



REPORT OF THE BOARD OF DIRECTORS

AT THE FY2019 ANNUAL GENERAL MEETING OF SHAREHOLDERS

I. 2019 PERFORMANCE EVALUATION BY THE BOARD OF DIRECTORS (“BoD”)

A. EVALUATION OF BoD PERFORMANCE IN 2019

Vietnamese Stock Market in 2019

In 2019, the global economy entered a lower growth trajectory. That coupled with the notorious trade dispute between the US and China and other geopolitical risks led to a surge in uncertainty level across the globe. Consequently, global business confidence, investment decision and global trade were negatively impacted.

Despite the challenging global environment, the Vietnamese economy was able to prove its strong resilience and delivered impress growth. The Vietnamese stock market was benefited and therefore attracted strong flow of global investment capital. Accordingly, the market achieved impressive growth across major aspects and was the best performing stock market in Southeast Asia. However, the stock market witnessed a high level of volatility during the year; healthy gains in some trading days were followed by sharp falls in the later days. In addition to the volatility, stock market liquidity was also a major concern as the average daily trading value was only at VND4,659 billion, a dramatic decrease of 28.8% y-o-y. VNIndex closed at 961 points in the last trading day, an increase of 7.7%, while the HN Index closed at a lower point of 102, a 1.7% decline y-o-y .

HSC’s Business Performance in 2019

Although the fundamentals of the Vietnamese economy remained solid, the stock market was negatively affected by the above-mentioned external factors including the global trade uncertainty. Therefore, investors took a cautious approach to investing in the stock market. HSC’s performance was impacted consequently. In 2019, HSC achieved VND1,262 billion of revenue and VND433 billion of net profit, y-o-y declines of 26% and 36% respectively, delivering 64% of the business target approved at the AGM.

HSC’s securities market share in 2019 was 10.8%, which was lower than last year of 11.4% and below the 2019 target of 12.3%. HSC’s market share in the derivatives market in 2019 was 9.8%, a significant decline over the 22.6% market share in 2018. However, on the positive side, the average daily total number of contracts was 88,700, a y-o-y increase of 13%.

B. BoD Supervision of the Chief Executive Officer and Board of Management

In 2019, the BoD maintained close supervision of activities of the Chief Executive Officer (“CEO”) and Board of Management (“BoM”) in implementing the resolutions approved by the AGM and BoD, with details as follows:

1. Methods of Supervision

The BoD and the Supervisory Board (BoS) cooperated closely to supervise HSC’s business operations. This high level of understanding has enabled the two Boards to support and guide the CEO and BoM in implementing the corporate plan and fulfilling their core responsibilities.

Representatives of committees of the BoD presented regularly at BoD meetings as below:

- The Risk Management Committee reported on all significant risks, such as liquidity risks, credit risks, and capital risks arising in each quarter, in the first half and in the year, and proposed recommendations and necessary actions for risk mitigation.
- The Internal Audit Committee reported on the number of internal audits conducted in each quarter, in the first half of 2019 and in the year including the audit findings, and any audit recommendations to strengthen the internal environment and to ensure that the internal audit system operates effectively.
- The Remuneration Committee reviewed, evaluated, and approved compensation, benefits, and remuneration policies for 2019.

At all times, the BoD and the BoS assessed the feasibility of action plans and recommendations, thereby proposing solutions that were more practical and appropriate for the Company’s operations.

The BoD issued resolutions after each periodic and ad-hoc meeting to approve quarterly, semi-annually, and annually business results and business plans and other business matters under the BoD’s authorization. At the same time, the BoD also provided strategic guidance, assessments of the market and overall economic circumstances to support reviews of business plans for upcoming quarters. The CEO, the BoM and the BoD maintained regular communication and interaction throughout the year. That collaborative approach supported the implementation of policies and supervision of results of those policies to ensure that the overall objectives of HSC were achieved.

2. Supervision Results

The summary of 2019 financial performance is as follows:

Unit: VND million

Target	2019	2018	Change ratio (%)	2019 Plan	(%) 2019 Plan Completion
Revenue	1,262,298	1,702,011	- 26%	1,666,107	76%
Profit before tax	531,406	842,186	- 37%	851,391	62%

Target	2019	2018	Change ratio (%)	2019 Plan	(%) 2019 Plan Completion
Profit after tax	432,565	675,480	- 36%	681,113	64%

3. Conclusion

In accordance with HSC's Charter, policies and procedures, the BoD authorized the CEO and BoM to implement and manage day-to-day operations of HSC, and to ensure the deployment of resources to pursue strategic decisions that were aligned with approved business plans. Through the mechanism of reporting on periodical inspection, supervision, financial performance, the daily operation of the Company, and reporting on unexpected affairs as required, the BoD concluded that the CEO and the BoM successfully and compliantly exercised their rights and duties in accordance with the prevailing laws, as well as the Company Charter and other resolutions as discussed in the 2018 AGM. Additionally, the BoD exercised its assigned rights and responsibilities in a manner that was prudent, professional, and demonstrated integrity to ensure the maximum legitimate interests of the Company and its shareholders were attained. Moreover, the CEO and the BoM made their best efforts to deliver and exceed the business objectives approved by the 2018 AGM. At the same time, the CEO and the BoM also well achieved an important accomplishment - to further fortify the already-solid business environment at HSC where the main focuses were sustainable development, strong corporate governance, and the enhancement of risk management enhancement and control.

