

DRAGON CAPITAL



VIETNAM ENTERPRISE INVESTMENTS LIMITED

ESG

2023 Annual Report



<https://www.veil-dragoncapital.com>

ESG and Climate Change Report

Summary of Key ESG Metrics

As a long-term investor committed to sustainability, Vietnam Enterprise Investments Limited ("VEIL") has integrated environment, social and governance ("ESG") considerations throughout the investment process. VEIL screens and assesses the ESG performance of all investee companies, except for those in the financial sector. The portfolio's greenhouse gas ("GHG") emissions are presented using the Task Force on Climate-Related Financial Disclosure ("TCFD")'s recommended metric of weighted average carbon intensity ("WACI"), in comparison to local benchmarks. Three key E-S-G activities and metrics were summarised and presented as follows:

Highlight ESG metrics in 2023	
ESG integration throughout the investment process	ESG analysis was conducted for 100% of non-financial investee companies in portfolio
WACI of VEIL portfolio (as of 31 December 2023)	- 143 tonne CO ₂ e/\$M invested - 31% lower than VN Index*
Voting	At 100% investee companies
Engagement on business outlook and governance	At 100% investee companies
Focus ESG engagement	15 cases with investee companies
CVaR*	- BAU* physical CVaR in 2050: US\$63.6 million (3.7% of NAV) - Transition CVaR: US\$15.9 million (0.9% of NAV)
Targets for 2024	(1) Ensure that all investee companies, including financial institutions, achieve an ESG scoring and rating. (2) Maintain a WACI for VEIL that is consistently lower than the VN Index. (3) Engage with top 10% companies in VEIL portfolio ranking the highest on climate risk on their climate adaptation policy, strategy and ability to absorb the losses.

* Note:

VN Index: Vietnam Index;

BAU: Business as usual;

CVaR: Climate Value at Risk;

NAV: Net asset value.

(The meanings of physical and transition CVaR are in section 4. Metrics and Targets - Climate change assessment in 2023)

** "Dragon Capital" includes Dragon Capital Group Limited (an ultimate parent of the Investment Manager of VEIL) and its subsidiaries and affiliates including investment managers, corporate parents, subsidiaries and funds and SMAs under any such entities' management.

VEIL's Commitment to Responsible Investment

At VEIL, responsible investment is essential for the stakeholders and the greater good of society. Our investment strategy at VEIL is geared towards maximising risk-adjusted returns and alpha generation, while also diligently assessing and addressing ESG and climate-related risks as part of VEIL's fiduciary duty to investors. This entails placing significant emphasis on environmental, social, and governance factors in VEIL's investment decisions and integrating them throughout its investment process to optimise performance. VEIL recognises the interconnectedness of climate change, GHG emissions, and biodiversity loss, and is committed to addressing these global challenges as active, long-term investors. VEIL also encourages its investee companies to improve their sustainability practices and engage with policymakers to promote positive change.

Scope of the Report

The International Financial Reporting Standards ("IFRS") S1 and S2 encompass the IFRS framework, which delineates globally accepted accounting principles. These standards specifically emphasise sustainability reporting, with IFRS S1 mandating companies to disclose material information concerning all sustainability-related risks and opportunities that could reasonably affect their prospects. IFRS S2 delineates the requirements for climate-related disclosures.

VEIL does not harbour sustainability-related risks within its own operations because the human resources provided for VEIL belongs to Dragon Capital group** ("Dragon Capital") who will report on the sustainability risks and opportunities separately. Hence, this report centres on assessing risks and opportunities linked to VEIL's investment activities. Specifically, it examines ESG-related risks at investee companies, the physical climate risks associated with properties under investee companies, and the scope three financed emissions of the portfolio as of 31 December 2023. These standards become effective in January 2024, signifying that the initial report in compliance with IFRS S1 and S2 should be for the year 2024 and published in 2025.

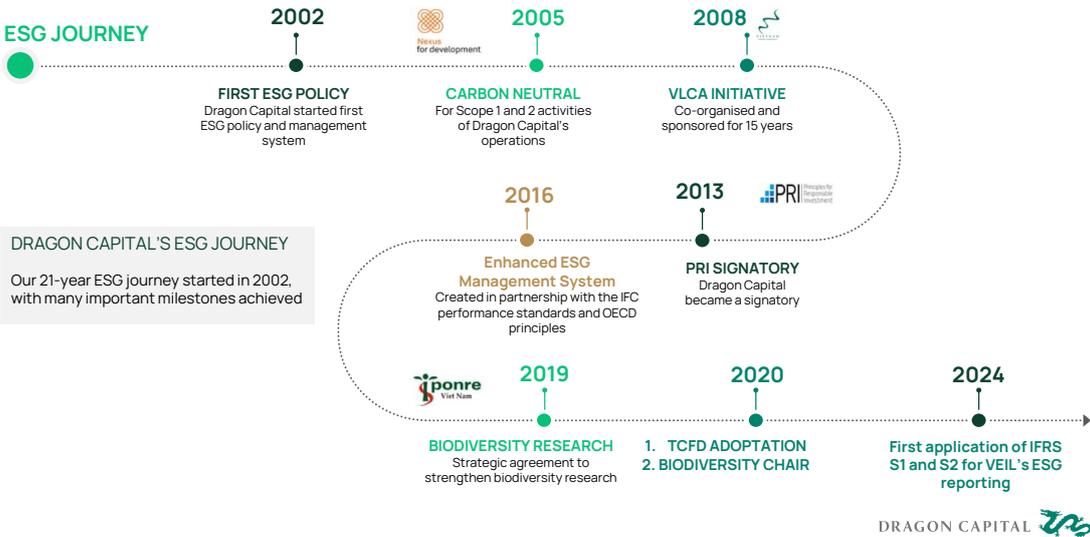
ESG and Climate Change Report (Continued)

