

No: 02/2022/TTHĐQT-ĐHĐCĐ

Hanoi, March , 2022

STATEMENT
2022 ANNUAL GENERAL MEETING
Re: Report on the governance & BoD activities in 2021

To: GENERAL ASSEMBLY OF SHAREHOLDERS

The Board of Directors respectfully reports to the General Meeting of Shareholders in 2022 BoD's Reports on the governance and BoD activities in 2021, as follows:

PART 1: OVERVIEW OF MEETINGS AND RESOLUTIONS OF THE BoD

- In 2021, the Board of Directors conducted 17 meetings, 6 in person and 11 in writing, issued 47 resolutions and decisions to resolve issues within the functions and authority of the Board of Directors.
- All the meetings of the Board of Directors presented by the Board of Supervisors to attend to exchange, discuss and create a high consensus in strategies, business directions, direction of the Board of Directors for the Board of Management.

Meeting attendance rate

No.	BoD member	Number of BoD meetings attended	Attendance rate	Reasons for absence
1.	Mr. Chung Ji Kwang	17/17	100%	
2.	Mr. Nguyễn Anh Tuấn	17/17	100%	
3.	Mr. Trần Túc Mã	17/17	100%	
4.	Ms. Đào Thúy Hà	16/16	100%	
5.	Mr. Kim Dong Hyu	17/17	100%	
6.	Mr. Lại Trần Đông	16/16	100%	
7.	Mr. Lee Tae Yon	17/17	100%	
8.	Md. Vũ Thị Thuận	1/1	100%	
9.	Mr. Vũ Trí Thức	1/1	100%	

BoD's Resolutions issued in 2021

The Board approved 47 resolutions, decisions on the following issues:

On Governance of Management:	12 resolutions, decisions;
On Governance of HR:	16 resolutions, decisions;
On Governance of Structure:	15 resolutions, decisions;
On Governance of Shareholders (for shareholders' benefits):	04 resolutions, decisions;

No.	Resolution/ Decision No.	Date	Content	Approval rate
1.	01/QĐ-HĐQT	12/01/2021	Establish the Internal Audit Committee	100%
2.	02/QĐ-HĐQT	25/01/2021	Appoint Director of Planning & Budgeting	100%
3.	04/NQ-HĐQT	06/02/2021	Convene the Annual General Meeting of Shareholders in 2021	100%
4.	05/NQ-HĐQT	04/3/2021	Change the name of the branch of Traphaco JSC in Nghe An	100%
5.	06/NQ-HĐQT	04/3/2021	Change the name of the branch of Traphaco JSC (Code: 0100108656-013)	100%
6.	13/NQ-HĐQT	07/4/2021	Elect Mr. Chung Ji Kwang to hold the position of Chairman of the Board of Directors of the Company for the term 2021 – 2025	100%
7.	14/NQ-HĐQT	07/4/2021	Elect Mr. Nguyen Anh Tuan to hold the position of Vice Chairman of the Board of Directors of the Company for the term 2021 – 2025	100%
8.	15/QĐ-HĐQT	07/4/2021	Appoint Mr. Tran Tuc Ma to hold the position of Chief Executive Officer of the Company for the term 2021 – 2025	100%
9.	16/QĐ-HĐQT	07/4/2021	Appoint Ms. Dao Thuy Ha to hold the position of Chief Operating Officer of the Company for the term 2021 – 2025	100%
10.	17/QĐ-HĐQT	07/4/2021	Appoint Mr. Pham Thai Son as Chief Governance Officer cum Company Secretary for the term 2021 – 2025	100%
11.	18/QĐ-HĐQT	12/4/2021	Establish the Business Restructuring Steering Committee	100%
12.	19/QĐ-HĐQT	12/4/2021	Establish the Human Resources and Remuneration Committee	100%

