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VIETNAM NATIONAL PETROLEUM GROUP

SOCIALIST REPUBLIC OF VIETNAM

Independence – Freedom – Happiness

Hanoi, 26th June 2023



(Draft)

REPORT ON 2022 BUSINESS PERFORMANCE AND 2023 PLAN OF THE BOARD OF DIRECTORS OF PETROLIMEX

Dear Shareholders, Ladies and Gentlemen!

On behalf of the Board of Directors (BOD), I would like to present the report on business performance in 2021, the orientation plan for 2022 of the Board of Directors of Petrolimex as follows:

I. ACTIVITIES OF THE BOARD OF DIRECTORS IN 2021

1. General situation:

The business operations of Vietnam National Petroleum Group in 2022 are influenced by both favorable and challenging factors, with challenges playing a larger role. The company's total sales output in 2022 experienced a significant increase due to the containment of the Covid-19 pandemic and the strong recovery and growth of the Vietnamese economy post-pandemic. The country's GDP recorded a remarkable growth of 8.02%, the highest in the past decade.

The global gasoline market in 2022 is complicated, differentiated, and subject to price increase/drop shocks on an unprecedented scale due to the impact of geopolitical factors, particularly since the armed conflict between Russia and Ukraine that began in February 2022 has caused a global gasoline supply crisis. Vietnam still needs to import 20-30% of demand for refined petroleum products to serve domestic consumption, and imports crude oil to support the production of refined petroleum products at the Binh Son and Nghi Son oil refineries. Therefore, fluctuations in the global market directly affect the domestic petroleum market. Meanwhile, the management of the domestic petroleum market was not able to adapt quickly, leading to certain companies facing supply shortages and/or voluntarily suspending sales to reduce losses. As a result, the demand was concentrated on Petrolimex, causing a significant increase in the

Corporation's consumption volume across all sales channels, particularly the direct retail channel within Petrolimex's distribution system.

Despite being impacted by various unfavorable factors mentioned above, as the leading State-owned petroleum enterprise, we always share responsibilities with the Government and the people. With the support and attention from the State Capital Management Committee, the decisive guidance from the Board of Directors, the flexible operational solutions from the Executive Board, and the proactive efforts and responsibilities of our member units, the Group has implemented resolute and coordinated measures. These measures have aimed to ensure the supply of petroleum to meet social needs, guarantee national energy security, and minimize the negative impacts on the Group's business - production in 2022.

2. The Group's Business Results in 2022

2.1 On the business and production results in 2022

No.	Items	Plan 2022	Implementation 2022	Comparison Plan/Fulfillment (%)
1	Total sales volume of petroleum of the Group. (m^3, ton)	12,188,000	13,855,617	114%
	<i>the Parent company</i>	9,477,750	11,089,674	117%
2	Consolidated Revenue (*) (billion VND)	240,000	304,064	127%
	<i>the Parent company</i>	180,000	224,698	125%
3	Consolidated profit before tax (*) (billion VND)	300	2,270	
	<i>the Parent company</i>	100	806	
4	Dividend	12%	GMS submission 7%	

(*) The revenue and profit plan for 2022 was adjusted and approved by the Commission for the Management of State Capital at Enterprises (CMSC) through document number 1990/UBQLV-CN dated December 5, 2022, and was further approved in the extraordinary General Meeting of Shareholders on December 6, 2022.

In addition to exceeding the set targets assigned by the General Meeting of Shareholders, other fields of operation of the Group have also achieved remarkably positive results. The key and outstanding tasks have been completed during the year as follows:

- The Group has performed admirably in its role as the state-owned enterprise's leading entity in stabilizing the petroleum market and ensuring national energy security, particularly during challenging supply periods such as February, March, October, and November 2022. In that, the Group has taken seriously responsible the direction of the Government, the Prime Minister and the Inter-Ministerial Ministry of Industry and Trade - Finance in ensuring the source for the distribution system. The implementation rate of generating total resources exceeded the target set by the Ministry of Industry and Trade for the entire year and supplemented on a quarterly basis.

