In 2009, the Finance Ministers of the Association of Southeast Asian Nations (ASEAN) approved the Implementation Plan of the ASEAN Capital Markets Forum (ACMF) to develop an integrated capital market. This initiative was implemented in parallel with efforts to build ASEAN into an economic community by 2015. The ASEAN Corporate Governance Initiative, which includes the ASEAN Corporate Governance Scorecard (ACGS) and corporate governance ranking of listed ASEAN companies are important initiatives of ACMF in the region. Since its inception in early 2011, this initiative has been supported by the Asian Development Bank (ADB) through technical assistance to promote an integrated ASEAN Capital Market.

Initially, five countries including Indonesia, Malaysia, Philippines, Singapore, and Thailand participated in the ACGS assessment in 2011, after which Vietnam joined in 2012. During the period 2012 to 2014, with the support of ADB and a team of corporate governance experts, ACGS’s assessment was carried out over three consecutive years. From 2015 to 2018, IFC has continuously supported Vietnam to participate in the ACGS assessments. Starting in 2019, with the support of IFC as a co-sponsor, VIOD has been nominated by the State Securities Commission of Vietnam (SSC) to act as a domestic ranking body of Vietnam.
The ASEAN Corporate Governance Scorecard is one of the key initiatives of the ACMF, the representative body of the Finance Ministers of the ASEAN countries. This regional project could not have been successful without the coordination of the ASEAN Corporate Governance Project Secretariats, the Securities Commissions of Malaysia and the Philippines, and the important collaborative efforts of a group of domestic ranking bodies of six participating ASEAN countries.

In Vietnam, this project could not have been completed without the important leadership of the SSC, Chairwoman of the Vietnam Institute of Directors (VIOD), Madame Ha Thu Thanh and the VIOD Executive Board.

The support of the Hanoi Stock Exchange and the Ho Chi Minh City Stock Exchange were extremely important during the process of project planning, project coordination, and data collection.

In Vietnam, this report is a result of the collective efforts of the participating members, including: Mr. Vu Chi Dzung, Director of International Cooperation Department, SSC; Ms. Phan Hoai An, Deputy Director of International Cooperation Department, SSC; Ms. Nguyen Nguyet Anh, Vietnam CG Lead, IFC; Mr. Nguyen Viet Thinh, General Director of VIOD; the group of experts and assessors nominated by VIOD and led by Dr. Nguyen Thu Hien and the key members, Duong Huyen Phuong and Nguyen Thanh Vinh. The team also received data support from FiinGroup.

Finally, gratitude is extended to the International Finance Corporation (IFC) for valuable technical support, in cooperation with the Swiss State Secretariat for Economic Affairs (SECO), and the Government of Japan, through the Corporate Governance Program in Vietnam.
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The ASEAN Corporate Governance Scorecard 2019 has recorded significant progress in corporate governance made by participating Vietnamese PLCs, with an increase of the proportional average score from 31.8% in 2017 to 42% in 2019. In particular, for the first time, a Vietnamese company (Vinamilk) is recognized in the ASEAN Asset Class category. This is a positive sign that Vietnam is becoming more integrated into the region in terms of corporate governance.

The ASEAN Corporate Governance Scorecard 2019 is the sixth assessment since the initiative was launched jointly by the ASEAN Capital Markets Forum (ACMF) and the Asian Development Bank (ADB) in 2011. The active engagement of PLCs from six participating ASEAN countries, as well as the interest of international investors in the ACGS assessments, have attested to the initiative's effectiveness in boosting ASEAN asset classes.

The State Securities Commission believes that the ASEAN Corporate Governance Scorecard Country Report for Vietnam 2019 will serve as a useful and objective reference for investors and encouragement for Vietnam PLCs in pursuing best international practice in corporate governance.

State Securities Commission of Vietnam (SSC)
The ASEAN Corporate Governance Scorecard (ACGS) assessment project is one of the most important regional initiatives of the ASEAN Capital Markets Forum (ACMF) with the goal of building an integrated regional capital market. This initiative was launched in 2011 with the main objectives to improve governance practices of publicly listed companies within ASEAN countries, in order to build a prestigious international image for the companies and promote ASEAN firms to become valuable investment assets.

Vietnam officially joined the ACGS initiative in 2012. The ACGS 2019 is the sixth round of corporate governance assessment from the beginning of the project. The assessment criteria of the ACGS project are based on G20/OECD Principles of Corporate Governance, ICGN corporate governance principles, and generally accepted good corporate governance practices, which emphasize the quality of corporate governance of public listed companies.

Six countries in the ASEAN region, including Vietnam, Indonesia, Malaysia, the Philippines, Singapore, and Thailand, conduct corporate governance assessment of large-cap listed companies with shareholder documents written in English. The high-ranking companies within the countries are cross-checked in order to select the companies to be awarded the title of “ASEAN Asset Class” and the title of “20 best governance enterprises of ASEAN”. In the assessment year 2019, for the first time Vietnam had a company that was awarded the title of "ASEAN Asset Class" and this also showed that the corporate governance performance score increased significantly along with a rise in the number of enterprises disclosing investor documents written in English.

This report provides the results of the corporate governance assessment of ASEAN enterprises in all six assessment rounds and gives key information on the results of the corporate governance assessment of Vietnamese enterprises in the recent time. The report shows that Vietnam's listed public companies have improved their corporate governance practices continuously over the years, as a result of the companies’ board leadership and the support of other stakeholders. However, challenges are still evident as the gap between Vietnamese listed companies’ corporate governance scores and those in the ASEAN region remains significant. Analysis of possible improvements in the corporate governance of listed companies is also presented in detail.

The analysis shows that the leadership role of the board of directors in listed public companies is very important, requiring a vision and commitment to build an effective framework and mechanism to ensure good governance, information transparency, and respect for the interests of shareholders and stakeholders. Important governance improvements that need to be implemented lie in the structure of rights and responsibilities in corporate governance, which includes transparency in the assignment of responsibilities among members of the board of directors through the development of sub-committees, effective role of internal audit, transparent disclosure of information, and improved practices to protect the interests of shareholders and stakeholders.

As with other markets, improving the corporate governance of listed companies always requires the efforts of various parties, regulators, and organizations acting for market transparency, and the market participants or the shareholders themselves. At the national level, strategic long-term plans and periodic action plans should be designed by the central governing bodies. At the corporate level, the role of the corporate board of directors is crucial with a deep understanding of the importance of corporate governance. Good corporate governance will certainly be the result of the consistent directorship of business leaders and the effective implementation of corporate governance support bodies inside the enterprises, accompanied by constructive market pressures. For Vietnam to soon become an active member of the ASEAN corporate governance initiative, both external and internal corporate governance mechanisms must be at the heart of efforts to move corporate governance forwards.
Introduction about ASEAN Corporate Governance Scorecard Project:

- An initiative of ACMF
- Six participating countries: Indonesia, Malaysia, Philippines, Singapore, Thailand, and Vietnam
- Criteria for ASEAN Corporate Governance were last revised in 2017
- Evaluation of 100 PLCs per country in ASEAN. In Vietnam, there were 82 companies with shareholder documents published in English being assessed in 2019

Highlights over the years:

- Corporate governance has improved year by year in ASEAN countries as a result of the application of good governance practices of the ASEAN region and of each country in recent years
- In Vietnam, the Code of Corporate Governance first issued in 2019, is expected to create important corporate governance improvements for the country in the near future
- It is the result of continuous efforts of public listed companies, and market organizations acting for good governance
- Efforts to improve corporate governance in Vietnam are evident over the years, especially in 2019 with the score increasing from 41.3 in 2017 to 54.6 in 2019

(Source: ASEAN CG Scorecard Project)
Improvements in Corporate Governance of Vietnamese Listed Companies

- More and more Vietnamese companies apply international standards of information disclosure.
- Progress in corporate governance is clearly seen year by year.
- Improvements are seen across best firms, average firms, and worst firms.
- Enterprises that are evaluated continuously over the years clearly show progress.
- Corporate Governance is becoming increasingly important.
- Good governance as a promotion opportunity to help businesses access low-cost capital accompanied with good technology.
- Vietnamese enterprises have experienced significant changes in 2019 compared to 2017 with the average score increasing from 31.8% to 42%.
- Some of the top enterprises made clear breakthroughs and achieved higher scores in 2019.
- For the first time, a company was honored in the ASEAN Asset Class category – Vietnam Dairy Products (Vinamilk).
Corporations of every size are key to the creation of wealth in modern societies. They are the main creators of economic value and employment. The way they are built and governed is crucial to a country’s economic development. Good corporate governance means more efficient utilization of resources, better access to capital, better and higher quality employment opportunities, and a better chance of sustainable development of efficient domestic or regional capital markets.

(Organisation for Economic Co-operation and Development - OECD)

A remarkable improvement seen in each aspect of governance, particularly in (D) Disclosure and transparency, and (E) Board responsibilities. However, challenges are still significant in most aspects, especially in regards to (E), (C), and (D).
2.3 - PERFORMANCE OF CORPORATE GOVERNANCE AREAS

Protecting shareholders' rights (Part A) in the traditional view places high expectations on enterprises to comply with legal regulations; Protection of shareholder rights in the modern financial environment requires a lot of initiatives from the market and investment institutions.

Regulators cannot do everything; investors must play an active role as market participants and communicate with investee companies on disclosure gaps. Policy makers should promote responsible investment and active ownership by investors. Investors should be encouraged to engage in dialogue with companies to ensure they meet regulatory requirements and voluntary best practices.

(UNCTAD)

Fair treatment of shareholders (Part B) needs to pay close attention to related party transactions, ensuring that these transactions are transparent, and implemented based on market mechanisms.

Abusive related party transactions are one of the biggest corporate governance challenges facing the Asian business landscape. The role of external auditors and independent directors is crucial in examining related party transactions. (OECD – RPT Guidance).

In a dominant ownership structure, a director-nominating regime seriously weakens the ability of independent directors to effectively perform their oversight role, as both the nomination and retention of independent directors normally depend on the controlling shareholders.

The role of stakeholders in corporate governance (Part C) is increasingly important as sustainable development requires a balance of interests of the owner and all stakeholders.

Investors are more concerned about where and how their money is invested. Firms cannot just state their commitments to CSR but also must show how they practice and maintain sustainable relations with employees, external beneficiaries, communities and the environment. Codes of conduct with detailed whistle blowing policies are important mechanisms to enforce stakeholders in corporate governance.


Information transparency (Part D) is a prerequisite for the quality of corporate governance. Corporate governance in emerging markets shows a clear need to improve, promote, and enforce disclosures, and in some instances make them mandatory, in order to strengthen reporting regimes and help enterprises improve their communication with shareholders and other stakeholders. There is still much work to do.

Reporting can be costly and not all information is useful. However, companies should focus on the core disclosure items expected by shareholders and stakeholders: corporate governance structure, ownership structure, corporate governance practices, performance of the board, shareholders, and stakeholder engagement. Disclosure requirements in line with international best practice are highly expected (UNCTAD Disclosure report).

The market, shareholders, and media are keeping boards of directors responsible (Part E) for corporate flaws as never before. Boards are expected to be independent:

– Act solely in the interest of the directed firm
– Free from conflicts that compromise judgment
– Able to take positions in opposition to management.

(Stanford GSB)
Enterprises in emerging economies are mostly at the developing and growing stage, not having entered the period of sustainability. The industries observe rapid increase in sales with fast growth in the number of new enterprises. This continuously squeezes the market share of enterprises, leading positions of enterprises in the industry usurped, requiring them to rapidly improve and standardize management processes.

Enterprises in high-growth industries with good governance are always attractive to investors. The latter pay special attention to enterprises in industries that have large market capitalization, high liquidity, and most importantly, good governance.

The industries in Vietnam attracting investment capital with many good governance companies relate to consumer goods, pharmaceutical and medical, finance, banking, and consumer services.

Industries have diversified dynamics. Organization of industry describes the way in which the activities undertaken within the economic system are divided up between firms. Some firms embrace many different activities, while for others, the range is narrowly concentrated. Some firms are large while others are small. Some are vertically related and others are not. This is the organization of industry or the structure of industry that forms industry dynamics (Coase, 1972, Industrial Organizations). With such diverted industry dynamics, corporate governance can result in different firm performances depending on the characteristics of the industry in which these firms operate. (Krafft, Qu and Ravix, 2008)

"Improvements in corporate governance quality lead to higher GDP growth, productivity growth, and the increased ratio of investment to GDP. The effect is particularly pronounced for industries that are most dependent on external finance."

(Focus 10, GCGF & IFC)
Performance is an important metric in capital allocation. The industries that are attractive to investors are characterized by administrative efficiency, high growth, good corporate governance, and standard risk management.

Highlighting those industries with operational efficiency and good corporate governance include the pharmaceutical and medical sectors, information technology, and consumer goods.

The average corporate governance scores of many industries with good ROA are concentrated at belows-50% range because there is still a big corporate governance gap among enterprises in the same industry. Individual enterprises in these sectors still have the opportunity to shine when participating in the implementation of good governance standards of Vietnam, the ASEAN region, and the world.

Large enterprises have the advantage in investment for corporate governance. This is evident by higher corporate governance scores being observed in the group of large enterprises, compared to medium-large and medium-small enterprises.

However, the highest governance score of the small-size firms is higher than the other two size groups – showing that small size and simple governance structure are also opportunities for enterprises to have more advantages in building good risk control and governance systems.

Enterprises with good business performance often attract investors’ attention, investment capital, and good technology.

However, in order to become large enterprises, the quality of corporate governance – a warranty for capital safety, and strong risk management - is a convincing factor for investors, not only as a form of attraction, but also to retain investors for the long-term development of enterprises.
Enterprises made improvements in separating governance and management functions

- The proportion of enterprises that separate the positions of chairman and CEO has increased over the years. In 2019 alone the ratio was 73.2% of enterprises.
- 3.7% of enterprises having the chairman as an independent director.

