

## BOARD OF DIRECTORS' REPORT

### I. PERFORMANCE OF BOARD OF DIRECTORS IN 2020

#### 1. General

Key areas	Action - Result
<b>Corporate governance</b>	<ul style="list-style-type: none"> <li>- Abolish operation regulation of Board of Directors that no longer complies with provisions of laws</li> <li>- Rearrange personnel of subcommittees under the bod, bringing subcommittees into practical and effective operation, accompanying BOM in directing and managing the Company</li> <li>- Review the Charter and CG Regulations to be consistent with the Securities Law 2019, the Enterprise Law 2020 and other legal regulations</li> <li>- Develop an integrated process and automatic control for transactions with the related parties with for the sake of transparency about potential conflicts of interest</li> <li>- Focus on the financial audit</li> <li>- Appointment of a person in charge of CG</li> <li>- Meet with major shareholders to discuss Company strategy and call for future companionship</li> <li>- Build an Investor Relations Function to professionalize IR activities, strengthen the relationship between the Company, shareholders and investors</li> <li>- Maintain and improve the Company culture towards Coteccons' employees</li> </ul>
<b>Management and Operation</b>	<ul style="list-style-type: none"> <li>- Complete the Company's organizational chart in the direction of specialization</li> <li>- Issue a transparent decentralized system for all levels of administration and management</li> <li>- Restructure the Finance and Accounting Department and the Human Resource Management Department towards more professionalism and transparency</li> <li>- Establish an ERP board to research comprehensive management technology solutions for company</li> <li>- Accompany the BOM to meet existing customers and investors to affirm commitments on safety, quality, progress, finance and expand potential customers.</li> <li>- Organize conferences with suppliers, subcontractors to ensure financially as well as continue, build long-term strategic cooperation</li> <li>- Meeting and dialogue with staff to stabilize psychology and affirm short-term and long-term compensation and benefits policies, ensuring staff to work and have a clear development roadmap</li> </ul>
<b>Development Strategy</b>	<p>Establish a Business Development department to promote customer search and investment cooperation opportunities, expand new areas of investment and business with new customer segments, new products</p>

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	and services such as Finance - Design & Build, initially entering the renewable energy and infrastructure development sector, potentially help the Company reduce competition pressure in the construction industry, improve profit margins.
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## 2. Enhancement of Governance - Management system

The Covid-19 pandemic has left many countries in economic difficulties. In addition to attracting foreign direct investment (FDI), attracting capital from indirect investment (FII) is considered to be an effective solution to help countries recover after the epidemic. For Vietnam, the view of upgrading the stock market to attract international capital flows has been clearly defined by the Prime Minister in Decision No. 242/QD-TTg on approving the scheme “Restructuring the securities and insurance markets by 2020 and vision to 2025” with the main goal of upgrading Vietnam's stock market to emerging markets before 2025.

At Coteccons, the Company is currently applying the governance model of the General Meeting of Shareholders (GMS), the Board of Directors (BOD), the Board of Supervisors and Chief Executive Officer (CEO). In which, the GMS is the highest authority to decide on matters specified by Law, Charter and Code of Corporate Governance (CG). All common shareholders have the right to attend the GMS with a number of voting rights corresponding to the number of common shares they hold. The BOD plays a central role in the CG framework and be responsible for directing business strategy, finance, as well as controlling the Board of Management’s activities. The Board of Supervisors has the function of supervising the BOD and the BOM in the governance and management of the Company and takes responsibility to the GMS for the assigned tasks. Along with the development of business scale, market standards and requirements of regulatory authorities, Coteccons has to change and upgrade drastically to meet customer requirements and ensure competitiveness.

The year 2020 is considered as a pivotal year for Coteccons to look back, evaluate and change, leading the Company to a sustainability development, ensuring transparency in the Governance - Management. Shareholders have long debated over defining a long-term strategy as well as the requirement to adhere to best practices in CG to ensure sustainable growth. Shareholders with their statutory rights finally had the common voice in accordance with the new conditions. The structure of the leaders has many changes. Members of the BOD, the BOM who had the conflict of interests with the Company resigned, creating gaps that need to be filled in the governance - operating

apparatus. Proactively facing changes, Coteccons has made flexible and timely decisions to ensure that the Company's operations are continuously and stably maintained.

