

STRENGTHENING & ADVANCING E&S COMMITMENTS

Report 2023





Contents

01

Partner's Message

02

Mekong Capital Overview

03

Mekong Capital E&S Commitment and Governance

04

Diversity, Equality and Inclusion

05

Climate Change

06

Cybersecurity and Data Protection

07

Portfolio E&S Commitment

Disclaimer

Partner's Message



Dear Stakeholders,

Since 2006, Mekong Capital has incorporated environmental and social sustainability principles into our investment procedures. Looking back on the past 18 years, we have shifted our E&S approach from a “have-to-do” to a “shared commitment”, witnessing significant improvements in awareness and performance. Mekong Capital is dedicated to upholding E&S standards in line with Good International Industry Practices. We firmly believe that managing E&S risks and opportunities is vital for generating long-term value for our investors, portfolio companies, our firm, and society.

Given the growing attention to environmental and social sustainability from various stakeholders such as governments, investors, clients, customers, employees, and communities, we understand the importance of strengthening our commitment. This involves maintaining robust management systems, enhancing our team’s capabilities and skills to adapt to fast-changing landscape and business growth, and actively collaborating and engaging with our portfolio and pipeline companies to reinforce our shared commitments. Additionally, we plan to devise a clear strategy for the upcoming years to direct our actions and priorities.

This report covers (i) our approach to identifying, evaluating, and managing E&S risks and impacts in our investments, which serves as the basis for all our efforts; (ii) key E&S performance indicators relevant to the financial sector; and (iii) stories from our portfolio companies that illustrate the progression of E&S awareness and integration into business strategies for sustainable long-term value. We hope you find this report informative and insightful.

Taking this opportunity, I would like to express my gratitude to our investors, portfolio companies, colleagues, partners, and relevant stakeholders for your continuous support and trust. I eagerly look forward to our future collaborations and growth in the years to come.

Sincerely yours,

Chad Ovel

Partner
E&S Officer

02.

MEKONG CAPITAL AT A GLANCE



At a Glance

The Most Experienced Private Equity Firm in Vietnam

Mekong Capital is a Vietnam-focused Private Equity firm, specializing in consumer-driven businesses. Since its inception in 2001, Mekong Capital has established the most extensive track record in private equity investments in Vietnam.

- A total of 5 funds, one of which is actively seeking new investment opportunities.
- Completed over 43 private equity investments, with 28 successful exits.
- Mekong Capital operates with a team of over 50 full-time staff in its Ho Chi Minh City and Hanoi offices. The four Partners collectively bring 60 years of experience to the company.

Dedicated to enhancing the value of its portfolio companies, Mekong Capital focuses on operational improvements, team development, implementing best practices, and utilizing external experts as part of its Vision Driven Investing Framework.

23 YEARS
of operations in
Vietnam



02 OFFICES
In Ho Chi Minh
City and Hanoi



05 FUNDS
Managed
(3 liquidated & 2 active)



526.5
MIL USD
raised across 5 funds



Our Portfolio

VIETNAM
is home of our
investments



43
INVESTMENTS
in Portfolio



28
INVESTMENTS
Exited



09
SECTORS
Retail, education, restaurants,
consumer products, consumer
services, FMCG, financial services,
healthcare and logistics.



14,975
EMPLOYEES
(as of 31 Dec 2023)



Mekong Capital's Journey

The Most Experienced Private Equity Firm in Vietnam

MEF II (liquidated) marked our initial shift toward consumer-driven businesses

2006

2001 **MEF (liquidated)**
Our first ever fund invested mainly in export-oriented manufacturing business

2007 **VAF (liquidated)** was focusing on pre-IPO companies

Vision Driven Investing was pioneered and implemented

2010

2015 **MEF III (active)** was our first fund to focus exclusively on Vietnamese consumer-driven sectors

2019 **MEF IV (active)** was launched, continuing the strategy of MEF III and our Transformational approach

03.

ENVIRONMENTAL AND SOCIAL COMMITMENT AND GOVERNANCE

E&S Management System

Starting from our awareness and comprehension of sustainable development issues and the goal of generating positive impacts through our investments, aligning with the commitments we have with our investors and portfolio companies, Mekong Capital has acknowledged the importance of environmental and social aspects in our investment decision-making process. We also prioritize these aspects in our ongoing interactions with investee companies to establish lasting value for the businesses.