### Figure 3: The Activities of Governance and Management Compared

<table>
<thead>
<tr>
<th>DIRECTORS</th>
<th>MANAGERS</th>
</tr>
</thead>
<tbody>
<tr>
<td>Decision-making</td>
<td>Required to determine the future of the organization and protect its assets and reputation. They also need to consider how their decisions relate to stakeholders and the regulatory framework.</td>
</tr>
<tr>
<td>Duties, Responsibilities</td>
<td>They have the ultimate responsibility for the company’s long-term prosperity. Directors are normally required by law to apply skill and care in exercising their duty to the company and they are subject to fiduciary duties. They can be held personally liable if they are in breach of their duties or act improperly. They can also sometimes be held responsible for the company’s actions.</td>
</tr>
<tr>
<td>Relationship with shareholders</td>
<td>Shareholders can remove them from office. In addition, a company’s directors are accountable to the shareholders.</td>
</tr>
<tr>
<td>Leadership</td>
<td>Provide the intrinsic leadership and direction at the top of the organization.</td>
</tr>
<tr>
<td>Ethics, values</td>
<td>Play a key role in determining the company’s values and ethical positions.</td>
</tr>
<tr>
<td>Company administration</td>
<td>Responsible for the company’s administration.</td>
</tr>
<tr>
<td>Statutory provisions</td>
<td>In many countries, there are numerous statutory provisions that can lead to offenses of strict liability under which directors may face penalties if the company fails to comply.</td>
</tr>
</tbody>
</table>

(Adapted from: The Effective Director, Chris Pierce, 2003)
The declaration of independence and the true independence of independent board members depends on the mechanism of member nomination, and the mechanism for electing these independent members.

According to Vietnamese corporate governance practices promulgated in 2019, enterprises need to have a nomination committee consisting of a majority of independent or non-executive members; and for the chairman of the appointment committee to be an independent member so that the process of introducing and nominating new members is carried out independently.

Decree 71/2017/ND-CP stipulates that listed companies must ensure that at least one third of the total number of members of the board of directors should be independent members; however, the rate of enterprises meeting this requirement is only 18%.

In the corporate governance structure of enterprises without a nomination committee or where the nomination committee is not truly independent, a minimum percentage of independent board members of at least 50% would be a better backup mechanism to increase the independence of the board, which strengthens the voice and power of independent members in the decisions of the board. The rate of Vietnamese enterprises meeting the requirements of at least 50% of independent members is 6%.

### Percentage of independent directors on the board

- Less than 33%: 44%
- 33% to 49%: 12%
- 50% to 66%: 5%
- 67% and above: 39%

(Source: Malaysia ACGS Report, 2017)

### Percentage of companies with at least 50% of independent directors

- Yes: 94%
- No: 6%

(Source: ASEAN CG Scorecard, VIOD 2020)

### Percentage of companies with at least 1/3 of independent directors

- Yes: 82%
- No: 18%

(Source: Vietnam Listed Companies CG Report, VLCA 2019)
The G20/OECD Principles of Corporate Governance require that the corporate governance framework ensures the strategic guidance of the company by the board and its accountability to the company and its shareholders. The most common board format is the one-tier board system, which is favored in twice as many OECD-member jurisdictions as those that apply two-tier boards (supervisory and management boards). A growing number of jurisdictions allow both one- and two-tier structures. 

(CG Factbook 2019, OECD)

The Vietnam Law on Enterprises 2014, Article 134, allows enterprises to apply the model with or without a supervisory board.

If there is no supervisory board, the enterprise needs to have an audit committee within the board of directors.

The evidence shows a significant increase in number of enterprises building an audit committee inside the board of directors. This ratio increased from 7.84% in 2018 to 12.98% of enterprises in 2019.

(Vietnam Listed Companies CG Report, VLCA 2019)

The Code of Corporate Governance of Vietnam recommends that enterprises have an independent member who is the chairman of the audit committee, and with a majority of members of the audit committee being non-executive members. The percentage of enterprises with the chairman of the audit committee/head of the supervisory board being an independent member is 9%.

Auditing capability of the board of directors depends on the role of the audit committee (in the model without a supervisory board). In order to effectively support the audit committee to perform its roles and responsibilities well, the company needs to build an internal audit department, with the chief internal auditor nominated by the audit committee, reporting directly to the audit committee on the financial and accounting situation of enterprises. The proportion of enterprises with internal audit increased from 36% in 2017 to 55% in 2019.

(Source: ASEAN CG Scorecard, VIOD 2020)
- The number of enterprises building specialized committees has increased over the years.
- Enterprises that have built specialized committees implement corporate governance far better than those without specialized committees.
- The results show that the benefits of professionalism, concentration of responsibilities of members in specialized committees can be clearly seen.

Benefits of board committees:
- Board members need to make the most efficient use of their time.
- Board committees provide a platform for the board to deal with specific issues that require specialized areas of expertise.
- With board committees, it is possible to tap the specific talents, skills, and knowledge of individual board directors to inform and educate the full board on particular areas of concern.
- Committees allow boards to divide the work of the board into manageable sections.
- Complex issues demand substantially more time that needs board committees to dig deep into details.
- Committees of the board provide the benefit of strong accountability.
- Committee members are assigned specific tasks and are directly accountable to the full board with due diligence and thoroughness.

Vietnam CG Code of Best Practices on board committees:
PRINCIPLE 4: ESTABLISHING BOARD COMMITTEES: The board should set up specialized board committees to support the board in the performance of its functions and to avoid any conflicts of interest.

Principle 4.1: The board should set up an audit committee and ensure that it has adequate resources and authority. The audit committee should ensure that proper internal controls are maintained and that the company complies with all relevant laws and regulations.

Principle 4.2: The board should establish a competent risk management committee to ensure that the risks inherent to the company’s business activities are properly managed.

Principle 4.3: The board should establish a corporate governance, nomination and remuneration committee to strengthen the effectiveness of company’s corporate governance framework and to ensure that the company’s nomination and remuneration policies and practices support the successful appointment, development, and retention of directors and managers.

(SSC & IFC, 2019)

Correlation between CG and specialized subcommittees

(Diligent Insights, 2019)
Governing firm strategy and execution.

Given the increased stakes and complexity of strategy, its governance is increasingly more important. Boards are in a unique position to pressure-test management’s decision making, ensure that the strategy is tailored to each business environment and continually probe key assumptions to make sure they remain valid. Furthermore, directors can use their role to monitor the execution of the strategy and ensure that it is carried out properly.”

(Boston Consulting Group)

A survey shows that since 2015, more OECD countries increase requirements or recommendations for companies to assign board level committees a risk management role, an increase from 62% to 87% of surveyed jurisdictions. Requirements or recommendations to implement internal control and risk management systems have also increased significantly, from 62% to 90% of surveyed jurisdictions.

(CG Factbook 2019, OECD)

Moody’s views a board of directors’ risk oversight role.

It is critical to the sound running of an institution — especially for financial institutions and for other companies with significant market and credit risk exposure. In particular, Moody’s sets high expectations for the role of boards in shaping a firm’s risk appetite and ensuring a proper risk management framework is in place.

In Moody’s view, the board has five central functions with respect to risk:

1. Approve the firm’s risk appetite as a component of its strategy
2. Understand and question the breadth of risks faced by the company
3. Ensure robust oversight of risk at board committee and senior management levels
4. Promote a risk-focused culture and open communication across the organization
5. Assign clear lines of accountability and encourage an effective risk management framework

(Moody’s Investors Service)
3.5 - DIVERSITY OF BOARDS OF DIRECTORS

Vietnam CG Code of Best Practices on board diversity:
Although the right mix of skills varies across companies, the following areas of board expertise are useful to consider:
- Financial expertise, including knowledge of finance, accounting and audit
- Risk management expertise
- Marketing expertise: an understanding of marketing techniques and practices
- Information technology: an understanding of the use of systems for storing, retrieving, and transferring information
- Professional experience: relevant years of professional experience in the particular sector (15-20 years)
- Legal expertise: knowledge of the regulatory environment of the relevant industry related to the company and understanding of the regulatory, legal, fiduciary, and ethical requirements affecting directors
- Business management expertise: familiarity with up to date business management techniques and related ethics
- Business environment: awareness of major external influences on the general company and commercial environment, including political, economic, social, and technological issues
- Sector-specific experience: familiarity with industry trends and developments, to be able to guide management in setting strategy

(SSC & IFC, August, 2019)

Benefits of board gender diversity in ASEAN
Companies with more than 30% of women on their board report an average ROA of 3.8%, compared to a ROA of 2.4% for companies with no female board members. Similarly, companies with over 30% women on the board report an average ROE of 6.2%, while those with an all-male board have an ROE of only 4.2%. The study surveyed over 1,000 companies in China and six ASEAN (Association of Southeast Asian Nations) countries including Indonesia, Malaysia, the Philippines, Singapore, Thailand, and Vietnam.

(IFC, WEP WG, IDX, 2019)

Board diversity in Vietnamese enterprises now needs to improve in the following aspects:
- Female presence on the board of directors (currently only 57.5% of enterprises have a female on the board of directors, according to the VLCA Report 2019)
- Variety of expertise and experiences (only 50% of businesses can meet this variety requirement, according to the VLCA Report 2019)
- Independent members (only 6% of enterprises have more than 50% independent directors)

"A strategic focus requires a new board model. As the strategic demands of directors evolve, so too do their required skills. A board that is drawn from a homogeneous industry or financial background will leave some strategic benefits on the table. Where possible, firms should aim to select directors with a variety of relevant skills, which may include technological knowledge, or political expertise."

(Boston Consulting Group)

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- Female presence on the board of directors (currently only 57.5% of enterprises have a female on the board of directors, according to the VLCA Report 2019)
- Variety of expertise and experiences (only 50% of businesses can meet this variety requirement, according to the VLCA Report 2019)
- Independent members (only 6% of enterprises have more than 50% independent directors)
Responsibility indicates the roles and responsibilities that the board of directors needs to perform when directing strategy, managing risks, inspecting, and supervising the operation of the enterprise.

Board responsibilities are defined in legal documents, and above all, best national, regional, and international governance principles.

Accountability indicates trade-offs that are commensurate with the roles and responsibilities that board members must bear.

Accountability is harder to understand. It often has a more difficult-to-define form, and is shaped by an interwoven system of remuneration and benefits from social and professional relationships.

Responsibility will be difficult to secure if accountability is not designed commensurately.

If board responsibility can be clearly defined, accountability is the gray area that the board needs to structure to ensure that responsibility and accountability can best balance each other.

Responsibility indicates the roles and responsibilities that the board of directors needs to perform when directing strategy, managing risks, inspecting, and supervising the operation of the enterprise.

Board responsibilities are defined in legal documents, and above all, best national, regional, and international governance principles.

Accountability indicates trade-offs that are commensurate with the roles and responsibilities that board members must bear.

Accountability is harder to understand. It often has a more difficult-to-define form, and is shaped by an interwoven system of remuneration and benefits from social and professional relationships.

Remuneration policy and disclosure on remuneration are still considered sensitive topics, yet are important in providing information for stakeholders to evaluate a board’s effectiveness through balancing responsibilities and compensation.

Disclosure of related interests is also an important source of information for this purpose.

Enterprises need to improve the disclosure of details of the remuneration of the board of directors. Independent board members’ remuneration should not be tied to business results of the enterprise.

Disclosure of details of remuneration of the executive board and key management staff need to be met.

Vietnamese enterprises need to consult remuneration policies and evaluate the effectiveness of board members in the region in order to develop appropriate mechanisms to ensure the alignment of board members’ remuneration with the long-term interests of enterprises.

The level of application of these flexible policies by Vietnamese enterprises is still low compared to Singapore’s, according to ACGS’s assessment (15% in Vietnam compared to 30% in Singapore).

Boards need to structure and balance their responsibilities and align them with remuneration policies. The board should analyze and highlight these policies in its reports.

Companies developed appropriate mechanisms to ensure the alignment of key executive and board members’ remuneration with the longer term interests of the company.

Vietnam

Singapore

85% Yes

70% Yes

15% No

30% No
Developing and publishing a detailed Code of Conduct is not yet a common practice in Vietnam. 19.5% of enterprises develop and promote a Code of Conduct; 12.2% require all company members, including the board of directors, senior leaders and employees to comply with the Code of Conduct. The adaptation rate of Singapore enterprises is 30% and 23%, respectively.

Companies disclosing the details of Code of Conduct/Ethics

Companies disclosing that all company members are required to comply with the Code of Conduct/Ethics

Companies developing a whistle blowing policy

The percentage of Vietnamese enterprises that have developed a whistle blowing policy is very low (9%), compared to Malaysia (84%).

Vietnam CG Code of Best Practices on code of conduct and whistle blowing policy:

**Principle 6.1:** The board should ensure the adoption a Code of Business Conduct and Ethics to set an appropriate ethical business culture within the company. This Code would provide standards for professional and ethical behaviors, as well as articulate acceptable and unacceptable conduct and practices in internal and external dealings. The Code should be properly disseminated to the board, senior management and employees. It should also be disclosed and made available to the public through the company website.

**Principle 6.2:** The board should ensure proper and efficient implementation and monitoring of compliance with the Code of Business Conduct and Ethics and internal policies.

**Recommended practices 7.1.6:** The board, aiming to support the internal control framework, should develop a whistle blowing mechanism which would enable employees and stakeholders to make early disclosures about wrongdoings, so that problems can be identified and resolved. Employees should be protected from possible reprisals, and they should not be at risk of losing their job or suffering any form of retribution as a result of reporting an alleged wrongdoing.

(Source: ASEAN CG Scorecard, VIOD 2020)
3.8 - CORPORATE GOVERNANCE AND STAKEHOLDER PROTECTION

Vietnam CG Code of Best Practices on stakeholder protection and engagement:

**PRINCIPLE 10: BUILDING EFFECTIVE STAKEHOLDER ENGAGEMENT**

The board should consider and respect the interests of all stakeholders who are affected by a company's operations in its decision making.

**Principle 10.1:** The board should ensure rules are established for stakeholder protection and engagement.

**Recommended practices:** The board should consider adopting:
- A policy that addresses customers’ welfare
- A policy that addresses supplier/contractor selection procedures
- A policy that addresses the company’s efforts to ensure that its value chain is environmentally friendly or is consistent with promoting sustainable development
- A policy that addresses the company’s efforts to interact with the communities in which it operates
- A policy that addresses the company’s anti-corruption programs and procedures
- A policy that addresses how creditors’ rights are safeguarded
- A policy on the health, safety, and welfare for its employees

(Environmental, Social and Governance (ESG) issues can influence investment risk and portfolio performance. Therefore, ESG is considered in every stage of the investment process. (Dragon Capital).

The evaluation results show that the aspects of information disclosure of corporate social responsibility are still quite low in many different aspects (only 9.8% firms disclose measures to protect creditors' interests and only 22% firms disclose anti-corruption measures)

(Source: Vietnam Listed Companies CG Report, VLCA 2019)
For Vietnamese businesses, the past 10 years was the "Corporate Governance Awareness" phase; the next 10 years should be the "action to build good corporate governance" phase.

The board of directors should always be proactive and dynamic in working towards good governance that brings sustainable value to shareholders and all stakeholders.

