**IMEXPHARM CORPORATION**

**THE SOCIALIST REPUBLIC OF VIETNAM**
**Independence – Freedom - Happiness**

**No.: 08/BC-HĐQT**

***Cao Lanh city, April 1st, 2022***

# REPORT ON ASSESMENT OF THE BOARD OF DIRECTORS ON ASPECTS OF OPERATIONS IN 2021

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## I. Assessment of the Board of Directors on aspects of operations in 2021

We have passed a very tumultuous 2021. Maintaining business and production continuity is becoming difficult for enterprises, which is never seen before when the supply chain disruption, and health safety of employees are affected by the pandemic. However, threaten situations would stimulate opportunities. The year 2021 has marked a record speed of digital transformation of Vietnamese enterprises, and also created a chance to transform operating models as well as introduce new solutions to reach customers more effectively.

Although it is considered to be a highly stable industry, Imexpharm as well as other pharmaceutical enterprises could not avoid struggles induced by the pandemic such as the source of imported raw materials disrupted, the pressure of increasing prices, the long deliver time and the increase in transportation costs, etc. The consumption markets almost halted when hospitals were requisitioned for treating Covid-patients. The operation of private medical channels and pharmacies is also restricted when lock down and social distancing orders were continuously enforced.

The Board of Directors, the Board of Management of Imexpharm were searching, considering and choosing solutions that prioritize the protection of health and safety for employees, direct the storage plan to maintain production and business continuity. The Company regularly provides scenarios with proposed handling solutions, both direct implementation of emergency business plans to cope with the situation and strengthening the management of potential risks probably arising in uncertainties. Simultaneously, the Board of Directors also supported the Board of Management in accelerating the digitization of sales and marketing programs in order to flexibly adapt to the pandemic situation.

The year 2021 is truly a year of "Fire proves gold, adversity proves men". The happiest thing is that each member of Imexpharm's family with more than 1,200 people was safe through the pandemic. The proudest thing is that Imexpharm has firmly overcome the epicenter of the market. And what we are most interested in is also the key factor that connects each person up to now, which is the Imexpharm's culture that the members have been building up day by day.

The Board of Directors summarizes some of the results achieved in 2021 as follows:

## 1. Assessment on the results of implementing the Resolution of the General Meeting of Shareholders

| No. | Content | Schedule |
|---|---|---|
| 1 | **Business and production objectives in 2021:** | **Business and production results in 2021:** |
| | ▪ Total net revenue and other incomes: VND 1,530 billion | ▪ Total net revenue and other incomes: VND 1,290.6 billion, reaching 84.4% of the 2021 plan |
| | ▪ Profit before tax: VND 290 billion | ▪ Profit before tax: VND 238.9 billion dong, attaining 82.4% of year's target |
| 2 | Authorize the Board of Directors to select 01 (one) out of 05 (five) independent auditing firms for the fiscal year 2021 | Approving for the Board of Management to sign the audit service contract No. 7294/PwC-HCMC/HD/2021 on June 14, 2021 with PwC (Vietnam) Co., Ltd., referring to the request of the Head of the Supervisory Board |
| 3 | **2020 Profit distribution:** | **The Company has done** |
| | ▪ Paying 15% cash dividend/Charter capital, equivalent to VND 100 billion or 47.7% of distributed profit after tax | ▪ Cash dividend payment to shareholders on July 16, 2021 |
| | ▪ Distributing to Development Investment Fund: VND 84.5 | ▪ The Company has distributed funds in |

| | | |
|---|---|---|
| | billion, equal to 40.31% of distributed profit after tax | compliance with the Resolution of the General Meeting. |
| | ▪ Distributing to Bonus and Welfare Fund: VND 25.2 billion, equal to 12.0% of distributed profit after tax | |
| 4 | Remuneration and operating expenses of the Board of Directors and Supervisory Board in 2021: 2% of pre-tax profit and before actual expenses for the Board of Directors and Supervisory Board. | The Company has distributed remuneration and operating expenses of the Board of Directors and Supervisory Board in 2021 in compliance with the approval of the General Meeting of Shareholders, with a total amount of nearly VND 4.9 billion. |
| 5 | Amendment and supplement of the Company's Charter, Internal Regulations on Corporate Governance, Operating regulations of the Board of Directors, operational regulations of the Supervisory Board. | Amended and supplemented according to the Resolution of the General Meeting of Shareholders and disclosed information in accordance with regulations. |