C. The Vision and Strategic Plans of the Board of Directors

In 2020, the regional and global macroeconomic conditions are expected to remain challenging. The global economic, trade, and investment growth will recovery slowly as the trade conflicts amongst major world economic forces and the virus pandemic progress unpredictably and negatively impact many countries including Vietnam economically and socially.

The Vietnamese stock market in 2020 will be affected by the following major factors:

- The trade negotiation between the US and China might turn negative despite the conclusion of first phase agreement.
- The Covid-19 pandemic might cause serious disruption of the global supply chain and consequently negatively impact the global economy.
- Securities companies might continue the unsustainable race to lower brokerage fee upon the removal of the floor brokerage fee.
- Covered warrants are expected to become a good substitute of underlying securities of companies that have no room for foreign investors. The products will be more attractive to investors when the stock market stabilizes.
- The launch of ETFs replicating the new indices of Ho Chi Minh City Stock Exchange such as the VN Diamond, VN Fin Select and VN Fin Lead indices is expected to attract indirect investment capital into the market.

- The legal framework of the capital markets – the amended Securities Law will become effective in 2021 and will strengthen transparency of the market and boost quality of its products. Accordingly, the amended law will enhance the management and supervision of policies makers as well as facilitate capital raising activity of Vietnamese companies.

Based on the stock market outlook, the BoD will strategically focus on the followings in 2020:

- Developing a strategic business development plan;
- Promoting and solidifying the core business activities and fundamentals of the Company by further developing the human resources, fortifying corporate governance system and risk management and compliance processes, and increasing involvement of IT across the services, products, and operations of the Company.
- Enhancing corporate governance, risk management and risk control systems, especially in financial management, accounting and business auditing functions by improving the competencies of the Committees under the BoD and BoD members.
- Continuing to enhance the transparency of HSC's operations towards sustainable growth in the long term by proactive engagement on corporate social responsibility initiatives.

II. CORPORATE GOVERNANCE IN 2019

HSC believes that strong corporate governance is one of the key factors for building a solid corporate foundation that delivers sustainable business value, enhances long term competitive advantages and reputation of companies. Having these strengths will facilitate companies' capital market access, which in turn supports growth of the capital markets and the economy.

HSC's approach to strong corporate governance is to promote a culture of shared belief, transparency and accountability, which are crucial for the Company to pursue long term growth, financial stability and business ethics. Our top priorities are to maximize financial and non-financial values for shareholders, stakeholders, and partners, to attract investors, to maintain an effective capital raising approach, to strengthen risk management, to rationalize expenses and optimize operations.

We have strong commitment to the excellence in corporate governance standards, which we believe the foundation of the development of our business. In order to maximize corporate value, HSC focuses not only on achieving business development goals for revenue and profit growths, but also on enhancing our corporate governance in line with international best practices. The combination of growth strategy and good corporate governance will help us maximize our resources and effectively exploit opportunities to create sustainable value in the long run.

1. Board of Directors

The BoD is responsible for ensuring that the best corporate governance practices are applied throughout the Company. The BoD has been and is going to implement the best corporate governance standards from the highest level of management board to every HSC employee as

the foundation to achieve the Company's goals. Not only that, it is empowered by HSC to carry out its role and responsibilities and fulfil its obligations to shareholders, as well as to enhance corporate value.

HSC's BoD is accountable to the shareholders for the operations of the Company. The BoD is mandated to not only fulfil its roles and duties in formulating growth strategies for the Company and managing risks facing its operations, but also be the pioneers in promoting HSC's corporate culture and values both internally and externally to the shareholders and other stakeholders.

Members of the Board of Directors

HSC's BoD comprises seven (07) members, including the Chairman, six (06) non-executive Directors.

All members of HSC's BoD are senior executives, who have strong managerial capabilities and in-depth knowledge and experience in law, corporate finance, and Vietnamese capital markets. The structure of HSC's BoD has a good balance of non-executive and executive members and complies with the Enterprise Law in terms of the number of independent board members.

Activities of Non-executive and Independent Members of the Board of Directors

1. Assessing the independence and tenure of independent members of the Board of Directors

The independence of a member is not based on the length of time served on the Board of Directors, such as five (05) or nine (09) consecutive years, as stipulated by Vietnamese statutes. There are many other factors including the skills and knowledge, quality of advice, experience, ethical standards, and especially integrity and objectivity. The strengths of independent members are their understanding and insights regarding the core business, and their depth of analysis and critical thinking in making the right decisions.

There are two independent board members, Mr. Do Hung Viet and Mr. Pham Nghiem Xuan Bac, who have served more than 10 years, and have exceeded the statutory limit of nine years. After consulting the current legal regulations, as well as international practices, HSC's BoD recognizes that the independence of the two members in making decisions related to HSC operations remained intact. The board members have still been able to review HSC's operations and to make recommendations from an independent perspective. Additionally, they have made valuable contributions to the development of the Company. Therefore, the Company decided that, even though the re-appointment of these two members were not in compliance with the current regulations on independent members of the Board of Directors, in terms of nature, they do play an important role as independent members of the Board.

Although HSC is evaluating the independence of the members of the BoD from the perspective of their roles and contributions to the development of the Company, the BoD is also building a

roadmap for selecting and appointing qualified independent BoD members to align their contributions with the requirements of the applicable laws and HSC's internal regulations.

2. *Assessing the independence non-executive members of the Board of Directors*

The non-executive members of HSC's BoD are representatives of two major HSC shareholders: Ho Chi Minh City Finance and Investment State-owned Company (HFIC) and HSC's strategic investor, the Dragon Capital Group (DC).

