

BOARD FUTURE: DIGITAL AND SUSTAINABILITY GOVERNANCE



Supported by

Integrated ESG
Driving Sustainable Investment

TABLE OF CONTENT

FOREWORD	3
ABOUT VIOD	6
SECTION 1: NAVIGATING THE DIGITAL AGE: BOARD RESPONSIBILITIES AND STRATEGIC ROLE	20
1. Advancing the Board’s Role in Digital Transformation.....	22
2. Decision-Making in the Age of AI.....	25
SECTION 2: DIGITAL AND SUSTAINABILIGITAL AND SUSTAINABILITY GOVERNANCE	30
1. The Foundational Pillars of Sustainability Governance.....	32
2. The Intersection of Digital Transformation and ESG.....	34

FOREWORD

Dear Readers,

The rapid advancement of digital technologies, datafication, and artificial intelligence (AI) is driving a fundamental shift across industries, creating new opportunities while introducing unprecedented competitive pressures. The traditional logic of competition - where size or scale dominated - is giving way to a new paradigm: “speed wins.” Today, success depends not only on capability, but on agility, innovation, and the ability to make timely, informed decisions.

At the same time, expectations from stakeholders and capital markets are evolving. Companies are increasingly evaluated not just on financial outcomes, but also on how they manage Environmental, Social, and Governance (ESG) factors - ranging from carbon emissions and supply chain transparency to data protection and ethical use of technology.

In this rapidly changing landscape, the role of the Board of Directors (BoD) is more vital than ever. Boards are expected to take the lead in digital transformation - steering investment strategies in technology, AI, and data analytics to improve operational efficiency and sharpen competitive advantage. At the same time, Boards must build strong digital governance frameworks, ensuring that technology is deployed responsibly, ethically, and in compliance with evolving regulatory standards. This includes oversight of cybersecurity risks, personal data protection, and the accountability of AI applications.

Moreover, Boards today must integrate ESG objectives meaningfully into corporate strategy. ESG planning should be aligned with financial goals and embedded in executive performance evaluation frameworks. This approach supports long-term value creation and strengthens a company’s ability to attract high-quality capital from both domestic and international investors - especially as Vietnam’s capital market works toward emerging market classification.

With the theme **“Board Future: Digital and Sustainability Governance,”** the 11th edition of the Directors Bulletin offers both strategic reflections and practical guidance on how Boards can lead in this new era. It explores how technology and data can empower better decision-making, support proactive risk management, and accelerate sustainable business practices. It also highlights new international ESG standards and showcases real-world models for integrating technology and ESG into modern governance practices - laying the foundation for long-term, competitive resilience.

VIOD sincerely thanks the International Finance Corporation (IFC), the Swiss State Secretariat for Economic Affairs (SECO), and SAP Vietnam for their valuable support in publishing this edition. We are also grateful for the ongoing engagement of board members, business leaders, and our CMP and IMP communities. Your contributions are essential to VIOD’s mission of advancing a modern, transparent, and sustainable corporate governance ecosystem in Vietnam.

We believe that, with visionary and proactive leadership from Boards, Vietnamese enterprises will not only adapt to ongoing change but will take the lead in building a digital, sustainable future - making a lasting contribution to the development of our markets and society.

Chairperson

Ha Thu Thanh

JULY EVENT

SEMINAR BOARD FUTURE: DIGITAL AND SUSTAINABILITY GOVERNANCE

Ho Chi Minh City, July 30th 2025

SINCERE THANKS TO OUR PARTNERS
FOR ACCOMPANYING





VIOD – A PIONEERING AND PROFESSIONAL INSTITUTION FOR CORPORATE GOVERNANCE IN VIETNAM

The Vietnam Institute of Directors (VIOD) is a professional, independent, and pioneering institution 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



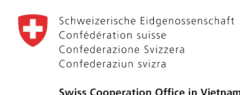
- ▶ Promote professionalism, expertise, and status of board members in Vietnam.
- ▶ Enhance corporate governance capabilities for businesses.
- ▶ Help improve investor confidence in Vietnam's private sector and capital market.

COMMITTED VALUES



- Compliance
- Transparency
- Integrity

FOUNDING PARTNERS



FOUNDING MEMBERS



CORPORATE MEMBERSHIP PROGRAM (CMP)



STAKEHOLDERS



SEMINAR: “RESOLUTION NO. 68-NQ/TW ON PRIVATE ECONOMIC DEVELOPMENT WHAT ARE THE OPPORTUNITIES FOR LISTED AND PUBLIC COMPANIES?”

On June 6, 2025, the Vietnam Institute of Directors (VIOD), in collaboration with the State Securities Commission of Vietnam (SSC), successfully hosted the seminar titled “Resolution 68-NQ/TW on Private Economic Development: What are the Opportunities for Listed and Public Companies?”, marking an important starting point for Vietnam’s capital market business community.

The event gathered over 400 participants in-person and online, including nearly 100 senior leaders - Chairpersons, Board Members, CEOs, and Executives of listed and public companies. With strategic guidance from market regulators and institutions, this leadership cohort is expected to lead the way in translating policy opportunities into long-term advantages.

The conference featured a keynote by Mr. Phan Duc Hieu, Standing Member of the National Assembly's Economic - Finance Committee and Chair of VIOD's Senior Advisory Board. In the panel discussion “Resolution 68 – What are the Opportunities for Listed and Public Companies?”, representatives from the SSC, the Private Sector Development Research Board (Board IV), investment fund, and leading company shared actionable insights to elevate corporate governance practices, aligning with ASEAN and OECD standards.

VIOD also presented updates from the 2024 ASEAN Corporate Governance Scorecard (ACGS). With current scores below the regional average, Vietnam’s companies are aiming for significant improvements in governance quality. The top five Vietnamese companies with the highest ACGS scores represented Vietnam and were recognized at the ASEAN Corporate Governance Awards 2025 in Malaysia on July 24, 2025.

