

**EXPLANATION OF THE PROPOSED MODIFICATION OF
THE INTERNAL REGULATIONS ON CORPORATE GOVERNANCE OF SABECO**

ABBREVIATIONS¹

- “Corporation” or “SABECO”** : Saigon Beer – Alcohol – Beverage Corporation;
- “Proposed Regulation”** : Proposed regulation which was proposed to adjust, amend, supplement some Articles of Regulation;
- “JSC”** : Joint Stock Company;
- “General Meeting of Shareholders”** : General Meeting of Shareholders of Corporation;
- “Charter template”** : Charter template which is applicable to public company provided in Schedule 1 of Circular 95;
- “SABECO’s Charter”** : Charter of SABECO;
- “Board of Directors”** : Board of Directors of SABECO;
- “Law on Enterprises”** : Law on Enterprises No. 68/2014/QH13 dated 26 November 2014 passed by National Assembly;
- “Decree 71”** : Decree No. 71/2017/ND-CP dated 06 June 2017 of Government on guidance on corporate governance which is applicable to public companies;
- “Regulation”** : Internal regulations on corporate governance of SABECO;
- “Regulation template”** : Regulation template which is applicable to public companies provided in Schedule 2 of Circular 95; and
- “Circular 95”** : Circular No. 95/2017/TT-BTC dated 22 September 2017 of Ministry of Finance on guidance on number of articles of Decree 71.

¹ These abbreviations are only used for “Legal ground for proposed” of the Explanation below

NO.	PREVAILLING REGULATION	PROPOSED REGULATION	LEGAL GROUND FOR PROPOSAL
Chapter I GENERAL PROVISIONS			
1.	Article 1. Governing scope and applicable entities	Article 1. Governing scope and applicable entities - <i>Amending the content of Clause 2(b)</i>	The current Regulation does not have any definitions of the General manager committee. In addition, since the Proposed Regulation has been adjusted to the definition of Managers and Executives in accordance with the amended SABECO's Charter, we suggest adjusting the applicable objects to comply with the Proposed Regulations and SABECO's Charter.
2.	Article 2. Interpretation of terms and acronyms	Article 2. Interpretation of terms and acronyms - <i>Adjusting the content of Clause 5</i> - <i>Adjusting Clause 6 into Clause 7 and amending its content</i> - <i>Adjusting Clause 8 into Clause 10 and amending its content</i> - <i>Adjusting Clause 9 into Clause 11 and amending its content</i> - <i>Supplementing Clause 6 and 9</i>	<ul style="list-style-type: none"> - We propose to add the correct information of the Law on Enterprises, including the number and date and the agency approved at Article 2.5 of the Proposed Regulation. - We propose to amend the definition of "Internal regulations on corporate governance of SABECO" in Article 2.7 of the Proposed Regulation to comply with the provisions of Article 2.1 of Decree 71. - We propose to amend the definition of "Managers" in Article 2.10 and the definition of "Executives" in Article 2.11 of the Proposed Regulation to to comply with the provisions of SABECO's Charter. - We propose to amend the definition of "Law on Securities" and "SABECO's Charter" in Article 2.6 and Article 2.9 of the Proposed Regulation.
CHAPTER II			

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SHAREHOLDERS AND GENERAL MEETING OF SHAREHOLDERS			
3.	Article 4. Rights of shareholders	Article 5. Rights of shareholders - <i>Amending Clause 1(a) and Clause 3</i>	<ul style="list-style-type: none"> - In accordance with the laws (Articles 114.1(d), 119.3 and 126.1 of the Law on Enterprises) and SABECO’s Charter (Article 9.1), the limitation on the shareholders’ right of transfer of shares is applicable under the provisions of the laws and SABECO’s Charter without decisions of the General Meeting of Shareholders. Thus, we propose to delete the sentence “<i>and the decision of General Meeting of Shareholders</i>” in Article 5.1(a) of the Proposed Regulation to ensure the uniform application and compliance with the laws. - In accordance with Article 114 of the Law on Enterprises, Article 4 of Decree 71 and Articles 14 and 40.1 of SABECO’s Charter, there is no provision provided the shareholders have the right to request SABECO to compensate for damages according to the laws. Logically, we think that SABECO is not responsible to compensate the shareholders’ losses because the shareholder holds shares and be divided dividends thereto, if SABECO is affected by the violation of the Board of Directors or the General Director, SABECO or such shareholders has/have the right to sue for compensation for SABECO regarding civil liability and the shareholders may have benefits thereto based on good business situation of SABECO with

