

BỘ NGUYÊN TẮC QUẢN TRỊ CÔNG TY THEO THÔNG LỆ TỐT NHẤT

VIETNAM CORPORATE GOVERNANCE CODE OF BEST PRACTICES

Dành cho công ty đại chúng tại Việt Nam
For public companies in Vietnam

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State Securities
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of Vietnam



IFC

**International
Finance Corporation**
WORLD BANK GROUP

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FOR PUBLIC COMPANIES IN VIETNAM

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DISCLAIMER

The Vietnam Corporate Governance Code of Best Practices has been developed to provide a collection of recommendations on best corporate governance practices primarily for Vietnamese public companies. Beside good practices which have been adopted in laws and regulations and adopted by companies, the Code also advocates for standards that go beyond the minimum requirements in legislation and regulations.

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Foreword

The stock market acts as an effective funding channel to link investors to companies, thus the construction and development of an efficient and transparent stock market plays an important role, particularly for developing countries.

For Vietnam, the requirement to form a good corporate governance platform is extremely urgent and needs to be fostered in all economic sectors, especially in public listed companies which are capital-mobilization in the market. It becomes more and more necessary when Vietnam is rapidly and proactively integrating into the regional and international economy in a broader and deeper range.

The State Securities Commission (SSC), the Hanoi Stock Exchange (HNX) and the Hochiminh Stock Exchange (HOSE) have an obligation to maintain public confidence in the securities market. Collectively, we have been striving to improve the quality of corporate governance of listed and public companies. These efforts consist of improved regulations, training programs and training workshops, publications and delegations to gather international experience in corporate governance. Most recently, the launch of the Vietnam Institute of Directors (VIOD) in April 2018 marked a success of the productive collaboration between the regulators and private sector representatives under the Vietnam Corporate Governance Initiative. VIOD has since become the place to advance board professionalism, network directors and promote business ethics and transparency in order to help Vietnamese companies adopt better governance practices. Whilst these efforts have achieved certain positive results, the path of aligning with international corporate governance standards remains challenging in Vietnam. Notably lacking is a Corporate Governance Code to guide public and listed companies to follow international best practices, adjusted to the practical realities of Vietnam's market.

The first Vietnam Corporate Governance Code of Best Practices For Public Companies (The Corporate Governance Code) has been developed by the State Securities Commission of Vietnam with main technical support from the International Finance Corporation, in partnership with the World Bank and the Swiss State Secretariat for Economic Affairs (SECO). This Corporate Governance Code is the most recent effort to support public and listed companies in aspiring to international corporate governance standards, enabling the improvement of the quality of listed companies practices and generally raising standards in the stock market. The ultimate goal is to promote investor confidence, to grow the Vietnam stock market leading to the sustainable development of the national economy.

Tran Van Dzung

Chairman of The State Securities Commission of Vietnam

Foreword

As a global investor, IFC has witnessed firsthand the critical role that good corporate governance plays in improving long-term company performance and overall private sector development. High standards of governance help contribute to more effective boards and better management, which can lead to improved decision-making, better operational efficiency, and reduced risk. This in turn can help companies attract investment, strengthen shareholder value, and mitigate potential threats. Sound governance standards have been important underpinnings of Vietnam's capital market, which serves as a crucial enabler for the country's continued economic growth.

The International Finance Corporation (IFC), a member of the World Bank Group is delighted to have collaborated with the State Securities Commission of Vietnam on this Corporate Governance Code of Best Practices. This effort was kindly supported by the Swiss State Secretariat for Economic Affairs (SECO). This Code provides important guidance for Vietnamese companies seeking to improve their governance practices, based on international standards, yet suited for the local market. This, in turn, will help ensure Vietnamese companies are aligned with their ASEAN and international peers and remain competitive for long-term growth. This Code will also assist the State Securities Commission of Vietnam and other policy makers in continuously evaluating Vietnam's corporate governance framework and steering its ongoing evolution.

Over the past several years, Vietnam has made important strides in strengthening its governance standards, both at the individual firm level and at the market level. The Code presented here represents another important milestone for Vietnam, furthering the country's commitment to attract foreign investment and build a sustainable private sector.

I encourage the boards of directors of all Vietnamese companies to recognize the benefits that good governance will bring to your company. And, from that, I hope the Code presented here will serve as your roadmap towards improved governance standards and practices and, ultimately, reduced risk and improved long-term prosperity.

Kyle Kelhofer

IFC Senior Manager for Vietnam, Cambodia and Lao PDR

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The Vietnam Corporate Governance Code of Best Practices has been developed by the State Securities Commission of Vietnam with technical support from IFC. In the development process, there were six (6) workshops co-organized by the SSC and IFC and many meetings held by the Project's Working Team for internal discussions and stakeholder/company consultations.

Project's Working Team consists of:

The State Securities Commission of Vietnam:

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- Vu Chi Dzung, Director of International Cooperation Dept. - Deputy Head of Working Team
- Le Thi Thu Hang, Deputy Director of Public Company Surveillance Dept. - Deputy Head of Working Team
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The development of the Code received strategic guidance and support from Chairman Vu Bang of the Vietnam Corporate Governance Initiative (VCGI). The Code has also received important peer comments from the Vietnam Institute of Directors (VIOD), also through its company and goodwill network. Additionally, we would like to thank many experts for contributing their time and insights here: Ta Thanh Binh, Nguyen The Tho, Le Cong Dien & Tran Kim Dung (SSC); Tran Ngoc Hai & Tran Thi Thuy Linh (HOSE); Phan Duc Hieu (CIEM); Pham Anh Tuan (HNX); Nguyen Viet Thinh, Nguyen Thu Hien (VIOD); Ivan Pham (Deloitte); Hoang Duc Hung (PwC); Do Le Hung (VIOD & Vinamilk); Le Duy Binh (Economica); Vu Huu Dien (Dragon Capital); Vu Quang Thinh (Dynam Capital) and Eng Wan Ng.

Finally, we would like to extend our sincere thanks to the Swiss State Secretariat for Economic Affairs (SECO) for their kind partnership and support to this Project.

List of Abbreviations

AGM	Annual General Shareholders Meeting
AR	Annual Report
BOD/the Board	Board of Directors
CEO	Chief Executive Officer
CG	Corporate Governance
CG Code/the Code	Corporate Governance Code of Best Practices
CGNR	Corporate Governance, Nomination and Remuneration
ESG	Environmental, Social and Governance
GMS	General Meeting of Shareholders
HOSE	Ho Chi Minh Stock Exchange
HNX	Hanoi Stock Exchange
IFC	International Finance Corporation
IFRS	International Financial Reporting Standard
IIA	Institute of Internal Auditors
NED	Non Executive Director
OECD	Organization for Economic Co-operation and Development
SB	Supervisory Board
SECO	State Secretariat for Economic Affairs
SSC	State Securities Commission of Vietnam
VAS	Vietnamese Accounting Standards
VIOD	Vietnam Institute of Directors
WB	World Bank

Introduction

In its broadest sense, corporate governance is concerned with holding the balance between economic and social goals and between individual and communal goals. The governance framework is there to encourage the efficient use of resources and equally to require accountability for the stewardship of those resources. The aim is to align as nearly as possible the interest of individuals, of corporations and of society. The incentives to corporations and those who own and manage them to adopt internationally accepted governance standards is that these standards will assist them to achieve their aims and to attract investment.

Sir Adrian Cadbury

Why Corporate Governance matters?

Corporate governance is a broad concept whose objective is to build an environment of trust, transparency and accountability necessary for fostering long-term investment, financial stability and business integrity. Whilst there is no universally accepted and uniform definition of corporate governance, the Organization for Economic Cooperation and Development (OECD) defines corporate governance as the “*procedures and processes according to which an organization is directed and controlled. The corporate governance structure specifies the distribution of rights and responsibilities among the different participants in the organization – such as the board, managers, shareholders and other stakeholders – and lays down the rules and procedures for decision-making*”¹.

Corporate governance is beyond mere compliance with laws and regulations. It also encompasses those improvements a board or a company may introduce to bring its governance practices in line with

¹ G20/OECD Principles of Corporate Governance (2015), OECD.

global good practices. Within the scope of the Vietnam Corporate Governance Code of Best Practices for Public Companies (the Code), corporate governance is defined as a system of structures and processes for the direction and control of companies **to ensure the long-term sustainability of the company in the best interests of its shareholders and stakeholders.**

Good corporate governance creates market confidence and business integrity, which in turn is crucial to the ability of Vietnamese companies to compete for capital. An effective corporate governance system impacts the national economy as it helps to strengthens companies, enables their growth leading to sustainable development, resulting in broader economic growth, fostering stability and thus reducing risks to the national economy.

Numerous international studies conclude that well-governed companies worldwide perform better in commercial terms. **Good corporate governance contributes to a company's competitiveness and reputation, facilitates access to capital markets, and thus helps develop financial markets and spur economic growth.**

Basic Principles of Corporate Governance

The 2015 revised G20/OECD Principles of Corporate Governance, originally issued in 1999, are considered the **international benchmarks for corporate governance**, particularly for companies whose securities are listed on organized capital market. The Principles are widely used as a benchmark by individual jurisdictions around the world.

The governance framework of a company should be able to address the following four core pillars of corporate governance which are globally accepted:

(i) Fairness

The corporate governance framework should protect shareholder rights and ensure the equitable treatment of all shareholders, including minority and foreign shareholders. All shareholders should have the opportunity to obtain effective redress for violations of their rights.

(ii) Responsibility

The corporate governance framework should recognize the rights of stakeholders as established by law, and encourage active cooperation between companies and stakeholders in creating wealth and jobs and ensuring sustainability.

(iii) Accountability

The corporate governance framework should ensure the strategic guidance of the company, the effective monitoring of management by the board, and the board's accountability to the company and shareholders.

