

Corporate ESG Analysis

For internal use only

26 January 2022

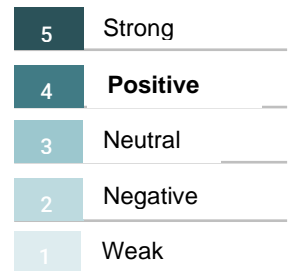
Local industry-leader

Industry: Airlines
Sector: Industrials



Analyst View

ABC performs strongly on material ESG indicators and comes out as a leader in our local peer group assessment. ABC may face challenges in the long-term due to increasing awareness of climate change issues. However, ABC actively manages relevant ESG risks and opportunities and performs better than its peer in each section. Most governance indicators are in sweet spot areas (tenure, board size, diversity). The major risk is the power concentration (strategy, management, business oversight & ownership) with the CEO. ABC reports more than its peer on social and environmental issues, however data is inconsistent. Nonetheless, available indicators reveal certain strengths over the competition on the social side (awards, HR Management). The company invests in technologies to lower fleet emissions, however disclosure on the environmental and social section could be improved (in the whole peer group)



| Company Snapshot | |
|---------------------------------|---|
| History | ABC was founded in 2007 as the first Vietnamese private carrier licensed to fly domestic and international routes. The company is a well-known Vietnamese low-cost carrier. |
| Headquarter | Ha Noi |
| Business activities | Aircraft manufactures, aircraft leasing, airport service, air transport and distribution services. |
| Geographic coverage | 14 countries including Vietnam, China, South Korea, Japan, Hong Kong, Macau, Taiwan, Indonesia, Malaysia, Myanmar, Thailand, India, and Singapore. |
| Vietnamese Peer Group Companies | Vietnam Airlines Jetstar Pacific Airlines Vietnam Air Services (VASCO) |

| Material indicator performance | ABC | Vietnam Airlines |
|--------------------------------|----------|------------------|
| Corporate Governance | 3 | 3 |
| Product Impact | 4 | 2 |
| Social Management | 5 | 3 |
| Environmental Management | 3 | 2 |
| Controversies | 5 | 1 |
| ESG Scores | 5 | 2 |
| Average | 4 | 2 |

CONSIDERATIONS VALUATION FUNDAMENTALS

BEsPOKE Integration

CORPORATE GOVERNANCE

Summary



Overall, ABC established a good cooperate governance system. The board is composed according to best practices with major indications such as tenure, diversity in background in sweet spot ranges. The leaders are highly qualified and bring along relevant experience within in aviation industry - in average 14.8 years.

However, there is one major risk we cannot deny. The power accumulation of the CEO. The low rate of independent directors, coupled with the double role of the CEO and momentary absence of important committees and no independent director in the supervisory board clearly, indicate a lack of independent oversight and control. The fact, that the CEO indirectly almost own 50% of the outstanding shares, what adds to this issue.

In general the board performs efficiently. The policies, strategic goals and focus areas seem meaningful. With regards to disclosure, ABC follows Vietnamese laws and practices.

Board of Directors

| Name | Function | Independent Director | Double function | Gender | Tenure (y) | Industry Experience (y) | Education/ Other experiences | Share ownership |
|--------------------------|---------------------------------|----------------------|------------------|------------------|------------------|-------------------------|--|-----------------|
| 1. Nguyen Thanh Ha | Chairwoman (Independent member) | Yes | - | | 14 | 20 | Physics, Economics Aviation | 0.06 |
| 2. Nguyen T. Phuong Thao | Vice-chairwomen & CEO | - | Yes | | 14 | 14 | PhD in Economic Cybernetics, Credit Finance. Commercial Bank | 8.76 / (46.77) |
| 3. Nguyen Thanh Hung | Vice Chairman | - | - | | 14 | 14 | Electrical Engineering, PhD in Cybernetics. Finance, Banking, Real Estate, Resort, Aviation, Energy | 0,99 |
| 4. Dinh Viet Phuong* | BOD member & Managing Director | - | Yes | | 9 | 9 | MBA, PhD. in Transportation Motors, Petro, Commercials | 0.12 |
| 5. Luu Duc Khanh* | Member | - | - | | 12 | 12 | Economics, MBA. Banking, | 0.22 |
| 6. Chu Viet Cuong | Member | - | - | | 4 | 4 | MBA, Economics Assurance, Banking, | 0.01 |
| 7. Donal Joseph Boylan | Independent member | Yes | - | | 2 | 2 | Accounting. 30 years in commercial positions of aerospace | 0.0 |
| | | 2/7 (28%) | 2 members | 2/7 (28%) | 9.8 years | 10.7 years | | 10.16% |

(*) Dinh Viet Phuong resigned from ABC in Oct 2020 due to retirement regime. Luu Duc Khanh resigned from the position of Managing Director in 2020.

Board efficiency - Positive

Board Size - Neutral

Board Independence - Negative

Double Roles and outside mandates - Negative

Board diversity - Positive

Tenure: Positive

Board Committees and oversight - Negative

Audit Committee

Nomination and Remuneration Committee:

Supervisory board

The head of the supervisory board brings along the relevant international qualifications in the airline industry (MBA, Diploma of Airline Quality Management, IATA Leader Auditors). However, the main issue is that no independent director serves on the supervisory board.

More information on the supervisory and the management board can be found in the appendix.

