the Company, the International Standards on Internal Audit, with reference to the provisions of Standard No. 3000 on services guarantee and past financial information control (issued together with Circular No. 66/2015/TT-BTC dated May 08, 2015 of the Ministry of Finance). These stipulations require the internal auditors to comply with the Professional Ethical Standards and risk-based sampling procedures, from inspection planning to implementation, in order to provide an independent view of the 2022 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, invoices and other documents from the Company and suppliers.

## Scope of review

The Audit Committee has inspected the content and presentation of the 2022 Sustainable Development Report on the basis of the GRI Reporting Standards and the actual production and business performance of Vicostone in 2022.

## Conclusion

Based on the above-mentioned procedures, the Audit Committee agrees that, the 2022 Sustainable Development Report of Vicostone has been conducted and presented in accordance with the material topics, the current GRI Standards and Vicostone's actual operations for the financial year ended December 31, 2022.

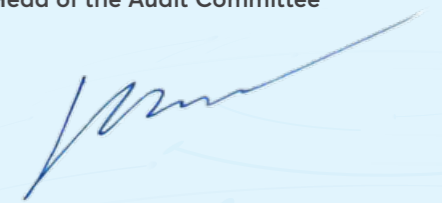
## Recipients:

- As above
- Chairman of the Board of Directors (to report);
- Record kept at Archives, Audit Committee

Hanoi, August 15, 2023

**ON BEHALF OF THE AUDIT  
COMMITTEE**

**Head of the Audit Committee**



Nguyen Quang Hung





# OVERVIEW OF VICOSTONE

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# OVERVIEW OF VICOSTONE

Vicostone is the third-largest supplier of engineered stone countertops to the global market. The Company has set up a broad network across 50 countries, with more than 10,000 agencies and partners in all five continents, as well as secured the intellectual property right for its brand VICOSTONE® in 66 countries.

International name:  
**Vicostone Joint Stock Company**

Abbreviated name:  
**Vicostone**

The certificate of business registration: 0500469512 issued by the Hanoi Department of Planning and Investment on June 2, 2005, and registered for the 19<sup>th</sup> amendment on August 25, 2022.

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

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

☎ Tel: +84 3368 5826

📠 Fax: +84 3368 6652

✉ Email: [quanhecodong@vicostone.com](mailto:quanhecodong@vicostone.com)

🌐 Website: <https://vicostone.com>

Stock name:  
**Share of Vicostone Joint Stock Company**

Par value:  
**VND 10,000**

Stock code:  
**VCS**

Amount of issued and listed shares:  
**160,000,000 shares**  
on the Hanoi Stock Exchange (HNX)

Amount of treasury shares:  
**0 shares**

Amount of outstanding shares:  
**160,000,000 shares**

## Responsible for information disclosure since 2023

Mr. Pham Tri Dung  
Title: General Director of Vicostone Joint Stock Company  
☎ Tel: +84 24 3368 5826  
📠 Fax: +84 24 3368 6652  
📍 Address: Hoa Lac Hi-Tech Park, Thach Hoa Commune, Thach That District, Hanoi, Vietnam.

The BOD of Vicostone announces that it has appointed Mr. Pham Tri Dung as a new General Director, effective from February 27, 2023.





# VISION, MISSION, STRATEGIC ORIENTATION

## VISION

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



## MISSION

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



## STRATEGIC ORIENTATION

Smart industrial production is positioned as the core business while eco-friendly materials and hi-tech products are the spearheads, focusing on engineered quartz stone and advanced composite materials.





## CORE VALUES

### Reliability

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

- High-quality human resource equipped with the knowledge, talent, responsibility, passion, creativity and can-do attitude;
- Satisfaction and trust of each employee, customer, and shareholder as Vicostone's ultimate goals;
- 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.

### Pioneership

In advanced technologies and materials to become the market trend creator and achieve eco-friendly, sustainable development.

### Inspiration

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

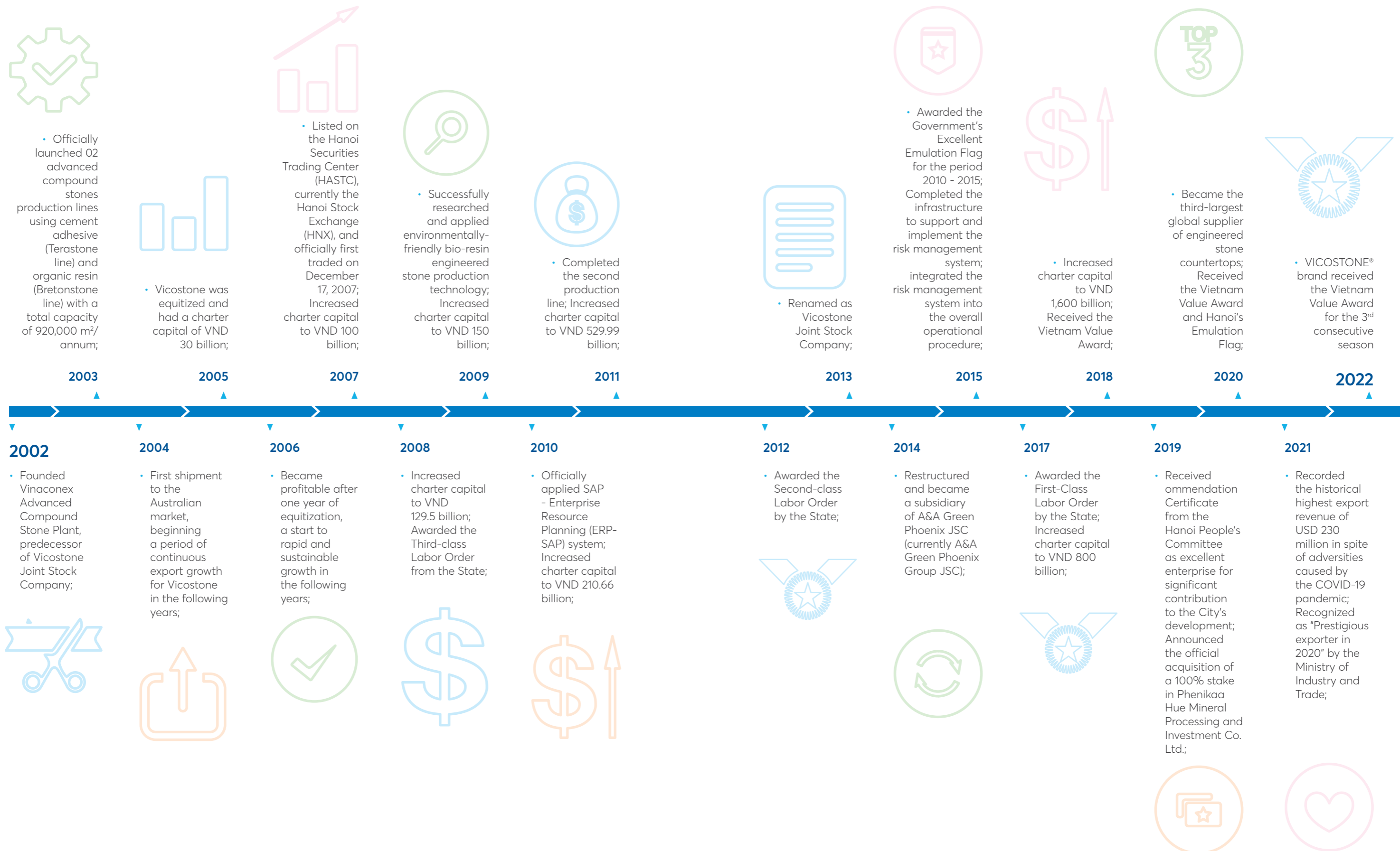
## COMPREHENSIVE QUALITY MANAGEMENT EXCELLENCE

The quality of our products is aligned with customers' expectations. Our customers purchase products and services which meet their needs and expectations at costs appropriate to usage;

- Comprehensive quality excellence can be best achieved through risk prevention rather than repair;
- 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 satisfaction; Each employee is responsible for helping others improve their job quality;
- Comprehensive quality excellence requires continuous improvement in every process. Every employee is encouraged to evaluate their current performance and to find ways to improve;
- Employees deliver insights and necessary actions to make continuous improvements;
- Optimal enterprise resource planning and modern technology-based enterprise governance are critical to sustainable development and professionalism.



# DEVELOPMENT HISTORY





# AWARDS



Vicostone JSC received the First-class Labor Order

## AWARDS FROM THE STATE



FIRST-CLASS LABOR ORDER



SECOND-CLASS LABOR ORDER



THIRD-CLASS LABOR ORDER



VIETNAM VALUE  
(2018, 2020, 2022)



GOVERNMENT'S LEADING EMULATION FLAG  
(2013, 2014)



GOVERNMENT'S EXCELLENT EMULATION FLAG  
(2008, 2010, 2015)



## AWARDS FROM PRIVATE INSTITUTIONS



Vicostone JSC was honored among the Top 100 Sustainable Businesses in Vietnam



**7 CONSECUTIVE YEARS IN TOP 100 SUSTAINABLE BUSINESSES IN VIETNAM.**  
By VCCI in coordination with the Ministry of Natural Resources and Environment (MONRE), the Ministry of Labor, Invalids and Social Affairs (MOLISA) and the Vietnam General Confederation of Labor (VGCL) (From 2016 to 2022)



**8 CONSECUTIVE YEARS IN TOP 50 VIETNAM'S LISTED COMPANIES.**  
By Forbes Vietnam (From 2015 to 2022)



**8 CONSECUTIVE YEARS IN TOP 50 VIETNAMESE COMPANIES.**  
By Nhip Cau Dau Tu Magazine in tandem with Thien Viet Securities (From 2015 to 2022)



**6 CONSECUTIVE YEARS IN TOP 10 MOST REPUTABLE BUILDING MATERIAL COMPANIES.**  
By Vietnam Report and Vietnamnet (From 2017 to 2022)



**8 CONSECUTIVE YEARS IN TOP 500 BIGGEST ENTERPRISES IN VIETNAM (VNR500)**  
(From 2015 to 2022)



**12 CONSECUTIVE YEARS IN 500 FASTEST GROWING ENTERPRISES IN VIETNAM (FAST500)**  
(From 2011 to 2022)



**14 CONSECUTIVE YEARS IN TOP 10/TOP 30 BEST ANNUAL REPORTS**  
(From 2009 to 2022)



Along with various honorable titles and awards from the State and other prestigious organizations



# ACQUA SERIES

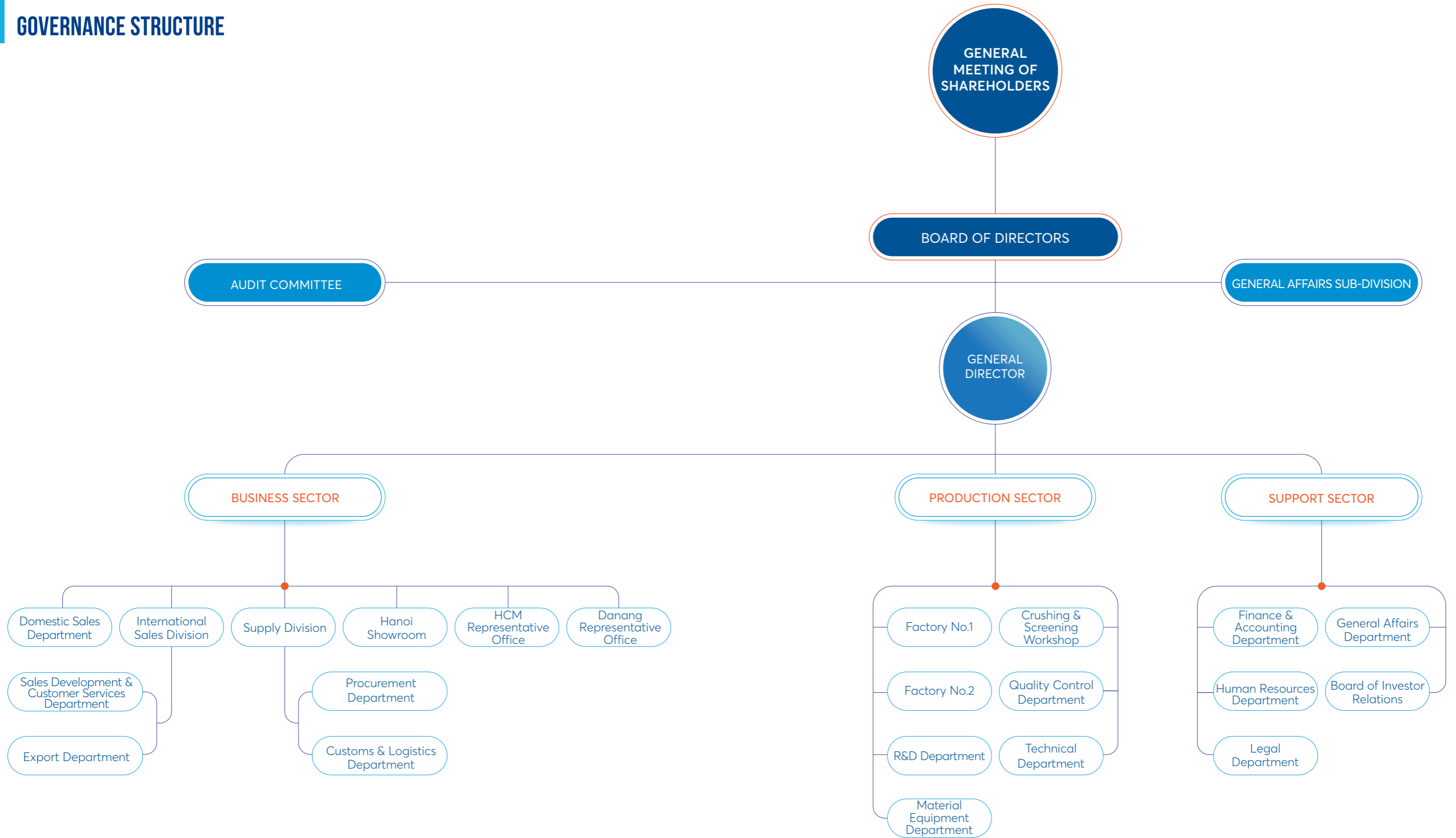
## BQ8925





# GOVERNANCE STRUCTURE, LABOR STRUCTURE AND MANAGEMENT APPARATUS

## GOVERNANCE STRUCTURE



# MANAGEMENT APPARATUS (AS OF 31 DECEMBER, 2022)

## 1. Board of Directors



Mr. Ho Xuan Nang

### CHAIRMAN OF THE BOARD OF DIRECTORS

Year of birth: 1964

*(Non-executive member)*

#### Professional qualifications:

- Associate Professor, Doctorate of Mechanical Engineering;
- Master of Business Administration

#### Titles at other companies:

- Chairman of the Board of Directors – General Director of A&A Green Phoenix Group JSC;
- Chairman of the Board of Directors of Phenikaa-X JSC;
- Chairman of the Board of Directors of AQP Research and Control Pharmaceuticals JSC;
- Chairman of the Board of Directors of Vinh Thien Medical JSC;
- Chairman of the Council of Phenikaa University;

#### Professional experience:

- From June 12, 2014 – present: Chairman of the Board of Directors of Vicostone JSC;
- From April 18, 2013 – June 12, 2014: Vice Chairman of the Board of Directors of Vicostone JSC;
- From April 18, 2013 – June 12, 2014: Vice Chairman of the Board of Directors of Vicostone JSC;

- From April 2012 – April 2013: Chairman of the Board of Directors of Vinaconex Advanced Compound Stone JSC (now Vicostone JSC);
- From March 2007 – March 2012: Chairman of the Board of Directors – General Director of Vinaconex Advanced Compound Stone JSC;
- From June 2005 – March 2007: Director of Vinaconex Advanced Compound Stone JSC;
- From July 2004 – May 2005: Director of Vinaconex Advanced Compound Stone Factory;
- From January 1999 – July 2004: Vice Chief of Office of Vinaconex Corporation
- From March 1996 – January 1999: Quality Director; Production Director of the Ford Vietnam Factory – Hai Duong;
- From 1994 – March 1996: Institute of Vietnam Agricultural Electromechanics;
- From 1986 – 1993: Researcher and lecturer of Hanoi University of Science and Technology.



Ms. Tran Lan Phuong

### MEMBER OF THE BOARD OF DIRECTORS

Year of birth: 1988

*(Non-executive member)*

#### Professional qualifications:

- Master of Business Administration
- Bachelor of Economic Law

#### Titles at other companies:

- Vice General Director of A&A Green Phoenix Group JSC;
- Member of the Council – Phenikaa University;
- Chairman of the Board of Directors of Phenikaa Education Investment and Development JSC;
- Member of the Board of Phenikaa MaaS Technology JSC;
- Member of the Board of Nam Hung JSC.

#### Professional experience:

- From April 12, 2019 – present: Member of the Board of Directors of Vicostone JSC;
- From August 4, 2015 – April 12, 2019: Member of the Board of Supervisors of Vicostone JSC;

- From October 2014 – August 2015: Assistant to General Director of Vicostone JSC;
- From March 2013 – October 2014: Vice Chief of Office of Vicostone JSC;
- From November 2010 – March 2013: Executive of Legal and External Relations Department of Vicostone JSC;
- From March 2010 – November 2010: Consultant executive of Applied Professional Training Corporation (Aprotrain).



Mr. Pham Anh Tuan

### MEMBER OF THE BOARD OF DIRECTORS

Year of birth: 1981

#### Professional qualifications:

- Doctorate of Polymer and Composite Materials
- Master of Business Administration

#### Titles at other companies:

- Vice General Director of A&A Green Phoenix Group JSC;
- Member of the Board of Directors of Vietnam Stone Work-top Fabrication JSC;
- Chief Executive Officer of Phenikaa Education Investment JSC;

#### Professional experience:

- From December 15, 2016 – December 31, 2022: Member of the Board of Directors – General Director of Vicostone JSC;
- From October 14, 2014 – December 14, 2016: Vice General Director of Vicostone JSC;

- From March 2013 – October 2014: Director of Production Plant No. 2 cum Director of R&D Center – Vicostone JSC;
- From July 2009 – March 2013: Director of R&D Center of Vinaconex Advanced Compound Stone JSC (now Vicostone JSC);
- From October 2006 – June 2009: Manager of Quality and Technology Department of Vinaconex Advanced Compound Stone JSC;
- From July 2005 – October 2006: Manager of Technology Department of Vinaconex Advanced Compound Stone JSC.



Ms. Nguyen Dieu Thuy Ngoc

### MEMBER OF THE BOARD OF DIRECTORS

Year of birth: 1972

*(Non-executive member)*

#### Professional qualifications:

- Bachelor of Economics

#### Titles at other companies:

- Chief Accountant of Sec G3 Center JSC.

#### Professional experience:

- From June 2016 – December 31, 2022: Member of the Board of Directors of Vicostone JSC;

- From August 4, 2015 – June 30, 2016: Member of the Board of Supervisors of Vicostone JSC;
- From September 1996 – October 2014: General Accountant of Export-Import and International Manpower Supply JSC.



## 1. Board of Directors (As of 31 December, 2022)



Mr. Nguyen Quang Hung

**MEMBER OF THE BOARD OF DIRECTORS**

Year of birth: 1970

*(BOD Independent member)*

**Professional qualifications:**

- Master of Economics

**Titles at other companies:**

- Chairman of HCH Thang Long Trade and Investment Co. Ltd.

**Professional experience:**

- From May 2020 – present: Member of the Board of Directors of Vicostone JSC;
- From 2016 – present: Chairman of HCH Thang Long Trade and Investment Co. Ltd.;

- From 2008 – 2015: Official of Global Petroleum Bank (GPBank);
- From 2006 – 2008: Official of Hai Duong ShipBuilding Company;
- From 2002 – 2005: Official of Tradevico Co. under the Ministry of Transport;
- From 1998 – 2001: Official of Vietnam Coffee Corporation.

## 2. The Audit Committee (As of 31 December, 2022)



Mr. Nguyen Quang Hung

**HEAD OF AUDIT COMMITTEE**

Year of Birth: 1970

*(See Members of the Board of Directors)*



Ms. Nguyen Dieu Thuy Ngoc

**MEMBER OF AUDIT COMMITTEE**

Year of Birth: 1972

*(See Members of the Board of Directors)*

## 3. Board of Management & Chief Accountant (As of 31 December, 2022)



Mr. Pham Anh Tuan

**GENERAL DIRECTOR**

Year of Birth: 1981

*(See Members of the Board of Directors)*



Mr. Luu Cong An

**VICE GENERAL DIRECTOR**

Year of Birth: 1965

**Professional qualifications:**

- Dynamics Engineer

**Titles at other companies:**

- Chairman the Board of Directors of Vietnam Stone Work-top Fabrication JSC;
- Chairman of the Board of Directors of Tran Long Industry JSC;
- Member of the Board of Directors, Vice General Director of A&A Green Phoenix Group JSC.

**Professional experience:**

- From March 2007 – present: Vice General Director of Vicostone JSC;
- From March 2007 – August 4, 2015: Member of the Board of Directors of Vicostone JSC;

- From May 2005 – February 2007: Vice Director of Vinaconex Advanced Compound Stone JSC (now Vicostone JSC);
- From December 2004 – April 2005: Manager of Bretonstone Workshop of Vinaconex Advanced Compound Stone JSC;
- From October 2004 – November 2014: Manager of Technical Department of Vinaconex Advanced Compound Stone JSC;
- From 2000 – October 2014: Vice Manager of Design Department of Song Cong Diesel Company.



Mr. Pham Tri Dung

**VICE GENERAL DIRECTOR**

Year of birth: 1971

**Professional qualifications:**

- Master of Science
- Master of Business Administration

**Titles at other companies:**

- Member of the Board of Directors, Vice General Director of A&A Green Phoenix Group JSC;
- Member of the Board of Phenikaa Hue Mineral Processing & Investment One Member Co.Ltd.;
- Member of the Board of Directors of Bao Toan A Corporation.

**Professional experience:**

- From March 2007 – December 31, 2022: Vice General Director of Vicostone JSC;

- From March 2007 – August 4, 2015: Member of the Board of Directors of Vicostone JSC;
- From February 2005 – March 2007: Vice Director of Vinaconex Advanced Compound Stone JSC;
- From June 2004 – February 2005: Manager of Market Planning Department of Vinaconex Advanced Compound Stone JSC;
- From August 2001 – June 2004: Vice Manager of Labor Export Department of Vinaconex Trading JSC – Vinatra.

### 3. Board of Management, Chief Accountant (continued)



Mr. Nguyen Chi Cong  
**VICE GENERAL DIRECTOR**  
Year of birth: 1981

- Professional qualifications:**
- Control Engineer
- Titles at other companies:**
- Chairman of the Board of Directors of Style Stone JSC;
  - Chairman of the Board of Members of Phenikaa Hue Mineral Processing and Investment One – Member Co. Ltd.;
  - Chairman of the Board of Directors of Bao Toan A Corporation.
- Professional experience:**
- From August 2017 – present: Vice General Director of Vicostone JSC;
  - From January 2013 – July 2017: Director of Style Stone JSC;
  - From June 2011 – December 2012: Director of Production Department of Style Stone JSC;
  - From September 2009 – May 2011: Vice Director cum Manager of Bretonstone Workshop of Style Stone JSC;
  - From January 2009 – August 2009: Director of Production Department of Vinaconex Advanced Compound Stone JSC (now Vicostone JSC);
  - From September 2004 – December 2008: Engineer of Vinaconex Advanced Compound Stone JSC.



Mr. Dong Quang Thuc  
**VICE GENERAL DIRECTOR**  
Year of birth: 1985

- Professional qualifications:**
- Master of Chemical Sciences
  - Master of Business Administration
- Titles at other companies:**
- N/A
- Professional experience:**
- From May 2021 – present: Vice General Director of Vicostone JSC;
  - From August 2015 – May 2021: Manager of R&D Department of Vicostone JSC;
  - From April 2014 – August 2015: Vice Manager of R&D Department of Vicostone JSC;
  - From August 2008 – April 2014: Engineer of R&D Department of Vicostone JSC.



Ms. Nguyen Phuong Anh  
**CHIEF ACCOUNTANT**  
Year of birth: 1986

- Professional qualifications:**
- Bachelor of Accountancy
- Titles at other companies:**
- N/A
- Professional experience:**
- From August 2022 – present: Chief Accountant of Vicostone JSC;
  - From August 2015 – August 2022: Vice Manager of Finance and Accounting Department of Vicostone JSC;
  - From August 2010 – August 2015: Accountant of Vicostone JSC.

### 4. Salaries and bonuses for the BOD and BOM members in 2022

The details of salaries and bonuses for the BOD and BOM members in 2022 are as below:

Unit: VND

NAME	TITLES	INCOME PERIOD	INCOME
Mr. Ho Xuan Nang	Chairman of the BOD	Annual	3,922,901,283
Mr. Pham Anh Tuan	Member of the BOD, General Director	Annual	2,985,868,571
Mr. Nguyen Quang Hung	Member of the BOD, Chairman of the AC	Annual	170,000,000
Ms. Nguyen Dieu Thuy Ngoc	Member of the BOD, Member of the AC	Annual	120,100,000
Ms. Tran Lan Phuong	Member of the BOD	Annual	60,000,000
Mr. Pham Tri Dung	Vice General Director	Annual	3,010,919,767*
Mr. Luu Cong An	Vice General Director	Annual	2,953,179,767
Mr. Nguyen Chi Cong	Vice General Director	Annual	2,739,710,000
Mr. Dong Quang Thuc	Vice General Director	Annual	1,609,341,207
<b>TOTAL</b>			<b>17,572,020,595</b>

\* In 2022, Mr. Pham Tri Dung was concurrently a member of the Board of Directors of Phenikaa Hue Minerals Processing and Investment Company Limited. This is the consolidated income of Mr. Pham Tri Dung at Vicostone Joint Stock Company, Phenikaa Hue Mineral Processing, and Investment Company Limited.



# PRODUCTS, TECHNOLOGY AND MARKETS



## PRODUCTS

After two decades, VICOSTONE® takes pride as a Vietnamese brand present in more than 50 countries, maintaining its position as the third largest supplier of engineered stone countertops in the global market and number one in Vietnam. One of the keys for Vicostone to maintain its position is its innovative, distinctive, and inspiring branding strategy that shapes the world's engineered stone market trend.

Vicostone followed the strategy of "differentiation to become unique" with steadfast investment in technology, research, and development to position Vietnamese engineered stone on the world map. VICOSTONE® wins customers' hearts and strengthens its brand reputation by being present in the loving home spaces of millions of dwellings and world-class buildings such as the Marriott Hotel chain, Hilton Garden Inns, Crowne Plaza, Sheraton, Park Hyatt, and high-end commercial buildings such as the Las Vegas City Center, Apple Campus (the U.S.), Sydney Airport (Australia), and Interlomas Mall (Mexico). Perfection crystallized in each product through blending "Technology - Intelligence - Creativity" and balancing

distinguished natural features that evoke emotion are the keys to making VICOSTONE® a market leader that stands out from our competitors.

The first product that marked the milestone success of Vicostone's competitiveness-via uniqueness strategy was VICOSTONE® Quasar Light BQ100, which is super white, super smooth and outperforms all quartz-based engineered stones on the market in 2010. This product led to impressive growth in the Company's export revenue, attracting great attention from the international engineered stone market at that time. It remains popular and regarded as the "whitest" quartz stone in the world.

Just one year after the launch of BQ100, at the world's biggest stone trade fair in Marmomac (Italy), Vicostone continued to resonate globally for the introduction of a quartz-based engineered stone model that faithfully reproduces the elegant beauty of Calacatta - the queen of natural stone. Rare and difficult to exploit in nature, Calacatta was the quest for many engineered stone manufacturers worldwide to try manufacturing but failed to achieve.

The launch of the VICOSTONE® Calacatta BQ8270 product is considered a revolution, marking the pioneering era of VICOSTONE®, paving the way for the development trend of engineered Calacatta quartz stone manufacturing worldwide to this day. Not only satisfied with timeless products, every year Vicostone continues to launch different and unique products that are welcomed by the market. Concrete proof of this important step is the introduction of signature product lines such as: The first wood grain reminiscent product on quartz-based stone VICOSTONE® Eramosa BQ9602; or Ice Lake Statuario BQ8628; Dance of Thunder Nero Marquina BQ8740, and others.

In 2022, VICOSTONE® continued its inspiring journey of "The Art of Quartz" through the launch of VICOSTONE® Aqua Series, applying the technique of interwoven multi-layers and stacked grain and colors to create the depth for product surface. As this is a difficult and relatively new technique in the market, VICOSTONE® Aqua Series received customers' attention and appreciation right after the launch.

With a solid foundation in technology, know-how and R&D, along with 20 years of experience in the quartz stone

industry, Vicostone is one of the few companies in the world and the only one in Vietnam that successfully simulates all 5 major designs of surface materials, including: natural stone; wood; cement; metal and terrazzo.

Vicostone's 20-year journey marked our footprints across 5 continents, contributing to the creation of energetic, creative and artistic living spaces in more than 50 countries.

This is the result of a conscious business development strategy with the philosophy of "Realizing all commitments", best satisfying customers' needs and contributing to the overall development of VICOSTONE®'s customer communities.





*Vicostone's engineers examine and monitor the production line on a frequent basis to ensure the system's safety and stability*

## TECHNOLOGY

From the first day of its establishment, Vicostone has invested in machinery transferred from Breton Technology S.p.A (Italy) - the leading stone technology in the world. With the support from the parent company- Phenikaa Group, Vicostone has completed the localization strategy and taken control of the supply chain, owning more than 95% of input materials. In which, Cristobalite is produced at Phenikaa Hue Factory, the world's second largest Cristobalite factory using modern technology from Japan and Europe in combination with Vicostone's technological know-how. Scientific and technological research is also a key strategy contributing to establishing a pioneering position, proactive and sustainable development throughout Vicostone's development journey.

Vicostone products are manufactured with "Compaction by vibro-compression under vacuum" technology using machinery transferred from Breton S.p.A (Italy), combined with technological and mechanical innovations that have been mastered by Vicostone engineers. The slab-shaping process is implemented through a modern, highly-automated production line, in which each step is strictly overseen as follows:

- **Insert input materials:** The materials are inspected and measured automatically in compliance with a pre-existing formula before being imported into the mixer.

- **Mix materials:** Materials to be blended thoroughly in the preprogrammed mixer then moved into the mold.
- **Molding:** After being blended, the materials are extracted into the standard-sized molds. The largest mold is 3,340mm long and 1,650mm wide.
- **Vibro-compress:** Next, the slab is automatically weighed, and moved into the vibro-compression machine, in which the slab is vibrated and compressed under a pressure of 100 tons to make an ultimately dense, hard slab.
- **Curing:** The vibrated, compressed slab is then cured and settled to make sure chemical reactions are fully completed.
- **Grinding:** 24 hours after the curing and settlement, the slab is grinded to form the expected perfect output.
- **Quality control and branding:** Before the production ends, the slab is checked, classified and labeled to make sure it is always at the highest quality upon delivery.

With an advanced technology platform, a high degree of automation and breakthrough innovations, pure materials, and absolute safety for the environment and users, VICOSTONE® products have outstanding strengths that are not available in the natural or engineered stone products with other technologies.

## MARKET

Along 20 years of development, VICOSTONE® from a Vietnamese local brand had become the Top 3 largest suppliers of engineered stone countertops to the global market (according to an independent research from Freedonia, U.S.). The Company exported and sold products in more than 50 countries, spanning over five continents with more than 10,000 local sellers/partners.

After 2 years under severe impact of the COVID pandemic, 2022 continued to be a difficult year for the world economy. With the main source of revenue from export, Vicostone's business results in 2022 were greatly influenced by global macroeconomic factors. The war between Russia and Ukraine along with rising inflation has taken a toll on all economic sectors, leading to an increase in transportation and material costs.

Meanwhile, the demand for stone products decreased since they are not in the group of essential goods. At the same time, rising interest rates also cause difficulties for the real estate sector, as real estate businesses and home buyers often use bank loans. Vicostone also faces many challenges in competing with other industry rivals of the middle class segment with more affordable prices. Besides, engineered stone products also have to compete with natural stone, ceramic and sintered stone, porcelain in medium to high-end civilian applications in most markets, especially in Australia, Canada, U.S.. Therefore, the company's orders and revenue decreased in most markets, especially the key markets including North America and Europe.

In Vietnam, after years of focusing on investment in integrated marketing and communication activities, Vicostone strengthened its brand awareness, built trust, and remained the top choice of domestic consumers. Currently, in addition to the showroom in Hanoi and two representative offices in Ho Chi Minh City and Da Nang, VICOSTONE® products are present in more than 1,000 retail agencies nationwide and countless high-end hotels and residences as well as several of Vietnam's symbolic constructions, such as Landmark 81, Hong Ngoc - Phuc Truong Minh medical system, Golden Gates restaurants, Winmart retail chains, and others.

Facing the common difficulties of the global economy along with fierce competition from its rivals, Vicostone has proactively deployed many flexible solutions to minimize risks in production and business. Accordingly, the Company continues to invest in R&D to develop several new products; and reviews its system to respond to possible

anti-dumping and countervailing duty investigations when exporting to the U.S.. Furthermore, the Company continues to implement materials localizing strategy to minimize the risk of dependence on imports and the risk of exchange rate fluctuations. This has helped Vicostone optimize most of the costs and build a competitive advantage. In the coming year, the Company will strive to continue reducing costs and increasing its competitive advantage as several other businesses have been now facing difficulties due to the disruption in the global supply chain.



*Customers were introduced to VICOSTONE products at the Vietbuild exhibition*

With the mission to realize all commitments, Vicostone has always been a creative pioneer in manufacturing products of unique artistic values with top quality during our 20 years of establishment. Although the domestic and global economic situation in 2022 remains tough with challenges, Vicostone still maintains its business operations, continues to affirm its position with the right business strategy, sensible adaptation and efficient transformation.





# SUSTAINABLE DEVELOPMENT REPORT 2022 OF VICOSTONE

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# SUSTAINABLE DEVELOPMENT REPORT 2022

In its sustainable development strategy, Vicostone has always determined that economic development must go hand in hand with community and social development, and engage stakeholders to form a sustainable, cohesive and mutually developing ecosystem. The Sustainable Development Report 2022 is the 9<sup>th</sup> year report Vicostone has independently developed, reflecting the overall picture of the Company in terms of Economy - Environment - Society. Vicostone believes that the sustainable development report is not just a simple report, but above all and most importantly is a management tool to review the management work after 01 year of operation, evaluate the impacts that the Company's business activities may have on the environment, society and people, thereby adjusting and giving direction for all activities of the Company for the following year. It is also Vicostone's declaration for its commitment to act and contribute to the joint national, regional and global efforts to build a more peaceful, stable and prosperous society.

The year 2022 marks the 20-year journey of Vicostone's construction and development, as well as 20 years of Vicostone's awareness of its roles and responsibilities

in partnerships with stakeholders, the community and society. With the value system "Conscious Culture" always penetrated in every thought and action, Vicostone has written its own history with the wisdom, acumen, confidence and bravery of a pioneering enterprise always striving for unremitting efforts. Vicostone's proud success today is not only about strong business growth numbers, awards and honors, but also building a Vietnamese brand with its own vitality and color; about bringing its brands to more than 50 countries and territories across 5 continents; about the increasing number of jobs and income for employees every year; about the environmental and social programs implemented methodically and meaningfully by the Company.

The Sustainable Development Report 2022 is like a proud mark of Vicostone people for their relentless efforts to have a sustainably developing Vicostone like today.



## STANDARDS

GRI Standards is the most up-to-date set of standards for sustainable development report, developed by the Global Reporting Initiative to proactively manage and assess the implementation of its sustainable development commitments. As GRI Standards introduces a set of criteria that applies comprehensively and systematically, clearly outlining the economic, community, environmental impacts of an organization, Vicosstone has applied the standard in its sustainable development report from 2019. This is the basis for Vicosstone 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.

Vicosstone's Sustainability Report is a GRI-compliant report for the reporting period of January 1, 2022 - December 31, 2022. The contents of the report are updated according to the latest guidelines and requirements of the standard as of the date of writing this report.