- The the production and business plan orientation and development investment for the 2021-2025 period, the restructuring plan of the group for the 2021-2025 period, and the vision until 2035 have been approved by the CMSC and the Extraordinary General Meeting of Shareholders of the group on December 6, 2022.

- Throughout the course of the year, Petrolimex has focused on improving management and administration in order to increase business efficacy. In particular, there has been a strong emphasis on the application of information technology in management and operations, the implementation of digital transformation initiatives within the Group, the deployment of non-cash payment projects, and the introduction of new branding at the petroleum retail outlets.

- The non-petroleum business activities, business - production operations of specialized business units, and divestment activities have been effectively carried out, making a significant contribution to the overall profitability of the Group.

2.2 Regarding the activities of the Board of Directors of the Group

- In 2022, Petrolimex held a total of 10 BOD meetings, in accordance with the requirements stipulated in the Law on Enterprises, Petrolimex's Charter, and the Operating Regulations of the BOD.

- The BOD meetings have focused on solving the following key issues: The Board of Directors provided guidance for the implementation of resolutions of the annual/extraordinary General Meetings of Shareholders in 2022, including the development and execution of the business-production plan for 2022. They effectively led the Group's business-production activities, ensuring capital preservation and growth. They directed the review, development, and enhancement of internal governance regulations and policies of the Parent Company - the Group, in compliance with new legal provisions, thereby contributing to improving the effectiveness of the Group's management. They also provided guidance for personnel organization and continued implementation of the Restructuring Project of the Vietnam National Petroleum Group as regulated by the Government. They took decisive measures in investment, cost reduction, and effective market organization. They reviewed and revamped the business mechanisms to align with the specific needs of each market

region. Notably, they organized evaluations of the technical infrastructure system to develop investment strategies, strengthen supervision, management, and reissue economic and technical standards. depreciation rate, warehouse fee, freight; direct and delivery of Capital Representative of the Group at Petrolimex Group/Joint Stock Company Limited to develop solutions to enhance management, improve the efficiency of use of capital... The resolutions of the BOD serve as important guidelines to help the Executive Board organize and fulfill the completion of the group's 2022 business - production plan.

- Aside from BOD meetings, the Board has approved decisions by soliciting written opinions from Board members to provide guidance and resolve 293 issues related to major corporate governance directions and matters within the board's authority. Furthermore, the Board has directed and supervised the Executive Board's operations in carrying out resolutions of the General Meeting of Shareholders and the BOD.

2.3 Regarding the profit distribution plan and dividend payout in 2021

The dividend payout rate for the year 2021 is 12%, according to the profit distribution plan approved at the 2022 Annual General Meeting Of Shareholders. In accordance with the law, the Group's BOD has provided complete guidance for its implementation beginning in November 2022.

2.4 Remuneration and operating expenses of the BOD

- The salaries, remuneration, and operating expenses of the BOD are implemented in accordance with the Group's Charter and the resolutions of the Annual General Meeting of Shareholders in 2022. Total salary and remuneration of the members of the BOD in 2022: **VND 7,373,492,462.**

- Regarding the operating expenses of the BOD in 2022: Compliance with the Operating Regulations of the BOD and the Internal Expenditure Regulations of Petrolimex.

2.5 Operations of divisions under the BOD

In 2022, the Committees of the BOD effectively carried out their advisory and supportive tasks in accordance with their assigned functions and responsibilities. They advised the BOD on reviewing, developing, and amending the Group's internal governance regulations and policies to align with new legal provisions and Petrolimex's practices. They also assessed proposals and plans submitted by the CEO/units for approval by the BOD within the Board's authority...