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			<p>high dividends divided to the shareholders.</p> <p>Thus, we propose to remove the sentence of “<i>The shareholders have the right to request SABECO to compensate for damages according to the laws</i>” in Article 5.3 of the Proposed Regulation to consist with the content of the laws and SABECO’s Charter.</p>
4.	Article 6. SABECO charter	Remove this article.	As this content is not related to the provisions on Shareholders and General Meeting of Shareholders in Chapter II of the Regulation, we propose to remove this provision in Chapter II of the Proposed Regulation, and at the same time supplement the definition of the term “SABECO’s Charter” as mentioned above.
5.	Article 7. Internal regulations on corporate governance of SABECO	Adjusting Article 7 into Article 4 in the Proposed Regulation	As this content is not related to the provisions on Shareholders and General Meeting of Shareholders in Chapter II of the Regulation, we propose to remove this provision in Chapter II of the Proposed Regulation, and at the same time, supplement this content in Article 4, Chapter I - General Provisions of the Proposed Regulation.
6.	Article 8. Annual and extraordinary meetings of the General Meeting of Shareholders	Article 7. Sequence and procedure for convening and voting at annual and extraordinary meeting of the General Meeting of Shareholders <i>- Adjusting Article 8 into Article 7 and amending its content</i>	We have not found any provision on the sequence and procedure for convening and voting at the General Meeting of Shareholders’ meeting published on SABECO’s website in accordance with Article 8.1 of the Regulation. In addition, in Item 1 of the Regulation Template also request content of the Internal

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			<p>Regulation on Corporate Governance includes the sequence and procedure for convening and voting at the General Meeting of Shareholders' meeting. Thus, to ensure the content of this Regulation is sufficient as required by the laws and to easily read this provision of the shareholders as well as the Managers, SABECO should supplement these provisions into the Regulation.</p> <p>Thus, we propose to supplement the provision in Article 7 of the Proposed Regulation.</p> <p>Note to SABECO:</p> <ul style="list-style-type: none"> - As provided in Article 140.2 of Law on Enterprises and Article 14.2(a) of SABECO's Charter on remote votes of the shareholders and Article 8.4 of the Regulation, we supplement as provided in Article 7.4(d) of the Proposed Regulation to specific remote votes. - We do not find any cases, which are not permitted to collect written opinion of shareholders in accordance with Article 143.2 of the Law on Enterprises, are provided in SABECO's Charter. Thus, we add the provision in Article 7.10(b) of the Proposed Regulation.
7.	Article 9. Report on activities of the Board of Directors at the annual General Meeting of Shareholders	Article 9. Report on activities of the Board of Directors at the annual General Meeting of Shareholders <i>- Amending Clause 4</i>	In accordance with Article 37.3 of SABECO's Charter, we propose to amend the content of Article 9.4 of the Proposed Regulation.

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8.	Article 10. Report on activities of Board of Supervisors at annual meeting of the General Meeting of Shareholders	Remove this provision.	The current management structure of SABECO does not have Board of Controllers but instead of the Audit Committee under the Board of Directors, we thus propose to remove this provision.
CHAPTER III MEMBERS OF THE BOARD OF DIRECTORS AND THE BOARD OF DIRECTORS			
9.	Article 11. Nominating members of Board of Directors	Article 13. Method for electing members of Board of Directors <ul style="list-style-type: none"> - <i>Adjusting Article 11 of the Regulation into Article 13 of the Proposed Regulation</i> - <i>Adjusting Article 11.3 of the Regulation into Article 11 of the Proposed Regulation</i> - <i>Adjusting Article 11.4 of the Regulation into Article 13.3 of the Proposed Regulation</i> - <i>Adjusting Article 11.5 of the current Regulation into Article 13.2 of the Proposed Regulation and amending its content</i> - <i>Amending the content of Article 13.1 of the Proposed Regulation</i> 	<ul style="list-style-type: none"> - Under Article 27.1 of SABECO’s Charter, we propose to amend Article 13.1 of the Proposed Regulation for in conformity with SABECO’s Charter. - For the shareholders’ convenience in carrying out its right of nomination of candidates to be member of the Board of Directors, we propose to supplement specific provision in Article 27.2 of SABECO’s Charter in Article 11 of the Proposed Regulation. - Article 11.5 of the current Regulation does not specify how to elect members of the Board of Directors according to the method of cumulative voting, so we propose to amend the content of election of the Board of Directors’ members at Article 13.2 of the Proposed Regulation.
10.		Article 12. Methods to stand for election and nominate candidate for the position of members of the Board of Directors	The current Regulation does not stipulate so we supplement to fully meet the contents under Section 2 (Nomination, candidacy, election, dismissal and removal of Board of Directors’ members) of the

