



**EMBRACING CHANGE:  
DRIVING PROGRESS THROUGH  
ADAPTATION & INNOVATION**

SUSTAINABLE  
DEVELOPMENT REPORT  
2023

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# Message from the Chairman of the Board of Directors



## Dear Shareholders, Customers and Partners,

The year 2023 continued to be challenging for Vicostone as the global economy continuously faced pressures on growth, inflation, and geopolitical instability. These issues have strongly impacted the Company's business, particularly in its export markets, spreading through more than 50 countries, over five continents. The Company's key markets, especially North America and Europe, experienced slow growth, high-interest rates affecting the real estate market, and increasingly fierce competitive pressure with cheap product lines, which had an impact on Vicostone's business performance. According to data from the United States International Trade Commission (USITC), by the end of 2023, the total quantity of quartz stone imported into the U.S. reached 17.4 million m<sup>2</sup>, decreasing by 13.0% compared to the same period in 2022. In terms of import value, the total amount of imports into the U.S. reached USD 1.4 billion, which was a decrease of 19.0% in comparison with 2022. Meanwhile, the number of quartz stone manufacturers in the global market continued to increase rapidly, including the U.S. and the Asia-Pacific regions, with emerging competitors from countries such as India, China, Vietnam and Malaysia.

In 2024, unpredictable fluctuations in the global economy, due to prolonged impacts from overlapping economic and political shocks, competition risks, legal changes, and other economic shocks, continued to be major challenges for Vicostone's resilience. In this context, the Company has been restructuring the distribution system in the U.S. market, bringing in only a single Vicostone brand throughout the U.S., continuing to enhance its competitive position and ability to master the market, exploiting and expanding its sales network in combination with

effective management solutions for the domestic production system, in an effort to improve business performance; moving towards sustainable economic values. Additionally, acknowledging the clear challenges of climate change and the responsibility of economic development alongside environmental protection and sustainable community building, Vicostone has been implementing the ESG program with the Net Zero component project. This involves establishing a systematic roadmap with specific goals for each aspect of Environment – Social – Governance to help reduce the impact of the value chain on the environment and society.

With a clear direction and steady steps, leaning on R&D as the foundation, and a keen awareness of the business culture, Vicostone strives to be proactive in every situation, and will overcome all challenges to achieve committed goals to meet requirements of shareholders, customers and partners; along with rapid and sustainable growth based on the spirit of ESG to balance the interests of all stakeholders.

On behalf of the Board of Directors (BOD) and Board of Management (BOM) of the Company, I would like to express my deep gratitude to the Shareholders, Customers, and Partners who have always accompanied Vicostone throughout the years.

*Wishing you good health, happiness and success.*

A handwritten signature in blue ink, appearing to read 'Ho Xuan Nang', written over a horizontal line.

**HO XUAN NANG**  
CHAIRMAN OF THE BOARD

# Report Ensuring the reliability of Sustainable Development Report 2023

## To: Vicostone Joint Stock Company

We have completed the assurance procedures for the Sustainable Development Report 2023, prepared by Vicostone Joint Stock Company ("Vicostone") on June 30, 2024 from page 08 to page 211. The Sustainable Development Report 2023 is presented according to Vicostone's internal policies; reporting scope and principles are presented on page 42.

### Responsibility of the Board of Management

Vicostone's Board of Management (BOM) is responsible for preparing and presenting Vicostone's Sustainable Development Report 2023. At the same time, the BOM is also responsible for building, implementing and maintaining the internal control system to ensure that the information in the Sustainable Development Report 2023 does not contain significant errors due to fraud or mistakes. In addition, this responsibility also includes the use of reasonable assumptions and estimates in each specific case, for the information and explanation prepared by Vicostone.

### Audit Committee's independence and quality control

The Audit Committee has complied with the requirements on independence and other requirements in the Operation Regulation of the Audit Committee issued under Resolution No. 10/2021/NQ-HĐQT dated May 7, 2021 by the Board of Directors on basic ethical principles of integrity, objectivity, professional competence, prudence, and confidentiality.

The Audit Committee applies its Operation Regulation to ensure a comprehensive quality control system.

### Responsibility of the Audit Committee

Our responsibility is to provide conclusions on the assurance of the information regarding the Sustainable Report 2023 based on the evidence-gathering procedures undertaken. We have planned and implemented procedures to ensure that information related to the Sustainable Development Report 2023 has been conducted and presented in accordance with the material topics.

### Main procedures

Some of the main procedures that we have implemented are as follows:

- Interviewing individuals responsible for internal sustainable reporting and collecting data on sustainability indicators selected at the Company level and, when necessary, at the departmental level;
- Learning about the internal process of collecting, synthesizing and reporting selected sustainable development indicators; and
- Reviewing based on sampling documents, internal reports, calculation data and other records and documents from Vicostone.

### Conclusion

Based on the assurance procedures described above, we are not aware of any issues that would cause us to believe that the 2023 Sustainable Development Report was not prepared and presented in accordance with the current GRI Standards and Vicostone's internal regulations, reporting scope and principles on pages 42-43.

### Recipients:

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

Hanoi, June 30, 2024

ON BEHALF OF THE AUDIT COMMITTEE  
Head of the Audit Committee



Nguyen Quang Hung

# Overview of Vicostone



# Overview of Vicostone

Vicostone is Top 3 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 rights for its VICOSTONE® brand 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 24 3368 5826
- Fax: +84 24 3368 6652
- Email: [quanhecodong@vicostone.com](mailto:quanhecodong@vicostone.com)
- Website: <https://vicostone.com>

Stock name:	Amount of issued and listed shares:
<b>Share of Vicostone Joint Stock Company</b>	<b>160,000,000</b> shares on the Hanoi Stock Exchange (HNX)
Par value:	Amount of treasury shares:
<b>VND 10,000</b>	<b>0 shares</b>
Stock code:	Amount of outstanding shares:
<b>VCS</b>	<b>160,000,000 shares</b>

Responsible for information disclosure since 2023:

**Mr. Pham Tri Dung:**

Tel: +84 24 3368 5826

Fax: +84 24 3368 6652

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

Mr. Pham Tri Dung has been appointed as the General Director of Vicostone JSC and in charge of information disclosure of the Company since February 27, 2023.

# Vision, Mission Strategic Orientation Core Values



## 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.

# Vision, Mission Strategic Orientation Core Values (continued)



## 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.





# Development history



**2002**

Founded Vinaconex Advanced Compound Stone Plant, predecessor of Vicostone Joint Stock Company.

**2003**

Officially launched 02 advanced compound stones production lines using cement adhesive (Terastone line) and organic resin (Bretonstone line) with a total capacity of 920,000 m<sup>2</sup> / annum.

**2005**

Vicostone was equitized and had a charter capital of VND 30 billion.

**2004**

First shipment to the Australian market, beginning a period of continuous export growth for Vicostone in the following years.

**2008**

Increased charter capital to VND 129.5 billion; Awarded the Third-class Labor Order from the State.

**2007**

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

**2006**

Became profitable after one year of equitization, a start to rapid and sustainable growth in the following years

**2012**

Awarded the Second-class Labor Order by the State

**2011**

Completed the second production line; Increased charter capital to VND 529.99 billion.

**2010**

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

**2009**

Successfully researched and applied environmentally-friendly bio-resin engineered stone production technology; Increased charter capital to VND 150 billion

**2017**

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

**2015**

Awarded the Government's Excellent Emulation Flag for the period 2010 - 2015; Completed the infrastructure to support and implement the risk management system; integrated the risk management system into the overall operational procedure

**2014**

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

**2013**

Renamed as Vicostone Joint Stock Company

**2020**

Became the third-largest global supplier of engineered stone countertops; Received the Vietnam Value Award and Hanoi's Emulation Flag.

**2019**

Received Commendation Certificate from the Hanoi People's Committee as excellent enterprise for significant contribution to the City's development; Announced the official acquisition of a 100% stake in Phenikaa Hue Mineral Processing and Investment Co. Ltd

**2018**

Increased charter capital to VND 1,600 billion; Received the Vietnam Value Award.

**2023**

VICOSTONE® brand has been recognized as one of Top 100 Most Valuable Brands in Vietnam for the 7<sup>th</sup> consecutive year by Brand Finance (UK).

For the second consecutive year, Vicostone has been honored as one of the Top 50 Corporate Sustainability Awards 2023 in the category of "Minimize Carbon footprint", organized by Nhip Cau Dau Tu Magazine.

**2022**

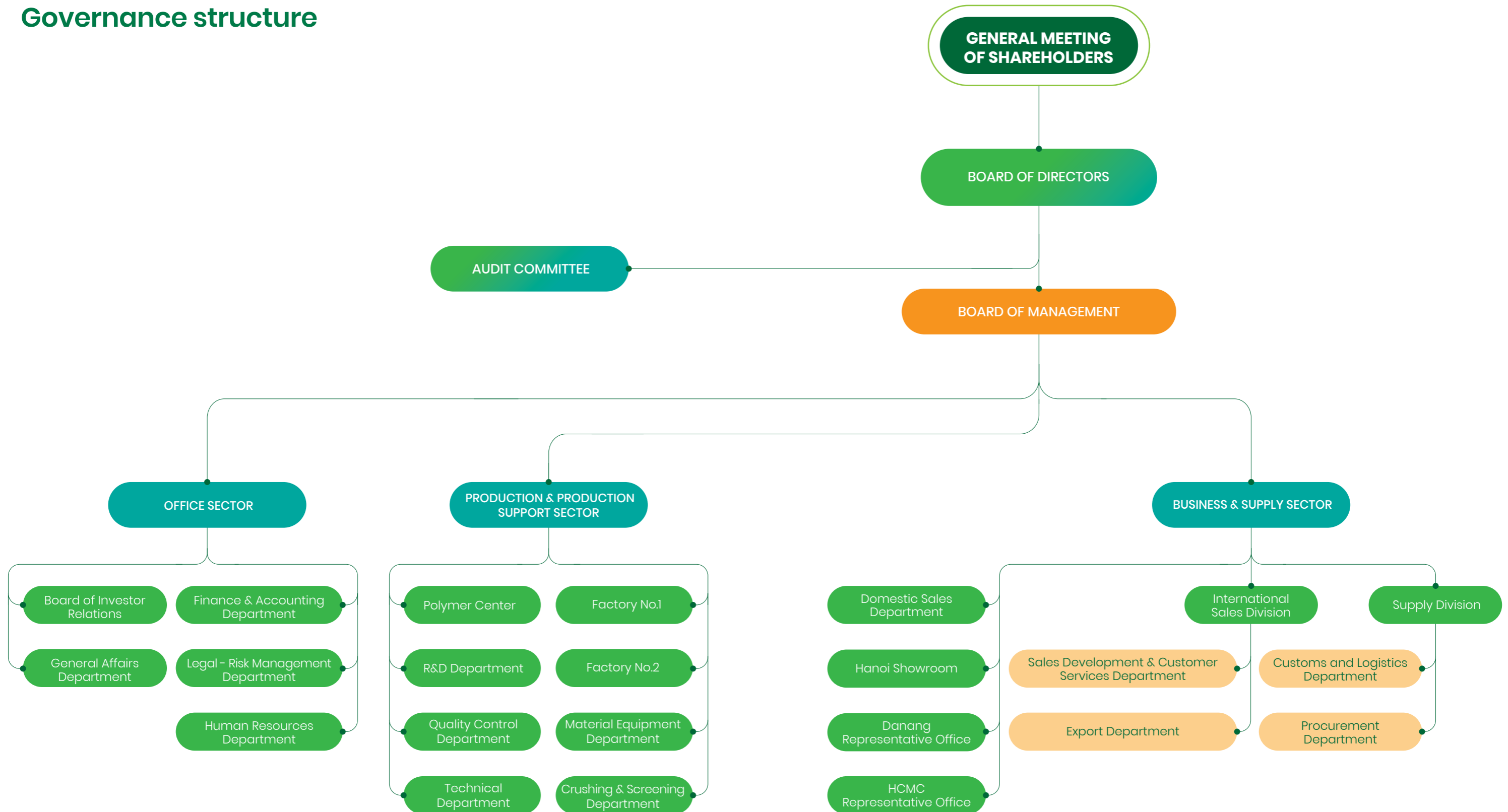
VICOSTONE® brand received the Vietnam Value Award for the 3rd consecutive season.

**2021**

Recorded the historical highest export revenue of USD 230 million in spite of adversities caused by the COVID-19 pandemic; Recognized as "Prestigious exporter in 2020" by the Ministry of Industry and Trade

# Governance structure and Management apparatus

## Governance structure



# Management apparatus

(Last updated on Dec 31, 2023)

## 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 – December 15, 2016: General 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



**Mr. Pham Anh Tuan**

**MEMBER OF THE BOARD OF DIRECTORS**

Year of birth: 1981

(Non-executive member)

### Professional qualifications:

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

### Titles at other companies:

- Member of the Board of Directors – Vietnam Stone Work-top Fabrication JSC
- Member of the Board of Directors – Phenikaa Technology Transfer and Trading JSC

### Professional experience:

- From December 15, 2016 – present: Member of the Board of Directors
- From December 15, 2016 – February 27, 2023: 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.



**Mr. Pham Tri Dung**

**GENERAL DIRECTOR**

Year of birth: 1971

### Professional qualifications:

- Master of Science
- Master of Business Administration
- Mechanical Engineer

### Titles at other companies:

- Vice General Director – Member of the Board of Directors – 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 April 12, 2023 – present: Member of the Board of Directors of Vicostone JSC

- From February 27, 2023 – present: General Director of Vicostone JSC
- From March 2007 – February 27, 2023: 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



**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 – Member of the Board of Directors – A&A Green Phoenix Group JSC
- Member of the Council – Phenikaa School
- Member of the Council – Phenikaa University
- Member of the Board – Phenikaa Education Investment and Development JSC
- Member of the Board – Phenikaa MaaS Technology JSC
- Member of the Board – 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)

# Management apparatus

## Board of Directors (continued)



**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 Ship Building Company;
- From 2002 – 2005: Official of Tradevico Co. under the Ministry of Transport;
- From 1998 – 2001: Official of Vietnam Coffee Corporation.

## The Audit Committee



**Mr. Nguyen Quang Hung**  
HEAD OF AUDIT COMMITMENT

Year of birth: 1970

(See Members of the Board of Directors)



**Ms. Tran Lan Phuong**  
MEMBER OF AUDIT COMMITMENT

Year of birth: 1988

(See Members of the Board of Directors)

## Board of Management, Chief Accountant

(Last updated on Dec 31, 2023)



**Mr. Pham Tri Dung**  
GENERAL DIRECTOR

Year of birth: 1971

(See Members of the Board of Directors)

**Professional qualifications:**

- Dynamics Engineer

**Titles at other companies:**

- Chairman the Board of Directors of Vietnam Stone Work-top Fabrication JSC;
- Vice General Director - Member of the Board of Directors 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. Luu Cong An**  
VICE GENERAL DIRECTOR

Year of birth: 1965

**Professional qualifications:**

- Control Engineer

**Titles at other companies:**

- N/A

**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. Nguyen Chi Cong**  
VICE GENERAL DIRECTOR

Year of birth: 1981

## Board of Management, Chief Accountant (continued)

(Last updated on Dec 31, 2023)



**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.



**Mr. Nguyen Quang Anh**  
VICE GENERAL DIRECTOR

Year of birth: 1976

### Professional qualifications:

- Construction Machinery & Material Handling Equipment 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 June 22, 2023 – present: Vice General Director of Vicostone JSC;

- From August 2017 – June 2023: Director of Style Stone JSC;
- From June 2016 – August 2017: Vice General Director of Vicostone JSC;
- From July 2012 – June 2016: Director of Factory No.1 of Vicostone JSC;
- From September 2009 – July 2012: Director of Quality of Vicostone JSC;
- From July 2005 – September 2009: Supervisor of Crushing & Screening Department of Vicostone JSC;
- From January 2004 – July 2005: Engineer of Crushing & Screening 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.

## Board of Management, Chief Accountant (continued)

- The Governance of the Company, which includes BOD members, BOM members and Chief Accountant, are now living in Hanoi. In which, Mr. Dong Quang Thuc and Mr. Nguyen Chi Cong reside in Thach That district, Hanoi (local community of the Company).



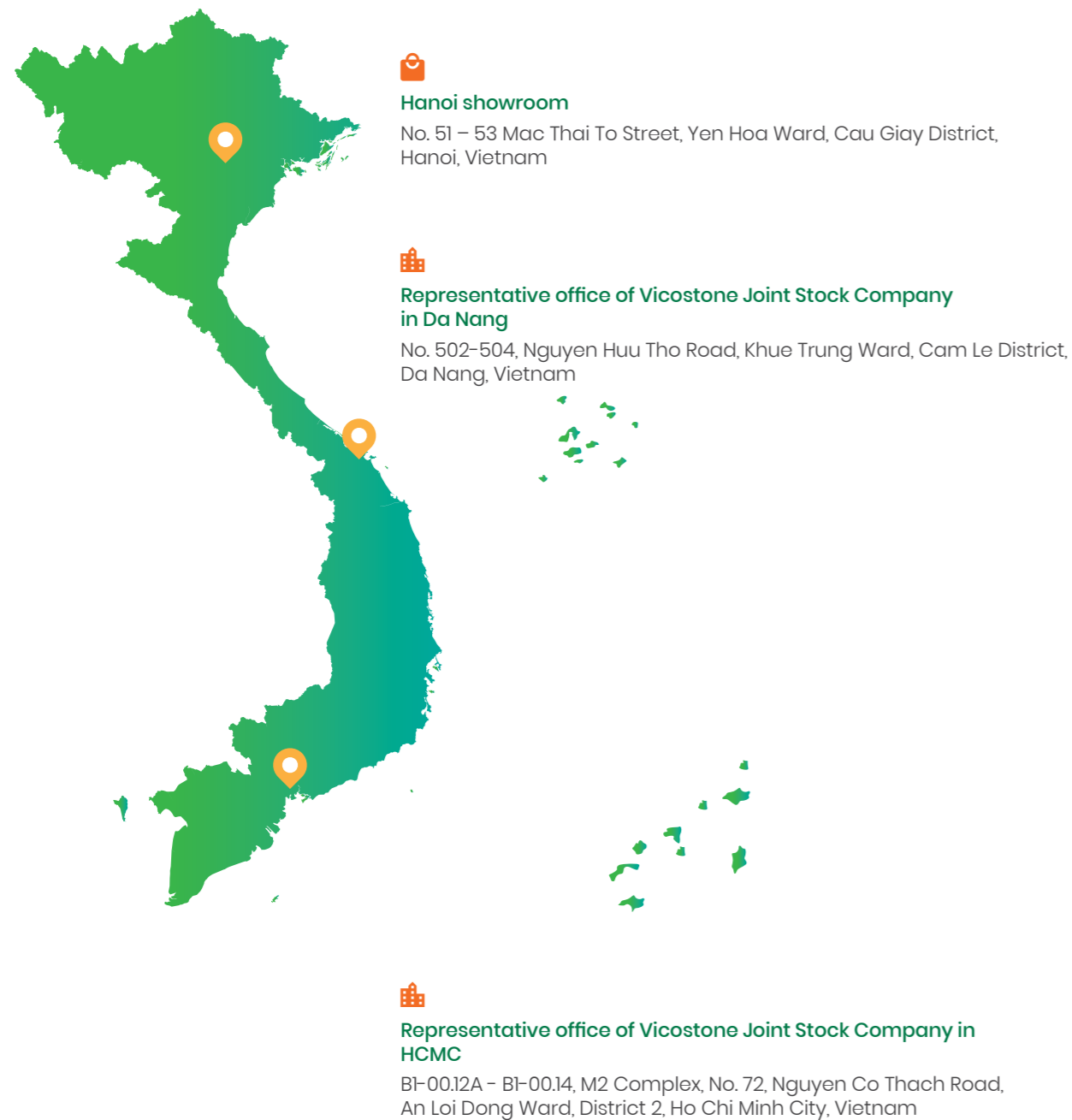
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# Map of showrooms, representative offices, agents in Vietnam

Currently, Vicostone has established representative offices and showrooms in three largest cities in Vietnam, including Hanoi, Ho Chi Minh City, and Da Nang. Vicostone's engineered

stone product dealers and sales points have extensively covered all 63 provinces and cities nationwide.



## Market information

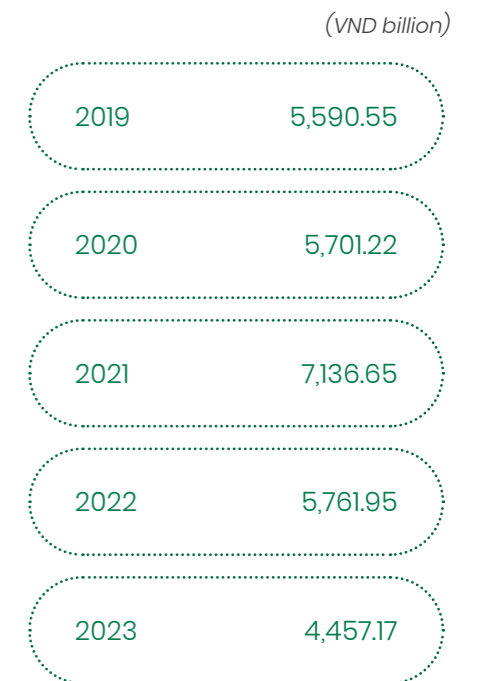
In 2023, the global economy faced difficulties due to uncertainties related to geopolitical crises, inflation, and concerns about economic recession. Governments worldwide have been striving to recover their economies while controlling inflation. Although there were some positive signals in the global economic situation, overall, it remains in a challenging phase, characterized by uncertainty, rapid and complex developments, and the emergence of new and unexpected factors. These pose risks in both the short and long term.

According to the IMF, world economic growth continues to be slow, uneven, and forecast to decrease from 3.5% in 2022 to 3% in 2023 and 3.1% in 2024. Meanwhile, inflation is expected to continue to decelerate, from 9.2% in 2022 to 6.8% in 2023 and 5.8% in 2024.

The forecasts of analysts are increasingly consistent in predicting a "soft-landing" scenario that would bring inflation down while subsequently avoiding a global recession. Differences are emerging as signs of decline are more pronounced in developed countries compared to developing ones. Part of the slowdown is a result of tight monetary policies aimed at reducing inflation. This tightening is starting to take effect, but the transmission is uneven across countries. Tighter credit conditions are weighing on housing markets, investment and economic activities, particularly in countries with a high proportion of variable-rate mortgages. Countries were also at different points in their interest rate cycles: developed economies were nearing the peak,

while some emerging markets like Brazil and Chile have begun to ease.

Understanding the market situation, Vicostone has proactively introduced timely, flexible, and appropriate solutions, thus the Company has achieved commendable results amidst the general economic difficulties. The Company's total revenue for 2023 reached VND 4,457.17 billion.



Vicostone's total revenue from 2019-2023



Vicostone at the 2024 IDS Fair

## Export market

As an international business enterprise with revenue mainly coming from export activities, Vicostone's business results are strongly influenced by global macroeconomic factors, especially in primary markets in North America and Europe. The real estate and housing construction markets in those countries have been seriously affected by rising interest rates, inflation and building materials. High interest rates have caused housing construction and home buying and selling activities to decline. In addition, under the impact of the economic downturn, Vicostone's distributor system in those markets had to readjust financial, sales, and inventory plans and reduce the number of orders with the Company to accommodate demand. The increasingly fierce competition between competitors in the industry, especially in the Asia-Pacific region such as India, China, Vietnam, Malaysia and Thailand, also has an impact on Vicostone's business results.

While the Company had forecasted the aforementioned factors and included them in the 2023 Risk Management List during production and business planning, the swift and unpredictable market changes, along with government policies on interest rate adjustments, have significantly impacted our business activities in key markets. Although the business results did not meet expectations, it showed that Vicostone's effective risk management system, quick and

timely adaptation to threats arising in the course of business operations. Additionally, the best efforts of the Company's leaders and employees have been showcased. With the support of Phenikaa Group in its market development strategy, Vicostone's revenue at main exported markets are as follow:

- In North America, to continue its plan to develop direct distribution channels to increase product experience for customers as well as to promote the VICOSTONE® brand, Vicostone USA opened 02 more large warehouses in St. Louis in the state of Missouri and Cincinnati city in the state of Ohio, U.S. Besides direct distribution channels, indirect distribution partners of VICOSTONE® products in North America also received active support from the Company.
- The European market made an important contribution to Vicostone's import revenue. In 2023, the tight monetary policy has slowed down economic activities as reflected in the continuous weakness of industry and real estate. Furthermore, the negative impact from the Russia - Ukraine political conflict continued to linger. By virtue of the support from the Company, distribution agents in the European market achieved encouraging sales levels.
- In other markets, with the strategy of continuing to maintain an existing position in existing markets and promoting expansion and search for new markets to increase brand coverage and increase sustainable revenue, the

VICOSTONE® brand distribution system expanded to new markets such as Armenia, while expanding distribution agents in existing markets. This contributed to the development of the VICOSTONE® brand worldwide.

In addition to support policies in markets, the Company focused on promoting marketing and R&D activities to launch new product lines, bringing global customers many unique experiences and choices, diverse products in terms of styles and designs. The launch of new and different product lines also contributed to increasing sales. This led to reduced competitive pressure for products that are currently facing intense competition from other competitors in the market.

Taking proactiveness as a competitive advantage, Vicostone analyzed and took advantage of the market circumstances to devise financial policies, effectively manage operating costs, strictly control production costs, and be proactive in the supply chain of production materials to stabilize selling prices to customers. Timely, flexible, and appropriate solutions to market developments have helped the Company achieve positive results in 2023. Although not as good as expected, these are still encouraging results in the context of global economic difficulties, and at the same time a driving force for Vicostone to stabilize its production and business and regain its strong growth momentum on the next journey.

## Domestic market

In Vietnam, the real estate and construction markets have been severely impacted by macroeconomic conditions and market fluctuations. In this context, Vicostone continued to focus on expanding nationwide distribution network and increasing brand awareness to build a foundation for sustainable development.

Currently, Vicostone has three showrooms in Hanoi, Ho Chi Minh City, and Da Nang, as well as agents and Vicostone Authorized Fabricators (VAF) in all 63 provinces and cities

nationwide. The development of 50 VAF, particularly in provincial areas, has shortened service delivery times, increased convenience in the purchasing process, and reduced additional costs for customers. Additionally, Vicostone has partnered with strategic partner, An Cuong Wood JSC, to implement a series of product displays at more than 50 agents nationwide, enhancing consumers' practical experience of the product. This approach provides a foundation of trust, enabling customers to make quick purchasing decisions based on their emotional connection with the simulated real-

life apartment spaces.

Furthermore, Vicostone opened a new warehouse in Da Nang to directly serve the Central region market and plans to continue expanding warehouses in key areas nationwide to shorten delivery times and minimize transportation costs. This initiative aims to enhance service quality and customer convenience.



# Overview of Vicostone's business performance in 2023



In 2023, the real estate and construction industries in the U.S. and Europe, Vicostone's two main markets, continued to be significantly affected by interest rate fluctuations, inflation, and escalating construction material prices. Under the pressure of the global economic downturn, Vicostone's distributor system had to make adjustments to financial, sales, and inventory management strategies, and also reduce the number of orders with the Company. At the same time, increasingly fierce competition in the industry, especially in the Asia-Pacific region (i.e., India, China, Vietnam, Malaysia and Thailand), put significant pressure on Vicostone's revenue. In this context, Vicostone proactively launched strategic plans and made efforts to ensure efficiency and balance in best business operations and financial management.

## Financial indicators of the Company

No.	Item	Unit	2019	2020	2021	2022	2023
1	Import/export turnover of goods	USD million	224.46	202.68	277.81	193.98	149.88
	<b>In which:</b>						
	Import turnover	USD million	42.21	39.05	48.99	42.03	14.37
	Export turnover	USD million	182.25	163.63	228.82	151.95	135.51
2	Total revenue	VND billion	5,590.55	5,701.22	7,136.65	5,761.95	4,457.17
3	Sales cost	VND billion	3,867.11	3,927.76	4,927.12	4,238.72	3,348.18
4	Total profit before tax	VND billion	1,652.66	1,667.96	2,097.40	1,377.22	999.44
5	Total profit after tax	VND billion	1,410.11	1,428.42	1,772.06	1,148.70	846.38
6	Corporate tax contribution	VND billion	365.57	307.80	448.40	379.02	165.68
7	Liabilities	VND billion	2,135.07	2,197.51	2,018.72	1,721.17	1,482.43
8	Owner's equity at year end	VND billion	3,448.69	3,857.82	4,874.20	4,868.74	4,985.82
9	Charter capital	VND billion	1,600.00	1,600.00	1,600.00	1,600.00	1,600.00
10	Interest expense	VND billion	55.68	81.06	56.88	48.52	57.62
11	Profit before tax/Net revenue ratio	%	29.71%	29.47%	29.67%	24.33%	22.96%
12	Profit after tax/Net revenue ratio	%	25.35%	25.24%	25.06%	20.29%	19.44%
13	Return on Average Equity (ROAE)	%	45.64%	39.10%	40.59%	23.58%	17.18%
14	Return on Average Asset (ROAA)	%	28.24%	24.55%	27.37%	17.04%	12.96%
15	Undistributed earnings	VND billion	1,741.05	2,443.51	3,166.4	3,160.94	3,278.02
16	Tax exemption, reduction	VND billion	96.3	91.6	97.35	52.75	57.63
17	Dividend payment ratio (by cash and shares)	Of par value of outstanding shares (%)	42.04%	40.00%	43.09%	60.00%	40.00%
18	Average income per month	VND million/person	21.07	17.67	19.49	18.17	19.34

In 2023, Vicostone continued to implement the strategy of localizing raw material sources in order to stabilize production and consumer prices. The Company proactively managed operational costs and established financial policies based on market developments in the context of economic and political fluctuations. The Company paid special attention to risk identification and management to be ready to respond promptly, while proactively applying flexible and responsive solutions to anticipated market trends, as well

as applying technological, creative, and innovative solutions to ensure high standards at optimal costs.

Flexible, responsive, and appropriate solutions to market developments helped the Company achieve positive results in 2023: Net revenue and profit before tax of the Company in 2023 reached 94.57% and 94.29% respectively as planned; Profit before tax/ net revenue ratio is 22.96%, preserving its equity. Although this result was not as expected, it was still a positive and encouraging result in

the difficult context of the economy, reflecting the Company's efforts to overcome obstacles and at the same time being a driving force for the Company to stabilize its production, expand sales, and return to the growth trajectory in the next stage.



## Contributing to the State budget

In 2023, the Company contributed VND 165.68 billion to the State budget. In the context of general economic difficulties, the Company has contributed to increasing the budget to support economic recovery after the impact of the Covid-19 pandemic.

## Paying dividends and loan interest

Dividend payments to shareholders are made by the Company after appropriation of funds. The rate and form of annual dividend payments are approved at the General Meeting of Shareholders based on the proposal of the Board of Directors, and comply with the basic principles:

- Ensure two basic goals: Benefits for shareholders and capital needs to expand the Company's production and business;
- Pay dividends to shareholders when the Company makes a profit; fulfill tax obligations and other financial obligations according to the provisions of law;
- In 2023, after paying all the scheduled dividends, the Company

ensured to pay all due debts and other property obligations,

- Shareholders were paid dividends according to their stock ownership ratio.