13.	20/QĐ-HĐQT	12/4/2021	Establish the Development Policy Committee	100%
14.	21/QĐ-HĐQT	12/4/2021	Establish the Audit Committee	100%
15.	23/QĐ-HĐQT	12/4/2021	Establish the Non-herbal Committee	100%
16.	24/QĐ-HĐQT	20/4/2021	Approval of the 2021 Budget Plan	100%
17.	26/NQ-HĐQT	04/5/2021	Select a consultant for the Project of Business Restructuring	100%
18.	27/NQ-HĐQT	04/5/2021	Pay the remaining 10% dividend of 2020	100%
19.	28/NQ-HĐQT	04/5/2021	Get shareholders' opinions in writing	100%
20.	29/NQ-HĐQT	20/5/2021	Select an audit firm for the 2021 Financial Statements	100%
21.	31/QĐ-HĐQT	17/6/2021	Amount and coefficient of salary of Ms. Dao Thuy Ha	100%
22.	32/QĐ-HĐQT	17/6/2021	Amount and coefficient of salary of Mr. Pham Hoang Anh	100%
23.	33/QĐ-HĐQT	17/6/2021	Amount and coefficient of salary of Mr. Pham Thai Son	100%
24.	35/QĐ-HĐQT	24/6/2021	Promulgate the operation regulation of the Board of Directors	100%
25.	36/QĐ-HĐQT	24/6/2021	Promulgate the internal regulation on corporate governance	100%
26.	37/QĐ-HĐQT	24/6/2021	Develop solutions for reorganization and capacity building of Traphaco Hung Yen Co., Ltd.	100%
27.	40/QĐ-HĐQT	24/6/2021	Allot salary expenses in 2021	100%
28.	45/NQ-HĐQT	07/7/2021	Assign KPIs quarter 3 to CEO	100%
29.	46/NQ-HĐQT	27/8/2021	Assign additional KPIs quarter 3 to CEO	100%
30.	48/NQ-HĐQT	05/10/2021	Assign KPIs quarter 4 to CEO	100%
31.	49/NQ-HĐQT	29/10/2021	Assign tasks to Ms. Nguyen Thi Hau	100%
32.	51/NQ-HĐQT	11/11/2021	The Organization Chart of Traphaco JSC	100%
33.	52/NQ-HĐQT	11/11/2021	Delegation of Authority	100%
34.	54/QĐ-HĐQT	16/11/2021	Temporarily assign tasks to Mr. Kim Dong Hyu	100%

35.	55/QĐ-HĐQT	16/11/2021	Temporarily assign tasks to Mr. Pham Hoang Anh	100%
36.	56/QĐ-HĐQT	16/11/2021	Temporarily assign tasks to Mr. Nguyen Huy Van	100%
37.	57/QĐ-HĐQT	16/11/2021	Assign tasks to Ms. Dao Thuy Ha	100%
38.	58/QĐ-HĐQT	16/11/2021	Temporarily assign tasks to Mr. Nguyen Van Bui	100%
39.	59/NQ-HĐQT	28/11/2021	Main targets of the 2022 Plan	100%
40.	60/QĐ-HĐQT	15/12/2021	Dismissal of title of Deputy CEO – Ms. Nguyen Thi Lan	100%
41.	61/QĐ-HĐQT	20/12/2021	Promulgate the Internal Audit Regulation	100%
42.	62/NQ-HĐQT	24/12/2021	Dividend advance for the year 2021	100%
43.	63/QĐ-HĐQT	31/12/2021	temporarily assign the Plan of 2022	100%
44.	64/QĐ-HĐQT	31/12/2021	approval of the 2022 Budget Plan	100%
45.	65/QĐ-HĐQT	31/12/2021	ratio of salary expenses in 2022	100%
46.	66/NQ-HĐQT	31/12/2021	assign KPIs quarter 1/2022 to CEO	100%
47.	68/NQ-HĐQT	31/12/2021	establish departments according to the Organization structure	100%