HSC's assessment of the independence of its non-executive BoD members is based on their capabilities, knowledge and experience on law, corporate finance, and the capital markets, as well as on their soft skills. Their decisions and contributions to the development of the Company are made from their independent standpoints. Although they have dual roles and dual responsibilities, they have been able to separate these roles when making relevant and important management decisions and successfully accomplished their duties.

3. *Separation of Chairman and CEO roles*

The separation of the role of the Chairman and the CEO reflects independence and a clear division of responsibilities between the BoD and the BoM to ensure a fair division of powers in decision-making, increased accountability and enhanced governance. The powers and duties of the Chairman and the CEO are clearly stated in the Company Charter.

HSC's Chairman has been on the BoD since its inception. He was appointed in 2007 and is currently in his fourth term on the Board.

Roles and responsibilities of the Board of Directors

Under the Enterprise Law and HSC's Charter, the BoD is the governing body of the Company and has full authority to act on behalf of the Company to exercise its rights and obligations beyond the authority of the Company's Annual General Shareholder Meetings. The BoD is responsible for monitoring HSC's operations to ensure that the Company complies with all applicable laws and its Charter, as well as internal regulations, and to assure the rights of its shareholders and stakeholders.

Accordingly, the major roles of the BoD are:

- Developing the Company's long-term strategic plan;
- Building and enhancing the Company's competitive advantages;
- Responding to major business challenges when they arise;
- Developing the Company's core competencies, and;
- Creating and enhancing value for Company stakeholders,

When carrying out their functions and tasks, the BoD must strictly comply with the provisions of law, the Charter of the Company and resolutions of the Annual General Meeting of

Shareholders. In the event where decisions made by BoD contravene the law or the Company's Charter, thereby causing detriment to HSC, the members who voted in favour of these decisions are jointly and individually liable for any damages in accordance with relevant laws.

The board of director member nomination and candidacy processes

The board of director member nomination and candidacy processes are amongst the most important processes of the Company as standardized processes are crucial to the structure of board of director and quality and capability of members.

The board of director member nomination and candidacy processes are comprised of the following steps:

- ↳ Determine the requirements and conditions on board member candidacy
- ↳ Select qualified board member candidates
- ↳ Assess the selected candidates
- ↳ Executive members of the board of directors interview the selected candidates
- ↳ Propose the final candidates for the consideration of the BoD and approval of the AGM.

Information submission to the BoD

Information that the BoM presents in the BoD meetings or in the BoD's materials must be accurate, adequate, and clear to provide the BoD a solid ground for making important decisions and approvals at BoD meetings.

In the situations that the BoD requires further information or clarification, the BoM must provide the required information one (01) day before BoD meetings.

Meeting request and agenda must be circulated 15 days in advance to all BoD members. Meeting materials must be available five (05) days before the meetings. In situations that meetings are held in the form of written ballot, proposals must be circulated to all BoD members seven (07) days before the dates the BoD members are requested to approve or disapprove the proposals.

Commitment of Board of Director

Members of the BoD commit to comply with applicable laws requiring that the board members are not also members of board of directors of other companies for more than five (05) years). This regulation is to ensure that BoD members could spend more time, efforts, and dedication to support HSC.

Agendas of meetings in upcoming year are finalized at the last meeting of each year. In addition to the scheduled BoD meetings, when necessary, chairman of the BoD can request ad-hoc face-to-face meetings or meetings held in the form of written ballot. All BoD members commit to consider the proposed matters thoroughly before making decision.

Overall Assessment of the Operational Effectiveness of the Board of Directors

The BoD has made great efforts to improve corporate governance and align standards with current regulations and international best practices. Particularly:

- The Board of Directors maintains regular activities in accordance with the Company Charter, ensuring that regular meetings are held and that all Board members attended the meetings to meet legal requirements;
- Clearly defined the roles for independent and nonexecutive members have been made to maximize the interests of all shareholders and to assure fairness of minor shareholders.
- Supervision of the implementation of the BoD' decisions and resolutions that were made at the AGM.
- Direction and supervision of the implementation of various important projects at HSC, including projects related to risk management, internal audit, new product development, bonus share issuance from shareholder capital source, new share issuance to existing shareholders, and employee stock ownership plans (ESOP 2018).
- Supervision of Committee activities to ensure compliance with the operating principles and the Company Charter.
- The successful development of succession plan was an important achievement of the Company in 2019. Having a comprehensive succession plan helped HSC's key personnels prepare well to take higher positions and more responsibilities.

Meetings of BoD in 2019

Board Members	Position	Date of Appointment	Number of Meetings	Number Meetings Attended	Attendance Ratio
Do Hung Viet	Chairman	21/04/2016	29	29	100%
Le Anh Minh	Vice Chairman	21/04/2016	29	29	100%
Lam Hoai Anh	Non-executive member	26/04/2018	29	27 ¹	93%
Pham Nghiem Xuan Bac	Non-executive member	21/04/2016	29	29	100%
Le Hoang Anh	Non-executive member	21/04/2016	29	29	100%
Le Thang Can	Non-executive member	21/04/2016	29	29	100%
Johan Nyvene	Non-executive member	21/04/2016	29	29	100%

¹ The BoD member was not able to attend the meeting due to previously scheduled business trips.

In 2019, there were 25 BoD meetings, of which there 22 face-to-face meetings and three BoD meetings held in the form of written ballot.

