

Hanoi, 20th April 2018

SUPERVISORY BOARD

PROPOSAL

On promulgating the Regulation on organization and operation of the Supervisory Board of Vietnam Joint Stock Commercial Bank for Industry and Trade.

**Respectfully submit to: The General Meeting of Shareholders
of Vietnam Joint Stock Commercial Bank for Industry and Trade.**

- Pursuant to the Law on Credit Institutions No. 47/2010/QH12 dated 16th June, 2010, the Law on amendment and supplement of some articles of the Law on Credit Institutions No. 17/2017/QH14 dated 20th November, 2017.
- Pursuant to the Charter on organization and operation of Vietnam Joint Stock Commercial Bank for Industry and Industry.
- Pursuant to the agenda and contents submitted to the 2018 Annual General Shareholders Meeting by Vietnam Joint Stock Commercial Bank for Industry and Trade

The Supervisory Board would like to submit to the General Meeting of Shareholders of Vietnam Joint Stock Commercial Bank for Industry and Trade to consider and approve the complete regulation on organization and operation of the Supervisory Board in order to substitute the current Regulation from 2014, specifically as following:

I. THE NECESSITY OF ESTABLISHING A NEW REGULATION:

The regulation on organization and operation of the Supervisory Board had been approved in 2014 by the Annual General Shareholders Meeting of Vietnam Joint Stock Commercial Bank for Industry and Trade (hereby refer to as “**2014 Regulation**”). 2014 Regulation was built on the foundation of the Law on Credit Institutions 2010, the Law on Enterprises 2005, related legal regulations, and the Charter on organization and operation 2014 of Vietnam Joint-Stock Commercial Bank for Industry and Trade. The 2014 Regulation has created a legal foundation for the operation of the Supervisory Board to accurately perform the given functions and missions.

However, there is a need to approve and issue a new Regulation on organization and operation of the Supervisory Board to substitute for the 2014 Regulation due to the following reasons:

(i) *Firstly*, after the 2014 Regulation was issued, the National Assembly has established a new Law on Enterprises 2014, the Law amending and supplementing a number of articles of the Law on Credit Institutions 2017; the Government has issued Decree no. 71/2017/NĐ-CP providing guidance on corporation governance applied for public listed companies. The aforementioned legal normative documents stipulate several articles relating to the organization and operation of the Supervisory Board of joint-stock commercial banks.

(ii) *Secondly*, Vietnam Joint-Stock Commercial Bank for Industry and Trade has also compiled and submitted to the 2018 Annual General Shareholders Meeting to approve the Charter on organization and operation of Vietnam Joint Stock Commercial Bank for Industry and Trade, Internal regulation on corporate governance following the format issued by the Ministry of Finance along with Circular No. 95/2017/TT-BTC applicable to public listed companies.

(iii) *Thirdly*, the 2014 Regulation has several duplicated contents compared with the Charter and the Internal regulation on corporate governance; several contents are too general and ambiguous and requiring detailed regulations in order to create legal foundation for the Supervisory Board's operation.

II. MAIN STRUCTURE AND CONTENTS OF THE REGULATION

1. Structure of the Draft Regulation.

The draft regulation on organization and operation of the Supervisory Board consisting of 3 chapters and 32 articles are arranged as following:

Chapter I: General provisions (from Article 1 to Article 6).

Chapter II: Specific provisions (from Article 7 to Article 29).

(i) Section 1: Organizational structure and Term of service of the Supervisory Board;

(ii) Section 2: Nomination, election, dismissal, removal and automatic disqualification of Supervisory Board member

(iii) Section 3: Functions, duties and authority of the Supervisory Board and its members;

- (iv) Section 4: Operating principles, working mechanism of the Supervisory Board;
- (v) Section 5: Operating relationship of the Supervisory Board;
- (vi) Section 6: Remuneration, evaluation, reward, discipline applicable to members of the Supervisory Board;

Chapter III: Enforcement Provisions (From Article 30 to Article 32).

2. Key contents of the Regulation:

The Draft Regulation is compiled based on the foundation of the current Laws and inherited several appropriate contents from the 2014 Regulation, specifically:

Chapter I: Regulating the objectives of issuance; scope and subjects of application; document implementing principle; related documents and interpretation of terms.

Chapter II: Specific provisions on organization and operation of the Supervisory Board, in which:

(i) Contents regarding the organizational structure and term of services of the Supervisory Board regulated by the Law on Credit Institutions 2010, Law on Enterprises 2014, Circular no. 06/2010/TT-NHNN of State Bank of Vietnam. The Draft Regulation also specifies more detail regarding the supporting and assisting resources to the Supervisory Board for fulfilling their responsibilities.

(ii) Contents regarding the nomination, election, dismissal, removal and automatic disqualification of Supervisory Board member are referred to the Charter and the Internal regulation on corporate governance in order to avoid content repetition and in the case the Charter and the Internal regulation on corporate governance are amended, supplemented then the Regulation on organization and operation of the Supervisory Board do not need to be amended or supplemented.

(iii) Contents regarding the functions, responsibilities and authority of the Supervisory Board had some additional contents compared to the 2014 Regulation, specifically:

- ✓ Adding more authority and responsibilities of the Supervisory Board in “*Appointment, dismissal, suspension and determination of wage and other benefits for the positions of Internal Audit Department*” in according to the Law amending and supplementing the Law on Credit Institutions 2017.

✓ Adding responsibility of “*monitoring the credit granting activities to entities as required by the Laws*” to the Supervisory Board’s supervision (according to Item 4 Article 10 Decree No. 36/2014/TT-NHNN which was amended by Decree 19/2017/TH-NHNN).

✓ Amending the provision on information access and information confidentiality obligations according to the Law on Enterprises 2014.

(iv) Contents regarding operational principles, working mechanism of the Supervisory Board are more specific, detailed, closer to the actual operation of the Supervisory Board than the 2014 Regulation.

(v) Contents regarding working relations; remuneration, evaluation, reward and discipline for the Supervisory Board are referred to the Charter and the Internal regulation on corporate governance to avoid content repetition and in the case the Charter and the Internal regulation on corporate governance are amended, adjusted then the Regulation on organization and operation of the Supervisory Board do not need to be amended or adjusted.

Chapter III: Regulation regarding the amendment, supplement of the Regulation, the execution and validation of the Regulation.

These are the reasons explaining the necessity for a newly established Regulation; structure and key contents for the Draft Regulation on organization and operation of the Supervisory Board of Vietnam Joint Stock Commercial Bank for Industry and Trade. The Supervisory Board would like to submit to the Shareholders of Vietnam Joint-Stock Commercial Bank for Industry and Trade for your consideration and approval on the complete Regulation (*attached with this proposal*).

With respect!

HEAD OF SUPERVISORY BOARD

(Signed and Sealed)

Nguyen The Huan