(iv) Transparency

The corporate governance framework should ensure that timely and accurate disclosure is made of all material matters regarding the company, including financial status, governance structure, performance, and ownership.

The Need for a Corporate Governance Code

A Corporate Governance Code serves as a statement of corporate governance good practices to guide listed companies, focusing on important areas of corporate governance, such as: (i) an effective CG framework; (ii) the rights and equitable treatment of shareholders; (iii) the roles of stakeholders; (iv) disclosure and transparency; and (v) the responsibility of the Board.

Most countries with capital markets have a corporate governance code² which is considered a good practice commonly used by the world wide's capital market authorities to encourage an appropriate balance for different types of companies to improve the corporate governance practices of listed companies.

Since Vietnam has existing laws and regulations related to corporate governance which are mandatory for public, listed companies and

² 105 capital markets (out of a total of 113) have a Corporate Governance Code, of which 65 markets have a "Comply or Explain" Code and 25 markets have a "Voluntary" Code, *World Bank Corporate Governance Codes Database (2016)*.

financial institutions following local standards, the introduction of a Corporate Governance Code will help companies go further, by approaching international best practices to meet investor and stakeholder expectations.

Purpose of the Corporate Governance Code

Vietnam Corporate Governance Code of Best Practices (“the Corporate Governance Code” or “the Code”) is a collection of recommendations on best corporate governance practices for Vietnamese public and listed companies. The Code advocates for standards that go beyond the minimum requirements in legislation and regulations.

Specifically for listed companies, this Code aims at raising the standards of corporate governance practices to a level at par with its top regional ASEAN counterparts.

The Code is also intended to assist the State Securities Commission and other policy makers to evaluate and improve the public company framework and practices for corporate governance, potentially issuing a “Comply or Explain” Corporate Governance Code in the near future, in line with common approach adopted by countries globally and in ASEAN.

Structure of the Corporate Governance Code

The latest G20/OECD Principles of Corporate Governance, the 2017 Association of Southeast Asian Nations (ASEAN) Corporate Governance Scorecard and the most recent updated Corporate Governance Codes of countries around the world and within ASEAN region have been used as key reference materials in developing this Code.

The Code consists of the following 10 Principles based on OECD principles and main areas of corporate governance which have been arranged taking into account the relevancy and priority of current issues with CG performance by Vietnamese companies:

1. The Responsibility of the Board of Directors:

Principle 1: Establishing clear Roles, Responsibilities and Commitment of the Board

Principle 2: Establishing a Competent and Professional Board

Principle 3: Ensuring Effective Board Leadership and Independence

Principle 4: Establishing Board Committees

Principle 5: Ensuring Effective Performance for Board

Principle 6: Establishing and Maintaining an Ethical Corporate Culture

2. Control Environment:

Principle 7: Establishing a Sound Risk Management and Control Environment

3. Disclosure and Transparency:

Principle 8: Strengthening Company Disclosure Practices

4. Shareholder rights:

Principle 9: Establishing a Framework for Effective exercise of Shareholder Rights

5. Stakeholder relations:

Principle 10: Building Effective Stakeholder Engagement

Under each **Principle** there are **Sub-principles** which are followed by **Recommended Practices**. The Sub-principles can be considered as high-level statements of good practices. The Recommended Practices are objective criteria that are intended to identify the specific features of the good practices recommended for companies.

There are certain provisions of the Code which have already been reflected in the applicable laws and regulations for Vietnamese public and listed companies, as of the issuance date of this Code.

For companies' reference, we have provided an **Annex for mapping of the Code with existing corporate governance legal framework in Vietnam**. In the future, this Annex should be updated each time when key provisions of the legal framework are changed.

Adoption of the Corporate Governance Code

*Public and listed companies must absolutely comply with all applicable laws, regulations, national and international standards as required elsewhere. All efforts have been taken to ensure there is no conflict between this Code and other laws and regulations. **However, if a conflict should arise, then laws and regulations prevail.***

Immediately after publication of the Code, **Vietnamese public and listed companies** are highly encouraged to:

- (i) use this Code as a guiding document to adopt good corporate governance practices; and**
- (ii) regularly disclose their implementation status of this Code in the Corporate Governance Report contained within their annual report that shall be disclosed on the company's website.**

Even though the Code is mainly aimed at guiding good governance practices for Vietnamese public and listed companies who are currently members of the two stock exchanges, other companies can also refer to the Code for guidance and adopt those appropriate or relevant to them as best practices.

Promoting, Monitoring and Update of the Corporate Governance Code

As the issuer of this Code, the SSC, and also via the Hochiminh Stock Exchange and the Hanoi Stock Exchange, will promote good corporate governance practices, and shall monitor the Code voluntary adoption and related disclosures on a regular basis. The Code (and the Annex) shall be regularly reviewed and updated to ensure the continuing development of global and regional good practices.

Common Corporate Governance Glossary

Audit Committee - the most common type of committee of the Board of Directors and is mandatory in certain countries and for certain companies. Audit committees play a critical role in assisting the Board to discharge its oversight responsibility for adequate and effective risk management, financial reporting, control, and governance.

Board Charter – a document outlining the role and responsibilities of the Board of Directors (Board), the powers of the Board, various Board Committees and their roles, separation of roles between the Board and Management, and policies and practices of the Board.

Board of Directors – the governing body elected by the shareholders that exercises the corporate powers of a corporation. The Board of Directors is responsible for setting the company’s strategy and business priorities, as well as guiding and controlling managerial performance, and for making decisions on matters that do not fall under the General Meeting of Shareholders’ authority.

Corporate Governance – involves a set of relationships between a company’s management, its board, its shareholders and other stakeholders. Corporate governance also provides the structure through which the objectives of the company are set, and the means of attaining those objectives and monitoring performance are determined. The purpose of corporate governance is to help build an environment of trust, transparency and accountability necessary for fostering long-term investment, financial stability and business integrity, thereby supporting stronger growth and more inclusive societies.

Conflict of Interest – means a situation that has or has the potential to undermine the impartiality of a person because of a clash of personal self-interest and professional or public interest, or in this case also the company’s interests. The self-interest may be pursued at the expense of the company’s interests.

In corporate governance, a conflict of interest refers to a situation where directors, senior managers, shareholders, employees or others have a direct and competing interest which actually or potentially or may be perceived to be in conflict with the person’s duties towards the company and its shareholders collectively.

Corporate Secretary - a senior management position in a public company. The corporate secretary plays an essential role in a company’s governance and administration by providing critical support to enable the Board of Directors and other key governing bodies of the company to perform their duties and responsibilities. This position has a wide range of responsibilities that cover the four main areas: Governance, Advice, Communication and Compliance.

Executive director – a director who has executive responsibility of day-to-day operations of a part or the whole of the organization.

Internal Audit - an independent, objective assurance and consulting activity designed to add value to and improve an organization’s operations. It helps an organization accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes³.

Internal control – a process designed and effected by the Board of Directors, Senior Management, and all levels of personnel to provide reasonable assurance on the achievement of objectives through efficient and effective operations; reliable, complete and timely financial and management information; and compliance with applicable laws, regulations, and the organization’s policies and procedures.

³ Definition by the Institute of Internal Auditors IIA (<https://global.theiia.org>)

Independent director – a director who is independent in conduct, character and judgement, and has no relationship with the company, its related corporations, its substantial shareholders (i.e., holding 1% of voting shares or more⁴) or its officers that could interfere, or be reasonably perceived to interfere, with the exercise of the director’s independent business judgement in the best interests of the company. (Refer to **Principle 3.2** for a complete definition).

Management – a group of executives given the authority by the Board of Directors to implement the policies it has laid down in the conduct of the business of the corporation.

Material information – information that may influence the investor’s investment decision or that could reasonably be expected to move the market value of the company through share price movement if it was to be made known.

Non-executive director – a director who has no executive responsibility and does not perform any work related to the operations of the company, but is somehow related to the company.

Related Party – shall cover the company’s subsidiaries, as well as affiliates and any party (including their subsidiaries, affiliates and special purpose entities), that the company exerts direct or indirect control over or that exerts direct or indirect control over the company; the company’s directors; officers; shareholders and related interests, and their close family members, as well as corresponding persons in affiliated companies. This shall also include such other person or juridical entity whose interest may pose a potential conflict with the interest of the company.

⁴ Clause 2(d), article 151 of the 2014 Law on Enterprise provides that an independent director is not a person who directly or indirectly holds at least 1% of the voting share holding of the company. However, this percentage could be higher (between 2% to 5%) according to international best practices.

Related Party Transactions – a transfer of resources, services or obligations between a reporting entity and a related party, regardless of whether a price is charged. It should be interpreted broadly to include not only transactions that are entered into with related parties, but also outstanding transactions that are entered into with an unrelated party that subsequently becomes a related party.

Stakeholders – any individual, organization or society at large who can either affect and/or be affected by the company's strategies, policies, business decisions and operations, in general. This includes, among others, customers, creditors, employees, suppliers, investors, as well as the government and community in which it operates.

The Responsibility of the Board of Directors

“The corporate governance framework should ensure the strategic guidance of the company, the effective monitoring of management by the board, and the board’s accountability to the company and the shareholders.”

- G20/OECD Principles of Corporate Governance, 2015

PRINCIPLE 1: ESTABLISHING CLEAR ROLES, RESPONSIBILITIES AND COMMITMENT OF THE BOARD

Through its entrepreneurial leadership, the Board should act on an informed basis and in the best long-term interests of the company with good faith, care and diligence, for the benefit of all shareholders, while having regard to relevant stakeholders.

Principle 1.1: The Board should clearly define and disclose the full scope of its roles, responsibilities and accountabilities.

