

INVESTING IN CORPORATE GOVERNANCE: STRENGTHENING COMPETITIVENESS FOR SUSTAINABILITY



Supported by:

Integrated ESG
Driving Sustainable Investment

7th ANNUAL FORUM
DIỄN ĐÀN THƯỜNG NIÊN LẦN THỨ 7

**ĐẦU TƯ VÀO QUẢN TRỊ CÔNG TY:
CHIẾN LƯỢC THU HÚT NHÀ ĐẦU TƯ CÓ TRÁCH NHIỆM
TRONG XU THẾ QUỐC TẾ HOÁ THỊ TRƯỜNG**

**INVESTING IN CORPORATE GOVERNANCE:
A STRATEGY TO ATTRACT RESPONSIBLE INVESTORS
IN THE MARKET GLOBALIZATION**



**WE SINCERELY EXPRESS OUR PROFOUND GRATITUDE TO
THE DISTINGUISHED PARTNERS OF THE 7TH ANNUAL FORUM (AF7)**

CO-ORGANIZERS

Integrated ESG
Driving Sustainable Investment

IFC International Finance Corporation
Creating Markets, Creating Opportunities

Schweizerische Eidgenossenschaft
Confédération suisse
Confederazione Svizzera
Confederaziun svizra
Swiss Confederation

Federal Department of Economic Affairs,
Education and Research EARE
State Secretariat for Economic Affairs SECO



**State Securities
Commission
of Vietnam**

MEDIA PARTNER



SUPPORTING PARTNERS

VIETNAM EXCHANGE
SỞ GIAO DỊCH CHỨNG KHOÁN VIỆT NAM



HANOI STOCK EXCHANGE
SỞ GIAO DỊCH CHỨNG KHOÁN HÀ NỘI



SỞ GIAO DỊCH CHỨNG KHOÁN THÀNH PHỐ HỒ CHÍ MINH
**HOCHIMINH
STOCK EXCHANGE**

Deloitte.

TTC
AgriS

BIDV
NGÂN HÀNG TMCP ĐẦU TƯ VÀ PHÁT TRIỂN VIỆT NAM

Vinamilk
EST 1976

PETROVIETNAM
PV Drilling



CAMAU FERTILIZER
FOR GOLDEN HARVESTS

VPBank



viettel
construction

SMU
SINGAPORE MANAGEMENT
UNIVERSITY

HDBank

TABLE OF CONTENTS

FOREWORD	5
ABOUT VIOD	6
 SECTION I – INVESTING IN CORPORATE GOVERNANCE: WHY IS IT NEEDED?	 14
1. Go Governance or Just Go Home!.....	16
2. Governance Quality Needs to be the Top Priority.....	18
 SECTION II – GOVERNANCE TRENDS IN THE CONTEXT OF CLIMATE CHANGE	 22
1. Climate Governance: Why It Matters and What It Means for Boards.....	24
2. Climate Change Governance and the Board Chair of the Future: Accelerating the Transition toward a Low-Carbon Future.....	36
 SECTION III – THE IMPORTANCE OF ETHICAL LEADERSHIP AND DIVERSITY IN BOARD EFFECTIVENESS	 42
1. Fostering Ethical Leadership in Times of Complexity.....	44
2. Decision-Making Styles and Benefits of Diverse Perspectives in Boards.....	47

Dear Readers,

In the era of ESG and Sustainable Development, investing in emissions reduction and the path toward Net Zero has become a global trend and a priority for each country. Each company and industry is grappling with the question: “Where will the investment capital come from, and how can new and effective sources of funding be secured?” This challenge is especially pertinent for public and listed companies. ESG is not only about reducing emissions but also about enhancing positive impacts on the environment and creating meaningful benefits for the community and society, with Corporate Governance (CG) serving as a key metric.

CG has been recognized as a critical factor in boosting competitiveness, driving sustainable development, and affirming a company's position in the global marketplace. Investors, especially international investment funds, have considered CG a prerequisite for evaluating governance quality, with transparency serving as a measurable indicator of the sustainable development commitment from the board and senior leadership. Implementing CG, combined with environment, social, and governance (ESG) factors, is not only a foundation for businesses to adapt swiftly to changes and gain competitive advantages, but also helps them meet international standards, expand market presence, and build trust with stakeholders.

Bulletin No. 7, themed **“Investing in Corporate Governance: Strengthening Competitiveness for Sustainability,”** provides a deep dive into the importance of investing in CG in the current landscape. The contents include why CG should be prioritized as a top investment, governance trends amidst climate change, and the crucial role of ethical leadership and diversity in board effectiveness. We believe the insights shared in Bulletin No. 7 will serve as an invaluable resource to help directors and executives shape their ESG action plans for 2025.

VIOD extends our sincere gratitude to the International Finance Corporation (IFC) and the State Secretariat for Economic Affairs of Switzerland (SECO) for their support in publishing this Bulletin. The collaboration of members in VIOD's CMP and IMP networks, along with the interest and support from directors and business leaders, is a significant motivation for us to continue building a strong CG ecosystem, contributing to the stable and sustainable development of Vietnam's capital market.

Yours sincerely,

Chairperson



Ha Thu Thanh



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

CONTACT OUR ACADEMIC TEAM

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

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

OUR OFFICES

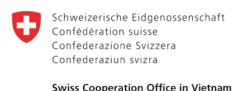
Hanoi Office
7th Floor, Vinaconex Tower
34 Lang Ha Street, Lang Ha Ward,
Dong Da District, Hanoi

Ho Chi Minh City Office
21st Floor, Vietcombank Tower
5 Me Linh Square, Ben Nghe Ward,
District 1, Ho Chi Minh City

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



FOUNDING PARTNERS



FOUNDING MEMBERS



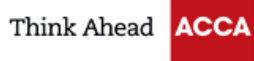
PLATINUM MEMBERS



GOLD MEMBERS



STAKEHOLDERS





VLCA 2024 judging panel | November 16, 2024



Representatives of technical partners in the preliminary round | November 16, 2024

VIOD – AN INDEPENDENT, PROFESSIONAL, AND RELIABLE TECHNICAL PARTNER OF THE VIETNAM LISTED COMPANY AWARDS (VLCA)

2024 marks the second consecutive year that VIOD has partnered with the Vietnam Listed Company Awards (VLCA) as an independent third party conducting Annual Reports and Corporate Governance assessment during the preliminary round, with a commitment to ensuring high standards of expertise and quality.

1. People – The Foundation of Value Creation

VIOD takes pride in a team of leading experts with extensive experience in Corporate Governance (CG). With years of observing, researching, and consulting businesses of various sizes, industries, and structures, VIOD's experts possess not only comprehensive legal knowledge but also a profound understanding of real-world practices. We continuously strive to guide the market toward the adoption and implementation of good CG practices, significantly contributing to enhancing the overall CG quality in Vietnam.

2. A Methodical and Systematic Evaluation Process

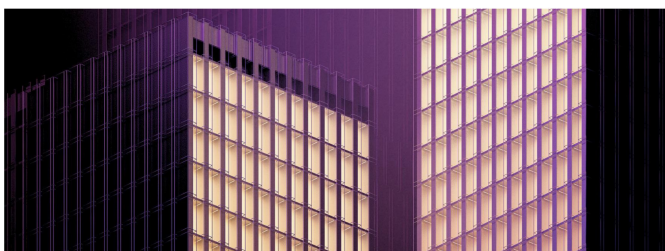
In collaboration with its partners, VIOD established a scientific evaluation process, defining the scope of work and evaluation criteria from the early stages of the project. Workshops were organized to announce the criteria framework, enabling businesses to understand and apply them in practice. Quality control was conducted through multiple stages, including independent evaluation, cross reviews, audit reviews and comparative analyses with results from previous years. This ensured that any changes were thoroughly explained, leading to highly accurate and high-quality evaluation outcomes.

3. Comprehensive Assessment and Report

As the technical partner for both the Vietnam Listed Company Awards (VLCA) and the ASEAN Corporate Governance Scorecard (ACGS), VIOD leverages our expertise to provide in-depth analyses comparing Vietnam's CG standards to those in the region. Using benchmarks such as ACGS and OECD, VIOD delivers not only precise evaluations but also strategic recommendations to help businesses enhance their practices and bridge the gaps between Vietnamese listed companies and regional peers. VIOD's comprehensive report is recognized as a valuable resource, offering guidance and direction for Vietnamese businesses.

CORPORATE GOVERNANCE ASSESSMENT REPORT
VIETNAM LISTED COMPANIES
2024

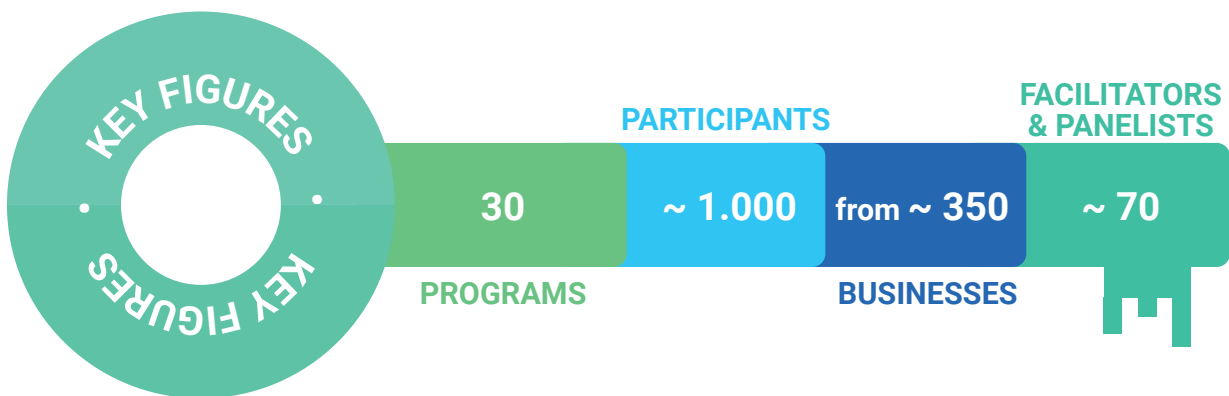
Read the full **2024 Corporate Governance Assessment Report for Vietnam Listed Companies** at:



THE JOURNEY OF 30 DCPS: SHAPING THE CORPORATE GOVERNANCE PROFESSION



Director Certification Program #30 (DCP30) | November 21-23, 2024



The Director Certificate Program (DCP) is the only high-quality Corporate Governance (CG) training program in Vietnam, organized by VIOD with technical support from the International Finance Corporation (IFC) and the Swiss State Secretariat for Economic Affairs (SECO). In November 2024, VIOD achieved the milestone of 30 DCPs, marking a significant step in its mission to promote the adoption and implementation of best practices in CG integrated with ESG for Vietnamese businesses.

Scan for more details about VIOD's upcoming programs and events:



30DCPs, with nearly 1.000 participants, have built a strong community comprising individuals with a strong interest in CG, playing a crucial role in influencing the CG ecosystem and practicing CG across businesses in various industries. This achievement not only highlights the spirit of collaboration and learning but also stands as a testament to the unwavering commitment and continuous efforts of the DCP network to build a more transparent, effective, and sustainable CG ecosystem.