Given that VEIL has embraced TCFD since 2021 for climate risk reporting and has conducted ESG screening for the entire investment portfolio since 2016, data from 2023 for VEIL are available for the application of IFRS S1 and S2. Consequently, this ESG and Climate Change Report has been formulated in alignment with these standards. By adhering to these standards, VEIL can enhance transparency, comparability, and accountability in its reporting practices. In accordance with these standards, VEIL presents four sections: (1) Governance; (2) Strategy; (3) Risk Management; and (4) Metrics and Targets, aimed at fostering sustainable growth and resilience within the organisation.

This application of IFRS S1 and S2 is also marked in the 21-year ESG journey of Dragon Capital as below:

Key report contents

1. Governance	<ul style="list-style-type: none"> - The Board's oversight of ESG and climate related risks and opportunities. - ESG Working group role in assessing and managing ESG and climate related risks and opportunities.
2. Strategy	<ul style="list-style-type: none"> - Recognition of ESG and climate related risks and opportunities associated with VEIL portfolio. - Overall approaches to understand and mitigate these risks. - ESG and associated policies: responsible investment policy, including exclusion list, voting and active ownership policy, modern slavery statement, grievance mechanism, non-discrimination policy.
3. Risk Management	<ul style="list-style-type: none"> - VEIL's process for assessing ESG risks: ESG management system. - VEIL's process for managing ESG and climate related risks: active ownership. - VEIL's process to assessing climate related risks: climate change assessment.
4. Metrics and Targets	<ul style="list-style-type: none"> - Metrics on active ownership: Voting and engagement statistics and advocacy activities. - Metrics on climate change assessment: physical and transition climate risks. - Forward-looking targets.



ESG and Climate Change Report (Continued)

1. GOVERNANCE

Board of Directors

The Board of Directors of VEIL (the “Board”) offers advice on sustainability reports prepared by the ESG Working Group, based on its basic responsible investment policy which states: “Dragon Capital seeks to optimise risk-adjusted performance by integrating ESG factors throughout the investment process and across its actively managed funds, comprising public equity and fixed income funds”.

The Board embodies diversity and gender equality, reflecting a blend of backgrounds, expertise and experiences. Each Director brings unique perspectives, contributing to effective governance and strategic decision-making.

The Directors’ backgrounds, expertise and experiences are presented below, in accordance with ESG and TCFD guidance.

The full biography of each Director can be found in the Board of Directors on pages 55 to 57.

Director	Position in VEIL	Backgrounds / Expertise / Experiences
Gordon Lawson	Chair & Independent Non-Executive Director	Gordon Lawson brings extensive City experience, including equity trading and hedge fund management. As Chair of the Board since July 2022, his leadership fosters effective governance and strategic oversight.
Vi Peterson	Senior Independent Non-Executive Director	Vi Peterson’s international business consultancy background enriches strategic decision-making. She has over 15 years financial management experience in banking as well as risk management experience as chair of risk management committees. Her role as Senior Independent Non-Executive Director and Nomination and Remuneration Committee Chair underscores her commitment to transparency and accountability.
Entela Benz-Saliasi	Independent Non-Executive Director / Chair of Risk Management Committee	Entela Benz-Saliasi’s expertise in financial asset management and climate risk enhances the Board’s risk oversight. Her leadership promotes sustainable practices and addresses climate-related financial risks.
Low Suk Ling	Independent Non-Executive Director / Chair of Audit and Compliance Committee	Low Suk Ling has over 13 years of experience as a general counsel in regulated and listed financial institutions. As Audit and Compliance Committee Chair, she strengthens compliance and fosters a culture of integrity and transparency.
Sarah Arkle	Independent Non-Executive Director / Chair of Management Engagement Committee	Sarah Arkle’s investment management experience and advocacy for diversity enrich board effectiveness. Her leadership promotes stakeholder engagement and inclusive decision-making.
Charles Cade	Independent Non-Executive Director	Charles Cade’s esteemed career in investment analysis, including pivotal roles at Numis, Winterflood, HSBC, and Merrill Lynch, enriches governance discussions. His expertise underscores the Board’s dedication to diversity and excellence in decision-making.
Dominic Scriven O.B.E	Non-Executive Director	Dominic Scriven O.B.E’s extensive finance experience, particularly in emerging markets, contributes to sustainable business practices. His advocacy for responsible investment and market development aligns with VEIL’s commitment to ESG objectives.

ESG and Climate Change Report (Continued)

Climate change has progressively become a central topic in ESG discussions. The Board recognises the importance of understanding of the challenges posed to Vietnam, its economy, businesses and communities by climate change and has appointed the Independent Non-Executive Director, Entela Benz-Saliasi in 2019, who is a specialist in the subject with noted credentials.

