

**PERFORMANCE REPORT AND EVALUATION  
OF THE BOARD OF DIRECTORS IN 2019 &  
PLANS FOR 2020**

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**I. BOARD OF DIRECTORS' ASSESSMENT ON BUSINESS PERFORMANCE 2019**

**1. A stocktaking of 2019 and Prospects for 2020**

In 2019, Vietnam achieved a GDP growth of 7.02%, amidst increasing regional and international strategic competition. The World Economic Forum (WEF) has recognized Vietnam's remarkable progress with a 10-step improvement and among the world's fastest advancing country in terms of competitiveness.

Last year's financial market also recorded many new developments. The revised Law on Securities was officially adopted by the National Assembly in November 2019 and would take effect as of January 1, 2021, with many new regulations to enhance market transparency and mitigate risks for investors. Foreign capital remains impressive with large equity acquisitions in some of Vietnam's largest corporations and banks. However, while the stock market' upgrade from marginal to emerging level is expected to increase liquidity thanks to strong attraction of capital flows, in fact the liquidity in the stock market in 2019 was down by 29% compared to the average in 2018.

The pharmaceutical industry in 2019 also marks the further improvement of regulations and guidelines, with the Ministry of Health's Circular 15/2019/TT-BYT guiding the drug procurement after a long time of revision. Accordingly, high quality domestic pharmaceutical companies will be prioritized in ETC channel. Businesses with factories meeting EU-GMP or PIC/S standards granted by ICH countries are prioritized in bidding for categories 1 & 2 in Generics drugs. The Ministry of Health's regulations on management of prescription drugs in line with international practices also continue to drastically change sales strategies and revenue structure of pharmaceutical companies in 2019, as well as in the medium and long term.

With over 22 years of investing in product quality, franchise production for multinational pharmaceutical corporations, Imexpharm is highly appreciated for its growth potential by long-term development strategies. As the leading generics manufacturer in Vietnam with EU-GMP certified factories, especially injection drug production lines, Imexpharm also focuses on R&D to develop a high-value product portfolio for each factory. In addition, for many years, Imexpharm has robustly applied 4.0 technology in management, covering from production systems, finance to distribution.

Entering early 2020, investors have high expectations for the growth potential of Imexpharm. However, amidst the complicated context of Covid-19 which affects the global input materials, Imexpharm and other pharmaceutical businesses are faced with many challenges in completing production and business targets in 2020.

## 2. Performance review of 2019

### Development strategy towards long-term values

In 2019, Imexpharm remained focused on strategies that bring high and long-term value to shareholders. Accordingly, the Company focused on developing a high-value product portfolio to tap into the hospital bidding channel with the expectation to compete and replace imported drugs, while maintaining the OTC market. This is considered to be the right strategy when Imexpharm's known competitive edge is antibiotics and specialty drugs, while regulations on the management of prescription drugs in line with international practices are being strictly enforced in Vietnam.

Binh Duong High-tech Factory (IMP4) has been successfully reviewed for WHO-GMP certification in September 2019 and will be reviewed for EU-GMP certification in Q2/2020. The progress of the plant was delayed by about one quarter compared with the initial commitment to shareholders due to the complicated evolution of the pandemic and travel restriction from Europe to Vietnam to carry out the review.

In the period of 2019-2020, Betalactam High-tech Factory in Binh Duong (IMP3) is playing a key role in contributing a high proportion of value to the operation results of Imexpharm.

### Total net revenue and other income reached 98% of the 2019 target, increasing by 17.7% year-over-year

If in 2018, Imexpharm's revenue only reached a low growth rate of 1.8%, 2019 marked a spectacular recovery with a growth rate of 17.7%, helping the Company reach a total revenue of VND1,420 billion, achieving 98% of revenue target in 2019.

Imexpharm branded products account for a high share of 87.2% of the total net revenue. In particular, ETC channel revenue increased significantly by 2 times yoy, and accounted for nearly 32% of the Imexpharm's revenues, compared to 19% of the previous year. Efficiency from EU-GMP plants shows that ETC return strategies in the high-end segment are showing the desirable outcomes.