Peer comparison main indicators Board of Directors - Positive

ABC Performs better than Vietnam Airlines in all key performance indicators.

| Indicator | ABC | Vietnam Airlines |
|----------------------------------|------|------------------|
| Board size | 7 | 5 |
| Independent Board Members | 28% | 0% |
| Board Meeting Attendance Average | 100% | 77% |
| % Female directors | 27% | 0% |
| CEO / Chairman Double Role | Yes | Yes |

Ownership Structure – Minority shareholder protection - Liquidity

ABC had one major foreign shareholder (Singapore Sovereign Wealth Fund GIC, 5%) at IPO, which divested substantially in 2018 with a solid profit.^{1 2} When looking at today's ownership one fact is apparent, that the CEO owns directly and indirectly almost 50% of the company. This dominance is also salient in the ownership, it clearly poses a potential risk for other investors. There is no other major shareholder (>5%).

| Holder Name | Function | UBO | Position | % Ownership |
|------------------------------------|--------------------------|------------------------|----------------|---------------------|
| SUNFLOWER SUNNY | -- | Nguyen Thi Phuong Thao | 154'740'160.00 | 28.57% |
| Nguyen Thi Phuong Thao | CEO - Vice-Chairman - Fo | Nguyen Thi Phuong Thao | 47'470'914.00 | 8.76% |
| SOVICO AVIATION HOLD COM | -- | | 10'000'000.00 | 1.85% |
| SOVICO JOINT STOCK CO | -- | Nguyen Thi Phuong Thao | 41'106'000.00 | 7.59% |
| Total Nguyen Thi Phoung Thao | | | 253'317'074.00 | 46.77% |
| Ho Chi Minh City Development Joint | -- | | 26'809'020.00 | 4.95% |
| Nguyen Thanh Hung | Vice Chairman | | 5'427'221.00 | 1.00% |
| Free float | | | | 51% |
| Insitutionals % free float held | | | | 13.61% ³ |

Foreign ownership is restricted to 30%, which is above the general 50% however, it should not impair the trading.

Daily average volumes were at 650k shares over the last 5 days, which is also a valid figure for the whole year 2021. At current prices, this would be roughly equal \$3.5 Million daily.⁴

Compensation practices

ABC employs a “Salary and Remuneration Policy” to assess and reward highly skilled employees, outstanding collective group, individuals with technical innovations in operation through systematic evaluation of employees’ performance. However, the regulatory environment in Vietnam does not demand public companies to make disclosure on CEO salaries or details about the incentive structure. Therefore it is difficult to assess the situation in absolute figures and make a final statement if the remuneration framework serves the long-term interest of the shareholders.

The total BOD remuneration is disclosed and it remained the same in 2019 and 2020 (VND12 billion). Vietnam Airlines increased the total award for the BOD from VND13 to 15 billion VND. Considering that Vietnam Airlines BOD is smaller, however the company size is bigger, it seem reasonable.

ABC offers employees to participate in the stock option programs which is favorable and a sign for long termism. ABC mentioned, that the HR constantly monitors changes in the workforce and labor market to make decisions on remuneration adjustment, employee reward policies and other ways to effectively motivate employees as well as other welfare programs. ABC’s salary and remuneration regime covers standard social benefits such as insurance, holiday leaves, annual leave, periodic salary raise, bonus and other perks such as free airline tickets for employees and relatives, networking events and other team building activities.

¹ <http://hanoitimes.vn/gic-no-longer-a-major-shareholder-of-ABC-air-5109.html>

² <http://hanoitimes.vn/sovico-increased-shareholdings-in-ABC-air-5073.html>

³ Bloomberg

⁴ Bloomberg

Operational Corporate Governance Indicators

Code of Conducts / Ethics / Human Rights - Neutral

The company has no publicly available Business Ethics or Code of Conduct charter - nor is the company signatory to a relevant scheme such as the UNGC or ILO standards.

However, at the same time no major ethics violations related to ABC was found, in fact much less than peers which is a good performance track record. Eventually, a good record says more than a policy.

Transparency and Integrity - Neutral

ABC routinely submit their annual financial statements and the BOD's and SB's reports for shareholder approval publicly on their webpage. It includes financial report, financial audit report, annual reports, Investor Relation News, Company Activities Disclosures, Annual General Meeting.

Trainings - Neutral

ABC undertakes internal training courses on corporate governance and update laws, such as the Law on Securities and the new Law on Enterprises to members of BOD, BOM, SB, managers and the secretary of the Board to ensure all team members be awarded of current policies, laws, regulations and follow it strictly in business strategy and operations.

Risk management - Neutral

ABC applies a solid risk management approach which includes legal risks, Covid-19 risks, economic risks (including economic growth and inflation, interest & exchange rates), competition, fuel prices, airport infrastructure restrictions and air traffic controls, air manufacturing risks, third-party distribution channels risks, weather condition, social-political instability, accident, or breakdown risks.