In each regular quarterly meeting, the BoD reviewed and approved the Company's actual quarterly financial performance. The BoD also discussed prevailing market conditions and

reviewed and revised (if necessary) the strategic plans for upcoming quarters. The board also approved other matters falling under its responsibility and authority to ensure that the Company's operations are well managed. At the first meeting of the year, the BoD discussed macroeconomic conditions and the local and global stock market outlooks; thereby reviewing the feasibility of the Company's business plan and targets for the year and considering any necessary revision of the Company's long-term plan and vision. At the last meeting of a year, the BoD finalizes dates of meetings in the upcoming year to accommodate schedule of all BoD members.

All BoD members fulfilled their responsibilities in terms of BoD meeting participation. Furthermore, the BoD made important decisions, which were greatly beneficial to the performance of the Company during the year. A BoD resolution was only ratified when more than half of the members of the board voted for it.

Activities of the Board of Directors in 2019

The Roles of the Board	<i>Activities of the Board of Directors in 2019</i>
Finance	
✧ Financial Performance Supervision	<ul style="list-style-type: none"> - Reviewed and approved 2018 actual financial performance (Resolution 01/2019). - Approved target performance in the first quarter of 2019 (Resolution 19/2019). - Reviewed and approved actual financial performance in the first six months of 2019 (Resolution 19/2019). - Reviewed and approved actual financial performance for the first nine months of 2019 (Resolution 24/2019).
✧ Share Issuance Plan	<ul style="list-style-type: none"> - Approved the record date of shareholder list for the purposes of issuing bonus shares and new shares to existing shareholders in accordance with the AGM resolution no. 02/2018-NQ-DHDCM issued on October 22, 2018 and the certificate of share issuance registration no. 08/GCN-UBCK issued on January 24, 2019 (Resolution 02/2019). - Approved the tentative time to issue shares to employees under the employee stock ownership plan (ESOP 2018) in accordance with the AGM resolution 02/2018/NQ-DHDCD issued on October 22, 2018 and the certificate of share issuance registration no. 08/GCN-UBCK issued on January 24, 2019 (Resolution 02/2019). - Approved an extension of share distribution timeline in accordance with the certificate of share issuance registration no. 08/GCN-UBCK issued on January 24/2019 (NQ 02/2019).

The Roles of the Board	Activities of the Board of Directors in 2019
	<ul style="list-style-type: none"> - Approved an amendment of right transfer time and share purchase registration time of the share issuance to existing shareholders and an amendment of ESOP issuance time in accordance with the certificate of share issuance registration no. 08/GCN-UBCK issued on January 24, 2019 and decision no. 158/QD-UBCK issued on March 05, 2019 approving the extension of the certificate of share issuance registration for the Company (Resolution 03/2019). - Approved a plan to settle the unsubscribed rights to purchase shares in accordance with the AGM resolution no. 02/2018/NQ-DHDCD issued on October 22, 2018 (resolution 14/2019).
<ul style="list-style-type: none"> ✧ Covered Warrant Issuance 	<ul style="list-style-type: none"> - Approved the issuances of MWG-HSC-MET01 and MBB-HSC-MET01 covered warrants (resolution 13/2019). - Approved the issuance of MBB-HSC-MET01 covered warrant (resolution 18/2019). - Approved the issuances of FPT-HSC-MET01, VNM-HSC-MET01, VRE-HSC-MET01, MBB-HSC-MET02, MWG HSC-MET02 covered warrants (resolution 21/2019). - Approved the issuances of FPT-HSC-MET02, GMD-HSC-MET01, HPG-HSC-MET01, MBB-HSC-MET03, MWG-HSC-MET03, REE-HSC-MET01, TCB-HSC-MET01, VNM-HSC-MET02, VPB-HSC-MET01, VRE-HSC-MET02 covered warrants (resolution 21/2019).
<ul style="list-style-type: none"> ✧ Corporate Bond Issuance 	<ul style="list-style-type: none"> - Approved the strategic plan to build corporate bond retailing and transacting platform (resolution 24/2019)
<ul style="list-style-type: none"> ✧ Operational supervision 	<ul style="list-style-type: none"> - Approved an amendment of the total of credit lines in 2018 (resolution 06/2019) - Approved the sale of Vietfund Management's shares (resolution 22/2019). - Approved the first advance of 2019 dividends (Resolution 24/2018).
<ul style="list-style-type: none"> ✧ Bank Loan Monitoring 	<ul style="list-style-type: none"> - Approved proposals to obtain bank credit, which were within the approved limit (Resolutions 02, 03, 04, 13, 16, 17, 20, 21, 22/ 2018). - Approved of the Company participating in exchange rate risk hedging through currency exchange agreements and interest rate derivatives with banks (resolution 26/ 2019).

The Roles of the Board	Activities of the Board of Directors in 2019
Auditor Relation	<ul style="list-style-type: none"> - Approved the selection of PricewaterhouseCoopers Vietnam as the statutory auditor for its 2019 financial statements (Resolution 12/2019).
Risk Management	
Charter and Internal Regulations	<ul style="list-style-type: none"> - Approved “Labor Code” of the Company (resolution 20/2019)
Human Resources	<ul style="list-style-type: none"> - Approved the dismissal of Mr. Arnold Villanueva Pangilinan, Risk Management Advisor on February 02, 2019 (Resolution 04/2019). - Approved the dismissal of Ms. Nguyen Anh Xuan Trang, Director to Risk Management, on March 12, 2019 (Resolution 04/2019).
Corporate Governance	
	<ul style="list-style-type: none"> - Approved the time, venue, content and drafts of proposals for the 2019 Annual General Shareholders’ Meeting (Resolution 01/2019). - Approved the change of Thai Van Lung branch’s location (Resolution 09/2019). - Approved the closure of Nguyen Thi Minh Khai transaction office (Resolution 09/2019). - Approved the closure of Nguyen Van Troi transaction office (Resolution 23/2019). - Approved the relocation of Nguyen Van Troi transaction office from the floors 4&5 at 66A Tran Hung Dao, Hoan Kiem, Hanoi to floor 4, 66A Tran Hung Dao, Hoan Kiem, Hanoi (Resolution 23/2019). - Approved the relocation of Kim Lien transaction office from floors 18 and 21 at VCCI office building, 09 Dao Duy Anh, Phuong Mai, Dong Da to floor 8 at VCCI office building, 09 Dao Duy Anh, Phuong Mai, Dong Da (Resolution 23/2019) - Approved renovation of the Head Office at floors 5 and 6 at AB tower (Resolution 19/2019)