Recommended Practices:

- 1.1.1 The Board should adopt a separate Board charter that clearly defines its roles, responsibilities and accountabilities; the Board charter should be disclosed on the company’s website.
- 1.1.2 The Board should review and guide corporate strategy, major plans of action, risk policy, annual budgets and business plans; set performance objectives; monitor implementation and corporate performance; and oversee major capital expenditures, acquisitions and divestitures.

- 1.1.3 The Board should monitor the effectiveness of the company's governance, environmental and social policies and practices, and adhere to applicable laws.
- 1.1.4 The Board should embody high standards of business ethics and oversee the implementation of codes of conduct that engender a corporate culture of integrity.
- 1.1.5 The Board should assess the major risks facing the company and the steps taken by management to monitor and control such risks.
- 1.1.6 The Board should oversee the integrity of the company's accounting and financial reporting systems, including the independent audit, and that appropriate systems of control are in place, in particular, systems for risk management, financial and operational control, and compliance with the law and relevant standards.
- 1.1.7 The Board should select, compensate, monitor and, when necessary, replace key executives and oversee their succession planning.
- 1.1.8 The Board should align key executive and board remuneration fairly with risk appetite and the longer-term interests of the company and its shareholders.
- 1.1.9 The Board should monitor and manage potential conflicts of interest of management, board members, supervisory board (if applicable) and shareholders, including misuse of corporate assets and abuse in related party transactions.
- 1.1.10 The Board should oversee the process of disclosure and communications of the company.

Principle 1.2: Board members should fully understand their fiduciary duties to act on a fully informed basis, in good faith, with due diligence and care, and in the best interest of the company and the shareholders, while taking into account the interest of the company's relevant stakeholders.

Recommended Practices:

- 1.2.1 Board members should perform their duties in good faith and in the best interest of the company and all shareholders, avoiding all potential or actual conflicts of interest.
- 1.2.2 Board members who are working within the structure of a group of companies: even though a company might be controlled by another entity, the duty of loyalty for a board member relates to the company and all its shareholders and not to the controlling entity of the group.
- 1.2.3 Board members should exercise maximum care and prudence in the performance of their duties that may be expected from a good director in a similar situation and under similar circumstances.
- 1.2.4 Board members should fully understand the Board's roles and responsibilities as described in the law and company policies; and help ensure the Board is effectively discharging its roles and responsibilities.
- 1.2.5 Board members should inform themselves of applicable corporate governance and ethics requirements and ensure the company continuously acts in accordance with its policies on good governance and ethical conduct.
- 1.2.6 Board members should actively participate in overseeing the activities of the company, in discussions of respective bodies and make adequate efforts to obtain the information with regard to the discussed matters. Board members are expected to have reviewed all materials distributed to them prior to board meetings in order to be prepared for their contributions in the board room.
- 1.2.7 Each board member has a responsibility to attend all Board meetings of the Company during a year.
- 1.2.8 Unless required to do so by law, board members should not, during their membership on the Board or afterwards, disclose any information that they know or should know to be of a confidential nature and that came to their knowledge through their work at the company's Board. Board members should not use such confidential information for their personal benefit.

- 1.2.9 If Board members resign or are unable to perform their functions, the Board should immediately take steps necessary to ensure substitution or replacement on the Board following best practices guidance and in accordance with current law and regulations.

Principle 1.3: Together with senior management, the Board should promote good corporate governance culture within the company and monitor its effectiveness at all time.

Recommended Practices:

- 1.3.1 The board of directors sits at the center of the corporate governance system of the company and plays a critical oversight role.
- 1.3.2 The Board should ensure the company adopts its own corporate governance code that is based upon principles of transparency, accountability, responsibility, and fairness, in line with best practices and current regulations to demonstrate the company’s commitment towards good corporate governance.
- 1.3.3 To foster the confidence of shareholders, employees, investors, and the public, a corporate governance code should reach beyond compliance with established local legal and regulatory frameworks to embrace both nationally and internationally recognized corporate governance best practices.
- 1.3.4 The Board should actively conduct a regular review of the corporate governance implementation of the company to ensure that there are clear lines of accountability for management throughout the organization.
- 1.3.5 The Company should disclose its governance structures and policies, in particular, the content of any corporate governance code or policy and the process by which it is implemented. It is also good practice to disclose the company charter, board charters, corporate governance code and, where applicable, committees’ structures and charters.

Principle 1.4: The Board should be responsible for ensuring and adopting an effective succession planning program for directors, CEO and key executive management positions to ensure growth and a continued increase in the shareholders' value.

Recommended Practices:

- 1.4.1 The transfer of company leadership to highly competent and qualified individuals is the goal of succession planning. It is the Board's responsibility to implement a process to appoint competent, professional, honest and highly motivated management officers who can add value to the company.
- 1.4.2 A good succession plan is linked to the documented roles and responsibilities for each position, and should start in objectively identifying the key knowledge, skills, and abilities required for the position.
- 1.4.3 For any potential candidate identified, a professional development plan is defined to help the individuals prepare for the job (e.g., training to be taken and cross experience to be achieved).
- 1.4.4 The process is conducted in an impartial manner and aligned with the strategic direction of the organization.

PRINCIPLE 2: ESTABLISHING A COMPETENT AND PROFESSIONAL BOARD

The company should elect and maintain professional, objective and well-functioning Board given its role in ensuring company's profitability and sustainability for the best interest of the company and its all shareholders.

Principle 2.1: Collectively, the Board should possess a diversified and broad range of views, expertise, skills, and competencies, sufficient to provide effective stewardship and oversight of the company.

Recommended Practices:

- 2.1.1 Board diversity is crucial because it allows the company to take advantage of a plurality of arguments and of a richer and more reliable decision-making process.
- 2.1.2 The composition of the board of directors must consider diversity of knowledge, experiences, behaviours, cultural aspects, age and gender.
- 2.1.3 The Board must ensure that the executive management defines and promotes policies that provide equal opportunities for women to access high leadership positions within the organization.
- 2.1.4 The Board should develop Board skills matrix with a description of the role and capabilities required for Board appointments, including factors such as independence, diversity, age, gender, future succession planning, integrity, skills, expertise, breadth of experience, knowledge about the company's business and industry, and willingness to devote adequate time and effort to Board responsibilities in the context of the existing composition and needs of the Board and its committees.
- 2.1.5 The Board, with assistance of nomination committee, should select and recommend director nominees for election by shareholders. The nomination committee of the Board should oversee the development and implementation of the formal board nomination process. The Board should disclose the process in appointing new directors, and the criteria used to select new directors.
- 2.1.6 All shareholders should have the opportunity to nominate candidates to the Board of Directors. The shareholders owning at least 5 (five) percent of company's shares should be provided with **a right** to propose nominees. The shareholders owning less than 5 (five) percent of company's voting shares should be provided with **the opportunity** to propose nominees. The deadlines for nominee director proposals, procedures for considering them and including into the agenda should be determined in the Board charter.

- 2.1.7 An odd number of Board members between five and eleven is recommended. This number may vary according to the company's industry, size, complexity, as well as where it is in its life cycle, and whether what committees need to be created.
- 2.1.8 The Board should aim to have at least two female members or 30% of female directors to optimize the benefits of gender diversity on board.

Although the right mix of skills vary across companies, the following **board expertise** are useful to consider:

- ✓ Financial expertise, including knowledge of finance, accounting and audit.
- ✓ Risk management expertise.
- ✓ Marketing expertise: an understanding of marketing techniques and practices.
- ✓ Information technology (IT): an understanding of the use of systems for storing, retrieving and transferring information.
- ✓ Professional experience: relevant years of professional experience in the relevant sector (15-20 years)
- ✓ Legal expertise: knowledge of the regulatory environment of the relevant industry related to the company and understanding of the regulatory, legal, fiduciary and ethical requirements affecting directors.
- ✓ Business management expertise: familiarity with up-to-date business management techniques and related ethics.
- ✓ Business environment: awareness of major external influences on the general company and commercial environment, including political, economic, social and technological issues.
- ✓ Sector-specific experience: familiarity with industry trends and developments, to be able to guide management in setting strategy.

- ✓ International experience: knowledge of operations in a foreign country can also be of great benefit, for example in case of opening offices or launching products in foreign countries.
- ✓ Good gender distribution (with at least two female directors) should also be a priority in board composition.

In addition, regarding the qualifications of board members, some of **the characteristics and skills** required for board members include:

- ✓ alignment and commitment to the organization's principles, values, and code of conduct
- ✓ strategic vision
- ✓ willingness to defend their point of view, based on their own judgement
- ✓ ability to communicate
- ✓ time availability
- ✓ ability to work as part of a team
- ✓ knowledge of the best practices for corporate governance
- ✓ ability to interpret management, accounting, and financial or non-financial reports

Principle 2.2: The Board should be composed of at least two-thirds of non-executive directors who possess the necessary qualifications to effectively participate and help secure objective, independent judgment on corporate affairs and to substantiate proper checks and balances.

Recommended Practices:

- 2.2.1 The right combination of executive directors and non-executive directors (NEDs), which include independent directors (*see Principle 3.1*), ensures that no director or small group of directors can dominate the decision-making process.

- 2.2.2 Further, a board composed of at least two-thirds NEDs assures protection of the company's interest over the interest of the individual shareholders.
- 2.2.3 The company determines the qualifications of the NEDs that enable them to effectively participate in the deliberations of the Board and carry out their roles and responsibilities.

Principle 2.3: The Board shall appoint a professionally qualified **Corporate Secretary** who is accountable directly to the Board of Directors on all matters to do with the proper functioning of the Board.