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		<ul style="list-style-type: none"> - <i>Supplementing Article 12</i> - <i>Adjusting Article 11.2 of the current Regulation into Article 12.1(c) of the Proposed Regulation</i> 	Regulation template.
11.	Article 12. Membership of Board	Article 10. Criteria applicable to members of the Board of Directors <ul style="list-style-type: none"> - <i>Adjusting Article 12 of the current Regulation into Article 10 of the Proposed Regulation and amending its content</i> 	<p>Regarding criteria for members of the Board of Directors, the Article 12 of the current Regulation only provides in general and refers to the laws and SABECO’s Charter without directly specify it under request in Section 2 (Nomination, candidacy, election, dismissal and removal of Board of Directors’ members) of the Regulation template, we thus propose to amend the content.</p> <p>In addition, provision of the Article 12.3 of the current Regulation on “the Chairman of the Board of Directors shall not concurrently hold the title of General Director unless the pluralism is approved by the General Meeting of Shareholders of SABECO” is not compliant with Decree 71 and SABECO’s Charter. We thus propose to remove the sentence of “unless the pluralism is approved by the General Meeting of Shareholders of SABECO”.</p>
12.		Article 14. Dismissal, removal of member of the Board of Directors <ul style="list-style-type: none"> - <i>Supplementing Article 14</i> 	The current Regulation has not yet provided cases on dismissal, removal of member of the Board of Directors as required in Section 2 of the Regulation template (Nomination, candidacy, election, dismissal and removal of Board of Directors’ members), we thus

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			propose to supplement this content.
13.		Article 15. Notice of the election, appointment, dismissal or removal of members of the Board of Directors: - <i>Supplementing Clause 15</i>	Similar as above.
14.	Article 13. Composition of Board of Directors	Article 16. Composition of Board of Directors - <i>Adjusting Article 13 of the current Regulation into Article 16 of the Proposed Regulation</i> - <i>Amending Article 16.2 of the Proposed Regulation</i> - <i>Removing Article 13.4 of the current Regulation</i>	- According to Articles 13 of Decree 71 and Article 26.2 of Circular 95, we understand that the listed companies such as SABECO shall be required to meet the minimum number of the Independent Member of the Board of Directors. Therefore, we propose to amend Article 16.2 of the Proposed Regulation. - Since the Law on Enterprises and SABECO's Charter do not stipulate that the Board of Directors may appoint another person to temporarily become a member of the Board of Directors in case one its member is disqualified or removed, dismissal or for some reason that this person cannot continue to be a member of the Board of Directors, so that we doubt the possibility of implementing the provisions of Article 13.4 of the current Regulation. Therefore, SABECO is recommended to consider removing this provision from the current Regulation or supplementing equivalent provisions into SABECO's Charter.
15.	Article 17. Meeting of the Board of Directors	Article 20. Meeting of the Board of Directors	In accordance with Section 3 (The sequence and procedures for holding the Board of Directors'

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		<ul style="list-style-type: none"> - <i>Adjusting Article 17 of the current Regulation into Article 20 of the Proposed Regulation and amending its content</i> 	<p>meeting) of the Regulation template, the content of the Regulation must have:</p> <ul style="list-style-type: none"> a) Notice of invitation to attend the meeting of the Board of Directors includes agenda, time, place of meeting, relevant documents and votes for the members of the Board of Directors who cannot attend the meeting; b) Conditions for holding the Board of Directors' meeting; c) Method of voting; d) Method of passing resolutions of the Board of Directors; e) Record the Minutes of the Board of Directors' meetings; f) Announcement of the Board of Directors' resolutions. <p>Thus, we supplement the content of Article 20 of the Proposed Regulation to comply with the laws and SABECO's Charter.</p>
16.	Article 18. Subcommittees of the Board	Article 22. Sub-committee of the Board of Directors <ul style="list-style-type: none"> - <i>Adjusting Article 18 of the current Regulation into Article 22 of the Proposed Regulation and amending its content</i> 	<p>We propose to supplement provisions to specify the establishment, organization and operation of the Subcommittees of the Board of Directors in Article 22 of the Proposed Regulation.</p>

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17.		<p>Article 23. Structure of sub-committee under the Board of Directors</p> <p>- <i>Supplementing Article 23</i></p>	<p>In accordance with Section 5 on Subcommittee under the Board of Directors of the Regulations template, the content of the Regulation of SABECO must have:</p> <p>a) Subcommittees under the Board of Directors;</p> <p>b) Structure of subcommittees;</p> <p>c) Criteria applicable to members of subcommittees and head of subcommittees;</p> <p>d) Establishment of subcommittee;</p> <p>e) Duties of sub-committees and each members of sub-committees;</p> <p>Thus, we supplement Article 23 of the Proposed Regulation.</p>
18.		<p>Article 24. Criteria applicable to members of sub-committee under the Board of Directors</p> <p>- <i>Supplementing Article 24</i></p>	<p>Similar as above.</p>
19.		<p>Article 25. Duties of sub-committee under the Board of Directors</p> <p>- <i>Supplementing Article 25</i></p>	<p>Similar as above.</p>
20.		<p>Article 26. Incentives and remuneration of subcommittee under the Board of Directors</p> <p>- <i>Supplementing Article 26</i></p>	<p>Similar as above.</p>
21.	<p>CHAPTER IV MEMBERS OF BOARD OF SUPERVISORS AND BOARD OF SUPERVISORS</p>	<p>CHAPTER IV ESTABLISHMENT AND ACTIVITIES OF THE AUDIT COMMITTEE</p>	<p>We propose to remove all contents of Chapter IV on the members of Board of Supervisors and Board of Supervisors and replace them with the content of the establishment and activities of the Audit Committee in</p>