Remuneration of the Board of Directors, the Board of Management, and the Supervisory Board

✧ Remuneration of the Board of Directors and the Supervisory Board

The operating fund of HSC’s BoD and BoS in 2019 amounted to 1.5% of after-tax profit, as approved at the 2018 AGM.

Based on the remuneration presented above and the prevailing number of members of the BoD and BoS at specific times, the payment of remuneration and operating expenses to the members of the BoD and BoS was as detailed below.

BoD and Supervisory Board remuneration and operating expenses in 2019

Item	VND
The opening balance of Operation fund of the BOD & Supervisory Board	901,542,042
Operation fund of the BoD & BoS in 2019 (accounting for 1.5% of profit after tax in 2018)	10,132,202,316
Operating expenses for the BoD & BoS In which:	7,759,727,033
1. Remuneration for BoD & BoS in 2019 (*)	3,626,666,667
2. Other operating expenses	4,133,060,366
Unused funds of the BOD & Supervisory Board	3,274,017,325

Note:(*) BoD remuneration was VND2,680,000,000 and BoS remuneration was VND 946,666,667 (including personal income tax).

✧ **Regulation on Bonuses for Members of BoD and BoS**

Independent BoD members and non-executive BoD and BoS members do not receive any income or bonuses from the Company's bonus and welfare funds in addition to the remuneration for members of the BoD and BoS mentioned above.

✧ **Regulation Governing Benefits for Members of BoD and BoS**

Currently, HSC's cost benefit regime (the Company's car use regime, telephones, social, medical and other insurance, annual health check, and other items specified in the Company's policies) and other benefits in internal policies are only applicable to the Chairman of the Board of Directors. Only business travel expenses for other members of the BoD and BoS are charged to HSC (if costs are incurred).

Participation by Board of Director members in corporate governance programs

All members of the BoD and the BoS participated in a "Corporate Governance" training course, except for Mr. Pham Nghiem Xuan Bac who could not due to unforeseen circumstances. HSC will arrange time as is reasonable for him to join a similar training in the future.

2. Committees under the Board of Director

There are three committees reporting to the BoD. They are the Risk Management Committee, the Audit Committee, and the Remuneration Committee.

The three committees are tasked with advising and assisting the Board in maintaining and enhancing internal control operations. All three committees have non-executive and executive members. The members were selected based on expertise and experience as well as their contribution to the committees:

Name	Position	Risk	Internal Audit	Remuneration
		Management Committee	Committee	Committee
Do Hung Viet	Chairman Non-executive Board member	√	Chairman √	√
Le Anh Minh	Vice Chairman Non-executive Board member	Chairman √		Chairman √
Le Thang Can	Member Non-executive Board member		√	
Le Hoang Anh	Member Non-executive Board member	√		
Johan Nyvene	Member Non-executive Board member			√
Vo Van Chau	Head of Supervisory Board			√
Dang Nguyet Minh	Member Member of Supervisory Board		√	

Activities of the Board Committees

1. The Risk Management Committee

The Risk Management Committee was established in 2013. The Risk Management Committee is responsible for advising the Board on the issuance of risk management strategies, processes, and policies. The Risk Management Committee is also responsible for analyzing and issuing warnings about the Company's safety against potential risks, as well as recommending preventative measures. Further, the Committee must analyze the Company's overall level of risk, measuring the risk tolerance level of every business function, as well as HSC's overall operations, monitor the implementation of policies and examine the Company's capital, liquidity and capital mobilization. The Risk Management Committee is responsible for reviewing and changing the risk management structure of the Company to meet the risk management requirements of its regulatory authorities. In addition, the Risk Management Committee must evaluate the performance of the Risk Manager.

Activities of the Risk Management Committee in 2019:

- In 2019, the Risk Management Division continued to finetune its risk management model adopting COSO guidelines.
- On a monthly and quarterly basis, the Risk Management Department prepared and circulated a risk management report to the Risk Management Committee. The reports summarized the major risks identified in the reporting period and an action plans for the Risk Management Committee.
- The Risk Management Committee scheduled regular meetings to review and approve transactions under its responsibility and authority.

2. Internal Audit Committee

The Internal Audit Committee was founded in 2014. The Internal Audit Committee acts in accordance with principles set out in the Code of Conduct and the Charter, which have been approved by the BoD.

The Internal Audit Committee continue to cooperate on internal audit activities with KPMG Vietnam Limited in 2019.

Activities of the Internal Audit department and follow-up on Internal Audit Findings.

- In 2019, the Internal Audit department issued the following internal audit reports:
 - The anti-money laundering review report
 - IT and cyber security processes (the second audit)
 - Monitoring the progresses implementing changes in IT and cyber security processes as recommended by audit findings
- Currently the Internal Audit Department is conducting audits on the human resources management activities of the Private Client Division.
- The Internal Audit Progress Report was reported at the periodic meeting of the Internal Audit Committee.

