

TOWARD GLOBAL CORPORATE GOVERNANCE STANDARDS:

STRENGTHENING DISCIPLINE, DIALOGUE, AND DISCLOSURE



SUPPORTED BY:

Integrated ESG
Driving Sustainable Investment

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FOREWORD

On 8 April 2026, FTSE Russell confirmed the upgrade of Vietnam's stock market to Secondary Emerging Market status. This decision placed Vietnam on the official watch list of hundreds of institutional investors worldwide. From this point forward, investors evaluate companies not only on financial performance, but also on governance quality: does the board operate independently, are the board and management willing to answer tough questions from shareholders, does the company disclose information transparently. At the same time, the 2026 Vietnam Corporate Governance Code shifted from "recommend" to "comply or explain". Corporate governance (CG) quality now directly determines access to international capital.

Directors Bulletin No. 14 – 05/2026 reflects these developments, under the theme *"Towards International Corporate Governance Standards: Strengthening Discipline, Dialogue and Disclosure."* Three keywords are three concrete requirements being placed on Vietnamese boards.

Discipline. Resolution 79-NQ/TW sets a specific target: by 2030, 100% of state economic groups and state-owned general corporations must fully apply OECD corporate governance principles. For the first time, the State, as a major shareholder, has committed to holding itself to the same international accountability standards as every other company in the market. Scale is no longer a default advantage; efficiency of capital use and transparency in governance are what must now be demonstrated. Since state-owned enterprises remain controlling shareholders in many listed companies, this shift has far-reaching impact across the entire capital market.

Dialogue. At the 2026 Annual General Meeting (AGM) Season Forum, before more than 350 representatives from businesses, financial institutions and regulators, one reality was stated plainly: many companies still run their AGMs like a scripted performance — one-sided presentations, tough questions deflected. Yet international investment funds do not attend AGMs to hear figures they already know. They come to observe: do the board and management face difficult issues head-on, can they articulate a credible strategic vision. That is the information investors need to make their decisions.

Disclosure. A global survey by the Global Network of Director Institutes (GNDI) found that only 17.6% of board directors are confident they fully understand the climate risks facing their own company. The issue is not the length of the sustainability report — it is whether the board genuinely identifies and oversees the climate risks affecting the company's cash flows, cost of capital and access to financing. The International Sustainability Standards Board (ISSB) standards, now adopted by more than 40 countries, place that responsibility squarely on the board.

As VIOD enters its ninth year of advancing CG quality in Vietnam, we sincerely thank our partners, members of the Corporate Membership Program (CMP) and Individual Membership Program (IMP), board directors and business leaders for their continued trust and support. We also extend our heartfelt thanks to the International Finance Corporation (IFC), the Swiss State Secretariat for Economic Affairs (SECO) and all partners who have supported our CG initiatives and the Directors Bulletin. VIOD remains committed to building a professional, transparent and trustworthy CG ecosystem in Vietnam, contributing to the sustainable development of the country's capital market.

Yours sincerely,

Vietnam Institute of Directors (VIOD)

THE FIRST CHOICE FOR CORPORATE GOVERNANCE PROFESSIONALS AND HIGHLY EFFECTIVE BOARDS

The Vietnam Institute of Directors (VIOD) is a professional, independent, and pioneering organization that promotes the implementation of best practices and standards in corporate governance and sustainable development for Vietnamese enterprises.

VIOD's activities aim to enhance the professionalism of boards of directors, promote transparency and efficiency, bring together and connect board members, and build a network of directors and business leaders across economic sectors. By integrating corporate governance with sustainable development, VIOD contributes to creating an ecosystem for corporate governance and sustainable growth in Vietnam's stock and financial markets.

VISION



- ▶ VIOD is the first choice for forward-thinking boards of directors and leaders to build a strong, transparent, and effective business community.

MISSION



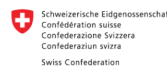
- ▶ Promote professionalism, expertise, and status of board members in Vietnam.
- ▶ Enhance corporate governance capabilities for businesses.
- ▶ Help improve investor confidence in Vietnam's private sector and capital market.

COMMITTED VALUES



-  Compliance
-  Transparency
-  Integrity

FOUNDING PARTNERS



FOUNDING MEMBERS



CORPORATE MEMBERSHIP PROGRAM (CMP)



DOMESTIC PARTNERS



INTERNATIONAL PARTNERS



8 CELEBRATING *years of* CREATING VALUE TOGETHER

"VIOD is uniquely positioned between market practitioners and policymakers, with the ability to help align regulation with real-world boardroom dynamics."

– Mr. Darryl J. Dong

*Board Member, Vietnam Institute of Directors (VIOD)
Former Principal Country Officer cum Head of Ho Chi Minh City Office, International Finance Corporation (IFC)*

"The DCP program delivered highly practical and well-structured content. Complex theoretical concepts were presented in a clear and accessible manner, supported by a diverse range of case studies, including both long-term accumulated experiences and situational examples. Beyond the curriculum itself, the opportunity to connect with professionals from diverse industries provided valuable perspectives and inspired new ways of thinking."

– Ms. Tran Mai Hoa

Chairwoman, Vincom Retail Joint Stock Company

"I have had the privilege of meeting many outstanding individuals within the VIOD ecosystem, including board members and business leaders from a wide range of industries. Through exchanges with international experts, I have come to recognize that Vietnamese enterprises are fully comparable to those across the ASEAN market. I hope VIOD will continue to serve as a trusted platform for knowledge sharing and meaningful connections, empowering members to lead their organizations more effectively and contribute to the sustainable development of Vietnam's economy."

– Mr. Nguyen Anh Tuan

*Chairman of Audit Committee Advisory Council (ACAC), Vietnam Institute of Directors (VIOD)
Member of Academic Advisory Council (AAC), Vietnam Institute of Directors (VIOD)
Chairman, Vietnam National Reinsurance Corporation (VINARE)*

"As someone who has been blind since birth, I am deeply grateful to the company for creating pioneering opportunities for people with disabilities — not only by offering employment, but by providing access to a meaningful and high-quality career path. This initiative has opened new possibilities for people with disabilities to build confidence, integrate into society, achieve greater independence, and make valuable contributions to Vietnam's economy."

– Ms. Vu Hai Anh

Intern, Vietnam Institute of Directors (VIOD)

60+

**Training
Launched**

Programs

Over the past eight years, VIOD has continuously expanded its portfolio of training programs while cultivating a strong network of professionals committed to advancing corporate governance (CG) standards in Vietnam. Guided by leading experts from IFC and SECO, each program is designed to bridge international best practices with the practical realities of the Vietnamese market. Through these initiatives, board members, business leaders, and CG professionals gain opportunities for strategic dialogue, in-depth learning, and meaningful exchange — all contributing to the long-term enhancement of governance excellence in Vietnam.

1,500+

**Members in the Alumni
Network**

What began with the earliest training cohorts has grown into a vibrant and influential governance community connecting board members, executives, and industry experts across sectors. Beyond maintaining professional relationships, the VIOD alumni network has evolved into a dynamic platform for sharing governance insights, discussing emerging trends, and fostering collaboration in business, investment, and advisory activities. These enduring connections continue to strengthen Vietnam's professional governance ecosystem and expand its impact nationwide.

100+

Seminars and Forums Organized

Over the years, VIOD has hosted more than 100 seminars, forums, and knowledge-sharing events that convene leaders, experts, investors, and policymakers to discuss market developments and sustainable business growth. Many flagship events have been organized in partnership with government agencies and international organizations, attracting broad engagement from the business community. Through these forums, VIOD has established itself as a trusted platform for constructive dialogue and collaboration, contributing to greater transparency, stronger governance practices, and the sustainable development of Vietnam's corporate sector.



10+

Memoranda of Understanding (MoUs) Signed

VIOD's development has been shaped through close collaboration with regulatory bodies, international organizations, enterprises, and educational institutions. To date, more than 10 strategic MoUs have been signed, significantly expanding VIOD's domestic and international partnership network. Each collaboration reflects a shared commitment to advancing governance standards and strengthening professional capacity in corporate governance. Together, these partnerships help broaden access to global best practices, elevate the quality of governance education, and support the development of a more professional, internationally connected governance ecosystem in Vietnam.



VIOD ACTIVITY OVERVIEW & NOTABLE HIGHLIGHTS

2.

Cooperation & Development of the Corporate Governance Ecosystem

In February and April, 2026, VIOD continued to expand and strengthen its strategic partnership ecosystem through cooperation agreements with the Vietnam Exchange (VNX), VCCorp, and Talentnet, thereby enhancing the connection between corporate governance (CG), capital markets, and senior human resources. The partnership with VNX focuses on improving governance capacity through training, assessment, and CG practice ranking initiatives, while collaboration with VCCorp aims to promote good governance, ESG, and sustainability practices through in-depth communication activities. Meanwhile, the partnership with Talentnet focuses on developing board remuneration data and establishing mechanisms for director candidate connection and nomination, contributing to the professionalization of the governance talent market. These collaborations provide a solid foundation for enhancing overall governance quality and reinforce VIOD's role as a connector within the ecosystem.



