

**VIETNAM JS COMMERCIAL BANK FOR
INDUSTRY AND TRADE**

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**SOCIALIST REPUBLIC OF VIETNAM
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**REPORT BY THE SUPERVISORY BOARD
PERFORMANCE REVIEW TERM OF SERVICE 2014-2019
OPERATIONAL FORWARD-LOOKING TERM OF SERVICE 2019-2024**

Based on the functions, duties and powers of the Supervisory Board stipulated in the Law on Credit Institutions, the Enterprise Law and the Charter of organization and operation of Vietnam Joint Stock Commercial Bank for Industry and Trade; built on operational experiences of the Supervisory Board in the previous term, during the term of service 2014-2019, the Supervisory Board has continued to improve and innovate its operations, fulfilling the tasks with quality and efficiency in ensuring the bank's operation to be safe, effective and lawful and meeting shareholders' expectations.

The Supervisory Board would like to report on summary of activities for term of service 2014-2019 and operational forward-looking term of service 2019-2024, as following:

I. ORGANIZATION AND WORKING RESULTS OF THE SUPERVISORY BOARD IN TERM OF SERVICE 2014-2019

1. Organization and personnel of the Supervisory Board during term of service 2014-2019

At the 2014 annual meeting, the General Meeting of Shareholders of Vietnam Joint Stock Commercial Bank for Industry and Trade (**VietinBank**) elected the Supervisory Board for the term of 2014-2019 with 03 members (including 02 full-time members and 01 part-

time member). And at the first meeting of the Supervisory Board, the members elected Ms. Tran Thi Le Nga as Head of the Supervisory Board for the term of 2014-2019.

At the 2015 annual meeting, VietinBank's General Meeting of Shareholders dismissed Ms. Tran Thi Le Nga as member of Supervisory Board (due to SBV appointment of Ms. Nga to a new position) and elected 3 new members of the Supervisory Board. At the meeting of the Supervisory Board afterwards, members of the Supervisory Board elected Mr. Nguyen The Huan to be the Head of the Supervisory Board in replacement of Ms. Tran Thi Le Nga.

At the 2016 annual meeting, VietinBank's General Meeting of Shareholders dismissed Ms. Vu Thi Bich Hong as Supervisory Board member for retirement as of April 2016. Mrs. Pham Thi Hong Phuong retired in August 2018 and was dismissed by the General Meeting of Shareholders in December 2018.

Currently, VietinBank's Supervisory Board has 03 members, including 02 full-time members which meets the minimum required number and the composition of members as prescribed by laws and the Charter on organization and operation of VietinBank.

2. Working results of the Supervisory Board for the term of 2014-2019

2.1 Promulgation of internal regulatory documents

a) Promulgation of regulation on organization and operation of the Supervisory Board

The Supervisory Board of VietinBank performs its duties and powers in accordance with the provisions of the Law on Credit Institutions 2010, the Enterprise Law 2005, the Charter of organization and operation of VietinBank and the Regulation on organization and operation of the Supervisory Board as approved by VietinBank's General Meeting of Shareholders in 2014.

After the National Assembly promulgated the 2014 Law on Enterprises, the Law on amending and supplementing a number of articles of the Law on Credit Institutions in 2017, the Government promulgates Decree No. 71/2017/ND-CP regulating corporate governance applicable to public companies, including new part on organization and operation of the Supervisory Board. In April 2018, Regulation on organization and operation of the Supervisory Board of VietinBank was approved by the General Meeting of Shareholders, and the Supervisory Board was authorized to sign the Decision for promulgation. The 2018

Regulation on organization and operation of the Supervisory Board granted the Supervisory Board with the right to "*appoint, dismiss, impose discipline, suspend and decide the salary and other benefits for employees of the internal audit department*" and the duty of "*supervising the granting of credit facilities to customers as required by law*". Other than that, basically no major changes were introduced by the Regulation compared to the 2014 version.

b) Promulgation of internal audit-related regulation

During the 2014-2019 term, based on the functions, duties and powers, the Supervisory Board promulgated some important internal documents related to internal audit, including: Regulation on professional ethics and standards applicable to members of the Supervisory Board and internal auditors; Internal regulation on internal audit; Procedures for conducting an audit to ensure internal regulations of the Supervisory Board in compliance with provisions of the laws and VietinBank's business practice.