2.6 Supervision of General Manager and Managers.

- The BOD maintains constant oversight over the Chief Executive Officer's activities, ensuring close supervision, guidance, and timely resolution of matters

falling within the Board's jurisdiction. This is done to facilitate a conducive environment for the General Manager's operational responsibilities.

- In 2022, the Executive Board has well fulfilled the role and task of managing the Group's business activities in accordance with the Resolution of the General Meeting of Shareholders, the orientation and direction of the BOD. The General Manager and managers have fully implemented and strictly implemented the resolutions and decisions of the BOD. During the management, the General Manager and members of the Executive Board have complied with the decentralization, provisions in the Charter, and internal management regulations of the Group.

- The Executive Board has implemented numerous synchronized, flexible, and adaptive solutions and measures in accordance with the BOD' directives and orientations, as well as market developments. As a result, the Group has effectively played a leading role in stabilizing the petroleum market and ensuring national energy security, particularly during periods of increased supply tensions in 2022. The Board's decisions have resulted in the achievement of significant goals set by the General Meeting of Shareholders.

Overall, the Executive Board and management officials of the Group performed well during the year 2022, demonstrating responsibility and effectiveness in implementing the resolutions and decisions of the General Meeting of Shareholders and the BOD.

2.7 Report of independent member on BOD activities

The operation of the BOD of Petrolimex in 2022 were organized and carried out in accordance with Petrolimex's Charter, internal regulations on governance, the Board of Directors's operating rules, and applicable legal provisions, and the resolutions of the Annual General Meeting of Shareholders were fully implemented.

(Detailed assessment report of BOD independent member is appended as Appendix 01).

II. BUSINESS PRODUCTION PLAN AND OPERATIONAL DIRECTIONS OF THE BOARD OF DIRECTORS IN 2023

1. Business and production plan for 2023

As a global recession looms, 2023 is anticipated to continue to be difficult and challenging. The projected rate of global economic expansion is only 2%, a significant decrease from 2022 and a substantial drop from the decade-long average preceding the Covid-19 pandemic. Vietnam's GDP growth is anticipated to vacillate between 6.5 and 7% in 2023, with a corresponding rise in gasoline demand. The petroleum market is anticipated to remain more volatile.

The Group identifies 2023 as a pivotal year in the implementation of the five-year Production, Business, and Investment Development Plan for 2021-2025. In spite

of the predicted presence of numerous unfavorable factors, it is necessary for the entire Group to exert effort, implement radically, and closely monitor the actual situation in order to achieve the 2023 production and business plan objectives.

The Group's BOD has established the following production and business criteria for 2023 based on an evaluation of the performance in 2022 and a projection of the situation in 2023:

No.	Items	2023 plan	Compared to the 2022 fulfillment
1	Consolidated volume of petroleum sold <i>(m3, ton)</i>	12,950,000	93%
	<i>The Parent company</i>	9,939,480	90%
2	Consolidated Revenue (billion VND)	190,000	62%
	<i>The Parent company</i>	130,000	58%
3	Consolidated profit before tax (billion VND)	3,228	142%
	<i>The Parent company</i>	1,800	223%
4	Dividend	10%	

2. Operational directions of the Board of Directors in 2023

In 2023, the BOD adheres to the objective of assuring absolute safety in production and business processes and continues to implement measures to enhance the quality of Group management. Based on the actual situation of the Group, the BOD will issue a resolution adopting the plan objectives of maintaining stability and sustainable development, improving business efficiency, and anticipating a dividend of at least **10%** in 2023, as well as measures to implement tasks with a focus on the following major issues:

1. Continue implementing measures to enhance the quality of Group governance. Organize a comprehensive evaluation of all regulations and internal governance regulations in order to supplement and complete them in accordance with the current Party and State laws.

2. Directing the organization of the 2023 Annual General Meeting of Shareholders in accordance with regulations; coordinating the successful implementation of the General Meeting's resolution criteria.

