



VINAMILK

**SUSTAINABLE
DEVELOPMENT
REPORT
2013**





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SUSTAINABLE DEVELOPMENT REPORT

2013

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Sustainable development of a society is the convergence of the sustainable development of each member of that society. To releasing this sustainable development, it should be jointly done by all of us.

CHAIRWOMAN'S MESSAGE

Dear all,

During 2013, all organizations had to face many challenges and problems of the society such as economic recession, environmental pollution, contaminated and intoxicated products, false information from social networking sites, etc. In order to overcome these challenges, there is no way better than that each organization should define its development strategies and take specific actions in business operations, aiming towards the objectives of sustainable development, and demonstrating responsibilities to the society.

In such a context, Vinamilk continued maintaining its stable growth and development. This proves that we have had the right steps on the path of sustainable development. The outcome we gained is the result of closely and throughout link in strategies and actions, including the orientation of the Company's leadership, the commitment and non-stopping efforts of each employee, the credibility of shareholders on the Company's development strategy, the consumer's trust, and the cooperation and sharing to jointly develop from customers, suppliers and partners.

In 2013, Vinamilk developed specific plans to increase its inner strength and bring more values to the stakeholders. Improving the governance quality, developing a strong team, consolidating the supply chain, increasing product benefits, implementing environmental protection solutions – using energy efficiently, and positively implementing social activities are the key action programs that Vinamilk has been doing on the path of sustainable development.

Inheriting and promoting the contents presented in the 2012 report, Sustainable Development Report 2013 will include outstanding performance through the contents: **Responsibility to products – Environment & Energy – Working environment – Economic development and social activities.**

Together with the Annual Report 2013, we all expect that the Sustainable Development Report 2013 will bring to the shareholders, consumers, customers, partners, employees, and communities a comprehensive overview on orientation and performance of Vinamilk.

Many thanks to you for your confidence and being a companion with Vinamilk during the last time. I believe that with the right orientation, commitment, effort, and collaboration among the parties will bring steady steps for all of us in the future.

Thanks & Regards,

On behalf of the Board of Management

MAI KIỀU LIÊN

Chairman and Chief Executive Officer



CORPORATE PROFILE

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

CORPORATE HISTORY

1976

Our Company was founded under the name of Southern Coffee-Dairy Company, a subsidiary of the Food General Directorate and had two factories in operation, namely Thong Nhat Dairy Factory and Truong Tho Dairy Factory.

1978

The Company had more factories: Bich Chi Powder Factory, Lubico Cake Factory and Bien Hoa Coffee Factory. The Company was transferred to the Ministry of Food Industry and the Company was renamed United Enterprises of Milk Coffee Cookies and Candies I.

1989

Dielac Powdered Milk Factory came into operation and introduced its first batch of products to the market in Vietnam.

1991

The "white revolution" started the development of fresh milk. The first time we launched UHT milk products and yoghurt to the Vietnam market.

1992

The United Enterprises of Milk Coffee Cookies and Candies I was formally renamed Vietnam Dairy Company and came under the direct management of the Ministry of Light Industry.

1994

In the expansion plan to meet the market demand in the North, the Company built the Hanoi Dairy Factory. On October 7th 1994, the sales office was opened and responsible for sales activities in the north provinces.

1996

Binh Dinh Dairy Joint Venture Enterprise was founded as the result of our joint venture with Dong Lanh Quy Nhon Joint Stock Company. Ha Noi Dairy Factory came into operation. In May 1996, Da Nang sales office was opened and responsible for sales activities in the central provinces.

1998

Can Tho sales office was opened in order to develop sales activities in the Mekong delta provinces.

2001

Can Tho Dairy Factory was inaugurated and put into operation in the Mekong Delta.

2003

The Company was formally transformed into a joint stock company in November 2003 and renamed as Vietnam Dairy Products Joint Stock Co., to reflect its change in legal status.

2004

Acquired Saigon Milk Joint Stock Company and increased share capital of the Company to VND 1,590 billion.

2005

Bought our joint venture partner's remaining equity in Binh Dinh Dairy Products Company Ltd (which was then known as Binh Dinh Dairy Factory) and inaugurated Nghe An Dairy Factory on 30 June 2005.

2006

Vinamilk was listed on Hochiminh City Stock Exchange (HOSE) on 19 January 2006.

In June, An Khang Clinic was opened in Ho Chi Minh City. The clinic provides nutrition advices, paediatrics, and general health checks for all functions. It is the first clinic in Vietnam to be managed information by electronics.

In November, we started our cow farm development by buying Tuyen Quang cow farm with 1,400 heads. The farm was put into operation afterwards.

2007

In September 2007, the Company acquired a controlling stake of 55% in Lam Son Milk Company Ltd., located in Le Mon Industrial Zone, Thanh Hoa province and changed its name into Lam Son Milk Joint Stock Company.

2008

Tien Son Dairy Factory was inaugurated and put into operation in Hanoi.

2009

In September, the cow farm in Nghe An was opened. This is the most modern farm in Vietnam with its designed size of 3,000 cows.

2010

The Company started its strategy of investment overseas by contributing nearly USD10 million (equivalent to 19.2% of the project's share capital) in a powdered milk project in New Zealand.

Acquired 100% shares from F&N Vietnam Limited and changed its name to Dielac Dairy One Member Co., Ltd. This is 100% new and the second powdered milk factory of Vinamilk.

Acquired the remaining shares of Lam Son Milk Joint Stock Company and changed its name to Lam Son Dairy One Member Co., Ltd.

Inaugurated and put the Beverage Factory into operation in Binh Duong.

Vinamilk was honoured by Forbes Asia for its "Top 200 Best Under A Million" in Asia 2012. This was the first and unique a Vietnamese company was honoured in the list of Forbes Asia.

2012

In June 2012, Da Nang dairy factory was opened and put into commercial operation.

2013

On October 21st 2013, Thong Nhat Thanh Hoa Dairy Cow Co., Ltd. was granted business registration certificate by the Department of Planning and Investment of Thanh Hoa Province. Vinamilk holds 96.33% of share capital and becomes the parent company of this entity.

On December 6th 2013, the Company was granted the investment certificate no. 663/BKHDT-BTRNN by the Ministry of Planning and Investment regarding the acquisition of a controlling stake (70%) of Driftwood Dairy Holding Corporation, California, USA.



INFORMATION ABOUT BUSINESS AREAS, PRODUCTS AND MARKET



PRINCIPAL BUSINESS ACTIVITIES

- ◆ Producing, trading milk and dairy products.
- ◆ Producing and trading beverage.
- ◆ Breeding dairy cows, producing fresh milk material (in 100% capital owned companies).

MAIN PRODUCTS

- ◆ Powdered milk and nutrition powder: Dielac, Ridielac.
- ◆ Condensed milk: Longevity Milk, Southern Star.
- ◆ Liquid milk: Vinamilk 100% Flex, ADM.
- ◆ Yoghurt, ice-cream, cheese: Vinamilk yoghurt – ice-cream – cheese; Susu, Probi, and ProBeauty yoghurt .
- ◆ Soy milk and beverage: GoldSoy soy milk, Vfresh, Icy.

MAIN MARKET

- ◆ Vinamilk products mainly serve Vietnam market with all lines of product. Domestic market takes account of 80% of Vinamilk's total revenue.
- ◆ For foreign market, the main markets of Vinamilk are Middle-East area, South-East Asia, and Africa. Main exported products are powdered milk and condensed milk. In 2013, export revenue made up 14% Vinamilk's total revenue.



DISTRIBUTION NETWORK AND CUSTOMERS

» In Vietnam market:

Vinamilk is one of the companies having a strong distribution network across the country, and therefore, the consumers can access the Company's products easily and quickly in the best conditions.

Vinamilk products come to customers through the system of distribution partners and direct distribution channel of Vinamilk:

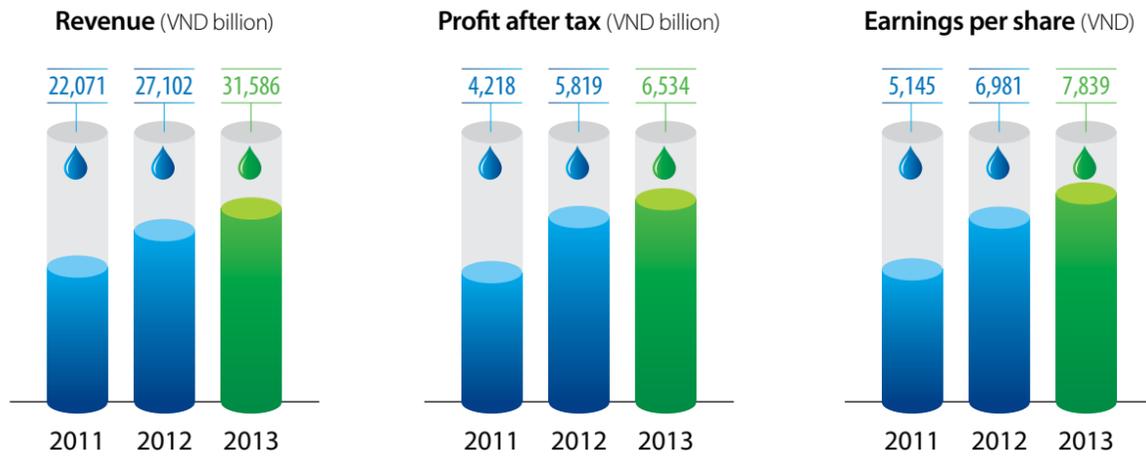
- ◆ Distribution partner system (General Trade Channel – GT): By the end of 2013, Vinamilk had totally 266 distributors (2012: 250 distributors) and about 224,000 retail outlets (2012: 196,000 retail outlets).
- ◆ Nationwide chain of supermarkets (Modern Trade Channel - MT): Vinamilk is directly dealing with over 600 supermarkets across the country.
- ◆ Vinamilk showrooms: Vinamilk has set up a showroom system in charge of introducing and selling Vinamilk's product, including 60 showrooms across the country.
- ◆ Direct distribution to factories, schools, and entertainment sites (KA Channel).

» In foreign market: Vinamilk's customers are distributors.

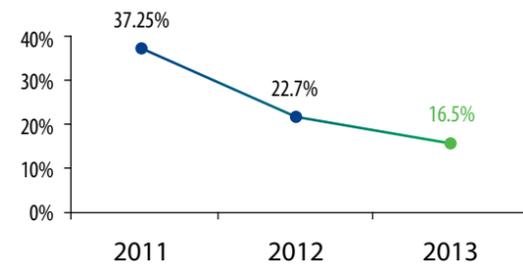
SCALE INDEX OF VINAMILK

Over periods of development, Vinamilk is one of the largest-scale public companies in Vietnam at present.

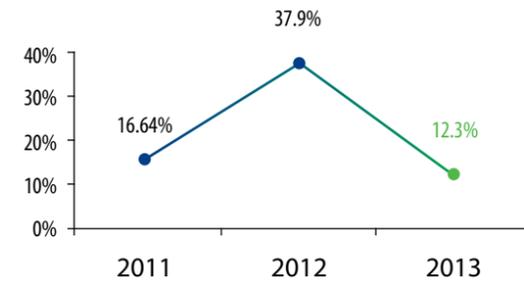
SCALE INDEX ON BUSINESS RESULT



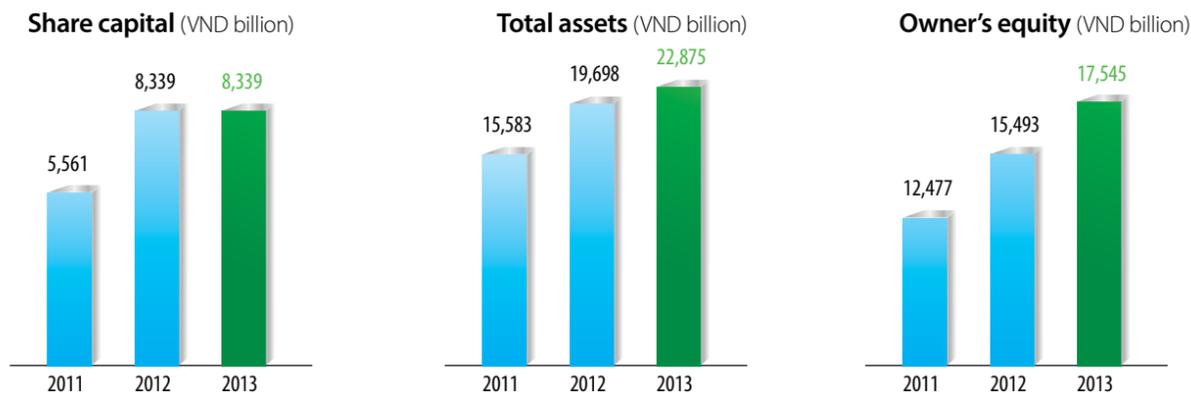
% revenue increase



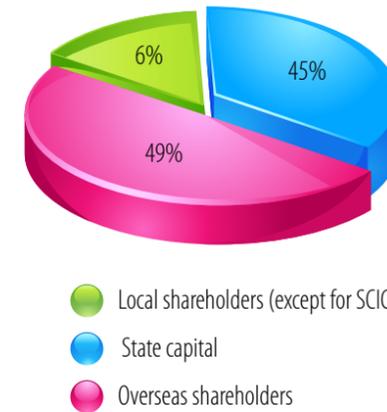
% profit after tax increase



OPERATION SCALE INDEX



Share capital structure of Vinamilk at the end of 2013 is as follows:



At present, Vinamilk has nearly 11,000 shareholders, in which:

- » Organizations: holding 94.5% of share capital.
- » Individuals: holding 5.5% of share capital.

SCALE OF EMPLOYEES:

Year	Total number of permanent employees (*)
2011	4,564
2012	4,853
2013	5,570

(*) This number includes the employees of Vinamilk and of two subsidiaries, i.e. Lam Son Dairy One-member Co., Ltd. and Vietnam Dairy Cow One-member Co., Ltd. and exclude the employees of subsidiaries that were established at the end of 2013, i.e. Thong Nhat Thanh Hoa Dairy Cow One-member Co., Ltd., Driftwood Dairy Holding Corporation and Angkor Dairy Products. Besides, the number of employees of International Real Estate One Member Co., Ltd. did not increase.



ORGANIZATION STRUCTURE AND OPERATING UNITS

STRUCTURE OF VINAMILK INCLUDES:



Head office at 10 Tan Trao, Tan Phu Ward, District 7, HCMC.

“ The number of factories in commercial operation increased by 2 factories compared to 2012 since Vinamilk officially put 2 high-capacity factories, i.e. Vietnam Dairy Factory and Vietnam Powdered Milk Factory, into operations.

03



Sales offices in Ha Noi, Da Nang, and Can Tho.

02



Logistics enterprises in Ha Noi and HCMC.

12



Factories in operation.

01



Health care clinic in HCMC

Besides 12 factories under the parent company, Vinamilk has one factory in operation under its subsidiary (Lam Son Dairy Factory belonging to Lam Son Milk Factory Co., Ltd.).