- Elect 02 additional new BOD members for the 2017-2020 term, namely Mr. Bolat Duisenov and Mr. Herwig Guido H. Van Hove to replace Mr. Nguyen Sy Cong and Mr. Tran Quyet Thang;
  - Elect Mr. Bolat Duisenov as Chairman of the Board to replace Mr. Nguyen Ba Duong;
  - Apoint 2 Deputy General Directors, namely Mr. Pham Quan Luc and Mr. Tran Tri Gia Nguyen (Michael Tran);
  - Appoint Mr. David Evans and Mr. Hoang Don Dung as strategic advisor and technical advisor to strengthen the technical and strategic aspects of Coteccons;
  - Appoint Mr. Nguyen Anh Vu as the Secretary of the BOD cum the Person in charge of CG to enhance the performance of the BOD' activities. The roles and functions of the Secretary of the BOD/ Person in charge of CG are currently meeting the requirements of the Vietnam CG Code of best practices for public companies in Vietnam;
  - Appoint 4 more Deputy General Directors with different strengths in techniques, project management and development in infrastructure and urban underground construction ... to strengthen the capability of the BOM, including Mr. Phan Huu Duy Quoc - Former Deputy Representative of Shimizu Vietnam, Mr. Vo Hoang Lam - General Director of Unicons, Mr. Nguyen Ngoc Lan - Construction Director of Coteccons and Mr. Chris Senekki - Former General Director of Turner Construction Company Vietnam, in early March 2021.
- Remuneration of the members of the BOD and BOM

### 3. Remuneration

Individuals	Position	Remuneration	
		Năm 2020	Năm 2019
Mr. Bolat Duisenov	Chairman of BOD	-	-
Mr. Herwig Guido H. Van Hove	Member of BOD	-	-
Mr. Nguyen Ba Duong	Chairman of BOD to 2 October 2020	6.943.349.361	20.565.840.314
Mr. Nguyen Quoc Hiep	Member of BOD to 12 October 2020	111.000.000	854.000.000
Mr. Talgat Turumbayev	Member of BOD	75.000.000	640.000.000

Individuals	Position	Remuneration	
		Năm 2020	Năm 2019
Mr. Tran Quyet Thang	Member of BOD to 20 June 2020	100.000.000	710.000.000
Mr. Tan Chin Tiong	Member of BOD	70.000.000	512.000.000
Mr Yerkin Tatishev	Member of BOD	84.000.000	3.086.000.000
Mr. Nguyen Sy Cong	CEO to 5 August 2020	4.198.759.423	12.835.368.617
Mr. Vo Thanh Liem	Acting CEO	4.299.376.919	6.435.399.387
Mr. Pham Quan Luc	Deputy CEO	2.653.198.845	-
Mr. Tran Tri Gia Nguyen	Deputy CEO	1.477.489.813	-
Mr. Tu Dai Phuc	Deputy CEO to 12 October 2020	3.041.662.808	6.852.307.079
Mr. Tran Quang Quan	Deputy CEO to 5 August 2020	3.120.111.646	11.451.768.618
Mr. Tran Van Chinh	Deputy CEO to 30 September 2020	1.968.562.500	3.309.398.271
Mr. Dang Hoai Nam	Member of BOS	1.605.511.605	2.417.893.125
Mr. Luis Fernando Garcia Agraz	Head of BOS	66.000.000	436.000.000
Mr. Nguyen Minh Nhut	Member of BOS	66.000.000	376.000.000
<b>TỔNG CỘNG</b>		<b>29.880.022.920</b>	<b>70.481.975.411</b>

#### 4. Assessment on the performance of sub-committee activities

For the sake of transparency enhancement in corporate governance activities, increasing the effectiveness of the Board's decision-making based on the principle of responsibility, prudence, Coteccosn has established a Strategy Committee, Investment Committee, Remuneration and Human Resources Committee and Risk Committee. Annually, the Board of Directors will evaluate the performance of each subcommittee on the basis of objectivity, accuracy, honesty and completeness.

In general, the Strategic Sub-Committee and Investment Sub-Committee were more active in the period of Quarter 4/2020, the remaining 2 subcommittees need more efforts to contribute to the success of restructuring process.