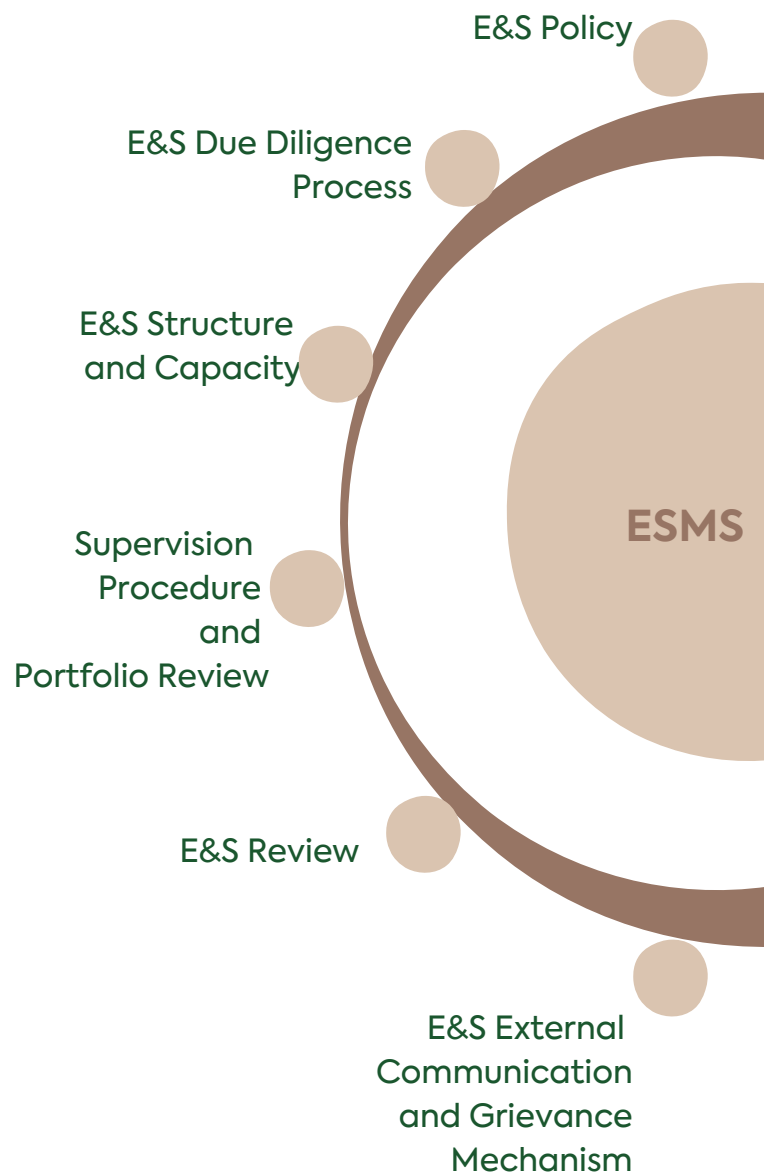
Since the formal establishment of the Environmental and Social Management System in 2016, we have consistently maintained and improved our approach and management practices. We adhere to globally recognized sustainability standards, which help us safeguard business values, address emerging environmental and social challenges, and enhance shareholder value across all our investments. This commitment also enables us to fulfill our mission of creating developmental impacts for People and the Environment.

E&S Policy

As part of the Environmental and Social Management System (ESMS), Mekong Capital has formalized its commitment to maximizing positive environmental and social impacts and avoiding, minimizing and mitigating negative E&S risks and impacts. To do so, Mekong Capital commits to:

- (i) invest adequate resources to fulfil our E&S commitments in consistence with the Applicable Requirements
- (ii) financing activities only when they are expected to be designed, built, operated and maintained in a manner consistent with the shared commitments made between parties
- (iii) manage our investment portfolio with integrity and actively engaging with the investee companies to better understand their E&S issues and support them to address their issues, as well as improve their performance.

The policy has been communicated to all our investment staff and relevant stakeholders as appropriate.