Since 2020, the Board has chosen to follow the recommendations of TCFD, which include four pillars: (1) Governance; (2) Strategy; (3) Risk Management; and (4) Metrics and Targets. TCFD remains in favour with regulatory support in the UK (where VEIL is listed) and Hong Kong (where the Investment Manager is regulated).

In 2023, the Board discussed the topic of sustainability as follows:

Themes	Overview
Physical climate risk	Aware of the climate value at risk for portfolio in term of physical climate risk.
WACI of VEIL versus VN Index	<ul style="list-style-type: none"> - 5-year historical comparison of WACI between VEIL and the VN Index. - Comparison WACI of sectors to sectors. - Discussion on setting target for portfolio level.

ESG Working Group

In 2023, the “ESG Working Group”, including members from ESG core team and VEIL’s Portfolio Managers of Dragon Capital, held the following discussion on sustainability:

- TCFD report, including physical and transition climate risk;
- Financial Conduct Authority (FCA)’s sustainability disclosure requirements (SDR) and investment labels;
- Upgrading ESG management system to consolidate the new ESG standards worldwide; and
- Engagement strategies for VEIL’s investee companies.

ESG and Climate Change Report (Continued)

2. STRATEGY

Recognition of risks and opportunities associated with ESG and climate change is an important step to set strategy for sustainable development in general. In this section, VEIL highlights the risks and opportunities which are deemed to be material to VEIL, including ESG performance of investee companies' level and portfolio level, as well as climate change assessment.

ESG and climate change risks and opportunities	Potential impacts
ESG related incidents at investee companies	Public perceptions of investee companies could impact reputation and company valuation.
Overall ESG performance of investee companies	Creating long-term value in capturing consumer trends while enhancing internal and external resource management.
Physical climate risk	<ul style="list-style-type: none"> - Loss event-driven impacts, related to the severity and increase frequency of the extreme weather events (including floods, wildfires, droughts and hurricanes, among others). - Overall shifts in climatic behaviour, such as extreme temperature and precipitation patterns, sea level rise, etc. - Both chronic and acute climate events, may induce losses to the investee companies. Damage to the assets/factories as well as potential operational disruption might increase the liquidity risk, financing risk and market risk overall.
Transition climate risk	<ul style="list-style-type: none"> - Policy changes and legal risks. - Disruptive technologies reducing demand for clients' products or services. - Changing public perceptions of products or companies.

Based on the ESG and climate change risks and opportunities listed above, Dragon Capital and VEIL applies the following approaches to understand and mitigate the risks or capture opportunities:

- ESG management system;
- Active ownership, including engagement policy especially when ESG related incident occurs; and
- Climate change risk assessment.

Details of each approach are presented in the Risk Management section below.

ESG and associated policies

VEIL follows the Dragon Capital's responsible investment policy which highlights its mission, beliefs and approach in responsible investment spectrum. The responsible investment policy also describes the ESG integration process, including ESG management system, active ownership and a list of activities excluded from investment.

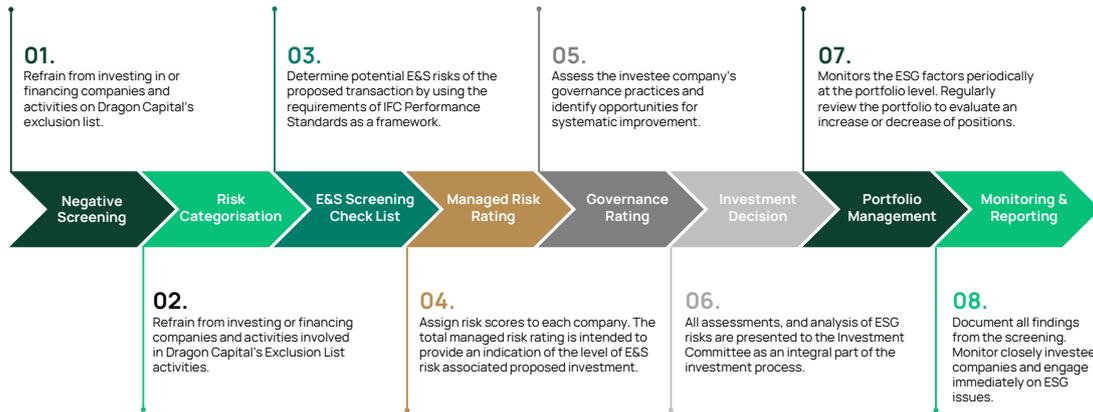
The responsible investment policy is available in the Dragon Capital's website: <https://www.dragoncapital.com/about/responsible-investment/>

Further, VEIL has anti-slavery and human trafficking statement in compliance with the Modern Slavery Act 2015 (<https://www.veil-dragoncapital.com/modern-slavery-statement/>). The Code of Conduct and Employee Handbooks of Dargon Capital group also have a statement for grievance mechanism and non-discrimination. These state that Dragon Capital is committed to providing equal employment and advancement opportunities to all individuals, and ensure that employment decisions at Dragon Capital are based on individual merit, abilities and qualifications. Consistent with these principles, it is Dragon Capital's policy not to discriminate in employment opportunities or practices based on race, colour, religion, sexual orientation, gender expression, ethnicity, national origin, age, marital status or disability.