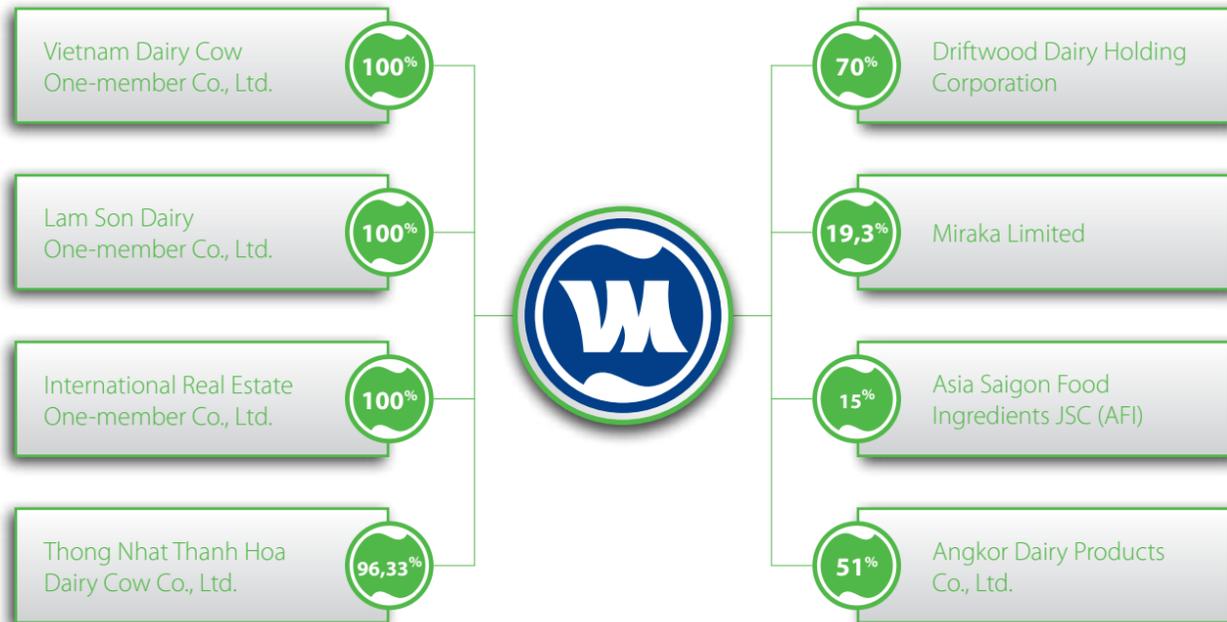
SUBSIDIARIES & ASSOCIATES

In 2013, Vinamilk promoted its operations to expand market in foreign countries. By the end of 2013 and in the early of 2014, Vinamilk had 2 more subsidiaries operating in milk production:

- » **Angkor Dairy Products Co., Ltd:** This company is newly established in Cambodia in a form of joint venture company between Vinamilk and distribution partner in Cambodia – B.P.C Trading Company Limited. The joint venture company has share capital of USD20.010.000, in which, Vinamilk contributed 51% and Cambodia partner 49%. The goal of this company is to build dairy factory to serve Cambodian market. Currently, the factory construction project is being implemented and is expected to come into operation by the end of 2015.

- » **Driftwood Dairy Holding Corporation:** is a dairy production company based in California and has a long tradition. By the end of 2013, Vinamilk had completed the acquisition of 70% of Driftwood's capital to expand market in the U.S.

In addition, aiming to continue strategy of dairy cow development, Vinamilk cooperated with Thong Nhat Thanh Hoa One-member Co., Ltd. to establish Thong Nhat Thanh Hoa Dairy Cow Two-member Co., Ltd. with share capital of VND600 billion, in which, Vinamilk contributed 96.33% and Vinamilk and Thong Nhat Thanh Hoa One-member Co., Ltd. contributed 3.67%. Main business operation of the company is to be a center for breeding dairy cows with high-quality technique and technology and developing dairy cows.

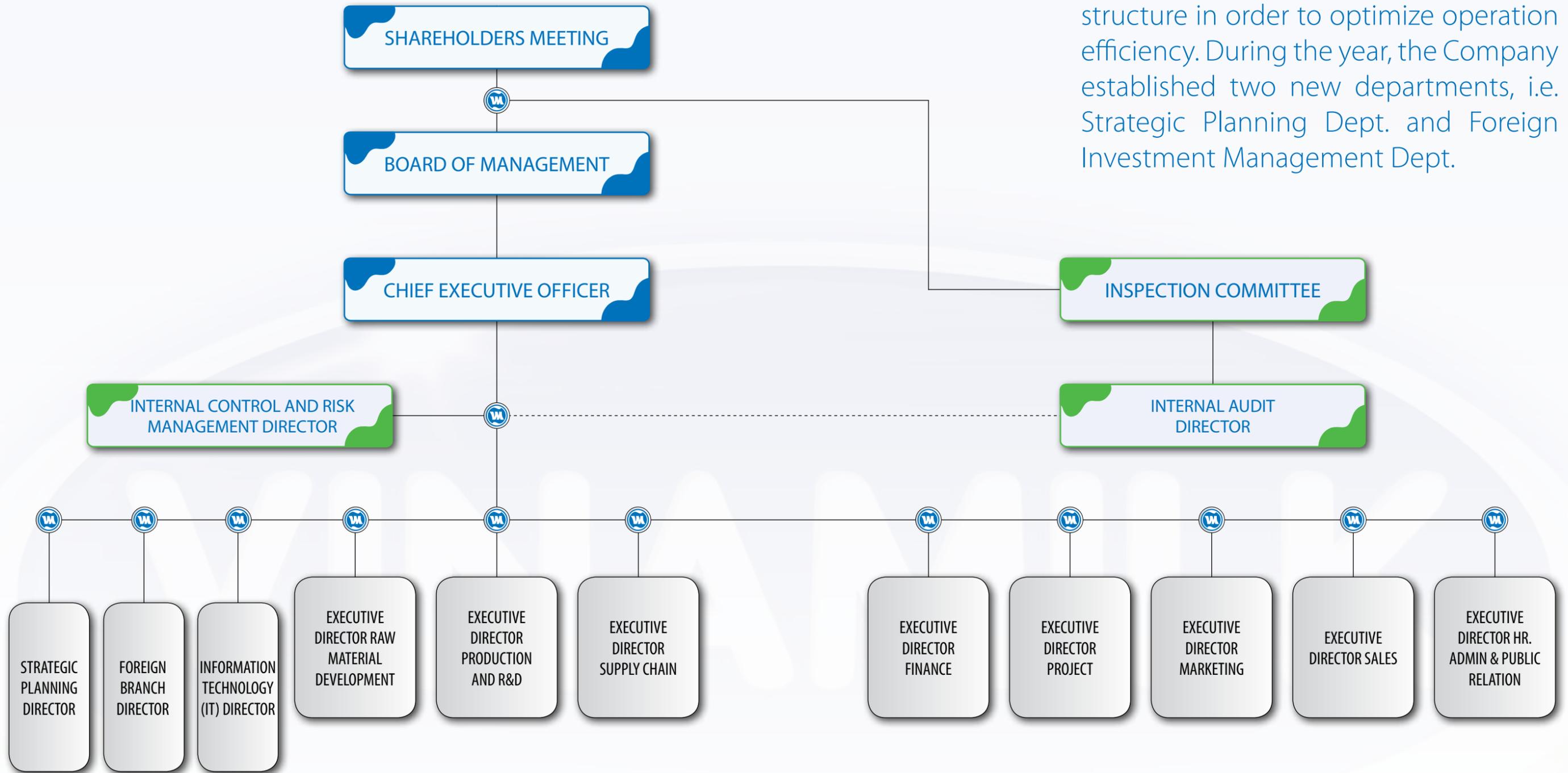


By the end of 2013, Vinamilk had 6 subsidiaries and 2 associates:

No.	Company name	Main business operations	Share capital (VND billion)	Owned by Vinamilk (%)
Subsidiaries				
1	Vietnam Dairy Cow One-member Co., Ltd.	Breeding dairy cows and producing fresh milk material	840	100%
2	Lam Son Dairy One-member Co., Ltd.	Producing and trading dairy products	80	100%
3	International Real Estate Co., Ltd.	Trading real estate	160	100%
4	Thong Nhat Thanh Hoa Dairy Cow Two-member Co., Ltd.	Breeding dairy cows and producing fresh milk material	600	96.33%
5	Angkor Dairy Products Co., Ltd.	Producing and trading dairy products	USD20.01 million	51%
6	Driftwood Dairy Holding Corporation	Producing and trading dairy products	USD7 million	70%
Associates (*)				
1	Asia Saigon Food Ingredients JSC (AFI)	Producing cream powder used for food	120	15%
2	Miraka Limited	Producing and trading dairy products	NZD55 million	19.3%

(*) Based on the presence of Vinamilk's representative in Board of Management of associates.

ORGANIZATION STRUCTURE



“ In 2013, Vinamilk continued stabilizing organization operation structure in order to optimize operation efficiency. During the year, the Company established two new departments, i.e. Strategic Planning Dept. and Foreign Investment Management Dept.



SUSTAINABLE DEVELOPMENT **CONSOLIDATION OF CORPORATE GOVERNANCE**

In 2013, Vinamilk had many activities to continuously improve corporate governance system so as to enhance capacity for sustainable development and bring more values to shareholders, consumers, and other stakeholders. The activities are widely deployed in many areas such as expanding and reconstructing the Board of Management, reviewing Vision - Mission in the new era, improving the Company's operation structure, and building control systems and risk management for the Company.

- Structure and member of the Board of Management
- Activities of sustainable development
- Mechanism of receiving opinions from stakeholders
- Vision, Mission, Core values – Code of Conduct
- Titles achieved in the report period

BOARD OF MANAGEMENT STRUCTURE AND MEMBERS

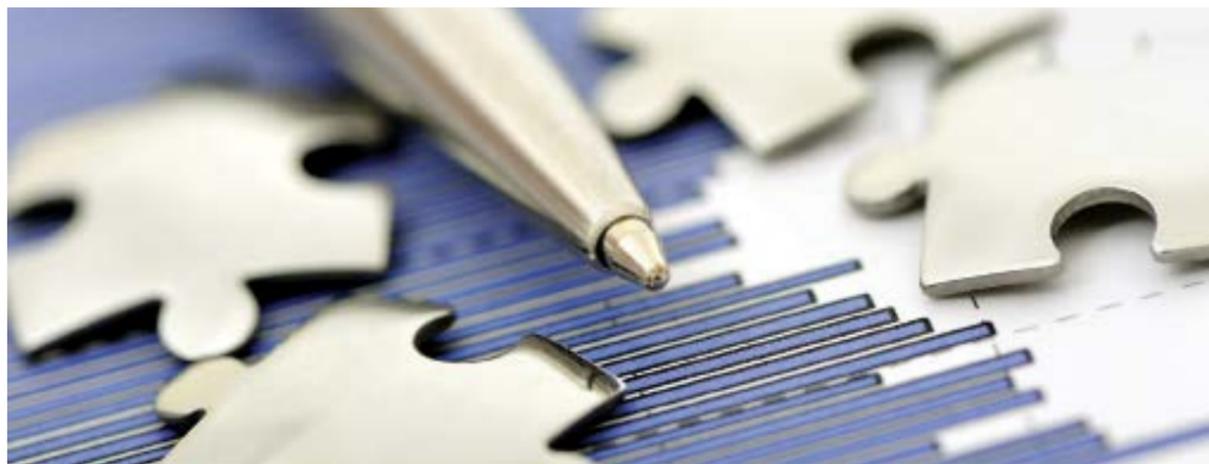
NUMBER AND STRUCTURE OF MEMBERS

In 2013, the Board of Management was added 2 independent members. As at December 31st 2013, the Board consists of 07 members, including 01 chairwoman and 06 members. The Company's Chairman is female.

	2012	2013
Number of members	5	7
Gender classification		
» Female members	2	3
» Male members	3	4
Executive/Independent		
» Executive members (*)	2	2
» Independent members	0	2

(*) The Board members undertakes executive positions as Chief Executive Officer and Executive Director Finance. Ms. Mai Kieu Lien holds the position of Chairwoman and also Chief Executive Officer of Vinamilk. This concurrence is approved by the Shareholders' Meeting annually.

The appointment of two independent members aims to perfect the Board's governance structure, strengthen the independence and transparency in corporate governance and, at the same time, to meet the legal requirements for a public joint stock company.



BOARD'S COMMITTEES

Along with the appointment of Board's members, the Board's committees also have been reorganized to improve corporate governance efficiency and develop operation strategies.

No.	Committee	Main functions	Number of members	Changes compared to 2012
1	Strategy and Development Committee	Determine and orient development strategies, objectives and plans. Establish long-term management and development orientations for the Company.	4	Appointment of independent member of the Board of Management into the committee.
2	Risk Management Committee	Orient and develop risk management activities in the level of BOM. Instruct and supervise activities of the Risk Management Council to ensure a strong and effective risk management system for the Company.	4	This is a newly constructed committee in order to push the risk management and risk supervision in the level of BOM.
3	Nomination Committee	Manage personnel issues concerning members of the BOM and the executive apparatus: initiate and assess scale and component of the BOM; recommend appointment, dismissal of BOM's members, Chief Executive Officer, and senior managers; build up human resources development plan.	3	Change in Chief of Committee. The independent member of the BOM holds this position.
4	Allowance Committee	Establish policies on salary, reward, allowance and other benefits for members of the BOM and the executive apparatus; Counsel CEO in building policies about salary, reward, and income of the company.	3	Change in Chief of Committee. The independent member of the BOM holds this position.

(*) Comparing to 2012, in 2013, Audit Committee was deleted since the audit work was assigned for the Inspection Committee and the Internal Audit Department.

STRATEGY AND DEVELOPMENT COMMITTEE



Mr. LE SONG LAI
Chief of the Committee

Ms. MAI KIEU LIEN
Member

Ms. NGO THI THU TRANG
Member

Ms. LE THI BANG TAM
Member

NOMINATION COMMITTEE



Mr. HA VAN THAM
Chief of the Committee

Ms. MAI KIEU LIEN
Member

Mr. LE SONG LAI
Member

RISK MANAGEMENT COMMITTEE



Mr. LE ANH MINH
Chief of the Committee

Mr. NG JUI SIA
Member

Mr. HA VAN THAM
Member

Ms. NGO THI THU TRANG
Member

ALLOWANCE COMMITTEE



Ms. LE THI BANG TAM
Chief of the Committee

Mr. NG JUI SIA
Member

Mr. LE ANH MINH
Member



SUSTAINABLE DEVELOPMENT ISSUES

Continuing the background from 2013, Vinamilk continue pursuing our avidities/programs related to sustainable development, including:

- » Continue pursuing and implementing programs about use of clean energy and energy savings.
- » Continue implementing activities to improve working environment.
- » Attend in seminars about corporate governance and sustainable development organized by ACGA – Asian Corporate Governance Association to get experience in practice and concerns of stakeholders about these matters.



THE MECHANISM OF RECEIVING RECOMENDATIONS FROM STAKEHOLDERS

TO SHAREHOLDERS

Shareholders are an important related party of the Company. The relationship between Vinamilk and shareholders is being paid special attention. Vinamilk has established an Investor Relation Department to be responsible for establishing and maintaining the relations as well as receiving opinions and recommendations from shareholders. Besides, this is an information channel to contact potential investors. This is an important communication channel to enable Vinamilk to approach to the expectations and concerns from stakeholders for the Company. Vinamilk's investor relations function is very flexible and to create the most favourable conditions for the investors to get update on the Company's operations through:

- » Attending the Annual General Meeting of Shareholders
- » Visiting our head office directly.
- » Investor relation personnel can discuss with investors through telephone, teleconference
- » Responding to investors' queries via email
- » Responding to investors' queries through Q&A on our website at <http://www.vinamilk.com.vn/?vnm=FAQ>
- » Investor relation personnel can attend investment seminars organized by securities companies, institutional funds.

In 2013, Vinamilk over 256 investors to visit our head office and factories in order to study and seek opportunities to invest in Vinamilk. Vinamilk also met over 58 big and prestigious institutional investors in the region and the world in the seminars that the Company attended.

All opinions and recommendations from shareholders will be consolidated, analysed and reported to the Chief Executive Officer. The Chief Executive Officer will consider and propose the BOM the contents under its jurisdiction.

TO CUSTOMERS AND CONSUMERS

Vinamilk maintained a relation and discussion with the customers periodically or regularly. According to Vinamilk's regulations, at least once a year, the Company will survey opinions and gratification of customers. The customers can also contact the Company at any time via hot line or Vinamilk's website.

To consumers, Vinamilk frequently receives opinions from consumers through responding to queries via hot line, directly meeting and dealing with complaints from customers.



TO EMPLOYEES

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

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

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



VISION, MISSION CORE VALUES – CODE OF CONDUCT

Together with the Company's development, the BOM has reviewed long-term development orientation, vision and mission of the Company in the new era. Accordingly, vision and mission of the Company have been oriented as follows:

- » Expanding operation scope of the Company comparably the world class.
- » Affirming the Company's responsibilities to consumers, human's health and community.