E&S Integration

Pre-Investment

Exclusion List

Mekong Capital has defined a list of activities that are excluded from investment consideration

E&S Screening and Categorization

E&S screening and categorization are carried out to identify potential E&S risks and impacts and to inform the level of due diligence required

E&S Due Diligence (ESDD)

A full assessment of potential E&S risks and impacts associated with a potential investment is conducted by either Mekong Capital's E&S Team or an external E&S expert. The ESDD aims to identify E&S risks and recommend actions to bridge the gaps to bring the project into compliance with Mekong Capital's E&S policies and standards. Outcomes of the ESDD is incorporated into investment memos for consideration by the Investment Committee in their decision-making process

E&S Action Plan (ESAP)

An ESAP is compiled to describe actions to address and manage the E&S risks/impacts. The ESAP is also included in legal agreements with investee companies as investment conditions.

E&S Undertakings

E&S Undertakings are incorporated into legal agreements between Mekong Capital and investee companies. By signing the agreements, the investee companies confirm their commitment to comply with Mekong Capital's E&S Policies and E&S Requirements.



100%

Potential investments underwent E&S Due Diligence

100%

investments include E&S Action Plans and E&S undertakings

E&S Integration



Investee companies provided E&S data through annual E&S reporting



E&S Health-check and Reporting

Mekong Capital conducts regular health-checks, at least annually, to investee companies to, together with them, health check their implementation of E&S commitments, E&S management practices, as well as identify opportunities for improvement and value creation.

Additionally, Mekong Capital has maintained an annual E&S reporting process, to collect E&S data from investee companies, which is currently used mainly for providing an overview of portfolio performance, and for reporting purposes, but we intend to leverage them to assist us in identifying areas for improvement, as well as developing E&S strategies.

Incident Reporting

Mekong Capital has established a policy to enable timely receiving information of E&S incidents from investees companies and report E&S incidents to our investors.

External Communication and Grievance Mechanism

An External Communication and Grievance Mechanism has been established and maintained by Mekong Capital, which demonstrates our openness for meaningful conversations and engagement with relevant stakeholders to adequately addressing any concerns, feedback from relevant stakeholders, obtaining insights, as well as identifying opportunities for improvement.

On-going Engagement with Investee Companies

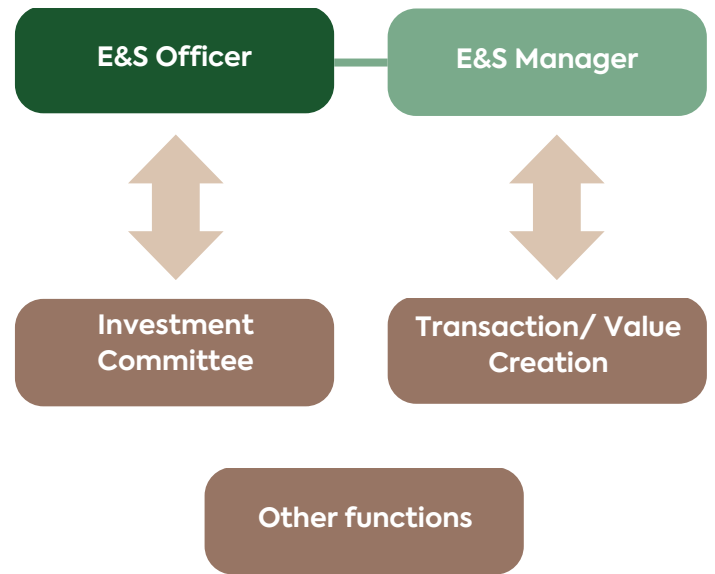
Mekong Capital recognizes the need for on-going engagement with our investee companies to ensure shared commitments are met, to provide technical support as needed, as well as to promote good management practices for business sustainable development

E&S Governance

The E&S accountability at Mekong Capital is specifically assigned to the E&S Officer, a Partner and a Board of Directors member. This individual is responsible for overseeing the development and implementation of Environmental and Social policies and ESMS across all funds managed and advised by Mekong Capital

Assisting the E&S Officer is a full-time E&S Manager, who manages the daily execution of all E&S activities, ranging from pre-investment due diligence to post-investment coordination, monitoring, engagement, and value creation. This role is supported by the Transaction Team and the Value Creation Team, overseeing the respective investments, along with the Portfolio Analysis and Insights Team, responsible for monitoring portfolio compliance.