At the special November Member Networking event, as a DCP and Audit Committee Master Program (ACMP) alumnus, Mr. Nguyen Van Thien, Chairman of Binh Duong Water - Environment Joint Stock Company (BIWASE), shared meaningful insights with the attendees. He emphasized that the in-depth knowledge and discussions from VIOD's training programs have significantly enhanced his governance capabilities and provided a robust foundation for practical application. These programs have supported him in making strategic decisions, encouraging employees to adopt and implement good CG practices, thereby fostering a sustainable corporate culture, improving operational efficiency and creating long-term value for shareholders.

VIOD sincerely expresses deepest gratitude to our dedicated and passionate facilitators and panelists, who have shared practical experiences and knowledge of CG over 30 programs, enriching DCP's quality and value. We also would like to extend heartfelt appreciation to our esteemed partners: BIWASE, PVTrans, and The PAN Group for their invaluable support, which played a crucial role in the success of the November Member Networking event – Celebrating the 30 DCPs milestone.



November Member Networking Event | November 22, 2024

DINNER AND NETWORKING WITH DR. PHILIPP RÖSLER: “UNLOCKING BUSINESS DEVELOPMENT OPPORTUNITIES IN EUROPE FOR VIETNAMESE BUSINESSES”

On the evening of October 24, 2024, VIOD organized an exclusive Dinner & Networking Event with Former Vice Chancellor of Germany Dr. Philipp Rösler, themed “Unlocking Business Development Opportunities in Europe for Vietnamese Businesses.” The program featured insights from Dr. Philipp Rösler and senior financial experts from Europe, including Dr. Tran Bao Toan, Chairman, CEO of PAVO Capital Group; Mr. Patrick Phillot, CEO of Boesiger Group; and Mr. Harald Fischl, Member of the Austrian Parliament. The distinguished speakers offered unique perspectives and comprehensive analyses on global political factors, unveiling pathways to investment opportunities in Europe and exploring new potential in the international business landscape.

This event followed the successful launch of VIOD’s Chair Club, which took place during the “Enhancing Corporate Governance Capacity for Listed Companies” conference on July 3, 2024. It marked the inaugural activity of the Chair Club, aiming to assist Chairpersons and senior leaders of Vietnamese businesses in expanding their networks and sharing strategic visions. The event was held with the support from our esteemed partners: PAVO Capital Group and Tien Phong Plastic Joint Stock Company (NTP).



Participants of the Chair Club’s Dinner & Networking Event | October 24, 2024

VIOD REPRESENTATIVE SHARES INSIGHTS AT THE 2024 ANNUAL BUSINESS CONFERENCE BY HANOI STOCK EXCHANGE



Ms. Nguyen Minh Hien, VIOD Academic Director, presenting at the conference | November 8, 2024

On November 8, 2024, the Hanoi Stock Exchange (HNX) held the 2024 Annual Business Conference to review listing activities and promote good Corporate Governance practices. Representing VIOD, Ms. Nguyen Minh Hien, Academic Director, provided comprehensive insights and assessments on the current quality of information disclosure among listed and public (UPCOM) companies in Vietnam, while highlighting key areas for improvement, particularly regarding Shareholders' Rights, Board Responsibilities, and Stakeholders' Roles.

VIOD ACCOMPANIES VIETNAM ESG CHALLENGE 2024

At the Vietnam ESG Challenge 2024, VIOD was honored to participate as a supporting partner and a member of the judging panel for the exciting final rounds, held on the mornings of November 1, 2024, in Hanoi and November 3, 2024, in Ho Chi Minh City. VIOD's involvement goes beyond evaluation, as we actively contribute to educational initiatives aimed at enhancing knowledge of Corporate Governance integrated with ESG and Sustainable Development among the younger generation, particularly through close collaboration with a network of domestic universities.



Final-round judging panel of Vietnam ESG Challenge 2024 | November 1, 2024



SECTION I

INVESTING IN CORPORATE GOVERNANCE: WHY IS IT NEEDED?



1. GO GOVERNANCE OR JUST GO HOME!

Mr. Darryl J. Dong

Principal Country Officer cum Head of Ho Chi Minh City Office

Corporate Governance in a Changing Business Landscape

What is this thing that they call “corporate governance”? Simply put, it is the system of rules, practices, and processes that directs and controls a company. It refers to how a firm is governed and for what purpose. It identifies who has authority, who is accountable, and who makes decisions. Corporate governance is important for your firm’s progression, and you can be sure that *the market is watching*. The gate is barely open for adoption of global best practice governance standards in our market.

“The future ain’t what it used to be.” Someone said that a few generations ago, but it could have been said today. It is no longer “business as usual” because business is no longer usual. The world is a mess, and we need to think and act differently. As business leaders, we need to do the things that others think we cannot do. We need to act bigger, better, faster, and more. If we want to be a true contender, then we cannot do “same same”. Albert Einstein told us, “If you do not want the same results, then do not do the same things.” For today’s brave new world, we need new results. We need to do things differently for our firms. We need to do things differently for our country. The future is ours to shape, and because we are the leaders we are, *so shape it we will*.

What we need now is offence, and that offence is good governance. You see, *corporate governance is today’s global currency*. It transcends money. It is an international fiat that you can trade on, you can count on, and you can bank on. And it brings corporate reputation, market recognition, and enterprise value. Investors today look beyond financial performance to partners with solid footing on clear rules of the road to manage risks, reduce costs, secure staff, and strengthen stakeholder relations. Governance is not merely a regulatory requirement, nor a check-the-box exercise. It is the bedrock of sustainable success, trust, and value creation. We will engage with conviction and tenacity on corporate governance. *No less will do*.

Good Corporate Governance as a Competitive Advantage

Why is all this so important for business in the new world? Well, first and foremost, governance instills trust. In an age where fake news, misdirection, and disinformation flow rampant, the market demands transparency and accountability. Moreover, good corporate governance mitigates risks with robust and self-reflective business practices. For example, having a diverse and unbiased board not only complies with regulations, but also safeguards against missteps and pitfalls. Boards with members with different experiences bring different perspectives that, when combined, can arrive at different solutions for consideration. A strong governance framework ensures that operations are ethical and manifest, and this translates into lower costs and higher values. Frankly, *good governance is simply good business*.

It enables a company to stand the test of time, one that is resilient, innovative, and agile. *Governance shapes legacy*. It’s about being able to adjust to changing market demands and behaviors. It’s about establishing a culture where ethics and performance go hand in hand, where every staff member feels the power of his/her position, and where success is measured not just in profits, but in the impact that is made. Good governance draws in employees, customers, investors, suppliers, and the community at large. It creates judicious endowment. Governance is a code of conduct. It is a badge of honor that you can’t buy because you can only earn it. It is an honor that moves mountains, and it moves markets. So, go governance or just go home.

Corporate governance drives performance and advantage, as consumers increasingly demand products and brands that reflect their ideals. Companies that prioritize noble and worthy practices demonstrate a commitment to morality, sustainability, and answerability. This attracts top business customers, and it attracts top global talent. For your firm's ambitions, you need to "walk the talk" of governance. We need to show the world that we want its business, that we deserve its business. If we want an enduring legacy for this market, if we want responsive and responsible companies, then come to this corporate governance gate. *Open this gate.*

Embracing Good Governance for a Better Future

Accountability and communication are key. Ensure that roles are clearly defined. Encourage open discussions about performance and principles. Hold yourself accountable for your actions and make others do likewise. Champion risk management and promote compliance. Support sustainable practices. Foster dialogue and allow your staff to raise issues without favor or fear. After all, you need to hear the people sing and to hear the distant drums because *it's the future that they bring when tomorrow comes.*

Make sound, reliable conduct the DNA of your firm. Set the tone from the top and drive it from the boardroom to the lunchroom. Embody values with behavior that is irreproachable and unimpeachable. As a board member, you are in a position of great power. And with that great power comes great responsibility. Embrace that responsibility to make the difference. Your attitude signals to the market that honesty, fairness, and equity matter. Be the example. Be *that guy*.

Good governance will help you to better respond to new risks, complexities, technological disruptions, and social and environmental concerns. Your firm's governance journey starts with you as a key board member. Your staff, your management, and your shareholders need your leadership. You are their steward. Look around you - *you are in good company.*

Let's choose to embrace good corporate governance because it is our golden ticket to today's brave new world. We stand at the governance gate. *You can open this gate.* Remember, *the market is watching.*



2. GOVERNANCE QUALITY NEEDS TO BE THE TOP PRIORITY



Ms. Ha Thu Thanh
VIOD Chairperson

“Enhancing the quality and standards of corporate governance is an important strategic goal that needs to be given top priority at present.”

Quality Standards Remain Low

When referring to the “standards of corporate governance application,” we are talking about comparing the level of corporate governance (CG) practices of enterprises in Vietnam with ASEAN regional standards. Enhancing the quality and standards of CG should be considered an important strategic goal and top priority now. This has been clearly stated in the “Strategy for the Development of the Stock Market until 2030,” which was approved by the Prime Minister in Decision No. 1726/QĐ-TTg dated December 29, 2023, in Section 3 “Specific Goals” with the following content: “Raise the quality of corporate governance of listed companies to be above the average level of the ASEAN region.”

Enhancing the quality of CG plays an important role not only in attracting investment capital from international investment funds but also in creating a sustainable development foundation for Vietnam’s stock market itself, especially in the context of Vietnam striving to upgrade its stock market from a frontier market to an emerging one. Currently, CG scores in Vietnam are still lower than the average and the lowest among six ASEAN countries. The most recent score published in 2022 for Vietnam is 57.6 out of 130 points.

According to the 2024 CG assessment results of the Vietnam Listed Company Awards (VLCA), the CG scores of listed companies have seen significant improvements. However, according to the preliminary 2024 assessment results of the ASEAN Corporate Governance Scorecard (ACGS), Vietnam’s average CG score still has not been able to reach the average regional level, requiring greater efforts from each listed company and the listed company community as a whole.

Compliance Is Not Enough

The Vietnam Institute of Directors (VIOD) is the technical partner for both of Vietnam’s CG assessment programs, VLCA and ACGS. We believe that to enhance the standards of CG, each enterprise needs to have specific strategies and strong, focused action programs to improve their governance quality.

Practicing CG with a compliance mindset—doing only what’s right (not doing wrong)—cannot be sufficient. Each listed company needs to adopt the mindset of applying best practices, guided by good CG principles (Vietnam CG Code), going beyond compliance to do enough and do the best with regards to CG, thereby contributing to the overall improvement of Vietnam’s standards.

“Practicing corporate governance with a compliance mindset–doing only what’s right (not doing wrong)–cannot sufficient. Each listed company needs to adopt the mindset of applying best practices, guided by good corporate governance principles.”

The primary prerequisite to enhance the quality of CG is raising awareness and changing the mindset of the leaders including companies’ directors and executives. The boards must ensure that the formulation and implementation of the company’s strategy always aims toward transparency, effectiveness, and sustainability. To achieve this, it is necessary to incorporate CG matters and ESG factors into the annual business development strategy. For example, in the development plan for the 2024–2025 period, companies need to have clear ESG objectives with specific agenda items discussed and monitored at board meetings.

At the same time, this awareness needs to permeate companies’ entire management system, from the boards of directors to the boards of management and departments. This requires a systematic process of integrating CG and ESG factors into the regular meeting agendas of companies’ boards and management to ensure consistency and effectiveness.