Vision

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

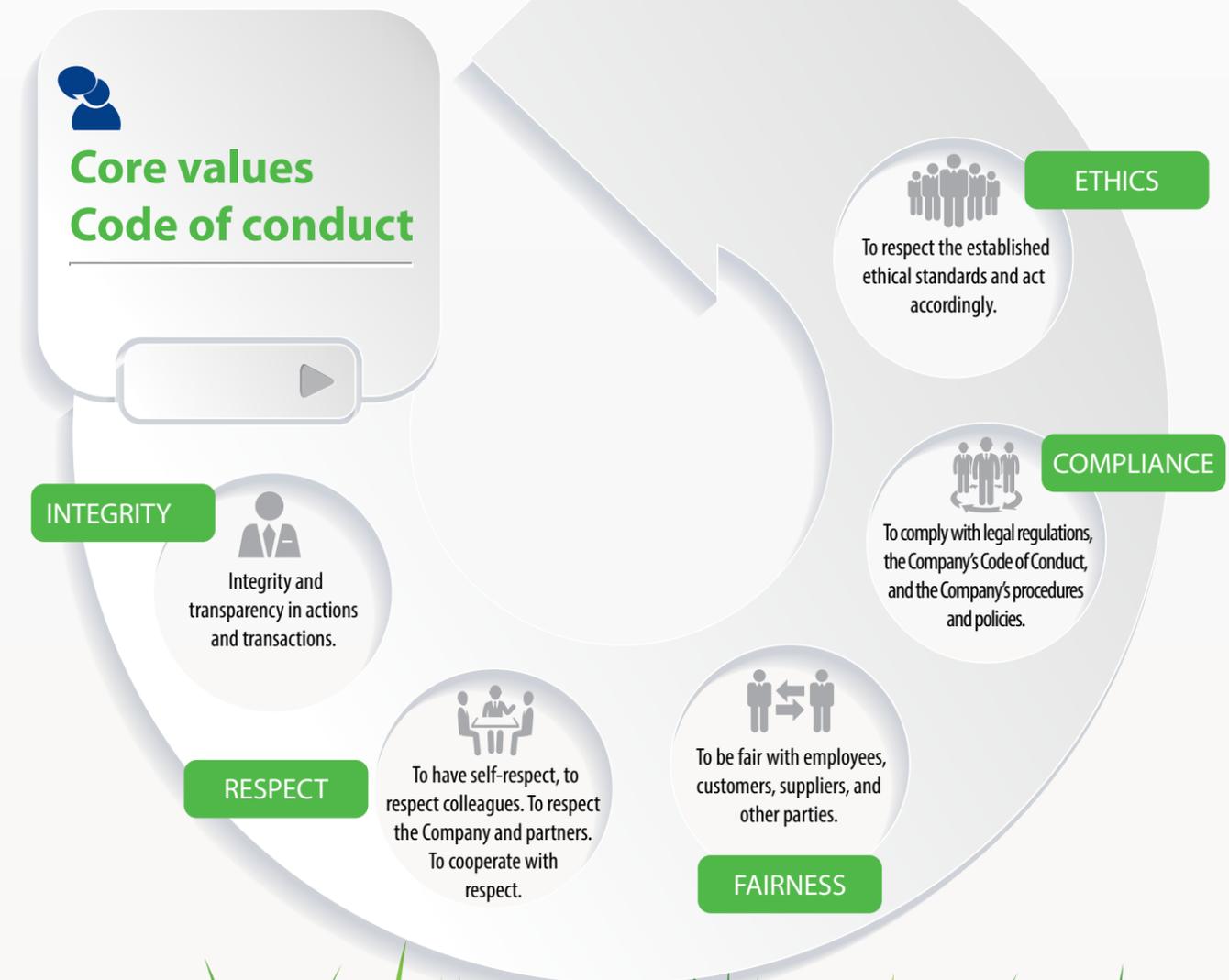


Mission

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

Core values according to Vinamilk's Code of Conduct continue to be asserted the lodestar in orientation for all activities of the Company. In 2013, Vinamilk also had practical activities to increase the application of these values to the actual operation. In particular, the key activities were focused on increasing the transparency in the transactions between Vinamilk and partners.

- » Strengthening application of control to procurement and bidding activities to enhance transparency and efficiency.
- » Implementing mechanism of declaration and assessment on interest conflict in eth transactions. Vinamilk makes commitment on transparency and avoidance of interest conflict at the highest level of the Company. Regarding to the responsibility of honesty and avoidance of conflict of interests as stipulated in the Company's Charter, the Board members, the Inspection Committee members, Executive Directors, Chief Accountant and other key positions who are appointed and removed by the Board of Management basing the Chief Executive Officer's recommendation, have responsibility to disclose to the Board all their interests which may cause conflict of interests through other legal entities, transactions or other individuals within 7 working days from the date those interest incur.



TITLES ACHIEVED IN THE REPORT PERIOD

No.	Title	Certified by
1	Certificate "Vinamilk – ONE OF TOP 10 PRESTIGIOUS VIETNAM BRAND 2014"	Centre of Study, Application and Development for Vietnam Brands under Federation of Science and Technology Associates in Vietnam
2	Certificate "VIETNAMESE HIGH-QUALITY PRODUCT 2014" voted by consumers	Business Association of High-quality Vietnamese Product and SGT News (on January 13 th 2014)
3	Merit on innovative and creative applications to promote production and business activities 2014	Minister of Science and Technology (on February 20 th 2014)
4	One of 500 Vietnamese biggest companies 2012	VNR 500 (Vietnam Assessment Report JSC) and Vietnamnet
5	Ranked the second in Top 10 Vietnamese biggest private companies	VNR 500 (Vietnam Assessment Report JSC) and Vietnamnet
6	Top 50 Vietnamese best listed companies	Forbes VN
7	One of 10 Vietnamese most tax payers 2013	Vietnam Assessment Report JSC
8	Vietnamese High-quality Product 2013" voted by consumers	Business Association of High-quality Vietnamese Product in HCMC and SGT News
9	Top Vietnamese Strong Brands	Vietnam Economic Times
10	Top 100 "Sustainable Development Brands"	Organisation Board of Sustainable Development Brand Program
11	Dielac Nutrition Product – Top 100 Trusted Products 2013	Vietnam Economic Times
12	Green Enterprise – Most Favourite Product 2013 voted by consumers	HCMC People's Committee – SGGP News – Department of Industry and Commerce – Saigoncoop
13	Top 10 Best Annual Report 2013	Organisation Board for Selection of Annual Report 2013
14	The best Sustainable Development Report 2013	Organisation Board for Selection of Annual Report 2013
15	Merit – National Action Plan for Vietnamese Children	Ministry of Labour, War Invalids and Social Affairs
16	Merit – Achievement in positive contribution to "For beloved Truong Sa students" campaign	HCMC People's Committee
17	Merit – Excellent achievement in protecting rights of consumers	Vietnam Standards and Consumers Association
18	M&A Strategy Joint Stock Company for breakthrough growth in the period 2009-2013	M&A Vietnam Forum
19	Merit – Contributions to Education and Training of Vietnam	Minister of Education and Training
20	Merit – A noble heart	Committee of Vietnamese Fatherland Front
21	Merit – Excellent achievements in business operation contributing to the development of Binh Duong Province	Chairman of Binh Duong Province People's Committee
22	Nation Environment Award	Ministry of Natural Resource and Environment
23	1 st position in Top 100 best-loved employers 2013	careerbuilder.vn
24	3 rd position in Top 100 companies having best working environment in 2013, in which, Vinamilk is ranked the 1 st position in regard of Income – Welfare and Leadership.	anphabe.com



THE INFORMATION ABOUT THE 2013 REPORT

2013 SUSTAINABLE DEVELOPMENT REPORT OVERVIEW

2012 is the first year Vinamilk submitted Sustainable Development Report separately. The report was concerned by many investors and stakeholders and at the same time, gave more comprehensively information about Vinamilk aside from annual report.

In 2013, Sustainable Development Report of Vinamilk continued focusing on 5 main issues: **Responsibility to Products – Environment - Economic Development - Working Environment, and Public and Social Activities.**

Information about the report

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

SCOPE OF THE REPORT

Scope of reporting units

This report was made for the operation scope of:

- » Vinamilk.
- » Vietnam Dairy Cow One Member Co., Ltd.
- » Lam Son Dairy One Member Co., Ltd.

Scope of operating fields

This report was made within Vietnamese territory in the fields of producing and trading milk and beverage; breeding cows at farms.

Limits of the report scope

This report excluded the operations of:



- » International Real Estate One Member Co., Ltd. regarding real estate business. Vinamilk has not implemented any project yet to focus on the main businesses. In 2014, Vinamilk will dissolve this company.
- » An Khang Clinic: health care clinic service has characteristics different from principal business activities and does not take up the considerable proportion in the operation of Vinamilk.
- » Angkor Dairy Products Co., Ltd: is in the progress of construction and not yet operated.
- » Driftwood Dairy Holding Corporation: just completed investment at the end of 2013.

Therefore, there is no change in scope of 2013 Sustainable Development Report compared to 2012.

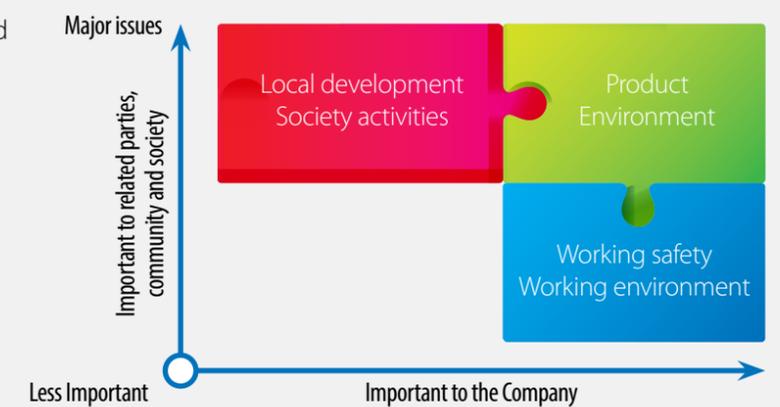
METHOD TO DETERMINE THE REPORT CONTENTS

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

- » **Shareholders:** Through opinions of the members of the BOM who represent major shareholders and opinions recorded in Shareholder relation activities.

- » **Customers and consumers:** Results of customer and consumer surveys and opinions received through consulting and customer services.
- » **Employees:** Results of employee surveys and other opinion receiving channels.
- » **Local authorities:** While working in investment projects and operating in the local areas.

In 2013, in issues to be concerned remained those in 2012:



APPLIED STANDARDS

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

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

CONTACT INFORMATION ABOUT THE REPORT

Any comments and contributions to the report or related questions can be posted directly on the website of Vinamilk in FAQ section (<http://www.vinamilk.com.vn/?vnm=FAQ>) or sent via e-mail to the department in charge:

- » Mr. Nguyen Trung - Internal control and risk management director: ntrung@vinamilk.com.vn.
- » Mr. Nguyen Tuong Huy - Head of System Management and ISO: nthuy@vinamilk.com.vn.

“ Definition of sustainable development by Bruntland Committee

Sustainable development is development that meets the needs of the present without compromising the ability of future generations to meet their own needs.

COMMITMENT TO STAKEHOLDERS



- 
To consumers
 - » Diversify products; facilitate customers optimally in selection and approach to products.
 - » Create new things and increase product value to benefit nutrition and human health.
 - » Create products at reasonable price.
- 
To shareholders
 - » Ensure a safe, profitable and sustainable investment.

- 
To the State
 - » Comply with the State policies and regulations in the fields operated.
 - » Comply with and fulfil tax obligations sufficiently and promptly.
- 
To employees
 - » Create satisfaction in environment, safety, health, and income for employees.
- 
To partners
 - » Collaborate and develop on the basis of mutual benefit, transparency, and social responsibility.
- 
To community
 - » To be responsible, share values and jointly develop community.

VALUES OFFERED TO STAKEHOLDERS IN 2013



REPORT

CONTENTS



In 2013, the Sustainable Development Report of Vinamilk continued focusing on 5 areas:

- Responsibility to products
- Environment and Energy
- Working environment
- Economic development
- Community support and development

PRODUCT RESPONSIBILITY

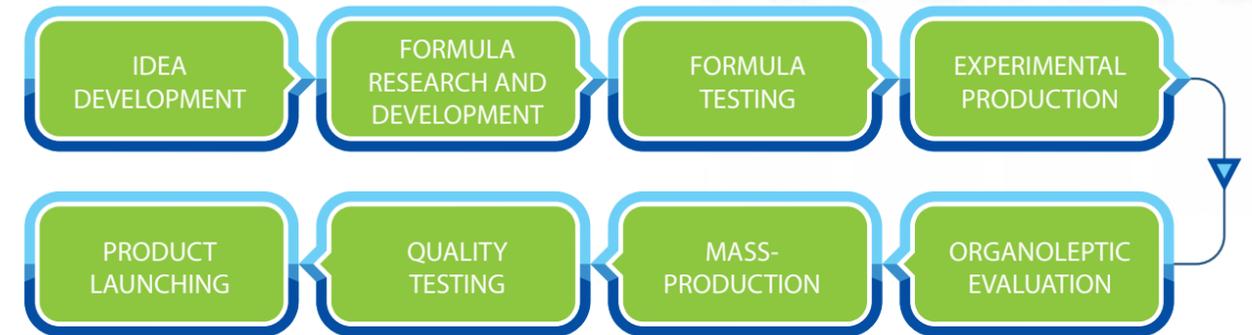
The products created by Vinamilk are the most direct values that Vinamilk brings to the consumers and are considered a bridge connecting Vinamilk to stakeholders. During its operation period, the Company is always consistent with the policy of providing safe and nutritious products, contributing in physical and intelligent development as well as protecting human health.

Vinamilk's responsibility to products is reflected through the following aspects:



01 SAFE PRODUCTS

In 2013, Vinamilk continued improving and developing product quality control system with the objective that all products given to consumers must be ensured the highest safety and quality.



A safe product ensures the following aspects:

- » Having safe formula and ingredients.
- » Using safe materials.
- » Complying with production safety regulations.
- » Strictly controlling quality.

HAVING SAFE FORMULA AND INGREDIENTS

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

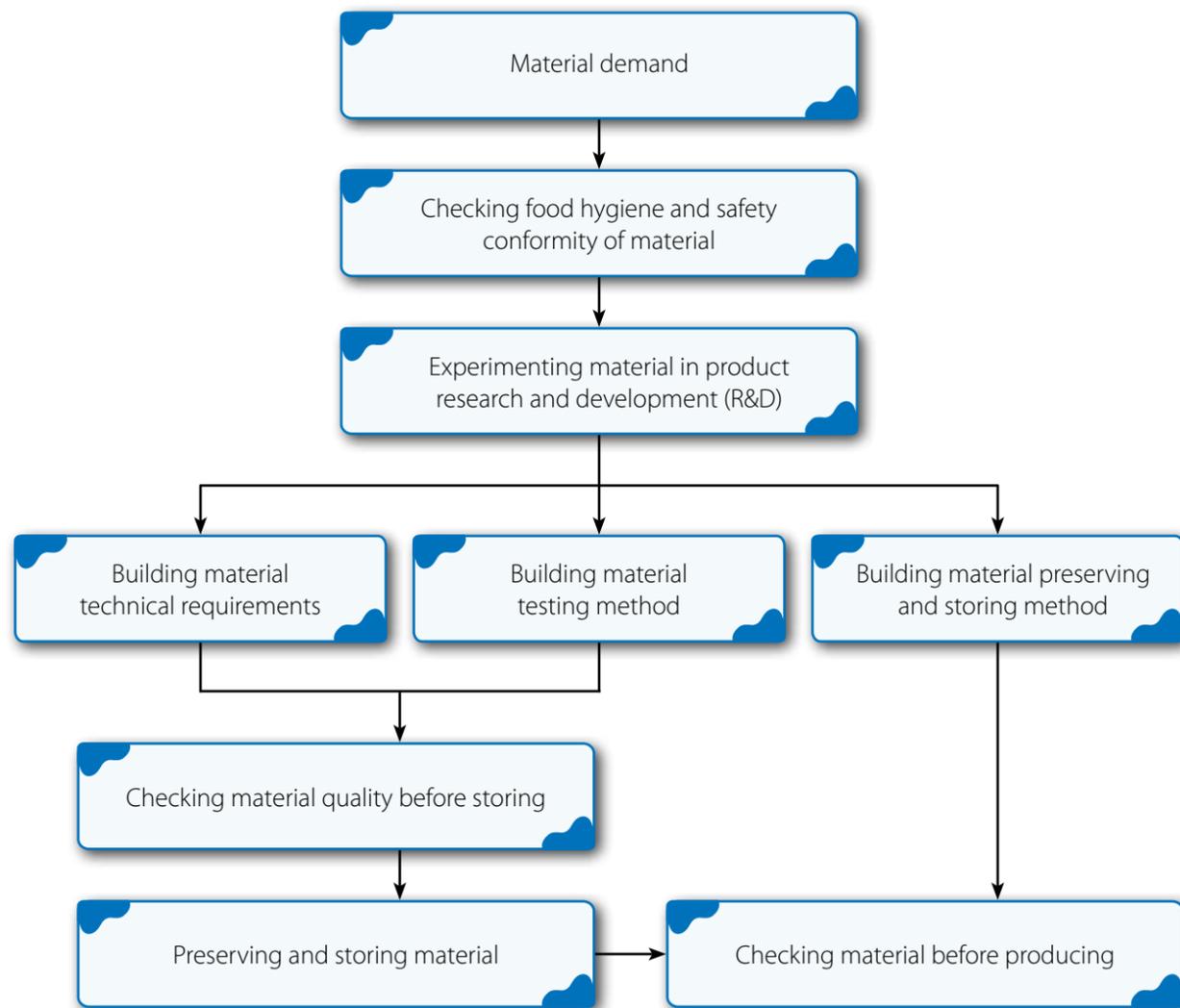
- » Material is chosen carefully; substances adversely affecting health are strictly forbidden
- » All product components from material to package are evaluated and tested to assess its impact on human health.
- » Product safety and stability test is conducted in each step.