2.2 Supervision

Supervision of VietinBank's compliance with the provisions of the laws and the bank's Charter in management and administration is part of the Supervisory Board's responsibilities with particular attention on a regular and constant basis during the term of 2014 - 2019. Based on internal management reports, regular and periodic meetings of the Board of Directors, resolutions issued by the Board of Directors, policy documents and results of internal audit, the Supervisory Board supervised the bank's compliance with provisions of the laws, the Charter of VietinBank and the targets approved by the General Meeting of Shareholders. The Supervisory Board made recommendations to the Board of Directors, the Board of Management and relevant units of VietinBank to ensure the bank's compliance with provisions of the laws, resolutions of the General Meeting of Shareholders, and prevention and mitigation of risks.

2.3 Internal audit and governance of internal audit function

Special attention of the Supervisory Board during the term of 2014-2019 was given to improvement of quality of internal audit activities and consolidating the internal audit department as a unit under the Supervisory Board.

In order to improve the quality of internal audit activities, the Supervisory Board directed performance of audits by topic and area with material risks and minimized number of department audits and branch audits, and improving internal audit processes for higher quality of audit reports. The supervisory board directed the development of an internal audit software for optimizing the effectiveness of internal audits. In addition, the Supervisory Board also appointed its members to lead some audit teams as well as conducted reviews for circulation of some internal audit reports.

In the first part of the term (April 2014 - June 2015), the internal audit function consisted of 3 audit departments at the Head Office, the Central Region and the Southern Region delivering department/branch audits. Internal audit departments consisted of 55 staff members, with a majority of them transferred from internal inspection and control function, who are experienced in compliance control but weak in audit experience and skills. In order to improve the quality of internal audit, avoid overlapping in inspection and audit, and optimize utilization of resources, the Supervisory Board coordinated with the Board of Directors to adjust the organization of internal audit department for centralization at the Head Office, shutting down 2 regional audit departments, streamlining personnel for determination of headcount, recruitment of more qualified and experienced auditors.

2.4 Appraisal of financial statements

During the 2014-2019 term, the Supervisory Board put in place selected teams to appraise the semi-annual and annual financial statements of VietinBank and reported to the General Meeting of Shareholders on the results of appraisal and evaluation of the relevance, legitimacy, accuracy and prudence in accounting, statistics and preparation of financial statements to be submitted by the Board of Directors to the General Meeting of Shareholders for approval. Appraisal of the financial statements was conducted by the Supervisory Board following audits by external audit firm and in compliance with appraisal guidelines issued by the Supervisory Board. Such appraisal results were then sent by the Supervisory Board to the Board of Directors and the General Director.

2.5 Preparation, filing and update of the list of founding shareholders, major shareholders and related persons of members of the Board of Directors, members of the Supervisory Board and members of the Board of Management of VietinBank

Preparation, filing and update of the list of related persons of members of the Board of Directors, members of the Supervisory Board, members of the Board of Management and shareholders who own at least 5% of shares with voting right of VietinBank were carried out periodically by the Supervisory Board in coordination with relevant units. The list has been fully updated and filed by the Supervisory Board, available upon request, or for audit purposes.