Business performance and fundamental financial ratios for 2019 are as follows:

| Indicator  | 2019      | 2018      | % of<br>2019<br>target | %<br>of<br>change |
|--|-----------|-----------|------------------------|-------------------|
| <b>Business performance (VND million)</b>              |           |           |                        |                   |
| Total net revenue and other income                     | 1,420,711 | 1,207,125 | 98.0%                  | 17.7%             |
| Net revenue  | 1,402,454 | 1,184,818 |                        | 18.4%             |
| Pre-tax profit & Science & Technology Development Fund | 222,429   | 192,769   | 101.1%                 | 15.4%             |
| Pre-tax profit   | 202,429   | 173,769   |                        | 16.5%             |
| Profit after tax                                       | 162,387   | 138,683   |                        | 17.1%             |
| <b>Assets - Equity (VND million)</b>                   |           |           |                        |                   |
| Total assets   | 1,847,174 | 1,774,247 |                        | 4.1%              |
| Charter capital  | 494,212   | 494,212   |                        | 0.0%              |
| Owner's equity   | 1,558,889 | 1,504,613 |                        | 3.6%              |
| <b>Profit margin</b>                                   |           |           |                        |                   |

|                                 |        |        |        |
|---------------------------------|--------|--------|--------|
| ROS (Net profit/Revenue)        | 11.6%  | 11.7%  | (0.1%) |
| ROA ((Net profit/Assets)        | 9.0%   | 7.8%   | 1.2%   |
| ROE (Net profit/Owner's equity) | 10.6%  | 9.6%   | 1.0%   |
| EPS (VND)                       | 2,892  | 2,470  | 17.1%  |
| Book value (VND)                | 31,565 | 30,457 | 3.6%   |

### **Profit reached 101.1% of the target, recording a high growth rate of 15.4%**

In 2019, Imexpharm continued to achieve the goal of 101.1% growth in profit before tax and before distribution to the Science and Technology Development Fund, reaching VND222.4 billion or a high growth of 15.4%.

If excluding the income of VND8.2 billion from the divestment from S.Pharm Pharmaceutical Joint Stock Company (Soc Trang), and Da Nang Pharmaceutical - Medical Equipment Joint stock Company (Dapharco) in 2018, and other income, profits before tax and before distribution to the Science and Technology Development Fund in 2019 achieved a very high growth rate of 19.4% despite rigorous competition among the pharmaceutical industry in this year.

### **Slight increase in total assets and owner's equity**

The charter capital during the year remained unchanged as the Company made no new issuance. However, Total assets and Equity increased by 4.1% and 3.6% respectively thanks to accumulated profits.

### **Profit margin improved compared to 2018**

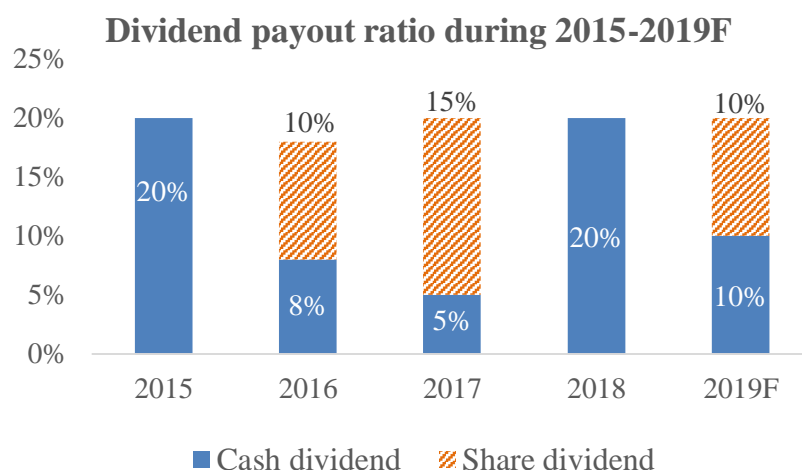
Operating profit margin ROS was 11.6%, slightly decreasing by 0.1% compared to 2018. However, ROA and ROCE reached 9.0% and 10.6%, respectively, recording an increase of 1.2% and 1.0% yoy thanks to high profit growth.

Earnings per share reached VND2,892, increasing by 17.1% yoy. Book value per share remained high at VND31,565 per share, up by 3.6% yoy.

The Board of Directors has closely monitored the use of investment capital to deliver maximum return to shareholders.

### **Maintain high dividend payment to shareholders**

Imexpharm always maintain a policy of high and stable dividend for shareholders of the Company. Dividends are always fully and duly paid as disclosed, at a rate equal to or higher than the level approved at the Annual General Meeting. Specifically, the dividend /charter capital ratio over the years was as follows:



Dividend payout in 2018 accounted for 20% of the charter capital, the company has paid cash dividends to shareholders in 2019 at a rate of VND2,000/share. The Board of Directors also closely monitored the payment to shareholders on July 11, 2019.