Vinamilk can proudly affirm that all our products do not contain preservatives in order to ensure the highest safety for consumers. This has been committed by Vinamilk and presented in our product labels.

SAFE MATERIALS

Input material is the factor directly affecting product quality. In Vinamilk, we maintain and ensure that material quality is always controlled strictly and appropriately.

INPUT MATERIAL QUALITY CONTROL PROCESS



CHECKING MATERIAL BEFORE PRODUCING

In 2013, Vinamilk continued maintained its strategy of prioritizing to choose the material supply sources from advanced agricultures with high standards and requirements on food quality and safety. The main supply sources of Vinamilk now are the United States of America, New Zealand, and European countries.



FRESH MILK MATERIAL

Fresh milk is one of the most important materials in milk production. In 2013, Vinamilk continued pushing the development strategy of large-scale farm system and modern technology in order to increase the supply sources of safe and nutritious fresh milk material.

DEVELOPING SCALE AND QUALITY OF VINAMILK'S FARM SYSTEM

At present, the farm system of Vinamilk and its subsidiary includes 5 dairy farms in Tuyen Quang, Nghe An, Thanh Hoa, Binh Dinh, and Lam Dong with totally 8,800 heads. In 2013, Vinamilk promoted the investment in 4 new farms in Tay Ninh, Ha Tinh, and Thanh Hoa which are expected to come into operating during 2015-2016.

With the development in scale, Vinamilk's dairy farms are also improved in operation quality. Aside from modern facilities and good breed, improving operation management efficiency is an important goal of the farms. At the end of 2013, two dairy farm in Nghe An and Tuyen Quang obtained ISO 9001:2008 granted by Bureau Veritas.

CRITERIA FOR MATERIAL QUALITY CONTROL

Vinamilk applies many methods to coordinate and support each other in order to have the best-quality input material:

- » Making requirements on expiration date of material for suppliers: Material supplied to Vinamilk must meet the criteria on expiration date as requested.
- » Monitoring by requirement on certificate of material quality.
- » Directly checking quality of material before storing.



UPGRADING VINAMILK'S FRESH MILK COLLECTION SYSTEM

In 2013, Vinamilk strengthened many activities for the purpose of improving quality of fresh milk material during the purchasing process.

» As for the households:

◆ A closed breeding – exploiting – preserving process:

From April 1st 2013, Vinamilk did not renew contracts with milking households. The Company completely collected raw milk from the households directly breeding cows. This has helped better control the quality of fresh milk material thanks to enhancing the farmers' awareness of their responsibilities and a closed breeding – exploiting and preserving process.

◆ Improving milk preservation quality:

From April 1st 2013, Vinamilk also started to use aluminium/stainless steel cans meeting standards to contain milk instead of plastic cans before. Thanks to that, raw milk has been preserved better and thus, quality of raw milk has been ensured. By the end of 2013, over 90% of households used aluminium/stainless steel cans meeting standards.

In order to help the farmers adapt and meet these changes, Vinamilk has implemented support programs and training courses as well as encouraged the farmers. Please refer to "Economic Department" for further information about cooperation with the farmers.



» As for the transit stations:

Transit station is the place to mobilize fresh milk collected from the farmers; therefore, it plays an important role in preserving fresh milk. The increasing improvement in milk preservation quality and management efficiency of the transit stations is a key step to upgrade Vinamilk's fresh milk collection system in the period 2012-2016. In 2013, Vinamilk upgraded 18 transit stations. The stations after being upgraded used stainless steel pipes 304/316, standardized cooling tanks, closed equipment sanitation process with chemicals and hot water.

In addition, in order to ensure compliance and ensure safety of fresh milk material, in 2013, Vinamilk completed installing CCTV for 56/56 transit stations in HCMC, Tien Giang, Long An and Tay Ninh.

» Innovating method to test quality of fresh milk to be purchased:

In 2013, Vinamilk started to apply Resazurin method to check micro-organisms in milk. With this method, the farmers just need to wait within 10 minutes to get quality test result and can directly read the result of micro-organism factor in the milk.

Moreover, Vinamilk included non-fat dry material (instead of total dry material before) into the factors to calculate price for purchasing milk from the farmers.

The above methods not only help to demonstrate Vinamilk's transparency in milk collection activity but also help the farmers get information about milk quality timely and adequately.



SAFE PRODUCTION

In 2013, the objectives of ensuring production safety and increasingly improving production efficiency were continued to be pushed with the combination between advanced production technology and facility and strict production control system.

SAFE PRODUCTION MANAGEMENT

In 2013, Vinamilk was success in obtaining HACCP with new version RVA5 (which was released in 2012). In this version, the new contents are mainly about that the production companies have to meet the requirements on risk management in supply chain and allergen management in product.

ADVANCED PRODUCTION TECHNOLOGY AND FACILITY

Production technology and facility are the main factors to create high-quality products. Hence, Vinamilk always adopts advanced production technology and facility from the top partners in dairy production technology and facility in the world such as Tetra Pak Group, GEA Group, etc.

In 2013, Vinamilk put two large-capacity factories with the world's most modern technology of dairy production, i.e. Vietnam Powered Milk Factory and Vietnam Dairy Factory, into operation. Production lines of these factories are put in high automation and output products are created from a closed cycle to limit the external effects on products in the best way.



STANDARDIZING METHOD AND EQUIPMENT FOR QUALITY TEST

Having many factories, Vinamilk always focus on ensuring homogeneous quality of products. In 2013, Vinamilk continued standardizing its quality test equipment and method in all of the Company's entities.

Vinamilk commits all our laboratories fully conform the ISO/IEC 17025:2005 standards. In 2014, Vinamilk will continue circulating standards of method and equipment for quality test to be applied in all production units of the Company.

TRACING AND RECALLING PRODUCTS

As mentioned in the annual report 2012, the methods and ways to trace and recall products are focused to establish and practice for the purpose of minimizing risks to consumers when there are problems related to products. Vinamilk commits to fulfil the following goals:

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

In 2013, Vinamilk carried out a product tracing and recalling practice to ensure the efficiency of the procedure and help all staff have a thorough grasp of implementation when needed.



02 ENHANCING PRODUCT VALUE TO HUMAN HEALTH

Increasingly innovating to offer the best quality for consumers through products is the core objective of Vinamilk in 2013.

- » Diversification of products in order to meet the diverse demands of consumers.
- » Design and create the products that can satisfy consumers of all ages, in all conditions of physical health and all nutritional demands, especially meeting the habitus of Vietnamese people.

Through our products, Vinamilk would like to become a companion of human health in the new era. Vinamilk's products have being continued and will continue giving strong support to all people by bringing valuable sources of nutrition for develop comprehensively, maintaining health – beauty, and increasing resistance against illness. Vinamilk is proud to be a producer owning a variety of products to serve most of the development stages of human. In 2013, Vinamilk had further researches and launched to the market the products with optimized features:

- » Nutrition product for pregnant and breast-feeding women Dielac Optimum Mama: Supplement nutrients for pregnant and breast-feeding women and bring a good nutrition system for both mother and child.
- » Nutrition product for children from 4 – 6 years of age Dielac Optimum step 4: enhance nutritional support for the child after breast-feeding period.
- » UHT fresh milk for supporting immune system and protecting health: fortified with vitamin D and other nutrients (Vitamins A and C, and Selen)
- » Lactose-free UHT milk: for consumers of fresh milk but being affected by stomach rumbling and abdominal bloating due to lactose intolerance.
- » GoldSoyCaDsoymilk: Made from non-genetically modified soybeans, fortified with Calcium and Vitamin D to support skeletal system.
- » Yuki fruit nectar for children fortified with vitamin and solute fibre, helping to improve immune system and digestive system.
- » Lingzhi tea under name of LINCHA supports to eliminate free radicals and toxins in the body and helps stabilize blood pressure and recover health.



03 PROVIDING TRUTHFUL AND COMPLETE INFORMATION ABOUT THE PRODUCTS

Completely getting information about features of products to use them effectively is received more and more concern from the consumer. This plays an important role in terms of foodstuff. Therefore Vinamilk will ensure to give consumers necessary information so that they can choose the suitable products and use them in the best way.

PRODUCT LABELLING

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

» Product properties

- ◆ Product type.
- ◆ Ingredients.
- ◆ Nutrition facts.

» Usage instruction

- ◆ Usage instruction
- ◆ Storage instruction

» Manufacture date and expiry date

» Information about product quality control

- ◆ Basic quality standards.
- ◆ Quality control systems applied to manufacturing.



» Information about the Company and the manufacturing unit

- ◆ Information about Vinamilk and code of the manufacturing unit.
- ◆ Contact phone number and email address
- ◆ Information about nutrition consulting service

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

NUTRITION CONSULTING ACTIVITIES

In 2013, Vinamilk continued maintaining and developing performance of nutrition consulting centres in Ha Noi, Da Nang and Can Tho to offer free consultancy about nutritional health, especially kid nutrition. Beside the consulting service at the centres, the consulting team regularly organized the consultancy at the schools and directly met the elderly in difficult circumstances.

The 2013 Product Responsibility Indexes are as follows:

No.	Criteria	Indicator	Remark
1	Rate of non-preservative products/Total number.	100%	
2	Rate of products which are assessed via quality tests before putting into mass production.	100%	
3	Number of factories obtained HACCP and ISO 9001:2008 certification.	12/13	Vietnam Dairy Factory came into operation in September 2013. The factory will be assessed and granted certificate in the 1 st quarter of 2014.
4	Rate of product portfolios meeting HACCP standards and quality control system ISO 9001:2008.	100%	
5	Number of factories having Experiment Room with ISO/IEC 17025:2005 certified regarding Chemistry and Biology.	10/13	Lam Son Dairy Factory is expected to be certified in the 2 nd quarter of 2014. Vietnam Powdered Milk Factory and Vietnam Dairy Factory will be promoted to obtain the certification in 2014.
6	Number of food safety violation cases.	0	
7	Number of Trademark and Product Information infringement cases.	0	
8	Number of cases regarding low quality product recall.	0	



ENVIRONMENT & ENERGY



Environment is one of the top concerns of humanity. As a producer, Vinamilk is always aware that any business activities have impact on the environment. We are committed to the implementation of environmental protection goals by taking with specific, practical and comprehensive actions.

Quoted from: "Corporate Social Responsibility Policy of Vinamilk".

Environmental pollution and climate changes remain head-aching issues to many nations and require persistent efforts from every nation, every organization and everyone. Floods in many countries, including Vietnam, and pollution increasing at an alarming rate in many cities are warning messages about our living environment.

For Vinamilk's activities, we commit pursuing solutions which aim at minimizing the impact on the environment and make the best use of natural resources and energy.

MANAGEMENT OF EFFECTIVE ENERGY UTILIZATION

As mentioned in the Sustainable Development Report 2012, together with production scale expansion, Vinamilk focused on energy utilization management and improvement as the main goal in achieving sustainable development. To accomplish this goal, Vinamilk continued to implement simultaneous and intertwined actions, including:

- » Improving energy utilization efficiency.
- » Increasing the usage of clean energy resources.

IMPROVING MANAGEMENT QUALITY

In 2013, Vinamilk continued to establish and apply the energy management system pursuant to the ISO 50001:2011. At present, the energy management system pursuant to the ISO 50001:2011 is applied to all Vinamilk's factories. According to its plan in 2014, Vinamilk will obtain accreditation for external assessment on its implementation of this standard. In 2013, Vinamilk conducted energy audit at three more factories; therefore, the total factories which are under energy audit are now nine.



Accordingly, the goals set for the period from 2012 to 2017 are:

- » Saving energy at least by 3% after 5 years.
- » Minimizing CO₂ emissions and waste causing greenhouse effect.
- » Establishing and applying energy management system in alignment to the ISO 50001:2011 on Energy Management in all factories.

USING ENERGY SAVING DEVICES FOR LIGHTING

In 2013, Vinamilk completed the experimental project to improve the effectiveness of energy consumption for lighting in Sai Gon Dairy Factory. This project includes the design revamping to optimize capacity, usage of energy saving lighting devices such as LED, Compact T5-T8 lamps. This can help to save up to 70% of energy for lighting compared to high voltage lamps.

Based on this result, Vinamilk approved the program to use energy saving devices for lighting in all factories with a total investment of VND 49 billion. Vinamilk is now holding biddings to find partners in implementing this program. It is expected that by the end of 2014, all factories will be using this system.



INCREASING THE USE OF CLEAN AND RENEWABLE ENERGY RESOURCES

As mentioned in the previous report, Vinamilk continues to make use of clean and renewable energy to replace the traditional FO, DO oil. This is the key solution to minimize emission of waste causing greenhouse effect, one of the main factors leading to climate change. In 2013, Vinamilk continued enhancing its projects using Biomass and CNG.

Vinamilk's goal is to apply these energy resources in all factories, in which:

- » Biomass fuel is used in factories where have enough ground area for this application.
- » CNG fuel is used in factories where ground area is limited.

At present, there are 9 among factories using these two kinds of fuel, especially the two high-capacity factories which are Vietnam Dairy Factory and Vietnam Powdered Milk Factory:



- » 5 factories using Biomass fuel: Can Tho Factory, Sai Gon Factory, Binh Dinh Factory, Tien Son Factory, and Vietnam Dairy Factory.
- » 4 factories using CNG fuel: Dielac Powdered Milk Factory, Truong Tho Dairy Factory, Thong Nhat Dairy Factory, and Vietnam Powdered Milk Factory.

In 2014, Vinamilk will continue to use Biomass in Nghe An Dairy Factory and Lam Son Dairy Factory.

DID YOU KNOW?

Biomass or biomass fuel comprises chemical energy, sun energy accumulated through photosynthesis. This kind of fuel is made from agricultural waste (thatch, sugarcane bagasse, corn peel and fiber, etc.), forestry waste (dry leaves, wood chips, etc.), shredded papers, sawdust, etc. This energy resource can be renewable and beneficial to the environment thanks to waste recycling, no toxic gas emission and no contribution to greenhouse gas emission. Meanwhile, to produce 1 ton of

gas, we have to use from 70 to 75kg of FO oil in average.

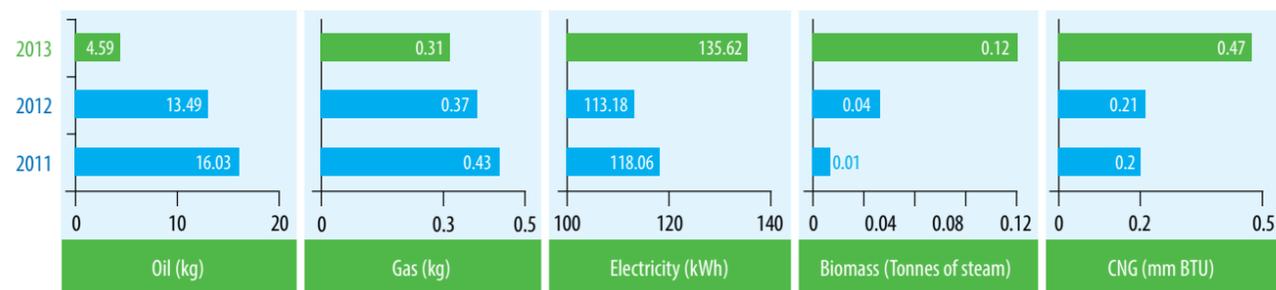
CNG (Compressed Natural Gas) is a natural gas that is compressed in high pressure. Consumption of CNG does not emit much toxic gases such as NO, CO, SO₂ and produces almost no dust. This can help to reduce by 93% of CO₂ emission, 33% of NO gas and 50% of hydrocarbon, compared to using oil or petrol engine.