The Company maintained dividend payments at a rate of 40% or higher from 2016 – 2023. In 2023, although Vicostone's business results had yet to meet expectations, the Company deducted 40% of its after-tax profit (equivalent to VND 640 billion) to pay dividends.

In addition to equity mobilized from capital contributions of shareholders, the Company borrowed capital from banks, and periodically paid interest in accordance with regulations.

## Paying salaries to employees

The Company offers attractive salary, bonus, and welfare policies for employees, including salary, periodic benefits on holidays, New Year, summer vacation, etc. health insurance for employees and dependents; benefits on special occasions such as birthdays, family days, March 8, June 1, October 20, July 27, etc. Vicostone always seeks to improve its training policies to enhance employees' professional knowledge and skills; uses personnel and applies employee remuneration policy based on the principle of building a happy and cohesive work environment for employees. The average income of employees in 2023 was VND 19.34 million/person.

In addition to ensuring a reasonable salary and bonus policy during difficult economic times, the Company continued to maintain a welfare policy for employees through diverse forms, bringing many practical benefits for workers.

Vicostone's outstanding welfare policies for the personnel include:

- A periodic general health examination package, including nutritional counseling for 100% of employees;

- Specialized health check and occupational disease screening for particular job positions;

- Health insurance, social insurance, and unemployment insurance in compliance with regulations and law;

- Optional health care insurance and medical support packages in addition to 24/7 health insurance and accident insurance;

- The Company supports the cost of purchasing health insurance for employees' dependents;

- Employees can buy an apartment at the Phenikaa Tower complex at preferential prices and interest rates, etc.

# Overview of Vicostone's Sustainable development report 2023

2023 is the 10<sup>th</sup> consecutive year Vicostone has publicized Sustainable Development Report and the 5<sup>th</sup> year the Company has applied international standards for sustainable development reporting. As one of the pioneering enterprises in publicizing sustainable development activities in Vietnam, Vicostone always pays

attention to and seriously invests in implementing its Sustainable Development Strategy and ensures transparent information about its sustainable actions to stakeholders. Vicostone exported its first batch of goods to foreign markets in 2004; and has now become one of the top three largest suppliers of engineered stone countertops globally,

with market spanning to more than 50 countries in five continents, including demanding markets such as Europe, America, and Japan, etc. Sustainable development is no longer just a matter of compliance but has become a principle for all of Vicostone's production and business activities.

Vicostone's 2023 Sustainable Development Report has been built based on three general aspects: Environmental - Social - Governance (ESG). Critical topics are identified based in the Overview of Vicostone's Sustainable Development Report 2023, balancing the concerns of stakeholders and the level of impact on Vicostone's business operations. Information about each topic

is disclosed according to the instructions in GRI Standards to ensure the currentness, completeness, and accuracy with the participation of the Company's Audit Committee. The report is a general picture of Vicostone's impacts on the economy, environment, society, as well as a way for the Company to evaluate the effectiveness of action program according to sustainable

development strategy and is also the commitment of Vicostone's Board of Directors and employees to contributing to the national, regional and global efforts to build a more peaceful, stable, happy, and prosperous society.

# 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, Vicostone has applied the standard in the sustainable development report since 2019. This is the basis for Vicostone to identify the Company's strengths, limitations in sustainability, from which to select and improve specific criterion in each part of the business, harmonize the goals

of economic and community development, contributing to the environment and the community.

Vicostone's Sustainability Report is a GRI-compliant report for the reporting period of January 1, 2023 - December 31, 2023. 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.

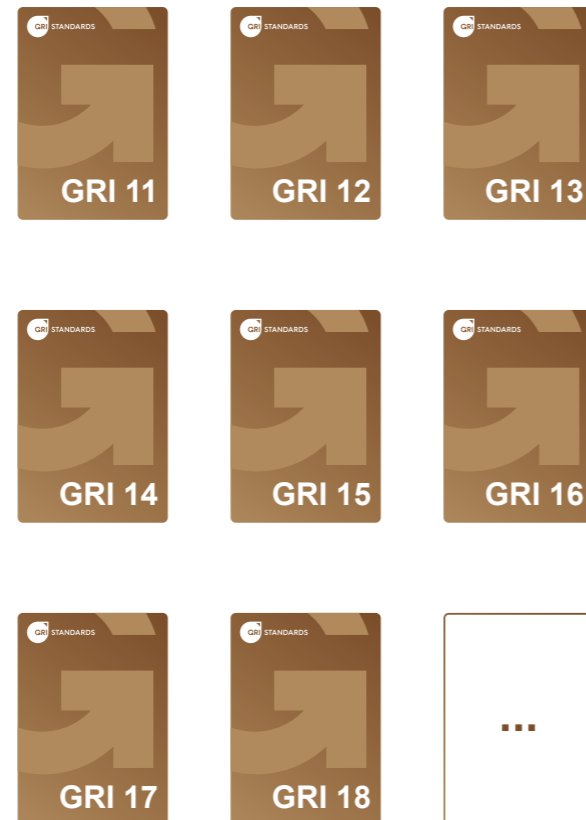


## GRI Standards

### 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 the sustainable development strategy, combined with feedbacks from stakeholders to take stock, and reassess 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 2023 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 2023 have not changed compared to the previous reporting periods; no information needs to be corrected/re-reported.

## Reporting frequency:

Once/annum

## Reporting period:

01/01/2023 – 31/12/2023

## 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

+84 24 3368 5826

quanhecodong@vicostone.com

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.

# ESG Report

# ESG

# Sustainable development strategy and orientation of Vicostone



## Vicostone in global sustainability trends

### Global context of sustainability and sustainable development trends in Vietnam

#### Global context of sustainability

##### Climate change

The Annual State of the Global Climate Report from the United Nations World Meteorological Organization confirmed preliminary data showing 2023 was by far the hottest year on record. According to WMO, in 2023 the global near-surface temperature increased by 1.45°C compared to pre-industrial levels, dangerously close to the critical threshold of 1.5°C that countries agreed to keep in the 2015 Paris Agreement. The report highlights that dramatic climate change is taking a heavy toll on the world, causing extreme weather events (e.g.: floods and droughts), leading to loss of biodiversity as well as food insecurity, and putting development achievements at risk of falling behind.<sup>1</sup>

Economically, climate change has multi-faceted negative impacts on the production and business activities of enterprises. These include interruptions in production and business; reduction in labor productivity, product quality, and revenue; disruption in transportation channels; production cost increase; stagnation of distribution networks; damage to infrastructure; and shortage of manpower and raw material supply.

However, if enterprises use their internal strengths, proactively adapt, and innovate, they will be fully capable of responding to the risks of natural disasters and climate change. Then climate change, in addition to creating challenges, also brings opportunities for restructuring, rearranging production, creating new products and technologies, and

building brands for businesses.

At the end of 2023, at the 28<sup>th</sup> Conference of the Parties of the UNFCCC (COP28), participating countries reached a historic agreement to prepare to end the era of fossil fuel use. This global effort aims to limit global warming to below 1.5°C, and to minimize the negative impacts of climate change and environmental disasters.<sup>2</sup>

##### Depletion of natural resources

Previously, with the notion that natural resources are endless, many countries tried to exploit natural resources to serve economic growth goals. As a result, natural resources shrunk in both quantity and quality. To ensure sustainable development and to harmonize economic growth with social development and ecological and environmental protection, the socio-economic development goals must follow the principle of using non-renewable resources efficiently and effectively.

##### Environmental pollution

Environmental pollution has many serious consequences; it affects human health, is the main cause of serious diseases and natural disasters (storms, floods, droughts, etc.), seriously impacts biodiversity and ecological balance, and causes climate change, and the decline and depletion of natural resources.

Along with economic development, environmental pollution and incidents are increasing, seriously affecting economic development in the medium and long term.

<sup>1</sup> <https://baotintuc.vn/khoa-hoc-cong-nghe/trai-dat-ben-bo-vuc-khi-ky-luc-nong-moi-co-the-xuat-hien-nam-2024-20240320100830290.htm>

<sup>2</sup> <https://baotainguyenmoitruong.vn/ket-thuc-cop-28-thoa-thuan-moi-khep-dan-ky-nguyen-nhien-lieu-hoa-thach-368008.html>



## The impact of environmental pollution on economic issues

- Economic loss due to increased medical examination and treatment costs;
- Economic losses due to impacts on agricultural production;
- Damage to tourism activities;
- Economic losses due to environmental improvement costs;
- Economic losses due to environmental conflicts.

World Environment Day 2023 launched by the United Nations Environment Program (UNEP) with the theme "Solutions to Plastic Pollution" focused on implementing the campaign "Beat Plastic Pollution". According to UNEP's assessment,

environmental pollution from plastic waste is becoming the top environmental problem around the world. Every year, about 400 million tons of plastic are produced in the world, half of which is designed for single use only, less than 10% is recycled. An estimated 19 - 23 million tons are discharged into lakes, rivers and oceans every year. Microplastics are small plastic particles that enter food, water, and air. It is estimated that each person on the planet may ingest more than 50,000 plastic particles per year. Discarded or burnt single-use plastic harms human health and biodiversity, and pollutes every ecosystem from mountaintops to the ocean floor.<sup>3</sup>

## Sustainable development trends in Vietnam

With more than 3,200 km of coastline, low-lying terrain, and river deltas, Vietnam is one of the most vulnerable countries in the world to climate change. According to the World Bank, without appropriate adaptation and mitigation measures, it is estimated that climate change will cause Vietnam to lose about 12% - 14.5% GDP per year until 2050, a threefold increase compared to the 3.2% of GDP in 2020 (about 10 billion USD).<sup>4</sup> To ensure the successful implementation of the overall as well as specific goals of sustainable development, the Government of Vietnam proposed groups of solutions to organizing the implementation of sustainable development orientations, including:

- Strengthening the role of the State in organizing and implementing sustainable development;
- Mobilizing all people to actively participate in implementing sustainable development;
- International cooperation for sustainable development.

At COP28, Vietnam set specific goals as below:

- By 2050, Vietnam's net emissions will be zero;
- The Prime Minister of Vietnam announced Vietnam's plan for mobilizing resources for implementing Vietnam's Just Energy Transition Partnership (JETP) to international

partners. The resource mobilization plan focuses on eight task groups.<sup>5</sup>

- 1 Improve institutions and policies to promote energy transition;
- 2 Promote the transition from coal power to clean energy;
- 3 Develop industrial ecosystems and renewable energy services;
- 4 Use energy efficiently;
- 5 Upgrade the power transmission and distribution system, accelerate the roadmap to build a smart power system, and develop an energy storage system;
- 6 Transition to green energy, reduce greenhouse gas emissions in the transport sector;
- 7 Innovate technology development and transfer;
- 8 Ensure justness. Projects and tasks will continue to be reviewed, updated and completed by the JETP Secretariat, Working Groups, and partners.

## Impacts of sustainable development trends on Vicostone

In response to the impacts of climate change and resource depletion, gradually "greening" of production (i.e.: green factories, green technology, cleaner materials, and green energy) became inevitable trends and tools to create competitive advantages for businesses. To do that, Vicostone came up with the following directions:

- Green technology: Apply solutions on management, technology, equipment, and techniques for efficient use of energy to save input energy costs, reduce production costs, and increase business performance while reducing greenhouse gas emissions;
- Green energy: Use new energy sources, renewable energy, and clean energy, which are considered to have "zero" greenhouse gas emissions (e.g.: solar, wind, hydroelectricity, geothermal, biomass, and hydrogen energy);
- Cleaner raw materials combined with green factories: Apply

comprehensive solutions for management, and efficient use of resources, raw materials, and fuel inputs in production activities; use raw materials with a low level of embodied carbon; minimize waste into the environment and take full advantage of opportunities to apply circular economy models, sharing economy;

- Green governance: Promote a transparent and effective governance system; Optimize processes and control costs;
- Happy living environment: Collaborate with the community to solve social issues related to climate change, environmental impact, and human health effects.



Context - ESG vision of Vicostone  
Implementation strategy - ESG framework - System of ESG standards

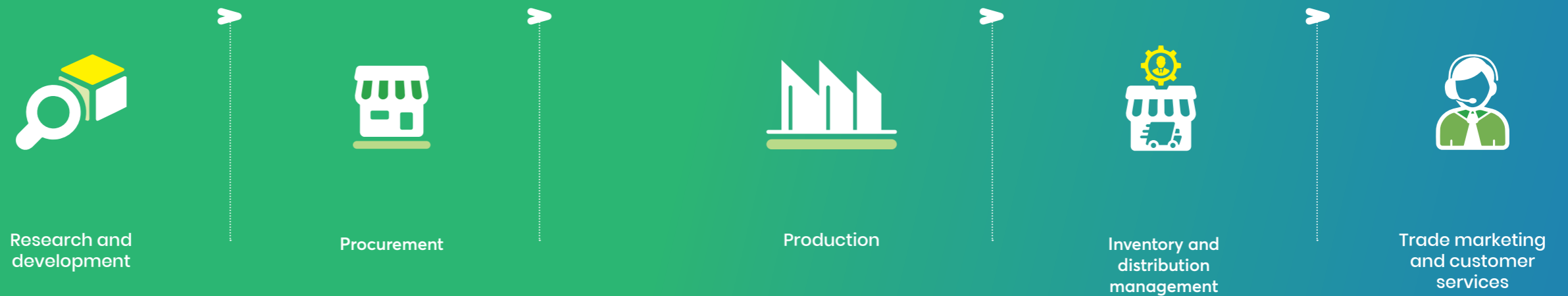
<sup>3</sup> <https://vass.gov.vn/tin-hanh-chinh-to-chuc/Huong-ung-chu-de-Ngay-moi-truong-the-gioi-0562023-Giai-phap-cho-o-nhiem-nhua-1296>

<sup>5</sup> <https://monre.gov.vn/Pages/viet-nam-cong-bo-ke-hoach-huy-dong-nguon-luc-thuc-hien-tuyen-bo-chinh-tri-thiet-lap-quan-he-doi-tac-chuyen-doi-nang-luong-cong-bang-jetp.aspx>

<sup>4</sup> According to Forbes Vietnam

# 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 SAP-ERP;
- 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.

	Material topics	Corresponding SDG	GRI	R&D	Supply	Production	Inventory and products distribution	Marketing and customer service
<b>E</b> ENVIRONMENT	Material		GRI 3 GRI 301 (2016)	✓	✓	✓		
	Energy		GRI 3 GRI 302 (2016)		✓	✓	✓	
	Emissions and disposal		GRI 3 GRI 305 (2016)	✓	✓	✓	✓	✓
	Water and effluents		GRI 3 GRI 303 (2018)	✓	✓	✓		
	Waste		GRI 3 GRI 306 (2020)			✓	✓	
	Environmental compliance		GRI 2	✓	✓	✓	✓	✓
<b>S</b> SOCIAL	Employment		GRI 3 GRI 401 (2016)	✓	✓	✓	✓	✓
	Market presence		GRI 3 GRI 202 (2016)	✓	✓	✓	✓	✓
	Occupational health and safety		GRI 3 GRI 403 (2018)	✓	✓	✓	✓	✓
	Education and training		GRI 3 GRI 404 (2016)	✓	✓	✓	✓	✓
	Social Responsibilities		GRI 3 GRI 413 (2016)	✓	✓	✓	✓	✓
	Customer health and safety		GRI 3 GRI 416 (2016)	✓	✓	✓	✓	✓
<b>G</b> GOVERNANCE	Structure and corporate governance		GRI 2	✓	✓	✓	✓	✓
	Business ethics		GRI 2	✓	✓	✓	✓	✓
	Anti-Competitive Behavior		GRI 3 GRI 206				✓	✓
	HSEQ Management System		GRI 3		✓	✓	✓	
	Risk Management System		GRI 3	✓	✓	✓	✓	✓
	Internal Audit System		GRI 3	✓	✓	✓	✓	✓

# Sustainable development strategy and orientation of Vicostone



## Sustainable development strategy, orientation and factors ensuring sustainable development of Vicostone in the medium and long term

A sustainable development strategy closely linked to production and business goals is considered a prerequisite for the success of any enterprise. This originates from urgent practical requirements, especially since Vietnam is a member of the United Nations and is actively participating in the realization of the United Nations' 17 Sustainable Development Goals (SDGs), while at the same time striving toward sustainable growth, and a green economy.

In the general trend towards sustainable development, Vicostone focuses on issues related to climate change and energy depletion. However, sustainability cannot be achieved solely by preventing climate change, socio-economic aspects must also be considered.

From the very beginning, Vicostone has identified that "green competition" will become a global trend in the coming decades. At the same time, Vicostone is acutely aware of responsibilities to the environment, society, and Vietnam's development in general, and has always determined that an enterprise can only develop sustainably in harmony with the pace of its community.

Vicostone has built its sustainable development strategy on the principle of realizing commitments to stakeholders while closely incorporating the 17 SDGs, aspiring to contribute to a happy and prosperous life to employees, customers, and the society through sustainable development, and always striving for a peaceful, green environment.

Vicostone's medium and long-term strategies for sustainable development include but are not limited to some key points as follows:

- 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.

# 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.



# Stakeholder engagement

Stakeholders of Vicostone are individuals and organizations that may either have sufficient resources and power to influence or be affected by the operations of the Company. 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:



# Vicostone's actions towards stakeholders

Stakeholder	Major concerns	Vicostone's goal	Communicating channels	Vicostone's actions
<b>Shareholders &amp; Investors</b>	<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>Quality of corporate governance; improvement of corporate governance in accordance with global standards;</li> <li>Two-way communication between shareholders, investors, and the Company.</li> </ul>	<ul style="list-style-type: none"> <li>Maintenance and development of relationship 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; 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. The 2023 Vicostone AGM of Shareholders was held on April 12, 2023, with the participation of shareholders and shareholder representatives, representing more than 143.6 million shares and accounting for 89.78% 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 2023, Vicostone approved the payment of the dividends twice, 1st time in June 2023 - rate 20%; 2nd time in December 2023 - rate 20%.</li> </ul>
<b>Employees</b>	<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;</li> <li>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>Vicostone launches measures to protect employment and income of employees. 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 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>Conduct surveys to measure the happiness levels of all employees in the Company, process on feedback, and offer timely and appropriate solutions to improve the effectiveness of the administrative and sales activities of the Company.</li> </ul>
<b>Partners &amp; Suppliers</b>	<ul style="list-style-type: none"> <li>Guarantee of fair treatment among suppliers;</li> <li>Guarantee of fair, transparent cooperation based on a win-win principle;</li> <li>Confidentiality of partners' information preserved from their competitors.</li> </ul>	<ul style="list-style-type: none"> <li>Assurance of cooperation on mutual respect and win-win principles;</li> <li>Assurance of all stakeholders' compliance with mutual agreements and obligations;</li> <li>Assurance of information confidentiality for partners.</li> </ul>	<ul style="list-style-type: none"> <li>Periodical meetings and evaluation with partners</li> <li>Feedback reception through departments handling conversation and direct work with partners and suppliers;</li> <li>Company email address and phone number.</li> </ul>	<ul style="list-style-type: none"> <li>Transparent exchange of information during partner evaluation and contract negotiations;</li> <li>Update partner and supplier evaluation process regularly, focusing on aspects of safe production, environmental protection, and fulfilling commitments to relevant parties;</li> <li>Participate in workshops and seminars to share experiences with partners in the industry, enhance the search for new cooperation opportunities;</li> <li>Receive feedback through hotlines, email, direct communication, and provide timely responses.</li> </ul>



Stakeholder	Major concerns	Vicostone's goal	Communicating channels	Vicostone's actions
<b>Media/ Press</b>	<ul style="list-style-type: none"> <li>Prompt release of accurate information for the press.</li> </ul>	<ul style="list-style-type: none"> <li>Regular meetings with the press;</li> <li>Via direct conversation in press conferences, congresses, press-invited programs organized annually by the Company.</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>Establish and maintain a sharing culture to ensure equal right of access to information among press agencies.</li> </ul>
<b>Customers</b>	<ul style="list-style-type: none"> <li>Guaranteed quality of products and services;</li> <li>Investment worth every dime through returned quality;</li> <li>Accessibility to the information of products and services;</li> <li>Providing of prompt, accurate, direct information to make decisions about purchasing the products;</li> <li>High quality of customer services; prompt response and support to customers' complaints on clear agreement terms;</li> <li>Build a sustainable strategy to protect the environment.</li> </ul>	<ul style="list-style-type: none"> <li>Improvement of customers' satisfaction with the products and services provided by Vicostone;</li> <li>Enhancement of the popularity for VICOSTONE® brands on the market.</li> </ul>	<ul style="list-style-type: none"> <li>Surveys, interviews about service quality, product quality, consumption trends...;</li> <li>Direct conversation through the Customer Service Department at the showroom and online;</li> <li>Company email address and phone number;</li> <li>Company social networking sites.</li> </ul>	<ul style="list-style-type: none"> <li>Frequent conducting of market surveys to understand and predict consumer trends and thus develop product lines that satisfy the tastes and needs of customers;</li> <li>Expansion of the distributors' network and agencies to increase market coverage and serve customers in all regions in the fastest manner possible;</li> <li>Participate in domestic and international exhibitions to introduce and promote products to customers. In 2023, Vicostone participates in a number of major exhibitions such as: IDS Exhibition Toronto, Canada; IDS exhibition Vancouver, Canada; HAWAEXPO exhibition at Saigon Exhibition and Convention Center (SECC); Vietnam International Sourcing Fair (Global Sourcing Fair Vietnam 2023)...</li> <li>Training and development of customer services teams and professionally and diligently resolved complaints;</li> <li>Frequent procedures review and improvement for receiving and handling customers' complaints to increase service quality and customers' satisfaction;</li> <li>Expansion of customers' feedback channels: the Customer Services Department, through emails, 24/7 hotlines, etc;</li> <li>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;</li> <li>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;</li> <li>Develop strategies and action plans according to ESG standards.</li> </ul>

Stakeholder	Major concerns	Vicostone's goal	Communicating channels	Vicostone's actions
<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 conditions;</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 workforce;</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>
<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>Participate 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 2023, Vicostone contributes VND 165.68 billion to the State budget;</li> <li>Participate in programs to raise public awareness of sustainable development and environmental protection, and cooperate 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.</li> </ul>

# Identification of material topics

1 2 3 4

## Vicostone's process of identifying material topics

### Identifying the context

- Review and evaluate the market context and competitors in the industry; the context of sustainable development, trends and topics of current concern of the community in the scope of sustainable development in the country and the world;
- Update new regulations and requirements on sustainable development practices in Vietnam and Vicostone's key markets;
- Update the GRI Standards that the Company is referencing.

### Identifying impacts

- Redefine stakeholders and evaluate stakeholders' concerns about the environmental, social, and corporate governance categories through surveys; collect inputs through communication channels;
- Identify impacts in the environmental, social, and governance categories that can affect the Company's production and business activities.

### Analyzing and evaluating impacts

- Stick closely to the Company's sustainable development orientation and goals in the reporting year, based on the list of impacts identified in Step 2, prioritize each impact based on: (1) the level of interest to stakeholders, (2) the level of importance to the Company;
- Consult with specialized departments and experts; make a list of significant impacts.

### Identify material topics and include them in the report

- Classify the impacts selected in Step 3 according to 3 levels: Important - Priority - Strategic;
- Draw a significance matrix and make a list of material topics;
- Seek approval from senior leaders and include material topics in the sustainable development report.

# Material Topics of Vicostone 2023

## ENVIRONMENT

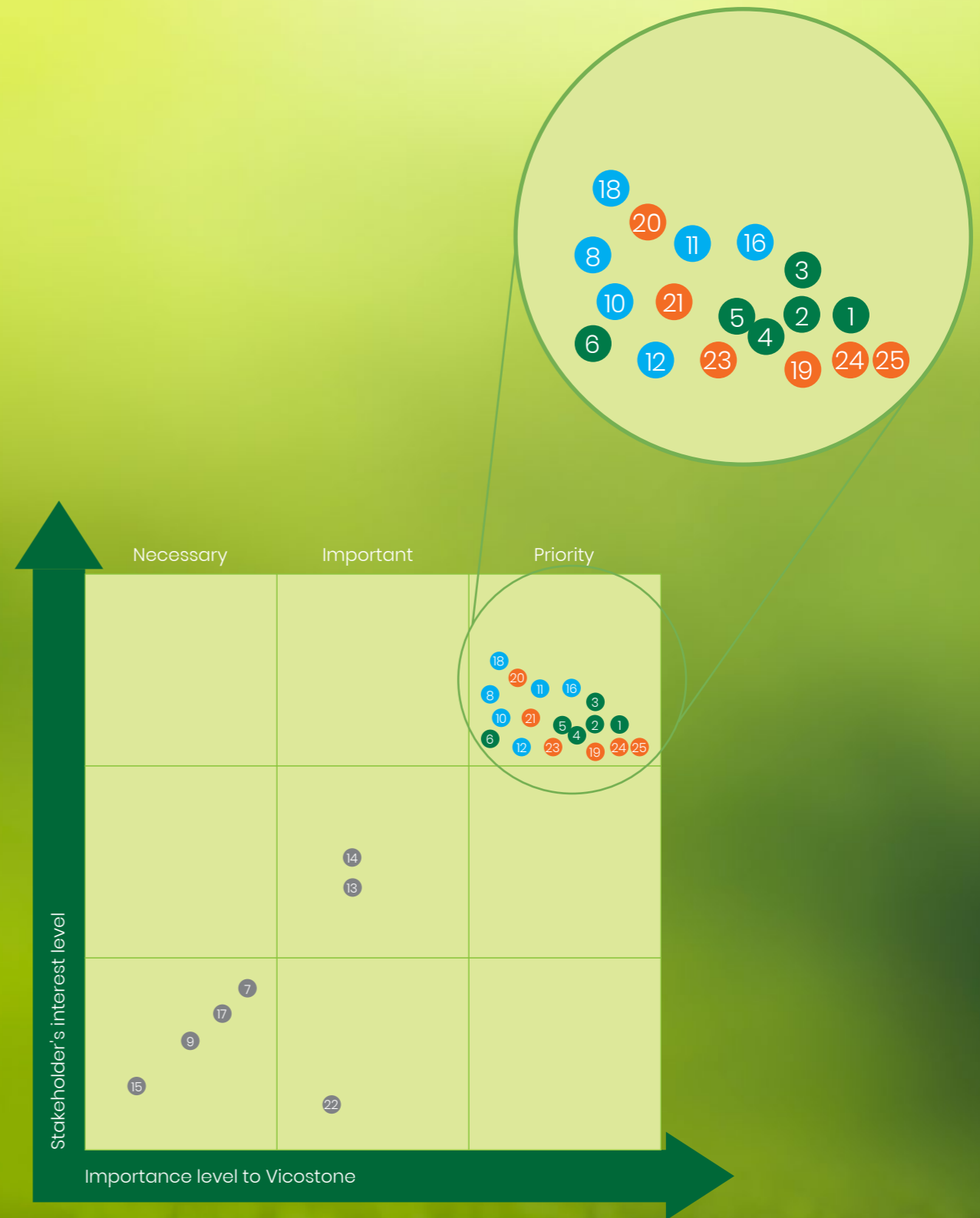
- 1 Material - GRI 301
- 2 Energy - GRI 302
- 3 Emissions and disposal - GRI 305
- 4 Water and effluents - GRI 303
- 5 Wastes - GRI 306
- 6 Environmental compliance
- 7 Environmental supplier evaluation - GRI 308

## SOCIAL

- 8 Employment - GRI 401
- 9 Labor/Management Relations - GRI 402
- 10 Market presence - GRI 202
- 11 Occupational health and safety - GRI 403
- 12 Education and training - GRI 404
- 13 Diversity and Equal Opportunity - GRI 405
- 14 Non-Discrimination - GRI 406
- 15 Freedom of Association and Collective Bargaining - GRI 407
- 16 Customer health and safety - GRI 413
- 17 Social supplier evaluation - GRI 414
- 18 Social Responsibilities - GRI 416

## GOVERNANCE

- 19 Structure and corporate governance - GRI 3
- 20 Business ethics - GRI 2
- 21 Anti-Competitive Behavior - GRI 417
- 22 Anti-Corruption - GRI 205
- 23 HSEQ Management System - GRI 3
- 24 Risk Management System - GRI 3
- 25 Internal Audit System - GRI 3



# Safe Production

## Controlling input materials

**Produce products that meet international standards of quality and health safety for consumers**

Tensions of (trade, political...) war, economic recession, inflation/deflation may lead to local political instability, economic restructuring, and reduced consumer demand. Large corporations began to reduce production, and the risk of supply disruption pushed up raw material prices. At the same time, goods of poor quality but low prices and diverse designs, following the trend of e-commerce platforms strongly penetrating the market have created a big challenge for reputable manufacturing corporations.

Besides such challenges, the manufacturing and business industry is also having new opportunities due to widespread political instability in Europe and U.S.-China trade tensions. Businesses are shifting investment to and looking for partners in Asian countries with a stable political situation (e.g. Vietnam). The diversity of product sources helps consumers raise awareness of the importance of product quality and sustainability, helping to segment market needs.

With the advantage of having a professional workforce and extensive experience in the industry, as well as many years of cooperation with demanding export markets (such as the U.S., Europe, etc.), Vicostone creates high quality products with strong competitiveness. In addition to HSEQ system certifications, Vicostone has also successfully applied international standards and achieved many prestigious certifications from organizations around the world such as:



No.	Certifying Organization	Quality	Effect
1	NSF International (Public Health and Safety Organization)	NSF Certificate certifies the safety of the product for use at laboratories, healthcare facilities and food producers.	2008
2	Greenguard Environmental Institute	GreenGuard and GreenGuard Gold certificates recognize the product is safe for in-door environments such as houses, schools and totally safe for kids.	2009
3	SGS United Kingdom Ltd	CE certificates (EN 15285:2008 and EN 15286:2013) acknowledge the product qualifies European standards on size, durability, water-resistance, scratch-resistance.	2009
4	Greenguard Environmental Institute	Microbial Resistant Certificate proves the product is bacteria-free and safe for users and the environment.	Maintained annually
5	Vietnam Institute for Building Materials	The institute certifies the engineered countertop product qualifies the standard QCVN16:2019/BXD or bricks and tiles.	Re-certified on July 13, 2023

On the basis of standards of product quality control and the desire to diversify its products for customers, Vicostone has evaluated the quality outcome of each product, controlled and enhanced product quality, eliminated sources of hazard or detriment to product quality. Quality control has been exercised thoroughly and uniformly

in all production management and quality inspection processes. Below is a table on the technical statistics of VICOSTONE® quartz stones accredited in accordance with international standards:

No.	Characteristics	Testing methodology	Result
1	Water Absorption (% mass)	ASTM C97/C97M-18	≤ 0.02 %
		BS EN 14617-1:2005	≤ 0.02 %
2	Apparent density	ASTM C97/C97M-18	2.1 – 2.3 g/cm <sup>3</sup>
		BS EN 14617-1:2005	2.1 – 2.3 g/cm <sup>3</sup>
3	Flexural strength	ASTM C880/C880M-18	Fine and medium grain range: ≥ 55 MPa Coarse grain range: ≥ 41 MPa
		BS EN 14617-2:2016	Fine and medium grain range > 60 MPa Coarse grain range: > 40 MPa
4	Compressive strength	ASTM C170/C170M-17	Dried: ≥ 200 MPa
		BS EN 14617-15:2005	Dried: ≥ 185 MPa
5	Chemical resistance to acids	ASTM C650-04:2014	Not affected
		BS EN 14617-10:2012	Grade C4
6	Dimension stability	EN 14617-12:2012	Grade A
7	Impact resistance	ASTM C1870-18	36-inch ball drop: ≤ 0.25 in 48-inch ball drop: ≤ 0.27 in
		BS EN 14617-9:2005	> 4 J
8	Resistance to deep abrasion	ASTM C501-84:2015	Abrasion resistance: lw ≥ 179
		BS EN 14617-4:2012	Volume of abrasion: V ≤ 165 mm <sup>3</sup> Length of abrasion mark: l ≤ 27 mm
9	Thermal shock resistance	ASTM C484-99:2014	No changes after 10 cycles
		EN 14617-6:2012	No changes after 20 cycles Change in mass: ≤ 0.05% Change in flexural strength: - 8.4% ÷ 5.4%
10	Freeze-thaw resistance	ASTM C1026-13:2018	No changes after 300 cycles Change in mass: ≤ 0.09%
		EN 14617-5:2012	No changes after 20 cycles KMf25 = 93 ÷ 105%
11	Mohs scale of hardness	EN 101: 1991	≥ 6
		DIN 51130:2014	R9 at Honed 400
12	Slip resistance	ASTM C1028-07	Static friction coefficient • Dry: 0.7 ÷ 0.8 (Polished/honed surface) • Wet: 0.5 ÷ 0.7 (Polished/honed surface)
13	Microbial resistance	ASTM D6329-98	Resistance grade 3: Bacteria do not grow
14	Stain resistance	ASTM C 1378-04:2014	Grade A (polished surface)
15	Surface fire resistance	ASTM E84	Grade A

## Material assessment process

The political instability, economic recession, and global enterprises facing a range of difficulties due to reduced consumer demand, disrupted supply chains leading to price hikes, large investments with low output, and low-quality goods penetrating aggressively into markets, resulting in noncompetitive advantage in the low-end segment, etc.

