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The Vietnamese version is official and legal.**

VIETNAM NATIONAL PETROLEUM GROUP



SOCIALIST REPUBLIC OF VIETNAM  
Independence – Freedom – Happiness

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*Hanoi, 26<sup>th</sup> June 2023*

*(Draft)*

**REPORT OF THE SUPERVISORY BOARD  
SUBMITTED TO THE 2023 ANNUAL GENERAL MEETING OF  
SHAREHOLDERS**

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

To exercise the Supervisory Board's rights and responsibilities in accordance with the provisions of the Enterprise Law, the Group's Charter, the Supervisory Board's Operational Regulations, and other applicable laws and regulations; the Group Supervisory Board would like to submit to the General Meeting of Shareholders the Supervisory Report for 2022 with the following contents:

**I. OPERATION REPORT FOR 2022**

**1. Supervision of Operational and Financial Situation**

**a. Financial Report Appraisal**

Based on the financial statements of the Parent Company; KPMG Vietnam Co., Ltd audited The Group's Consolidated Financial Statements for 2022 and issued the Audit Report on March 31, 2023; Based on the auditor's opinion, the Parent Company's Financial Statements and the Group's Consolidated Financial Statements for 2022 present a true and fair view of the financial position as of December 31, 2022, as well as the results of operations and cash flows for Fiscal Year, which ended the same day, in accordance with Vietnamese Accounting Standards, the Vietnamese Accounting System for Enterprises, and other relevant legal regulations for preparing and presenting financial statements.

Some basic financial targets in the Parent Company'S Financial Statements and the Group's Consolidated Financial Statements for 2022.

**The results of implementing the business plan during the reporting period and evaluating performance are as follows:**

No.	Items	Unit	31 December 2022	
			Parent company	Consolidated
<b>I</b>	<b>Total assets</b>	<b>VND bill.</b>	<b>49,419</b>	<b>74,475</b>
1	Current assets	VND bill.	34,154	50,170
2	Long-term assets	VND bill.	15,265	24,305
<b>II</b>	<b>Total resources</b>	<b>VND bill.</b>	<b>49,419</b>	<b>74,475</b>
1	Liabilities	VND bill.	27,966	46,693
2	Equity	VND bill.	21,453	27,782
<b>III</b>	<b>Capital structure</b>			
1	Liabilities/Total resources	%	57%	63%
2	Equity/Total resources	%	43%	37%
<b>IV</b>	<b>Liquidity ratio</b>			
1	Current ratio	time	1.22	1.1
2	Quick ratio	time	0.74	0.72
<b>V</b>	<b>Profitability</b>			
1	Net profit after tax	VND bill.	863	1,902
2	ROE	%	3.96	6.79
3	ROA	%	1.88	2.73
<b>VI</b>	<b>Earnings per share</b>	<b>VND</b>		<b>1,036</b>

Item	2022 plan	2021 fulfillment	2022 fulfillment	Compared to	
				2022 plan	2021 fulfillment
<b>1. Sales volume of petroleum (m3, ton)</b>					
a. the Group	12,188,000	12,377,569	13,855,617	114%	112%
b. Parent company	9,477,750	9,188,352	11,089,674	117%	121%
<b>2. Revenue (billion VND)</b>					
a. Consolidated	240,000	169,009	304,064	127%	180%
b. Parent company	180,000	111,018	224,698	125%	202%
<b>3. Profit before tax (billion VND)</b>					
a. Consolidated	300	3,789	2,270	757%	60%
b. Parent company	100	1,883	806	806%	43%
<b>4. Government budget contribution (billion VND)</b>					
a. Consolidated	24,000	33,826	34,913	145%	103%
b. Parent company	3,900	3,312	14,221	365%	429%
<b>5. Total value of investment (billion VND)</b>					
a. Petroleum segment	2,458	1,370	1,109	45%	81%
b. Parent company	635	139	577	91%	415%
c. non-petroleum segment	758	264	421	56%	159%
<b>6. Dividend</b>					
	12%	12%	7%	58%	58%

(Profit and Revenue targets have been adjusted according to Resolution No. 03/2022/PLX-NQ-DHDCD dated December 6, 2022)

\* Consolidation of the whole Group:

+ Achieved output in 2022: 13.86 million m3, tons, reaching 114% of the plan.

+ Consolidated revenue in 2022 totals 304,064 billion VND, reaching 127% of the plan.

+ Consolidated pre-tax profit in 2022 reached: 2,270 billion VND.