ESG and Climate Change Report (Continued)

3. RISK MANAGEMENT

ESG management system



DRAGON CAPITAL 

The ESG management system ("ESMS") will help Dragon Capital and VEIL to screen the ESG risk and opportunities, assess overall ESG performance of investee companies before making the investment decision.

Further, the ESMS also includes the monitoring and reporting steps at investee companies as well as the VEIL side.

The ESMS involves an 8-step ESMS screening procedure, which includes:

- 1) a pre-screening check against an exclusion list and to identify high-risk areas;
- 2) 43 in-depth questions to assess the investee companies' environmental and social ("E&S") performance in accordance with the International Finance Corporation ("IFC")'s eight Performance Standards; and
- 3) a post-investment monitoring and engagement process.

The ESMS is undergoing an upgrade which will adopt the ESG standards worldwide.

Active ownership

Active ownership has been a key element of VEIL's and Dragon Capital's approach to promoting good corporate governance and safeguarding its shareholders interests. The three main components of the active ownership strategy of Dragon Capital's ESG core team are: (i) advocacy; (ii) voting rights; and (iii) engagement.

(i) Advocacy

Advocacy is essential for responsible investors to promote sustainability and accountability in the financial sector.

ESG practices face significant challenges in Vietnam, including a lack of awareness among local businesses, companies, and weak enforcement. To help overcome these challenges, Dragon Capital is committed to advocating for promoting ESG awareness and adoption in Vietnam. The ESG Core Team is dedicated to promoting ESG practices and driving positive change within the capital market. Dragon Capital participates workshops and seminars to enhance understanding of ESG issues and work with policymakers, institutions, and business associates to improve ESG practices. Dragon Capital's sole sponsorship of the Vietnam Listed Companies Awards (VLCA) from 2008 until its transformation demonstrates its commitment to transparency and disclosure. Dragon Capital is also a member and sponsor of several local and international initiatives for sustainability and governance.

ESG and Climate Change Report (Continued)

(ii) Voting Rights

VEIL believes that exercising its voting rights is a critical component of responsible investing. Dragon Capital, on behalf of VEIL and at the approval of the Board, participates diligently and prudently in all shareholder meetings called by its investee companies, whether general or extraordinary, to protect its interests and those of its investee companies. VEIL recognises the importance of adapting to changes in the voting landscape and ensuring that all its e-votes are properly registered. While in-person voting remains an essential feature of the voting process, VEIL also acknowledges the growing popularity of e-voting as a convenient and accessible alternative.

Through voting, VEIL seeks to promote sustainable practices and drive positive change in the companies it invests in.

(ii) Engagement

Dragon Capital believes that it has a fiduciary responsibility to actively monitor and engage with the investee companies in which VEIL invests, as this engagement is a primary and essential tool within the ESG framework to promote positive steps towards improving ESG practices and disclosures. The ESG core team regularly communicates with all of VEIL's investee companies to assess their strategies, ensure they are meeting expectations and objectives, and encourage them to disclose material ESG issues and report on their actions.

Through frequent conversations and discussions with senior management, Dragon Capital shares its expertise on investee companies' business strategy and development, mergers and acquisitions, operational performance, remuneration, ESG issues, and general risk management, as well as addressing more specific issues such as climate change.

For serious incidents requiring detailed engagement, Dragon Capital may engage specialist service providers who contribute their expertise. In such cases, Dragon Capital sets engagement objectives based on the specific issues and circumstances of the investee company. If an investee company fails to meet appropriate standards or represents a risk to shareholder value, Dragon Capital works to encourage and guide improvement. Overall, engagement is a critical component of Dragon Capital's approach to responsible investing and is integral to promoting positive change within investee companies.

Climate change assessment

Regarding climate change assessment, Dragon Capital has elected to retain the service of a third-party specialist, Intensel Limited ("Intensel"), to continue its analysis of the impact of climate change on VEIL's portfolio.

The subscription to Intensel's Software-as-a-Service ("SaaS") allows the ESG Working Group to directly, independently and securely perform an analysis of the impact of climate change on VEIL's portfolio on an on-demand basis, both periodically and at any time there are changes to the investee companies in their portfolio. SaaS asset level customisations feature also allows for greater accuracy of the analysis and CVaR.

The assessment of ESG risks in the portfolio has become a regular agenda item for the Board's discussions since 2021. The key assumptions and findings in relation to VEIL's portfolio as at the end of 2023 are discussed in the sections below.

Climate Assumption

A fundamental debate when it comes to climate change risk and projected losses has been the projected pathway of the impact of climate change under different scenarios. Dragon Capital on behalf of VEIL assess the CvaR under six climate scenarios and four time periods (2020, 2030, 2050, 2100) to better understand the evolutions of the risks as well as the spread of the potential losses under various forward looking scenarios.

Shared Socioeconomic Pathways ("SSP") and Representative Concentration Pathways ("RCP") are two frameworks used to project future climate scenarios based on different sets of assumptions about socioeconomic and technological factors.

RCP scenarios were developed by the Intergovernmental Panel on Climate Change (IPCC) in 2014, while SSP scenarios were developed by a group of researchers in 2016. SSP scenarios are more recent and provide a more comprehensive set of assumptions about socioeconomic and technological developments.

