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VIETNAM NATIONAL PETROLEUM GROUP

SOCIALIST REPUBLIC OF VIETNAM

Independence – Freedom – Happiness

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Hanoi, 26<sup>th</sup> April 2024



*(Draft)*

**REPORT OF THE SUPERVISORY BOARD  
SUBMITTED TO THE 2024 ANNUAL GENERAL MEETING OF  
SHAREHOLDERS**

**Attn: Shareholders/Shareholders Representatives and Delegates.**

With response to the rights and obligations of the Supervisory Board under the Law on Enterprises, the Group's Charter, Operating Regulation of Supervisory Board and applicable regulations, the Group's Supervisory Board would like to submit the 2023 Supervision Report to the General Meeting of Shareholders with following contents:

**I. OPERATING REPORT IN 2023**

**1. Supervision of operations and financial position**

**a. Appraisal of the Financial Statements**

According to the 2023 Financial Statements of Parent Company and Consolidated Financial Statements audited by KPMG Vietnam Co., Ltd and released with the Auditor's Report on 29<sup>th</sup> March 2024; According to the auditor's opinion, the Holding Company's Financial Statements and the Group's Consolidated Financial Statements in 2023 give a true and fair view of the financial position as of 31<sup>st</sup> December 2023 as well as business results and cash flow statements for the financial year ended on the same day in accordance with the Vietnam Accounting Standard, Vietnam Corporate Accounting Policies and legal regulations on preparation and presentation of the Financial Statements.

Some key financial indicators in the Holding Company's Financial Statements and the Group's Consolidated Financial Statements in 2023 are described as follows:

**The performance results of business plan in the reporting period and performance assessment are described as follows:**

No.	Items	Unit	31 December 2023	
			Parent company	Consolidated
<b>I</b>	<b>Total assets</b>	<b>VND bill.</b>	<b>53,729</b>	<b>79,676</b>
1	Current assets	VND bill.	38,651	57,307
2	Long-term assets	VND bill.	15,078	22,369
<b>II</b>	<b>Total resources</b>	<b>VND bill.</b>	<b>53,729</b>	<b>79,676</b>
1	Liabilities	VND bill.	31,019	50,474
2	Equity	VND bill.	22,710	29,202
<b>III</b>	<b>Capital structure</b>			
1	Liabilities/Total resources	%	58%	63%
2	Equity/Total resources	%	42%	37%
<b>IV</b>	<b>Liquidity ratio</b>			
1	Current ratio	time	1.25	1.15
2	Quick ratio	time	0.9	0.86
<b>V</b>	<b>Profitability</b>			
1	Net profit after tax	VND bill.	2,176	3,077
2	ROE	%	9.85	10.8
3	ROA	%	4.22	3.99
<b>VI</b>	<b>Earnings per share</b>	<b>VND</b>		<b>1,706</b>

Item	2023 plan	2023 fulfillment	2022 fulfillment	Compared to	
				2023 plan	2022 fulfillment
<b>1. Sales volume of petroleum (m3, ton)</b>					
a. the Group	12,950,000	14,395,011	13,855,617	111%	104%
b. Parent company	9,939,480	10,649,876	11,089,674	107%	96%
<b>2. Revenue (billion VND)</b>					
a. Consolidated	190,000	273,979	304,604	144%	90%
b. Parent company	130,000	184,837	224,698	142%	82%
<b>3. Profit before tax (billion VND)</b>					
a. Consolidated	3,228	3,947	2,270	122%	174%
b. Parent company	1,800	2,624	806	146%	326%
<b>4. Government budget contribution (billion VND)</b>					
a. Consolidated	24,600	34,344	34,913	140%	98%
b. Parent company	5,800	13,750	14,221	237%	97%
<b>5. Total value of investment (billion VND)</b>					
a. Petroleum segment	1,587	1,404	1,109	88%	127%
b. Parent company	629	629	577	100%	109%
c. non-petroleum segment	518	518	421	100%	123%
<b>6. Dividend</b>					
	10%	15%	7%	150%	214%

- \* Consolidation of entire Group:  
+ 2023 fulfillment output: 14.4 million of m3, ton, fulfilling 111% of the Plan.  
+ The 2023 consolidated revenue, VND 273,979 billion, fulfilling 144% of the Plan.  
+ The 2023 consolidated profit before tax: VND 3,947 billion.

+ The 2023 consolidated amounts to be paid to the State budget, 34,344 billion, fulfilling 140% of the Plan.