+ Consolidated state budget payment in 2022 reached VND 34,913 billion, equal to 145% of the plan, and increased by 3% over the same period

\* Group Parent Company

+ Achieved output in 2022: 11.09 million m<sup>3</sup>, tons, reaching 117% of the plan. 21% increase over the same period

+ Revenue for the year 2022 reached: 224,698 billion dong, which corresponds to 125% of the plan.

+ Pre-tax profit in 2022 reached: 806 billion VND.

+ The amount paid to the state budget in 2022 reached: 14,221 billion VND, which corresponds to 365% of the plan.

- Financial ratios:

+ Liabilities to Equity Ratio: 1.3

+ Ability to discharge debt due: 1.22

+ *Return on Equity (ROE) after tax: 3,96%*

+ *Return on Assets (ROA) after tax: 1,88%*

+ Capital preservation level as of December 31, 2022 is: 1.66 times

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

On March 29, 2022, the Group held an Extraordinary General Meeting of Shareholders to vote Board of Directors and Supervisory Board members for the term 2021-2026. At this meeting, 5 supervisors were voted to the Supervisory Board for the term 2021-2026. On March 29, 2022, at the first meeting of the Supervisory Board for the term 2021-2026, the Supervisors voted Mr. Dang Quang Tuan to the position of Head of the Supervisory Board. The business operations of Vietnam National Petroleum Group in 2022 are influenced by both favorable and challenging factors, with challenges playing a larger role. In this context, the Supervisory Board and Supervisors have actively and proactively participated in the management and administration process while executing work in accordance with their functions and responsibilities, ensuring independence and objectivity based on compliance with State regulations, the Group's Charter, the Supervisory Board's operation regulation, and applicable regulations. Consequently, the Supervisory Board has carried out the following key tasks:

- Develop and complete reports related to the functions and responsibilities of the Supervisory Board (reports of the Supervisory Board submitted to the General Meeting of Shareholders, Report on selection of an audit unit for financial statements); Coordinate with the Group's BOD to evaluate documents, contents, etc., and submit them to the extraordinary General Meeting of Shareholders and the Group's 2022 Annual General Meeting of Shareholders in compliance with applicable regulations.

- Monitor and evaluate the implementation of the resolutions adopted by the General Meeting of Shareholders and the Group BOD.

- Review and develop the operation plan of the Supervisors.

- Develop and implement the surveillance plan for 2022 outlined in Decision 214/PLX-QD/HDQT dated 13 April 2022. Accordingly, the Supervisory Board has accomplished:

- + Participated in the supervision of sales activities at 12 Petroleum companies during the first quarter of 2022.

- + Direct supervision of 4 units (including Yen Bai Petroleum Company, Dien Bien Petroleum Company, Phu Khanh Petroleum Company, and Petrolimex Gas Joint Stock Corporation). After each round of supervision, the Supervisory Board informed the BOD of the implementation results and issued a document directing the implementation of post-supervision recommendations.

- + Carried out specialized supervision of management, operation, and utilization of line 3 and backline Petroleum Depots. At the November 2022 meeting of the BOD, the report on monitoring the exploitation and operation efficiency of the line 3 and backline petroleum depots from 2020 to June 30, 2022 was presented. The report contains evaluations and suggestions for enhancing the operational effectiveness of the line 3 and backline petroleum depots systems.

- Participated in the review, development, amendment, supplementation, and improvement of the Group's regulations, governance processes, and guiding documents pertaining to the gasoline and oil trading mechanism.

- Organized the analysis and assessment of the situation, results of production and business operations and management in 2021 and periodically in 2022.

- Participated in BOD meetings; organize Supervisory Board meetings to carry out the work.

- Carried out the responsibilities of the capital representative and supervisor within the assigned units.

- Performed additional related Group duties.

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

Salary, remuneration and other benefits of the Supervisory Board are implemented in accordance with the Group Charter, the Resolution of the General Meeting of Shareholders and other relevant regulations.

The total salary and planned remuneration for Supervisory Board members in 2022 approved by the AGM is 3,829,405,951 VND.

### **4. Summary of the Supervisory Board's meetings and their conclusions and recommendations:**

In 2022, the Supervisory Board held 05 meetings to carry out specific tasks in accordance with the Supervisory Board's functions and tasks. The meetings of the

Supervisory Board are held in accordance with the provisions of the Law, the Group Charter, and the Supervisory Board's Operational Regulation; the Supervisory Board's meeting minutes are sent to the BOD (via the Group Secretary).