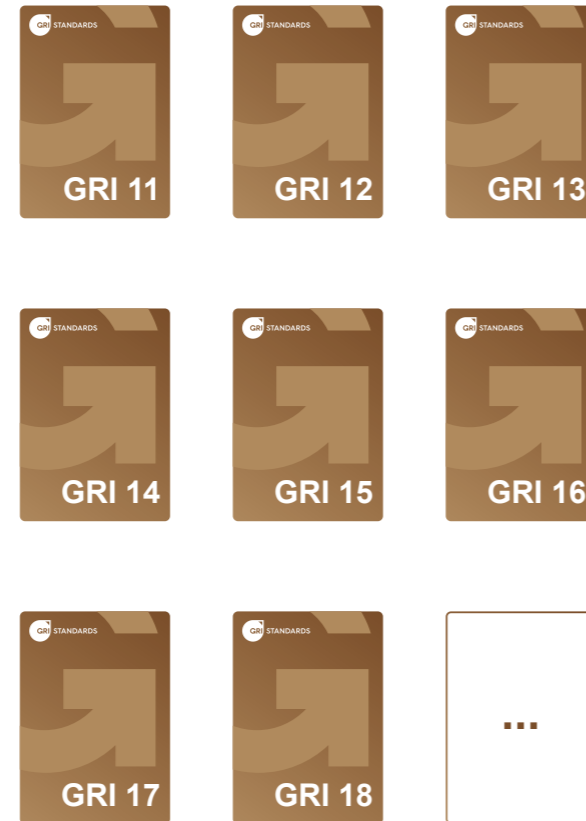


## GRI Standards

### Universal Standards



### Sector Standards



### Topic Standards





## REPORTING PRINCIPLE

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

### Reporting principles for defining the report quality:

- **Accuracy:** The report provides information that is consistent with other published reports of the Company; the data are measured by appropriate methods, ensuring that errors in the data measurement do not affect the conclusions or assessment of information users.
- **Balance:** The organization must report information objectively, presenting both negative and positive impacts that the business has on the economy, environment and society.
- **Clarity:** Information must be presented in the most accessible and understandable way; tables and graphics should be used to present visual, concise and easily understood information; avoid or minimize the use of abbreviations, jargons or technical terms...
- **Comparability:** The organization needs to consistently select and report information so that it can analyze changes in the reported themes over time or compare the report content with other reported contents.
- **Comprehensiveness:** The organization should provide adequate information about the impacts of the reporting period in accordance with the guidelines of the standards
- **Sustainable development context:** Organizations should report their impacts in the broader context of sustainable development with reference to globally recognized and declared goals/standards...
- **Timeliness:** The organization should report information on a regular basis and ensure the consistency in terms of the length of the reporting periods.
- **Reliability:** The information provided by the organization must be comparable to verify the accuracy. The organization should use internal/external auditors to enhance the accuracy and reliability of the report.

## SCOPE OF THE REPORT

The data in the report is based on measurement results from functional units/departments of Vicostone JSC. Some other data such as the results of business performance and funding for social and community activities are consolidated figures of Vicostone and its subsidiaries or data from the Parent Company - Phenikaa Group. The Company will have notes on these figures in the content of the report. Financial data are referenced according to the data of the Financial Statements for 2022 audited by an independent auditor – Ernst & Young Vietnam Company, who has audited Vicostone's financial reports since 2012 to present.

The methods of measuring, synthesizing and analyzing data for Vicostone's Sustainable Development Report 2022 have not changed compared to the previous reporting periods; no information needs to be corrected/re-reported.

## REPORTING FREQUENCY: ONCE/ANNUM

Reporting period: 01/01/2022 – 31/12/2022

## CONTACT INFORMATION

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

### Board of Investor Relations

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**Tel:** +84 24 3368 5826

**Fax:** +84 24 3368 6652

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

Your responses will be invaluable contributions to allow us better understanding of the needs and wishes of stakeholders in the timeliest and quickest manner. The feedback 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.



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# GOVERNANCE



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# VICOSTONE IN THE CONTEXT OF GLOBAL SUSTAINABLE DEVELOPMENT

## 17 SDGS AND THE 2030 AGENDA FOR SUSTAINABLE DEVELOPMENT

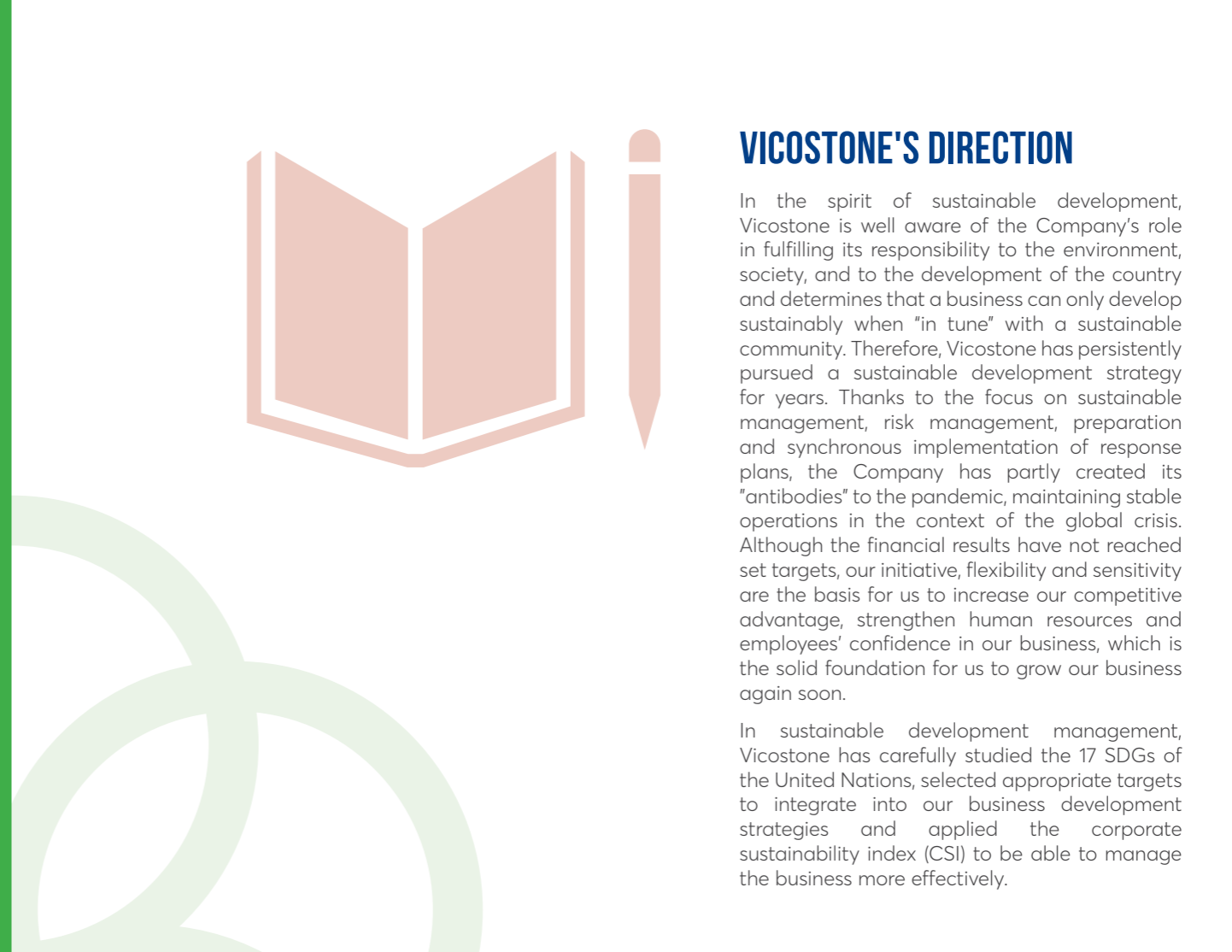
The Sustainable Development Goals (SDGs) are global actions to end poverty, protect the planet, and ensure peace and prosperity for everyone. The SDGs recognize that poverty reduction must go hand-in-hand with strategies that build economic growth and address a wide range of social needs including education, health, social protection and employment opportunities, while addressing climate change and protecting the environment. The 2023 Agenda for Sustainable Development, adopted by all UN member states in 2015, provides a common blueprint for peace and prosperity for people and the planet at the present and in the future with a focus on the 17 SDGs. Countries have been actively implementing specific action programs to achieve common socio-economic-environmental goals. However, the slowdown of the world economy and political uncertainties are having a significant impact on countries' plans to implement the SDGs.

International organizations have different opinions on the world economic growth in 2023 but agree on the forecast of a lower growth rate in 2022 from 0.5% to 1.2%. The International Monetary Fund (IMF) on April 11, 2023 forecast that the world economy will grow at 2.8% in 2023, which is 0.1% lower than the forecast growth in Jan 2023<sup>1</sup>. On March 27, 2023, the World Bank (WB) issued a warning about the world economic growth outlook, according to which the average global economic growth potential in 2022-2030 will decrease to the lowest level in three decades, i.e., 2.2% per year, ushering in a "lost decade" for the world economy. In that context, more efforts from member countries are needed to overcome the crisis, put the economy back on track and continue to pursue action programs for the environment and community.

<sup>1</sup> <http://www.hanoimoi.com.vn/tin-tuc/The-gioi/1061025/imf-kinh-te-the-gioi-se-tang-truong-o-muc-28-trong-nam-2023>







## VICOSTONE'S DIRECTION

In the spirit of sustainable development, Vicostone is well aware of the Company's role in fulfilling its responsibility to the environment, society, and to the development of the country and determines that a business can only develop sustainably when "in tune" with a sustainable community. Therefore, Vicostone has persistently pursued a sustainable development strategy for years. Thanks to the focus on sustainable management, risk management, preparation and synchronous implementation of response plans, the Company has partly created its "antibodies" to the pandemic, maintaining stable operations in the context of the global crisis. Although the financial results have not reached set targets, our initiative, flexibility and sensitivity are the basis for us to increase our competitive advantage, strengthen human resources and employees' confidence in our business, which is the solid foundation for us to grow our business again soon.

In sustainable development management, Vicostone has carefully studied the 17 SDGs of the United Nations, selected appropriate targets to integrate into our business development strategies and applied the corporate sustainability index (CSI) to be able to manage the business more effectively.

## VIETNAM'S IMPLEMENTATION OF THE 17 SDGS

Vietnam is a country that is strongly committed to the implementation of the SDGs with many approved programs such as the Vietnam Sustainable Development Strategy Orientation in 2004, the Vietnam Sustainable Development Strategy for 2011-2020, the National Action Plan for the implementation of the 2030 Agenda for 17 SDGs and 115 specific goals in line with the development conditions and priorities of the country. And most recently, on October 1, 2021, the Prime Minister approved the National Strategy on Green Growth for 2021-2030, with a vision to 2050 including ambitious goals to bring Vietnam towards the aspiration of economic prosperity, environmental sustainability and social justice. This is the clearest evidence of Vietnam's determination to choose to restructure the economy in association with renewing the growth model towards green growth.

At the Conference "Role of the National Assembly for Sustainable Development Goals" co-organized by the Committee on Foreign Affairs (under the National Assembly of Vietnam) in collaboration with the United Nations Economic and Social Commission for Asia and the Pacific (ESCAP), the United Nations Development Programme (UNDP) and the Inter-Parliamentary Union (IPU), Deputy Minister of Planning and Investment Nguyen Thi Bich Ngoc said: "According to statistics before the COVID-19 pandemic, Vietnam has the ability to achieve 5/17 SDGs by 2030, including Goal 1 on poverty eradication, Goal 2 on hunger eradication, Goal 4 on quality education, and Goal 13 on climate actions and Goal 17 on partnerships for sustainable development."<sup>2</sup>

In the ranking of countries implementing the SDGs, Vietnam increased from the position of 88/149 countries in 2016 to the position of 55 in 2022 and was considered to have a good progress overall in the implementation of the SDGs.

<sup>2</sup> <https://quochoi.vn/UserControls/Publishing/News/BinhLuan/pFormPrint.aspx?UrlListProcess=/content/tintuc/Lists/News&ItemID=63592>



# MATERIAL RISKS 2023

1

Risk of global economic recession

Risk of increased competition pressure

2

Risk of being investigated and subjected to trade remedy measures by the United States

3

Risk of persisting high inflation and interest rates

4

Risk of concentrated revenue in long-established markets

5

Environmental risks

7

6

Legal risks in international business operations

2022 marks a year full of changes and challenges for the world economy. The escalating political conflict between Russia and Ukraine; China's Zero-Covid policy; the environment of high interest rates and inflation have resulted in many consequences for the global economy.

Due to those negative influences, Vicostone has experienced a challenging 2022. However, it is also a year that shows the very important role of the risk management system, especially the Company's staff in charge. It is the proactive management of risks and timely implementation of scenarios to cope with the global volatile economic situation that have helped Vicostone achieve encouraging business performance in the context of the global economic downturn.

Following the achieved results, since the beginning of 2023, Vicostone has proactively identified risks and soon developed scenarios and solutions to respond promptly. This is both a challenge but also an opportunity to improve efficiency in the management, operation, production and business activities of the Company.



## RISK OF GLOBAL ECONOMIC RECESSION

In 2022, the world experienced waves of significant economic shocks in the aftermath of the pandemic. As we enter 2023, numerous international organizations have forecasted that the global economy will continue to confront mounting challenges, with pessimism fueled by the ongoing war in Ukraine, as well as energy and food crises. Furthermore, concerns about high inflation and persistently elevated interest rates compound the situation. As a result, the projected growth rate of the global economy is expected to decelerate and possibly even enter into a recessionary period in 2023.

The World Economic Outlook report, published by the International Monetary Fund (IMF) in January 2023, forecasts that the global economy will achieve a growth rate of 3.4% in 2022, but is projected to be declined to 2.9% in 2023. This anticipated growth rate falls below the average annual growth rate of the period from 2000 to 2019 with 3.8%<sup>1</sup>.

<sup>1</sup> <https://www.imf.org/en/Publications/WEO/Issues/2023/01/31/world-economic-outlook-update-january-2023>

<sup>2</sup> <https://openknowledge.worldbank.org/handle/10986/38030>

A study conducted by the World Bank (WB) in January 2023 indicated that global growth is likely to decrease to 1.7% in 2023<sup>2</sup>, primarily as a result of the countries central bank tight monetary policies aimed at mitigating inflation, ongoing geopolitical tensions such as the Russia-Ukraine war, and other related factors. Against the backdrop of a weakening global economy, additional adverse shocks such as higher inflation, tighter monetary policies, financial turmoil, and increased political instability could further exacerbate the situation, potentially leading to a recessionary phase in 2023.

Following the Federal Reserve's (Fed) announcement to keep the maximum interest rate at 5.1% in 2023, credit rating agency Fitch Ratings revised its projection for U.S. economic growth in 2023 from 0.5% to 0.2%. This downward revision reflects apprehensions of a potential recession, particularly in light of ClearBridge's recent announcement that 8 out of 12 fundamental indicators are signaling elevated risks of an economic downturn in the United States.

In the event of an economic recession, Vicostone may face a significant barrier in expanding its market and achieving sales targets as outlined in its business plan. From the onset of 2023, Vicostone has taken a proactive approach and devised strategies to mitigate the potential impact of a recession. In such a market scenario, Vicostone's priority will be to reduce inventory levels, negotiate favorable terms with suppliers, and implement customer-centric policies. Additionally, with robust financial resources at its disposal, Vicostone intends to focus on research and development initiatives and invest in upgrading its equipment and production lines, thereby positioning itself for future growth when market conditions become more favorable.

## RISK OF INCREASED COMPETITION PRESSURE

### 1. Competition from rival companies within the industry

Based on Breton's published data, there are 56 million square meters of engineered stone produced annually by 119 Breton<sup>3</sup> technology production lines, which include notable companies such as Cosentino, Caesarstone, Vicostone, Cambria Quartz, and Dupont. There was a further increase in the number of Breton production lines invested in during 2022, with Coante investing in the installation of two additional production lines, bringing their total to four, and Quantra Quartz (Pokanar) completing the installation of one more production lines.

Moreover, the utilization of Chinese technology in production lines is proliferating at an accelerated pace, particularly in the Asia-Pacific region, outgrowing burgeoning economies such as India, China, Vietnam, Malaysia, and Thailand. Consequently, the global competition among manufacturers of quartz stone is intensifying, particularly in the area of pricing. Notably, Chinese technology-based stone manufacturers are poised to gain a competitive edge due to their lower investment costs and cheap raw materials.

Furthermore, it is worth highlighting that the U.S. government is contemplating the relaxation of certain trade tariffs imposed on Chinese products during the Trump administration as a countermeasure against inflation. If this proposal comes into effect, the anticipated quantity of quartz stone exports from China to the US would likely escalate.

In Vietnam, aside from Vicostone, there exist 13 additional enterprises that manufacture synthetic quartz stone through 27 imported production lines from China, emphasizing churning out low-cost products. Forecasts suggest a continuing rise in the number of enterprises and production lines utilizing Chinese technology in the upcoming years.

Consequently, the competition among quartz stone manufacturers will mount in intensity, notably amidst the

<sup>3</sup> As per the monthly export market research in September, 2022 from the Department of Market Reserch and Quality Management of Product Marketing of the Phenikaa Group

worldwide economic recession anticipated in 2023, where pricing shall emerge as a pivotal determinant for consumers, presenting Vicostone with significant challenges as it currently operates in the premium product category.

### 2. Competition from alternative products

Over the years, engineered stone has perpetually encountered competition from natural stone in several markets, particularly in Australia, Canada, and the U.S. However, in recent times, they also faced increasing competition from other products such as ceramics, porcelain, sintered stone (exemplified by Dekton), porcelain tiles (in the consumer market), laminates, and solid surfaces (in the non-consumer market).

It is noteworthy that porcelain materials are witnessing robust growth. As per a report by market research company Freedonia, the global countertop market value in 2020 stood at USD 117 billion (equivalent to 217.4 million m<sup>2</sup>), out of which porcelain constituted 1% of the market, amounting to roughly USD 1.17 billion. Despite having a relatively low market share in the countertop industry, Freedonia's projections indicate that porcelain materials are experiencing the most vigorous growth rate, increasing by 10% during the forecast period, thereby reaching a market value of USD 2 billion in 2025.

To further sustain the dominant position as a leading enterprise, Vicostone has been ceaselessly developing and executing a comprehensive and proactive strategy to augment its competitiveness and reinforce its distinctive identity in the global quartz stone market. In pursuance of this strategy, the company has made significant investments in research and development to explore new materials and products that are safe, eco-friendly, unique, and difficult to replicate, providing unparalleled advantages to steer the trajectory of the global quartz stone market.

# 3

## RISK OF BEING INVESTIGATED AND SUBJECTED TO TRADE REMEDY MEASURES BY THE UNITED STATES

As per data provided by the U.S. International Trade Commission (U.S. ITC), the total quantity of quartz stone imported from Vietnam to the U.S. in 2022 was 3.22 million square meters, equating to USD 319.26 million, thereby retaining its position as the third-largest importer of quartz stone to the U.S., in terms of both volume and value. This represents a 5.06% increase in volume and a 0.6% increase in value as compared to the previous year. The average price per square meter was 99.02 USD/m<sup>2</sup>, which denotes a 4.24% reduction in comparison to the average price in 2021, securing the fifth rank among the top 10 countries exporting quartz stone to the U.S., both in terms of value and volume in 2022.

### 1. Risk of being investigated for applying anti-evasion measures

Following the imposition of antidumping and countervailing duties on Chinese quartz stone manufacturers in May 2019, they have adopted diverse strategies to circumvent these levies. These tactics include relocating their production lines to third countries, particularly neighboring countries with comparable production conditions such as Vietnam, Malaysia, and Thailand; providing equipment and raw materials directly to these production lines to reduce production expenses; or exporting stone slabs to these countries for processing, and subsequently exporting to the U.S. under a non-China origin label.

In the near future, there is a high likelihood that the company will be investigated for employing antievasion measures in Vietnam, due to the following reasons:

- Recently, the United States Department of Commerce (DOC) has expressed a deep concern regarding the issue of tax evasion pertaining to quartz products of Chinese origin. On October 21, 2022, the DOC issued an official Scope Ruling for an anti-evasion investigation of Quartz slab products originating from Malaysia. This ruling was made following the discovery that a majority of the imported quartz surface products in the U.S. either contained input materials originating from China, or were products imported from China via Malaysia and then exported to the U.S.. Furthermore, a quartz manufacturer located in Thailand is currently under investigation for altering the origin of their product to circumvent anti-dumping and countervailing duties imposed on Chinese quartz products exported to the U.S.
- The number of Chinese technology-based manufacturers in Vietnam is growing quickly. Specifically, as of September 2022, 13 companies in Vietnam own 27 production lines for quartz slabs, which are based on Chinese technology.
- Starting from November 2022, Vietnam has become the leading country in terms of both import value and volume to the United States, while the average export price to the U.S. has been on a declining trend.
- In recent years, the risk of lawsuits has been exacerbated by the growing number of U.S. legal cases against Vietnamese exporters. The Vietnamese Trade Office in the U.S. reported that the U.S. Customs and Border Protection (CBP) is currently investigating a company accused of allegedly evading anti-dumping/countervailing duties imposed by the U.S. on Chinese products by rerouting them through Vietnam.



### 2. Risk of being investigated by the U.S. for anti-dumping and anti-subsidy measures

In recent years, the export volume of quartz stone from Vietnam to the U.S. has consistently ranked among the highest, albeit with a downward trend in average selling prices, as Chinese manufacturers shifted their production lines to Vietnam. Consequently, Vietnam has emerged as the next country, following China, India, and Turkey, to potentially face legal action from the U.S.

Vicostone stands out as a pioneer in implementing modern enterprise management systems (SAP-ERP), ensuring precise, prompt, and transparent management and control of the company's operations. To mitigate the potential risk of anti-dumping and anti-subsidy investigations by the U.S. authorities, Vicostone proactively

reviews, enhances, and updates its internal management system to guarantee the efficiency of its product origin management and traceability. Additionally, the company adheres strictly to regulations on origin certification; avoids abetting any fraudulent activities on origin and trade defense measures.

Furthermore, the company has taken a proactive approach by conducting a thorough study of the U.S. legal regulations on anti-dumping, antisubsidy, and tax avoidance. It has also actively collaborated with reputable international law firms to receive advice and guidance on the development of procedures and provision of necessary data to ensure compliance with the requirements of the U.S. Department of Commerce (DOC) for documentation and timely submission upon request.



## RISK OF PERSISTING HIGH INFLATION AND INTEREST RATES

Reflecting on 2022, the global economy experienced a historic surge in inflation rates, reaching levels unseen in over four decades, attributable to the steep increase in the prices of essential commodities such as food, gasoline, and transportation services. Although inflation rates have shown some indications of moderating as we move into 2023, they are still anticipated to remain elevated, and may potentially have more deleterious effects. This projection is due to the unrelenting war in Ukraine, the progressively more restrictive economic sanctions imposed by the U.S. and E.U. against Russia, as well as the intensification of energy and input scarcities in production. Moreover, China's official abandonment of its "Zero-COVID" policy since January 2023 has added to the severity of these issues.



In this context, UBS Bank of Switzerland and Bank of America have predicted that oil prices may soar to \$100/barrel and \$110/barrel in 2023, respectively. Prices of fundamental commodities could surge in conjunction with oil prices, exacerbating the inflationary pressure and contributing to the persistence of high inflation.

Another challenge that the global economy must confront is the possibility that central banks will maintain a tight monetary policy: a commonly used tool to combat inflation by raising interest rates. During the interest rate hike in December 2022, both the Federal Reserve (Fed), the European Central Bank (ECB), and the Bank of England (BoE) indicated that they would continue to raise

interest rates in 2023 to control inflation. It is anticipated that the pace of interest rate increases by central banks will decelerate and reach its zenith in the second half of 2023 when the inflationary situation is substantially under control.

Vietnam is not immune to the common risks of the global economy and is expected to face significant pressure from inflation and interest rates in 2023. As an open economy, Vietnam has been vulnerable to the pressure of imported inflation in recent years. Moreover, domestic factors have also contributed to the overarching inflation concerns, including the pressure to disburse a public investment stimulus package worth over VND 700 trillion in 2023, wage increases, and the government's postponed pressure to increase energy prices such as electricity, coal, and petroleum. Some government support measures, such as reducing value-added tax, reducing fees and charges, and implementing labor support policies, will come to an end.

With regards to interest rates issue, despite the government's directive for banks to reduce their interest rates at the end of 2022, deposit and lending interest rates remain elevated. At present, the highest deposit interest rate offered by many banks is hovering around 9.5% annum, or even higher.

It is anticipated that in 2023, with the government's continued emphasis on credit-tightening policies to manage inflation and the stagnation of the real estate market, the obligation to repay VND 308,622 billion in corporate bonds may exert stress on the entire system's liquidity, and could lead to further increases in interest rates.

In the prevailing circumstances, it is anticipated that Vicostone may encounter difficulties in managing input costs in 2023 due to the persistent increase and sustenance of commodity prices, as well as deposit interest rates, which could result in a reduction in the company's business efficacy. In light of the mentioned challenges, 2023 is anticipated to be a pivotal year for Vicostone as the company seeks to implement cost control initiatives to enhance the efficacy of resource allocation, improve productivity, and bolster product quality, with the ultimate goal of achieving effective cost controls.

To further enhance its operational and financial performance, the company will also closely monitor the developments of global inflation, and commodity markets, proactively take advantage of favorable-price periods to secure contracts, and negotiate with suppliers for the purchase and storage of raw materials, and efficiently use financial tools in tandem with interest rate movements. Additionally, it will seek to balance and convert short-term loans in suitable domestic and foreign currencies at different stages to mitigate potential financial losses.

## 5

### RISK OF CONCENTRATED REVENUE IN LONG-ESTABLISHED MARKETS

Having been in operation for two decades in the international market, Vicostone has cemented its position as one of the foremost quartz stone brands worldwide. Its products are not only renowned for their superior quality and safety for users but also for their high aesthetic value that ignites creativity. As a result, Vicostone has

successfully conquered even the most discerning markets such as the U.S., Canada, and E.U. countries.

For years, Vicostone has relied on the U.S., Canada, and Vietnam markets to generate the majority of its revenue, which poses both opportunities and challenges. For Vicostone, while this has helped the company achieve significant success, it also leaves the business vulnerable to market fluctuations and a lack of flexibility in diversifying its businesses.

Besides, significant uncontrollable fluctuations, such as pandemics, political instability, legal framework, trade barrier and tariff changes in the markets, and major customers' operational challenges or shifts in business strategies, can severely impact the company's operations and business outcomes.

To mitigate the risks associated with excessive reliance on a limited number of markets, the company has set out strategic goals for the coming years that include expanding its key markets, maintaining relationships with existing customers, as well as exploring new customer segments and potential markets.





## LEGAL RISKS IN INTERNATIONAL BUSINESS OPERATIONS

### 1. Risk of changes in silica dust concentration standards

In developed countries, there is a growing concern over the issue of lung dust. Starting in 2022, countries such as Australia and the U.S. have been introducing stricter regulations in the stone processing industry to address this issue.

In February 2022, New South Wales in Australia issued regulations called "Risk Management Rules in the Workplace for Silica Dust Generated from Stone Processing Activities." These rules outline the responsibilities of suppliers, distributors, and exporters in preventing lung dust diseases in the stone processing industry. The regulations also specify that compliance with the crystalline silica standard in the air, which should not exceed a weighted 0.05 mg/m<sup>3</sup> in an average working environment for 8 hours, must be ensured by all stakeholders. Currently, this standard is being applied in Australia and the U.S.

In May 2022, the U.S. Department of Labor passed a local lung dust prevention program, starting in Denver City. This program requires higher levels of compliance and monitoring in the stone processing and mining fields. Inspections will be conducted more frequently and rigorously, and the department will provide support to ensure compliance with safety regulations at stone mining and processing sites.

It is expected that in the upcoming years, developed countries will continue to strengthen measures to control and manage risks in the workplace related to silica dust. Policies related to production environment standards and working conditions in silica dust environment are expected to become more stringent. As a result, companies may face import bans or complete production bans if they fail to comply with the regulations.

Amid these potential risks, Vicostone has consistently prioritized and allocated significant resources to implementing comprehensive environmental protection and occupational health measures. This approach is regarded as one of the company's pillars of sustainable

development, reflecting its conscious and responsible business culture. As a result of these efforts, Vicostone has earned the trust and good faith of customers, partners, employees, and the wider community.

- **Managing dust concentration:** To ensure a safe working environment and control dust concentration levels, Vicostone has implemented various measures. In 2022, both the company and independent monitoring partners found that all measurement points complied with the dust concentration requirements set forth by the regulations of the countries in which Vicostone operates. The company is committed to maintaining the proper functioning of the dust treatment system and has implemented dust control solutions, especially in areas with higher potential for dust emissions, such as the material loading, crushing, and screening areas.
- **Ensuring safe working conditions for employees:** Vicostone takes care the health and safety of its employees seriously and strives to improve working conditions. The company provides complete protective equipment, particularly for employees working in areas with silica dust emissions. Vicostone also conducts regular monitoring and supervision to ensure compliance with safety regulations. In addition, the company promotes research and automation in processes located in areas with high levels of silica dust emissions to minimize employee exposure.
- **Researching new, more environmentally friendly, and safer materials:** In the future, to replace the input materials such as sand and natural quartz in a crystalline silica structure - the main cause of silicosis, the company is actively researching new production methods to change the silica structure from crystalline to amorphous. It is expected that the project has the potential to revolutionize the global quartz stone industry if the implementation of such technology allows for mass production at a reasonable cost.

### 2. Risk of changes in laws and regulations

It is important for Vicostone to closely monitor changes in the legal framework in each of the 50 countries where it operates. Changes in import tariffs, non-tariff barriers, administrative procedures, regulations, and laws can all

have a direct impact on the company's business activities. Failure to adapt to these changes can lead to difficulties in managing production and business operations and increased operating costs. It is also important for Vicostone to ensure that its products meet the necessary conditions for the circulation of goods in each market by complying with local regulations and standards.

Establishing cooperative relationships with reputable international law firms is a proactive measure taken by Vicostone to control the risks associated with changes in policies and laws related to the company's business activities. These law firms are capable of advising the company on regulatory changes and updating them regularly. By doing so, Vicostone can make adjustments and changes to meet the regulations of the host country in a timely and compliant manner, reducing the risks of non-compliance, and difficulties in managing production and business operations.

### 3. Risk of legal disputes

Legal disputes are common in international trade activities, and Vicostone is not an exception. The company may face various disputes, such as disputes related to contracts for the purchase and sale of goods or international service supply, product quality, social responsibility, environment, and disputes over intellectual property rights with competitors regarding product designs.

In the increasingly competitive market for quartz stone, Vicostone is aware of the potential for competitors to engage in unhealthy practices and use lawsuits to tarnish the company's reputation. To safeguard its reputation, Vicostone takes proactive measures to protect its intellectual property rights, trademarks, and product designs in all operating markets, including registering new products before their official launch.



## ENVIRONMENTAL RISKS

### 1. Risk of environmental emissions and disposals

In production and business activities, the Company exerts certain effects on the environment through the emission of exhaust gases, dust, noise, solid waste, wastewater, and others. If not effectively controlled, these emissions can affect the health of workers and communities, the environment and ecosystems in the production area.

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

- Daily assessment and inspection of environmental protection tasks, prompt response to incidents, and prevention of environmental pollution;
- Establishment and regular operation of vacuum systems and water treatment systems, satisfying Vietnamese and international standards.

- Continue implementing the projects that repurpose waste stone and utilize clean solar energy;
- Continue to use clean energy, especially solar energy in production and business activities to ensure energy efficiency;
- Establishment of system to manage and train employees on the compliance and improvement of standard processes and systems.
- Regular update, upgrade and strict conformity with regulations of the environmental management system according to the ISO 14001:2015 standard.

Furthermore, in the evaluation and selection of suppliers, Vicostone thoroughly reviews their qualifications and attaches great importance to the certification of environmental standards in selecting suppliers. These measures aim to minimize negative impacts from production on the environment.



### 2. Risks from negative impacts of climate change

2022 is a year of many upheavals in humanity's fight against climate change. Natural disasters and calamities occurred in many countries with a magnitude not seen in many decades, for example, from months-long flooding in Pakistan to massive snow storms raging in the United States in December. According to the World Meteorological Organization (WMO), the earth's temperature will increase by more than 1.5 degrees Celsius until 2043. Therefore, it is forecast that extreme weather conditions such as floods, storms, drought and heat will become more and more severe.

In Vietnam, in 2022, 21/22 types of unusual, extreme and irregular natural disasters were recorded and 1,057 incidents were typical natural disasters. Prolonged heavy rains in the North caused landslides, flash floods in mountainous areas, flooding in urban areas and industrial zones. In the central region, three consecutive storms and floods after the storm caused serious damage to people and properties, and the storm No. 4 (Noru) had the strongest intensity at level 14-15 and shock level 17, nearly reaching the level of super typhoon in the East Sea, causing heavy rain in the southern provinces of the Northern Delta and other provinces from Thanh Hoa to Quang Ngai. Particularly, in Nghe An alone, the rain was very heavy at 300-500mm.

With a network of agents, distributors, suppliers and customers in over 50 countries and territories, climate change can have a direct impact on the Company's production and business activities such as: interruption in the input material supply; congestion in the transportation of goods and finished products; interruption in production activities.

In order to cope with and minimize risks from the effects of climate change, the Company has successfully implemented the strategy of localization of raw materials. Up to now, Vicostone has secured more than 95% of input materials, significantly reducing the impact from the market in general and the import of raw materials in particular. In addition, the Company regularly monitors

and updates information from the outside, proactively builds response scenarios when natural disasters occur; proactively implement preventive measures to minimize negative impacts of climate change on production and business activities such as: commitment to economical and efficient use of all forms of energy, commitment to



green consumption and "greening technology", prioritizing the use of modern technologies, reducing emissions into the environment; investing in construction of solid factories and warehouses; regularly checking the safety and bearing capacity of the system of workshops and structures; actively hoarding and ensuring the supply of input materials.



# ACTIVE PARTICIPATION IN ASSOCIATIONS FOR CORPORATE SUSTAINABLE DEVELOPMENT



Vicostone has determined that a sustainable development goal could only be owed to the shared effort of businesses and organizations. This is why in recent years Vicostone has maintained its active membership in organizations/associations that commit to green production and environmental friendliness in Vietnam and abroad, including:

Since 2015

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



- The World-wide Agglomerated Stone Manufacturers Association consists of global leading producers of engineered quartz stones.
- The goal of the Association is to promote the growth and development of the industry of engineered stone production and support, protect and represent its members in related matters.
- As a member of the Association since 2015, in recent years Vicostone has complied with the principles of the latter through its activities in ensuring occupational safety and health for its workers; applying recycled materials, utilizing wastes in the whetting process of unburnt brick production; and developing eco-friendly product lines.

Since 2014

**The United States Green Building Council (USGBC)**



- The United States Green Building Council (USGBC) was founded in 1993 as a non-profit organization that promotes sustainable design, construction and operation of buildings.
- The USGBC is well-known for developing the Leadership in Energy and Environmental Design (LEED) scoring standard and the annual International Conference on Green Building. USGBC is one of the eight national councils that founded the World Green Building Council (WorldGBC).
- The WorldGBC is tasked with developing systems for the evaluation and certification of green buildings in various countries and territories. The Council comprises of organizations and individuals who are profoundly interested in climate change and environmental protection.
- As the third largest supplier of engineered-stone countertops to the global market and an active member of the WorldGBC, Vicostone places great importance on the application of energy-saving measures, utilization of recycled materials, environmental protection, and development of eco-friendly product lines.

Since 2012

**The Vietnam Green Building Council (VGBC)**



- The Vietnam Green Building Council (VGBC) is a project of the Green City Foundation (GCF), a non-profit organization headquartered in California, the U.S. The Council was founded in 2007 in Vietnam to raise awareness and improve the capacity of Vietnamese companies and people in developing green buildings in the country.