Hanoi, Jan 22, 2026



Hanoi, Feb 03, 2026



Hanoi, Feb 03, 2026

4.

Participation in the Kick-off of VLCA 2026

VIOD continues to accompany the 2026 Vietnam Listed Company Awards (VLCA), jointly organized by Ho Chi Minh Stock Exchange (HOSE), Hanoi Stock Exchange (HNX), and Vietnam Investment Review, with exclusive sponsorship from Dragon Capital. In its role as the technical partner responsible for assessing the corporate governance (CG) quality of listed companies, VIOD continues to contribute its expertise to advancing governance standards in Vietnam's capital market. At the program's kick-off conference, VIOD shared professional insights into CG practices in the context of the updated VLCA assessment criteria, which place greater emphasis on the quality of governance practices in line with the orientation of the 2026 Vietnam Corporate Governance Code (VNCG Code). Through this role, VIOD continues to support listed companies in shifting from a compliance-based mindset toward value-creating governance, contributing to sustainable development and strengthening investor confidence.

1. Corporate Governance Trainings & Capacity Building

In the first four months of 2026, VIOD implemented core training programs including Director Certification Programs DCP40, DCP41, and DCP Advance - DCPA2 (ACGS-oriented), alongside specialized courses for the State Securities Commission of Vietnam and Directors Talk #27, aiming to enhance governance capabilities for boards and corporate leaders. The content was updated in line with the evolving market context, integrated with the newly revised 2026 Vietnam Corporate Governance Code (VNCG Code), and emphasized the board's role in decision-making, risk management, and strategic direction. At the same time, the programs were closely aligned with business practices, combining expert insights, case discussions, and board-level experience sharing to strengthen applicability. Through these initiatives, VIOD continues to promote a proactive, practice-oriented, and continuously improving approach to corporate governance.



Hanoi, Jan 23, 2026



HCMC, Mar 19 - 21, 2026



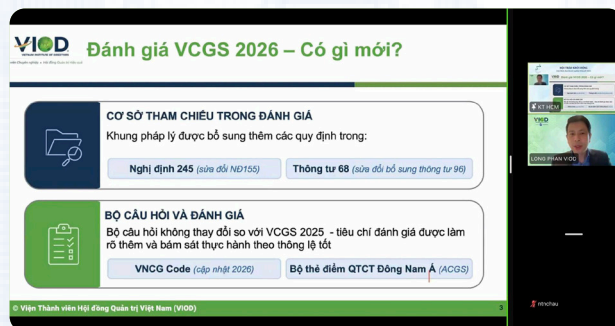
Hanoi, Apr 16 - 18, 2026

3. Development of the Future Corporate Governance Leaders

In parallel with strengthening CG capacity and expanding its partner ecosystem, VIOD launched the Future Corporate Governance Leaders (FCGL) 2026 program to develop the next generation of professionals in CG and Sustainability. The program offers an experiential journey, allowing students to engage with international standards and VIOD's professional activities, while gaining practical insights into governance application in real business contexts. The orientation session held on April 15, 2026 helped establish foundational skills in structured thinking, research, and professional working capabilities. Through this initiative, VIOD continues to contribute to developing high-quality human capital to meet evolving market demands.



Hanoi & HCMC, Apr 16 - 18, 2026



Hanoi, Apr 10, 2026

FORUM

2026 ANNUAL GENERAL MEETING SEASON

Compliance or Breakthrough Efficiency or Sustainability

On March 10, the Vietnam Institute of Directors (VIOD), in collaboration with the State Securities Commission of Vietnam (SSC), Vietnam Exchange (VNX), Ho Chi Minh Stock Exchange (HOSE), Hanoi Stock Exchange (HNX), and Vietnam Securities Depository and Clearing Corporation (VSDC), convened the 2026 AGM Season Forum in Hanoi and Ho Chi Minh City, bringing together more than 350 representatives from listed companies, financial institutions, and regulatory agencies. The forum was held at a pivotal moment for Vietnam's capital market amid major developments, including FTSE Russell's market reclassification review, the revised 2026 Vietnam Corporate Governance Code (VNCG Code), and the launch of the International Financial Centre in Ho Chi Minh City, together reflecting a significant shift in which corporate governance standards are increasingly recognized not merely as regulatory requirements, but as critical drivers of market credibility and access to high-quality international capital.



AGM - A Reflection of Governance Quality through the Eyes of International Investors

AA key theme throughout the forum was the evolving perspective of institutional investors toward listed companies. Increasingly, investors assess enterprises not only through financial performance, but also through the quality of disclosures, the effectiveness of shareholder engagement, and the credibility of environmental, social, and governance (ESG) commitments. In this context, the Annual General Meeting (AGM) has become one of the clearest reflections of a company's governance quality and corporate culture.

Elevating Governance from Regulatory Compliance to Strategic Practice

The forum also provided an opportunity for candid discussions on the persistent gap between minimum regulatory compliance and internationally recognized governance best practices among Vietnamese listed companies. While many enterprises have fulfilled formal disclosure obligations, challenges remain in ensuring that information is communicated to shareholders in a timely, transparent, and substantive manner. When shareholder rights are exercised only procedurally rather than meaningfully, investor confidence can gradually erode through processes often perceived as routine



Good Governance — A Foundation for Sustainable Growth and Regional Integration

Looking ahead, the VNCG Code and the ASEAN Corporate Governance Scorecard (ACGS) are expected to become increasingly important frameworks guiding Vietnamese enterprises toward alignment with regional and international governance standards. Companies that proactively adopt these frameworks will not only strengthen their ability to access high-quality capital and enhance investor confidence, but also contribute to elevating Vietnam's position within the global investment landscape. More broadly, advancing governance standards across the market is a critical step toward realizing Vietnam's aspiration of becoming an "ASEAN Asset Class" — one recognized for transparency, accountability, resilience, and sustainable growth.

OUR SINCERE THANKS TO THE PARTNERS ACCOMPANYING
FORUM

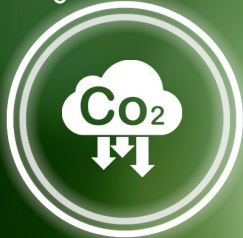
2026 ANNUAL GENERAL MEETING SEASON

Compliance or *Breakthrough*
Efficiency or *Sustainability*



SECTION 1:
STATE-OWNED ENTERPRISE
GOVERNANCE:
VIETNAM'S NEW DISCIPLINE AND
INTERNATIONAL BEST PRACTICES





1.1 | RESOLUTION NO. 79-NQ/TW: STATE-OWNED ENTERPRISES ENTER A NEW ERA OF GOVERNANCE DISCIPLINE

Ms. Ha Thu Thanh
Chairwoman, Vietnam Institute of Directors (VIOD)

Resolution No. 79-NQ/TW issued by the Politburo on January 6, 2026, not only reaffirms the role of state-owned enterprises (SOEs) in the economy but, for the first time, places this sector under a new governance discipline aligned with international standards, capital efficiency, and accountability.

From a governance perspective, placing SOEs within a clear disciplinary framework is the critical condition for realizing the development objectives set forth in the Resolution.

Redefining the Role as “Critical Material Force”

The fundamental innovation of Resolution No. 79-NQ/TW lies not in continuing to affirm the role of SOEs, but in how the State redefines that role through governance.

The concept of “critical material force” is no longer understood as a default position or institutional advantage, but is directly linked to the capacity to lead—grounded in capital efficiency, governance quality, and accountability.

This means that large scale or strategic positioning will no longer suffice to guarantee a leading role. SOEs must demonstrate their capacity through operational performance, the ability to create spillover value across value chains, and the level of transparency in governance. This marks the beginning of a new governance discipline—tighter and more substantive than in previous periods.

A significant distinction is that governance requirements in this Resolution do not stand alone but are embedded within a synchronized policy framework. Together with:

- Resolution No. 68-NQ/TW of 2025 on developing the private economic sector,
- Decision No. 2014/2025/QD-BTC on the Stock Market Upgrade Plan,

- and the revised 2026 Vietnam Corporate Governance Code (VN CG Code),

SOEs are no longer merely “encouraged” to improve governance but are entering an implementation phase with clearer binding requirements and oversight mechanisms.

Four Governance Pillars Under Section 2.4

VIOD pays particular attention to Section 2.4 of Resolution No. 79-NQ/TW, as it most clearly demonstrates the shift from “role-based” thinking to “conditions-for-executing-role” thinking.

From a governance perspective, four major pillars can be identified:

1. Building SOEs with Sufficient Leadership Capacity

The target of having approximately 50 enterprises among the Top 500 ASEAN and 1–3 enterprises among the Top 500 globally by 2030 is not merely about scale.