“The demand for good corporate governance is growing in emerging market countries in order to help companies and financial institutions improve their performance, access affordable external financing, and lower the cost of capital with the broader goals of advancing financial stability and economic growth. Governance of listed companies has a direct impact on capital markets development and investor protection. In the case of financial institutions, both state-owned and private institutions, governance is crucial to the sustainability of the banking sector and the development and growth of pension funds and insurance companies. Governance is also important to microfinance institutions as they scale up, and to medium and high growth companies as they seek to access finance for investments and expansion."

(World Bank Group)
For investors

- Carefully examine the governance aspects in investors’ investment decisions and supervisory activities
- Actively participate in exercising shareholder rights, attend meetings, and contribute ideas to improve corporate governance
- Speak up and report on shareholder rights’ violations, or on violations of the interests of other stakeholders through the company’s feedback channels, or directly reporting to the board of directors

For the board of directors

- Enhance the directing role of the board of directors in designing a good governance system
- Assess and identify governance gaps, put into place an action plan and a roadmap to improve corporate governance in the short- and long-term
- Action plans to improve the corporate governance of the board of directors should be closely aligned with legal regulations on corporate governance, sets of principles and good governance practices, and strive towards the opportunity to be recognized in good governance awards of the country and the region
- The board of directors, supervisory board/audit committees and governance functions under the corporate governance supervision apparatus (person in charge of corporate governance, shareholder relations, information disclosure, internal audit, etc.) should always actively update operations with new regulations and good practices on corporate governance through training and education programs
- The board of directors should build specialized committees under the board of directors to undertake the main responsibilities of: audit, nomination, remuneration, corporate governance, and risk control
- The board of directors should review important governance documents and ensure that these documents are posted on the company website in both English and Vietnamese: Charter, Corporate Governance Policies, Code of Conducts, Whistle Blowing Policy, Annual Reports, Corporate Governance Reports, Sustainability Reports, Invitation Letter and Draft Documents for the General Meeting of Shareholders, Resolutions and Minutes of the General Meeting of Shareholders
- The board of directors, supervisory board/audit committee need to improve disclosure in their reports by describing in detail the performance of their roles and responsibilities for all the fiduciary duties entrusted to them by shareholders

For regulators

- Continually improve corporate governance legislation to enhance corporate governance practices in Vietnam
- Legal requirements need to gradually be upgraded towards the world's best practices in a national road map
- Strengthen supervision of the implementation of corporate governance regulations of listed companies
- Encourage companies to apply the Code of Corporate Governance of Vietnam through awarding honor businesses
- Promulgate mechanisms to motivate, reward, or encourage enterprises to perform well on corporate governance
5 - CORPORATE GOVERNANCE PERFORMANCE BY ASSESSMENT AREA
5.1 - THE RIGHTS AND EQUITABLE TREATMENT OF SHAREHOLDERS

To improve the corporate governance score under the ASEAN Corporate Governance Scorecard, companies need to pay attention to the scorecard assessment criteria and information disclosure that meets requirements, and follow good practices. This content will analyze in detail the outstanding areas for improvements that companies should consider in improving their score.

A.1.1. Does the company pay dividends in an equitable and timely manner; that is, all shareholders are treated equally and paid within 30 days after being (i) declared for interim dividends and (ii) approved by shareholders at general meetings for final dividends? In case the company has offered Scrip dividend, did the company paid the dividend within 60 days?

Guiding Reference
The rights and equitable treatment of shareholders and key ownership functions
(A) Basic shareholder rights should include the right to:
(6) share in the profit of the corporation.

Recommendation
• In the assessment year, the company pays out both (interim and full annual) dividends to shareholders on time in accordance with good practice.
• The good-practice time limit for payment of dividends is within 30 days from the date of (i) BOD approval of the resolution on interim dividend payment and (ii) shareholder approval of final dividends at the AGM, and similarly within 60 days with regard to other non-cash dividends such as script dividends.
• The company does not violate the policy of equitable payment of dividends to all shareholders of the same class of shares.

Source Document
Company Website, Minutes of AGM
Exchange Website

CG Performance of 2012-2019 Assessment

<table>
<thead>
<tr>
<th>Year</th>
<th>Yes (%)</th>
<th>No (%)</th>
<th>N/A - No payment of dividend (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2019</td>
<td>11%</td>
<td>72%</td>
<td>17%</td>
</tr>
<tr>
<td>2017</td>
<td>11%</td>
<td>80%</td>
<td>9%</td>
</tr>
<tr>
<td>2015</td>
<td>27%</td>
<td>67%</td>
<td>6%</td>
</tr>
<tr>
<td>2014</td>
<td>24%</td>
<td>72%</td>
<td>4%</td>
</tr>
<tr>
<td>2013</td>
<td>12%</td>
<td>78%</td>
<td>9%</td>
</tr>
<tr>
<td>2012</td>
<td>15%</td>
<td>69%</td>
<td>16%</td>
</tr>
</tbody>
</table>

The difference between local and regional regulations on the time limit for payment of dividends to shareholders is considered one of the key reasons for the poor performance in the 6 assessment years. Though most of the top companies in corporate governance complied with the dividend payment time-lime of 6 months from the date of AGM approval in accordance with the Law on Enterprises, yet very few companies could follow the ASEAN practices.

The assessment team proposes that listed companies should develop their own regulations on dividend payment. The board of directors, board of Management, and Chief Executive Officer shall be responsible for and liable to consider when and deadline for payment of dividends after each fiscal year-end to submit for shareholders’ approval at the AGM. If payment is not made in a timely manner, the management shall be held responsible in the following AGM and this should be considered one of the performance assessment criteria at year-end or prior to personnel election and appointment.
5.1 - THE RIGHTS AND EQUITABLE TREATMENT OF SHAREHOLDERS

A.4.1. In cases of mergers, acquisitions and/or takeovers requiring shareholders’ approval, does the board of directors/commissioners of the company appoint an independent party to evaluate the fairness of the transaction price?

Guiding Reference

G20/OECD (2015) Principle II (H)

Markets for corporate control should be allowed to function in an efficient and transparent manner.

(1) The rules and procedures governing the acquisition of corporate control in the capital markets, and extraordinary transactions such as mergers, and sales of substantial portions of corporate assets, should be clearly articulated and disclosed so that investors understand their rights and recourse. Transactions should occur at transparent prices and under fair conditions that protect the rights of all shareholders according to their class.

Recommendation

• The company discloses the appointment of an independent party to evaluate the mergers, acquisitions and sales of substantial portions of corporate assets that require shareholder approval to ensure the transactions occur at transparent prices and under fair market conditions.

• Where a transaction is not a Related Party Transaction, an external advisor should still be appointed to assess the fairness of the price. Yet, this external advisor does not need to be independent.

Source Document

Company Website, Exchange Website
AGM Minutes, Annual Report

CG Performance of 2012-2019 Assessment

The assessment results reflect that Vietnamese listed companies’ disclosure of mergers, acquisitions and sales of substantial portions of corporate assets that require shareholder approval was still very inadequate. And among the few companies that disclosed these transactions, the consultation of an independent party on the reasonableness and fairness of the transaction price was even less frequently provided. In 2019, about 7% of the assessed companies disclosed mergers, acquisitions and sales of substantial portions of corporate assets, and only over 2% of them appointed an independent party to assess the fairness of the prices. In the future, there should be more stringent and mandatory regulations on this issue, as transaction disclosure and transparency are vital for companies to maintain the trust of shareholders.
A.5.1. Does the company disclose its practices to encourage shareholders to engage with the company beyond AGM?

Guiding Reference

*G20/OECD (2015) Principle II (D)*

Shareholders, including institutional shareholders, should be allowed to consult with each other on issues concerning their basic shareholder rights as defined in the principles, subject to exceptions to prevent abuse.

**Recommendation**

- The company should disclose its practices to encourage shareholders to engage with the company.
- An example of the practice is having continuous dialogue with shareholders including institutional investors.
- Note that the relevant practices must be conducted during the assessment year. Stated policy or cited activities not in the assessment year will not be counted.

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Source Document

Company Website, Annual Report
Exchange Website

**CG Performance of 2012-2019 Assessment**

<table>
<thead>
<tr>
<th>Year</th>
<th>Yes (%)</th>
<th>No (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2019</td>
<td>77%</td>
<td>23%</td>
</tr>
<tr>
<td>2017</td>
<td>53%</td>
<td>47%</td>
</tr>
<tr>
<td>2015</td>
<td>38%</td>
<td>62%</td>
</tr>
<tr>
<td>2014</td>
<td>22%</td>
<td>78%</td>
</tr>
<tr>
<td>2012</td>
<td>100%</td>
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</tbody>
</table>

The chart clearly shows that CG scores significantly improved, increasing over the years from 2012 to the highest score in 2019 with 77% of Vietnamese companies performing well in public disclosure and actively conducting various practices to encourage existing shareholders and potential investors to engage with the companies. This proves that companies have become more and more aware of the importance of investor relations, striving to improve transparency, corporate value, as well as investor trust. An effective investor relations strategy does not only attract investment for the companies, but also indirectly enhances the company’s value. The most popular practice includes companies arrange exclusive events for investors, institutions, and analysts that show interest in the company’s shares.

In addition, companies should prepare specific plans and schedule for periodical disclosure, together with investor relations activities and programs for the whole year, choosing appropriate information channels for the targeted audience, developing disclosure policy and procedures, as well as receiving and monitoring feedback from the market and investors, in order to make timely adjustments, effective risk management, and improve the quality of investor relations activities.
D.9.1. Does the company disclose the contact details (e.g., telephone, fax, and email) of the officer / office responsible for investor relations?

**Guiding Reference**
ICGN 7.1 Transparent and open communication

**Recommendation**
- The company discloses the contact details of the officer or office responsible for investor relations
- Information that is considered detailed includes:
  1. Name of the officer or office responsible for Investor Relations
  2. Telephone or email

**Source Document**
Company Website
Annual report

**CG Performance of 2012-2019 Assessment**

<table>
<thead>
<tr>
<th>Year</th>
<th>Yes (%)</th>
<th>No (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2019</td>
<td>61%</td>
<td>39%</td>
</tr>
<tr>
<td>2017</td>
<td>41%</td>
<td>59%</td>
</tr>
<tr>
<td>2015</td>
<td>33%</td>
<td>67%</td>
</tr>
<tr>
<td>2014</td>
<td>32%</td>
<td>68%</td>
</tr>
<tr>
<td>2013</td>
<td>40%</td>
<td>60%</td>
</tr>
<tr>
<td>2012</td>
<td>28%</td>
<td>72%</td>
</tr>
</tbody>
</table>

Compared to previous years, assessment results in 2019 showed a clear improvement in this criterion with 61% of companies disclosing contact details of the officer / office responsible for investor relations mainly on the Company Website, and secondly in the Annual Reports. This rate is very encouraging compared to those of previous years, but it is still a long way from regional practices where most businesses disclose full contact details of the officer / office responsible for investor relations both on the Company Website and in Annual Reports in order to make it convenient for shareholders to contact when they have requests, questions or need support.

In fact, the disclosure of contact details of the officer / office responsible for investor relations is not difficult to implement and can be improved quickly, unless the company has not established this office yet. Thus, the assessment team also recommends that companies should have an active investor relations office to protect the shareholders’ rights and address shareholder complaints, not only meeting the minimum regulatory requirements, but proactively protecting shareholders’ rights, encouraging shareholders to be more active in sharing ideas with and making contribution to the companies.
A.3.5. Do the minutes of the most recent AGM record that the shareholders were given the opportunity to ask questions and the questions raised by shareholders and answers given recorded?

Guiding Reference
G20/OECD (2015) Principle II (C)
(3) Shareholders should have the opportunity to ask questions to the board, including questions relating to the annual external audit, to place items on the agenda of general meetings, and to propose resolutions, subject to reasonable limitations

Recommendation
• Information shown on the company website and updated reports, and most importantly the most recent AGM Minutes, records questions and answers between shareholders and company management.
• It is not satisfactory if Q&As between shareholders and management are only mentioned without records of specific questions and answers.

It is a good practice to make it easy for shareholders to question and company management to actively respond to issues during annual and extraordinary AGMs to make decision-making processes related to important resolutions to be approved by shareholders more effective. After the AGM, companies also need to promptly disclose in detail meeting minutes on voting results and contents of resolutions at the AGM on the following working day, as well as the detailed questions and answers at the Meeting. It demonstrates commitments on the reliability and transparency of the answers from the management to the shareholders who presented, and helps shareholders who could not attend the meeting, as well as potential investors to obtain valuable information to assess the performance of the companies in which they are investing or intending to purchase shares.

However, the majority of Vietnamese listed companies did not fully understand the importance of this good practice. Only 37% of Vietnamese listed companies followed this practice in 2019, though it was the highest rate over the 6 years of assessment. Yet as observed in the chart, a slightly upward sloping line of the green columns from 2012 to the latest year of 2019 may reflect an expected improvement in the future.

Source Document
AGM Minutes, Annual CG Report
Company Website, Annual Report

CG Performance of 2012-2019 Assessment

<table>
<thead>
<tr>
<th>Year</th>
<th>Yes (%)</th>
<th>No (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2019</td>
<td>37%</td>
<td>63%</td>
</tr>
<tr>
<td>2017</td>
<td>29%</td>
<td>71%</td>
</tr>
<tr>
<td>2015</td>
<td>20%</td>
<td>80%</td>
</tr>
<tr>
<td>2014</td>
<td>14%</td>
<td>86%</td>
</tr>
<tr>
<td>2013</td>
<td>23%</td>
<td>78%</td>
</tr>
<tr>
<td>2012</td>
<td>3%</td>
<td>97%</td>
</tr>
</tbody>
</table>
A.3.11. Does the company disclose that it has appointed an independent party (scrutineers/inspectors) to count and/or validate the votes at the AGM?

Guiding Reference
G20/OECD (2015) Principle II (C)
Shareholders should have the opportunity to participate effectively and vote in general shareholder meetings and should be informed of the rules, including voting procedures, that govern general shareholder meetings.

Recommendation
- The company clearly discloses that it has appointed an individual or institutional independent party to join the vote counting committee at the AGM.
- The independent parties have no relationship with the controlling shareholders and the company. Examples of independent parties include independent auditors, independent legal counsel, supervisory authorities, minority shareholders, Securities Depositories, etc.