IT Systems - Neutral

There have been no breach or issues detected with ABC IT-Systems. ABC implemented various computer programs to improve maintenance, fault detection, flight data assessment, compliance and warning systems. (flight speed, sliding speed, landing skills). ABC successfully obtained international aviation certificates, like its peer (Vietnam Airlines).

| Indicator | ABC | Vietnam Airlines |
|--|----------------------------------|---|
| Network system security | ✓ | ✓ |
| Use advanced software solutions | ✓ | ✓ |
| Applications/ Softwares system | AMOS, AIMS, Airfase, Intellysis, | VHAT, Lotusmiles programs, digital applications (Skywise) |
| Operational Safety Audit (IOSA) Certificate | ✓ | ✓ |
| Air Operator Certificate (AOC) Certificate | ✓ | ✓ |
| Comply with International Civil Aviation Organization (ICAO) | ✓ | ✓ |

PRODUCT IMPACT

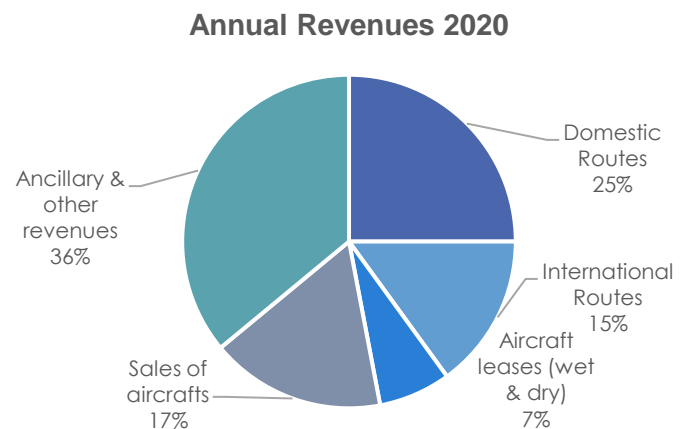
Summary

ABC performs better than its peer Vietnam Airlines in the relevant areas: passenger health and safety and environmental fleet management. The company is vulnerable to changing consumer demands, higher input prices, changing regulations and substitution due to increasing awareness of environmental issues arising from climate change. However, the company very actively manages these risks by investing in the latest technology. The company makes passenger safety the top priority and maintains a clean reputation – it even got again awarded for its practice and track record.



Industry characteristics: Airlines

Airlines are a significant contributor to Global Greenhouse Gas emissions and thus global warming and climate change. As such the whole industry is exposed to heightened environmental risks in the long term. Leading companies in this industry aim to lower the carbon footprint, by investing in latest technology and materials. These companies find ways to operationally improve GHG output per sales or Kilogram and invest in carbon offset projects. Best-in-class companies furthermore, consider passenger safety as top priority and maintain a solid track record in this regard.



5

Passenger Safety - Positive

ABC is recognized in the top ten of the world’s safest low-cost airlines 2022 from the 385 global airlines monitored, according to Airline Rating Editors (2022)⁶. The ranking is based on the result of audits undertaken by the governing body of aviation, the International Civil Aviation Organization (ICAO) and other aviation authorities through a range of criteria (incident records over two years, crash records over five years, fleet age, etc.).

Enhancing Aviation quality, safety and security is a top priority of ABC. Another indicator for that is that ABC and SR Technics signed a memorandum worth 150\$. The signing ceremony was attended by both Vietnams and Switzerlands prime ministers.⁷ The Company has a partnership with Airbus and use their applications of flight data analysis system to implement Safety Management System in compliance with aviation safety standards of the International Civil Aviation Organisation (ICAO).

This practice helps ABC minimise potential risks and prevent incidents during operation activities. To demonstrate, ABC’s the safety index reached to 99.64% of technical reliability in 2020, which is higher than the Airbus’s recommended standard (90%), reported in the annual report (2020,p.67). Besides, ABCs commits to comply with stringent regulations of Ministry of Transport, the Civil Aviation Authority of Vietnam and the International Air Transport Association (IATA). ABC also certified for the international standard ISO 27001 on information security system and effective operation.

ABC achieved an equal On-time performance Rate (OTP) as obtained a similar the rate 88% of on-time performance (OTP). It means they strictly implemented safety procedures and eliminated risks to safety and security for flight safety.

⁵ ABC, AR 2020, p.217

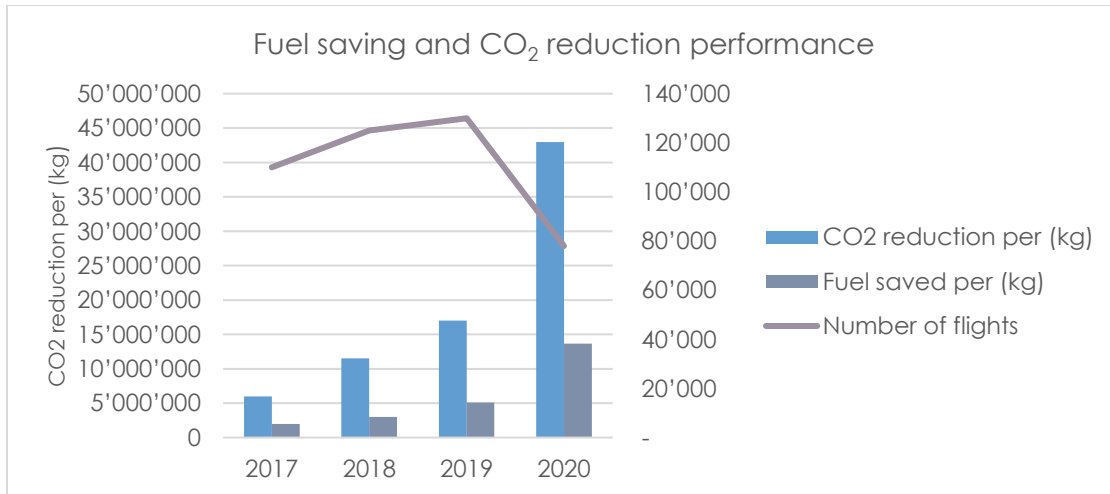
⁶ <https://www.airlineratings.com/news/ABC-one-worlds-safest-low-cost-airlines/>

⁷ SR Technics and ABC Air sign a Memorandum of Understanding worth US\$150 million | News | SR Technics

Fleet Emissions

ABC applies fuel consumption optimization software (SFCO2) since 2017.⁸ Through the program, fuel consumption levels for each flight are tracked and optimised to enhance fleet efficiency.