3. Drastically direct the implementation of the production and business plan in 2023 in close accordance with the objectives of the production and business plan orientation and development investment for the period 2021-2025, as approved by the CMSC in Document No. 1990/UBQLV-CN dated December 5, 2022, and approved by the Extraordinary General Meeting of Shareholders on December 6, 2022.

4. Implement projects and action plans approved by the Management Board and the Extraordinary General Meeting of Shareholders on December 6, 2022, including the restructuring scheme for the period 2021-2025 and the production, business, and development investment plan for the period 2021-2025; Report and submit for approval the contents related to the aforementioned projects under the authority of the Management Committee (such as increasing the Group's charter capital; increasing the charter capital of petroleum companies and establishing new petroleum companies; divesting capital from PG Bank and Petrolimex Group Construction and Trading Corporation; restructuring Petrolimex Laos, PTC...).

5. Drastically implement the digital transformation associated with maximizing the functions of the automation equipment system at petroleum depots and petrol stations under Petrolimex, focus on prioritizing the use of automated data and data synchronization in management and accounting processes to increase overall efficiency.

6. Continue to implement the content of rearranging and handling land according to the provisions of the law in Decree No. 67/2021/ND-CP of the Government, amending and supplementing a number of articles of Decree No. 167/2017/ND-CP dated December 31, 2017, of the Government stipulating the rearrangement and handling of public property under the direction of the Management Committee.

7. Proposing the concerned Ministries and Sectors consider amending, supplementing, and concluding the provisions of the law on investment activities in the field of petroleum production, business, and distribution in Vietnam.

III. KEY TASKS AND SOLUTIONS OF THE EXECUTIVE BOARD IN 2023:

In order to complete the set production and business plan in 2023, the BOD will strengthen the direction of the Executive Board to perform key tasks and flexible solutions for production and business management, suitable to market conditions, focusing on the following important tasks and solutions:

1. Some key tasks:

(1) Ensuring absolute safety in the production and business process is the top objective, as strengthening the supervision and inspection of fire prevention, environmental protection, money safety, security, and safety at petrol and oil facilities throughout the Group.

(2) Good organization of source creation, sales, and business policy to assure the role of market stability, and ensure national energy security; Stay abreast of market developments, flexibly coordinate the synchronous deployment of solutions to strive for comprehensive completion of the criteria of production and business plan in 2023.

(3) Organize the implementation of specific contents in the Restructuring Project for the period 2021-2025, with a vision to 2035; The 5-year production, business, and

development investment plan for the 2021-2025 period was authorized by the State Capital Management Committee at Enterprises and approved by the 2022 Extraordinary General Meeting of Shareholders on December 6, 2022.

(4) Speeding up the implementation of Resolution No. 93-NQ/DU dated November 12, 2021, of the Party Committee of the Group on "Implementing digital transformation at the Vietnam National Petroleum Group to 2025, with orientation to 2030", which focuses on projects on the application of IT, CI at warehouses and construction stations, and college consulting, etc. to enhance management capacity, competitiveness and increase labor productivity.

(5) Implement new projects and orientations of the Group on the development of petrol stations, optimization of cargo routes (DOC), development of truck service stations, electric vehicle battery recharge stations, etc.

2. Some key solutions prioritized for implementation in 2023

(1) Ensuring the supply source

- Implementing the term contracts signed with 02 domestic oil refineries to guarantee correct and sufficient terms according to the committed terms. Actively searching for sources of imported goods with competitive prices and taxes; Developing contingency plans in case domestic oil refineries have problems.

- The Group's departments/divisions work closely with petroleum companies to update information, strengthen forecasting and market assessment, strictly control sales, and review to adjust timely and synchronously from the source of goods, logistics, inventory, price formula, sales policy... when there are abnormal factors.

- Optimizing the movement of goods from warehouses to petrol stations to improve the Group's business efficiency; Completing the construction of oriented inventory days to guarantee reasonable reserves to focus on effectively coordinating resources, improving competitiveness.