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

In 2022, the Supervisory Board received no notices of transactions involving the Group, subsidiaries, and other companies in which the Group controlled more than 50% of the charter capital, members of the BOD, the General Director, and related persons of that member.

Transactions between the Group and Companies in which a member of the BOD is the manager of the enterprise shall comply with the provisions of the Group's Charter and other relevant regulations.

#### **6. Monitoring results for the Board of Directors**

The Supervisory Board organized and supervised the issuance and implementation of General Meeting of Shareholders and Group BOD resolutions: Resolutions of the General Meeting of Shareholders and the Group's BOD are issued in accordance with the Group Charter, the Resolution of the General Meeting of Shareholders, and the Group's specific regulations and internal management regulations.

##### **6.1 Activities of the BOD.**

In 2022, the BOD held 11 meetings, surveyed its own members, and issued 293 resolutions. There are 172 resolutions related to organization, staff, salary, emulation, and commendation; 63 resolutions concerning real estate investment, divestment, restructuring, arrangement, and management; 51 resolutions on production and business management; 2 resolutions on regulation promulgation; and 5 resolutions on General Meeting of Shareholders organization.

The Group's BOD has carried out its functions and duties as prescribed; activities of the BOD; meetings of the BOD, gathering opinions from BOD members, issuing resolutions and decisions... to ensure compliance with the provisions of law, the General Meeting of Shareholders Resolution, the Group's Charter, and internal governance regulations. Documents for BOD meetings and evaluation reports are fully prepared; proposals and recommendations are handled promptly and decisively. The BOD regularly supervises the General Director in the implementation of tasks.

##### **6.2. Performance of key tasks of the BOD.**

In 2022, despite many unfavorable factors, the Chairman and BOD of Group drastically directed the key tasks, yielding positive results. The Group's BOD has seriously and promptly supervised and directed the General Director's activities in operating production and business. Some key tasks:

- (1). Organizing the Extraordinary General Meeting and the AGM in 2022;

(2). Develop and submit to competent authorities for approval the "Project on restructuring Vietnam National Petroleum Group in the period 2021-2025, with a vision to 2035."

(3). Develop and submit competent authorities for approval of the "Plan for Production, business, Investment, and Development of Vietnam National Petroleum Group for the period of 2021-2025."

(4). Building, adjusting and successfully implementing the business - production plan in 2022;

(5). Reviewing and directing efforts to improve the Group's and member units' management. Directed the review and promulgation of six internal management normative documents in accordance with State regulations and management requirements, as well as the strengthening of inspection and supervision in order to detect and prevent risk early. The total number of inspections and supervision carried out in 2022 is 49. In which: 12 supervision, 37 inspections.

(6) Continue to implement positive solutions to enhance the efficiency and preservation of capital usage.

(7) Pursuant to the regulations of the State and the Group, the BOD has appointed and approved for the Units to appoint staff in accordance with the regulations of the State, the regulations of the Group, to meet the needs of the Company staff at the Group and at the units.

(8) Pursuant to the State regulations and the practical situation of payroll and income of employees working at Petroleum companies, upon the proposal of the General Manager and the Corporation's reform department of the payroll policy, the BOD has implemented an adjustment to increase the Payroll Funding Plan in the petroleum companies. As a result, there has been a significant improvement in the payroll and income of workers engaged in the petroleum business, providing a greater incentive for employees to work with higher productivity and efficiency. This adjustment also creates favorable conditions for units in recruiting labor

(9) Review the planning and investment of the technical infrastructure system for the petroleum business, and enhance the investment in developing a modern retail network in commercially advantageous locations. Implement the rearrangement and handling of land according to the regulations of Decree No. 67/2021/ND-CP by the Government, which amends and supplements certain provisions of Decree No. 167/2017/ND-CP dated December 31, 2017, regarding the rearrangement and handling of state assets as directed by the Commission for the Management of Capital.

(10) The divestment at PGBank: PLX successfully organized an auction on April 7, 2023, and reported the auction results to the State Securities Commission of Vietnam and the State Bank. PLX is currently completing the procedures for the transfer of securities ownership in accordance with the provisions of the current Legislation.

In 2022, the activities of the BOD of the Corporation were carried out in

accordance with the rights and obligations defined by the law, in compliance with legal regulations, resolutions of the Annual General Meeting of Shareholders, and the Corporation's Charter.