Mr. Phan Duc Hieu - Standing Member of the National Assembly's Economic - Finance Committee and Chair of VIOD's Senior Advisory Board presenting at the seminar | June 6, 2025



Ms. Vu Thi Chan Phuong – Chairperson of SSC delivering opening remarks | June 6, 2025



Panel discussion: “Resolution 68 – What are the Opportunities for Listed and Public Companies?” | June 6, 2025



Ms. Ha Thu Thanh - Chairperson of VIOD presenting at the seminar | June 6, 2025



Especially, in addition to continuing the VNCG50 initiative, which highlights Vietnam’s 50 most pioneering companies committed to improving corporate governance, VIOD officially launched a new initiative: the Breakthrough Corporate Governance Initiative (BCGI). BCGI aims to enhance corporate governance based on the principle of “Proactive Compliance”, helping fast-growing companies stay ahead of institutional and market requirements. The initiative focuses on the second group of solutions under Resolution 68, aiming to improve the institutional framework and enhance the modern corporate governance system in line with international standards, ensuring transparency, efficiency, and sustainability for enterprises participating in the stock market.

The seminar also marked the official launch of the book “New Living Cases on Corporate Governance”, developed with the support of the International Finance Corporation (IFC). This publication serves as a valuable resource for corporate leaders seeking to leverage governance as both a capital access route and a strategic growth enabler.

Mr. Phan Le Thanh Long - Board Member, CEO of VIOD presenting at the seminar | June 6, 2025

STRENGTHENING YOUR BOARD'S CAPACITY 2 CONNECTING GLOBALLY - LEADING LOCALLY

In a rapidly evolving global economy shaped by technological disruption and rising sustainability (ESG) standards, the role of Boards of Directors has never been more critical. From June 21 to 28, 2025, the Vietnam Institute of Directors (VIOD), in collaboration with the Swiss Board School and the International Center for Corporate Governance (ICCG), organized the second edition of the intensive executive education program, **"Strengthening Your Board's Capacity - SBS2"** in Switzerland. The program brought together 16 distinguished participants, including Chairs, Board Members, and senior executives from pioneering Vietnamese enterprises.

Building on the success of SBS1, this year's SBS2 featured updated and highly practical content, reflecting the current context where digital technologies and AI are reshaping global competitiveness. The program remained anchored around the central question: **"How do we build a strong and effective board?"** - addressing some of the most pressing challenges in modern governance.

The academic quality of SBS2 was reinforced by the direct involvement of renowned international experts. Professor Martin Hilb, Chairman of the International Center for Corporate Governance (ICfCG), introduced the "Reverse KISS Model" - a strategic governance framework to help boards operate with agility, transparency, and effectiveness. Professor Michael Hilb, Chairman of the Swiss Institute of Directors (Swiss IoD), offered compelling perspectives on digital transformation, AI, and the role of the board in fostering a culture of innovation amid global uncertainty.

Complementing the academic content were insightful real-world analyses by guest speakers. Dr. Mark Füllemann shared his experience on international market expansion and building sustainable business models, while Dr. Peter Wittmann provided strategic perspectives on geopolitical and global trade dynamics - key forces shaping modern board responsibilities and resilience.



“

I found that this year's content was much more advanced compared to the previous program. This reflects how both the maturity and learning needs of participants have grown, and how VIOD has sharpened its understanding of real demands from Vietnamese boards - allowing the program to evolve accordingly.

”



Mr. Trinh Tien Dung
Chairperson of DaiDung Corporation

Learning through Connection – Connecting for Action

One of the highlights of SBS2 was the series of site visits and strategic dialogues with leading Swiss and European institutions - offering participants not only classroom knowledge, but direct engagement with organizations shaping global governance standards.

At the Swiss State Secretariat for Economic Affairs (SECO) in Bern, participants met with Mr. Philipp Orga (Head of Operations), Mr. Christian Braendli (Head of Private Sector Development), and Mr. Jonas Grunder (Program Manager for Economic Development). The session focused on Switzerland's approach to sustainable development and ESG policies, highlighting the vital role of the private sector and the importance of public-private collaboration in shaping effective policy frameworks - valuable lessons for Vietnam's ongoing green and sustainable growth transition.



Continuing the real - world engagement series, SBS2 visited **Burhah AG** in Zurich - a model enterprise known for its innovation and ESG - integrated operations. The leadership team presented their lean governance model and explained how the board plays an active role in ESG strategy setting - not just through oversight, but through measurable KPIs such as emission reduction, energy optimization, and sustainable supply chain restructuring.

On June 27, 2025, the delegation also visited the **Permanent Mission of the Socialist Republic of Vietnam to the United Nations, WTO, and other international organizations in Geneva**. The working session with Ambassador Mai Phan Dung and the Mission's team provided timely updates on global policy and trade trends, opened doors for new international networks, and strengthened the positioning of Vietnam's business community on the world stage.

SBS2 was not just a training course - it was a strategic journey, designed to expand global perspectives, foster meaningful international connections, and empower Vietnamese board members to lead with confidence and foresight.

With strong momentum from this year's program, VIOD is committed to developing **SBS3**, with the ambition to scale up, diversify learning experiences, and continue supporting the next generation of corporate leaders in shaping a resilient and sustainable governance standard for Vietnam.



VIOD PARTICIPATED IN ASEAN FINANCIAL MARKET DEVELOPMENT & CORPORATE GOVERNANCE EVENTS

From July 23 to 25, 2025, in Kuala Lumpur, Malaysia, the Vietnam Institute of Directors (VIOD) participated in a regional series of events focused on the development of ASEAN's financial market, with a core emphasis on evaluating corporate governance practices in member countries through the ASEAN Corporate Governance Scorecard (ACGS). As the official domestic ranking body for Vietnam, VIOD engaged in all three days of discussions and activities:

Day 1 (July 23, 2025): ACGS Debriefing Session

Representing VIOD were Ms. Nguyen Minh Hien – Academic Director and Ms. Nguyen Thuy Linh – Academic Manager. The annual session gathered ACGS technical assessment partners from six ASEAN countries to consolidate findings from the previous review cycle, exchange insights on enhancing the values of the ACGS, and discuss the objectives, evaluation criteria, and preparations for the 2025–2026 assessment round.

