

Hung Yen, 23<sup>th</sup> Apr, 2020

## REPORT OF BOARD OF SUPERVISORS

**To: Annual Shareholders' Meeting**

***Pursuant to:***

- *Law on Enterprise, Law on Securities, Company Charter of Everpia JSC*
- *Rights and duties of Board of Supervisors as prescribed*
- *Audited Financial Report 2020 by Ernst & Young Viet Nam Co., Ltd Company.*

Board of Supervisors of Everpia JSC would like to report Annual Shareholders' Meeting the result of 2020 as follow:

### **1. Board of Supervisors activities in 2020**

In 2020, the Board of Supervisors has performed its supervisory role through the following methods:

- (1) Directly monitor the activities of Board of Directors ("BOD") through discuss with BOD members, attend regular meetings, email meeting of BOD thereby giving out recommendations to the BOD.
- (2) Supervise Board of Management through direct discussions to update the business performance, progress of the tasks assigned by Annual Shareholders' Meeting as well as resolutions of BOD.
- (3) Monitor through reports and direct dicussion with Leader of specialized departments in the Company such as: Finance and Accounting, Internal Control, Shareholder Relations, Human Resources, Purchase, Sales and Production departments.
- (4) Monitor through reports and discussion with Audit firm.

The scope of supervision includes:

- Supervise activities of the Board of Directors, General Director and other executives
- Supervise business performance and finance of the Company
- Supervise information disclosure and related party transactions
- Supervise internal control system and risk management compliance

In addition, based on monitoring results, Board of Supervisors proposes recommendations and advice to Board of Directors and Board of Management, specifically:

- Cost management by workshop: consulting on how to record costs by production stages at ERP system to ensure the most accurate in calculating selling prices and recording production costs for each product, each business.
- Evaluate the effectiveness of factory self-improvement activities, advise the process and method of self-assessment and self-control for the Executive Board.
- Continue to improve inventory management efficiency: review ordering, manufacturing, and delivery process to minimize inventory in both raw materials and finished goods.
- Strengthen the role of the Internal Audit Team, advise and support the operation

process according to the requirements of Internal Audit.

### **3. Result of monitoring the activities**

#### ***Board of Directors, General Director and other executives***

The Board of Supervisors did not note any abnormal activities of the Board of Directors and the Board of Management. The meetings of Board of Directors are held according to regulations and resolutions on the basis of ensuring maximum benefits for the Company and shareholders. The Board of Directors and the Board of Managements have operated the company in accordance with Law and Company charter, and has had many practical and timely instructions in response to business events caused by Covid pandemic.

#### ***The coordination between Board of supervisors with Board of Directors, Board of Managements, other executives and shareholders***

- Board of Directors has closely coordinated with Board of the Supervisors by providing fully and clearly information related to business operations as well as corporate governance. Through meetings with the Board of Directors, the Board of Supervisors has directly given out comments in the purpose of together analyzing and evaluating and making the best decisions that can both comply with current legal regulations and optimize benefits for stakeholders.
- In addition, in the process of monitoring the Company activities, General Director and other executives have provided all information as required, including comments and questions from shareholders, creating all favorable conditions for Board of Supervisors to fulfill its duties.

#### ***Implementation of Resolution of Annual Shareholders' Meeting***

- The Company has fully implemented the plans approved by the Resolution of the Annual Shareholders Meeting No. 01/DHDCD2020/NQ dated April 24, 2020, including payment of dividends by cash, selecting independent financial audit company, and remuneration for the Board of Directors and Board of Supervisors.
- For the Resolution of Annual Shareholders' Meeting passed in the form of consulting shareholders' opinions by written on Nov. 30t, 2020, Board of Managements is directing the specialized departments to carry out business expansion procedures with relevant agencies in the context of transition between the old law and the new law.

#### ***Business activities***

The Board of Directors and Board of Managements followed the development goals and orientations approved by the Annual Shareholders Meeting to make decisions and solutions to implement specific tasks, while being flexible and creative in responding to business events. In 2020, many production improvement activities aimed at efficient use of natural resources (energy, water, raw materials) will be conducted under the advice of independent professional consulting units.

#### ***Financial status***

- Financial statements for year 2020 (*including quarterly reports, interim reports and annual audit reports*) are prepared and presented honestly in accordance with current regulations.
- There were no unusual events or unusual transactions during the reporting period
- No cheating or serious mistake

- Financial indicators such as liquidity, financial leverage are within safe limits
- After getting the consultation of EY auditor firm on preparation of financial statements under IFRS in 2017, Accounting department of the Company has inherited and self-researched to be ready for the application of IFRS from 2022 according to the roadmap of the Ministry of Finance.
- Independent audit service: Audit firm and auditors are qualified and independent, has audited the financial statements in a fair and objective manner, fulfilled all obligations as audit contract and complied with current accounting and auditing standards.