Recommended Practices:

- 2.3.1 The modern Corporate Secretary is normally a senior management position of the company and is now expected to provide professional guidance to shareholders, boards, individual directors, management, and other stakeholders on the governance aspects of strategic decisions.
- 2.3.2 The Corporate Secretary typically would act as a bridge for information, communication, advice, and arbitration between the board and management. The Corporate Secretary would also act as a bridge between the company and its shareholders and stakeholders, however in big companies this is the job of an "investor relations officer".
- 2.3.3 The roles and responsibilities of a Corporate Secretary include, but are not limited to the following:
- Manage all board and committee meeting logistics, attend and record
 - Minutes of all board and committee meetings and facilitate board communications;
 - Advise the board and board committees on its roles and responsibilities;
 - Facilitate the orientation of new directors and assist in director training and development;
 - Advise the board on corporate disclosures and compliance with company and securities regulations and listing requirements;

- f. Manage processes pertaining to the annual shareholder meeting;
- g. Monitor corporate governance developments and assist the board in applying governance practices to meet the board's needs and stakeholders' expectations; and
- h. Serve as a focal point for stakeholders' communication and engagement on corporate governance issues.

2.3.4 To carry out his/her role effectively, a corporate secretary needs to act with the highest integrity and independence in protecting the interests of the company, its shareholders, and others with a legitimate interest in the company's affairs. This level of responsibility calls for a thorough knowledge of the business environment in which the company operates as well as of the laws, rules, and regulations that govern its activities. The Corporate Secretary should undertake continuous professional development and maintain neutrality and objectivity in supporting the Board and relevant bodies in its work.

Principle 2.4: The Company should provide in its Board Charter and Corporate Governance Regulations a policy on the continuing development of directors, including an orientation program for first-time directors and relevant annual continuing training for all directors.

Recommended Practices:

- 2.4.1 All directors should be properly oriented upon joining the board to ensure that new members are appropriately apprised of their duties and responsibilities before beginning their directorships.
- 2.4.2 The orientation program shall be developed by the Board (with support of its relevant committee or the Corporate Secretary) and covers key corporate governance topics (including this Code) and an introduction to the company's business, its Charter and Code of Conduct. It should be able to meet the specific needs of the company and the individual directors and aid any new director in effectively performing his or her functions.

- 2.4.3 Board members should have the necessary resources and network to develop and maintain their knowledge, skills, and expertise to help promote effective board performance and continuing qualification of the directors in carrying out their duties and responsibilities.
- 2.4.4 All directors should attend at least one corporate governance or director training program organized by an accredited and professional organization to ensure they understand key principles of good corporate governance and strive to update themselves annually with the latest governance trends and requirements.
- 2.4.5 The Company should disclose within the Corporate Governance Section of their annual reports the policies and practices of professional development and training for board members, both as part of the onboarding process and on an ongoing basis.

Professional development and training can provide directors with:

- New skills
- Increased professionalism
- Greater awareness of relevant issues
- Access to current requirements and trends on governance and other issues
- Opportunities to discuss issues with peers and facilitators

A variety of organizations contribute to the professional development and training of directors. These include securities commission, stock exchanges, financial institutions, government and industry regulators, business associations, chambers of commerce, higher education, and institutes of director.

According to international best practices, director training is delivered primarily by two types of organization. The first category includes corporate governance associations, which work towards improving corporate governance and provide training to advance that effort. The other includes organizations that focus on the directors themselves, which support, represent, and set standards.

Please access to below link to the member list of the Global Network of Director Institutes (GNDI)

<https://gndi.weebly.com/members.html>

PRINCIPLE 3: ENSURING EFFECTIVE BOARD LEADERSHIP AND INDEPENDENCE

The Board should endeavor to exercise an objective and independent judgment on all corporate affairs.

Principle 3.1: Once elected, all board members have a responsibility to the company, regardless of the shareholders, shareholder group, administrator or stakeholder who appointed them to the position.

Recommended Practices:

- 3.1.1 Board members must perform their duties based on technical knowledge, with full objectivity and without the influence of any personal or professional relationships. They must create and preserve value for the organization as a whole, within the appropriate legal and ethical guidelines.
- 3.1.2 Board members who are conflicted on a particular matter must refrain from participating in the discussion and the decision on that specific issue. Board members who feel they can no longer maintain an appropriate level of objectivity in discharging their duties due to improper pressure or influence, should resign from the board if they cannot otherwise mitigate the issue.
- 3.1.3 Board members should not serve as paid consultants or advisors to the company.

Principle 3.2: To promote independent judgment by all board members and the integrity of the governance system, boards should have **at least one-third independent directors**.

Recommended Practices:

- 3.2.1 The presence of independent directors in the Board ensures the exercise of independent judgment on corporate affairs and proper oversight of managerial performance, including prevention of conflict of interests and balancing of competing demands of the corporation.
- 3.2.2 There is increasing global recognition that the presence of independent directors on the Board will help ensure more objective decision-making, particularly in conflict of interest situations.
- 3.2.3 In addition, experts have recognized that there are varying opinions on the optimal number of independent directors in the Board. However, the ideal number ranges from **one-third to a substantial majority**.

IFC defines “Independent Director” as a director who:

1. Has not been employed by the Company or its Related Parties in the past five years
2. Is not, and is not affiliated with a company that is an advisor or consultant to the Company or its Related Parties
3. Is not affiliated with a significant customer or supplier of the Company or its Related Parties
4. Has no personal service contracts with the Company, its Related Parties, or its senior management
5. Is not affiliated with a non-profit organization that receives significant funding from the Company or its Related Parties
6. Is not employed as an executive of another company where any of the Company’s executives serve on that company’s board of directors
7. Is not a member of the immediate family of an individual who is, or has been during the past five years, employed by the Company or its Related Parties as an executive officer
8. Is not, nor in the past five years has been, affiliated with or employed by a present or former auditor of the Company or of a Related Party

9. Is not a controlling person of the Company (or member of a group of individuals and/or entities that collectively exercise effective control over the Company) or such person's brother, sister, parent, grandparent, child, cousin, aunt, uncle, nephew or niece or a spouse, widow, in-law, heir, legatee and successor of any of the foregoing (or any trust or similar arrangement of which any such persons or a combination thereof are the sole beneficiaries) or the executor, administrator or personal representative of any Person described in this sub-paragraph who is deceased or legally incompetent.

(For the purposes of this definition, a person shall be deemed to be "affiliated" with a party if such person (i) has a direct or indirect ownership interest in; or (ii) is employed by such party; "Related Party" shall mean, with respect to the Company, any person or entity that controls, is controlled by or is under common control with the Company).

Sources: IFC Corporate Governance Manual

Additionally, clause 2(d), article 151 of the 2014 Law on Enterprise provides that an independent director is not a person who directly or indirectly holds at least 1% of total voting share of the company.

Principle 3.3: The Board should ensure that its independent directors possess the necessary qualifications and none of the disqualifications for an independent director to hold the position.

Recommended Practices:

- 3.3.1 Independent directors need to possess a good general understanding of the industry they are in.
- 3.3.2 It is worthy to note that independence and competence should go hand-in-hand.

- 3.3.3 It is important that independent directors possess the qualifications and stature that would enable them to effectively and objectively participate in the deliberations of the Board.
- 3.3.4 All companies should have at least one independent director who have financial expertise and experience to participate and lead the Audit Committee.

Principle 3.4: The Board's independent directors should serve for a maximum cumulative term of nine years.

Recommended Practices:

- 3.4.1 Service in a board for a long duration may impair a director's ability to act independently and objectively. Hence, the tenure of an independent director is set to a cumulative term of nine years.
- 3.4.2 After nine years, the independent director should be perpetually barred from re-election as such in the same company, but may continue to qualify for nomination and election as a non-independent director.

Principle 3.5: The Board should designate a lead director among the independent directors if the Chairman of the Board is not independent, including if the positions of the Chairman of the Board and Chief Executive Officer (CEO) are held by one person.

Recommended Practices:

- 3.5.1 The Chairman of the Board and the CEO are separate persons to ensure an appropriate balance of power, increased accountability, and greater capacity of the Board for independent decision making. It is also recommended that the Chairman is an independent director.
- 3.5.2 In cases where the Chairman is not independent and where the roles of Chair and CEO are combined, putting

in place proper mechanisms ensures independent views and perspectives. More importantly, it avoids the abuse of power and authority, and potential conflict of interest.

- 3.5.3 A suggested mechanism is the appointment of a strong “lead director” among the independent directors and it is also recommended that boards are comprised of majority of independent directors where the Chairman is not independent.
- 3.5.4 This lead director has sufficient authority to lead the Board in cases where the remaining directors (including the dual Chairman-CEO) have clear conflicts of interest.

The functions of the **lead director** include, among others, the following:

- a. Serves as an intermediary between the Chairman and the other directors when necessary;
- a. Convenes and chairs meetings of the nonexecutive directors; and
- b. Contributes to the performance evaluation of the Chairman, as required.

PRINCIPLE 4: ESTABLISHING BOARD COMMITTEES

The Board should set up specialized Board committees to support the Board in the performance of its functions and to avoid any conflicts of interest.

Principle 4.1: The Board should set up an audit committee and ensure that it has adequate resources and authorities. The audit committee should ensure that proper internal controls are maintained and the company is in compliance with all relevant laws and regulations.