In that context, Vicostone has been ceaselessly improving its production technology and management system to utilize its resources, cut

production costs, and stabilize the price of furnished products. Vicostone has taken control of nearly all of the input materials for the production of quartz stones, controlling the quality of main materials, while other supplementary materials have been securely supplied by reputable partners, both domestic and international. The control of input materials is strictly implemented with the following processes:

## Material inspection processes

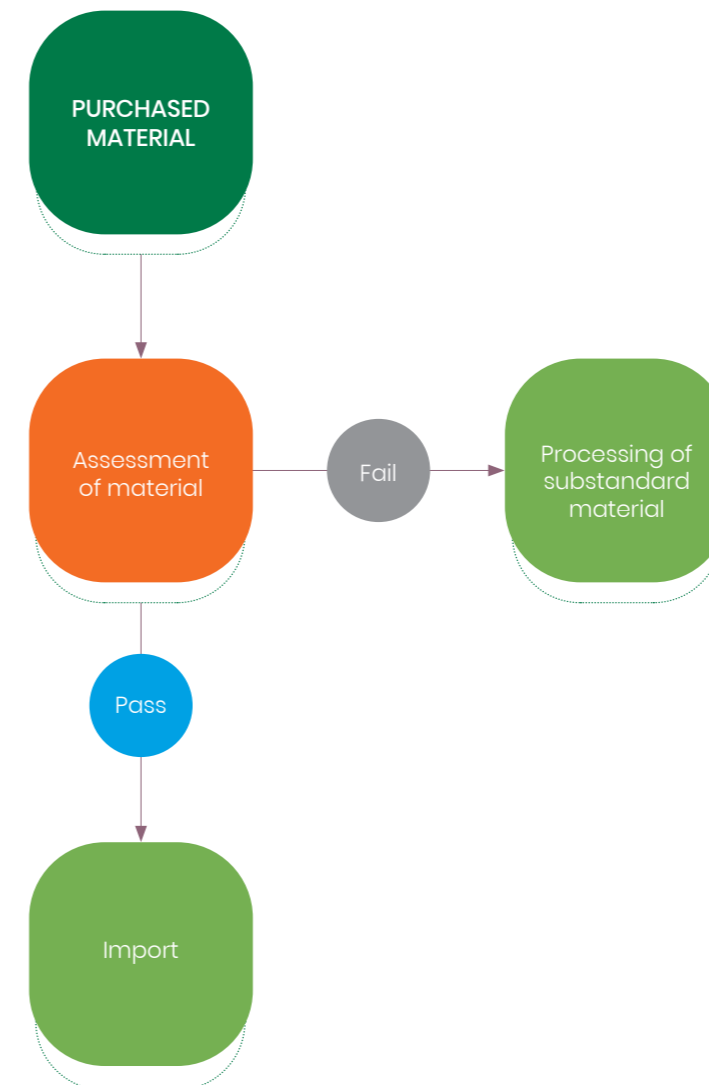
<b>1</b>	<b>Pre-import</b>	<ul style="list-style-type: none"> <li>A sample of material is tested in the lab and production before the importation;</li> <li>The supplier is examined regarding the production capabilities and management competencies;</li> <li>The supplier is assessed regarding the ability to sustain and stabilize.</li> </ul>
<b>2</b>	<b>Bulk import</b>	<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 materials should be imported in bulk.</li> </ul>
<b>3</b>	<b>Pre-storage check</b>	<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>If 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>
<b>4</b>	<b>Storing control</b>	<ul style="list-style-type: none"> <li>All materials are secured in standardized storehouses. The Company regularly conducts checks and assessments of the quality of both materials and storehouses to assure materials at the best condition.</li> </ul>
<b>5</b>	<b>In-production supervision</b>	<ul style="list-style-type: none"> <li>The materials are kept in standardized storehouses and assessed regularly by the Company's quality control staff. If there are doubts about the quality of the materials, the Quality Control Department and the R&amp;D Department examine the materials and deliver recommendations/warnings about the conditions of the materials;</li> <li>During production, if any problems regarding the quality of materials are found, the line will be stopped and separated, then a specialized team will study and handle the problem.</li> </ul>
<b>6</b>	<b>Evaluation</b>	<ul style="list-style-type: none"> <li>100% products are assessed upon existing quality standards.</li> </ul>

## Material control processes

Prior to storage, the materials are tested by the Input Quality Control (IQC) 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.

## Assessment of imported material



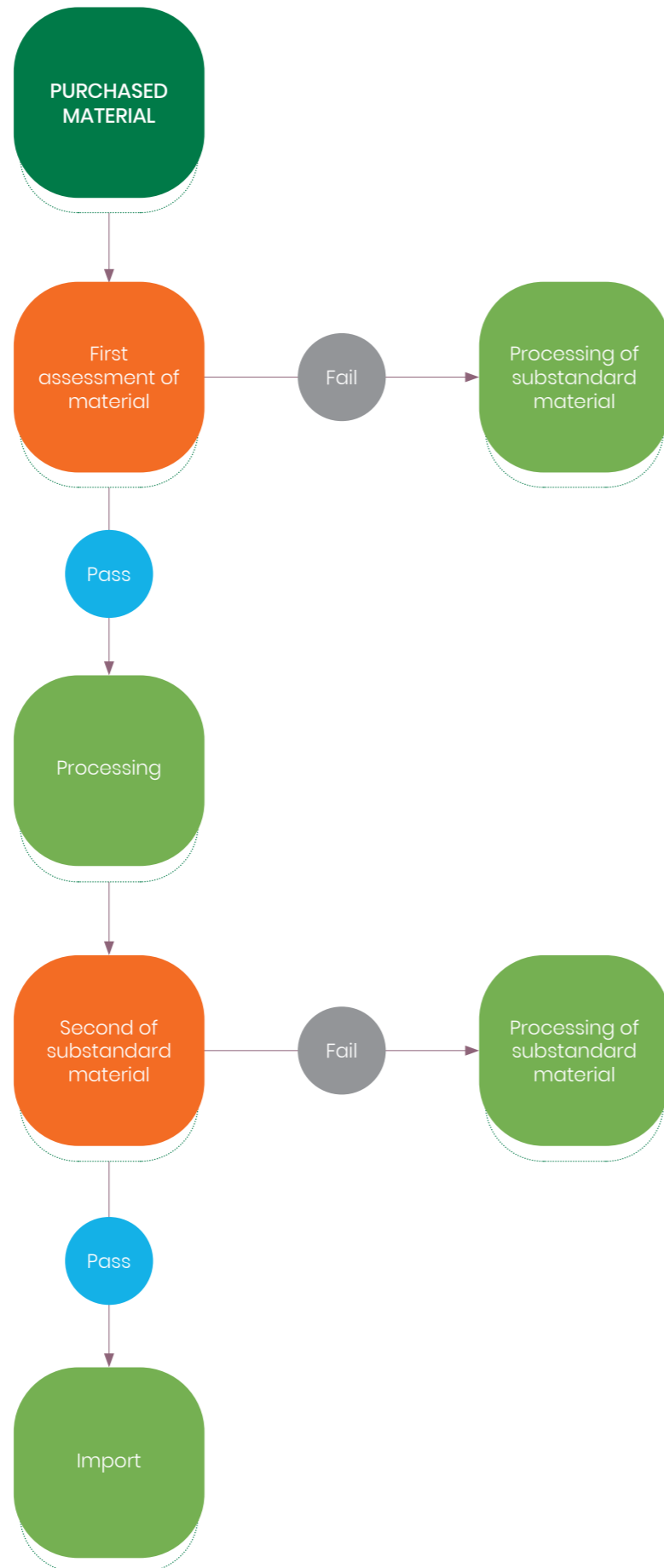
The purchases of overseas-imported materials must comply with the "Procurement Procedure" developed by the Purchasing Department. Relevant offices will be informed about the purchases and prepare to receive the packages.

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.

## 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.



Thanks to the integrated system application that incorporated human proactiveness and creativity in quality control, 100% of raw materials purchased by Vicostone are evaluated and ensured of top quality before entering production. The operation of Phenikaa Hue Factory to produce Cristobalite according to international standards

since 2019 has become an important link that helped Vicostone stabilize input material sources and reduce product costs. The mastery of raw materials brought considerable advantages to Vicostone in the quartz market in particular. After materials are stored, authorized departments continued monitoring the production lines and made sure

the production strongly complies with the standards. The standards are publicly and consistently available at all factories.

Control	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	Evaluation 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	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.

Control	Guideline	Frequency	Brief description	
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 mechanical, 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, etc. 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.

# Material

## Volume of main materials

### Materials of VICOSTONE® quartz products

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

Vicostone determines that the proactiveness of 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. In addition, Vicostone also regularly measures raw material consumption to monitor and plan for efficient material use.

Currency: Tons

Main materials	2019	2020	2021	2022	2023
Domestic quartz	15,987.5	12,616.8	20,944.8	22,960.4	16,089.8
Imported quartz	11,331.0	7,637.5	5,817.5	4,542.5	685.7
Cristobalite	40,113.9	34,998.7	43,854.4	31,718.6	21,562.1
Domestic resin	-	17.3	9,060.9	9,540.5	5,469.5
Imported resin	10,556.7	8,946.1	2,778.6	-	-
<b>Total</b>	<b>77,989.1</b>	<b>64,216.4</b>	<b>82,456.2</b>	<b>68,762.0</b>	<b>43,807.0</b>

Input material for production of Vicostone from 2019 - 2023

The origin of the main raw materials put into production in 2023 is as follows:

- Quartz: Currently, only a small amount of input quartz material is provided by imported sources and domestic purchases. Most of the quartz grain and quartz powder materials are created from crushing, screening and processing activities at Vicostone itself (with raw materials being quartz lumps provided by domestic suppliers with full exploitation licenses);
- Cristobalite: This material is provided entirely by Phenikaa Hue Mineral Processing and Investment Company Limited – a member of Vicostone;

- Domestic resin: Fully supplied by Phenikaa Chemical Factory (belonging to Phenikaa Group – Vicostone’s parent company).

In addition to the main raw materials for production mentioned above, Vicostone also uses a number of raw materials for packaging such as:

- Product packing shelves (made of steel): 380 tons;
- Nylon coating to protect stone surfaces: 28.5 tons;
- Some other small supplies: packing cables, screws, labels, wooden inserts...

Packing materials are provided by outside suppliers, carefully selected and put into use with the following

criteria: efficiency; maximizing the use of recyclable/reusable materials; Safe for operations and goods, etc.

## Independent in terms of raw material sources

It can be seen that, in 2023, most of the main raw materials used in Vicostone’s production were localized with 100% Cristobalite, Resin and 96% Quartz originating domestically. The strategy of improving productivity, product quality and increasing the localization rate of input materials is one of the prerequisite factors to leverage Vicostone’s sustainable growth and development.

Quartz is the main material of the VICOSTONE® quartz stone composition. With the strategy to localize raw materials, Vicostone has proactively searched for and cooperated with domestic quartz production companies; 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. In addition, with exclusive technology, Vicostone reduced the price of furnished quartz price by 15-20%.

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 subsidiary of Vicostone. 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 set a trend 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. By mastering technology and continuously improving productivity and reducing production costs, Phenikaa Hue saves about VND 100 - 120 billion/year compared

to its previous period when it had to import most of materials. With Cristobalite’s main input material as silicon sand, Vicostone always requests and coordinates with Phenikaa Hue Factory to select and evaluate qualified suppliers, ensuring environmental protection issues, complying with the applicable laws (by having all necessary licences for exploitation) to ensure that the Company’s exploitation does not cause negative effects to related parties...

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 complete proactiveness of input material – the most important factor in the production technology of VICOSTONE® stones.

So far, Vicostone has secured a closed-loop 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.

**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.

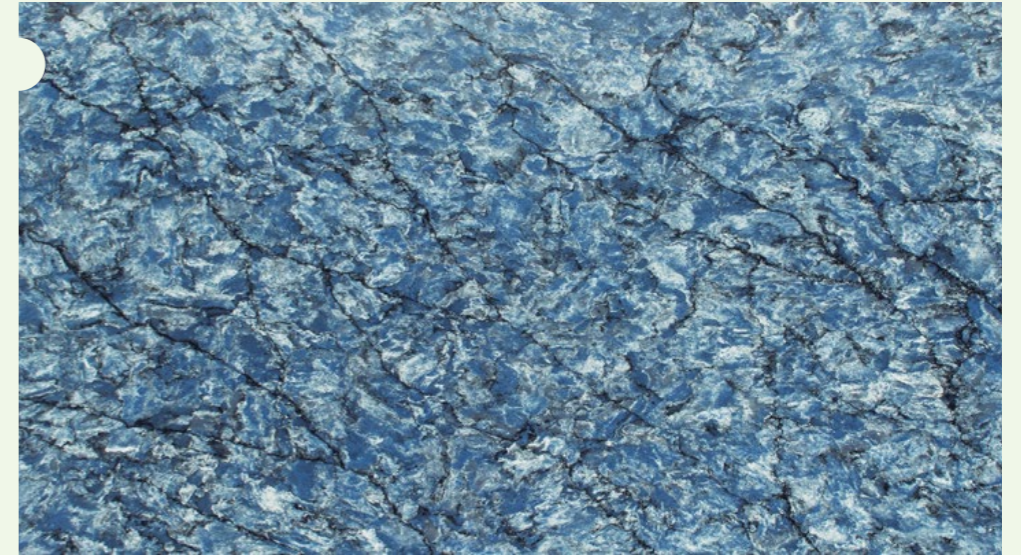
Recycled raw materials inputs are provided by the external supplier, which is selected carefully filter to ensure the following factors: safe for customer's health, enhanced aesthetics and ecocide of products.

Unit: kg

Material	2019	2020	2021	2022	2023
Recycled raw materials (mirrors, shells)	281,060	430,000	248,500	230,730	118,750
Recycled raw materials ratio (%)	0.36%	0.67%	0.30%	0.33%	0.26%

Raw materials has been recycled by Vicostone

**BQ8786**  
Thunder blue



● MIRRORS

**Products used recycled materials of Vicostone**

**BQ0370**  
White shells



● SHELLS

**BQ8614**  
Altissimo



● MIRRORS

**BQ8788**  
Diamante



● MIRRORS

**BQ7704**  
Verdelia



● MIRRORS

BQ7701

Allurio



● MIRRORS

BQ9360

Titanium  
Brown



● MIRRORS

BQ9330

Oyster



● MIRRORS

BQ8780

Argento



● MIRRORS

BQ9340

Carmen  
Brown



● MIRRORS

● OTHER PRODUCTS SUCH AS:

BQ5732, BQ5730, BQ5860, BQ8791, BQ8794, BQ8712, BQ8795,  
BQ0317, BQ9470, BQ9427, BQ0501...

# Energy

Realizing the impacts of climate change and human's production activities on the environment, Vicostone is clearly aware that using energy efficiently is the foundation for minimizing impacts on the environment and ensuring sustainable development. In recent times, Vicostone has continued to improve energy management system and use energy efficiently by reducing fuel consumption, building norms for efficient energy use, and promoting activities to improve and enhance the energy efficiency of equipment to contribute to minimizing the impacts of production and business activities on the living environment towards the goal of sustainable 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.



## Energy policy

In our energy policy, Vicostone commits 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

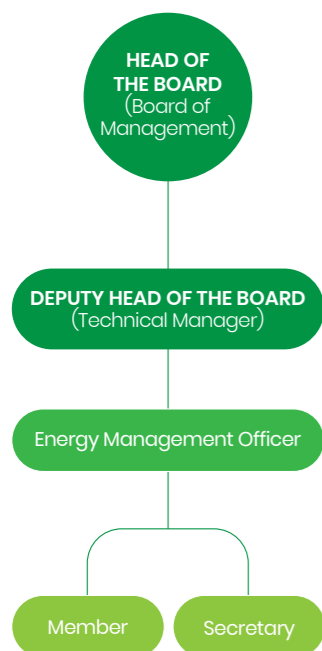
In the business operation, Vicostone has built and maintained an efficient energy management system in direct and indirect production areas, including:

- 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;
- Developing appropriate, economical, and efficient energy usage standards 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.



Total energy consumption at Vicostone's parent company in 2023 (Jun):

No.	Energy	Energy Consumption (Jun)	Proportion of energy consumption
1	Electricity	46.4 x 10 <sup>12</sup>	79.1%
2	Solar energy	0.35 x 10 <sup>12</sup>	0.6%
3	Gas	7.12 x 10 <sup>12</sup>	12.1%
4	Diesel	4.82 x 10 <sup>12</sup>	8.2%
	<b>Total</b>	<b>58.69 x 10<sup>12</sup></b>	<b>100%</b>

Looking at the table above, electrical energy accounts for a large proportion of total energy consumption. The use of the majority of electrical energy is consistent with the model of industrial production enterprises following the 4 on 3 off shift pattern.

Total energy consumption at Vicostone's parent company in 2021-2023 (Jun):

No.	Energy	2021 (J)	2022 (J)	2023 (J)	2023 (TOE)
1	Electricity	66.82 x 10 <sup>12</sup>	50.99 x 10 <sup>12</sup>	46.4 x 10 <sup>12</sup>	1880
2	Solar energy	0.39 x 10 <sup>12</sup>	0.31 x 10 <sup>12</sup>	0.35 x 10 <sup>12</sup>	0
3	Gas	14.28 x 10 <sup>12</sup>	9.34 x 10 <sup>12</sup>	7.12 x 10 <sup>12</sup>	170
4	Diesel	5.16 x 10 <sup>12</sup>	4.8 x 10 <sup>12</sup>	4.82 x 10 <sup>12</sup>	109
	<b>Total</b>	<b>86.65 x 10<sup>12</sup></b>	<b>65.44 x 10<sup>12</sup></b>	<b>58.69 x 10<sup>12</sup></b>	<b>2159</b>

## Energy efficient conversion table to TOE

No.	Energy	Unit	TOE/Unit
1	Electricity	1000 kWh	0.1543
2	Gas	1000 kg	1.09
3	Diesel (DO)	1000 Litter	0.88

Total energy use in 2023 decreased by 10% compared to 2022. The main reason for this is due to the economic recession affecting Vicostone's sales activities. Production output in 2023 continued to decrease compared to 2022, so energy consumption is also reduced. The specific management of each type of energy is shown as follows:

### Electricity

Vicostone's electricity consumption: (1kWh = 3.6 x 10<sup>6</sup> Jun)

Year	Total electricity consumption (kWh)	Total electricity consumption (J)	Total volume of vibro-compressed products (M <sup>2</sup> )	Average electricity consumption (kWh/M <sup>2</sup> )	Average electricity consumption (J/M <sup>2</sup> )
2019	15,775,600	56.77 x 10 <sup>12</sup>	1,016,991	15.51	55.83x10 <sup>6</sup>
2020	16,399,300	59.04 x 10 <sup>12</sup>	1,150,156	14.25	51.3x10 <sup>6</sup>
2021	18,560,800	66.82 x 10 <sup>12</sup>	1,260,143	14.73	53.02x10 <sup>6</sup>
2022	14,165,100	50.99 x 10 <sup>12</sup>	844,240	16.78	60.4x10 <sup>6</sup>
2023	12,898,200	46.4 x 10 <sup>12</sup>	542,558	23.77	85.5x10 <sup>6</sup>

Energy consumption at Vicostone from 2019 – 2023

It can be seen that Vicostone's total electricity consumption decreased compared to 2022. However the average electricity consumption per m<sup>2</sup> of production increased. This comes from the fact that, in 2023, Vicostone shifted its product structure and focus on producing new, unique and different product lines. These product lines have more complex technology and production processes than previous product lines, so electricity consumption increased greatly compared to previous years.

In addition, due to the decrease in output in 2023 compared to 2022,

factories no longer ran at 100% capacity, leading to more downtime and machine start-up time than before. This has caused the amount of electricity consumed per 1m<sup>2</sup> of product to increase higher.

Although there are no advantages in terms of product structure and production output, Vicostone continued to make efforts in both applying energy saving solutions and ensuring production and business activities, developing new products to bring high economic values to businesses in the past year.

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;

- Maximum the use of natural light sources: To reduce the cost of lighting the factory during the day, the company has taken advantage of natural light from the doors and used light panels from the roof and walls surrounding the factory.

### Gas

Vicostone's gas consumption: (1kg gas = 11,000 kcal, 1cal = 4.184 Jun => 1kg gas = 45.6 x 10<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> )
2019	248,520	11.32 x 10 <sup>12</sup>	1,016,991	0.22	0.011
2020	256,414	11.69 x 10 <sup>12</sup>	1,150,156	0.23	0.011
2021	313,112	14.28 x 10 <sup>12</sup>	1,231,633	0.25	0.012
2022	212,481	9.69 x 10 <sup>12</sup>	873,428	0.24	0.011
2023	156,241	7.12 x 10 <sup>12</sup>	571,639	0.27	0.012

Gas consumption at Vicostone in 2019 – 2023

At Vicostone, gas is mainly used to heat oil to cure stone after vibration and pressing; and in the canteen. Particularly for stone curing, the furnace being used is a high-performance type, adjusted according to the temperature and pressure of automatically burned oil. Hot oil pipes are ensured to not transfer heat to the outside environment.

Currently, unique and different product lines are still continuously produced, accounting for a large proportion of the Company's total output. This is also a product category that consumes a lot of fuel

due to the heating and storage time in the furnace, which is 1.3 - 1.5 times longer than conventional products. This is the reason why the average gas consumption/m<sup>2</sup> of product in 2023 is higher than in previous years.

In 2023, because the Company's production situation decreased sharply compared to 2022, gas energy consumption also decreased quite sharply compared to 2022 (down 26%).



**Some of the solutions for the effective and economical use of gas applied at Vicostone**

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;
- Maintain the optimal operating condition of systems, machinery,

and production equipment through 5S practices such as: regular maintenance and repairs to ensure that equipment is at its best performance; achieve the highest level of synchronization with other systems to ensure maximum efficiency in using heat from combustion furnaces; 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;

- Reset gas burner temperature when running low-yield manual products. Stone retention time in the furnace is still ensured. Reduce gas consumption costs.

**Diesel**

Vicostone's diesel consumption: (1 kg Diesel = 42.29 x 10<sup>6</sup> Jun, 1L DO = 38.7 x 10<sup>6</sup> Jun)

Year	Diesel consumption (Liter)	Diesel consumption (JUN)	Average diesel consumption (Lit/M <sup>2</sup> )	Average diesel consumption (GJ/M <sup>2</sup> )
2019	120,215	4.65 x 10 <sup>12</sup>	0.12	0.005
2020	127,984	4.95 x 10 <sup>12</sup>	0.11	0.004
2021	133,460	5.16 x 10 <sup>12</sup>	0.11	0.004
2022	123,935	4.8 x 10 <sup>12</sup>	0.14	0.005
2023	124,697	4.82 x 10 <sup>12</sup>	0.22	0.008

*Diesel consumption at Vicostone in 2019 - 2023*

At Vicostone, diesel is mainly used as fuel for forklifts in transportation and lifting for production and fuel for generators in cases there is no grid power. In 2023, to maintain production in the context of local

power cuts in Hanoi, the Company's diesel consumption recorded a slight increase compared to 2022.

**Some methods of efficiently using diesel oil have been applied at Vicostone:**

- 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 driver's awareness in conserving diesel;
- Use a travel-time benchmark for

vehicles in each production stage;

- Improve the quality of maintaining and repairing lifting vehicles; reduce fuel consumption; carry out 5S in this work;
- Apply rotary equipment in production to curb the use of forklifts and save fuel;
- Upgrade infrastructure to minimize the need to use a large capacity generator of 2,000kw in operation to avoid wasting oil and increasing costs (the generator consumes about 300-350l/h).
- Reset the generator's operating mode; discharge unnecessary load; reduce line capacity when operating the generator; put the

generator into operation in full or partial load mode; minimize the generator running in overload mode.

Reduce daily test run time of 30Hp diesel pump by half (reduce test run from 5 minutes to less than 2 minutes).



**Thunder Series BQ8915 và Nero Marquina BQ8740**

# Emissions and disposal

In the context that combating climate change has become an urgent global goal, emissions management in environmental protection is a top priority for countries around the world in general and the business community in particular. This is not only a responsibility but also an opportunity for businesses to increase their competitiveness, more deeply participate in the international market and develop sustainably. Aware of its responsibility, with the support of the parent company (i.e. Phenikaa Group), Vicostone has promoted the development and implementation of the Net Zero program within the Company with various activities such as conducting the inventory of used energy, raw materials and resources; promoting R&D of new environmentally friendly materials; increasing recycling and reuse in the production to reduce emissions into the environment; and being ready to adapt in the context where the EU and other countries impose the Carbon Border Adjustment Mechanism (CBAM). In particular, the Company also commits to fully complying with environmental laws, establishes a system of regulations and processes to control and measure emissions, and continuously improves equipment and production lines to increase efficiency and minimize emissions to the environment.

## NET ZERO EMISSIONS

CO<sub>2</sub>

## 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, monthly and annual maintenance plan, etc.



## Management of emissions

### Source of emissions

#### 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, etc.

#### Emissions from production activities

- Organic gas (Benzene, Toluene) exhausts in spreading stage;
  - Dust exhausts in material imports.
- During the production, the Company does not generate emissions that destroy the ozone layer (ODS) and does not use input materials as persistent organic pollutants (POP).

## Emissions control

### 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 encourages employees to take initiative in saving energy, improving the efficiency of equipments, using renewable energy, recycling raw materials, etc. as a part of implementing Kaizen-5S practices, which makes each employee become part of environmental protection and sustainable development activities of the Company.

### For emissions from production operations

Regarding organic gas: To control and treat emissions generated during the production process, the Company builds a suction and treatment system as follows:

- 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. 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.

