



# WHY RESPONSIBLE INVESTING?

Background of RI and PRI

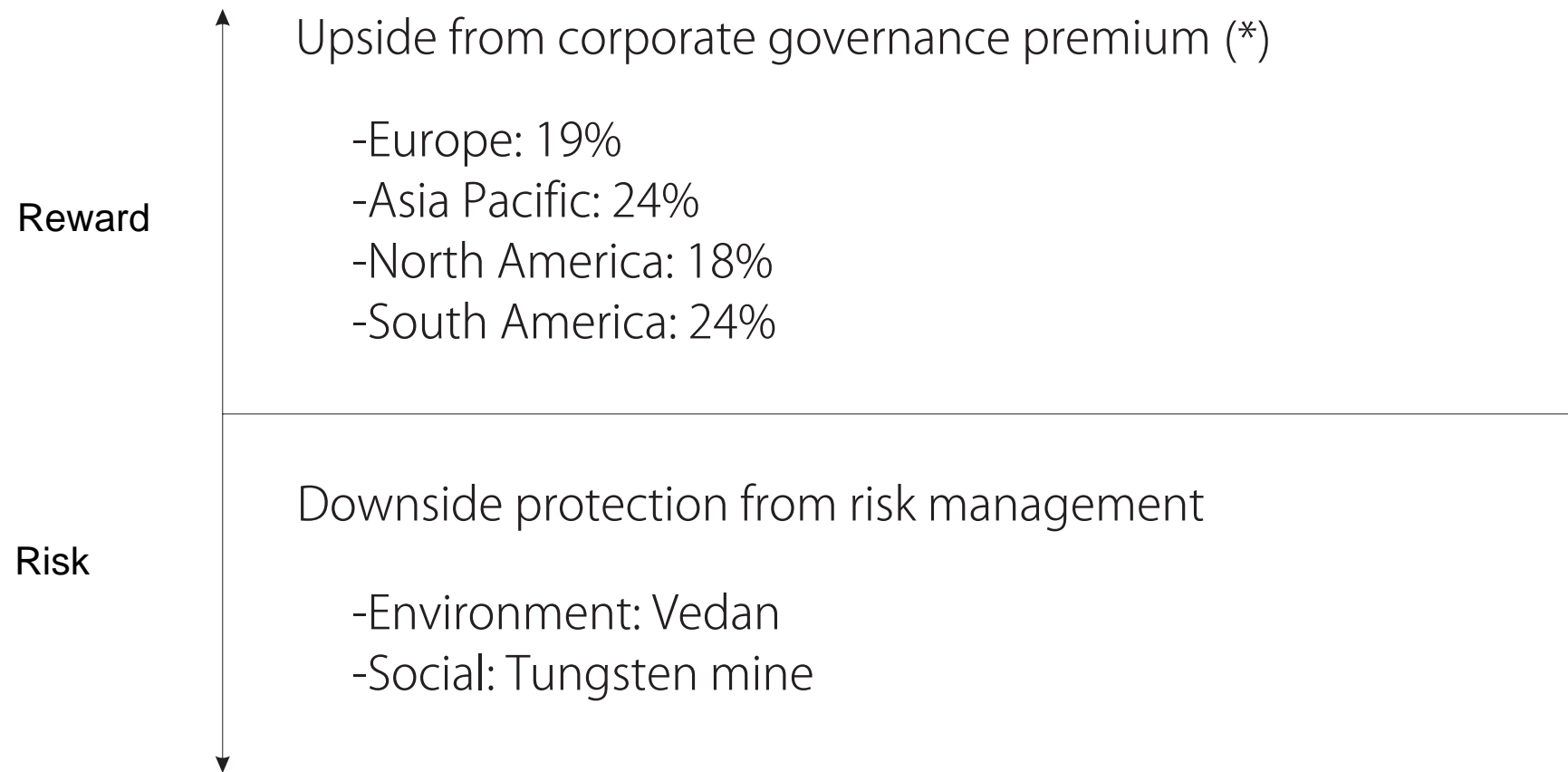
Team View on Materiality of Trend

Asset Owner Demand Vs. Asset Manager Supply

Overview of Vietnam ESG Matters

Senior Management Commitment to Business Stewardship

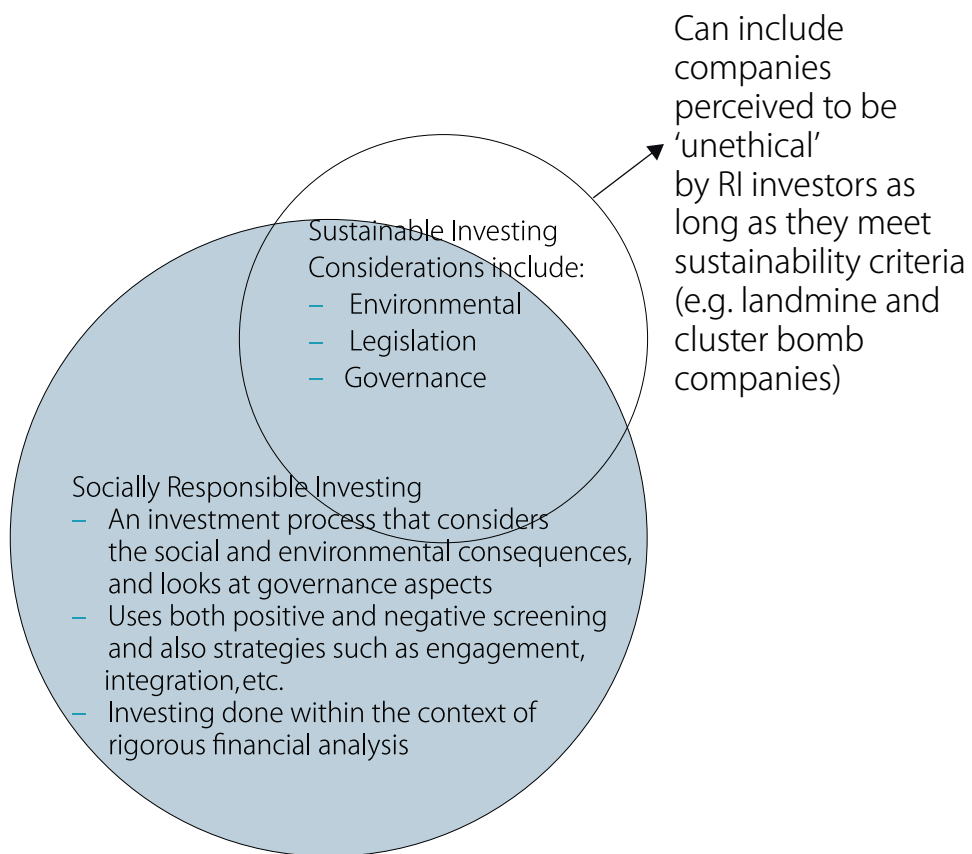
# HOW RESPONSIBLE INVESTMENT IMPROVES RISK/REWARD RATIO



(\*) Source: Mc Kinsey & Co

# RESPONSIBLE INVESTMENT: SCOPE AND STRATEGY

## Scope of RI



## RI Strategies

RI Strategy	Definition		Types
<b>Positive screening</b>	Seeking to invest in companies with a commitment to responsible business practices, or that produce positive products and/or services. Includes Best-in-class and Pioneer screening	<b>Core RI</b>	Best-in-class
			Pioneer screening
			Thematic investments
<b>Negative screening</b>	Avoidance of investment in targeted companies, industries and countries	<b>Broad RI</b>	Ethical exclusions
<b>Engagement</b>	Active voting and engagement in companies in which one has invested		Simple screening
			Engagement
<b>Integration</b>	ESG is incorporated into investment analyses and decision making		Integration

Combinations of different strategies are possible

# INVESTMENT PROCESS - TWIN TRACK APPROACH



# ENVIRONMENTAL MATTERS

## Highlights

Established and implemented Law on Environment Protection (June 2006)