Recommended Practices:

- 4.1.1 The Board should create an audit committee which should be composed of minimum three Board members, all non-executives and a majority of whom, including the committee chair, should be independent.
- 4.1.2 The committee should have collective knowledge in terms of internal audit, IFRS and VAS accounting, compliance, financial reporting and control. The chair of the audit committee should have financial expertise and be an independent director.
- 4.1.3 The role and responsibilities of audit committee should be covered in separate charter which should be adopted by the Board and disclosed at company's website. The authorities, composition and working procedures specified in audit committee charter should be developed as a practical benchmark, against which performance of the audit committee would be evaluated.
- 4.1.4 The primary responsibilities of the audit committee are to:
- i. Oversee the integrity of the financial statements of the company and any formal announcements relating to the company's financial performance;
 - ii. Review the company's internal financial controls, internal control and risk management systems;
 - iii. Review related party transactions which meet the Board or shareholders' meeting approval threshold and make a recommendation on these transactions to the Board or shareholders for approval;
 - iv. Oversee the company's internal audit function;
 - v. Recommend the appointment, remuneration and terms of engagement of the external auditor for the Board's review and approval (before submitting to the AGM for final approval);
 - vi. Monitor and review the external auditors' independence and objectivity and the effectiveness of the audit process, especially when the company use non-audit services of the external auditors;
 - vii. Develop and implement policy on the engagement of the external auditor to supply non-audit services; and

- viii. Ensure the company's compliance with all legal and regulatory requirements and other internal regulations of the company.

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

Recommended Practices:

- 4.2.1 The Board should establish risk management committee with at least three non-executive directors, the majority of whom, including the committee chairman, should be independent.
- 4.2.2 The Board should adopt a risk management committee charter which should be made publicly available via company's website. The authorities, composition and working procedures specified in the risk management committee charter should be developed as a practical benchmark, against which performance of the risk management committee would be evaluated.
- 4.2.3 The primary responsibilities of the risk management committee are to:
- i. Approve and oversee the company's processes and policies in identifying and managing risk;
 - ii. Oversee and monitor senior management's performance in implementing the company's risk management policy;
 - iii. Review and recommend for Board approval risk appetite and risk management strategies;
 - iv. Recommend to the Board exposure limits and risk-taking authority delegated to chief executive officer (CEO) and senior management;
 - v. Consider risk aspects of strategies and proposals by management;
 - vi. Monitor the effectiveness of the risk management function and ensure that there are adequate resources and systems in place to meet desired level of capability and exceed minimum compliance requirements; and

- vii. Establish continuing education programs to improve member knowledge of risk management.
- 4.2.4 Subject to legal requirements on company size, its nature of business environment and other factors, if there is no urgent need to establish the separate risk management committee, the audit committee may combine audit and risk management oversight responsibilities.

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

Recommended Practices:

- 4.3.1 The Board should establish corporate governance, nomination and remuneration (CGNR) committee which should be composed of at least three qualified non-executive directors, the majority of whom, including the committee chairman, should be independent.
- 4.3.2 The Board should adopt CGNR committee charter which should be made publicly available via company's website. The authorities, composition and working procedures specified in the CGNR committee charter should be developed as a practical benchmark, against which performance of the CGNR committee would be evaluated.
- 4.3.3 The primary responsibilities of the CGNR committee are to:
- i. Develop, recommend and annually review company's corporate governance policies and oversee corporate governance matters;
 - ii. Identify individuals qualified to become Board members and recommend such individuals to the Board for nomination for election to the Board;
 - iii. Make recommendations to the Board concerning committee appointments (other than the CGNR Committee);

- iv. Coordinate an annual evaluation of the Board, directors and committees;
- v. Ensure the compliance with the company's corporate governance policy (manual) and the Code of Conduct;
- vi. Assist the Board with discharging its responsibilities relating to the remuneration of the directors, CEO, senior management, the company secretary and such other members of the management as it is designated to consider by the Board;
- vii. Oversee the administration of the company's compensation and benefits plans; and
- viii. Prepare an annual report on remuneration policy and practices which will form part of the company's annual report.

PRINCIPLE 5: ENSURING EFFECTIVE PERFORMANCE FOR BOARD

The best measure of the Board's effectiveness is through board assessment and remuneration process. The Board should regularly carry out evaluations to appraise its performance as a body, and assess whether it possesses the right mix of backgrounds and competencies, in addition to having a motivated and transparent remuneration for board members

Principle 5.1: The Board should conduct an annual self-assessment of its performance, including the performance of the Chairman, individual members and committees. Every three years, the assessment should be supported by an external facilitator.

Recommended Practices:

- 5.1.1 Board assessment helps the directors to thoroughly review their performance and understand their roles and responsibilities.

- 5.1.2 The periodic review and assessment of the Board's performance as a body, the board committees, the individual directors, and the Chairman show how the afore-mentioned should perform their responsibilities effectively.
- 5.1.3 In addition, it provides a means to assess a director's attendance at board and committee meetings, participation in boardroom discussions and manner of voting on material issues.
- 5.1.4 The use of an external facilitator in the assessment process increases the objectivity of the same. The external facilitator can be any independent third party such as, but not limited to, a consulting firm, academic institution or professional organization.

Principle 5.2: The Board should have in place a system that provides, at the minimum, criteria and process to determine the performance of the Board, the individual directors, and its committees. Such a system should allow for a feedback mechanism from the shareholders.

Recommended Practices:

- 5.2.1 Disclosure of the criteria, process and collective results of the assessment ensures transparency and allows shareholders and stakeholders to determine if the directors are performing their responsibilities to the company.
- 5.2.2 Companies are given the discretion to determine the assessment criteria and process, which should be based on the mandates, functions, roles and responsibilities provided in the Board and Committee Charters.
- 5.2.3 In establishing the criteria, attention is given to the values, principles and skills required for the company. Normally, the Corporate Governance Nomination and Remuneration Committee (*see Principle 4.3*) oversees the evaluation process.

Principle 5.3: When proposing director remuneration to the shareholders' meeting for approval, the board should consider whether the remuneration structure is appropriate for the directors' respective roles and responsibilities, linked to their individual and company performance, and provide incentives for the board to lead the company in meeting its objectives, both in the short and long term.

Recommended Practices:

- 5.3.1 The board's remuneration committee (*see Principle 4.3*) with the majority of its members and the chairman being independent directors is responsible for setting the remuneration policy.
- 5.3.2 The remuneration of the board should be consistent with the company's strategies and long-term objectives, and reflect the experience, obligations, scope of work, accountability and responsibilities, and contribution of each director. Directors who have additional roles and responsibilities, such as a member of a committee, should be entitled to additional remuneration, comparable to industry practice.
- 5.3.3 Shareholders must approve the board remuneration structure, including level and pay components (both cash-based and non-cash compensation). The board should consider the appropriateness of each pay component, both in terms of fixed rates (such as retainer fee and attendance fee) and remuneration paid according to the company's performance (such as bonus and rewards). The remuneration should reflect the values that the company creates for shareholders taking a long-term perspective on company performance, and the pay level should not be too high so as to avoid the board excessively focusing on the company's short-term results.

PRINCIPLE 6: ESTABLISHING AND MAINTAINING AN ETHICAL CORPORATE CULTURE

Members of the Board are duty-bound to apply high ethical standards, taking into account the interests of all stakeholders.

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

Recommended Practices:

- 6.1.1 A Code of Business Conduct and Ethics formalizing ethical values is an important tool to instill an ethical corporate culture that pervades throughout the company.
- 6.1.2 The main responsibility to create and design a Code of Business Conduct and Ethics suitable to the needs of the company and the culture by which it operates lies with the Board.
- 6.1.3 To ensure proper compliance with the Code, appropriate orientation and training of the Board, Senior Management and employees on the same are necessary.

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

Recommended Practices:

- 6.2.1 The Board has the primary duty to make sure that the internal controls are in place to ensure the company's

compliance with the Code of Business Conduct and Ethics and its internal policies and procedures. Hence, it needs to ensure the implementation of said internal controls to support, promote and guarantee compliance.

- 6.2.2 This includes efficient communication channels, which aid and encourage employees, customers, suppliers and creditors to raise concerns on potential unethical/unlawful behavior to the Board's appropriate communication channel, without fear of retribution.
- 6.2.3 A company's ethics policy can be made effective and inculcated in the company culture through a communication and awareness campaign, continuous training to reinforce the code, strict monitoring and implementation and setting in place proper avenues where issues may be raised and addressed without fear of retribution.

Principle 6.3: The Board of Directors is the focal point of and collectively bears accountability for the governance of the company, its long-term success and the delivery of sustainable value to its stakeholders. The Board should set the role model for management and employees of the Company to follow.

Recommended Practices:

- 6.3.1 The Board and management of the Company shall act in an ethical manner, with honesty and integrity in all of its dealings with and on behalf of the company and its shareholders at all times.
- 6.3.2 The Board and management of the Company shall ensure that all deliberations, decisions and actions are founded on core values underpinning good governance – responsibility, accountability, fairness and transparency.
- 6.3.3 The Board and management of the Company shall ensure that the company complies with applicable laws, regulations, standards and internal policies.

Control Environment

PRINCIPLE 7: ESTABLISHING A SOUND RISK MANAGEMENT AND CONTROL ENVIRONMENT

The Company should have in place a sound risk management framework and an effective internal control system. The Board has the ultimate responsibility for the Company's risk management framework and it should oversee the establishment and functioning of internal control system in the Company. The Board should establish control bodies of the Company and provide oversight to them.

Principle 7.1: The Board of Directors should ensure integration of strategy, risk and control, and oversee the effectiveness of company's internal control system.