Furthermore, CG does not stop at declarations or drafting policies on paper but needs to be concretized by clear regulations and procedures. To do this, the CG ecosystem must be built synchronously, linked with standards and risk management to ensure effective implementation. The CG structure must meet the requirements of transparency and accountability in company management. Processes need to be clearly established to measure and manage risks at different management levels, from the highest to the middle and operational levels, to ensure CG is implemented thoroughly and consistently.

Another aspect that is very important in enhancing CG quality is the ability to prepare financial statements according to the International Financial Reporting Standards (IFRS). The regulations on information disclosure in English are not merely about translating reports from Vietnamese into English. The disclosure of periodic information and important information related to disclosure requirements must also be translated into English in alignment with the Vietnamese version. This not only helps enhance transparency but also affirms professionalism and improves companies’ competitiveness in the eyes of global investors.

Moreover, financial transparency is also a core element in CG. Vietnam needs to quickly adopt IFRS and other sustainability and ESG standards. This requires close collaboration between companies and state management agencies to ensure that international standards are implemented consistently and systematically.



Financial transparency is a core element in corporate governance

Financial transparency not only brings advantages for companies in attracting investment but also creates a foundation for sustainable development and enhances trust from shareholders and stakeholders. Preparing financial statements according to IFRS not only helps Vietnamese companies boost their reputation but also facilitates attracting international investors and increasing opportunities to access new markets.

Consistent Policies Promote Corporate Governance According to Best Practices

To successfully apply the aforementioned international standards, close support and partnership from the state management agencies are extremely necessary. State management agencies play an important role in issuing consistent policies and creating favorable conditions for companies to access and apply international standards effectively.

Simultaneously, the development of training programs and capacity building on CG also needs to be emphasized to provide corporate leaders with the necessary knowledge and latest regulatory updates. This not only ensures that companies clearly understand international standards but also helps them apply those standards accurately and flexibly in practice.

Thus, to enhance the overall application of CG according to international standards, each Vietnamese company needs to focus on changing the perception of its leaders, building a governance ecosystem linked with risk management, improving the ability to prepare financial reports in English, and applying international best practices. At the same time, support from state management agencies through consistent policies is an important factor to help companies successfully implement these reforms.





SECTION II GOVERNANCE TRENDS IN THE CONTEXT OF CLIMATE CHANGE



1. CLIMATE GOVERNANCE: WHY IT MATTERS AND WHAT IT MEANS FOR BOARDS

In today's world, where climate change is a growing concern, climate governance remains a crucial topic, even though many boards are not fully prepared.

What – From an investor's perspective, climate governance refers to the framework for systematic and strategic oversight of climate-related risks, opportunities, and responsibilities within organizations.

It encompasses a range of activities, such as setting climate-related policies, revisiting board and its committees' structures, aligning executives' incentives to promote climate friendly practices, complying with climate reporting requirements, and addressing climate change as a critical aspect of stakeholder engagement.

More holistically, climate governance begins with the board's involvement in developing and disclosing the company's purpose. This is followed by fostering a climate-conscious mindset, reevaluating the business strategy, overseeing risk management and controls, making disclosures, and engaging with stakeholders, all while ensuring alignment with global standards and frameworks, such as those established by the Task Force on Climate-Related Financial Disclosures (TCFD) and the International Sustainability Standards Board (ISSB).

Why – As per the International Finance Corporation (IFC)'s Climate Governance tipsheet, there are five reasons why climate governance is essential:

Climate change presents risks (and opportunities) that cannot be ignored. The Global Risks Report 2023 by the World Economic Forum identifies the four top risks by severity that the world may experience during the next ten years to be: failure to mitigate climate change; failure of climate change adaptation; natural disasters and extreme weather events; and biodiversity loss and ecosystem collapse.

Climate change drives financial risk and opportunity. According to the World Economic Forum, "... climate change is simply another issue that drives financial risk and opportunity, which boards inherently have the duty to address with the same rigor as any other board topic."

Investor pressure is growing. In 2020, climate change was the primary concern among global institutional investors, according to The Organization for Economic Cooperation and Development (OECD).

Climate-reporting requirements are increasingly becoming mainstream. Investors are demanding high-quality information on the material impacts of climate change on the businesses in which they invest.

There is a sharp increase in climate litigation. More and more, investors and other stakeholders are resorting to legal actions to make directors and officers answerable for their actions or perceived lack of action regarding climate matters in their roles involving governance, disclosure, risk management, and strategic oversight.

How – We all understand that companies need to incorporate climate-related risks and opportunities into their business strategy, culture, and core principles. This raises questions about the role of boards. What, in particular, are the implications for boards? How will the boards fulfil their responsibilities?

IFC's Climate Governance Progression Matrix helps companies identify and oversee climate-related risks and opportunities and here are the key steps boards should ensure:

Commitment: The 'tone at the top' forms the bedrock for instilling climate change into corporate strategy and operations, shaping the organization's culture, behavior, attitudes, and beliefs.....- *Leadership should demonstrate commitment to reaching net zero and create the needed culture.*

Board Structure and Functioning:- *Board integrates climate into company strategy, guides and incentivizes management team, and oversees climate risk management.*

Control Environment:- *The control systems, functions, and risk governance is organized for climate risk detection, management and oversight.*

Disclosure and Transparency:- *The company reports on material climate risks, opportunities and impacts.*

Shareholder Rights:- *Shareholders consulted on climate action plans and approved.*

Governance of Stakeholder Engagement:- *Stakeholder mapping includes climate related impacts of value chain.*

Next – The board should strategically plan for climate governance assessments, focusing on gap identification and the formulation of an implementation roadmap.

The internal audit department of the company can be entrusted with performing the assessment, provided they possess the requisite technical expertise. Alternatively, if their skills are lacking, engaging an independent advisor is advisable to conduct the initial assessment and facilitate knowledge transfer to the internal audit team for future assessments and follow ups. The Corporate Secretary and Sustainability Officer (if any) play a vital role in orchestrating collaboration among various stakeholders in this process. Lastly, Board should share results of the assessment and the implementation roadmap with its stakeholders.

Boards are uniquely positioned to address climate change as part of their duty to manage financial risks and opportunities.

Reference:

International Finance Corporation (IFC). *Climate Governance Progression Matrix*. May 2023.

IFC Climate Governance Progression Matrix

A. Commitment to Climate Governance (Leadership, Culture, and Purpose)

1. Basic Practices		+	2. Intermediate Practices		+	3. Good International Practices		+	4. Leadership	
Formalities	1.	Awareness of impact and commitment to action on climate-related adaptation and mitigation and/or written policies that address climate change.								
	2.	Compliance with jurisdictional climate-related law, regulations, and rules, as applicable, and commitment to action on climate-related adaptation and mitigation.								
Code of Ethics and Culture	2.	Code of conduct or ethics or other company policy precludes Company from lobbying activities and membership in organizations that deny climate change.								
	3.	Code of conduct or ethics or other Company policy includes provisions that leverage Company's buying power to influence shifts toward low-carbon supply chain that consider reducing greenhouse gas (GHG) emissions in the product lifecycle.								
Designated Officer or Function	2.	Code of conduct or other Company policy explicitly includes considerations of fiduciary duty, duty of care, and due diligence pertaining to climate-related adaptation and mitigation.								
	3.	Dedicated individual is trained on climate-related adaptation and mitigation and designated as a climate lead or equivalent.								

¹ See International Financial Reporting Standards (IFRS) Sustainability Disclosure Standards (IFRS S1: General Sustainability-related Disclosures and IFRS S2: Climate-related Disclosures) and Task Force on Climate-Related Financial Disclosures (TCFD) Implementation (Strategy) 2022 Status Report, hereinafter "TCFD Implementation Strategy" available at: <https://assets.bbhub.io/company/sites/60/2022/10/2022-TCFD-Status-Report.pdf>

1. Basic Practices	+	2. Intermediate Practices	+	3. Good International Practices	+	4. Leadership
Recognition ²		3. Publicly recognized as national leader in climate-related adaptation and mitigation.		5. Publicly recognized as regional leader in climate-related adaptation and mitigation and carbon neutrality. 6. Climate-related metrics and targets, quantitative where possible and based on accepted methodologies, are set and publicly disclosed.³ 7. Net-zero climate targets adopted and/or company is a member of an internationally recognized net-zero initiative. 8. Industry-specific sustainability certification that addresses climate-related adaptation and mitigation obtained.		4. Publicly recognized as global leader in climate-related adaptation and mitigation and carbon neutrality.

B. Structure and Functioning of Board of Directors

1. Basic Practices	+	2. Intermediate Practices	+	3. Good International Practices	+	4. Leadership
Committees ⁴		1. Informal or <i>ad hoc</i> advisory committee of internal and external experts on climate change established or climate-related factors incorporated into responsibilities of established committees. 2. Board and committees leverage internal functions (notably internal audit and risk) and specialists to incorporate climate-related risks and opportunities.				1. Board committee charged with overseeing climate-related risks and opportunities (composed of a majority of nonexecutive directors, including Chair).

² Recognition of leadership is based on Company's overall climate change action record and objectives, which go beyond climate governance standards.

³ Such methodologies include but are not limited to [Greenhouse Gas Protocol](#) and [Science-based Target Initiative \(SBTi\)](#). See TCFD Implementation Strategy.

⁴ Committee practices as related to specific roles in climate are detailed in the Control Environment section of the matrix.

Oversight of Climate-related Mitigation and Adaptation	+ + + +			
	1. Basic Practices	2. Intermediate Practices	3. Good International Practices	4. Leadership
	1. Board oversees that climate-related risks and opportunities have been identified and assessed. 2. Board is trained on general E&S and climate-related risks and opportunities.	3. Board monitors whether or not Company engages in lobbying activities—directly or via industry associations—that deny climate change or subvert the fight against climate change. 4. Board oversees that management: (a) develops management systems, (b) assigns required resources, and (c) establishes that budget are in place to identify and manage climate-related risks and opportunities, including reduction of GHG emissions. 5. Board engages an expert advisor on climate-related risks and opportunities.	1. Climate-related risks and opportunities are recurring board agenda items.⁵ 2. Board is regularly trained on sector-specific climate-related risks and opportunities. 3. Board monitors that company strategy, business model, and financial planning in short, medium, and long term include broad, integrated consideration of environmental, social, and governance (ESG); including climate-related risks and opportunities.⁶ 4. At least one director has experience overseeing climate-related risks and opportunities.	2. Board monitors that advancing to net-zero climate targets is part of Company strategy. 3. Board monitors and oversees progress against goals and science-based targets for addressing climate-related issues including climate-related adaptation and mitigation.⁷ 4. Board oversees that management has set an internal price on carbon to understand how climate change affects Company now and in the future.⁸
Evaluation and Performance			5. Board evaluation includes consideration of climate-related risks and opportunities.	5. Board and executive incentives are aligned to promote the purpose, strategy, and long-term prosperity of Company and include climate-related targets and indicators in remuneration policies and executive incentive schemes to achieve net zero.

⁵ Id.

⁶ Id.

⁷ See TCFD Implementation Strategy.

⁸ Id.