ABC was able to double the GHG emissions savings between 2019 and 2020, from 24,189 metric tons to 42,900 metric tons of CO2 equivalent in the following year. This is largely owed to the strong decrease of flights because of COVID 19. However, fuel efficiency increase is tracked on granular level. Vietnam Airline use the SFCO2 system too, but refrains to disclose relevant data, which puts ABC in a much more favorable position.



⁸ <https://www.safran-group.com/pressroom/ABC-air-and-safran-sign-sfco2r-service-agreement-2017-06-21>

SOCIAL MANAGEMENT

Summary

ABC performs very well in this category. As a matter of fact, ABC turnover rate was less than 50% of Vietnam's national average over the last five years. ABC created more new jobs than its competitors and managed to keep turnover stable at low levels – despite the pandemic.

ABC employs a solid HR plan which empowers women and which enables a diverse and good working environment. This motivates employees and increases their commitment. ABC received an award for its achievements: “Best Workplace in Asia Award” and “Top 100 Vietnam’s best workplace Award” nominated by HR Asia Organisation; and Anphabe and the market research firm Intage Vietnam

During the pandemic, ABC reacted proactively, invested in gears and created awareness. ABC focuses on the development of human resources through various programs, whereas Vietnam Airlines did not disclose its measures.

Lastly, ABC has a broad social engagement plan, outside its business activities, which was in particular appreciated through the pandemic (please see appendix).



Employee Health and Safety - Neutral

ABC and its peers do not disclose relevant health and safety figures (injury, fatality, LTIFR) which makes an assessment of this indicator difficult.

However, employee health is a relevant topic at ABC. The company offers employees insurance, appropriate holiday and annual leave.

Responding to the Covid-19 pandemic, ABC required employees to strictly implement Covid-19 prevention measures and follow governmental regulations during commercial flights. ABC established a Committee for Covid-19 Prevention with doctors and health experts. The frontline staff (pilots, flight attendants, ground staff, technicians at airports) was equipped with protective gear, face shields, masks, sanitizers to reduce Covid-19 spread. Its modern fleet is equipped with a HEPA (High Efficiency Particulate Air) filter system which can filter over 99% of dust, bacteria, viruses. ABC invested in health and safety and raised awareness among employees. In contrast, Vietnam Airline did not present specific measures to eliminate and control the impact of Covid-19.

Human Resources Management - Positive

Diversity in workforce - Positive

ABC has a strong women empowerment program and was awarded for this achievement^{9 10}. This engagement is particularly led by the female founder and CEO Nguyen Thi Phuong Thao. She was also honored by Tatler magazine as one of the 110 most Asia’s Most Influential¹¹. This award is to honor the leading figures in "bringing positive changes" to society in 2020. The board of director and the management board drive change through the whole workforce. ABC recruited female pilots from different countries such as Colombia and Korea, so this practice inspired young women to work in aviation workplace which is usually known as male-dominated industry.

Pilots, flight attendants and experts at ABC come from different countries and they have many years of experience in various fields, so it created a diverse workplace with different nationalities, ethnicities, and culture. The proportion of

⁹ <https://www.bangkokpost.com/business/1873709/beautiful-female-leaders-of-ABC>

¹⁰ <https://www.forbes.com/sites/forbesasia/2019/09/23/asias-power-businesswomen-2019-how-ABCs-nguyen-thi-phuong-thao-made-history-by-starting-and-running-her-own-airline/?sh=3cf1d1a3e004>

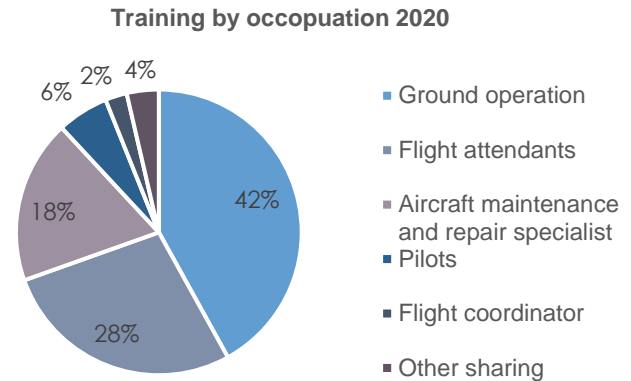
¹¹ <https://english.thesaigontimes.vn/businesswoman-nguyen-thi-phuong-thao-receives-the-legion-of-honour-awarded-by-the-french-government/>

foreign employees accounted for nearly 17% of the total staff at ABC in 2020. The foreign staff are pilots, flight attendants and experts who have many years experiences in aviation industry, so they are focused to sharing their skills, knowledge and experiences to improve the quality of human resource at ABC.

Education and training - Neutral

For ABC training is important. The activities are governed in the dedicated training policy. ABC signed an agreement with Airbus for pilot trainings and invested in ABC Aviation Academy facilities to increase the productivity of onsite training. Trainings are available to all employees, also in online format.

