

DRAFT

Ho Chi Minh City, , 2020

REPORT OF THE BOARD OF MANAGEMENT AT THE SHAREHOLDERS ANNUAL GENERAL MEETING 2020

To: Petro Vietnam Oil Corporation’s AGM

A. The operation of the Board of Management (BOM) in 2019

1. Business performance in 2019 of Petro Vietnam Oil Corporation

1.1 Fundamental Conditions of the domestic economy

Gross Domestic Product (GDP) reached impressive achievement with a growth of 7.02% in 2019, exceeding the National Assembly’s target of 6.6% to 6.8%, in which the industrial sector maintained a good growth with the extractive sector initially gained slightly 1.29% after three consecutive years of decline. However, in the extractive sector, crude oil production declined in 2019.¹

1.2. Managing the petroleum market of the Government

In 2019, the global prices of crude oil and petroleum products still increased/decreased continuously with large amplitudes due to the impact of many geographical factors and world politics. The Government continued to regulate retail petroleum prices on a 15-day cycle. At some points, the movement of domestic prices changed slowly compared to global prices, causing many difficulties for focal firms.² Other tools such as the stable price fund, petrol import tax rate were still applied by the Government in managing the petroleum business. Environmental protection tax for petroleum products and lubricants increased from January 1, 2019.

1.3. The impact of the domestic petroleum market on PVOIL

In 2019, there were periods when Nghi Son Refinery stopped operating or operated at about 50% of capacity³, leading to difficulties of Petro Vietnam Oil Corporation in securing sources and generating costs related to the import and distribution of goods.

The bidding prices of Condensate in the first few months of 2019 were very high (due to some customers buying to produce solvent products), greatly affecting the efficiency of gasoline blending of PVOIL. Demand for E5 RON92 gasoline declined because it has not attracted consumer tastes.

The business cost of PVOIL was higher upon transformation to a joint-stock

¹ According to the “Press release on socio-economic situation in the 4th quarter and 2019 (December 27, 2019)” of the General Statistics Office.

² In 2019, there were 24 times of regulating petroleum prices under a 15-day cycle. In which, petroleum prices had experienced 9 times increased, 11 times decreased and 4 times remained the same. The highest retail price of RON95 gasoline was VND 22,190/liter after the adjustment on May 2, 2019, and the lowest at the beginning of the year on January 2, 2019 was VND 17,600/liter.

³ Nghi Son Refinery shut down the operation because of an incident from February 24, 2019 to the end of March 2019; In July, Nghi Son Refinery continued the unstable operation due to changing catalytic chemical Module 2 and running at 50% capacity, lasting until the middle of August; In the 4th quarter of 2019, Nghi Son Refinery stopped for maintenance for about 45 days (from October 22, 2019).

company because revaluation increased the Enterprise value by about VND 100 billion.

These external factors have adversely affected the business operation of PVOIL in 2019.

1.4. The main missions in 2019

Despite facing many difficulties and challenges from the external environment, PVOIL had always followed the main missions to carry out business. Specifically:

- Exporting/selling safely and effectively the entire volume of crude oil/condensate produced domestically and abroad safely and effectively; providing sufficient domestic crude oil for Dung Quat refinery;
- Maintaining market share, distribution network, promoting petroleum products trading activities, focusing on increasing the proportion of sales to direct consumption channels;
- Continuing to implement restructuring according to the restructuring plan of PetroVietnam Oil Corporation in the 2016-2020 period;
- Investing and developing petrol stations in line with the business strategy of PVOIL;
- Developing plans and solutions to restructure and improve the operational efficiency of the entire system of petrol stations;
- Strengthening the cost management, product cost reduction; strengthening system administration, brand development of PVOIL.