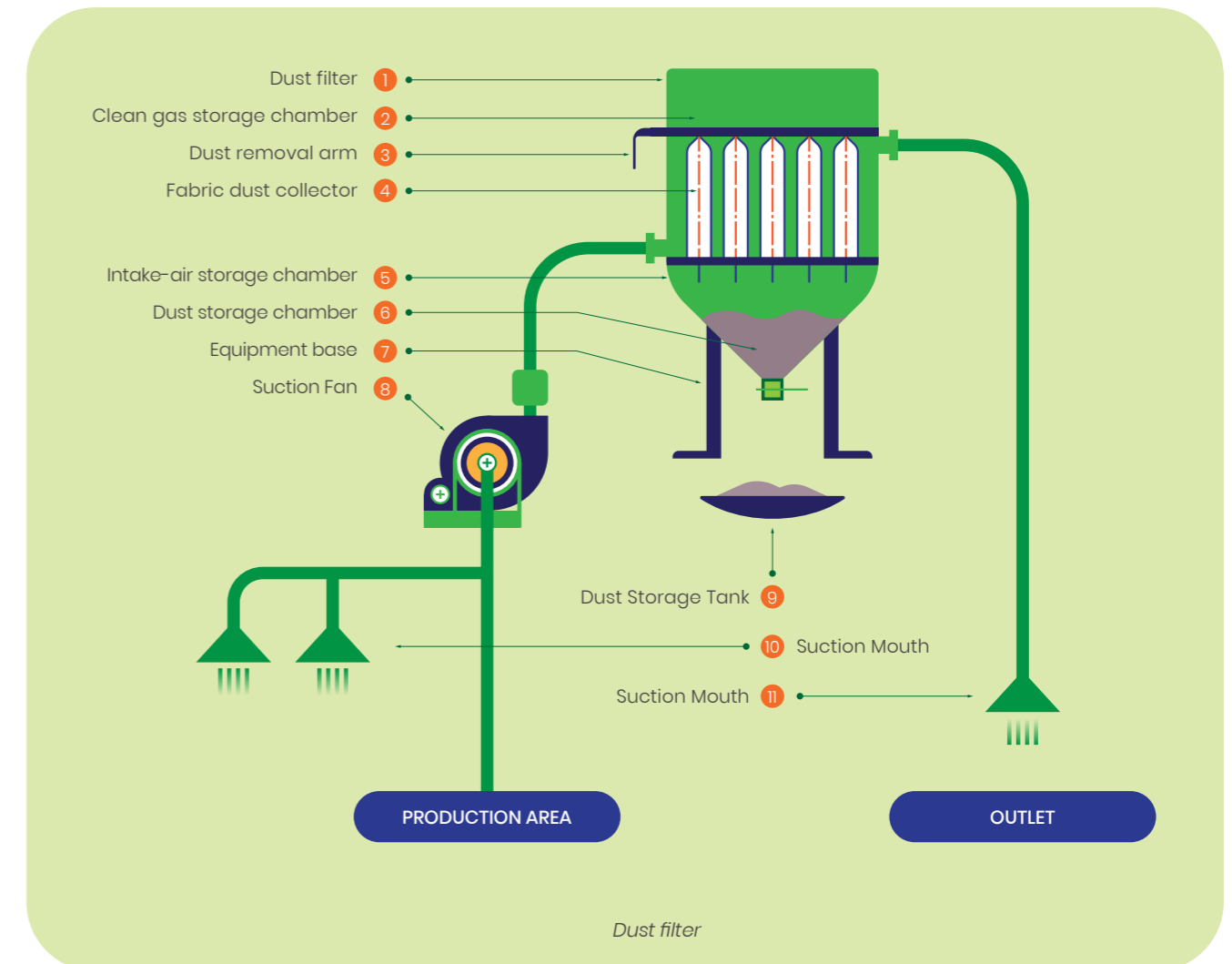
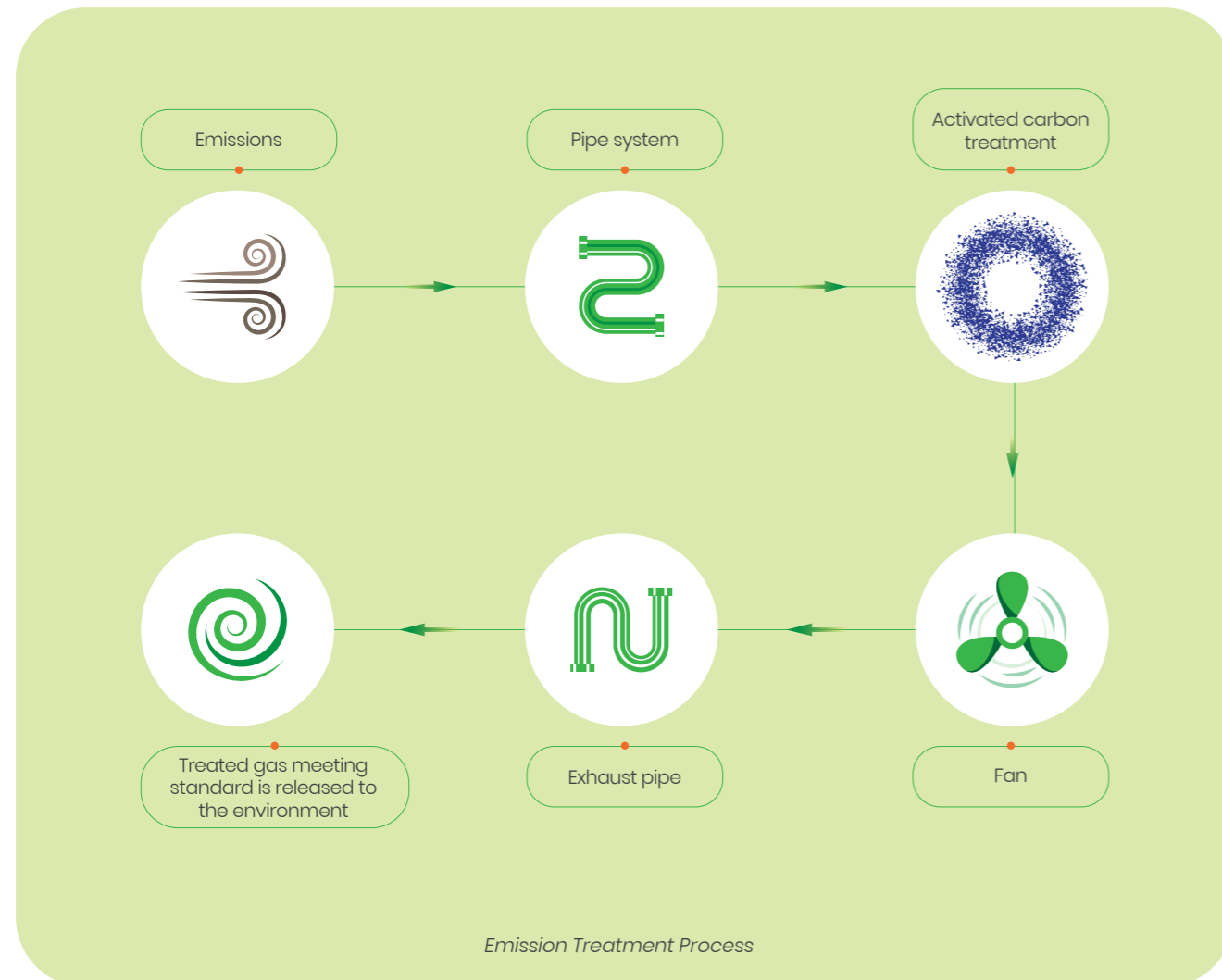
Regarding dust: To minimize and control dust discharged in factories, Vicostone has invested significantly in modern equipment, implemented synchronized monitoring and periodic testing programs to ensure a safe and clean working environment for employees, and prevent dust dispersion in the workplace. Specific measures implemented by the Company include:

- Invest the 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, with the total initial investment reaching VND 2.5 billion;
- Coordinate with the Institute for Occupational Health and Environment to conduct regular measurement of dust volume and concentration in the 8-hour shift in the working environment in 2023;
- Provide face masks made for dust protection that meet qualified for QCVN08/2012/BLĐTBXH and references from National Institute of Occupational Safety and Health,

such as: SP52 masks, Korea dust filtering masks 225V, and 3M masks for employees working in areas where dust arise; Set regulations on and exercise strict control of employees' use of personal protective equipment;

- Each month, the Health-Safety - Environment team of the General Affairs Department evaluates the current state of the production line, especially the places and processes that discharge dust, finds and implements measures to reduce dust in each factory; Using specialized dust suction machines to clean the workshop floor, cleaning with a wet mop to reduce dust generated by employees' activities;

- Train and communicate to employees on the awareness of environmental protection, implementation of the 5S tasks and how to ensure occupational safety and sanitary while working in environments where dust may be dispersed.



## Monitoring result

### Greenhouse gas emissions

#### Direct greenhouse gas emissions

No.	Energy	Unit	Consumption	TOE rates <sup>1</sup>	Greenhouse gas conversion rate <sup>2</sup>	Energy consumption (MJ)	TJ conversion
1	Gas	Kg	156,241	1.09	41,870	7,130,564.1	7.1
2	Diesel	Litter	124,697	1.02	41,870	5,325,473.7	5.3

Direct energy consumption at Vicostone in 2023

No.	Energy	Consumption (TJ)	Type of greenhouse gas	Greenhouse gas conversion rate <sup>3</sup>	Greenhouse gas emission (kg)	Greenhouse gas conversion rate (WAP) <sup>4</sup>	CO <sub>2</sub> -eq emission (kg)
1	Gas	7.1	CO <sub>2</sub>	63,100	449,938.6	1.0	449,938.6
			CH <sub>4</sub>	1	7.1	82.5	588.3
			N <sub>2</sub> O	0.1	0.7	273.0	194.7
2	Diesel	5.3	CO <sub>2</sub>	74,100	394,617.6	1.0	394,617.6
			CH <sub>4</sub>	3	16.0	82.5	1,318.1
			N <sub>2</sub> O	0.6	3.2	273.0	872.3
<b>Total direct greenhouse gas emissions (kg)</b>							<b>847,529.5</b>

Greenhouse gas (GHG) emissions in 2023

Direct greenhouse gas emissions	2021	2022	2023
Total CO <sub>2</sub> -eq emissions (kg)	1,397,875.1	1,064,347.3	847,529.5

Total greenhouse emissions from 2021-2023

Vicostone's total greenhouse emissions in 2023 decreased by 20.4% from 2022.

<sup>1</sup> TOE rates were in reference to official document to No. 3505/BCT-KHCN, 19/04/2011.

<sup>2</sup> Energy conversion rates were calculated based on the conversion value of 1TOE = 41,870 MJ by IPCC.

<sup>3</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 2022)

<sup>4</sup> Global warming potential (GWP) in 20-

year life cycle of GHG (CO<sub>2</sub> conversion rate) was adjusted in IPCC Sixth Assessment Report

#### Indirect greenhouse gas emissions

Type of energy	Unit	Consumption	Greenhouse gas conversion rate <sup>5</sup>	Total greenhouse gas (kg)
Electricity	Kwh	12,898,200	0.6766	8,726,922.1

Indirect greenhouse gas emissions in 2023

No.	Indirect greenhouse gas emissions from using electricity	Total greenhouse gas (kg) <sup>5</sup>		
		2021	2022	2023
1	CO <sub>2</sub>	14,924,739.3	11,390,156.9	8,726,922.1

Indirect greenhouse gas emissions in the 2021-2023 period

#### Total greenhouse emissions

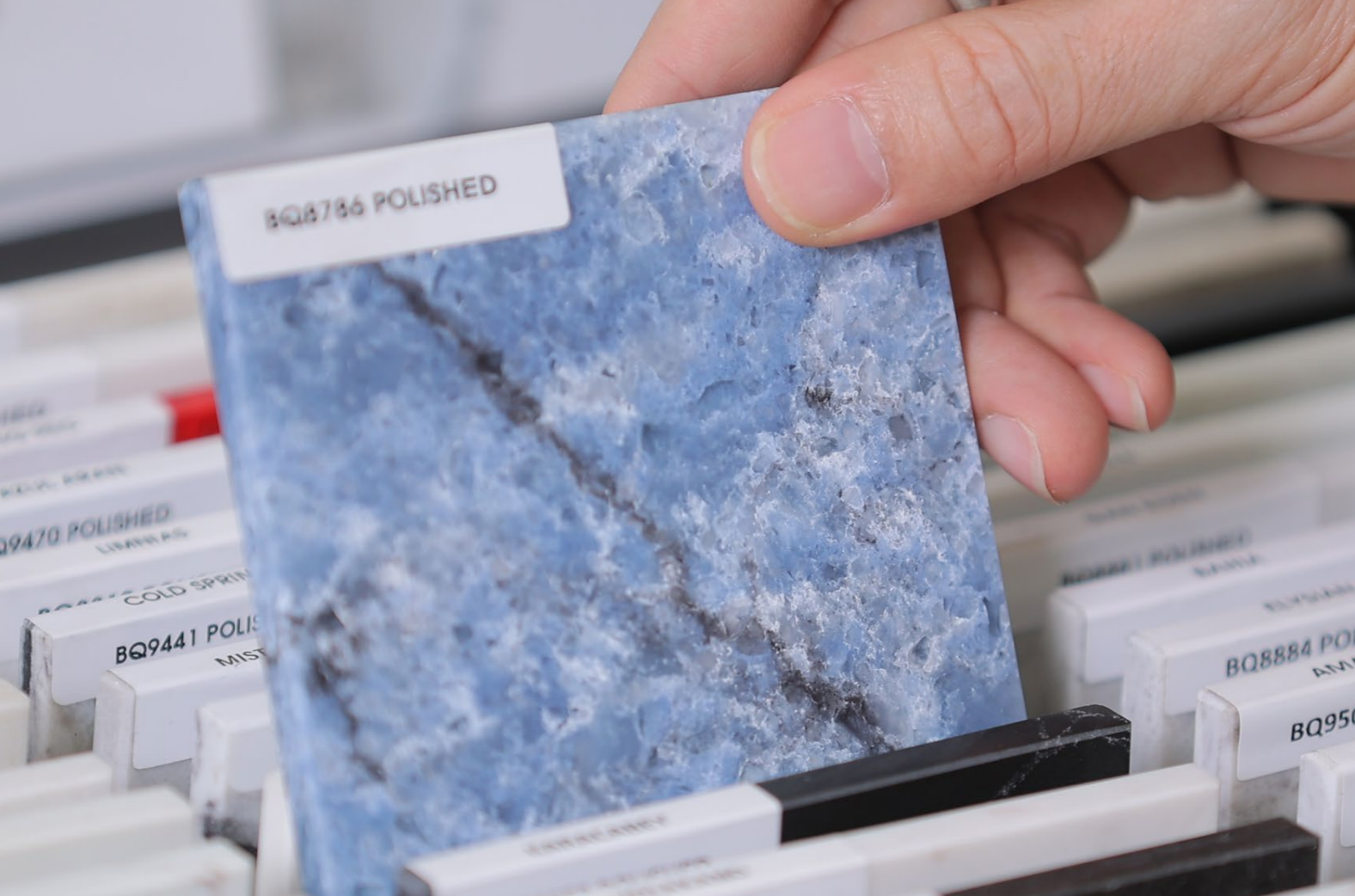
No.	Greenhouse emissions	2021	2022	2023
1	Direct emission (tons of CO <sub>2</sub> -eq)	1,397.88	1,064.35	847.53
2	Indirect emission from electricity consumption (tons of CO <sub>2</sub> -eq)	14,924.74	11,390.16	8,726.92
<b>Total greenhouse gas emissions in CO<sub>2</sub>-eq (tons of CO<sub>2</sub>-eq)</b>		<b>16,322.62</b>	<b>12,454.51</b>	<b>9,574.45</b>

Total greenhouse emissions from 2021-2023

Based on production and business results, 2021 is considered to be the year with the largest production output, highest greenhouse gas emissions and greatest environmental impact. Therefore, Vicostone chooses the 2021 emission value as a basis for comparison and assessment of the effectiveness of control measures to reduce emissions.

Due to the overall application of measures to reduce energy consumption and the application of innovation initiatives to improve production line and equipment efficiency, Vicostone's total greenhouse gas volume in 2023 decreased by 11.45% compared to 2022 and decreased by 32.43% compared to 2021.

<sup>5</sup> Grid emissions factor margin 2022 in Vietnam according to Official Letter No. 327/BDKH-PTCBT 19/03/2024 is 0,6766 (tCO<sub>2</sub>/MWh)



### Emissions from the exhaust treatment system and dust treatment system

Based on the outcomes of waste observation conducted by competent units in accordance with current regulations, the results of post-treatment exhaust analyses all meet or fall far below National Technical Standard QCVN20:2009 on

industrial exhaust related to certain organic substances and National Technical Standards QCTĐHN 01:2014 on industrial exhaust related to certain inorganic substances in Hanoi.

No.	Indicator	Unit	2023				QCVN 20:2009/ BTNMT <sup>6</sup>
			QI	QII	QIII	QIV	
<b>I Post-treatment emissions at Factory No. 1</b>							
1	Flow rate of emissions	m <sup>3</sup> /h	18,810	20,079	19,172	20,547	-
2	Benzene	mg/Nm <sup>3</sup>	<0.003	<0.003	0.46	<0.05	5
3	Toluene	mg/Nm <sup>3</sup>	<0.003	<0.003	0.57	<0.06	750
<b>II Post-treatment emissions at Factory No. 2</b>							
1	Flow rate of emissions	m <sup>3</sup> /h	13,226	19,714	15,522	12,797	-
2	Benzene	mg/Nm <sup>3</sup>	<0.003	<0.003	0.37	<0.05	5
3	Toluene	mg/Nm <sup>3</sup>	<0.003	<0.003	0.62	0.41	750

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

<sup>6</sup> QCVN 20:2009/ BTNMT: National technical regulation on the industrial waste related certain organic matters

No.	Indicator	Unit	2023				QCTĐHN 01:2014/ BTNMT	Note
			QI	QII	QIII	QIV		
<b>I Post-dust-treatment emissions at Factory No. 1</b>								
1	Flow rate of emissions	m <sup>3</sup> /h	15,464	15,464	15,464	16,494	-	
2	Total particulate matter	mg/Nm <sup>3</sup>	<0.05	28.7	24.1	<0.36	162 Kp = 0.9; Kv = 0.9	
3	CO	mg/Nm <sup>3</sup>	<1.14	<1.14	0	<1.14	900 Kp = 0.9; Kv = 1	
4	SO <sub>2</sub>	mg/Nm <sup>3</sup>	<2.62	<2.62	0	<2.62	405 Kp = 0.9; Kv = 0.9	
5	NOx	mg/Nm <sup>3</sup>	<0.188	<0.188	0.13	<0.19	765 Kp = 0.9; Kv = 1	
<b>III Post-dust-treatment emissions at Factory No. 2</b>								
1	Flow rate of emissions	m <sup>3</sup> /h	40,977	37,614	41,260	25,551	-	
2	Total particulate matter	mg/Nm <sup>3</sup>	<0.05	24.3	26.3	0.61	162 Kp = 0.9; Kv = 0.9	
3	CO	mg/Nm <sup>3</sup>	<1.14	<1.14	0	<1.14	900 Kp = 0.9; Kv = 1	
4	SO <sub>2</sub>	mg/Nm <sup>3</sup>	<2.62	<2.62	0	<2.62	405 Kp = 0.9; Kv = 0.9	
5	NOx	mg/Nm <sup>3</sup>	<0.188	<0.188	0.11	<0.19	765 Kp = 0.9; Kv = 1	
<b>IV Emission at the crushing dust treatment system – Position 1</b>								
1	Flow rate of emissions	m <sup>3</sup> /h	13,429	15,362	13,734	11,429	-	
2	Total particulate matter	mg/Nm <sup>3</sup>	<0.05	36.8	34.1	2.23	180 Kp = 1; Kv = 0.9	
3	CO	mg/Nm <sup>3</sup>	<1.14	<1.14	0	<1.14	900 Kp = 1; Kv = 1	
4	SO <sub>2</sub>	mg/Nm <sup>3</sup>	<2.62	<2.62	0	<2.62	450 Kp = 1; Kv = 0.9	
5	NOx	mg/Nm <sup>3</sup>	<0.188	<0.188	0	<0.19	850 Kp = 1; Kv = 1	
<b>V Emission at the crushing dust treatment system – Position 2</b>								
1	Flow rate of emissions	m <sup>3</sup> /h	13,226	16,481	13,429	11,531	-	
2	Total particulate matter	mg/Nm <sup>3</sup>	<0.05	30.4	31.8	1.50	180 Kp = 1; Kv = 0.9	
3	CO	mg/Nm <sup>3</sup>	<1.14	<1.14	0	<1.14	900 Kp = 1; Kv = 1	
4	SO <sub>2</sub>	mg/Nm <sup>3</sup>	<2.62	<2.62	0	<2.62	450 Kp = 1; Kv = 0.9	
5	NOx	mg/Nm <sup>3</sup>	<0.188	<0.188	0	<0.19	850 Kp = 1; Kv = 1	
<b>VI Emission at the crushing dust treatment system – Position 3</b>								
1	Flow rate of emissions	m <sup>3</sup> /h	14,040	14,650	14,141	13,371	-	
2	Total particulate matter	mg/Nm <sup>3</sup>	<0.05	44.6	42.4	3.55	180 Kp = 1; Kv = 0.9	
3	CO	mg/Nm <sup>3</sup>	<1.14	<1.14	0	<1.14	900 Kp = 1; Kv = 1	
4	SO <sub>2</sub>	mg/Nm <sup>3</sup>	<2.62	<2.62	0	<2.62	450 Kp = 1; Kv = 0.9	
5	NOx	mg/Nm <sup>3</sup>	<0.188	<0.188	0	<0.19	850 Kp = 1; Kv = 1	

Test result for the quality of post-treatment emissions after using dust filter system

Kp = 1.0 (for P ≤ 20,000 m<sup>3</sup>/h); Kp = 0.9 (for P > 20,000 m<sup>3</sup>/h);

Kv = 1.0 (for dust containing silica; Amonia and its compounds; Antimony and compounds; Arsenic and its compounds; lead and compounds; CO; Cl<sub>2</sub>; Copper and compounds; Zinc and compounds; F<sub>2</sub>; HF; or inorganic Fluorine compounds; H<sub>2</sub>S; NOx and HNO<sub>3</sub> vapor); Kv = 0.9 (for total dust; Cadmium and compounds; HCl; SO<sub>2</sub> and H<sub>2</sub>SO<sub>4</sub> vapor);

(-): not specified;

At the dust treatment system in Factory 1 – Position 2 where monitoring was not possible. The department issued report no. 84B/BC-VICOSTONE dated 01 December 2023 addressed to the Hanoi Department of Resources and Environment regarding the temporary suspension of monitoring of one dust treatment system due to the maintenance plan for a part of the production line of factory of the "Vinaconex high-quality stone tile factory".

# Water and effluents

Water plays an essential role not only for humans but also for all activities on Earth. Although water covers three-quarters of the Earth's surface, 98% of it is saltwater in the oceans, which cannot be used for daily purposes. Approximately two-thirds of the remaining 2% is freshwater in the form of ice and snow. Therefore, the proportion of freshwater available for human use is very limited. The world is facing a serious global water crisis primarily due to ecosystem degradation, environmental pollution, and climate change. Therefore, effective and efficient use of clean water is critically important for both humans and the environment.

As a company in the industrial manufacturing sector, Vicostone understands the vital role water plays in production activities and environmental impact. From the very beginning, Vicostone has committed to ensuring that all water use within the Company aligns with sustainable development principles, minimizes environmental impact, and ensures that water resources are exploited, used, and managed efficiently, with controlled waste discharge.



Some measures to enhance water usage efficiency and control wastewater at Vicostone include:

- Monitoring and reporting actual water consumption during production processes at the factories;
- Developing water usage benchmarks, improvement programs, and seeking opportunities to reduce clean water consumption;
- Utilizing a water recycling treatment system;
- Periodically analyzing inefficiencies, issuing monthly alerts to units exceeding benchmarks for inspection and resolution;
- Installing a modern wastewater treatment system;
- Establishing and implementing a wastewater control process with regular monitoring;
- Periodic monitoring to ensure the quality of treated wastewater.

# Water

## Usage of water

The Company's water consumption includes water used for production activities (water supplied for the grinding system) and water provided for the daily needs of employees, all of which is supplied by the fresh water provider. 100% of the water used is freshwater, specifically:

- Total water consumption at Vicostone: 35.20 MI

- Total industrial water consumption for production: 15.03 MI
- Total water consumption for domestic and other activities: 20.17 MI

## Water for production:

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.

and then pressed and dried through a pressing machine. Pressed, sludge is used to produce unburnt bricks and other eco-friendly outputs.

In addition, in 2023, Vicostone continued to implement various measures to reduce water consumption:

- Improved the dewatering process, reducing sludge moisture from 33% to 25-27%;
- Installed two new water recycling silos to increase water treatment capacity;
- Used recycled water for chemical

mixing instead of clean water;

- Controlled the amount of clean water used for washing on grinding lines;
- Replaced steel pipes with HDPE pipes to prevent wear and better control water leakage;
- Installed water meters in each area for better monitoring of water usage;
- Regularly checked water supply lines to prevent leaks and water loss;
- Implemented smart measures in

Company's restrooms (automatic water control based on time);

- Controlled the duration of clean water spraying on cooling systems in the factory;
- Educated all employees about the importance of water conservation and efficient resource use.

## Freshwater consumption for production (MI)



Vicostone's water consumption for production from 2021 - 2023

## Regarding domestic water:

Fresh water at Vicostone is mainly used for common activities such as cooking and other daily activities; other parts are used for cleaning

the grinding stone, cooling the fresh air system of the two factories, and supplying the water station.

## Efficient use of water

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 applied 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. During the finishing process of the products, a large amount of water is used. After whetting process, the water is treated through a filtration system to settle sediment completely in the form of mud. 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



The circulating water silo system helps to reuse ~100% of the Company's production water



# Effluents

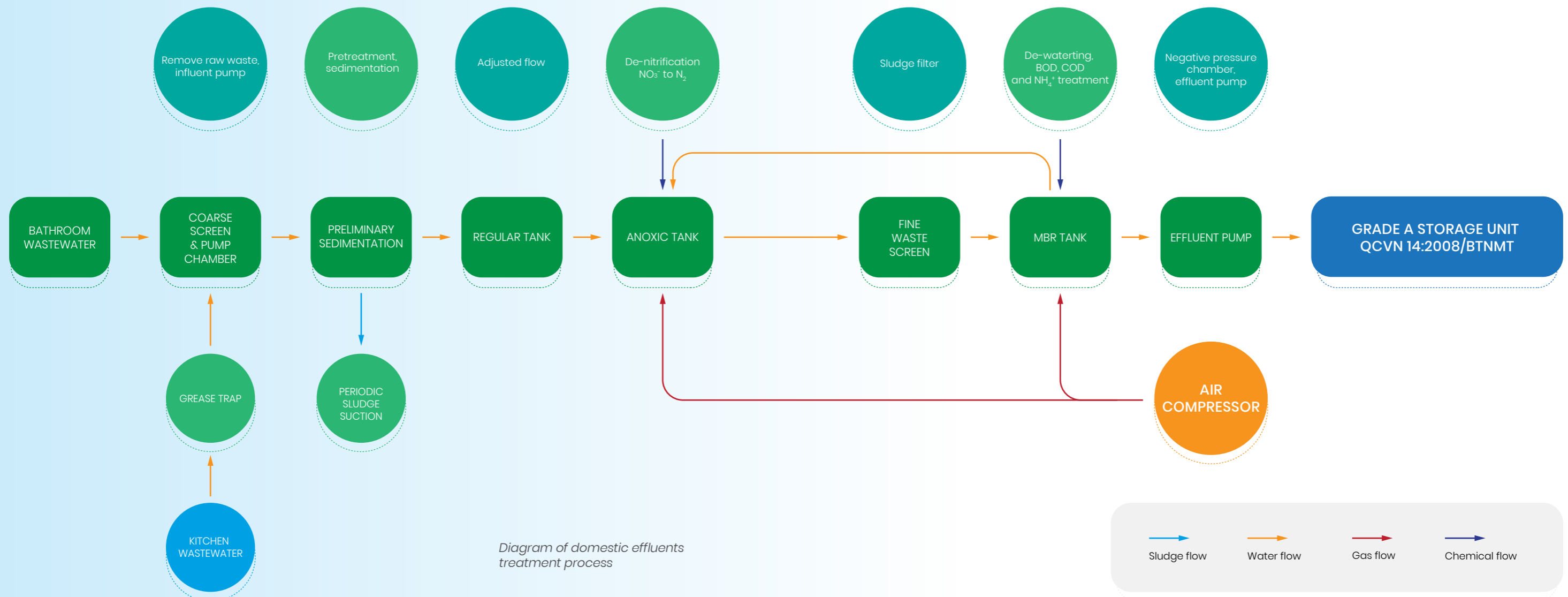
## Origin:

- Industrial effluents: This water is discharged from the grinding process. Wet grinding technology helps to polish the product surface, with dust and sludge carried away by the grinding water into the recycling system. After processing to separate the sludge, this water is recycled 100% for reuse. The recycling and treatment process helps the Company save a significant amount of costs, especially by minimizing the environmental impact of wastewater generated during production.
- 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 domestic effluents:

In order to comply with QCVN 14:2008/ BTNMT - National technical regulation on domestic effluent, the Company implemented the following measures:

- Invest in and install a domestic effluent treatment system using the most modern technology AO + MBR with a total investment of nearly VND 3 billion;
- The system is regularly supervised by the environmental engineer to ensure the functionality of the system and that the quality of output effluent meets requirements;
- Have the operation regularly supervised by engineers with expertise in environmental techniques to ensure the functionality of system and that the quality of output effluent meets requirements according to regulations;
- Develop and apply the procedures on domestic effluent control and chemical mixing in line with ISO 14001:2015;
- Treated domestic water are being monitored, analyzed by a qualified organization every 3 months.
- Invest in rapid measurement devices (DO, pH), quality of post-treatment effluent test devices ( $\text{NH}_4^+$ ,  $\text{NO}_3^-$ ) to supervise the treatment activities of the system;
- Installed a 24/7 remote monitoring system for the operation, allowing monitoring to prevent any issues during processing that could affect the quality of the treated wastewater.



## Outcomes:

In 2023, the Company's wastewater treatment system operated stably without incidents related to flow rate and quality of domestic wastewater during operation. The volume of domestic wastewater generated was recorded and monitored daily, as shown in the table below:

Time	Average waste discharge flow (Ml/day)	Permitted waste discharge flow (Ml/day)	Number of days	Total waste discharge flow (Ml)
January	0.03	0.05	31	0.76
February	0.03	0.05	28	0.81
March	0.03	0.05	31	0.89
April	0.03	0.05	30	0.87
May	0.02	0.05	31	0.62
June	0.02	0.05	30	0.61
July	0.02	0.05	31	0.74
August	0.03	0.05	31	0.84
September	0.03	0.05	30	0.86
October	0.03	0.05	31	0.84
November	0.03	0.05	30	0.85
December	0.03	0.05	31	0.87
<b>Monthly average waste discharge flows in 2023</b>	<b>0.03</b>	<b>0.05</b>	<b>30</b>	<b>0.8</b>
<b>Total waste discharge flows in 2023</b>	<b>-</b>	<b>18,250</b>	<b>365</b>	<b>9.56</b>

Post-treatment domestic wastewater flow statistics

The Company conducted comprehensive monitoring in accordance with the required frequency (every three months). All monitored parameters were within permissible values according to the National technical regulations on domestic wastewater quality

QCVN 14:2008 /BTNMT, column A. The monitoring and analysis results as confirmed by the monitoring firm are fully documented for future reference and crosschecking when necessary.

No.	Indicator	Unit	2023				QCVN 14:2008/ BTNMT Column A (K=1)
			QI	QII	QIII	QIV	
1	pH	-	5.7	6.8	7.2	6.75	5÷9
2	BOD5	mg/L	8.1	7.1	8.8	<3.0	30
3	COD	mg/L	17.3	16	19.2	14.9	-
4	TSS	mg/L	10.3	21.8	12.4	9	50
5	TDS	mg/L	260	260	200	192	500
6	Animal fat and vegetable grease	mg/L	<0.3	<0.3	<0.3	<0.3	10
7	PO <sub>4</sub> <sup>3-</sup>	mg/L	3.145	0.357	2.89	2.52	6
8	S <sup>2-</sup>	mg/L	<0.064	0.22	<0.064	<0.022	1
9	NH <sub>4</sub> <sup>+</sup>	mg/L	0.582	2.87	0.615	<0.05	5
10	NO <sub>3</sub> <sup>-</sup>	mg/L	22.56	20.5	20.4	20.8	30
11	Total surface-active substances	mg/L	<0.05	<0.05	<0.05	<0.06	5
12	Coliform	mg/L	380	1,100	260	49	3,000

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

# Wastes



With the advancement of the economy, particularly in the industrial and construction sectors, environmental protection, including waste management and treatment, has become a mandatory requirement for all countries and regions. With over 20 years of development, Vicostone is acutely aware of responsibility and role in waste management.

- Waste management at source: Vicostone prioritizes minimizing waste generation, followed by sorting and segregating waste for appropriate treatment methods to reduce processing costs. The environmental impact of waste storage and management at Vicostone is minimal, as all waste is contained within compliant storage facilities. Furthermore, 98%

of the generated waste consists of typical industrial solid waste (stone powder and chips), which has minimal environmental impact.

- Waste treatment: Vicostone transfers all generated waste to specialized units equipped with suitable treatment methods. Given the low volume and hazardous characteristics of Vicostone's waste, coupled with the fact that secondary waste produced during the treatment process is consistently collected, treated, and recycled, the environmental impact from waste treatment is negligible<sup>1</sup>.

## Vicostone's commitment to waste control

- Committed to adhering to current regulations on waste management within manufacturing facilities, Vicostone fulfills reporting obligations to state and local authorities regarding waste control and treatment;
- Implements and complies with ISO 14001:2015 environmental management standards, establishes regulations for waste management, and enforces company-wide policies on waste management, including source waste segregation;
- Allocates necessary resources to maintain and invest in improvements for the Company's waste treatment infrastructure; proactively to adopt advanced

waste management and treatment solutions;

- Continues to support and enhance Kaizen-5S activities, integrating Kaizen 5S into the Company's production and business culture; regularly conducts training sessions on waste management and treatment regulations for employees and encourages participation in environmental protection programs initiated by the Company, such as "Bright Friday";
- Invests in research and development, and implements projects focused on waste recycling and reuse within the Company.

<sup>1</sup> Ha Van (2023), "Disbursement at least 95% in more than VND 700,000 billion investment capital ratios 2023", Government News, February 25, 2023, baohinhphu.vn

# Wastes management and treatment

## Origin

- Common industrial wastes at Vicostone includes:
  - Stone chips, swarf and burr from production stages;
  - Dried sludge from the water treatment system;
  - Clump of materials, powder of vacuum cleaner in the production formation process;
  - Nylon, carton, gold foil, etc., from the product formation process.
- Solid domestic wastes are primarily discharged from cafeterias, offices and operating rooms, and gathered by industrial cleaning staff on a daily basis.
- Hazardous wastes primarily originate from the maintenance and repair of equipment, cleaning and maintenance of production lines, while some are from office work. Hazardous wastes at Vicostone are sorted at source and categorized into six main types: residual oil, metal packages, fluorescence light bulbs, filters and stained drags, printer's cartridges, lead batteries.