## **7. The monitoring results regarding the General Manager**

In 2022: From January 1 to February 28, 2022, the responsibilities and duties of the General Manager were carried out by Deputy General Manager Tran Ngoc Nam. Starting from March 1, 2022, General Director Dao Nam Hai took over the management. During this process, the duties and responsibilities of the General Manager are always performed carried out in accordance with the applicable laws and the Corporation's Charter.

In 2022, the General Manager provided strong and meticulous leadership, implementing multiple synchronized solutions to execute the resolutions and directives of the BOD in organizing and carrying out the Production and Business missions. This was done in the context of a complex and volatile global petroleum market, characterized by repeated and unprecedented price shocks, as well as global instability in oil supply. Production and Business management activities continued to have many changes and drastic changes in all aspects:

(1). Efforts were made to ensure a reliable supply and efficient inventory management. Close coordination and collaboration with petroleum corporation (CTXD) were organized to update information and strengthen market demand forecasting. This enabled the construction of orders closely aligned with market developments. Optimize the logistics routes from warehouses to gas stations was implemented to enhance the business efficiency of the Corporation.

(2). Business management: Review and modify the petroleum business mechanism, adapting flexibly and timely to unusual situations (Regulation 926), were conducted. The internal daily pricing was organized to closely track market trends in each region and company, thereby minimizing risks and tightly controlling resources during periods of significant market volatility. During periods of strain on the supply and pressure on the distribution system of Petrolimex, the Corporation has provided strong directives and implemented multiple solutions to ensure the supply of petroleum products to the Petrolimex distribution system as well as the authorized dealers according to the committed contracts. Proactively recommend to the Government to address shortcomings in the management of petroleum business operations. Review and reduce management and business expenses, in which, reducing the loss of 10% in the stage of source generation, coastal transportation, and warehouse transportation from July 1, 2022. The Corporation is actively promoting the deployment of information technology, automation, and digital transformation in a synchronized and determined manner to enhance the quality of management, thereby increasing the production and

business efficiency. Implement additional protective measures, such as purchasing exchange rate insurance, to minimize the risk of losses from exchange rate fluctuations and interest rate fluctuations in a timely manner.

Implement a series of solutions to develop the market and improve the quality of customer service. Organize coordination with payment partners to implement promotional programs that stimulate non-cash payment transactions at the gas station system. Continue to provide guidance to units to enhance non-cash payment transactions, attracting widespread customer attention and delivering tangible efficiency and value-added benefits in petroleum business operations. Implement Plan to develop the service station network for trucks, including conducting actual surveys, designing plans, and estimating the total investment, is being carried out as a basis for implementation in 2023.

(3). Financial management:

- Continue to improve, revise, and supplement the financial management system in a timely manner, ensuring its alignment with business mechanisms and practical conditions in each stage to achieve the goals of completing the Corporation's 2021-2025 plan.

- Deploy drastically the application of e-invoices for each transaction in accordance with the law. Research, propose to edit and perfect SAP-ERP and EGAS software. Update the new regulations of the State in the operation of these two systems into Production - Business practice.

- Continue to review major expense categories, such as resource waste, transportation, land lease costs, and the cost of reconstructing the road toll system, and implement solutions to effectively reduce costs across the entire industry.

(4). The General Manager has drastically directed the professional divisions/departments to research and coordinate with the Group's salary policy team to develop a plan to improve the salary of petroleum workers and submit it to the Group's leaders, as well as work with state authorities and organize industry-wide conferences on plans to improve wages and incomes for employees. On that basis, finalize the plan and report to the BOD for consideration and approval of Payroll Funding Plan adjustment for employees at the units; Organize and guide organizational units to implement the right objects and effectively. Create new motivation for employees to work with higher productivity and quality.

(5). The General Manager directs the Group's professional departments to implement the employee policies. The planning and appointment of staff, the recruitment of employees, and the payment of wages, income, and other regimes for Group employees are carried out on time and in accordance with government and Group regulations.



(6). Other activities: The General Manager has effectively directed the implementation of investment in technical facilities, security and safety, fire prevention and fighting, ISEA, OSH, safety of people and property, and safety at facilities. The Group's petroleum facilities are guaranteed to be completely safe in every way, particularly during peak seasons and holidays.

In 2022, the General Manager and other managers fulfilled their functions and responsibilities in accordance with the hierarchize and direction of the BOD; complied with the requirements of the law and the Group; and actively implemented the resolutions of the General Meeting of Shareholders, resolutions, and decisions of the BOD.

### **8. Results of evaluation of the coordination between the Supervisory Board, the BOD, and the General Manager**

The Supervisory Board cooperates closely with the BOD, General Manager, and other managers in fulfilling their duties and responsibilities; The BOD, General Manager, and other managers provided the Supervisory Board with the necessary documents and information while respecting its independence and objectivity.