Increase in forest cover from 28% low in 1990 to 37.6% currently

Environment awareness improved

## Challenges

72% of population lives in coastal areas, exposure to climate change

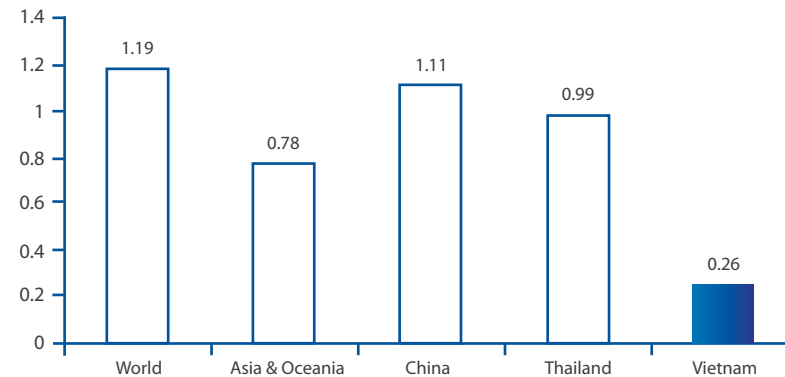
Land degradation - 50% of land considered poor quality, 70% of soil exposed to erosion

Poor environmental management of mining, transport and energy sectors

Air quality severely degraded in cities and industrial areas (dust is 1 to 5 times national standards)

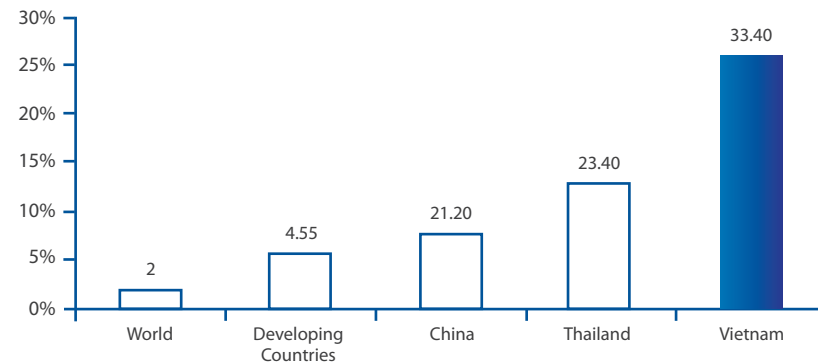
Pollution from vehicles emissions. Vietnam is the 3rd largest motorcycle market in the world after China and India

Carbon Footprint Per Capita



Source: US Dept. of Energy

Carbon Dioxide Emissions - % Annual change from 1990 to 2004



Source: United Nations Development Programme

# SOCIAL MATTERS

## Highlights

High adult literacy rate (90.3% of ages 15 and above)

Long life expectancy at birth (74 years)

Progress on poverty reduction with the poverty rate falling from 58% in 1993 to 20% in 2004

## Challenges

Very low healthcare spend per capita of US\$17 vs US\$40 for China and US\$112 for Thailand

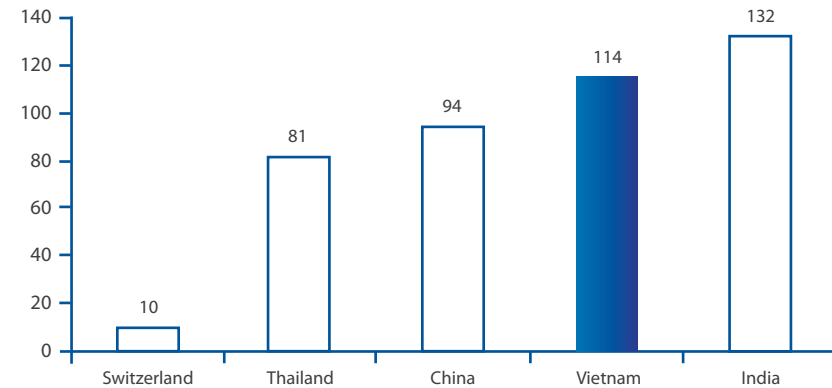
Only 56% of Vietnam population have access to clean water

