THANH THANH CONG – BIEN HOA JOINT STOCK COMPANY

AUDIT COMITTEE

SOCIALIST REPUBLIC OF VIETNAM

Independence – Freedom – Happiness

Tay Ninh, 15th October 2020

REPORT

OPERATION OF THE AUDIT COMMITTEE FOR THE FISCAL YEAR 2019 – 2020 AND OPERATION PLAN FOR THE FISCAL YEAR 2020 - 2021

Dear Shareholders,

Dear Congress,

Pursuant to:

- *Enterprise Law of the Socialist Republic of Vietnam No. 68/2014 / QH13 dated November 26, 2014;*
- *Functions and duties of the Audit Committee specified in the Company Charter.*

On behalf of Audit Committee, this paper is presented to the Annual General Meeting of Shareholders the report on operation results of the Audit Committee for the fiscal year 2019 – 2020, and operational orientation for the fiscal year 2020 – 2021, as follows:

I. THE AUDIT COMMITTEE'S OPERATION FOR THE FISCAL YEAR 2019 - 2020:

- The Audit Committee, directly under the Board of Directors of Thanh Thanh Cong – Bien Hoa Joint Stock Company, including the following personnel:

Full name	Position	
Mr. Hoang Manh Tien	Independent Member of the Board of Directors	Chief Audit Executive
Mr. Henry Chung	Independent Member of the Board of Directors	Member

- All members have complied to the rights and responsibilities specified in the Company Charter, and Regulations on organization and operation of the Audit Committee, as follows:

1. Organizing & operating:

- During the fiscal year 2019 – 2020, the Audit Committee has held 2 meetings with the full participation of members according to regulations; aimed to:
  - Discuss the tasks performed;
  - Assess the Company's activities;
    ⇨ Assess and evaluate potential risks to promptly warn the Board of Directors.

  Due to the COVID-19 pandemic, the Audit Committee has flexibly exchanging information by emails, mobile, or other methods to quickly resolve issues that arise unexpectedly.
- Reviewing, adjusting and re-approving the action plan of the Internal Audit due the impact of the COVID-19 pandemic.
- Periodic meetings with the Board of Directors and the Board of Management (BOM):

- Warning about potential risks through araised records during the inspection for the Executive Board to handle the solutions;
- Advising the Board of Directors in identifying and evaluating the impacts of issues in risk management.

2. Operational monitoring:

The fiscal year 2019 – 2020; the Audit Committee had adjusted the operation method; therefore, the Audit Committee played a role in supervising specific activities to ensure the continual process, especially aimed to improving the Internal Control System, preventing risks on all operation areas under the scope of supervision.

Summary of results from monitoring activity of the Audit Subcommittee as follows:

2.1 Operation of the Board of Directors and the Chief Executive Officer (CEO):

- The Board of Directors performed periodic and regular monitoring towards the CEO and other members of Board of Management through reports at the Board meetings regarding the implementation of strategies, objectives, contents, and business plans that have been approved by the Annual General Meeting of Shareholders and the implementation of resolutions of Board of Directors.
- The Board of Directors discussed and approved decisions by resolution after each meeting on: changes, forecasts, and plans for the next quarter and other related issues given to the Board of Management to execute.
- The Board of Directors implemented activities in accordance with the Internal Management Regulations (issued in August 2020, approaching the best corporate management practices recommended by IFC). Accordingly, the Board of Directors has recognized the contribution and promote the work efficiency of the Board of Directors and the committees in general and each member of the Board of Directors in particular.

2.2 Monitoring financial statements

The Audit Committee has performed supervision of quarterly, semi-annual and annual financial statements before the Executive Board submits to the Board of Directors, and to the General Meeting of Shareholders; or announced information in accordance with law. Monitoring results show that:

- Quarterly, semi-annual and annual financial statements established and announced in accordance with accounting standards and current regulations of law.
- Semi-annual and full-year financial statements have been reviewed by the External Audit, improving the report's reliability before releasing.
- No changes in accounting regime, accounting standards, or tax policies have a significant impact on the financial circumstance and the financial statements have been released.
- No significant or unreasonable errors related to accounting estimates (provisions, advantageous commerce determination, ...).
- No unusual records of related party transactions.
- There are opinions from the ExternalAudit suggest to focus on improving the internal control system that has been reviewed, evaluated and assesed by the Audit Committee that does not significantly affect the preparation and disclosure of the financial statements, at the same time unifying solutions with the Board of Directors.

2.3 Monitoring Internal Audit:

Internal Audit is functional and is under the external supervision of the Audit Committee through approving and monitoring the implementation of the annual audit plan and internal audit methods. The internal audit function is working effectively, contributing to improving the Internal Control System and risk management. Details are as follows:

- The internal audit function operates effectively and is asymptotic to the internal audit method.
- The coordination between General Manager and Audit Committee in managing internal audit function helps internal audit to promote its role well.
- Prioritizing in shifting from compliance auditing to supporting and consulting units in risk management and internal control has yielded positive results and will continue to be maintained.
- The results of internal audit showed that compliance with processes in audited units was performed well and tended to be more positive than the previous year.

  The recommendations from the Internal Audit have been taken into accounts seriously and promptly.
- The internal audit plan for the year 2019 - 2020 has been completed within the scope of resources and expected deadline.

2.4 Monitoring risk management and Internal Control System:

As TTC - BH aims not only to be the key account in Agriculture industry in Vietnam, but to reach further continents on the globe through the diversified product value chains, along with a wide distribution range; the risk management operation has been focused on, and is considered as a guideline for future developments.

Since May 2018, TTC – BH has enacted the Risk Management Process based on the best international practices to promptly identify and exploit opportunities, optimizing performance, delimit repsponsibilities in order to approach risk management appropriately.