\* Holding Company - Petrolimex

+ 2023 fulfillment output: 10.65 million of m3, ton, fulfilling 107% of the Plan.

+ The 2023 revenue reached VND 184,837 billion, fulfilling 142% of the Plan.

+ The 2023 profit before tax reached VND 2,624 billion, fulfilling 146% of the Plan.

+ The 2023 amount paid to the State budget reached VND 13,750 billion, fulfilling 237% of the Plan.

- Financial indicators:

+ Liability ratio/Owner's equity: 58%

+ Current ratio: 1.25

+ *Profit after tax/total owner's equity (ROE): 9.85%*

+ *Profit after tax/total assets (ROA): 4.22%*

+ Capital preservation as of 31 December 2023 was 1.76 times.

## **2. Operation results of the Supervisory Board and Supervisors**

In 2023, Petrolimex business activity was affected by a series of advantages and difficulties. In such context, the Supervisory Board and Supervisors actively conducted in-depth participation into the management, administration and work implementation within their functions and missions, ensuring independence and objectiveness by complying with regulations of the State, Group's Charter, working regulations of Supervisory Board and relevant regulations. Accordingly, key tasks have been fulfilled by the Supervisory Board as follows:

- Elaborate and finish the Reports within the Supervisory Board's functions and missions; Coordinate with the Group's Board of Directors (BOD) to review the materials and contents, etc., to be submitted to the 2023 Annual General Meeting of Shareholders (GMS) as prescribed.

- Monitor and evaluate the fulfillment of resolutions approved by the General Meeting of Shareholders and BOD.

- Review and develop the action plans of Supervisors.

- Design and develop the 2023 Supervision Plan at the Decision No. 104/PLX-QD-HDQT dated 7<sup>th</sup> March 2023. Accordingly, the Supervisory Board has successfully completed:

+ Fulfillment of inspection and supervision plan to be satisfied with the time and quality requirements. In 2023, the inspection and supervision were conducted at 5 units, which 05 inspections were launched at Single Member Petroleum Trading Liability Limited Companies from all the North, the Central and the South, and 01 supervision was conducted for the capital representative at Vanphong Bonded Petroleum Terminal Joint Venture Company Limited. Upon supervision, inspections and audits, the recommendations were put forward to the units and reported to the Chairman of the BOD to promulgate the post-inspection direction and adjustment documents. By inspecting the supervision and supervision results at the units, the Supervisory Board released overall analysis and assessments throughout the Group and suggested the

amendments and supplements to satisfy the goods management and measurement requirements, thence, BOD has issued the resolutions and the General Director has timely issued the written amendments.

+ Launch the theme-based supervision programs throughout the Group regarding PLX ID, e-invoice issuance and management, fuel dispenser and non-cash payment management.

- Involve in review, preparation, amendment, supplement and completion of the Group's governance regulations and directions on petroleum trading mechanisms.

- Conduct analysis and evaluation of the 2022 and 2023 production and business results and governance.

- Involve in meetings of BOD; organize the meetings of Supervisory Board for work deployment.

- Fulfill the tasks of the capital representative and supervisor at the assigned units.

- Others assigned by the Group.

### **3. Remuneration, operating costs and other benefits of the Supervisory Board**

Salary, remuneration and other benefits of the Supervisory Board were complied with the Group's Charter, Resolutions of the General Meeting of Shareholders and other relevant regulations.

Total salary and remuneration of members of Supervisory Board in 2023 included: VND 4,372,307,764.

### **4. Summarize meetings of the Supervisory Board and its conclusions and recommendations:**

In 2023, 04 meetings were held by the Supervisory Board to deploy the tasks specific to the Supervisory Board's functions and missions. The meetings were organized in accordance with the Laws, the Group's Charter, Operating Regulation of the Supervisory Board; the meeting minutes were delivered to the BOD (through the Group's Secretary).

### **5. Assessment report on transactions between the Group and related persons**

In 2023, notices on transactions between the Group, Subsidiaries and other companies which over 50% of charter capital was held by the Group and BOD members, the General Director and their related persons were not received.

Transactions between the Group and Companies which BOD members were managers were complied with the Group's Charter and other relevant regulations.

### **6. Supervision results against the BOD**

The Supervisory Board has implemented supervision of issuance and fulfillment of resolutions approved by the Group's GMS and BOD: Resolutions of the Group's GMS and BOD are issued by compliance with the Group's Charter, Resolutions of GMS and specific internal governance regulation and rules.