Therefore, the total dividends that Imexpharm paid to shareholders in 2019 was VND98.8 billion, accounting for 71.24% of 2018 profit after tax attributable to the owners.

The expected dividend payout ratio of 20% for 2019, of which 10% is in cash and 10% is in share, will be submitted to the 2020 AGM for approval and will be paid by the Company within 06 months from the date of concluding 2020 AGM.

## **GOVERNANCE STRUCTURE FOR SUSTAINABLE DEVELOPMENT**

In 2019, Imexpharm continued to apply advanced practices to corporate governance. Standards applied included: OECD Principles of Corporate Governance, IFC Corporate Governance Manual, Corporate Governance Scorecard of Vietnam and ASEAN, HOSE Sustainability Index, GRI's Sustainability Reporting Standards, etc. Imexpharm has made a lot of improvements related to: rights of shareholders, fair treatment of all shareholders, related parties, disclosure of information, and independence of the Board of Directors.

Imexpharm also compared its corporate governance against Vietnamese Corporate Governance Scorecard for listed companies for further improvements. In particular, 2019 is the second consecutive year that Imexpharm was honored among the Top 5 Corporate Governance Awards for Medium-sized capitalization category.

In addition, the company regularly assessed Sustainability indicators. 2019 is the fourth year in a row Imexpharm was ranked in Top 100 Vietnam sustainable businesses ranked and announced by Vietnam Business Council for Sustainable Development under VCCI.

## **II. THE BOARD OF DIRECTORS' OVERSIGHT OVER THE GENERAL DIRECTOR AND THE EXECUTIVE BOARD**

Based on the Charter, Internal Management Regulation, and Operating Rules of the Board of Directors, the Board of Directors has duly supervised the performance of the General Director and the Executive Board in production and business activities and

implementing Resolutions of the General Meeting of Shareholders and Resolutions of the Board of Directors, specifically as follows:

## **1. Supervision methods**

- The Board of Directors supervises the General Director and the Executive Board periodically through reports of the Executive Board for quarterly Board meetings, extraordinary meetings, via email and phone, on the implementation status of the production and business strategies, targets and investment projects approved by the General Meeting of Shareholders, and the progress of implementing the BOD's Resolutions.
- The Supervisory Board has supervised the following aspects: coordination with Internal Control to monitor compliance at Sales Branches, monitor EU-GMP plant progress, manage financial and operational risks by working with an Independent Auditor and functional departments.
- At the Board meetings, the Executive Board is responsible for explaining the outstanding issues, proposing solutions for implementation, and answering the questions of the Board of Directors and the Supervisory Board for the notable issues. The Board of Directors discussed thoroughly before adopting the resolutions after each meeting, based on which the Executive Board would carry out production and business.
- The Board of Directors also cooperated closely with the Executive Board in promoting relations with shareholders, investors, partners, employees and other stakeholders.

**Evaluation criteria of the Board of Directors to the General Director and other members of the Executive Board are centered around two main aspects:**

- **Regarding the performance of production and business targets**  
This criterion is evaluated based on the actual performance of: (1) the Company's overall production and business objectives approved at the AGMs; (2) the quality objectives of the Division headed by each member of the Executive Board under the BSC (Balanced Scorecard).
- **Regarding the capacity and responsibilities of the Executive Board**  
The BOD assessed the competence of the Executive Board through self-assessment results in terms of effectiveness of work, leadership competence assessment based on the Dictionary of Leadership Competence issued by the Company, integrating 6 Rules of the Corporate Culture.  
In addition, the Board of Directors also assessed the accountability of the Executive Board through the following criteria: due diligence, honesty, avoidance of conflicts of interest, confidentiality, and loyalty to Imexpharm.

## **2. Conclusion**

Through the mechanism of supervision, accountability and periodical reporting on a quarterly and extraordinary basis, the BOD assesses that the General Director and the Executive Board have fulfilled the assigned rights and tasks in accordance with applicable Laws, the Charter of the Company, Resolutions of the General Meeting of Shareholders and Resolutions of the BOD.

In 2019, the Executive Board successfully implemented the strategic goals approved by the General Meeting of Shareholders and the Board of Directors on all aspects: business,

production, finance, investment, human resource development, etc., thereby driving the Company's exponential growth thanks to EU-GMP factories and high-value product portfolio, affirming the Imexpharm's leading position in Vietnam's pharmaceutical industry.