During the session, VIOD representatives shared practical insights into how ACGS has contributed to policy reform and improved corporate governance standards among Vietnam's listed companies. VIOD also proposed several ideas to further enhance the value of ACGS for well-governed companies – those in the Top ACGS and considered ASEAN assets.



*Ms. Nguyen Minh Hien – Academic Director (first row, fifth from the left) and
Ms. Nguyen Thuy Linh – Academic Manager (second row, first from the left) | July 23, 2025*

Day 2 (July 24, 2025): 2025 ASEAN Corporate Governance Conference & Awards

The conference brought together regulators, institutional investors, governance experts, and corporate leaders from across the region for meaningful dialogue and exchange. Panel discussions focused on key governance priorities such as board diversity, sustainability governance, digital transformation, investor stewardship, and regulatory developments.

The ASEAN Corporate Governance Awards Ceremony honored top-performing companies based on the ASEAN Corporate Governance Scorecard (ACGS) assessment. Five Vietnamese companies were recognized among the region's best: PetroVietnam Ca Mau Fertilizer Joint Stock Company,

FPT Corporation, Ho Chi Minh City Development Joint Stock Commercial Bank (HDBank), Vietnam Dairy Products Joint Stock Company (Vinamilk), and Vietnam Prosperity Joint Stock Commercial Bank (VPBank).



VIOD delegation and representatives from Vietnam's Top 5 companies | July 24, 2025

Day 3 (July 25, 2025): Bilateral Meetings with Malaysian Leading Organizations in Corporate Governance

VIOD continued our engagement through bilateral meetings with leading Malaysian corporate governance organizations. A key highlight was the working session with the Institute of Corporate Directors Malaysia (ICDM). Both sides explored opportunities for deeper technical cooperation, shared best practices in training and corporate governance initiatives, and discussed collaborative efforts to strengthen the corporate governance ecosystem across the ASEAN.



Leadership representatives from VIOD and ICDM | July 25, 2025

VIOD reaffirms our commitment to working alongside market regulators and the Vietnamese business community to promote the adoption of international best practices in corporate governance, gradually aligning with ASEAN's regional benchmarks.

DCP34 – A JOURNEY CONNECTING STRATEGIC-MINDED LEADERS

The 34th edition of the Director Certification Program - DCP34, organized by the Vietnam Institute of Directors (VIOD) from July 17 to 19, 2025, concluded with resounding success, leaving a lasting impression through its strong emphasis on leadership connection, knowledge sharing, and governance experience.

With over 30 participants, DCP34 welcomed a notable number of C-suite executives - key figures in business operations. Seeking to strengthen their strategic mindset and gain deeper insights into the Board's role in direction-setting and oversight, their engagement brought dynamic and practical discussions, particularly on how Boards and Management can collaborate effectively to ensure transparency and deliver long-term corporate value.

The program offered not only foundational knowledge on the legal duties and responsibilities of Board Members but also explored critical areas such as strategic governance, risk governance, financial oversight, and the leadership role in sustainable transformation. Thanks to a high-impact learning approach, a seasoned faculty of experts, and diverse real-world case studies, DCP34 fostered an open, in-depth, and inspiring learning environment, expanding a professional network and strengthening their commitment to driving sustainable business development.



Director Certification Program #34 (DCP34) | July 17-19, 2025

ACMP9 – STRENGTHENING THE CAPABILITIES OF THE AUDIT COMMITTEE

On July 8-9, 2025, the 9th Audit Committee Master Program (ACMP9), hosted by the Vietnam Institute of Directors (VIOD), successfully took place with the participation of 30 members from Audit Committees, Supervisory Boards, and Internal Audit teams of Vietnam's listed and public companies.

The Audit Committee plays a pivotal role in ensuring transparency and driving operational excellence. Their responsibilities extend well beyond financial oversight to encompass risk monitoring, internal control, and regulatory compliance - critical pillars that reinforce market confidence and strengthen stakeholder trust.

Guided by leading experts, ACMP9 not only brought together rich practical insights from Vietnam's corporate environment but also provided updates on international best practices. More than just a training program, ACMP9 offered participants a valuable platform to build and expand a professional network, laying the groundwork for future support and effective collaboration.



Audit Committee Master Program #9 (ACMP9) | July 08-09, 2025

CSMP8 – PROFESSIONALIZING THE ROLE OF THE CORPORATE SECRETARY

On June 12–13, 2025, the Vietnam Institute of Directors (VIOD) successfully organized the 8th Corporate Secretary Master Program (CSMP8) in Hanoi.

In a modern corporate governance system, the Corporate Secretary serves as a strategic bridge between the Board of Directors and the Executive Management. By ensuring seamless information flow and capturing decision-making dynamics, the Corporate Secretary enhances alignment and execution of strategic goals. A professional Corporate Secretary not only understands governance processes but also supports the Board in translating reports into sound decisions and turning information into long-term value.

CSMP remains the only specialized training program in Vietnam tailored for Corporate Secretaries, while also welcoming Board Members, senior executives, and governance professionals. Upholding the spirit of “real learning for real practice”, VIOD is committed to advancing the CSMP program as a catalyst for professionalizing this pivotal governance role.



Corporate Secretary Master Program #8 (CSMP8) | June 12-13, 2025

UPCOMING EVENTS

DIRECTOR CERTIFICATION PROGRAM (DCP)

DCP35	14 - 16/08/2025	Ho Chi Minh
DCP36	25 - 27/09/2025	Ho Chi Minh
DCP37	16 - 18/10/2025	Hanoi
DCP38	13 - 15/11/2025	Ho Chi Minh

CORPORATE SECRETARY MASTER PROGRAM (CSMP)

CSMP9	19 - 20/08/2025	Ho Chi Minh
-------	-----------------	-------------



Mr. Simon C.Y. Wong

Independent Advisor,
Co-Head Tutor in Sustainable Finance, Cambridge Institute for Sustainability Leadership (CISL);
Member of Academic Advisory Council (AAC), VIOD

“

Deliberate and sustained efforts must be made to strengthen the ability of the board and management to lead on the green transition.