### ***Information Disclosure & Transactions with related parties***

- There is no violation of information disclosure in 2020
- Transactions between the company, subsidiary, company where Everpia holds more than 50% of its charter capital with members of Board of Directors, General Director, other executives of the Company and those who have with regard to that object: 01 long-term apartment lease contract between Everpia and Mr. Cho Yong Hwan - Chairman and Deputy Director of the Company. This transaction was reported and approved by Board of Directors before implementation and disclosed in accordance with Company Charter and current law. The Board of Supervisors found that this transaction was conducted in a transparent and reasonable manner towards the interests of the Company and its shareholders.
- Transactions between Company and a company in which a member of Board of Directors, General Director, other executives of the Company is a founding member or executives for the last 3 years prior to the transaction time: None

### ***Internal control and risk management system***

The Board of Supervisors found that the Company is maintaining an effective framework of risk management and internal control, with the following highlights:

- The operation of new POS systems for showrooms and agents makes sales and inventory information transparent and updated continuously which helps in controlling retail systems operations.
- Continue to maintain and ensure the quality of self-assessment and control.
- Improve the quality management system by establishing an integrated QC department, in order to strengthen quality control according to each production stage, in addition to controlling the quality of finished product at the KCS department. This includes the occupational safety and health, the effectiveness and reasonableness of production processes.
- Continue to maintain the management system for environment, labor and production according to independent standards, such as ISO14001, Higg, GRS, BSCI.
- Follow up the risk management framework, continuously update and add new risks as well as new preventive measures although there are no significant risks in 2020
- Compliance newsletter is updated periodically and continuously as an effective internal communication tool

### ***Internal Audit***

The internal audit function has been gradually improved, and is performed by Internal audit team of the Company, specifically:

- Regularly and irregularly check process compliance, as well as monitor the effectiveness of

process and internal control system, recommend adding and changing the necessary control points to increase the effectiveness of risk management.

- Monitor Company activities in the right direction, strategic goals and make recommendations to the Board of Directors.

#### 4. Meetings of Board of Supervisors and conclusion, opinion of Board of Supervisors

In 2020, Board of Supervisors has conducted 2 regular meetings with the full participation of members and discussed about the work under the assigned authority:

Meeting date	Meeting content	Conclusion of Board of Supervisors
Mar. 16 <sup>th</sup> , 2020	1. Review internal audit activities in 2019 2. Audit plan 2020	<p><b>1. Review internal audit activities in 2019</b></p> <ul style="list-style-type: none"> <li>- Activities of Board of Directors &amp; Board of Management: No cheating or abnormal signs. Board of Directors &amp; Board of Management operate in the best interests of the Company and shareholders, comply with the resolutions of Annual Shareholders' Meeting .</li> <li>- Business activities: Although the company has not achieved sales and profit targets, it has built up foundations in business and production innovation.</li> <li>- Internal risk management system: improve internal audit functions according to new regulations</li> <li>- Financial status and financial indicators are at a safe level.</li> <li>- Independent auditing activities are made transparent and objectively.</li> <li>- Recommendations have been made: (i) promoting self-innovation in production; (ii) implementing digital marketing instead of traditional advertising.</li> </ul> <p><b>2. Audit plan 2020</b></p> <ul style="list-style-type: none"> <li>- Resume an effective monitoring role</li> <li>- Support to complete the internal audit function</li> <li>- Evaluate the efficiency of factory self-innovation and recommend the production management strategy for Board of Managements.</li> </ul>
Oct. 2 <sup>nd</sup> , 2020	1. Review the business performance for the first 8M 2020 2. Review the implementation of General Shareholders' Meeting resolutions 3. Review internal audit activities	<p><b>1. Review the business performance</b></p> <ul style="list-style-type: none"> <li>- Sales decreased by 15% YOY, while COGS ratio increased because the scale of revenue was not at the optimal level in terms of cost, and the need to implement discount programs. in the context of epidemic.</li> <li>- Bright point: growth in online sales, effective cost control policies (saving VND27bil. on selling expenses).</li> <li>- Recommendations: (i) improve innovation activities in production to reduce COGS and increase competitiveness; (ii) manage cost by workshop and business.</li> </ul> <p><b>2. Evaluate the implementation of resolutions of Shareholders General Meeting</b></p> <ul style="list-style-type: none"> <li>- The tasks assigned by Annual Shareholders' Meeting are basically completed, such as paying cash dividend, remuneration for independent members of Board of Directors and Board of supervisors, and selecting audit firm</li> <li>- The whole company does its best to achieve the assigned revenue and profit targets</li> <li>- Expanding business scope: in progress</li> </ul>

		<b>3. Evaluate the effectiveness of internal control activities</b> - The Internal Audit team has well performed the roles of compliance control and risk control in all operations at the Company under the risk management framework of the Sabarne-Oxley Act.
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## 5. Remuneration and expenses of Audit Committee

*Unit: VNĐ*

Board of Supervisors	Position	Remunation (before PIT)	Other expenses and interest
Mr. Truong Tuan Nghia	Head	86,400,000	0
Mr. Ko Tae Yeon	Member	86,400,000	0
Mr. Nguyen Dac Huong	Member	86,400,000	0
<b>Total</b>		<b>259,200,000</b>	<b>0</b>

*To:*  
- ASM 2019  
- Management  
- Save

***Pp. AUDIT COMMITTEE***  
***HEAD OF AC***  
***(signed)***  
***TRUONG TUAN NGHIA***