With the attempts and efforts of the whole system, PVOIL has achieved the following fundamental business targets:

No.	Item	Unit	Plan 2019	Result 2019	Compare Result/Plan (%)
1	Marketing/sale of crude oil	1,000 m ³ /ton	10.600	11.052	104%
2	Supply crude oil for BSR (domestic and import)	1,000 m ³ /ton	6,700	7,603	113.5%
3	Production of petroleum, lubricant	1,000 m ³ /ton	604	604	100%
	<i>In which: E5 petrol</i>	<i>1,000 m³/ton</i>	<i>600</i>	<i>567</i>	<i>95%</i>
5	Trading petroleum products	1,000 m ³ /ton	3,200	3,185	99.5%
	<i>In which: Retail percentage</i>	<i>%</i>	<i>26</i>	<i>26.4</i>	<i>101.5%</i>
6	Consolidated Revenue	VND billion	49,000	80,294	164%
7	Parent company's profit before tax	VND billion	340	342	101%
8	Consolidated profit before tax	VND billion	440	412	94%

2. The operation of the BOM in 2019

2.1. The organizational structure and operating mechanism of BOM

- Petro Vietnam Oil Corporation has officially transformed to a joint-stock company since August 1, 2018. The BOM for the first term (from 2018 - 2022) consists of 7 members, including one member of the BOM cum CEO and 2 independent members, 6/7 members of BOM operating under one position mechanism and 01 member operating under concurrent position mechanism. The Chairman of the BOM is Mr. Nguyen Hoang Tuan.

- The BOM of PVOIL operated according to specific organizational rules and principles, with the assignment and coordination among members of the BOM, with the coordination between the BOM and the CEO to smoothly manage and lead the activities of the Corporation.

- The specific duties of the members of the BOM of PVOIL were stipulated under Decision No. 143/QĐ-DVN dated September 11, 2018, signed by the Chairman of the BOM.

2.2. Operation of the BOM

In 2019, the BOM has operated in accordance with the functions, duties and powers stipulated in the Corporation's Charter and the Law on enterprises; kept abreast of the Equitization Plan approved by the Prime Minister, the Resolution of the Annual General Meeting of Shareholders (AGM) and the actual situation of the Corporation to manage the Corporation's activities. Key duties implemented as follows:

- The Corporation's management completed the business plan assigned by the AGM; kept healthy financial situation; preserved and developed capital.

- Deciding on the work of organization and employees under the authority of the BOM.

- Deciding and directing to closely supervise investment activities under the authority of the BOM; Adjusting investment plans, stopping expansion of investment projects which were not necessary, focusing resources to accelerate the progress of key projects.

- Carrying out the management of investment capital and the representative of PVOIL in accordance with the provisions of the State law and the Regulation on management of investment capital of PVOIL in other enterprises.

- Directing the implementation of the restructuring plan of the Corporation under the policies approved by the Vietnam Oil and Gas Group, specifically as follows: i) Completing the division of PVOIL Laos into 2 companies: Export-import company and Distribution company in line with Decree 331 of the Laos Government, putting into operation on June 1, 2019; ii) Continuing to execute divestments in associated companies which are inefficient and not part of the core business: Mekongtrans, PetroTrans, Ca Mau Trade, Petroland, and PVOIL Kien Giang; iii) Implemented restructuring business units facing difficulties: PVOIL Bac Lieu, PVOIL Tra Vinh, PVOIL Phu My, PVOIL Trans; iv) Developing a plan for restructuring and more efficient use of properties of petroleum depots and petroleum stations; cost reduction in the entire system; ...

- Directing to handle biofuel projects under the Scheme on handling ineffective projects of the Government and the guidance of the Ministry of Industry and Trade, Commission for the Management of State Capital at Enterprises and the Group. Regularly

updating information on biofuel projects and reporting to the competent authorities as prescribed.

- Directing making plans for reorganizing, managing, operating and utilizing key depots in the whole system.

- Directing the investment in the development of the system of petrol stations and strategic warehouse systems to ensure the sustainable development of PVOIL.

- Directing the formulation of the business plan in 2020 and other plans for submission to the AGM; the preparation of content and organization of the AGM in 2020.


- Directing the strengthening of the inspection and supervision of the operation of the business units that are invested by PVOIL; requesting the Capital Representative of the Corporation to take measures/look for solutions to overcome the shortcomings in the operation of the unit indicated by the internal and external inspection teams; building solutions to enhance management, improve capital efficiency. Paying special attention to the management and control of debts, operating expenses in the whole system; the debt status in the whole system is strictly controlled and did not generate new bad debts.