The Supervisory Board regularly discussed and coordinated with the BOD, General Manager and other managers in the process of implementing related tasks of the Group.

The Supervisory Board fully participated in the BOD meetings, gave opinions within the scope of its functions and powers; the minutes of meetings of the Supervisory Board are sent to the BOD in accordance with regulations; Operational plans and monitoring programs were promptly notified by the Supervisory Board to the BOD and General Manager. After each round of supervision at the member units, the Supervisory Board sent to the BOD supervision minutes, summary reports, and recommendations to the BOD on the contents to be directed to the units to implement after supervision. The recommendations of the Supervisory Board have been implemented.

### **9. Evaluation of the Auditing of Company's 2022 Financial Statements:**

Financial statements of the parent company; The Group's consolidated financial statements for 2022 were audited by KPMG Vietnam Co., Ltd and issued the Audit Report on March 31, 2023; The audit report issued by KPMG Vietnam Co., Ltd complies with the legal regulations related to the preparation and presentation of the audit report of the listed company.

## **II. OPERATIONAL DIRECTIONS AND PROPOSALS, RECOMMENDATIONS**

### **1. Operational directions**

On the basis of duties and powers of the Supervisory Board; With the Group's objectives and orientations, the Supervisory Board focused on performing the following key tasks:

- Organize the development and completion of reports submitting to the Group's 2023 Annual General Meeting of Shareholders according to regulations.
- Develop and organize the effective implementation of the action plan of the Supervisory Board in 2023.
- Monitoring the situation and results of the implementation of resolutions of the General Meeting of Shareholders and the BOD.
- Supervising the implementation of the Project on restructuring the Vietnam National Petroleum Group in the period of 2021-2025, with a vision to 2035.
- Supervising the implementation of the Business Plan and Investment and Development Plan of Vietnam National Petroleum Group in the period of 2021-2025.
- Supervising the formulation, assignment and implementation of the production and business plan approved by the General Meeting of Shareholders.
- Supervising the review, evaluation, amendment, supplement, completion and issuance of internal governance regulations of the Group and its member units.
- Organize the analysis and assessment of the situation and results of production and business activities, management in 2023 and periodically in 2023; Reviewing and analyzing financial statements periodically according to regulations.
- Supervising the implementation of management, labor, salary, bonus and other regimes for employees and managers in accordance with current regulations of the State, the Group and some other contents included in production and business and corporate governance.
- Participating in performing the functions and duties of the Controller at the units and other related jobs.

## **2. Recommendations**

In 2023, in order for the Group's production and business activities to continue to develop safely and effectively, the Supervisory Board proposed to the BOD and General Manager the following contents:

- Continually propose to authorities to soon complete and issue new regulations amending Decree 95/2021/ND-CP (ND95) and Decree 83/2014/ND-CP (ND83) on petroleum business.
- Promote the application of information technology in management and administration activities; Focus on radically implementing projects of information technology application, automation and digital transformation to enhance governance capacity, competitiveness, and labor productivity; as well as reduce wastage costs and labor costs while enhance risk management.
- As soon as the government issues amendments to the Decree on petroleum business (this is an important legal document affecting the Group's operations), the Group needs to review, evaluate, amend, supplement, and perfect the system of internal regulations, statutes, management processes, economic and technical norms of the

Group and its member units to ensure compliance with the new regulations. Continue to improve financial management and administration; perfect the business mechanism in accordance with the amended Decree; Review large expense items to have cost-effective budget plans.

- Concentrate resources to implement investment strategy, develop a system of special stores in locations with commercial advantages in order to increase retail output, create sustainable development and increase competitiveness; Speeding up the implementation of key projects such as Petrolimex Tower...

- Continue to study the salary management policies and mechanisms of the State and the Group; on that basis, propose and coordinate with the authorities to raise the salary for managers at construction companies, as well as employees and managers at the Group.

- Strengthen inspection and supervision; Review and evaluate the efficiency of capital investment in companies/corporations.

- To radically implement and complete the divestment at Petrolimex Laos Company in 2023.

- Synchronously deploying solutions to successfully implement the key tasks in 2023 approved by the General Meeting of Shareholders.

The above is the content of the report of the Supervisory Board, submitted to the Group's General Meeting of Shareholders.

**GROUP'S BOARD OF SUPERVISORY  
Head of the Board**

**Dang Quang Tuan**