Source Document
AGM Minutes, Company Website
Annual Report

CG Performance of 2012-2019 Assessment

<table>
<thead>
<tr>
<th>Year</th>
<th>Yes</th>
<th>No</th>
</tr>
</thead>
<tbody>
<tr>
<td>2019</td>
<td>10%</td>
<td>90%</td>
</tr>
<tr>
<td>2017</td>
<td>11%</td>
<td>89%</td>
</tr>
<tr>
<td>2015</td>
<td>2%</td>
<td>98%</td>
</tr>
<tr>
<td>2014</td>
<td>2%</td>
<td>100%</td>
</tr>
<tr>
<td>2013</td>
<td>2%</td>
<td>98%</td>
</tr>
<tr>
<td>2012</td>
<td>2%</td>
<td>100%</td>
</tr>
</tbody>
</table>

In fact, even the national companies leading in corporate governance practices still failed to meet certain good practices compared to regional companies. This criterion scored very low over the six years of assessment because most companies had not yet paid attention to the independence of the vote counting committee in supervising the vote counting process at the AGM.

For companies that wish to improve their performance in the coming years, the specific action is to invite independent institutions or individuals to join the vote counting committee to monitor or even directly count the votes and record the voting results. In regional countries, independent auditors, competent public notaries, professional law firms, and representatives of minority shareholders are often invited to participate.

However, in the long term, the regulators should play a key role in promoting and raising awareness of companies on the importance of an independent vote counting committee and a transparent and fair vote counting process, since it represents the highest decision maker of a company on major matters affecting the company and shareholders’ rights.
5.3 - RIGHT TO PARTICIPATE EFFECTIVELY IN AND VOTE IN GENERAL SHAREHOLDER MEETINGS

A.3.13. Does the company provide at least 21 days notice for all AGMs and EGMs?
A.3.14. Does the company provide the rationale and explanation for each agenda item which require shareholders’ approval in the notice of AGM/circulars and/or the accompanying statement?

Recommendation – A.3.13
- Notices of annual and extraordinary AGMs must be fully and timely disclosed.
- Full notices include the date, location and agenda of the meeting.
- AGM documents and/or notices provide sufficient rationale and explanation, or cross-reference to relevant source documents for each agenda item or draft resolution of the AGM.
- According to good practices, an AGM notice is provided at least 21 days prior to the date of the meeting so that shareholders have time to prepare for the discussion and voting on agenda items.

CG Performance of 2012-2019 Assessment

<table>
<thead>
<tr>
<th>Year</th>
<th>A.3.13</th>
<th>A.3.14</th>
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<tbody>
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<td>2019</td>
<td>11%</td>
<td>57%</td>
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<td>2017</td>
<td>31%</td>
<td>43%</td>
</tr>
<tr>
<td>2015</td>
<td>9%</td>
<td>24%</td>
</tr>
<tr>
<td>2014</td>
<td>10%</td>
<td>24%</td>
</tr>
<tr>
<td>2013</td>
<td>25%</td>
<td>20%</td>
</tr>
<tr>
<td>2012</td>
<td>3%</td>
<td>8%</td>
</tr>
</tbody>
</table>

Guiding Reference

G20/OECD (2015) Principle II (C)
Shareholders should be furnished with sufficient and timely information concerning the date, location and agenda of general meetings, as well as full and timely information regarding the issues to be decided at the meeting

Source Document
Company Website, Exchange Website
GSM Notice & Documents

Recommendation – A.3.14
AGM documents and/or notices provide sufficient rationale and explanation, or cross-reference to relevant source documents for each agenda item or draft resolution of the AGM.

One of the basic rights of shareholders is to be furnished with sufficient and timely information on each agenda item to be voted on prior to attending the AGM. The Vietnam’s Law on Enterprises requires companies to send AGM notices to all shareholders in the list of shareholders entitled to attend the AGM at least 10 days before the date of the AGM, compared to 21 days in accordance with ASEAN practice. According to the assessment results over the 6 years, the majority of companies complied with the national regulations, whereas only a few companies managed to meet good regional practices. Besides, there was a significant improvement in the quality of contents of draft AGM Resolutions and proposals, with 57% (compared to 43% in 2017) of Vietnamese companies meeting the ASEAN standards on quality and details of documents, drafts, and proposals provided to shareholders attending the AGMs.
**5.4 - DISCLOSURE OF IMPORTANT INFORMATION IN GENERAL SHAREHOLDER MEETINGS**

**B.2.2. Are the company’s notice of the most recent AGM/circulars fully translated into English and published on the same date as the local language version?**

**Guiding Reference**

*G20/OECD (2015) Principle II*

(C) Shareholders should have the opportunity to participate effectively and vote in general shareholder meetings and should be informed of the rules, including voting procedures, that govern shareholder meetings:

1. Shareholders should be furnished with sufficient and timely information concerning the date, location, and agenda of general meetings, as well as full and timely information regarding the issues to be decided at the meeting.

2. Processes and procedures for general shareholder meetings should allow for equitable treatment of all shareholders. Company procedures should not make it unduly difficult or expensive to cast votes.

4. Effective shareholder participation in key corporate governance decisions, such as the nomination and election of board members, should be facilitated

**Recommendation**

- The company fully discloses the most recent AGM Notice and Documents in Vietnamese and English on the same date.

- Quality of information of the English version of AGM Notice and Documents must be as complete as the Vietnamese version (refer to A.3.13 and A.3.14).

- In fact, it is assessed on a case-by-case basis whether the quality of information provides a sufficient basis for shareholders to make their voting decisions

**CG Performance of 2012-2019 Assessment**

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<tbody>
<tr>
<td></td>
<td>23%</td>
<td>28%</td>
<td>32%</td>
<td>27%</td>
<td>37%</td>
<td>46%</td>
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</tbody>
</table>

The provision of the sufficient and comparable AGM Notices and Documents in English and Vietnamese (local language) at the same time is a practice that represents equitable treatment for both foreign and national shareholders. During the six years of ASEAN Corporate Governance Scorecard assessment, this criterion has always been among the main topics to be encouraged for improvement. Though the results show a positive improving trend over the years, reaching above the average level in 2019, this rate remained quite low compared to that achieved by other countries in the region. Taking a quick look at 35 ASEAN companies cross-checked by Vietnam, 34 out of 35 companies met and scored well in this criterion.

In order to improve these results, apart from focusing on developing the bilingual contents, listed companies should pay more attention on how to present the information and time of disclosure on the website. In fact, there were many cases where companies disclosed AGM documents in English that included insufficient details, or included full bilingual contents but the English version was published later on the website than the Vietnamese one, which might hinder foreign investors from having important information about the company in an accurate, timely and complete manner.
Guiding Reference

G20/OECD (2015) Principle II (C)
4. Effective shareholder participation in key corporate governance decisions, such as the nomination and election of Board members, should be facilitated.

ICGN Principle

3.1 Composition (board)
There should be a sufficient mix of individuals with relevant knowledge, independence, competence, industry experience and diversity of perspectives to generate effective challenge, discussion and objective decision making.

3.4 Appointment process
The process for director nomination and election/re-election should be disclosed, along with information about board candidates which includes:
- a) board member identities and rationale for appointment;
- b) core competencies, qualifications, and professional background;
- c) recent and current board and management mandates at other companies, as well as significant roles on non-profit/charitable organisations;
- d) factors affecting independence, including relationship(s) with controlling shareholders;
- e) length of tenure;

Source Document
Company Website, Exchange Website, AGM Notice and Documents

Recommendation

- If the most recent AGM includes election/re-election of board members, it is necessary to disclose the detailed curriculum vitae/biography of the BOD candidates.
- Full curriculum vitae/biography includes age, academic qualification, expertise, date of first appointment (at least month and year), experience, and directorship(s) in other listed companies.
- For independent BOD candidates seeking re-election, it is necessary to disclose the date of first appointment to consider the number of years in service to ensure independence.

CG Performance of 2012–2019 Assessment

Disclosure of information on experience and profiles of BOD candidates and a transparent nomination process help provide sufficient information for evaluating a candidate’s qualifications and suitability. It is a good practice to disclose any other directorships held by the candidate and his/her independence. In the case of a BOD candidate’s re-election, the date of first appointment is also important for shareholders to more fairly evaluate the degree of independence and duration of contribution of that candidate. In fact, apart from the limitation in English language, there was often a lack of information about other directorships held by the candidates, as well as date of first appointment and independence. Therefore, the performance of this criterion was still very low, with the highest rate of only 18% in 2019. These shortcomings also explain the weak performance related to the disclosure of biographical information of Directors in Annual Reports (D.2.5) with the highest rate of only 34% in the same year.
B.5.1. Does the company disclose that related party transactions (RPTs) are conducted in such a way to ensure that they are fair and at arms’ length?

Guiding Reference


E. All shareholders of the same series of a class should be treated equally.

F. Related-party transactions should be approved and conducted in a manner that ensures proper management of conflict of interest and protects the interest of the company and its shareholders.

G. Minority shareholders should be protected from abusive actions by, or in the interest of, controlling shareholders acting either directly or indirectly, and should have effective means of redress.

ICGN 9.4 Related party transactions

The process for reviewing and monitoring related party transactions should be disclosed. For significant transactions, a committee of independent directors should be established to vet and approve the transaction.

Recommendation

- The company clearly discloses related-party transactions (RPTs) that are conducted in such a way to ensure that they are fair and at arms’ length.
- Specific records in companies’ financial statements also shows that the regulations on RPTs are not breached during the year.

CG Performance of 2012-2019 Assessment

<table>
<thead>
<tr>
<th>Year</th>
<th>Yes</th>
<th>No</th>
</tr>
</thead>
<tbody>
<tr>
<td>2019</td>
<td>17%</td>
<td>83%</td>
</tr>
<tr>
<td>2017</td>
<td>3%</td>
<td>97%</td>
</tr>
<tr>
<td>2015</td>
<td>2%</td>
<td>98%</td>
</tr>
<tr>
<td>2014</td>
<td>6%</td>
<td>94%</td>
</tr>
<tr>
<td>2013</td>
<td>3%</td>
<td>97%</td>
</tr>
<tr>
<td>2012</td>
<td>3%</td>
<td>97%</td>
</tr>
</tbody>
</table>

Source Document

Annual Report, Company Website

Companies should declare that minority shareholders shall be protected from conflicts of interest caused by RPTs. Particularly, companies should have specific regulations and practices to ensure that RPTs are conducted in such a way to ensure that they are fair and at arms’ length, and companies should also have policies and procedures to discover and redress related violations, if any.

However, among the companies surveyed in 2019, 83% did not have a statement of commitment that RPTs were conducted in such a way to ensure that they were fair and at arms’ length in the companies’ annual reports. Though this rate was slightly lower than those of previous years, it still reflected the fact that most of the listed companies failed to follow this good practice.
5.5 - PROTECTION OF KEY STAKEHOLDERS

C.1.1. Does the company disclose a policy and practices of the existence and scope of the company's efforts to address customers' welfare?

Guiding Reference

G20/OECD (2015) Principle IV (A)

The rights of stakeholders that are established by law or through mutual agreements are to be respected. In all OECD countries, the rights of stakeholders are established by law (e.g. labour, business, commercial and insolvency laws) or by contractual relations. Even in areas where stakeholder interests are not legislated, many firms make additional commitments to stakeholders, and concern over corporate reputation and corporate performance often requires the recognition of broader interests.

Source Document

Company Website
Annual Report
Sustainability Report
Annual CG Report

Recommendation

• The company discloses, at least in one paragraph describing a specific policy and practices on the protection of customers' interests.
• Examples of protection of customers' interests include a good after-sales policy, a damage compensation policy, regulations on commitment to ensure consumers' health and safety.
• For credit and financial institutions, it is necessary to clearly articulate features of financial products and services to customers, including the level of risk and expected profit, and to issue regulations on guarantee and representation.

CG Performance of 2012-2019 Assessment

Protection of customers' interests is very important for companies in a competitive market economy, and more and more companies pay attention to the disclosure of policies and practices that aim to protect customers' interests in their Annual Reports or Sustainability Reports, including policies on product quality, customer health and safety, as well as after-sales policy or compensation and warranty policy in cases of incidents. The chart shows that the percentage of companies meeting this criterion increased steadily over the years.
Guiding Reference


The rights of stakeholders that are established by law or through mutual agreements are to be respected. In all OECD countries, the rights of stakeholders are established by law (e.g. labour, business, commercial and insolvency laws) or by contractual relations. Even in areas where stakeholder interests are not legislated, many firms make additional commitments to stakeholders, and concern over corporate reputation and corporate performance often requires the recognition of broader interests.

Recommendation

- The company discloses, at least in one paragraph describing policy and practices that address supplier/contractor selection procedures. Examples include selection procedures and criteria where economic and non-economic factors, such as environmental, social or human rights, are taken into account in the selection of suppliers, producers, or service providers.

Source Document

- Company Website
- Annual Report
- Sustainability Report
- Annual CG Report

Participating in the supply chains and the entire business operations, suppliers’ social responsibility plays a key factor contributing to companies’ sustainable value chains. Therefore, among good corporate governance practices aiming for sustainable development, companies should pay attention to the procedures and criteria for selection of suppliers, taking into consideration factors related to environmental, social, and ethical responsibilities, in addition to conventional economic factors.

Compared to the assessment results of previous years, 2019 saw a much improved rate. Yet it should be noted that this rate was still quite low compared to other companies in the region, reflecting Vietnamese companies’ need to make significant stepping up in this aspect.
C.1.3. Does the company disclose a policy and practices that the company’s efforts to ensure that its value chain is environmentally friendly or is consistent with promoting sustainable development?

Guiding Reference


The rights of stakeholders that are established by law or through mutual agreements are to be respected. In all OECD countries, the rights of stakeholders are established by law (e.g. labour, business, commercial and insolvency laws) or by contractual relations. Even in areas where stakeholder interests are not legislated, many firms make additional commitments to stakeholders, and concern over corporate reputation and corporate performance often requires the recognition of broader interests.

Recommendation

- The company discloses, at least in one paragraph describing policy and practices related to environmental protection.
- In addition to compliance with environmental regulations, companies should establish a set of policies and procedures for environmental management.
- Companies should also disclose practices that integrate environmental aspects in operation and business activities to protect and minimize adverse impacts on the environment.

**CG Performance of 2012-2019 Assessment**

Companies can make considerable impact on the environment during their operation and business activities, thus companies should pay attention to their environmental responsibilities, making efforts to minimize negative impacts on the environment, ecosystem and community, with the aim of balancing environmental protection with economic growth.

Performance in this area improved significantly in the latest assessment year compared to the first year, reflecting that environmental protection responsibility is inevitably becoming a top concern of companies.
C.1.4. Does the company disclose a policy and practices that the company’s efforts to interact with the communities in which they operate?

Guiding Reference


The rights of stakeholders that are established by law or through mutual agreements are to be respected. In all OECD countries, the rights of stakeholders are established by law (e.g. labour, business, commercial and insolvency laws) or by contractual relations. Even in areas where stakeholder interests are not legislated, many firms make additional commitments to stakeholders, and concern over corporate reputation and corporate performance often requires the recognition of broader interests.