Energy measurements in production

In production activities:

Measurement criteria	2011	2012	2013
Total output (tons)	662,146	768,552	814,387
% of output fluctuation	19.56%	16.07%	5.96%
Total of used energy, classified by each kind			
» Oil: Output (kg)	10,614,991	10,367,891	3,741,599
% of fluctuation	-17.2%	-2.3%	-63.9%
» Gas: Output (kg)	285,108	283,120	255,245
% of fluctuation	-38.63%	-0.7%	-9.85%
» Electricity: Output (kwh)	78,171,274	86,983,440	110,452,250
% of fluctuation	17.22%	11.27%	26.98%
» Biomass: Output (Tonnes of steam)	8,964	32,413	97,061
% of fluctuation	N/A	269%	199.45%
» CNG: Output (mm BTUi)	132,934	162,310	380,737
% of fluctuation	N/A	22.10%	134.57%

Total of average used energy per unit of product by each kind (/Ton of products)



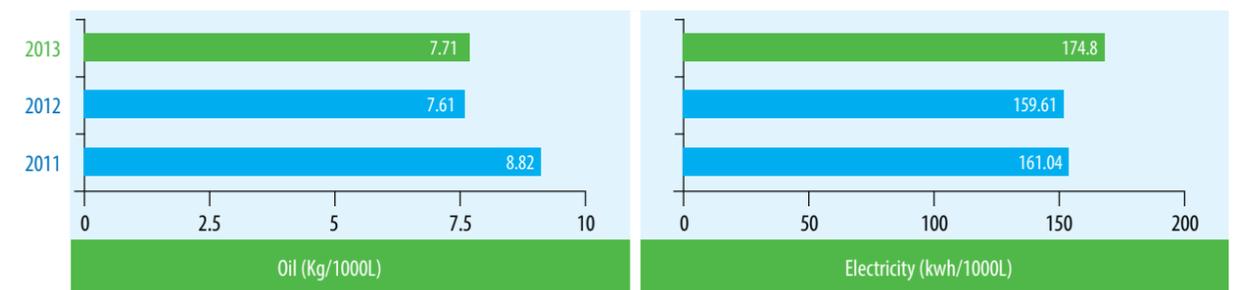
The statistics indicate that:

- » The use of clean energy has increased. The use of FO oil in production has been reduced by over 60% compared with 2012.
- » Electricity utilization efficiency in 2013 was lower than in 2012. This was because Vinamilk had 2 high-capacity factories put in trial operation and accepted in 2013. Meanwhile, the remaining factories were influenced by the change of production plans after two large factories came to operation. In 2014, Vinamilk will continue to monitor changes in energy utilization efficiency to take appropriate measures for improvement.

Energy measurements in breeding activities

Measurement criteria	2011	2012	2013
Total output (Unit: 1,000L of fresh milk)	12,720	20,050	23,950
% output fluctuation	52.70%	57.63%	19.45%
Total of used energy, classified by each kind and the rate of fluctuation			
» Oil: Output (kg)	112,139	152,520	184,864
% of fluctuation	19.22%	36.01%	21.21%
» Electricity: Output (kwh)	2,048,429	3,200,257	4,186,618
% of fluctuation	46.42%	56.23%	30.8%

Total of average used energy per unit of product by each kind (/1,000L)



The statistics indicate that energy usage at farms is relatively stable over the years.

WATER UTILIZATION

Water is a natural resource taking a key role in the Vinamilk's production activities. Together with energy management, Vinamilk also focuses on effective water utilization.

Water utilization efficiency

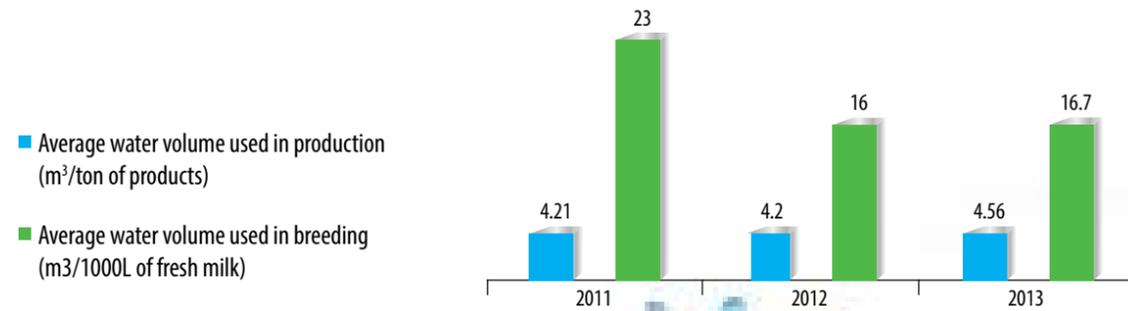


Table of measurement criteria on water utilization

Measurement criteria	2011	2012	2013
Total water volume used classified by sources (m³)	3,080,460	3,556,419	4,111,163
» Underground water	1,797,712	1,925,645	1,894,055
» Water bought from water suppliers	1,136,748	1,484,774	2,109,433
» Natural lake water	146,000	146,000	107,675
Water volume classified by using purposes (m³)	3,080,460	3,556,419	4,111,163
» Production	2,790,285	3,228,944	3,711,163
» Breeding	290,175	327,475	400,000

ENVIRONMENT MANAGEMENT AND WASTE CONTROL

During the production process at Vinamilk's factories, waste is discharged under the forms of solid waste, liquid waste and exhaust fume. All of those are strictly controlled and managed by Vinamilk with appropriate solutions and equipment system which satisfies the requirements of the ISO 14001:2004 on Environment Management.

In 2013, Vinamilk continued applying various measures to control and management of waste sources and production environment. In addition to make on-going investment in appropriate waste treatment systems, Vinamilk also applied environmental management systems to maximize the control effectiveness. In 2013, Vinamilk:

- » Put 2 modern sewage treatment systems into operation at Vietnam Milk Factory and Vietnam Powdered Milk Factory, with a total investment of over VND 50 billion. Therefore, 13/13 Vinamilk's

factories had a sewage treatment system in place, which satisfied the QCVN 40:2011 standards on industrial sewage treatment.

- » Had 11/13 factories obtained ISO 14001:2004 certificates on environment management. Two new factories coming into operation recently will be assessed for accreditation in 2014 and early in 2015.
- » Had 4/5 farms had a sewage treatment system which satisfied the QCVN 39:2011 standards on irrigation water. The treatment system at the remaining farm will be upgraded in mid-2014.



PRODUCTION ENVIRONMENT IN FACTORIES

All products are made in factories of Vinamilk. During the production process, waste is discharged under the forms of solid waste, liquid waste and exhaust fume. All of those are strictly controlled and managed by Vinamilk with appropriate solutions and equipment system which satisfies the requirements of the ISO 14001:2004 on Environment Management.



Solid waste

Solid waste includes waste sludge, scrap and used equipment and facilities. Solid waste is classified into two groups: hazardous and non-hazardous solid waste. It is collected and stored in separate places. Waste sludge, in fact, is the solid waste from the sewage treatment process, desiccated and pressed.

Hazardous solid waste and sludge will be transferred to selected waste treatment entities. These entities, selected by Vinamilk, have enough competence, specialized knowledge and experience in waste treatment. Their operations are licensed and meet all the requirements as well as standards of the laws applicable in this industry.

Liquid waste

Liquid waste is sewage disposed during the production, equipment cleaning and other activities. Sewage is transmitted and collected to be processed in the sewage treatment system. Solid waste will be separated from the sewage and pressed into sludge. Only treated water which satisfied disposal standards can then be disposed into general discharge system or the environment. At present, all factories of Vinamilk are invested to establish a sewage treatment system which satisfies the Vietnam standards (QCVN 40:2011 – National technical requirements on industrial sewage).

Exhaust fume

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

The table of measurement criteria of waste control in production:

	2011	2012	2013
Total output (ton)	662,146	768,552	814,387
Total waste volume			
» Solid waste: • Total volume (Kg)	1,864,689	2,244,183	2,671,849
• Kg/ ton of products	2.82	2.92	3.28
» Liquid waste: • Total volume (litter)	2,740,273	2,852,842	4,086,107
• Litter/ ton of products	4.14	3.71	5.01
» Exhaust fume: • Total volume (kg)	89,504,911	95,556,673	89,566,251
• Total volume (kg)	135	124	109.98
» Waste sludge: • Total volume (kg)	3,419,248	3,153,768	3,124,516
• Kg/ton of products	5.2	4.1	3.83
Percentage of hazardous waste in total waste volume	0.05%	0.05%	0.05%
Exhaust gas causing greenhouse effects directly or indirectly (kg)	89,504,911	95,556,673	89,566,251
» CO ₂	89,504,911	95,556,673	89,566,251
» Volume of NO _x , SO _x	-	-	-
» Ozone layer destroying emissions	-	-	-
Volume of treated waste water satisfying disposal standards	1,848,882	2,226,757	2,731,112
» Disposed into the environment	782,324	908,286	829,359
» Disposed into general treatment area of the industrial zone	1,066,558	1,318,471	1,901,753

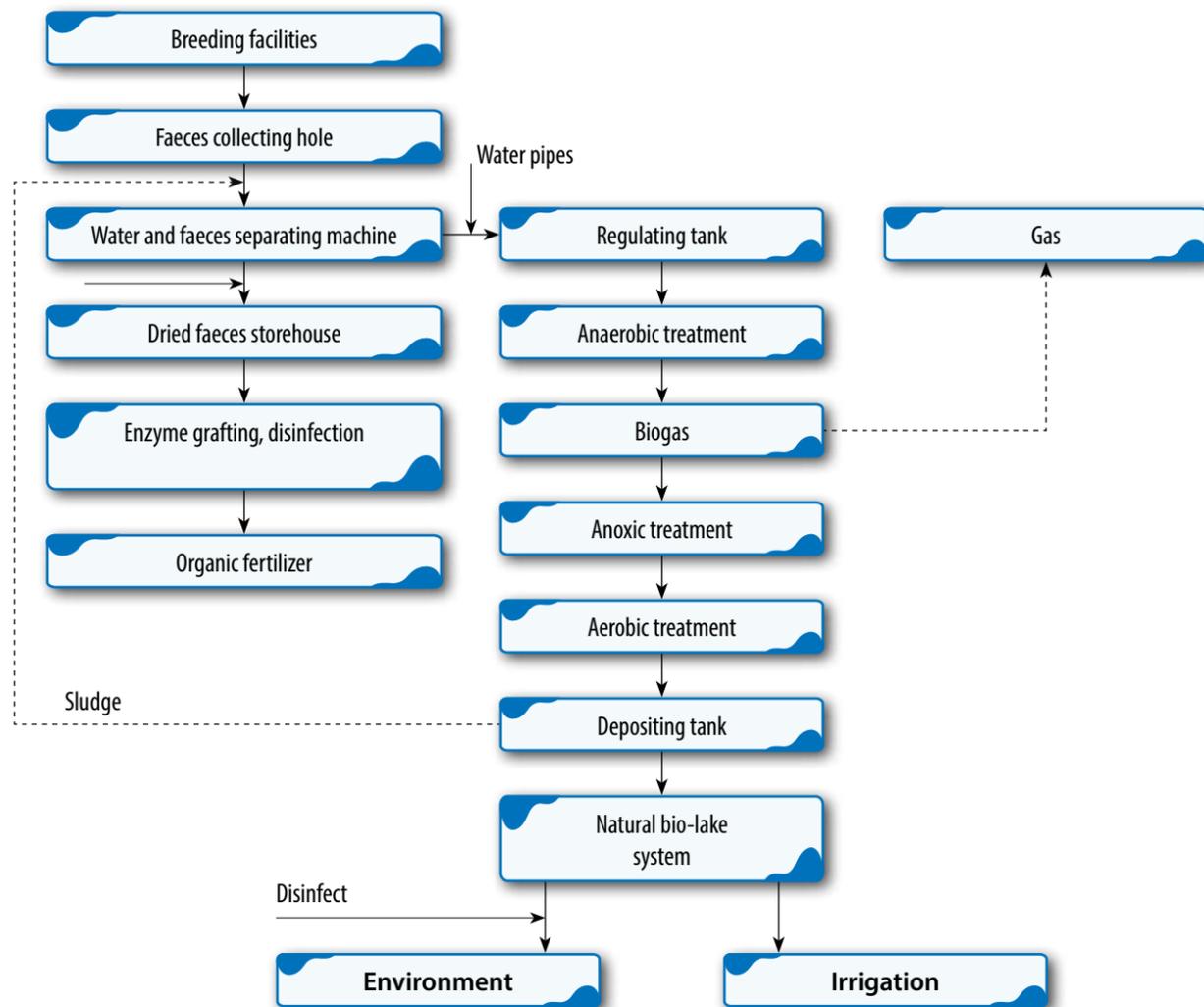
BREEDING ENVIRONMENT

Cow breeding activities mainly produces organic solid waste and sewage. Similar to production activities, Vinamilk also pursues the target of effectively controlling the waste disposed into the environment in breeding activities. Compared with 2012, Vinamilk:

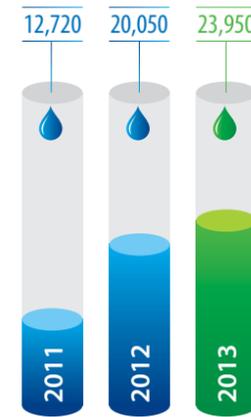
- » Completed building and put into use sewage treatment systems on Lam Dong farms, therefore, the total number of farms having treatment systems are now 4/5 farms.
- » Completed establishing complete processing solutions for the remaining farms. These are the

farms built before being acquired by Vinamilk. It is expected that treatment systems implementation will start in mid-2014.

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



TOTAL VOLUME OF FRESH MILK (1000 LITER OF FRESH MILK)



The solution to treat waste from cow breeding activities helps to make the best use of waste for agricultural purposes.

The table of measurement criteria of environment management in breeding activities

	2011	2012	2013
Total volume of fresh milk (1000 liter of fresh milk)	12,720	20,050	23,950
Total volume of waste			
» Solid waste: • Total volume (kg)	14,555,170	16,234,731	17,992,525
• Kg/1000L	1,144	809	751
» Liquid waste: • Total volume (m ³)	231,775	241,274	201,680
• M ³ /1000L	18	12	8.4
Environmental observance			
» Environmental penalty times	N/A	1	-
» Penalty amount in total (Million VND)	N/A	170	-

COMMUNAL ENVIRONMENT PROTECTION ACTIVITIES



“ In 2013, the Vietnam Dairy Products Joint Stock Company - Vinamilk was honoured to be entitled "Enterprise Winning National Environmental Prize 2013" by the Department of Natural resources and Environment.



“A-million trees for Vietnam” Fund was established in 2012 by the Vietnam Environment Administration (VEA) and Vfresh, a brand of Vinamilk. The program aims at improving the living environment in urban areas in Vietnam by planting more trees. The program was extended to areas where trees have practical benefits for the community such as residential areas, public places, central routes and schools in big cities across the country.

In 2013, the Fund implemented tree planting programs at 2 cities which were Hue and Da Lat. In Hue, the program planted 20 species of valuable trees including Erythrophleum fordii, Michelia, Sindora siamensis, Wild Almond, Baobab, etc. at the Quang Trung Emperor Memorial campus, a national historic monument on Ban Mountain, An Tay, Hue. In Da Lat, the Fund contributed 2,700 woody bougainvilleas and golden wonder trees to the Da Lat University's campus. The purpose of these activities is to support the "Making the world cleaner 2013" campaign which

was organized by the Department of Natural Resources and Environment and the People's Committee of Lam Dong Province.

To the end of 2013, the “A-million trees for Vietnam” Fund organized tree plantings campaigns in 10 provinces and cities across Vietnam, namely Ho Chi Minh City, Quang Ninh, Da Nang, Tien Giang, Hanoi, Hoi An, Quang Nam, Hai Phong, Hue and Da Lat, with nearly 87,000 trees of all kinds. The program received active support from the central and local authorities as well as positive response and participation from thousands of volunteers including youth union members and people living in residences where the programs went through.

