

No: /TTr-DHDCD

*Ho Chi Minh City, day...month...,2023*

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## **PROPOSAL**

### **Approving the contract between PVOIL and Binh Son Refining and Petrochemical Joint Stock Company (BSR) and Nghi Son Petroleum Products Distribution Branch - Vietnam Oil and Gas Group (PVNDB)**

To: Annual General Meeting of Shareholders of PetroVietnam Oil Corporation-JSC

Pursuanting to the Law on Enterprises No. 59/2020/QH14 approved by the 14th National Assembly of the Socialist Republic of Vietnam on June 17, 2020 (Law on Enterprises 59/2020/QH14) and guiding documents;

Pursuanting to the Decree No.155/2020/ND-CP issued by the Government on December 31, 2020, detailing the implement some provisions of the Law on Securities (Decree No.155/2020/ND-CP);

Pursuanting to the Charter on organization and operation of PetroVietnam Oil Corporation - JSC approved by the Annual General Meeting of Shareholders (AGM) on April 27, 2021 and the amended and supplemented documents.

Currently, 70% of petroleum supply for the domestic market comes from Dung Quat Refinery belonging to Binh Son Refining and Petrochemical Joint Stock Company - BSR (a member unit of Vietnam Oil and Gas Group (PVN), held by PVN 92.1% of charter capital) and Nghi Son Refinery belonging to Nghi Son Refinery and Petrochemical Company Limited (NSRP) to which PVN contributes 25.1% capital, distributing products through Nghi Son Petroleum Products Distribution Branch (PVNDB) (an Affiliated unit PVN).

The total volume of petroleum purchased by PVOIL from BSR and PVNDB accounts for nearly 90% of PVOIL's total input sources, playing a very important role in helping PVOIL ensure a stable supply for the distribution system and develop the market, increasing market share, contributing to ensuring business efficiency... in the context of market fluctuations, difficult to predict and fierce competition.

Stemming from the fact that buying petroleum from domestic refineries has more advantages than importing from abroad to Vietnam such as: (i) Purchase surcharge (premium) from domestic refineries is offered for sale by BSR/PVNDB on the principle of being suitable for the market and competing with imported goods; (ii) The volume of shipments received from domestic refineries is quite small, so they can be delivered directly to the consumption storages and the time to receive/deliver goods to PVOIL's storages is much shorter than that of imported goods. Meanwhile, the volume of an imported shipment is often large and not all storages can receive it, leading to additional costs for moving to the consuming storages. Therefore, the purchase of goods from domestic refineries helps to reduce costs and minimize the risk of price fluctuations when the State increasingly shortens

the operating cycle of domestic petroleum retail prices; (iii) Reduce costs related to import deployment such as: L/C opening cost, financial cost, cost of transporting goods to the consumption storages, no need to arrange foreign currency because of payment in VND. Therefore, it is expected that in the next 5 years, PVOIL will also continue to have petroleum trading transactions with BSR and PVNDB similar to 2022 and previous years.

PVN is a major shareholder of PVOIL, owning 80.52% of PVOIL's charter capital. Therefore, according to current regulations, the petroleum purchase contracts between PVOIL and BSR and PVNDB (Members and affiliated units and of PVN - a affiliated person of PVOIL) have an actual total value of 35% or more of total assets in the year must be submitted to the AGM for approval.

Therefore, in order to be proactive in ensuring the supply of goods and optimizing business efficiency, helping PVOIL fulfill the plan targets and comply with the provisions of Article 167 of the Law on Enterprises 59/2020/QH14 and Article 293 Decree No. 155/2020/ND-CP, The Board of Management (BOM) of PetrolVietnam Oil Corporation - JSC respectfully submits to the AGM of PetrolVietnam Oil Corporation - JSC to consider and **approve the contract between PVOIL and BSR and PVNDB for the period 2023-2028** as follows:

1. Approving the contract, transaction with the Affiliated person, the relationship between the Affiliated person and the Corporation, the main contents and value of the contract and transaction are as follows:

No,	Unit	Relationship with PVOIL	Main contents in the contract/transaction	Value
1	Nghi Son Petroleum Products Distribution Branch (PVNDB)	Affiliated unit of PVN	- Petroleum purchase	Over 35% of the total asset value on the PVOIL's most recent financial statement
2	Binh Son Refining and Petrochemical JSC (BSR)	Subsidiary of PVN	- Petroleum purchase	Over 35% of the total asset value on the PVOIL's most recent financial statement

*Note: The total volume of petroleum purchased by PVOIL from BSR and PVNDB in 2022 is 3.08 million m<sup>3</sup> with a total value of VND 60.06 trillion, of which: i) purchased from BSR 1.49 million m<sup>3</sup> with a value of 29.23 trillion VND; ii) purchase from PVNDB 1.59 million m<sup>3</sup> with a value of VND 30.83 billion. The volume and value of petroleum purchase contracts of PVNDB and BSR arising annually in the period of 2023-2028 will depend on the volume under the Term contract negotiated with BSR/PVNDB and changes in world oil prices every year.*

The total value of transactions with each Affiliated Person arising during the period will be stated in the Corporation's Semi-Annual Financial Statements and Annual Financial Statements.

In case of new contracts, transactions or amending, supplementing contracts, and transactions outside the scope of the above approval, the BOM of the Corporation is responsible for submitting it to the AGM for consideration and decision.

2. Application period: Applicable to all contracts and transactions arising in the period from 2023 to the end of 2028.
3. Assign the BOM to monitor and direct the implementation of these contracts and transactions, ensuring that the implementation complies with the provisions of law, the Corporation's regulations and market practices.

Respectfully submit to the AGM for consideration and approval.

Sincerely Yours./.

**ON BEHALF OF THE BOM  
CHAIRMAN**

**Cao Hoai Duong**