3. Remuneration Committee

The Board Remuneration Committee was officially established in 2016. The Remuneration Committee was established with the aim of advising and proposing compensation, remuneration and benefits for the members of BoD, BoS and BoM. The committee also reviews the annual budget for staff compensation and decides on issues related to the Employee Selection Program for selected employees.

In 2019, the Remuneration Committee approved the list of employees who were entitled to buy stocks under the 2018 ESOP as well as the number of shares that the employees were offered.

3. Engaging Shareholders, Investors and Partners

Investor relations

In 2019, all shareholders are provided relevant information accurately, adequately and timely via communication channels. The information included quarterly financial statements, semi-annual financial statements, annual auditor report, annual report, as well as other information announced at the annual shareholder meeting.

✧ Annual General Shareholder Meeting

Annual general meeting (“AGM”) is an important corporate event in which the Company’s representatives meet and interact with shareholders. At an AGM, the BoD presents financial performance of the previous year, business guidance for the upcoming year and other business matters that are deemed important and under the authorization of an AGM.

On April 25, 2019, HSC held its 2017 Annual General Meeting (2018 AGM) in Ho Chi Minh City. The AGM followed and complied with current statutory regulations, to ensure the protection of shareholder benefits and rights.

- All shareholders whose registrations were undertaken by March 9, 2019, at the latest as provided for by the Ho Chi Minh City Branch of the Vietnam Securities Depository, received full and clear information relating to the 2018 AGM as detailed in their notice of invitation. The notice of invitation clearly specified the time, venue, agenda and basic information about registration for the meeting. The full 2018 AGM documents were published on HSC's website, in both Vietnamese and English languages, seventeen (17) days before the date of the 2018 AGM. In addition, the notice of invitation for the 2018 AGM was broadly published in the Dau Tu Chung Khoan newspaper no. 47 on April 19, 2019.
- In order to facilitate attendance by all shareholders and their authorized representatives, the 2018 AGM was held on a working day, with the registration and admission desk opened one hour prior to the meeting. HSC used barcodes to confirm shareholder identification and other supporting documents, as well as for calculating the voting and election ratios.
- The Chairman of the BoD, BoD members, Committee Chairs, and the BoM chaired the 2018 AGM. In addition, representatives of the independent audit firm were in attendance. Representatives of minority shareholders were entitled to nominate themselves in the Vote Tally Committee to count the votes.
- Those chairing the meeting were responsible and available to respond to any questions and encouraged shareholders or authorized representatives to comment in order to jointly build sustainable growth for HSC.
- Each of proposals by the BoD was presented separately to facilitate review and approval by shareholders at the AGM. The voting results for each proposal were announced immediately and recorded in the AGM minutes.
- The minutes of the meeting, a voting results report, and resolutions from the 2018 AGM were published on HSC website in both English and Vietnamese languages within 24 hours after the AGM.

✧ **Dividend Policy**

HSC's shareholders are entitled to receive its profit in proportion to their holding. We believe that our attractive and transparent dividend policy is one of the main reasons behind investor decision to investing in HSC's stock.

HSC's dividend policy is reviewed by the Board of Directors on an annual basis. However, HSC's practice is to maintain a dividend payout ratio of at least 50%. Over the last few years, HSC has distributed annual dividends of 12% to 20% of par value depending on its financial performance in each year. It is worth noting that HSC's actual dividends are often higher than the dividends approved at its AGM. Dividend payment announcements are transparent and come with detailed information. Also, the Company always honors its dividend payment schedule, which is usually within 30 days from the date of BoD approval.

At the 2018 AGM, shareholders approved an ordinary share dividend payment rate of 15%. The execution plan for the 2018 dividend payment is summarized as follows:

- HSC announced and then paid the first 2019 cash dividend of 5% on January 10, 2020 following the approval by the Board of Directors in Resolution No. 28/2011/NQ-HĐQT issued on November 11, 2019.
- At the upcoming 2019 AGM, the BoD plans to propose the second cash dividend payment which is aligned with 2019 financial performance and HSC dividend policy.

Investor relations

HSC is always proactive in engaging shareholders, investors, and its wider partnership community networks to provide timely, useful, complete, reliable and accurate information. The data and information are provided through a number of communication and media channels, such as, the website, the AGM, newsletters, videos and direct email blasts to the investment community at registered email addresses.

HSC encourages all shareholders, investors, and partners to discuss, share ideas, provide questions and engage in all possible forms of contributing information to HSC by emailing the Director of Communications.

4. Equal Treatment of Shareholders and Protection of Shareholder's Rights

Appointing a proxy to the Annual General Meeting

HSC strongly encourages shareholder participation at the AGM. Should a shareholder be unable to attend the AGM, they may nominate an authorized representative, such as a BoD member or BoS member, to vote on their behalf and to decide on any resolutions and issues discussed at the AGM.

Voting at the AGM and Absentee Voting by Shareholders

Voting at the AGM

Each shareholder or their authorized representative attending the AGM are given voting cards and voting forms printed by HSC. The cards and forms have barcodes so that the vote counting process can be more efficient and accurate. Shareholders shall use their voting cards to vote for resolutions raised at the AGM. Key information content for the AGM is sent to shareholders prior to the meeting. The shareholders must confirm their vote by marking a cross in one of the three boxes provided. The contents of the three boxes are "approve", "not approve" and "no comment". Shareholders are required to sign the form to confirm and validate the vote.