One key difference between the two is that SSP scenarios explicitly consider different possible pathways for socioeconomic development, while RCP scenarios assume a more linear progression of economic growth and energy use.

Another difference is that SSP scenarios include a wider range of possible outcomes for GHG emissions, while RCP scenarios focus on four specific emissions trajectories, labeled RCP2.6, RCP4.5, RCP6, and RCP8.5, which correspond to different levels of radiative forcing by the end of the 21st century.

ESG and Climate Change Report (Continued)

In general, SSP scenarios provide a more nuanced and flexible set of assumptions for modeling future climate scenarios, while RCP scenarios provide a more focused set of emissions trajectories for comparison. Both frameworks are widely used in climate modeling and research, and are important tools for understanding the potential impacts of climate change and the actions needed to mitigate it.

The scenarios that have been chosen for VEIL's analysis are presented as follows:

RCP	SSP	Description
RCP 8.5	SSP 8.5	BAU scenario without additional efforts to constrain emissions, resulting warming of more than 4°C
RCP 4.5	SSP 4.5	Intermediate scenario that declines by 50% on 2050 levels by 2100, expected to result in warming of more than 2°C
RCP 2.6	SSP 2.6	Net zero pathway that aims to keep global warming below 2°C

Transition Risk

Whilst Vietnam remains comfortably on track not to exceed its disclosed Nationally Determined Contribution (NDCs), due to its status as a developing country, the Vietnamese Government (the "Government") recognises the climate change risks facing the country.

Thus, at the 26th and 27th United Nation Climate Change Conference, the Prime Minister of Vietnam made a commitment to reach net zero emissions for the country by 2050.

This announcement shows not only that the Government of Vietnam recognise the challenges it faces but also its determination to transform the economy and to contribute to solve the climate change issue.

In view of the limited availability of data, Dragon Capital has utilised the Intensel's SaaS platform to approximate the TCFD's suggested metrics of GHG emissions and WACI for assessing Transition Risk. The SaaS platform employs carbon sector intensity, measured in terms of tonnes of CO₂ emitted per one million dollars of revenue. Additionally, the WACI for the local benchmark indexes of VN Index and VN30 Index was calculated using the Intensel's carbon sector intensity and the calculation formula proposed by Morgan Stanley Capital International (MSCI ESG Metrics Calculation Methodology, December 2022).

4. METRICS AND TARGETS

Voting statistics in 2023

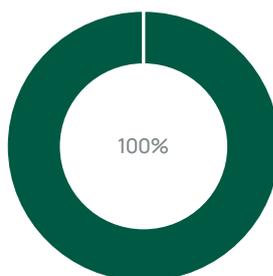
Notably, every year prior to the annual general meeting ("AGM") season, Dragon Capital works closely with its investee companies, including those of VEIL, to offer practical approaches that bridge the gap between international best practices and most importantly, align with shareholders' benefits. The guiding motto of Dragon Capital and VEIL is to embrace active engagement, leveraging their expertise and resources to drive positive change and unlock value for shareholders.

Dragon Capital and VEIL exercises the voting rights in 100% of their listed investee companies with detailed voting statistics provided below.

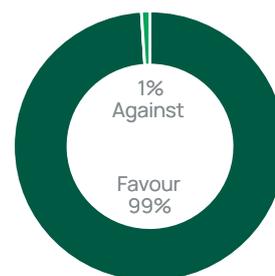
Given the aim of promoting active engagement with investee companies, Dragon Capital on behalf of VEIL engages with certain investee companies upon receiving their proposals prior to their AGM. As a result of this engagement, two investee companies accepted the suggestions from Dragon Capital and VEIL, for example, the case study of Company A mentioned below. Consequently, there was no need to take action at the AGM and VEIL voted for the management of these companies.

However, there was one occasion where VEIL had to take action at an AGM by voting against the management. This pertained to an investee company that presented two proposals for an employee stock ownership plan ("ESOP") and employee bonuses at its 2023 AGM. The programme represented a significant cost to shareholders in comparison to the company's net profit gained during the reporting period. VEIL shared the view that the ESOP programme was excessively large and lacked proper structure, especially since it was not linked to any performance measures. Despite expressing VEIL's concerns, both proposals were retained for the AGM, leading VEIL to vote against them.

AGM exercised voting



Voting percentage



Source: Fund data

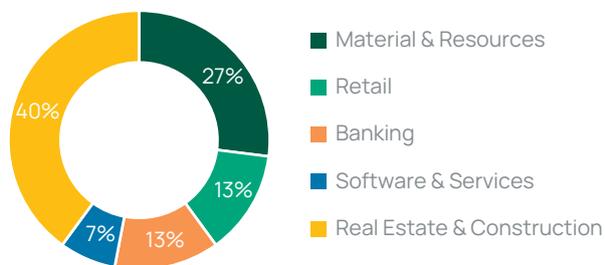
ESG and Climate Change Report (Continued)

Engagement statistic in 2023

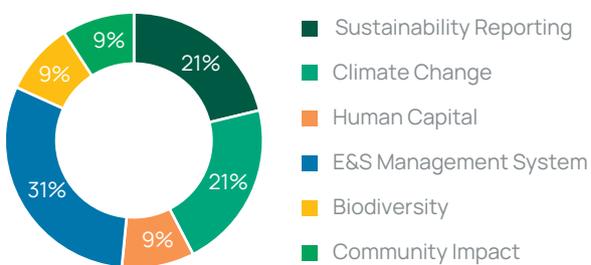
In 2023, VEIL had 15 ESG engagement cases directly focused on investee companies from different sectors. The charts below present these engagements classified by sectors, engagement objectives and themes, and the positions at which VEIL engaged.