ABC's employee had in average 8.7 hours training in 2020, which seem not a lot at first sight. However, it is more transparent than its peer Vietnam Airlines which did not disclose any data on this. ith the total employee of 5,468 people and total 47,386 training hours conducted in 2020

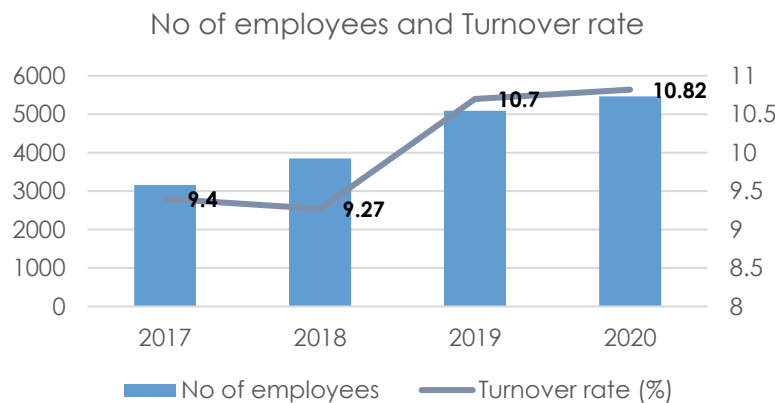


Turnover rate - Talent attraction & retention - Positive

The Employee's turnover rate remained stable and low in the past five years (around 10%) (2017-2020). The turnover rate is very low compared to the global industry average and less than 50% of Vietnams national average of 24%.¹²

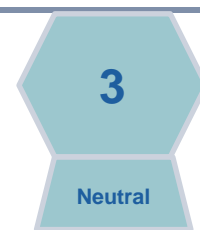
In general, a low turnover rates indicate a good working environment and motivated employees.

This finding is also supported by the Glassdoor rankings. According to the Glassdoor, the employee satisfaction rate of ABC is 3.8 (of total 5) , which is slightly higher than the on of Vietnam Airlines (3.6). Furthermore, according to Glassdoor, 60% of employees agreed that ABC has a positive business outlook, and they would recommend ABC's job opportunities to their friend.



¹² <https://www2.staffingindustry.com/row/Editorial/Daily-News/Vietnam-Employee-turnover-rate-on-the-rise-Vietnam-News-51450>

ENVIRONMENTAL MANAGEMENT



Summary

The company uses technology (IT & Advanced Materials) to improve the environmental performance of its fleet. The company mentioned to have saved over USD 8 Million in fuel cost in 2020. This is an interesting fact as ABC, recognized the monetary benefits of positive environmental performance. However, in general the disclosure level is improvable, even though the company is more transparent than its peers.

Environmental Policy and Management - Neutral

ABC has no environmental policy, however it disclosed management plan which comprises 5 key strategic areas as described detail in the Appendix.

ABC optimizes fuel consumption and reduces fuel waste to reduce CO2 emission. ABC applies various computer programs to optimize environmental performance. An example is the AMOS software, which supports the efficient use of spare parts and increase friendly environmental materials on aircrafts.

Good at resource efficiency through using new generation fleet, which helps saving 15%-30% of flight fleet, implementing SFCO2 program to offer solutions and instructions in flight control, optimizing the capacity of aircraft engines and reducing fuel consumption and carbon emission during operation.

Environmental Compliance and fines - Positive

ABC has complied with national legal regulations and requirement on environmental protection. As reported in 2020, there is no violation case related to environmental protection regulation at ABC. Vietnam Airlines has not made such confirmations which put ABC ahead of its competitor.

Comparison to Vietnam Airlines - Positive

| Area | Indicator | ABC | Vietnam Airlines |
|--------|--|---------------|------------------|
| Energy | Total energy use | N/A | N/A |
| | Electricity saved | N/A | 9,000 kWh |
| | Fuel cost saved | 8.012.927 \$ | |
| | DO/Petrol fuel saved | 17 mil liters | |
| | Fuel efficiency solutions ¹³ (Applying SFCO2 program) | Yes | Yes |
| | Eco-design technologies (use new generation fleet to save flight fuel) | Yes | Yes |
| Water | Total water withdrawal | | |
| | Water recycled | | |
| | Clean water saved | | 257 liters |
| | Fabric softener | | 513,000 liters |

| Area | Indicator | ABC | Vietnam Airlines |
|--------------|--|-----------|---------------------------------|
| Air Emission | Total CO ₂ equivalent emissions (metric tons) | 55 tons | |
| | CO ₂ emission reduced in a year (ton/year) | 42,9 tons | |
| | Disclosing CO ₂ emission statistics | Yes | No |
| Waste | Total waste amount | | |
| | Waste recycling program | Yes | |
| | Waste treatment plan | Yes | |
| | Wastewater management | Yes | |
| | Others | - | Reduced 50 million plastic bags |

CONTROVERSIES



The company maintains a clear track record in terms of controversies. There were few minor, violations related to aviation regulations which resulted in fines (fluctuated from \$650 to \$1,800) recorded during 2012-2015. Those were related to inappropriate marketing strategy and flight route management issues. The amount of fines accounted for less than 2% of total revenue of ABC and it did not have significant impacts on the business operation, shareprices or other stakeholders.