Behind this lies specific requirements regarding capital capacity, the ability to deeply integrate into value chains, and governance standards compatible with regional and international norms. Without a sufficiently strong governance foundation, large scale may become a risk rather than an advantage.

2. Leading Role in Digital and Green Transformation

SOEs are expected to spearhead digital and green transformation not only through resources but also through their ability to create spillover effects across the entire market.

However, international experience shows that dual transformation will not be sustainable if limited to technology investment alone. Transformation success depends on integrating decisions about

capital allocation, risk management, and oversight into the corporate governance system.

3. Comprehensive Upgrade of SOE Governance Systems

This is the decisive pillar.

Requirements regarding separation of duties, authority linked with responsibility, oversight mechanisms, and accountability are no longer isolated technical improvements but represent a process of re-establishing governance discipline to ensure all major decisions about capital, investment, and strategy are executed within a transparent and accountable framework.

4. Restructuring SCIC Toward Professional Capital Investment

The restructuring of the State Capital Investment Corporation (SCIC) toward professional capital investment, progressing toward the formation of a national investment fund, reflects the strategic shift from an administrative management model to a market-based capital investment model.

The long-term objective is to gradually establish a state capital investment institution operating according to international standards and professional investment discipline.



From “Recommendations” to “Mandatory Discipline”

One of the most significant changes is the application of OECD governance principles to SOEs.

Principles regarding board of directors structure, shareholder rights, information transparency, and accountability are no longer limited to recommendations but are gradually transitioning to a “comply or explain” mechanism.

While the Vietnam Corporate Governance Code issued in 2019 was primarily guidance-oriented, the 2026 updated edition embeds these requirements within a clearer implementation framework, requiring enterprises to either comply or assume responsibility for public explanation.

The particularly significant point is that when this principle is applied to SOEs, the State—in its capacity as major shareholder—for the first time accepts placing itself within the same governance discipline framework as the market.

This creates substantial alignment with the stock market upgrade objective, as upgrading is not merely a technical matter but fundamentally concerns transparency, investor protection, and governance quality.

In practice, SOEs hold controlling or major shareholder positions in numerous listed companies. When this sector transforms its governance thinking and practices according to OECD standards, the spillover effect will be substantial—not only within the state-owned economic sector but across the entire capital market.

SCIC: Critical Link in Capital Discipline

In the context where governance discipline is directly linked with capital discipline, SCIC’s role becomes particularly critical.

The core spirit of SCIC’s restructuring lies not in formal organizational model changes, but in a fundamental shift in state capital governance thinking: from the role of “ownership representative” to that of a professional capital investor bearing direct responsibility for capital efficiency.

Accordingly, state capital will no longer be allocated according to administrative logic but will be invested, monitored, and evaluated based on market criteria—linked with efficiency, transparency, and accountability.

Within this structure, SCIC not only concentrates resources but also becomes an instrument for implementing investment discipline toward SOEs. When SCIC operates under investment discipline, pressure regarding efficiency and transparency will directly impact boards of directors and state capital representatives, compelling them to transform governance behavior to maintain access to long-term capital flows.

According to the spirit of Resolution No. 79-NQ/TW, SCIC is repositioned as a state capital investment institution operating under market discipline and international governance standards. This constitutes the essential foundation for gradually establishing a professional state capital investment model for the long term, thereby ensuring that state capital is deployed efficiently, selectively, and generates substantive spillover effects for the economy.

Toward Substantive Change

The greatest expectation from Resolution No. 79-NQ/TW is that it will generate substantive change in governance, rather than remaining at the level of policy orientation.

When SOEs regard corporate governance as their foundation and OECD standards as the “common rules of the game,” the leading role will no longer be a default position but must be demonstrated through governance capacity in practice.

The core value of this Resolution lies in the fact that SOEs no longer stand outside market discipline but become subjects bearing governance discipline while assuming responsibility for propagating standards across the entire economy.

This is also the spirit with which VIOD stands ready to accompany the implementation process of the Resolution in the period ahead.

1.2 | STRENGTHENING GOVERNANCE IN STATE-OWNED ENTERPRISES

Mr. Simon C.Y Wong
Chair of Academic Advisory Council, VIOD
Independent Advisor
Head Tutor and Japan Network Ambassador,
University of Cambridge Institute for Sustainability Leadership (CISL)



Notwithstanding the privatizations waves over the past few decades, governments have remained significant owners of commercial enterprises. In fact, the OECD has reported that the proportion of state-owned enterprises (SOEs) in the top 500 companies globally (measured by revenue) rose from 34 in 2000 to 126 in 2023, with these enterprises recently employing over 21 million people and holding US\$ 53.5 trillion in assets. In Vietnam, SOEs also play a sizeable role in the economy, accounting for almost 30% of GDP and occupying dominant positions in sectors such as banking, energy, and telecommunications.

The prevalence of SOEs means their performance will have a substantial and lasting impact on the broader economy, including on the quality and pace of economic development. Accordingly, many governments have sought to reform SOE oversight and management in order to

improve the performance, accountability, and sustainability of these enterprises.

Earlier this year, Vietnam's Politburo issued Resolution 79 to reiterate the strategic role of SOEs in the country's development and industrialization. Notably, Resolution 79 emphasizes the importance of modernizing corporate governance at Vietnamese SOEs, with the aim of achieving full adoption of OECD corporate governance principles by 2030.

This article reviews selected SOE reforms internationally, using the OECD Guidelines on Corporate Governance of State-Owned Enterprises (OECD SOE Guidelines) as reference, in the hopes that the insights and examples discussed will be helpful to Vietnamese policymakers and SOEs as they formulate plans to strengthen governance at the state and corporate levels.

In particular, this piece focuses on three critical areas of SOE reform:

1. The role of the state as the owner
2. Governance of SOE boards of directors
3. SOEs and the green transition

The role of the state as the owner

At the ownership level, governments are becoming more professional in their ownership approaches and, correspondingly, have strengthened the commercial orientation and operational autonomy of SOEs.

Historically, SOEs were viewed and treated as part of government, with oversight authority often distributed across multiple ministries. This often led to SOEs receiving different, uncoordinated, and even conflicting instructions from the government. Moreover, without clear boundaries on which governmental entities were permitted to direct an SOE, the risk of inappropriate political interference (for example, individual politicians exerting pressure on an SOE CEO to maintain favored products or services) increased.

To address this issue, the OECD SOE Guidelines recommend that “the exercise of ownership rights should be clearly identified within the state administration and be centralized in a single ownership entity.” Indeed, many countries have now established a centralized or coordinated state enterprise ownership function, often in the form of a dedicated government department or, less commonly, a separate holding company (e.g., Singapore’s Temasek Holdings).

The formulation and publication of an ownership policy setting out the government’s rationale for public ownership of commercial enterprises and its oversight approach, as advocated by the OECD SOE Guidelines, serves as a further example of increased governmental professionalism. The Finnish ownership policy, for example, states that “State ownership [of commercial enterprises] is based on strategic interests, financial interests or the need to fulfil a specific mission” and the “State’s strategic objective is to make use of the corporate assets to promote domestic ownership, diversify the economy, create innovations, and support sustainable structural change.”

Mirroring private enterprises, SOEs are increasingly operating in highly sophisticated and complex competitive arenas, and must contend with disruptive technologies, intensifying sustainability challenges, and rapidly shifting social and geopolitical dynamics. To ensure effective oversight of SOEs, the state ownership monitoring entity must stay abreast of these developments and ensure it is sufficiently equipped to meaningfully engage with their SOEs on these matters.

To enhance the commercial orientation and operational autonomy of SOEs and in keeping with the OECD SOE Guidelines recommendation that “governments should simplify and standardize the legal forms under which SOEs operate,” many governments have converted SOEs into companies incorporated under the company law. This puts SOEs under the same legal and governance regime as privately-owned businesses and, importantly, signals to politicians, civil servants, and the general public that the SOE is a commercial entity and separate from the government. In Norway, incorporation of an SOE as a limited liability company means that “the state relinquishes its right to directly influence the enterprise’s day-to-day operations.”

Furthermore, some governments benchmark SOE performance against private sector peers. In New Zealand, SOEs are expected to “operate as a successful business and, to this end, to be as profitable and efficient as comparable businesses that are not owned by the Crown.”

Governance of SOE boards of directors

Benefiting from a steady spate of reforms, many SOE boards of directors today possess greater authority, operate more independently, and increasingly follow private sector best practices.

Since their introduction in 2005, the OECD SOE Guidelines have emphasized that governments “should let SOE boards exercise their responsibilities and should respect their independence.” In practice, this would require, in the words of Singapore’s Temasek Holdings, that “the day-to-day management and business decisions of companies in our portfolio are the

responsibility of their respective boards and management. Temasek does not direct their business decisions or operations.”