The tables set out in the following pages provide some examples of VEIL’s engagement with investee companies in 2023.

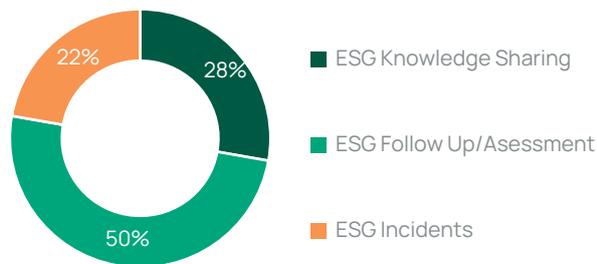
Engagement by sector



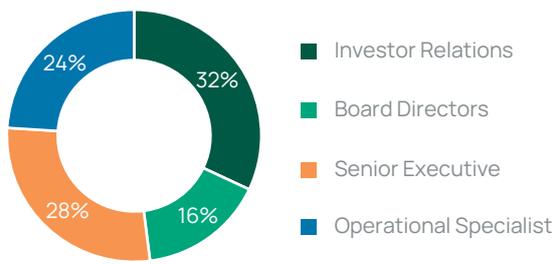
Engagement by theme



Engagement objectives



Engagement by position



Source: Fund data

ESG and Climate Change Report (Continued)

Advocacy and Engagement with research/public institutes and policy makers:

No.	Date	ESG Advocacy and Engagements
1	2 November 2023	<p>EuroCham successfully organised the Green Economy Forum 2023 in Hanoi, following the triumph of the Green Economy Forum & Exhibition 2022.</p> <p>Vietnam's micro, small, and medium-sized enterprises are increasingly embracing the ESG framework, influenced by the country's commitment at the COP26 conference and the global shift towards sustainability.</p> <p>As ESG reporting indicators and sustainable development metrics progressively become essential benchmarks, foreign investors increasingly prioritise these criteria when making investment decisions. Pham Nguyen Vinh emphasised the significance of leadership, team commitment and the implementation method of ESG aligned investments.</p>
2	16 November 2023	<p>The Vietnam Circular Economy Forum 2023, themed "Developing a National Action Plan to Implement a Circular Economy" took place in Hanoi, organised by the Ministry of Natural Resources and Environment ("MoNRE"). Deputy Prime Minister Tran Hong Ha, along with leaders from ministries, NGOs, international organisations, universities, businesses, and experts attended the event.</p> <p>Dominic Scriven O.B.E stressed integrating reduction, reuse, and recycling principles into the financial system. He underscored adherence to economic cycles regulations and risk management while exploring investment opportunities in emerging areas. Dominic discussed global biodiversity measurement, collaborating with Institute of Strategy Policy on Natural Resources and Environment for biodiversity credit research.</p> <p>Around 100 countries, including Vietnam are exploring biodiversity credits as a financial tool for biodiversity protection, appealing to environmentally conscious investors.</p>
3	6 December 2023	<p>Dragon Capital participated as a panel list in a conference of Decarbonizing Southeast Asia – the role of business sector and developing financing institutions in materialising net zero ambitions. This is the side event of COP28 in Dubai, UAE. The objective was to discuss among financing institutions, private sector, banking institutions, and government officials from the region to deep dive into in-country efforts currently being made, and collectively discuss the following aspects of implementation.</p> <p>During the conference, Nguyen Nhat Ha Chi, ESG Manager of Dragon Capital, shared insights from Dragon Capital's 20 years of journey in ESG, with a specific emphasis on initiatives related to decarbonisation and biodiversity.</p>

ESG and Climate Change Report (Continued)

Examples of engagement with investee companies:

Company A	
Industry	Retail
Issue	Governance issue relating to ESOP programme
Details of engagement	<p>Many retail companies in Vietnam have implemented ESOP programmes. While this scheme has its advantages, Dragon Capital recognised potential drawbacks and anticipated future accounting policy changes that could impact business results. To address these concerns, Dragon Capital and VEIL's portfolio manager conducted in-depth case studies on stock options, presented to the investee companies, including Company A, their applications, impact, and allocation policies to ensure shareholders were not excessively diluted and that value creators and key personnel in the firm received appropriate rewards.</p> <p>In addition, Vietnamese companies predominantly distribute profits through cash payments, disregarding the global practice of buying back treasury shares.</p> <p>Recognising the potential benefits of this approach, Dragon Capital analysed its pros and cons and introduced it to their investee companies which have the strongest recurring cash flow.</p>
Decision and outcome	<p>Positive: Company A adjusted the ESOP programme from the initial plan, minimising dilution by incorporating operational and financial targets, and started experimenting with stock option mechanics.</p> <p>Company A embraced Dragon Capital's proposal on the global practice of buying back treasury shares and included it in its AGM resolutions as an open option.</p>
Company B	
Industry	Material
Issue	E&S knowledge sharing and an ESG related incident
Details of engagement	<p>Multiple engagements were made with Company B, including E&S Knowledge sharing on the upcoming mandate for the steel sector; i) CBAM; ii) GHG inventory disclosure; and iii) emission reduction plan.</p> <p>Keep encouraging Company B to improve ESG practice.</p> <p>March 2023: Understand the corrective action to the inundation incident occurred in the community near Company B's largest factory.</p>
Decision and outcome	<p>Positive: Company B understands the new mandate, e.g. CBAM, GHG inventory disclosure, and is engaging with third parties to prepare data, roadmaps to fulfil the new requirements. And they expect the ESG report will be published in 2024 with GHG emission disclosure.</p> <p>Company B embraced Dragon Capital's suggestion on ESG team establishment and is in the process to set up an integrated team.</p> <p>Regarding the inundation incident in March 2023, Company B cooperated with local government to solve the problems. Further, Company B shared that their public relation management team is responsible for social listening and frontier office to receive controversies/complaints.</p>

ESG and Climate Change Report (Continued)

Climate change assessment in 2023

Physical risk metrics

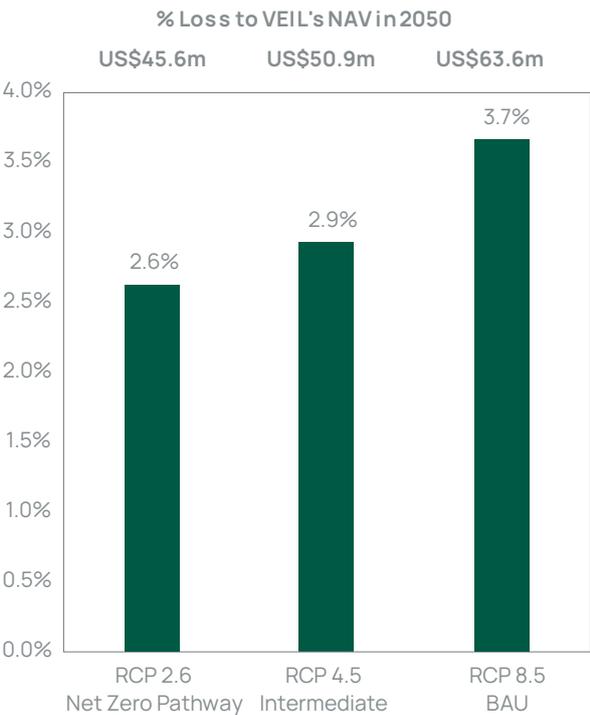
Percentage loss compared to the portfolio’s NAV and CVaR are the two metrics used in this section.

The NAV as of 31 December 2023 was used to estimate the percentage of loss in three scenarios:

- RCP 8.5 corresponding to BAU, without additional efforts to constrain emissions.
- RCP 4.5 corresponding to intermediate scenario that declines by 50% on 2050 levels by 2100.
- RCP 2.6 corresponding to the most stringent scenario, i.e. net zero case pathway.

Physical CVaR measures the maximum amount of loss to be co-incurred over a one-year period given that a one in one-hundred-year extreme event occurs (across the climate hazards in consideration).

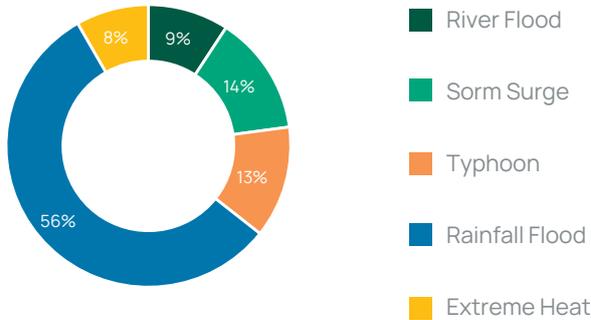
The figure below shows that with the investment portfolio as of 31 December 2023, VEIL’s physical CVaR corresponding to the three scenarios of RCP 2.6, 4.5 and 8.5 in 2050 would be US\$45.6 million, US\$50.9 million, and US\$63.6 million, respectively. When interpreting into the percentage loss to the NAV, the numbers would be 2.6% in the net zero pathway scenario, 2.9% in the intermediate scenario and 3.7% in the BAU scenario.



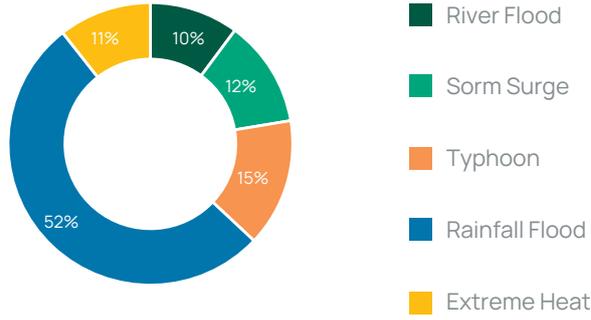
Source: Fund data calculated from Intensel Ltd. SaaS platform