Absentee Voting

The absentee ballots and other relevant documents will be sent to each of HSC's shareholders by guaranteed mail and email (if applicable) to the addresses the shareholders have registered with the Vietnam Securities Depository Centre, Ho Chi Minh City branch. To facilitate

shareholder review and voting, in 2019, HSC delivered the absentee voting materials to shareholders 30 days prior to the deadline by which shareholders had to send back their votes.

Election of BoD Members

The election, dismissal, removal, and additional election of members of the Board of Directors must be approved by the AGM. The selection of candidates and the election of new members to the BoD is carried out in accordance with the procedures stated in HSC's Charter, governance regulations, and election regulations.

The election of new members of the Board of Directors is carried out using a secret ballot and adopting a cumulative voting method. Accordingly, each shareholder or authorized proxy was given a total number of votes which was equal to the total number of shares they owned or represented multiplied by the number of candidates being elected. Shareholders or authorized proxies were entitled to cast all of their votes for one candidate or proportionally to a number of candidates. The list of candidates and candidate resumes were posted on the Company's website no later than seven (07) working days prior to the 2017 AGM so that shareholders had enough time to consider and select qualified candidates.

Conflict of Interest Management

There is a need to prevent conflicts of interest in operations and decision making. Recognizing this need resulted in the development of internal policies, procedures, systems of control and monitoring at HSC. Systems and processes serve to prevent or mitigate "conflict of interest" situations. The risks that are to be prevented or mitigated include actions for personal gain but that cause loss to shareholders, investors, partners and/or HSC.

Right now, HSC is compliant with "conflict of interest avoidance" regulations under Vietnam law. The BoD has plans to raise HSC's compliance to follow international benchmarks and best practices.

✧ Related Party Transactions

Related party transactions, which are not conducted at arm's length but for personal gain, have often led to the collapse of many large corporations and the erosion of shareholder value and investor confidence in the transparency and integrity of the capital markets. This issue has become one of the biggest challenges for the business community in Vietnam in recent years.

Aware of the risk associated with illegal related party transactions, HSC is introducing a relatedparty- transaction policy, which is an integral part of HSC's corporate governance framework. The policy will be designed and implemented to ensure that any potential conflicts of interest hidden in related party transactions are identified and monitored and closely controlled.

✧ Transactions by internal shareholders and their related parties

Members of the BoD, the BoM, and BoS, as well as related parties who want to execute transactions in HSC shares must report and disclose all required information at least three business days prior to the transaction date. They also have to report their trading results to the State Securities Commission of Vietnam and the Ho Chi Minh Stock Exchange (“HOSE”) within three (03) business days after the registered trading period

Members of the BoD, the BoM, and BoS must report to the BoD any potential conflict of interest with HSC’s interests from the benefits that they might receive from any transaction in HSC shares that are executed by themselves or by any related legal entity or individual. Members of the BoD, the BoM, and BoS are not allowed to use any internal information regarding HSC’s operations obtained by virtue of their position to serve their personal interests, or the interests other legal entities or individuals.

HSC does not provide loans or guarantees to any members of the BoD, the BoM, the BoS or related parties unless otherwise approved at the AGM.

HSC is not allowed to engage in any transaction that has a value equal to or greater than 35% of the total asset value of the Company as stated in its latest financial statements, with any member(s) of the BoD, the BoM, the BoS or related parties, or with shareholders, their proxies or related parties who collectively own more than 10% of HSC’s total outstanding shares unless otherwise approved at the AGM.

5. Related Party Relation

1. Related Party Relation

Shareholders

HSC has always been willing to provide necessary information to our shareholders on transparent and adequate manners. Furthermore, in our principle of equality, there is no discrimination amongst major shareholders, strategic shareholders or minor shareholders.

All necessary information on HSC’s operations and performance such as the quarterly, semiannual and annual performance results, as well as our business plans, are provided to all shareholders. Through these information disclosure sessions, HSC hopes to meet and interact directly with shareholders and investors in order to for them to understand more about our business operations, so that they can make appropriate investment decisions. This is also an opportunity for HSC to get the most meaningful feedbacks and contributions from shareholders and investors, which are then discussed in our internal meeting for further analysis and considerations.

Investors

HSC measures its success by the satisfaction of our clients. We are proud that our clients are highly satisfied with the security, advance and convenience of our services.

At HSC, we take into consideration client demand, our market position and our view on market trends to develop the-best-in-class products and services. By having a good understanding on sophisticated demands of investors, along with our strong team of highly experienced, dynamic, and enthusiastic professionals and our proven track records and credits, we have been able to provide our clients right services at the state-of-the-art quality and attractive investment opportunities.

In order to strengthen our reputation and enhance the trust from our clients, we have been endlessly investing, especially in technology, with an aim of offering our clients new services. We consider technology a critical factor determining our competitive advantages and setting us apart from other securities companies in the market.

Employees

HSC acknowledges the critical role of “Human Capital” to its sustainable growth. But what are the factors that will help unlock the potential of this capital source. Is embedding the happiness of employees in the Company’s business strategies a right approach? The more employees are happy and motivated, the more likely that they can develop breakthrough products and services that are aligned with or even ahead of industry or social trends. Also, as employees are satisfied, they will serve clients better. Accordingly, HSC believes employee happiness will facilitate development and execution of business leaders’ strategies.

We believe that the collaboration and cohesiveness amongst all employees of HSC will help us create positive spillover effects not only at HSC but also to community.