Recommendation

- The company provides information, at least in one paragraph describing its policies and practices that describe the company’s efforts to interact with the communities in which it operates.
- When the company’s production and business operations are related to/have adverse impacts on the environment and local communities where it operates, it is necessary to clearly specify the measures applied to mitigate the impacts.

Source Document

- Company Website
- Annual Report
- Sustainability Report
- Annual CG Report

This criterion achieved the best score in corporate governance related to stakeholders. In 2019, only 4 out of 82 companies, or 5%, failed to meet the requirements set out for this criterion, including one case of disclosing only the policy without specifying the practices of the company to interact with and support the community, and there were cases where companies failed to disclose any relevant information.
C.1.5. Does the company disclose a policy and practices of the company’s anti-corruption programmes and procedures?

Guiding Reference

G20/OECD (2015) Principle IV (A)

The rights of stakeholders that are established by law or through mutual agreements are to be respected. In all OECD countries, the rights of stakeholders are established by law (e.g. labour, business, commercial and insolvency laws) or by contractual relations. Even in areas where stakeholder interests are not legislated, many firms make additional commitments to stakeholders, and concern over corporate reputation and corporate performance often requires the recognition of broader interests.

Recommendation

- The company discloses, at least in one paragraph explaining policy and practices related to its anti-corruption efforts
- Examples of anti-corruption programs include an analysis of risks of the business entity to assess the likelihood of a corruption incident taking place within the entity, or training for staff on the company’s anti-corruption policies and procedures.

Source Document

Company Website
Annual Report
Sustainability Report
Annual CG Report

CG Performance of 2012-2019 Assessment

<table>
<thead>
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<tr>
<td>2012</td>
<td>1%</td>
<td>99%</td>
</tr>
</tbody>
</table>

Most Vietnamese companies failed to have anti-corruption programs in line with international best practices. The assessment results show that the quality of disclosure on anti-corruption programs was among the weakest aspects of Vietnamese listed companies, despite the fact that certain listed companies managed to develop anti-corruption programs to meet the market requirements.
C.1.6. Does the company disclose a policy and practices that address how creditors' rights are safeguarded?

Guiding Reference

G20/OECD (2015) Principle IV (A)

The rights of stakeholders that are established by law or through mutual agreements are to be respected. In all OECD countries, the rights of stakeholders are established by law (e.g. labour, business, commercial and insolvency laws) or by contractual relations. Even in areas where stakeholder interests are not legislated, many firms make additional commitments to stakeholders, and concern over corporate reputation and corporate performance often requires the recognition of broader interests.

Recommendation

- The company discloses, at least in one paragraph describing policy and practices that address how creditors' rights are safeguarded. Examples may include:
  1) Policy on the company's collaterals, guarantees and secondary debts;
  2) Policy on indebtedness;
  3) Protection in the event of default/foreclosure, and;

Disclosure allows independent parties to evaluate the entity's objectives, policies, and processes for capital management, as set forth in IAS 1:134-136.

CG Performance of 2012-2019 Assessment

Conventional loan agreements are well protected by law through provisions of loan agreements that may explain why policies and procedures on the protection of the creditors’ rights are rarely mentioned by Vietnamese companies. In 2019, only 8 companies mentioned this matter in their annual reports. This disclosure is considered an important indicator of a company’s commitment and efforts in ensuring the company’s financial health from the perspective of governance policies and procedures.
Guiding Reference

G20/OECD (2015) Principle II (A)

The rights of stakeholders that are established by law or through mutual agreements are to be respected. In all OECD countries, the rights of stakeholders are established by law (e.g., labour, business, commercial and insolvency laws) or by contractual relations. Even in areas where stakeholder interests are not legislated, many firms make additional commitments to stakeholders, and concern over corporate reputation and corporate performance often requires the recognition of broader interests.

Recommendation

• A report on the company's efforts on the environment, economy and social issues should be prepared in a separate Sustainability Report or within a separate Sustainability Report section included in the Annual Report.

• The Company prepares a Sustainability Report/Section on the economic, environmental and social impacts resulting from the company's operations.

• These reports also present governance values and models and demonstrate the link between the company's strategy and commitment to a sustainable global economy.

Source Document

Company Website
Annual Report
Sustainability Report
Annual CG Report

Circular No. 155/2015/TT-BTC of the Ministry of Finance requires companies listed on the stock market to provide disclosure on sustainable development. Therefore, the majority of Vietnamese state-owned enterprises have developed a section on sustainability report within their annual reports or a separate annual sustainability report in a transparent, accountable and responsible manner.

The annual sustainability reports help investors fully and promptly assess the impacts and risks related to the environment and society in addition to information on financial performance and capital management. These reports also provide information on the companies’ long-term development through sustainable development goals and activities, and compliance with the law on environmental protection.
C.3.3. Does the company have a reward/compensation policy that accounts for the performance of the company beyond short-term financial measures?

**Recommendation**
- This criterion refers to employees other than board members and the CEO.
- Examples of bonus policies associated with short-term financial performance targets include bonuses based on previous year’s profit after tax, earnings per share, or return on investment.
- An example of incentive policies associated with long-term financial performance indicators includes bonuses based on long-term stock price growth.
- Examples of non-financial metrics include making progress in the company’s Balanced Scorecard project; Employee stock ownership plan (ESOP) with a strike price significantly higher than market price, or rights to receive stock based on tenure.

**Guiding Reference**
*G20/OECD (2015) Principle IV (C)*

With respect to performance enhancing mechanisms, employee stock ownership plans or other profit-sharing mechanisms are to be found in many countries. Pension commitments are also often an element of the relationship between the company and its past and present employees. Where such commitments involve establishing an independent fund, its trustees should be independent of the company’s management and manage the fund for all beneficiaries.

**Source Document**
- Company Website
- Annual Report
- Sustainability Report
- Annual CG Report

**Company employees are important stakeholders.** Companies can provide a variety of incentives for employees, setting up employee reward policies and practices that are linked to the company’s performance in the long term rather than in the short term, such as stock compensation, special retirement plan, and employee bonuses and training policies. The most common examples in Vietnam include the provision of ESOP or application of the Balanced Scorecard to evaluate employee performance in accordance with the overall goals and strategies of the company.

Where the company has not been able to implement a specific program, it is advisable to develop and disclose the policy to improve employees motivation. The performance of this criterion has increased over the years of assessment, demonstrating that, in addition to cash rewards or annual performance-based incentives, more and more companies believe that reward policies that align the company’s long-term performance will motivate employees to work for the companies’ long-term interests.
C.4.1. Does the company have a whistle blowing policy which includes procedures for complaints by employees and other stakeholders concerning alleged illegal (including corruption) and unethical behaviour and provide contact details via the company’s website or annual report?

Guiding Reference


Unethical and illegal practices by corporate officers may not only violate the rights of stakeholders but also be to the detriment of the company and its shareholders in terms of reputation effects and an increasing risk of future financial liabilities. It is therefore to the advantage of the company and its shareholders to establish procedures and safe-harbour for complaints by employees, either personally or through their representative bodies, and others outside the company, concerning illegal and unethical behaviour.

Recommendation

Clearly disclosing a whistle blowing policy, including:

- Contact details and whistle blowing procedures for employees and other stakeholders to report misconducts;
- Process for whistle blowing receipt and redressal shows that whistle blowing information is received and treated with prudence.

CG Performance of 2012-2019 Assessment

<table>
<thead>
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<th>No</th>
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<td>97%</td>
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<tr>
<td>2012</td>
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</table>

Source Document

Annual Report
Company Website
Sustainability Report
Annual CG Report

It is a good corporate governance practice to encourage companies to issue a whistle blowing policy applicable to all stakeholders. The policy should clearly outline how to report, the process for receiving, responding to, and redressing complaints, as well as a process and policy to ensure information safety and confidentiality, and whistleblower protection, along with appropriate and reliable contact details.

Yet actual assessment indicates that whistle blowing policies and procedures applicable to employees or other stakeholders are still a relatively new concept among Vietnamese companies. The highest rate over the six years of assessment showed that 9% of the companies developed whistle blowing policies and procedures, including specific instructions on redressal measures and procedures, and direct contact details to an office/officer processing the complaints. This weakness may be partly explained by the limited availability of documents in English.
D.2.3. Does the company’s annual report disclose the Non-Financial Performance indicators?

Guiding Reference


(A) Disclosure should include, but not limited to, material information on:

2. Company objectives and non-financial information.

In addition to their commercial objectives, companies are encouraged to disclose policies and performance relating to business ethics, the environment and, where material to the company, social issues, human rights and other public policy commitments. Such information may be important for certain investors and other users of information to better evaluate the relationship between companies and the communities in which they operate and the steps that companies have taken to implement their objectives.


Channels for disseminating information should provide for equal, timely and cost-efficient access to relevant information by users.

**Source Document**

Annual Report

Recommendation

- The source of information for assessment is the Company’s Annual Report for the fiscal year under assessment.
- The Annual Report includes at least one non-financial performance indicator, such as customer satisfaction or market share.
- Because the selection of specific non-financial performance indicators to include is limited to and depends on each company, the company needs to disclose a summary/list of clear non-financial performance indicators in its annual report or on its website.

**CG Performance of 2012-2019 Assessment**

<table>
<thead>
<tr>
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<tr>
<td>2012</td>
<td>38%</td>
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The 2019 assessment provided the best result during the past six years with 87% of listed companies disclosing their non-financial performance indicators in their Annual Reports. Most of them were market share indices.

In order to improve investment attractiveness, and to strengthen governance capacity, companies should not only focus on financial factors, but also non-financial ones such as corporate governance, risk management, business plan, legal compliance, etc. The benefits of non-financial indicators include assessment of companies based on quality criteria (product/service quality, human resource quality, management quality, etc.); more general assessment of companies based on internal and external aspects; reflecting both long-term and short-term development of the companies, and providing direction for the companies based on the assessment of their capacity, prospective and potentials.
According to good corporate governance practices, the company's remuneration policy and remuneration for non-executive and executive directors should be disclosed in detail, and approved by the AGM. The Annual Report's disclosure of remuneration of each member of the board of directors can help investors assess each director's level of contribution to the company's operations, and have additional information to compare with performance assessment of each member of the board of directors in order to make their decisions on the BOD's compensation, bonuses and other long-term benefits.

The results of the six-year assessment show that the level of transparency in this area among Vietnamese listed companies was still very limited. Very few companies disclosed details of remuneration, salary, and bonuses of each member of the board of directors in the Annual Reports, instead, in 2019, 39% of the companies disclosed only the total income of each member.
E.3.13 Is there disclosure of the fee structure for non-executive directors/commissioners?

Guiding Reference

**UK CODE (2016)**

D.1.3 Levels of remuneration for non-executive directors should reflect the time commitment and responsibilities of the role.

Disclosure of fee structure for non-executive directors allows shareholders to assess if these directors are remunerated in an appropriate manner, for example, whether they are paid for taking on additional responsibilities and contributions, such as chairing committees.

**Recommendation**

- The company discloses the structure of remuneration of non-executive directors, detailing each remuneration item corresponding to each responsibility, such as committee chairman, committee member, board meeting attendance fee, etc.
- However, with this criterion, it is not required to disclose specific remuneration of each non-executive director.

Source Document

- Annual Report
- Annual CG Report
- Company Website

CG Performance of 2012-2019 Assessment

According to the law, remuneration of the board of directors must be approved by shareholders in the AGM. But in fact, the proposal for remuneration to be approved by the AGM normally provides quite general information because there is no clear regulation on the details to be disclosed.

According to international corporate governance practices, companies should disclose typical remuneration structure of non-executive directors, including: basic remuneration, other remuneration including additional payment for additional responsibilities such as for the chairman of the board of directors, and members of Committees, board meeting attendance allowance and additional expenses. The assessment results from 2012 to 2019 show no signs of improvement in the performance of this practice.
D.3.1. Does the company disclose its policy covering the review and approval of material RPTs?

Guiding Reference

**G20/OECD (2015) Principle II**

(F) Related-party transactions should be approved and conducted in a manner that ensures proper management of conflicts of interest and protects the interest of the company and its shareholders.


(A) Disclosure should include, but not be limited to, material information on:

6. Related party transactions

To ensure that the company is being run with due regard to the interests of all its investors, it is essential to fully disclose all material related party transactions and the terms of such transactions to the market individually.

Source Document

- Annual Report, Company Website
- Company charter, CG Code/ Policy
- Annual CG Report

Recommendation

- The review and/or approval of material/important RPTs is usually assigned to the Audit Committee. This task should be clearly mentioned in the Audit Committee’s terms of reference.
- Examining the details of the material RPT review and approval policy, including processes and procedures.
- Though detailed information on relevant policies is disclosed, the failure to comply with applicable rules/regulations/requirements on material RPTs will make it unsatisfactory.

**CG Performance of 2012-2019 Assessment**

<table>
<thead>
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<th>No</th>
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<tr>
<td>2012</td>
<td>3%</td>
<td>97%</td>
</tr>
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Disclosure of related-party transactions in accordance with ASEAN standards refers to the policy of reviewing and approving material related-party transactions. Specifically, according to good practices, the office responsible for reviewing and evaluating will be the board of directors or the Audit Committee under the board of directors, and the party approving/disapproving is the board of directors or the board of directors will have to submit to shareholders for approval and to disclose information on RPTs depending on the transaction’s size, impact and threshold value. To ensure transparency, each company needs to develop its own RPT policy as part of its internal CG regulations.

In 2019, almost 50% of the companies failed to have specific and effective regulations and mechanisms for the controlling of RPTs and the approval of appropriate RPTs. The results show improvement over previous assessment years when 89%-97% of the companies did not have this policy.
Guiding Reference


V. Disclosure and Transparency

(A) Disclosure should include, but not be limited to, material information on:

6. Related party transactions

To ensure that the company is being run with due regard to the interests of all its investors, it is essential to fully disclose all material related party transactions and the terms of such transactions to the market individually. In many jurisdictions this is indeed already a legal requirement. In case the jurisdiction does not define materiality, companies should be required to also disclose the policy/criteria adopted for determining material related party transactions.

_ICGN 2.11.1 Related party transactions_

The company should disclose details of all material related party transactions in its Annual Report.

Recommendation

- The company fully discloses 4 required contents including: name of the related party, relationship, nature, and value of each material RPT recorded in the year of assessment.
- Where the company does not have any material RPT in the assessment year, this information should be clearly stated.