##### Strategy Committee

In 2020, the Strategy Subcommittee has worked closely and accompanied with the Board of Management to stabilize the company's operations, improve the operational apparatus, recruit and train personnel at all levels, and conduct important internal and external activities activities, shaping the business development strategy in the upcoming period. In detail:

- Evaluate the business environment, business lines and identify the opportunities,

challenges, strengths and weaknesses of the Company

- Strategic orientation to develop the Company in the short and long term in order to develop the Company sustainably, increase value to shareholders
- Plan and build an organizational structure of the Company in accordance with the development needs according to the proposed strategy
- Recommend risks in the process of implementing strategies, setting policies, measures to manage and prevent risks
- Prepare the development directions of the Company, and internally agree in the Board of Directors before submitting to the Annual General Meeting of Shareholders for approval.

#### **Investment Committee**

The Investment subcommittee has performed well in reviewing and evaluating the effectiveness of all investments of the Company and providing solutions for each investment, including capital withdrawal and dissolution of unprofitable and unqualified investments. In addition, the Investment Subcommittee also proposes solutions to optimize cash sources, strategic cooperation with financial institutions, provide benefit shareholders. In details:

- Evaluate and assess the Company's investment activities and propose opinions on the efficiency and risks of investment activities to the Board of Directors of the Company
- Search and analyze investment opportunities (including investment in mergers and acquisitions, financial investment, investment in technology and equipment ...) according to the strategic direction of the Company
- Draft regulations and policies related to investment activities, supervise compliance with those policies
- Provide opinion, analyze and evaluate risks and propose preventive solutions in the investment process for the Board to consider and decide; supervise the compliance with investment regulations in the Company's Charter

#### **HR and Remuneration committee**

In 2020, the HR and Remuneration Subcommittee showed its flexibility and initiative in adding and promoting senior human resources positions to enhance the entire corporate governance - administration apparatus. In the context of human resource fluctuations, the Subcommittee also advised and directed the Human Resources department to reevaluate and complete the system of short-term and long-term salary, bonuses and benefits of the Company's employees to ensure benefits for employees and motivate them to continue to contribute to the development of the Company.

#### **Risk committee**

The COVID-19 outbreak has brought unprecedented challenges, demonstrating the importance of risk management in firms. In 2020, the Risk Sub-Committee has started to build a risk assessment system for the whole Company, for each department and construction site on many different aspects from personnel, process, regulation to internal finance and performance; from there, giving the appropriate response plan.

### **5. Assessment on activities of board of management**

For the activities of the Board of Management, the Board of Directors supervises implementation via sub-committees under the Board of Directors, and require periodic reporting from Board of Management to ensure development strategies and the business plan approved by the General Meeting of Shareholders and the Board of Directors to be implemented according to the plan. In 2020, the Board of Management of Coteccons, under the direction of the Board of Directors, has made flexible adjustments to adapt, ensure safety and quality management, and strive to complete projects on schedule, especially under social distancing situation. As a result, Coteccons has recorded 14,558 billion dong of revenue and 335 billion dong of net income, fulfilling 91% and 56% of the 2020 plan, respectively. This result honestly and reasonably reflects the performance of the Company in the context that the construction industry is heavily affected by the Covid-19 pandemic and the Company is undergoing a strong restructuring.

<b>Evaluate the Company's operation before October 2020</b>	<b>Solutions and plans in Q4/2020 and 2021</b>
<ul style="list-style-type: none"> <li>- The Company does not have a Business Development department, which leads to a lack of diversified sources of customer database and potential projects, ignoring opportunities to participate in project bidding.</li> <li>- The signing of new contracts was delayed after Q1/2020. In Q2 and Q3 / 2020, the Company did not announce any new projects.</li> <li>- Delayed implementation projects come from uncontrolled market factors.</li> </ul>	<ul style="list-style-type: none"> <li>- The company makes a decision to establish a Business Development Division, diversify business sector to promote customer search, follow up with each investor, capture opportunities in the market, contribute to increased sales revenues and profits for the Company.</li> <li>- The BOD, BOM and Business Development Department have promoted meeting with partners, investors, signing strategic cooperation. As a result, in the last 40 days of 2020, the Company successfully signed new contracts amounting to VND6,000 billion.</li> <li>- The BOD has directed the Site Steering Committee to closely follow the implementation, ensuring the progress of handover to the investor, safety and quality for each project.</li> </ul>
<ul style="list-style-type: none"> <li>- The control of debt is subjective, there is no effective management mechanism/policy. The provision for bad debts is not consistent with the prudent principle of accounting.</li> </ul>	<ul style="list-style-type: none"> <li>- The company has reviewed all the data and established specific policies for provision recognition based on qualitative and quantitative factors.</li> </ul>
<ul style="list-style-type: none"> <li>- Cost control mechanism is loose and ineffective.</li> </ul>	<ul style="list-style-type: none"> <li>- The Finance and Accounting Department is responsible for controlling costs, ensuring the suitability and maximizing profits.</li> </ul>
<ul style="list-style-type: none"> <li>- Financial figures were not recorded accurately, leading to a difference between reporting and actual situation.</li> </ul>	<ul style="list-style-type: none"> <li>- The BOD directs the Finance - Accounting Department to participate in the tracking and counting at the construction sites. Based on such result, the Company has adjusted to reduce the historical difference of VND 26</li> </ul>