Community

The sense of shared community has been built and promoted throughout the Company’s history since its early days. At the corporate level, HSC is committed to contribute to the development of Vietnam by creating jobs and paying taxes. At the same time, there have also been volunteer activities, sharing and helping the less privileged and disadvantaged groups of people. This has become a moral tradition at HSC. Above all, HSC is a cradle for spreading “community sharing” inspiration to all employees. The sense of sharing has continued to spread to their relatives and friends and has since been communicated throughout society.

HSC endeavors to implement initiatives that have long lasting impact on communities where HSC is located. HSC is dedicated to contributing to all aspects of community development. Community development is at the core of CSR where HSC believes will be an essential component for long term success.

Environment

Contributing to the development of the capital markets in Vietnam has been one of the most important targets in the development of HSC.

HSC has always been a pioneer and a bridge between the leading companies in Vietnam and the global investment community through the hosting of forums and conferences dedicated to the Vietnamese markets in general and the stock market in particular (Vietnam Investment Professionals Forum 2018, Emerging Vietnam 2018) or through organizing conferences discussing new products (the Global Futures Symposium).

With a spirit of enthusiasm and a willingness to impart experience and try to learn advanced knowledge, HSC has not only contributed to the market shaping and developing process and the nurturing the international investors' trust but also created its own opportunities to seek and approach potential investors.

Moreover, HSC is also an active member of associations and organizations in the stock market in particular and in the financial sector in general. The participation in the Vietnam Securities Trading Association (VASB), Vietnam Bond Market Association (VBMA) and Vietnam CEO Club, also helps us understand more about the markets and allows us to contribute to develop the markets.

2. Auditors

HSC is committed to select one of the Big 4 Audit Firms in Vietnam for the interim and annual statutory audit of its financial statements. The selected auditor must be approved by the State Securities Commission of Vietnam to provide the statutory auditing services to listed companies and securities companies in Vietnam.

✧ ***PricewaterhouseCoopers (PwC) VietNam Limited***

PricewaterhouseCoopers (PwC) VietNam Limited is the external auditor of HSC in three years consecutively.

- The review of the interim financial statements;
- The review of the interim Liquidity Ratio Report;
- The audit the year end financial statements;
- The audit of the year end Liquidity Ratio Report; and
- The special audit of HSC's year end financial information, which were prepared in accordance with the International Financial Reporting Standards (IFRS).

The 2019 audit fee amounted to VND957,000,000 (Nine hundred and fifty-seven million Vietnamese Dong)

✧ ***KPMG Vietnam Limited***

KPMG Vietnam Ltd provided internal audit services to HSC in 2019.

The audit service fee was VND1,089,000,000 (One billion eighty-nine million Vietnamese Dong)

3. Contact for Media Inquiries

Currently, the only point of contact for media inquiries to HSC is the Communications Department. Any questions from stakeholders will be forwarded to the relevant department head. Their responses will be sent to the Communications Department which shall represent HSC in responding by phone or email.

4. Information disclosure

Policy and the implementation of information disclosure

The information disclosure framework at HSC has been developed and implemented in compliance with statutory regulations, internal policies and corporate governance policies. Information disclosure must be in accordance with the following fundamental principles:

- The disclosed information should be accurate, complete, clear and must be disclosed within the agreed time frame;
- The disclosed information must comply strictly with current statutory regulations
- All stakeholders have the right to access the disclosed information;
- Information that may have a significant impact on HSC's share price, or possibly influence investor decisions, affect shareholder rights, or may cause a serious event that may adversely affect the legitimate interests of investors, should be disclosed in timely manner, and shall be disclosed in HSC's official website, to the Ho Chi Minh City Stock Exchange (HOSE) and to the State Securities Commission (SSC).

6. Transactions, Remuneration and Benefits of Members of the BoD, BoM, and BOS

1. Share trading transactions of internal shareholders and related parties

In the year 2019, HSC announced HCM share transactions undertaken by members of the BoD and related organizations on the HCM City Stock Exchange to the authorities within three working days. Under current regulations, they were reported as follows:

Name	Relationship with internal shareholders	Number of shares owned initially		Number of shares owned at the end period		Reasons for increase, decrease
		Number of shares	Percentage	Number of shares	Percentage	
Hochiminh City Finance and Investment state owned Company (HFIC)	Company related to Lam Hoai Anh and Le Thang Can – Members of the Board of Directors	87.500.000	28,61%	87.500.000	28,61%	HFIC registered to sell 5,000,000 shares during December 12, 2019 to December 18, 2019 and during December 24, 2019 to December 31, 2019. The transactions were not executed as market prices were not aligned with expectations.

2. Transactions between the Company and major shareholders

HSC sold its holding of 2,180,364 shares or 10.6% equity interest of Vietfund Management (VFM) to Dragon Capital Management (Hong Kong) Limited.

Related parties	Relationship with HSC	Address	Transaction time	BoD Resolution No.	Ownership in VFM post transaction	
					Share	%
VietFund Management (VFM)	Organization related to Mr. Le Hoang Anh – BoD member	Room.1701-04, 17th floor, Me Linh Point, No. 02 Ngo Duc Ke Street, District 1, HCMC	31/12/2019	22/2019/NQ-HĐQT issued on September 19, 2019.	0	0%

The report of the Board of Directors is presented. On behalf of the Board of Directors, I would like to thank to Shareholders, Customers, Partners and Employees of HSC who have tried their best to overcome the challenges and to complete HSC's mission successfully.

Best regards.

For and on behalf of the Board of Directors
CHAIRMAN



DO HUNG VIET

To:

- As mentioned above;
- BOD Office for record,