## 2. Evaluation of business performance in 2021:

| **Criteria** *(VND million)* | **2021** | **2020** | **% Plan 2021** | **% Change** |
|---|---|---|---|---|
| Total net revenue and other incomes | 1,290,554 | 1,382,337 | 84.3% | (6.6)% |
| Net revenue | 1,266,597 | 1,369,422 | | (7.5)% |
| Revenue from finished goods | 1,191,295 | 1,279,848 | | (6.9)% |
| Profit before tax | 238,859 | 255,441 | 82.4% | (6.5)% |

**Total revenue met 84.3% of the plan in 2021, dropped 6.6% compared to 2020**

The total net revenue and other incomes of Imexpharm attained in 2021 was VND 1,290.6 billion, declined by 6.6% compared to the previous year, and only achieved 84.3% of the plan set by the General Meeting of Shareholders. The lockdown and social distancing orders that lasted from the end of the second quarter to the fourth quarter and covered almost all of Imexpharm's main market regions have adversely impacted the consumption market on both OTC and ETC. However, the revenue experienced a decrease of 6.6%, which showed a certain stability in the Company's business activities thanks to the flexibility of the team and the long-term trusting relationship between Imexpharm and clients.

Such performance also helps Imexpharm continue to maintain its position in the Top 5 prestigious pharmaceutical manufacturing companies in Vietnam in 2021 as awarded by Vietnam Report.

Imexpharm acknowledges the efforts of the sales and marketing team who did not mind the difficulties and risks of disease transmission to contribute to this encouraging result. In addition, the functional divisions also showed a great spirit of cooperation together with the sales and marketing teams to help the Company gain a very encouraging result in a very special year.

The Board of Directors also highly appreciates the risk management of the Board of Management as well as implementation of solutions to promote telegraph transfer payments, which helps to reduce exposures to cash of customers and medical representatives and mitigate receivables risks for the Company. In addition, the policy of proactively stockpile inventory has stabilized the prices of input materials and created conditions to keep drug prices stable when providing for people during the pandemic as well as maintain business continuity so that there is no shortage of raw materials for production.

Imexpharm also appreciates the Asian Development Bank (ADB) for believing in transparency in production, business and financial activities, the Company's responsible actions towards the environment, community and society as well as providing a loan of 8 million USD to help Imexpharm stabilize its financial source to implement the policy of proactively stockpile packaging materials for manufacturing.

**Profit before tax reached 82.4% of the plan target, falling by 6.5% compared to the previous year**

Pre-tax profit in 2021 is VND 238.9 billion, dropping by 6.5% compared to the previous year, the fall is caused by a decrease in revenue. This is the next remarkable achievement of Imexpharm. While a lot of additional costs were incurred in the past year for the pandemic prevention and control including: organizing 3 on-site productions, 4 on-site productions, the cost of providing a centralized resting place for all employees involved in production, the cost of regular testing for all employees, the cost of protective equipment for workers, the cost of sponsoring the localities to fight against the pandemic. This achievement is really a bright spot in 2021.

## 3. Assessment of Imexpharm's responsibilities towards stakeholders, society and the environment, demonstrating "Initial commitment"

**Responsibility with employees**

Over the past year, Imexpharm has organized for all employees to have access vaccines as soon as possible and conducted other activities in strict compliance with the pandemic prevention and control, thereby protecting the safety of the staff. Although the bonus level has decreased slightly compared to 2020 (due to the influence of reduced sales), in general it still ensures incomes of employees in the context of obstacles.

The total number of Imexpharm employees at the end of 2021 was 1,203 people, decreasing by 3.5% compared to 2020. The average income of employees in 2021 was VND 15.7 million/person/month, a slight increase compared to the figure of VND 15.6 million/person/month in 2020. This was an extremely encouraging result for the Board of Directors and all employees.

During the year, Imexpharm also organized a series of internal cultural activities with 26 topics on the Company's fanpage in order to strengthen the camaraderie in the situation of having to comply with directives 15+, directive 16 on travel restriction, switch to working online, as well as to motivate the team spiral during the harsh time to reinforce "Good Health – Strong Mind" and persistently be congruent with the common goals of the Company.