In addition, it was found that three accidents and ten incident facts related to VietJect's airlines, recored by Aero Inside during the period of 2014 – 202014; however the incidents and accidents were minor too and did not cause major damaged, serious injuries. Compared to peers this performance is very good. As a conclusion, all the controversies were assessed and classified as **Low Level**. As mentioned above, ABC was awarded among the safest 10 low-cost carries in the world.

| Area | Details | Impact | | |
|---|--|--------|--------|----------|
| | | Low | Medium | Material |
| Corporate Governance | Violation on local aviation regulations¹⁵ : In Aug 2012, ABC Air was fined VND 40 million (approximate \$USD 1,800) by Vietnamese Civil Aviation Authority of Vietnam for <u>having beauty contestants in the Hawaiian-themed dance on its flight</u> (No. VJ7269) to welcome the national football team back home from China to Vietnam without authorisation. The incident caused public debate in the conservative country. Link 1 - Link 2 - Link 3 | ■ | | |
| | Violation on local aviation regulations¹⁶ : Civil Aviation Administration of Vietnam investigated in the incident of ABC Air flight (No. VJ8575) on June 19, 2014, due to <u>transporting a wrong passenger</u> from Da Lat city to Cam Ranh city. Then, the Aviation Inspector decided to impose an administrative penalty for VJA with a fine of 40 million VND (approx \$USD 1,800), and other nine (09) related individuals with fines from 7.5 to 20 million VND. Link 1 | ■ | | |
| | Violation on local aviation regulations: In 2015, the Civil Aviation Administration of Vietnam decided to sanction administrative violations against ABC Air due to the <u>delay of many hours</u> but the delay in notification and incomplete information to passengers through the flight (No. VJ321) from Phu Quoc to Ho Chi Minh City on Mar 9, 2015 with a fine of 15 million VND (approx \$USD 650). Link 1 | ■ | | |
| Social (Health & Safety Incidents) | Accident fact: ABC A321 at Dong Hoi on Oct 16th 2020, hard landing at +4.27G. A post flight inspection revealed substantial structural damage also visible by creases in the fuselage skin. Nose wheel attachment bolts were missing. | ■ | | |
| | Incident fact: ABC A321 at Ho Chi Minh City on Jun 14th 2020, runway excursion on landing. There were no injuries, the aircraft received minor damage. | ■ | | |
| | Incident fact: VieJet A320 at Vinh City on Mar 26th 2019, runway incursion. The ABC departed and reached Ho Chi Minh City without further incident. | ■ | | |
| | Accident fact: ABC A21N at Ban Me Thuot Province on Nov 29th 2018, both nose wheels separated on landing. As the result, Vietnam's CAA reported the nose wheels were completely damaged in landing. | | ■ | |
| | Incident fact: ABC A320 at Nha Trang on Dec 25th, 2018, landed on closed runway on technical return. | | | |
| | Incident fact: ABC A320 near Taipei on Dec 24th, 2018, cargo smoke indication. | ■ | | |

¹⁴ <https://www.aeroinside.com/airline/ABC-air>

¹⁵ Circular No.85/2015/TT-BGTVT : Regulations on responsibilities and handling of violations in air transportation activities, issued by Ministry of Transportation in Dec 2015.

¹⁶ Decree No.147/2013/ND-CP : Administrative penalties in civil aviatiions.

| Area | Details | Impact | | |
|------|---|--------|--------|----------|
| | | Low | Medium | Material |
| | Incident fact: ABC A320 at Ho Chi Minh City on Nov 19th, 2018, fuel system problems. | ■ | | |
| | Accident fact: ABC A321 at Da Nang on Apr 11th, 2018, both engines stalled, both engines EGT overtemperature, one engine shut down in flight, electrical problems. | ■ | | |
| | Incident fact: ABC A320 near Karachi on Sep 5th 2017, instrument problem | ■ | | |
| | Incident fact: ABC A320 near Hong Kong on Aug 30th 2017, cargo smoke indication. | ■ | | |
| | Incident fact: ABC A320 at Hanoi on Sep 30th 2015, bird strike | ■ | | |
| | Incident fact: ABC A320 at Hanoi on Sep 1st 2014, hydraulic failure | ■ | | |
| | Incident fact: ABC A320 at Nha Trang on Jun 19th 2014, landed at wrong airport. | ■ | | |
| | Overall | ■ | | |

ESG SCORES

The ESG Rating score underlines our positive view about the company’s ESG performance. ABC scored in all dimensions better than its peer Vietnam Airlines. The performance is backed by hard data. This rating is not only driven by better disclosure than the peer but also by better performances. However, there is still room for improvement in terms of disclosures, which should be an engagement topic.















| | ESG Percentile Rating | Environmental Dimension | Social Dimension | Corporate Governance |
|-------------------------|-----------------------|-------------------------|------------------|----------------------|
| ABC | 56% | 37% | 46% | 76% |
| Vietnam Airlines | 37% | 31% | 42% | 54% |