C. Control Environment (Internal Control System, Internal Audit Function, Risk Governance, Compliance)

1. Basic ESG Practices	2. Intermediate ESG Practices	3. Good International Practices	4. Leadership
Internal Controls	- Climate-related risks and opportunities incorporated into internal control policies and procedures (e.g., procurement policy revised to ensure E&S and climate-related risks and opportunities across Company's operations and value chain are captured adequately). - Board has empowered management to ensure that employees are trained on industry climate-related issues. - Controls developed to respond to climate-related requests from customers and other stakeholders.	- Structures and activities patterned after the "Three Lines Model" are developed to address key climate-related risks and opportunities. - Climate-related internal control procedures extended to contractors, subcontractors, third parties, suppliers, supply chain workers, and value chain as relevant.	Audit Committee monitors corrective action on internal controls implementation for the Company and on related stakeholders (e.g., contractors, subcontractors, third parties, supply chain, supply chain workers, and value chain, as relevant) for climate-related control deficiencies identified in internal audit reports.
Internal Audit	- Internal audit reports to Audit Committee on completeness of climate-related information required by regulators, as applicable. - Internal audit includes periodic audit of implementation of climate-related data, risk register, policies, procedures, and controls. - Internal audit conducts consulting engagements related to climate-related risks. - Internal audit reviews key climate-related information and data (e.g., information disclosed to capital markets) for accuracy and verifiability.	- Climate-related risks, including physical and transitional, and Company's adaptation plans are embedded in risk assessments of audits, as appropriate.⁹ - Internal audit assesses whether mitigating actions related to climate change are being implemented effectively within Company.¹⁰ - Internal audit reviews climate-related data, including climate-related risks and opportunities, before they are disclosed publicly.¹¹	- Internal audit provides quality assurance, aligned with enforceable and leading disclosure standards, for climate-related data reported. - Internal audit routinely audits climate-related aspects of governance, strategy, risk management, metrics, and targets. - Internal audit routinely communicates with board and management on its activities related to physical and transitional risks. - Internal audit addresses distinct challenges of auditing climate-related opportunities and forward-looking statements and commitments in the public domain and routinely evaluates these in all aspects of the internal audit function (e.g., planning, audits, communications).

⁹ Chartered Institute of Internal Auditors, The Climate Group. "Organizations' Preparedness for Climate Change: An Internal Audit Perspective." 2021.

¹⁰ Id.

¹¹ Id.

1. Basic ESG Practices	2. Intermediate ESG Practices	3. Good International Practices	4. Leadership
Risk Governance	7. Board monitors whether or not climate-related risks are integrated into Company's overall risk management framework and adaptation measures are implemented.¹² 8. Risk management function periodically updates Company's risk register for climate-related risks.	6. Climate-related risks include physical and transition risks.¹³ Board is provided with full assessment of climate-related risks and opportunities related to Company's products, services, emissions, and physical footprint and their potential impact on Company's financial position and current strategy.¹⁴ Board monitors whether or not that adequate mitigation measures are implemented. 7. Short-, medium-, and long-term time horizons for climate risks are incorporated into risk management processes. 8. Board, Risk Management Committee, or other specialized committee oversees that management conducts an annual scenario analysis to evaluate company's resilience, including a 1.5°C to 2°C or lower scenario.	6. Climate-related adaptation and mitigation are incorporated into Company's risk governance framework. 7. Board, Risk Management Committee, or other specialized committee oversees that management conducts annual scenario analysis to evaluate company resilience, including a 2°C or lower scenario and a current policy pathway.¹⁵
	9. Comprehensive compliance program annually reviewed, with mechanisms to report wrongdoing and misconduct related to climate-related compliance lapses. 10. Compliance function monitors compliance with climate policies and procedures and code of ethics or conduct.	9. Compliance program incorporates Company's climate-related compliance risks and is coordinated with risk management framework.¹⁶ 10. Board, management, and employees receive periodic training in climate-related compliance issues.	8. Compliance program is applied to contractors, subcontractors, and suppliers. 9. Stakeholders (e.g., contractors, subcontractors, third parties, suppliers, supply chain workers) receive periodic training in climate change compliance programs.

¹² Adapted from World Economic Forum Climate Governance, Principle 5.

¹³ See Alan Meyer, Eleany Wernecke, and Pippa Black, Climate and Compliance: The Time to Engage is Now! Oliver Wyman, 2021, available at: <https://www.oliverwyman.com/our-expertise/insights/2021/oct/climate-and-compliance.html#:~:text=Climate%20and%20compliance&text=The%20time%20to%20engage%20is%20now&text=Climate%20and%20compliance&text=Physical%20risks%20are%20defined%20as%20risks%20related%20to%20the%20economy's%20transition%20to%20lower%20carbon%20emissions%20assets%20may%20incur%20losses%20with%20exposure%20to%20companies%20with%20business%20models%20that%20are%20not%20built%20around%20low%20carbon%20economy%20lower%20revenues%20as%20policy%20changes%20and%20consumer%20demands%20shift%20towards%20a%20low%20carbon%20economy>. Physical risks are defined as severe weather events that may have a direct impact on buildings or other physical assets of the company, its third parties, or the communities it operates in, thereby altering its operations. Transition risks are defined as risks related to the economy's transition to lower carbon emissions; assets may incur losses with exposure to companies with business models that are not built around low carbon strategies. These companies may experience disruptions in business and incur higher costs of funding, litigation or experience lower revenues as policy changes and consumer demands shift towards a low carbon economy.

¹⁴ Chartered Institute of Internal Auditors, The Climate Group, 2021 "Organizations' Preparedness for Climate Change: An Internal Audit Perspective." 2021.

¹⁵ See TCFD Implementation Strategy.

¹⁶ Adapted from Chartered Institute of Internal Auditors, The Climate Group, "Organizations' Preparedness for Climate Change: An Internal Audit Perspective." 2021, pp. 7-8.

1. Basic ESG Practices	2. Intermediate ESG Practices	3. Good International Practices	4. Leadership
External Audit	11. Board or Sustainability Committee monitors that management takes corrective action on climate-related deficiencies.	11. Board or committee charged with overseeing sustainability reporting oversees the level of assurance, limited or reasonable, that third-party assessor provides on the assessment of climate-related risks and their potential impact on the financial position.	
Integration of E&S and Climate-related Adaptation		12. Climate-related activities are highly integrated, effective, and efficient to support strategic and operational business objectives, and controls support objectives. 13. Comprehensive Environmental & Social Management System (ESMS) integrated into the risk-management framework, and E&S and climate-related risks are part of establishing risk appetite.	
Subsidiary Governance	10. Group Board is responsible for approving group's climate-related strategy and policies and overseeing performance and alignment with all entities within the group.		

D. Disclosure and Transparency

1. Basic ESG Practices	2. Intermediate ESG Practices	3. Good International Practices	4. Leadership
1. Climate-related disclosure, if any, follows minimum national requirements, or if respective jurisdiction has no related climate-related requirements, climate-related risks, opportunities, and linked impacts disclosed in separate sustainability or Task Force on Climate-Related Financial Disclosures (TCFD) or climate-related report.	1. Climate-related risks, opportunities, and impacts, including GHG emissions, disclosed in Company's Annual Report. 2. Climate governance, strategy, and climate-related risk management activities disclosed. 3. Methodology used to calculate GHG emissions disclosed.	1. Material climate-related financial information about Company's strategy, governance, risk management, metrics, and targets disclosed in Company's Annual Report and is part of financial filings.¹⁷ 2. Reports on targets set for addressing climate-related risks and opportunities, objective and period they apply to, progress toward achieving targets and net zero, and interim targets and how they compare with Paris Agreement disclosed.¹⁸ 3. Scenario analysis and cross-industry climate-related metrics, including how scenarios are identified, as appropriate for selection and application, disclosed.¹⁹ 4. ESG/sustainability, and climate reporting includes operations and activities of all material subsidiaries. 5. At minimum, negative or limited assurance on sustainability reporting and climate-related disclosures obtained. 6. Disclosures aligned with the five elements of high-quality mandatory disclosure that CDP recommends.²⁰ 7. Transition plans disclosed and follow general guiding principles by CDP.²¹ 8. Company discloses GHG Scope 1 (direct) and Scope 2 (indirect) emissions on an intensity and absolute basis.²²	1. Three-year history of disclosing climate-related data available. 2. Climate-related disclosure is in accordance with generally accepted international baseline and standards.²³ 3. Commitment to achieve net zero by 2050 or earlier disclosed. 4. Interim targets to manage climate-related risks, opportunities, and impacts to reduce GHG emissions disclosed.²⁴ 5. Material GHG Scope 3 emissions and material upstream and downstream Scope 3 emissions disclosed.²⁵ 6. ESG and climate-related data are subject to annual reasonable assurance attestation by an independent provider under International Auditing and Assurance Standards Board IAASB Standards²⁶ or International Standard on Assurance Engagements ISAE 3000 and/or ISAE 3410.²⁷

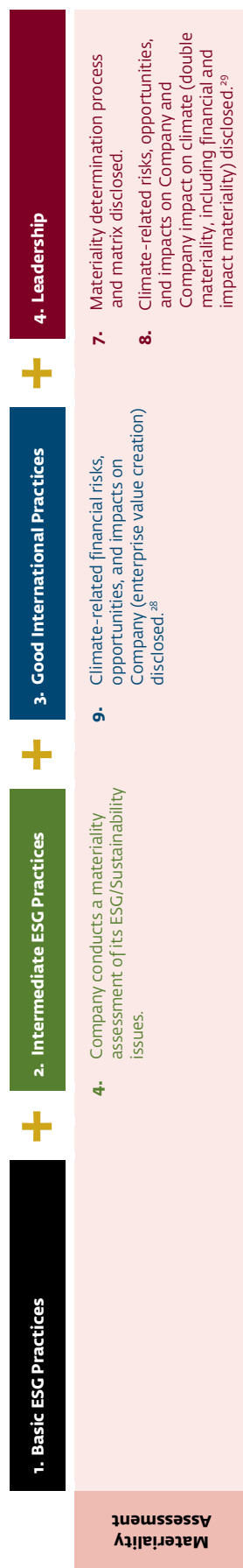
¹⁷ See TCFD Implementation Strategy.

¹⁸ Id.

¹⁹ The internationally recognized standards include but are not limited to the [International Sustainability Standards Board \(ISSB\)](#), [Global Reporting Initiative \(GRI\)](#), [CDP](#), [Task Force on Climate-related Financial Disclosure \(TCFD\)](#), and [European Union Corporate Sustainability Reporting Directive \(CSRD\)](#) European Sustainability Reporting Standards (ESRS) [ESRS E1 Climate Change](#).

²⁰ Id.

²¹ This should include financed emissions for financial institutions based on a widely accepted methodology, such as [Partnership for Carbon Accounting Financials \(PCAF\)](#).



E. Treatment of Minority Shareholders



²² See Transition Pathway Initiative, State of Transition Report, 2021, available at: <https://www.transitionpathwayinitiative.org/publications/82.pdf?type=Publication>, IFRS S2 Climate-related Disclosures, European Sustainability Reporting Standards (ESRS) E1 Climate Change Draft, US Securities and Exchange Commission proposed climate rule

²³ The internationally recognized standards include but are not limited to the International Sustainability Standards Board (ISSB), Global Reporting Initiative (GRI), CDP, Task Force on Climate-related Financial Disclosure (TCFD), and European Union Corporate Sustainability Reporting Directive (CSRD) European Sustainability Reporting Standards (ESRS) ESRS E1 Climate Change.

²⁴ Id.

²⁵ This should include financed emissions for financial institutions based on a widely accepted methodology, such as Partnership for Carbon Accounting Financials (PCAF).

²⁶ See International Standards on Auditing (ISA) most relevant to climate change risks: 200, 250, 260, 315, 320, 330, 450, 540, 570, 620, 700, 701, 705, 720.