Furthermore, an Investment Committee, consisting of 3 members, including E&S Officer, is tasked with assessing, analyzing, and approving Mekong Capital’s investments. This includes evaluating E&S risks and opportunities to guide investment decisions.



To address the growing significance of environmental and social concerns, and to equip the team with the ability to tackle new situations effectively, relevant training sessions and capacity-building workshops were held or participated by Mekong Capital’s staff. These sessions offered essential knowledge and skills to individuals involved in implementation of the environmental and social management system, emphasizing best practices.



Mekong Capital’s staff attended trainings on Biodiversity and Involuntary Resettlement Risk Management; Impact Measurement and Management; and Stakeholder Mapping

04. DIVERSITY, EQUALITY AND INCLUSION

At Mekong Capital

We value our employees as the organization’s most crucial asset, as they are the driving force behind all of our successes. We are committed to offering our employees ample opportunities, necessary resources, and support for their growth. Moreover, we provide spaces for them to fulfill their personal goals through their work at Mekong Capital, fostering long-term dedication and contributions.

Diversity, equality, and inclusivity (DE&I) are key priorities at Mekong Capital. We aim to cultivate a workplace that is diverse, equal, and inclusive, both within our organization and beyond. We celebrate and respect differences, striving to create a safe and comfortable environment where everyone can be themselves. Regardless of gender, religion, race, ethnicity, and more, we ensure that all individuals are treated fairly and equally. As we continue to improve our practices, we are dedicated to formalizing our commitment to promoting diversity, equality, and inclusion by developing an appropriate DE&I policy in the near future. This policy will form the foundation for our strategic planning, initiatives, and impact creation.

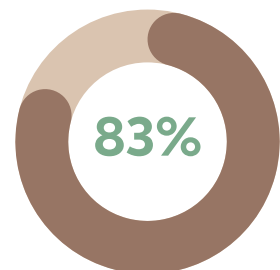
Additionally, Mekong Capital has established an internal grievance mechanism, providing a formal channel for our staff to express their concerns, feedback, or complaints confidently. This mechanism allows the company to address issues promptly and appropriately, fostering a sense of value among employees and building trust between all parties involved.



of employees are women



of Partners are women



of Managers - up are women



of promotions were women in 2023

At Portfolio Companies

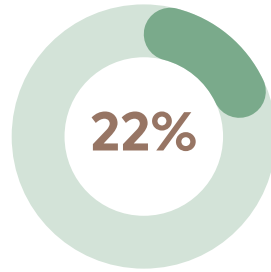
In 2023, our investee companies continued report on diversity and inclusion data through the annual E&S reports. Mekong Capital also recognizes the proactiveness of our portfolio in promoting DE&I within their organizations and their businesses.



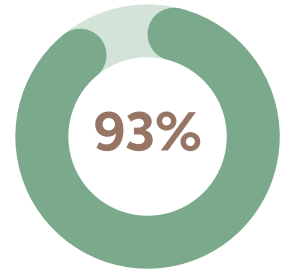
of employees are women



of portfolio companies that have female CEO



of senior management positions are held by women



of portfolio companies have at least one female member in the Boards



F88, a portfolio company of MEF III and MEF IV
 In 2023, F88 partnered with the Australian Development Fund (ADI) to implement various initiatives promoting gender equality within and beyond the organization. Internally, the company organized gender equality training to support the progression of female employees. Externally, initiatives included launching training programs, assisting underprivileged women in starting businesses, managing family finances, introducing favorable loan packages for female entrepreneurs, and covering the entire startup costs for women facing challenging circumstances nationwide. These activities were anticipated to have positive impacts on both businesses and society.



Hoa Sen Viet Group (HSVG), a portfolio company of MEF IV

Le Thi Bich Phuong, CEO and Co-Founder of HSVG, is dedicated to fostering leadership skills, especially among the next generation of female leaders. She has a profound understanding of the challenges, barriers, and biases that women encounter.

As a result, HSVG is committed to helping women overcome these challenges to reach their full potential. The company's corporate culture emphasizes inner beauty by promoting a healthy work-life balance. HSVG encourages its employees to discover and enhance their inner potential through training programs that focus on skill development, confidence building, and strengthening their voices.



05.

CLIMATE CHANGE





Climate change is a pressing global concern that impacts communities and businesses alike. At Mekong Capital, we are conscious of this issue and its repercussions.