In 2013, the Vietnam Dairy Products Joint Stock Company - Vinamilk was honoured to be entitled "Enterprise Winning National Environmental Prize 2013" by the Department of Natural resources and Environment.



WORKING ENVIRONMENT

People are the centre in all activities of any organization. The key to success of every organization is to create a working environment and culture that attract, unite and motivate every employee. Together with vision for growth and scale expansion, an attractive, dynamic working environment that satisfies expectations of our stakeholders and especially employees play an important role in the overall development strategy of Vinamilk.

We aim at building a working environment that ensures the following aspects:



WORKFORCE OVERVIEW

The workforce of Vinamilk is a consolidation of about 5,000 people of different occupations, ages, and areas of expertise. Together with expansion in production scale and operation areas, Vinamilk is always consistent in the viewpoint of respect and

equal treatment to employees regardless of their genders, regions and religions. Each person, no matter what field or level is he/she, is given equal chance to show his or her own value and contribute to the corporation's success.

Workforce (Vinamilk and its subsidiaries)

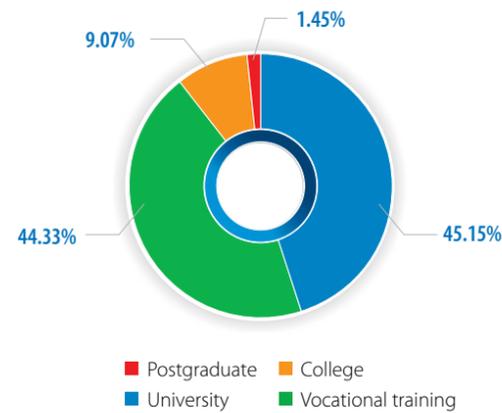
	2011	2012	2013	
Average number of employees	4,564	4,853	5,570	
Gender	Male	3,354	3,605	4,143
		73.5%	74.3%	74.4%
	Female	1,210	1,248	1,427
	26.5%	25.7%	25.6%	
Categories	Production - Processing	1,625	1,703	1,813
		35.6%	35.1%	28.7%
	Sales	316	307	334
		6.9%	6.3%	6.00%
	Agricultural activities	185	235	251
		4.1%	4.8%	4.51%
	Supporting activities (Purchasing, Accounting, Human Resources, Administration, IT, etc.)	2,438	2,608	3,172
	53.4%	53.7%	60.75%	
Age	< 30	1,413	1,448	1,835
		31.0%	29.8%	32.94%
	30 -> 40	1,925	2,046	2,263
		42.2%	42.2%	40.63%
	40 -> 50	923	1,009	1,100
		20.2%	20.8%	19.75%
	> 50	303	350	372
	6.6%	7.2%	6.68%	
Education	Vocational training	2,275	2,322	2,469
		49.8%	47.9%	44.33%
	College	357	396	505
		7.8%	8.2%	9.07%
	University	1,879	2,075	2,515
		41.2%	42.8%	45.15%
	Postgraduate	53	60	81
	1.2%	1.1%	1.45%	

LABOUR RELATIONSHIP ESTABLISHED BASED ON FREE WILL AND LEGAL COMPLIANCE

Labour relationships between Vinamilk and employees are established based on free will and legal compliance.

- » All employees' labour contracts are established based on legal compliance principle and the requirements of the job.
- » All employees' rights under Labour Law are guaranteed.
- » Vinamilk absolutely does not use children labour and forced labour.
- » Collective labour agreement is applied for all employees.

WORKFORCE CLASSIFIED BY EDUCATION IN 2013



Labour relationship statistics and fluctuations during the period (Vinamilk and its subsidiaries):

	2011	2012	2013
Labour contract			
Indefinite term	3,438	3,771	4,201
Fixed-term (1-3 years)	1,068	1,012	1,268
Under 1 year (*)	58	70	101
Rate of employees with labour contracts	100%	100%	100%
Fluctuation in employees			
New recruit:	442	565	852
Quitting (**)	239	229	227
» Retirement	17	20	28
» Contract termination	222	209	199

(*) The under-1-year labour contracts are one of either:

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

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



SAFE WORKING CONDITIONS AND HEALTH CARE

Creating and maintaining a safe working environment and ensuring employees' health is the key objective to which Vinamilk committed during the entire operation. We always aim at being one of the top enterprises with the best working conditions in Vietnam.

LABOUR SAFETY

As a commitment to create safe and convenient working conditions, we ensure that:

- » Well-equipped facilities for employees are always available in Vinamilk in all working sites, from the head office to factories, subsidiaries, farms, etc.
- » Labour protective devices and tools are fully equipped and satisfy requirements of labour safety standards.
- » Coaching and training activities are held every year:
 - Training on labour safety: 100% employees in factories participate.
 - Fire drill: 100% employees of the Company participate.
- » Medical units are set up in working facilities to provide preventative and first-aid measures and deal with incidents of labour safety from employees.

LABOUR SAFETY AND HEALTH OFFICERS

The labour safety and health officer network was established to improve safety and health at factories and logistics departments of Vinamilk. At present, 13 factories and 2 depots have labour safety and health teams. Members of this team are also employees and workers who are in charge of checking the occupational safety and sanitation in their workshop and disseminating information on safety and sanitation to their colleagues. To ensure effectiveness of this team, we regularly organize training courses for them. In 2013, we issued regulations on safety and health officer network to systemize this activity.

INSURANCE FOR EMPLOYEES

Regarding healthcare programs for employees, we are committed that Vinamilk did provide, is providing and will continue to provide the best support for our employees.

In addition to implementation of health insurance coverage under the provisions of Vietnam's Law, in 2013, Vinamilk continued supporting its employees in acquiring health and accident insurances for our employees. In more detail:

- » 24/24 Accident Insurance for employees.
- » Comprehensive health insurance for employees: employees are covered for both inpatient and outpatient treatment, maternity and dental care. Besides, managers receive additional support for health care of their family members.
- » In case of accident-related deaths or injuries: the maximum insurance compensation for this case is amount equal top salaries of 30 most recent months.

Support employees by insurance:

Support terms	2012	2013
24/24 Accident	All employees	All employees
Comprehensive health insurance	Manager level	All employees (since Sep 2013, this is applied to all employees.)
Health insurance for family members		Manager level
Accident-related deaths or injuries	All employees	All employees

HEALTH CARE ACTIVITIES

Health care activities for employees continue to be enhanced in 2013:

- » Organize and provide nutritious meals that ensure hygiene and food safety: food provided to employees must have known-origins and are from reliable suppliers.
- » Periodic medical check-up programs for employees: This program is committed by Vinamilk and regulated in the Collective Labour Agreement. Accordingly:
 - ◆ Male employees : 01 time/year.
 - ◆ Female employees : 02 times/year.
- » Provide influenza vaccination to all employees.

MEASUREMENT CRITERIA

Criteria	2011	2012	2013
Expenses for ensuring labour safety (VND billion)	15.96	14.37	11.7
Premiums for accident insurance, health insurance (VND billion)	1.6	2.16	10.5
Expenses for health care activities	3.1	3.6	5.25
Total of labour accidents(*):	0	0	0
» Deaths due to labour accident	0	0	1
» Cases of affected labour capability.	0	0	1

(*) The cases mentioned in this report are considered serious cases where employees had their labour capabilities affected and had a period of working cease for rehabilitation and recovery.

Regarding 2 cases in 2013:

» Death:

The cause of this case was determined that the employee did not follow the procedures for labour safety. His family was supported 30 months' salary for medical expenses, compensation for accident-related death due to accident and over VND150 million for further support.

» Labour accident:

This is the case where the canteen staff was affected with a second-degree burn due to slip and fall. She was supported with treatment expenses and full salary during the entire treatment period (77 days).



TRADE UNION

Vinamilk has organized Trade Union, an organization representing the employees' rights, in all working units. All employees are encouraged to participate in Trade Union.

LABOUR DISPUTES RECOGNIZING AND SETTLEMENT

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

» Information receiving mechanism:

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

- ◆ HumanResourcesDepartment,Administration-HR Division in their working unit.

- ◆ Trade Union in their working unit.

- ◆ In addition, Vinamilk also established an independent department to receive sensitive and serious feedbacks, complaints and denounces from employees. This can be done via the email (compliance@Vinamilk.com.vn) or Compliance telephone at any time. The information should be kept confidential.

» Labor disputes settling mechanism:

The mechanism of settling labour disputes is established by Vinamilk into official regulations, which are disseminated to all employees. The settlement is done with the participation of the Trade Union to ensure the fairness and transparency.

RECOGNIZING EMPLOYEES' PERFORMANCE

The success and growth of Vinamilk come from the efforts and performance of all employees. Recognizing and satisfactorily paying for the contribution of employees are always important concerns of Vinamilk. Policies on remuneration for employees are considered and adjusted periodically every year, and set on the following goals:

- » Fulfilling sensible needs in life of employees.
- » Making remuneration commensurate with the contribution of employees to Company's success.
- » Help employees settle down to work and uphold their capabilities to the best.

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

Vinamilk is proud that our efforts have brought good results in maintaining a stable workforce, expanding the workforce to attract more talented personnel for the Company's expansion.

22.7%

INCREASING RATE OF AVERAGE SALARY 2013/2012

	2011/2010	2012/2011	2013/2012
Increasing rate of average salary	10%	18.5%	22.7%
Bonus from bonus and welfare funds (VND billion)	284.7	445.2	631
Other allowances (VND billion)	47.5	55	71



STAFF DEVELOPMENT

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

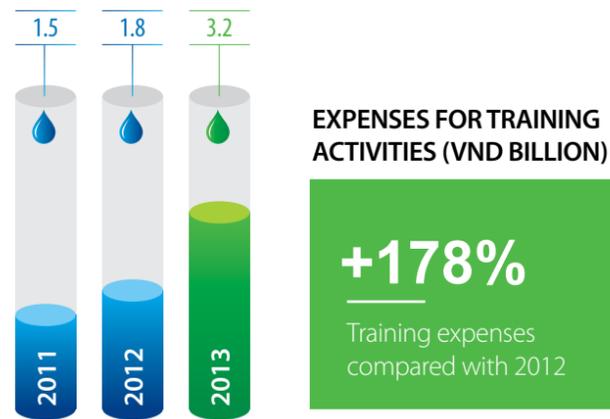
We do not declare that Vinamilk has an ideal environment for personnel development but we can confirm that we always try our best to reach that goal along each year.

» **Training**

In 2013, Vinamilk's training activities focused on improving training quality and effectiveness. Besides the purpose of satisfying demands of short-term jobs, training activities also aimed at developing personnel and workforce in the long term.

In 2013, in addition to regular training activities, Vinamilk implemented various training programs to improve managers' capability, such as "Master of Business Administration", "Chief Executive Officer", and "Improving management for middle managers".





Measurement criteria for training activities (data of Vinamilk, not including subsidiaries)

Measurement criteria	2011	2012	2013
Training KPIs			
Number of training courses	239	240	263
» Internal trainings	58	42	32
» External trainings	181	198	231
Number of trainees	5,749	8,525	9,251
» Staff level	5,097	7,531	8,457
» Manager level	652	994	794
Training hours/employee	31	24	10.8
KPIs about budget and expense for training activities			
Budget for training activities (VND billion)	6.4	5	6.5
Actual training expense (VND Billion)	1.5	1.8	3.6
Rate of actual expense/budget (%)	23.9%	36.4%	49%

The above figures indicate that the implementation of training activities in 2013 met the expectations better. Average number of training hours per employee was lower than previous years due to the reduction of machine operation training as operation had become stable.

» Staff development and promotion

In 2013, Vinamilk devoted much attention to staff development activities and long-term programs. Vinamilk focused on building a workforce with the mindset of proactively satisfying and ensuring, instead of responding to possible situations. With this goal, Vinamilk implemented **the Successors** to important positions project. The program aimed at finding, training and providing qualified employees with opportunities to improve their knowledge, skills and opportunities of career promotion.

The program attracted attention from senior managers and receive reasonable investment in terms of time and finance. Vinamilk is confident that the program will be a breakthrough in staff development for the company. In 2014, Vinamilk will continue to develop the program and began to implement Talent management activities for the Company.

Vinamilk committed that all employees are provided equal opportunities based on capability. The Company's selections are not affected by factors such as genders, ages, religions.

Year	Number of employees promoted (*)	Rate (%)
2011	38	1.22%
2012	42	0.98%
2013	97	1.74%

(*) Statistics of Vinamilk, not including subsidiaries.

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

» Staff assessment

Comprehensive staff assessment including assessment of capability and performance efficiency of the employees (Performance Appraisal-PA, Management by Objective- MBO) continued to be applied and improved to improve effectiveness in practice. This activity strengthened the bond between the goals of the Company and the goals of each department and employee; between the performance of the Company and the performance of each department or individual.

Staff assessment activities serve as a bridge to connect and provide useful information for other purposes:

- Helping employees to self-assess their work results and improve.
- Creating an interaction and dialogue mechanism between employees and managers.
- Providing useful information for the development of training programs.
- Providing input to consider increasing salary for employees having good performance in the year.
- Providing input to consider promotion.

No. **01**

In the top 100 favourite employers in 2013 according to a survey of careerbuilder.vn

No. **03**

In the top 100 companies with the best working conditions in 2013 according to a survey of anphabe.com

HARMONIOUS WORKING CULTURE AND EMPLOYEE'S SATISFACTION

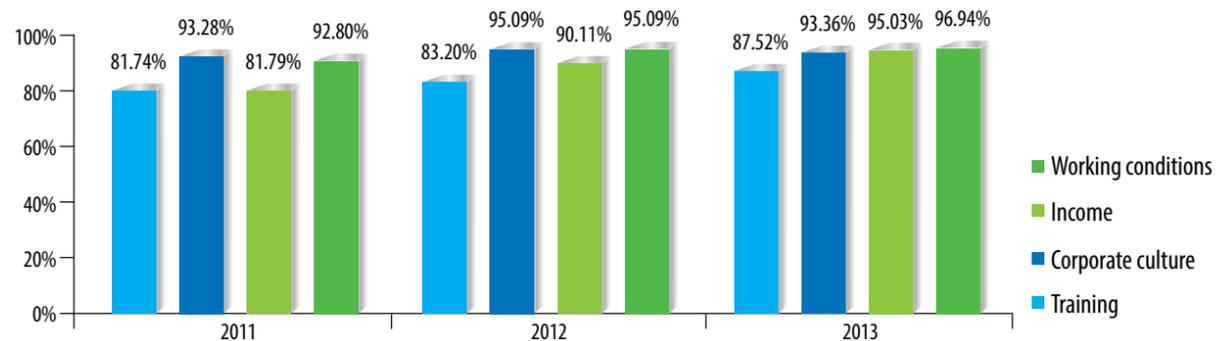
» Develop a harmonious working culture

In 2013, Vinamilk focused on promoting a working environment and culture based on clear responsibilities, common goal understanding, continuity in working operations and cooperation to achieve the common goals. This spirit is one of the important factors helping the Company overcome difficulties and achieve expected results.

A working environment based on core values, transparent and fair codes of conduct that ensure harmony between the Company's goals with individual goals, cooperation that is "strict but not rigid", "flexible but not arbitrary", "cooperate but not compromise" will continue to be the guiding principles in the operation of the Company and each member.



» Employee's satisfaction



WORKING ENVIRONMENT AND ITS IMPACT ON VINAMILK'S PARTNERS

Not only limited to its employees, in 2013, Vinamilk maintained the requirements and policies to support our partners to encourage the implementation of policies and measures to build good working environment for employees in our operation chain.



LABOUR SERVICE

Partners providing labour services for Vinamilk must meet the following requirements:

- » Make sure to sign contracts with employees to be working for Vinamilk.
- » Pay social insurance premium, organize Trade Union and implement other policies according to Labour Law.
- » Provide 24/24 accident insurance for employees.

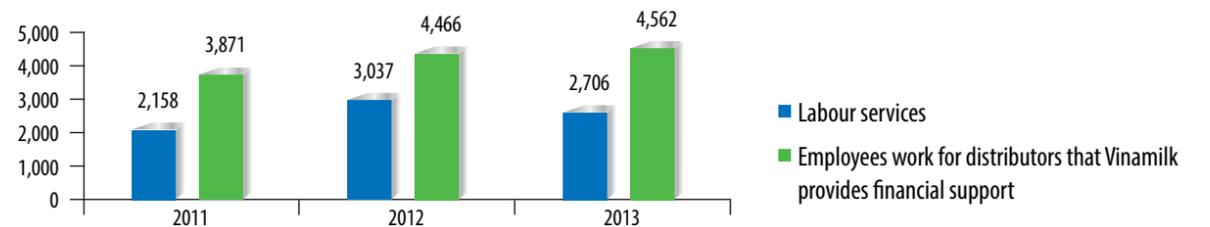
All of these requirements are regulated in contracts between labour providers and Vinamilk. Vinamilk also agrees to include incurred charges in our service charges.