### Responsibility with shareholders and investors

Under uncertain circumstances in 2021, Imexpharm still ensures corporate governance in accordance with standards and transparency, while strengthening internal control and risk management throughout the Company. The disclosure of information is always carried out by the Investor Relations Department (IR) in accordance with regulations by publishing updated information on Imexpharm's production and business activities.

Through the monthly IR Newsletter, Quarterly Financial Report, Corporate Governance Report every 6 months, Annual Report, Sustainability Report, periodical and extraordinary disclosures, interviews with Imexpharm's management in the Investment Review and other newspapers, as well as direct responses to inquiries via phone or email, have helped shareholders and investors to have the clearest picture of Imexpharm's operation model.

In 2021, Imexpharm successfully conducted a secure meeting of the General Meeting of Shareholders in a direct format on April 24, 2021. The IR department also attended the "Pharma & Sugar Tour" organized by SSI Securities Joint Stock Company to enhance communication channels, listen and answer questions for shareholders and investors.

In addition, Imexpharm also paid 2020 cash dividend to shareholders on July 16 2021, at the rate of 15%/Charter capital, equivalenting to VND 100 billion or 47.7% of after-tax profits distributed.

### Undertaking responsibilities to partners and customers

Customer care is always a top priority at Imexpharm, especially during the pandemic. The Company has strengthened many online approaches to protect the health and safety of customers. Imexpharm has also implemented a policy to increase the discount rate for customers who pay immediately via bank transfer or internet banking to limit contact with employees and cash. The Company also sends to pharmacy customers meaningful gifts that are essentials for use while applying social distancing. In addition, Imexpharm also organized a series of online seminars to invite health professionals to provide formal guidance for self-diagnosis, verification, symptom identification, self and family protection, and guidelines on instructions on first aid, handling and treatment directions for Covid-19 disease for customers and the community.

For partners, Imexpharm always ensures that transactions are done fairly and transparently. The Company also always keeps the brand reputation and maintains the payment schedule as agreed upon for its partners. The total value of transactions with suppliers to buy packaging materials, machinery and equipment and outside services in 2021 was VND 1,387.5 billion, of which domestic transactions accounted for nearly 75%.

### Obligations to the State and the local community

Imexpharm always strictly abides by tax regulations. In 2021, the total amount of taxes and other items that the Company has paid to the State budget was VND 102.7 billion.

In addition, last year in front of the situation of Dong Thap and the whole country put all their efforts on fighting against the pandemic, especially the medical force, Imexpharm spent more than VND 6.4 billion supporting to combat Covid-19. In which, Imexpharm's employees also contributed to the frontlines involved in the treatment of Covid-19 with the amount of VND 680 million deducted from the Employee Bonus and Welfare Fund. Imexpharm's activities included:

- Sponsoring Covid test kits, protective cloths, drugs and equipment for the Department of Health and Covid treatment hospitals in Dong Thap with a total budget of VND 5.3 billion.
- Funding in cash for the Labor Union of Hospitals, with a total amount of VND 1.1 billion.

The Company wishes to thank and repay with specific actions in order to share a part with the hardships of the medical team who have devoted themselves to help the community overcome the pandemic.

Furthermore, in 2021 Imexpharm still maintains educational development sponsorship activities and study and talent promotion funds with a total budget of VND 972 million. The Company also donated to build 5 charity houses with a total budget of VND 250 million.

The Company's total budget for CSR activities last year was more than VND 7.6 billion, nearly 3 times higher than the budget of 2020.

**Responsibility to the environment**

Imexpharm is always committed to complying with current national and local requirements and regulations on environment, occupational health and safety.

Regarding the environment, Imexpharm has been applied environmental protection measures according to ISO 14001:2015 standard and certified by Intertek organization. The Company also set annual environmental quality targets for implementation with efforts of reducing electricity consumption, and hazardous waste per million production units. In addition to the good treatment of waste water and waste, the Company is also focusing on measuring to manage greenhouse gas emissions due to the use of DO oil for some equipment at the plants such as generators, boilers, etc as well as transportation of materials, products and operations of employee bus.