”

“

Some businesses assume green financing comes with low interest rates, but this is not always true. IFC and other DFIs have been using blended finance to be able offer competitive credit line to local banks who then provide financing to support green projects.

”



Ms. Nguyen Thien Huong
IFC's ESG Consultant

“

As Vietnam transitions from frontier toward emerging market status, boardrooms must adapt rapidly. Governance structures that once focused narrowly on financial oversight are now being reshaped to manage systemic ESG risks and capture long-term value. In particular, climate governance is no longer optional. Boards must understand the strategic implications of climate change, in terms of both risks and opportunities. For many Vietnamese companies, this is beyond compliance. It is about securing investor confidence, market access, and global competitiveness.

”



Dr. Nga Pham

Associate Professor,
Monash Centre for Financial Studies;
IFC's ESG Consultant

SECTION 1

NAVIGATING THE DIGITAL AGE: BOARD RESPONSIBILITIES AND STRATEGIC ROLE



1 ADVANCING THE BOARD'S ROLE IN DIGITAL TRANSFORMATION



In today's rapidly evolving digital landscape, corporate boards must ensure their members possess sufficient digital literacy to meaningfully engage with CEOs and executive teams. Digital fluency is no longer optional and goes beyond technology - it represents a proactive mindset that embraces continuous adaptation and innovation in response to shifting markets and consumer expectations. As digital transformation accelerates, boards are challenged to assess whether their composition, skills, and strategic insight are evolving fast enough to remain relevant and effective. A recent NACD survey highlights digital transformation as one of the most impactful trends, underscoring the imperative for directors to understand enabling technologies, contribute to digital strategy, and guide long-term innovation and value creation.

1. Allocate more board agenda to discuss digital matters

Another NACD report notes three areas of board oversight requiring increased attention: human capital, cybersecurity and digital transformation. These topics are interrelated, as the CEO faces the challenge of aligning the executive team in formulating and executing the transformation road map. As digital transformation introduces new infrastructure and capabilities, fresh cyber threats are spawned, requiring new proactive and reactive countermeasures. Accordingly, boards should devote more time to discuss these matters as they impact capital allocation decisions.

2. Transition the board to embrace more directors skilled in navigating digital change

Mere understanding of the importance of digital and the notion of altering the board's culture to embrace it has become very "yesterday." The nominating/governance committee's mindset, criteria and expectations should reflect the board's most immediate needs. Boards needing to elevate their game in recognising the impact of disruptive technologies on business models and growth strategies, as well as the security implications of implementing those technologies, should make it a strategic imperative to evaluate board composition. To that end, the nominating/governance committee should seek the CEO's input on the specific capabilities and skill sets that the board needs to add value to strategic conversations in the boardroom. Also, it should not permit "fit" to function as a cover for unconscious bias or other barriers to the participation of otherwise qualified candidates, particularly on the digital front.

3. Understand how artificial intelligence (AI) bridges company offerings with customer experience

AI is a key element to companies' progress toward digital transformation, leading to more informed

decisions, empowered employees, accelerated innovation, improved compliance and third-party risk management. Board members should contribute to the integration of AI initiatives with capital allocation and strategic spending decisions as well as ethical discussions around such issues as transparency, fairness, trust, responsibility and privacy.

4. Be aware of regulatory developments spotlighting boardroom composition

The Securities and Exchange Commission (SEC) in the United States has proposed a rule requiring annual reporting or certain proxy disclosures about the board of directors' cybersecurity expertise. The proposal doesn't define what constitutes this area of expertise, only offering examples. It doesn't include an "if not, why not" provision, making it unclear how investors might interpret a company's lack of disclosure of a board-level "cybersecurity expert." Parties have raised concerns on this proposal regarding its practical implementation. Directors serving public companies listed in U.S. capital markets should regularly review how the board oversees cybersecurity risk. As cyber threats constantly evolve, boards should review this risk regularly, regardless of SEC actions.



5. Be mindful of legislative developments affecting digital business models

The EU's new digital services and markets legislation is expected to have global ripple effects, as digital platforms often operate across borders. These rules will impact not only large online platforms but also marketplaces, app stores, gig economy platforms, social media, and intermediary services like cloud hosting. While the full impact may take time to unfold, the broad scope signals significant compliance implications for global businesses. Much like the EU's General Data Protection Regulation (GDPR) legislation, this latest legislation may set a precedent for other countries, raising the bar for digital regulation worldwide. Boards should ensure management closely monitors these developments and prepares evolving compliance expectations in the digital space.

6. Understand that technology is key to navigate sustainability and profitability

Digital technologies drive productivity, innovation, cost savings, and sustainability. They help reduce waste, conserve resources, analyze data, and track environmental progress. By streamlining supply chains and solving complex problems, they also enhance brand reputation and attract customers who trust and value sustainable business practices. As shareholder's proposals on environmental and safety issues gain momentum in annual meetings, directors must ensure their companies are prepared. This requires shifting board discussions beyond the outdated view that sustainability and profit are at odds. If sustainability efforts impact short-term profits, boards may need to support new performance incentives and shape a clear, compelling narrative for shareholders. Ultimately, the board plays a key role in setting the tone and leading the conversation on long-term, sustainable value creation.

7. Rethinking information disclosure to the market

Support for director elections in the U.S. continued to decline through the 2021 proxy season.

Communicating through annual reporting alone may be too slow, leaving proxy access groups with an incomplete view of company progress. More frequent updates could serve as a proactive measure. Boards should assess the company's communication strategy and consider engaging with the CEO and management to align messaging.

In summary, advancing the board's digital transformation requires strategic, informed leadership. Technology must be seen as a driver of innovation, not just a support function. This includes ensuring the right board composition, regular refreshment, and ongoing digital education. Boards should dedicate time to the digital agenda, stay current on legislative and regulatory changes, and consider sustainability as part of digital strategy. Lastly, boards must evaluate how effective and often they communicate progress to investors, ensuring transparency and trust in their digital transformation journey.