The physical risk assessment also delved deeper into which types of climate hazards contribute the most to the portfolio losses. The two pie charts below illustrate the proportion of portfolio losses attributed to climate hazards for the year 2030 and 2050 under the BAU scenario. In 2030, the portfolio loss, or physical CVaR, is predicted to be US\$54.6 million, and for 2050, it is expected to reach US\$63.6 million. Out of five key climate hazards considered, rainfall flood accounts for the highest loss (56% in 2030 and 52% in 2050), followed by typhoon (wind related damages), which contributes 13% and 15% to the losses in 2030 and 2050, respectively. (Note: no asset-level mitigations are considered on this analysis)

2030 Loss, Total US\$54.6 million



2050 Loss, Total US\$63.6 million



Source: Fund data calculated from Intensel Ltd. SaaS platform

ESG and Climate Change Report (Continued)

Transition risk metrics

The four key metrics of GHG emission recommended by TCFD were calculated for VEIL and are presented as follows:

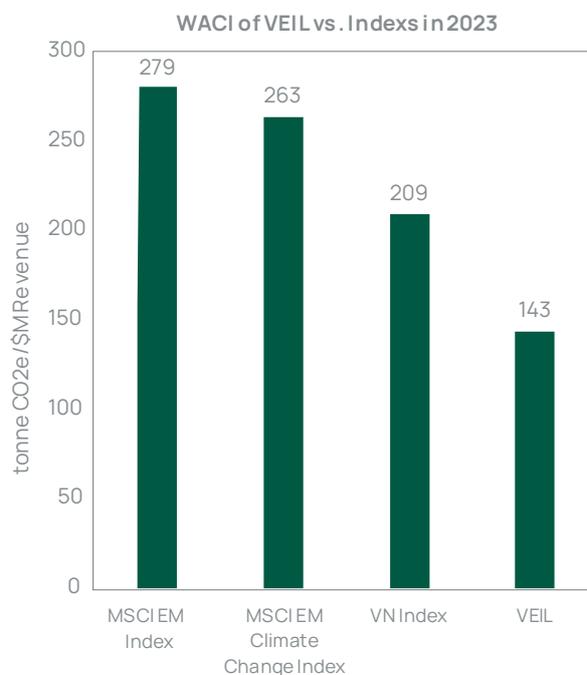
- WACI: portfolio's exposure to carbon-intensive companies, expressed in ton CO₂e/\$M revenue;
- Total carbon emission for scope 1 and 2: the absolute GHG emissions associated with VEIL portfolio, expressed in ton CO₂ equivalent;
- Carbon footprint: total carbon emission for VEIL normalised by the market value of VEIL, expressed in ton CO₂e/\$M invested;
- Carbon intensity: volume of carbon emission per million dollars of revenue, expressed in ton CO₂e/\$M revenue; and
- Transition CVaR: the maximum amount of loss to be incurred if all the carbon emission scope 1 & 2 of VEIL's portfolio is subjected to a carbon tax equally to EU ETS carbon price of US\$82/tonne CO₂ as of 31 December 2023. EU ETS carbon price is currently the highest value across the carbon markets worldwide.

Values of these key metrics are presented for 2023:

Key metrics	Values
WACI	143 tonne CO ₂ e/\$M revenue
Total carbon emission scope 1 & 2 of VEIL portfolio	193.798 tonne CO ₂ e
Carbon footprint	112 tonne CO ₂ e/\$M invested
Carbon intensity	198 ton CO ₂ e/\$M revenue
Transition CVaR	US\$15.9 million (0.9% of NAV)

A comparison WACI of VEIL against other local and regional benchmarks, e.g. Emerging markets, VN Index, is an important practice for evaluating performance, managing risk, and gaining insights of the portfolio into the markets.

The figure below presents the WACI of VEIL against other indexes in 2023.



Source:

- MSCI indexes' WACI as of December 2023 were derived from the number of base year in 2021 using the Decarbonization Trajectory of Indexes proposed in MSCI (MSCI Climate Change Indexes Methodology, 2024), resulting in the WACI in 2023 were about 15% lower than the values in 2021.
- The WACI of VN Index were calculated using the methodology proposed by MSCI (MSCI ESG Metrics Calculation Methodology, December 2022), and inherited the emission sector intensity from IntenseL Ltd.
- The WACI of were calculated by the SaaS platform of IntenseL Ltd.

ESG and Climate Change Report (Continued)

Forward-looking target

Intentions

ESG scoring and screening: Dragon Capital and VEIL aim to develop the scorecard for banking and financial institutions to ensure that ESG scoring will cover all investee companies.

TCFD reporting: Dragon Capital and VEIL aim to further collaborate with regulatory bodies to encourage and enable greater disclosure of carbon information by listed companies. In addition, Dragon Capital and VEIL will explore opportunities to establish a process and/or platform for carbon credit certification and trading, in order to support the transition to a low-carbon economy and drive positive environmental impact.

Targets

In 2024, VEIL will set three main targets for the portfolio as follows:

- 1) Ensure that all investee companies, including financial institutions, achieve an ESG scoring and rating;
- 2) Maintain a WACI for VEIL that is consistently lower than the VN Index; and
- 3) Engage with top 10% companies in VEIL portfolio ranking the highest on climate risk on their climate adaptation policy, strategy and ability to absorb the losses.