²⁷ <https://www.issb.org/publications/issb-standards>, Assurance Engagements Other Than Audits or Reviews of Historical Financial Information (2013) and Assurance Engagements on Greenhouse Gas Statements (2013).

²⁸ See TCFD Implementation Strategy.

²⁹ See European Union Corporate Sustainability Reporting Directive (CSRD) European Sustainability Reporting Standards (ESRS) ESRS E1 Climate Change, 2022, available at: https://www.efrag.org/Assets/Download?assetUrl=%2Fsites%2Fwebpublishing%2FesrAssets%2FESRS_E1.pdf

³⁰ See CDP, Shaping a Sustainable Financial System, p. 12, 2021, available at: https://cdn.cdp.net/cdp-production/cms/policy_briefings/documents/000/005/934/original/Sustainable_financial_system_2021--_FINAL.pdf?635342705.

F. Governance of Stakeholder Engagement

	1. Basic ESG Practices	+	2. Intermediate ESG Practices	+	3. Good International Practices	+	4. Leadership
Stakeholder Mapping	1. Stakeholder mapping includes climate-related impacts.		1. Stakeholder mapping includes climate-related impacts of contracted workers, primary supply chain workers, and neighboring projects.		1. A diversity, equity, and inclusion lens is applied when mapping affected stakeholders.		1. Senior executive responsible for stakeholder relationships integrates climate-related risks and opportunities into strategy and target setting.
Stakeholder Engagement Policy	2. Board maintains regular exchanges and dialogue with stakeholders such as peers, policy makers, regulators, civil society organizations, and investors to encourage sharing of GHG emission assessment methodologies and stay informed about latest climate--relevant risks and opportunities and regulatory requirements and standards.³¹						

³¹ See [World Economic Forum Climate Governance Principle 8](#). If the Company is a financial institution, it should communicate its climate finance practices to external stakeholders.

2. CLIMATE CHANGE GOVERNANCE AND THE BOARD CHAIR OF THE FUTURE: ACCELERATING THE TRANSITION TOWARD A LOW-CARBON FUTURE



Demands on boards continue to remain high as geopolitical instability, economic uncertainty, evolving stakeholder expectations, and the accelerated pace of technological advances impact business operations and strategies with increasing intensity and in a highly interconnected way. What's more, boards are also grappling with how to balance these while remaining focused on other critically important strategic priorities such as climate change.

Chairs say the climate crisis is a top three priority among a sea of competing business and investment priorities

In the Deloitte sustainability survey of C-suite executives, 42% of respondents rated climate change as a "top three issue" for their organizations and 61% said they expected climate change to impact their companies' strategy and operations over the next three years.

But chairs also expressed concern that companies are facing a number of near-term challenges that could slow down or even reverse progress on climate action. Other chairs point to the investment climate initiatives require as one of the biggest impediments to progress.

Another challenge boards face in keeping the momentum going is the very long time horizon involved in climate challenges. Goals like decarbonization or energy transition will likely take years to come to fruition. In many cases, they may not be achieved until after management or a board's tenure has ended.

Chairs commented on how challenging it can be to get boards and management to commit to a future date when they may not still be in those leadership positions. But some chairs see the long time horizon as yet another reason to focus on integrating climate actions into overall strategy decisions.

Addressing the climate challenge requires long-term investment, measurement, and accountability

Many chairs pointed out the need to build accountability and transparency to stakeholders as well as a framework for measuring the effectiveness of climate activities over the short, medium, and long term. This increases the expectation for high-quality reporting on climate and sustainability more broadly and, thus, for boards to enhance and exercise appropriate oversight and monitoring around reported information. But chairs find that climate actions do not always translate easily into business economics, which can make their conversations with board members, management, and investors hard.

And those economics should be understood across all time horizons. There are consequences to doing nothing. Deloitte's Global Turning Point report finds that inaction on climate change could cost the world's economy US\$178 trillion by 2070. By contrast, the global economy could gain US\$43 trillion over the next five decades by rapidly accelerating the transition to net zero.

Another reason to focus on integrating climate strategy into business strategy is it acknowledges that climate action is a top priority, not a tacked-on, side conversation.

Here are some ideas chairs shared on how to help bring climate strategy and business strategy together:

- **Champion the climate agenda.** Chairs emphasized the importance of including climate strategy within the discussion of corporate strategy. This can enable boards to stay focused on the climate agenda and afford them the ability to exercise effective oversight of management.
- **Integrate climate actions into each risk management activity.** Risk management takes into consideration both risks and opportunities, and this applies to climate actions. Chairs particularly commented that innovation can go hand in hand with climate actions.
- **Break down long-term climate commitments into short-term, medium-term, and long-term targets and actions.** Once climate commitments are organized into shorter, individual multiyear programs and connected to the business model, it can become possible to derive management key performance indicators to monitor progress. When a multiyear program is ending, a new program may be set.
- **Tie relevant key performance indicators and road maps to executive and management remuneration and incentives.** This can help enable boards to develop achievable and ambitious targets to hold executives accountable with transparency.

As the rigor increases over definition, quantification, and measurement of climate-related goals, boards are becoming more confident about the information they are receiving.

Where is the line between the board and CEO on climate challenges?

When asked about how to best partner with management, chairs commented on the importance of productive dialogue with management based on shared values. Chairs considered it their role to remind management of broader societal expectations, watch out for practices that may be seen as greenwashing and could increase potential litigation risk, and provide support for the climate transition.

Boards and management are, by necessity, oriented toward different time horizons. Chairs can continue to reinforce with management that climate actions will take a long time and likely will involve trade-offs to balance short-term and long-term needs and the evolving demands of stakeholders.



Chairs should provide stewardship amid multiple stakeholder expectations

More and more stakeholders, from internal to external, including regulators, investors, employees, and customers, are focusing on climate-related matters and expecting companies to act. Some shareholders are calling on companies to make greater efforts to address climate change and to help ensure that businesses can remain competitive and grow. Ignoring these stakeholders' calls for action can lead to economic, reputational, and litigation risks for companies.

Where there are more regulations in place, for example, in some European countries, chairs point out that institutional investors such as pension funds, family owners, and cooperatives, expect the companies they invest in to demonstrate leadership in sustainability commitments and achievements.

For some chairs, one of the greatest climate challenges is how fund providers and investors evaluate businesses and provide access to conventional and alternative forms of finance connected to sustainability, such as green bonds. A recent Deloitte & Touche LLP and Tufts University report found that nearly 80% of investors surveyed said that they have a sustainable investment policy today.

But chairs also say that many shareholders are focused on hitting short-term to mid-term financial targets above all else, which can stall or push back climate investment. The challenge for the chair in steering the board discussion is to help the business build a convincing business and value case for action that short-term and long-term shareholders can understand and support.

Chairs say employees, meanwhile, are unequivocal proponents of climate action. Employees show great interest in the company's climate and wider corporate social responsibility, particularly ethical policies. In fact, chairs often view employees as internal drivers of their organizations' sustainability agenda. This aligns with other Deloitte Global research, which shows companies' response to climate challenges is a key factor in attracting and retaining talented younger employees. Deloitte Global's 2023 Gen Z and Millennial Survey found that these younger generations believe that business should take a leading role in helping to address social issues ranging from inequality to environmental sustainability. Climate change was a top three concern for both generations, next to cost-of-living concerns and unemployment. Over half of both generations say they research a brand's environmental impact and policies before accepting a job from them, and nearly 40% say they have turned down potential employers that do not align with their values.

Among community stakeholders, local community members in many cases depend on businesses operating near them.

A publication from the World Economic Forum says that while jobs in some industries may be lost in the climate transition, many businesses expect the transition to be a "net job creator," due to "investments that facilitate the green transition of businesses, the broader application of environment, social, and

governance standards, and supply chains becoming more localized, albeit with job growth offset by partial job displacement in each case.” But climate challenges can also have serious social, economic, and environmental consequences for community members. When this happens, government and regulatory bodies often respond on the community’s behalf by setting parameters on how businesses may respond.

Meanwhile, business customers, especially ones that trade in geographies with robust environmental regulations, are asking suppliers to prove their credentials. These may be needed to help reduce value chain, particularly scope 3, emissions.

In the Deloitte Global Boardroom Program’s publication on corporate trust, 61% of board respondents think that environmental, social, and governance and climate challenges affect an organization’s ability to build trust among stakeholders, including consumers.

Chairs Deloitte spoke with deploy some of the following leading practices to effectively lead across stakeholder groups:

- **Ensure communication is a productive, two-way dialogue by leveraging the appropriate forums, tools, and required disclosures to gather and share information.** Chairs are aware that investors expect globally consistent and comparable sustainability information, as reflected in the standards published by the International Sustainability Standards Board (ISSB).
- **Leverage employees’ advocacy to help drive the climate agenda.** Communicating goals and achievements with employees can help in brand-building and attracting and retaining talent.
- **Learn about and focus on the specific challenges investors are paying attention to.** Chairs say they ask investors about their long-term vision and their involvement in climate challenges.
- **Engage stakeholders to help build relationships critical to achieving long-term success.** Chairs say engaging and communicating with stakeholders requires understanding their perspectives and sometimes prioritizing, not just balancing, their different interests and weighing them against the organization’s climate agenda goals.

Boards should keep pace as regulations evolve and grow

As regulators are requiring even greater specificity and coverage in their disclosure requirements, boards’ formal role in the preparation of climate-related disclosures is increasing.

The ISSB, aimed to help build the global baseline of consistent and comparable sustainability information relevant to capital markets, has issued sustainability standards that incorporate and build on the Financial Stability Board’s Task Force on Climate-related Financial Disclosures framework, and a number of jurisdictions, such as the United Kingdom, are already consulting on whether to mandate these standards. The Financial Stability Board has recognized that the ISSB’s standards should serve as a global framework for sustainability disclosures and announced it is transferring the monitoring of climate-related disclosures from the Task Force on Climate-related Financial Disclosures, which has now fulfilled its remit and disbanded, to the IFRS Foundation from 2024. In Europe, the enactment of the Corporate Sustainability Reporting Directive has dramatically increased the number of disclosures that more companies must now report on their sustainability progress.

In the United States, in March 2024, the Securities and Exchange Commission adopted rules to require registrants to disclose certain climate-related information in annual reports and registration statements.

And while some regions have fewer regulations under development currently, chairs caution against

taking a “wait-and-see” approach. Companies organized or headquartered in regions of the world that have not yet mandated climate-related disclosures are not necessarily relieved of reporting obligations, as some regulations have extraterritorial reach. For example, the Corporate Sustainability Reporting Directive (CSRD) imposes reporting requirements on non-European Union entities that have a significant activity in the EU.

Furthermore, regulations can also bring an opportunity to help unlock potential benefits, from the incremental level to the transformational level, when approached holistically. These can include transparency in data and supply chain and drivers for innovation.

With the increase in reporting requirements and awareness of climate-related risks and opportunities, the audit committee has a critical role to play. A lot has changed since Deloitte Global published *The Audit Committee Frontier: Addressing climate change in 2021*. At that time, the survey of over 350 audit committee members revealed that climate was not a regular item on the committee agenda and only half considered themselves “climate literate.”