Risk Assessment

Mekong Capital has conducted physical risk screening by identifying and determining the climate hazards most relevant to the asset/business within its operational and industry context. This process involves reviewing publicly available information on climate change risks, understanding the historical climate of the area, and utilizing online tools such as ThinkHazard. The outcomes of this screening are integrated into the overall E&S due diligence process.

Moreover, when engaging with portfolio companies, Mekong Capital considers the impacts of potential physical risks and when it is triggered, we will collaborate with portfolio companies to take steps to mitigate these risks and address them effectively, as applicable. Since 2022, Mekong Capital has been monitoring and tracking Scope 1 and Scope 2 greenhouse gas (GHG) emissions from the portfolio.

Recognizing the importance of enhancing practices in climate change risk assessment, Mekong Capital aims to mitigate adverse effects on businesses and identify opportunities for value creation through improved risk assessment strategies.

Monitoring Emerging Requirements

Given the increasing focus on climate change by all stakeholders, there have been rapid changes in regulatory frameworks that could impact operations and business strategies. To stay ahead, Mekong Capital proactively monitors and tracks evolving climate change requirements and standards relevant to our investments to take appropriate actions.





Stakeholder Engagement for Climate Actions

Recognizing the significance of nature-based solutions in addressing the impacts of climate change, particularly in the Lower Mekong Region encompassing Vietnam, Laos, and Cambodia, Mekong Capital actively engages in various discussions related to climate actions. Our focus lies on sustainable land use, nature-based solutions, and regenerative farming practices. Through these interactions, we aim to share experiences, exchange knowledge, and work collaboratively with stakeholders to encourage information sharing and advocate for a proactive stance on climate change adaptation and mitigation.



Mekong Capital attended Việt Nam-Japan Cooperation toward Green Growth



Mekong Capital met with a Local Forest Protection Authority



Mekong Capital attended the Workshop on “Mobilizing Resources for Nature-based Solutions in Mekong Delta”



GHG Emissions

In 2023, Mekong Capital introduced an internal GHG calculation tool in Excel to estimate our operational and financial emissions from our investments. This tool was developed based on established practices and guidelines from internationally-recognized sources such as the Intergovernmental Panel on Climate Change, GHG Protocol's Standards. By utilizing this tool, our goal is to firstly understand our emissions, and then engage with our portfolio companies to implement reduction plans and targets, as well as to develop relevant climate strategies, as appropriate.

Financial Emissions

During the same period, we collected data, primarily focusing on Scope 1 and Scope 2 emissions, i.e., electricity and fuel consumption, from our portfolios for calculation of our financial emissions, which amounted to 18,964 tCO₂e.

Financial Emission	2023 (tCO ₂ e)
Financial Emission	18,964

Note: (1) Financial emissions were calculated using an equity share approach; (2) The total financial emission excluded one portfolio company, whose data was not readily available.

Operational Emissions

The primary sources of emissions from our operations are electricity consumption and business travel, which includes company cars and air travel. In 2023, our operational emission was approximately 165 tCO₂e.

Operational Emission	2023 (tCO ₂ e)
Scope 1: Company Cars	15
Scope 2: Electricity Use	137
Scope 3: Business Air Travel	13
Total Operational Emission	165

Note: for electricity, emission factor of Vietnam was 0.7221 tCO₂/MWh as published by the Department of Climate Change, Ministry of Natural Resources and Environment on 31/12/2022 – Document No. 1278/BDKH-TTBVOD

Upon launching the calculation tool for the first time, we recognized the necessity for process enhancements. Our goal is to regularly assess and improve our systems and methods. We will concentrate on refining the data collection process and calculation tools to improve the precision of emission estimates.

06.

CYBERSECURITY AND DATA PROTECTION



Policy and Management System

At Mekong Capital, our focus is on data governance and cybersecurity, which we uphold through strong policies and practices. To manage data effectively, we employ Microsoft Purview for data governance, applying retention policies for documents and mailboxes to safeguard data integrity.

To enhance data security, we use BitLocker to encrypt computers at the device level and enforce Multi-Factor Authentication at the user level. Furthermore, we have Information Protection policies in place to prevent unauthorized disclosure of confidential data.

Our cybersecurity measures are embedded in our Internal Labor Rules and Acceptable Usage Policy to ensure all staff adhere to comprehensive protection and compliance guidelines.