## Management and measurement

### Common industrial wastes

To manage in full compliance with State regulations related conventional solid waste, the Company exercised strict control and clear categorization, particularly:

- Gather and build temporary solid waste storage, meeting the requirements of common waste storage under the provisions of Decree 08/2022/NĐ-CP; TT 02/2022/TT-BTNMT on the management of wastes and craps;
- Develop and apply regulations on waste gathering, classification and management;
- Maintain daily inspection of sorting and gathering of waste at units of the Company.

Conventional and non-hazardous solid waste is collected and stored by the Company before being transferred to a competent environmental company for treatment in accordance with regulations stated in Circular

TT02/2022/TT-BTNMT. The Company also conducted annual analysis on required waste such as powder and stone chips. The most recent analysis was documented in result report no. 02843/2023/PKQ (23/05.07-1716-BT) dated October 30, 2023, carried out by the Working Environment Monitoring Station of the Institute of Occupational Safety and Health Sciences.

No.	Conventional solid waste	2022 Volume (kg)	2023 Volume (kg)	Treatment method after being transferred to environmental company
1	<ul style="list-style-type: none"> <li>• Stone chips, swarf and burr from production stages;</li> <li>• Dried sludge from the water treatment system;</li> <li>• Clump of materials, powder of vacuum cleaner in the production formation process;</li> <li>• Unused stone powder.</li> </ul>	20,802,500	11,913,500	Burial in accordance with the law
2	<ul style="list-style-type: none"> <li>• Nylon, Carton, gold foil, etc. from the product formation process.</li> </ul>	173,317	151,104	Incinerated with advanced technology. Generated ash then used to produce adobe bricks
<b>Total</b>		<b>20,975,817</b>	<b>12,064,604</b>	

Statistics of the volumes of conventional solid wastes collected and transferred for treatment

Vicostone consistently maintained and implemented Kaizen programs with outstanding results. Notably in 2023, Vicostone introduced the continuous improvement program – CI (critical improvement

projects) to push Kaizen programs towards specific goals, resulting in the reduction in the volume of conventional industrial waste (including stone powder and stone chips) compared to 2022, from 27.01

Kg/m<sup>2</sup> of products to 21.96 Kg/m<sup>2</sup> of products.





### Solid domestic waste

Solid domestic wastes are primarily discharged from cafeterias, offices and operating rooms, and gathered by industrial cleaning staff on a daily basis. Control and treatment solutions:

- 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 Industrial

and Urban Environment JSC No 11 - Urenco 11 according to contract 02/2023/HĐCN/URENCO11-VICOSTONE 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.

Solid domestic waste	2022	2023
Mass (tons)	22.9	18.7

### Hazardous waste

Control and treatment solutions:

- Develop and apply regulations on waste management;
- To ensure conformity with legal regulations, Vicostone JSC registered list of regularly generated hazardous wastes and was accorded with a Environment license No. 130/GMPT-UBND by the Hanoi People's Committee on August 14, 2023;
- 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. 02/2022/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 transferred hazardous waste to an environmental company to transport and treat according to the law.

Waste Type	2022 Volume (kg)	2023 Volume (kg)	Treatment Method After Transfer to Environmental Company
Used oil	4,785	3,850	Incineration
Metal rigid packaging waste	3,189	2,195	Washing
Plastic rigid packaging waste	300	135	Washing
Fluorescent lamp waste	28	6	Crushing, solidification
Filter materials, oil and grease-soaked wipes waste	2,863	3,360	Incineration
Printer ink cartridge waste	8	2	Incineration
Lead-acid battery waste	25	50	Disassembly, recovery, chemical treatment
Welding rod waste	0	120	Solidification
Other waste organic solvents and cleaning solutions	3,394	6,640	Incineration
<b>Total quantity</b>	<b>14,682</b>	<b>16,358</b>	

Volume of hazardous waste collected and transferred for treatment by the environmental company

## Recycling, reuse of solid waste

### Recycling and reuse projects

The creation of eco-friendly advanced engineered-stone products has always been the ultimate target that Vicostone and its employees strive for. The Company in recent years has studied possible solutions to restrain the impact of its manufacturing activities on the environment,

including the reuse of solid wastes disposed from the making of eco-friendly outputs. Some outstanding scientific project are as follows:

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

The production process of quartz-based engineered stones creates a by-product, i.e., waste stone powder during the product polishing phase. The Company has researched technological solutions 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 waste stone powder 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 a 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 waste stone powder from the production of engineered stones and aluminum silicate in organic polymer binding agent".

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

In addition to the research on reusing waste stone powder for production with Geopolymer technologies, the Company also initiated a research project on synthesizing amorphous silicon dioxide ( $\text{SiO}_2$ ) from stone powder waste. Amorphous  $\text{SiO}_2$  in the form of fine powder is a high quality refined  $\text{SiO}_2$  with a 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 been awarded patent number VN63527 on 26 June 2023 by the Department of Intellectual Properties of the Ministry of Science and Technology to protect its rights to the "Process of synthesizing amorphous silicon dioxide powder from waste stone powder in the production process of quartz-based engineered stone".

### Project: "Synthesis of liquid glass ( $\text{Na}_2\text{SiO}_3 \cdot n\text{H}_2\text{O}$ ) 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 ( $\text{Na}_2\text{SiO}_3 \cdot n\text{H}_2\text{O}$ ) 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 waste stone powder 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 >85%

of  $\text{SiO}_2$  and is used for producing construction glass or as filler agent for other industries such as cladding materials, paint, composite, etc.



In addition to research projects on the reuse of stone powder, in 2023, the Company continued to extend its research into new territories to

expand the ability to reuse waste stone powder as material for other fields. In particular:

**Project: “Research on reusing waste stone powder from the production of quartz-based engineered stones to produce kaolin – a material for the production of ceramics for the construction sector, tiles, and ceramic sanitary ware.”**

Currently, the Vietnamese ceramics industry is experiencing robust growth. In 2020, its production capacity reached 24 million ceramic sanitary ware products, with revenues nearing VND 10,000 billion. In 2021, the output of sanitary ware production reached 13 million units, with export value of USD 174.7 million and import value of USD 59.8 million. In 2022, production reached 13.5 million products, with export value of USD 202 million and import value of USD 47.5 million.

In recent years, along with the country’s development, a significant amount of waste has been generated, including ash from thermal power plants and slag from steel production facilities. Research has been conducted to reuse this waste in various construction material production sectors, including cement, concrete, bricks, and ceramics.

For those reasons, in 2023, Phenikaa implemented the Project titled “Research on reusing waste stone powder from the production of quartz-based engineered stones to produce kaolin – a material for the production of constructional ceramics, tiles, and sanitary ware”. The research outcome showed waste stone powder from the production of quartz-based engineered stones may be used in the production of kaolin filters in accordance with the TCVN 6301:1997 national standard.

Phenikaa’s kaolin products that use waste stone powder from the production of quartz-based engineered stones have been assessed as compliant with the TCVN 6301:1997 national standard.



**Project: “Research on reusing waste stone powder in the production of quartz-based engineered stones to produce cement clinker.”**

In parallel with the research on reusing waste stone powder in the production of kaolin filters, the Company cooperated with the Institute of Building Materials to research reusing waste stone powder in the production of quartz-based engineered stones to produce cement clinkers. The research results indicated that waste stone powder from the output of quartz-based engineered stones can fully replace calcium silicate components in the clinker material. Furthermore, the utilization of waste stone powder in the production of clinkers is the most comprehensive solution among the various applications for waste stone powder for the following reasons: Cement production facilities have permits for waste treatment; the technological process aligns perfectly with the attributes of waste stone powder;

large production capacity allows for utilization of 100% of waste stone powder of the entire Company; and the production line includes an exhaust gas treatment system that complies with standards.

**Project: “Research on the use of waste stone powder from the production of quartz-based artificial stones to produce fire clay bricks (tunnel kiln bricks).”**

In 2023, the Company successfully implemented the project on reusing waste stone powder generated from the production of quartz-based engineered stones to produce fire clay bricks. The fire clay brick production technology was deemed suitable for using waste stone powder to as raw material due to its superior characteristics, i.e., reduction of hillside land ratio; direct utilization without incurring additional steps in production; ensuring of product quality; complete incineration

of organic impurities in the firing process with the capability to use 100% of the Company’s waste stone powder.

Phenikaa’s fire clay bricks that use waste stone powder from the production of quartz-based engineered stones have been deemed compliant with the QCVN 16:2019/BXD national standard.

**Research direction in 2024**

In 2024, in response to economic fluctuations, Vietnam will intensify public investments in infrastructure construction to stabilize the national economy and promote sustainable growth. It’s also a period of time when all capital under the Economic Recovery and Social Development Program is due for disbursement. In light of pressures of public investment, the demand for land/sand for key projects has surged. However, the supply in this respect remains limited, leading to potential delays in the project process. In 2024, the Company will continue its research direction: reusing waste

stone powder to produce backfill materials, thus contributing to solving societal problems while also closing the loop in the technological process of creating quartz-based engineered stones, resulting in positive environmental, economic, and societal outcomes.

# Environment

## Compliance with environmental laws

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.

- 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;
- Environmental license No.130/GPMT-UBND. This new license is valid for 10 years and supersedes all provisions specified in the previously issued environmental license.
- Certification of completion of projects and measures for environmental protection No. 255/STNMTCCMT 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 4th time on June 6, 2017.
- Vicostone commits to 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; and 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. Vicostone also commits to submitting regular environmental report to State agencies.
- 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 2023, 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, details as follows:

No.	Environmental protection activities	Service provider
1	Pump suction, cleaning of oil and grease separators, septic tanks	Urban Environmental Hygiene Service Co., Ltd. No. 1 Hanoi
2	Periodic monitoring of occupational environmental conditions	Environmental Analyzing and Technique., JSC (EATC)
3	Hazardous waste treatment	Industrial and Urban Environment, JSC II – Urenco II
4	<ul style="list-style-type: none"> <li>• Periodic environmental monitoring</li> <li>• Analysis of abrasive powder from circulating water systems</li> </ul>	Environmental Analyzing and Technique., JSC (EATC) Occupational Environmental Monitoring and Analysis Center
5	Analysis of drinking water and potable water samples	Hanoi Preventive Medicine Center, Examination Center – Hanoi University of Public Health
6	Payment of environmental protection fees for industrial wastewater	Vicostone JSC pays environmental protection fees to the State budget
7	Transportation and treatment of general industrial solid waste (stone powder, stone dust)	Phu Minh Vina Environmental Co., Ltd.
8	Transportation and treatment of plastic waste	Industrial and Urban Environment, JSC II – Urenco II
9	Transportation and treatment of household waste	Industrial and Urban Environment, JSC II – Urenco II
10	Measurement of respiratory dust concentration to develop internal reduction solutions	Institute of Occupational Health – Ministry of Health
Total expenses Vicostone has incurred for the above environmental protection activities: 4,375,898,740 VND		

**Environmental protection activities and total expenses for those activities of Vicostone**

In the course of production and business activities, whenever new environmental issues arise, the Company proactively sends official letters to report and seek guidance to fully comply

with environmental protection commitments. Additionally, annually, the Company invites independent, qualified organizations to monitor its environmental issues.



## Safe Environment Management System

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's 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.
- 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;
  - Improve.

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

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.

Kaizen activities contribute to building a mindset of continuous improvement among everyone in the workplace, fostering team spirit, and developing leadership roles among leaders and managers

through practical activities. Kaizen has become an integral part of the company's culture, significantly aiding in production support and environmental protection.

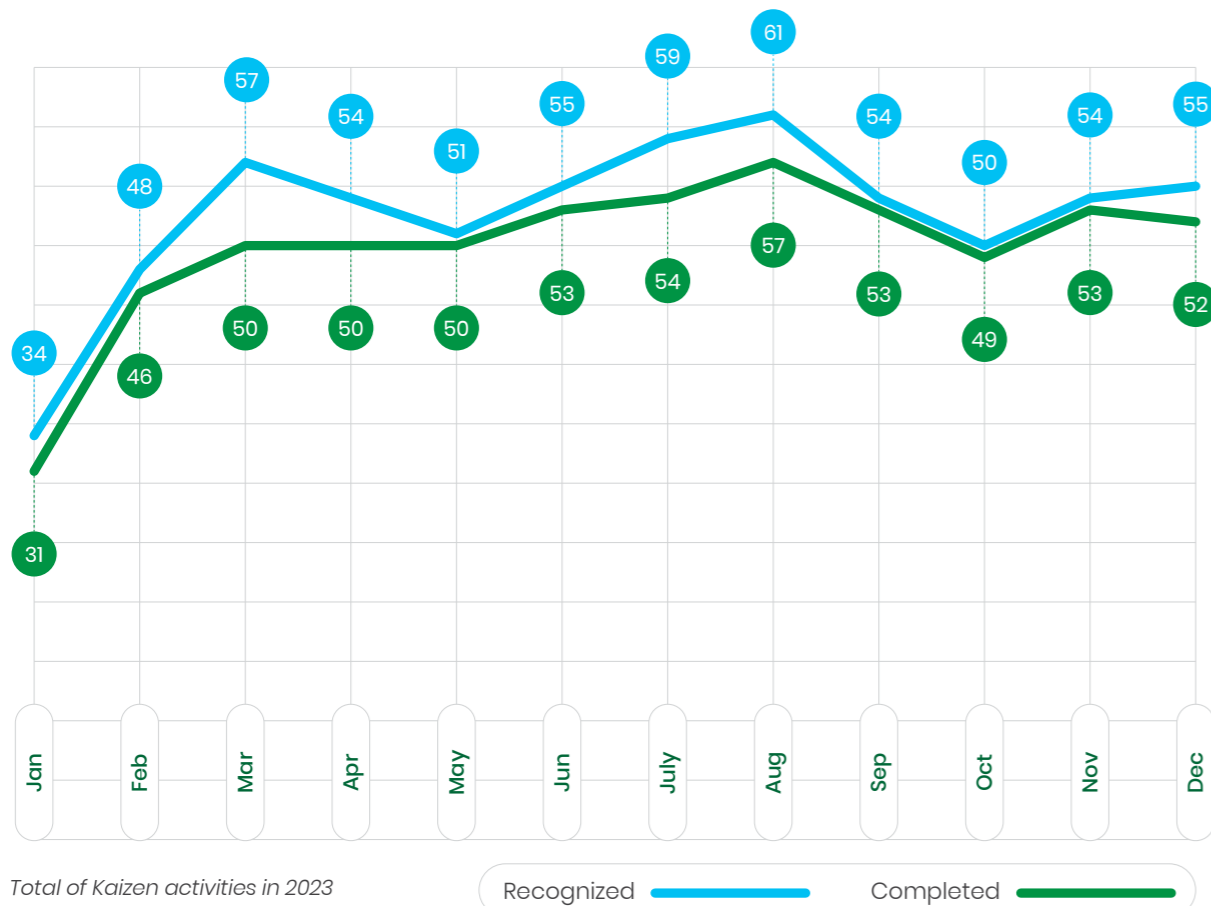
## Kaizen - 5S activities

On the basis of the Kaizen - 5S program that has been implemented and applied in the previous years, in 2023, the Kaizen - 5S Board implemented additional items to promote the 5S movement and improvement in the Company.

- 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 ;

- Regularly organize trips for employees in charge of the 5S activities to visit and learn from facilities that have successfully implemented Kaizen 5S. This aims to upgrade and innovate the program to enhance efficiency in production and the Kaizen 5S;
- 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 route, etc.

## Vicostone's Kaizen activities in 2023



Number of Kaizen activities recognized	Number of Kaizen completed	Vaule of implementation (VND million)
628	602	2,351

Number of Kaizen activities and their benefits in 2023

The number of Kaizen activities in 2023 remained relatively stable throughout the months. The number of completed Kaizen activities

tends to be close to the number of recorded activities, indicating their high practicality.

## 5S activities

Based on 5S Handbook, standards and periodic/infrequent evaluation checklists have been specifically established for each position. Vicostone's employees consistently adhere to the 5S activities in production. The observed benefits are as follow:

improve, and communicate continuously;

- The implementation of 5S activities at workstations, consistently throughout the work process;
- Ongoing maintenance of on-site activities (in accordance with standards), allowing each team leader/supervisor/employee to provide evaluations and feedback immediately after each shift, and to take actions to sustain, rectify,

- Ensuring and continuously enhancing the quality of the working environment and the appearance of the production area;
- Minimizing waste in the production process, including reducing cost, execution and searching time;
- Improving safety measures in production and proactively preventing risks;
- Creating a comfortable and convenient working environment.

## "Bright Friday" activities

Continuing the success of the "Bright Friday" activity that has been implemented since 2018, 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 in 2023. "Bright Friday" activity helps the Company build a green lifestyle, habits of maintaining public cleanliness at all times, disposing of and picking up waste, sorting recyclable waste, and recycling to reduce environmental impact.

Within the framework of the "Bright Friday" initiative, small activities such as: cleaning the workplace, waste sorting, promoting the reduction of plastic waste, and conserving resources like electricity, water, and paper, are all implemented and communicated comprehensively in public areas, which helps form daily habits for everyone.



# Employment and market presence

## Labor force

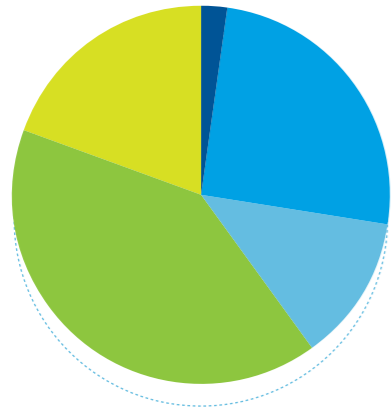
Vicostone's total number of employees as of December 31, 2023 was 672. The proportion of young workers under 35 years old accounted for 46.1% with dynamism, enthusiasm and creativity in work. As a company operating in the field of industrial production, the number of employees directly involved in the Company's production line is quite large, accounting for ~77% of the total number of employees in the Company. The male workforce also accounted for the majority (82.3%). In addition, 87.9% of the Company's employees have undergone vocational training. With 30% of workers having university degrees or higher, and 57.8% of workers having college, intermediate, elementary, and technician degrees, Vicostone's workers have good quality and suitable backgrounds for advanced training to meet the Company's requirements and goals.

Identifying that human resources play a particularly important role in the sustainable development of the business, Vicostone always puts people at the center of activities, constantly improving the working environment to ensure safety, dynamics, fairness, and openness for all employees while creating opportunities for employees to maximize their capacity, commitment, and efforts to build a career and contribute to the overall sustainable development of the Company.

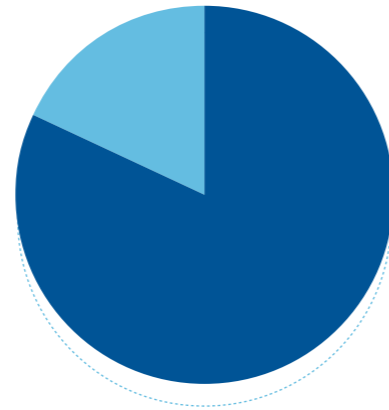
Number of employees at Vicostone in the period of 2019 - 2023



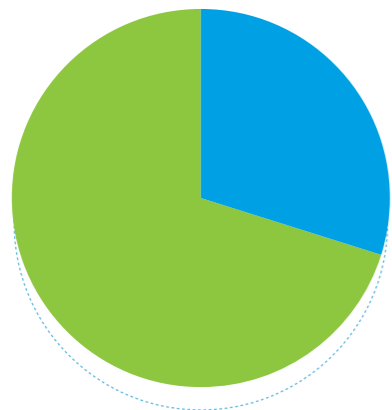
## Labor structure 2023



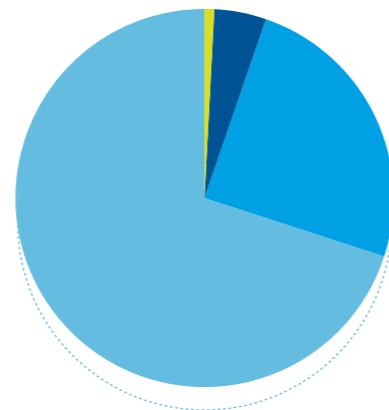
- 2.7% Graduate Degree
- 27.4% Undergraduate Degree
- 13.7% Associate Degree
- 44.2% Primary and secondary vocational training
- 12.1% High School



- 82% Male
- 18% Female



- 23.21% Production Support Employees
- 76.79% Direct Production Employees



- 1% Board of Directors
- 5% Managers
- 27% Employees
- 76% Workers

## Personnel fluctuations in 2023

The Company's revenue mainly comes from export activities. Therefore, in 2023, Vicostone's business activities was strongly affected by global macroeconomic factors such as high inflation in many countries, geopolitical conflict between Russia and Ukraine, the unstable situation in Middle Eastern countries, and gloomy real estate and construction markets. In that difficult context, many domestic companies went bankrupt, discharged a lot of employees, and/or closed or downsized their business. However, Vicostone still continued to ensure jobs and income for its workers.

The total number of employees rotating jobs and terminating contracts at Vicostone in 2023

was 123 people, including three employees taking leave to perform military service, 16 employees terminating their labor contracts for rotating to new positions under Phenikaa Group and two employees retired under the Labor Code; the remaining 102 employees resigned; no employees were dismissed, fired or quit because the Company did not have enough jobs for them.

Of the total 123 employees whose contracts were terminated, 98% were male employees; 2% were female employees; 60 employees were under 30 years old; 63 employees were 30-50 years old; 97% were residents of Hanoi (78% are workers in Quoc Oai and Thach That Districts, where the Company is headquartered).



## Salary and bonus policies

### Ensuring fair and stable compensation for employees

The Company's salary policy is based on job positions and the labor market trends. The details of this are as follows:

- For positions involved in direct production, salary is paid according to labor productivity;
- For production - supporting/office work positions, salary is paid based on job position, capacity and work efficiency of each individual and competitively with the market;
- For business and sales positions, salary is paid based on the sales of products/services.

The salary of employees is determined according to their job position, on the basis of clear and quantitative evaluation criteria, commensurate with their capacity and performance. The Company manages and records employee's performance through a competency and KPI framework. This is a tool to evaluate employee capacity in a comprehensive and fair manner. Through periodic performance assessment activities, employees as well as managers clearly understand the missing capacities so that they have plans for capacity building and improvement.

In 2023, the Company continued to improve and develop salary policy based on the principle of fairness and reasonableness between the job positions in the Company, ensuring timely and fair salary payment for all employees. Salary payment time was guaranteed in accordance with the Collective Labor Agreement to prevent salary payment delays. The Company added policies on allowances such as work allowances (Gasoline, phone, lunch, etc.) to help employees feel secure in working and contributing to the Company. In addition, in order to encourage employees to increase their productivity and quality of work, the Company offered diverse and rich bonus policies such as: periodic bonuses on special occasions (holidays, the date of establishing the Group, retreats/team buildings etc.), extraordinary bonuses (rewards for initiatives and improvements successfully applied in production, bonuses for market expansion in stages for business positions, bonuses for outstanding individuals and collectives etc.), and bonuses based on the results of the Company's production and business activities.

### Average salary and income of workers

**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 159% of the regional minimum wage.

**For starting salary:** The lowest average starting salary of employees is at least 150% and the average is 210% of the regional minimum wage.

No.	Items	Unit	Lowest monthly salary in 2023	Average monthly salary in 2023
1	Regional minimum wages according to State regulations	VND	4,680,000	4,680,000
2	Probationary salary	VND	5,500,000	7,420,000
3	Probationary salary	VND	7,000,000	9,829,000
4	Average income of male employees	VND		18,913,587
5	Average income of female employees	VND		17,111,845
6	The ratio (%) of the probationary salary of the newly recruited employee to the regional minimum wage	%	118%	159%
7	The ratio (%) of the employee's average starting salary to the regional minimum wage	%	150%	210%
8	The ratio (%) of the average income of male workers to the regional minimum wage	%		404%
9	The ratio (%) of average income of female workers compared to the regional minimum wage	%		366%

### Vicostone's recruitment and talent policy

The Company's recruitment in 2023 did not increase in quantity compared to previous years. However, the recruitment standard for personnel quality was higher, i.e., increasing the need for recruiting highly qualified personnel in R&D and sales (including domestic and international sales). In 2023, Vicostone still ensured jobs for employees and recruited 16 additional employees (official number of additional employees after probation).

In addition to attracting human resources from outside, the Company's BOM also strived to maximize the capacity of

existing human resources such as transferring personnel between units and appointing young managers from the planned staff.

New recruitment rate in 2023 by gender:

Male: 06/16 = 37%

Female: 10/16 = 63%

New recruitment rate in 2023 by age:

19 - <30 years old: 4/16 = 25%

30 - 41 years old: 12/16 = 75%

Percentage of workers recruited from the local area (i.e., Quoc Oai/Thach That): 07/16 = 44%

## 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.

### 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 2023, Vicostone did not have any female employees taking maternity leave to return to work before the deadline prescribed by law. The number of employees taking parental leave is 55 people (07 women; 48 men). The rate of female employees returning to work at Vicostone after maternity leaves is 100%; 100% of these 55 employees are retained for at least 12 months from the time they return to work after their parental leave. 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 month-old.

### 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.

### Other welfares

Free meals for employees at cafeterias with nutritious and safe diets;

- Housing support (apartments): the Company offer apartments to employees with preferential prices and interest rates to address employees' housing needs and help them to find stable residency and assurance in working.
- Organize regular activities to demonstrate affection towards employees such as year-end parties, birthday parties, anniversaries, 8/3, 20/10, 22/12 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.
- Providing financial support (VND 100,000/child) for employees to send their children (aged from 3 months to under 6 years old) to preschools.



Acqua Series BQ7701

# 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 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:

- 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.





# Occupational health and safety management

The Company has established the Social Performance Team (SPT) and Health & Safety (H&S) Committee with the goal of controlling occupational health and safety activities for employees; the participants in these committees are balanced between representatives of the employees and employer.

## Social Performance Team (SPT)

SPT was established under Decision No. 16/2024-QD/VCS-HR dated January 29, 2024, composed of 12 members: six employer representatives (three members of the BOM and three members represented employees) accounting for 50% and six employee representatives (the Chairperson of the Trade Union and five employees) accounting for 50%.

SPT meets at least twice a year and is responsible for performing the following main functions:

- Periodically assess risks to identify and prioritize areas that are not in accordance with SA8000 standards (Social Standards SA8000 is a set of standards

organizations need to meet, including building or improving employees' rights, working conditions and an effective management system), then recommend necessary actions to the Company leaders for addressing the risks.

- Regularly monitor activities; Implement actions to respond to risks identified by SPT;
- Collect information from relevant parties or invite relevant parties to participate in monitoring activities. SPT must also contact other parties to research, identify, analyze, and handle the points that do not comply with SA8000 standards.

## Health & Safety Committee (H&S Committee)

This Committee was established under Decision No. 15/2024-QD/VCS-HR dated January 29, 2024, composed of 12 members: six employer representatives (three members of the BOM and three members from employees of the Company) accounting for 50% and six employee representatives (the Chairperson of the Trade Union and five employees) accounting for 50%.

The H&S Committee meets at least twice a year and is responsible for performing the following main functions:

- Make continuous improvements in the workplace safety and health conditions;
- Identify and point out potential safety and health hazards. Occupational safety and health risk assessment must be carried out periodically to identify and point out potential safety and health hazards;

- Maintain records of assessments and corrective and preventive actions taken.

With the application of and compliance with the HSEQ standard system, especially the establishment and effective operation of the SPT, the H&S Committee, the Occupational Safety and Hygiene Council, and the Safety and Sanitation Employees' Network and Trade Union, etc. all employees of the Company are informed, trained and work in an environment that ensures safety, labor hygiene, and continuous improvement to prevent occupational accidents and diseases. In addition, strict compliance with gate access regulations and contractor control procedures helps all employees of service providers, contractors, customers, and related units to be trained on safety regulations, hazards, and risks before and while working at Vicostone.

# Communication and training activities to raise awareness about occupational safety and health

Communication and training play an important role in raising workers' awareness of occupational safety, hygiene, and health, helping workers equip themselves with knowledge about occupational health and safety (OHS) and proactively prevent risks as well as promptly respond to arising issues related to OHS.

Every year, the Company organizes training and communication for employees such as:

Training content	Objective	Number of people trained
Occupational safety training for Group 3 according to Decree 44/2016/BLDTBXH for people doing jobs with strict requirements on OSH, prescribed in Circular 36/2016/BLDTBXH	<ul style="list-style-type: none"> <li>Update legal documents for employees.</li> <li>Help workers understand potential risks related to equipment and jobs with strict requirements, and methods to prevent risks while performing jobs with strict occupational safety requirements.</li> <li>Provide instructions on basic steps in first aid for basic types of injuries at work.</li> </ul>	<ul style="list-style-type: none"> <li>467 people - 100% of those eligible for the training participated fully in the training</li> </ul>
Occupational safety training for Group 4 according to Decree 44/2016/BLDTBXH for workers not in Groups 1, 2, 3.	<ul style="list-style-type: none"> <li>Training on occupational safety laws, update new regulations related to occupational safety.</li> <li>Update and disseminate confirmed hazards and risks during the production process.</li> </ul>	<ul style="list-style-type: none"> <li>160 people - 100% of those eligible for the training participated fully in the training</li> </ul>
Occupational safety training for Group 6 according to Decree 44/2016/BLDTBXH for people in the safety and hygiene group	<ul style="list-style-type: none"> <li>Update and provide workers with legal documents regulating occupational safety and activities, responsibilities, and powers for safety and sanitation employees.</li> <li>Provide instructions on how to evaluate and identify risks in production.</li> <li>Provide first aid skills for safety and sanitation employees.</li> </ul>	<ul style="list-style-type: none"> <li>50 people - 100% of those eligible for the training participated fully in the training</li> </ul>
First aid skills training	<ul style="list-style-type: none"> <li>Training on basic skills in occupational health and first aid skills.</li> </ul>	<ul style="list-style-type: none"> <li>67 people - 100% of employees participating in training fully participated</li> </ul>
Chemical safety training for managers and chemical safety workers (According to Decree 113/2019)	<ul style="list-style-type: none"> <li>Update legal documents on chemical safety law.</li> <li>Provide guidance on chemical management and reporting.</li> </ul>	<ul style="list-style-type: none"> <li>19 people - 100% of those eligible for the training participated fully in the training</li> </ul>
Chemical safety training	<ul style="list-style-type: none"> <li>Provide information about chemical safety, chemical risks, and first aid for chemical accidents.</li> </ul>	<ul style="list-style-type: none"> <li>289 people - 100% of those eligible for the training participated fully in the training</li> </ul>
Electrical safety training	<ul style="list-style-type: none"> <li>Provide information about electrical safety, handling electrical incidents, first aid for electric shock, etc.</li> </ul>	<ul style="list-style-type: none"> <li>25 people - 100% of those eligible for the training participated fully in the training</li> </ul>
Organizing drills to respond to emergency incidents	<ul style="list-style-type: none"> <li>Implement steps to handle emergency incidents, and check preventive measures and emergency response equipment</li> </ul>	<ul style="list-style-type: none"> <li>Chemical incident response drill: two sessions</li> <li>Fire and explosion incident response and escape drills: one session</li> <li>Drill to respond to electric shock incidents: one session</li> <li>Drill to respond to gas leak incidents: one session</li> </ul>

# Healthcare and improvement of working environment

## 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.



## Health care for employees:

### Improve work environment

To improve the quality of the work environment, the Company annually coordinates with the Environment Analysing and Technique JSC (EATC) - a company capable of monitoring factors such as microclimate, dust, noise, vibration, VOCs, etc. in the working environment; and then develops a plan to supplement and upgrade factory equipment and infrastructure. Continuous upgrading helps the work environment in production workshops always meet technical regulations and working condition standards, thereby preventing occupational diseases and improving health and work efficiency for workers.