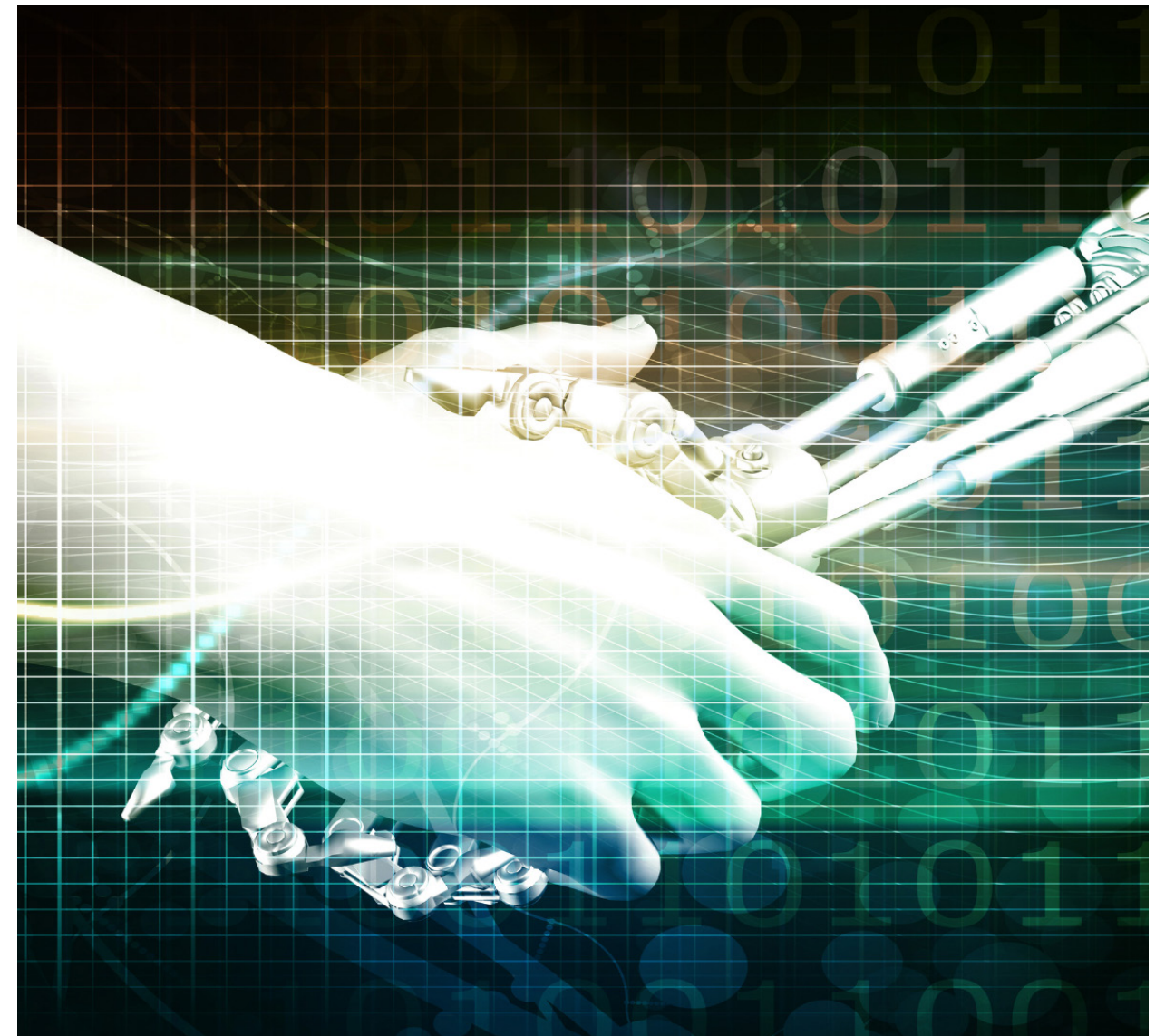
References:

Protiviti. (n.d.). BP155 – The board's role in digital transformation. Protiviti Insights.



2

DECISION-MAKING IN THE AGE OF AI



Directors must harness AI's transformative power without sacrificing organizational stability, credibility, and ethical integrity.

Imagine a scene playing out in boardrooms everywhere - perhaps even your own. The CEO presents a bold vision: integrating cutting-edge AI to drive efficiencies, personalize customer experiences, and sharpen competitive advantage. A quiet beat, followed by a thoughtful question: "What's our ethical off-ramp if the algorithm veers off course? How do we protect the trust we've built over decades?"

This isn't merely a technological dilemma; it's a strategic inflection point. AI is no longer an ancillary tool - it's reshaping how companies compete, manage risk, and define sustainability. For today's directors, the imperative is clear yet complex: how do we harness AI's transformative power without compromising the bedrock of stability, credibility, and ethical integrity that defines our enterprise?

The Genesis of Algorithmic Power: From Rules to Reasoning

As artificial intelligence becomes more embedded in business strategy, it's important for boards to understand how far the technology has come - and why it matters for governance. AI began with rule-based systems: straightforward programs that followed predefined instructions. While useful, they were limited to narrow scenarios. The real shift came with machine learning, which enabled algorithms to learn from data and identify patterns - marking the start of the big data era. This paved the way for deep learning, powered by layered neural networks, allowing AI to process complex information like images and language with remarkable accuracy. Now, we've entered the era of foundation models, such as GPT-4 and Gemini - general-purpose systems capable of performing a wide range of tasks and reshaping what's possible across industries. For directors, understanding this evolution is essential for effective oversight - recognizing both the promise and risks AI brings to the boardroom.



Key director concern:

How does understanding the way AI has evolved - from simple rules to complex learning - help us as directors make better decisions about its use, risks, and value in the boardroom?