### III. ACTIVITIES OF THE GENERAL MEETING OF SHAREHOLDERS IN 2019

#### 1. Activities of the General Meeting of Shareholders

On April 23, 2019, Imexpharm General Meeting of Shareholders held the Annual General Meeting of the financial year 2019. All necessary procedures were fully performed in accordance with applicable regulations and guidelines in the best interests of shareholders and according the following schedule:

| No. | Event   | Date           | Note:  |
|-----|---|----------------|--|
| 1   | Date of issuing BOD Resolution on finalizing the list of shareholders to be convened for 2019 AGM | March 07, 2019 | 20 days before the RSVP deadline   |
| 2   | Date of announcing the RSVP deadline and submission of dossier to VSD                             | March 15, 2019 | 12 days before the RSVP deadline   |
| 3   | Ex-dividend date  | March 26, 2019 |  |
| 4   | Record date   | March 27, 2019 |  |
| 5   | Date of receiving the list of shareholders  | March 29, 2019 |  |
| 6   | Date of sending the invitation letter   | April 02, 2019 | 02 business days from the date of receiving the list of shareholders; 21 days before the AGM |
| 7   | Date of releasing the AGM document on <a href="http://www.imexpharm.com">www.imexpharm.com</a>    | April 06, 2019 | 16 days before the AGM   |
| 8   | Date of 2019 AGM  | April 23, 2019 |  |

The Resolution of 2019 AGM was strongly supported by all shareholders attending the meeting. Resolutions and minutes of the AGM were published and reported within 24 hours as per regulation.

Details of the Resolution of 2019 AGM are as follows:

| No. | Resolution No.   | Date of issuance | Contents  |
|-----|------------------|------------------|---|
| 1   | 13/NQ-ĐHĐCĐ-IMEX | April 23, 2019   | Approved 07 topics under the authority of the General Meeting of Shareholders |

#### 2. Information disclosure

Imexpharm's disclosure policy complies with the Company's Information Disclosure Regulation issued by the BoD, and is consistent with corporate governance policy.

Imexpharm adheres to information disclosure guidelines described below:

- The information must be transparent, accurate, complete, clear and published on time, either on a regular or ad-hoc basis.
- Information that may have material impacts on IMP stock price and investor sentiment, the rights of shareholders, or may cause an event that seriously affects the interests of the investors must be published on time and posted on the official website of Imexpharm, Ho Chi Minh Stock Exchange and the State Securities Commission.
- All stakeholders shall have convenient access to the information that Imexpharm publishes.

The Board Chairman is also authorized to disclose information at Imexpharm to help enhance transparency and standardization of information disclosure. Monthly news publication (Investor Relations News) in both Vietnamese and English also helps to communicate Imexpharm's operating information in a timely manner to shareholders and investors, which is recognized by the investor community.

Last year, Imexpharm Board Chairman and IR News Division also hosted many meetings with shareholders, investors and quickly responded through emails to the investors' questions of interest.

### 3. The Board of Directors

#### 3.1. Members of the Board of Directors

In 2019, Imexpharm's Board of Directors operated according to the Operation Regulation of the Board of Directors, the Company Charter and Internal Regulation on Governance, amended under the 2014 Enterprise Law and Decree 71/2017/ND-CP guiding corporate governance of public companies and approved at the 2018 AGM. The BOD had 08 (eight) members, 3 of which were non-executive members. This helped to ensure objectiveness in decision making of the BOD.

#### List of BOD members in 2019:

| No. | Full Name            | Position                | Member of BOD | IMP share holding ratio |             | Date of appointment/Dissal   |
|-----|----------------------|-------------------------|---------------|-------------------------|-------------|--|
|     |                      |                         |               | % represented           | % ownership |  |
| 1   | Mr. Nguyen Quoc Dinh | Chairman of BOD         | Executive     | 11.436 (*)              | 1.01        | - Appointed on 29 July 2001<br>- Starting date in the position of BOD Chairman: May 17, 2013 |
| 2   | Ms. Tran Thi Dao     | Deputy Chair of the BOD | Executive     | -                       | 0.97        | - Appointed as BOD Chairman on 29 July 2001<br>- Starting date in the position of BOD        |