In addition, the Company always equips employees with appropriate and quality personal protective equipment to use during work, to maximally prevent harmful factors in the work environment.

Since 2015, the Company has implemented the 5S Program and maintains it annually, making 5S one of the key tasks of the departments, building inspection and evaluation mechanisms and inspection teams. Leaders of the Company also regularly and directly engage in inspecting the 5S implementation at manufacturing plants and units of the Company. Implementing 5S helps Vicostone create a scientific, clean, and convenient working environment, forming scientific and disciplined working habits.

### 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.

### 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.

### Occupational disease screening

Every year, the Company coordinates with Hanoi Medical University Hospital - a qualified unit according to applicable regulations - to organize periodic screening for occupational diseases. In 2023, the Company organized occupational disease screening for 155 employees in some medical domains such as: pneumoconiosis, tremor, deafness, asthma/bronchitis, skin darkening, and cataracts.

The results show that currently no workers have been found to have occupational diseases.

### Occupational accidents

Occupational accident in 2023: The Company had none serious occupational accident as follows:

- Number of deaths: None
- Number of injured people: One person (Vicostone employee)
- Gender: Male
- Injury status: Closed fracture of the lower end of the right radius bone.
- Hours worked in 2023: 1,528,039 hours. Work-related injury rate: 0.65 (per 1,000,000 hours worked)
- Number of days off due to occupational accidents: Seven days
- Hazards and risks have been identified and evaluated according to the QTA 01 procedure (Hazard identification and risk assessment procedure). Among the identified hazards, the risk of slipping at work is the direct cause of injury to worker.
- Remedial and preventive

solutions have been established in the Minutes of Investigation of Occupational Accidents according to Decree 39/2016/ND-CP, QTA Process - 02 Procedure of investigating occupational incidents including information such as measures and person responsible for implementation and completion deadline. Implementation results are monitored by the Safety Department, HSEQ experts and authorities in the field of occupational safety and hygiene.

- In accordance with Circular 56/2017/TT-BYT and Circular 01/2023/TT-BYT, the employee experiencing the occupational accident was referred by the Company for medical examination. After receiving the assessment results, the employee has been fully provided with benefits available for people experiencing an occupational accident as prescribed in Article 38 of the Law on Occupational Safety and Health 2015 and Articles 3 and 4 of Circular 28/2021 TT- MOLISA.
- Vicostone has included detailed information about this occupational accident in its periodic reports according to the provisions of Article 24 of Decree 39/2016/ND-CP and Article 36 of the Law on Occupational Safety and Hygiene.

Vicostone always complies with the provisions of the Law on Occupational Safety and Hygiene, and identifies hazards and risks periodically and when they arise. Therefore, the rate of occupational accidents occurring to Vicostone's

employees is always low and there have never been any recorded cases of occupational accidents occurring to workers who are not Vicostone employees. In the event of an occupational accident, Vicostone always fully reports, guides workers, and fully implements the regimes prescribed by law.

### Disease prevention:

By 2023, through periodic health examination programs and occupational disease screening programs for those doing heavy and hazardous work and tasks exposed to harmful factors, the Company had not recorded any cases of occupational diseases related to work at Vicostone.

Based on the requirements of the law on occupational safety and hygiene and the identification and assessment of occupational safety and health risks according to QTA 01 (Hazard identification and risk assessment process), the Company always fully implements required activities to ensure occupational safety, hygiene, and occupational health care for all employees. In addition, the Company proactively implements health programs to prevent epidemics such as:

- Spray disinfection in offices and factories;
- Kill insects: mosquitoes, termites, cockroaches, etc. in all factories, offices, and sewers;
- Maintain the Industrial Hygiene Team and the Green - Clean - Beautiful Environment program to contribute to improving the Company's work environment.

# Education and training

Training is always one of the tasks the Company prioritizes its resources for, because high-quality human resources fully equipped with knowledge, skills, and innovative thinking are the key to creating long-term competitive advantages and success for businesses. Being aware of that, Vicostone has built a systematic training program according to the overall orientation and mechanism of Phenikaa Group to encourage the maximum development of personal capacity of all employees of the Company.

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.



## Training method

Vicostone develops an annual training plan based on (1) its needs for improving the capacity of its existing human resources towards its development goals and (2) personal development needs of its employees. Accordingly, based on its capacity framework, the Management annually evaluates the capacity of their respective department's employees by assessing their performance and comparing it with position competency standards, then proposing appropriate training programs to improve the capacity of staff and ensure that employees have the skills to achieve production and business goals.

At the same time, each employee can also request training programs to improve their own capacity to effectively perform their current work. Employees are always supported by the Company to participate in relevant training (e.g.: training, workshops, etc.) to enhance their efficiency.

Training at Vicostone is conducted consistently according to the Training Procedure (QT-11) issued by the Company's General Director. Every year, based on the approved training plan, the HR Department monitors and implements training throughout the Company. In addition, training implementation targets are included in the indicators used to measure monthly work performance of each department, making training and human resource development one of the key tasks of the Company. The training is monitored and evaluated monthly and used to manage the performance of departments and managers/leaders.

Vicostone's training programs are built to suit each target group, and use diverse training forms such as "training on the job", the Group's e-learning training system, and training in classes. This has helped Vicostone build a core team of employees, thereby inspiring a movement of continuous learning within the Company.

Placing people at the heart of the 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 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.

## Training program in 2023

In 2023, the world economy was affected by the impact of Covid-19 and geopolitical crises. Many enterprises had to close their business, declare bankruptcy, and/or have mass layoffs due to a lack of trading contracts and revenue. In that context, Vicostone still operated a profitable business and continued to invest in training and human resource development.

Vicostone has implemented the hybrid training system - 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 also promoted internal training, on-the-job training, and mentorship/coaching to improve the skills and professional capacity of employees, especially those directly involved in production.

In 2023, Vicostone invested in human resources through 85 training courses with 4,524 participants and total of 26,587 hours of training.

Content	Gender		Position		Total
	Male	Female	Directors and managers	Staff	
Hours of training	22,554	4,033	788	25,799	26,587
Number of employees in 2023	552	120	39	633	672
Average training hours for each employee in 2023	41	34	20	41	40

## 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 2023, 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.

# Social responsibilities

Actively participating in community programs is an annual activity in Vicostone's sustainable development strategy. In 2023, the Company worked with many domestic and international organizations to develop and implement community support programs on the basis of the Company's Conscious Business Culture with the focus on the following:

- Engaging with the Government and relevant Departments/Ministries in enhancing education, promoting entrepreneurship and innovation among students and pupils;
- Improving the life of poor and disadvantaged children with the desire to bring a brighter future to them through appropriate education and care;
- Investing in infrastructure and supporting economic development in areas where the Group's headquarters and operations are located.

The Company believes that businesses can only develop in a sustainable community. Therefore, with support from the parent company - Phenikaa Group - and other subsidiaries in the Group ecosystem, Vicostone is always ready to share values, act in the spirit of humanity and give more for a happier and more beautiful Vietnam.

## Actively engaging with the Government and the Ministry of Education & Training in strengthening facilities, promoting the entrepreneurship and innovation among students and developing the education

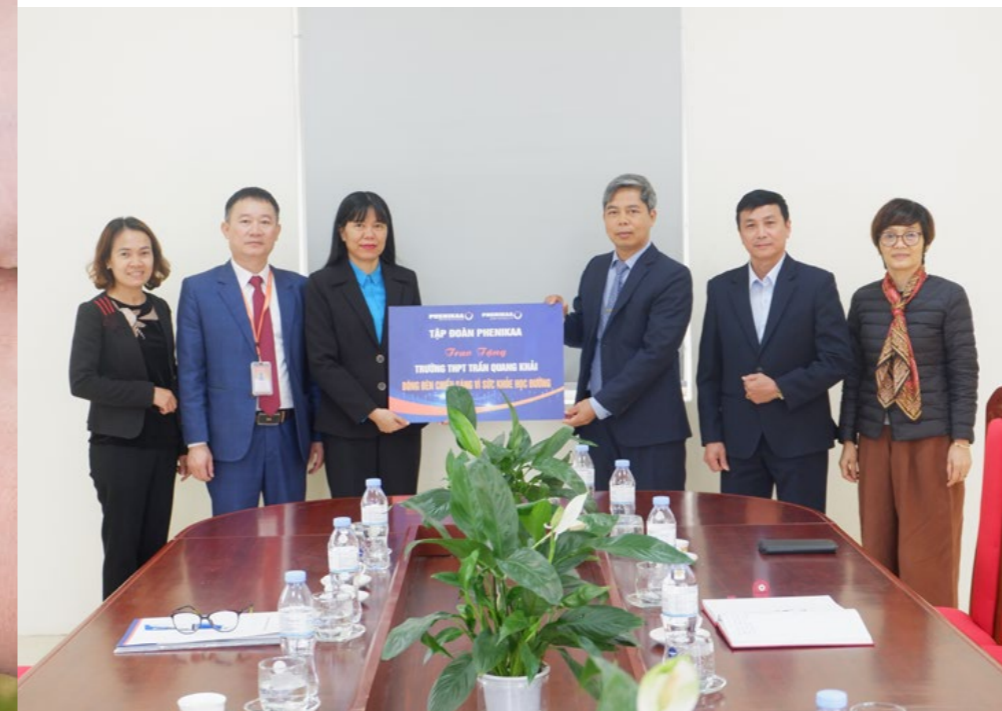
Enhancing facilities: In response to policy No. 1436/QĐ-TTg signed by the Prime Minister approving the Project of ensuring facilities for preschool and general education programs in the period of 2017 - 2025 to support localities to better teaching and learning facilities and equipment to meet the requirements of reforming the general education program, contributing to improving education quality, Phenikaa Group and Vicostone donated nearly 7,000 LED light bulbs for healthy school environment of more than 20 high schools in 05 provinces: Yen Bai, Hung Yen, Hai Duong, Nam Dinh and Thai Binh with a total value of more than VND 2.0 billion.

The nearly 7,000 light bulbs donated in the program using natural lighting technology for human health - Phenikaa Natural TrueCircadian - are researched, developed and exclusively owned by scientists and experts of Phenikaa Group and are produced on a smart electronic factory line with strict quality

installed new bulbs/replaced old bulbs in classrooms, functional classrooms and school staff rooms, providing a bright and energy-saving space.

Promoting entrepreneurship and innovation is an important driving force and resource in the development of each country, especially in the era of globalization and international integration. In recent years, the Party and State have issued and implemented many guidelines and policies to support and encourage startups and innovation. The entrepreneurial spirit and startup desire are beginning to flourish in most classes and generations of people, especially among young people, pupils and students. Based on the existing ecosystem platform in education, Phenikaa Group and Vicostone have actively engaged with the Government and the Ministry of Education and Training (MOET) to share values and create a favorable environment to support students in forming and realizing startup ideas and projects.

Spreading entrepreneurial aspirations to students nationwide: Phenikaa Group and Vicostone cooperated with MOET, the Central Committee of Ho Chi Minh Communist Youth Union and Thua Thien Hue Provincial People's Committee to organize the 5<sup>th</sup> National Startup Festival for Students (SV\_STARTUP) on March 25 and 26, 2023 at Hue University, Thua Thien Hue province. This is the second year that the Group and its member companies have participated in this meaningful event, and is also the first year in three consecutive years of cooperation (2022 - 2025) with MOET in Project 1665, i.e., "Supporting students' start-up until 2025" (Decision No. 1665/QĐ-TTg dated October 30, 2017 of the Prime Minister). In addition to participating in organizing a series of activities in 2023 under project 1665, Phenikaa Group, Vicostone and other subsidiaries also held many important events, contributing to achieving the comprehensive education goal: Launching ceremony of the Movement "The whole country builds a learning society, promoting lifelong learning in the period of 2023 - 2030", Robotacon-Wro 2023 Competition Final Round; National Student Futsal Championship 2023; STEAMese Festival 2023, the Final of the 15<sup>th</sup> National Student Singing Competition.



Vicostone accompanied with the Phenikaa Group in the "Lighting Up the Future" program - donating health-friendly light bulbs to highschools in Northern Vietnam

control processes according to international standards. With this technology, the light will have a light spectrum closest to sunlight and the biological light spectrum area is enhanced, optimal for absorption by the human eye, helping the eyes relax and be healthy, contributing to improving the effectiveness of learning and teaching for teachers and students. After receiving light bulbs from the Company, the schools

## Contributing to improvement of medical quality and community health care

Wishing to support medical facilities in improving community health care facilities, in 2023, with financial support from Phenikaa Group, the Company provided medical treatment and care equipment for Hanoi Obstetrics Hospital and Quoc Oai District General Hospital.

### Donating 01 infant transport incubator with integrated ventilator to Hanoi Obstetrics Hospital worth nearly VND 01 billion

According to UNICEF statistics in Vietnam, an estimated 103,500 babies are born preterm and 17,000 children die within their first 28 days every year. Therefore, medical care for newborns needs great attention. The donation of incubators is both the Group and Vicostone's desire to support special care for premature babies and to encourage doctors and nurses to continue their noble

work for children's health in particular and the community's health in general. An infant incubator is the special care equipment installed with integrated ventilators to help create a controlled environment for newborns, protect and best support infants' development after their birth.



Every year, Vicostone accompanies with the Phenikaa Group in donating warm clothes and meaningful gifts to children in highland areas through the "Warm Spring in the border area" program

### Providing 02 hemodialysis machines for Quoc Oai District General Hospital

With more and more patients in Quoc Oai district needing machinery intervention in kidney treatment while the District General Hospital's medical facilities and equipment cannot meet their need, Phenikaa Group and Vicostone provided 02 hemodialysis machines to support patients and doctors. This timely provision of the machines enabled Quoc Oai District General Hospital to accommodate patients in need of treatment in the district so they do not have to spend a lot of time

traveling to other hospitals in Hanoi with rising treatment costs. This is also the Company's desire to join hands with localities to share difficulties with dialysis patients, helping them access better quality medical services, contributing to a better life for the community and society.

## "Together with Phenikaa to nurture disadvantaged children" program to improve the life quality of children in difficult circumstances

Despite poverty reduction achievements, Vietnam still faces many challenges such as disparities in living standards between population groups, urbanization, climate change and, most recently, the COVID-19 pandemic. Children are a vulnerable group and strongly affected by poverty. Lack of nutrition, education, and access to clean water and sanitation harms children's health and education throughout their lives. Understanding this and aiming to realize the United Nations' Sustainable Development Goals (SDG), Phenikaa Group, Vicostone and other subsidiaries have implemented the program "Together with Phenikaa to nurture disadvantaged children" to provide support for children living in difficult circumstances, improve their lives, and bring a brighter future to them through appropriate education and care.

### Awarding scholarships to students in difficult circumstances in Y Yen district, Nam Dinh province

On the occasion of the 15<sup>th</sup> anniversary of Vietnam Education Promotion Day in 2023, Vicostone and Phenikaa Group awarded nearly 40 scholarships to students living in extremely difficult circumstances and orphaned children at schools in Y Yen district, Nam Dinh province with the hope that these scholarships

will be meaningful gifts, motivating children to overcome difficulties in life and strive for a better future.



The Company cooperated with Room to Read Vietnam to donate books and library equipment to highland primary schools

### "Warm spring in the border area" for children and families in the mountainous and remote areas of Ha Giang province

In 2023, continuing to respond to the program, the Trade Union of Vicostone and Phenikaa Group in coordination with the Border Guard Command of Ha Giang province visited and gave 400 gifts to some disadvantaged households and preschool students in Chien Pho commune and Ban May commune, Hoang Su Phi district, Ha Giang province. The gifts included warm clothes, rice, spices, and confectionery with a total value of nearly VND 150 million.

This is an annual activity the Company has carried out in recent years with the desire to contribute to bringing a meaningful Tet and a spring of love to people living in the mountainous and remote border areas; to promote the compassion traditions and spirit of "good leaves protecting torn leaves" of Vietnam as well as the conscious business culture of Vicostone people.

## Collaborating with Room to Read to improve children's reading skills and culture

Room to Read's child-friendly school library program aims to help children develop reading habits to become independent readers. Room to Read works with localities and businesses to build and renovate classrooms into libraries; then provide safe, friendly equipment suitable for primary school students such as desks, carpets, open bookshelves, and educational materials. The reading environment aims to ensure both physical factors and attitudes to serve all students, helping them

feel safe and comfortable in the library. 2023 is the second year that Phenikaa Group and Vicostone collaborated with Room to Read in supporting renovation, providing equipment and reading materials for schools in remote areas. Up to now, Phenikaa Group and Vicostone have sponsored a total of 6 libraries in 4 provinces: Cao Bang, Ha Giang, Lai Chau and Nghe An.

## Promoting the sustainable development of local communities

Along with production and business development activities, Vicostone is committed to participating in socially responsible projects to create inspirational values for the local community; promoting social impact activities and sustainable development efforts; and increasing overall support for various communities. In many different forms and scales, the Company's

corporate social responsibility activities have contributed to promoting socio-economic development and improving the life quality of local communities.

## Donating more than 2,000 fire extinguishers to poor households in Quoc Oai district, Hanoi

In 2023, as fire prevention and fighting received a lot of attention from the community and society; and the authorities prioritized safety and security for people, Vicostone in collaboration with Phenikaa Group donated more than 2,000 fire extinguishers to poor and near-poor families and families in difficult circumstances in Quoc Oai district through the People's Committee of Quoc Oai district. This is a program with practical significance,

contributing to raising awareness and responsibility in ensuring fire safety for households, and at the same time, educating and mobilizing people to comply with laws on fire prevention and fighting, promptly detect and handle effectively from the moment a fire arises, preventing the fire from spreading or leading to large fires that cause damage to people and property;

## Visiting and giving gifts to Vietnamese Heroic Mothers

To mark the 76<sup>th</sup> anniversary of Vietnam War Invalids and Martyrs Day on July 27, 2023, Vicostone Trade Union visited and gave gifts to Mother Nguyen Thi Nam – the Heroic Vietnamese Mother that the Group had been supporting in Vong Xuyen commune, Phuc Tho district, Hanoi. This is one of the Company's gratitude activities for policy beneficiaries who contributed to the revolution in Thach That district, Hanoi, where the Company's headquarters is located.

The work of caring for and nurturing Vietnamese Heroic Mothers is a regular activity in the Company's social work, demonstrating the deep affection and sharing of Vicostone's staff in line with the Vietnamese gratitude tradition of "when drinking water, remember its source", fostering revolutionary traditions and together spreading good values with a conscious business culture.

## Giving mid-autumn festival gifts to children in Thach Hoa commune, Thach That district, Hanoi

In the joyful atmosphere of welcoming the full moon throughout the country, Vicostone Trade Union in collaboration with Phenikaa Group's Trade Union attended, sent wishes and brought meaningful gifts to children in Thach Hoa commune, Thach That district, Hanoi, where the Company's headquarters is located. Joining fun with children through cultural activities, lantern parades, and feasts, the Company hopes the gifts on this special occasion would help the children to have more joy, childhood memories, and motivation to continue their efforts on the journey of learning and growing up.

In addition to the above activities, the Company also carried out many other meaningful activities for the localities where the Company's factories are located, such as: organizing free medical examinations and medicine distribution for policy beneficiaries in the district, helping families of employees in difficult circumstances.



The Company, along with the Phenikaa Group, granted scholarships to underprivileged students in Y Yen, Nam Dinh

# Customer's health and safety





## Supporting customers in searching information

To make it easier for customers to directly access and choose products/services, Vicostone has built a widespread distribution system in more than 50 countries in five continents with more than 10,000 points of sale. In addition to the distribution system through agent channels, the Company has effectively invested in a direct distribution system to increase customer experience. In the U.S. market, there are currently eight direct distribution center: Headquarters in Dallas and seven branches in Houston, Chicago, The Mart Chicago, Atlanta, Tulsa, St. Louis, and Cincinnati. In the Canadian market, there are five distribution and warehouse branches in Toronto, Montreal, Vancouver, Calgary, and Winnipeg, along with four Design Centers for sales and product presentation in Victoria, Edmonton, Ottawa, and Saskatchewan areas.

In Vietnam, Vicostone is present throughout the country with three showrooms, which are located in Hanoi, Da Nang, and Ho Chi Minh City; three stone slab distribution centers and product processing and manufacturing factories, along with a series of warehouse systems of distribution partners in many provinces and cities nationwide.

The Company provide full information of products 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 on the front of the stone slab: The VICOSTONE® brand is printed on the nylon film that covers the front of the slab to protect the surface as well as to help customers to identify the authenticity of the products. In addition, all products are labeled with a silica warning label, which raises awareness about silica dust and encourages safe labor practices among fabricators and manufactures;
- 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.



## Fast delivery and good customer service

With six 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.
- Activities to improve customers' experience and training programs for customers in the Vietnamese market:
  - In the Vietnamese market, Vicostone has organized training via two formats: centralized training and on-site training. In the centralized format, training sessions

on products, policies and the manufacturing process according to Vicostone's global standards are held every six months in the Northern and Southern regions with focus on products, policies as well as the manufacturing process according to Vicostone's standards globally. In the on-site format, Vicostone provides training to agents every three months directly at partners' showrooms, offices, and workshops to help them improve and remember what they had learned from the centralized training as well as expand the training to its agents' personnel.

- For experts (e.g.: architects, interior designers, etc.), Vicostone continues to promote experiential activities, introduce brands and products, as well as increase connection to this target group through cooperating with programs such as the National Young Architects Festival, the "Autumn Meeting" program organized by the Vietnam Association of Architects, and experiential activities and showroom visits for students of Da Nang University of Architecture, Da Nang University of Science and Technology, and other educational institutions.

## Individual customer service

- 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.

Especially, in the context of the world economy experiencing crises due to macro factors such as the economic impact of Covid-19, political conflicts, high inflation, and tightening monetary policies of national governments to control inflation, the Company has many policies to support customers in accessing VICOSTONE® products such as providing product display support, marketing publications to introduce products, and flexible support policies for sales such as adjusting selling prices, and adjusting debt, etc. thereby improving customer experience and aiming for the highest satisfaction of customers.

## Processing customers' orders and complaints

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. Specific tasks include:

- Receiving customer orders;
- Checking order information;
- Preparing goods/ service offers;
- Contacting customers to provide goods/service offers;
- Negotiating and signing contracts;
- Requesting customers to fulfill/ guarantee payment;
- Delivering goods and services
- Issuing required documents; requesting customers to pay after delivery;
- Liquidating the contract; notifying customers of the contract termination.

Complaint handling towards customer satisfaction is one of the main factors contributing to enhancing the Company's reputation.

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.



## Customer satisfaction survey

For the Vietnamese market, Vicostone conducts annual surveys on customer satisfaction levels in all three regions nationwide. Below are some survey results on customer satisfaction from 2023 for products and services provided by Vicostone:

- Regarding products, 97% of customers were satisfied and very satisfied with Vicostone's products; 3% of customers rated Vicostone's product quality at the average level;

- Regarding service, 90% of customers were satisfied and very satisfied with the services provided by Vicostone; 10% of customers rated it as average. In particular, customers highly appreciated the following service aspects: Purchase process, order processing speed, payment procedures, and speed and quality of product manufacturing and installation. The average customer satisfaction score was 9.5/10 points.

## Confidentiality of customer information

Vicostone always focuses on customer information security through the following forms of control:

- Signing a Non-Disclosure Agreement (NDA) with customers and partners to commit not to disclose confidential information of customers and partners to third parties and take actions to protect it; Only using confidential information that customers and partners send for the purpose of exchanging and cooperating with customers and partners within the scope of work and projects being cooperated.

- Authorizing access and use of confidential information of customers and partners; Communicating to employees about the security of internal information as well as confidential information of customers and partners.
- Using an information management system to strictly controls information exchange transactions, limit the use of external applications to send information outside the system, and limit the use of online cloud storage applications as well as forms of information backup via hard drive, USB, etc.

## Product responsibility to customers

VICOSTONE® products have a 15-year warranty for private homes and a 10-year warranty for commercial projects. The Company commits to:

- Receiving and handling customer complaints in the shortest time;
- Regularly carrying out corrective and preventive activities for complaint issues.

The Company always strives to improve product quality to bring the best experience and added value to customers. In addition to commitments related to product quality, the Company regularly provides guidance to customers regarding manufacturing, installation, and use through periodic training sessions and documents published on the Company's website.

The Company's policy always puts customer safety and health at the center of production and product supply activities, because customers' safety and health have always been important factors in the sustainable development of the VICOSTONE® brand in international markets over the past 20 years.

With the policy of "proactive adaptation", the Company has invested in self-production and mastered the supply chain of input materials to proactively control production output quality and ensure the health and safety of customers.

VICOSTONE® products are assessed by independent laboratories and certification organizations as safe for users through the following certificates:

- GreenGuard, GreenGuard Gold: Certified that the Company's products are safe for indoor air environments, the products are approved for use in environments such as schools and health care facilities. GreenGuard certification under UL Environment ensures products meet the most stringent and comprehensive standards in the world for indoor air chemical emissions, environmental safety, and health. GreenGuard Gold

certification introduces more stringent requirements and ensures safety for sensitive subjects (such as the elderly and children), and ensures the product is acceptable for use in various environmental conditions, such as schools and medical facilities.

- NSF/ANSI 51: The certificate is issued by NSF based on NSF/ANSI 51 sanitation quality standards recognizes that VICOSTONE® engineered quartz stone products are safe to use in laboratories, medical facilities, schools, and commercial food equipment.
- CE: The CE certificates issued by SGS United Kingdom Limited acknowledge the products meet European standards. The CE markings, which indicate that the products have been verified and meet all safety, health, and environmental protection requirements, must appear on the products before they are sold in European market.
- EPD: 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 and are qualified to use in green building.
- HPD: 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.
- ASTA STANDARD: Certified by the world artificial stone association ASTA evaluated by SGS unit. The certificate shows that VICOSTONE products are produced by businesses with high social responsibility, meeting strict requirements on ensuring rights for workers, developing in harmony with environmental management

and responsibility in the supply chain.

- Kosher: 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.
- LBC Declare: The LBC Declare statement shows that VICOSTONE® products have a material composition that does not contain toxic chemicals, are transparently declared, and are fully compliant with standards to become materials for sustainable construction projects.
- Microbial resistance ASTM D6329 – 98: The certificate is tested at Greenguard's laboratory (Georgia, USA), certifying that VICOSTONE® products are certified as anti-bacterial materials, and bacteria cannot live or grow on the surface, ensuring health safety for users and the environment.

To achieve the health and safety certificates mentioned above, every year 100% of VICOSTONE products, production processes, and input materials are thoroughly inspected by independent laboratories and

certification organizations, ensuring 100% of VICOSTONE® products meet export standards for consumer health and safety and can be used in strict markets such as the U.S. and Europe.

Because Vicostone is a manufacturer and supplier of products and services to large customers, customers evaluate Vicostone on its effort to protect customer safety and health as well as its compliance with environmental and social responsibilities every year. The Company is committed to controlling input raw materials as well as output quality to ensure customer safety and health.

## Research and development promotion

R&D has always been a key objective of the Company over the years. In 2023, the Company launched eight new products in the field of stone slab and seven new products serving large construction projects in the international market, bringing impressive sales during the year and also being a driving force for boosting sales in the following years.

Connection and consultation with customers were enhanced to promote the development of new products, and launch unique product lines to meet the market's needs and tastes, contributing to increased

revenue as well as bringing more added value to customers.

In addition to efforts to constantly improve current product lines, the Company also focused on investing in R&D of new products and new materials to diversify customer experiences and serve the diverse needs of customers.

# Structure and corporate governance



## Structure and corporate governance

### The Board of Directors, management and functional departments in sustainable development

#### Principles of governance

##### Commitment

Vicostone acted in 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) and experts from various State agencies, and independent organizations; as well as latest version of GRI Standards.

##### 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

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

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 functions of departments and divisions in sustainable development issues:

### BOARD OF DIRECTORS

- Develop strategic planning, provide general guidance on the Company's strategic issues related to sustainable development;
- Direct and approve the development of ESG statements and strategies with specific goals

and action plans on environmental, social, and governance (including key topics of the year/period);

- Direct and monitor the performance of the Board of Management (BoM) in implementing strategies, make strategic decisions and provide orientation over necessary adjustments to achieve the proposed ESG strategic goals;
- Approve to issue the announcement of information

related to sustainable development, which includes Sustainable Development Report of the Company;

- During the preliminary and final review meetings of the Company, the BoD self-assesses the effectiveness and discusses about and agreed on appropriate adjustments based on the report on the implementation of the sustainable development strategy.

### BOARD OF MANAGEMENT

- Assign the responsibilities and roles of members of the BOM in managing sustainable development activities; appoint leaders to be in charge of the Company's sustainable development and directly responsible to the BOD for the results of implementing the sustainable development strategy. The General Director directly and comprehensively manages the Company's activities, is responsible to the BOD for directing and managing the

Company's activities according to assigned tasks, charter.; Deputy General Directors, under the direction of the General Director, implement and are responsible for sustainable development aspects according to their assigned tasks; The responsibilities of the BOD members are specified into KPIs and directly linked to each member's remuneration, demonstrating commitment to realizing the set goals;

- Direct the implementation of the Sustainable Development Strategy as approved by the BOD on the following aspects of the Company: Environmental - Social - Governance
- Direct and approve the communication plans so that

strategic goals and ESG spirit are spread to all employees of the Company;

- Conduct regularly supervision and provide timely orientation based on implementation reports from relevant functional departments to ensure the sustainable development plan achieves the set goals; detect and promptly report to the BOD the risks/concerns about ESG issues that may occur or affect the implementation of set goals to have effective response;
- Report and update implementation results through stages to the BOD at a certain frequency depending on the project and specific stage.

### FUNCTIONAL DEPARTMENTS

- Implement and realize sustainable development plans in accordance with the guidance of the Board of Management;

- Monitor the progress, evaluate the effectiveness and report on the detailed implementation results to the BoM according to assigned responsibilities; Detect and report as soon as possible to the BoM the risks/concerns about ESG issues that may occur or affect the results of implementing set goals in order to have an effective response plan;

- 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.

All members of the BOM are local people (Hanoi City), where Vicostone JSC is headquartered. To improve governance capacity, access knowledge and new trends in ESG implementation applied around the world, in 2019, Vicostone coordinated

with the Global Reporting Initiative (GRI) to deliver a training course on sustainable development and develop sustainable development reports for the BOD and specialized departments. The Company also sends personnel to participate in

seminars and forums on ESG to update knowledge and develop application plans consistent with the Company's operating model and characteristics.

## Roles of functional departments

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.

### Payment of remuneration for the BOD members in 2023

The payment of remuneration to the BOD members is based on the norms approved by the GMS, ensuring compliance with the provisions of the Company's Charter on remuneration, bonuses and operating expenses for the BOD's members and relevant legal regulations.