Decoding Foundation Models: The New Engines of Insight

At the heart of today's AI transformation are foundation models - large, general-purpose systems like GPT-4 and Gemini, trained on massive volumes of data including text, images, code, and sound. Acting like **digital brains**, these models can perform tasks once thought to require human intelligence. Their value for directors lies in their versatility: they can analyze public data for global insights and be tailored to a company's proprietary data to unlock predictive intelligence for challenges like market expansion or supply



chain resilience. To harness this potential effectively, boards should adopt a **"portfolio mindset"** - much like diversifying investments to spread risk. By connecting diverse data streams, AI can uncover hidden patterns, support better risk management, and improve resource allocation. This integrated approach strengthens decision-making by revealing insights that traditional, siloed systems may miss.



Key director concern:

How can we leverage these powerful models to extract strategic value from our proprietary data while safeguarding its security and integrity - and how do we apply a portfolio mindset to balance risk and opportunity across the enterprise?

The Algorithmic Blind Spots: Where Machines Falter

While AI systems continue to impress with their speed and scale, treating their outputs as always correct is a risky assumption. For directors, understanding AI's limitations is just as important as recognizing its potential. A key concern is algorithmic bias - since AI learns from historical data, it can unintentionally replicate or even amplify existing inequalities in hiring, lending, or healthcare. Another is the "black box" problem, where complex models lack transparency, making it difficult for boards to verify or audit decisions, especially in regulated or high-stakes environments. There's also the risk of overreliance on automation: when decision-makers defer too easily to AI, they may lose the human judgment and critical thinking needed in uncertainty. Finally, even the most advanced AI lacks empathy, intuition, and contextual awareness - qualities often essential in navigating complex leadership situations.



Key director concern:

How do we implement rigorous governance mechanisms to identify, mitigate, and continuously monitor these algorithmic limitations - ensuring AI strengthens, rather than replaces, sound human judgment - and how do we build resilience against these blind spots?

The Indispensable Blend: AI's Analysis, Humanity's Wisdom

For today's boards, embracing AI is not simply about adopting new technologies - it signals a strategic evolution in governance. When applied thoughtfully, AI can support critical functions such as risk assessment, forecasting, resource planning, and strategic due diligence, providing deeper insights to guide informed decision-making. Yet the true opportunity lies in ensuring AI enhances - rather than replaces - the core principles that define effective leadership.

Directors play a vital role in aligning AI initiatives with the organisation's values, purpose, and long-standing reputation for trust and reliability



Key director concern:

How can we ensure our AI strategy is thoughtfully integrated into our broader governance framework, reinforcing long-term purpose and competitive advantage?

AI for the Boardroom: A Strategic Imperative, Not Just a Tool

For directors, integrating AI is not just about adopting a new tool - it signals a strategic shift in governance. When applied thoughtfully, AI can strengthen core board functions: enabling proactive risk assessment, more accurate forecasting, smarter resource allocation, and faster, deeper due diligence. But real integration goes beyond performance gains. It requires understanding AI's vulnerabilities and ensuring it complements - not replaces - the legacy practices and values that define effective leadership. AI should be a force multiplier for trust, accountability, and long-term purpose.



Key director concern:

How do we embed AI into governance in a way that reinforces - rather than risks - the trust, values, and strategic focus that define our organisation?



Practical Strategies for AI Governance: The Board’s Playbook

As AI becomes integral to business strategy, boards must ensure its adoption aligns with the organization’s purpose, values, and accountability standards. Here are five actions directors should prioritize:

- 1. **Establish a dedicated AI oversight framework** at the board or committee level, combining internal leadership with independent voices in AI ethics, risk, and strategy.
- 2. **Require explainable AI (XAI)** in critical decisions - from hiring to diagnostics - to

improve trust, transparency, and regulatory readiness.

- 3. **Implement strong data governance and ethical guidelines**, ensuring quality, privacy, security, and fairness across the AI lifecycle.
- 4. **Elevate board-level AI fluency** through continuous learning - enabling directors to ask the right questions and guide innovation responsibly.
- 5. **Leverage AI-powered dashboards** for real-time visibility into risks, performance, and strategic metrics - without overwhelming decision-makers.

Your Board’s Action Plan: Navigating the AI Frontier

Board leadership in the age of AI demands more than awareness - it requires clear, confident action. Consider these steps for your next board agenda:



The Covenant of Governance: Leading in the AI Epoch

We are entering a pivotal era where AI can transform board decision-making with unmatched precision and foresight. The key challenge is adopting these tools without compromising core values, reputation, or stakeholder trust. Boards must move beyond oversight to become stewards of responsible innovation. By

embracing transparency, strong governance and human judgment, directors can lead with both intelligence and integrity. This is the new covenant of governance: purpose-driven leadership in the age of AI.

References:
Thomson, M. (2025, June 25). Decision-making in the age of AI. Directors & Boards.



SECTION 2

DIGITAL AND SUSTAINABILIGITAL AND SUSTAINABILITY GOVERNANCE



“

The next generation of leadership must not only possess a deep understanding of the business, but also embody an entrepreneurial spirit, a mindset of innovation, a strong commitment to sustainable growth, and a bold aspiration for digital transformation.

”



Ms. Nguyen Thi Tra My
CEO of PAN Group;
Chairperson of Vinaseed Group

1 THE FOUNDATIONAL PILLARS OF SUSTAINABILITY GOVERNANCE

Mr. Simon C.Y. Wong

Independent Advisor, Co-Head Tutor in Sustainable Finance, Cambridge Institute for Sustainability Leadership (CISL); Member of Academic Advisory Council (AAC), VIOD

Almost overnight, the seemingly distant threats posed by climate change have become a grim reality as devastating wildfires, heatwaves, hurricanes, floods, and other extreme weather events wreak havoc around the world, including in Southeast Asia.

It should, therefore, come as no surprise that a majority (55.3%) of Southeast Asians now list climate change and extreme weather events as their top concern.^[1] In the Philippines and Vietnam, which are particularly vulnerable to the effects of global warming, the proportions of people who are most worried about climate change stand at a staggering 70.9% and 70.3%, respectively.