Since 2004

### Vietnam Association for Building Materials



- The Vietnam Association for Building Materials is the aggregation of a multitude of scientific scholars and businesses in the building materials industry.
- The primary focus of the Association is the dissemination of information related to science, technology and technical improvement initiatives; the assessment of new materials and products; the organization of trade fairs, exhibitions within and outside the country; provision of advice, rebuttals and social appraisals; and proposal of solutions to protect the interests and enhance the competitiveness of its members.
- As a member of the association since 2004, Vicostone has actively participated in the association's activities to advance the sustainable development of the building materials industry in Vietnam.

Since 2021

### The Hanoi Association of Main Industrial Products (HAMI)



- The Hanoi Association of Main Industrial Products (HAMI) was launched on October 29, 2021, in Hanoi to gather the city's key industrial producers, protect their rights and interests, and support their efficient operations, thus contributing to the city and country's socio-economic growth.
- As a member of the association, Vicostone has and will make great contributions to the development of the Capital city and Vietnam as well as enhancing the Vietnamese brands on the international market.

Since 2023

### Saigon Construction & Building Material Association (SACA)



- Established 32 years ago, SACA Association operates as a platform of connections and promotion of trade among its individual and organizational members. SACA's members are mostly leading enterprises in the field of construction, building materials, architecture, and real estate in Ho Chi Minh City.
- As an official member of SACA, VICOSTONE will actively pursue the Association's vision, which is to contribute to Vietnam's socio-economic development.





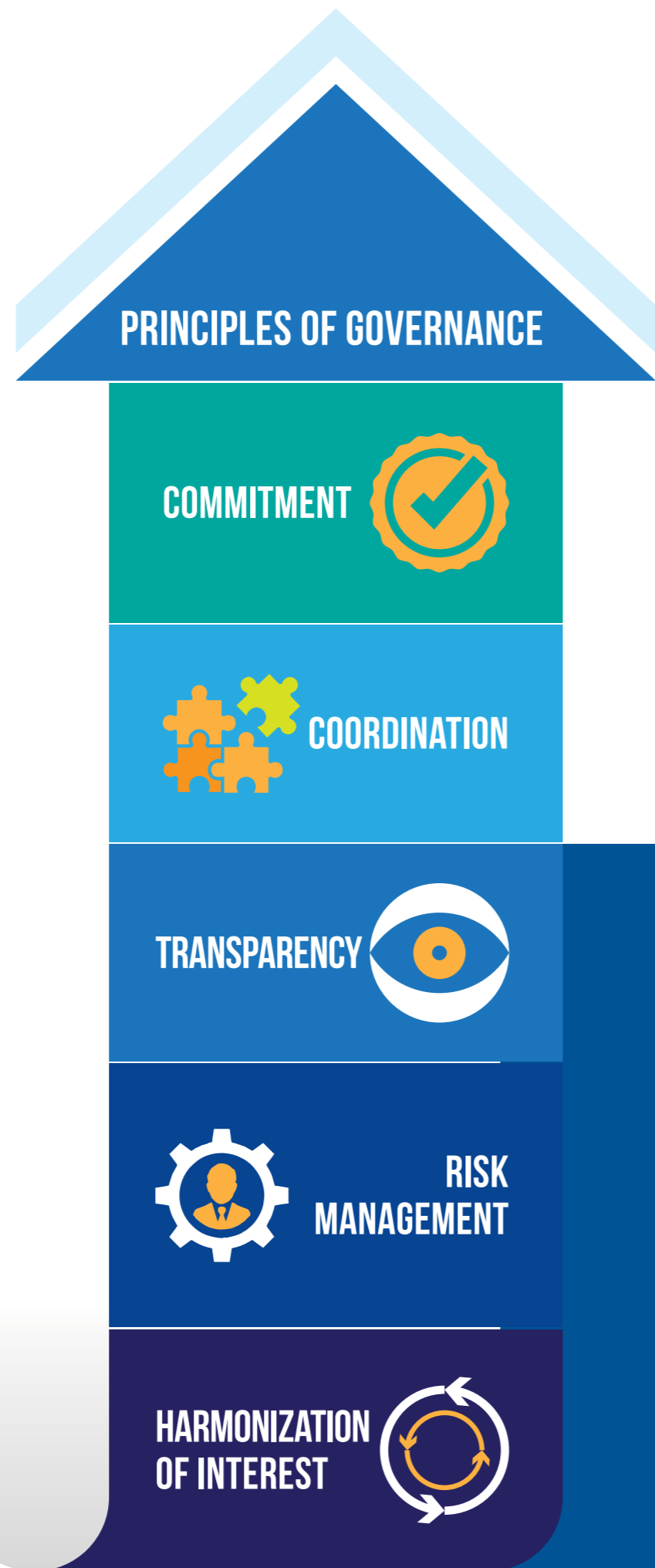
# SKY SERIES

## BQ8884





# THE BOARD OF DIRECTORS, MANAGEMENT AND FUNCTIONAL DEPARTMENTS IN SUSTAINABLE DEVELOPMENT GOVERNANCE



## Commitment

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

## Coordination

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

## Transparency

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

## Risk management

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

## Harmonization of interest

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

## THE ROLES AND RESPONSIBILITIES OF THE BOARDS OF DIRECTORS AND MANAGEMENT AND FUNCTIONAL DEPARTMENTS

Board of Directors	Board of Management	Functional Departments
<ul style="list-style-type: none"> <li>Develop strategic planning, provide general guidance on the Company's strategic issues related to sustainable development;</li> <li>Approve targets and action plans.</li> </ul>	<ul style="list-style-type: none"> <li>Develop and submit to the BOD targets and action plans on the Company's sustainable development;</li> <li>Share sustainable development strategies, targets, and plans with the entire staff of the Company;</li> <li>Ensure that sustainable development plans achieve stated targets.</li> </ul>	<ul style="list-style-type: none"> <li>Implement and realize sustainable development plans in accordance with the guidance of the Board of Management;</li> <li>Vicostone does not have a specialized sub-committee on sustainable development. Instead, the Company tasks functional units with incorporating sustainable development goals into each of the Company's professional activities and implementing activities to realize the sustainable development strategies set by the Boards of Directors and Management</li> </ul>

All members of the Board of Management live in the local area, where situated the headquarter of Vicostone JSC.



## THE ROLES AND FUNCTIONS OF DEPARTMENTS AND DIVISIONS IN SUSTAINABLE DEVELOPMENT ISSUES:

Functional departments play an essential role in the management and implementation of activities for sustainable development as follows:

### ECONOMY - SOCIETY - ENVIRONMENT

#### RESEARCH & DEVELOPMENT DEPARTMENT (R&D)

- Research and develop new products of the highest efficiency and quality for customers;
- Research and improve technologies to improve productivity and product quality; supervise and coordinate technological compliance in all stages of the production processes;
- Research the possibility of producing and utilizing new materials, raw materials in the Company's production and business activities;
- Research the effects and impacts of environmental and climate conditions and working conditions on the quality of products and offer solutions if necessary.

#### LEGAL DEPARTMENT

- Advise the Board of Management, functional departments and divisions on legal matters relating to the Company's production and business activities;
- Inspect and control the legality of activities within the Company and documents it promulgates; recommend measures to treat and correct activities that are inconsistent with legal regulations;
- Support relevant units in undertaking procedures to register copyrights, trademark protections, and other intellectual property rights of the Company in Vietnam and other countries;
- Participate in the resolution of disputes between the Company and its employees, partners, customers, or other organizations.

#### FINANCE AND ACCOUNTING DEPARTMENT

- Conduct accounting, inspection and control with respect to all economic activities of the Company;
- Balance accounts, regulate financial resources of the Company, effectively exploit and use sources of capital in consistency with the sustainable development goals of the Company;
- Inspect, supervise mandatory financial spending, receivables, debt payment and collection, inspect the management and use of assets and their sources, identify and prevent acts in violation of laws on finance and accounting;
- Create full and transparent reports annually or irregularly upon requests.

#### INTERNATIONAL SALES DIVISION

Develop and implement sales campaigns; take care of customers; explore and develop markets for the Company's products. The International Sales Division consists of 02 departments:

- Sales and Customer Services Development Department: Develop product sales and product distribution plans; develop plans to explore and exploit new markets; develop sales and post-sales policies; manage customer relations; handle customers' complaints and reports.
- Export Department: Develop monthly and annual sales plans; take care of, develop and manage customer and partnership networks; execute international sales plans; work with the Logistics and Customs Department to oversee product distribution and packaging; manage financial duties with customers, distributors, partners, suppliers...

#### SUPPLY DIVISION

Advise the Board of Management with the purchase of imported and domestic supplies, customs-related tasks, import-export tax management to meet the Company's strategic targets. The division consists of 02 departments:

- Purchasing Department: Develop strategies for purchase of supplies and development of material resources; develop and issue the policy on supplies purchasing for all units of the Company; develop annual supplies purchasing plans; execute purchasing plans and negotiate contracts with suppliers; develop the network of international and domestic suppliers;
- Logistics and Customs Department: Work with the International Sales Division to manage the transport and loading/unloading of goods; perform local transportation activities; perform customs tasks and follow the State's rules on priority customs treatment.

#### DOMESTIC SALES DEPARTMENT

- Participate and organize marketing and advertisement activities to introduce products, search and expand markets for the Company's products with a wide range of domestic partners; promote trade-marketing activities; promote domestic sales; oversee the technical installation for the domestic market;
- Project bidding and management: Implement construction projects and oversee the quality and progress of the project; oversee the quality of installation; manage delivery and installation upon customers' requests; support agencies and customers via Original Equipment Manufacturer (OEM) channel.



### PRODUCTION PLANTS

- Develop production plans, conduct production, ensuring the productivity and quality according to the requirements and goals of the Company;
- Control input production costs to enhance efficiency in production and business.

### TECHNICAL DEPARTMENT

- Manage inventory of the machinery, equipment and technological chains of the Company. Test and maintain equipment and machines regularly and upon the request of the Company, ensure the consistent operation, occupational safety and industrial sanitation;
- Localize accessories and parts of machines, conduct research and implement technical improvement projects; supervise, generalize, popularize and apply new technical improvement initiatives to contribute to reducing production costs and product pricings;
- Manage, apply, supervise, maintain and improve the energy management system in accordance with the ISO 50001 standard.

### MATERIALS DEPARTMENT

- Manage the receipt and delivery of depots, accessories, input equipment, and finished and semi-finished outputs of the production process, ensure accuracy, effectiveness and timeliness;
- Allocate appropriate resources to minimize stones minor defects to reduce the number of faulty products, satisfy quality and sales requirements;
- Manage and coordinate equipment, including fork-lifts, excavators and cranes under the management of the division, for use in production and business activities and storage management.

### HUMAN RESOURCES DEPARTMENT

- Human resources planning: ensure adequate man-power in terms of number and quality to effectively implement the Company's production and business plans;
- Recruitment: Announce recruitment information and publicly conduct recruitment to find employees most suitable to the requirements of the Company;
- Training and development: Identify training needs, organize training courses, check and supervise training programs, evaluate their effectiveness in serving the development needs of the Company and ensuring employees' development;
- Evaluate employees' performances: Create methods and processes, evaluate the performance and achievements of employees for the purposes of paying salaries and bonuses and initiating programs to train, develop, transfer and promote employees within the Company;
- Manage salaries, welfares: Create and implement compensation and welfare policies within the Company to maintain and encourage the workforce; fulfill labor policies benefiting the employees in accordance with existing laws and regulations of the State;
- Labor/management relations: Ensure a good relationship between employers and employees through negotiations, talks and policies issued by the Company; carry out annual happiness and satisfaction assessments among all employees to find solutions and improve HR policies;
- Serve as a permanent body of the Disciplinary Committee and of the SA8000 social accountability system of the Company.

### GENERAL AFFAIRS DEPARTMENT

- Manage facilities, provide working equipment for all employees of the Company;
- Ensure the security and safety of the entire Company;
- Ensure occupational safety and sanitation, prevent fire hazards;
- Inspect working conditions and physical conditions for employees through regular health management and check-ups;
- Serve as focal point for the management, implementation, and improvement of the Occupational Health and Safety Standard (OHSAS 18001:2007) and the Kaizen-5S Program.

### QUALITY CONTROL DEPARTMENT

- Establish standards for raw and processed materials according to technological requirements, control the quality of raw materials subject to stocking; evaluate quality of products; inspect quality of finished products in production chains and those subject to packaging, ensuring that all products are inspected in accordance with the promulgated standards;
- Manage, apply, maintain, and improve quality control systems as applied in the Company, including: The Quality Control Standard (ISO 9001) and Environmental Management Standard (ISO 14001);
- Coordinate with the General Affairs Department to inspect and supervise occupational safety and environmental sanitation.

### BOARD OF INVESTOR RELATIONS

- Receive and respond to investors' inquiries or requests; schedule annual meetings between the Chairman of the Board of Directors or General Director and investors;
- Assist the Board of Management to resolve the issues with investor and shareholder relation policies of the Company;
- Organize/issue the announcement of information in accordance with existing regulations.





# VALUE CHAIN

## DIRECT PRODUCTION



## PRODUCTION SUPPORT

- Accounting & Finance**
  - Create professional and thorough business plans according to PBF process, link long-term strategies, monthly and quarterly business plans with financial activities.
- Risk Management**
  - Apply modern business risk management standards such as ISO 31000, COSO;
  - Enhance system of internal control and internal audit; improve effectiveness of administration and management.
- Human Resources Management**
  - Focus investment on training, enhancing, and developing capacities for all employees;
  - Recruit and attract talents;
  - Offer competitive salary, bonus, and welfare preferences and policies, along with long-term worker engagement; ensure preferences and conditions for occupational health and safety, insurance, and regular health check-ups and more;
  - Apply social accountability standards such as SA8000.

- Corporate Governance**
  - Enhance administrative quality according to international practices, apply modern administrative tools such as Balance Score Card - BSC, key performance indicator - KPI, ISO 9001:2015 standard.
- Information Technology Management**
  - Invest in and develop modern information technology infrastructure, apply modern management systems such as ERP-SAP;
  - Research and apply artificial intelligence (AI) technologies in production, quality control, logistics, and others.
- Branding**
  - Research and forecast developmental trends and end-users' tastes in target markets;
  - Diversify methods of advertisement and promotion of business' brands and products.
- Internal and external relations management**
  - Conduct public relations functions and active communication with relevant parties;
  - Develop corporate culture and internal communication within the company.



# STAKEHOLDER ENGAGEMENT

Vicostone believes the shareholders, partners, employees, community, and society share mutual interests based on law abidance and an understanding, respectful, side-to-side partnership. In order to maintain the balance among all stakeholders, Vicostone is fully aware of their concerns and the Company always seeks the most appropriate approaches to resolve the problems while assuring the stability of the business operation and accomplishment of targets.

The stakeholders of Vicostone are as follows:



SHAREHOLDERS & INVESTORS



EMPLOYEES



CUSTOMERS



PARTNERS & SUPPLIERS



COMMUNITY & SOCIETY



STATE AGENCIES



MEDIA/PRESS



# VICOSTONE'S ACTIONS TOWARDS STAKEHOLDERS

STAKEHOLDER	MAJOR CONCERNS	VICOSTONE'S GOALS	COMMUNICATING CHANNELS	VICOSTONE'S ACTIONS
<p><b>SHAREHOLDERS &amp; INVESTORS</b></p> 	<ul style="list-style-type: none"> <li>• Efficiency of business operation;</li> <li>• Accurate, transparent, prompt information disclosure;</li> <li>• Fair treatment and right among shareholders and investors;</li> <li>• Efficiency in corporate governance, ensuring sustainable development and successful outcomes;</li> <li>• Two-way communication between shareholders, investors, and the Company.</li> </ul>	<ul style="list-style-type: none"> <li>• Maintenance and development of relationships with investors and shareholders;</li> <li>• Compliance with transparency and information disclosure rules;</li> <li>• Guarantee of the rights and benefits of shareholders and investors.</li> </ul>	<ul style="list-style-type: none"> <li>• Organizing of Annual/Extraordinary General Meetings of Shareholders;</li> <li>• Collection of written feedback;</li> <li>• Email address (quanhecodong@vicostone.com) and hotline – directly contact with members of the Board of Investor Relations;</li> <li>• Company social networking sites.</li> </ul>	<ul style="list-style-type: none"> <li>• Organizing of the Annual General Meeting (AGM) of Shareholders to review business result of the past year, in addition to discussing and consolidating action plans for the future. To ensure safety during the pandemic, the 2022 Vicostone AGM of Shareholders was held online on April 28, 2022, with the participation of 76 shareholders and shareholder representatives, representing more than 143 million shares and accounting for 89.22% of total voting shares;</li> <li>• Collection of written feedback among shareholders;</li> <li>• Ensurement that all shareholders could exercise their rights according to the law and company's regulations;</li> <li>• Providing of full, transparent, and prompt information on production and sales to shareholders and investors;</li> <li>• Ensurement of fair treatment among shareholders;</li> <li>• As a listed company, Vicostone implemented and fully observed the obligations and responsibilities in accordance with the laws of securities, and promoted the brand of VICOSTONE® to the investors.</li> <li>• In 2022, Vicostone approved the payment of the dividends twice, 1<sup>st</sup> time in June 2022 - rate 30%; 2<sup>nd</sup> time in December 2022 - rate 30%.</li> </ul>
<p><b>EMPLOYEES</b></p> 	<ul style="list-style-type: none"> <li>• Safe, friendly, and discrimination-free working environment;</li> <li>• Fair, attractive salary and bonus policies; competitive, diverse welfare regime;</li> <li>• Opportunities to join training programs and develop professional competencies;</li> <li>• Recognition of individual achievements and contributions.</li> </ul>	<ul style="list-style-type: none"> <li>• Cultivation of teamwork spirit and discipline for all employees;</li> <li>• Enhancement of loyalty among employees towards the Company; encourage them to prolong their careers;</li> <li>• Evaluation and improvement of welfare policies for the labor;</li> <li>• Fostering the desire for community contribution among employees.</li> </ul>	<ul style="list-style-type: none"> <li>• Labor Union Conference held annually;</li> <li>• Suggestion mailboxes located at communal zones in the Company; Direct conversation through the Company's Human Resources Department;</li> <li>• Communication with line managers;</li> <li>• The Company's internal communication channels and social networking sites;</li> <li>• Company email address and phone number.</li> </ul>	<ul style="list-style-type: none"> <li>• In the context of the "new normal", Vicostone still enacted prompt and uniform measures that prioritized occupational safety and health for all employees, stabilize production activities, welfare policies and incomes for all employees in 2022. No employee was discharged due to shortage of work during the year;</li> <li>• Continuous improvement of the working environment, upheld solidarity, coordination via social and sports activities;</li> <li>• Providing of education-related opportunities for employees. 100% of the Company's employees were subject to regular performance reviews so that recommendations could be made to the Boards of Directors and Management on skill and professional improvement programs and the next generation of managers and leaders can be identified and trained;</li> <li>• Use of surveys to access the happiness levels of all employees in the Company, process on feedback, and offered timely and appropriate solutions to improve the effectiveness of the administrative and sales activities of the Company.</li> </ul>



STAKEHOLDER	MAJOR CONCERNS	VICOSTONE'S GOALS	COMMUNICATING CHANNELS	VICOSTONE'S ACTIONS
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**CUSTOMERS**



- Guaranteed quality of products and services;
- Investment worth every dime through returned quality;
- Accessibility to the information of products and services;
- Providing of prompt, accurate, direct information to make decisions about purchasing the products;
- High quality of customer services; prompt response and support to customers' complaints on clear agreement terms.

- Improvement of customers' satisfaction with the products and services provided by Vicostone;
- Enhancement of the popularity for VICOSTONE® brands on the market.

- Surveys, interviews about service quality, product quality, consumption trends...;
- Direct conversation through the Customer Service Department at the showroom and online;
- Company email address and phone number;
- Company social networking sites.

- Frequent conducting of market surveys to understand and predict consumer trends and thus develop product lines that satisfy the tastes and needs of customers;
- Expansion of the distributors' network and agencies to increase market coverage and serve customers in all regions in the fastest manner possible;
- Training and development of customer services teams and professionally and diligently resolved complaints;
- Frequent procedures review and improvement for receiving and handling customers' complaints to increase service quality and customers' satisfaction;
- Expansion of customers' feedback channels: the Customer Services Department, through emails, 24/7 hotlines and more;
- Establishment of an online sales system and implementation of demand boosting programs in the form of promotions and helping customers easily access Vicostone's products and services;
- Frequent surveys of customers' levels of satisfaction to foster strengths and improve shortcomings, aiming to provide the best quality services that meet the expectations of customers.

**PARTNERS & SUPPLIERS**




- Guarantee of fair treatment among suppliers;
- Guarantee of fair, transparent cooperation based on a win-win principle;
- Confidentiality of partners' information preserved from their competitors

- Assurance of cooperation on mutual respect and win-win principles;
- Assurance of all stakeholders' compliment with mutual agreements and obligations;
- Assurance of information confidentiality for partners.


- Periodical meetings and evaluation with partners;
- Feedback reception through departments handling conversation and direct work with partners and suppliers;
- Company email address and phone number.

- Assurance of cooperation on mutual respect and win-win principles;
- Assurance of all stakeholders' compliment with mutual agreements and obligations;
- Assurance of information confidentiality for partners.

STAKEHOLDER	MAJOR CONCERNS	VICOSTONE'S GOALS	COMMUNICATING CHANNELS	VICOSTONE'S ACTIONS
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<p><b>COMMUNITY &amp; SOCIETY</b></p> 	<ul style="list-style-type: none"> <li>No negative impact of the production on the local environment and community;</li> <li>Local employment condition;</li> <li>Development of economy and infrastructure for the local community, charity and voluntary activities to benefit the society such as taking care of Vietnam's heroic mothers, supporting families hit by poverty and natural disasters ...</li> </ul>	<ul style="list-style-type: none"> <li>Assistance to the local socio-economic development and environmental protection;</li> <li>Support to the local community to achieve sustainable development;</li> <li>Promotion of corporate social responsibility, especially in dealing with the issues on Environmental protection and social sustainability.</li> </ul>	<ul style="list-style-type: none"> <li>Via the Office of the Labor Union – the representative unit working regularly with the locality and community and social organizations;</li> <li>Email address, phone number of the Company;</li> <li>Company social networking sites.</li> </ul>	<ul style="list-style-type: none"> <li>Hiring policies suitable with local employees, contributed to the stable livelihood of people in the area, with local employees accounting for 80% of the total workforces;</li> <li>Response to hunger eradication, poverty reduction and education development, support policy beneficiaries, environmental protection in the local areas...such as building houses of gratitude, coordinating with Thach That district hospital to organize free medical examination and distribution of drugs for veterans on July 27, donating tables and chairs/learning equipment/scholarships to schools in Thach That district;</li> <li>Constant improvement of the environmental protection systems at the Company, contributed to the maintenance of a green-clean-beautiful and sustainable environment;</li> </ul>
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<p><b>STATE AGENCIES</b></p> 	<ul style="list-style-type: none"> <li>Compliance to the laws and rules issued by both central and local governments;</li> <li>Accomplishment of the obligations and duties regulated by the State;</li> <li>Participation in activities launched by State agencies.</li> </ul>	<ul style="list-style-type: none"> <li>Cooperation to further improve the laws and regulations on the Company's activities;</li> <li>Fulfillment of the obligations and duties required by the State;</li> <li>Active and effective performance in the campaigns launched by the State agencies.</li> </ul>	<ul style="list-style-type: none"> <li>Direct conversation through business meetings, seminars, Economic forums and sustainable development programs;</li> <li>Training programs, with updating of new legal documents and regulations organized by competent agencies;</li> <li>Via units and departments handling direct work with State agencies;</li> <li>Email address, Company phone number.</li> </ul>	<ul style="list-style-type: none"> <li>Updating of legal documents relevant to the Company's areas of operation;</li> <li>Comprehensive and strict implementation of the Company's obligations and responsibilities towards the State;</li> <li>Strictly abide by the regulations on tax obligations. In 2022, Vicostone contributes VND 379 billion to the State budget;</li> <li>Participation in programs to raise public awareness of sustainable development and environmental protection, cooperation with the Government in activities to improve livelihood for Vietnamese people. Vicostone with its parent company Phenikaa has participated in multiple social programs such as supporting areas affected by natural disasters, building charity houses, and supporting families in need, fighting the pandemics, etc. In 2022, Vicostone and the Phenikaa Group has donated VND 3 billion to the Hanoi city's "Fund for the Poor".</li> </ul>
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<p><b>MEDIA/PRESS</b></p> 	<ul style="list-style-type: none"> <li>Prompt release of accurate information for the press.</li> </ul>	<ul style="list-style-type: none"> <li>Strengthening dialogue with the press;</li> <li>Establish a prestigious and transparent corporate brand.</li> </ul>	<ul style="list-style-type: none"> <li>Via direct conversation in press conferences, congresses, press-invited programs organized annually by the Company;</li> <li>Regular meetings with the press;</li> <li>Company email address and phone number</li> </ul>	<ul style="list-style-type: none"> <li>Maintenance of contact with press agencies and organized press conferences for significant events as needed;</li> <li>Providing of accurate, regular, timely information on the Company's production and sales activities while ensuring transparency and cooperation;</li> <li>Establishment and maintenance a sharing culture to ensure equal right of access to information among press agencies.</li> </ul>
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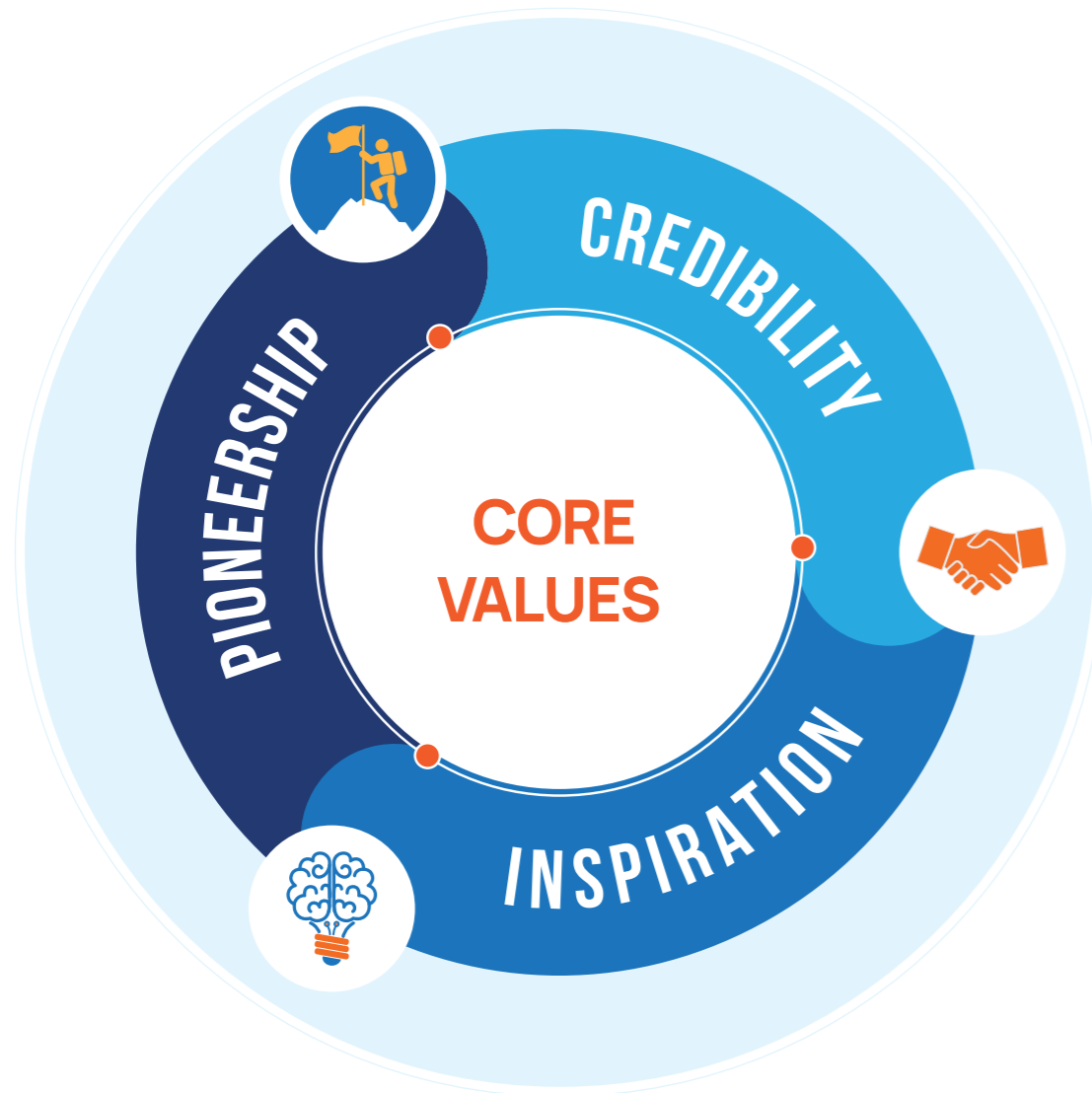
## VICOSTONE'S CODE OF CONDUCT TOWARDS RELEVANT PARTIES

### Vicostone Culture – The Conscious Business Culture

Since its very first day, the sustainability of business development and the balance of interests among stakeholders (Partners, Customers, Employees, Shareholders, Community and Society...) are the decisive factors for all decisions and actions of the

Company. Vicostone sees corporate social responsibilities as the core of the business that helps create, and foster better values for the community today and the future generations.

Vicostone's system of three core values and seven cultural characteristics is at the heart of the Vicostone Culture – the culture of the conscious business:



### Core Values

- **Credibility:** Dare to think – dare to act, integrity, sincerity and commitment to the interests of all stakeholders;
- **Pioneership:** Never stop learning, be innovative and lead the market trend;
- **Inspiration:** Commit to making products of best quality and design, meeting the demand of customers and the market.



### Cultural qualities

- **Trust:** Trust built within Vicostone as well as between Vicostone and its stakeholders;
- **Integrity:** Honest, straightforward, serious, and committed to humanity;
- **Accountability:** Clear, transparent, well-communicated about all aspects and among all stakeholders;
- **Loyalty:** Commitment, dedication, and effort;
- **Care:** Cautious and honest conduct in the spirit of sympathy, sharing and recognition;
- **Equality:** Encouragement of free and open expression and two-way feedback (between employees and managers)
- **Transparency:** Clarity and accuracy of information, policies, plans, targets...;



#### To Customers and Partners

Customers, partners and agencies are the centers for Vicostone's decision-making, assets and members, assisting the Company to realize its strategies and achieve its targets.



#### To Suppliers

Vicostone commits to complying with relevant laws and regulations, meanwhile adheres to the principles of fairness, objectivity, and harmonization of the interests of all parties. Vicostone always supports suppliers in fair competition and firmly opposes illegal or unethical practices in competition.



#### To Competitors

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

## Code of conduct towards relevant parties



#### To the Employees

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



#### To Shareholders and Investors

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



#### To State Agencies

Vicostone pledges to honor and abide the laws on competition, environmental protection, labor, intellectual property and securities market. The Company also fulfills its obligations and duties asked by the State, stays righteous in the relationship with the State agencies, forbids any illegal and unethical actions even though they benefit the Company, and is willing to work with the regulatory bodies if needed.



#### To Community and Society

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



# SUSTAINABLE DEVELOPMENT



Over 20 years of operation, "sustainable development" has always been the compass that guides Vicostone through all activities, including production, sales, corporate governance, research and development, and human resources development. The conscious business and benefit of humanity and society is the fundamental

principle for each of the Company's actions. The sustainable development of Vicostone is attached to customers' satisfaction, environmental protection, occupational health and safety, and social security and stability.

## INCORPORATING THE SUSTAINABLE DEVELOPMENT STRATEGY WITH 17 SUSTAINABLE DEVELOPMENT GOALS (SDGS)

Vicostone's sustainable development strategy is based on the principle of respecting its commitment to stakeholders - which closely links with 17 sustainable development goals of the United Nations - while maintaining a successful operation that delivers good values to the society.

- Creating harmonious values with stakeholders by a long-term vision;
- Developing on the foundation of ecological and social sustainability;
- Constantly striving to uphold the philosophy of "living is giving";
- Contributing to and influencing a conscious business community and a civilized, knowledge-based, sharing society for a better life.



### Economics

- SGD 8: Decent work and Economic growth
- SDG 9: Industry, Innovation and Infrastructure
- SDG 11: Sustainable cities and communities
- SDG 12: Responsible consumption and production

### Environment

- SDG 6: Clean water and Sanitation
- SDG 7: Affordable and clean energy
- SDG 12: Responsible consumption and production
- SDG 13: Climate action
- SDG 14: Life below water

### Society

- SDG 3: Good health and well-being
- SDG 4: Quality education
- SDG 5: Gender equality
- SDG 8: Decent work and economic growth
- SDG 10: Reduced inequalities
- SDG 11: Sustainable cities and communities
- SDG 16: Peace, justice, and strong institutions
- SDG 17: Partnerships for the goals

### Corporate Governance

- SGD 8: Decent work and Economic growth
- SDG 9: Industry, Innovation and Infrastructure
- SDG 17: Partnerships for the goals

## SUSTAINABLE DEVELOPMENT PERFORMANCE AT VICOSTONE IN 2022

In 2022, the political conflict between Russia - Ukraine, China's Zero COVID policy, and the trend of monetary tightening to cope with high inflation are the main causes of world economic instability. High interest rates have had a significant impact on the real estate and construction sectors, causing sales of homes, mortgages and home purchases to plummet in many countries. With revenue mainly coming from export activities, Vicostone's business results are also strongly influenced by these global macro factors.

Most of the above factors have been included in the 2022 Risk Management. However, market uncertainties still have a significant impact on the Company's business activities in key markets. In that context, the Company remains

proactive with effective governance and timely solutions to respond to market changes, secure jobs and incomes for employees as well as continue to implement social programs and environmental activities through green - clean - sustainable production. The Company's equity is always preserved even in volatile world economic times.