Committee work enables boards to delve deeper and help support the climate agenda

While many chairs agree the responsibility around climate actions rests with the full board, many acknowledge that committees can-and often do-support boards in this effort. Some boards have allocated climate-related tasks to existing committees by focusing on climate risk or as part of their sustainability agenda. These tasks typically are assigned to the



nomination and governance committee, audit committee, health and safety committee, and the people (human resources) committee by extending the scope of their existing agendas. Audit committees, in particular, are often tasked with enhancing governance and controls over sustainability information and preparing for assurance, which is already mandated under some regulations, such as the CSRD.

Some chairs note that these committees may invite an expert from management to share insights. Other chairs say that they are creating a separate ESG or sustainability committee to delve deeper into climate conversations. They explain that the rising interest level in the boardroom, the need to discuss climate challenges regularly, and the increasing technicality of climate challenges warrant adding a new, dedicated committee. In 2022, 15% of S&P 500 companies had an ESG or sustainability committee with primary responsibility for ESG governance, similar to 13% in 2021.

However, there is no one-size-fits all solution to ESG oversight, which often doesn't neatly fit into a single committee's purview. Each organization will likely have their own unique circumstances to consider.

For those that do opt for a separate ESG committee, these committees typically include board members, executive team members, internal and external stakeholders, technical specialists, academics, and other subject matter experts.

Chairs whose boards have benefited from adding a separate sustainability committee say the new committee helps:

- **Guide and advise the board on technical matters.**
- **Enable diverse experts to engage in profound discussion.**
- **Deepen engagement internally and with the management team.**
- **Dedicate sufficient time to climate and sustainability and manage the board's workload.**

Chairs are taking many steps to help bolster their boards' climate acumen

Understanding climate change, its value chain, and its myriad of impacts on business can be complex. Knowledge imbalances can become a barrier to having well-informed board discussions. Chairs were particularly concerned about having the right knowledge base available to the board around climate and business interactions, in addition to the broader impact of climate change. They emphasized that boards should develop skill sets to understand both the business' impact on climate change and also associated risks and opportunities arising from the business' exposure to climate change. And boards should understand technical concepts to help ensure appropriate oversight on progress in implementing climate actions.

Chairs are addressing this learning curve in four key ways:

- **Providing ongoing educational and upskilling opportunities:** Chairs say they've invited internal and external experts to board meetings, held special learning sessions, and have encouraged and participated in self-learning opportunities.
- **Inviting an expert to lead board and committee discussions:** A number of chairs across geographies say their organizations invite their chief sustainability officer to help lead the climate agenda discussion in the boardroom. They also state the need for deeper discussions in the committees responsible for climate and sustainability oversight.
- **Appointing a sustainability expert to the board:** Some chairs are appointing a director with sustainability experience or expertise to join the board because they believe adding deep technical knowledge helps stimulate discussion and move the climate agenda forward. Other chairs prefer not to appoint an expert to the board, out of concern that the expert might skew the discussion or prevent the rest of the board from learning about climate change and reaching a collective point of view. In making this choice, the chair may consider whether the board includes "people who understand how to develop new business models, deliver systems change, and cultural mindset shifts."
- **Broadening diversity on the board:** Some chairs comment that bringing more diverse board members could help expand the board's collective knowledge and perspective on a broad range of topics, including climate change. Indeed, some studies show that diverse boards, with respect to both gender and age, do better across almost every climate action indicator.

Reference:

Marks, A., Steinmann, J., Iwasaki, J., Edelman, K., Chahed, Y., & Deloitte UK, Deloitte US, Deloitte Finland. (2024). Adapted from "The Role of the Board in Climate Change Governance." *Deloitte Insights*.



SECTION III

THE IMPORTANCE OF ETHICAL LEADERSHIP AND DIVERSITY IN BOARD EFFECTIVENESS



1. FOSTERING ETHICAL LEADERSHIP IN TIMES OF COMPLEXITY

In today's rapidly evolving business landscape, organizations are navigating an unprecedented array of challenges. From digital transformations and societal disruptions to hyper-competition and climate change, the complexity of the modern environment demands not only strategic agility but also unwavering ethical leadership. At the Global Network of Director Institutes (GNDI)'s Global Corporate Governance Conference themed "Governance Never Sleeps" on October 29-30, 2024, Gerard Seijts, Professor of Organizational Behaviour at Ivey Business School Canada, engaged with Prof. Wiseman Nkuhlu, Chair of KPMG South Africa, in an insightful discussion to delve into the critical role of ethical leadership amidst these multifaceted challenges.

Navigating an Era of Disruption

The conversation began with an exploration of the tumultuous environment that contemporary leaders must contend with. Seijts highlighted that while organizations have always faced significant societal and economic changes, the current era is distinguished by far-reaching disruptions that arrive with greater frequency and intensity. **"Disruption is broader, deeper, and arriving faster today than leaders and boards have previously experienced,"** Seijts remarked. This heightened level of complexity not only strains organizational structures but also tests the ethical foundations upon which leaders operate.

Prof. Nkuhlu echoed these sentiments, pointing out that periods of rapid change and hyper-competition often lead companies to make critical mistakes. Historical examples, such as the Boeing takeover and corporate scandals involving BP, Enron, and Lehman Brothers, were cited to illustrate how shifts in leadership priorities—from quality to profit—can precipitate ethical transgressions and catastrophic failures. **"Leaders who aren't well-rooted and resilient are likely to make these kinds of mistakes, compromising their companies and leading long-established firms to fail,"** he explained.

The Pillars of Ethical Leadership

The dialogue swiftly moved to dissecting the essential qualities that constitute ethical leadership in such a complex milieu. Prof. Nkuhlu outlined several key responsibilities for leaders aspiring to maintain ethical integrity:

Knowledge and Awareness: Leaders must be thoroughly informed about ethical conduct, encompassing policies, global standards, and organizational requirements. This foundational knowledge is crucial for promoting awareness and implementing effective controls within their firms.

Purpose-Driven Leadership: Beyond mere profit generation, leaders must define and adopt a purpose that serves both self-interest and the broader societal good. **"They must stand for a purpose that is not only about self-interest but also about serving others and having a positive impact on society,"** Prof. Nkuhlu emphasized. This purpose should be anchored in principles such as fairness, justice, integrity, excellence, respect, and continuous learning.

Personal Mastery and Accountability: Ethical leadership necessitates personal accountability and responsibility for one's actions. Leaders must cultivate self-mastery, ensuring that ethical considerations are deeply ingrained in their decision-making processes. **"Personal mastery becomes crucial for success today; leaders must internalize ethics so deeply that it becomes part of their DNA,"** Prof. Nkuhlu asserted.

Continuous Learning and Self-Reflection: In an ever-changing environment, leaders must commit to lifelong learning and regular self-reflection. This ongoing development helps them adapt to new challenges while maintaining their ethical compass.

The Crucial Role of Education

A significant portion of the discussion focused on the role of educational institutions in shaping ethical leaders. Seijts expressed concern that current educational paradigms, particularly in business schools, often emphasize technical skills and competencies at the expense of personal accountability and character development. **"We need more mentoring and support for leaders to develop personal mastery. Professors must be role models, demonstrating the behaviors and values they teach,"** he stated.

Prof. Nkuhlu highlighted the importance of experiential learning and self-assessment tools in fostering ethical leadership. At KPMG South Africa, initiatives such as self-assessments and 360-degree feedback mechanisms are employed to measure and enhance character-related behaviors among future leaders. He pointed out that traits like temperance, patience, and self-control are particularly challenging yet essential for effective leadership.

Board Chairs as Ethical Stewards

The conversation also delved into the pivotal role of board chairs in promoting ethical conduct within organizations. Prof. Nkuhlu outlined several strategies for board chairs to cultivate a strong moral compass among board members:

- **Robust Ethical Discussions:** Board meetings should prioritize conversations about the company's societal contributions and ethical responsibilities, moving beyond mere financial metrics.
- **Aligned Incentives:** Incentive structures must reflect not only financial success but also ethical behavior and positive societal impact.
- **Leading by Example:** Board chairs must embody humility and transparency, fostering an environment where diverse viewpoints are encouraged and respected.

"Humility and transparency should be reinforced continuously, encouraging diverse viewpoints and preventing complacency," Prof. Nkuhlu advised. By setting the tone at the top, board chairs can significantly influence the ethical climate of their organizations.

Character Over Competence

A recurring theme in the discussion was the distinction between character and technical competencies. While technical skills like risk management and communication are undoubtedly important, they are insufficient without a strong ethical foundation. **"Character influences judgment, which is guided by inner beliefs rather than just technical knowledge,"** Prof. Nkuhlu explained. Developing character involves deep self-reflection, continuous personal development, and the ability to uphold one's principles even under pressure.

Seijts emphasized the importance of experiential learning in leadership training. He shared insights from leadership courses that incorporate rigorous mental, physical, and emotional challenges to help students internalize ethical principles and develop strong character traits. **"These experiences foster self-reflection and personal growth, ensuring that ethical principles become deeply ingrained,"** he noted.

Looking Ahead with Caution and Hope



When asked about his optimism regarding the future of ethical leadership, Prof. Nkuhlu expressed cautious hope. **"There's always a danger of complacency creeping in,"** he acknowledged, pointing out that periods of stability can lead to increased egos and a false sense of exceptionalism among leaders. However, he stressed the importance of guarding against complacency through continuous self-reflection and personal development. **"Leaders must recognize their fallibility and commit to lifelong learning, ensuring that ethical principles remain at the forefront of their decision-making,"** he concluded.

Conclusion

The insights shared by Gerard Seijts and Prof. Wiseman Nkuhlu underscore a fundamental truth: in an era of unprecedented complexity, ethical leadership is not just desirable but essential for sustainable success. As organizations grapple with multifaceted challenges, the cultivation of leaders who embody integrity, purpose, and personal mastery becomes paramount. Educational institutions, board chairs, and the leaders themselves must prioritize character development and continuous self-reflection to navigate the turbulent waters of today's business environment responsibly and ethically.

In fostering a new generation of ethical leaders, the blend of knowledge, purpose-driven leadership, personal accountability, and continuous learning emerges as the cornerstone of resilient and principled organizational success. As Seijts aptly puts it, **"Leadership is about who individuals are and how they show up day in, day out."** Ensuring that these leaders possess not only the technical competencies but also the ethical foundation to guide their organizations will be the defining challenge and opportunity of our time.

Reference:

Gerard Seijts, Wiseman Nkuhlu. GDNI's Global Corporate Governance Conference: Good Governance Never Sleeps. October 29-30, 2024. *Fostering Ethical Leadership in Times of Complexity*.

2. DECISION-MAKING STYLES AND BENEFITS OF DIVERSE PERSPECTIVES IN BOARDS

Dr. Nguyen Thu Hien
Member of VIOD Academic Advisory Council



Research by Michael Murphy^[1] indicates that the role of the board of directors in the 1980s was narrowly defined, limited to hiring and firing the CEO and primarily formalizing the approval of the CEO's decisions. However, over the past two decades, due to the impact of scandals like Enron and WorldCom, the active role of institutional investors, and the introduction of stricter corporate governance regulations in many countries, the role and responsibilities of the boards have significantly changed. Boards now participate more actively in company decision-making. Today, the BOD is responsible for approving strategies, financial policies, and significant transactions, as well as overseeing the effectiveness of executive management. The increasingly significant and lasting impact of the boards on companies raises questions about how the boards make decisions and what factors determine the effectiveness of their decisions.