For these reasons, it is imperative that Southeast Asian companies build robust sustainability governance to help their leaders navigate current and impending climate risks and opportunities. Although the specific features will vary, the following should serve as foundational pillars:

1. Well-developed oversight structures at both board and management levels;
2. Tight alignment between the board and management and across the broader organisation; and
3. Strong board and management competence to lead on sustainability actions.

Sustainability governance often focuses on board-level oversight, but it is critical that robust structures exist at both board and management levels. At many companies, sustainability governance is built from management level upwards. For example, a large Southeast Asian

bank created a group sustainability department in 2019, hired a group chief sustainability officer in 2020, and established a dedicated board-level sustainability committee in 2021. Given the urgency of climate change, it is advisable to accelerate these efforts and develop board and management-level governance in parallel.

For the board, a key decision is whether to establish a dedicated sustainability committee. While different structures can be effective, a standalone sustainability committee offers three advantages:

1. Time for fuller and deeper discussions of sustainability issues, without the risk of these topics being squeezed out if oversight sits at the board of directors level or in a different board committee;
2. Opportunity for board members to build expertise, which is important because certain sustainability topics – such as Scope 3 emissions measurement and transition pathways to net zero – are complicated and technical; and
3. The continuity of oversight provided by a dedicated sustainability committee can be especially helpful for monitoring climate transition plans, which will require periodic updating to reflect technological advances, public policy changes, evolving industry dynamics, and other relevant factors.

To ensure smooth working relationships and effective sustainability actions, it is also vital for the board and management to be well-aligned on sustainability scope and priorities. In discussions with Southeast Asian directors, executives, and others, I have found that this is not a given and possibly not commonly the case.



According to an executive at a Thai financial institution, “Not so long ago, comments from the board [on sustainability] were often scattered and sometimes the same question was asked by directors in different ways, which took up valuable time” and impeded practical decision-making. To enhance alignment, the bank organised an offsite for the board, top management, and heads of business functions to explore what sustainability meant for the institution, its aspirations in this area, and how progress would be measured. The common understanding achieved at the offsite has led to better board discussions, with directors and executives now engaging each other in a more focused and business-relevant manner.

In addition, measures to achieve alignment across the broader organisation can include convening regular sustainability “summits” to bring together executives from all parts of the company, adopting an internal carbon price to ensure climate considerations are integrated into capital and operational spending decisions at the business unit level, and incorporating sustainability-related KPIs into executive compensation arrangements.

Lastly, deliberate and sustained efforts must be made to strengthen the ability of the board and management to lead on the green transition. Notably, the 2024 ASEAN Board Trends survey revealed that 58% of Southeast Asian director respondents felt their boards needed more training on sustainability and climate change.^[2]

Among Southeast Asian companies, activities to equip the board and top management with sustainability knowledge range from periodic briefings by external and internal experts to *ad hoc* participation in educational courses to more systematic training. Malaysian bank CIMB, for example, has established a Sustainability Academy to organise customised training for 500 board directors and executives from across the group.

Although not yet widespread in Southeast Asia, some companies are introducing “experiential” learning in the form of field visits and other hands-on activities. Seeking to better inform the board’s discussion on whether and how to roll out electric vehicle (EV) fleets, a Southeast Asian transportation company arranged a trip to China for its directors and executives to visit EV manufacturers and see EV transportation networks in operation. Earlier this year, a Singaporean bank engaged me to facilitate a climate science workshop for a group of its bankers that featured a climate scenario role-playing exercise designed to make the consequences of climate change feel less abstract as well as a participants-led exploration of high- and low-leverage climate actions via a “live” climate solutions simulator.

According to a Singapore-based independent director, experiential experiences will not only deepen knowledge but can also strengthen conviction and foster curiosity and a desire to learn more. These traits are crucial, as all companies will inevitably encounter setbacks and other challenges along their green transition journeys.

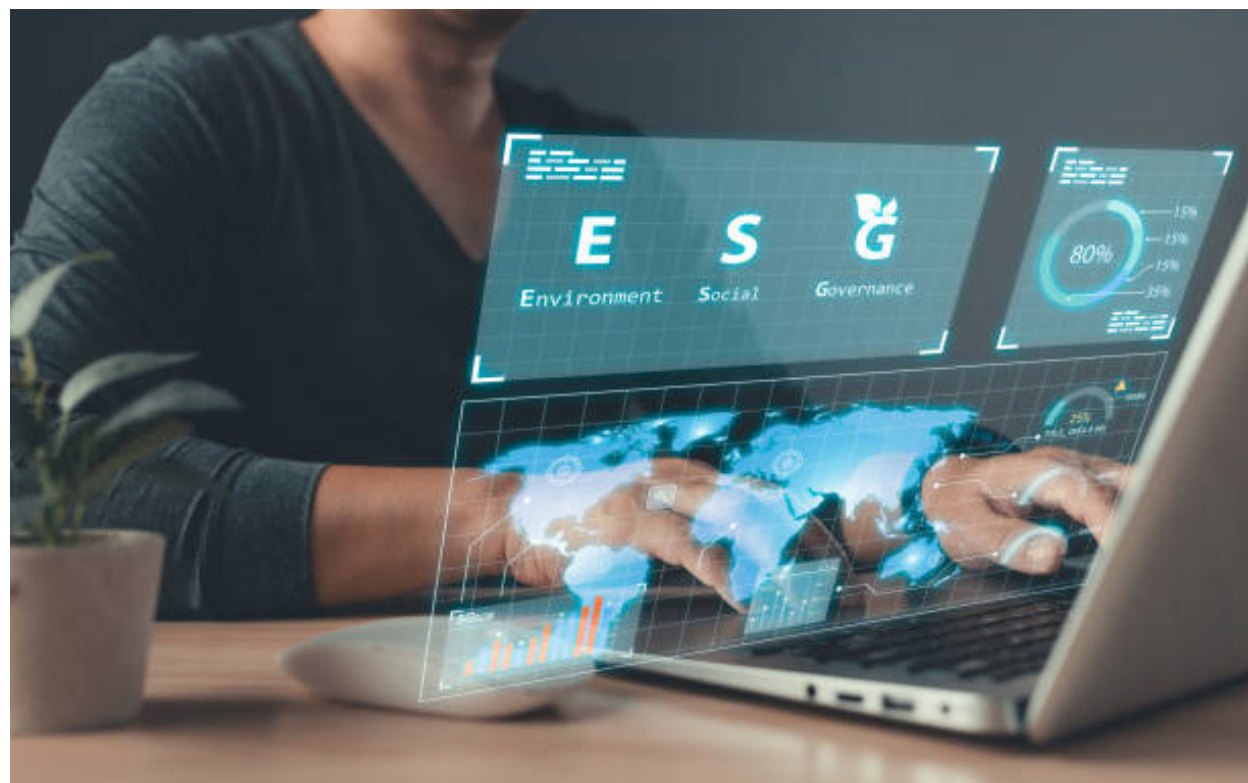
1. ISEAS - Yusof Ishak Institute, The State of Southeast Asia: 2025 Survey Report (2025) (available at <https://www.iseas.edu.sg/wp-content/uploads/2025/03/The-State-of-SEA-2025-1.pdf>).