#### ***6.1 Operations of the BOD***

In 2023, the Board of Directors held 10 meetings and 101 written opinion collections and 333 Resolutions and 416 Decisions were issued.

The Group's BOD fulfilled its functions and missions as prescribed; the BOD operations; BOD meetings, consultation of BOD members, promulgation of Resolutions and Decisions, etc., were complied with the Laws, Resolutions of the General Meeting of Shareholders, the Group's Charter and Internal Governance Regulations. The BOD's Meeting Materials and assessment reports were fully prepared; recommendations and proposals were timely and drastically processed. The General Director was regularly supervised during tasks were performed.

### ***6.2 BOD's results of fulfilling key tasks***

In spite of impacts by myriad of disadvantageous factors in 2023, key tasks were drastically directed and recognized with positive outcomes by the Group's Chairman and BOD. The Group's BOD strictly directed and timely supervised the production and business management activities of the General Director. Some key tasks:

- (1). Organization of 2023 Annual General Meeting of Shareholders;
- (2). Successful design and development of the 2023 Production and Business Plan;
- (3). According to the project on Petrolimex restructuring in the period of 2021-2025, the 2035 vision is the guideline to orient the restructuring the Group's organization model and business development orientation, governance methods in the new period, the Group's BOD has drastically launched the Petrolimex restructuring project: issue the Decision on Establishing the Steering Board to launch the Project on Petrolimex Restructuring in the period of 2021-2025 with vision to 2035; and also establish 04 Task Force Teams to launch the Project-related tasks. Therefore, the Group has successfully completed a series of important contents in the Group Restructuring Project in the period of 2021-2025 with vision to 2035, including: Complete divestment at PG Bank, completion of all procedures on securities assignment, transfer and registration to bid winners and other relevant procedures, ensuring complete compliance with the legal regulations. Upgrade 05 subsidiaries as 05 Petroleum Companies, including Vinh Phuc, Bac Ninh, Hung Yen, Hai Duong and Quang Nam; Convert subordinate Petroleum Enterprises at the Petroleum Companies into Petroleum Subsidiaries; Rearrangement of petrol stations at some areas; increase in charter capital at Petroleum Companies, etc.

+ For other entities, the BOD has directed to launch the specific plans for each entities in accordance with the Project's road map as the basis to report the competent authorities for consideration and approval:

- For PLL, the BOD issued the Resolution No. 150/PLX-NQ-HDQT dated 22 June 2023 on approving the guideline on Petrolimex divestment from Petrolimex Laos; as basis to launch the research and select the valuation consultant, offering consultant and continue working closely with 02 legal consultants (in Vietnam and Laos) to launch the related tasks, ensuring publicity, transparency, completeness and strictness on records and procedures; also work with intermediates, brokers and partners to look for and access to the potential investors, introduce and promote the investment opportunities.

- For PGCC, the Group's BOD has released the written Letter to direct PGCC accelerate divestment schedule in accordance with the approved orientation and plan.

(4) Direct to elaborate and promulgate the Petrolimex Strategy on Digital Transformation in the period of 2021-2025 with vision to 2030. This is an important

premise to launch the projects on modernization and advancement of the Group's physical and technical facility systems such as Automation, automatic metering at petroleum terminals and stations; Non-cash payment, E-invoice, Automatic Payment powered by RFID and smart camera; Digital Office, Petrolimex version 2 APP, Digital Transformation and Training, etc.

(5) Review, direct and complete the governance of the Group and entities. It reviewed and promulgated the legal documents on internal management in accordance with the State's regulations and management requirements, directing to enhance the inspection and supervision for early risk detection and prevention purposes: Total implemented inspections and supervision in 2023 were 33, including 13 supervision times, 21 inspections and 01 appeal.

(6) Continue performing the active solutions to improve the capital use and preservation efficiency.

(7) Direct to successfully organize Petrolimex 2023 Technology Renovation and Creation Meetings throughout the industry, determining to realize objectives and solutions in the Petrolimex Digital Transformation Strategy to 2025 and 2023 Business - Finance - Risk Management Meeting with the objectives to improve the governance quality, business, financial management and risk management;

(8) According to the State's regulations and practice on salary and income of employees working at Petroleum Companies, with reference to the proposal of the General Director, the BOD has directed to continue increase in salary fund plan at the Petroleum Companies, significantly improving the employee's salary and income, creating a greater motivation to the employees to work with higher productivity and effectiveness, facilitating units in recruitment.