APPENDIX

Corporate Governance

Supervisory and Management Board

| Name | BOD | | BOM | SB | Duration at ABC | Industry Experience | Education/ Other experiences | Share ownership |
|--------------------------|-----|---|----------------------------------|-----------------------|-----------------|---------------------|---|-----------------|
| Ho Ngoc Yen Phuong | - |  | Vice President & CFO | - | 3 years | 3 years | Finance, Accounting. Auditing, Petro, Telecom | 0.0 |
| To Viet Thang | - |  | Vice President & COO | - | 7 years | 25 years | Aircraft Technic, Aviation Safety, Security, Airlines, Assurance | 0.06 |
| Nguyen T. Thuy Binh | - |  | Vice President | - | 8 years | 8 years | Foreign Language, Polytechnics, MBA 28 years in Media | 0.05 |
| Nguyen Thanh Son | - |  | Vice President | - | 3 years | 5 years | MBA, coaching, leadership skills, 20 years in commercials | 0.02 |
| Nguyen Duc Thinh | - |  | Vice President | - | 7 years | 35 years | Civil Aviation Engineering, MBA | 0.08 |
| Do Xuan Quang | - |  | Vice President | - | 7 years | 27 years | Law, MBA Airline freight forwarding & logistics | 0.004 |
| Luong The Phuc | - |  | Vice President | - | 10 years | 55 years | Business Administration, Economics, Pilot. Military and Civil Aviation | 0.05 |
| Tran Hoai Nam | - |  | Vice President | - | 6 years | 6 years | Science Technology Banking, Finance, Banking | 0.03 |
| Hoang Manh Ha | - |  | Chief Accountant | - | 3 years | 3 years | Economic, Accounting, Trade Finance. 27 years in finance, accounting, control. | 0.01 |
| 09 members in BOM | - | 2 females | 2 members in double roles | - | 6 years | 18.5 years | Diverse level | 0.037 |
| Tran Duong Ngoc Thao | - |  | - | Head | - | 12 years | MBA, Airline quality, Aviation Auditing, IATA Auditor | 0.0024 |
| Pham V. Dau | - |  | - | Member | - | - | Economics; 15 years in Finance & Banking | 0.01 |
| Doan T. Thu Huong | - |  | - | Member | - | - | Accounting, Finance | 0.05 |
| 3 members in SB | - | 02 females | - | No double role | N/A | Over 4 years | Diversity level | 0.0208 |

Governance Structure

- Review and evaluate internal control system, internal audit, risk management and have early warnings.
- Examine the accuracy and legality of accounting
- Monitoring information disclose process

- Manage all daily activities
- Be responsible for BOD to implement assigned rights & duties

- Supervise implementations of resolutions issued by General meeting of shareholders and BOD.
- Approve and supervise the BOM's annual business and budget plan.



- Monitoring potential conflicts of interest among BOD, BOM, shareholders.
- Monitoring investment, acquisitions, withdraws of investments, expenses and costs related to BOD and BOM.

- Managing production and business activities
- Advise the CEO to make strategic decisions for the Company

- Monitor the reporting and implementation,
- Instruct BOM to cope with Covid-19 pandemic crisis.

Committees under BOD

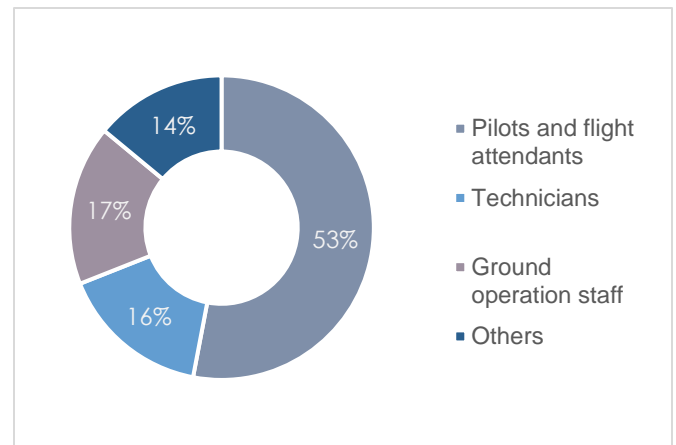
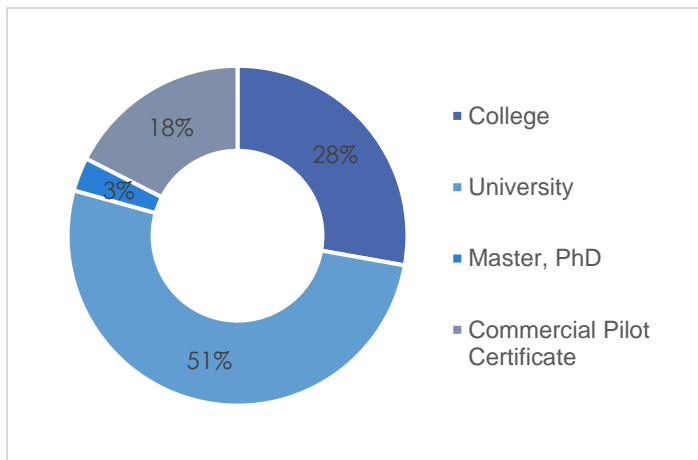
- Aviation Safety Committee
- Aviation Security Committee
- Organization & HR Committee
- Emergency Response Management Committee
- Risk Management Committee
- Insurance Committee

Subsidiaries (inherent to business model)

| Subsidiaries | Function | Year of business registration | ABC's ownership (%) |
|-------------------------------------|--|-------------------------------|---------------------|
| Galaxy Pay Company Limited | Provide intermediary payment services. | 2020 | 100% |
| Skypemate Limited | Aircraft trading and leasing | 2017 | 100% |
| Cam Ranh International Terminal JSC | Providing cargo, passenger transportation service and other services | 2016 | 10% |
| ABC Air IVB No.I Limited | Aircraft and spare parts trading and leasing | 2014 | 100% |
| ABC Air IVB No. II Limited | Aircraft trading and leasing | 2014 | 100% |
| ABC Air Singapore Pte Limited | Aircraft trading and leasing | 2014 | 100% |
| ABC Air Ireland No.I Pte Limited | Aircraft trading and leasing | 2014 | 100% |