Recommended Practices:

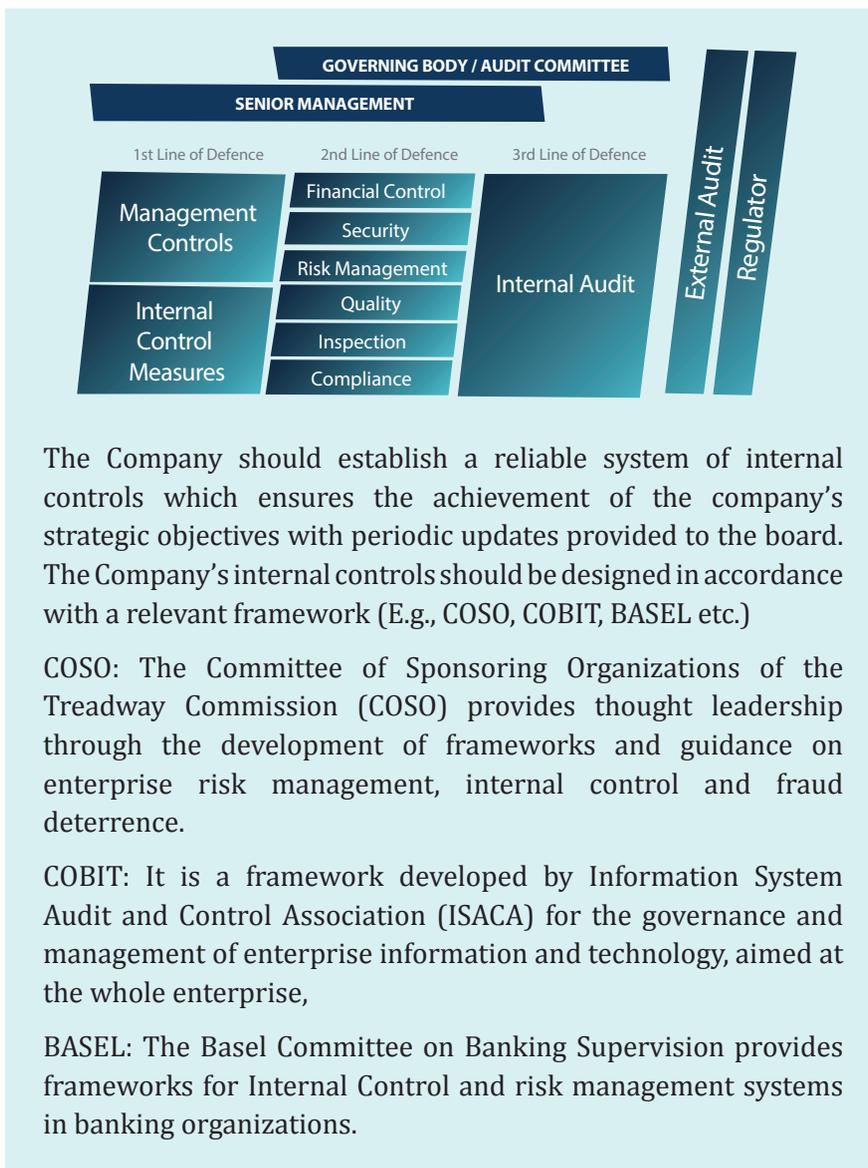
- 7.1.1 The Board has the ultimate responsibility for oversight of the company's risk management and internal control frameworks. The Board should ensure that an effective means of risk oversight is in place and clear lines of responsibility and accountability throughout the organization is enforced.
- 7.1.2 The Board should approve strategic plans and monitor their effective implementation. The Board with the assistance from the audit and risk committees should periodically review the effectiveness of company's internal controls. Board's agenda on internal control should not be static and it should be tailored to the issues and risks that demand Board's highest attention.
- 7.1.3 Audit and Risk Committees should ensure that the management team is equipped with the mechanisms and internal controls to identify, assess, and mitigate risks, with

a view to keeping them at levels in line with the company's risk appetite. The internal control system should have forward-looking and pro-active perspectives in an attempt to anticipate potential risks. Committees should organize face-to-face meetings with the executive team to understand the most pressing internal control issues.

- 7.1.4 The Board should ensure that all necessary control bodies (E.g. risk management, compliance, internal audit) within the company are established with adequate standing, authority and reporting lines.
- 7.1.5 All board-level committees should ensure adequate flow of information, on individual incidents or themes that might indicate an underlying or emerging risk, among the committees.
- 7.1.6 The Board, with an aim to support the internal control framework, should develop a whistle-blowing mechanism which would enable employees and stakeholders to make early disclosures about wrongdoings, so that problems can be identified and resolved. Employees should be protected from possible reprisals and they should not be at risk of losing their job or suffering any form of retribution as a result of reporting an alleged wrongdoing.

To ensure the effectiveness of a company's **risk management framework**, the board and senior management need to be able to rely on adequate line functions – including monitoring and assurance functions – within the company. The 'Three Lines of Defense' model is internationally recognized as a way of explaining the relationship between these functions and as a guide to how responsibilities should be divided:

- **the first line of defense** – functions that own and manage risk
- **the second line of defense** – functions that oversee or specialize in risk management, compliance
- **the third line of defense** – functions that provide independent assurance, above all internal audit.



Principle 7.2: The Board of Directors should establish an internal audit function that provides objective assurance and consulting activity designed to add value and improve an organization's operations.

Recommended Practices:

- 7.2.1 The company should have an independent internal audit function that provides assurance to the Board as to the effectiveness and efficiency of the company's governance, risk management framework and internal control system. The internal auditor's authority, composition, remuneration, annual budget, working procedures and other relevant matters are regulated in a separate internal audit charter approved by the audit committee.
- 7.2.2 The Head of Internal Audit (Chief Audit Executive) should directly report to the Board or Audit Committee⁵. The Head shall be a senior executive of the organization (but not part of the senior management team). Appointment and dismissal of the Head of Internal Audit shall be approved by the audit committee.
- 7.2.3 The internal audit function should be established in line with applicable legal requirements and the standards adopted by the Institute of Internal Auditors (IIA)⁶ which are widely accepted as international best practices.
- 7.2.4 Audit committee should receive results of the annual risk assessment, internal audit reports, results of quality assessment and improvement plan of the internal audit department, updates on key audit issues, extensions on audit resolutions; and provide necessary guidance.

⁵ Currently, the Law on Credit Institutions and related regulations applicable to financial institutions and banks have different provisions compared with Audit Committee's recommended practices of this Code

⁶ The Institute of Internal Auditors (<https://global.theiia.org>) is the internal audit profession's most widely recognized advocate, educator, and provider of standards, guidance, and certifications. Established in 1941, the IIA today serves more than 200,000 members from more than 170 countries and territories.

Principle 7.3: The Board should establish a compliance function as a second line of defense with the necessary standing and authority.

Recommended Practices:

- 7.3.1 The company should have a compliance function that ensures proper compliance with all applicable external laws and regulations as well as internal policies. The compliance function shall monitor activities of the company and its employees to ensure compliance and report to senior management and the Board on a regular basis.
- 7.3.2 Compliance unit will be able to discharge its function better when its independence is reinforced through a direct reporting line to the Board. The Head of Compliance should have the necessary standing and authority within the Company. The Head should have direct and unfiltered access to the Board or a board-level committee (E.g, Risk Committee, Audit Committee). The Board or its related Committee should receive periodic updates from the Compliance function.
- 7.3.3 The Head of Compliance should advise senior management and the Board on the applicable laws, rules and standards, including keeping informed on developments in the area; educate staff on compliance issues; identify, document, assess, measure, monitor and report the compliance risks associated with the Company's business activities.

All companies need to make sure that they have a control mechanism that help them conduct their operations and activities ethically and in compliance with the applicable laws and regulations.

To achieve these objectives companies operating in highly regulated environments (E.g. Banking, Oil and Gas, Pharmaceutical, Mining industry etc.) should establish a separate compliance department, however, a separate compliance department may not be required for other types of companies. Companies should assess the need for a dedicated compliance department based on the complexity of their operations, regulatory requirements among others.

Principle 7.4: The Board should oversee the Company's enterprise-wide risk management and ensure the risk management activities help the Company in making better and risk-informed strategic decisions, and managing risks within the Company's risk appetite.

Recommended Practices:

- 7.4.1 The Board should regularly monitor implementation of the company's strategy and discuss business risks, the management's assessment of the internal risk management and control systems, and any significant changes to such systems. The Board should ensure that sufficient time is devoted to discussing risk-management strategy, including social and environmental risks, activities and outcomes, at Board meetings.
- 7.4.2 The Board should set the risk appetite and risk tolerance limits per the company's strategy. The Board should ensure that company's risk management framework is reviewed at least on an annual basis. Audit Committee should receive a report from the internal audit on the effectiveness of the risk management framework on an annual basis.
- 7.4.3 The Board should develop and publish a risk management policy with clear risk management framework and structure. This framework should incorporate a "three lines of defense" concept, where management is the first line of defense, risk management and compliance functions are the second line of defense, and internal audit is the third line of defense.
- 7.4.4 Board with an aim to encourage prudent risk taking should ensure that executive remuneration packages aligned with the long-term interest of the shareholders and are adjusted for all types of risks (E.g. operational risks, reputational risks). Organizations can employ risk-adjustment measures such as deferral of payment, longer performance periods etc. when designing their remuneration framework.

- 7.4.5 The company should appoint a Chief Risk Officer (CRO) to head its risk management function. The CRO should have direct access to the Board and/or Risk/Audit Committee..
- 7.4.6 The CRO is responsible and accountable for the execution of the risk management policy and development of risk management strategies.

Principle 7.5: The Board should ensure that foundation and framework for a cyber-resilient company are properly established.

Recommended Practices:

- 7.5.1 The Board should have the necessary capacity to understand cybersecurity risks and the related legal implications. If necessary, the Board should seek independent cybersecurity expertise to have discussions on this topic.
- 7.5.2 Cybersecurity risk should be dealt as part of the company's enterprise-wide risk management rather than a separate issue. Adequate time should be given to the cybersecurity on board agenda to ensure satisfactory cyber protection.
- 7.5.3 The Board should approve company's strategy on identification and mitigation of cyber risks including the transfer of risks through insurance.
- 7.5.4 The Board should seek annual reports from the internal auditors on the company's cybersecurity program.

Principle 7.6: The Board of Directors should establish the selection criteria for the external auditor, evaluation of the quality of work of the external auditor, and set procedures for follow-up on external auditors' recommendations.