THE BOARD OF DIRECTORS SUPERVISES, DIRECTS THE CEO AND MANAGERS TO OPERATE THE COMPANY'S BUSINESS

- Supervise the implementation of the Company's business plan,
- Monitor and direct the stabilization of production, business and other activities of the Company during the period of social distancing and lockdown due to the Covid-19 pandemic.
- Direct the Board of Management to organize the Annual General Meeting of Shareholders in 2021, the meeting to collect shareholders' opinions in writing in June 2021,
- Direct the Board of Management to implement the "Business Restructure" project.
- Direct, supervise and support CEO and other managers in the implementation of the Resolution of the General Meeting of Shareholders; resolutions and decisions of the Board of Directors,
- Disclose information and submit reports according to current regulations of State regulators.

- The CEO has completed the targets assigned by the General Assembly of Shareholders and the Board of Directors in terms of revenue, profit and other targets.
- Propose the General Assembly of Shareholders to approve the decision by the Board of Directors for appointment of the CEO for the term 2021-2025.

RESULTS OF THE BUSINESS RESTRUCTURING PROJECT

- ❖ Implementing Resolution 12/2021/NQ-ĐHĐCD of the General Assembly of Shareholders dated March 31, 2021 on restructuring business activities in order to realize the strategic goal of "Maintaining the No. 1 position in herbal products, focusing on investment and development of non-herbal products", the Board of Directors has:
 - Established the Business Restructure Steering Committee including all 7 members of the Board of Directors, headed by Vice Chairman Nguyen Anh Tuan (in Decision 18/2021/QĐ-HĐQT dated April 12, 2021)
 - Selected KPMG Tax and Consulting Co., Ltd. as a consultant for the Business Restructuring Project (in Decision 26/2021/QĐ-HĐQT dated May 4, 2021)
- ❖ During 15 weeks, from the beginning of May to the end of August 2021, under the direction of the Business Restructure Steering Committee, KPMG carried out the following activities:

Phase 1: State it

1. Reviewing sales and marketing activities: directly communicating with all managers from heads of departments/committees in the Company, interviewing officials in charge of provinces and business divisions (especially OTC sales bloc in all 4 regions); conducting a survey of a number of customers in Hanoi and Binh Duong to record and evaluate the difficulties that may be encountered during the transformation of business bloc); work with each member of the Steering Committee to find out the direction and desire for governance.
2. Hold meetings with company leadership: confirm status and agree on improvement & change opportunities for sales and distribution processes, recommendations: potential improvement opportunities, completion time expected, implementation priority.
3. Develop principles and orientations for business restructuring through perfecting the organizational model.

Phase 2: Shape it

1. Design some options for the macro organizational structure and evaluate pro & con for each option based on proposed design principles: back office, front office. From there, select a macro organizational structure suitable for Traphaco.
2. Based on the macro organizational structure plan selected by Traphaco, make necessary adjustments to the current organizational model (including the Board of Directors, the Board of Management and other blocs/departments/companies/factories reporting to the Board of Management), and especially focus on the strategic-oriented sales bloc/units according to the direction of specialization and independent between herbal and non-herbal business.
3. Develop and propose the main functions and tasks, and the principle of decentralization of the Board of Directors down to the Board of Management, and from the Board of Management to the bloc/departments/companies/factories reporting directly to the Board of Management.

On August 18, 2021, KPMG reported the results of model building, confirmed the suitability of the proposed model, as well as the Board of Directors issued a Delegation of Authority for the CEO to enforce with current legal regulations, the Company's charter as well as advanced governance principles. KPMG proposed and built an organizational structure according to the separation model in the direction of: separating R&D functions, product management, separating sales teams based on distribution channels and product groups in accordance with the product portfolio, development orientation of Traphaco, as well as advanced practices.

❖ From September 2021, KPMG conducts:

Phase 3: See it

1. Design the micro organizational model of TRAPHACO from the Board of Directors, the Board of Management to the bloc/departments/companies/factories reporting directly to the Board of Management
2. Agree on the micro organizational model of the whole company with functions, tasks and list of titles for each department
3. Agree on the RASCI decentralization matrix for the main task and responsibilities of the Board of Directors, the Board of Management for all levels of blocs/departments reporting directly to the Board of Management
4. Assess the risks of target organization transformation and propose a suitable transformation plan for Traphaco.