To enhance SOE autonomy and independence and to reduce opportunities for political interference, some countries – including Australia, Denmark, the Netherlands, New Zealand, and Norway – prohibit all public servants, including politicians, from serving as SOE board directors. In Finland, where public officials – in exceptional circumstances – can sit on SOE boards, these officials are not permitted to “be involved in making any Government decisions concerning the company in question.” In practice, this would also require such SOE directors to not be influenced

by or act on the behest of other governmental officials.

Given that board effectiveness depends substantially on the quality of its members, the OECD SOE Guidelines stress that “all board members, including any public officials, should be nominated or appointed based on qualifications relevant to the enterprise’s sector of activity and business profile.” In recent years, a more structured, merit-based approach to SOE board nomination has emerged. Sweden and New Zealand, for example, have established a dedicated, centralized government unit to coordinate and carry out SOE director appointments (see Exhibit 1).

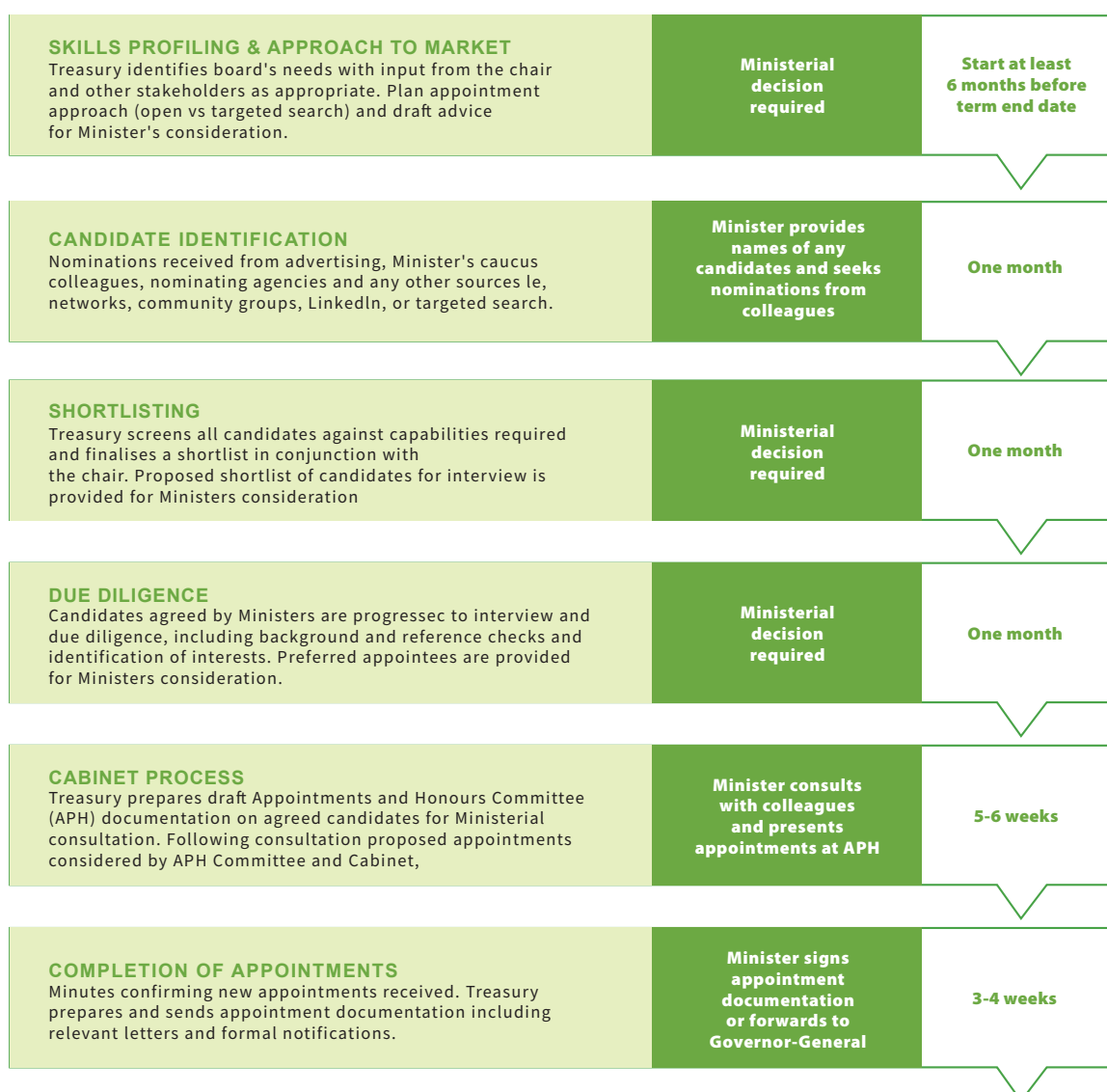


Exhibit 1: New Zealand's "crown" board appointment process

Lastly, in line with the OECD SOE Guidelines provision that SOE boards “should have the power to appoint and remove the CEO,” governments in countries such as Australia, New Zealand, Norway, Singapore, and Sweden have endowed their SOE boards with such authority.

SOEs and the green transition

In light of their significant size and global presence, the OECD and some governments have recently endorsed an active role for SOEs to facilitate the green transition and address other sustainability challenges.

The OECD SOE Guidelines state that “where the state has sustainability goals, the state as owner should set concrete and ambitious, sustainability-related expectations for SOEs.” Likewise, the Finnish Prime Minister’s Office declares that SOEs are “expected to set ambitious climate and environmental targets” and “take into account the Paris Climate Agreement’s target of limiting global warming to 1.5 degrees Celsius, as well as Finland’s goal of being carbon neutral by 2035.”

Indeed, beyond reducing their own carbon footprints, some SOEs are pursuing activities that are essential to a successful green transition. In Sweden, state-owned mining firm LKAB is extracting and processing rare-earth minerals critical for electric vehicles. Similarly, Denmark’s Ørsted has been a leading developer and operator of offshore wind farms. Meanwhile, Singapore’s Temasek Holdings has allocated significant investments to climate tech and other sustainability startups, including Swedish green steel maker Stegra.

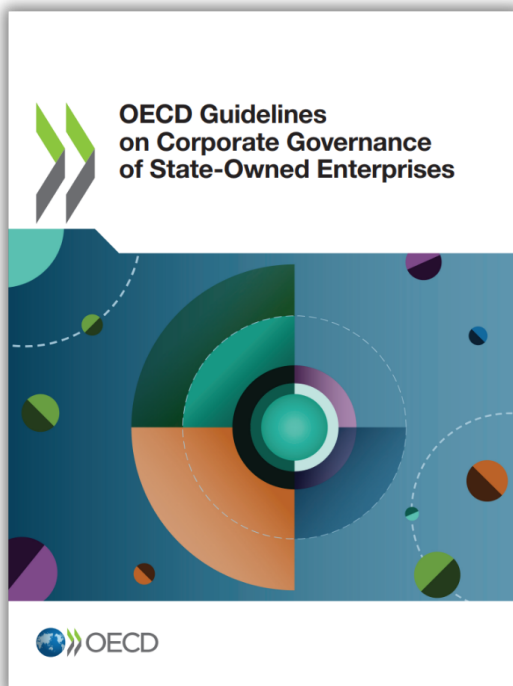
Financial institutions, both private investor and state-owned, have a particularly important role to play, as they can channel capital to activities that help achieve sustainability goals while reducing funding to harmful endeavors. With this in mind, Thailand’s central bank has called on the boards of financial institutions to “set strategic directions, risk appetite, key policies, and overall framework to address both short-term and long-term environmental changes.”

It is encouraging to see meaningful progress on SOE governance reform, at both the governmental level and at individual SOEs. Many governments are now more professional in their SOE ownership and oversight approaches, and many SOEs now operate with a stronger commercial orientation and their boards possessing greater authority and operational independence. Notably, SOEs are also playing a growing role in addressing sustainability issues, particularly climate change.

That said, SOE reforms are not always faithfully implemented and are prone to backsliding, particularly when challenging times arise, so it is important to maintain continued vigilance to ensure their long-term durability and effectiveness.

Vietnam stands at a critical juncture in its SOE modernization journey, with Resolution 79 offering an opportunity to deepen reforms through the adoption of OECD corporate governance principles and other best practices.





GUIDELINES ON CORPORATE GOVERNANCE OF STATE-OWNED ENTERPRISES

Organisation for Economic Co-operation and Development (OECD)
(Updated 2024)

The Guidelines were revised, updated, and officially published by the OECD on October 28, 2024, setting out principles, best practices, and recommendations for governments to manage, supervise, and own state-owned enterprises (SOEs) in a transparent, efficient, accountable, and sustainable manner.



DIRECTION FROM RESOLUTION NO. 79-NQ/TW OF THE POLITBURO ISSUED ON JANUARY 06, 2026

On developing the state-owned economic sector with clear targets by 2030:

- ✓ **100%** of SOEs implement modern corporate governance on digital platforms;
- ✓ **100%** of state economic groups and corporations apply OECD corporate governance principles.