- Directing the review, amendment, completion and promulgation of the system of internal management documents in line with the model of joint-stock company and actual operation of PVOIL in each period; promulgating regulations applying to listed public companies; reviewing, improving and implementing internal regulations relating to the decentralization and delegation between BOM and CEO.

- The coordinating closely, regularly between BOM, BOD and the Board of Supervisors in implementing resolutions of AGM and BOM; enhancing the compliance in the management and administration of the Corporation's operations, ensuring the compliance with the laws and internal regulations.

2.3. Activities of the members of BOM

In addition to performing the rights and duties as prescribed by law, the Charter on organization and operation of PVOIL – JSC, each member of the BOM has planned, supervised, urged the BOD to implement the Resolutions and Decisions of the AGM, the BOD; actively exchanged, discussed and gave opinions in the field assigned to them, specifically:

 Mr. Nguyen Hoang Tuan – Chairman of BOM

- Taking general responsibility for managing and administering activities of the BOM according to the provisions of the Law on enterprises and the Corporation's Charter. On behalf of the BOM approving Resolutions, Decisions and documents under the authority of the BOM.

- Directly aiming the formulation and implementation of the strategy; Personnel Organization; Promulgating and amending the Regulations, and General Policies of the Corporation.

- Directly leading the activities of the Corporation's Internal Control.

 Mr Cao Hoai Duong – BOM member cum CEO

- Performing functions and duties of the Chief Executive Officer of the Corporation
- The legal representative of PVOIL.

- Directly controlling State divestment in PVOIL, salary and bonus from the parent company.

- ✚ Mr. Le Van Nghia – BOM member

- Supervising activities of arranging capital, relationships with financial institutions; Inspecting, supervising/auditing throughout the system.

- Attending to grasp information and direct at the Corporation's meetings on finance, inspection and supervision.

- ✚ Mr. Nguyen Viet Thang - BOM member

- Supervising business activities, trade and market development in the whole system.

- Attending to grasp information and directing at the Corporation's meetings on business, commerce and markets.

- ✚ Mr. Hang Anh Minh – Independent BOM member

- Supervising investment activities, formulate and implement plans at the Parent Company and its subsidiaries.

- Attending to grasp information and directing at the Corporation's meetings on planning and investment.

- ✚ Mr. Le Ngoc Quang - Independent BOM member

- Supervising technology activities, techniques, production and processing in the whole system.

- Attending to grasp information and directing at the Corporation's meetings on manufacturing, processing and technology.

- ✚ Mr. Tran Hoai Nam – Noncurrent BOM member

- Supervising and supporting to attract foreign investment, develop new business fields of the Corporation.

2.4. Periodic activities

From January 1 to December 31, 2019, the Board of Management held 04 periodic meetings to discuss/approve the following important issues:

No.	Meeting minutes	Content	No. of BOM member participate
01	No. 64/BB-DVN March 14, 2019	- Listening to the reports: 1) Business performance of PVOIL in 2018 and Quarter 1/2019; 2) Summarizing and evaluating the results of implementing the Resolution of the BOM in 2018; 3) Preparation for the 2019 Annual General Meeting of Shareholders of PVOIL.	7/7

		<ul style="list-style-type: none"> - Proposals of the BOD to the BOM and updated some of the difficulties and solutions of the BOM for the parent company and business units. - The BOM members requested the BOD to deploy the work according to the assigned division. - Discussing the content of the Proposals of the BOM and some other issues. 	
02	No. 302/BB-DVN October 19, 2019	<ul style="list-style-type: none"> - Business results in the first 10 months of 2019, the targets for the last 2 months of 2019 and the targets for 2020 of PVOIL. 	7/7
03	No. 342/BB-DVN November 20, 2019	<ul style="list-style-type: none"> - Divestment in subsidiaries/associates, financial investments of Petec in Report No. 138/TTr-TGD dated November 06, 2019. - Content of personnel work under the direction of Vietnam Oil and Gas Group in Document No. 1749/DKVN-QTNL dated November 11, 2019. 	6/7
04	No. 360/BB-DVN December 10, 2019	<ul style="list-style-type: none"> - Discussing the change of owner of PVOSN shareholders - Sebrina Trading Company (Vietnam) Pte Ltd according to the Report No. 149/BC-TGD dated December 2, 2019 of the CEO of the Corporation. 	6/7