(2) Business operations and business support

- Keep abreast of the implementation of the mechanism of petrol trading according to document 926/PLX-CSKD dated 266/6/2022; Research on amending and supplementing the gasoline business policy in accordance with the reality of the market and the provisions of law; Continue to implement tight management of sales conditions for distribution traders to minimize risks, limit losses; Continue to organize review and evaluation for construction develop product strategies that ensure compliance with the market and effective business.

- Strengthening market forecasting to develop production and business plans in 2023 to assure feasibility and initiative in source generation; Developing operating scenarios, and organizing sales for unusual situations that may occur.

- Adhere to the State management agencies in the process of amending and supplementing Decree 95 and Decree 83 to remove difficulties and obstacles for petroleum trading enterprises in the process of operating the petroleum market, especially related to the factors of cost, selling price, base price, and operating period...as well as specifying the duties and responsibilities of the Focal traders/Distributing traders in ensuring the source petroleum supply.

- Develop a system of selective franchisees while simultaneously constructing bundles of products, services, business policies, brand identity, and IT... in the direction of standardization and packaging as a supporting tool for petroleum companies seeking and negotiating with franchisees.

- Concentrate on expanding and enhancing the network of petrol stations, particularly on highways, provincial roads, and in major communities; Adhering to the new directions of constructing petrol stations in accordance with contemporary standards, focusing on convenience, serviceability, and customer satisfaction; Pilot implementation of the model for vehicle service stations.

- Research and develop more feasible new services, and increase the application of technology to enhance the efficiency of exploiting commercial advantages at gas stations as part of the Automation project. Continuing to promote non-cash payment methods in conjunction with effective research and utilization of the Petrolimex ID database will improve the customer experience and attract more customers.

(3) Technical facilities investment

- Focus on implementing the new brand identity at the petrol station system during phase 2 in order to assure consistency, synchronization, efficiency, consistency, and active sales support.

- Organize the implementation of transitional works beginning in 2022 to assure quality and adherence to schedule. Organize and implement project appraisal, budget planning, and investment settlement of construction projects... in accordance with Construction Investment Regulation 486.

- Continue to implement key initiatives and monitor their progress: Petrolimex Tower, increasing capacity of Do Xa Petroleum Depot, Cam Ranh Petroleum Depot, Nghi Huong Petroleum Depot, Project of upgrading and renovating pipelines Hai Duong - K133, Hai Duong - H101 and old pipeline sections on route B12 ... comply with the provisions of law, the Group.

- Continue to review regulations for investment and construction management to ensure compliance with practical circumstances and regulations of the State and the Group. Implement land management in accordance with the Land Management Regulations of the Corporation and the delegation of authority by the Board of Directors.

(4) Application of Technology, Automation, and Digital Transformation

- Strengthening governance, digitalizing business processes related to inspection, supervision, and audit for internal management of the Group, as well as fully, swiftly and accurately serving the inspection teams of state management agencies when working at the Group.

- Focusing on promoting the implementation of IT applications and implementing the community in the Group's management and administration activities according to the "Digital Transformation Project at the Vietnam National Petroleum Group to 2025, orientation to 2030"; Continue to expand and expand modules to maximize the data efficiency of ERP, EGAS, BI, and electronic invoice systems...

- Research and develop tools, centralized executive data dashboards at the Group, including key information: sales output by location, inventory, schedule, station network, tank storage, transportation network, capital estimate information, and daily gross profit, ...

- Research and develop applications and solutions to meet user requirements, and improve the efficiency of electronic office administration (Digital Office).

- Increase customer experience through the completion of the Petrolimex App, Petrolimex ID, and the upgraded version of the CTM system (Version 2).

(5) Financial management

- Develop a plan to balance overall capital throughout the Group to ensure capital for petroleum trading and development investment activities on the principle of safety and efficiency; Maintain well the information, inspection, and control regime to well manage money and debts, ensure safe money management process, and improve the efficiency of capital use.