The sustainable development performance results of the Company are displayed as follows:

	MATERIAL TOPICS IN 2022	EQUIVALENT 17 SDGS	RESULTS IN 2022
<b>ECONOMICS</b> Stabilizing production and business activities while enhancing global brand recognition in the world economic crisis	GRI 201 – Economic performance		<ul style="list-style-type: none"> <li>In 2022, Vicostone reached a total of VND 6,590 billion in total assets, VND 5,660 billion in net revenue and VND 1,377 billion in profit before tax. Although business results were not as planned, the Company still maintained its leading position in key markets; The ratio of profit before tax to net revenue reached 24.33%, demonstrating the Company's efforts to optimize profits and expand the business, ensuring shareholders' interests and income for employees;</li> <li>Continuing to implement the localization strategy with the support of the parent company - Phenikaa Group, securing more than 95% of input raw materials for engineer quartz stone production, remaining proactive in production planning to stabilize selling prices to end consumers;</li> <li>Promote the development of new products, and affirm the pioneering, innovative spirit to steer the market trend. In 2022, the Company launched 26 new products inspired by majestic natural phenomena and the inspiration of "The Art of Quartz" during the 20-year journey of development;</li> <li>International market: Expanding the system in North America to increase coverage and access to customers: In 2022, Vicostone continued to expand its distribution system with the launch of new showrooms in Ottawa, bringing the total number of Vicostone showrooms in Canada to 08 and North America to 14, along with 10,000 of other retailers; building a prosite - specialized page for experts on the website platform to increase customer interaction with VICOSTONE® products;</li> <li>Domestic market: scale up the VAF (Vicostone Authorized Factory) models in 10 major cities in the Southern and South Central Coast area, bringing the number of cities with VAF to 23; organize events to attract the attention and participation of experts and customers: VICOSTONE – The journey of quartz; the "Sharing gratitude - 20 years together with VICOSTONE®" to celebrate the 20th-anniversary milestone.</li> </ul>
	GRI 202 – Market presence		
	GRI 206 – Anti-competitive behavior		

<b>ENVIRONMENT</b> Green – clean – sustainable production	GRI 301 – Materials		<ul style="list-style-type: none"> <li>Strengthening the governance and optimization of energy sources within the Company (electricity, gas, oil): There was a decrease of 23.93% in direct greenhouse gas and 23.68% in indirect greenhouse gas of Vicostone in 2022 compared to 2021. The Company continues to operate the solar power system, meeting 100% of the electricity demand for 2 administration buildings of the Company;</li> <li>Applying kaizen initiatives and green energy solutions to optimize energy consumption and reduce greenhouse gas emissions: In 2022, there are 729 kaizen initiatives deployed to save energy and resources in the Company, reduce emissions to the environment, increase production and business efficiency;</li> <li>Strong investment in research and development of alternative materials in the direction of green production, environmental protection, recycling and reuse of materials: Vicostone has been implementing 04 research projects relating to reusing solid waste from the production process into environmentally friendly products and materials;</li> <li>Successfully implementing the localization strategy of raw materials, securing more than 95% of the input materials, minimizing the carbon footprint in the life cycle of VICOSTONE® premium quartz stone products.</li> </ul>
	GRI 302 – Energy		
	GRI 303 – Water and effluents		
	GRI 305 – Emission		
	GRI 306 – Waste		
	GRI 307 – Environmental Compliance		
<b>SOCIETY</b> Adding value to stakeholders in the spirit of Conscious Business Culture	GRI 401 – Jobs		<ul style="list-style-type: none"> <li>Ensuring jobs, income and welfare for 100% of employees in the volatile economic context and while the Company's production and business activities suffer from heavy impact; The average income of employees in 2022 is VND 223,091,976;</li> <li>Vicostone was rated as one of the 10 best workplaces in the construction materials industry in the Top 10 Best Workplaces Program published by Viet Research and Vietnam Investment Review;</li> <li>Implementing the hybrid training system (Hybrid Learning) - combining online and offline to avoid interruption in training and capacity-building activities for employees, enhancing accessibility and optimizing training time and costs. The Company continues to operate the E-learning training system with a diverse repository of training materials, practical knowledge for each working position, and an accessible and user-friendly interface. The total number of training courses conducted in 2022 was 85 with 4,857 trainees equating to 28,483 hours of training;</li> <li>Contributing 379 billion VND to the State budget;</li> <li>In 2022, Vicostone and Phenikaa Group implemented many community support programs. Some highlights can be found as: Donating VND 3 billion to the Fund for the Poor in Hanoi city, Donating learning equipment to schools in Thach That district, Hanoi and Phong Dien District, Thua Thien Hue; Sponsoring for two libraries in the Room to Read model in Cao Bang and Ha Giang; Providing free medical examination for local beneficiaries and building houses of gratitude for families in need.</li> </ul>
	GRI 403 – Occupational health and safety		
	GRI 404 – Education and training		
	GRI 405 – Diversity and Equal Opportunity 2016		
	GRI 413 – Local Communities		
	GRI 416 – Customer Health and Safety		
<b>CORPORATE GOVERNANCE</b> Strengthening the foundation of system - people - technology management in a proactive, modern, creative and flexible manner	GRI 1,2,3		<ul style="list-style-type: none"> <li>Continue to research, improve and apply modern corporate governance system; improve risk management and auditing capacity to respond in all circumstances with timely, proactive and flexible solutions;</li> <li>Promote technology innovation and comprehensive implementation of technical infrastructure to actively adapt to fluctuations of the market economy as well as improve productivity, business operation and efficiency;</li> <li>Innovate working methods, researching and developing new technologies, and new products, and automate production processes to minimize costs and reduce cost of time and labor.</li> </ul>














# SUSTAINABLE DEVELOPMENT STRATEGY IN 2023

In 2023, the world economy continues to face the risk of recession, as inflation at Vicostone's major business markets is forecasted to remain at a high level, thereby

indicating a negative impact on export revenue. In such context, Vicostone aims to focus on the following activities to maintain sustainable revenue growth.

	PLAN	SDGS
<b>ECONOMIC</b>	<ul style="list-style-type: none"> <li>Ensure sustainable revenue growth goals:               <ul style="list-style-type: none"> <li>Actively capture market information to provide timely, flexible, and suitable solutions for each market and period to stabilize production and business; Enhance competitive position in key markets;</li> <li>Expansion of new potential markets: In addition to promoting sales, increase market shares in existing markets such as the US, Canada, Europe... Vicostone continues to invest in resources to access and develop potential new markets such as countries in the Middle East, South America and multiple Asia Pacific countries;</li> </ul> </li> <li>Ensuring the stability of the supply chain: Proposed the transfer of the "Unsaturated polyester resins that is resistant to ultraviolet radiation (UV radiation) and weatherproof that can be applied in the production of engineered stone and polymer composite materials" factory from the parent company - Phenikaa Group, securing the supply chain of input materials to the engineered quartz stone manufacturing sector.</li> </ul>	   
<b>ENVIRONMENT</b>	<ul style="list-style-type: none"> <li>Become a "Green Business", minimizing harm to the environment through efficient use of energy, using "green" labeled equipment;</li> <li>Establish and maintain a partnership in environmental activities between the Company and employees, customers, partners and other parties;</li> <li>Maintain the application and update of HSEQ international standards to ensure the highest compliance with the environmental and social requirements</li> <li>Strong investment in research on recycling and reuse of materials and waste in production, introducing useful inventions on the environment.</li> </ul>	    

<b>SOCIETY</b>	<ul style="list-style-type: none"> <li>Optimize resources, enhance labor productivity, and arrange jobs in accordance with the capacity and expertise of employees. In addition, the Company promotes training activities and develops a learning culture to constantly improve the capacity of employees, thereby opening opportunities for development and boosting the efficiency and productivity of the labor force.</li> <li>Stabilize jobs and incomes for employees; promote the training of high-quality human resources to meet the current and future human resource needs; invest in skill improvement programs for all employees to develop better expertise and experience according to each development stage and strategy of the Company; building a conscious business culture and professional working environment.</li> <li>Community and local development: Vicostone focuses on supporting basic and advanced living conditions for local people to boost their self and family development through recruitment and living condition improvement programs; continue to participate in social activities such as: supporting flood victims, lifelong support for Vietnamese heroic mothers, sponsoring children in difficult circumstances, investing in the development of the next generation. children, investing in the improvement of public facilities: roads, schools, stations and more.</li> </ul>	       
<b>CORPORATE GOVERNANCE</b>	<ul style="list-style-type: none"> <li>Continue to improve corporate governance on the basis of applying international management practices to ensure efficient use of resources and sustainable values in the long term.</li> <li>Optimize cost: Develop optimization plans to control production and operation costs, especially the costs of raw materials, fuel, and energy to limit the impact of inflation on business activities;</li> <li>Enhance technology development to create know-how about materials and technological processes to improve product quality and optimize production costs;</li> <li>Promote comprehensive and continuous improvement in all areas to reduce costs, improve labor productivity and operational efficiency.</li> </ul>	  

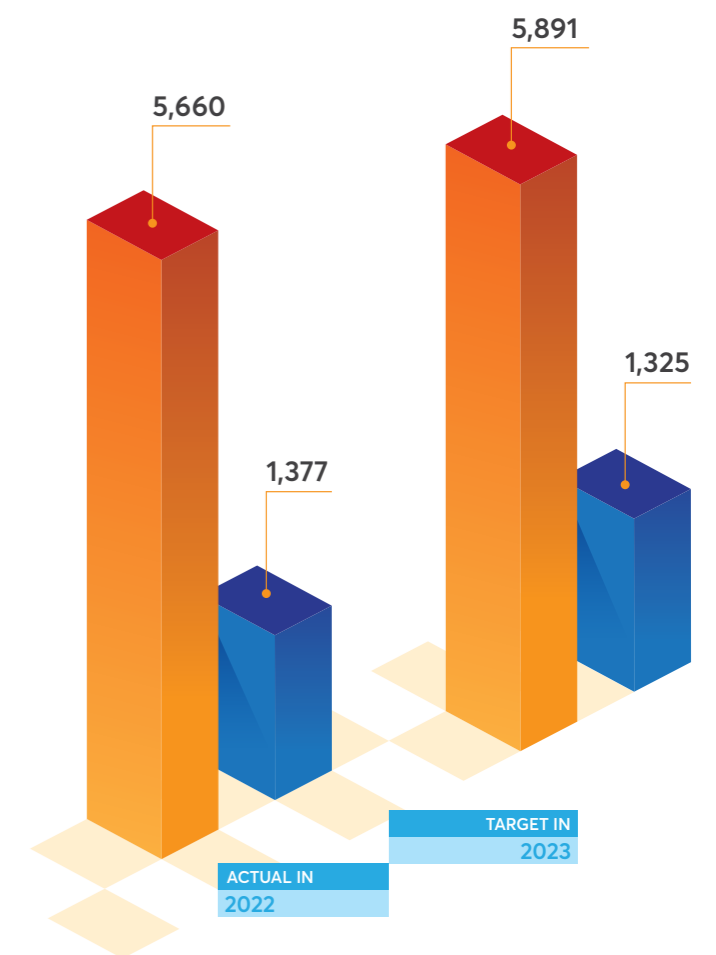


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## MAJOR TARGETS IN 2023

### Scenario 1:

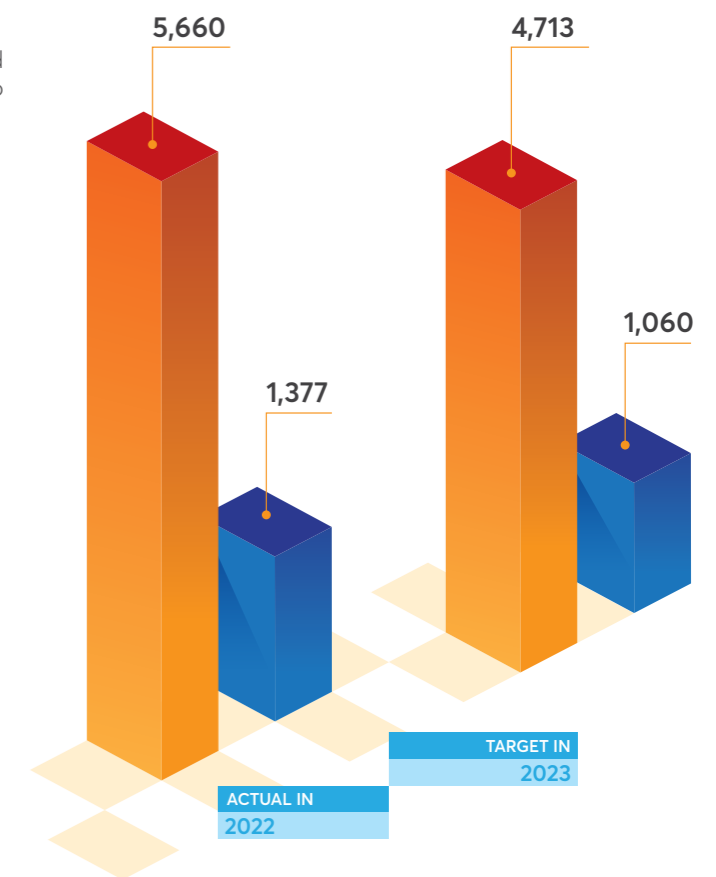
Net revenue  
 Total profit before tax  
 Unit: VND billion



### Scenario 2:

This scenario applies in case the economic, political and social contexts develop in an unfavorable direction to the Company's production and business activities.

Net revenue  
 Total profit before tax  
 Unit: VND billion





# IDENTIFICATION OF MATERIAL TOPICS



## PROCESS FOR IDENTIFYING LIST OF MATERIAL TOPICS

STEP  
**1**

### Identify general issues that may have significant impacts on Vicostone

- Monitor and compare with global trends regarding sustainable development;
- Analyze the issues that affect revenue, costs and the reputation of the Company, etc. from the inside and outside;
- Search and analyze the information, competitors and alternative products related to engineered stone market and industry.

### Identify key issues that may have impacts on the concerns of the stakeholders

- Consult with stakeholders on the issues: Customers, shareholders, investors, employees, suppliers, State agencies and others;
- Filter important areas to be prioritized by each relevant target;
- Cross-check with existing regulations and laws.

STEP  
**2**

STEP  
**3**

### Ask for evaluation of the stakeholders on key material topics

- Select key material topics as recommended by the stakeholders and ask for the evaluations of high-ranking directors and functional departments and divisions.

### Evaluate, select and incorporate key material topics into the report

- Evaluate key material topics as recommended by the stakeholders and key issues with significant impacts on the operations of Vicostone;
- Create a list of key material topics upon the development direction and practical conditions of the Company in descending order;
- Propose the high-ranking director in charge of sustainable development approves selected key material topics;
- Create a matrix of key material topics and incorporate them into the Report.

STEP  
**4**

# MATRIX OF KEY MATERIAL TOPICS

## ECONOMIC ISSUES

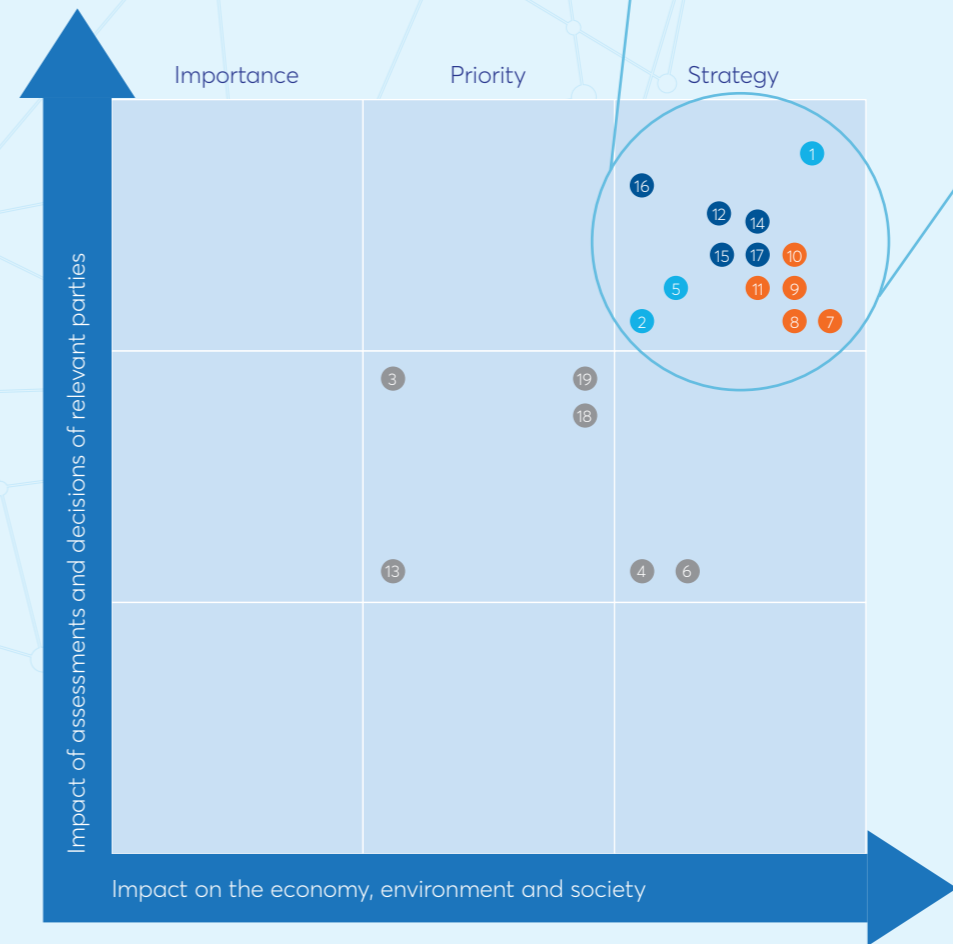
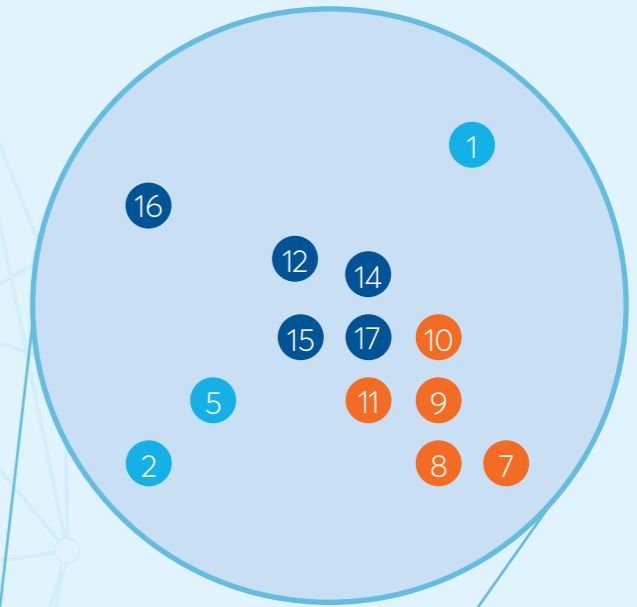
- 1 GRI 201 – Economic performance
- 2 GRI 202 – Market presence
- 3 GRI 203 – Indirect Economic Impact
- 4 GRI 204 – Procurement Practices
- 5 GRI 206 – Anti-competitive behavior
- 6 GRI 207 – Tax

## ENVIRONMENTAL ISSUES

- 7 GRI 301 – Materials
- 8 GRI 302 – Energy
- 9 GRI 303 – Water and effluents
- 10 GRI 305 – Emissions and disposals
- 11 GRI 306 – Wastes

## SOCIAL ISSUES

- 12 GRI 401 – Employment
- 13 GRI 402 – Labor/Management Relations
- 14 GRI 403 – Occupational health and safety
- 15 GRI 404 – Education and training
- 16 GRI 413 – Social Responsibilities
- 17 GRI 416 – Customer health and safety
- 18 GRI 417 – Marketing and Labeling
- 19 GRI 418 – Customer Privacy







# 4

## PROFIT

- 68 Economic performance
- 72 Anti-competitive behavior



# ECONOMIC PERFORMANCE

In 2022, the world economy, already hurt after 2 years of the pandemic, became even more difficult when affected by political rifts. High global inflation, broken supply chains, food and energy crises... caused the economy to stagnate; real incomes and living standards of households were affected; and therefore consumption also significantly decreased compared to previous years.

Vicostone's revenue mostly comes from export activities, hence the Company's business results were also strongly influenced by global macro factors. Demand for Vicostone's stone products declined, especially in the main markets as North America and Europe. Although most of the above factors have been included in the risk list by the Company when planning for 2022, unpredictable market fluctuations still had a strong impact on the Company's operations in key markets.

Below are the Company's detailed financial indicators:



NO.	TARGET	UNIT	2018	2019	2020	2021	2022
1	Import/export turnover of goods	USD million	204.63	224.46	202.68	277.81	193.98
	In which:						
	Import turnover	USD million	64.38	42.21	39.05	48.99	42.03
	Export turnover	USD million	140.25	182.25	163.63	228.82	151.95
2	Total revenue	VND billion	4,564.50	5,590.55	5,701.22	7,136.65	5,761.95
3	Sales costs	VND billion	3,171.98	3,867.11	3,927.76	4,927.12	4,238.72
4	Total profit before tax	VND billion	1,318.51	1,652.66	1,667.96	2,097.40	1,377.22



NO.	TARGET	UNIT	2018	2019	2020	2021	2022
5	Total profit after tax	VND billion	1,123.54	1,410.11	1,428.42	1,772.06	1,148.70
6	Corporate tax contribution	VND billion	234.10	365.57	307.80	448.40	379.02
7	Liabilities	VND billion	1,673.77	2,135.07	2,197.51	2,018.72	1,721.17
8	Owner's equity at year end	VND billion	2,730.55	3,448.69	3,857.82	4,874.20	4,868.74
9	Charter capital	VND billion	1,600.00	1,600.00	1,600.00	1,600.00	1,600.00
10	Dividend payment ratio (by cash and shares)	Of par value of outstanding shares (%)	140.00%	42.04%	40.00%	43.09%	60.00%
11	Interest expense	VND billion	32.20	55.68	81.06	56.88	48.52
12	Profit before tax/Net revenue	%	29.16%	29.71%	29.47%	29.67%	24.33%
13	Profit before tax/Net revenue	%	24.85%	25.35%	25.24%	25.06%	20.29%
14	Return on Average Equity (ROAE)	%	43.83%	45.64%	39.10%	40.59%	23.58%
15	Return on Average Asset (ROAA)	%	27.36%	28.24%	24.55%	27.37%	17.04%

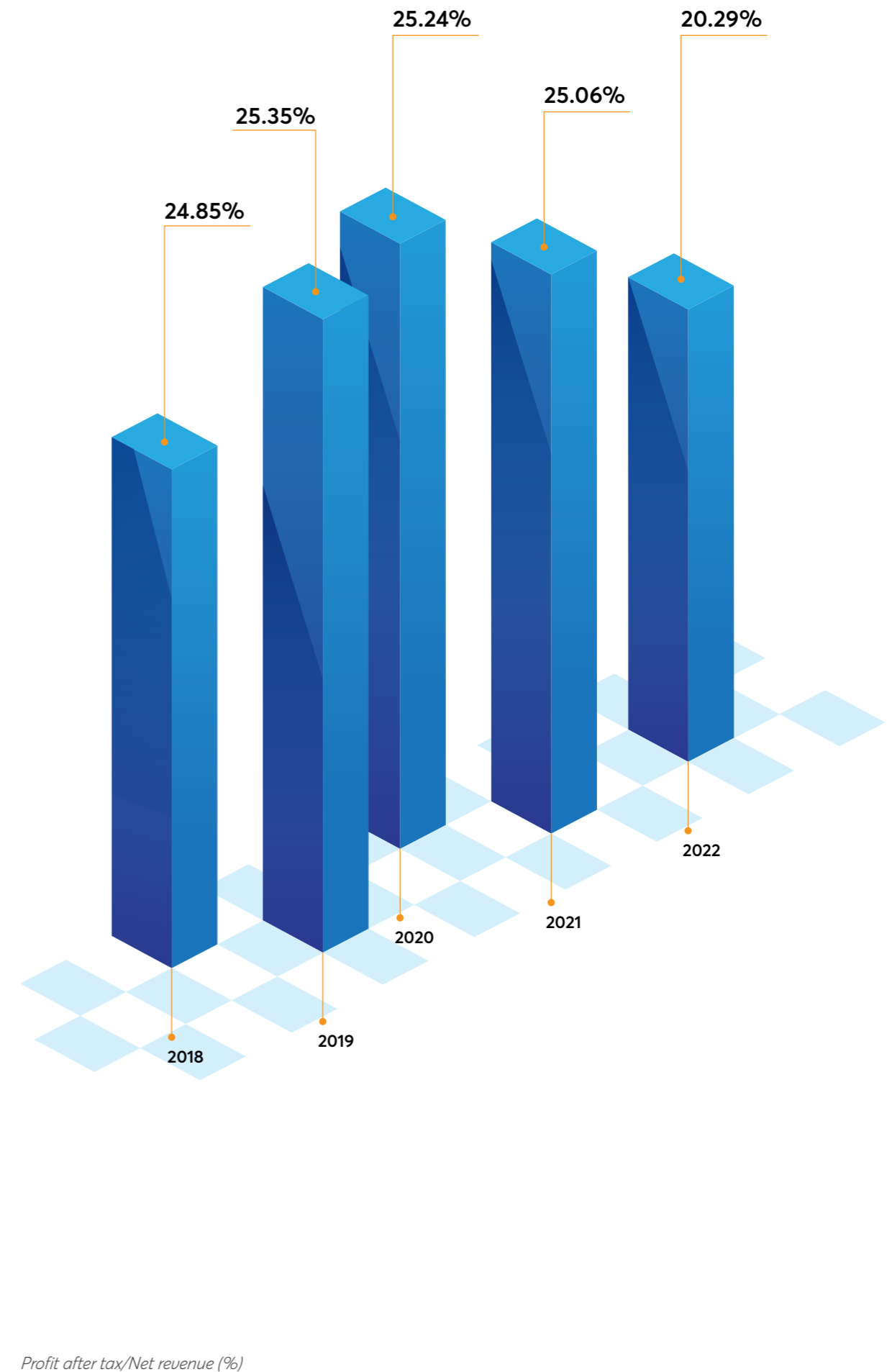
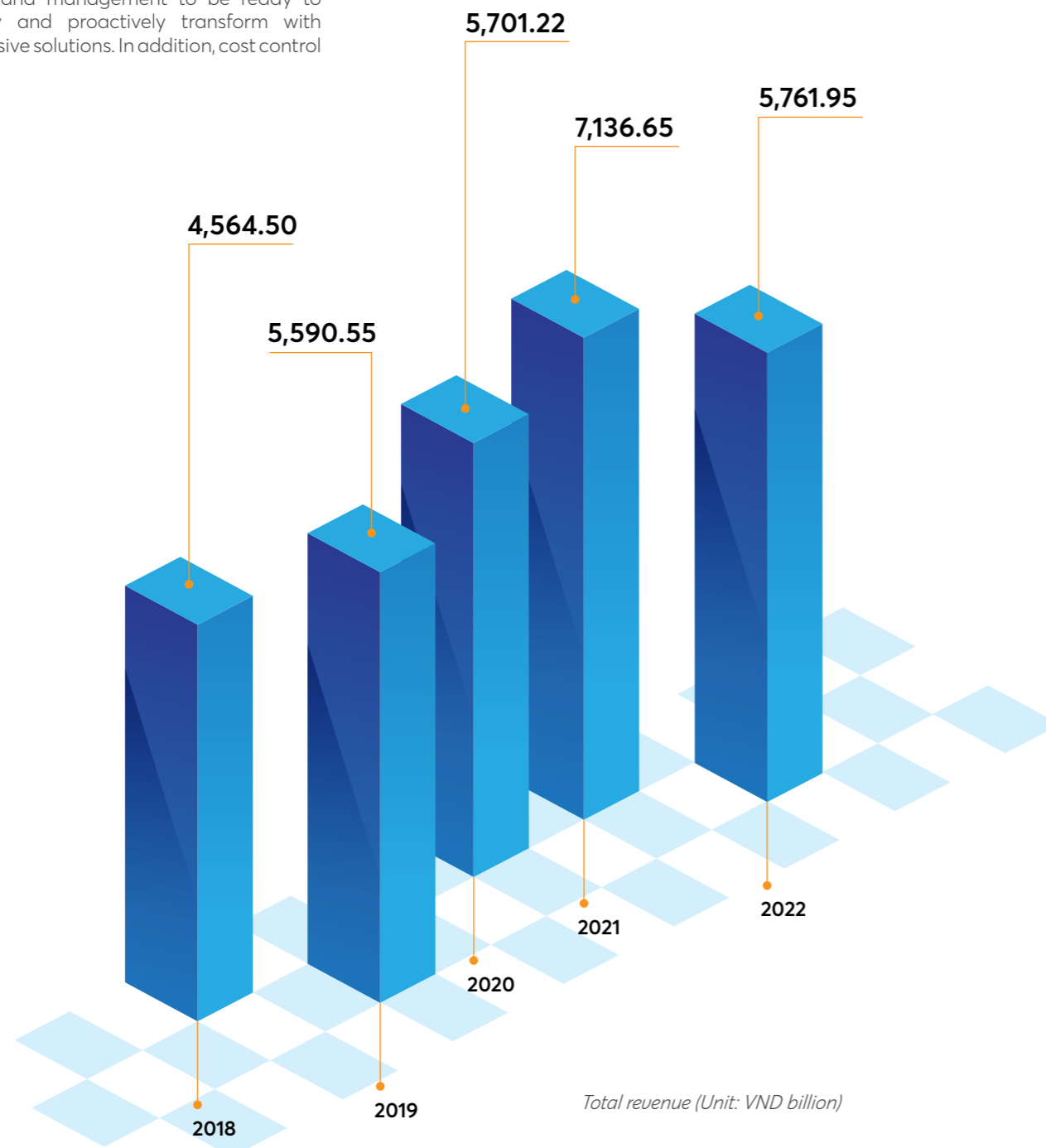
Vicostone's net revenue in 2022 reached 67.65% of the plan, equaling 80.06% compared to 2021. The Company's profit before tax reached 57.07% of the plan, equaling 65.66% compared to the year 2021. Profit after tax/net sales and profit after tax/equity ratio in 2022 is lower than that in 2021, but the results in 2022 are still considered positive in the difficult context. Facing the general difficulties of the global economy, the Company's revenue did not reach the set targets. However, Vicostone has actively implemented many flexible solutions to minimize risks in production and business, increase competitive advantage in the context that many businesses in the same industry are facing the increases in raw material prices.

In the past year, the Company still ensured income for employees in the context that many businesses in the market even had to reduce staff.

Vicostone pays special attention to risk management, risk identification and management to be ready to respond promptly and proactively transform with flexible and responsive solutions. In addition, cost control

and reduction is also implemented synchronously throughout the Company through creative, innovative and technological solutions to ensure the standards and quality of all activities with the most optimal cost...

Like most industrial manufacturers in the world, Vicostone does not benefit from the impacts of climate change. The risks posed by climate change affecting the supply chain and transportation activities as well as the response measures have been assessed and included in the Company's risk portfolio.





## CONTRIBUTION TO THE STATE BUDGET

Vicostone is highly aware of the importance of contribution to the State budget. In 2022, the Company contributed VND 379.02 billion to the State budget. Higher contribution to the State budget will enable socio-economic adjustments at the macro level and stimulates economic growth and social wellbeing.

## DIVIDEND PAYMENT

Dividends are only paid once the Company completes distributing profit to its funds. The ratio and form of dividend payment are decided and executed in line with the Resolution of the AGM, the proposal of BOD and following principles:

- The dividend payments are made on two conditions: The interests of shareholders are secure and the need of capital for business expansion is met;

- Dividends are paid only when the Company is profitable, after the Company completes profit distribution to specific funds and accomplishes tax and financial duties in accordance with the law;
- The Company must assure due debts and liabilities are resolvable after the dividend payments are completed;
- The dividend payment is subject to each shareholder's ownership.

Thanks to the methods to optimize profits and ensure the rights of shareholders, in the recent years, the Company has maintained high rates of dividend payment (40% or more). In 2022, Vicostone spent 60% of net profit, or VND 960 billion, to pay dividends in 2022.

In addition to the equity raised from the contributed capital of the shareholders, Vicostone borrows capital from banks and pays monthly, quarterly interest according to the agreement between both parties.

## COMPENSATION FOR EMPLOYEES

The company offers attractive salary, bonus and welfare policies for employees such as: Salary, periodical bonus on holidays, Tet holiday, summer vacation...; health insurance for employees, insurance for family members of key personnel; honorarium for employees on special occasions such as birthdays, family days, March 8, June 1, October 20, July 27, and others. Vicostone has also completed its training policy to ensure that its employees can have in-depth professional knowledge, work professionally. We use human resources and employee treatment policies based on the principle of cohesion, building a happy working environment for employees. The average monthly income of employees in 2022 reached VND 18.2 million<sup>1</sup>.

Aside from ensuring work and welfare during times of economic hardship, the Company improved welfare for its employees and implemented diverse and beneficial welfare programs for them.

Major welfare policies of Vicostone towards employees included:

- 100% employees are provided with full medical check-ups and medical recommendations on balanced diets and physical exercise;
- Optical and auditory check-ups for occupational diseases for employees in specialized positions
- Provision of health, social, and unemployment insurances in accordance with regulations
- Provision of health insurance, healthcare, 24/24 accident insurance, regular health checkups for employees to purchase;
- Financial support for purchase of health insurance by relatives of employees;
- Support in terms of finance, interest rates, and procedures for employees purchasing Phenikaa apartments.



<sup>1</sup> Vicostone's consolidated data



# ANTI-COMPETITIVE BEHAVIOR



Labelling on Vicostone's products

Throughout the journey of more than 20 years of establishment and development, Vicostone has always strived to create a healthy, fair and transparent business environment with stakeholders. As one of the leading reputable enterprises not only in Vietnam but also in the world in the field of premium quartz stone production, the company is committed to fully complying with the provisions of the law on anti-monopoly. Besides, Vicostone always actively builds and applies appropriate sanctions and measures to create and maintain a healthy, fair, equal and transparent competition environment. At Vicostone, we say no to commercial fraud to join hands to build an ecosystem of businesses that practice responsible business, contributing to the sustainable development of the Vietnamese business community.

Vicostone is currently taking legal measures to protect its intellectual properties (IPs), execute actions against anti-competitive behaviors, monopolies and antitrust practices under the laws on Intellectual Property and Competition and other technical regulations to register for the right of its intellectual property, to limit unhealthy competition acts and handle violations in accordance with the existing legal framework.

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

In order to protect its IPs, creative products of employees, Vicostone has applied IP protection measures under the laws on Intellectual Property and Competition to prevent and limit unfair competition acts from competitors in the industry both domestically and internationally, including:

### 1. Registration for international and domestic IP protection

VICOSTONE® quartz products are the crystallization of technology, intellect, experience, know-how, and ceaseless creative efforts by Vicostone people. Unfortunately, the imitation and modification of stone designs by competitors is a common occurrence. To pursue a legal complaint, a company must spend large amounts of time and money as well as navigate a lengthy procedural process. Therefore, Vicostone consistently prioritizes and actively protects its intellectual properties and brand to avoid possible risks.

- With respect to the VICOSTONE® brand: The Company has registered its trademark in 66 countries, including in its major markets such as the U.S., Canada, Australia, New Zealand, and the E.U. (27 countries);
- Regarding the branding of its major products: the Company has registered for trademark protection of 124 trademark names in Vietnam, 69 in the United States, and 30 in Australia and 02 in Canada;
- With respect to the protection of industrial design of products: the Company has been awarded exclusive industrial design protection certificate for 26 product designs (BQ8925, BQ8915, BQ8800, BQ8863, BQ8840, BQ8860, BQ8686, BQ8730...) in Vietnam and 7 industrial designs (BQ8915, BQ9701, BQ8883, BQ9700, BQ8925,

BQ8800, BQ2902) in the United States and is registering for industrial design protection for other products;

- For the protection of inventions and utility solutions: In 2022, Vicostone's parent company successfully filed a registration in Vietnam for 2 technical solutions on manufacturing and transportation to improve manufacturing and supplying procedures, 3 technical solutions for the production of building materials and 3 technical solutions for the production of auxiliary materials to enhance the quality of the product.

### 2. Use of technical solutions

In addition to patent registration, the Company has enhanced the registration and protection of its brand on the internet to avoid disputes and takeovers of domain names and intellectual property theft. Specifically, the Company has used a domain name identical to its brand (<https://vicostone.com/>) and invested in website domains of the Company in more than 50 countries. Vicostone's major markets such as North America (U.S. - vicostoneus.com, Canada - vicostone.ca) and other markets such as Europe (vicostone.co.uk; vicostone.fr) are provided with complete information on the products, brand, and official sales location on the respective websites of the Company. In 2022, the Company also renewed 10 of its domains, including: vicostone.nz; vcsstone.com; vicostone.com.vn; vicostone.vn, etc.

The record of the characters ® and TM was to confirm Vicostone's rights to its trademarks. At the same time, the Vicostone discloses its trademarks on all documents, websites, and so forth. Thereby, the Company could limiting infringing behaviors, enhancing the effectiveness of IP rights protection and creating a solid basis to handle any violations.





### 3. Anti-counterfeit tools

Vicostone runs a barcode system to manage all information about the products, known as product ID. The product ID is created by the central server, transformed into a two-way barcode then labeled on the product by two methods:

- Labelling: All related information and the barcode of the product are printed and stamped on the product;
- Print directly onto the product surface: The trademark VICOSTONE® is printed on the back of the slab with the information of the product, including the ID, date of production, number and color code. The print will remain endlessly consistent on the product.

Thus, each product is labeled with a specific barcode to ensure its traceability is responsive and accurate, making the warranty easier for customers and helping them distinguish between the genuine and the counterfeit.