	billion in the Audited financial statement of 2020. - Planning the implementation of ERP Enterprise Resource Planning System to manage all operations of the Company comprehensively.
- Inappropriate reporting mechanism leads to lagging information among division/departments, construction sites, creating potential risks in the operation of the Company.	- The Company has built a new risk control mechanism, ensuring information is continuously updated, increasing efficiency for decision-making.
- The Company has not built a mechanism to evaluate the work efficiency of employees, applied an equal bonus mechanism to everyone, so it has not been able to properly assess the contribution of each individual, lack of fairness.	- HR Department has built a KPI evaluation system for each department and individual; ensure that each individual's abilities and contributions are recognized and rewarded.

## II. OPERATION ORIENTATION IN 2021

In the period of 2014 - 2018, thanks to the booming of the real estate market, the construction industry had a period of remarkable development. However, this momentum has stalled in 2019 - 2020 due to real estate credit tightening and licensing cessation to new projects in 2 major cities, Hanoi and HCM City. When the overall picture of the construction industry is still not clear with mixed lights and shadows, the outbreak of Covid-19 pandemic has caused difficulties to pile up. This is considered as a "reagent" for all businesses.

Despite the difficulties, Vietnam's economy has had a shining year. With GDP growth of 2.91%, Vietnam is considered as one of the 10 countries in the world with the highest GDP growth rate, one of the 16 successful emerging economies in 2020. Success in controlling the pandemic, while benefiting from the US-China trade war and the 3 newly signed Free Trade Agreements in 2020, Vietnam has become a foreign investment attraction. Based on the positive as well as negative factors affecting the Vietnamese economy, the Institute for Economic Research and Policy (VEPR) has outlined 2 scenarios for Vietnam's economy in 2021:

- Scenario 1: The pandemic is well controlled domestically and in major economic and financial centers, economic growth is forecast at 5.6% - 5.8%.

- Scenario 2: The pandemic breaks out worldwide, economic growth is forecast at 1.8% and 2.0%.

According to the 2 scenarios above, the construction industry all have opportunities to grow. With scenario 1, upon economy recovery, demand for housing, office buildings, resort real estate ... will grow again. Under scenario 2, when economic activity is interrupted, the Government will promote public investment as the driving force leading the national economic growth; consequently, infrastructure construction companies will be favored. In the long term, the demand for housing in

the period 2021-2030 will continue to increase, especially in urban areas thanks to population growth and urbanization.

The renewable energy sector continues to receive the attention of the government as the orientation is to increase the portion of renewable energy in the energy structure over years.

<b>Resolution 55-NQ/TW National Strategic Orientation for Energy Development of Vietnam to 2030, Vision to 2045</b>	<b>Document 828 / BCT-DL, Power Development Master Plan VIII</b>
<b>Renewable Energy's portion:</b> <ul style="list-style-type: none"><li>• 2030: 15% - 20%</li><li>• 2045: 25% - 30%</li></ul>	<b>Renewable Energy's portion:</b> <ul style="list-style-type: none"><li>• 2030: 30%</li><li>• 2045: 44%</li></ul>

Grasping the Government's direction, Coteccons has made flexible adjustments in the 5-year strategy to maximize strengths in order to seize opportunities and overcome weaknesses to go beyond challenges. Entering potential fields being developed by the government shows the initiative and flexibility of the Company to increase business efficiency, expand market share and maximize profits. For 2021, the Company targets to achieve revenue of VND17,413 billion, EAT of VND340 billion.