Furthermore, we continuously explore innovative strategies to counter hacking threats and have implemented security solutions from reputable providers such as Sophos Firewall, Microsoft Cloud App Security, Microsoft Advanced Threat Protection, and Microsoft Defender for Business.

Cybersecurity Training & Phishing Drills

Recognizing the significance of cybersecurity awareness in our business, and aiming to keep our staff well informed about evolving threats, Mekong Capital provides ongoing education to employees, which includes:

- Induction training for new hires and regular Cybersecurity Awareness Training through an e-learning platform. 2 trainings were provided in 2023, with more than 75% participation
- Conduct of unannounced phishing drills on a regular basis. In 2023, approximately 6% of employees failed the phishing drill, which decreased by 3% compared to the 2022 drill's result

2

regular trainings
in 2023

>75%

employees completed
cybersecurity trainings

2

phishing drills
in 2023

6%

employees failed the
phishing drill in 2023

At Portfolio Companies

Mekong Capital also prioritizes cybersecurity and data protection at portfolio companies, which is mandated through annual cybersecurity audits. Portfolio companies are required to conduct independent audits, submit Executive Summary Reports to Mekong Capital for review and further follow-up, address critical findings, and undergo re-testing by a cybersecurity vendor for completion.

07.

PORTFOLIO E&S COMMITMENT



E&S MANAGEMENT SYSTEM

In alignment with the shared commitment between Mekong Capital and investors, our portfolio companies pledge to establish and execute an E&S management system based on best practices. This includes defining E&S roles and responsibilities within their organizations to identify and address E&S risks and impacts related to their operations, as well as identify opportunities to enhance their business value.

Leveraging our active ownership, Mekong Capital collaborates closely with portfolio companies to regularly review their E&S management practices. Furthermore, drawing on our extensive experience engaging with Vietnamese companies, Mekong Capital continuously supports and motivates portfolio companies to enhance their E&S practices. We are ready to offer additional assistance where possible to enhance teams' skills and knowledge, promoting advanced management practices and improved E&S performance.

Awards & Recognitions

In 2023, our portfolios were recognized by stakeholders for their great effort in relevant E&S aspects, including providing great places to work, conducting business sustainably or maintaining safety practices.



LiveSpo: From Compliance to Business Strategy

Established in 2010 with a mission of “A Future without Antibiotics.” This pioneering company is dedicated to introducing Vietnamese biotechnology to the global market by distributing LiveSpo’s spore probiotics worldwide and showcasing Vietnam through premium products.

For the past 13 years, LiveSpo has remained committed to its belief in spore probiotics, also known as “Spobiotics”. LiveSpo’s spore probiotics products aid in antibiotic treatment, boosting effectiveness from 10% to 90% and, in specific cases, serving as a viable antibiotic alternative.

Since securing investment from MEF IV in 2021, LiveSpo has adopted a new approach to E&S risk management, emphasizing regulatory compliance and implementing an E&S risk management system in line with Good international industry practices. Over the past three years, LiveSpo has remained committed to the shared E&S requirements outlined in agreements with Mekong Capital, which has been regularly evaluated through Mekong Capital’s annual “E&S Health-check.”



LiveSpo has recently observed increased market volatility, a rise in businesses facing crises due to rapid expansion, and growth outpacing management capabilities, neglecting environmental and social considerations. Acknowledging this shift, LiveSpo’s Board of Directors recognizes the importance of sustainable environmental and social practices as a key strategic pillar for the company’s long-term growth. With this realization, the Board has outlined a proactive strategy to integrate environmental and social sustainability into LiveSpo’s business operations for its own benefit.



Nguyen Hoa Anh PhD., Chairman and Founder of LiveSpo (left) and MBA Dang Quoc Hung, CEO and Co-Founder of LiveSpo (right)

Since 2023, LiveSpo has been embarking its E&S journey, starting with building up an E&S Strategy for the next 5 to 10 years. During this process, LiveSpo is grateful to have partnered with and received financial and technical support from the United States Agency for International Development (USAID), the Agency for Enterprise Development (AED), Ministry of Planning and Investment (MPI) through the Project on Improving Private Sector Competitiveness (IPSC).

LiveSpo is looking forward to more successes in its business with the implementation of a vibrant E&S Strategy.