During the year, the BOM conducted 114 written surveys and issued 81 resolutions to manage/direct the Corporation's activities in the following aspects:

No.	Resolution subjects	No. of resolutions
1	Organization - Human Resources - Salary	27
2	Operation	19
3	Divestment – Restructuring	8
4	Investment – Transfer - Leasing assets	3
5	Finance	6
6	Directing meetings of the Board of members/BOM/AGM/abnormal	18
Total:		81

General assessment:

- The BOM meetings were convened in line with the provisions of the Law on Enterprise and the Corporation's Charter. Issues under the authority of BOM were considered and voted on the principle of "majority" and were issued in the form of written resolutions and decisions. The resolutions/decisions of BOM were fully, timely and in compliance with the regulations of BOM and the Board of Supervisors.

- The resolutions/decisions issued by BOM were fully and actively implemented by BOD, Provisions/Departments and subsidiaries, and achieved the goals of the BOM of Corporation set out.

2.5. Results of the supervision of the Corporation's management and administration of CEO and managers

In 2019, CEO and managers were proactive and drastic in the management; deployed additional sales methods and new forms of payment to increase retail petroleum output, improved the efficiency of the Corporation's performance, and fulfilled duties according to the contents of the AGM's resolutions and direction of BOM.

In the process of managing the Corporation's operations, CEO and managers complied with the decentralization in the Corporation's Charter and internal regulations, resolutions of the General Meeting of Shareholders and the provisions of law; CEO always fully implemented and strictly executed the resolutions and decisions of BOM.

Fully implementing regulations on information disclosure for listed companies.

2.6. Evaluation results of the Independent Member of the BOM on the activities of the Corporation's BOM in 2019

In the structure of BOM of PVOIL, there are 02 independent members of BOM. During the year, the Independent Members of BOM have performed correctly the duties and tasks assigned by AGM; fully participated in meetings and contributed independent opinions and votes on issues that require a decision of BOM; participated in supervising and directing the activities of BOD assigned by BOM.

In 2019, assessing the operation of Corporation's BOM, the Independent Member of BOM noticed that:

- The BOM of PVOIL in 2019 worked with a sense of responsibility and transparency in management; full compliance with the regulations for public companies. BOM has held periodic meetings; collected members' written surveys to approve issues under its rights; regularly directed and supervised the implementation of Resolutions of BOM and AGM.

- At PVOIL, State shareholders as well as other shareholders, expect the value of the Corporation to increase. The members of BOM are representatives of state capital, so in addition to the duty to comply with the corporate governance, they also take the legal responsibility and preserve the state capital. The operation of the Corporation depends quite heavily on the fluctuations of global oil prices and was in the general difficulties of the industry in the last months of 2019. Independent members of BOM noticed that BOM and BOD of the Corporation tried their best to propose and protect the State's commitments and policies that were most beneficial to the Corporation and sought appropriate, effective operating solutions in the complicated situation of the petroleum market.

- The core business of the Corporation is in the petroleum sector, the State shareholder dominates the capital, every year in addition to the independent audit selected by the shareholders, the shareholders can rely on the regular documents and reports reviewed and supervised by state management agencies such as Inspectors of departments, tax authorities, and State Auditors.

General assessment: In 2019, BOM has completed its duties and tasks assigned by AGM.

2.7. Remuneration and operating expenses of the Board of Management

- Salary, remuneration and operating expenses of BOM comply with the resolution of AGM in 2019.

- Details of salary and remuneration fund implemented in 2019 are as follows:

Unit: VND Million

No.	Title	Number	Projected salary and remuneration fund approved by BOM in 2019	Actual salary and remuneration fund		
				Salary, allowance	Remuneration	Total
1	Chairman of BOM	1	1,074	1,071.5		1,071.5
2	BOM's member cum CEO	1	1,074	1,071.5		1,071.5
3	Executed BOM member	4	3,602	3,595		3,595
4	Concurrent BOM member	1	180		180	180
Total:		7	5,930	5,738	180	5,918
<i>Average: NDmn/person/month)</i>				79.7	15	

(Details of remuneration of the Board of Management are summarized and shown in the audited financial statements 2019).

- Operating expenses of the Board of Management in 2019: Administrative and related expenses for the operation of the Board of Management comply with the Operation Regulations of the Board of Management and the Financial regulations, Internal expenditure limits of the Corporation.

3. Operation plan in 2020

In 2020, the action plan of BOM will focus on the following subjects:

1. Directing the successful implementation of business targets according to the resolutions of AGM in 2020; focusing on solutions to enhance competitiveness and continuing to improve the efficiency of operation of the Corporation; reviewing/directing the reorganization of the petroleum business system, researching and applying more new business methods to increase petroleum sales through retail channels and industrial customers; deploying creative/feasible solutions to maintain steady market share, distribution system, to boost petroleum production operating and trading activities, and to ensure efficiency and absolute safety in the operation of the whole system.

2. Leading to strengthen cost management, lower costs/cost of goods to enhance competitiveness, increase operational efficiency from the Corporation to its business units. Strengthening the inspection, supervision and evaluation of operational efficiency of business units to closely, safely and effectively ensure the management, raising and use of capital for the right purpose. Direct the implementation of special supervisory measures according to regulations that are applicable to Member units which had business operation being at a loss, and Member units which had signs of financial insecurity. Implementing measures to cope with the impact of the pandemic to the production and business of PVOIL.

3. Restructuring: The Corporation's BOM continues to direct/assign tasks to the Representatives at the Subsidiaries to closely follow the Corporation's restructuring plan approved by the Group to develop, to submit plans and solutions to the Corporation for consideration and implementation, ensuring the restructuring is carried out effectively, quality and timely.

4. Equitization finalization of PVOIL: Continuing to focus on directing the equitization finalization to be soon approved by the Group and competent authorities.

5. Restructuring assets: Directing to continue reviewing, arranging, and reorganizing the capacity structure, storage structure; Increasing storage capacity, the ability to import and export in advantageous warehouses; transferring or leasing capacity to enhance the efficiency of asset use/exploitation.

6. Investment activities: Focus on directing and speeding up the completion of transition projects from 2019, ensure progress and efficiency; Promote investment and development of petrol stations in the whole system in accordance with the development strategy of the Corporation; Research and develop a business plan of Jet fuel A1; Temporarily suspend and delay the implementation of projects that are not urgent; continue handling and reporting to competent authorities to approve/decide solutions of some ineffective assets and investment projects left from the pre IPO period.

7. Financial management and risk management: Continuing to closely supervise financial management, risk management throughout the system, in order to enhance the efficiency of capital balance, cash flow and debt management to not generate new bad debts, taking measures to promote the recovery of outstanding and bad debts, and ensuring a healthy financial situation.

8. Biofuel Factories: Depending on the actual operating of each plant, the Corporation will continue to closely follow the direction of BOD to handle shortcomings and weaknesses of some projects and enterprises that are ineffective, slow to progress of Industry and Trade to develop specific plans for each factory and submit to competent authorities for consideration and handling in line with regulations. In the short-term, the Corporation will direct the Capital Representatives at some Biofuels plants: Binh Son, Binh Phuoc, Phu Tho to work with other shareholders and other related parties to implement the maintenance, protection plan of assets with minimum cost.

9. Continuing to closely follow the Group's guidelines and the actual circumstances for construction; to timely amend and supplement to the Corporation's business strategies and plans.

10. Directing to continue implementing solutions to enhance corporate governance in the whole system; promoting the implementation of scientific research and application of information technology in management, administration and control of the system to improve transparency, publicity and efficiency in corporate governance.

**ON BEHALF OF THE BOM
CHAIRMAN**

Nguyen Hoang Tuan