CG Performance of 2012-2019 Assessment

<table>
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<th>Year</th>
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<th>No</th>
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<tr>
<td>2012</td>
<td>71%</td>
<td>29%</td>
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Different from the results of disclosure of policy on related-party transaction review and approval, Vietnamese companies complied well with the disclosure of basic information on related party transactions over the assessment years, with only 10% of companies in the latest assessment year not yet meeting the requirements on information disclosure, specifically, not yet clearly and fully disclosing names of related parties, relationship, nature, and value of each material RPT. Besides, it is necessary to note about the data when the scores were changed in the survey questionnaire since 2017, allowing to record N/A = 0 for cases where no RPT happened, which was 2% and 7% in 2019 and 2017, respectively.

Disclosure and transparency in this area are very important because RPTs are a frequent source of abuses to expropriate minority shareholders’ wealth.
5.6 - DISCLOSURE OF MATERIAL INFORMATION

D.5.1. Are the audit and non-audit fees disclosed?
D.5.2. Does the non-audit fee exceed the audit fees?

Guiding Reference


(C) An annual audit should be conducted by an independent, competent, and qualified, auditor in order to provide an external and objective assurance to the board and shareholders that the financial statements fairly represent the financial position and performance of the company in all material respects.

**ICGN 6.5 Ethical standards (Audit)**

The auditors should observe high-quality auditing and ethical standards. To limit the possible risk of possible conflicts of interest, non-audit services and fees paid to auditors for non-audit services should be both approved in advance by the Audit Committee and disclosed in the Annual Report.

Recommendation

- Audit and non-audit fees need to be clearly and sufficiently disclosed
- If there are no non-audit fees incurred during the assessment year, the company should clearly state this case and disclose the audit fees
- The non-audit fees do not exceed the audit fees to ensure the independence of the audit firm

Source Document

- Annual Report
- Annual CG Report

CG Performance of 2012-2019 Assessment

An important requirement is that the external audit must ensure independence from the company and the board of management, especially when the same audit firm is engaged for both audit and non-audit services, the company needs to ensure that the independence level of the audit firm remains unaffected. Therefore, fees paid to auditors for audit and other non-audit services should be made public to help assess the independent role of the audit firm to the company. However, most companies have not yet publicly disclosed details of fees paid for audit and non-audit services used during the year. In 2019, the score of criterion D.5.2 is higher than that of D.5.1 because there are cases when the company does not specify each service fee but clearly states that the annual non-audit fee is much lower than the audit fee.
D.8.3. Does the company website disclose materials provided in briefings to analysts and media?

Guiding Reference

Channels for disseminating information should provide for equal, timely and cost-efficient access to relevant information by users.

ICGN 7.1 Transparent and open communication
Every company should aspire to transparent and open communication about its aims, challenges, achievements, and failures.

Recommendation
• Company Website is the mandatory source document
• Company Website discloses materials provided in briefings that took place during the assessment year to analysts and media.
• The said materials can include presentation slides, notes, texts directly posted on the Company Website or announced links to videos, articles, news releases in the media.

Source Document
Company Website

CG Performance of 2012-2019 Assessment

<table>
<thead>
<tr>
<th>Year</th>
<th>Yes (%)</th>
<th>No (%)</th>
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<tr>
<td>2012</td>
<td>5%</td>
<td>95%</td>
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</tbody>
</table>

Information disclosure is not only an activity taking place once a year when the company publishes the Annual Report; rather, the company should constantly and instantly update important developments and issues on the company website. Most of the companies assessed in the scorecard since 2017 have had comprehensive websites with separate sections for shareholder relations, providing detailed information and reports, such as financial reports and Annual Report of the current year and previous years.

Nevertheless, a limitation remains that not many companies have materials of analysts and media agencies: results over the last 2 years of assessment show that only one-third of the companies assessed meet this requirement. Outstandingly, a deeper observation shows that there have been many cases of not meeting this criterion due to a disproportionate amount of Vietnamese and English in content disclosure. As the Vietnamese language is more common for analysts and the media, assessment of the criteria according to the ASEAN Corporate Governance Scorecard, conducted in English, falls short.
Guiding Reference


Channels for disseminating information should provide for equal, timely and cost-efficient access to relevant information by users.

ICGN 7.1 Transparent and open communication

Every company should aspire to transparent and open communication about its aims, challenges, achievements, and failures.

Recommendation

- Company Website is the mandatory source document
- Company Website discloses full company charter (company's by-laws, memorandum, and articles of association) in English

Note: Cases when the title is in English but the file path goes to the Vietnamese version instead are still unsatisfactory.

The rate of publishing the company charter in English on the website has not reached the average level over the years. The ASEAN Corporate Governance Scorecard shows clear evidence of the disparity between information disclosure in Vietnamese and English of Vietnamese companies. The Law on Enterprises clearly stipulates the obligation to disclose information of a joint-stock company in Article 171, in which the company charter is a mandatory document in the business registration file, to ensure the ease of finding and downloading the content of the company charter in Vietnamese.

With the goal of increasing foreign investors' access to information, and enhancing corporate image and transparency, listed companies should strive to improve information disclosure in both Vietnamese and English through all important communication channels.
E.1.1. Does the company disclose its corporate governance policy / board charter?

Guiding Reference


(A) Disclosure should include, but not be limited to, material information on:

9. Governance structures and policies, in particular, the content of any corporate governance code or policy and the process by which it is implemented.

Recommendation

• The company should disclose its own corporate governance policy or board charter in the form of a complete policy or a summary of the policy that should be made available in the annual report, annual CG report or company website.

• If there is no information or statement that the company has adopted the code of governance set by the regulators and providing only a link to this code should not be considered as having the company’s own corporate governance policy.

Similar to the company charter, the development and issuance of internal regulations on corporate governance is mandatory for public companies. Specifically, according to the provisions of Clause 4, Article 15, Decree No. 71/2017/ND-CP on responsibilities and obligations of the board of directors: “To formulate internal regulations on corporate governance and submit same to the general meeting of shareholders to be passed in accordance with Article 7 of this Decree”. Thus, to meet this criterion, the remaining work is to encourage companies to translate the internal regulations on corporate governance into English and publish them on the company website or summarize the main contents related to the board charter, the roles and responsibilities of the board which are presented in the annual reports of the company.

Amongst the nearly 50% of listed companies assessed in 2019 that made the announcement, half of them announced the full corporate governance internal regulations, while the rest based on the content of the BOD’s responsibilities in the company charter. Finally, some companies had a summary of the board charter in their annual report.
5.7 - THE BOARD’S ROLE IN OVERSEEING STRATEGY

**E.1.5.** Does the board of directors play a leading role in the process of developing and reviewing the company's strategy at least annually?

**E.1.6.** Does the board of directors have a process to review, monitor and oversee the implementation of the corporate strategy?

---

### Guiding Reference

**G20/OECD (2015) Principle VI**

(D) The board should fulfill certain key functions, including:

- Reviewing and guiding corporate strategy, major plans of action, risk management policies and procedures, annual budgets and business plans; setting performance objectives; monitoring implementation and corporate performance; and overseeing major capital expenditures, acquisitions, and divestitures

**ICGN (2014): 1.2 Responsibilities**

The board is accountable to shareholders and relevant stakeholders and is responsible for protecting and generating sustainable value over the long term. To fulfill their role effectively, board members should guide, review and approve corporate strategy and financial planning, including major capital expenditures, acquisitions and divestitures.

---

### Recommendation

The roles and responsibilities of the board are usually presented in the annual reports of the company, such as the Report on activities of board, annual CG report and annual report, which clearly states that:

- The board plays a leading role or guides the board of Management in developing and reviewing the company's strategy annually or as planned periodically but at least once a year.
- The board has a process to review, monitor and oversee the implementation of the company's strategy.

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### Source Document

Annual Report, Company Website

Annual CG Report

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### CG Performance of 2017-2019 Assessment

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Vietnam Corporate Governance Code of Best Practices recommends that: “The board should review and guide corporate strategy, major plans of action, risk policy, annual budgets and business plans; set performance objectives; monitor implementation and corporate performance; and oversee major capital expenditures, acquisitions and divestitures.”

Actual data shows that more than 3/4 of companies in the previous year of assessment clearly mentioned and described in their reports that the board played a leadership role in developing and reviewing the company's strategy at least annually; however, only 21% stated that the board reviewed and monitored the implementation of the company's strategy.
5.7 - THE BOARD’S ROLE IN OVERSEEING STRATEGY

E.2.1 Are the details of the code of ethics or conduct disclosed?

Guiding Reference


(C) The board should apply high ethical standards. It should take into account the interests of stakeholders.

The board has a key role in setting the ethical tone of a company not only by its own actions, but also in appointing and overseeing key executives and consequently the management in general. High ethical standards are in the long-term interests of the company, acting as a means to make it credible and trustworthy not only in day-to-day operations but also with respect to longer-term commitments. To make the objectives of the board clear and operational, many companies have found it useful to develop company codes of conduct based on, inter alia, professional standards and sometimes broader codes of behaviour.

Company-wide codes serve as a standard for conduct by both the board and key executives, setting the framework for the exercise of judgement in dealing with varying and often conflicting constituencies. At a minimum, the ethical code should set clear limits on the pursuit of private interests, including dealings in the shares of the company. An overall framework for ethical conduct goes beyond compliance with the law, which should always be a fundamental requirement.

Source Document

Company Website, Annual Report, Annual CG Report

Recommendation

• The company discloses a full English code of conduct/ethics on the Company Website or an extensive summary in its Annual Report or Annual CG Report.
• The details of the code should be provided with the following basic contents:
  1) Who it covers
  2) What are the items being covered;
  3) What is the process to implement and monitor compliance with the code of conduct/ethics and how are breaches handled

CG Performance of 2012-2019 Assessment

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Good corporate governance practices emphasize the key role of the board in setting up the company’s code of conduct/ethics, monitoring its implementation, and disclosing the details of the company’s code of conduct/ethics. All senior management and employees of the company are required to apply and comply with the code of conduct/ethics.

In general, the English publication of the code of conduct/ethics on the company website is relatively limited with only 20% of companies meeting this criterion in the 2019 evaluation period.
5.8 - ESTABLISHMENT OF COMMITTEES UNDER THE BOARD

E.2.8. Does the company have a Nominating Committee?

Guiding Reference


1. Boards should consider assigning a sufficient number of non-executive board members capable of exercising independent judgement to tasks in which there is a potential for conflicts of interest. While the responsibility for financial reporting, remuneration and nomination are frequently associated with the board as a whole, independent non-executive board members can provide additional assurance to market participants that their interests are safeguarded. The board should consider establishing specific committees to consider questions of when conflicts of interest can occur. These committees should require a minimum number or be composed entirely of non-executive members.

2. Boards should consider setting up specialised committees to support the full Board in performing its functions, particularly in respect to audit, and, depending upon the company’s size and risk profile, also in respect to risk management and remuneration. When committees of the board are established, their mandate, composition and working procedures should be well defined and disclosed by the board. Where justified in terms of the size of the company and its board, the use of committees may improve the work of the board.

Recommendation

- The company clearly states that it has established a nomination/appointment committee under the board of directors (if any).
- In cases when the nomination/appointment committee is combined with the corporate governance committee or with the remuneration committee, the company should clearly specify the responsibilities and functions of these committees related to matters such as appointment of members of the board of directors, re-election and performance evaluation of the board of directors.
- Even if the company states that the board of directors or some members of the board of directors are assigned to be in charge of matters related to the appointment of directors, this is still not acceptable as having established a nomination/appointment committee.

Source Document

Company Website
Annual Report
Annual CG Report

CG Performance of 2012-2019 Assessment

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In Vietnam, there is yet no mandatory requirement to establish the committees under the board of directors, and in all cases the operations of these committees are the responsibilities of the board of directors. However, it is good practice to encourage the board of directors to establish committees to assist BOD’s operations. Furthermore, the committees under the board of directors such as the nomination/appointment committee and the remuneration committee should include one independent director as the committee chair. The establishment of the committees must be approved by the AGM, with terms of reference clearly stating the duties and responsibilities to report to the board of directors.

Where no nomination/appointment committee or remuneration committee is established, the board of directors may assign independent directors to assist BOD in appointment and remuneration activities. Currently, only more than one-third of listed companies have nomination/appointment committees, remuneration committees under the board of directors.

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**Guiding Reference**

*G20/OECD (2015) Principle VI (D)*

4. Aligning key executive and the board remuneration with the longer-term interests of the company and its shareholders.

It is considered good practice for boards to develop and disclose a remuneration policy statement covering board members and key executives.

In large companies, it is considered good practice that remuneration policy and contracts for the board members and key executives be handled by a special committee of the board comprising either wholly or a majority of independent directors and excluding executives that serve on each other’s remuneration committees, which could lead to conflicts of interest.

*G20/OECD (2015) Principle VI (E)*

2. The board should consider setting up specialised committees to support the full board in performing its functions, particularly in respect to audit, and, depending upon the company's size and risk profile, also in respect to risk management and remuneration. When committees of the board are established, their mandate, composition and working procedures should be well defined and disclosed by the board. Where justified in terms of the size of the company and its board, the use of committees may improve the work of the board.

**Source Document**

Company Website, Annual Report, Annual CG Report

**Recommendation**

- The company clearly states that it has established a remuneration committee under the board of directors.
- In cases when the remuneration committee is combined with the corporate governance committee or with the nomination/appointment committee, the company should clearly specify the responsibilities and functions of these committees relating to performance evaluation, remuneration and bonus of the board of directors. Then, the company is considered to have established a remuneration committee.
- Even if the company states that the board of directors or some members of the board of directors are assigned to be in charge of matters related to remuneration and bonus of the board of directors, this is still not acceptable as having established a remuneration committee.
5.8 - ESTABLISHMENT OF COMMITTEES UNDER THE BOARD

E.2.19. Is the Audit Committee comprised entirely of non-executive directors/commissioners with a majority of independent directors/commissioners?

E.2.20. Is the chairman of the Audit Committee an independent director/commissioner?

Guiding Reference

G20/OECD (2015) Principle VI (E)

2. Boards should consider setting up specialised committees to support the full Board in performing its functions, particularly in respect to audit, and, depending upon the company’s size and risk profile, also in respect to risk management and remuneration. When committees of the Board are established, their mandate, composition and working procedures should be well-defined and disclosed by the board.

In order to evaluate the merits of board committees it is important that the market receives a full and clear picture of their purpose, duties and composition. Such information is particularly important in the many jurisdictions where boards have established independent audit committees with powers to oversee the relationship with the external auditor and to act independently in many cases. Audit committees should also be able to oversee the effectiveness and integrity of the internal control system.