(9) Review the plan and investment into the physical and technical facility system for petroleum business; enhance investment to develop modern retail network at positions having goodwill advantages; Launch the rearrangement contents and handle lands in accordance with the Decree No. 67/2021/ND-CP of the Government on amending and supplementing a number of Articles of the Decree No. 167/2017/ND-CP of the Government dated 31 December 2017 on disposition of public property as directed by the Capital Management Committee.

In 2023, BODs operations were complied with the required rights and obligations in accordance with the legal regulations, the Resolutions of GMS and the Group's Charter.

## **7. Supervision results for the General Director**

In 2023, the General Director's authorities, responsibilities and tasks were always observed and complied with the laws and the Group's Charter.

In 2023, the General Director drastically and strictly directed the implementation of various synchronous Resolutions and directions of the BOD in fulfilling the production and business tasks. The Group has successfully exceeded the planning objectives, including: Total consolidated sales volume reached nearly 14.4 million m<sup>3</sup>, ton, fulfilling 111% of the plan; Consolidated revenue hit approximately VND 277 thousand billion, fulfilling 144% of the Plan; Consolidated profit before tax obtained

nearly VND 4 thousand billion, fulfilling 122% of the plan; State budget payment obtained VND 34,298 billion, fulfilling 139% of the plan. In 2023, Petrolimex was also honor to be voted by the prestigious rating organizations such as Top 10 mid-cap companies with the best corporate governance; The best Vietnamese 50 Listed Companies; Top 100 Most Valuable Vietnamese Brands; TOP 3 Vietnamese companies by revenue; TOP largest Vietnamese tax payers. Production and business activities were continued with a series of drastic renovations in all fields:

(1). Proper sourcing and inventory management, close coordination with petrol stations to update information, enhancing the forecast on market demand to develop market-matched POs. Optimization of goods path from warehouse to the petrol stations to improve the Group's business performance;

(2). Business management: Organize the daily internal selling price management, strictly follow the market development in each region, area and company, minimizing risks, strictly controlling resources when the market fluctuation was significant, hence, the Group has outperformed its State-owned enterprise role in stabilizing petroleum market, ensuring petroleum supply in any circumstances, facilitating to the national energy security.

(3). Financial management:

- Continue perfecting, timely amending and supplementing the system of financial management regulations and procedures to be synchronous with the business mechanisms and practical conditions from time to time to ensure fulfillment of the Group's plan in the period of 2021-2025.

- Pioneer to fulfill the regulations at the Decree No. 123/2020/ND-CP of the Government, which Petrolimex is the first Golive petroleum business to successfully launch the e-invoice application solution upon each sales since 1 July 2023 on the entire 2,700 petrol station network. The solution has helped to minimize invoice-related risks, save efforts, time and costs and act as the important basis for the Government, the Ministry of Finance and the General Department of Taxation to determine to direct nationwide implementation for all petroleum businesses.

- Continue reviewing the big cost items such as loss, freight, land rent, etc., redesigning the road toll set, etc., and effectively deploy the cost effective solutions in the entire Industry.

(4). Salary and labor management: The General Director has drastically directed the operating departments/functions to continue improvement and adjustment to salary fund for the employees at the units, guiding the units to implement and distribute to the correct subjects and obtain effectiveness to create a new motivation so that the employee may work with higher productivity and quality.

(5). Other tasks: The General Director has directed the outperformance of investment into physical and technical facilities, security and safety, fire safety, environment safety, OSHE, safety for persons and assets, safety at facilities, and petroleum works of the Group to be absolutely secured at any material aspects, especially in peak reasons and public holidays. Moreover, the General Director has directed to actively organize the activities related to Green Energy Transformation study such as Promote to work with the international energy organizations to understand the

Green Energy Transformation Strategy; Develop the plan on biofuel production material survey; employ the consultant to launch GHG Inventory; Participate into the training courses on Hydrogen and Ammoniac; Sign the Memorandum of Understanding with the National Innovation Center (NIC); Report the Ministry of National Resources and Environment to comment the supervision and assessment framework; assign to perform the policy action and propose the priority projects for JETP 2024 implementation, etc.

The General Director has actively and proactively launched the drastic implementation of action programs after two 2023 Petrolimex Innovation and Technology Conferences and the 2023 Business - Finance - Risk Management Meeting.

In 2023, the General Director and other managers performed their functions and missions in accordance with the BOD's decentralization and direction; compliance with the regulations of the Laws and the Group; active implementation of resolutions approved by the General Meeting of Shareholders and decisions of the BOD.