To support SOEs in understanding and applying modern governance standards to improve efficiency and transparency, Vietnam National Industry - Energy Group (Petrovietnam), in collaboration with the Vietnam Institute of Directors (VIOD), has published the Vietnamese edition of this book.



VIETNAM NATIONAL INDUSTRY - ENERGY GROUP (PETROVIETNAM)

A national enterprise and critical pillar of the country in energy, industry, and high-quality technical services; fulfilling the mission of ensuring energy security, economic security, food security, national defense security, and social welfare, contributing to a prosperous Vietnam; pioneering in implementing corporate governance in line with best practices in Vietnam.



VIETNAM INSTITUTE OF DIRECTORS (VIOD)

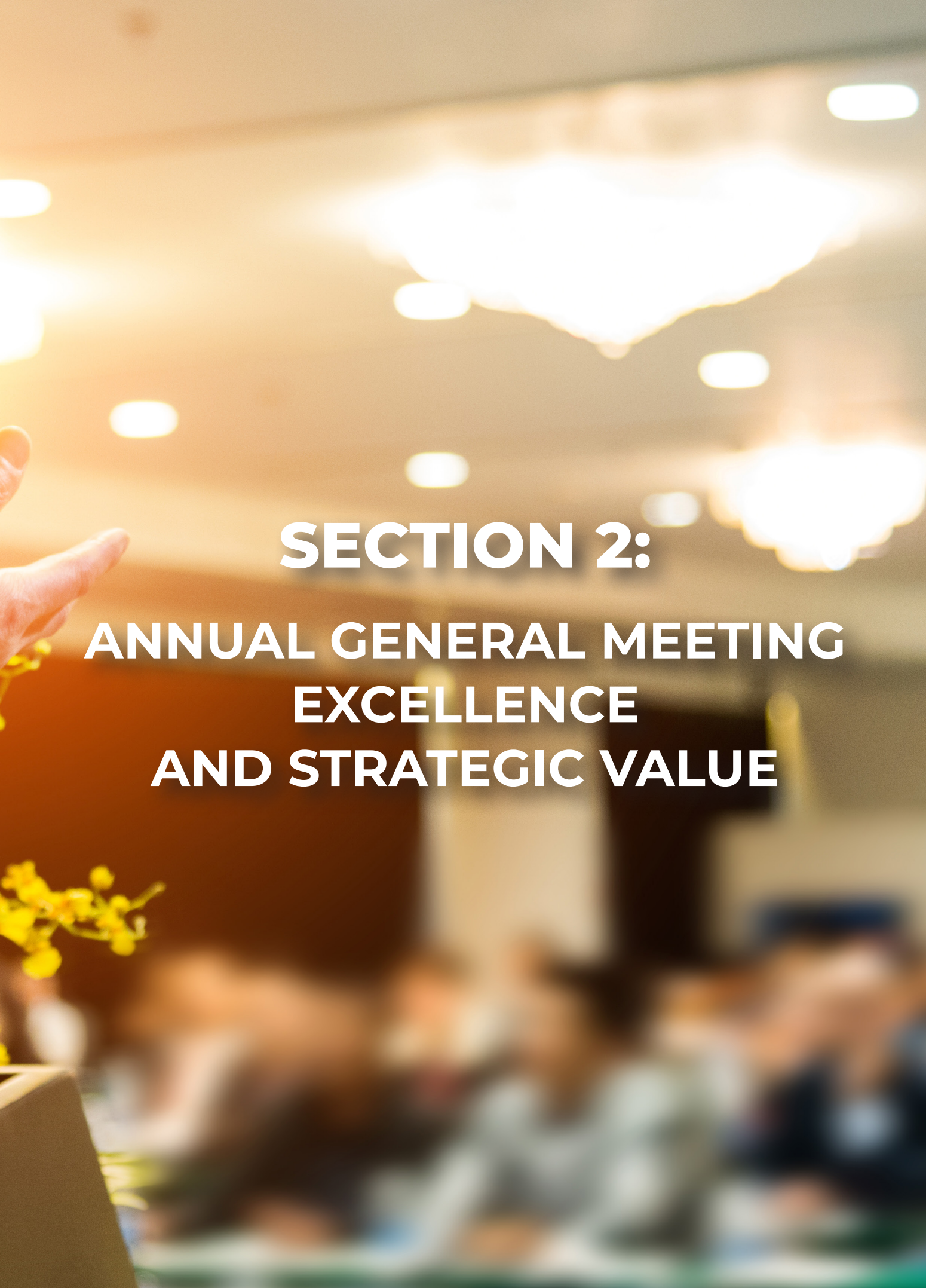
A professional, independent, and pioneering organization in corporate governance and sustainable development in Vietnam. VIOD's mission is to enhance the quality and standards of corporate governance through training, capacity building, and assessment of governance practices in accordance with the laws, international standards, and best practices.



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SECTION 2:
ANNUAL GENERAL MEETING
EXCELLENCE
AND STRATEGIC VALUE

2.1 | ANNUAL GENERAL MEETING: THE STAGE FOR GOVERNANCE EXCELLENCE

Ms. Ha Thu Thanh

Chairwoman, Vietnam Institute of Directors (VIOD)

As Vietnam's stock market officially enters its upgrade pathway, the Annual General Meeting (AGM) is no longer merely a routine annual gathering. It has become the most significant stage for enterprises to demonstrate their internal strength and governance caliber.

When 1,000 Shares Also Have a Voice

After many years working with Vietnam's financial market, serving as auditor representative attending AGMs of major enterprises – from listed companies and private enterprises to those with foreign elements and state-owned enterprises (SOEs) – one memory left a particularly deep impression.

At an AGM of a bank, during the Q&A session, according to regulations, anyone speaking must raise their voting card. A woman raised her hand, owning only 1,000 or 2,000 shares. She was a journalist who had purchased a few thousand shares just to gain entry rights to the meeting.

When she raised her card, the Chairman remarked: "With 1,000 or 2,000 shares, you also have a voice?" The journalist responded immediately: "Yes sir, with 1,000 or 2,000 shares, we are still owners of the company. And accordingly, our voice needs to be heard."

The Chairman appeared somewhat flustered, then agreed to let her speak. She said: "This question was sent to the company, to the board three times without response. So today I'm asking directly." It was a pointed question about ineffective investments that the bank needed to address.

The Chairman replied: "Since you've already submitted the question, we are studying it and will respond to you in writing; there's no need to answer here today." But the journalist was resolute: "No, today I have the right to ask directly, so I must receive a direct answer." And ultimately,

the Chairman had to answer that question right there at the meeting.

When the answer was complete, all other shareholders applauded. This story demonstrates that shareholders – regardless of how much they own – need preparation, sharp questions, confidence and knowledge to ask effectively. And the board, the Chairman, must also learn to listen and respect that voice, regardless of how many shares the questioner owns.

AGM Culture: When Shareholders Consider the Meeting Their Tết Celebration

Speaking of shareholder culture, first, it is the culture of shareholders' engagement with AGMs and their shareholder rights in the enterprise. This culture reflects shareholders' responsibility toward their ownership. Through the meeting, they need to ask questions to understand what needs to be understood, to decide whether to place trust and accompany the company in its proposed strategies.

Shareholder culture will unite people of different ages and professions around a common value: the value of being the owner of the enterprise.

If the enterprise attracts such attention, shareholders will consider the AGM their true Tết celebration. It becomes not only where they meet each other but also meet management, meet the board – those who represent them. From deep understanding and knowledge of the enterprise, shareholders' trust and commitment will grow stronger. Then, they will truly behave as owners of the enterprise, sharing a common language for sustainable development rather than simply being share traders.

The second issue is AGM culture itself. This is where shareholders are most respected for their rights, whether owning little or much, old or young, regardless of background. They are



owners of the enterprise, their voices are heard and respected – that is the primary culture.

Therefore, all materials before, during and after meetings must be sent to shareholders in the most timely, complete and transparent manner. And the organization method for sharing and listening to shareholders' wishes and aspirations constitutes AGM culture.

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 Where shareholder engagement culture treats shareholders well as true owners, where the value of all shareholders, large or small, is respected – that is recognized as a high-caliber meeting.
 ”

Four Pillars of a Quality AGM

A quality AGM is demonstrated through four criteria.

First is the meeting's content and quality. The board must clearly define the enterprise's strategy in the new development phase, aligned with the vision and ambition to position the enterprise in the market and development trends. Rather

than merely explaining past activities and next year's business plan, the board must present to shareholders the business plan and company development strategy for the future.

Second, the board's accountability and capability are also demonstrated through AGMs. The board's resolve is shown through straightforward dialogue, not avoiding any questions, thereby affirming independent governance capacity and deep understanding of the enterprise without dependence on management.

Third is the company's commitment to sustainable development responsibility. In the context of climate change and ESG pressures, sustainable development commitment is no longer optional but mandatory.