In 2023, the Company paid remuneration to the BOD members according to the Resolution of the 2023 GMS. The total amount of remuneration the Company paid to the BOD members in 2023 is VND 312,000,000.

In addition to remuneration, BOD members that take charge of tasks at the Company also received their salaries in line with the Company's wage structure.

The details of salaries and bonuses for the BOD and BOM members in 2023 are as below:

Currency: VND

No.	Full name	Title	Income (VND)
1	Mr. Ho Xuan Nang	Chairman of the BOD	72,000,000
2	Ms. Nguyen Dieu Thuy Ngoc	Member of the BOD	70,000,000
3	Ms. Tran Lan Phuong	Member of the BOD	60,000,000
4	Mr. Nguyen Quang Hung	Member of the BOD	60,000,000
5	Mr. Pham Anh Tuan	Member of the BOD General Director (Until February 2023)	1,035,772,810
6	Mr. Pham Tri Dung	Member of the BOD (From April 2023) General Director (From February 2023) Vice General Director (Until February 2023)	3,083,583,038
7	Mr. Nguyen Quang Anh	Vice General Director (From June 2023)	1,120,435,989
8	Mr. Luu Cong An	Vice General Director	2,870,116,035
9	Mr. Nguyen Chi Cong	Vice General Director	2,671,789,630
10	Mr. Dong Quang Thuc	Vice General Director	1,904,741,128
<b>Total</b>			<b>12,948,438,630</b>

The income is the consolidated income for management positions of members of the BOD and the BOM in 2023.



Calacatta Series BQ8670





# 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.

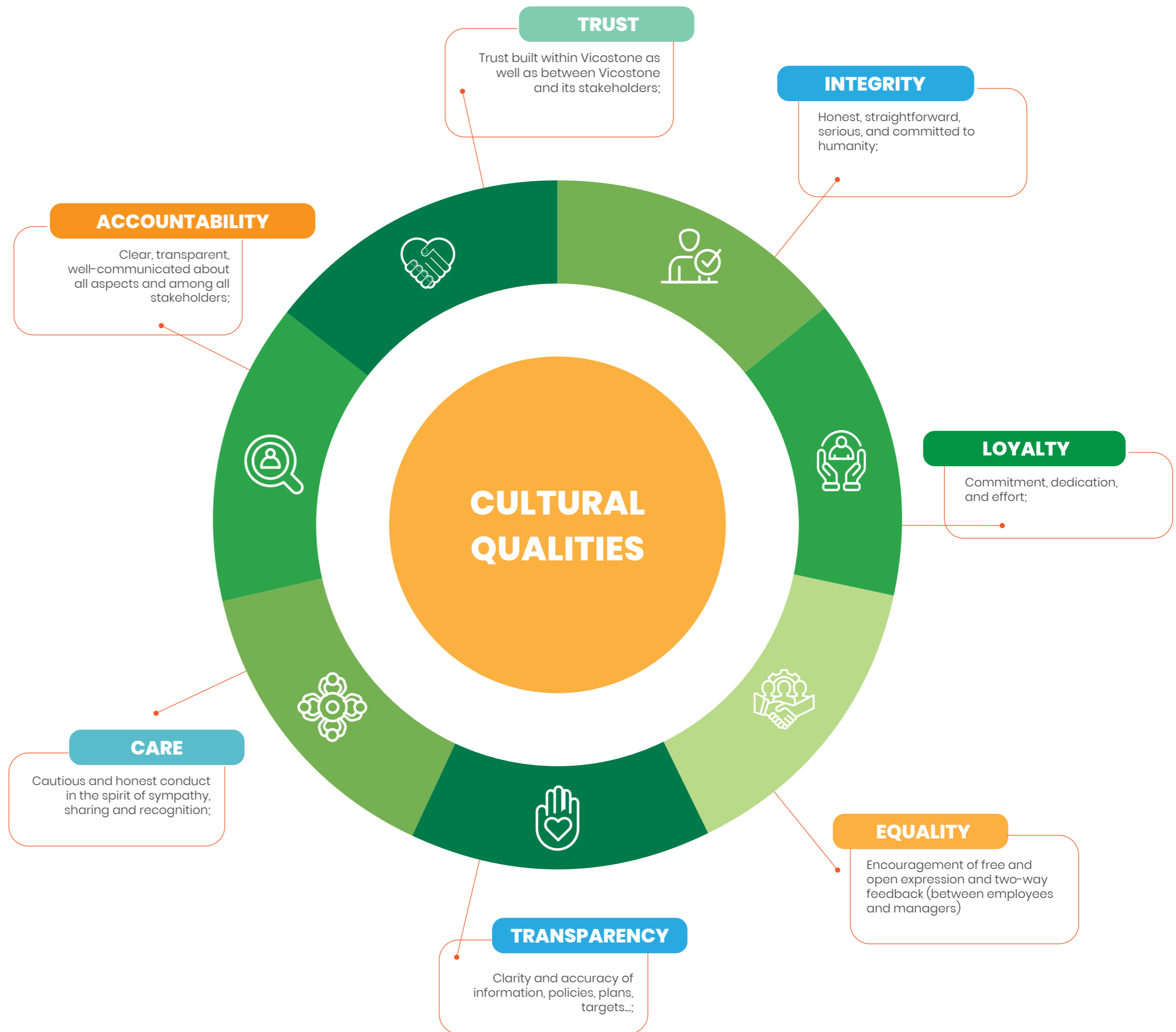
Vicostone's system of three core values and seven cultural characteristics is at the heart of the Vicostone Culture – the culture of the conscious business.

## 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.



## 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 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.



### 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.



# Anti-competitive behavior

In a market economy, anti-competitive and monopolistic behavior will hinder the overall development of the economy, directly affect consumer rights, negatively impact social justice and create negative impacts on the economy, inertia for businesses themselves to carry out anti-competitive and monopolistic practices. 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 anti-competitive, monopolistic and antitrust behaviors to join hands to build an ecosystem of businesses that practice responsible business, contributing to the sustainable development of the Vietnamese business community.

To protect our intellectual properties, Vicostone is currently taking legal measures under the laws on Intellectual Property and Competition and other technical regulations to actively exercising rights over the achievements of the Company's intellectual property, to limit unhealthy competition acts and apply measures to handle violations against any third party infringing upon the Company's intellectual property in accordance with the law.



## Measures to protect trademarks, intellectual property rights and prevent anti-competitive, monopolistic and antitrust behaviors

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:



## 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 unauthorized use of trademarks (names, identities, promotional content, etc.) by competitors, and 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 135 trademark names in Vietnam, 70 in the U.S., and 30 in Australia and 06 in Canada;
- With respect to the protection of industrial design of products: Vicostone has been licensed with the exclusive use of patented industrial designs of 27 products from parent company – Phenikaa

Group (BQ8925, BQ8915, BQ8800, BQ8863, BQ8840, BQ8860, BQ8686, BQ8730, etc.) in Vietnam and 7 industrial designs (BQ8915, BQ9701, BQ8883, BQ9700, BQ8925, BQ8800, BQ2902) in the U.S. Vicostone is in progress of registering for industrial design protection for other products.

- For the protection of inventions and utility solutions: In 2023, Phenikaa Group (Vicostone's parent company) has been approved by the Vietnam Intellectual Property Department to grant a protection certificate for 01 invention on the process of producing silicon dioxide materials, in parallel with that, the Company also continuously researches and develops products, and has applied for registration of a technical solution to improve the process of synthesizing silicon dioxide materials, improving the efficiency of fabrication and transportation processes to improve production processes and deliver products to customers. In particular, Phenikaa Group also simultaneously filed an international patent application on polyester materials and production processes to further promote the protection of intellectual property rights on technical solutions not only in Vietnam but also in international markets.

## Technical solutions

In addition to register intellectual property, the Company has enhanced the other solution to protect 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](https://vicostoneus.com), Canada - [vicostone.ca](https://vicostone.ca)) and other markets such as Europe ([vicostone.co.uk](https://vicostone.co.uk); [vicostone.fr](https://vicostone.fr)) are provided with complete information on the products, brand, and official sales location on the respective websites of the Company. In 2023, the Company also renewed 22 of

its domains, including : [vicostone.com](https://vicostone.com), [vicostone.ca](https://vicostone.ca), [vicostone.net](https://vicostone.net), [vicostone.eu](https://vicostone.eu), [vicostone.mx](https://vicostone.mx), [vicostone.ae](https://vicostone.ae)...

One of the simple yet highly effective technical solutions implemented by Vicostone is the inclusion of the ® and TM symbols in advertising, marketing, and communication materials for their brands, to assert Vicostone's rights over products. Thereby, the Company could limit infringing behaviors, enhance the effectiveness of IP rights protection and create a solid basis to handle any violations.

## 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.

## Measures to ensure that the Company does not engage in anti-competitive behavior and violations of monopolistic and anti-monopoly practices

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

- Vicostone pledges to honor and abide the laws. 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.

## Additional protective measures

In 2023, the Company implemented further measures concerning its protection of 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;
- Additionally, Vicostone continued to implement further internal measures to strictly protect secrets in technologies, machinery, production lines, etc., 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, etc., in Vietnam market, thus significantly reducing the risks of counterfeit products and those that mimic the VICOSTONE® quartz stones brand;
- Vicostone provides articles advising on counterfeit products to help consumers choose to purchase genuine VICOSTONE® quartz stone with clear origins, avoiding counterfeit and low-quality products. Additionally, in 2023, Vicostone also implemented the "Peace of Mind Warranty with Vicostone" program to encourage consumers to register for warranty.

## Measures to handle violations

### Measures to handle copyrights violation

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 VICOSTONE® brand, Vicostone will consider following measures:

- For individuals and organizations have partnership with the Company (Agent, Distributor, Partner):
  - 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.

### Measure of the Company to monitor anticompetitive, monopolistic and antitrust practices

- The Company monitors anti-competitive, monopolistic and anti-monopoly practices integrated into the plans and monthly work results of each department in the Company. Each unit is responsible for conducting periodic inspections to detect anti-competitive, monopolistic and anti-monopoly practices;
- The Company are being fully aware of monitoring anti-competitive, monopolistic and anti trust actions, from the highest management level to grassroots employees, to ensure that the business environment is healthy and fair;
- The Company is always ready to cooperate, provide information and support relevant parties to jointly fight anti-competitive,

- monopolistic and anti-monopoly practices to improve and optimize measures. Prevent and combat unfair behavior in the field of competition, creating a fair and civilized business environment;
- The Company also always publicizes its actions on creating a fair competitive environment by using a variety of reporting channels to ensure that information is communicated to all stakeholders fairly, effectively. This may include Annual Reports, Financial Statements, company websites, General Meetings of Shareholders, information disclosure or periodic reports to regulatory agencies.

## Results:

During the process of more than 20 years of development, Vicostone has always respected the law, not engaging in anti-competitive behavior, monopolistic and anti-

monopoly behavior. The Company has focused on developing brand and protecting the Company's intellectual property rights as stated above.



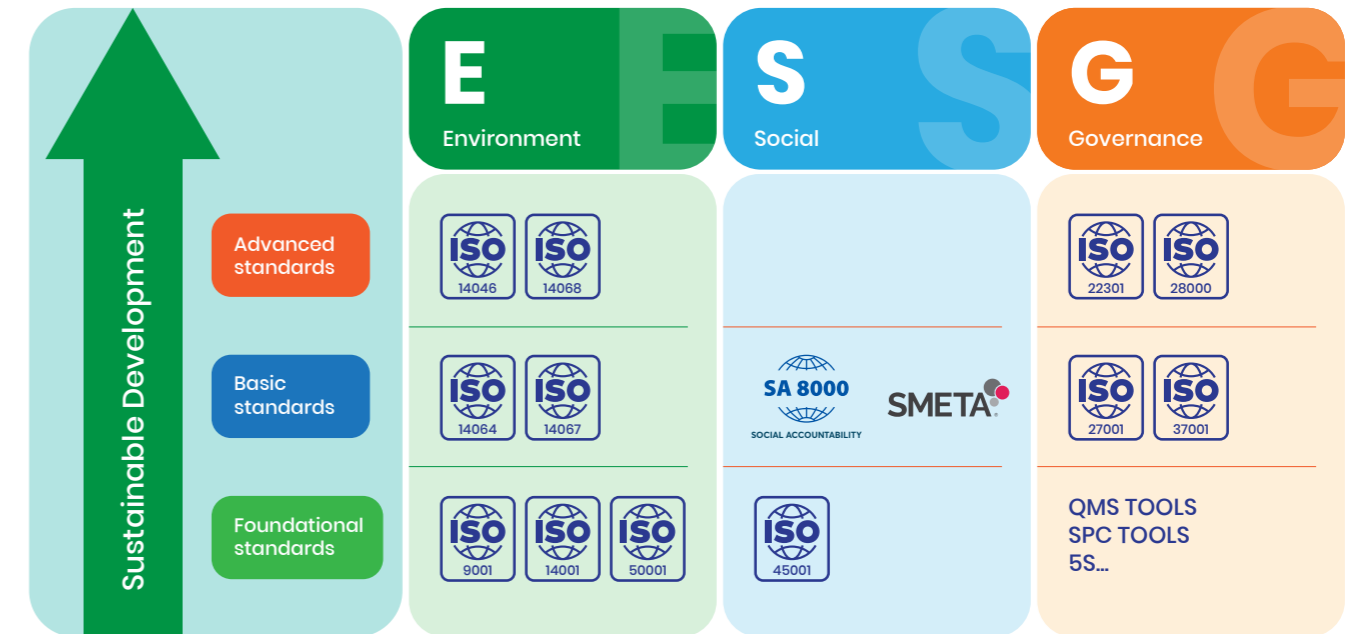
Paintings of the Milky Way BQ8850

# HSEQ Management System



To elevate the brand VICOSTONE® to the top of global with more than 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



Standards system of ESG practices

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.

The ISO 9001:2015, ISO 14001:2015, and ISO 45001:2018 standards belong to the foundational standards for ESG practices.

These standards are the foundation of management activities:

- Managing core processes;
- Identifying and providing appropriate resources;
- Managing risks related to environment, operations, and energy;

- Managing environmental factors and safety risks;
- Managing energy use;
- Implementing improvement measures.

Standards	Date of registration	Date of latest update	Date of validity	Certification No.	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
SA 8000:2014	21/12/2010	20/12/2022	20/12/2022	VN009660	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 to optimize work process.

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.

### 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. 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.

### Social Responsibility Standard SA 8000:2014

In the global economy, companies are encouraged to pay attention to the comprehensive impacts that their operation and production have on ethics and society. A company will gain higher trust from customers, partners, and social communities with high standards of corporate social responsibility. Being aware of its social responsibilities, Vicostone has adopted the Social Accountability System using standard SA 8000 from the very first days of foundation. The standard focuses on eight issues: Child labor; Forced labor; Health and safety; Freedom of association and collective bargaining; Discrimination; Disciplinary practices; Working hours; and Remuneration. The ninth issue, relating to the Management system, contains necessary criteria that assure the Company's compliance to the standard.

practices, serving as a basis for sustainability:

- Inheriting foundational systems;
- Perfecting implementation results.

The use of standard SA 8000 has brought many benefits as follows:

- Improve market competitiveness of the Company, attract more customers and explore new markets;
- Build trust among target audiences about products and services being made in a completely safe and fair environment;
- Develop the brand/image of the Company as a good, conscious business.

The SA 8000:2014 standard belongs to the basic standards for ESG practices. This standard is part of the foundational standards for ESG

### Other Standards systems aiming towards ESG

In addition to the foundational and basic standards mentioned above, Vicostone actively monitors global sustainability trends. From there, the Company plan to implement and apply the most advanced standards, from foundational to advanced, in the near future, such as:

- Transitioning to applying the ISO 50001 system from application, operation, and internal evaluation to application and recognition by an independent third-party;

- Along with the carbon neutrality and Net Zero roadmap, Vicostone plans to implement the ISO 14064, ISO 14067, PAS2060/ISO 14068 standards;

- To further enhance the efficiency of supplier management systems, Vicostone is considering the application of the ISO 28001 system "Specification for security management systems for the supply chain."



# Risk management at Vicostone



## Risk management objectives

Vicostone identifies risk management as a core governance principle that is integral to the Company's strategy and sustainable development plans at all stages. The Executive Board prioritizes the implementation of various management and control measures aimed at minimizing the negative impacts of internal and external risks on Vicostone's business operations. The risk management activities at Vicostone are directed towards the following objectives:

- Protect Vicostone from/or mitigate the impact of negative economic, environmental, and social fluctuations, while simultaneously preventing risk occurrence and minimizing losses caused by such risks at all times.
- Ensure Vicostone's compliance with regulatory requirements. As

the legal environment becomes increasingly complex, both in Vietnam and other markets where the Company operates, effective compliance management mechanisms facilitate easier adherence to regulations and monitoring of compliance.

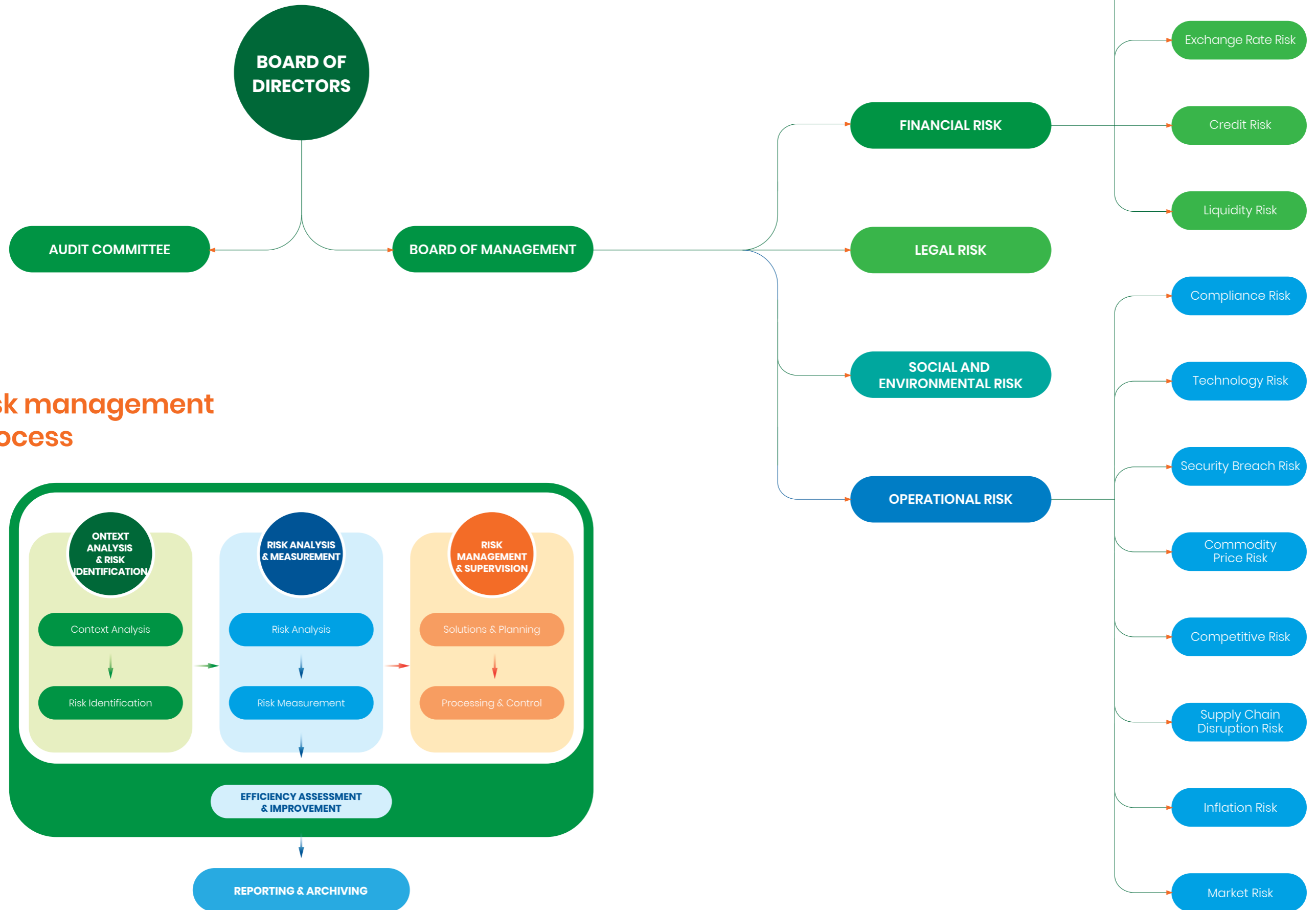
- Develop and foster a risk management culture within the organization, ensuring that every officer and employee has a clear understanding and awareness of their individual responsibilities in risk management. Assigning responsibilities for risk management to individuals directly impacts employee engagement and, consequently, enhances labor productivity and work efficiency.

## Management Tasks

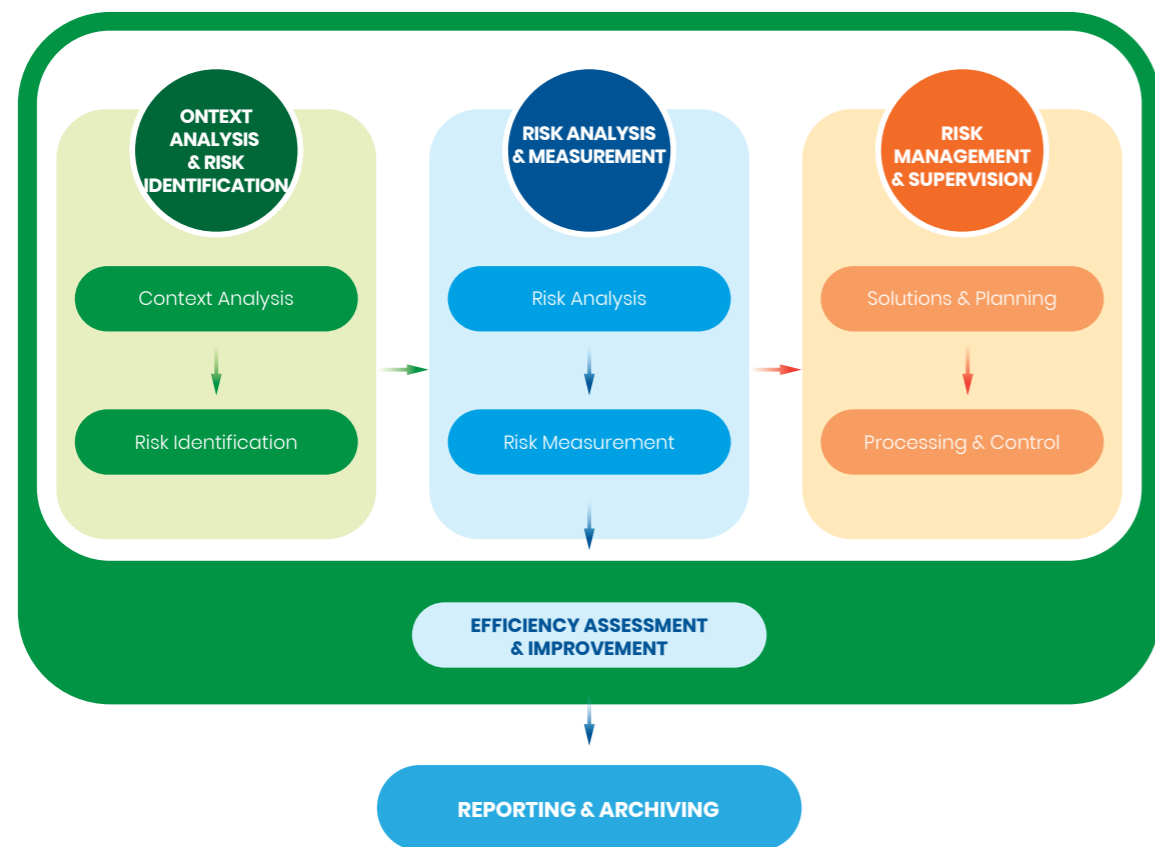
- Develop a comprehensive system of documentation, regulations, and procedures for Risk Management to ensure a solid legal basis for implementing risk management Vicostone;
- Refine existing regulations and procedures related to operational activities and management within the Company, ensuring all control points are established to optimize the efficiency of various departments, units;
- Implement a comprehensive risk management approach based on objectives, indicators, measurement criteria, and activities related to business operations, projects, and other departmental or unit-specific activities within the Company;

- Coordinate with departments and units throughout the risk management implementation process, performing regular updates, controls, and evaluations of performance results on a monthly, quarterly, annual, and/or ad-hoc basis. Provide recommendations and proposals for improvements (if applicable) to ensure optimal risk management effectiveness, aligned with the Company's strategic goals and development objectives;
- Ensure that risk management efforts minimize negative impacts on the economy, people, and society, while avoiding any potential penalties or sanctions related to Vicostone.

## Risk management system



## Risk management process



## Material Risk 2024

### Risk of Unpredictable Global Economic Fluctuations

According to forecasts by the Organization for Economic Cooperation and Development (OECD), global GDP growth is projected at 2.9% for 2023, slowing to 2.7% in 2024, and improving to 3.0% in 2025. Asia is expected to continue driving the majority of global growth in 2024 - 2025, as it did in 2023. The GDP growth in the United States for 2023 stood at 2.4%, with a predicted decrease to 1.5% in 2024, this is expected to be followed by a slight increase of 1.7% in 2025, driven by anticipated easing in monetary policies.

In Europe, heavily impacted by Russia's invasive war in Ukraine and the energy price shock, GDP growth is forecasted at 0.9% in 2024 and 1.5% in 2025. Conversely, China's economy is on a slightly declining growth path, with an anticipated increase of 5.2% in 2023, projected to slow down to 4.7% in 2024, and further to 4.2% in 2025, due to ongoing tensions in the real estate sector and continued high household savings rates<sup>1</sup>.

The World Bank offers a more cautious forecast, suggesting global GDP growth will be 2.4% in 2024. In scenarios of banking stress leading to severe credit crises and broader financial turmoil in advanced economies, global growth for 2024 could dip to just 1.3%<sup>2</sup>.

Meanwhile, Vietnam's economy continues to prioritize growth linked with macroeconomic stability, inflation control, and maintaining major economic balances. The 6th session of the 15th National Assembly approved the socio-economic development plan for 2024, targeting GDP growth of 6.0% - 6.5%. For the year 2024, the Agriculture, Forestry, and Fisheries sector is expected to grow by approximately 3% - 3.2%, slightly lower by 0.63 - 0.8 percentage points compared to 2023; the Industrial and Construction sector is projected to grow by 6.2% - 6.9%, an increase of 2.46 - 3.16 percentage points; and the Services sector is expected to increase by 6.7% - 7.1%, rising by 0.28 percentage points<sup>3</sup>.

In response to the volatility of the global economy in general, and Vietnam's economy in particular, Vicostone has proactively developed multiple business scenarios and plans early in the year to cope with economic fluctuations; focused resources on researching and developing new products to meet the demands and regulations of various markets; continuously innovating production lines to modernize manufacturing technology, diversify products, optimize production efficiency; and promoting the development and expansion of sales channels and sales policies suitable for different customer groups in global markets.



<sup>1</sup> <https://www.oecd.org/newsroom/economic-outlook-a-mild-slowdown-in-2024-and-slightly-improved-growth-in-2025.htm>

<sup>2</sup> <https://openknowledge.worldbank.org/server/api/core/bitstreams/6e892b75-2594-4901-a036-46d0dec1e753/content>

<sup>3</sup> <https://xaydungchinhsach.chinhphu.vn/chuyen-gia-kien-nghi-6-nhom-giai-phap-thuc-hien-muc-tieu-tang-truong-kinh-te-nam-2024-119231230091254058.htm>

### Risk of increased competition pressure



#### Competition from Industry Rivals

In the U.S., one of Vicostone's key markets, there are currently eight manufacturers who have invested in a total of 19 production lines for quartz-based engineered stone. The number of production lines is expected to increase significantly in the near future<sup>4</sup>.

Additionally, according to statistics from the United States International Trade Commission (USITC), the top five countries by the value of exports (in m<sup>2</sup> volume) to the U.S. include India, Vietnam, Spain, Thailand, and Turkey<sup>4</sup>.

This indicates that the competition among manufacturers of engineered stone will become increasingly fierce, especially in a global economic climate that remains challenging in 2024. Price sensitivity remains a significant concern for customers, posing a considerable challenge to Vicostone, which positions its products in the high-end segment; however, Vicostone continues to explore the potential for proactive adjustments to its sales policies and resource allocation to align with its business objectives at each stage, aiming to optimize costs, profits, and gain a competitive advantage over industry rivals in both the short and long term.

#### Competition from Substitute Products

Engineered stone primarily competes with natural stone in most markets, particularly in Australia, Canada, and the U.S. In recent years, engineered stone has also faced competition from porcelain and sintered stone in mid-to high-end domestic applications.

In developed countries, engineered stone is predominantly used in residential kitchen installations. However, the demand for various materials has significantly increased in recent years, specifically:

- In kitchens, engineered stone competes primarily with natural stone and other high-end materials such as porcelain slabs, sintered stone, stainless steel, concrete, and recycled materials;
- In bathrooms, engineered stone directly competes with granite, as both materials have dominated the market in recent years, especially in the U.S.<sup>4</sup>.

Porcelain is expected to be the fastest-growing countertop product globally, despite its small scale. According to a forecast by Freedonia, porcelain will be the fastest-growing surface material from 2021 to 2027, with a Compound Annual Growth Rate (CAGR) of 27% during this period. This strong growth will be driven by increasing consumer awareness of porcelain's superior properties, including stain and heat resistance; greater strength and durability compared to granite; colorfastness; availability in various patterns, designs, and colors from manufacturers; and its ease of maintenance and cleaning capabilities as a non-porous surface<sup>5</sup>.

To maintain and enhance its leading position in the industry, Vicostone continues to develop and refine a proactive comprehensive strategy to improve its competitive capacity and establish a distinct identity in the international market. To fulfill this strategy, the Company has intensified investments in R&D to develop new materials and products that are safe, unique, environmentally friendly, difficult to replicate, and have superior advantages to lead the global quartz stone market trend.

<sup>4</sup> According to Quartz Industry Market Report on August 2023 from the Market Research, Product Marketing and Quality Management Division - Phenikaa Group

<sup>5</sup> <https://www.freedoniagroup.com/industry-study/global-countertops-3836.htm>

## Risk of Trade Defense Measures Investigations by the United States

According to the U.S. customs statistics, in 2023, Vietnam ranked second in terms of the value of imported engineered stone products, with USD 308.1 million, equivalent to nearly 3.6 million m<sup>2</sup>. In 2023, imports from Vietnam to the U.S. decreased by 3.5% compared to the same period in 2022, which is more favorable compared to the significant decreases seen in imports from other countries. Specifically, India is down 27.4%, Spain is down 37.7% and Canada is down 29.9%<sup>6</sup> during this time period.

Meanwhile, the number of Vietnamese exporters to the U.S. market is on the rise with the majority targeting the mid-low segment, leading to a decrease in average selling prices. Consequently, there is an increased likelihood that Vietnamese enterprises may be subjected to U.S. trade defense measures (TDMs).

Currently, the U.S. still categorizes Vietnam as a non-market economy. This designation allows the U.S. to

apply a country-wide rate—a tariff rate used for companies that do not cooperate with the U.S. or cannot prove that they are not under domestic government control. The country-wide rate is typically calculated based on available data and is often set very high and maintained throughout all review periods which poses obstacles to reviewing the removal of the tariff<sup>7</sup>.