### 4. Additional protective measures

In 2022, the Company implemented further measures concerning its protect intellectual property rights, including:

- Application of technological measures in creating a database and managing IP rights;
- Establishment and application of IP strategies and IP management policies at the Company;
- Operation of a specialized department on IP management at the Company that included members of the Legal, Brand, and R&D departments;
- Development of a specialized and intensively trained team on IP to holistically, uniformly, and systematically implement IP activities at the Company;

### 5. Measures to handle violations

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

- If the individual or organization commits violation for the first time:
  - Send a written request to individuals, organizations that violate Vicostone's trademarks and images, requesting for remedies within the deadline provided by Vicostone;
  - Upon the remedy completion, the violating individual or organization must report the results to Vicostone and commit not to make any similar violations in the future; Vicostone also conducts regular checks and monitoring to avoid repeated violations.
- If the individual or organization repeats the violation or carries out no remedy following Vicostone's second request, and the violation damages the reputation of

- Additionally, Vicostone continued to implement further internal measures to strictly protect secrets in technologies, machinery, production lines, and others at the Company;
- Prohibition of photography/filming of production areas related to technological know-how and elements subject to confidentiality; strict control of Company entry and exit of employees/partners/customers;
- Signature of commitment to confidentiality by all employees in which the undersigned pledged not to leak any information or documents throughout and after their term of employment at the Company;
- Requirement that partners committed to respecting the Company's intellectual rights to its brands; in transactions with foreign partners and procurement contracts, customers must commit to refrain from brand property rights infringements, and be liable for compensation in accordance with applicable laws in cases where damages were caused;
- Vicostone provided full services to its customers, including measurement, design, price offer, installation, warranty, online warranty registration, and others in the Vietnamese market, thus significantly reducing the risks of counterfeit products and those that mimic the VICOSTONE® quartz stones brand.

VICOSTONE® brand, Vicostone will consider following measures:

- If the violation causes financial and reputable damages for Vicostone: The Company will request the violating individual or organization to pay compensations for the damages upon the laws and regulations of Vicostone;
- If the violation causes damages to the brand and reputation of VICOSTONE®: The Company will temporarily suspend the right to use VICOSTONE® brand of the violating agency for verification, revoke or terminate the VICOSTONE® brand use right as prescribed in the agency contract, brand licensing contract.
- If the individual or organization is not in the state of partnership or connection with Vicostone: The Company will report the violations to authorized State agencies for proceedings.



Product information printed onto the back of VICOSTONE stone product



# PLANET

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# MATERIALS

## MATERIALS QUALITY CONTROL

VICOSTONE® products are manufactured with "Compaction by vibro-compression under vacuum" technology using machinery transferred from Breton S.p.A (Italy), combined with technological and mechanical innovations that have been mastered by Vicostone engineers. Over 20 years of research and development (R&D), Vicostone engineers have added modern technologies and techniques to enhance and optimize performance. Vicostone has now secured more than 95% of the input materials for quartz stone production, thereby having absolute control over the quality of main

input materials. All other auxiliary materials are provided by reputable domestic and international partners with a strict assessment process to ensure the required quality.

### 1. Material assessment process

To ensure quality and enhance the use of resources, the material assessment process at Vicostone comprises the following steps:



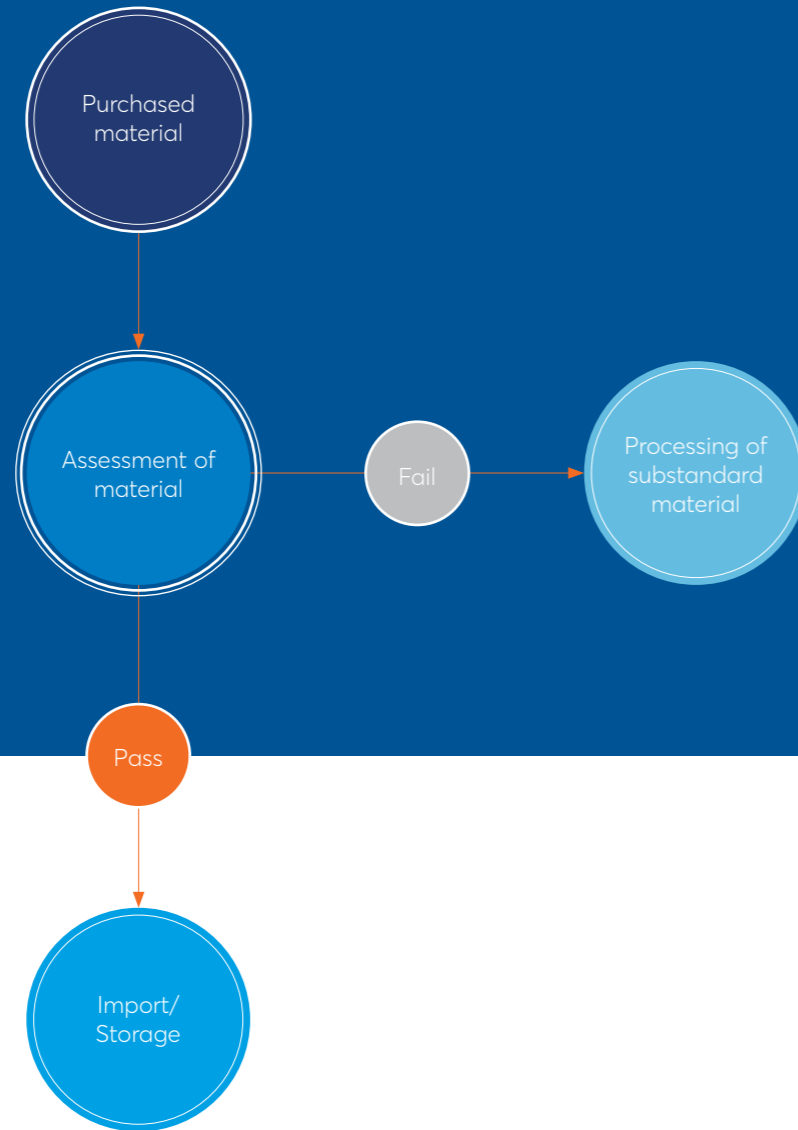
Materials undergo the assessment process before storage

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

5	In-production supervision	<ul style="list-style-type: none"> <li>• The Process Quality Control team of the Quality Control Department conducts secondary check on the materials before importing into the production line. If there are doubts about the quality of the materials, the Quality Control Division and the R&amp;D Department examine the materials and deliver recommendations/warnings about the conditions of the materials;</li> <li>• During the production, if the materials are found in sub-standard conditions and may harm the production line, the factory and the Quality Control Division separate the materials and hand over them to functional units for treatment</li> </ul>
6	Assessment	<ul style="list-style-type: none"> <li>• All products are assessed upon existing quality standards</li> </ul>

Prior to storage, the materials are tested by the Input Quality Control team to ensure equivalence with national/international measurement standards. The materials must meet Vicostone's strict requirements on environmental protection and be compatible with the Company's technology. After being imported, the materials are stored in standardized facilities to maintain quality. Before production, the materials are assessed the second time regarding their qualities and environmental safety measurements.

## 2. Assessment of imported material



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

The Materials and Quality Control work to examine the materials as planned. The Quality Control Department's IQC staff evaluates all materials the first time (first check) following the guidelines approved by the BOD. If the materials:

**Pass:** The Input Quality Control decides to import 100% of materials.

**Fail:** The Input Quality Control requests for remedies as per regulations

## 3. Assessment of domestically-made material

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

The Department of Materials and Equipment and Quality Control work to examine the materials as planned. The Input Quality Control follows the guidelines approved by the BOD to inspect 100% of the materials for the first time (first check). If the materials:

**Pass:** The materials are imported and stored in standardized facilities.

**Fail:** The Input Control Quality requests for remedies as per regulations.

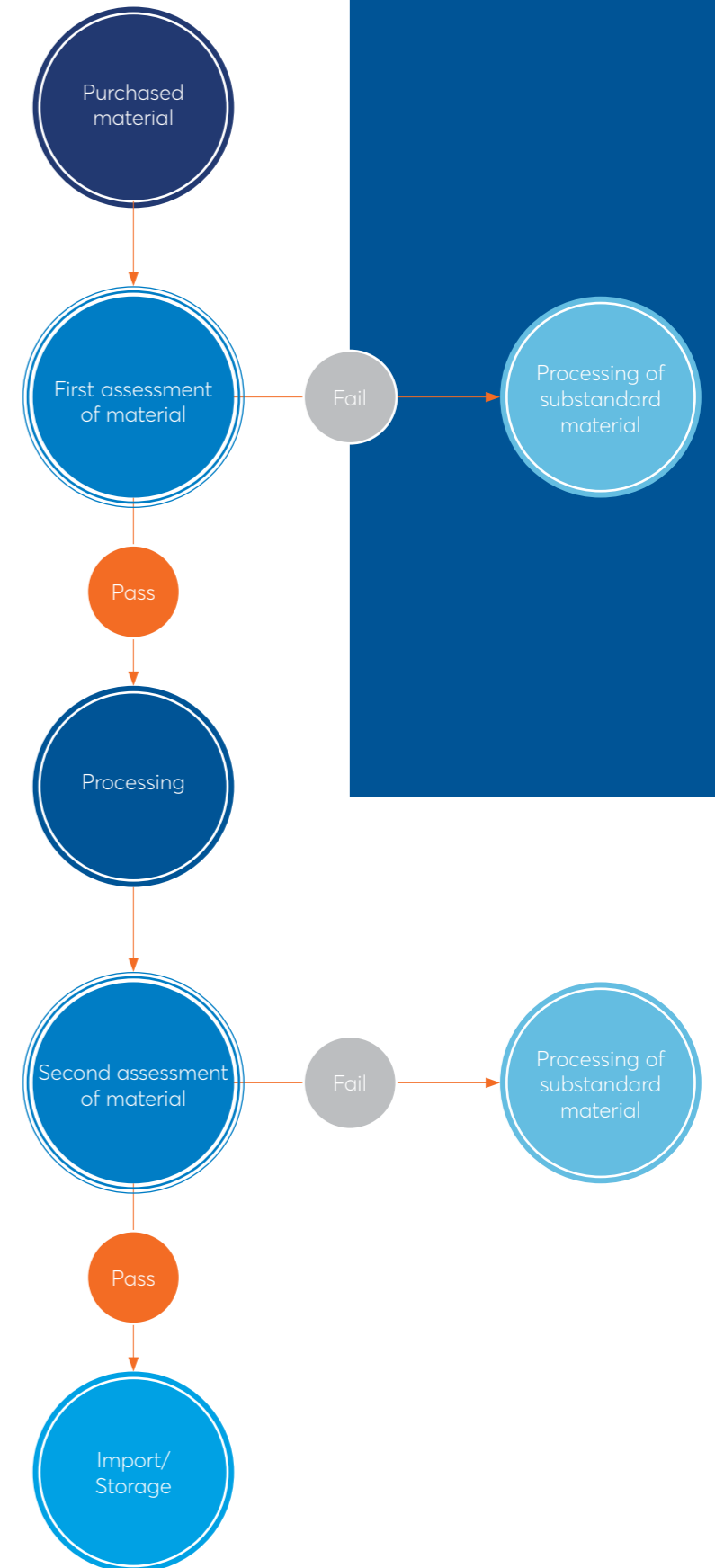
Materials after having been inspected and deemed qualified by the PQC employees of the Quality Control Department are then transferred to the Materials and Equipment department for warehousing and storage according to standards and to prevent decline in quality and quantity of materials during storage pending production.

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

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

**Pass:** The materials are stored and kept at standardized houses.

**Fail:** The Input Quality Control requests for remedies as per regulations.







Engineers at the R&D office, Vicostone JSC



Cristobalite storage in Phenikaa Hue Factory

## MATERIAL TOPIC

### 1. Main materials

Materials of VICOSTONE® quartz products

- Quartz and stone powder (~90%)
- Polyester resin (~10%)
- Chemicals, additives, color powder

Vicostone determines that the proactiveness in input materials is an urgent need of a production business and the premise for continuous production processes, availability

of products, and competitive advantages in markets. With the aspiration to create purely Vietnamese products that meet international standards, with its internal strengths and the support from the parent company – Phenikaa Group, Vicostone has fostered investment, research, and development of domestically produced raw materials with priority in 3 main types of raw materials in the production of VICOSTONE® stones, namely: Cristobalite, Quartz, and Polyester Resin.

Unit: Tons

MAIN MATERIALS	2018	2019	2020	2021	2022
Domestic quartz	14,064.8	15,987.5	12,616.8	20,944.8	22,960.4
Imported quartz	18,222.4	11,331	7,637.5	5,817.5	4,542.5
Cristobalite	25,959	40,113.9	34,998.7	43,854.4	31,718.6
Domestic resin	-	-	17.3	9,060.9	9,540.55
Imported resin	9,683.6	10,556.7	8,946.1	2,778.6	-
<b>Total</b>	<b>67,929.8</b>	<b>77,989.1</b>	<b>64,216.4</b>	<b>82,456.2</b>	<b>68,762.04</b>

Materials in production during 2018 – 2022 at Vicostone

### 2. Localization of main raw materials

Quartz is the main material of the VICOSTONE® quartz stone composition. With the strategy to localize raw materials, Vicostone's input Quartz sources are gradually being replaced by Cristobalite which is produced by Phenikaa Hue Minerals Investment and Production One Member Ltd. Company – a member unit of Vicostone. To improve the quality of the exploitation and production of raw quartz from mines, Vicostone has proactively searched for and cooperated with domestic quartz production companies. At the same time, the Company also proactively invested in modern production lines to optimize its domestic raw material supply sources and elevate domestic quartz material sources to new heights. The world-leading crushing and screening chain and equipment imported from Europe have helped Vicostone to utilize domestic raw quartz and become fully proactive with respect to raw materials for the production of slab stones. Production strategy, product quality and increase ownership of material input set a leverage for Vicostone's sustainable development. In the end of 2022, Vicostone has completed an additional pulverizer chain with its exclusive technology to increase productivity and reduce the consumption of the increasingly rare quartz materials which will help reduce 15-20% of costs in finished quartz.

Cristobalite is a high-quality material that comprises the uniqueness of VICOSTONE® engineered stones. In recent years, the VICOSTONE® new and unique product lines with Cristobalite helping to create their natural whiteness have introduced a breath of fresh air into the world engineered

stone market. Customers' preferences and positive signals from the market towards products using Cristobalite have affirmed the potential of this material in product design. Currently, Phenikaa Hue Factory (Cristobalite manufacturer) is in stable operation and fully meets the internal needs for Cristobalite. With its mastery of technology and continuous improvement of productivity and reduction of production costs, Phenikaa Hue turned in profits from VND 100-120 billion per year compared to the import period.

In Vicostone's high-quality engineered stone production technologies, Quartz and Cristobalite act as aggregate materials, while Polyester Resin is the binding catalyst. Despite accounting for only 10% of the finished product, Polyester Resin takes up from 40-50% of production material costs. After years of having to entirely import Polyester Resin from abroad (Singapore, Indonesia, Taiwan, UAE), Phenikaa Group (Vicostone's parent company) has demanded that this material be mastered and has invested in the construction of a factory that specializes in Resin production on the foundation of developing in harmony the three economic – environmental – social aspects. Currently, Phenikaa Chemical Plant (manufacturer of unsaturated Polyester plastics) has entered stable operation and helps the nearly full proactiveness of input material – the most important factor in the production technology of VICOSTONE® stones. So with its localization strategy, Vicostone has secured a close-looped supply chain of over 95% input materials in the production of quartz stones and thereby minimizing the risks from dependency on raw material inputs and currency fluctuations and optimizing prices.



### 3. Eco-friendly recycled materials

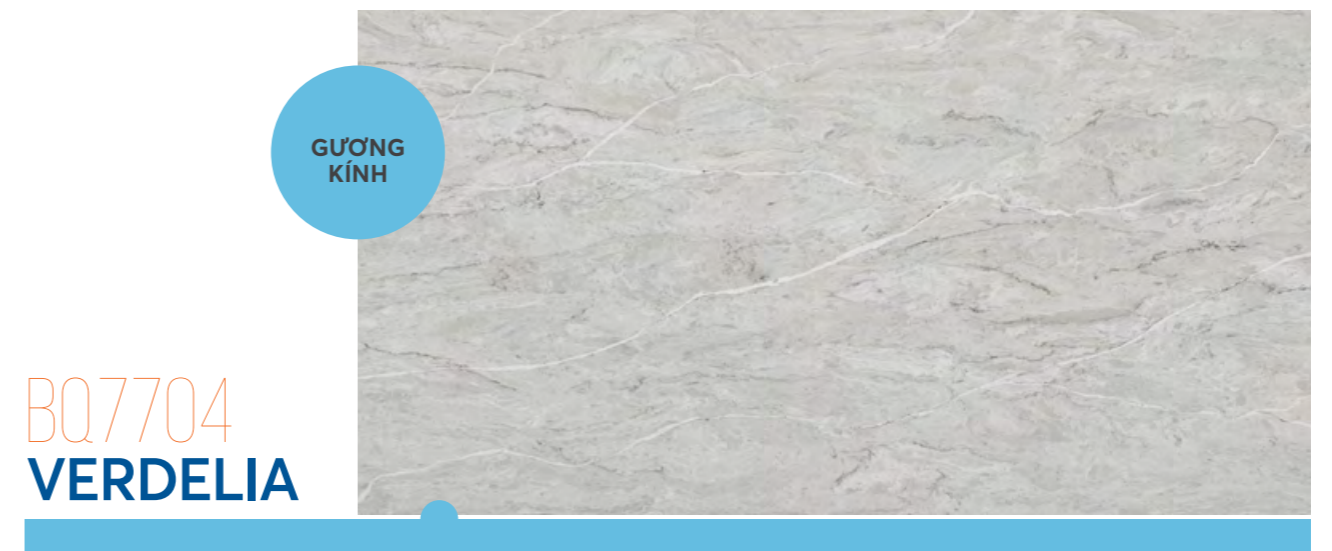
Grounded in a smart production and ecological material production strategy, Vicostone always aims for environment-friendly products, especially it also employs recycled material as input resources for the production of unique products.

Unit: kg

MATERIALS	2018	2019	2020	2021	2022
Recycled raw materials (mirrors, glasses, shells)	570,000	281,060	430,000	248,500	230,730
Proportion of recycled materials used in production (%)	0.84	0.36	0.67	0.30	0.34

Data on recycled raw materials used at Vicostone

#### Some of Vicostone products using recycled materials





GƯƠNG  
KÍNH



BQ9330  
OYSTER

GƯƠNG  
KÍNH



BQ8780  
ARGENTO

And other products including: BQ5732, BQ5730, BQ5860, BQ8791, BQ8794, BQ8712, BQ8795, BQ0317, BQ9470, BQ9427...



BQ8780  
ARGENTO



# ENERGY

As a manufacturer with high awareness of sustainable development, Vicostone understands the importance of energy efficiency from renewable and environment-friendly energy sources to minimize the impacts of climate change on human life and global socio-economic development.

The scope of this report only covers the types of energy consumed within the Company. For energy consumed outside the Company such as in worker and guest transportation vehicles, as this energy is not consumed at a significant rate, it is not included in the report.



*Vicostone engineers monitor the solar pannels system at the Company*

## ENERGY POLICY

In our energy policy, we commit to:

- Comply with energy regulations via the implementation of related procedures;
- Apply, maintain, and improve the energy management system according to international standards;
- Provide the best working conditions and regular training for employees to enhance their productivity and awareness in terms of energy efficiency;
- Enhance the Company's capacity through the application of advanced technologies and investment in energy-efficient and environmentally friendly equipment.

## MANAGEMENT APPROACH

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

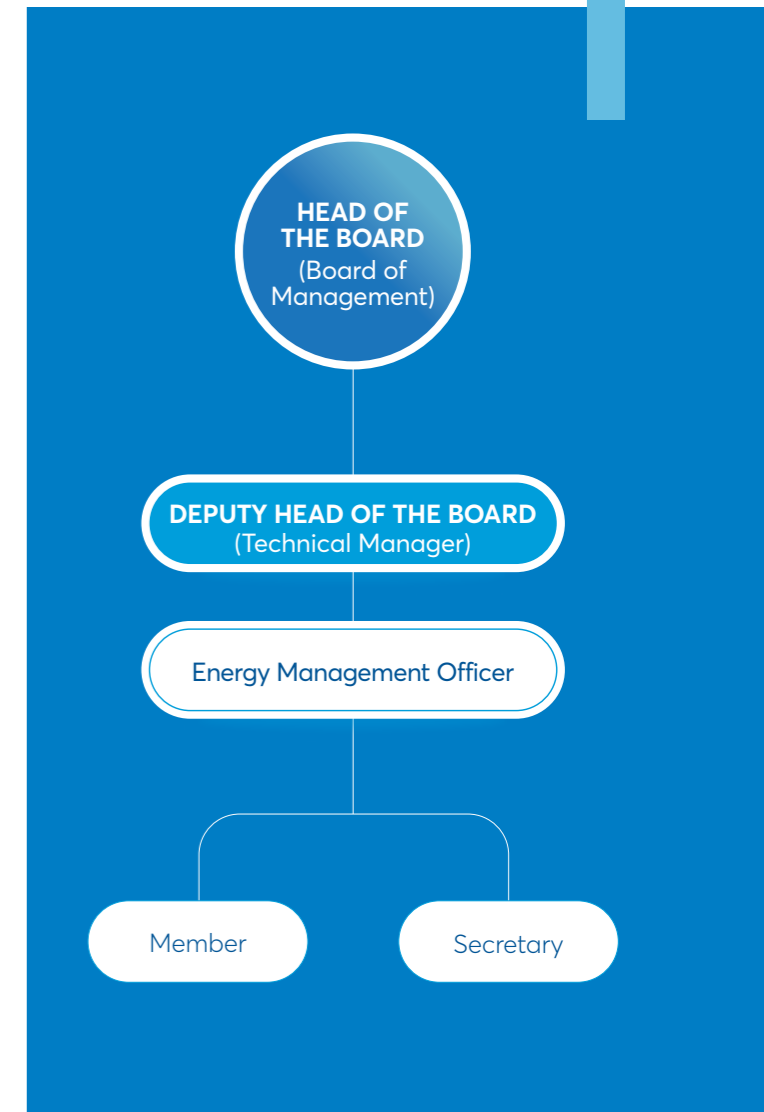
- Execute the directives of the Board of Management on the efficient use of energy;
- Maintain and continuously improve the energy management system;
- Apply a clean water consumption benchmark for each production division;
- Maintain a program on fuel consumption reduction for forklift systems in divisions;
- Improve, enhance efficient use of energy when operating machinery, and maintain a warning system to alert units with above-the-benchmark energy consumption

To manage energy-related issues as well as implement appropriate programs and measures, Vicostone has established a 10-member Energy Management Board, with the Head of the Board as the representative of the Company on energy issues.

The Energy Management Board has the following functions and duties:

- Organize and implement energy audit activities of the Company; develop and adjust the Company's energy policy/targets;
- Identify and control the main sources of energy consumption at the Company; develop an annual energy-saving plan;
- Develop an energy management procedure; conduct training and raise awareness on energy efficiency; strengthen the energy management system;
- Provide necessary resources to implement, maintain and improve the energy management system; implement action programs on energy efficiency at the Company;
- Supervise the implementation of energy management and conduct periodic internal audits according to the annual energy audit plan;
- Detect nonconformities during the application of the energy management system and take appropriate corrective and preventive actions.

To improve the professional capacity of energy management personnel, Vicostone has sent engineers to the training programs of the Ministry of Industry and Trade (MOIT) and they have been granted the certificates of recognition as energy managers. The company has also developed, promulgated and applied internal procedures related to energy use and management; integrated the procedures in the ISO 9001:2015 management system; and has energy audits every 03 years conducted by Hanoi Center for Industrial Promotion and Consulting for Industrial Development.







## THE CURRENT SITUATION AND SOLUTIONS ON ENERGY EFFICIENCY

Vicostone recognizes that frugal and effective use of energy are one of the key factors to any sustainable development strategy. Thus, the Company always employs a strategy of energy-saving, low emission, and recycling at the maximum level. With the use of a modern production line transferred from Breton (Italy) which has undergone breakthrough improvements by Vicostone's engineers, the Company's entire production cycle is closed and entirely eco-friendly, allows for energy conservation due to the non-use of calcination, and does not produce emission

from the curing process like tile materials produced with other technologies.

In order to effectively utilize energy resources, the whole processes of electricity, gas, diesel and clean water use are subjected to clear and specific benchmarks expressed in the Company's regulations and instructions. Furthermore, Vicostone has established a specialized body to monitor, supervise, and analyze energy data to provide timely warnings and solutions on the effective use of energy and ensuring production.

No.	ENERGY	2021 (J)	2022 (J)	INCREASE/DECREASE IN 2022-2021
1	Electricity	66.82x10 <sup>12</sup>	50.99x10 <sup>12</sup>	-23.69%
2	Solar energy	0.39x10 <sup>12</sup>	0.31x10 <sup>12</sup>	-20.51%
3	Gas	14.28x10 <sup>12</sup>	9.34x10 <sup>12</sup>	-34.59%
4	Diesel	5.16x10 <sup>12</sup>	4.8x10 <sup>12</sup>	-6.98%
	<b>Total</b>	<b>86.65 x10<sup>12</sup></b>	<b>65.44x10<sup>12</sup></b>	<b>-24.48%</b>

Total energy consumption at Vicostone in 2021 - 2022 (Joule)<sup>1</sup>

The total energy consumption in 2022 of the whole Company decreased by 24.48% compared to 2021. This is because the Company implemented various measures to reduce energy use and to improve the efficiency of equipment use. In addition, in 2022, the Company carried out major maintenance of equipment lines and reduced production output to adapt to the post-COVID-19 pandemic period and economic crisis. The specific management of each type of energy is shown as follows:

<sup>1</sup>As per separated data of Vicostone's



# ELECTRICITY

## 1. Vicostone's electricity consumption

(1kWh = 3.6x10<sup>6</sup> Joule)

YEAR	TOTAL ENERGY CONSUMPTION (KWH)	TOTAL ENERGY CONSUMPTION (J)	TOTAL VOLUME OF VIBRO-COMPRESSED PRODUCTS (M <sup>3</sup> )	AVERAGE ELECTRICITY CONSUMPTION (KWH/ M <sup>2</sup> )	AVERAGE ELECTRICITY CONSUMPTION (J/ M <sup>2</sup> )
2018	15,328,100	55.15x10 <sup>12</sup>	928,830	16.50	59.4x10 <sup>6</sup>
2019	15,775,600	56.77x10 <sup>12</sup>	1,016,991	15.51	55.83x10 <sup>6</sup>
2020	16,399,300	59.04x10 <sup>12</sup>	1,150,156	14.25	51.3x10 <sup>6</sup>
2021	18,560,800	66.82x10 <sup>12</sup>	1,260,143	14.73	53.02x10 <sup>6</sup>
2022	14,165,100	50.99x10 <sup>12</sup>	844,240	16.78	60.4x10 <sup>6</sup>

Energy consumption at Vicostone from 2018 – 2022

The total electricity consumption in 2022 decreased by 23.7% compared to 2021, but the average electricity consumption per 1 m<sup>2</sup> of product increased by 13.9% compared to 2021. The main reason is that in early 2022, Vicostone put into operation a new SIMEC grinding line (belonging to Factory 1) to increase the productivity of grinding VICOSTONE® quartz stone products. However, under the impact of the Russia-Ukraine war, rising inflation, the unpredictable fluctuations of the global economy, the stagnant real estate market, and the decrease in

consumer purchasing power, the production output of the Company did not meet expectations. Besides electricity from production, Vicostone's factories used electricity to test new products. Also during this period, the Company implemented the plan of maintaining all production lines and equipment at its factories to ensure efficiency and return to its large-capacity production when the economic situation started to show positive signals.

## 2. Some of the solutions for effective and economical use of electric energy applied at Vicostone included

- Supervision and improvement of machinery and equipment to reduce unnecessary energy waste and consumption:
  - Control of all energy-demanding areas and systems, including gas compressors, pulverizers, curing ovens, high-capacity engines, etc., to ensure stable operation and prevent overload;
  - Replacement of engines with those having appropriate capacities; improvement of equipment to optimize production lines and conserve energy;
  - Installation of inverters for engines (including circular water pumps, material pressing systems in the production line, etc.) to enhance productivity and conserve energy.
- Application of modern technologies, automation of production processes, and enhanced use of "green" energy sources:
  - Solar power energy: 400 solar power panels have been installed at two office buildings since 2018. In 2022, the total production of electricity generated by solar power panels was 87,394 kWh (equivalent to 0.31x10<sup>12</sup>J), for the works of more than 200 staff members and employees at two of the office buildings. The solar battery systems are cleaned and checked by technical staff on frequent basis to ensure the system's operation;
  - Maximum use of natural lights: To reduce lighting costs at production workshops during the daytime, the Company has utilized natural light from doors and made use of light panels from roofs and walls surrounding the factories. According to the statistics of the technical department, the usage of light panels to minimize the use of halogen lamps helped save 5% electricity, of the whole Company, equivalent 19.5 million VND/year reduction in operating costs;
  - Install a timer system for the cafeteria's air conditioner, which automatically activates and deactivates according to the preset time to replace the manual control type. The system automatically turns on at peak hours (10:30 - 13:00) when employees arrive for lunch and automatically turns off at off-peak hours.

Vicostone will continue to implement energy efficiency programs with several important activities such as: installing automatic solar lighting systems in all areas of the factories; using Phenikaa Lighting's energy-saving LED lights to replace high-pressure lamps and large-capacity halogen bulbs; implementing energy monitoring activities according to ISO 50001 system; ensure there is always a department in charge of monitoring and analyzing energy data to provide timely warnings and solutions on the use of energy; avoid waste while ensuring production; promote energy efficiency through the Kaizen-5S program.



Engineers examine the electricity system on a frequent basis to ensure safety





### 1. Vicostone's gas consumption

(1kg gas = 11,000 kcal, 1cal=4.184 Jun =>> 1kg gas = 45.6x10<sup>6</sup> Jun)

YEAR	TOTAL GAS CONSUMPTION (KG)	TOTAL GAS CONSUMPTION (J)	TOTAL VOLUME OF VIBRO-COMPRESSED PRODUCTS (M <sup>2</sup> )	AVERAGE GAS CONSUMPTION (KG/M <sup>2</sup> )	AVERAGE GAS CONSUMPTION (GJ/M <sup>2</sup> )
2018	209,573	9.56x10 <sup>12</sup>	937,889	0.22	0.010
2019	248,520	11.32x10 <sup>12</sup>	1,016,991	0.22	0.011
2020	256,414	11.69x10 <sup>12</sup>	1,150,156	0.23	0.011
2021	313,112	14.28x10 <sup>12</sup>	1,231,633	0.25	0.012
2022	212,481	9.69x10 <sup>12</sup>	873,428	0.24	0.011

Gas consumption at Vicostone in 2018 – 2022

At Vicostone, 90% of gas is used in preheating oil for stone curing after the pressing stage. In addition, gas is also used in the cafeteria and forklifts. In 2022, gas consumption stayed at the level of previous years, i.e., 0.011 GJ/m<sup>2</sup> of product. The Company continues to perform gas utilization solutions at its factories.

### 2. Some of the solutions for the effective and economical use of gas applied at Vicostone included:

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;
- Conduct equipment maintenance and repairs to ensure the highest performance; Check the pressure and volume of gas consumption to avoid the surplus, which leads to the waste of energy and affects the performance of the incinerator as the heat is not at the required level and may create soot;
- Reduce the gas burning temperature when running low-yield manual products; ensure the storage time in the kiln still meets the requirements; reduce gas consumption.



The gas supply system is periodically checked to ensure safety

<sup>1</sup> Only for exported products (not included domestic products).

### 1. Vicostone's diesel consumption

(1 kg Diesel = 42.29x10<sup>6</sup> Jun, 1L DO = 38.7x 10<sup>6</sup> Jun)

YEAR	DIESEL CONSUMPTION (LITER)	DIESEL CONSUMPTION (JOULE)	TOTAL VOLUME OF PRODUCTS (M <sup>2</sup> )		AVERAGE DIESEL CONSUMPTION (LIT/M <sup>2</sup> )	AVERAGE DIESEL CONSUMPTION (GJ/M <sup>2</sup> )
			EXPORT <sup>1</sup>	IMPORT		
2018	116,379	4.5x10 <sup>12</sup>	873,912	937,889	0.12	0.005
2019	120,215	4.65x10 <sup>12</sup>	993,948	1,016,991	0.12	0.004
2020	127,984	4.95x10 <sup>12</sup>	1,120,095	1,150,156	0.11	0.004
2021	133,460	5.16x10 <sup>12</sup>	1,185,745	1,231,633	0.11	0.004
2022	123,935	4.8x10 <sup>12</sup>	610,054	873,428	0.14	0.005

Diesel consumption at Vicostone in 2018 – 2022

At Vicostone, diesel is mainly used for lifting and transporting materials for production; the main equipment is forklifts, accounting for 86.8%. In addition, diesel oil is also used in repairing equipment and running backup generators when there is a power outage (accounting for 12.5%); the rest is used for repairing purposes at technical department (0.5%). In 2022, Vicostone carried out a major maintenance program for production lines and equipment, including forklifts, while production output decreased. Therefore, the average diesel consumption (liters/m<sup>2</sup>) in 2022 was higher than previous years. However, this is a necessary activity to ensure stable operation of equipment and machinery as well as preserve the performance and life expectancy of equipment.

### 2. Some of the solutions for effective and economical use of diesel applied at Vicostone included:

- 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 check and monitor vehicles to maintain good vehicle technical condition; Organize training courses to improve driving skills and drivers' awareness in conserving diesel;
- Use a travel-time benchmark for vehicles in each production stage;
- Apply rotary equipment in production to curb the use of forklifts and save fuel;
- Implementing 5S in areas within the Company; encourage the implementation of Kaizen in productivity enhancement and energy use reduction



# EMISSIONS



The dual goal of economic development in parallel with environmental protection is one of the crucial requirements and top priorities for the sustainable development of each country and business. Environmental protection is both the corporates' social responsibility and a tool to help companies increase their competitiveness, secure a conscious business culture to customers, partners and other stakeholders. Therefore, Vicostone always complies with existing laws and regulations on environmental protection, renovates and improves its machinery and production lines to increase productivity and efficiency, and adopts and improves solutions on waste management to reduce the volume of disposals into the environment.

## VICOSTONE'S COMMITMENT IN EMISSIONS CONTROL

- Always comply at the highest level with laws on emissions in industrial production enterprises; Coordinate with other parties with full legal capacity to survey and analyze emissions and dust in the production area; ensure compliance with laws;
- Carry out management and inventory of emission sources according to the law; apply, comply and improve the environmental management system according to ISO 14001:2015 standard; issue internal regulations on emissions management; Promulgate fuel usage norms for production and business activities to control the effective implementation;
- Invest in and install modern equipment to ensure the quality of emissions and reduce the negative impacts on the environment;
- Conduct periodic maintenance of equipment to ensure the operation and fuel efficiency of each emission-causing device. The maintenance plan shall be detailed according to levels such as: weekly maintenance plan, monthly maintenance plan, and annual maintenance plan.



# MANAGEMENT OF EMISSION

## 1. Sources of emission

Sources of emissions at the Company include:

### Greenhouse gases

- Direct GHG emissions:
  - Emissions caused by fuel combustion in stationary sources such as: gas furnaces providing heat energy for curing; industrial gas stove at the canteen; backup generator in case of power failure;
  - Emissions from fuel combustion in mobile combustion sources such as: usage of forklifts/ trucks to transport materials and internal products, usage in the collecting and packaging stage; usage of wheel loaders in the management of materials and waste.
- Indirect GHG emissions: In the mobile combustion sources caused such as: usage of forklifts/ trucks to transport materials and internal products, usage in the collecting and packaging stage; usage of wheel loaders.

### Emissions from other systems

- Organic vapors generated at the spreading stage;
- Dust in the process of loading input materials.