Finally, elevating organizational methods will transform AGMs into an enriching *Têt* celebration. This is not merely administrative procedure, but the intersection of values, where trust is renewed so everyone can unite toward the new year's objectives.

In summary, AGM quality is assessed as good if shareholders – the company's owners – can clearly see two layers:

The first layer is the company's development strategy, competitiveness and resilience, especially in contexts of political and geopolitical instability, fierce competition with digitalization, technology and artificial intelligence trends, along with climate change implications.

The second layer, all information must be disclosed transparently: accurately, completely, timely, including open, multidimensional analysis so shareholders can understand clearly.

AGMs in the Market Upgrade Context

FTSE's official announcement on April 8 to upgrade Vietnam's market to emerging status has made AGMs a critical factor for investment funds to value enterprises.

Corporate governance responsibility and quality are now directly exposed through AGMs – from organization methods, transparency in information disclosure to receptiveness when listening to shareholders. This is where the board's accountability, executive capability and genuine commitments to sustainable development (ESG) are most clearly demonstrated.

The AGM season occurring in April – June is the golden period for enterprises to demonstrate their core values: what has been implemented, what is operating and future governance strategy. This is the biggest stage for enterprises to affirm their position in international investors' eyes.

In the upgrade context, investment funds are observing Vietnam's market more closely than ever.

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A professionally and systematically organized meeting will immediately earn the enterprise credibility, because for investors, AGMs are the most comprehensive and intuitive “window” for assessing an enterprise's internal strength.

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The Greatest Gift: Trust and Reputation

At VIOD, as an independent and objective



institution, in board member training programs, VIOD always emphasizes board culture, especially interaction with shareholders before, during and after meetings, similar to “constituent engagement.”

And that is the greatest gift. AGMs are where not only shareholders come to build, position, consolidate and increase trust in the enterprise, but through them, they become ambassadors spreading reputation. How AGMs are organized, how listening occurs at meetings are also considered by investors as criteria for assessing corporate governance capacity.

Recognizing enterprises with quality AGMs will serve as the first signal to guide the market. This is a bright spot in corporate governance, helping promote brands and consolidate reputation.

One assessment criterion is prioritizing enterprises that hold meetings early, in the April – June period, as this demonstrates the company's information quality has been very fully and carefully prepared. Additionally, there's the criterion of whether leadership straightforwardly answers shareholder questions. To improve the organization's governance rating, leaders should set aside defensive mindsets to enter dialogue.

Recognizing enterprises that not only comply with law but also engage constructively with shareholders will increase value for those enterprises, taking them further. Raising awareness is extremely important in governance, as it is the foundation for building long-term trust in capital markets.

2.2 | ANNUAL GENERAL MEETING: A STRATEGIC COMPETITIVE TOOL IN THE CAPITAL MARKETS

Ms. Trinh Quynh Giao
CEO, PVI Asset Management (PVI AM)
Member of Academic Advisory Council, VIOD

Every year, Berkshire Hathaway's AGM attracts tens of thousands of people. There, Warren Buffett spends less than an hour reading reports but devotes 5-6 hours to dialogue, transforming the event into a premier PR campaign. Meanwhile, meetings in Vietnam generally remain heavy on "formalities," wasting time repeating dry numbers rather than engaging in substantive interaction.

It's time for Vietnamese enterprises to transform AGMs into **strategic competitive tools** to win shareholders and retain capital flows.

Shareholders Expect Things "Beyond the Numbers"

Looking at Vietnamese enterprises' development process as well as the stock market, governance standards have improved markedly. This improvement in governance quality has reshaped AGM quality today.

In earlier stages, shareholders had very few information access channels. AGMs were the only annual opportunity to come in person, see leadership face-to-face, gauge how the company was performing to invest with confidence. Currently, with strict information disclosure regulations, mandatory financial figures are largely publicly transparent.

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What shareholders expect at meetings now are things "beyond the numbers." What is the company's upcoming strategy? What risks await ahead? And most importantly, how does leadership steer the company, how do they engage with shareholders?

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On leadership's side, mindset changes have also been very significant. Twenty years ago, when the market was nascent, awareness of shareholder rights was quite limited. Currently, along with the market's maturation, shareholder rights have been clearly defined by law. Enterprise leadership understands the need to respect investors and demonstrate accountability. This positive change comes from both sides, creating a new, more professional standard for the market.

Receptiveness: The Most Accurate "Measure" of Transparency

Today, information disclosure is relatively complete. For an investment fund, if only to clarify numbers, one can easily schedule a detailed working session with the investor relations department. However, funds still attend directly to observe how leadership conducts the meeting, as this is the basis for assessing enterprise governance quality.

Beyond strategy on paper, execution capability is assessed through how leadership presents strategy, explains decisions and acknowledges risks transparently, clearly and persuasively. Additionally, execution capability is demonstrated through how the entire leadership team – not just one individual – discusses and resolves issues together.

The second factor is governance quality perceived from the meticulousness and professionalism of the meeting documents and event organization. Receptiveness, willingness to engage and directly addressing difficult questions without evasion is the most accurate "measure" of transparency.

In practical experience, it's not uncommon for an enterprise to look very strong "on paper" with an attractive narrative, but after observing at the meeting, funds change their assessment and decide not to invest.

There are typically two scenarios that cause investors to change decisions after AGMs. First is how conflicts are handled and transparency levels. Meetings most clearly reveal how leadership faces controversial issues or sensitive resolutions. If there are signs of evasion and lack of transparency, funds will certainly withdraw, as this represents the greatest governance risk.

Next is leadership's response capability and confidence. Some enterprises propose very high growth targets, but when shareholders probe deeply about implementation resources – cash flow, project execution capacity, risk control – then leadership becomes flustered, answers circuitously or doesn't dare share actual risks. When leadership lacks transparency with shareholders, investors don't have sufficient trust to commit capital to the enterprise.

Strong Short-term Approval or Long-term Trust?

In Vietnam's reality, many AGMs unfold like a pre-scripted performance: one-way reporting, minimal Q&A and near-unanimous approval rates.

We must distinguish between "approval outcomes" and "the process leading to approval." Often shareholders find themselves without sufficient information to make informed decisions. They choose approval in a mindset of "the best available option."

This reluctant approval will lead to an immediate consequence: Investors may vote favorably at the meeting, but immediately afterward they may decide not to invest further, even divesting shares right away. **Does enterprise leadership want strong short-term approval then shareholders leave, or want them to build trust for long-term partnership? The issue lies there.**

In investment, this is called information asymmetry. When issuing bonds for example, with limited information, investors will price risk very high. They will demand higher interest rates, impose stricter covenants to compensate for uncertainty. The result is the enterprise must bear significantly higher cost of capital.

AGMs as a Strategic Competitive Tool

Many enterprise leadership teams typically

think: "We lead the industry, everyone knows our company, what need is there to compete?" But the capital market has thousands of listed enterprises, many leading enterprises in their respective sectors. Therefore, competition in capital markets is competition to attract attention and build long-term investor trust.

Enterprises readily invest heavily in product marketing, but forget that shares are also a distinct asset class. A quality product that doesn't know how to communicate its value proposition won't attract buyers, and a strong enterprise that doesn't know how to "convey strategy" also won't capture attention. Therefore, AGMs are the optimal venue to communicate and promote to capital markets the "enterprise value."

A question: Why can leadership be very proactive with customers, yet possibly not prioritize proactive information exchange with shareholders – those who are truly their "principals"?

In business, customer acquisition costs are always many times higher than retention and expanding existing relationships. Shareholders are those who are already committed, already engaged – why not prioritize building their understanding and trust?

If leadership confidently conveys their narrative at meetings, the enterprise will build trust with shareholders. This trust itself will transform short-term investors who trade opportunistically into long-term shareholders, ready to partner with the enterprise.

International Models: Answers for the Future

Regarding expectations, the "formalities" – meaning legal procedures – should be brief, ensuring compliance.

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The report is already available in documents and represents historical performance. What shareholders truly seek at meetings is the forward-looking narrative and leadership's capability to navigate uncertainty.

” —



About ten years ago, at Masan, Mr. Nguyen Dang Quang – Masan’s Chairman – stood up to present with genuine conviction, articulating extremely clearly the enterprise’s vision and strategy. And that represents the AGM model to aspire to.

Looking broadly at international practice, meetings of major financial institutions primarily focus on dialogue quality and shareholder engagement. Berkshire Hathaway’s meeting with Warren Buffett is exemplary, where procedures take less than an hour but they devote 5-6 hours to dialogue. There, leadership willingly shares even past mistakes, current challenges and contingency plans. They engage shareholders directly to manage expectations and build trust.

In essence, shareholders are the principals and leadership are the fiduciaries managing others’ capital. When you steward my capital, you must demonstrate accountability transparently: Are you deploying it effectively? Direct engagement about successes and failures is the most sustainable way to build trust.