- To drastically deploy and complete the application of e-invoices for each transaction in accordance with the law. Research, propose amendments for, and complete SAP-ERP and EGAS software. Update the new regulations of the State in the operation of these two systems into business practice.

- Continue to improve, amend, and supplement the system of financial management regulations and processes in a timely manner, in sync with the business mechanism, and in line with practical conditions in each period to ensure the Group's target completion in the period 2021-2025.

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

(6) Management and administration

- Strengthen risk management, and evaluate and quantify impacts due to exchange rate differences and interest rate fluctuations; these are considered critical risks and must be taken in time (if possible) to minimize losses to the Group.

- Maintain strict management of all stages in the process of storing and circulating petrol and oil to ensure the supply of goods that meet standards. Continue to review and evaluate to build the operational loss allowance with the method of reducing stages and phases.

- Promote communication proactively, identify early and remotely to manage risks, and at the same time affirm Petrolimex's role and position in ensuring petroleum supply, as well as the Group's image of culture and services, which is increasingly improving.

(7) Labor Management

- Strictly control the labor cost estimation at petroleum companies. Fulfill the target of improving labor productivity through radical application of technology, and automation.

- Research and develop a plan to improve income for the Office Department and Indirect Department (office, warehouse, tank management, etc.) at the petroleum companies.

- Continue to review and improve regulations and policies related to labor and wage matters

- Continue to organize training courses for middle-level managers; Strengthen skills training for Petrolimex Head Centers, and Sales Staff; Continue to coordinate with JCCP to implement thematic training courses organized for Petrolimex.

(8) For Corporation/Joint Stock Company, Limited Liability Company

- Implement the plan of restructuring units under the restructuring scheme for the period 2021-2025 approved by the Management Board and approved by the Extraordinary General Meeting of Shareholders of 2022 approved on 12/06/2022.

- Strengthen the interaction and support between the parent company - the Group with the Corporation, Joint Stock Company, and Limited Liability Company in which the Group has invested to enhance the systematic nature and improve the competitiveness of the entire industry.

- Promote cooperation between corporations, Joint Stock companies, and petroleum companies to exploit and develop new markets and new customers; make the most of the commercial advantages of the nationwide system of Petrolimex petrol stations to increase revenue and profit, actively contribute to the revenue and general profit in 2023 of each unit, as well as revenue, consolidated profits of the Group.

- Promote digital transformation and application of 4.0 technology into the business of other goods and services of corporations/specialized companies, connect

and synchronize with the Digital Transformation Scheme, application of 4.0 technology of the Group, with a view to creating and thoroughly exploiting the Group's general “Big Data”.

Shareholders and Delegates,

In 2022, despite many difficulties and challenges due to the influence of Covid—19 and the complex and unusual circumstances of the world petrol market, it is with a high spirit of solidarity and effort, the Board of Directors and the Executive Board have actively and effectively implemented the General Meeting of Shareholders' Resolutions, exceeding the prime targets adopted by the General Meeting of Shareholders.

2023 is determined to be the pivotal year in the implementation of the 5-year production, business, and development investment plan for the period 2021-2025. The future scenario is predicted to continue to have many difficulties and challenges when the Russia-Ukraine conflict shows no indications of abating; Covid 19 pandemic is still a potential outbreak risk; however, the Board of Directors and the Executive Board commit to continue to make every effort to lead, direct the Group to effectively operate, sustainably develop, preserve and develop capital, bring high added value to shareholders.

On behalf of the Board of Directors, I would like to thank all shareholders, Ministries, departments, partners, and customers who have trusted and supported Petrolimex over the years. We are committed to continuing our best efforts for the sustainable development of Petrolimex.

I would like to wish you all good health, success, and happiness!

**ON BEHALF OF
THE BOARD OF DIRECTORS**