2.6 Other tasks

In addition to the above contents, the Supervisory Board during the term of 2014-2019 also implemented following tasks:

a) Directing preparation for working with government inspection and audit

VietinBank's internal audit department under the Supervisory Board is tasked with preparing for working with and receiving government inspectors and auditors. During the term of 2014-2019, the Supervisory Board successfully completed the task of directing preparation work in receiving government inspections and audits, post-inspection and post-audit implementation of corrective measures, reporting on inspection conclusions by the Government Inspectorate, the Banking Inspection and Supervision Agency, and audit reports by the State Audit of Vietnam.

b) Settlement of complaints and denunciations

During the term of 2014 - 2019, the Supervisory Board proactively proposed and forwarded complaints and denunciations to the Board of Management for directing the settlement of such complaints and denunciations, and reporting as required. In addition, at a request by the Board of Directors, the Supervisory Board formed a number of working groups/teams to directly verify and submitted verification results to the Board of Directors with recommendations for resolution of certain cases.

c) Participating in preparation, submission and implementation of VietinBank's restructuring plan

During the term of 2014 - 2019, the Supervisory Board actively involved in supervising and providing independent counseling to the Board of Directors, the Board of Management and related departments/units of VietinBank in the preparation of the restructuring plan for submission to the SBV for approval as well as implementation of plan upon approval.

3. Shortcomings, limitations, causes and lessons learned

3.1 Shortcomings and limitations

In addition to the achieved results, the Supervisory Board also showed several shortcomings and limitations in implementing its audit and supervision functions during the term, specifically:

- a) Operation of the internal audit department under the Supervisory Board showed shortcomings and limitations, such as failure to promptly identify and propose amendments and revisions to VietinBank's internal regulations to ensure its compliance with the laws while quality of inspection and assessment of compliance in VietinBank's activities remains limited, and no systematic recommendations and warnings were provided.
- b) Review and evaluation of VietinBank's policy document system were not comprehensive and timely.

3.2 Causes of shortcomings and limitations

The above shortcomings and limitations are due to many reasons, including the following main causes:

- a) Personnel of the Supervisory Board in the term of 2014 - 2019 were highly volatile and the number of members of the Supervisory Board is usually the minimum (3 members).
- b) As the assisting team to the Supervisory Board, the staff of internal audit department remains insufficient in numbers with limited audit experience and skills. Those who are experienced were appointed to other professional departments or underperforming banks such as GPBank, OceanBank, while it takes time for newly recruited employees to adapt. VietinBank's organisation in general and with regard to internal audit department in particular underwent significant changes, causing a number of difficulties to internal audit activities.

c) Coordination between the internal audit department under the Supervisory Board and internal inspection and control function under the Board of Management remains far from cohesive, especially in terms of coordination and efficiency of internal inspection and control in support of review, assessment, identification of risks and breaches potentially in activities and units to further enhance performance of audits, detection of breaches, and provide timely recommendations.

3.3 Lessons Learned

Given these above-mentioned shortcomings, limitations and practical work, the Supervisory Board identifies some lessons as follows:

- a) It is necessary to strengthen the personnel of the Supervisory Board for its sufficient staffing, especially the number of full-time members for supervision to be conducted comprehensively and promptly as well as direction of the internal audit department in a timely manner.
- b) Continue to focus on innovating and improving internal audit activities, maintaining the quality, professional expertise and skills of the internal auditors. It is vital to provide clear regulations and requirements for compliance with the coordination mechanism between the internal audit department and internal inspection and control function as well as with the bank's first and second lines of defense.

II. ORIENTATION FOR ORGANIZATION AND OPERATION OF THE SUPERVISORY BOARD FOR THE TERM OF 2019-2024

1. To continue to fully implement the functions, duties and powers of the Supervisory Board in accordance with the laws, VietinBank's Charter on Organization and Operation by providing sufficient personnel to the Supervisory Board.
2. To focus on strengthening the personnel and improving the quality of internal audit performance immediately from the beginning of this term.
3. To closely supervise and oversee implementation of VietinBank's restructuring plan associated with settlement of bad debts for the period 2016 - 2020 as approved by the SBV.

Respectfully reported to the General Meeting of Shareholders on performance review of the Supervisory Board of Vietnam Joint Stock Commercial Bank for Industry and Trade for the term of 2014 - 2019.

**For Supervisory Board
HEAD**

(Signed and sealed)

Nguyen The Huan