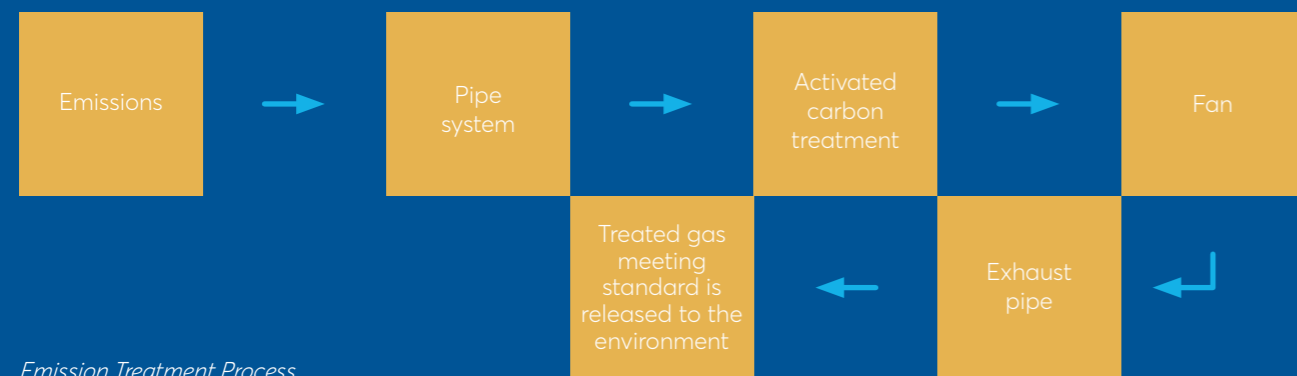
## 2. Emissions control and reduction activities

- For GHG emissions

After identifying GHG emission sources at the Company, Vicostone has implemented several activities and measures to reduce emissions such as: formulating and issuing the norms on the use of raw materials, fuel and energy for the production stages; developing the overall equipment maintenance plan for plants, in which all equipment using electricity and fuel are periodically maintained according to the frequency recommended by the supplier; conducting vocational and safety training, and providing instructions for 100% of staff on how to operate equipment, ensuring safe operation with fuel and energy efficiency; issuing regulations on energy use in the Company, such as regulations on electricity use, regulations on operation of forklifts and electrical equipment...; carrying out registration and accreditation of fuel-using vehicles and equipment such as trucks, forklifts, and heat stations using gas for heating; regularly checking the compliance with regulations and operating instructions.

The company has also introduced content on energy efficiency, improving the efficiency of machinery and equipment, using renewable energy, recycling raw materials, and more, which are important parts of the Kaizen-5S program to engage employees in environmental protection and implement the Company's sustainable development strategy.

- Regarding emission from emission treatment system:
  - Regarding organic gas: In the equipment of the production chain, the resin measurement compartment, material mixture compartment and material spreading compartment were sealed in their entirety to prevent the emission of organic gas and at the same time, suction mouths were placed to draw gas to the common pipeline. Emanated organic gas would be subject to negative pressure by soaking fans and soaked through activated charcoal cloth.

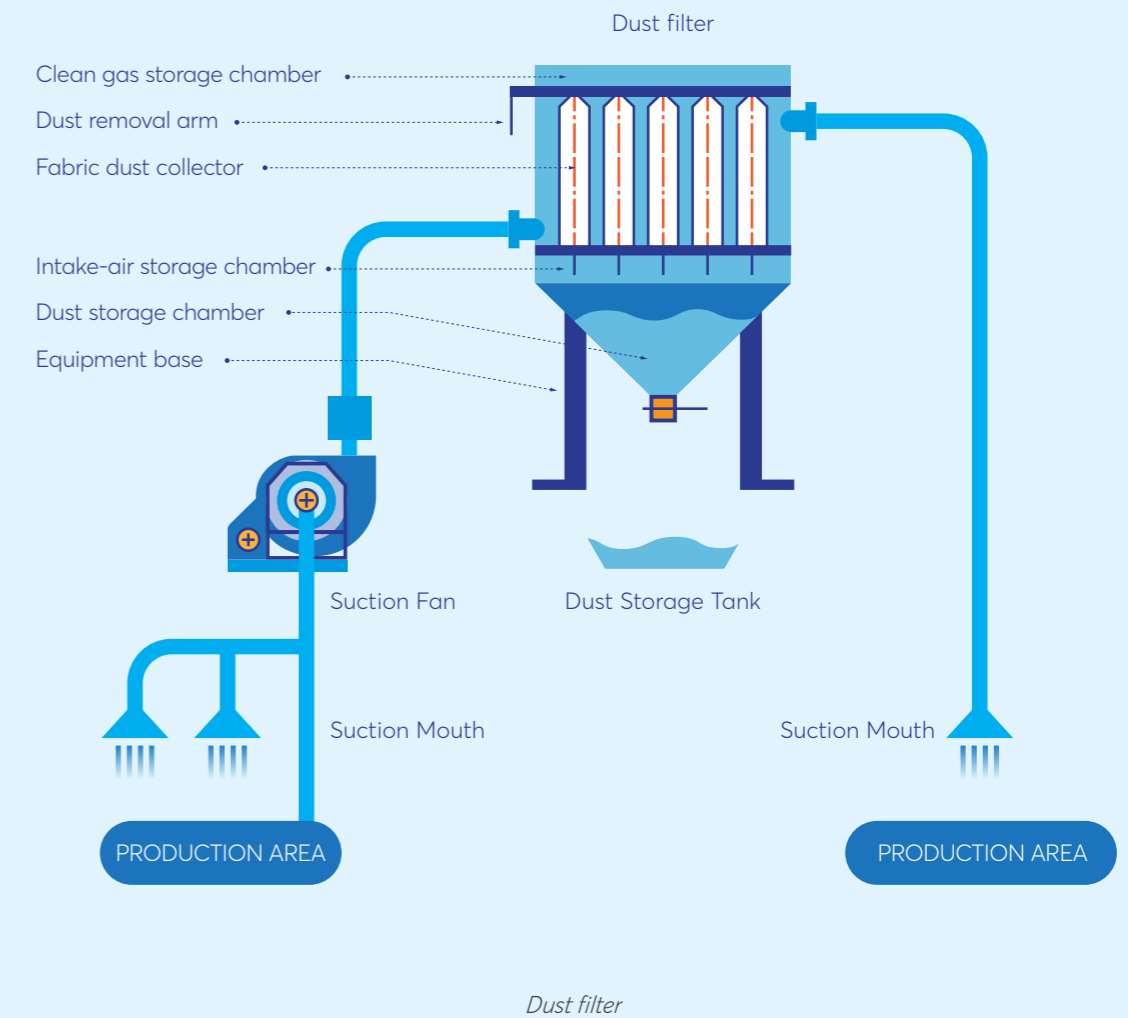


Emission Treatment Process

Released treated gas is ensured to meet standard, causing no harm to the environment. Sanitary safety staff regularly monitored, recommended improvements to areas discharging exhausts and supervised the maintenance of the operation of the exhaust treatment, fresh gas supply and ventilation systems.

- Regarding dust: Each month, the Health-Safety-Environment team of the General Affairs Division evaluates current state of the production line, especially the places and processes that discharge dust, finds and implements measures to reduce dust in each factory; Vicostone also co-ordinates with the Institute for Occupational Health and

Environment to conduct regular measurement of dust volume and concentration in the 8-hour working shift within the working environment; Maintain the operation of dust treatment systems 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; Provide face masks made for dust protection such as SP52 masks, dust filtering masks and 3M masks for employees working in areas where dust arises; Apply specialized vacuum cleaners to clean factory floors and damp cleaning to reduce dust arising from employees' work.



### 3. Monitoring result

The amount of greenhouse gas emissions at the Company is as follows:

#### Greenhouse gas emissions

NO.	TYPE OF ENERGY	CONSUMPTION (TJ) <sup>1</sup>	TYPE OF GREENHOUSE GAS	GREENHOUSE GAS CONVERSION RATE <sup>2</sup>	MASS OF GREENHOUSE GAS EMISSIONS (KG)
1	Gas	9.7	CO <sub>2</sub>	63,100	611,897.8
			CH <sub>4</sub>	1	9.7
			N <sub>2</sub> O	0.1	1.0
2	Diesel	5.3	CO <sub>2</sub>	74,100	392,207.0
			CH <sub>4</sub>	3	15.9
			N <sub>2</sub> O	0.6	3.2
<b>Total of direct GHG emissions (kg)</b>					<b>1,004,134.5</b>

Direct GHG emissions in 2022

NO.	TOTAL EQUIVALENT CO <sub>2</sub> EMISSIONS	TOTAL GHG EMISSION (KG)		
		2020	2021	2022
1	CO <sub>2</sub>	1,143,435.60	1,324,042.60	1,004,134.50
2	CH <sub>4</sub>	28.1	31.4	25.6
	GWP <sup>3</sup> indicator	84	82.5	82.5
		(AR5)	(AR6)	(AR6)
3	CO <sub>2</sub> converted CH <sub>4</sub>	66,090.90	72,508.80	59,080.80
	N <sub>2</sub> O	4.4	4.8	4.1
	GWP	264	273	273
		(AR5)	(AR6)	(AR6)
	CO <sub>2</sub> converted N <sub>2</sub> O	1,174.70	1,323.70	1,131.70
<b>Total equivalent CO<sub>2</sub> emissions (kg)</b>		<b>1,210,701.20</b>	<b>1,397,875.10</b>	<b>1,064,347.30</b>
<b>Convert to tons</b>		<b>1,210.70</b>	<b>1,397.88</b>	<b>1,064.35</b>

Direct GHG emission in 2020 - 2022

<sup>1</sup> TOE rates were in reference to official document No. 3505/BCT-KHCN, 19/04/2011. Energy conversion rates were calculated based on the conversion value of 1TOE = 41.870 MJ by IPCC.

<sup>2</sup> Annex I on emission rates in service of inventory of greenhouse gas in the energy sector (Promulgated with Decision No. 2626/QĐ-BTNMT on October 10, 2022)

<sup>3</sup> Global Warming Potential (GWP) value over a 20-year period of the latest GHGs (conversion to CO<sub>2</sub>), which adapted from the IPCC 5<sup>th</sup> and 6<sup>th</sup> Assessment Report

Total direct greenhouse gas emissions by Vicostone in 2022 decreased by 23.93% from 2021

NO.	GREENHOUSE GAS INDIRECTLY EMITTED FROM ENERGY CONSUMPTION	TOTAL GREENHOUSE GAS (KG) <sup>4</sup>		
		2020	2021	2022
1	CO <sub>2</sub>	13,186.677	14,924.739	11,390.157

Indirect greenhouse gas emissions in the 2020 - 2022 period

Total greenhouse gas emission at Vicostone in the 2020 - 2022 period

NO.	GHG EMISSION	2020	2021	2022
1	Direct emission	1,210.70	1,397.88	1,064.35
2	Indirect emission from electric energy	13,186.68	14,924.74	11,390.16
<b>Total equivalent CO<sub>2</sub> emissions (tons)</b>		<b>14,397.38</b>	<b>16,322.62</b>	<b>12,454.51</b>

Total GHG emission at Vicostone in 2020 - 2022

In 2022, Vicostone's GHG emissions fell by 23.7% compared to 2021. This is because the Company applied various energy-saving measures and implemented a maintenance plan to replace fully depreciated equipment. During the maintenance period, energy consumption was significantly reduced.

#### Post-treatment emissions

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

NO.	INDICATOR	UNIT	2022				QCVN 20:2009/ BTNMT <sup>5</sup>
			Q1 RESULT	Q2 RESULT	Q3 RESULT	Q4 RESULT	
<b>I Post-treatment emissions at Factory No. 1</b>							
1	Flow rate of emission	m <sup>3</sup> /h	5,697	5,494	5,595	5,595	-
2	Benzene	mg/Nm <sup>3</sup>	<0.003	<0.003	<0.003	<0.003	5
3	Toluene	mg/Nm <sup>3</sup>	<0.003	<0.003	<0.003	<0.003	750
4	Styrene	mg/Nm <sup>3</sup>	6.34	7.79	5.96	7.23	100
<b>II Post-treatment emissions at Factory No. 2</b>							
1	Flow rate of emission	m <sup>3</sup> /h	5,29	5,29	5,426	5,426	-
2	Benzene	mg/Nm <sup>3</sup>	<0.003	<0.003	<0.003	<0.003	5
3	Toluene	mg/Nm <sup>3</sup>	<0.003	<0.003	<0.003	<0.003	750
4	Styrene	mg/Nm <sup>3</sup>	3.81	5.32	4.27	4.81	100

Test results for the quality of post-treatment emissions related to organic substances at Vicostone

<sup>4</sup> Grid emissions factor margin 2020 in Vietnam according to Official Letter No. 1316/BĐKH-TTBVTOD

<sup>5</sup> QCTĐHN 01:2014/ BTNMT QCKT on industrial emissions for dust and inorganic substances in the capital area



NO.	INDICATOR	UNIT	2022				QCTĐHN 01:2014/ BTNMT <sup>6</sup>	NOTE
			Q1 RESULT	Q2 RESULT	Q3 RESULT	Q4 RESULT		
<b>I Post-dust-treatment emissions at Factory No. 1</b>								
1	Flow rate of emission	m <sup>3</sup> /h	21,263	9,156	21,059	15,566	-	
2	Total suspended particles	mg/Nm <sup>3</sup>	38.5	36.2	34.7	30.8	162	Kp = 0.9; Kv = 0.9
3	CO	mg/Nm <sup>3</sup>	<1.14	<1.14	<1.14	<1.14	900	Kp = 0.9; Kv = 1
4	SO <sub>2</sub>	mg/Nm <sup>3</sup>	<2.62	<2.62	<2.62	<2.62	405	Kp = 0.9; Kv = 0.9
5	NOx	mg/Nm <sup>3</sup>	<0.188	<0.188	<0.188	<0.188	765	Kp = 0.9; Kv = 1
<b>II Post-dust-treatment emissions at Factory No. 1 – Position 2</b>								
1	Flow rate of emission	m <sup>3</sup> /h	22,382	9,360	22,178	21,975	-	
2	Total suspended particles	mg/Nm <sup>3</sup>	30.5	<0.05	28.7	<0.05	162	Kp = 0.9; Kv = 0.9
3	CO	mg/Nm <sup>3</sup>	<1.14	<1.14	<1.14	<1.14	900	Kp = 0.9; Kv = 1
4	SO <sub>2</sub>	mg/Nm <sup>3</sup>	<2.62	<2.62	<2.62	<2.62	405	Kp = 0.9; Kv = 0.9
5	NOx	mg/Nm <sup>3</sup>	<0.188	0.2632	<0.188	<0.188	765	Kp = 0.9; Kv = 1
<b>III Post-dust-treatment emissions at Factory No. 2</b>								
1	Flow rate of emission	m <sup>3</sup> /h	42,107	26,564	41,542	40,977	-	
2	Total suspended particles	mg/Nm <sup>3</sup>	32.4	26.1	29.3	24.1	162	Kp = 0.9; Kv = 0.9
3	CO	mg/Nm <sup>3</sup>	<1.14	<1.14	<1.14	<1.14	900	Kp = 0.9; Kv = 1
4	SO <sub>2</sub>	mg/Nm <sup>3</sup>	<2.62	<2.62	<2.62	<2.62	405	Kp = 0.9; Kv = 0.9
5	NOx	mg/Nm <sup>3</sup>	0.4135	<0.188	<0.188	<0.188	765	Kp = 0.9; Kv = 1
<b>IV Emission at the crushing dust treatment system – Position 1</b>								
1	Flow rate of emission	m <sup>3</sup> /h	13,633	10,377	13,734	13,531	-	
2	Total suspended particles	mg/Nm <sup>3</sup>	38.7	23.7	42.9	20.4	180	Kp = 1; Kv = 0.9
3	CO	mg/Nm <sup>3</sup>	<1.14	<1.14	<1.14	<1.14	1	Kp = 1; Kv = 1
4	SO <sub>2</sub>	mg/Nm <sup>3</sup>	<2.62	<2.62	<2.62	<2.62	450	Kp = 1; Kv = 0.9
5	NOx	mg/Nm <sup>3</sup>	<0.188	<0.188	<0.188	<0.188	850	Kp = 1; Kv = 1
<b>V Emission at the crushing dust treatment system – Position 2</b>								
1	Flow rate of emission	m <sup>3</sup> /h	13,226	10,275	13,124	13,327	-	
2	Total suspended particles	mg/Nm <sup>3</sup>	35.1	29.5	33.8	25.6	180	Kp = 1; Kv = 0.9
3	CO	mg/Nm <sup>3</sup>	<1.14	<1.14	<1.14	<1.14	1	Kp = 1; Kv = 1
4	SO <sub>2</sub>	mg/Nm <sup>3</sup>	<2.62	<2.62	<2.62	<2.62	450	Kp = 1; Kv = 0.9
5	NOx	mg/Nm <sup>3</sup>	0.376	<0.188	<0.188	<0.188	850	Kp = 1; Kv = 1
<b>VI Emission at the crushing dust treatment system – Position 3</b>								
1	Flow rate of emission	m <sup>3</sup> /h	14,039	6,715	13,938	14,141	-	
2	Total suspended particles	mg/Nm <sup>3</sup>	41.3	33.9	47.5	37.1	180	Kp = 1; Kv = 0.9
3	CO	mg/Nm <sup>3</sup>	<1.14	<1.14	<1.14	<1.14	1	Kp = 1; Kv = 1
4	SO <sub>2</sub>	mg/Nm <sup>3</sup>	<2.62	<2.62	<2.62	<2.62	450	Kp = 1; Kv = 0.9
5	NOx	mg/Nm <sup>3</sup>	<0.188	<0.188	<0.188	<0.188	850	Kp = 1; Kv = 1

Test results for the quality of post-treatment emissions at Vicostone

<sup>6</sup> QCVN 20:2009/BTNMT QCKT on industrial emissions for organic substances





# WATER, EFFLUENTS AND WASTE

On average each year, Vietnam generates a total of 25 million tons of solid domestic waste, among the 20 countries with the largest amount of waste and higher than the world average. Solid waste management and treatment is of special interest to the Government and other organizations. Vicostone is aware of its role in joining hands to solve the national problem of waste and effluents, so the management and treatment of waste and effluents has become an important content in environmental protection at Vicostone. Towards the goal of becoming a green and sustainable enterprise, the Company studies and applies solutions to minimize the impacts of waste on the environment.

## VICOSTONE'S COMMITMENT IN WASTE AND EFFLUENTS MANAGEMENT

Vicostone has committed to:

- Comply at the highest level with all current regulations on waste and effluents management in enterprises, fully report to relevant State management agencies at the central and local level on the situation of water and effluents of the Company upon request;
- Provide sufficient resources to maintain the implementation of environmental protection projects and measures, such as: domestic effluent treatment system, production circulating water systems, and solid waste storage. Carry out periodic maintenance activities, survey the current status of the production line to improve machinery and equipment, and reduce emissions at the source;
- Regularly carry out separate surveys, measurement and analysis of emissions, dust, wastewater and waste at the Company to ensure compliance with required standards;
- Apply, maintain and regularly improve environmental management processes according to ISO 14001:2015 standard.



*The silos used in water treatment at Vicostone*

## MANAGEMENT OF WATER

### 1. Consumption of water

At Vicostone, water is used for industrial production activities (whetting stage) and for daily use by employees (domestic water). 100% of the water used in the Company is fresh water provided by external suppliers, meeting the standards of clean water for production and living purposes, specifically:

- Total water consumption at Vicostone: 42.50 MI
- Total industrial water consumption for production: 12.33 MI
- Total domestic water consumption: 30.17 MI

100% of the water used in the Company is provided by external suppliers

#### Regarding industrial water

Industrial effluent is treated with a closed circular effluent treatment system which ensures that the water consumed in the course of production is treated and returns to the production line instead of being emitted into the environment. This is an effective method that helps to conserve water resources used in production and prevent impacts on the environment. The additional amount of water for the whetting chain is the amount supplied to make up for the water losses due to being absorbed in mud after pressing and helps to ensure the stable operation of the system. In 2022, Vicostone paused the line for major maintenance, and the amount of water supplied to the steam cooling system is still in use. That leads to a decrease in the total amount of water used for production purposes, but an increase in water consumption/m<sup>2</sup> of product compared to 2021.



NO.	YEAR	INDUSTRIAL WATER CONSUMPTION (ML)	TOTAL VOLUME OF STORED PRODUCTS (M <sup>3</sup> )	AVERAGE INDUSTRIAL WATER CONSUMPTION (L/M <sup>2</sup> )
1	2018	10.03	928,830	10.8
2	2019	8.56	1,016,991	8.4
3	2020	9.43	1,150,156	8.2
4	2021	14.18	1,231,633	11.5
5	2022	12.33	812,034	15.18

Industrial water consumption at Vicostone in 2018 – 2022

### Regarding domestic water

Fresh water at Vicostone is mainly used for common activities such as cooking and other daily activities. All domestic wastewater after use is collected and connected to the centralized domestic effluent treatment system of the plant. Domestic effluents after treatment met QCVN 14:2008/BTNMT, column A, National technical regulation on domestic effluents quality and is licensed to discharge into the environment according to the License no.61/GP/UBND issued by the Hanoi People's Committee on February 24, 2020.

In addition to domestic and production use, clean water is also used in watering plants, cleaning roads, supplying the steam cooling system for factories, and cooling the container's container before packaging (in summer),.... This amount of water used depends on the wather conditions (temperature, humidity, ...) that are not typical for the Company's production activities.

## 2. Efficient use of water

During and after the whetting stage with a large amount of water in use, in order to join hands with the community in saving water resources, Vicostone is always aware of the efficient and responsible use of water. The Company

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

In 2022, Vicostone continued to implement various solutions to reduce water consumption:

- Regularly inspect water pipes installed at all units to prevent leakage and loss of water;
- Install smart solutions and devices in all bathrooms (water opens and closes in intervals);
- Control the duration of spraying of clean water onto cooling systems in factories;
- Communicate to all employees on the awareness in the use and conservation of water resources.

removed, the water is circulated for 100% re-use. This treatment system helps the Company save a lot of costs and minimize the impact of effluents on the environment.

- Domestic effluent: Domestic effluents are discharged from kitchen areas and toilets, and undergo preliminary treatment in septic tanks and grease traps and then delivered to effluent treatment station.

## MANAGEMENT OF EFFLUENTS

### 1. Common effluents

Effluents from the Company originate from two sources:

- Closed-loop recycled production water: The effluent is discharged from the whetting stage in which water is used to polish the surface of the product. Dust and stone powder in the water will be carried back to the treatment system. After the dust and stone powder are

## 2. Management of domestic effluents

For domestic effluents management, the Company invests in and install a domestic effluent treatment system using the most modern technology AAO + MBR with total investment of nearly VND 3 billion; The operation is regularly supervised by engineers with expertise in environmental techniques to ensure the functionality and requirements of output effluent according to compliance with QCVN 14:2008/BTNMT – National technical regulation on domestic effluent.

In addition, Vicostone invests in rapid measurement devices to test the quality of post-treatment effluent regarding the indicators of DO, pH, NH<sub>4</sub><sup>+</sup> and NO<sub>3</sub><sup>-</sup> to supervise the treatment activities of the system; install a remote monitoring system for the operation of the system, helping to monitor 24/24 the situation of the system operation and prevent incidents in the course of treatment that affects quality of post-treatment effluent.

The Company develops and applies a domestic wastewater control procedure in line with ISO 14001:2015. Every three months, the Company engaged a qualified consultant to monitor the quality of treated domestic effluents.

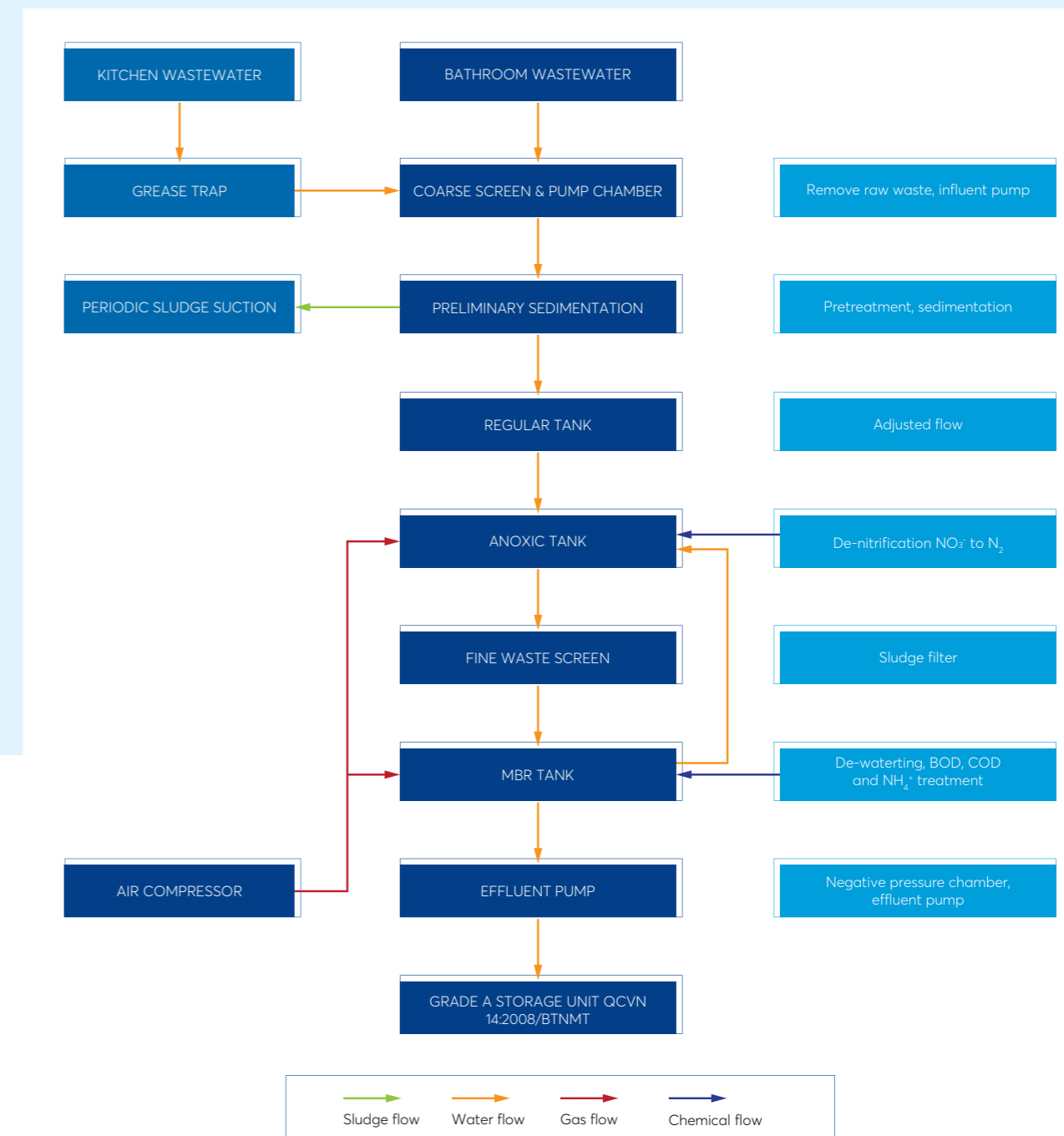
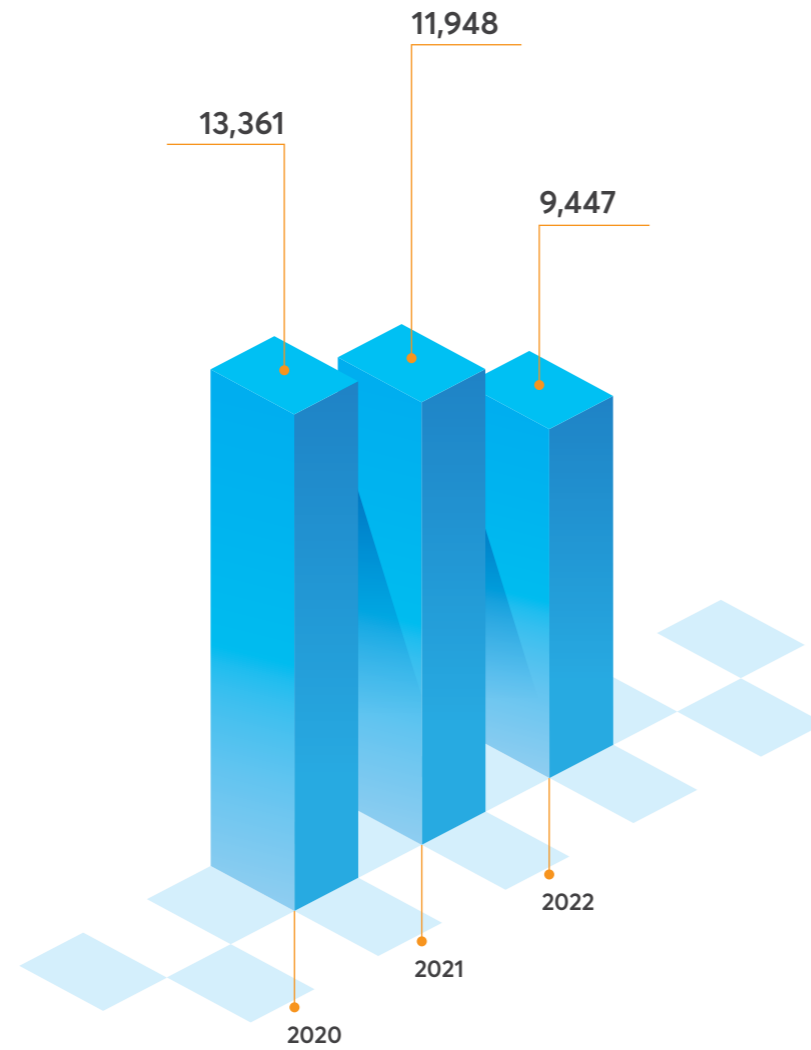


Diagram of domestic effluents treatment process

### 3. Management results

Based on the wastewater quality supervision program in the Environmental Impact Assessment Report of the project approved by the Hanoi People's Committee and the license to discharge waste issued by the Hanoi Department of Resources and Environment, Vicostone fully conducts observations with required frequency (once every three months). The results of observations conducted by independent competent units all fall within the allowed range under the National Technical Standards QCVN 14:2008/BTNMT, column A on the quality of effluent and Technical Standards QCTĐHN 02:2014/BTNMT, column B on the quality of industrial effluent within the vicinity of Hanoi. These results are verified by the unit conducting the observations and recorded for the purpose of inspection and reference where necessary.



The management of sources and usage of clean water in toilets, hand basins, and cafeterias has helped the company significantly reduce the amount of domestic effluents from production activities. In 2022, the amount of effluents generated decreased by 11.8% compared to 2021 and 41.4% compared to 2020.

NO.	INDICATOR	UNIT	2022				QCVN 14:2008/BTNMT COLUMN A (K=1)	QCTĐHN 02:2014/BTNMAT COLUMN B (KF=1,2; KQ=0,9)
			Q1 RESULT	Q2 RESULT	Q3 RESULT	Q4 RESULT		
1	pH	-	8.8	7.4	6.8	6.3	5÷9	5.5÷9
2	BOD5	mg/L	17.6	28.1	9.3	8.6	30	54
3	COD	mg/L	38.4	58.3	19.2	19.5	-	162
4	TSS	mg/L	37.1	48.6	11.6	33.2	50	108
5	TDS	mg/L	310	470	390	280	500	-
6	As	mg/L	<0.0005	<0.0005	<0.0005	<0.0005	-	0.108
7	Cd	mg/L	<0.0004	<0.0004	<0.0004	<0.0004	-	0.108
8	Pb	mg/L	<0.003	<0.003	<0.003	<0.003	-	0.54
9	Hg	mg/L	<0.0005	<0.0005	<0.0005	<0.0005	-	0.0108
10	Animal and vegetable fat and oil	mg/L	<0.3	0.6	<0.3	0.5	10	-
11	Fe	mg/L	<0.03	<0.03	<0.03	<0.03	-	5.4
12	PO <sub>4</sub> <sup>3-</sup>	mg/L	0.311	0.415	3.65	0.459	6	-
13	S <sup>2-</sup>	mg/L	<0.064	<0.064	<0.064	0.416	1	0.54
14	NH <sub>4</sub> <sup>+</sup>	mg/L	2.18	3.18	0.646	3.238	5	10.8
15	NO <sub>3</sub> <sup>-</sup>	mg/L	19.5	14.7	24.4	22.3	30	-
16	Total nitrogen	mg/L	22.8	25.3	26.3	28.182	-	43.2
17	Total phosphate	mg/L	0.347	0.525	3.89	0.912	-	6.48
18	Total surfactants	mg/L	<0.05	<0.05	<0.05	<0.05	5	-
19	Coliform	MP-N/100mL	630	2.600	310	2.200	3.000	5.000

Table shows test results on post-treatment domestic effluents prior to disposal



## CLASSIFICATION WASTE

Source of common waste at Vicostone:

- Common industrial waste: Stone chips, bavia and burr from production stages; Dried sludge from the water treatment system; Domestic wastes.
- Solid domestic wastes: Solid domestic wastes are primarily discharged from cafeterias, offices and operating rooms, and gathered by industrial cleaning staff on a daily basis.
- Hazardous wastes: Hazardous wastes primarily originate from the maintenance and repair of equipment, cleaning and maintenance of production lines, while some are from office works such as residual oil, metal packages, fluorescent light bulbs, printer's cartridges, lead batteries. Hazardous wastes are sorted at the source and gathered, and treated in accordance with applicable laws.

## MANAGEMENT OF WASTE

### 1. Common industrial waste

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:

- Gather and build temporary solid waste storage, meeting the requirements of a common waste storage under the provisions of Decree 08/2022/ND-CP; TT 02/2022/ TT-BTNMT on the management of wastes and craps;
- Develop and apply regulations on waste gathering, classification and management;
- Maintained daily inspection of sorting and gathering of waste at units of the Company;
- Vicostone fully reports to the State agencies on the management of common wastes in accordance with regulations or irregularly upon request.

Common industrial solid waste is treated in two ways: research for reuse or landfill. The reuse of solid waste from the production into environmentally friendly products and materials is always a priority. Vicostone has conducted various scientific research projects with several specific key research topics such as:

#### PROJECT: "Research on reusing stone powder waste to produce unburnt bricks with Geopolymer technologies"

The production process of quartz-based engineered stones creates a by-product, i.e., stone powder waste during the product polishing phase. The Company has invested in the research to reuse this stone powder to produce environment-friendly products to reduce emissions and impacts on the environment. The project is titled "Research on reusing stone powder waste to produce unburnt bricks with Geopolymer technologies". Unburnt bricks from the project meet the technical requirements according to the TCVN 6477:2016 standard. The success of the project contributes to closing the technological processes of quartz-based engineered stone production, bringing about both environmental and economic effectiveness. The Company has been awarded patent of useful solution No. VN 2739 by the Ministry of Science and Technology's Department of Intellectual Properties on October 22, 2021 for the protection of the product: "Unburnt bricks using stone powder waste from the production of engineered stones and aluminum silicate non-organic polymer binding agent".

#### PROJECT: "Synthesizing amorphous silicon dioxide from stone powder waste generated from the production of quartz-based engineered stones"

In addition to the research on reusing stone powder waste for production with Geopolymer technologies, the Company also initiated a research project on synthesizing amorphous silicon dioxide (SiO<sub>2</sub>) from stone powder waste. Amorphous SiO<sub>2</sub> in the form of fine powder is a high-quality refined SiO<sub>2</sub> with large specific surface area and thus can be used in other industries, including rubber and paint. The success of the research project has helped Phenikaa identify the optimal technology for stone powder waste treatment to create amorphous silicon dioxide with technical features meeting the requirements for input materials for other industrial products. The Company has submitted and been accepted for a patent in May 2022 to protect its patent rights on: "Synthesizing amorphous silicon dioxide from stone powder waste generated from the production of quartz-based engineered stones".

#### PROJECT: "Synthesizing liquid glass (Na<sub>2</sub>SiO<sub>3</sub>.nH<sub>2</sub>O) from stone powder waste in the production of quartz-based engineered stones"

In addition to the research on synthesizing amorphous silicon dioxide from stone powder waste generated from the production of quartz-based engineered stones, the Company also initiated research on synthesizing liquid glass (Na<sub>2</sub>SiO<sub>3</sub>.nH<sub>2</sub>O) from stone powder waste. Liquid glass (also known as sodium silicate) is a chemical widely used in various industries, especially paper and paper powder, cleanser, porcelain, water-resistant paint production, etc. The research project's success has enabled the Company to discover the optimal stone powder waste treatment and produce liquid glass with technical attributes that satisfy input materials requirements for other industrial products.