F88: Embracing ESG as a Self-Rescue Strategy

Founded in 2013, F88 is the pioneer and leading chain of secured lending in Vietnam, targeting micro and small businesses, and un-banked individuals, providing affordable, transparent, and instant financial access. Currently, F88 has over 820 branches nationwide and aiming to reach 10 million customers in 2025.

F88 faced numerous challenges and setbacks in 2023, it has been subjected to negative perceptions, including accusations of high-interest rates and predatory lending practices. These misconceptions stem from the historical disarray of the pawnbroking industry and F88's pioneering role in establishing a chain-based business model. The company's reputation was further scrutinized during the comprehensive inspection of the consumer finance market in 2023.

One year after the extensive inspection, F88 has demonstrated resilience by maintaining its growth trajectory, expanding its network, increasing revenue, and enhancing customer quality. This resilience underscores the alignment of F88's business model with regulatory requirements and market demands, as well as, its embrace of Environmental, Social and Governance risk management, especially focusing on legal compliance and customer protection. Which, as stated by Mr. Phung Anh Tuan, CEO and Co-founder, "Environmental, Social and Governance is a self-rescue strategy for businesses".

Adherence to Legal Compliance

Legal compliance is the foundation for all F88's activities, F88 remains committed to applicable regulatory requirements

Enhancing Customer Protection Measures

Starting from the core value "Customer Centricity", F88 commits to improving and standardizing customer experience management, with a focus on customer satisfaction.

F88 has been awarded the Gold Standard for Customer Protection by Smart Campaign, which demonstrates the robustness of its customer protection system.

In line with customer protection principles, F88 has been:

- **Optimizing Operational Procedures:** improving operational processes, spanning from product and service consultations to debt collection protocols. The company's motto, "Even debt collection should be joyful," reflects its dedication to crafting a debt collection management system that sets a benchmark for others in the industry.

- **Enhancing Customer Experience:** adopting a comprehensive approach to listening to customer feedback at every stage of the loan process, starting from initial inquiries to final payments. This approach is based on four core principles: (i) prioritizing understanding of customer needs, especially their difficulties; (ii) conducting experience surveys at each touchpoint; (iii) providing fast, user-friendly, and transparent services; and (iv) resolving issues promptly and efficiently.

F88's dedication to ESG principles and customer-centric approach will remain pivotal in shaping its future growth path.





Disclaimer

For the purposes of this report, “Mekong Capital” means Mekong Capital Holdings, its subsidiaries, affiliates, related entities, and/ or investment entities or funds advised by any of them from time to time.

This report is made available regarding Mekong Capital, its efforts and progress, as well as relevant updates to our commitment to environmental and social matters. By acceptance of these materials, each recipient agrees not to reproduce or redistribute this report or the information set out in this report to any person without the prior written consent of Mekong Capital.

The data provided in this report comprises the calendar year from 01 January 2023 to 31 December 2023. Some of the information in this document has been prepared and compiled by the portfolio companies and has not been reviewed or independently verified by Mekong Capital. Mekong Capital does not accept any responsibility for its contents and do not guarantee the accuracy, adequacy, or completeness of such information provided by the applicable portfolio company. The information herein is not intended to address the circumstances of any particular individual or entity and is being shared with you solely for informational purposes.

Mekong Capital is not under any obligation to update or keep current the information contained herein. Additionally, this report contains forward-looking statements. All statements other than statements of historical facts, including those regarding our expectations, beliefs, projections, future plans and strategies, anticipated events or trends, and similar expressions are forward-looking statements. Actual events or results may differ materially from those reflected or contemplated in such forward-looking statements.

Past performance is not indicative of future results. Any information provided in this report about past investments is provided solely to illustrate the investment process and strategies previously used by Mekong Capital. No representation is being made that any investment or transaction will or is likely to achieve profits or losses similar to those achieved in the past or that significant losses will be avoided.

The determination and assessment by Mekong Capital of which investments to include in the report involves significant judgment and may differ from another party’s review of Mekong Capital’s investments. Another party’s assessment may exclude certain companies or include comparable companies not represented. Nothing contained in this report shall be deemed to be binding against, or to create any obligations or commitment on the part of Mekong Capital. Individual investee management teams may hold different views than the views expressed herein and may make different investment decisions.

MEKONG
CAPITAL