## II. SUPERVISION ACTIVITIES OF THE BOARD OF DIRECTORS FOR THE GENERAL DIRECTOR AND THE BOARD OF MANAGEMENT

### 1. Monitoring method

In 2021, the Board of Directors of Imexpharm well performed the task of supervising the General Director and the Board of Management by the following methods:

- The Board of Directors decided on all issues under its authority in accordance with the Law on Enterprises, the Company's Charter, and the Internal Regulations on Corporate Governance. Resolutions serve as the foundations for the General Director to conduct production and business activities.
- The Chairman of the Board of Directors participated in all Sales and Marketing meetings, quarterly briefings together with the Board of Management and key staff of the Company to promptly give direct instructions for all activities of the Company.

- Through quarterly meetings of the Board of Directors, the General Director and the Board of Management has undertaken responsibilities to comprehensively report on all aspects of operations: production, products, sales and marketing, distribution, human resource management, financial management and simultaneously explain to the Board of Directors and the Head of the Supervisory Board about Imexpharm's performance in each quarter and the strategy and plan for the following quarter.
- The Board of Directors evaluates the performance of the General Director and the Board of Management based on KPIs and the Company's BSC targets set annually for each individual and for the divisions comprising of: Production 1, Production 2, Finance, Sales and Marketing and Strategic Division.
- Through the Supervisory Board, the Internal Audit & Risk Management Subcommittee, and the Internal Control Department, the Board of Directors monitors the Company's internal control and risk management system, especially is a system of 20 sales branches nationwide.

## 2. Monitoring contents

The Board of Directors supervises the General Director and the Board of Management for the work within the scope of rights and obligations of the Board of Directors, specifically as follows:

- Monitor the implementation of production and business objectives in 2021 in terms of revenue and profit;
- Supervising the decentralization of financial management at 20 sales branches, and risk management in terms of debts, customers, and inventories, etc.;
- Supervising and coordinating to successfully conduct the General Meeting of Shareholders in 2021;
- Monitor the distribution of profits and dividend payments for 2020 to shareholders;
- Supervise the signing of the 2021 audit contract with PwC Vietnam Co., Ltd.

- Supervising the quarterly financial statements, supervising the preparation of interim review financial statements, and audited financial statements for the year 2021.
- Monitoring the schedule of accrediting and re-certifying EU-GMP standards for Imexpharm's factories, the progress of product registration and the list of key products of plants.
- Supervising the representative of the contributed capital and approving Imexpharm's transactions with the associated company.

## 3. Monitoring results

- Although the revenue and profit did not meet the target in 2021, the Sales and Marketing department made all effort to overcome the difficulties and challenges of 2021 as well as established new channels and applied modern technology to approach, consult and connect well with customers. The Marketing Department has well organized a series of online seminars to invite leading experts to share knowledge related to the Covid-19 and how to have good heath with the community.
- Production 1 and Production 2 Divisions have also overcome obstacles and hardships, actively participated in production of 3 on-site and 4 on-site, in order to sufficiently supply drugs to the market as well as contribute to support healthcare and the disease prevention activities for the community
- The Finance Division has maintained a healthy financial position, well controlled debts, ensured a stable capital source and actively applied a strategy to stockpile raw materials in order to stabilize drug prices and maintain production and business continuity for the Company.
- Especially, the Strategic Management Division in 2021 has successfully completed the following tasks: (1) Organizing for the team to have timely access to vaccination; (2) Take good care for the team in terms of materiality and mentality during the pandemic, significantly provided the adequate and safe logistics for 3-4 on-site operations of the production and sales team; (3) Quickly switch to online internal training programs, build creative and attractive training clips.

**In 2021, under the right management direction of the Board of Management, the Board of Directors recognized the Company's achievements as follows:**

- Ensure good health for a team of more than 1,200 employees through the pandemic; Stabilizing salary and bonus policies, material and spiritual life for employees.
- Imexpharm culture is recognized as the key factor that unites each member with the same desire to overcome difficulties in production and business.
- Explore the effectiveness of 4.0 technology to comprehensively digitize all aspects of the Company's activities, especially sales, marketing and training.
- Implement policies to encourage customers to pay via banks, limit the risk of cash exposure and direct contact with customers.
- R&D Department: successfully submitted dossiers and obtained 02 European Visas for Amoxicillin 250mg and Amoxicillin 500mg products, conducted bioequivalence tests for 2 products: Zanimex 500mg film coated tablets, and Biocemet DT 500mg/62.5mg dispersible tablets.
- Carrying out preparations to welcome EU-GMP inspectors at IMP4 factory - Binh Duong in the next Quarter 2. Similarly, it was completing the preparation for EU-GMP re-certification at two factories IMP2 - Vinh Loc, IMP3 - Binh Duong (IMP2 and IMP3 have been allowed to extend the validity of EU-GMP until the end of 2022).