DISTRIBUTION PARTNERS

Ensuring the rights of the partners' employees is an important criterion when Vinamilk selects and maintain collaborative relationship with a distribution chain partner. To support the implementation of this criterion, Vinamilk provided supporting policies including:

- » Providing financial support to distribution partners to ensure salary, income and labour policies for the employees.
- » Supporting the purchase of 24/24 accident insurance for employees of distribution partners.

Average number of employees



ECONOMIC DEVELOPMENT



“ In its operation, Vinamilk tends to combine its development with economic development and regional development.



COMPLYING WITH TAX OBLIGATION

Vinamilk commits to fulfill its tax duties in a complete, timely and law-abiding manner.

Vinamilk is proud to become one of the highest taxpayers in Vietnam. In 2013, Vinamilk was ranked the 8th position in Top 1000 Vietnamese highest corporate taxpayers in all forms of enterprise.

PARTICIPATING IN SOCIAL SECURITY PROGRAMS

Market Stabilization Program on dairy products in Ho Chi Minh City is a campaign chaired and promulgated by the People's Committee of Ho Chi Minh City to provide consumers with high-quality and nutritious dairy products that satisfy food safety with reasonable prices, partly contributing to ensure social security.

Vinamilk has actively participated in this program since 2008. Accordingly, Vinamilk committed to supply dairy products for the market at the reasonable and stable prices. The participants of this program also committed to supply commodities under the instruction of the Department of Industry and Trade.



In the period 2012-2013, Vinamilk participated in the program with more than 1,300 tons of powdered milk and 11.4 million liters of liquor milk contributed. Vinamilk has registered to continue joining in the program in 2014.

CREATING NEW JOBS AND HIRING LOCAL WORKERS

Together with the strategy of dairy farm expansion, in 2013, Vinamilk started projects in Ha Tinh, Thanh Hoa, and Tay Ninh. When these projects come into operations in the period 2014-2015, Vinamilk also directly and indirectly creates new jobs in the local areas.

Besides, with the development of distribution network, Vinamilk has also been contributing its efforts to establish a system with more than 250 enterprises and over 4,500 permanent jobs across the country.

SUPPLY MORE THAN

1,300

TONS OF POWDERED MILK
FOR SOCIAL SECURITY DURING
2012-2013

DEVELOPING AGRICULTURE FOR PROCESSING DEMANDS

Together with the strategy of pushing development in fresh milk material zones, Vinamilk is proud to be the leading entity that has much contribution to the development of dairy cow breeding industry with modern method, improving efficiency and enhancing product values for both Vinamilk and cow breeding households in Vietnam.

BUILDING FARMS AND APPLYING ADVANCED BREEDING TECHNOLOGY

Till the end of 2013, Vinamilk had 5 dairy farms under operation with the total area of 170 hectares and about 8,800 heads of cow. Always updating and applying advanced breeding technology is the consistent objective throughout the dairy cow development strategy of Vinamilk.

At present, the leading partners in the world regarding dairy cow breeding field are interested in and want to cooperate with Vinamilk to build large-scaled and modern dairy farms in Vietnam.



DEVELOPING TOGETHER WITH DAIRY COW RAISERS

In addition to developing large-scaled farm pattern, Vinamilk always accompanies with the dairy cow breeding raisers in developing milk material zones and improving operation efficiency of breeding households.

- » Creating stable output sources and reasonable purchasing prices for the farmers.
- » Supporting farmers in operation development and efficiency improvement.
- » Pushing the development of other agricultural products used for feeding cows (such as corn, elephant grass, fresh straw etc.).

In 2013, Vinamilk pushed the agricultural encouraging activities as well as training courses about breeding techniques and breed to share the farmers with modern techniques and technologies:

- » Directly giving advices to 4,125 households having poor quality milk. As a result, over 80% of households improve quality of milk after 2 weeks from the consulting date.



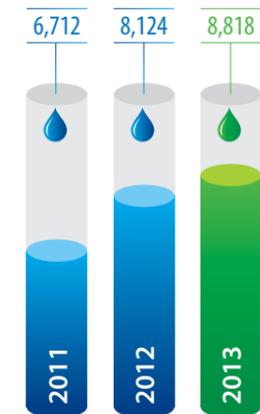
- » Conducting 44 training meetings across the country with the topic "Instruction about dairy cow breeding techniques" with the participation from 1,605 households.

In addition, for the purpose of supporting breeding households in Lunar New Year as well as consolidating relationship between Vinamilk and the households, the Company has implemented the program "Accumulate points with Vinamilk to greet Spring and Tet holidays". With this program, Vinamilk has totally supported more than VND18 billion to 4.724 households. Each household received more than VND3.8 billion in average.

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

	2011	2012	2013
Farm scale			
Total area of all farms (Unit: hectares)	161	170	170
Total heads of cow	6,712	8,124	8,818
Purchasing activities			
Fresh milk material			
Number of households that Vinamilk buys raw fresh milk from	6,118	6,096	5,092
Purchasing volumes (million of liter)	118.51	141.54	132.61
The change rate of purchasing volumes	(1.43)%	19.43%	(6.3)%
Average purchasing price (VND)	10,762	11,021	12,741
Other agricultural products			
Cow's food: Corns, elephant grasses, fresh straws, etc... (Unit: VND billion)	32	50	52

TOTAL COWS AT FARMS



COMMUNITY SUPPORT AND DEVELOPMENT



“ As the tradition goes, along with Trade Union, Communist Youth Union, and all employees of the Company, in 2013, Vinamilk organized a lot of activities to support the community in a spirit of solidarity with practical and meaningful activities.

ACTIVITIES FOR THE DEVELOPMENT OF VIETNAMESE CHILDREN

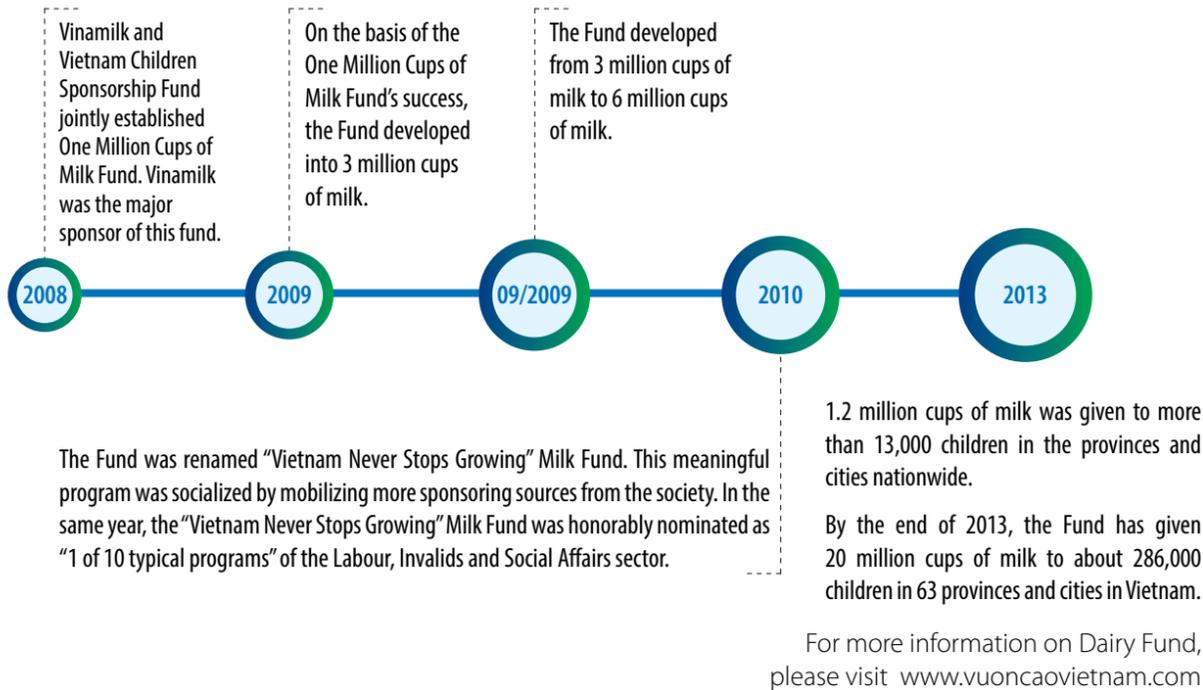
“VIETNAM NEVER STOPS GROWING” MILK FUND

Milk is an important source of nutrition for the development of physical and intellectual health of human, especially children. At present, the milk consumption rate in Vietnam is still lower than many other countries in the same region. In particular, as for the children in difficult circumstances, getting this nutritional source is more difficult. With the goal that more and more Vietnamese children can drink milk every day, Vinamilk continues sponsoring “Vietnam Never Stops Growing” Milk Fund during the last over 5 years in the role of major sponsor.

Every year, the “Vietnam Never Stops Growing” Milk Fund organizes the milk gifting ceremonies to directly give milk to the poor children in the remote places and the children in social protection centres in provinces from the North to the South. The practical activities of the Fund during the last over 5 years have really offer the poor children in Vietnam chances to drink milk.



5-YEAR DEVELOPMENTAL MILESTONES:



DO YOU KNOW?

Within 20 years from 1990 to 2010, the dairy product consumption rate in Vietnam has increased 30 times, from 0.47 liters/person/year up to 14,819 liters/person/year. However, this number is still very low compared to other countries in the world as well as in the region such as Thailand (23 liters/person/year), China (25 liters/person/year), etc. (According to report on domestic milk market in July 2012 and estimate for the last 5 months of 2012 from Vietnam Industry and Trade Information Centre).

In particular, the percentages of malnourished children in Vietnam were 16.2% (waterlow), 26.7% (stunting), and 6.7% (wasting) according to the nutritional surveillance as disclosed by the General Department of Statistics and the National Institute of Nutrition. (Source: Master Trinh Hong Son - Director of Media Centre under the National Institute of Nutrition).



“VINAMILK - NURTURING VIETNAMESE YOUNG TALENT”

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

During its 10 years of operation, the “**VINAMILK – Nurturing young Vietnamese Talent**” fund has awarded 34 thousands of scholarships with a value of more than VND 19 billion in 63 provinces and cities across the country. Besides, the program builds libraries in many schools in the poor areas. Up to now, 5 libraries have been established in Quang Binh, Lao Cai, Dong Thap, Dak Lak, and Cu Chi District – HCMC.

Activities in 2013:

- » Awarded 1,000 scholarships, equivalent to VND1 billion.
- » Coordinated with the Ministry of Education and Training to hold 10-year Anniversary Ceremony of Vinamilk – Nurturing Vietnamese Young Talent” fund in school year 2012-2013 and organize program “Shining Vietnamese Talent” for elementary school pupils with the participation of more than 2,000 pupils.

Vinamilk was honorably recognized by the society and the government for its great contribution in the development of education and training. The Company was also received “**For the Development of Vietnam Education**” merit from the Ministry of Education and Training.



SOCIAL ACTIVITIES

The traditional "Good leaves protect torn leaves" of Vietnamese people is always considered the Vinamilk's general orientation in its social activities. The activities have been organized and received the enthusiastic response of all the company's employees.

Our charity activities mainly focus on:

- » Giving financial support for treatment of illness, incurable diseases, and severe diseases in the local and in the hospital.
- » Supporting and giving gifts and milk for the children with special needs in the orphanages and abandoned children in the humanity centers.
- » Supporting for people experiencing natural disasters and programs for islands of the country.
- » Joining the blood donation program.



SOME KEY EVENTS:

Scholarships for poor students in Ben Tre

Vinamilk coordinated with the Vietnam Association of Victims of Agent Orange/Dioxin in Ben Tre province to award scholarships for 280 orphaned, disabled students, poor students, etc. in the school year 2012-2013 with the total amount of VND180 million.



Giving powdered milk on the occasion of inaugurating Vietnam Powdered Milk Factory

The CEO of Vinamilk directly signed on the first 10,000 cans of Dielac Alpha powdered milk which were produced from the modern production line of this factory, equivalent to VND1 billion, to send to the poor children and disabled children with difficult circumstances through Vietnam Children Sponsor Fund and Children Sponsor Fund in Binh Duong province.



Giving milk on the occasion of inaugurating Vietnam Dairy Factory

At the inauguration ceremony of Vietnam's largest dairy factory, we presented the first 150 thousand packs of Vinamilk 100% UHT milk "Immune Support" which were produced by the modern production line of the factory, equivalent to VND1 billion, to the children in 10 provinces having most malnourished children in the country. This was a gift to celebrate the 20th anniversary of the National Program of Malnutrition Prevention and Control. This amount of money was transferred to "Vietnam Never Stops Growing" Milk Fund for management and implementation.



Vinamilk supports victims of storms and flood in the Central of Vietnam

Responding to the call of the Committee of Vietnam Fatherland Front towards the north-central provinces affected by Storm no.10. From October 12th to October 15th, Vinamilk paid a visit and directly gave gifts to the people who suffered from the severe damages caused by Storm no.10. in Quang Tri, Quang Binh, Nghe An, and Thanh Hoa provinces. The total amount for support was up to VND2.3 billion.

In December 2013, Vinamilk totally gave VND250 million to support the people in flooded areas of Quang Ngai province in their house repair and life stabilization.



Participating in the "Drops of red blood" campaign

Blood donation is a noble act that everyone can support the community.

Every day, every hour, there are many cases lacking of blood supply for emergency surgeries. Just a part of your blood donated, you can save lives of many patients in need of blood and help a lot of people at risk of losing their loved relatives or friends.

Blood donation completely does not take much time and effort, but it is very essential and is a very meaningful act for the society.

Blood donation is one of the annual practical and specific programs of Vinamilk. We call for and encourage our staff to

participate in this noble program. In 2013, the staff from 12 departments of Vinamilk totally donated 850 blood units.



Program of financing treatment for illness, incurable diseases and severe diseases in the locals and in the hospitals was implemented by Trade Union of the entities under Vinamilk by expenditure extracted from Vinamilk and partly from the contributions of the Company's staff. In 2013, we supported **VND 965** million for these activities.

Supporting "Sentimental fishing-net for fishers in Hoang Sa and Truong Sa" program by sending messages and giving money. The total value supported for this program was more than **VND 300** million.