Notably at Berkshire Hathaway, AGMs resemble festivals. Before the meeting, thousands to tens of thousands gather and network. They even exhibit products in the company’s ecosystem and portfolio companies. This represents premier PR and branding.

Pressure from the New Shareholder Generation

Pressure from the “new shareholder generation” is becoming a significant driver compelling enterprises to evolve governance culture. The market is entering a more distinct “upgrade” phase.

More importantly, current governance culture evolution comes not only from enterprises’ self-awareness but is “driven” by shareholders themselves. Don’t assume only foreign investors are demanding. Current retail investors, especially younger generations, invest with significant rigor.

The very “pressure” from the new shareholder generation’s professionalism will compel leadership to evolve. They will state directly: “I require this level of information; if you don’t deliver then I won’t invest, or I won’t vote approval.”

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When market pressure reaches critical mass, leadership will recognize that transparency and strategic dialogue are no longer discretionary, but have become prerequisites for survival in the capital markets
 ”

This is the existential driver helping reshape a more professional and substantive governance culture.

The greatest significance of developing AGM assessment criteria is contributing to fundamental shifts in mindset and awareness. Not only evaluating documentation but examining actual experience. This represents the true “substance.”

Raising awareness is critically important in governance, as it forms the foundation for building long-term trust in capital markets.



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SECTION 3:
SUSTAINABILITY DISCLOSURE:
FROM REPORTING TO RATING

3.1 | THE BOARD'S ROLE IN OVERSEEING SUSTAINABILITY REPORTING

What is ISSB?

The International Sustainability Standards Board (ISSB), part of the IFRS Foundation, has developed global baseline standards for sustainability disclosure: **IFRS S1** (General Requirements) and **IFRS S2** (Climate-related Disclosures). Over 40 jurisdictions including Singapore and Hong Kong have adopted these standards.

Unlike broader stakeholder frameworks, ISSB focuses on **financial materiality**—sustainability-related risks and opportunities that could reasonably affect a company's cash flows, access to finance, or cost of capital. This investor-focused approach provides information needed to assess long-term prospects.

Why boards should care

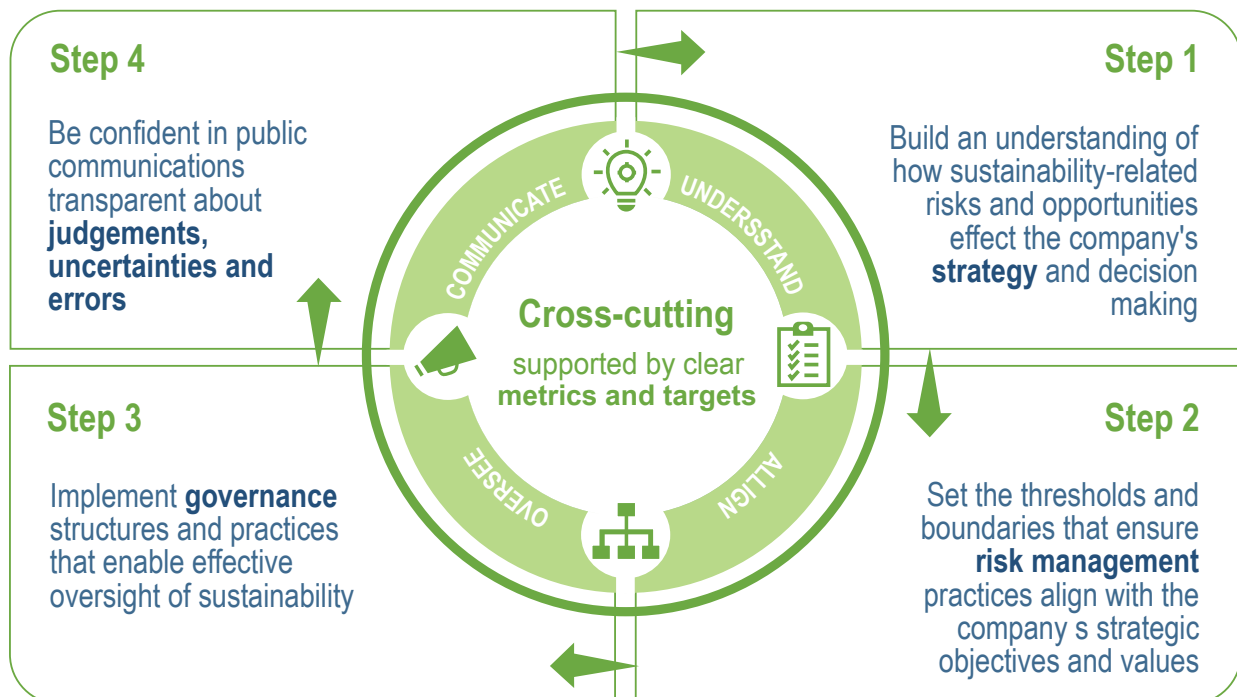
According to the 2023 G20/OECD Principles of

Corporate Governance, boards must “adequately consider material sustainability risks and opportunities when fulfilling their key functions.” For Vietnamese companies, climate-related risks might include EU carbon border taxes, water scarcity affecting production, customers demanding sustainable products, and banks incorporating climate into lending decisions.

Four core content areas

ISSB Standards are structured around: **Governance** (oversight processes), **Strategy** (how sustainability affects business model and resilience), **Risk Management** (processes to identify and manage sustainability risks), and **Metrics & Targets** (performance measurement).

Four-step framework for board oversight



Source: UN SSE-IFC Model Guidance for Board-Level Oversight of ISSB-aligned Reporting

Step 1: Understand – How sustainability affects strategic decisions

Directors must understand sustainability-related risks and opportunities. For climate, IFRS S2 identifies:

Transition risks: Policy changes (carbon pricing), technology shifts, market changes, reputation concerns.

Physical risks: Acute events (floods, fires) and chronic changes (temperature rise, water stress).

Opportunities: Resource efficiency, new products, market access, enhanced resilience.

Questions to ask management:

- *“What are the top sustainability-related risks and opportunities facing the company, industry and supply chain?”*
- *“How has the effect on the company’s prospects been determined?”*
- *“Is the company overstating its ability to overcome sustainability-related uncertainties?”*

Step 2: Align – Set parameters for risk management

1. Take a stance on materiality determinations

Management determines what information is material for disclosure; the board oversees the robustness of those judgments. Under IFRS S1, information is material if omitting it could reasonably influence investor decisions about the company’s prospects (cash flows, access to finance, cost of capital).

Question to ask management: *“Do the materiality determinations match the risk appetite that shareholders have?”*

2. Set a forward-looking tone from the top

Boards establish expectations that sustainability-related risks and opportunities are integral to strategy and long-term value creation.

Question for board discussion: *“How are values, expectations and accountabilities for sustainability communicated across the company?”*

3. Set a policy framework

Board-approved policies on climate, supply chain, human capital, and capital allocation establish governance approaches and behavioral expectations.

Question to ask management: *“How and when are policies updated to reflect emerging sustainability issues?”*

Step 3: Oversee – Build governance structures

1. Identify board and management roles

The board decides where sustainability oversight sits—dedicated committee, integration across existing committees, or defined focal points. Responsibilities must be explicit with clear communication channels.

Question to ask management: *“How and how often will the board receive information from management on sustainability?”*

2. Strengthen board skills

Directors need sufficient literacy to exercise oversight and challenge management. This means understanding how sustainability intersects with strategy, risk management, capital allocation, and disclosure obligations.

Question for board discussion: *“Is the board equipped to understand and challenge sustainability-related risks and opportunities across different time horizons?”*

3. Link executive compensation to sustainability metrics

The board approves incentive frameworks to ensure alignment with strategy, risk appetite, and long-term value creation.

Question for board discussion: *“What sustainability metrics are executives measured against and how is this linked to remuneration?”*

Step 4: Communicate – Assess credibility and quality

1. Assess the sustainability narrative

Directors assess whether the narrative clearly explains how sustainability affects strategy, business model, and financial prospects.

Question to ask management: *“Do the key messages meet ISSB’s qualitative characteristics?” (relevance, materiality, faithful representation, comparability, verifiability, timeliness, understandability)*

2. Assess credibility

Question for board discussion: *“Are there aspects at risk of accusations of misleading investors?”*

Red flags: vague language, mismatched claims and data, incomplete references, unmeasurable commitments, claims of oversight without detail.

3. Oversee data validation

ISSB Standards don’t require external assurance but are developed so information is capable of being assured with rigor consistent with financial reporting.

Question to ask management: *“What internal controls, data governance, and verification processes support the sustainability information in public disclosures?”*

Implementation pathway for Vietnamese companies

- **2026-2027:** Study IFRS S1 and S2, conduct gap analysis, identify data requirements.

- **2027-2028:** Pilot voluntary disclosure (governance and strategy), build data capabilities for greenhouse gas emissions.

- **2029+:** Prepare for mandatory requirements, leverage early adoption as competitive advantage.