**However, the Board of Directors also noted the limitations in production, business and investment activities due to the impact of the pandemic as follows:**

- The Company's revenue and profit in 2021 has not yet achieved the target set by the General Meeting of Shareholders.
- The IMP4 factory has not been approved for EU-GMP standards due to the regulations on travel restrictions to prevent and fight against the pandemic caused the experts of Ministry of Health at host country not able to fly to Vietnam to conduct inspections.

Through the above opinions, the Board of Directors highly appreciates and acknowledges that the General Director and the Board of Management have performed the production and business activities in 2021 with all their enthusiasm, great responsibility and excellence in many aspects. Although there are still some limitations due to the objective situation induced by the pandemic, the results of 2021 have fully demonstrated the "Heart - Talent - Ability" of Imexpharm's Board of Management that is deserved to manage a leading pharmaceutical enterprise in Vietnam which is trusted, engaged and accompanied by all employees, shareholders, investors, customers, partners and authorities.

## III. OPERATIONS OF THE BOARD OF DIRECTORS IN 2021

### 1. Board of Directors meetings in 2021 and resolutions issued

| No. | Full name | Title | Member of the BOD | Date of appointment | Number of meetings | Rate of participation |
|---|---|---|---|---|---|---|
| 1 | Mr. Nguyen Quoc Dinh | Chairman of the BOD | Executive | - Appointed as member of the BOD since July 29 2001<br>- Date of appointment as Chairman of the BOD: May 17 2013 | 4 | 100% |
| 2 | Ms. Tran Thi Dao | Vice Chairwoman of the BOD | Executive | - Appointed as the Chairman of the BOD: July 29 2001<br>Date of appointment as Vice Chairwoman of the BOD: May 17 2013 | 4 | 100% |
| 3 | Mr. Ngo Minh Tuan | Member | Executive | Date of appointment: Mar 30 2015 | 4 | 100% |

| No. | Full name | Title | Member of the BOD | Date of appointment | Number of meetings | Rate of participation |
|---|---|---|---|---|---|---|
| 4 | Mr. Le Van Nha Phuong | Member | Executive | Date of appointment: April 24 2018 | 4 | 100% |
| 5 | Ms. Han Thi Khanh Vinh | Member | Non-executive | Date of appointment: April 24 2018 | 3 | 75% |
| 6 | Mr. Tran Anh Tuan | Member | Non-executive | Date of appointment: April 10 2009 | 4 | 100% |
| 7 | Mr. Truong Minh Hung | Member | Non-executive | May 30 2020 Date of appointment: | 4 | 100% |

In 2021, the Board of Directors of Imexpharm held 4 regular meetings. The meetings of the Board of Directors are always seriously organized and implemented in accordance with the Internal Regulations on Corporate Governance, the Operational Regulations of the Board of Directors, as well as applied advance practices and rules.

Each meeting usually lasts 6-7 hours to discuss solutions, set orientations and development of strategies for Imexpharm. Members always attend fully and actively give opinions and vote ideas. As for Ms. Han Thi Khanh Vinh, due to a busy schedule, she was absent from a regular meeting and sent a vote back to the meeting.

Besides 04 scheduled meetings as above, in 2021, the Board of Directors of Imexpharm Corporation had 7 unscheduled meetings via email.

During the year, the Board of Directors of Imexpharm issued a total of 13 decisions and resolutions to serve as the basis for the Executive Board to carry out business and production tasks during the year.