2. Available at https://sid.org.sg/common/Uploaded%20files/Resources/ICDM_THE2024ASEANBOARDTRENDS.pdf.

2

THE INTERSECTION OF DIGITAL TRANSFORMATION AND ESG

<https://kpmg.com/in/en/blogs/2024/09/the-intersection-of-digital-transformation-and-esg.html>



Potential of digital transformation and technology supporting ESG is very broad and need of hour is healthy integration of ESG and digital strategies.

Today incorporating Environmental, Social, and Governance (ESG) principles into corporate strategy has become vital - but notably, not just to demonstrate a company's commitment to sustainability and ethical practices.

As we are aware, a well-crafted ESG strategy is key to long-term success and reputation across sectors where investors and stakeholders are increasingly looking for lower risk, higher returns, and long-term business sustainability.

In this, a crucial but vital catalyst is technology, which serves as a powerful tool in realizing ESG goals and bringing about transformation. More and more organizations are now realizing that leveraging technology, would be necessary to

drive sustainable business practices in a world where we are now seeing digital innovation and corporate responsibility becoming increasingly intertwined.

Digital transformation and technology are the key to enhancing ESG initiatives

Over the last few years, the carbon emissions have increased significantly and there is a critical need for companies to comply with complex ESG regulations and standards and by integrating advanced technologies companies could gain access to insights into their environmental impact and implement sustainable initiatives, simplify social governance processes, and implement higher standards of compliance and reporting.

Corporate India stands at a pivotal moment where digital transformation and ESG can converge to create unparalleled opportunities. By harnessing

technology, businesses can not only meet their ESG goals but also drive innovation, attract investment, and contribute to a more sustainable and equitable society.

The intersection of digital transformation and ESG

The coming together of digital transformation and ESG can help to develop new models for corporate sustainability. As all know, digital technologies not only enhance business operations, but they can also help in realizing ESG objectives. Here is how they can help in realizing these objectives:

Making use of AI and Data Analytics for Environmental Impact and Monitoring: The use of advanced analytics can help companies measure and manage their environmental footprint effectively. Sensors and analytics can track air quality, emissions, and resource consumption for real-time monitoring and optimization of environmental metrics. To cite an example - AI tools can analyze energy consumption trends and patterns, helping firms reduce their carbon emissions.

- Use of Robotics for Waste and Carbon Reduction: Robotics could be used to assist environmental initiatives, such as reducing waste and carbon-intensive activities. For example, Robotic Waste Sorting Systems improve the efficiency of recycling processes and contribute significantly to waste reduction.
- Use of IoT for Social Governance: IoT can be made use of to monitor working conditions in real time, ensuring compliance with health and safety regulations. For example: IoT can track employee health metrics, promoting workplace wellness programs.
- Use of Blockchain for Transparency in Supply chain: Blockchain can be used for Transparency and Accountability in supply chain by ensuring transparent and immutable records of corporate actions and transactions. For example: Blockchain can be used to track the entire supply chain, ensuring that raw materials are sourced sustainably by meeting the ethical standards and reducing its environmental impact.

Accurate and timely reporting is extremely crucial to ESG compliance. Here too digital transformation and technology can aid.

- Use of automation tools could help to simplify collection and real-time reporting of ESG-related data, making it more efficient and reliable by reducing error and costs.
- Digital platforms can enable better engagement with stakeholders and hence providing them with up-to-date ESG performance data can help in good communication.
- Predictive analytics and Cybersecurity measures can help in Risk Management by Identifying potential risks and vulnerabilities before they escalate. For example: Predictive analytics can detect and respond to cybersecurity threats, safeguarding organizational data.

Some of the Future Prospects and Opportunities

- Green Finance: Digital Platforms will facilitate the issuance and trading of green bonds and other sustainable finance instruments, attracting investments in ESG projects.
- Quantum Computing for Sustainability: Emerging technologies like quantum computing will solve complex sustainability challenges, optimizing resource use and reducing environmental impact.
- Digital ecosystems for Sustainability: Digital Ecosystems will emerge, integrating various stakeholders to drive collective action on ESG issues. Companies, NGOs, and governments will collaborate on platforms to address sustainability challenges and create shared value.

References:

Tewari, S., & Subramanian, T. S. (2024, September). *The intersection of digital transformation and ESG*. KPMG.



CONTACT US

Hanoi Office

7th Floor, Vinaconex Tower
34 Lang Ha Street, Lang Ward, Hanoi

Contact our Academic team

Nguyen Minh Hien - Academic Director
Phone: +84 915 243 894 | Email: hien.nguyen@viod.vn

Ho Chi Minh City Office

21st Floor, Vietcombank Tower
5 Me Linh Square, Sai Gon Ward, Ho Chi Minh City

Contact our Academic team

Nguyen Thuy Linh - Academic Manager
Phone: +84 983 653 762 | Email: linh.nt@viod.vn

Hotline: +84 936 249 697 | **Email:** info@viod.vn | **Website:** <http://www.viod.vn>