- ❖ Based on the above results, in combination with the results of assessment of Traphaco's core competencies in 2020, the results of developing and implementing the process of forecasting and budget planning in early 2021, the Business Restructure Steering Committee/BoD held meetings and issued the following decisions:
 - On September 30, 2021, the Board of Directors held a meeting to listen to comments and feedback from the Board of Management
 - On November 11, 2021, the Board of Directors met, approved and issued the Organizational Model + Delegation of Authority (Resolutions 51 and 52/NQ-HĐQT dated November 16, 2021)
 - On November 16, 2021, the Board of Directors also issued decisions to assign and temporarily assign tasks to the key personnel appointed by the Board of Directors, including:
 1. Decision 57/2021/QĐ-HĐQT assign Ms. Dao Thuy Ha – currently COO to be COO in charge of Sales and Marketing
 2. Decision 54/2021/QĐ-HĐQT assign Mr. Kim Dong Hyu – currently Deputy CEO to temporarily be Chief of ETC & Business Development Officer
 3. Decision 56/2021/QĐ-HĐQT assign Mr. Nguyen Huy Van – currently Deputy CEO to temporarily be Chief of Research and Development Officer
 4. Decision 58/2021/QĐ-HĐQT assign Mr. Nguyen Van Bui - currently Deputy CEO to temporarily be Chief of OTC Sales Officer
 5. Decision 55/2021/QĐ-HĐQT assign Mr. Pham Hoang Anh – currently Director of Planning and Budgeting to temporarily be Chief of Finance & Planning Officer (CFO)
 - On November 18, 2021, the Company held a communication session on the Company's restructuring plan and the Ceremony to announce the decisions on assigning and temporarily assigning tasks to key personnel at the level of Deputy CEO, functional director appointed by the Board of Directors with all participants: the Board of Directors, Board of Supervisors, Board of Management, functional directors, Chief Accountant; Board of Management and Chief Accountant of Subsidiaries, Heads/Deputy Heads of Departments, Branch Directors, Heads of Provincial Representatives.
 - On December 31, 2021, the Board of Directors issued Decision 68/2021/QĐ-HĐQT to establish departments according to the organizational model, specifically:
 1. Department of Herbal Research and Development on the basis of separating the Research and Development Department

2. Department of Non-herbal Research and Development on the basis of separating the Research and Development Department
3. Department of Quality Management - Pharmaceutical Regulatory Affairs on the basis of merging the product registration unit under the Research and Development Department into the Quality Management Department
4. Department of Northern Sales on the basis of Sales Department
5. Department of Logistics - Distribution on the basis of the logistic unit under the Sales Department and the finished-product warehouse-management unit under the Planning Department
6. Department of Marketing on the basis of merging the Online Consulting Team into the Marketing Department
7. Department of ETC on the basis of the Hospital Sales Department
8. Department of Business Development on the basis of the Business Development Committee
9. Department of Business Innovation (new establishment)
10. Department of Human Resources - Administration on the basis of merging the Personnel-Organization Department and the Administration Department
11. Department of Risk Management on the basis of the Risk Management Committee
12. Department of Information Technology on the basis of the Information Technology unit under the Administration Department
13. Department of Planning - Procurement on the basis of merging the Planning Department and the Import-Export and Material Supply Department

departments, units to arrange personnel and complete the structure:

14. Department of Finance-Accounting
 15. Hoang Liet factory
 16. Laboratory
- From January 4, 2022 to January 7, 2022, within 1 week after the decision of establishment of new departments was issued by the Board of Directors, CEO held a meeting of the Board of Management and agreed to appoint the heads and deputy heads of the departments, units and personnel plans.
 - From January 11, 2022 up to now, 6 provinces pioneering in separation of herbal vs non-herbal, including: Hanoi 1, Thai Binh, Phu Tho, Nghe An, Khanh Hoa, Long An. The business results in the first 2 months of 2022 of these provinces all exceeded 20% of the plan, Nghe An exceeded 46%, Phu Tho exceeded 36%, Hanoi 1 surpassed 35%, Khanh Hoa exceeded 29%, Long An exceeded 21%, Thai Binh exceeded 20%.
 - The micro organizational model was proposed by KPMG and through many consultations from the Board of Management, heads of departments and units, with revised drafts on November 30, December 31, 2021, January 14, 2022, and the Board

of Directors issued the micro organizational model in Decision 02/2022/QĐ-HĐQT dated January 14, 2022.

Restructuring in terms of governance is absolutely necessary for the Company to develop better, with the goal of maintaining stability along with improving business performance. The process of implementing the Restructuring project is based on legal and practical grounds, as well as shareholders' expectations, especially achieving high internal consensus. This is innovation, the product of intellect and enthusiasm; carefully implemented and will be the driving force for long-term development of the Company. The Restructuring process is the rearrangement of functional areas along Traphaco's value chain: Sales & Marketing, Research & Development, Finance & Planning and supporting departments. During and after the implementation of the Restructuring, the Company is committed to ensuring job stability and the entire remuneration regime for employees so that employees can work with peace of mind with a stronger and more motivated attitude and achieve better results.

The new organizational model and improved and more appropriate governance method will create a resonance of resources and values, promoting Traphaco's strong development.

THE 2022 OPERATING ORIENTATION OF THE BoD

The year 2022 is the year with the theme "Promoting tradition – Firmly stepping into the future"; The Board of Directors orients key tasks in 2022 as follows:

- Completing working processes according to the new model, promoting core strengths, continuing to improve to increase work efficiency, perfecting the sales system, implementing separation of herbal vs non-herbal business for meeting the development goals in the next phase of the Company.
- Cost management by budget plan: after positive results in developing detailed budget plan for 2021, the Company continues to implement cost management by budget plan, strengthen management costs, while allocating resources effectively, supporting business activities, and ensuring the realization of set profit targets.
- Strengthening the governance of subsidiaries, improving operational efficiency, adding value to Traphaco's sustainable ecosystem.
- “Maintaining the No. 1 position in herbal products, focusing on investment and development of non-herbal products” via research, import and technology transfer for the Company to develop strongly and sustainably.
- Continue to deploy 5 large groups of solutions, Continue to implement Traphaco Culture in the new period.

PART 2: TRANSACTION AND REMUNERATION

The total remuneration of the Board of Directors approved by the General Meeting of Shareholders 2021 is: VND 3,500,000,000.

Remuneration to members of Board of Directors in 2021 (unit: VND)

No.	Name	Title	Age at appointment time: Tenure	Remuneration
1	Chung Ji Kwang	Chairman	31/3/2021	0
2	Nguyễn Anh Tuấn	Vice Chairman	31/3/2021	12.5%
3	Trần Túc Mã	member – CEO	31/3/2021	9.6%
4	Đào Thúy Hà	member – COO	31/3/2021	12.8%
5	Kim Dong Hyu	member – Chief of ETC & BD	31/3/2021	33%
6	Lại Trần Đông	member	31/3/2021	9.8%
7	Lee Tae Yon	member	31/3/2021	9.6%
8	Vũ Thị Thuận		Dismissed 31/3/2021	8.6%
9	Vũ Trí Thức		Dismissed 31/3/2021	2.8%

CEO's salary/month in 2021: 6,14 times of BoD remuneration/month.

Respectfully submitted to the extra-GMS for consideration and approval.

Regards.

Recipients:

- 2022 AGM;
- BoD, BoM, BoS;
- Website TRAPHACO;
- Archive Admin.

**B/O. THE BOARD OF DIRECTORS
VICE CHAIRMAN**

(signed)

Nguyen Anh Tuan