**The main contents approved by the Board of Directors during the year include:**

- Approving a number of issues related to procedures for loans of USD 8 million granted by ADB;
- Production and business results in 2020;

- Report on progress of projects: (1) Binh Duong Hi-tech Factory (IMP4); (2) Functional Food Factory and Quality Control Center;
- Business objectives in 2021; Unit cost of salary 2021
- Finalize the list of shareholders to convene the 2021 AGM; Program, content, working regulations and documents of the General Meeting of Shareholders 2021;
- Amendment of the Company's Charter, the Internal Regulations on Corporate Governance, the Operational Regulations of the Board of Directors, and the Operational Regulations of the Supervisory Board to submit to the 2021 General Meeting of Shareholders for approval.
- Submitting to the General Meeting of Shareholders 2021 to approve the exemption from the public tender offer for the shareholder - SK Investment Vina III Pte.Ltd.;
- Establishing the Internal Audit Department under the Subcommittee on Internal Audit and Risk Management of the Board of Directors; Passing the Internal Audit Regulations;
- Change of personnel in charge of Head of Internal Audit and Risk Management Subcommittee: Mr. Tran Anh Tuan – Non-Executive member of the Board of Directors in charge of Head of Subcommittee replacing Mr. Nguyen Quoc Dinh - Chairman of the Board of Directors;
- Authorize representatives of Imexpharm's capital at Agimexpharm to vote at the AGM 2021 Agimexpharm; Authorizing the General Director to exercise the right to buy additional shares for existing shareholders of Agimexpharm
- Report production and business results each quarter, and plans for the following quarter;
- Conduct finalizing the list of shareholders to pay dividends in 2020
- Operational plan for 2021 of the Internal Audit Subcommittee - Risk Management and the Internal Audit Department;
- Select PwC (Vietnam) Company Limited as the independent auditor to review and audit the financial statements for 2021; Authorize the General Director to sign the audit contract.

- Approving to write off bad debts according to regulations, with the total settlement value in 2021: VND 1,544,217,038.
- The General Director's report on the use of the Development Investment Fund to offset the withholding tax difference, with the total amount: VND 3,172,882,572
- Approving the operational regulations of the Human Resources - Salary Subcommittee; Obtaining written opinions of the General Meeting of Shareholders to approve: (1) Proposal to amend and supplement the Internal Regulations on Corporate Governance; issue the Regulations on conduct a virtual meeting on General Meeting of Shareholders together with the revised Internal Regulation on Corporate Governance; (2) Increasing the foreign ownership limit (raise the room) at Imexpharm Corporation to 75%; (2) Adjusting a number of contents in the Company's Charter and the Certificate of Business Registration related to the room increase; (3) Exemption from a public tender offer for the transfer of shares between SK Vina III and Imexpharm's existing shareholders, resulting in SK Investment Vina III Pte.Ltd. to hold more than 45% of Imexpharm's voting shares.

## 2. Operations of Board of Directors Subcommittees

### Internal Audit and Risk Management Subcommittee

In 2021, the Internal Audit and Risk Management Subcommittee, led by Mr. Tran Anh Tuan - a non-executive member of the Board of Directors in charge of the Head of the Subcommittee, held 2 meetings. In addition to the full attendance of the members of the Subcommittee, there was also the active participation of the Chairman of the Board of Directors, the Head of the Supervisory Board, the Head of the Legal Department, and the Internal Audit unit. The meetings discussed the following important issues:

- Report on activities of the Supervisory Board and Internal Audit Unit, recommendations to improve operational efficiency;
- Review of the Company's operating procedures.
- Update relevant legal regulations on Internal Audit and associating transactions.

- Issues to discuss about the Company's Risk Management, especially prevention and response to incidents in the situation in 2021;
- Detailed operational plans for 2022

**Human Resources – Salary and Bonus Subcommittee**

Last year, the Board of Directors approved the issuance of the Regulation on the operation of the Human Resources - Salary and Bonus Subcommittee. This subcommittee also holds a meeting to discuss the following issues

- Duties of Human Resources – Salary and Bonus Subcommittee
- Model of the Board of Directors according to practice and at Imexpharm, the future governance model;
- Remuneration and salary and bonus mechanism of the Board of Directors;
- Reviewing and giving opinions on a number of current regulations and processes of the Company related to Human Resources - Salary and bonus.

### 3. Remuneration, operating expenses and bonuses of the Board of Directors and Supervisory Board in 2021

The General Meeting of Shareholders approved the remuneration plan and bonus for completing the business plan in 2021 for the Board of Directors and Supervisory Board as follows:

- Remuneration and expenses for the Board of Directors and Supervisory Board: 2% of pre-tax profit, before deductions for Science & Technology Development Fund and actual expenses for the Board of Directors and Supervisory Board.
- Bonus for the Board of Directors and Supervisory Board when the Company meets the profit plan: 1% of profit after tax; Bonus for exceeding the profit plan is 5% on the profit over the plan target.