To improve the risk management process, TTC – BH has established the Risk Management Deparment on September 2019 to standardize the basis of ERM, aims to unify corporate risk management activities in TTC – BH Group. This project is consulted by E&Y Vietnam.

a. Key activities of risk management for the year 2019 - 2020:

- **Activity #1:** Review and agree on the risk management perspective (risk appetite statement, risk measure) & define a strategic risk portfolio.
- **Activity #2:** Consult organization to manage and monitor strategic risks.
- **Activity #3:** Improve the risk management capacity at management level.
- **Activity #4:** Improve policies and risk management procedures and continuous capacity building for risk management department.

b. Results:

- Employees are awared and showed responsibility towards the Internal Control System and Risk Management in daily operation..
- Based on the Strategic Development; the Board of Directors have determined their point of views in Risk Management. Therefore, risk appetites are identified to assist managers in specifying metrics to measure the impact of risks.

  In Risk Management, TTC – BH will have to continuously improving to catch up with modern approaches to promote the system and integrate into the current system.

- By identifying risk appetites and metrics, 13 potential risks have been listed in the Risk Portfolio; and action plans have been determined to execute these risks.
- Redesigning the decentralization matrix base on three factors such as (i) current law, and TTC – BH Charter; (ii) detailed discussions of activities with managers; and (iii) statistic probability tool.
- Develop the Risk Control Matrix and redesign activities such as: Purchasing, Marketing, and Sales.
- Develop the Risk Management Handbook.

2.5 Monitoring External Audit Service:

- The Audit Committee assessed that the External Audit company's proposal and implementation of the auditing plan for the year 2019 – 2020 are in accordance with TTC – BH's requirements in terms of scope, object, method, time as well as quality assurance requirements, independence, no conflict of interests of independence audit.
- The financial statements that have been audited by Ernst & Young Vietnam have fulfilled their duties, ensure the reliablity and truthfulness of the financial statements that the company has disclosed and provided to shareholders, and relate parties.
- In the selection of an External Audit for the fiscal year 2020 – 2021, the Audit Committee will advise and propose to the Board of Directors to submit to the General Meeting of Shareholders for selection.

II. OPERATION PLAN FOR THE YEAR 2020 - 2021:

1. Risk Management:

1.1 Objective:

Completing corporate risk management system framework and implementing corporate risk management system at the Corporation and its affiliated units.

1.2 Solutions & action plan:

- **Develop and issue Risk Management Handbooks:**
  - ✓ Develop and submit to issue a Risk Management Handbook that provides basic principles & guidelines for risk management *(expected to be done on November 2020).*
  - ✓ The Handbook is regularly reviewed and updated to ensure consistency with the production and business activities of TTC – BH (*revising every 6 months*).
- **Organize and train risk management coordinators:** Buld and develop a team of Risk Management Coordinators in Divisions/ Departments and Unit member to manage risk identification, assessment and handling of risk owners (*done on October 2020, including the first training).*
- **Integrating risk management into production and business activities:** Integrating risk management into activities such as: dealing with problems after occupational safety/ environmental safety incidents; dealing with customers' complaints, product recalls, ...
- **Review and update the risk portfolio**: Evaluate, review & update the critical risk portfolio every 6 months in accordance with changes in the business environment, actual situation and management requirements of the Board of Directors.
- **Develop and manage crisis management process:**
  - ✓ Categorise crises & incidents.

- ✓ Coordinate with specialized units related to specific incidents/ crises in the production and business process to develop appropriate handling plans.

- **Regularly implemented activities are continued to manage the Company's risks with the process of risk identification - risk assessment - risk monitoring and reporting.**
  - ✓ Planning:
    - Develop a plan to conduct risk assessment.
    - Division of personnel in risk management.
    - Record incurred events within the period.
  - ✓ Performing:
    - Assess risks from risk owners.
    - Effectuate solutions to manage risks.
    - Perform evaluations.
  - ✓ Revising:
    - Track Key Risk Indicators (KRIs).
    - Cross-check risk assessments.
  - ✓ Proceeding:
    - Improving risk assessment process.
    - Suggestions to improve the criteria and risk parameters.

2. INTERNAL AUDIT OPERATION:

2.1 Objective: Assure that values of Internal Audit are not only compliance and efficiency, but also quality, develop and support.

- Organize the internal audit effectively and efficiently: identify and prevent cases of compliance violations lead to risks of damaging assets and reputation of the company; ensure the implementation of recommendations to remedy violations; promptly identify and recommend risks, and shortcomings in the management system and the internal control system.
- Ensure the truthfulness and rational of the reports.
- Inadequacies in the Company's operations were recorded and proposed to be promptly improved.
- Highlight the role and responsibility of the immediate supervisor for the staff's or unit's mistakes.

2.2 Solutions & action plan:

- Shifting Internal Audit step-by-step from compliance to "risk-oriented" audit.
- Participate in reviewing with the Risk Management Department in periodically reviewing, evaluating and updating the list of risks.
- Based on the established risk portfolio, compare and revise internal audit performance in the previous audit period to servce as the basis for the upcoming audit plan.

  Therefore, internal audit plans have to be developed based on risk evaluating results and are needed to be updated, and adjusted in accordance to situations.
- Develop a classification table of non-compliance violator, in order to parallel the requirements of correction, recommendation for improvement is to propose the appropriate level of sanctions including immediate supervisors.

Above is the Operation Report of the Audit Committee for the fiscal year 2019 – 2020 and Operation Plan for the fiscal year 2020 – 2021. The report is to be submitted to the Annual General Meeting of Shareholders.

Regards.

ON BEHALF OF AUDIT COMMITTEE

Chief Audit Executive

HOANG MANH TIEN