Conclusion

ISSB-aligned reporting is how boards fulfill fiduciary duty when sustainability risks have become core business risks. When boards understand which sustainability issues materially affect the business, ensure management addresses them strategically, and disclose transparently—they protect and create shareholder value over the long term.

Reference:

United Nations Sustainable Stock Exchanges Initiative and International Finance Corporation. *Model Guidance for Board-Level Oversight of ISSB-aligned Reporting: A Template for Exchanges*. UN SSE-IFC, 2026.



3.2 | UNDERSTANDING ESG RATINGS

What is an ESG rating?

An ESG rating assesses a company's performance on environmental, social, and governance factors. According to EU Regulation 2024/3005, it means "an opinion or score regarding a rated item's profile with regard to environmental, social and human rights, or governance factors."

Environmental: Climate emissions, water usage, waste, biodiversity.

Social: Labor practices, health and safety, diversity, supply chain standards.

Governance: Board composition, executive compensation, shareholder rights, business ethics.

Organizations like MSCI, Sustainalytics, S&P Global, and FTSE Russell produce ratings as letter grades (AAA-CCC) or scores (0-100).

Why ESG ratings matter

As of September 2025, over 13,000 sustainable funds in the EU—representing EUR 6.8 trillion—use ESG criteria for investment decisions. These funds (Article 8 and 9 under SFDR) rely substantially on ESG ratings for selection and monitoring.

For companies, ESG ratings affect who invests, influence stock price and trading volume, impact cost of capital, and attract or deter institutional investors.

Three critical challenges

Challenge 1: Methodology divergence creates "black box" risk

MSCI focuses on ESG risk exposure and management effectiveness. **Sustainalytics** emphasizes risk management quality and controversies. **FTSE Russell** evaluates disclosure practices and transparency.

These differences produce "black box risk"—companies cannot fully understand rating construction or specific improvement actions.

An automotive company might receive AAA from one provider while scoring B from another, not due to performance changes but due to different methodologies.

What boards should do:

- Review ratings from multiple providers
- Focus on trends over time rather than absolute scores
- Ask management: "Why did the rating change? What factors drove it?"

Challenge 2: Transparency gaps are closing slowly

From 2026, EU regulations require rating providers to disclose data sources, methodologies, and assumptions. However, this applies only in the EU. In Vietnam and many emerging markets, no equivalent requirements exist.

Companies may still face "black box" ratings. Focus on improving disclosure quality and actual sustainability performance.

Challenge 3: Single-metric concentration creates blind spots

Some investors concentrate on one metric (often carbon footprint) rather than comprehensive assessment. This creates blind spots—overlooking significant risks in other areas.

A company might have low carbon emissions (strong E), poor labor practices (weak S), and weak board independence (weak G). Environmental, social, and governance factors are interconnected in contributing to long-term sustainability and risk management. No component should be completely overlooked.

What boards should do:

- Ensure sustainability strategy addresses all material E, S, and G factors
- Understand which issues in each category are most material to the business

Evolution: Proprietary sustainability scores

Major investors including Allianz Global Investors are developing proprietary scores rather than relying exclusively on third-party ratings. This provides independence (reducing dependence on single providers), customization (weighting adjustments by sector), and transparency (complete visibility into score construction).

Allianz Global Investors' Proprietary Sustainability Score (PSS) features four main factors (Environmental, Social, Business Behavior, Corporate Governance), sixteen sub-factors providing granular transparency, and sector and regional adjustments.

Large institutional investors are moving toward customized assessment frameworks. This requires companies to provide comprehensive raw data, understand diverse methodologies, and focus on substantive performance improvement.

The future: CSRD and AI

- **Enhanced corporate reporting:** The Corporate Sustainability Reporting Directive (CSRD) in the EU and ISSB Standards globally will produce audited, standardized sustainability data. This improves rating reliability because ratings will be based on verified data rather than estimates.
- **Artificial intelligence:** AI can aggregate data from multiple sources and identify patterns more quickly. However, AI also risks amplifying biases if input data is incomplete or skewed.

Practical guidance for boards

- **Understand current position:** Request ESG ratings from major providers, ask management to explain what ratings mean and why they differ, compare to peer companies.
- **Focus on substance, not scores:** Identify which ESG issues genuinely matter to the business model, build robust management systems, disclose transparently, let ratings reflect real improvements.
- **Improve disclosure quality:** Review current disclosures, compare against ISSB standards to identify gaps, improve data collection

systems especially for emissions and social metrics, be transparent about challenges.

- **Link to strategy and risk:** Ensure sustainability considerations are integrated into capital allocation, strategic planning, and risk management—not treated as separate compliance.
- **Use ratings as directional tools:** ESG ratings provide useful signals about relative performance and emerging risks. However, they should inform—not replace—board judgment about material sustainability issues.

Conclusion

ESG ratings provide a quick reference point and highlight areas needing attention. But they are imperfect tools with significant limitations.

Use ratings to understand how investors perceive sustainability performance, identify potential blind spots, track whether improvements are recognized, and benchmark against peers.

Do not use ratings to replace board judgment about material risks, drive strategy in directions that do not make business sense, justify avoiding difficult disclosures, or assume any single rating tells the complete story.

The most important principle: understand the business first. Know which sustainability issues materially affect operations, financial performance, and long-term value. Build robust systems to manage those issues. Disclose honestly and comprehensively. When boards focus on these fundamentals, ESG ratings become useful feedback mechanisms rather than mysterious numbers that must be managed.

Reference:

Navarre, Marie, and Thomas Roulland. "ESG Ratings - Still Relevant?" *Allianz Global Investors*, 2 Feb. 2026.



GOVERNING IN THE AGE OF DISRUPTION: CLIMATE CHANGE

Global Network of Director Institutes (GNDI)
2024–2025 Research Report

Climate change has moved from the sustainability agenda to the boardroom – it is now a material governance issue requiring board-level oversight. This report, the fourth in GNDI's global director survey series, draws on research from 26 member institutes representing more than 150,000 directors and governance professionals across five continents.

The research examines how boards worldwide are addressing three critical pillars: director capability on climate issues, board oversight of climate-related risks and opportunities, and climate disclosure practices.

THE AWARENESS-ACTION GAP

The GNDI Pulse Survey reveals a significant gap between awareness and implementation:

- 31.5% of organizations have no climate expertise at any level;
- Only 28.9% of boards include directors with climate competence;
- Just 17.6% of directors are completely confident their board understands climate risks and opportunities;
- 47.5% of organizations do not undertake climate-related financial disclosures; only 12.6% report under mandatory frameworks.

RECURRING CHALLENGES ACROSS MARKETS

- Climate slipping down crowded board agendas;
- Persistent knowledge and data gaps;
- Fragmented governance structures across committees;
- Weak linkage between executive compensation and climate metrics;
- Limited scenario planning;
- Growing "greenhushing" – cautious communication to reduce legal and reputational risk.

WHAT DISTINGUISHES LEADING BOARDS

Leading boards embed climate considerations into core business strategy rather than treating them as separate ESG or sustainability initiatives. They integrate climate risks and opportunities into capital allocation, research and development, talent planning, risk management frameworks, and long-term strategic planning.

The report concludes that directors' fiduciary duties – particularly the duties of care and diligence – now extend to the proactive identification, assessment, and management of climate-related risks and opportunities. As market expectations intensify globally, these findings provide essential benchmarks for boards navigating climate governance.

VIOD is a member of the Global Network of Director Institutes (GNDI).



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FULL REPORT



2026 PROGRAMS AND EVENTS

DIRECTOR CERTIFICATION PROGRAM (DCP)

DCP43	18 - 20 June	Hanoi
DCP44	16 - 18 July	Ho Chi Minh City
DCP45	13 - 15 August	Ha Noi
DCP46	24 - 26 September	Ho Chi Minh City
DCP47	15 - 17 October	Hanoi
DCP48	19 - 21 November	Ho Chi Minh City

STRENGTHENING YOUR BOARD'S CAPACITY (SBS)

SBS3	12 - 19 September	Switzerland
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FORUMS

Annual Forum #9	04 December	Ho Chi Minh City
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2026 PROGRAMS AND EVENTS

AUDIT COMMITTEE MASTER PROGRAM (ACMP)

ACMP12	25 - 26 June	Ha Noi
ACMP13	25 - 26 August	Ho Chi Minh City
ACMP14	22 - 23 October	Ha Noi
ACMP15	12 - 13 November	Ho Chi Minh City

CORPORATE SECRETARY MASTER PROGRAM (CSMP)

CSMP11	26 - 27 May	Ho Chi Minh City
CSMP12	11 - 12 June	Hanoi
CSMP13	23 - 24 July	Ho Chi Minh City
CSMP14	20 - 21 August	Hanoi
CSMP15	17 - 18 September	Ho Chi Minh City
CSMP16	08 - 09 October	Hanoi
CSMP17	24 - 25 November	Ho Chi Minh City

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