#### PROJECT: "Research on reusing stone powder waste in the production of quartz-based engineered stones to produce glass, filler agent, etc."

In addition to the project on synthesizing liquid glass for use as input materials for other industries, the Company also successfully conducted research on stone powder waste treatment in the production of quartz-based engineered stones into materials for such industries as: construction glass, filler agent, etc. Stone powder waste in the production of quartz-based engineered stones after treatment is comprised largely (>90%) of SiO<sub>2</sub> and is used for producing construction glass or as filler agent for other industries such as cladding materials, paint, composite, etc.

#### Research direction in 2023

In 2023, amid economic changes, Vietnam will strengthen public investment in infrastructure to stabilize the national economy and foster sustainable development. At the conference on public investment during the 5th Viet Nam Economic Forum in December 2022, Mr. Tran Quoc Phuong – Vice Minister of Planning and Investment said the National Assembly had adopted a public investment plan for 2023 with more than VND 700,000 billion in capital, a 25% increase from the 2022 plan. 2023 will also be the year for disbursement of all capital of the Socio-economic Recovery and Development Program.

Due to public investment pressure, the demand for backfill soil/sand for pivotal projects nationwide has increased significantly. However, the supply of this good remains relatively limited, thus putting many projects at risk of falling behind schedule. In 2023, the Company will conduct research on: reusing stone powder waste to produce backfill materials, and materials used in concrete and mortars to resolve social issues as well as enclosing the technological procedures of producing quartz-based engineered stones, delivering environmental, economic, and societal effectiveness.

### 2. Solid domestic waste

Control and treatment solutions of solid domestic waste at Vicostone:

- Develop and apply regulations on waste management;
- Classify the wastes at source into 120-liter plastic barrels with lids;
- On a daily basis, solid wastes are transferred to the external unit with the capacity of waste transport and treatment according to contracts signed between the two parties. The transfer of solid wastes for the purpose of treatment is undertaken and managed by the two parties in accordance with Decree No. 02/2022/ TT-BTNMT on the management of wastes and craps.

### 3. Hazardous waste

Control and treatment solutions of solid domestic waste at Vicostone:

- Develop and apply regulations on waste management;
- To ensure conformity with legal regulations, Vicostone JSC registered its list of regularly generated hazardous wastes and was accorded with a Note of Hazardous Waste Registration No. QLCTNH: 01.000118.T (4<sup>th</sup> issuance) by the Hanoi Department of Natural Resources and Environment on June 6, 2017;
- Hazardous wastes are gathered, categorized and placed in the Company's hazardous waste storehouse. The storehouse is constructed in accordance with standards set out under Circular No. 36/2015/TT-BTNMT on the management of hazardous wastes. In addition, the hazardous storehouse is equipped with devices to respond to incidents and drainage systems to collect and prevent leakage;
- The Company transfers hazardous wastes to the external units with the capacity of waste transport and treatment according to contracts signed between the two parties. The transfer of hazardous wastes for the purpose of treatment is undertaken and managed by the two parties in accordance with Decree No. 02/2022/ TT-BTNMT on the management of wastes and craps.

## 4. Management of effluent sources

### Measures to control effluents from the source

The company has issued detailed instructions on the process of classifying and gathering waste and scrap from production at the QDM 05-01 Regulations on Waste Management. Said areas have been arranged with locations and tools for waste gathering in accordance with regulations: Location of hazardous waste, common industrial solid waste, domestic waste, location for wooden pallets, iron and steel scrap, and others. The classification and collection of scrap waste are supervised on the spot by middle managers who are team leaders and production shift leaders and reviewed daily by the Company's dedicated environmental staff. The classification, gathering and treatment of waste according to each category have helped minimize waste treatment costs.

In order to minimize waste, the Company has implemented many projects, the Kaizen - 5S movement to reduce the amount of waste generated on the line, increase the ability to use raw materials, and reduce waste in the process. manufacture. Some specific solutions such as:

- Reduced thickness of the semi-finished products: Semi-finished products are slabs of stone that have undergone the shaping process, waiting for the final polishing stage. Reducing the thickness of the semi-finished product helps to reduce the input materials in the product-forming process, thereby reducing the amount of waste stone powder in the polishing process.
- No material spillage on the line: Promoting the control of materials on the line, reducing spillage is reducing the amount of waste that needs to be handled.
- Optimized waste stone powder as input materials for the production of building materials and other useful applications: Unburnt bricks, tunnel bricks,....

### Measures to control the process of waste treatment

Each type of waste generated is collected in separate zones to meet the requirements according to the Circular No. 02/2022/TT-BTNMT dated January 10, 2022 of the Minister of Natural Resources and Environment. When cooperating with a waste treatment and co-treatment unit, the company reviews the requirements of the contractor's treatment capacity for the type of waste expected to be handed over. Periodic inspection is carried out without prior notice at least once per annum by the managers and staff in charge of the environment. The actual inspection process is carried out from stages such as:

- Review records of waste receipt
- Records on treatment methods and actual treatment at the scene
- Process of treating secondary waste from the treatment process
- Reports on the management and treatment of waste by the treatment unit.
- Records proving the treatment unit's compliance with environmental laws: Environmental permits, periodic environmental monitoring records, inspection records of the nearest state agency,....

Inspection results are made into periodic contractor inspection reports. When detecting environmental violations, a record of contract suspension will be made to handle the incident. The points that need improvement will be sent to the contractor for implementation.

## MONITORING RESULTS

At Vicostone, 100% of wastes discharged from production and other activities, especially hazardous wastes, are treated in accordance with procedures adopted by the Company to ensure at the highest level the requirements

of current legal regulations, minimize impacts to the environment during production, and aspire towards sustainable development goals.

NO.	WASTE CATEGORY	WASTE	DISCHARGING VOLUME (KG)	TREATMENT SOLUTION
1	Common solid industrial wastes	Stone chips, bavia	28,665.845	Reused, buried
		Other solid industrial wastes	173.32	Incinerated
2	Solid domestic wastes	Solid domestic wastes	22.87	Incinerated
3	Hazardous wastes	Residual oil	4.79	Incinerated
		Metal packages	3.20	Clean, recycle
		Plastic packages	0.30	Clean, recycle
		Fluorescence light bulbs;	0.09	Crushed, solidified
		Filters and stained drags	2.86	Incinerated
		Printer's cartridges	0.008	Incinerated
		Lead batteries	0.025	Dissembled, gathered, chemico-physically treated
		Welding rod	-	Solidified
		Other cleaning solutions and organic solvents	3.39	Incinerated
<b>Total</b>			<b>28,876.62</b>	

Table shows figures and treatment of wastes at Vicostone

Vicostone regularly inspects and audits the waste transportation and treatment process of its partners to choose reputable, reliable and capable partners in handling waste in accordance with applicable laws and not affecting the environment.



# ENVIRONMENTAL COMPLIANCE



Since the outset of investment and construction, Vicostone has strictly conducted assessments on possible environmental impacts, with subsequent environment-related licenses reviewed and approved by the State. During production and business, the Company annually invites independent and competent agencies to monitor environmental issues at its premises. Moreover, whenever a new environmental issue arises, the Company sends reports and requests for instructions to relevant authorities to ensure the highest compliance with the Company's own environmental protection commitments.

To best monitor and oversee environmental protection activities, the Company has and continues to apply and improve environmental management systems according to the ISO 14001:2015 standard; and comply with standard requirements as well as processes of this system. The assessment and inspection of environmental protection work is carried out daily to address emerging situations and prevent environmental impacts and pollution.

## COMPLIANCE WITH THE LAWS AND REGULATIONS

At Vicostone, the rule of law is the guideline in our production and business activities. Full compliance with policies and regulations on environmental protection in particular and health - safety - environment (HSE) in general has always been prioritized by the Company. Pursuant to environmental regulations such as the Law on Environmental Protection, decrees and circulars related to the environment, Vicostone commits to:

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

- Fulfilling obligations related to the declaration and payment of environmental protection fees with respect to industrial wastewater in accordance with Decree No. 53/2020/ND-CP on environmental protection fee for wastewater treatment;
- Conducting full environmental supervision actions stated in the Environmental Impact Assessment Report and responsibilities stated in the operational phase of the Certification of Completion of Projects and Measures for Environmental Protection;
- Conducting and submitting regular environmental report to State agencies:
  - Plan for regular environmental inspection (once per quarter)
  - Report on environmental protection actions (one per year)
  - Report on waste discharge into the water source (once per year).

In 2022, Vicostone did not cause any incidents or acts in violation of environmental laws.

Furthermore, Vicostone was proactive in scouting for environmental suppliers who are capable in accordance with the law and performed regular evaluations of their environmental services regarding the monitoring, collection, transport, and treatment of waste. Spending for environment protection activities at Vicostone in 2022 was approximately VND 6.5 billion.



## APPLICATION OF ISO 14001:2015 & ISSUANCE OF HSEQ MANUAL

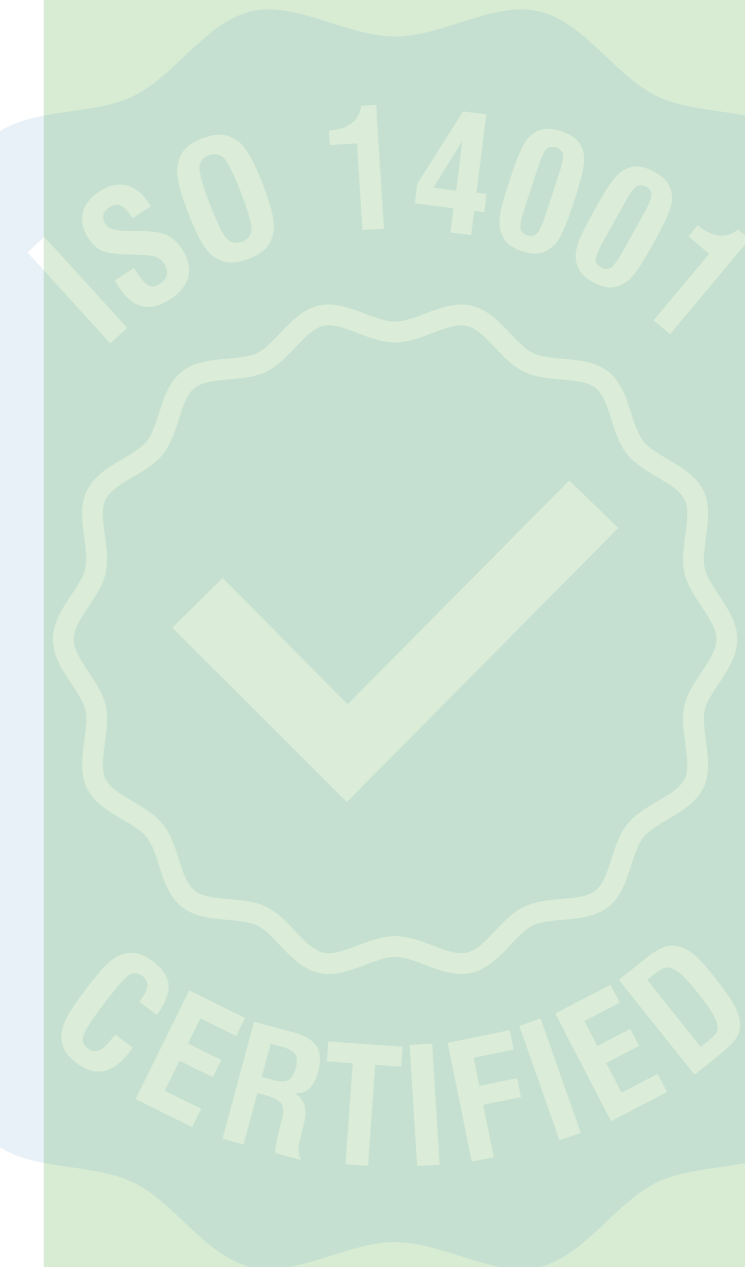
The Company has been applying and continuously improving the environmental management system according to ISO 14001:2015 standard; complying with the requirements of the standard as well as the system procedures. The assessment and inspection of environmental protection is maintained daily; arising situations are promptly detected and handled to ensure no negative incidents to the environment. Since 2014, Vicostone has drafted and published an Environmental Handbook with frequent amendments to provide instructions to functional departments and employees on implementing environmental compliance activities and to raise awareness of environmental protection.

- Principles applicable in the drafting, application and improvement of the environmental management system
  - Identify customers' demands, laws, and other concerned parties;
  - Establish environmental policies which are clear and suitable to the nature of the Company's operations, and on this basis, establish quantifiable environmental targets to direct the Company's development path and guide its environmental management operations;
  - Prepare necessary resources to improve the quality of environmental protection;
  - Identify criteria and methodologies for the measurement and assessment of each process,

analyze preventive activities against inconsistencies to remove the causes of such inconsistencies;

- Apply continuous improvement to ceaselessly enhance the effectiveness of environmental management operations and achieve targets set by the Company.
- Main contents
  - Analyze the background of the Company and expectations of relevant parties;
  - Commitment of the Board of Management in implementing environmental protection activities, roles and responsibilities of relevant departments;
  - Create planning for environmental aspects in accordance with ISO 14001:2015;
  - Manage resources, maintain readiness to respond to emergency situations;
  - Evaluate the effectiveness of activities;
  - Improvement.

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





## ENCOURAGE EMPLOYEES TO PROTECT THE ENVIRONMENT

### 1. Kaizen - 5S Activities

Besides environmental legislation compliance, Vicostone also deploys activities to encourage employees in regards to environmental protection, contributing to a green, clean, and beautiful environment, improve working conditions and labor productivity. The Kaizen - 5S program is a fundamental activity, imposing positive impacts on the living and working environment, strengthening the ownership and responsibility of workers, eliminating waste, and providing added value to the Company's activities. Launched in 2015, Vicostone's Kaizen - 5S program with the slogan of "continuous improvement, clean working position, and fresh air" has been greatly supported and engaged with by all workers. Following the strategic direction of economic growth associated with green production and environmental protection, the program aims to improve working environment quality, raise the awareness of employees in energy saving, recycling, reuse, etc. at each position, including direct and indirect production divisions. The Kaizen-5S Steering Committee was established with the close supervision and direction of the Board of Management and the participation of managers of functional departments. These ideas not only bring about economic value but also contribute considerably to the Company's environment protection. To enhance its effectiveness, in the near future, the Kaizen - 5S program will be carried out with some guidelines, including: safety improvement in production; productivity and product quality enhancement; integration into Company's major programs and projects, and others. Regularly, the secretary of the Vicostone Kaizen-5S Steering Committee will contact other Kaizen - 5S boards in the Phenikaa Group to conduct research, learn, and exchange on significant Kaizens that have been implemented.

On the basis of the Kaizen - 5S program that has been implemented and applied in the previous years, in 2022, the Kaizen - 5S Board implemented additional items to promote the 5S movement and improvement in the Company, such as:

- Establishing and implementing activities of a 5S assessment team with activities to support different units to better implement the Company's Kaizen - 5S program;
- Establishing and implementing activities of a group responsible for improving key issues in the company

(IC group), offering initiatives to improve production efficiency along with environmental protection ;

- Implementing education and communication activities to raise awareness and contribution of employees in Kaizen - 5S activities through large LED screens at the door of the cafeteria, televisions in production areas, and banners along main traffic routes...;
- Conducting periodic or adhoc assessments; training employees on the program

#### 5S activities

Based on the 5S Handbook and the instructions of the Kaizen-5S Committee, each department and division established 5S standards for each working position which were intuitive and contained clear mapping of positions and division of labor. The evaluation is conducted once a week on every Thursday on both the production and office sectors. These standards are regularly reviewed and upgraded when changes take place with a maximum duration of 6 months per change at each position and area. This is also the criterion for the Kaizen-5S Steering Committee to conduct periodic assessments of the 5S performance at each department. With the production sector, evaluations are conducted once per week every Wednesday. With the support sector, evaluations take place on Friday afternoons of each month's second and fourth week.

All units and working spaces are well arranged; file cabinets are classified by each different item, convenient for information search. In many departments, green trees have been placed to purify the air, as well as increase the comfort and creative inspiration of employees.

#### Kaizen activities

In parallel with 5S activities, the Kaizen program has been implemented at Vicostone since its early days. Following Kaizen's spirit of "Change for the better", Vicostone encourages employees to contribute ideas for improvement even with the smallest actions. Pursuant to monthly and quarterly reviews, the Kaizen-5S Steering Committee has rewarded employees for outstanding innovation initiatives, bringing value to the Company in terms of economy, productivity, time and effort. The success of the Kaizen program at Vicostone stems from small but cumulative changes over time and creates great value for the Company and workers. In 2022, thanks to the policies of the Board of Management, the Kaizen activities continued to attract the interest and contribution of ideas in production and business from the employees.

### 2. "Bright Friday" Program

Continuing the success of the "Bright Friday" activity, Vicostone strengthened activities to raise employees' awareness of environmental protection through social networks, bulletin boards, general information screens at the cafeteria to help build a green lifestyle in the Company. Thereby forming a shared cleaning habit at all times, picking up waste, and reminding those who do not comply.

The "Bright Friday" program includes smaller activities such as: Cleaning the workspace, classifying waste, communicating on the reduction of plastic waste discharge, economically using electronic, water, paper resources, and more. To ensure safety amid the pandemic, units, departments and work groups are assigned to each specific area every Friday. After five years of implementation, the "Bright Friday" activity, after starting in

areas inside the company only, has now been implemented in the surrounding areas such as: cleaning and collecting floating garbage on roads, clearing vegetation, clearing stagnant water ditches to limit insects, planting trees, planting flowers in empty pots. In addition, Vicostone employees also clean roads in the area to communicate about environmental protection to all employees working in Hoa Lac Hi-Tech Park.



Vicostone employees organize a marathon race combining garbage collection and environmental protection at residential premises around the factory

NUMBER OF KAIZEN RECOGNIZED	NUMBER OF KAIZEN FINISHED	VALUE OF IMPLEMENTATION (VND MILLION)
777	729	6,206.32

The Kaizen numbers in 2022

The Kaizen works are evidence of the employees' spirits of "continuous improvement", innovation, self-realization of issues and improvement for the better. It is the sense of responsibility and ceaseless efforts of the Board of

Directors and workers that have elevated Kaizen - 5S from a movement to a daily activity, a signature cultural aspect in life at Vicostone.





## SKY SERIES

BQ8884





# PEOPLE

- 88 Employment and market presence
- 92 Occupational health and safety
- 96 Education and training
- 102 Social responsibilities
- 120 Customer health and safety

# EMPLOYMENT AND MARKET PRESENCE

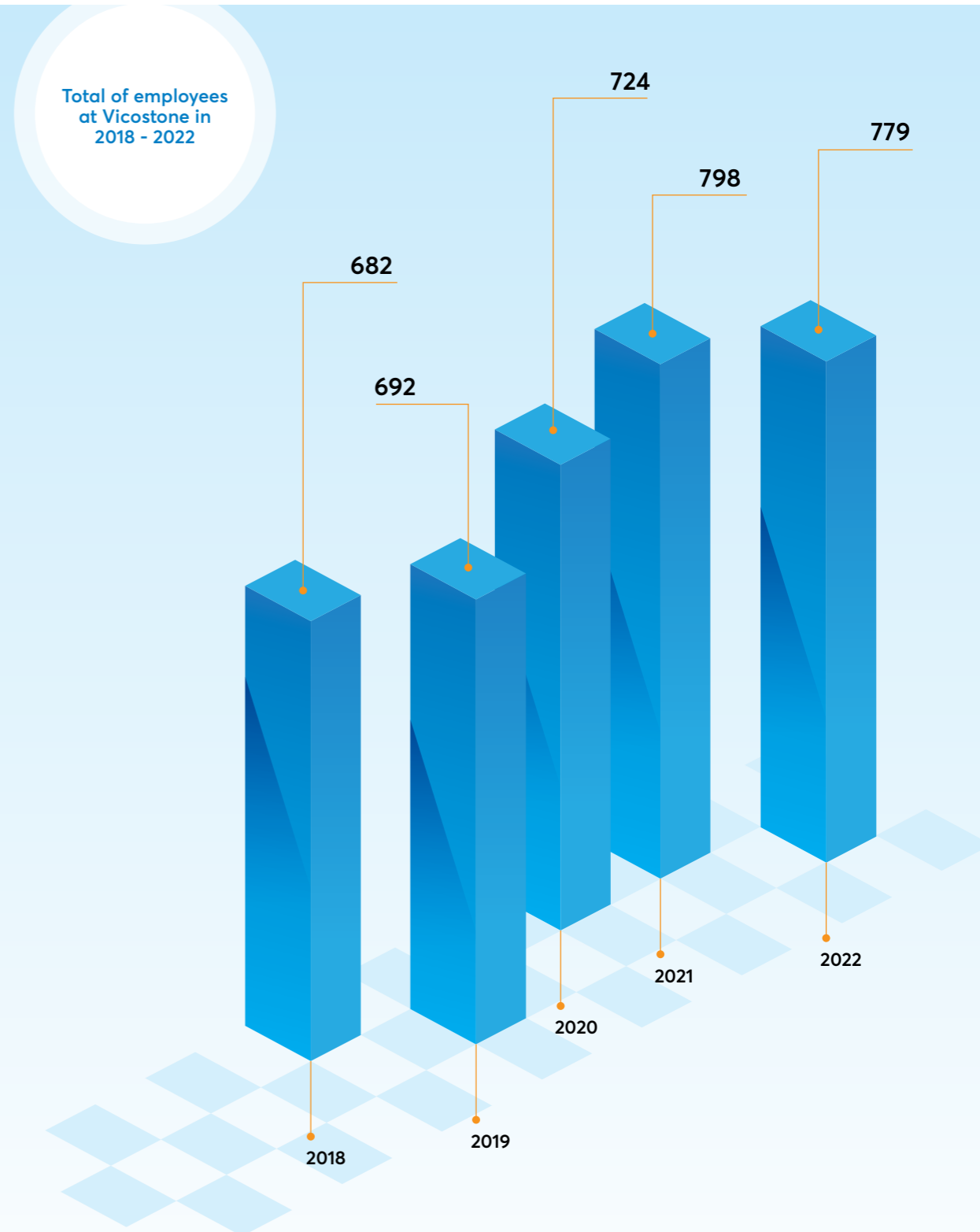


Vicostone believes that people are the vital resource to the sustainable development of the business. Therefore, the Company places people at the center of all activities and consider the business to be an environment where people may realize their full potentials. This philosophy is the foundation for Vicostone to build a dynamic and fair working environment where each individual is entitled to the opportunities to work and strive to success and career development.

## LABOR FORCE

As of December 31, 2022, Vicostone had a total of 779 employees<sup>1</sup>. The number of young ones (under 35 years old) account for 46.3% of the workforce, with the leverage of dynamism, enthusiasm, and creativity. The employees assigned at direct production lines reach approximately 61% of the total, an appropriate figure for an industrial manufacturer. Of the total number of employees, some

85.8% were male; 82.9% were qualified from vocational training. With 25.8% of all employees having undergraduate degrees and 57.1% possessing engineering qualifications, the quality of labor at Vicostone was considerably high and suitable with the Company's plans on employment training, assignment to meet the requirements, and strategic targets.



<sup>1</sup> Follow up data from separate report of Vicostone

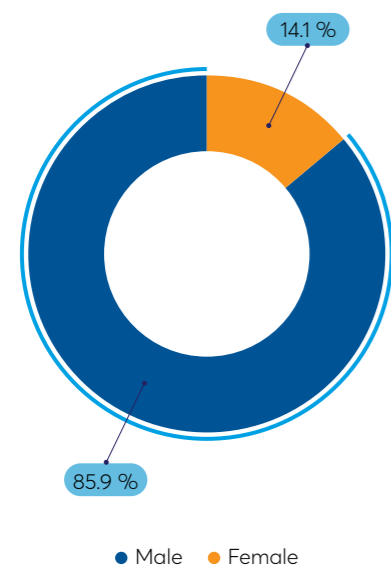


# 1. Labor structure

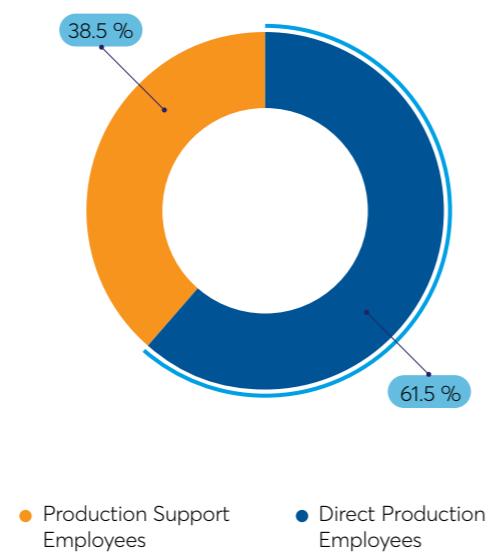
## Labor structure by academic qualification

NO.	QUALIFICATION	2020		2021		2022	
		NUMBER (PEOPLE)	RATIO (%)	NUMBER (PEOPLE)	RATIO (%)	NUMBER (PEOPLE)	RATIO (%)
1	Graduate Degree	12	1.66	9	1.13	8	1.03
2	Undergraduate Degree	190	26.24	191	23.93	193	24.78
3	Associate Degree	98	13.54	109	13.66	108	13.86
4	Primary and secondary vocational training	344	47.51	349	43.73	337	43.26
5	High school	80	11.05	140	17.54	133	17.07
<b>TOTAL</b>		<b>724</b>	<b>100</b>	<b>798</b>	<b>100</b>	<b>779</b>	<b>100</b>

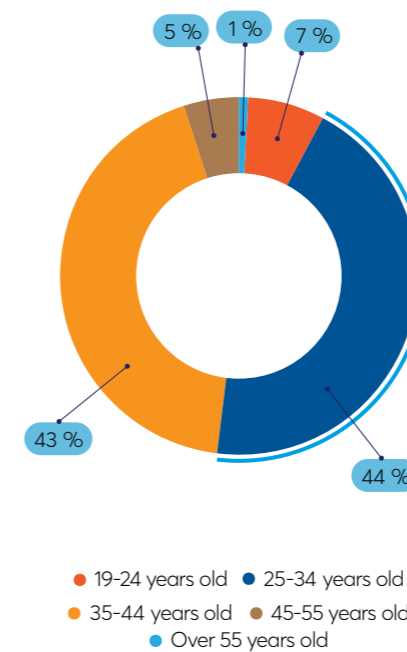
Labor structure by genders



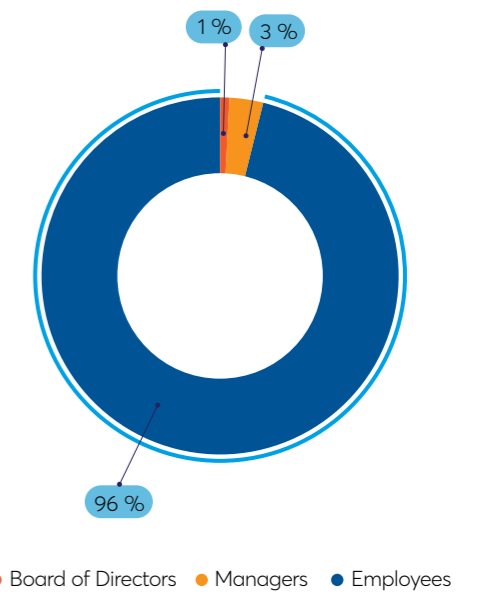
Labor structure by job description



Labor structure by age



Labor structure by position level



## 2. Employee turnover in 2022

In 2022, amid the COVID-19 pandemic and global economic - political fluctuations, many domestic businesses had to reduce their headcount to maintain operations or even had to close down. Vicostone did not escape the scope of that impact. However, the Board of Directors of the Company gave flexible and effective directions and measures to strive to ensure jobs, health and income for employees. In 2022, Vicostone recruited 70

additional employees, with male and female employees accounting for 91.3% and 8.7% respectively; 57.14% of new recruits were aged 19-30 years old and 42.86% aged 30-41. The total number of employees leaving Vicostone in 2022 was 89 people; most of them in direct production, with male and female employees accounting for 96.8% and 3.2% respectively, with 40 employees under 30 years old, 49 employees from 30-50 years old and 02 employees over 47 years old retiring according to the provisions of the Labor Code.

## SALARY AND BONUS POLICIES

### 1. Ensuring fair and stable compensation for employees

Vicostone pays salary according to the 3P method (Performance, Position, Productivity) and fixed salary according to production volume and sales revenue. Employee's salary level is determined upon position, on the basis of clear quantitative evaluation criteria and work performance equivalence. The company manages and recognizes the work performance of employees through a competency framework and a KPI system. This is a tool to evaluate the capacity of employees in a comprehensive and fair manner. Through periodic capacity assessment activities, employees as well as management staff clearly understand capacity shortfall in order to fill in the gap.

In 2022, the probationary salary and starting salary of new employees at Vicostone (regardless of gender) always ensured compliance with applicable laws on regional minimum wages and were all higher than the regional minimum wages as prescribed by the State.

In addition to adjusting the general income of employees according to the level of inflation and price slippage of the economy, the Company annually adjusts the annual income for the group of capable employees showing high work performance. In addition, the Company added policies on work allowances such as gasoline, telephone, lunch support, etc. to help employees feel secure to work hard for 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, and others.

*Employee's salary level is determined upon positions, expertises and performance results.*

### 2. Average salary and income of employees

**For probationary wages:** The lowest average probationary salary paid to employees is 118% of the regional minimum wage. The average probationary salary is at least 123% of the regional minimum wage.

**For starting salary:** The lowest average starting salary of employees is at least 160% and the average is 186% of the regional minimum wage.

NO.	ITEMS	UNIT	LOWEST MONTHLY SALARY IN 2022	AVERAGE MONTHLY SALARY IN 2022
1	Regional minimum wages according to State regulations	VND	4,680,000	4,680,000
2	Probationary salary	VND	5,500,000	5,750,000
3	Average starting salary for new hires	VND	7,476,000	8,694,000
4	Average income of male employees	VND		18,271,313
5	Average income of female employees	VND		18,326,011
6	The ratio (%) of the probationary salary of the newly recruited employee to the regional minimum wage	%	118%	123%
7	The ratio (%) of the employee's average starting salary to the regional minimum wage	%	160%	186%
8	The ratio (%) of the average income of male workers to the regional minimum wage	%		390%
9	The ratio (%) of average income of female workers compared to the regional minimum wage	%		392%



### 3. Vicostone's recruitment and talent policy

Vicostone is always proactive in building welfare and compensation policies to ensure its ability to attract and retain high-quality human resources. In 2022, in the context of mass lay-offs in various businesses due to the post-pandemic economic crisis, Vicostone still guaranteed jobs and recruited 70 additional employees. This growth contributed to and ensured the completion of business development goals set for the year

Vicostone's recruitment policy is as follow:

- Ensures fairness and transparency in the recruitment process;
- Selects candidates who meet the professional capacity and skill requirements for the vacancy;
- Selects candidates who adapt to the environment and culture of the Company;
- Respects differences, creativity and individuality.

In addition to attracting human resources from outside, the Board of Management also strives to utilize internal resources to fully realize the potentials of currently available personnel by transferring personnel in between units, appoint young managers from core staff members, and more.

In tandem with recruitment, Vicostone continues to focus on building personnel policies to attract and retain talents: Establishing a professional working environment, a fair salary and bonus policy corresponding to employees' performance and which is competitive in the labor market, recognize award individuals who contribute significantly to the Company.

### 4. Welfare policy for employees

#### Labor contract

Vicostone signed labor contracts with 100% of the Company's employees with different contract terms (seasonal, 01 year, 03 years, or indefinite) in compliance with the law. The job description of each position, job title as well as salary, working time and other terms are clearly and specifically formulated by the Company and discussed and agreed upon with employees when signing a labor contract

#### Work-life balance

- Working time: Starting from January 2019, to help employees have more rest and time to renew labor power, spend more time for their families and hobbies, and improve work-life balance, Vicostone enables indirect employees to take Saturdays and Sundays off, and direct employees in production and services are allowed 8 days off per month on a rotation basis. This is something very few companies can do, especially those in the manufacturing sector.
- Other leave policies: The employee is 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.
- As an enterprise that has applied the SA8000 corporate social responsibility standard for many years, Vicostone always complies with the regulations on working overtime according to the provisions of Vietnamese law and even higher standards, i.e., the SA8000:2014 responsibility standard system, ensuring that the payment for employees during overtime work complies with applicable regulations.



#### Other welfares

- Free meals for employees at cafeterias with nutritious and safe diets; All food supplied to Vicostone cafeterias has a clear origin and is certified to ensure food safety and hygiene standards;
- Housing support (apartments): To address employees' housing needs and help them to find stable residency and assurance in working, Phenikaa Group has built a 21-story apartment building with 400 apartments in Thach Hoa Commune, 500 meters away from the factory, and sold to employees at discounted prices;
- Organize regular activities to demonstrate affection towards employees such as year-end parties, birthday parties, anniversaries, etc. These are occasions to connect members with each other and demonstrate the Company's concern for employees' well-being;
- Maintain charity and social works, visit and encourage workers in illness, deaths of loved ones, joyous occasions, call on members to contribute to the establishment of the "Golden hearts" fund to support and help members in distress;
- To reassure employees to work and stay at the Company, in 2009, the Company built a kindergarten for children of employees within the Company Vicostone's kindergarten is located on the 1st floor of the Phenikaa apartment building with 03 groups of kindergarten classes. All Vicostone employees are allowed to send their children to the kindergarten free of charge for school construction, purchase of equipment and materials and tuition.

#### Maternity policy

- Maternity leave: Vicostone always complies with the provisions of the Labor Code on maternity leave and pays maternity leave for 100% of employees at the Company. The basic maternity leave period for all female employees at Vicostone is 06 months. This period will be increased if female employees have twins or triplets to ensure compliance with the Labor Code. For male employees, the maternity leave period when the wife gives birth is 05 days (for the wife giving birth naturally); 07 days if the wife has surgery or gives birth to a baby under 32 weeks old; 10 days if the wife gives birth to twins; and in case of giving birth to the third child or more, each additional child is entitled to an additional 03 days of leave; in case of twins or more that require surgery, they are entitled to 14 working days off. In 2022, Vicostone did not have any female employees on maternity leave that returned to work before the time prescribed by law.
- In 2022, there were 45 employees taking maternity leave, of which 09 are females and 36 are males. The rate of female employees returning to work at Vicostone after maternity leaves is 100%. The female employees on maternity leave got fully paid in accordance with social insurance policies as well as bonus payments for holidays. The Company ensures full work for people returning from maternity leaves so that they may resume their old positions.
- In addition, to create the best conditions for female employees to have time to take care of their children, upon the end of their maternity leaves and coming back to work, the Company exercises the reduction of 1 hour of work per day for female employees taking care of children under 12 months of age.

#### Pension

- For employees who are eligible for retirement but continue to work at the Company, Vicostone shall pay the entire insurance to the employee's monthly salary (21.5% of the employee's fixed salary).
- In addition, the Company creates conditions for these employees to finish work 01 hour earlier each day so they can ensure their health and regenerate their energy.





# OCCUPATIONAL HEALTH AND SAFETY

The occupational health and safety management system is one that manages and determines requirements to enhance health, ensure occupational safety, minimize risks at the workplace, and raise employees' morale. The occupational health and safety management system provides a clear structure for all organizations that wishes to improve occupational health and safety.

Therefore, the establishment of an occupational health and safety management system is one of the most important tasks of any business. As a producing business, Vicostone fully understands the important role of occupational health and safety, not only in helping to protect the lives and health of employees while at work but also in helping the business to reduce loss of assets due to occupational hazards.