Low electrification rates in rural areas

Income discrepancy between urban and rural areas

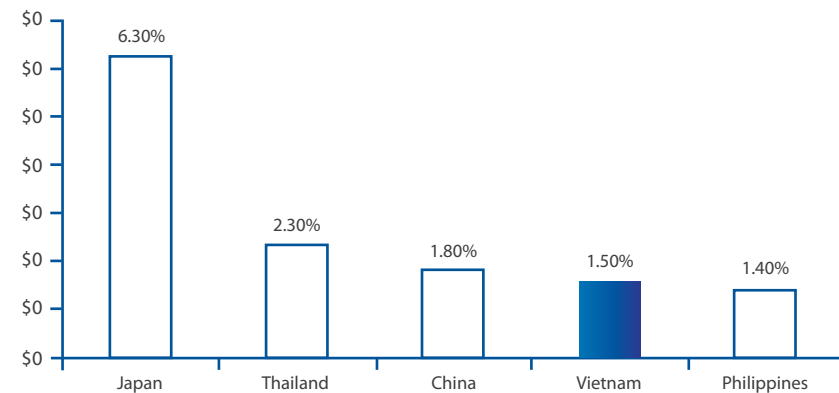
Child labor

Human Development Index 2006



Source: World Bank

Public Expenditure on Health (% of GDP) 2004



Source: World Bank

# GOVERNANCE MATTERS

## Highlights

High degree of legal compliance

Most companies have necessary structures

Enterprise Law of 2005 and Competition Law of 2004

## Challenges

'Shareholder rights' concept is in its infancy and shareholder activism is nonexistent

Often overlap between shareholders and senior management

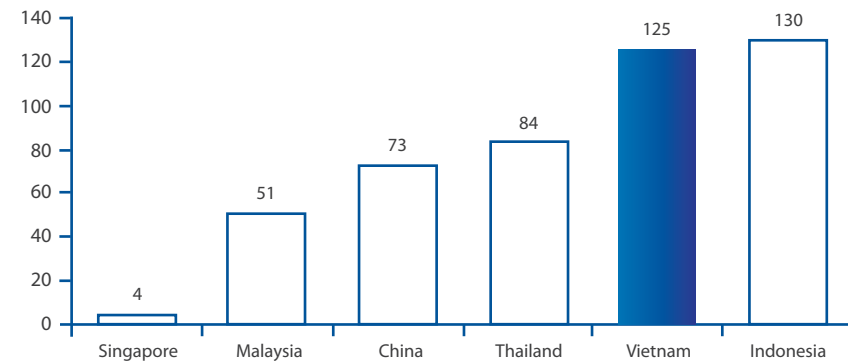
Non executive and independent directors are a rarity

High percent of firms do not use an external auditor

Inspection committees are often weak and ineffective

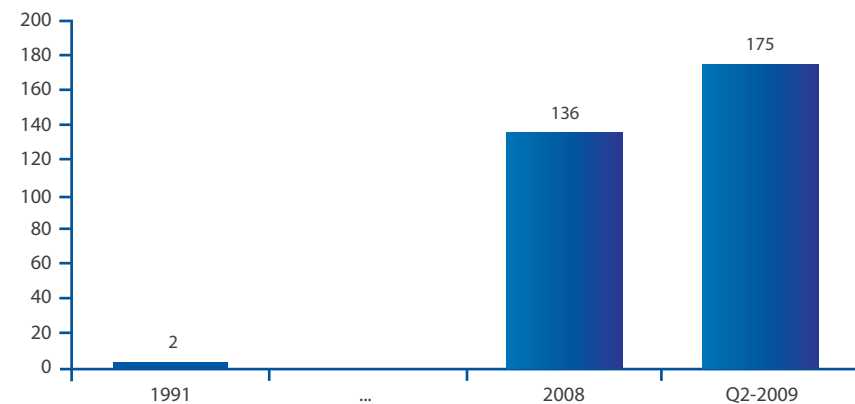
Large number of related party transactions (few companies have guidelines)

Transparency International Corruption Index in 2008



Source: [www.transparency.org](http://www.transparency.org)

Increase of Audit Providers



Source: *Ministry of Finance*