THANH THANH CONG - BIEN HOA JOINT STOCK COMPANY
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SBT - SUSTAINABLE DEVELOPMENT FROM THE INTERNAL VALUES (Part I)

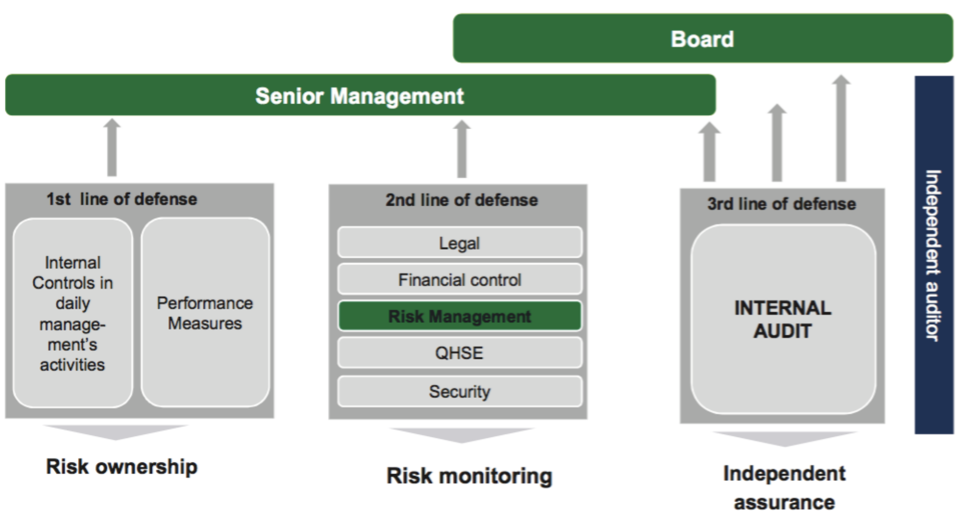
Risk management - The core foundation for sustainable growth

The strategic orientation of Thanh Thanh Cong Bien Hoa Joint Stock Company (SBT, Company) is to become a leading Agriculture Company not only in Vietnam but also in the region and the world through a diverse product value chain, along with extensive distribution channels. And to achieve this goal, SBT understands that it is necessary to focus on building internal value, because a solid foundation will be the premise for the growth of the Company. Currently, Risk management activities have been paid special attention by the Company, and are considered as a guideline for sustainable and stable development.

In a competitive, dynamic and always changing business environment, SBT has implemented building an effective Governance, Governance, Risk, Compliance (GRC) model that creates value not only for the Company but also Investors and Shareholders, as well as harmonizing interests for Farmers, Customers and Local. Specifically, for Corporate Governance, the Company soon recognized great changes in the industry strategy: (1) Changes on the global economic map: changes towards taking competitive advantages in agricultural business of the Company, from there towards many potential markets; (2) Changes according to Customer's needs: SBT reorientes its organizational structure and supply chain to bring safety and satisfaction to consumers, from input materials to finished products; (3) Changes in technology: SBT has taken measures to invest and improve in all stages, from growing Sugarcane to producing Sugar and By-products. Based on these assessments, SBT has rapidly improved its organizational model and introduced modern management methods in three main directions: Strengthening the capability to manage supply chains; Strengthening financial capability and financial management; and Strengthening risk management capability. Activities related to the development of personnel strategies to perform this organizational model have also been implemented effectively during the past time.

On May 16th 2018, TTC Bien Hoa officially issued a Decision about Risk management process based on international practices to promptly identify risks and exploit opportunities, optimize operational efficiency, determine clear responsibilities to guide risk management in an appropriate and comprehensive manner, procedures to help provide information on how to identify, analyze, assess and handle risks. Not stopping there, in order to enhance better risk management, from September 2019, the Company has also carried out the works to standardize the corporate governance platform with the aim of unifying the enterprise risk management activities on the whole system, in parallel with the strengthening of corporate governance capability for all officials. Currently, TTC Bien Hoa is gradually completing the organizational structure to implement corporate risk management based on the "Three lines of defence" based on international standards and practices in this field.

"Three Lines of Defence" Model in Risk management at TTC Bien Hoa



Source: SBT

In recent years, the Company's risk assessment activities have been closely implemented in combination with the capability of process level control with superstructure management structure. Therefore, all activities and strategic planning are analyzed from the perspective of risk management, SBT is aware that the risk management capability will help the Company not only protect its core values and existing competitive advantages, but also create conditions to seize new business opportunities in the current market context.

In terms of compliance monitoring, the Company also soon adopted the change of corporate governance structure according to the best practices in the market, towards international standards as one of the few pioneering companies in Vietnam implementing a new corporate governance model when it changed from the Supervisory board model to the Audit committee under the Board of Directors from May 2018 in order to fully promote its role and responsibilities to protect interests of Shareholders and Investors. Currently, in addition to the regular internal audit, the Audit committee has a strong support from the risk management system, so that they can focus and strengthen audit internal control activities in the business most effectively.

The whole process of transformation and improvement of the Company's GRC framework is accompanied by EY Vietnam - one of the world's leading consulting companies in the field of Risk management.

Members of the Project team implementing the Risk management system

Mr. Le Phat Tin - Chief Accountant (left); Mr. Hoang Manh Tien - Independent member of BOD in charge of Audit Committee (center); Mr. Nguyen Thanh Phuong - Risk Management Manager (right)

SBT - Approved the plan to issue 1,200 billion Convertible bonds to Strategic investors

On February 11th 2020, the Board of Directors (BOD) of TTC Bien Hoa officially approved the implementation of the plan for issuing convertible bonds by the method of private issuance. Accordingly, the Company expects to issue 1,200 convertible bonds with par value of VND 1 billion and expected to collect VND 1,200 billion. The minimum term of convertible bonds is 3 years, the interest rate is expected to be 3.5% / year, the specific issuance time will be agreed upon between SBT and Investors within 90 days from the date of receiving the issuance approval of the State Securities Commission. It is expected that the bonds is entitled to convert a part or all into ordinary shares after 1 year from the time of issuance completion. The issues related to conversion price, conversion rate, conversion time, and other issues related to the bond conversion will be decided by the BOD. This time, the Company will use the raised capital to continue to expand its business activities, invest in high value-added products, especially those belonging to the Organic line, as well as continue to develop a sustainable production and distribution system. In fact, this capital source also helps the Company restructure its finance towards a healthier direction, continue to reduce short-term debt, shift capital structure in a long-term and safe manner, ensuring stable financial resources, meeting the strict requirements of strategic investors who have participated in the Company's shares purchase.

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