Vicostone employees participate in a fire safety training

## HEALTH AND SAFETY DIVISION (H&S)

Vicostone's Health and Safety Division has 11 members, 05 of whom are the employer's representatives (03 members from the Company's BOM; 02 members are staff) accounting for 45.45% and 06 are representatives of employees (including the Chairman of the Labor Trade Union and 05 staff and workers) accounting for 54.55%.

Functions and duties of the Health & Safety Division:

- Implement continuous improvements of health and safety standards in the workplace;
- Conduct regular, official assessment of the risks of occupational health and safety to identify potential risks to health and safety;
- Keep records of assessments and perform preventive and corrective measures.

## HEALTHCARE SERVICE FOR EMPLOYEES AND RELATIVES

### 1. Employee medical check-ups:

- The Company's Health and Safety Division conducts full medical check-ups at the Company for employees in all departments and divisions once a year. 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. This helps employees to stay aware and secured about their health.
- In addition, for employees working in specialized positions, the Company conducts on-demand optical and auditory check-ups in national hospitals to help employees prevent occupational diseases.

### 2. Health care and medical support for employees and their relatives:

- The Company deploys health care insurance and medical support packages to ensure the wellbeing of employees, minimizing the level of financial risk when they encounter health problems.
- In addition, the Company supports 50% of the cost of health care insurance and medical support for 01 family member of each employee as an extension of support to employees' family members. This enhances the attachment of employees to the Company and diversifies the Company's welfare for employees.

### 3. Compulsory insurance

- Vicostone fully implements the insurance regime as prescribed by law for all employees including: Health insurance, social insurance, unemployment insurance and occupational accident insurance.

### 4. Facility and equipment

- The Company sets up and equips the medical office with 02 hospital beds for employees when needs arise related to healthcare. Healthcare staff are available 24/24 and ensure their presence in times of incidents or requirement of health services. Health and emergency equipment is accorded to areas considered at risk of causing occupational hazards to employees during production.
- To prevent and control the spread of new strains of Covid-19 virus and safeguard the wellbeing of employees, in addition to implementing a vaccination program in 2021-2023 for all employees and their family members, Vicostone equipped itself with medicine cabinets with a full range of Covid test kits, masks, medicine for colds, pain killers, antipyretics and other basic medicines to support workers in a timely manner.



## WORKING ENVIRONMENT

### 1. Standard system of Health - Safety - Environment - Quality

Vicostone creates a safe working environment, where employees are provided with adequate knowledge and skills on health and safety, and appropriate protective equipment. Not only ensuring the health and safety for employees, VICOSTONE also ensures a safe environment for contractors, suppliers, partners and customers when visiting the Company by ensuring strict compliance with safety standards and regulations. With the goal of ensuring safety and health for employees and sustainable environmental protection, VICOSTONE has established, maintained and constantly improved the HSEQ standard systems (Health - Safety - Environment - Quality), not only ensuring the supply of quality and safe products

to consumers but also ensuring the rights, welfare and working environment for employees. The HSEQ standard systems applied at the Company include the following:

- System for occupational health and safety management ISO 45001:2018;
- System of Social Responsibility SA 8000:2014;
- Environmental Management System ISO 14001:2015;
- Quality Management System ISO 9001:2015.

The control of the working environment is implemented by the Company via periodic environmental monitoring and annual working environment audits.

In addition to complying with Vietnam's environmental regulations, VICOSTONE also ensures environmental management in accordance with international standards such as ISO 14000, GreenGuard, NSF, and especially IFC's environmental standards.

### 2. Constantly improving the quality of the working environment:

A good working environment contributes to increasing work productivity, helping employees improve their capacity and professional skills. Therefore, in addition to providing good and modern facilities to build a comfortable working space for employees, Vicostone always strives to provide an equal, dynamic, professional and secure working environment to ensure the health and safety of workers.

Since 2015, the Company has implemented the 5S Program and maintained it annually, making 5S one of the key tasks of the units, building inspection and auditing mechanisms and inspection teams led by the BOM. These inspections/audits are conducted regularly at production plants and units. The implementation of 5S helps Vicostone create a scientific, clean, and convenient working environment, forming disciplined working habits.

## OCCUPATIONAL HEALTH AND SAFETY TRAINING

Training, advice and measures related to the prevention and control of risks of unsafety and occupational diseases in employees were delivered in 2022 as follows:

Vicostone employees in a first-aid training session



NO.	TRAINING CONTENT	TIMEFRAME	NUMBER OF PARTICIPANTS
1	Group 3 training of occupational safety and sanitary in accordance with Circular No.44/2016/BLĐTBXH	August 2022	32
2	Group 2 training of occupational safety and sanitary in accordance with Circular No.44/2016/BLĐTBXH	August 2022	04
3	Group 3 training of occupational safety in accordance with Circular No. 44/2016/BLĐTBXH for persons performing tasks subject to strict requirements on occupational safety and sanitary prescribed under Circular No. 36/2016/BLĐTBXH	March to August 2022	476
4	Group 4 training of occupational safety in accordance with Circular No. 44/2016/BLĐTBXH for employees not falling within groups 1, 2, or 3	October 2022	177
6	Group 6 training of occupational safety in accordance with Circular No. 44/2016/BLĐTBXH	January 2022	50
7	First-aid training	March 2022	67
8	Electrical safety training	June 2022	27

### OCCUPATIONAL ACCIDENTS

In 2022, the Company maintained daily safety control for the risks of unsafety in direct production and conducted the assessment of the risks in the Company's activities.

There was 01 occupational accident in the Company in 2022:

- For employees: 01 male employee in the production department (0 female employees).
- For managers and above: no case.

The company has implemented measures to overcome accidents such as: tending for worker's health, assessing the risk of the accident area, implementing additional preventive measures.

In addition, the Company also supported the employee with medical examination for determining the degree of injury to have the appropriate compensation and assistance for the employee.



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## EDUCATION AND TRAINING

Accordingly, based on the established competency dictionary and framework, managers annually evaluate the competence of the employees in their units, ensuring that 100% of the Company's laborers are evaluated. Based on the evaluation of their real abilities and comparison with the professional standards for each position. Units will then identify the gap between the standard and actual capabilities to recommend the appropriate and necessary training programs to enhance the capabilities of employees and ensure that the employees are adequately competent and skillful to fulfill production and business goals. In addition, every Vicostone employee has the right to propose training programs to enhance their own capabilities and effectively undertake the existing tasks. The Company always facilitates the participation of employees in training programs, scientific workshops, etc., that help them to enhance personal abilities and values.

From the needs of the Company's units and employees, the HR Department develops a specific training plan suitable for each group in the following forms: internal/external training, on-the-job training/in-class training, offline/online training. 100% of external training costs are paid by the Company for employees. This method not only helps Vicostone build a core staff and prepare personnel to align with the Company's development in the future, but also inspires continuous learning and training in the Company.

Placing people at the heart of its operation, Vicostone always listens to the wishes of each employee and creates conditions for each employee to maximize their strengths at work and find a clear vision of their career roadmap. Vicostone understands that only when the basic needs of each Company member are recognized and guaranteed can employees be more engaged, dedicated and productive. Vicostone's policies and training programs are designed to equip employees with core knowledge and skills of the business, and updated knowledge and skills to adapt to the development trends of the economy, ensuring the sustainable development of the Company.

With the typical features of production technology, Vicostone's training policy is different from that of other enterprises in the same industry. Vicostone's training policy is as follows:

- Focus on internal training to improve professional capacity, especially updated knowledge of technology trends, digitization, current management trends, application of scientific and technological advances to the work;
- Develop a separate program to improve the capacity of current leaders and managers as well as future leaders/managers;
- Organize training to improve the core competencies of the Company in a unified roadmap and association with actual work; equip new and essential skills associated with the development trends of the economy so that Vicostone staff can actively adapt to changes, ensuring the sustainable development of the Company.

## EDUCATION & TRAINING

To invest in education is to invest in a sustainable future, for only high-quality human resources fully equipped with knowledge and skills can enable enterprises to fulfill their long-term development goals. Therefore, Vicostone has developed a comprehensive training program and a mechanism to encourage maximum professional capacity development for all employees.

Through human resource development activities, Vicostone aims for the following goals:

- Enhance employees' knowledge of current work, master their professional expertise to complete their assigned tasks;
- Promote employees' initiatives and self-discipline; build a better working attitude, passion and creativity in work; provide quick and effective solutions to improve work quality;
- Increase employees' ability to adapt to changes in work due to the impact of quick scientific and technological developments or unpredictable fluctuations from the market.



*The E-learning system at Phenikaa supports employees in their training courses*



## TRAINING PROGRAMS IN 2022

In 2022, Vietnam implemented social distancing measures to mitigate the COVID-19 pandemic effects and return to the new normal. Therefore, the flexible combination of face-to-face and online modes played an important role in maintaining the Company's business. Vicostone took advantage of and promoted the benefits of each mode to deploy a hybrid training system to ensure no interruption in capacity building activities for employees, and increase their activeness in learning. This method is still regularly applied by Vicostone to optimize training time and costs.

The Company also continues to develop and operate an E-learning system with a diverse repository of training materials, practical knowledge for each working position, and an easy-to-use and user-friendly interface. Learners can freely choose their own learning path with rich content in many formats such as text, video, and learning through games. The system also allows students to track their learning progress and provides statistics on learning effectiveness so that learners can set specific goals and suitable learning methods for themselves.

In 2022, Vicostone's training activities focused on the following areas:

- Orientation and integration training for new employees of the Company;
- Training on occupational sanitary, fire hazards, and mandatory courses in accordance with the laws;
- Specialized training, particularly internal courses on production technologies, operations, and systemic training (ISO, Kaizen-5S) to update knowledge and skills for production staff;

- Position-based skill training courses on sales and communications, search for information and identification of product trends, learning and development, etc.;
- Master of Business Administration courses in English (E-MBA) for members of the boards of Directors and Management, key managerial staff, and prospective executives to enhance the capacities of the next generation of leaders and make available human resources that were ready for strategic positions.

The total number of training courses conducted in 2022 was 85 with 4,857 trainees equating to 28,483 hours of training, which includes 28 courses conducted by external partners and 57 courses implemented by the company internally. The total cost of training in 2022 was nearly VND 300 million (the implementation of the E-learning training system has saved training costs while ensuring duration and effectiveness, preserving the Company's resources and satisfying the needs of employees for learning and development).

CONTENT	GENDER		POSITION		TOTAL
	MALE	FEMALE	DIRECTORS AND MANAGERS	STAFF	
Hours of training	24,424	4,059	1,270	27,213	28,483
Number of employees in 2022	668	111	32	747	779
Average training hours for each employee in 2022	36.56	36.57	39.69	36.43	

## PLANNING AND APPOINTMENT

With the economic and political volatility in recent years, Vicostone considers succession planning as a key task in HR development, contributing to building the Company's future leadership/management, reducing transition time and disruption in all aspects of operations, increasing employees' engagement with the Company, as well as creating career development opportunities for potential employees. In 2022, Vicostone continued to implement the training and personal capacity development program for the successor staff for 2021 - 2025. In addition to training courses designed for the capacity development of each individual, talented staff members were also rotated to different positions for on-the-job training and to be

equipped with skills and knowledge to be able to take on future positions in the Company. During the staff's capacity building process, Vicostone still periodically evaluated the progress of the successor staff, and at the same time reviewed and added new members to the list of successors to motivate employees to actively engage in this process.

In addition, the Company allows employees to rotate their positions within the Company or other subsidiaries located in the ecosystem of the parent company, i.e., Phenikaa Group, depending on the aspirations of employees and if they can fulfill the requirements of that position. After the rotation, the Company continues to provide additional skills training for employees to successfully complete their new job.





# CORPORATE SOCIAL RESPONSIBILITIES

## TOWARDS THE BENEFITS OF STAKEHOLDERS

In terms of sustainable development, Vicostone believes that production and business activities must go hand in hand with corporate social responsibility (CSR) in the spirit of promoting human values and contributing to the community. That is why, from the early days of establishment, the Company has implemented many CSR activities with 3 focuses:

- Joining the Government in disease and natural disaster prevention, hunger eradication and poverty reduction;
- Investing in education; supporting schools and educational institutions to improve teaching capacity; creating a favorable environment for best access to study and play opportunities; and promoting creativity for Vietnamese youth;
- Investing in infrastructure and supporting the development of local communities where the Company's offices and facilities are located.



Vicostone's kindergarten with no tuition fee



A member of the Vicostone BODs presented VND 3 billion to the Fund for the Poor in Hanoi city through the Hanoi Fatherland Front Committee

## TOWARDS THE BENEFITS OF THE COMMUNITY

In 2022, Vicostone and Phenikaa Group implemented many community support programs. Some highlights can be found below:

### 1. Donating VND 3 billion to the Fund for the Poor in Hanoi city

In October 2022, the peak month of actions for the poor and social security in 2022, Phenikaa Group and its subsidiaries, including Vicostone, donated VND 3 billion to the Fund for the Poor through the Vietnam Fatherland Front Committee of Hanoi city. The donation will be used to build houses of gratitude and improve the livelihoods of disadvantaged families in Hanoi.

According to Hanoi's Fatherland Front Committee, the city currently has 3,612 poor households and more than 30,000 near-poor households, of which some 1,000 households have housing difficulties and their children cannot go to school due to economic burdens. After more than 2 years of the COVID-19 pandemic affecting all socio-economic aspects, many individuals and households in the area faced even more challenges: job loss, inflation, and dilapidated houses without funds to repair them. With the donation of VND 3 billion and annual financial contributions, Vicostone and its member units in the Phenikaa Ecosystem wish to contribute more resources together with Hanoi and the Government to support poor/disadvantaged people.

### 2. Donating learning equipment to schools

During the new academic year of 2022, Phenikaa Group and Vicostone JSC donated 25 sets of computers with a total value of nearly VND 300 million to 3 schools in Phong Dien district, Thua Thien Hue province: Phong Hoa I Primary School, Phong Hoa II Primary School and Nguyen Tri Phuong Secondary School; giving 5 sets of HP computers and 4 65-inch Samsung TVs; and 20 sets of desks and chairs for semi-boarding students in Thach Hoa Primary School, Thach That district, Hanoi. These are also the localities where the production factories of Vicostone and Phenikaa Hue (a subsidiary of the Company) are located.

Upholding human values and recognizing education as a core factor for community and social development, Vicostone has always focused on promoting education to cultivate the future generations of the country. The equipment will support the improvement of facilities for schools, contributing to improving the quality of teaching and learning for teachers and students.





Vicostone and Phenikaa Group sponsor books and facilities in the Room to Read program for children in the highlands

### 3. Donating books and equipment to build 2 libraries for primary schools in Cao Bang and Ha Giang

Celebrating the 12<sup>th</sup> anniversary of Phenikaa Group and the 20<sup>th</sup> anniversary of Vicostone JSC, the Group launched the "Phenikaa Connect" marathon race on the Group's "Phenikaa Connect" app. For each member participating in the race, Phenikaa Group contributed VND 50,000 to raise funds to buy books and library equipment for children in disadvantaged areas. Responding to the event, Vicostone JSC joined the running team with nearly 300 active members, and the total distance achieved by the team was 32,524 km.

With the total amount of nearly VND 100 million raised from the race, along with the technical support from Room to Read Vietnam, the Company purchased books, bookshelves and educational items for two primary schools: Trung Thanh Primary School, Vi Xuyen district, Ha Giang province and Bao Toan Primary and Semi-Boarding High School, Bao Lac district, Cao Bang province. A spacious new library, various books, and various educational equipment will help students be more interested in learning through books, developing reading skills and culture in school.

### 4. Building houses of gratitude for families in need

On August 19, 2022, the Executive Committee of the Trade Union at Phenikaa and Vicostone in collaboration with the People's Committee, Fatherland Front Committee and Red Cross Society of Thach That district attended the inauguration ceremony and presented a house of gratitude to Ms. Vu Thi Be's family in village 4, Dai Dong commune. This is a meaningful activity accompanying the Company's program to support poor and near-poor households to build and repair degraded houses in Thach That district in 2022 with funding of VND 100 million and VICOSTONE® quartz kitchen tables.

Currently in Thach That district, there are 122 poor households and 2,050 near-poor households in difficult economic circumstances, in which some households are seriously degraded. Vicostone's work to build gratitude houses and provide other support for the people in the district not only reflect its desire to support people with more stable and favorable living conditions but also highlight the values of sharing and conscious culture of the Company on its commitment to sustainable development.

### 5. Providing free medical examination and treatment for local beneficiaries

On the 75<sup>th</sup> anniversary of War Invalids and Martyrs' Day (July 27, 1947 - July 27, 2022), Phenikaa Group and Vicostone cooperated with Thach That District General Hospital and Kim Quan Commune People's Committee to provide free medical examination, medicines, and gifts to 155 disabled people, veterans, Agent Orange victims and relatives of martyrs in Kim Quan commune, Thach That district, Hanoi.

This activity with profound humanistic significance has contributed to the implementation of the Party and State's policy on "Reciprocation of gratitude", creating conditions for policy beneficiaries and people with meritorious services to the revolution to be provided with comprehensive care and support for their physical and mental health. Doctors and nurses conducted medical screening of health status through blood pressure measurement, clinical - otolaryngology - oral and maxillofacial examination,

and provided tonic to all the people coming to the medical examination. The activity has demonstrated the Company's sense of responsibility and conscious business culture in building sustainable local communities.

Through its CSR activities, Vicostone seeks to contribute to forming a business community with conscious business thinking and a civilized, compassionate and knowledge-based society.

A health check-up for policy beneficiaries in the area Thach That District, organized by Vicostone in collaboration with Thach That District Hospital







# HEALTH AND SAFETY FOR CUSTOMERS

As the third largest engineered stone countertop supplier to the global market, Vicostone, in addition to its unrelenting researches and creativeness to bring about unique, differentiated products and best services, especially pays attention to ensuring the safety of its products in regards to the health of consumers.

To ensure conformity with international standards, Vicostone exercises strict control on all stages of the production, from input raw materials to production processes and quality control of input and end-user products. Therefore, not only are VICOSTONE® products superior in colors, unique in designs, suitable to all customers' needs and tastes but they also pass strict quality standard tests and have been awarded international certificates by the world's reputable organizations for their absolute safety for consumers' health.

## PRODUCT QUALITY CONTROL VIA INTERNATIONAL PRODUCTION STANDARDS

To elevate the brand VICOSTONE® to the top of global with 20 years of development, Vicostone strives for an effective, international-standard management system, via consistent updates and application of supporting tools to improve product quality, utilize cost and competitive advantage. The HSEQ (Health-Safety-Environment Quality Management) system has been one of the initial tools that Vicostone applied to control the risks of occupational health and safety, prevent the possibility of diseases and accidents while assuring the Company complies with legal requirements, reduce environmental risks, pollution, and energy use, improve quality control system and productivity, and expand the brand recognition.

HSEQ Management System is established and kept updating based on the following sub-systems:

- Social Accountability System SA8000:2014;
- Health and Safety Management System ISO 45001:2018;
- Environmental Management System ISO 14001:2015;
- Quality Control System ISO 9001:2015.

STANDARD	DATE OF REGISTRATION	DATE OF LATEST UPDATE	DATE OF VALIDITY	CERTIFICATION NUMBER	CERTIFICATION AGENCY
ISO 9001:2015	05/11/2005	07/11/2022	07/11/2022	VN009639	BVC
ISO 14001:2015	25/10/2006	07/11/2022	07/11/2022	VN009640	BVC
ISO 45001:2018 (Previously OHSAS 18001:2007)	20/10/2015	18/11/2022	18/11/2022	VN009641	BVC

### Product Quality Control standard ISO 9001:2015

Vicostone, having acknowledged the importance of quality control, in 2005 had successfully applied the Quality Control System based on the standard ISO 9001:2000 in order to achieve sustainable success and increase the Company's credibility on the market. Since then, Vicostone has kept the system updated with the latest international practices. Vicostone is now adopting the standard ISO 9001:2015 to develop the quality control system, which is customized to help the Company integrate a wide range of management systems, build inner strengths and push the employees to move forward. ISO 9001:2015 puts quality management and continual improvement at the heart of the business, helping Vicostone consistently provide products and services that meet customer requirements, and improve customer satisfaction and the image and reputation of the Company through producing stable and quality products, standardizing the way of management, assigning tasks in the Company in a reasonable manner.

### Environmental Management standard ISO 14001:2015

Along with the upgrade of the quality control system, Vicostone has also changed the standard of environmental management to ISO 14001:2015 from ISO 14001:2004. The new standard has assisted the Company to keep up with changes in the legal framework, strictly abide by legal requirements and restrain the risks of environmental issues. The continuous development of environmental management upon standard 14001 also helps Vicostone cut costs through cost-efficient use of materials, energy and resources. Besides, the environmental management standard enables better and more precise data collection, less environmental impact, saving of time and resources, thus allowing smooth, quick renovations. A constantly improved working environment also helps improve the trust and loyalty of employees toward the Company.

### Occupational Health and Safety Standard ISO 45001:2018

Occupational health and safety are extremely vital for both employees and customers. Having acknowledged the issue, Vicostone has changed the occupational health and safety standard version to ISO 45001:2018 from OHSAS 18001:2007. In addition to similar changes in comparison with standard ISO 9001 and ISO 14001 regarding circumstance, leadership, and risk management, the standard ISO 45001:2018 enables the participation of employees in the process. That helps increase the relationship between the Company and employees when developing a framework to resolve occupational health and safety issues, for example: requirement and expectation from relevant parties, policies and goals of OHSAS. As employees are subject to the regulations, they benefit and suffer from the working environment. Therefore, employees have the legitimate right to join the development and implementation of occupational health and safety management system. Their participation in every decision of the Company will assure the feasibility and validity of the decision as well as the benefit of employees.



## MATERIAL ASSESSMENT PROCESS

To ensure product quality, Vicostone puts quality control into every process and regulation in the production, from input materials to finished products and delivery to customers. These standards are public and uniform among the factories in the Company.

NO.	CONTENT	GUIDELINE	FREQUENCY	BRIEF DESCRIPTION
1	Inspect quality of raw material samples in labs and conduct trial production of small batches	"Mass production processes" QT-09	100% of suppliers' samples	Raw material samples are tested to assure 100% compliance with standard laboratory conditions and subject to small-scale production before mass purchase
2	Evaluate suppliers' production competency; Evaluate suppliers' managerial competency; Evaluate suppliers' sustainability and stability	"Procurement process" QT-13 "Supplier evaluation process" QT-14	100% of suppliers of main raw materials comprising products	Prior to the official bulk import (frequent import) of raw materials, 100% of suppliers of raw materials that constitute the product are subject to inspection by the Company's team with respect to their current state at the site of production and exploitation.
3	Check on input materials	"Input material control process" QT-30	100% of material package units	100% purchased materials are tested before being stored.
4	Production line control	"Product quality control process" QT-32	100% of working shifts	Each stage of production is examined by the Product Quality Control to match the Company's technical requirements.
5	Product origin traceability	"Product origin traceability and recognition process" QT-07	100% of slabs	The Company equips the machinery and solutions for product identification; makes sure the production is monitored and regularly measured.
6	Product quality control	"Product quality control process" QT-32	100% of production packages	Corresponding products are tested at least once against strict criteria to meet quality standards.
7	Mechanic, physical and chemical test	"Product quality control process" QT-32	100% of production packages	All packages of product have to take the mechanic, physical and chemical test to meet consumers' requirements.
8	Check of safety qualities	"New product development, manufacturing and sale process" QT-08	100% of production packages	All features regarding user safety such as slip-resistance, flame resistance... are checked regularly from the first stage of development.

9	Environmental protection features	"New product development, manufacturing and sale process" QT-08	In accordance with the rules by certifying agencies	Each year, Vicostone sends product samples to GreenGuard to examine the characteristics regarding its environmental impact at UL Environment Lab in the U.S.
10	Check of safety qualities	"New product development, manufacturing and sale process" QT-08	In accordance with the rules by certifying agencies	Food safety information such as the percentage of heavy metals must be examined and confirmed by NSF International in the U.S.
11	Packaging control	"Packaging processes" QT-28	100% container	The Quality Control Department's KCS staff inspect 100% of containers regarding the quality of packages and packaging



*A Vicostone engineer monitors the grinding line system in the factory*





A Vicostone engineer checks the quality of the slab

## INTERNATIONAL PRODUCTION STANDARDS AND CRITERIA

With its outstanding advantages, VICOSTONE® quartz stone is the ideal choice for surface application, including: Kitchen tops, vanity tables, sinks, walls, bars, floors, and many other. Therefore, VICOSTONE® stone products focus on utilities related to friendliness and safety to users to ensure safety even in cases where food is prepared directly on the product surface.

Outstanding features and qualities of VICOSTONE® stone products include:

- **Toughness:** Containing about 90% of quartz aggregate – with toughness second only to diamonds, VICOSTONE® quartz stone has the toughness of 7 Moh and is highly scratch-resistant;
- **Water and stain resistant:** By applying the vibrating pressing technology in a vacuum environment and high temperature polishing, VICOSTONE® quartz stones are completely solid, water-resistant, and can resist stains from coffee, wine, lemonade, olive oil, vinegar, face powder, and other types of stains during use;
- **Bending durability:** In essence a composite material, VICOSTONE® quartz stone has the bending durability that is 4 times higher than granite stones, 6 times higher than marble stones, therefore the product is not prone to cracks or splits during transportation, installation, and use;
- **Durability in heat:** Different from other organic products, VICOSTONE® quartz stones can withstand high temperatures and can come into direct contact with heat (within acceptable limits) without combustion;
- **Resistant against fungi, live bacteria,** thus guarantees absolute food safety and sanitary. The product is also anti-slippery thanks to different polishing modes and surface formations;
- **Easy to clean:** Different from the majority of other natural stones that require renewed polishing or regular maintenance, the quality of VICOSTONE® quartz stones is consistent throughout the slab and is thus easy to clean during use. This helps VICOSTONE® stone retain its beauty after years of use and reduce maintenance costs compared to other slab materials;
- **Eco-friendly:** VICOSTONE® quartz stones are produced on modern equipment chains, advanced technologies, reduced consumption of energy as well as strict production and control processes and utilization of various recycled or recyclable materials. Thus, VICOSTONE® quartz stone are extremely environment-friendly.

Below is the technical data sheet for VICOSTONE® quartz-based products that have been tested according to international standards:

CHARACTERISTICS	TESTING METHODOLOGY	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 <sup>3</sup>
	EN 14617-1:2013	
Flexural strength	ASTM C880/C880M-09:2009	> 40 MPa
	EN 14617-2:2008	
Dimension stability	EN 14617-12:2012	Grade A
Determination of resistivity	EN 14617-13:2013	Resistor (Rv) = 0.9 x 10 <sup>14</sup> Ω Resistivity (pv) = 4.88 x 10 <sup>14</sup> Ωm
Impact resistance	ASTM D1709:2015	≥ 3.0 J
	EN 14617-9:2005	
Compressive strength	ASTM C170/C170M-09:2009	≥ 155 Mpa
	EN 14617-15:2005	
Mohs scale of hardness	EN101	6.0 – 7.0
Resistance to deep abrasion	ASTM C1243:2009	Abraded volume: V ≤ 195 mm <sup>3</sup>
	EN 14617-5:2012	
Freeze-thaw resistance	ASTM C1026:2013	No changes after 15 cycles
	EN 14617-5:2012	No changes after 25 cycles
Slip resistance at Honed 400	DIN 51130:2004	R9 – R10
Microbial resistance	ASTM D 6329:2015	Resistance grade 3: Bacteria do not grow
Chemical resistance to acids	EN 14617-10:2012	Grade C4
Thermal shock resistance	EN 14617-6:2012	No changes observed after 20 cycles
Determination of resistance to immersion in boiling water	AS 2924.2-7: 1998 (EQUI. TO ISO 4586.2-8: 1997)	Impact on surface (level): 5 (no changes observed)
Determination of resistance to dry heat	AS 2924.2-8: 1998 (EQUI. TO ISO 4586.2-8: 1997)	Impact on surface (level): 5 (no changes observed)
Determination of resistance to staining	AS 2924.2-15: 1998 (EQUI. TO ISO 4586.2-15: 1997)	Impact on surface (level): 5 (no changes observed)

In addition to the adoption of the HSEQ (Health, Safety, Environment and Quality) administrative system in its management works, Vicostone also maintains the production system and products that conforms with high domestic and international standards and demands on quality. In particular:

	<ul style="list-style-type: none"> <li>The NSF Certificate issued by the NSF International (Public Health and Safety Organization) certifies the safety of VICOSTONE® products when directly in contact with foods;</li> </ul>
	<ul style="list-style-type: none"> <li>The GreenGuard and GreenGuard Gold certificates issued by the Greenguard Environment Institute recognize the product is safe to indoor environments such as houses, schools and totally safe for kids.</li> </ul>
	<ul style="list-style-type: none"> <li>The CE certificates (EN 15285: 2008 and EN 15286:2013) issued by SGS United Kingdom Ltd acknowledge the product qualifies European standards on size, durability, water-resistance, scratch-resistance.</li> </ul>
	<ul style="list-style-type: none"> <li>The Microbial Resistant Certificate issued by the Greenguard Environmental Institute proves the product is bacteria-free and safe for users and environment.</li> </ul>
	<ul style="list-style-type: none"> <li>The Declare Certificate issued by the International Living Future Institute – an organization that provides transparent information on the origins and composition of products recognizing that the Company's products are safe for construction projects.</li> </ul>
	<ul style="list-style-type: none"> <li>The EPD (Environmental Product Declaration) Certificate issued by the Environmental Standards Certification and Development Organization (SCS Global Service), recognizing that VICOSTONE® quartz stone products are safe construction materials for the environment.</li> </ul>
	<ul style="list-style-type: none"> <li>The HPD (Health Product Declaration) Certificate issued by the Certificate issued by the Environmental Standards Certification and Development Organization (SCS Global Service), recognizing VICOSTONE® quartz stone products are safe construction materials for human and community health.</li> </ul>
	<ul style="list-style-type: none"> <li>The KOSHER Certificate issued by Seal of Kosher Trust (Seal-K), recognizing that VICOSTONE® quartz stone products meet the standards on food safety in accordance with the regulations of the Jewish community.</li> </ul>

In 2022, Vicostone did not have any violations of the law on health and safety.

## RESPONSIBLE MARKETING, IMPROVEMENT IN SERVICE QUALITY AND CUSTOMER CARE

### 1. Support Customers with Information Research

To help customers easily access and choose products/ services, the Company has built a worldwide distribution network in more than 50 countries across 5 continents with more than 10,000 points of sale. In addition to marketing the products through agencies, Vicostone has successfully established a direct-sale network to increase product experience for customers. In 2022, the Company continued to expand its distribution system by putting into operation new showrooms in Ottawa, bringing the total number of Vicostone showrooms in Canada to 8 and the entire North America region to 14.

The information of the products is provided in full through:

- **Barcode labels:** Vicostone's product information is fully displayed on barcode labels to provide all necessary information for identification and convenience for product traceability;
- **Information on the back of the stone slab:** The VICOSTONE® brand is printed on the back of the stone slab and carries information of the slab such as product code, date of manufacture, serial number and batch number to increase brand identity for consumers;
- **Information in the media:** The product's technical specifications, characteristics, certificate information and warranty policy are updated on the Company's website, in brochures or product binders in a detailed and complete manner as well as through integrated marketing and communication activities.
- **Development of Prosite** – an in-depth analysis website for professionals and experts, development of sales supporting tools

### 2. Improvement in order processing and customer care

Vicostone has implemented a system to manage customer relations, directly engaging with numerous customers and offered a variety of standardized solutions that satisfy customers' demands before, during, and after sales.

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

- All inquiries, complaints, feedbacks, and warranty requests from customers regarding the Company's products and services are subject to the Customer Complaints Handling Procedure (QT16) following the ISO 9001:2015 standard and done by the customer services staff, ensuring that all complaints are fully and promptly addressed and resolved. Specifically:

- Receive and respond to customers' complaints;
- Compile, verify, and classify customers' feedbacks;
- Inform relevant units, ask for their inspection;
- Verify information, provide solutions;
- Propose for the approval of the solutions;
- Resolve, respond to customers;
- Inform relevant units to implement reparative and preventive measures (if any);
- Compile monthly reports, perform actions to fix, improve the issues.

Improving the quality of customer care services is also an important target that the Sales Department focuses on, providing customers with timely feedback and accurate information. Policies to provide sample products, publications, and products on display for sales are also implemented in a timely manner to deliver the most favorable conditions for customers, thereby improving the customer experience towards the highest customer satisfaction.



### 3. Fast Delivery

With 06 production lines capable of producing over 3,000,000m<sup>2</sup> of slabs each year and a worldwide sales system of more than 10,000 sales agencies spanning in more than 50 countries, Vicostone commits to providing the best quality products in the fastest time to consumers. To fulfill this commitment, market research and sales planning are of top priorities and are the foundation for which other operations, including production planning, material preparation and production management, are closely and flexibly monitored to ensure the Company's fast delivery goals. Furthermore, the sales department is also keen on expediting documentation processes to reduce shipping time and deliver products to customers as early as possible. Fast delivery:

- 95% of orders are delivered within 2 weeks of placement;
- 100% of orders are delivered within 4 weeks of placement.

The improvement and enhancement of customer services and post-sales services are among the Company's top investment priorities. Specifically, Vicostone emphasizes on the following activities:

- Partner and agency services:
  - Investment in the research, design and patent application for industrial design for supplementing products, fostering sales activities, including: shelves to exhibit products, improvements to boxing and packaging of products, and others;
  - Support for partners in developing and expanding storehouses and showrooms through support in design, installation, exhibit goods;
  - Supporting policies for partners regarding models, exhibits, advertisement goods;
  - Supporting activities for partners regarding design and production of advertisement goods, media publications;
  - Support in search for transportation service providers for international customers purchasing with FOB pricing in the context of strong fluctuation in international shipping costs as well as scarcity in containers and shipping schedules;
  - Visitation and on-site support at partners' facilities in international markets.
- Individual customer services:
  - Expansion of distribution and agency system to increase market coverage and enhance customer services to all territories in the fastest manner;

- Training and development of customer service staff that are capable of providing professional, diligent resolution of complaints;
- Regular review and improvement of procedures for the receipt and resolution of customer complaints to improve quality of services and satisfaction of customers;
- Expansion of channels to receive customer feedbacks at customer service facilities, through email, 24/7 customer service hotline, and others;
- Regular survey of customer satisfaction level to promote strong points and improve on shortcomings to provide the best services that meet customers' expectations.

The company also has many support policies, looking for competitive transport service providers to minimize international shipping costs for customers. The provision of sample products, display products, and advertising publications to partners and customers is promptly implemented by the Company to create the most favorable conditions for customers to access products, thereby improving customer experience, bringing services beyond customer expectations.

### 4. Survey of customer satisfaction

According to surveys conducted by the market research teams on customers in export markets – where sales account for a majority of Vicostone's revenue – customers' satisfaction levels with Vicostone products are as follows:

- **Regarding the products:** 100% of the surveyees are satisfied with Vicostone's products both in terms of characteristics and diversity. Among which, customers are especially satisfied with the stability of product quality and the suitability of Vicostone's market trends.
- **Regarding customer service:** 100% of customers are quite satisfied or very satisfied with Vicostone's customer service such as: fast response time, good support for marketing tools, convenient payment process, fast delivery and sales promotion, good warranty policy. 71.1% of customers are very satisfied with Vicostone's response time.

Survey activities are periodically deployed by Vicostone in both domestic and international markets. The collected data are analyzed and combined with the assessment of the market situation as a basis for improving the service quality of the Company.



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## Statement of use

Vicostone JSC has reported the information cited in this GRI content index for the period January 1, 2022 to December 31, 2022



Published in 2021

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GRI has not established the industry standards for Vicostone's operational field (building materials industry)

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**GRI 405: DIVERSITY AND EQUAL OPPORTUNITY 2016**

In 2022, Vicostone did not include this issue in its sustainable development strategy as well as report it in its material topics as this practice has been maintained and performed well at Vicostone for many years. This topic will be monitored and maintained regularly, without any adjustments or changes at the strategic level.

**GRI 413 - LOCAL COMMUNITIES 2016**

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