Recommendation

- In Vietnam, if a company chooses the supervisory board model for its management and operations, the supervisory board is assessed for questions relating to the audit committee.
- The company clearly specifies the composition of the audit committee / supervisory board, including name, position(s) held at the company under assessment and other institutions, and information on the independence of each member.
- Regarding the composition of the audit committee / supervisory board, it is necessary to ensure that there is no executive (BOD) member and more than 50% of the members must be independent to meet this important international governance standard.
- The chair of the audit committee / supervisory board is an independent director.

Source Document

Company Website, Annual Report, Annual CG Report

The independent role of the audit committee / supervisory board, though not compulsory in accordance with the law of Vietnam, is an important governance standard in accordance with international practices to ensure its effective independent supervisory role. Accordingly, the chair of the audit committee / head of the supervisory board must be an independent director, and all members of the the chair of the audit committee / head of the supervisory board must be non-executive directors with the majority being independent. Yet, in fact, the compliance with this practice was still weak and had not been improved much over the years, specifically, only 9% of companies met these conditions for independence in 2019.
E.2.24. Does the Audit Committee have primary responsibility for recommendation on the appointment, and removal of the external auditor?

Guiding Reference

**UK Code (2016)**

C.3.6 The audit committee should hold the primary responsibility for making a recommendation on the appointment, re-appointment and removal of the external auditor. If the board does not accept the audit committee's recommendation, it should include in the annual report, and in any papers recommending appointment or re-appointment, a statement from the audit committee explaining the recommendation and should set out reasons why the board has taken a different position.

**Recommendation**

- In Vietnam, if a company chooses the supervisory board model for its management and operations without an audit committee, the supervisory board is assessed for questions relating to the audit committee.

- The company should clearly state that the audit committee/supervisory board has the main responsibility for making recommendations on the appointment and dismissal of the external auditor.

- The above information relating to the roles and responsibilities of the audit committee/supervisory board is usually presented in the terms of reference of the audit committee/supervisory board, the corporate governance code or the company's charter.

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One of the basic functions of the audit committee or the supervisory board is the supervision of the financial reporting system, including the identification and evaluation of the role and quality of the external auditor, as well as the monitoring of the operations and effectiveness of the financial statement audit process. Based on the monitoring results, the audit committee/supervisory board reports to the board of directors and the AGM on recommendations relating to the selection of an audit firm, the audit fees corresponding to the terms of service provided by the audit firm, as well as dismissal of the audit firm when necessary.

Over the past two years of assessment, the responsibilities of the audit committee or the supervisory board relating to the appointment and dismissal of external auditors were not widely and specifically disclosed by many companies. More than 50% of companies fully provided for these two duties in the company charter. However, this document has rarely been provided in English; thus, this indirectly affects the performance of this criterion. Apart from cases when there is no information, the remaining unsatisfactory cases were because the audit committee/supervisory board only recommended the selection and appointment of external auditors, without mentioning the dismissal.

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**Source Document**

Audit Committee Charter Corporate Governance Policy

Company Charter, Annual Report, Annual CG Report

**CG Performance of 2017-2019 Assessment**

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E.3.2. Does the board of directors/commissioners meet at least six times during the year?
E.3.3. Has each of the directors/commissioners attended at least 75% of all the board meetings held during the year?

Guiding Reference

G20/OECD (2015) Principle VI (E)

3. Board members should be able to commit themselves effectively to their responsibilities. Specific limitations may be less important than ensuring that members of the board enjoy legitimacy and confidence in the eyes of shareholders. Achieving legitimacy would also be facilitated by the publication of attendance records for individual board members (e.g. whether they have missed a significant number of meetings) and any other work undertaken on behalf of the board and the associated remuneration.

World Bank Principle 6

(VI.I.24) Does the board meet at least six times per year?

Source Document

Annual Report, Company Website, Annual CG Report

Recommendation

- These two criteria refer to BOD meetings held during the fiscal year identified at the beginning of the assessment. Any meeting held after the identified fiscal year is not counted.
- The company needs to disclose or provide evidence that the board of directors holds at least six meetings during the fiscal year under assessment. If the company only discloses the policy of having six meetings or more per year without actual evidence, it is not accepted.
- The Company discloses the information on attendance of all directors and meets the requirement that each director attends at least 75% of all meetings in a year.
- If a new director is appointed in a fiscal year, the rate of attendance will be based on the total number of meetings since his/her time of joining the board of directors.

CG Performance of 2012-2019 Assessment

Compared to the national regulations under Decree 71/2017/ND-CP, which requires the board of directors to have at least one meeting a quarter, meaning at least 4 meetings a year, the ASEAN CG standards require a higher minimum number of BOD meetings - six times a year. It is worth mentioning that most of the boards of directors meet this requirement, and disclose the number of meetings in the Annual Report or the board's operation report. The collected information shows positive results with a steady annual improvement trend regarding the disclosure of each director's attendance at board meetings that meets the minimum attendance rate of 75% of BOD meetings in a year.
E.3.5 Did the non-executive directors/commissioners of the company meet separately at least once during the year without any executives present?

Guiding Reference
G20/OECD (2015) Principle VI (E)

Independent board members can contribute significantly to the decision making of the board. They can bring an objective view to the evaluation of the performance of the board and management. In addition, they can play an important role in areas where the interests of management, the company and its shareholders may diverge, such as executive remuneration, succession planning, changes of corporate control, take-overdefenses, large acquisitions and the audit function. In order for them to play this key role, it is desirable that boards declare who they consider to be independent alongside the criteria for this judgement. Some jurisdictions also require separate meetings of independent directors on a periodic basis.

Recommendation
- Assessment of BOD meetings held during the fiscal year identified at the beginning of the assessment. Any meeting held after the identified fiscal year is not counted.
- The company should disclose its policy on holding meetings for non-executive directors and provide actual evidence that non-executive directors hold at least one meeting a year without the presence of the executive directors.
- If the company has a board of directors with all non-executive directors, any meeting of the board of directors will be counted, unless the board of directors does not hold any meeting in the fiscal year under assessment.

CG Performance of 2012-2019 Assessment

According to good corporate governance practices, it is recommended that non-executive directors hold at least one meeting a year without any executive directors present. Meetings of the audit committee with all members who are normally non-executive directors and the majority of them independent do not meet the requirements of this criterion because there is a potential absence of other non-executive directors who are not audit committee members.

The chart shows that the organization of a separate meeting among non-executive directors of the company was still quite unfamiliar to Vietnamese companies, with only a few companies conducting this meeting.
E.3.8. Is the company secretary trained in legal, accountancy or company secretarial practices and has kept abreast on relevant developments?

Guiding Reference

*World Bank Principle 6*

(VI.D.2.12) Do company boards have a professional and qualified company secretary?

Recommendation
- The company needs to clearly specify the qualifications/expertise and working experience of the company secretary.
- Qualifications and experience do not need to be related to secretarial duties, but basically need to include one of the followings:
  i. legal or accounting qualifications/degrees;  
  ii. professional secretarial certificate; or  
  iii. basic qualifications together with a corporate secretarial training certificate.

Source Document

Annual Report, Annual CG Report, Company Website

CG Performance of 2012-2019 Assessment

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According to good corporate governance practices, a modern company secretary often holds senior leadership position of the company and is expected to provide professional advice to shareholders, the board of directors, each director, and the board of management, and other stakeholders about the corporate governance aspects of strategic decisions.

However, in fact, Vietnamese companies have currently not been paying much attention to the role of the company secretary, even though the Enterprise Law, Decree 71/2017/ND-CP providing guidance on corporate governance applicable to public companies prescribe this position. Thus, the assessment shows that very few companies have disclosed information on the company secretary, such as qualifications, expertise in legal, accounting or corporate secretarial practices, or facilitated the development of relevant professional skills of the company secretary.

The last six years of assessment results suggest that simply expecting companies to change their view of the role of the company secretary may lead to slow improvement of performance. Therefore, it is necessary to involve regulators to put pressure on companies to improve the role and effectiveness of the company secretaries.
E.3.9. Does the company disclose the criteria used in selecting new directors/commissioners?
E.3.10. Does the company describe the process followed in appointing new directors/commissioners?

Guiding Reference

G20/OECD (2015) Principle II (C)

4. To further improve the selection process, the Principles also call for full disclosure of the experience and background of candidates for the board and the nomination process, which will allow an informed assessment of the abilities and suitability of each candidate.

G20/OECD (2015) Principle VI (D)

5. These Principles promote an active role for shareholders in the nomination and election of board members. The board has an essential role to play in ensuring that this and other aspects of the nominations and election process are respected. First, while actual procedures for nomination may differ among countries, the board or a nomination committee has a special responsibility to make sure that established procedures are transparent and respected. Second, the board has a key role in defining the general or individual profile of board members that the company may need at any given time, considering the appropriate knowledge, competencies, and expertise to complement the existing skills of the board. There are increasing calls for open search processes extending to a broad range of people.

Recommendation

• The company clearly discloses the criteria for selection of new directors such as integrity, core competencies, ability to commit time to the company...
• The process for appointment of new directors refers to the method of seeking new board candidates and assessing the suitability of the candidates.
• If the company only discloses that the nomination/appointment committee is responsible for assessment of the candidates and nominating them to the board of directors, it still does not meet the set requirements.

Source Document

Annual Report, Annual CG Report, Company Website

CG Performance of 2012-2019 Assessment

The board of directors represents shareholders and relevant stakeholders to exercise the responsibilities of leading the company, monitoring operations, and promoting business development. In order to select and nominate worthy directors who are suitable for the company, it is necessary to have a transparent process and specific criteria to allow early preparation of good leadership personnel with skills and experience appropriate with the strategic direction of the company. However, the chart shows that Vietnamese companies have not paid much attention to the criteria for selection and the process for appointment of new directors.
E.3.16. Does the company have a separate internal audit function?

Guiding Reference

G20/OECD (2015) Principle VI (D)

7. Ensuring the integrity of the essential reporting and monitoring systems will require the board to set and enforce clear lines of responsibility and accountability throughout the organisation. The board will also need to ensure that there is appropriate oversight by senior management. Normally, this includes the establishment of an internal audit system directly reporting to the board.

Recommendation

- The company should clearly disclose that there is an internal audit function under the audit committee or the board of directors.
- The internal audit function can be performed by internal auditors or by an independent party employed by the company.
- If the company has an internal audit function under the board of management and other management levels, it is not considered an independent internal audit function.

Source Document

Annual Report
Annual CG Report
Company Website

CG Performance of 2012-2019 Assessment

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According to good corporate governance practices, it is recommended that companies establish an independent internal audit function that provides independent and objective review and assessment of control, risk management and internal governance activities in the company. Internal audit is known as an independent monitoring function and a third line of defense for companies that help improve the company’s efficiency and transparency.

In 2019, 55% of companies had an independent internal audit function and the rate tends to increase over the years, with the result expected to be much improved in the next 2 years under the strong impact of Decree 05/2019/ND-CP (Decree 05) on Internal Audit promulgated by the Government on January 22nd, 2019 and becoming effective from April 1st, 2019. According to this Decree, within 24 months from the effective date, the subjects of application, including listed companies, must be prepared to conduct the internal audit operations as prescribed in this Decree. Before Decree 05 was promulgated, there had been only a few sectors and fields having separate regulations on internal audit such as banks and credit institutions.
E.3.18. Does the appointment and removal of the internal auditor require the approval of the Audit Committee?

Guiding Reference

**G20/OECD Principle VI (D)**

7. In some jurisdictions, it is considered good practice for the internal auditors to report to an independent audit committee of the board or an equivalent body which is also responsible for managing the relationship with the external auditor, thereby allowing a coordinated response by the board.

**WORLD BANK PRINCIPLE 6**

(VI.D.7.9) Do the internal auditors have direct and unfettered access to the board of directors and its independent audit committee?

**ASX (2016)**

Principle 4: Safeguard integrity in corporate reporting

Recommendation 4.1: if the entity has an internal audit function, safeguard integrity in:
- the appointment or removal of the head of internal audit;
- the scope and adequacy of the internal audit work plan; and
- the objectivity and performance of the internal audit function.

**Source Document**

Board Charter, The CG Regulations
The Charter, Annual Report, Annual CG Report

**Recommendation**

- For Vietnam, if a company operates under the model of having a supervisory board instead of an audit committee, the supervisory board can be considered the object of assessment with questions related to the audit committee.
- The company should clearly state that the audit committee/supervisory board is responsible for approving the appointment and removal of the internal auditor.
- The above information belongs to the roles and responsibilities of the audit committee/supervisory board, usually presented in the charter of the audit committee/supervisory board, the CG regulations, or the company's charter.
- In case the company clearly states that the appointment and removal of the internal auditor are approved by the BOD, the majority of the BOD must be independent members.

**CG Performance of 2012-2019 Assessment**

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<td>15% 85%</td>
</tr>
<tr>
<td>2017</td>
<td>1% 99%</td>
</tr>
<tr>
<td>2015</td>
<td>100%</td>
</tr>
<tr>
<td>2014</td>
<td>100%</td>
</tr>
<tr>
<td>2013</td>
<td>100%</td>
</tr>
<tr>
<td>2012</td>
<td>5% 95%</td>
</tr>
</tbody>
</table>

The Vietnam CG Code of Best Practices recommends: “The chief internal auditor should report directly to the audit committee (or the BOD if the company does not have an audit committee). The chief internal auditor is ranked on a par with the executives but is not in the BOD. The appointment and removal of the chief internal auditor require the approval of the audit committee.”

The assessment results show that out of 55% of companies in 2019 having an independent internal audit department/function, only 15% stated that the audit committee/supervisory board is responsible for the appointment and removal of the internal auditor, which is mainly disclosed in the company charter or annual report. In addition, previous years had negligible implementation rates.
E.3.19. Does the company establish a sound internal control procedures/risk management framework and periodically review the effectiveness of that framework?

Guiding Reference

**G20/OECD Principle (2015) VI (D)**

7. Ensuring the integrity of the corporation's accounting and financial reporting systems, including the independent audit, and that appropriate systems of control are in place, in particular, systems for risk management, financial and operational control, and compliance with the law and relevant standards.

**G20/OECD Principle (2015) VI (D)**

1. An area of increasing importance for boards and which is closely related to corporate strategy is oversight of the company's risk management. Such risk management oversight will involve oversight of the accountabilities and responsibilities for managing risks, specifying the types and degree of risk that a company is willing to accept in pursuit of its goals, and how it will manage the risks it creates through its operations and relationships.