Decision-Making Styles in Boards

The field of neuroscience approaches decision-making from a different perspective. Specifically, in the 1990s, researchers discovered a link between emotions and the decision-making process. Studies on patients with brain damage showed that without the neurological ability to feel emotions, people cannot make rational decisions. This means that the brain's biological ability to reflect the body's health state-creating feelings of happiness, sadness, shame, etc.-is also used to review possible outcomes based on an individual's past experiences during decision-making. Patients who have lost the neurological capacity to experience emotions cannot navigate their lives and are completely paralyzed, unable to make daily decisions. The discovery of the neurological link between emotions and the decision-making process aligns with recent psychological studies on non-cognitive biases in decision-making, such as egocentrism, group bias, and limited perception (i.e., ways people fail to see what is right in front of them). These biases are powerful tendencies that appear even among the most intelligent and professional decision-makers, including board members. Boards, with clear boundaries of responsibilities and roles, are typical examples of groups with their own behavioral characteristics. They nonetheless display distinct identities in their decisions even though their decisions are made within a broader social and cultural context.

[1] The Nominating Process for Corporate Boards of Directors: A Decision-Making Analysis, Berkeley Business Law Journal.

Groupthink (Collegiality)

Group decision-making is expected to improve a group's outcomes. In fact, business effectiveness depends greatly on decisions made by small groups such as steering committees, project teams, budget and strategy committees, and boards. These groups bring together personnel with expertise in relevant fields to make specific decisions that help the organization overcome the impacts of cognitive biases. However, groups often do not achieve their highest potential effectiveness.

Many studies have noted a common tendency among group members: they often discuss known information and value the most widely shared information, rather than learning from the unique expertise and perspectives of individual members. This leads to the amplification of individual biases, creating stronger biases at the group level. For example, when a group's cognitive bias leads it to underestimate risks, the group may accept unnecessary risks at a higher level than individuals—contrary to the expected benefits of group decision-making. This phenomenon is called group bias, although it is a characteristic that has helped humanity survive and thrive through cooperation.

In the workplace, the motivation for cooperation is the need to connect with other employees and colleagues, which helps increase group cohesion by reinforcing existing emotions among members. People are more capable of engaging in collaborative problem-solving with group members with whom they have personal familiarity. This becomes more problematic when groups only work well with friends and seek relationships with those who support the group's personal identity.

Differing Mindsets and Individual Contributions to the Group (Diversity)

In a comprehensive literature review, Richard Hackman^[2] emphasized that the influence of the group on the individual is much more complex than commonly thought. Groups adjust the behavior of their members to ensure smooth operation, but this adjustment manifests as pressure to achieve uniformity among members. Although both uniformity and diversity are necessary to maintain the viability of a group as a social system, individuals are always expected to perceive things in the same way as other members and to behave accordingly.

Groups tend to establish behavioral norms, imposing standards considered important by members to ensure the group's existence or to avoid unnecessary communication issues. Members may voluntarily comply with norms or decide to participate after weighing the rewards of compliance or the penalties for non-compliance. When an individual consistently violates a group norm, other members often do not want to expel or ostracize that person, although it may happen. A more agreeable tactic is to assign the non-compliant member the role of a "deviant" in the organization; this helps other group members avoid the pressure of seriously considering the deviant's viewpoints. In other words, the group feels more comfortable ignoring the deviant's opinions. In this way, the group inadvertently overlooks benefits by not considering the deviant's perspectives, even though some may be valuable. Overall, group decision-making is beneficial for the organization and individuals, but group cohesion can cause losses or opportunity costs in the decision-making process. For example, groupthink may overlook new ideas and individual proposals, potentially leading to missed new business opportunities in the market.

Benefits of Leveraging Differences

Although approaching minority viewpoints may cause tension and reduced cohesion, diverse perspectives—especially from minority groups—not only help expand the scope of thinking but also create opportunities for creativity and development. In the book *Diversity and Creativity in Teams* by Oxford (2019)^[3], the authors found that differences in members' perspectives or approaches can prompt the group to reconsider current assumptions, encourage innovation, and improve decision

[2] Group Influences on Individuals in Organizations, *Handbook of Industrial and Organizational Psychology*, J. Richard Hackman, 1992

[3] The Oxford Handbook of Group Creativity and Innovation

quality. Diversity in perspectives also helps the group develop creative ideas by challenging traditional patterns and encouraging critical discussions. However, leveraging this diversity requires a supportive environment where different viewpoints are received with respect, avoiding negative conflicts.

When groups balance cohesion and diversity of perspectives, they not only solve complex problems but also achieve higher-quality consensus. This underscores the importance of leadership capacity and effective group management to turn diversity into a competitive advantage in the modern working environment.

Figure 1:
Board diversity and ROE

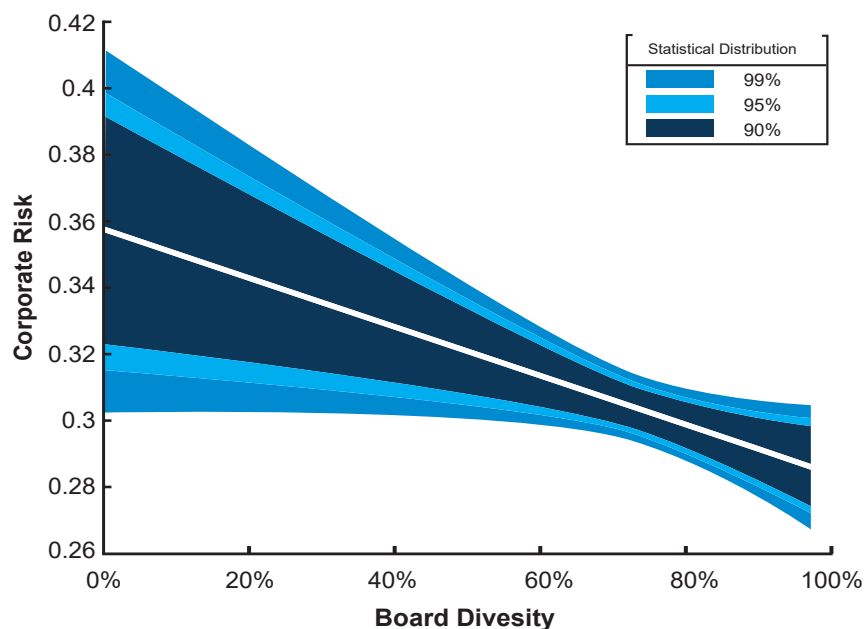
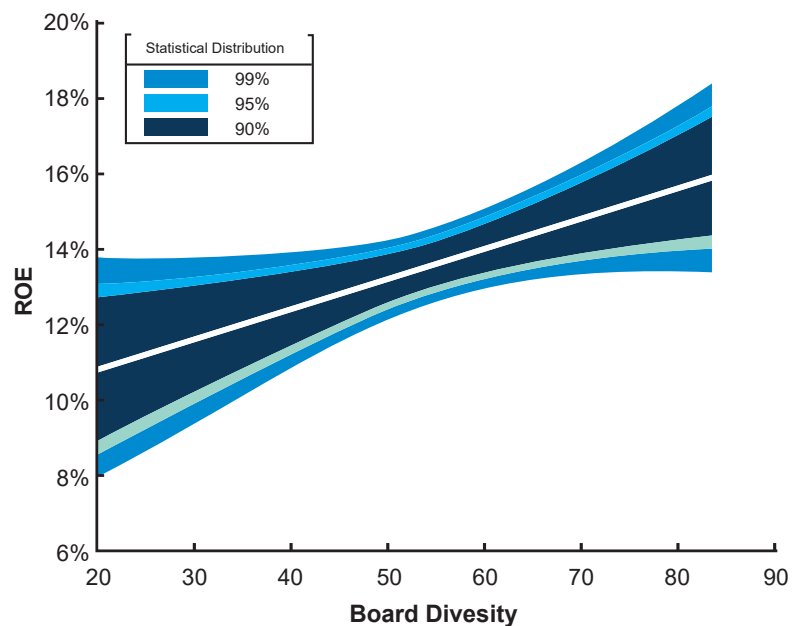


Figure 2: Board Diversity
and Corporate Risk

Survey results at 200 listed companies on both of Vietnam's stock exchanges conducted by VIOD show that companies with diverse boards have better business performance and better risk control. This is demonstrated by the positive correlation between board diversity scores and return on equity (ROE), and by the negative correlation between board diversity scores and the company's risk level

(stock beta). Employing female board members helps companies create goodwill with the public while adding different perspectives to important company decisions, enhancing the quality and diversity of decisions. The presence of foreign board members helps build the image of a professional, advanced, reputable board and is particularly useful in attracting foreign investment capital in a context where the demand for growth capital is increasing, like in Vietnam. Board members with different knowledge backgrounds have varied concerns and practical experiences, helping the board better understand stakeholders' interests (such as customers, employees, investors, etc.). These analytical data show the benefits of differing opinions in group decision-making, expressed through the diversity of board members and the relationship between board diversity and the company's profitability and risk control.

The Current State of Board Diversity in Vietnamese Companies

Given the benefits it brings, board diversity is a practical goal for companies. The level of board diversity is reflected in many aspects, including gender, generation, tenure, culture, and experience/expertise. In the same survey, the overall picture of current board diversity at Vietnamese listed companies has been reflected in various aspects. Generational diversity, tenure, and diversity of professional experience are strengths of companies, whereas nationality and gender diversity are still quite limited.

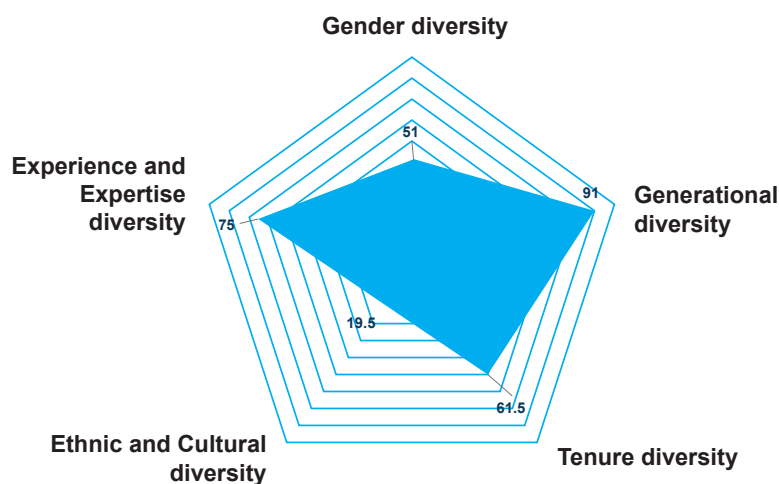


Figure 3: Board Diversity in Vietnamese companies

Although limited, observations show that the participation of women on boards in Vietnam has been increasing over the years (rising from 17.6% to 20.7% of total board members). Fifty-two percent of surveyed boards have at least one or two female members; the number of boards with three to five female members accounts for 15% and tends to increase over the years.