REFERENCE TABLE OF REPORT CONTENT AND GLOBAL REPORTING INITIATIVE (GRI) GUIDELINES

Items referenced to GRI	Content	2013 Report	Content in report	Page
PART 1: PROFILE DISCLOSURES				
1	Strategy and Analysis			
1.1	Statement from the most senior decision - maker of the organization	✓	Message from Board of Management Chairwoman	4-5
1.2	Description of key impacts, risks, and opportunities	☒		
2	Company Profile			
2.1	Name of the Company	✓	Vinamilk's Overview	8
2.2	Primary brands, products, and/or services	✓	Information about business areas, main products and markets	10
2.3	Operational structure of the Company, including branches, subsidiaries and associates	✓	Organization structure and operational units Map of Organization structure	14-19
2.4	Headquarter	✓	Organizational structure and operational units	14
2.5	Number of countries where the Company operates, and names of countries with either major operations or that are specifically relevant to the sustainability issues covered in the report	✓	Information about business areas, main products and market	10-11
2.6	Nature of ownership and legal form	✓	Scale index of Vinamilk	13
2.7	Markets served (including geographic breakdown, sectors served, and types of customers/beneficiaries)	✓	Information about business areas, main products and markets	10-11
2.8	Scale of the reporting organization	✓	Scale index of Vinamilk	12-13
2.9	Significant changes during the reporting period regarding size, structure, or ownership	✓	Scale index of Vinamilk	12-13
2.10	Awards received in the reporting period	✓	Titles achieved in the report period	30
3	Report Parameters			
3.1	Reporting period (e.g., fiscal/calendar year) for information provided	✓	Information about 2013 report	32
3.2	Date of most recent previous report (if any)	✓	Information about 2013 report	32
3.3	Reporting cycle (annual, biennial, etc.)	✓	Information about 2013 report	32
3.4	Contact point for questions regarding the report or its contents	✓	Contact information about the report	33
3.5	Process for defining report content	✓	Method of determining report content	33
3.6	Boundary of the report (e.g., countries, subsidiaries, joint ventures, etc.)	✓	Information about 2013 report	32
3.7	State any specific limitations on the scope or boundary of the report (if any)	✓	Information about 2013 report	32

Items referenced to GRI	Content	2013 Report	Content in report	Page
3.8	Basis for reporting on joint ventures, branches, subsidiaries, leased facilities, outsourced operations, and other entities that can significantly affect comparability from period to period and/or between organizations	☒		
3.9	Data measurement techniques and the bases of calculations, including assumptions and techniques underlying estimations applied to the compilation of the Indicators and other information in the report.	☒		
3.10	Explanation of the effect of any re-statements of information provided in earlier reports, and the reasons for such re-statement (e.g., mergers/acquisitions, change of base years/periods, nature of business, measurement methods)	☒		
3.11	Significant changes from previous reporting periods in the scope, boundary, or measurement methods applied in the report	✓	Information about 2013 report	33
3.12	Table identifying the location of the Standard Disclosures in the report.	✓	Reference table of report content and GRI guidelines	89-95
3.13	Policy and current practice with regard to seeking external assurance for the report	☒		
4	Corporate Governance and Commitments			
4.1	Governance structure of the organization, including committees under the highest governance body responsible for specific tasks	✓	Board of Management Structure - Committees of the Board of Management	22-25
4.2	Indicate whether the Chair of the highest governance body is also an executive officer	✓	Board of Management Structure	22
4.3	For organizations that have a unitary board structure, state the number and gender of members of the highest governance body that are independent and/or non-executive members.	✓	Board of Management Structure	22
4.4	Mechanisms for shareholders and employees to provide recommendations or direction to the highest governance body	✓	Mechanism of receiving opinions from stakeholders	26-27
4.5	Linkage between compensation for members of the highest governance body, senior managers, and executives, and the organization's performance (including social and environmental performance)	☒		
4.6	Processes in place for the highest governance body to ensure conflicts of interest are avoided	✓	Vision, Mission, Core Values - Code of Conduct	28-29
4.7	Process for determining the composition, qualifications, and expertise of the members of the highest governance body and its committees, including any consideration of gender and other indicators of diversity	☒		
4.8	Internally developed statements of mission or values, codes of conduct, and principles relevant to economic, environmental, and social performance and the status of their implementation.	✓	Vision, Mission, Core Values - Code of Conduct	28-29
4.9	Procedures of the highest governance body for overseeing the organization's identification and management of economic, environmental, and social performance, and adherence or compliance with internationally agreed standards, codes of conduct, and principles.	✓	Consolidation of governance mechanism	22-23
4.10	Processes for evaluating the highest governance body's own performance, particularly with respect to economic, environmental, and social performance.	☒		
4.11	Explanation of whether and how the precautionary approach or principle is addressed by the organization?	☒		
4.12	Externally developed economic, environmental, and social charters, principles, or other initiatives to which the Company subscribes or endorses.	☒		
4.13	Sate of memberships in associations (such as professional associations) and/or national/international advocacy organizations in which the Company: * Has positions in governance bodies; * Participates in projects or committees; * Provides substantive funding beyond routine membership dues; * Views membership as strategic.	☒		
4.14	List of stakeholder groups engaged by the Company	✓	Commitment to stakeholders	34-35

Items referenced to GRI	Content	2013 Report	Content in report	Page
4.15	Basis for identification and selection of stakeholders with whom to engage.	✓	Method of determining report content	33
4.16	Approaches to stakeholder engagement, including frequency of engagement by type and by stakeholder group.	☒		
4.17	Key topics and concerns that have been raised through stakeholder engagement, and how the Company has responded to those key topics and concerns, including through its reporting.	☒		
PART 2: DISCLOSURES ON MANAGEMENT APPROACH				
DMA EC	Disclosure on management approach on EC (economic)	☒		
DMA EN	Disclosure on management approach on EN (environmental)	☒		
DMA LA	Disclosure on management approach on LA (Labour practices and decent work)	☒		
DMA HR	Disclosure on management approach HR (Human rights)	☒		
DMA SO	Disclosure on management approach SO (Society)	☒		
DMA PR	Disclosure on management approach PR (Product responsibility)	☒		
DMA AW	Disclosure on management approach AW (Animal welfare)	☒		
PART 3: PERFORMANCE INDICATORS				
ECONOMIC				
EC1	Direct economic value generated and distributed, including revenues, operating costs, employee compensation, donations and other community investments, retained earnings and payments to capital providers and governments (taxes)	✓	Benefits for stakeholders in 2013	35
EC2	Financial implications and other risks and opportunities for the Company's activities due to climate change	☒		
EC3	Coverage of the Company's defined benefit plan obligations	☒		
EC4	Significant financial assistance received from government	☒		
EC5	Range of ratios of standard entry level wage by gender compared to local minimum wage at significant locations of operation	☒		
EC6	Policy, practices, and proportion of spending on locally-based suppliers at significant locations of operation	☒		
EC7	Procedures for local hiring and proportion of senior management hired from the local community at locations of significant operation	☒		
EC8	Development and impact of infrastructure investments and services provided primarily for public benefit through commercial, inkind, or pro bono engagement	✓	Economic development	77-79
EC9	Describing significant indirect economic impacts, including the extent of impacts	✓	Economic development	77-79
ENVIRONMENTAL				
MATERIALS				
EN1	Materials used by weight or volume	☒		
EN2	Percentage of materials used that are recycled input materials	☒		
ENERGY				
EN3	Direct energy consumption by primary energy source	✓	Effective energy utilization management	50-53
EN4	Indirect energy consumption by primary source	☒		
EN5	Energy saved due to conservation and efficiency improvements	☒		
EN6	Initiatives to provide energy-efficient or renewable energy based products and services, and reductions in energy requirements as a result of these initiatives	✓	Effective energy utilization management	50-53
EN7	Initiatives to reduce indirect energy consumption and reductions achieved	✓	Effective energy utilization management	50-53

Items referenced to GRI	Content	2013 Report	Content in report	Page
WATER				
EN8	Total water withdrawal by source	✓	Water utilization	54-55
EN9	Water sources significantly affected by withdrawal of water	✓	Water utilization	54-55
EN10	Percentage and total volume of water recycled and reused	✓	Water utilization	54-55
BIODIVERSITY				
EN11	Location and size of land owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	☒		
EN12	Description of significant impacts of activities, products, and services on biodiversity in protected areas and areas of high biodiversity value outside protected areas	☒		
EN13	Habitats protected or restored	☒		
EN14	Strategies, current actions, and future plans for managing impacts on biodiversity	☒		
EN15	Number of IUCN Red List species and national conservation list species with habitats in areas affected by operations, by level of extinction risk	☒		
EMISSIONS				
EN16	Total direct and indirect greenhouse gas emissions by weight	✓	Environmental management and waste control	56-61
EN17	Other relevant indirect greenhouse gas emissions by weight	✓	Environmental management and waste control	56-61
EN18	Initiatives to reduce greenhouse gas emissions and reductions achieved	✓	Environmental management and waste control	56-61
EN19	Emissions of ozone-depleting substances by weight	✓	Environmental management and waste control	56-61
EN20	NOx, SOx, and other significant air emissions by type and weight	✓	Environmental management and waste control	56-61
EN21	Total water discharge by quality and destination	✓	Environmental management and waste control	56-61
EN22	Total weight of waste by type and disposal method	✓	Environmental management and waste control	56-61
EN23	Total number and volume of significant spills	✓	Environmental management and waste control	56-61
EN24	Weight of transported, imported, exported, or treated waste deemed hazardous under the terms of the Basel Convention Annex I, II, III, and VIII, and percentage of transported waste shipped internationally	☒		
EN25	Identity, size, protected status, and biodiversity value of water bodies and related habitats significantly affected by the reporting organization's discharges of water and runoff	☒		
PRODUCTS AND SERVICES				
EN26	Initiatives to mitigate environmental impacts of products and services, and extent of impact mitigation	☒		
EN27	Percentage of products sold and their packaging materials that are reclaimed by category	☒		
COMPLIANCE				
EN28	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations	✓	Environment and energy	61
TRANSPORT				
EN29	Significant environmental impacts of transporting products and other goods and materials used for the organization's operations, and transporting members of the workforce	☒		
EN30	Total environmental protection expenditures and investments by type	✓	Environment and energy	48-63



Items referenced to GRI	Content	2013 Report	Content in report	Page
LABOR PRACTICES				
LABOR PRACTICES				
LA1	Total workforce by employment type, employment contract, and region, broken down by gender	✓	Workforce overview	65
LA2	Total number and rate of new employee hires and employee turnover by age group, gender, and region	✓	Workforce overview	65
LA3	Benefits provided to full-time employees that are not provided to temporary or part-time employees, by significant locations of operation	✓	Workforce overview	64-75
LA15	Return to work and retention rates after parental leave, by gender	☒		
LABOR RELATIONS				
LA4	Percentage of employees covered by collective labor agreements.	✓	Workforce overview	66
LA5	Minimum notice period regarding operational changes, including whether it is specified in collective agreements.	☒		
FP3	Percentage of working time lost due to industrial disputes, strikes and/or lock-outs, by country	☒		
OCCUPATIONAL HEALTH AND SAFETY				
LA6	Percentage of total workforce represented in formal joint management-worker health and safety committees that help monitor and advise on occupational health and safety programs	✓	Safe working conditions and health care	67
LA7	Rates of injury, occupational diseases, lost days, and absenteeism, and total number of work-related fatalities, by region and by gender	✓	Safe working conditions and health care	68
LA8	Education, training, counseling, prevention, and risk-control programs in place to assist workforce members, their families, or community members regarding serious diseases	☒		
LA9	Health and safety topics covered in formal agreements with trade unions	✓	Safe working conditions and health care	69
TRAINING AND EDUCATION				
LA10	Average hours of training per year per employee by gender, and by employee category	✓	Staff development	72
LA11	Programs for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings	✓	Staff development	71-73
LA12	Percentage of employees receiving regular performance and career development reviews, by gender	✓	Staff development	70-71
DIVERSITY AND EQUAL OPPORTUNITY				
LA13	Composition of governance bodies and breakdown of employees per employee category according to gender, age group, minority group membership, and other indicators of diversity	✓	Workforce overview	65
LA14	Ratio of basic salary and remuneration of women to men by employee category, by significant locations of operation	✓	Recognizing employees' performance	70-71
HUMAN RIGHTS				
HR1	Percentage and total number of significant investment agreements and contracts that include clauses incorporating human rights concerns, or that have undergone human rights screening	☒		
HR2	Percentage of significant suppliers, contractors, and other business partners that have undergone human rights screening, and actions taken	☒		
HR3	Total hours of employee training on policies and procedures concerning aspects of human rights that are relevant to operations, including the percentage of employees trained	✓	Training	72
NON-DISCRIMINATION				
HR4	Total number of incidents of discrimination and corrective actions taken	✓	Working environment	64



Items referenced to GRI	Content	2013 Report	Content in report	Page
FREEDOM OF ASSOCIATION AND COLLECTIVE BARGAINING				
HR5	Operations and significant suppliers identified in which the right to exercise freedom of association and collective bargaining may be violated or at significant risk, and actions taken to support these rights	☒		
CHILD LABOR				
HR6	Operations and significant suppliers identified as having significant risk for incidents of child labor, and measures taken to contribute to the effective abolition of child labor	✓	Labour relationship established based on free will and legal compliance Working condition and its impacts on Vinamilk's partners	66 75
FORCED AND COMPULSORY LABOR				
HR7	Operations and significant suppliers identified as having significant risk for incidents of forced or compulsory labor, and measures to contribute to the elimination of all forms of forced or compulsory labor	✓	Labour relationship established based on free will and legal compliance Working condition and its impacts on Vinamilk's partners	66 75
SECURITY PRACTICES				
HR8	Percentage of security personnel trained in the organization's policies or procedures concerning aspects of human rights that are relevant to operations	☒		
INDIGENOUS RIGHTS				
HR9	Total number of incidents of violations involving rights of indigenous people and actions taken	☒		
ASSESSMENT				
HR10	Percentage and total number of operations that have been subject to human rights reviews and/or impact assessments	☒		
REMEDIATION				
HR11	Number of grievances related to human rights filed, addressed and resolved through formal grievance mechanisms	☒		
SOCIETY				
S01	Percentage of operations with implemented local community engagement, impact assessments, and development programs	✓	Community support and development	81-87
S09	Operations with significant potential or actual negative impacts on local communities	☒		
S010	Prevention and mitigation measures implemented in operations with significant potential or actual negative impacts on local communities	☒		
FP4	Nature, scope and effectiveness of any programmes and practices (in-kind contributions, volunteer initiatives, knowledge transfer, partnerships and product development) that promote healthy lifestyles; the prevention of chronic disease; access to healthy, nutritious and affordable food; and improved welfare for communities in need	✓	Economic development	77-79
S02	Percentage and total number of business units analyzed for risks related to corruption	✓	Vision, Mission, Core Values - Code of Conduct	28-29
S03	Percentage of employees trained in organization's anti-corruption policies and procedures	✓	Vision, Mission, Core Values - Code of Conduct	28-29
S04	Actions taken in response to incidents of corruption	☒		
S05	Public policy positions and participation in public policy development and lobbying	☒		
S06	Total value of financial and in-kind contributions to political parties, politicians, and related institutions by country	☒		
S07	Total number of legal actions for anti-competitive behaviour, anti-trust and monopoly practices and their outcomes	☒		
S08	Total number of legal actions for anti-competitive behaviour, anti-trust and monopoly practices and their outcomes	☒		

Items referenced to GRI	Content	2013 Report	Content in report	Page
PRODUCT RESPONSIBILITY				
PR1COMM	Life cycle stages in which health and safety impacts of products and services are assessed for improvement, and percentage of significant products and services categories subject to such procedures	✓	Safe products	38-44
PR2COMM	Total number of incidents of non-compliance with regulations and voluntary codes concerning health and safety impacts of products and services during their life cycle, by type of outcomes	✓	Measurement criteria on Product responsibility 2013	47
FP5	Percentage of production volume manufactured in sites certified by an independent third party according to internationally recognised food safety management system standards	✓	Measurement criteria on Product responsibility 2013	47
FP6	Percentage of total sales volume of consumer products, by product category, that are lowered in saturated fat, trans-fats, sodium and sugars	☒		
FP7	Percentage of total sales volume of consumer products, by product category sold, that contain increased fibre, vitamins, minerals, phytochemicals or functional food additives	☒		
PR3COMM	Type of product and service information required by procedures, and percentage of significant products and services subject to such information requirements	✓	Complete and truthful disclosure of product information	46
FP8	Policies and practices on communication to consumers about ingredients and nutritional information beyond legal requirements	✓	Complete and truthful disclosure of product information	46
PR4	Total number of incidents of non-compliance with regulations and voluntary codes concerning product and service information and labeling, by type of outcomes	✓	Measurement criteria on Product responsibility 2013	47
PR5	Practices related to customer satisfaction, including results of surveys measuring customer satisfaction	☒		
PR6COMM	Programs for adherence to laws, standards, and voluntary codes related to marketing communications, including advertising, promotion, and sponsorship	✓	Measurement criteria on Product responsibility 2013	47
PR7	Total number of incidents of non-compliance with regulations and voluntary codes concerning marketing communications, including advertising, promotion, and sponsorship by type of outcomes	✓	Measurement criteria on Product responsibility 2013	47
PR8	Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data	☒		
PR9	Monetary value of significant fines for non-compliance with laws and regulations concerning the provision and use of products and services	✓	Measurement criteria on Product responsibility 2013	47
ANIMAL WELFARE				
FP9	Total of animals raised and/or processed, by species and breed type	☒		
FP10	Policies and practices, by species and breed type, related to the use of anaesthetic	☒		
FP11	Percentage and total of animals raised and/or processed, by species and breed type, per housing type	☒		
FP12	Policies and practices on antibiotic, anti-inflammatory, hormone and/or growth promotion treatments, by species and breed type	☒		
FP13	Total number of incidents of non-compliance with laws and regulations, and adherence with voluntary standards related to transportation, handling and slaughter practices for live terrestrial and aquatic animals	☒		



VINAMILK

BE PROUD OF VIETNAM'S DAIRY
THAT THE WORLD RECOGNIZES



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