Source Document

Annual Report
Annual CG Report
Website

Recommendation

- The company should disclose its internal control process, the operation, and the role of the risk management system, and establish policies to monitor and manage key risks, and summarise those policies.
- In case the company has an internal audit department/function, it needs to clearly state how to organize and perform the internal audit work and the responsibilities of the internal audit.
- If the company does not have an internal audit department/function, describe the methods and processes the company is applying to evaluate and continuously improve the effectiveness of its internal control and risk management processes.

CG Performance of 2012-2019 Assessment

<table>
<thead>
<tr>
<th>Year</th>
<th>Yes (%)</th>
<th>No (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2019</td>
<td>73</td>
<td>27</td>
</tr>
<tr>
<td>2017</td>
<td>47</td>
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</tr>
<tr>
<td>2015</td>
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<td>52</td>
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<td>2013</td>
<td>53</td>
<td>47</td>
</tr>
<tr>
<td>2012</td>
<td>62</td>
<td>38</td>
</tr>
</tbody>
</table>

To develop sustainably in an increasingly volatile business environment, managers have paid more attention to establishing and monitoring an effective internal control system and risk management framework. This is shown by the chart when the average of Yes in previous years was above 50% and the rate of 2019 was over 73%. These companies disclose operational procedures and periodically evaluate the effectiveness of their internal control systems/risk management frameworks.

As a good practice, the BOD has ultimate responsibility for the company's risk management framework and should oversee the formation and operation of the company's internal control system. At the same time, the BOD should periodically review the effectiveness of the company's internal control system with the support of audit committees and (or) risk management committees.
Guiding Reference
G20/OECD Principle (2015) V (A)
7. Foreseeable risk factors
Disclosure of risk is most effective when it is tailored to the particular industry in question. Disclosure about the system for monitoring and managing risk is increasingly regarded as good practice.

Recommendation
The company discloses the key risks including, but not limited to, financial and operational risks such as information technology, economic, environmental, and social risks, etc. and also specifies the solutions to manage those risks.

Source Document
Annual Report
Annual CG Report
Website

CG Performance of 2012-2019 Assessment

<table>
<thead>
<tr>
<th>Year</th>
<th>Yes</th>
<th>No</th>
</tr>
</thead>
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<tr>
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<td>82%</td>
<td>18%</td>
</tr>
<tr>
<td>2017</td>
<td>81%</td>
<td>19%</td>
</tr>
<tr>
<td>2015</td>
<td>62%</td>
<td>38%</td>
</tr>
<tr>
<td>2014</td>
<td>60%</td>
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</tr>
<tr>
<td>2013</td>
<td>65%</td>
<td>35%</td>
</tr>
<tr>
<td>2012</td>
<td>44%</td>
<td>56%</td>
</tr>
</tbody>
</table>

Companies face many types of risks depending on the nature of their business, some of which can cause serious loss of profits or even bankruptcy. Risk management is an important tool for businesses to handle key risks, thereby optimizing enterprise resources, optimizing risky relationships, and achieving profits. At the same time, risk management also helps to effectively monitor business activities through key risk indicators.

This criterion has been improved significantly in the two recent evaluation years, 2017 and 2019, with over 80% of companies having disclosed their key risks along with an analysis of the impact on the company. They also have clearly outlined policies to monitor, manage to prevent, or minimize those key risks. This is a good practice that helps investors and the market can evaluate the company’s operations, strategies, and the difficulties that the company faces.
5.12 - THE INDEPENDENCE OF THE CHAIRMAN

Guiding Reference

**G20/OECD Principle (2015) VI**
(E) In a number of countries with single tier board systems, the objectivity of the board and its independence from management may be strengthened by the separation of the role of chief executive and chairman, or, if these roles are combined, by designating a lead non-executive director to convene or chair sessions of the outside directors. Separation of the two posts may be regarded as good practice, as it can help to achieve an appropriate balance of power, increase accountability and improve the board’s capacity for decision making independent of management.

**UK Code (2016)**
A.3.1 The chairman should on appointment meet the independence criteria set out in B.1.1 below. A chief executive should not go on to be chairman of the same company. If, exceptionally, a board decides that a chief executive should become chairman, the board should consult major shareholders in advance and should set out its reasons to shareholders at the time of the appointment and in the next annual report.

**ASX Code (2016)**
Recommendation 2.5: The chair of the board of a listed entity should be an independent director and, in particular, should not be the same person as the CEO of the entity.

**Source Document**
Annual Report, Annual CG Report, Website

Recommendation

- In the evaluation year, the role of chief executive and chairman must be separate.
- The company clearly discloses that the chairman is independent, meeting the regulations on independence.

**CG Performance of 2012-2019 Assessment**

<table>
<thead>
<tr>
<th>Year</th>
<th>Yes</th>
<th>No</th>
</tr>
</thead>
<tbody>
<tr>
<td>2019</td>
<td>73%</td>
<td>27%</td>
</tr>
<tr>
<td>2017</td>
<td>73%</td>
<td>27%</td>
</tr>
<tr>
<td>2015</td>
<td>72%</td>
<td>28%</td>
</tr>
<tr>
<td>2014</td>
<td>70%</td>
<td>30%</td>
</tr>
<tr>
<td>2013</td>
<td>72%</td>
<td>28%</td>
</tr>
<tr>
<td>2012</td>
<td>70%</td>
<td>30%</td>
</tr>
</tbody>
</table>

E.4.1

<table>
<thead>
<tr>
<th>Year</th>
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</tr>
</thead>
<tbody>
<tr>
<td>2019</td>
<td>6%</td>
<td>96%</td>
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<tr>
<td>2017</td>
<td>7%</td>
<td>93%</td>
</tr>
<tr>
<td>2015</td>
<td>4%</td>
<td>96%</td>
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<tr>
<td>2014</td>
<td>8%</td>
<td>92%</td>
</tr>
<tr>
<td>2013</td>
<td>5%</td>
<td>95%</td>
</tr>
<tr>
<td>2012</td>
<td>8%</td>
<td>92%</td>
</tr>
</tbody>
</table>

E.4.2

Over the years, on average, over 70% of Vietnamese companies that participated in the survey have separated chairman and CEO. This is a good practice that can help to achieve an appropriate balance of power between the two most important positions of the company. In contrast to the practice of “independent chairman”, over 90% of companies have not been able to meet the requirements of supporting the objective decision-making process that can prevent potential conflicts of interest among groups of shareholders, and between shareholders and the executive board.
E.5.1. Does the company have orientation programmes for new directors/commissioners?
E.5.2. Does the company have a policy that encourages directors/commissioners to attend on-going or continuous professional education programmes?

Guiding Reference

G20/OECD PRINCIPLE (2015) VI (E)

3. Board members should be able to commit themselves effectively to their responsibilities.

In order to improve board practices and the performance of its members, an increasing number of jurisdictions are now encouraging companies to engage in board training and voluntary self-evaluation that meets the needs of the individual company. This might include that board members acquire appropriate skills upon appointment, and thereafter remain abreast of relevant new laws, regulations, and changing commercial risks through in-house training and external courses.

Recommendation

• The company should disclose the details of the orientation programs for new directors/commissioners.
• The company has and discloses a policy to encourage directors to participate in regular or professional training programs.
• The company discloses the details of training programs that each director participates in the evaluation year, including the name, topic, time of the study, and the number of hours attended...
• All directors should attend any training program during the year and the evidence should be publicly disclosed in the reports related to BOD.

Source Document

Annual Report, Annual CG Report, Website

In general, the companies do not provide much information on the readiness of directors for the new role. There has been no improvement through the years. In 2019, the percentage of Yes is the highest in six years; however, this is still very low. As a good practice, newly appointed directors should be provided with information on the business sector, company status, current financial situation, and should interact with other key BOD and BOM members to get familiar with the business. However, 94% of the companies did not disclose orientation activities for new directors. Similarly, 79% of the companies did not mention the policy of encouraging directors to participate in regular training programs or the details of training programs and activities that each director participated in in the most recent evaluation year.
### ASEAN Asset Class

<table>
<thead>
<tr>
<th>Code</th>
<th>Company’s name</th>
</tr>
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<tbody>
<tr>
<td>VNM</td>
<td>Vietnam Dairy Products Joint Stock Company</td>
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### VIETNAM - TOP 3 PUBLICLY LISTED COMPANIES

*(alphabetical order by stock code)*

<table>
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<td>FPT</td>
<td>FPT Corporation</td>
</tr>
<tr>
<td>NVL</td>
<td>Novaland Investment Group Corporation</td>
</tr>
<tr>
<td>VNM</td>
<td>Vietnam Dairy Products Joint Stock Company</td>
</tr>
</tbody>
</table>
### Vietnam TOP10 Publicly listed companies by ACGS2019

*(alphabetical order by stock code)*

<table>
<thead>
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<th>Code</th>
<th>Company’s name</th>
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</thead>
<tbody>
<tr>
<td>BVH</td>
<td>BaoViet Holdings</td>
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<tr>
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<td>Digiworld Corporation</td>
</tr>
<tr>
<td>DHG</td>
<td>DHG Pharmaceutical Joint Stock Company</td>
</tr>
<tr>
<td>FPT</td>
<td>FPT Corporation</td>
</tr>
<tr>
<td>HCM</td>
<td>Ho Chi Minh City Securities Corporation</td>
</tr>
<tr>
<td>NVL</td>
<td>Novaland Investment Group Corporation</td>
</tr>
<tr>
<td>SBT</td>
<td>Thanh Thanh Cong – Bien Hoa Joint Stock Company</td>
</tr>
<tr>
<td>SSI</td>
<td>SSI Securities Corporation</td>
</tr>
<tr>
<td>TNG</td>
<td>TNG Investment and Trading JSC</td>
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<tr>
<td>VNM</td>
<td>Vietnam Dairy Products Joint Stock Company</td>
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<tr>
<td>No.</td>
<td>Exchange</td>
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</tr>
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<td>1</td>
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<td>56</td>
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<td>62</td>
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</tr>
<tr>
<td>63</td>
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</tbody>
</table>
# List of All Publicly Listed Companies Assessed in 2019 ASEAN Corporate Governance Scorecard

<table>
<thead>
<tr>
<th>No.</th>
<th>Exchange</th>
<th>Stock code</th>
<th>Company name</th>
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</thead>
<tbody>
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<td>TLG</td>
<td>Thien Long Group Corporation</td>
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<tr>
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<td>HOSE</td>
<td>TMS</td>
<td>Transimex Corporation</td>
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<tr>
<td>66</td>
<td>HNX</td>
<td>TNG</td>
<td>TNG Investment and Trading JSC</td>
</tr>
<tr>
<td>67</td>
<td>HOSE</td>
<td>TPB</td>
<td>Tien Phong Commercial Joint Stock Bank</td>
</tr>
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<td>68</td>
<td>HOSE</td>
<td>TRA</td>
<td>Traphaco Joint Stock Company</td>
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<tr>
<td>69</td>
<td>HOSE</td>
<td>VCB</td>
<td>Joint Stock Commercial Bank For Foreign Trade of Vietnam</td>
</tr>
<tr>
<td>70</td>
<td>HOSE</td>
<td>VCI</td>
<td>Viet Capital Securities Joint Stock Company</td>
</tr>
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<td>71</td>
<td>HNX</td>
<td>VCS</td>
<td>Vicostone Joint Stock Company</td>
</tr>
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<td>HOSE</td>
<td>VHC</td>
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<td>HOSE</td>
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<td>74</td>
<td>HOSE</td>
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<td>Van Phu - Invest Investment Joint Stock Company</td>
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<td>HOSE</td>
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<td>Vincom Retail Joint Stock Company</td>
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<tr>
<td>82</td>
<td>HOSE</td>
<td>YEG</td>
<td>Yeah1 Group Corporation</td>
</tr>
</tbody>
</table>
Abbreviations

| AC  | Audit Committee                  |
| ACGS | ASEAN Corporate Governance Scorecard |
| ACMF  | ASEAN Capital Market Forum |
| AGM  | Annual general meeting |
| AR  | Annual Report |
| ASEAN  | Association of South East Asian Nations |
| BOD  | Board of Directors |
| BOM  | Board of Management |
| CEO  | Chief Executive Officer |
| CG  | Corporate Governance |
| GMS  | General shareholder meeting |
| OECD  | Organisation for Economic Co-operation and Development |
| PLCs  | Public listed companies |
| ROA  | Return on Assets |
| ROE  | Return on Equity |
| RPTs  | Related party transactions |
| SB  | Supervisory Board |

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13. Industrial Organization, Coase, 1972
18. The Role of Board Committees, Diligent Insights, Jan 19, 2019.
About SSC
The State Securities Commission (SSC) is an organization under the Ministry of Finance, charged with the functions of exercising the States regulation of securities and securities market, direct regulation and supervision of activities in securities and securities market, management of public services in the fields of securities and securities market in accordance with applicable laws.

The SSC is an active member of the ASEAN Capital Markets Forum (ACMF) and is one of the six members joining the ASEAN Corporate Governance Initiative from the very beginning. As the ACMF Chair 2020, the SSC has made efforts to promote the finalisation of the the “Roadmap for ASEAN Sustainable Capital Markets” with the private sector-focused actionable recommendations to chart the way towards sustainability for the region’s entire capital market. SSC also took the lead in developing the “ACMF Action Plan 2021-2025” to serve as a guideline for the work of ACMF over the next five years.

For more information, visit www.ssc.gov.vn and www.theacmf.org

About VIOD
The Vietnam Institute of Directors (VIOD) is a professional organization which promotes corporate governance standards and best practices in the Vietnamese corporate sector. VIOD aims to advance board professionalism, promote business ethics and transparency, create a pool of independent directors, build a network to connect corporate leaders and stakeholders, and help companies gain investor confidence.

In March 2018, the Vietnam Corporate Governance Initiative (VCGI) formed VIOD with technical support from International Finance Corporation (IFC) and Swiss State Secretariat for Economic Affairs (SECO). VIOD closely collaborates and partners with State Securities Commission of Vietnam (SSC), Ho Chi Minh City Stock Exchange (HOSE) and Hanoi Stock Exchange (HNX).

VIOD is governed by a Board of Directors composed of a diverse group of business leaders representing private sector, including investment funds, international legal and accounting firms and board members of well-known companies.

For more information, visit www.viod.vn

About IFC
IFC, a sister organization of the World Bank and member of the World Bank Group, is the largest global development institution focused on the private sector in emerging markets. We work with more than 2,000 businesses worldwide, using our capital, expertise, and influence to create markets and opportunities in the toughest areas of the world. In fiscal year 2018, we delivered more than $23 billion in long-term financing for developing countries, leveraging the power of the private sector to end extreme poverty and boost shared prosperity.

For more information, visit www.ifc.org