On September 8, 2023, the Ministry of Industry and Trade of Vietnam officially submitted a dossier requesting the U.S. Department of Commerce to reconsider Vietnam's market economy status. If officially recognized, Vietnamese enterprises facing anti-subsidy and anti-dumping lawsuits would not be subject to unfavorable tariff calculations and dumping margins. This potential recognition could significantly mitigate the risk of punitive tariffs and enable more favorable conditions for Vietnamese companies in trade disputes.

## Circumvention Avoidance

According to the Trade Defense Department, by the end of June 2023, Vietnam's exports to international markets had faced 33 cases<sup>9</sup> of circumvention of trade defense measures. For the engineered stone industry, if suspected of using raw materials, products, or similar products from countries subject to anti-dumping and countervailing duties like China, India, and Turkey, Vietnam could also be investigated for circumventing trade defense measures when exporting to the U.S.

Some positive outcomes achieved by Vietnam in 2022 and early 2023 include: the U.S. concluding that Vietnamese stainless-steel wire does not circumvent the TDMs currently applied to South Korea; a major Vietnamese solar panel company not circumventing duties and being temporarily exempt from such taxes;

and several Vietnamese steel pipe products not circumventing the TDMs applied to Taiwan (China)<sup>9</sup>.

The primary latent risk will focus mainly on anti-dumping and countervailing investigations. With circumvention, the potential risk level is lower, but it is still necessary to regularly monitor relevant legal information. Vicostone, as one of many import businesses into the U.S. market, continually faces trade defense pressures. Although the potential risk is lower, the Company has maintained a transparent and comprehensive data system, ready for information retrieval when necessary.

## Anti-Dumping and Countervailing Duties

The United States has implemented anti-dumping and countervailing measures against imported engineered stone products from China, India, and Turkey. Specifically:

- The U.S. Department of Commerce (DOC) has imposed anti-dumping and countervailing duties on quartz stone products imported from China since July 11, 2019, effective for five years, and varying by Chinese company<sup>8</sup>.
- For quartz stone surface products imported from India and Turkey, the DOC also applied anti-dumping duties starting from June 22, 2020<sup>8</sup>.

In 2023, while the DOC has not specifically initiated investigations into the engineered stone export sector of Vietnam, on October 5, 2023, the Ministry of Industry and Trade of Vietnam announced a list of 18 products at risk of being investigated for trade defense measures, origin

fraud, and circumvention, with engineered quartz stone ranked fourth.

In this context, Vicostone has proactively responded by preparing optimally to address any potential investigations from the U.S., such as strictly adhering to origin certification regulations; avoiding any involvement in origin fraud or circumventing trade defense measures.

Additionally, the Company proactively studies all relevant U.S. laws on anti-dumping, countervailing, and circumvention; actively collaborates with reputable international legal partners to advise and guide the establishment of procedures and data provision to ensure compliance with DOC requirements for documentation and deadlines when requested.



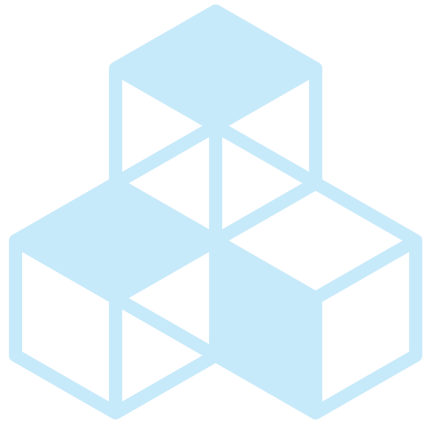
<sup>6</sup> <https://tapchicongthuong.vn/bai-viet/khuyen-nghi-doanh-nghiep-xuat-khau-da-nhan-cao-theo-doi-sat-tinh-hinh-thi-truong-hoa-ky-115250.htm>

<sup>7</sup> <https://vntr.moit.gov.vn/news/duoc-cong-nhan-la-nen-kinh-te-thi-truong-y-nghia-gi-voi-viet-nam>

<sup>8</sup> <https://m.vcci.com.vn/nguy-co-dieu-tra-phong-ve-thuong-mai-voi-san-pham-lien-quan-mat-da-thach-anh>

<sup>9</sup> <https://aslgate.com/vi/tinh-hinh-phong-ve-thuong-mai-tai-viet-nam-nua-dau-nam-2023-va-canh-bao-den-cuoi-nam-2023/>

## Risk of high inflation and interest rates



The International Monetary Fund (IMF) forecasts that general inflation will continue to decrease from 6.9% in 2023 to 5.8% in 2024, due to tighter monetary policies supported by lower international commodity prices<sup>10</sup>. Although the general inflation trend is decreasing, it remains at a high level.

In Vietnam, the average inflation rate for 2023 is at 3.25%, achieving the target set by the National Assembly<sup>11</sup>. With factors that restrain inflation, the government has set a target to control inflation between 4% - 4.5% for 2024, which has been approved by the National Assembly<sup>12</sup>.

Regarding interest rates, on December 13, 2023, the U.S. Federal Reserve (Fed) announced that it would maintain interest rates at 5.25%-5.50%. The Fed signaled that the phase of implementing tighter monetary policies might have ended and that interest rates are expected to decrease in 2024. According to forecasts, the Fed expects three rate cuts in the following year<sup>13</sup>, yet rates remain high compared to the last decade.

In Vietnam, the current bank interest rate has dropped to the lowest levels in the past 20 years. In 2023, the State Bank of Vietnam adjusted the operational interest rates four times, with reductions ranging from 0.5% - 2.0%/year, amidst a context of globally rising and high interest rates. Currently, the average mobilization rate for banks is hovering around 5% - 5.5%/year for 12-month terms. The 12-month deposit rate is expected to remain low at about 5.0%/year from the end of 2023 to the end of 2024<sup>14</sup>.

Given the complex forecasts for 2024, Vicostone identifies it as a year that requires careful monitoring of interest rate movements and inflation rates to devise appropriate countermeasures. Vicostone continues to focus on enhancing the efficiency of resource utilization while simultaneously maintaining more effective business growth compared to 2023. Therefore,

optimizing financial resources at low-interest rates continues to be crucial for controlling costs effectively and ensuring competitive capability amidst fluctuations and challenges of 2024.

Due to high sustained inflation impacting the purchasing power of international markets, the growth signals for 2024 remain uncertain. Recognizing this trend, Vicostone proactively captures both domestic and international market information to analyze and evaluate, serving to develop a flexible sales channel structure and revenue growth policies compliant with legal regulations and market demands.

Moreover, the Company will continuously update the developments in inflation and global commodity markets, seizing opportunities to negotiate and contract with suppliers for material stockpiling at favorable prices; closely monitor interest rate developments to effectively use financial tools; and balance short-term loans in both local and foreign currencies at optimal times to minimize financial costs.

## Risk of concentrated revenue in main markets

With over 20 years of international market presence, VICOSTONE® quartz stone products have established a reputation as one of the leading quartz stone brands globally. VICOSTONE® products not only excel in quality and safety for users but also boast high aesthetic value, inspiring creativity. Consequently, Vicostone has captured some of the most demanding markets, including the U.S., Canada, and EU countries.

For many years, the U.S., Canada, and the EU have been key markets generating the majority of the Company's revenue. While this focus has advantages, it also carries inherent risks that may lead to dependency and reduce flexibility in business operations.

In this context, to mitigate the risks of over-dependence on existing markets, alongside developing key markets through integrated business, and flexible financial and non-financial policies, aimed at maintaining and expanding the customer base, as well as developing sales channels to ensure target revenue, Vicostone also prioritizes customer acquisition and market development. Identifying and entering new, potential markets continues to be one of the strategic objectives of the Company in the coming years. This approach is essential to diversifying revenue streams and reducing the inherent risks of market concentration.



<sup>10</sup> <https://www.imf.org/en/Publications/WEO/Issues/2023/10/10/world-economic-outlook-october-2023>

<sup>11</sup> <https://www.gso.gov.vn/du-lieu-va-so-lieu-thong-ke/2024/01/cac-yeu-to-tac-dong-den-lam-phat-nam-2023-va-mot-so-giai-phap-kiem-soat-lam-phat-trong-nam-2024/>

<sup>12</sup> <https://xaydungchinhsach.chinhphu.vn/chuyen-gia-kien-nghi-6-nhom-giai-phap-thuc-hien-muc-tieu-tang-truong-kinh-te-nam-2024-119231230091254058.htm>

<sup>13</sup> [https://www.mof.gov.vn/webcenter/portal/vclvcstc/pages\\_r/l/chi-tiet-tin?dDocName=MOFUCM298620](https://www.mof.gov.vn/webcenter/portal/vclvcstc/pages_r/l/chi-tiet-tin?dDocName=MOFUCM298620)

<sup>14</sup> <https://tapchicongthuong.vn/bai-viet/vndirect-research-ngan-hang-nha-nuoc-co-the-giam-them-lai-suat-dieu-hanh-trong-nam-2024-115303.htm>

## Legal Risks in International Business Operations

### Risk of Changes in Silica Dust Standards

Effective December 29, 2023, the Emergency Temporary Standard on silica, drafted by the California Occupational Safety and Health Administration (Cal/OSHA), has been approved by the government and will apply for the next year to products containing more than 0.1% silica in engineered stones and over 10% in natural stones. This framework imposes stricter requirements on U.S. fabrication units regarding technical operations, labor protection, and worker training<sup>15</sup>.

In Australia, the use of engineered stone products (regardless of silica content) will be prohibited from July 2024<sup>16</sup>.

Products still permissible for use, production, and fabrication include concrete and cement products; paving bricks, stones, and similar blocks; porcelain products; ceramic tiles for walls and floors; roofing tiles; plaster; or any products containing less than 1% silica.

In response to the legal requirements regarding silica content and/or concentration, Vicostone maintains silica dust control measures through ongoing internal training programs that regularly educate workers about the health impacts of silica dust, with reminders issued annually. Additionally, Vicostone has implemented solutions within the Kaizen-5S program to control and reduce dust levels, especially in areas prone to high dust generation such as loading zones and milling areas, maintaining regular environmental monitoring quarterly and annually. The Company ensures workplace conditions for workers by equipping them with appropriate personal protective equipment; specifically, workers in high silica dust areas are provided with dust-filtering masks effective up to 94%; and it regularly maintains inspection and supervision activities to ensure compliance with labor protection regulations. Furthermore, the Company conducts biannual occupational health screenings for workers in high-risk positions and arranges suitable job placements to ensure worker health best.

Vicostone regularly updates legal regulations related to silica dust across its markets to adjust and update the Company's regulations in line with legal changes.

Additionally, the Company continues to focus resources on finding new production methods and researching and developing new materials that are safer and more environmentally friendly. These new materials aim to transform the global quartz stone manufacturing industry with products that prioritize health safety, aesthetic value, and cost-effectiveness.

<sup>15</sup> <https://www.dir.ca.gov/DIRNews/2023/2023-93.html>

<sup>16</sup> <https://www.dezeen.com/2023/12/14/australia-bans-engineered-stone-silicosis-risk-news/>

### Risk of Changes in Legal Regulations

Vicostone operates in over 50 countries and territories globally. Consequently, the Company's business operations are directly affected by the legal corridors in each host country, such as customs policies, non-tariff barriers, administrative and legal regulations. Changes in laws or regulations can directly impact the Company's operations, creating challenges in managing production and business activities, and increasing operational costs. If not updated and adjusted in a timely manner, the Company's products may fail to meet the conditions for distribution. A notable example is the decision by the Commonwealth, states, and territories of Australia to ban the use of all types of engineered stone containing crystalline quartz to minimize the risk of workers contracting silica-related illnesses. This led to repercussions where manufacturers had to change technology and develop new products to comply with Australian regulations, resulting in additional costs and reducing competitiveness in that market.

To effectively control these risks, Vicostone has established

partnerships with reputable international law offices capable of advising and regularly updating changes in policies and legal matters related to the Company's operations. This enables the Company to proactively adjust and change to fully and timely comply with the regulations of the host countries.

The Company's legal department, comprised of experienced legal consultants, is responsible for updating changes in laws and their legal impacts on Vicostone's operations to promptly advise the Board of Directors and the Board of Management. They also study the impact of legal documents in the drafting phase soon to be enacted on the Company's operations to prepare appropriately. Additionally, this department is tasked with reviewing the Company's contractual documents to limit related legal risks, ensuring that Vicostone maintains its compliance and adaptability in the face of regulatory changes across its diverse markets.

To effectively control these risks, Vicostone has established

### Legal Dispute Risks

Engaging in international trade, Vicostone faces legal disputes from various angles such as disputes over international goods sales and service supply contracts, product quality, social responsibility, environmental issues, and notably, intellectual property disputes involving copyrights, trademarks, industrial designs, and patents with competitors.

As competition among quartz stone manufacturers intensifies, Vicostone is at risk of facing unfair competitive practices aimed at impacting its business operations and diminishing its market reputation. To mitigate these risks, the Company has been proactive and timely in registering intellectual

property rights, protecting brands, trademarks, product designs, and design patterns in the markets where it operates, especially for new products prior to their official market launch.



## Environmental risks

### Environmental protection issues

**Risk identification:** During the production and business process, Vicostone always focuses on environmental protection by applying measures in accordance with legal regulations to minimize and reduce emissions to the lowest level possible.

**Solution:** The Company has fully and promptly implemented measures to control the levels of dust dispersion and wastewater as follows:

- Complying at the highest level with all current regulations on water, wastewater, and waste management in enterprises; properly reporting to governmental management agencies on its wastewater and waste management; proactively and regularly surveying, monitoring, and analyzing the quality of exhaust gas, dust, wastewater, and waste from the Company to ensure compliance with the applicable regulations;
- Applying technological solutions to recycle the Company's waste stone powder into other useful materials to produce usable and commercial products for other industrial and constructional sectors. At the same time, implementing a thorough materials management process to ensure quality and to use materials optimally and effectively, and thus minimize loss and waste;

- Providing enough necessary resources to maintain the operation of environmental protection projects and solutions, such as: a domestic wastewater treatment system, circulating water system, solid waste storage, dust collection system, etc. Undertaking periodic maintenance activities, surveying the current status of the production line to improve machinery and equipment, and minimizing emissions at the source;
- Applying and continuously improving the environmental management system according to ISO 14001:2015 standard, always complying with the standards and the procedures under that ISO system;
- Conducting training, retraining and assessment, and reassessment of all employees according to the procedure and regulations on labor health safety and environmental protection, as well as applying periodic and ad hoc control measures to prevent the spread of dust, waste, and wastewater into the environment strictly in accordance with the applicable laws and regulations.



## Climate change

**Risk identification:** 2023 was a year of climate change around the world. Some highlights include:

- Temperature increase: According to Vietnam Meteorological and Hydrological Administration (VNMHA), published data on global warming shows that in 2023 the world's temperature increased 1.48°C, which made it the hottest year on record, and brought the world's temperature a short distance from the climate threshold<sup>17</sup>
- Severe storms and floods: In 2023, the Atlantic basin had more than 20 named storms, ranking 4<sup>th</sup> for the most-named storms in a year since 1950. Seven storms were hurricanes and three intensified to major hurricanes. The eastern Pacific basin also had the number of storms above normal with 17 named storms, ten of which were hurricanes and eight were major hurricanes<sup>18</sup>.
- Drought and forest fires: In 2023, forest fires not only broke out in areas prone to forest fires such as Greece, Italy, Tunisia, Algeria, North America and Australia, but also in areas where forest fires rarely occur such as Hawaii and Tenerife. Forest fires in the Americas caused the highest damage in history, destroying nearly 80 million hectares of forest on the continents as of December 23rd. According to the Global Wildfire Information System (GWIS), this damage was 1.5 times higher than the area of Spain and ten million hectares higher than the average from the years 2012 – 2022. Canada also recorded 6,400 large and small forest fires, 18 million hectares of forest land on fire, causing more than 200,000 people to evacuate; these figures surpassed previous records of forest fires in Canada<sup>19</sup>.
- Impact on ecosystems: Climate change affected ecosystems around the world more deeply and widely. The species distribution areas have changed: Many species of plants, insects, birds, and fish moved farther north and to higher areas; many plant species bloomed earlier; many bird species have started their migration season earlier; and many animal species have entered their breeding season

earlier. These changes led to a decrease in biodiversity. Particularly, decreased forest area had exacerbated global climate change; which in turn, negatively impacted the existence and development of biological species and biodiversity<sup>20</sup>.

In Vietnam specifically, climate change remained an urgent issue. According to Vietnam Environment Administration, Vietnam's average annual temperature increased by 0.5°C compared to the period of 1981-2010 and was forecasted to continue to increase by 1.0-1.7°C by the end of the 21<sup>st</sup> century. Climate change caused many negative impacts on the environment, economy and society in Vietnam.

**Solution:** To respond to the risks of negative impacts from climate change, the Company promptly implemented plans, such as: successfully implementing the strategy of localizing raw materials sources. Up to now, Vicostone has been independent/proactive with more than 95% of input material sources, significantly reducing the impact from the market in general and raw material import activities in particular.

In addition, the Company regularly monitored and updated information from outside; proactively built response scenarios in case of natural disasters; proactively deployed measures to reinforce factories and warehouses; regularly assessed the safety and load-bearing capacity of factory systems and architectural objects to enhance resistance in case of natural disasters.

<sup>17</sup> <http://tckttv.gov.vn/khi-tuong-the-gioi-151/the-gioi-dang-tien-gan-den-muc-tang-gioi-han-nhiet-do-toan-cau-16085.html>

<sup>18</sup> <http://vnmha.gov.vn/khi-tuong-the-gioi-151/mua-bao-dai-tay-duong-tren-muc-trung-binh-sap-ket-thuc-15921.html>

<sup>19</sup> <https://baotainguyenmoitruong.vn/lo-ngai-truoc-hang-loat-vu-chay-rung-tham-khoc-368865.html>

<sup>20</sup> <https://tainguyenvamoitruong.vn/bien-doi-khi-hau-tac-dong-den-ben-vung-da-dang-sinh-hoc-the-gioi-va-viet-nam-cid110590.html>

# Internal Audit system associated with sustainable development





## Operation of the Audit Committee and process of internal audit at Vicostone

### Operation of the Audit Committee

- Annually, the Audit Committee of the Vicostone JSC conducts meetings to report on the operations and implement works within its authorities and obligations in accordance with the Committee's rules of procedures;
- Throughout the monitoring and auditing process, the Audit Committee also held working sessions with the participation of relevant departments/members of the Company for validation of information.

### Audit Committee process at Vicostone

- On May 7, 2021, the BOD of Vicostone approved the Operating Regulations of the Audit Committee.

### The activities of the Audit Committee associated with the 2023 Sustainable Development Report

- Perform an audit of the indicators on the 2023 Sustainable Development Report.

## Internal audit results in 2023 at Vicostone

### Supervision of the BOD

- The actions of the BOD complied with the laws, the Company's Charter and the Internal regulation on corporate governance. Resolutions and decisions made by the BOD were issued in a timely, orderly and competent manner;
- All BOD members performed their assigned tasks in accordance with the provisions of the Company's Charter;
- The BOD fully analyzed and evaluated the market context, the domestic and international economic and political situations, taking into account global fluctuations such as high inflation in many countries, and geopolitical tensions such as the Russia - Ukraine conflict, etc. and promptly provided solutions and strategic directions to help the Company continue to achieve its business goals;
- There were neither conflicts of interest among BOD members nor conflicts between BOD and the Company;
- Salaries and bonuses paid to executive BOD members were in line with their contracts and wage structure of the Company; their remunerations were at the levels approved by the AGM;
- Remunerations for non-executive BOD members were at the levels approved by the AGM.



### Supervision towards BOM's activities

- The BOM attached great importance to the management and operation of the Company, and flexibly adjusted production and business activities with strategic direction responding to the condition of each specific market;
- The BOM strictly followed existing laws of the Government, the Corporate Charter and the Internal regulation on corporate governance;
- There were neither conflicts of interest between the BOM and the BOD nor conflicts between the BOM and the Company;
- The salaries and bonuses for the BOM members complied with the labor contracts and regulations of the Company.

## Results of supervising the Company's financial statements, operations and financial situation

### Financial statements

The AC reviewed the Company's quarterly financial statements before publication, and in coordination with the independent auditor reviewed the semi-annual financial statements as well as audited the Company's 2023 financial statements. The results show that:

- The AC did not discover any signs of violation with the principles of independence and confidentiality by the auditor – the Ernst & Young Vietnam Co. Ltd. and members of the audit team;
- Financial transactions in the year were fully recorded and these records accurately reflected the actual operations of the Company in 2023. The auditor found no significant errors that could deflect the financial statements;
- The AC found no significant misstatements in the accounting estimates used to prepare and present the financial statements for the year 2023;
- The financial statements were honestly and accurately developed to reflect the Company's key financial indicators, business results and cash flow as of December 31, 2023, while meeting Vietnamese accounting standards and regulations on financial reporting;
- The AC found no extraordinary and noteworthy issues regarding

the transactions of the related parties. In addition, trading prices were comparable with the market prices at the time of transactions and were not different from other independent transactions;

- Quarterly, semi-annual and annual financial statements were compiled, audited and published in accordance with the regulations of the State Securities Commission and the Hanoi Stock Exchange, and other existing rules.

### About the Company's business operation

In 2023, the BOD and BOM of the Company put tremendous effort in managing and operating production and business activities. However, due to the global economic challenges after the COVID-19 pandemic, the Company's production and business performance did not reach the target set by the General Meeting of Shareholders.

### About the Company's financial situation

- In 2023, the Company's financial situation remained stable with high payment ratio due to effective operations and sensible capital structuring:

- The Company did not accrue capital mobilization via bonds. Instead they appropriately utilized bank loans, and subsequently paid those loans, and the accrued interests on time.

Target	Unit	31/12/2022	31/12/2023	Increase/Decrease
Total asset (1)	VND Billion	6,589.90	6,468.25	(121.66)
Total short - asset (2)	VND Billion	5,541.11	5,515.84	(25.27)
Total capital (3)	VND Billion	6,589.90	6,468.25	(121.66)
Liabilities (4)	VND Billion	1,721.17	1,482.43	(238.74)
Short-term loan payables (5)	VND Billion	1,628.07	1,440.72	(187.35)
<b>Payment ratio</b>				
Current ratio (6) = (1)/(4)	Times	3.83	4.36	0.53
Liquidity ratio (7) = (2)/(5)	Times	3.40	3.83	0.43

## Result of internal control and risk management systems

The Company's internal control and risk management systems were reinforced and maintained their effectiveness. The results show that:

- The internal control and risk management systems were maintained with higher efficiency;
- The AC found no breaches in the Company's internal control system;
- The Company's units and departments highly and strictly

complied with regulations and procedures and no failures and violations were found;

- Operational procedures were continuously adjusted and updated to meet the conditions of the business;
- The AC regularly conducted internal assessments and accredited the quality control standards of ISO 9001:2015, ISO 14001, etc.

## The compliance of the Company with the law

- The operations of the Company consistently and fully complied with laws in the following areas: Tax management; Environment; Resource and minerals management; etc. without the occurrence of outstanding tax debts.

## Coordination between the AC and the BOD and BOM

- In the course of conducting audits, the BOD and BOM always facilitated, supported, and closely coordinated with the AC by fully and promptly providing processes, documents, and reports relevant to the corporate governance and operation of the Company;
- The AC participated in all major meetings of the BOD and BOM. Hence, the Audit Committee was able to consult the BOD and BOM

on the adjustment of strategic objectives and implementation of plans;

- Moreover, in 2023, the Audit Committee members also conducted auditing on the 2022 Sustainable Development Report and re-evaluated the Company's documents before their publication.

## Audit results of the Sustainable Development Report 2023

- The AC has conducted the necessary assurance procedures to draw conclusions on sustainable development targets in 2023;
- The AC issued Report Ensuring the reliability of Sustainable Development Report (page 6, 7) with conclusion: "Based on the assurance procedures described above, we are not aware of any

issues that would cause us to believe that the 2023 Sustainable Development Report was not prepared and presented in accordance with the current GRI Standards and Vicostone's internal regulations, reporting scope and principles on pages 42-43".

# GRI standard reference table

## Statement of use

Vicostone JSC has reported the information cited in this GRI content index for the period January 1, 2023 to December 31, 2023



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

**Published in 2021**

GRI Standards	Disclosures	Page
<b>UNIVERSAL STANDARDS</b>		
	<b>Organization profile and Reporting practice</b>	
	2-1 Organizational details	10 - 17; 26 - 29
	2-2 Entities included in the organization's sustainability reporting	38
	2-3 Reporting period, frequency and contact point	43
	2-4 Restatements of information	42 - 43
	2-5 External assurance	6 - 7
	<b>Activities and Employees</b>	
GRI 2: General Disclosures 2021	2-6 Activities, value chain and other business relationships	26 - 31 50 - 53
	2-7 Employees	134 - 137
	2-8 Workers who are not employees	134 - 137
	<b>Governance</b>	
	2-9 Governance structure and composition	18 - 25; 168 - 171
	2-10 Nomination and selection of the highest governance body	20 - 21; 168

GRI Standards	Disclosures	Page
<b>UNIVERSAL STANDARDS</b>		
	2-11 Chair of the highest governance body	20; 168
	2-12 Role of the highest governance body in overseeing the management of impacts	167 - 168
	2-13 Delegation of responsibility for managing impacts	167 - 171
	2-14 Role of the highest governance body in sustainability reporting	68 - 69; 168
	2-15 Conflicts of interest	62 - 67, 176 - 179
	2-16 Communication of critical concerns	60 - 67
	2-17 Collective knowledge of the highest governance body	20 - 23; 168
	2-18 Evaluation of the performance of the highest governance body	Annual report Vicostone 2023, page 122 - 145
	2-19 Remuneration policies	172
	2-20 Process to determine remuneration	172
GRI 2: General Disclosures 2021	2-21 Annual total compensation ratio	172
	<b>Strategy, policies and practices</b>	
	2-22 Statement on sustainable development strategy	50 - 58
	2-23 Policy commitments	55 - 58
	2-24 Embedding 17 SDGs commitments	52 - 53
	2-25 Processes to remediate negative impacts	62 - 67
	2-26 Mechanisms for seeking advice and raising concerns	47 - 53
	2-27 Compliance with laws and regulations	55, 126, 130
	2-28 Membership associations	56 - 59
	<b>Stakeholder engagement</b>	
	2-29 Approach to stakeholder engagement	60 - 67
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MATERIAL TOPICS 2021		
GRI 3	3-1 Process to determine material topics	68 - 69
	3-2 List of material topics	70 - 71
GRI 201 – ECONOMIC PERFORMANCE 2016		
GRI 3	3-3 Management of material topics	32 - 37
GRI 201	201-1 Direct economic value generated and distributed	34 - 37
	201-2 Financial implications and other risks and opportunities due to climate change	205
	201-3 Defined benefit plan obligations and other retirement plans	37
	201-4 Financial assistance received from government	34 - 35
GRI 202 – MARKET PRESENCE 2016		
GRI 3	3-3 Management of material topics	135 - 141
GRI 202	202-1 Ratios of standard entry-level wage by gender compared to local minimum wage	138
	202-2 Proportion of senior management hired from the local community	168
GRI 417 – ANTI-COMPETITIVE BEHAVIOR 2016		
GRI 3	3-3 Management of material topics	180 - 187
GRI 206	206-1 Legal actions for anti-competitive behavior, anti-trust, and monopoly practices	186 - 187
GRI 301 – MATERIALS 2016		
GRI 3	3-3 Management of material topics	72 - 87
GRI 301	301-1 Materials used by weight or volume	82
	301-2 Recycled input materials used	84 - 87
	301-3 Reclaimed products and their packaging materials	Vicostone has no reclaimed product in the production and sales process

GRI 302 – ENERGY 2016		
GRI 3	3-3 Management of material topics	88 - 96
GRI 302	302-1 Energy consumption within the organization	92 - 93
	302-2 Energy consumption outside of the organization	88
	302-3 Energy intensity	94 - 96
	302-4 Reduction of energy consumption	90 - 91 94 - 96
	302-5 Reductions in energy requirements of products and services	90 - 91 94 - 96
GRI 303 – WATER AND EFFLUENTS 2018		
GRI 3	3-3 Management of material topics	108 - 115
GRI 303	303-1 Interactions with water as a shared resource	108 - 109
	303-2 Management of water discharge-related impacts	112 - 115
	303-3 Water withdrawal	110
	303-4 Water discharge	114 - 115
	303-5 Water consumption	110
GRI 305 – EMISSIONS 2016		
GRI 3	3-3 Management of material topics	98 - 107
GRI 305	305-1 Direct (Scope 1) GHG emissions	101 - 102, 104 - 105
	305-2 Energy indirect (Scope 2) GHG emissions	101 - 102, 104 - 105
	305-3 Other indirect (Scope 3) GHG emissions	101 - 102, 104 - 105
	305-4 GHG emissions intensity	101 - 102
	305-6 Emissions of ozone-depleting substances (ODS)	101
	305-7 Nitrogen oxides (NOX), sulfur oxides (SOX), and other significant air emissions	101 - 102, 104 - 105
GRI 306 – WASTE 2020		
GRI 3	3-3 Management of material topics	116 - 125
GRI 306	306-1 Waste generation and significant waste-related impacts	118 - 121
	306-2 Management of significant waste-related impacts	118 - 121
	306-3 Waste generated	121
	306-4 Waste diverted from disposal	121 - 125
	306-5 Waste directed to disposal	121

GRI 401 – EMPLOYMENT 2016		
GRI 3	3-3 Management of material topics	134 - 140
GRI 401	401-1 New employee hires and employee turnover	137, 139
	401-2 Benefits provided to full-time employees that are not provided to temporary or part-time employees	140
	401-3 Parental leave	140
GRI 403 – OCCUPATIONAL HEALTH AND SAFETY 2018		
GRI 3	3-3 Management of material topics	142 - 147
GRI 403	403-1 Occupational health and safety management system	144 - 145
	403-2 Hazard identification, risk assessment, and incident investigation	147
	403-3 Occupational health services	146 - 147
	403-4 Worker participation, consultation, and communication on occupational health and safety	145 - 147
	403-5 Worker training on occupational health and safety	145
	403-6 Promotion of worker health	146 - 147
	403-7 Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	146 - 147
	403-8 Workers covered by an occupational health and safety management system	144
	403-9 Work-related injuries	147
	403-10 Work-related ill health	147

GRI 404 – TRAINING AND EDUCATION 2016		
GRI 3	3-3 Management of material topics	148 - 151
GRI 404	404-1 Average hours of training per year per employee	151
	404-2 Programs for upgrading employee skills and transition assistance programs	150 - 151
	404-3 Percentage of employees receiving regular performance and career development reviews	150 - 151
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		
GRI 3	3-3 Management of material topics	152
GRI 413	413-1 Operations with local community engagement, impact assessments, and development programs	152 - 157
	413-2 Operations with significant actual and potential negative impacts on local communities	
GRI 416 – CUSTOMER HEALTH AND SAFETY 2016		
GRI 3	3-3 Management of material topics	160 - 165
GRI 416 – Customer's health and safety	416-1 Assessment of the health and safety impacts of product and service categories	164 - 165
	406-2 Incidents of non-compliance concerning the health and safety impacts of products and services	165



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