| No. | Full Name              | Position      | Member of BOD | IMP share holding ratio |             | Date of appointment/Dissal                                  |
|-----|------------------------|---------------|---------------|-------------------------|-------------|---|
|     |                        |               |               | % represented           | % ownership |   |
|     |                        |               |               |                         |             | Vice Chairman: May 17, 2013                                 |
| 3   | Ms. Han Thi Khanh Vinh | Member of BOD | Non-executive | 11.436 (*)              | 0           | Starting date in the position of BOD Member: April 28, 2018 |
| 4   | Mr. Ngo Minh Tuan      | Member of BOD | Executive     | -                       | 0.28        | Starting date in the position of BOD Member: March 30, 2015 |
| 5   | Mr. Huynh Van Nhung    | Member of BOD | Executive     | -                       | 0.35        | Starting date in the position of BOD Member: May 17, 2013   |
| 6   | Mr. Le Van Nha Phuong  | Member of BOD | Executive     | -                       | 0.08        | Starting date in the position of BOD Member: April 28, 2018 |
| 7   | Mr. Vo Huu Tuan        | Member of BOD | Non-executive | -                       | 0.11        | Starting date in the position of BOD Member: April 10, 2009 |
| 8   | Mr. Tran Anh Tuan      | Member of BOD | Non-executive | -                       | 0.11        | Starting date in the position of BOD Member: April 10, 2009 |

(\*) Ratio of the capital representative of Vietnam Pharmaceutical Corporation, the major shareholder holding 22.87% of Imexpharm's charter capital as at December 31, 2019.

### 3.2. Changes of BOD members during the year

In 2019 there was no change of BOD members of Imexpharm Corporation.

### 3.3. BOD Chairman is not concurrently serve as the General Director

The clear assignment of roles and responsibilities for the BOD Chairman and the General Director demonstrates the independence of the BOD, which should ensure the division of decision making powers, enhancement of responsibilities as well as the independent nature of BOD activities.

### 3.4. Activities of the BOD in 2019

#### Quarterly meeting of the BOD

The BOD of Imexpharm maintained quarterly meetings in order to summarize and assess business and production operations in each quarter, discussed the orientations and plan for the subsequent quarter and make timely decisions to manage the Company. BOD meetings are regularly held in compliance with the requirements on the quorum and quality.

In 2019, the BOD held 04 (four) periodical meetings in person. Organization of meetings of the BOD was carried out in accordance the Company Charter, Internal Regulation and the Regulation on operation of the BOD. Meeting invitations must be sent at least 10 days in advance. Documents and reports for the meeting must be sent to members at least 5 days in advance.

Members of the BOD duly attended the meetings and performed voting, with details as follows:

| No. | BOD Member             | Position          | Number of BOD meetings attended | Attendance rate | Reason for absence   |
|-----|------------------------|-------------------|---------------------------------|-----------------|--|
| 1   | Mr. Nguyen Quoc Dinh   | Chairman BOD      | 4                               | 100%            |  |
| 2   | Ms. Tran Thi Dao       | Vice Chairman BOD | 4                               | 100%            |  |
| 3   | Ms. Han Thi Khanh Vinh | Member of BOD     | 4                               | 100%            |  |
| 4   | Mr. Ngo Minh Tuan      | Member of BOD     | 4                               | 100%            |  |
| 5   | Mr. Huynh Van Nhung    | Member of BOD     | 3                               | 75%             | Engaged with another business duty, authorized Mr. Le Van Nha Phuong |
| 6   | Mr. Le Van Nha Phuong  | Member of BOD     | 3                               | 75%             | Engaged with another business duty, authorized Mr. Huynh Van Nhung   |
| 7   | Mr. Vo Huu Tuan        | Member of BOD     | 2                               | 50%             | Personal issue, authorized Mr. Tran Anh Tuan                         |
| 8   | Mr. Tran Anh Tuan      | Member of BOD     | 4                               | 100%            |  |

BOD meetings always had the attendance of the Head of Supervisory Board. In each meeting, the Supervisory Board put forth questions to the General Director and Deputy Directors regarding significant matters

involving business and production operations of Imexpharm, risks in financial management, production and sales of the Corporation.

BOD meetings in 2019 concentrated on solving and approving pivotal matters as follows:

- Regular follow-up on the implementation of the business and production Plan in 2019 as per the Resolution of the General Meeting of Shareholders;
- Salary and bonus rates follow the Collective Labor Agreement and Regulation on sales bonuses for 2019;
- Approved the investment project for a dietary supplement factory and testing center in Cao Lanh City, Dong Thap Province;
- Established Investor Relations (IR) Department directly affiliated to the Board of Directors;
- Authorized the General Director to obtain credit lines at commercial banks in the form of unsecured loans, with a total credit line of VND200 billion;
- Carried out the procedures as prescribed and finalized the list of shareholders for 2018 dividend payment;
- Select PwC Vietnam Co., Ltd. as the Company's independent auditor for 2019;
- Authorized Ms. Tran Thi Dao and Mr. Nguyen Quoc Dinh to sign contracts with Agimexpharm Pharmaceutical Joint Stock Company;
- Progress with the hi-tech plant in Binh Duong (EU-GMP);
- Approval of handling measures of bad debts as per regulations;
- Approval of exercising the right to purchase additional shares for existing shareholders of Agimexpharm Pharmaceutical Joint Stock Company;
- Authorized the General Director to sign a credit contract with a limit of VND50 billion (Fifty billion VND) to finance the investment in the dietary supplement factory;

The Resolutions adopted by the Board of Directors forms an important basis and orientation for the Executive Board to effectively and strictly perform production and business tasks.

#### **Providing directions and making important decisions within the BOD's competence based on proposal of the General Director**

In addition to the four scheduled meetings mentioned above, in 2019, Imexpharm Pharmaceutical JSC's Board of Directors also had 07 extraordinary meetings via email, specifically:

- 1.1 On January 03, 2019, to consult the Board of Directors via email on the liquidation of unused real estate to raise capital for core business activities and improve capital efficiency;
- 1.2 On January 10, 2019, to consult the Board of Directors via email on the distribution rate to the Science and Technology Development Fund in 2018;
- 1.3 On January 22, 2019, to consult the Board of Directors via email on organizing 2019 AGM;
- 1.4 On May 23, 2019, to consult the Board of Directors via email on promulgating the Operating Rules of the Board of Directors, and the Regulation on information disclosure of Imexpharm Corporation;

- 1.5 On June 7, 2019, to consult the Board of Directors via email on reclamation of ESOP stocks from resigning employees for treasury stocks.
- 1.6 On August 29, 2019, to consult the Board of Directors via email on reclamation of ESOP stocks from resigning employees for treasury stocks.
- 1.7 On December 12, 2019, to consult the Board of Directors via email on allocating evaluation and production cost at Vinh Loc High-tech Antibiotic Factory (IMP2).

***Invited members include:***

**Mr. Nguyen Duc Tuan - Head of the Supervisory Board:** In 2019, Mr. Nguyen Duc Tuan fully attended and voiced opinions on all of 11 BOD meetings (04 regular and 07 ad-hoc meetings).

### **Resolutions and Decisions issued by the BOD in 2019**

In 2019, the BOD adopted in total 13 significant Resolutions for the Executive Board to implement. The Minutes, Resolutions and Decisions of the BOD are highly agreed among the Board members and in the best interests of shareholders and other relevant stakeholders. All resolutions of the Board of Directors were fully disclosed within 24 hours.

#### **3.5. Activities of committees under the Board of Directors**

The current scale of business is not large enough for Imexpharm to establish committees under the BOD. Policies related to personnel, salary and bonus, investor relations, development policies, internal audit, risk management, etc. are being assigned to BOD members in charge. Issues involving personnel, salary and bonus are managed by non-executive BOD members.

In 2019, the Board of Directors also discussed the plan to propose 2020 AGM to set up committees under the Board of Directors, especially the Audit Committee, in order to meet the current regulations on corporate governance and effectively assist the BOD.

#### **3.6. Activities of non-executive members**

The Board of Imexpharm had members who possessed diversified experiences in various professions and industries. As a result, decision making of the members, despite being unanimous, was of independent nature. Non-executive members often had separate meetings and discussions about the governance of Imexpharm. In the past year, members actively contributed to the activities of the BOD.

Members of the BOD not only stood accountable for periodical analysis of macroeconomic and financial climate but also provided up-to-date news of the pharmaceutical industry and precious advice on development strategy, markets, partners and M&A strategies for the Executive Board. Moreover, members also proactively supported in relations with shareholders, investors and the share issuance strategy for increasing the charter capital. Last but not least, they also advised on matters involving high-ranking personnel, salary and bonus and the ESOP regulation of the Company.

### **3.7. Remuneration and operating expenses of the Board of Directors, Supervisory Board in 2019**

#### **Remuneration, operational expenses and bonus of the BOD and SB in 2019**

At the Annual General Meeting 2019, Proposal 10/TTr-HĐQT-IMEX on remuneration and bonus for the BOD and SB for achieving business goals of 2019 was approved on April 02, 2019, specifically:

- Remuneration and expenses for the BOD and SB: ratio of 2% of Profit before tax and distribution for Fund for Science & Technology Development and before actual paid expenses for the BOD and SB.
- Bonus for the BOD and SB when the Company completes the profit plan: 1% of the net profit after tax; the bonus for achieving higher than the planned profit target is 5% of the excess profit compared to the planned target.