#### **8. Assessment results on operation coordination between the Supervisory Board and BOD, General Director**

The Supervisory Board worked closely with the BOD, General Director and other managers during fulfilling their functions and missions; the BOD, General Director and other managers provided documents and necessary information to the Supervisory Board, respected the independence and objectiveness of the Supervisory Board.

The Supervisory Board often exchanged and cooperated with the BOD, General Director and other managers during the Group's relevant tasks are fulfilled.

The Supervisory Board fully participated into the BOD meetings and released the participatory viewpoints within the scope of functions and authorities; the meeting minutes of Supervisory Board were delivered to the BOD as prescribed; the action plan and supervision program was timely notified to the BOD and the General Director. Upon each supervision, the Supervisory Board released to notice on implementation results and requested the BOD to give out the written direction to perform the post-supervision recommendations. The Supervisory Board's recommendations have been successfully implemented.

#### **9. Assessment on Auditor auditing the 2023 Financial Statements:**

The Financial Statements of the Holding Company (Company); Petrolimex's 2023 Consolidated Financial Statements audited by KPMG Vietnam Co., Ltd and released with the Auditor's Report on 31 March 2023; The auditor's Report issued by KPMG Vietnam Co., Ltd in accordance with legal regulations on preparation and presentation of Listed Company's Auditor's Report.

## **II. OPERATING ORIENTATIONS AND RECOMMENDATIONS**

### **1. Operating method**

According to the tasks and authorities of the Supervisory Board, the Group's objectives and orientation, some key tasks were focused by the Supervisory Board, concretely:

- Design and develop the reports to submit to the Group's 2023 Annual General Meeting of Shareholders as prescribed.



- Design and effectively launch the 2024 action plan of the Supervisory Board.
- Supervise the situation and results of fulfilling the resolutions of the General Meeting of Shareholders and BOD.
- Supervise the fulfillment of Petrolimex Restructuring Project in the period of 2021-2025 with vision to 2035.
- Supervise the fulfillment of Petrolimex Production and Business Plan and development investment in the period of 2021-2025. The 2024 production and business plan was approved by the GMS.
- Supervise the review, assessment, amendment, supplement, completion and promulgation of the internal governance regulations of the Group and its member units.
- Conduct analysis and evaluation of the 2024 and 2024 production and business results and governance; Appraise and analyze the periodic financial statements as prescribed.
- Supervise the fulfillment of the management, labor, salary, bonus treatments and others for employees and managers under the applicable regulations of the State, Group and other operating and business administration-related contents.
- Involve in fulfilling the functions and missions of the Supervisor at units and other related tasks.

## **2. Recommendations**

In 2024, to assure continuously safe and effective production and business development of the Group, the Supervisory Board would like to put forward some recommendations to the BOD and General Director as follows:

- Continue determination and recommend the competent authorities to early perfect and issue a new Decree, summarize all updates at the Decree No. 0/2022/ND-CP, the Decree No. 95/2021/ND-CP and the Decree No. 83/2014/ND-CP on petroleum business. Upon the Government's promulgation of amended Decree on petroleum business (this is an important legal document, affecting the Group's activity), the Group should review, evaluate, amend, supplement and perfect the system of internal technical-economic regulations, rules, management procedures and norms at the Group and its member units to ensure compliance with new regulations.
- Continue adherence to the market development and the world oil price to manage the proper inventory. Continue reviewing and studying to find out the buying rate to be well matched with the pricing cycle released by the Ministry of Industry and Trade and the Group's inventory to minimize oil price risks, improving the petroleum business performance.
- Business organization, sales, marketing, and customer care should be continued to be improved and enhanced, especially for the franchisers, wholesale and retail customers nationwide, develop the customer care policies and development policies of sales channel in a synchronous and comprehensive manner.
- Apply the cutting-edge technology solutions to serve for goods management, governance and supervision from early sourcing, warehouse, internal rotation/transportation to sales at petrol stations.

- Enhance the inspection and supervision; Review and assess the capital investment capital at the companies/corporations.
- Drastically launch and complete the divestment at Petrolimex Laos in 2024.
- Synchronously deploy the solutions to successfully fulfill the 2024 key tasks approved by the General Meeting of Shareholders.

The above are the contents of the Supervisory Board's Report and respectfully submitted to the Group's General Meeting of Shareholders./.

**ON BEHALF OF SUPERVISORY BOARD**  
**Head of the Board**

**Dang Quang Tuan**

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