**The table of expenses, remuneration and bonuses in 2021 of the Board of Directors and the Supervisory Board is as follows:**

| Criteria (Unit: VND) | Expenses, remuneration and bonus of the Board of Directors and the Supervisory Boards | | % |
|---|---|---|---|
| | **2021** | **2020** | **change** |
| Beginning balance | **4,390,554,350** | 2,387,698,987 | 83.9% |
| *Distributions approved by the AGM* | *4,874,668,777* | *6,958,410,919* | *-30.0%* |
| Actual Payment | 5,892,222,222 | 4,955,555,556 | 18.9% |
| Ending balance | **3,373,000,905** | **4,390,554,350** | -23.2% |

Expenses and remuneration for the Board of Directors and Supervisory Board in 2021 according to the Resolution of the General Meeting of Shareholders was VND 4.87 billion, dropped nearly 30% compared to 2020.

Expenses, remuneration and bonuses for the Board of Directors and Supervisory Board actually paid in 2021 were VND 5.89 billion, up 18.9% over the previous year. The reason is due to the cost and remuneration for strengthening the activities of the subcommittees to assist the Board of Directors in 2021.

*(Details of salary, bonus and remuneration for each member of the Board of Directors, Board of Management, Supervisory Board, please see Annual Report 2021/Transparency Management – Overcoming challenges/Transactions, remuneration salary, bonus and other benefits of the Board of Directors, Board of Management, Supervisory Board)*

**Other remuneration for members of the Board of Directors and Supervisory Board**

Apart from the above remuneration, operating expenses and bonus fund approved by the General Meeting of Shareholders, in 2021 the members of the Board of Directors and the Supervisory Board did not have any other remuneration.

## IV. PROGRESSIONS AND LIMITATIONS IN COMPANY GOVERNANCE IN 2021

### 1. Advancements in corporate governance 2021

**Strengthening the activities of the Internal Audit and Risk Management Subcommittee, actively supported by the newly established Internal Audit Unit**

In March 2021, the Internal Audit Unit was established to effectively support the Internal Auditing and Risk Management Subcommittee under the Board of Directors. The Company also issued the Internal Audit Regulations to guide the operation of such unit.

As mentioned above, last year, the Internal Audit and Risk Management Subcommittee had 2 meetings to discuss on many significant issues in order to enhance risk management for the Company in uncertainties of 2021.

**Top 5 Best Corporate Governance Award – Mid Cap Group**

Thanks to the efforts to improve internal governance year by year, in order to achieve the goal of governance at Imexpharm following best practices, in 2021 the Company was honored to receive the Top 5 Award of Best Corporate Governance in Mid cap group.

This award is within the framework of listed companies award, organized by the Stock Exchange, the Securities Investment Newspaper, together with the cooperation of the leading auditing companies (Big 4) including Deloitte, Ernst & Young, KPMG and PwC.

According to the Award Council, the pandemic crisis is a test of the risk management capacity of the Boards of Directors of enterprises. This award once again affirms that the standards and transparency in internal governance activities at Imexpharm are trusted, recognized and appreciated by the market.

### 2. Limitations and solutions

In addition to the positive improvements noted above, Imexpharm also recognizes the limitations of internal governance in the past year as follows:

**The structure of the Board of Directors has no independent members**

The Board of Directors of Imexpharm consists of 7 members, according to the management regulations for listed companies, Imexpharm must have 2 independent members. However, at present, the Company has only 3 non-executive members, of which 1 member does not represent the capital contribution of major shareholders, but the tenure has exceeded 2 terms, so it no longer meets the independent standard.

The absence of independent members of the Board of Directors forced Imexpharm to maintain the operation of the Supervisory Board, so the operating model was not streamlined. The cCompany has plans to add independent members to the Board of Directors for the next term from 2023 to 2027.

## V. OBJECTIVES OF THE BOD IN 2022

We are entering 2022 with a rather optimistic situation as social life is passing through a period of "better" normality. The pandemic is gradually under control due to vaccine coverage and herd immunity. The economy is recovering and opening up new opportunities.

For Imexpharm, after many years of persistence with the investment strategy of EU-GMP factories, 2022 will mark the completion of an investment phase, when the IMP4 factory is expected to be officially accredited EU-GMP and put into operation in the end of the third quarter, the beginning of the fourth quarter of 2022.