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	(Remove all of contents of this Chapter)		accordance with the organizational structure of SABECO and under Section 6 (Establishment and operation of the Internal Audit Committee) of the Regulations template.
22.		Article 27. Establishment and operation of Audit Committee - <i>Supplementing Article 27</i>	We propose to supplement the content in accordance with the provisions on the Audit Committee in accordance with SABECO's Charter and Section 6 (establishment and activities of the Internal Audit Committee) of the Regulation template.
23.		CHAPTER V SELECTION, APPOINTMENT AND DISMISSAL OF THE CORPORATE EXECUTIVES	We propose to supplement this chapter to comply with SABECO's organization structure, provisions of the laws, SABECO's Charter and Section 7 on selection, appointments and dismissal of the corporate executive of the Regulation template.
24.		Article 28. Criteria applicable to the Executives - <i>Supplementing Article 28</i>	Similar as above.
25.		Article 29. The appointment of the Executives - <i>Supplementing Article 29</i>	Similar as above.
26.		Article 30. Signing labor contracts with the Executives - <i>Supplementing Article 30</i>	Similar as above.
27.		Article 31. Cases of dismissal of the Executives - <i>Supplementing Article 31</i>	Similar as above.

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28.		<p>Article 32. Announcement of appointment, dismissal of the Executives</p> <p>- <i>Supplementing Article 32</i></p>	Similar as above.
29.		<p>CHAPTER VI</p> <p>COORDINATION BETWEEN THE BOARD OF DIRECTORS AND THE GENERAL DIRECTOR</p>	We propose to supplement Chapter VI as beside to comply with SABECO's organization structure, provisions of the laws, SABECO's Charter and Section 8 on coordination between the Board of Directors, Board of Controllers and the Director (General Director) of the Regulation template.
30.		<p>Article 33.Attendance of the General Director in the meeting of the Board of Directors</p> <p>- <i>Supplementing Article 33</i></p>	Similar as above.
31.		<p>Article 34. Announcement of the Board of Directors' resolutions for the General Director</p> <p>- <i>Supplementing Article 34</i></p>	Similar as above.
32.		<p>Article 35. Working relationship between the Board of Directors and the General Director</p> <p>- <i>Supplementing Article 35</i></p>	Similar as above.
33.		<p>Article 36.Cases where the General Director proposes to convene meetings of the Board of Directors</p> <p>- <i>Supplementing Article 36</i></p>	Similar as above.

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34.		Article 37. Report regime of the General Director to the Board of Directors <i>- Supplementing Article 37</i>	Similar as above.
35.		Article 38. Assessment on the General Director's performance of the Board of Directors' resolution and other issues authorized by the Board of Directors to the General Director <i>- Supplementing Article 38</i>	Similar as above.
36.		Article 39. Provisions of assessment on reward and discipline for the members of Board of Directors, Executives <i>- Supplementing Article 39</i>	Similar as above.
37.		CHAPTER VI PERSON IN CHARGE OF THE CORPORATE GOVERNANCE	We propose to supplement this Chapter as beside to comply with SABECO's organization structure, provisions of the laws, SABECO's Charter and Section 10 on selection, appointment and dismissal of Person in charge of the corporate governance of the Regulation template.
38.	Article 19. Person in charge of management of the Corporation	Article 40. Person in charge of management of SABECO <i>- Adjusting Article 19 of the current Regulation into Article 40 of the Proposed Regulation and amending its content</i>	Similar as above.
39.		Article 41. Criteria applicable to the	Similar as above.

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		<p>Person in charge of management of SABECO</p> <p>- <i>Supplementing Article 41</i></p>	
40.	<p>Article 19. Person in charge of management of the Corporation</p>	<p>Article 42. The Person in charge of management of SABECO shall have the following rights and duties:</p> <p>- <i>Adjusting Article 19.3 of the current Regulation into Article 42 of the Proposed Regulation and amending its content</i></p>	<p>Similar as above</p>
41.		<p>Article 43. Cases of dismissal of the Person in charge of management of SABECO</p> <p>- <i>Supplementing Article 43</i></p>	<p>Similar as above.</p>
42.		<p>Article 44. Announcement of appointment, dismissal of the Person in charge of management of SABECO</p> <p>- <i>Supplementing Article 44</i></p>	<p>Similar as above.</p>