Recommended Practices:

- 7.6.1 External auditor will be appointed by the general assembly (unless required by specific laws otherwise). Audit Committee should report to the board and the annual general assembly the Committee's recommendations with respect to the selection of the external auditor, engagement fees and the overall terms of service to be provided by the external auditor.
- 7.6.2 Audit committee should determine and oversee the audit quality indicators (E.g., external auditor's compliance with independence requirements, years of audit experience and industry specialization, attrition rate etc.) and oversee the work of external auditor and the effectiveness of the audit process. The committee should review the company's policies on external auditor (E.g. selection, rotation, performance assessment etc.) and report to the board the Committee's recommendations for any modification of such policies.
- 7.6.3 External auditor should be independent, well-qualified to carry out their duties, and free of conflicts of interest. External auditor should provide only an audit opinion and refrain from providing any other non-audit services to the company. Financial statements should be audited in accordance with International Standards on Auditing (ISA).
- 7.6.4 Company should disclose all fee payable to external auditor including both assurance and non-assurance services. Audit Committee should ensure that the amount of non-audit (non-assurance) fees, if any, does not exceed the amount of fees paid for provision of external audit services.

Disclosure and Transparency

PRINCIPLE 8: STRENGTHENING COMPANY DISCLOSURE PRACTICES

The Board should ensure adequate communications with shareholders, investors, regulators and general public by pursuing a transparent and effective disclosure policy.

Principle 8.1: The Board should establish the guidelines and procedures for disclosure of information to shareholders and other stakeholders and oversee their enforcement.

Recommended Practices:

- 8.1.1 The Board should adopt the disclosure policy which ensures that all relevant information on the governance and operations of the company is disclosed accurately, in time and in full in accordance with applicable laws and regulations, and that it is available to shareholders and other stakeholders at the same time. In particular, the Company should make a full, fair, accurate and timely disclosure of every material fact or event that occurs, particularly on the acquisition or disposal of significant assets, which could adversely affect the viability or the interest of its shareholders and other stakeholders.
- 8.1.2 The Board of Directors should ensure that the company's disclosure practices follow the disclosure policy. Company's disclosure system should guarantee equal access to information to shareholders, investors, and other stakeholders and should not allow for any abuse of internal information or insider trading.

- 8.1.3 The audit committee should oversee all financial and non-financial reporting in accordance with the policy.
- 8.1.4 Board should adopt a policy requiring all directors and senior managers to disclose/report to the company any dealings in the company's shares within 3 (three) business days.
- 8.1.5 The Company should have a dedicated Investor Relations function, responsible for overseeing the external communications and statutory filings.
- 8.1.6 The Company must absolutely comply with all applicable laws and regulations, national and international standards as required elsewhere.

Principle 8.2: To promote an effective cost-efficient access to relevant information, the Board should ensure easy and non-discriminatory access to disclosed information using diverse tools of communication.

Recommended Practices:

- 8.2.1 The Board should ensure that relevant company information is published as soon as possible, and for that reason, the company's disclosure policy should cover the procedures for electronic disclosure.
- 8.2.2 The Company should establish and continuously update a corporate website. The Board of a listed company should ensure that all information provided via its website is available in both Vietnamese and English.
- 8.2.3 The Company should allow investors and analysts to ask their questions related to Company's operations. This can be achieved through open meetings with investors/analysts, press conferences, analyst's briefings or in other formats allowed by a company and subject to guidance defined in the applicable legislation/listing rules.

Principle 8.3: The Board should ensure disclosure of key non-financial information, including environmental and social reporting.

Recommended Practices:

- 8.3.1 The Board should ensure that Company discloses updated and relevant information about its corporate governance practices and structures at its website and in annual reports. At a minimum, the Company should disclose corporate governance policies and charters in accordance with this Code.
- 8.3.2 The Board should disclose the detailed level and roadmap of Company’s compliance with this Code in its annual report.
- 8.3.3 The Board should ensure that company discloses information on its significant environmental and social (E&S) impacts and its approach to E&S risk management. The information should be prepared in accordance with globally accepted standards, such as such as standards issued by the Integrated Reporting Council (IIRC), or the Global Reporting Initiative (GRI) or the Sustainable Assurance Standards Board (SASB), and subject to independent verification.
- 8.3.4 The Board should ensure that appropriate governance policies and processes are in place to monitor the quality of environmental and social information. The Board should ensure that the information is linked to the strategy, governance and performance of the company, to promote the long-term sustainable success of the company.

Principle 8.4: The Board should ensure remuneration of members of the board and key executives are disclosed publicly to satisfy concern of from the shareholders with regards to remuneration, performance and value creation.

Recommended Practices:

- 8.4.1 The Board should disclose in the company's annual report the policy and criteria for setting remuneration, as well as names, amounts and breakdown of remuneration of:
- (a) each individual director, member of the Supervisory Board (*if applicable*) and the CEO; and
 - (b) top key management personnel (who are not directors or the CEO).
- 8.4.2 The Board should disclose in the company's annual report all forms of remuneration and other payments and benefits, paid by the company and its subsidiaries to directors and key management personnel of the company. It also discloses details of employee share schemes.
- 8.4.3 The board should also disclose the directors' remuneration policy that reflects the duties and responsibilities of each individual, including the pay components and level received by each director. The remuneration disclosed for each director should also include remuneration for what each individual receives from holding directorship at the company's subsidiaries (*if any*).

Shareholder Rights

PRINCIPLE 9: ESTABLISHING A FRAMEWORK FOR EFFECTIVE EXERCISE OF SHAREHOLDER RIGHTS

The Board of Directors should ensure the equitable treatment of all shareholders, including minority and foreign shareholders, and should protect their rights.

Principle 9.1. The Board should establish and disclose the policies protecting shareholders rights and oversee their implementation.

Recommended Practices:

- 9.1.1 The Board should adopt a comprehensive policy with description of shareholders' rights and requirements on the authorities, procedures for preparing, conducting, and making decisions at shareholders' meetings.
- 9.1.2 To avoid share dilution, the charter of the company should provide for the preemptive rights of shareholders allowing the company's shareholders to maintain a proportionate share of the ownership of a company when the company issues new shares. The share purchase price and purchase terms for shareholders should not be less favorable than those proposed to third parties.
- 9.1.3 The company should disclose the shareholder policy and the rules and procedures for shareholder participation in the shareholder meetings at its website.
- 9.1.4 The Board should ensure that the company has a system of registering shareholder complaints and effectively regulating corporate disputes.
- 9.1.5 The company should disclose the ultimate beneficial ownership (citing natural persons) of 5% of more of its shares.

Principle 9.2: The Board should organize effective shareholders meetings.

Recommended Practices:

- 9.2.1 The Board should send the notice of annual and extraordinary shareholders' meetings with sufficient and relevant information, at least, 21 (twenty-one) days before the meeting.
- 9.2.2 Each shareholder should receive advance notification, an agenda, as well as accurate, objective, and timely information sufficient for making an informed decision about the issues to be decided at the shareholders' meeting.
- 9.2.3 The Board should provide shareholders with comprehensive information regarding the experience and background of the candidates for membership at Board of Directors, including the age, academic qualifications and other relevant experience including the directorships in other listed and non-listed companies.
- 9.2.4 The Board should have in place a fair and effective procedure for submitting proposals to the agenda of the Shareholders' Meeting, including proposals for the nomination of Board members. The shareholder(s) owning at least 10 (ten) percent of company's voting shares should be provided with a right to include additional items in the meeting agenda. The shareholder(s) owning less than 10 (ten) percent of company's voting shares should be provided with the opportunity to propose additional items to the agenda of shareholders' meeting.
- 9.2.5 Shareholders or a group of shareholders holding 10 (ten) percent of company's voting shares should be able to call for extraordinary meeting of shareholders.
- 9.2.6 The Board should ensure that shareholders can vote via authorized representatives (proxies) in accordance with the instructions of the shareholders. The rules of absentee voting shall be defined in in the policy on Shareholders'

Meeting of the company. The Board should also encourage and allow shareholders to vote via email or by postal services, and to participate at the shareholders meeting via conference calls or video conferences in a manner which does not make voting procedure unnecessarily difficult or expensive.

- 9.2.7 The shareholders' meetings should be held at a time and place that are the most convenient for shareholders.
- 9.2.8 The directors, senior management and external auditors should attend the shareholders' meetings to answer questions asked by the shareholders at the meeting.
- 9.2.9 The company should disclose the voting results within 1 (one) day after the annual or extraordinary shareholders' meeting. Voting results should include a breakdown of the approving and dissenting votes on the matters raised during the shareholders' meeting.
- 9.2.10 The minutes of the annual and extraordinary shareholders' meetings should be available on the company website within 24 (twenty-four) hours after the meeting. In addition to the regulatory requirements, the minutes should include the following: (1) voting procedures; (2) if the opportunity was given to shareholders to ask questions, as well as a record of the questions and the answers received; (3) the matters discussed and the resolutions reached; (4) voting results for each agenda item; (5) a list of the directors, officers, external auditors and shareholders who attended the meeting; and (6) dissenting opinion on any agenda item that is considered significant in the discussion process.

Principle 9.3: The Board should develop and implement a fair and consistent dividend policy.

Recommended Practices:

- 9.3.1 The Board should adopt a clear and transparent policy on the dividend distribution and payment process. Shareholders should be given full information on conditions of dividends

distribution and payout procedures and there should no hindrance for shareholders in obtaining their dividends.

- 9.3.2 The cash dividends should be paid within 30 (thirty) days after adoption of relevant resolution. In case, the Company had a resolution for to pay dividends by shares, the script dividends should be paid within 60 (sixty) days.
- 9.3.3 The company is responsible for paying all declared dividends. Accordingly, the Board shall be liable to its shareholders for the failure to discharge this duty, pursuant to the applicable legislation.
- 9.3.4 The Board should disclose the dividend policy via company's website.