**Table of remuneration and bonus in 2019 for the BOD and SB is as follows (Unit: VND)**

| Indicator   | Remuneration, expenses and bonuses for the BOD and SB: |                      | % Change |
|---|--|----------------------|----------|
|   | 2019   | 2018                 |          |
| Opening balance   | 1,123,582,636  | 1,081,316,360        | 3.9%     |
| Deduction approved at the General Meeting of Shareholders | 6,064,671,907  | 5,235,599,608        | 15.8%    |
| Actual expenses (before personal income tax)              | 4,800,555,556  | 5,193,333,332        | -7.6%    |
| Closing balance   | <b>2,387,698,987</b>                                   | <b>1,123,582,636</b> | 112.5%   |

Remuneration, expenses and bonuses distributed to the BOD and SB in 2019 were VND6.06 billion, or a yoy increase of 15.8%; the actual expenditures in the year were VND4.8 billion, down by 7.6% yoy.

*(For details of pay, benefits and remuneration of each member of the Board of Directors, the Executive Board, and the Supervisory Board, refer to the 2019 Annual Report / Sustainable Governance / Transactions, income, remuneration and other benefits of the Board of Directors, Executive Board, Supervisory Board)*

### **Other benefits for BOD and SB members**

Apart from the aforementioned operating expenses and bonus fund to be approved annually by the General Meeting of Shareholders, members of the BOD and SB had no other benefits. Except the BOD Chairman cum Deputy Financial Director, and Deputy Chair cum General Director, other members were entitled to no provision of private cars. Independent and non-executive BOD members, Head of Supervisory Board were not granted sponsored business travel, allowances of mobile phone nor other allowances.

### **3.8. Transactions between the Company and related persons of the Company, or transactions between the Company and major shareholders, internal persons and related persons thereof**

The Company enforced a policy of restricting insider trading and no such transaction incurred in the year.

In 2019, Imexpharm had transactions with its associate, i.e. Agimexpharm Pharmaceutical Joint Stock Company (Imexpharm currently holds 32.99% of charter capital), details are as follows (Unit: VND million):

| Indicator                      | Agimexpharm |        |          |
|--------------------------------|-------------|--------|----------|
|                                | 2019        | 2018   | % change |
| Sales                          | 47,779      | 23,211 | 105.8%   |
| Purchase                       | 16,521      | 19,434 | -15.0%   |
| Trade receivables as of Dec 31 | 4,413       | 13,609 | -67.6%   |
| Trade payables as at Dec 31    | -           | -      | -        |

Sales transactions with Agimexpharm in 2019 increased sharply over the previous year, due to Imexpharm's sharing of raw materials with the associate and the dispatch of raw materials to Agimexpharm for outsourcing of some products.

Purchasing activity from Agimexpharm is by nature transferring finished products to the Company after the outsourcing is completed. The company also regularly monitors and supervises the production and quality assurance of outsourced products in this associate.

#### IV. ACHIEVEMENTS AND LIMITATIONS IN GOVERNANCE IN 2019

##### Major achievements in corporate governance 2019

##### 1. Imexpharm: Best Corporate Governance in the mid-cap category - Vietnam Listed Company Awards 2019

The Vietnam Listed Company Awards is an extension of the Annual Reports Awards - that has accompanied Vietnam stock market and the listed businesses in the past 10 years. Taking transparency as the core value in all activities, this is the second year in a row that Imexpharm was honored among the Top 5 Corporate Governance Awards for Medium-sized capitalization category.

This is a great encouragement from the stock market and investor community, for Imexpharm to review and further strengthen its corporate governance system in a more sustainable manner according to advanced practices and in line with Vietnamese regulations on good corporate governance.

##### 2. The draft submitted to 2020 Annual General Meeting of Shareholders the establishment of Committees under the Board of Directors, including the Audit Committee

In 2019, Imexpharm Board of Directors discussed and agreed on the establishment of affiliated committees to assist the Board of Directors, especially the Audit Committee to comply with Decree 05/2019/ND-CP, for its Internal Auditing to follow international practices.

Accordingly, the Board of Directors will submit to the General Meeting of Shareholders in 2020 for approval the establishment of BOD committees, and at the same time revise the Company's Charter and Internal Management Regulations to suit the organizational structure. new.