Along with the completion of the product portfolio registered at IMP2, IMP3, and IMP4 to supply for bidding, with well-trained human resources, healthy financial resources, and effective comprehensive application of Industry 4.0, the Board of Directors expects that Imexpharm will open a new development stage with many break thoughts.

With the appropriate management direction, along with the investment strategy to develop potential projects, when the economy returns to the flourishing period, Imexpharm will continue to be the pioneer in meeting higher and higher demand of customers as well as affirm its position as a high-quality brand in the Vietnam pharmaceutical industry.

## 1. Business and production objectives

| Criteria *(VND billion)* | Plan of 2022 | Actual number of 2021 | Growth rate |
|---|---|---|---|
| **Total net revenue and other income** | **1.450,0** | **1.290,6** | **12,4%** |
| In which: | | | |
| *OTC Revenue* | *810,0* | 722,0 | 12,2% |
| *ETC Revenue* | *565,0* | 435,0 | 29,9% |
| *Other revenue* | *75,0* | 133,6 | -43,9% |
| Production volume (unit) | *826,9* | 792,6 | 4,3% |
| **Profit before tax** | **275,0** | **238,9** | **15,1%** |

Total net revenue and other income in 2022 is expected to reach VND 1,450 billion, rising by 12.4% year over year. In which, the OTC is predicted to grow 12.2% while the ETC would achieve a high growth rate of nearly 30%. Pre-tax profit would attain VND 275 billion and increase by 15.1% compared to the earlier year.

The Board of Directors assessed that with all preparations Imexpharm had conducted, and the enthusiastic consensus of the whole team to deploy from the beginning of the year, the key goals set for 2022 are completely feasible.

## 2. Objectives for internal governance

2022 is the last year of the Board of Directors term 2018-2022. Imexpharm will continue to maintain its position as one of the listed companies with the best corporate governance practices in the market, and focus on advanced practices. The Company continues to search for suitable independent candidates for the Board of Directors to introduce to the General Meeting of Shareholders to elect for the next term.

In addition, Imexpharm would build a strategic vision for the new term, along with the goal of streamlining the operational model as well as increase the role and effectiveness of the Board of Directors' sub-committees, especially the Internal audit and risk management Subcommittee.

## 3. Environmental and social goals

**Environmental goals**

Imexpharm continues to promote the environmental standards that are well applied at the Company. In 2022, the Company will continuously evaluate the effectiveness of using the solar power system at the manufacturing plant to pilot for one of the EU-GMP factories.

In addition, Imexpharm will also maintain measurement and report to manage greenhouse gas emissions in the spirit of COP26 taking place in the UK, in order to contribute to help Vietnam achieve a net emission of "0" in 2050.

**Social goals**

Imexpharm's 2022 priority goal is to raise employee income as well as invest in-depth training and career development programs beside seminars on gender equality. Moreover, the Company continues to carry out educational investment and development projects in Dong Thap, and gives priority to merit scholarships in Dong Thap and Da Nang.

The year 2021 has ended. Although the planned targets in terms of revenue and profit have not been achieved as expected, it is a worthy result of the efforts, close coordination, and overcoming difficulties of the whole Company from the members of the Board of Directors, the Board of Management, the managers of the departments, to each employee who have worked hard and suffered together to combat the pandemic.

So we have gained a certain prominence with an annual profit of nearly VND 240 billion compared to other enterprises in the same industry, and achieved valuable stability for the health and life of employees after a year of the pandemic with a lot of challenges and dangers like 2021, to serve as a launch pad for Imexpharm to make a breakthrough in the new year as well as the next term.

On behalf of the Board of Directors, I would like to express my sincere thanks to each member of the Imexpharm Family, with all responsibility and respect for each other.

I am also grateful to the leaders, authorities, local organizations, military forces, polices, especially the medical staff, doctors and nurses who were not afraid of hardships sacrifice and loss to the work on the front lines in order to combat the pandemic to maintain the health and peace for the people.

I also do not forget to thank our shareholders, investors, customers and partners who have engaged with Imexpharm for a long time until today.

Together, we aim to make Imexpharm become a pioneer in market creator and an outstanding, prosperous and sustainable enterprise.

Yours faithfully,

**ON BEHALF OF THE BOARD OF DIRECTOR**
**CHAIRMAN**