Operations: Social

Educational background and occupation profile whole company



CSR activities

ABC shared their responsibilities to community and society through creating several dynamic activities, especially supporting vulnerable people, disadvantaged circumstances. ABC also recognized these activities have become a culture in their sustainable business development. The practice helps to connect working spirit of over 5000 employees and create a good image of communities where their airline flies. In 2020, ABC conducted around 12 social activities with the key activities mentioned as the Appendix below.

| Activity | Time | Implementations |
|--|------------|--|
| Prevention of epidemics Covid-19 | Mar 2020 | implementing a series of measures to prevent epidemics and ensure the health of passengers and staff. ABC is the first airline in the world to deploy SKY COVID CARE insurance package up to 200 million VND to protect passengers and staff. |
| Repatriation flight | April 2020 | ABC cooperated with the Vietnamese Embassy in Singapore, Indonesia, and authorities to repatriate Vietnamese citizens of which 215 citizens from Singapore and 105 citizens from Indonesia. |
| Forever 20 Foundation organizes a program to visit the old battlefields in the Central Highland provinces. | May 2020 | The employees of ABC have accompanied the Forever 20 Foundation to visit the old battlefields in the Central Highland provinces gave presents to these families. |
| Glory on the Frontline' anti-epidemic | June 2020 | ABC has awarded a total of 48 pairs of domestic round-trip tickets to soldiers, officers, and the border defense force. |
| Rescue flights for citizens stuck in Danang | Aug 2020 | ABC cooperated with relevant authorities to operate 4 flights to bring 800 passengers stranded in Da Nang back to Hanoi and Ho Chi Minh City. |
| Project of waste treatment in Son La commune, Binh Luc district, Ha Nam province | Aug 2020 | ABC attended the handover ceremony of social works sponsored by ABC to La Son commune, Binh Luc district, Ha Nam province. |
| Rescue to repatriate Vietnamese citizens | Aug 2020 | Conducting 3 flights to bring nearly 700 Vietnamese citizens from Japan, Thailand, and Taiwan (China) back home safely. |
| Entrepreneur and book week 2020 | Oct 2020 | The "Entrepreneur and Book Week" is the major cultural event of the businessman community in Ho Chi Minh City and the country to promote the spirit of reading and writing. ABC always pioneers and accompanies partners in bringing new good values to the community. |
| A Cozy Tet for you | Nov 2020 | Supporting disadvantaged children in rural areas. The programme will offer scholarships and gifts to 1,000 children who suffer from diseases and natural disasters and those who are of ethnic minorities in the Central of Vietnam. |

Spreading love with ABC to flood victims in Central Viet Nam, gives free air tickets to officials on duty

ABC decided to spend a part of direct sales revenue to support people in the Central region who are having difficulty. Additionally, ABC has been providing free transportation and priority for relief goods on the earliest flights which depart from HCM City and Ha Noi to airports in Central regions of Vietnam.

Forever 20 Foundation"

Dec 2020

This is the second year that ABC and the "Forever 20 Foundation" organize volunteer activities, towards the origin, to pay tribute to the ancestors who sacrificed for the independence of the country.

Operations: Environment

Environmental Management Plan

| Area | Implementations |
|---|--|
| 1. Fuel consumption management | Choosing new and young fleet, increasing seats in on an aircraft, selecting light material for new aircraft and applying SFCO2 program optimize fuel consumption and reduce fuel waste. |
| 2. Spare parts management | To optimize the cost and ensure a good supply of spare parts. ABC use AMOS software to track turnover rate of the spare parts and disposing materials controlled at warehouse. |
| 3. Using friendly environmentally materials on Aircraft | Using recyclable items (paper cups, bags, straws, and recycle plastic materials), cutting using one-time plastics |
| 4. Waste management | After each flight, waste & water waste are classified by ABC and treated by competent third parties in compliance with environmental regulations. |
| 5. Raising environmental awareness: | Increase employees' awareness in good environmental protection practices and implement ABC's environmental policy through propaganda, communication (weekly newsletter, website, media and email). |

Important Awards

1. ABC CEO received the French Legion of Honor in 2021
2. Asia Pacific Low-Cost Arline of the Year 2019
3. World's 50 best airlines for healthy financing and operations
4. Best Ultra Low-Cost Airline for 2020
5. Best Low-Cost Carrier in Vietnam – SkyTrax 2019 World Airline Awards World Airline Award
6. The fastest tourism- growing airline – Vietnam National Administration of Tourism
7. Best Aviation Enterprise at 2019 ASEAN Business Awards
- ASEAN Business Advisory Council (ASEAN-BAC)
8. The Best Service Foreign Low-Cost Carrier - Korea Prestige Brand Awards 2019
9. 50 best listed companies in Vietnam – Forbes
10. **Top 50 most valuable brands in Vietnam in 2019 – Brand Finance**
11. **Top 50 best- performing companies in Vietnam - The Business Review**
12. Top 10 outstanding corporate governance companies on the Vietnamese stock exchange in 2019 – VCCI
13. Top 20 of HOSE listed companies that have the best sustainable development scores
14. Top 10 reliable listed companies – Vietnam Report
15. Top 10 best budget airlines – Smarttravelasia
16. Top 100 Vietnam Best Places to Work - Anphabe and Intage, a market research company
17. Best Brand in Asia – CMO Asia
18. Merit of the Government for the contribution to community - Prime Minister of Vietnam Nguyen Xuan Phuc
19. **Best place to work in Asia 2019 – HR Asia Awards**
20. ABC has been recognized as the low-cost carrier of the year and the belly carrier of the year for its outstanding cargo transport in 2020 by Payload Asia - an international magazine for the air freight industry.

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