##### 3. Improvement of internal management regulations

In 2019, Imexpharm continues to improve regulations on internal governance such as: supplementing the Operating Rules of the Board of Directors, amending the

Regulation on Information Disclosure on the stock market, amending the Information disclosure process on the stock market for the relevant departments' execution.

In addition, the Company has also drafted and issued the Code of Conduct in the same year. Through this Code of Conduct, the Board of Directors expects that employees will better understand and adhere to responsible business commitments that the Company has successfully implemented over the years to achieve increasingly sustainable development, meeting the modern corporate governance rules that Imexpharm is pursuing.

### Limitations and solutions

In addition to the results achieved in 2019, the Board of Directors also acknowledges some limitations in the current structure of the Board of Directors as follows:

- **According to current regulations, the Imexpharm BOD does not meet the prescribed ratio of independent members applicable for listed companies (at least 1/3),** since non-executive members have held concurrent positions for more than 5 years.

Imexpharm's current Board of Directors possess diverse professional experience in different industries, ensuring the independence and balance between the ratio of executive and non-executive members. The members of the Board of Directors are elected in the General Meeting of Shareholders for the term 2018-2022. On the other hand, regional corporate governance regulations also provide for a longer time for independent board members. We also believe that 5 years is a relatively short time for a senior executive to understand and maximize their performance in a business. Current members of the Board of Directors are making valuable and effective contributions to the Company's operations.

- The absence of independent Directors also makes it difficult for the Company to establish Committees under the Board of Directors because it is customary to have an independent member to head the Committees, especially the Audit Committee.
- In addition, female BOD members now account for only 2/8 of the total membership. Imexpharm is also trying to find the right person to be added as an independent Board member to the Company.

## V. OBJECTIVES AND PLAN OF THE BOD IN 2020

The Board of Directors anticipates that risks remain ahead in terms of raw material supply when the pandemic is prolonged and complicated on a global scale. In addition, export revenue is not likely to make a positive contribution to growth in 2020.

However, with the potential for revenue growth from EU-GMP certified factories (IMP2, IMP3, IMP4) to compete in national biddings for the high-end segment, the Board of Directors still agreed on the revenues and profits targets proposed by the Executive Board for 2020 as follows:

| No. | Target (VND billion)   | Planned 2020 | Growth |
|-----|--|--------------|--------|
| 1   | Total net revenue and income   | 1,750.0      | 23.2%  |
| 2   | Profit before tax and distribution for Fund for Science & Technology Development | 260.0        | 16.9%  |
| 3   | Profit before tax  | 260.0        | 28.4%  |

*(No distribution is expected to be made to the Fund for Science & Technology Development in 2020)*

Total revenue and income in 2020 is expected to reach VND1,750 billion or an increase of 23.2%; pre-tax profit and contribution to the Science & Technology Development Fund will reach VND260 billion at a growth rate of 16.9% compared to 2019.

This is a real challenge, given that the expected average growth until 2022 is only above 10% per annum. However, with the potential of EU-GMP factories that are being constructed, Imexpharm is expected to maintain its high growth rate which would double the industry's average growth rate to 2022.

To fuel the growth prospect, the Board of Directors will improve corporate governance in accordance with advanced practices and against ASEAN and Vietnamese corporate governance score card in compliance with Decree No. 71/2017/ND-CP on corporate governance. Accordingly, the Board of Directors will set up affiliated committees, including the Audit Committee, to support and ensure the effectiveness of the Board's operations. Performance review of the Board of Directors and Supervisory Board, supervision of the General Director and the Executive Board will also be improved to enhance the roles and accountability of all members.

For sustainable development goals, the Board of Directors will also further accompany the Executive Board in its management of production, product development and distribution network in a way that promotes efficient application of eco-friendly Industry 4.0 technology. At the same time, Imexpharm is committed to maintain and promote investment for communities, study support funds, and support to local communities, improved access to health care for disadvantaged people. In particular, the Corporation will continue to ensure long-term employment and career development for its employees while harmonizing the interests of stakeholders.

Above is the business performance report for 2019 and the operation plan for 2020 of the Board of Directors of Imexpharm Pharmaceutical Joint Stock Company. On behalf of the Board of Directors, I would like to express sincere thanks to our shareholders, investors, customers, partners, and all staff members who have always extended your confidence and dedication to Imexpharm.

Sincerely,

**ON BEHALF OF THE BOARD OF  
DIRECTORS  
CHAIRMAN**

**(Signed)**

**Nguyen Quoc Dinh**