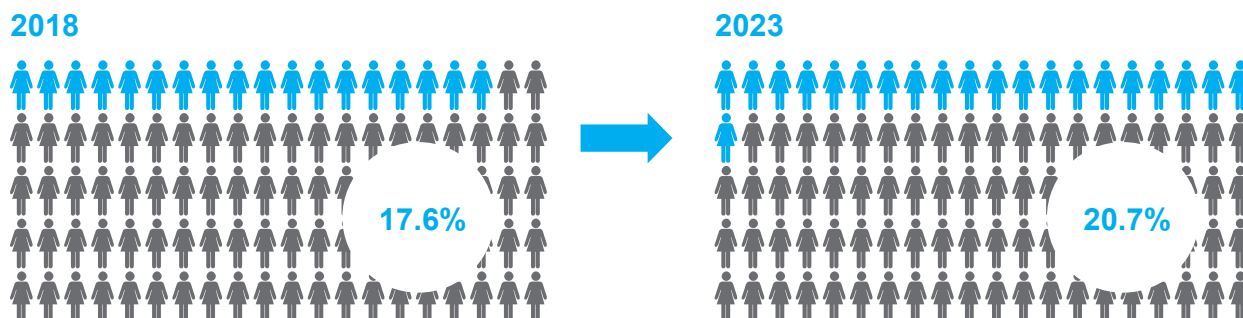


Figure 4: The proportion of women on boards in Vietnamese companies

The average age of board members in Vietnam is 50 years old. Ages are mainly concentrated between 40 and 59 years old (accounting for 67.4%); the proportion of members over 70 years old accounts for only 3.8%. This demonstrates that Vietnamese boards are in their prime, ready to work and dedicate themselves fully to the company.

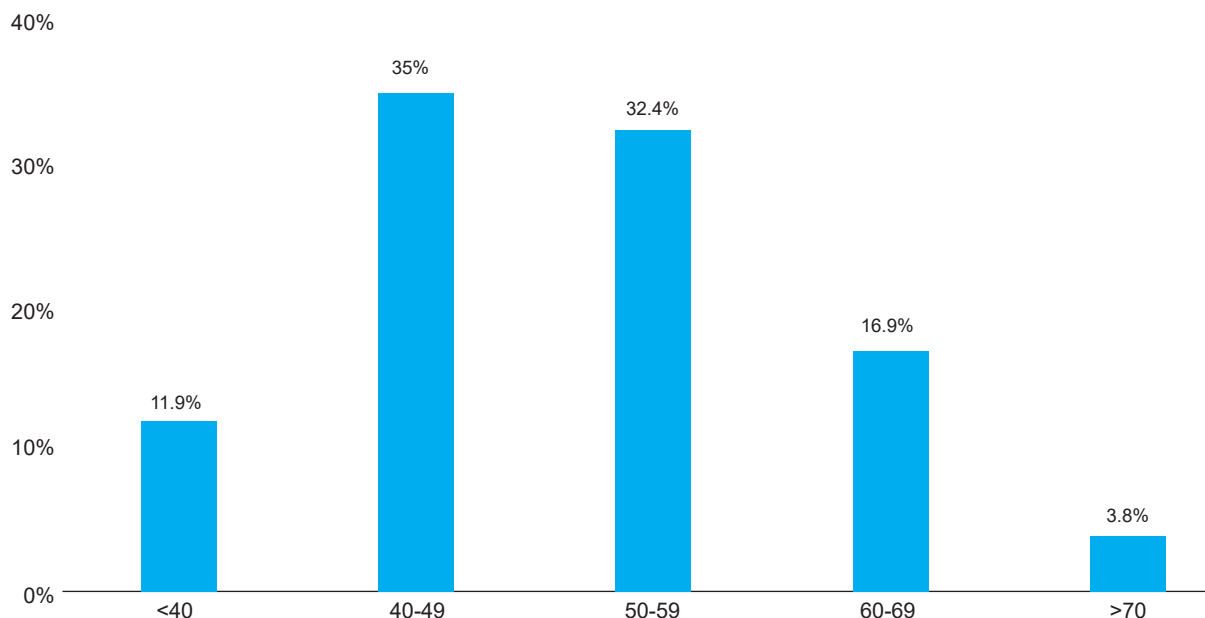


Figure 5: The age of directors in Vietnamese companies

About 49.5% of members have a tenure of less than three years, and 19.5% of board members have a tenure of more than ten years, while only 15.6% have a tenure from six to ten years—the period when members have sufficient experience and understanding of the company and are expected to make the most judicious decisions.

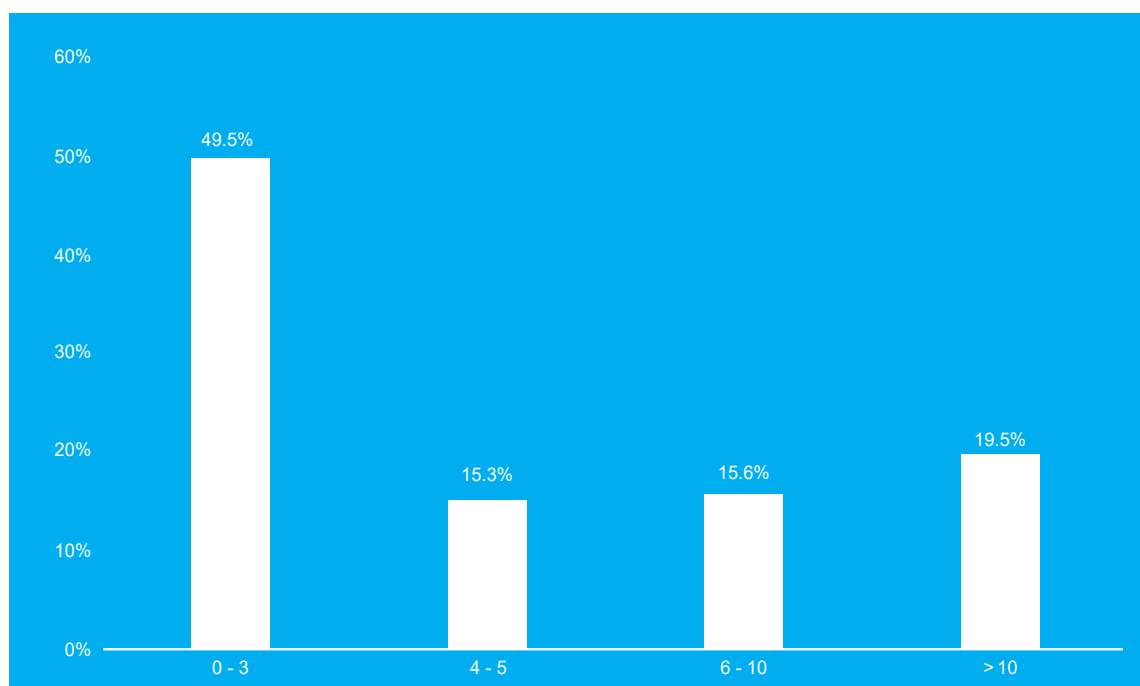


Figure 6: The tenure of directors

8 Steps to Improve Diversity to Enhance Decision-Making Effectiveness in the Board

To achieve the goal of diversifying the board to help it make the most effective decisions, companies can start improving through eight steps to implement a diversity strategy.

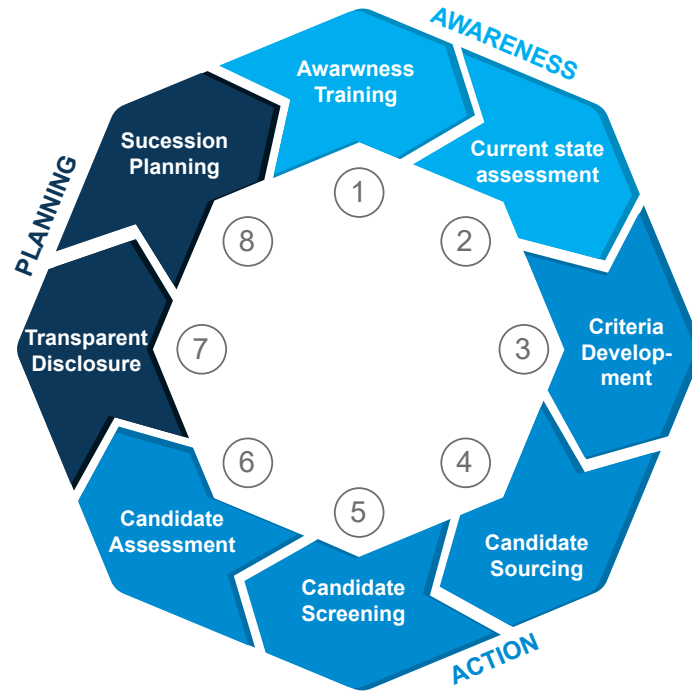


Figure 7: 8 Steps to Enhance Diversity for Improving Decision-Making Effectiveness in the Board

1. **Conduct awareness training** for board and management on board effectiveness, board diversity, and resilience and sustainability of the company.
2. Through board assessment, **assess the current state** of diversity, identifying which aspects of diversity have been well achieved and which need improvement.
3. **Develop a set of criteria** for board members of potential candidates.
4. **Search for candidates** through nominations from shareholders, leveraging both internal and external information sources, professional board member networks, and third-party consultants.
5. Candidates are **reviewed and screened** based on the established criteria.
6. **Evaluate candidates** consistently based on characteristics (contribution to diverse viewpoints on the board, independence and objectivity, and level of commitment).
7. The board ensures **accountability and transparency** regarding diversity goals.
8. Supervise **sucession planning** efforts, regularly assessing and monitoring diversity objectives in the recruitment and development of board members to ensure diversity within the board.

THE HANDBOOK FOR NOMINATION OF BOARD OF DIRECTORS – THE KEY TO SUSTAINABLE DEVELOPMENT

To ensure a company's sustainable development, in addition to business strategy and financial resources, a pioneering leadership team is indispensable, with the board at its core. The board, as the highest level of leadership, is responsible for setting the strategic direction and overseeing operations to ensure effectiveness and sustainability. Have you ever thought about how to build a quality board? How will an effective board help a company grow? Or what would happen if board members were systematically planned, nominated, appointed, evaluated, and developed in a professional manner?

Elected by shareholders, the board represents and safeguards their interests while promoting sustainable growth. With the responsibility of managing large investments, board members must act with loyalty, integrity and duty of care. Continuous transformation is necessary to create a new generation of board members, ensuring the long-term prosperity of the company. Planning and nominating board members is a critical responsibility, laying the foundation for the careful appointment of qualified members, complying with established policies and standards, ensuring transparency, and building investor and public trust. An effective board maximizes the capabilities of each member through a clear nomination processes and objective evaluation, optimizing performance, ensuring accountability, identifying training needs, and enhancing professional internal relationships.

The Handbook for Nomination of Board of Directors (referred to as Nomination Handbook), published by VIOD with the technical support from the International Finance Corporation (IFC), provides practical guidance for boards and senior executives of public and listed companies, corporations, and conglomerates (both state-owned and private) in planning, nominating, appointing, evaluating, and developing board members. This is a fundamental foundation for achieving a board that is diverse in experience, expertise, and capable of fulfilling the highest leadership roles within a company.

The handbook is based on current Vietnamese regulations, OECD's Corporate Governance principles, and best practices from other countries, including the Singapore Institute of Directors' Nomination Committee Handbook. By applying appropriate principles and processes, following best practices beyond mere compliance, the proper nomination of the right individuals and continuous investment in board members' development demonstrates the highest commitment to corporate governance culture, contributing to enhancing the company's trust and reputation.

Vietnam Institute of Directors (VIOD) is pleased to introduce **The Handbook for Nomination of Board of Directors** for the sustainable future of businesses, the second book in **VIOD's "SGDG: Leadership, Governance, ESG"** library series.

Order the Nomination Handbook here:

