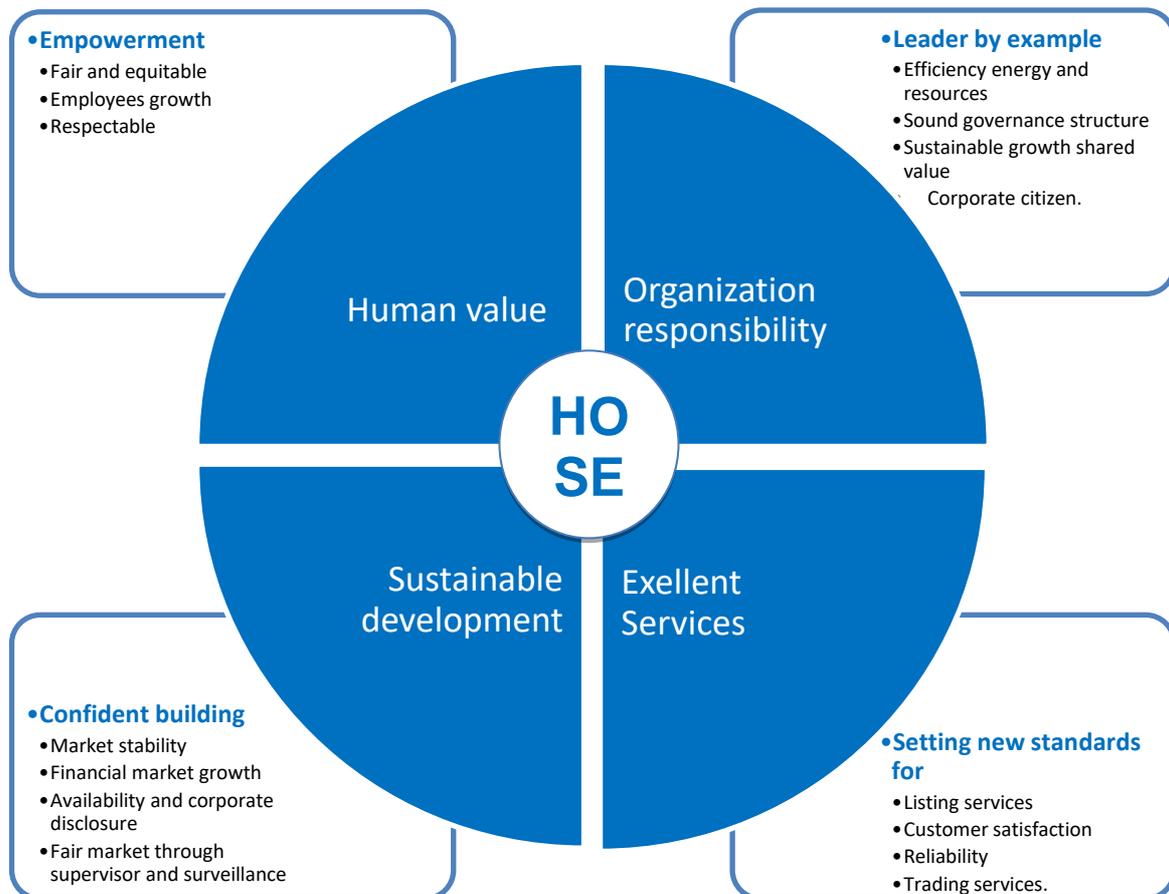


# HOCHIMINH STOCK EXCHANGE COMMUNICATION WITH STAKEHOLDERS

Last updated on: October 2016

## BUSINESS STRATEGY

Hochiminh Stock Exchange (HOSE) plays a key role in the Vietnam economic growth momentum – the financial market. Therefore, we fully understand the importance of our sustainable development in the economy as a whole, which creates long-term value for investors, listed companies, the market participants and the market itself.



HOSE commits to foster a strong and sustainable capital market by strengthening market infrastructure and offering diversified investment products and services. Our new listing rules and policies are to enhance the quality of listed companies, brokerage houses, investors, fund managers and other market participants in term of economic, social and environmental factors, and boost corporate governance. With all our efforts, we believe to increase the intrinsic value of the financial market and ensure sustainable economic development.

Currently, HOSE is actively researching various products and services to promote green finance such as green index, green bonds on the capital market. We improve transparency of listed companies by encouraging disclosure of non-financial information. Together with IFC and SSC, we are developing Sustainability reporting guidance to aid disclosure of ESG information, which is becoming more relevant to the investment communities.

Furthermore, we frequently organize raising awareness sessions and workshops to assist listed companies in creating and publishing sustainability report. HOSE also promotes responsible investment principles for investors and fund managers to direct funds to green projects that have positive impacts onto environment and society which ultimately, raises living standard.

## **LEADERSHIP AND THE PROMOTION OF SUSTAINABLE DEVELOPMENT**

Established in 2015, HOSE's Sustainability Taskforce, under direct supervision of the Board of Directors, has been actively envisioning and accelerating implementation of sustainable development strategy set forth by the Chairman of the Board of Directors. In specific, the Team is responsible for:

- 1) Studing global green economy development practices,
- 2) Providing trainings and workshops to market participants on the matters;
- 3) Raising awareness on ongoing topics of Sustainable development and Responsible investment;
- 4) Researching and implementing the development of green financial products such as green bonds and green/sustainability indices.

## MARKET'S SUSTAINABILITY OBJECTIVES

Sustainable Development is one of our top priorities. As a crucial part in developing financial market, we aim to build investors' confidence by enhancing market transparency. Sustainability has been highlighted in long-term development strategy, therefore, the Board of Directors sets forth the objectives as below:

- **Increasing systemic stability of stock market:** to reduce the overall impact to environment, society and economy; hence, lowering the risk of incidents in the stock market.
- **Promoting ESG disclosure:** to raise public awareness on sustainable development; boosting firms' transparency through standardized financial and non-financial information; and, regularly organizing dialogues with and among stakeholders.
- **Building capacity in sustainability:** through regular executives and staff training to strengthen green finance foundation.
- **Developing sustainability-related financial products:** to create financial products that tie to green economy growth and promote responsible investment in equity sector.
- **Promoting responsible investment:** to create local and international investment funds operating in Vietnam committed to the Responsible investment principles.

## TRANSPARENCY AND ISSUER REPORTING

The State Securities Commission – SSC – is the governmental regulator of Vietnam Stock Market. Aiming for market transparency, Circular No. 155/2015 dated Oct 6th, 2015 mandates complete disclosure requirement which requires environmental and social disclosure (E&S Disclosure) in addition to conventional disclosures such as Annual Reports, related person's transactions... New E&S disclosure requirements are concise in terms of indicators such as water consumption, energy usage/saving, emissions, salary indicators and training benefits.

HOSE takes responsibility to ensure the stock market operates in compliance with the regulations, to encourage effective information disclosure and to improve transparency on the market.

Facilitating the transition to incorporate ESG disclosure, in collaboration with IFC and SSC, the Sustainability Taskforce is creating Sustainability reporting guidance that outlines the framework and indicators in accordance with GRI standards and concurrently, complies with Circular no. 155.

# STAKEHOLDERS' INVOLVEMENT

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As the market operator, HOSE is committed to ensure compliance of listed firms to our listing criteria and regulations.

Listing standard review process is inline with regulations reviewed by the SSC. At first,, stakeholders' commentaries are collected for revision. After the review is finalized, public hearings from market participants are organized to ensure all concerns are received and addressed.

Besides, our Listing and Disclosure Department is monitoring issuers' report and information disclosure to ensure their compliance

## ANNUAL REPORTING AWARD

Since 2007, HOSE has been hosting the Annual Reporting Awards which also included the Best Sustainability Report Awards. Listed companies' annual reports are evaluated by an independent judge panel to recognize outstanding reporting performance, especially in disclosure of environmental protection and social equality.

We regularly communicate with listed firms to ensure their understanding that annual report should contain not only sufficient information in compliance but also lead the discussion of reducing environmental footprints and enhancing human value.

## ISSUER CAPACITY BUILDING SUSTAINABILITY GUIDANCE

As mentioned previously, HOSE with SSC and IFC is leading the Sustainability Reporting Guidance initiatives. The guidance, which was published in September 2016, helps listed companies to identify:

- Why listed companies should provide sustainability report;
- Which global standards and/or framework to create sustainability report;
- The basic principles and process in creating sustainability report;
- The key factors in implementing sustainability system;
- What listed companies can do to ensure the reliability and conveyability of the report; Which aspects of business activities should be in the report.

## **COLLABORATION AND ENGAGEMENT**

We, together with the SSC and other stakeholders including other regional stock exchanges, the listed companies, securities firms and investors worldwide, actively facilitate IR activities among listed companies and considering IR as the most active communication channel to investors. As a stock exchange, we regularly host IR meetings for medium to small investors to meet directly with listed companies' spoke persons, providing them an effective information channel. Besides, we organize quarterly press meetings which have been providing up-to-date market overview, statistics, ongoing projects, policy changes to stakeholders and general media engaged to the market.

HOSE has been actively participating to the international community as a member of international organizations such as the World Federation of Exchanges (WFE), Asian and Oceanian Stock Exchanges Federation (AOSEF), for the purpose of sharing experience among members and partners. In 2014, HOSE joined the Sustainable Stock Exchanges Initiatives (SSE) as a partner and became an active member of the community.

# SUSTAINABLE PRODUCTS

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## GREEN FINANCE PRODUCTS

As an essential part in National Strategy for Green Growth, HOSE plans to create the Sustainability database of collectively quantitative ESG indicators of listed companies, tracking sustainability progress. The database would serve as a foundation provides insight into sustainability development and, be necessary to launch the Sustainability Index (expected in late 2017).

Green corporate bond is an instrument providing an alternative funding for green and sustainable projects which satisfy the Green Bond Principles (GBP). Vietnam is an emerging market with infrastructure projects that have significant impacts on environment. Over time, the demand for adaptation and mitigation projects will rise, therefore the launch of green bond is expected to divert the capital flows into these projects.

## EMISSION TRADING SCHEME

Since February 2016, HOSE has been, in partnership with Institute of Climate Finance (Yonsei University, Korea), Massachusetts Institute of Technology (MIT) and Vietnam National University (Hochiminh City 's School of Economics and Law - UEL), implementing the Vietnam Climate Finance Capacity Building. The aim of the project is to enhance the capacity in climate finance for Vietnamese scholars and researchers..

The project would be to develop and enhance capacity to understand the impact of climate change and environmental policy on carbon pricing; ultimately, designing the Emission Trading Scheme (ETS) suitable to the need of Vietnam economy, and if possible, allowing countries to trade their allowance on carbon emission. Complying with the Paris protocol, Korea accepted climate change challenge, and pleased to share the experience and know-how with Vietnam through this capacity-building project. The project will help to build Vietnam into a climate finance research and training centre for South East Asia.

The final output of the program will be to draw an implementation roadmap within the next 4 years and later on, build a prototype ETS for Vietnam.

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