Principle 9.4: All shareholders shall be treated equally.

Recommended Practices:

- 9.4.1 All shareholders' rights shall be recognized, respected and protected by the Board. In particular, minority shareholders shall be protected from any abuse by controlling or significant shareholders, holding shares directly or indirectly, who may control or significantly influence company decisions.
- 9.4.2 Shareholder voting shall be on a 'one share, one vote' basis. All rights pertaining to each class of shares shall be publicly disclosed.
- 9.4.3 Foreign and domestic shareholders shall be encouraged to participate and vote at the AGM. Impediments to cross border voting at the AGM shall be eliminated. AGM materials, including documents, resolutions and minutes, shall be provided in English to enable full participation by those not familiar with Vietnamese and translators shall be provided at the AGM where necessary.
- 9.4.4 The company shall establish and publish on its website an effective Complaints Policy and mechanism which enable shareholders and others to register their complaint, have it investigated and acted upon.

Principle 9.5: Related-party transactions (RPTs) should be approved and conducted in a manner that ensures proper management of conflict of interest and protects the interest of the company and its shareholders.

Recommended Practices:

- 9.5.1 The Board must ensure that transactions between related parties are conducted according to market practices in all aspects (e.g. price, term, guarantees, and general conditions). All RPTs if they occur, should be subject to strict review and (dis)approval processes following the defined approval matrix, and should be properly disclosed.
- 9.5.2 Members of the board and key executives should be required to disclose to the board whether they, directly, indirectly or on behalf of third parties, have a material interest in any transaction or matter directly affecting the corporation.
- 9.5.3 Companies should issue a written policy on RPTs (approved by the Board) and publish on it their website. This policy should incorporate as a minimum the following elements:
- i. Policy objective
 - ii. Definitions
 - iii. Policy owner
 - iv. Applicability of the policy
 - v. Identification of RPs and RPTs, including thresholds and disclosure requirements
 - vi. Notification, accountabilities and processes
 - vii. Review and (dis)approval processes
 - viii. Monitoring of RPTs
 - ix. Transparency and disclosure / reporting of RPTs
 - x. Publication and promotion of the policy.

- 9.5.4 Independent, non-conflicted directors should be identified and their duties with regard to RPTs formalized in a committee charter. These directors should support implementation of the RPT policy, review and (dis) approval processes and have close interactions with the internal audit function and the external auditor who provide RPT assurance.
- 9.5.5 In the case of RPTs that are large in scale or which could shape the company's strategic direction or capital structure, shareholders should have the right to approve RPTs. The board should submit the transaction for shareholder approval and disclose the following information (both before concluding the transaction and in the company's annual report):
- a) the identity of the ultimate beneficiaries including, any controlling owner and any party affiliated with the controlling owner with any direct/indirect ownership interest in the company;
 - b) other businesses in which the controlling shareholder has a significant interest; and
 - c) shareholder agreements (e.g. commitments to related party payments such as license fees, service agreements and loans).

Stakeholder Relations

PRINCIPLE 10: BUILDING EFFECTIVE STAKEHOLDER ENGAGEMENT

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

Principle 10.1: The Board should ensure establishing rules for stakeholder protection and engagement.

Recommended Practices:

- 10.1.1 The Board should ensure that there is a formal stakeholder identification process and that company's stakeholders include the employees, creditors, clients, suppliers, the local communities and key Non-Governmental Organizations. The Board should adopt well-defined stakeholder policies with differentiated approaches for identified priority groups.
- 10.1.2 The Board should ensure that the company respects the legitimate interests and rights of stakeholders as established by law or contractual commitments. Board should set up high expectations for stakeholder interactions and demonstrate the commitment to stakeholder engagement in the Code of Conduct.
- 10.1.3 As a priority, the Board should adopt employee policies and programs, in particular on safety, welfare and development, so company employees are able to actively contribute to achievement of the company's objectives and can participate in its governance.
- 10.1.4 The Board should ensure that the company adopts and enforces a strict anti-corruption and antibribery policy in its Code of Business Conduct and Ethics.

- 10.1.5 Board should ensure that company's social and environmental requirements are incorporated into requirements for contractors.

Based on the stakeholder analysis, the Board should consider adopting:

- ✓ A policy that addresses customers' welfare;
- ✓ A policy that addresses supplier/contractor selection procedures;
- ✓ A policy that addresses the company's efforts to ensure that its value chain is environmentally friendly or is consistent with promoting sustainable development;
- ✓ A policy that addresses the company's efforts to interact with the communities in which it operates;
- ✓ A policy that addresses the company's anti-corruption programs and procedures;
- ✓ A policy that addresses how creditors' rights are safeguarded;
- ✓ A policy on the health, safety and welfare for its employees;
- ✓ A policy on training and development programs for its employees.

Principle 10.2: The Board should ensure and oversee the appropriate dialogue between the company and its stakeholders.

Recommended Practices:

- 10.2.1 The Board should establish and oversee a mechanism for employees and other stakeholders to formally report their questions and complaints.
- 10.2.2 The Board should adopt a transparent and publicly accessible communication procedure which allows to: (i) receive and register external communication from the external stakeholders; (ii) assess issues raised and determine response; and (iii) provide and document responses, if any.

List of References

1. G20/OECD Principles of Corporate Governance (revision 2015)
2. International Corporate Governance Network – ICGN Global Governance Principles (2017, 5th edition)
3. Corporate Governance Code Database of the European Corporate Governance Institute (ECGI) <https://ecgi.global/content/codes>
4. “Improving the Effectiveness of Corporate Governance Codes in Emerging Markets: Lessons from Experience”, the World Bank, June 2015
5. Global Corporate Governance Forum’s Toolkit 2: “Developing Corporate Governance Codes of Best Practice”
6. ASEAN Corporate Governance Scorecard Methodology & Questionnaires
7. Code of best practices of Corporate Governance, IBGC (Brazil)
8. The Code of Corporate Governance of the Philippines, Singapore, Thailand, Malaysia, Brazil, Mauritius, Australia and the UK
9. IFC Corporate Governance Manuals
10. IFC “Corporate Governance FAQs”
<https://www.ifc.org/wps/wcm/connect/803e5c63-e362-4e5c-9447-ae39595fff6/IFC-CG-FAQs-July-2016-English.pdf?MOD=AJPERES &CVID=lo4TDM>
11. Beyond the Balance Sheet - IFC Toolkit for Disclosure and Transparency
https://www.ifc.org/wps/wcm/connect/topics_ext_content/ifc_external_corporate_site/ifc+cg/resources/toolkits+and+manuals/beyond+the+balance+sheet+-+ifc+toolkit+for+disclosure+and+transparency
12. IFC’s Handbook: “The Corporate Secretary: The Governance Professional”
https://www.ifc.org/wps/wcm/connect/topics_ext_content/ifc_external_corporate_site/ifc+cg/resources/toolkits+and+manuals/the+corporate+secretary+the+governance+professional

Annex

MAPPING WITH CURRENT LAWS AND REGULATIONS ON CORPORATE GOVERNANCE FOR PUBLIC AND LISTED COMPANIES

(This Annex is prepared to help public and listed companies to make references between a specific principle/sub-principle of the Corporate Governance Code of Best Practices and the current related laws and regulations applicable for Vietnamese public and listed companies **(excluding financial institutions that are applied by specific law on credit institutions and related FI regulations)**. In addition, companies need to map the Code with their company charters, CG manual, board charter and other applicable internal regulations in detail to ensure other requirements of the Company beyond laws and regulations).

LoE: Law on Enterprise 2014

D71: Decree No.71/2017/ND-CP

D05: Decree 05/2019/NĐ-CP

LoS: Law on Securities 2016

C95: Circular No. 95/2017/TT-BTC

C155: Circular No. 155/2015/TT-BTC

PC: Public Company

LC: Listed Company

Corporate Governance Code of Best Practices		Applicable laws and regulations on corporate governance		
Principle	Guidelines	Guidelines	For	Relevant content to note
THE RESPONSIBILITY OF THE BOARD OF DIRECTORS				
Principle 1: Establishing clear Roles, Responsibilities and Commitment of the Board				
1.1	The Board should clearly define and disclose the full scope of its roles, responsibilities and accountabilities.	LoE, Article 149, 158, 159 D71, Article 14, 15 C95, A1, Article 27 C155, A4, AR	PC	<ul style="list-style-type: none"> - No requirement to disclose Board Charter on website (RP1.1.1) - No requirement on monitoring effectiveness of ESG (RP1.1.3) - No requirement on code of conduct and integrity culture (RP1.1.4) - No requirement on monitoring & control risks (RP1.1.5) - Incomplete requirement on overseeing the integrity of the company's accounting and financial reporting systems (RP1.1.6) - No requirement on aligning remuneration with long-term interest of company and its shareholders (RP1.1.8)
1.2	Board members should fully understand their fiduciary duties to act on a fully informed basis, in good faith, with due diligence and care, and in the best interest of the company and the shareholders, while taking into account the interest of the company's relevant stakeholders.	LoE, Article 156, 160, D71, Article 14, 15 C95, A1, Art. 27, 38(2), 39, 40, 41 C155, A4, AR	PC	<ul style="list-style-type: none"> - Both LoE and Decree 71 have specific provisions regarding the fiduciary duties of directors - No requirement for board members within the structure of a group of companies (RP1.2.2)
1.3	Together with senior management, the Board should promote good corporate governance culture within the company and monitor its effectiveness at all time.	D71, Article 15	PC	<ul style="list-style-type: none"> - According to Article 15 of Decree 71, the Board should develop an internal CG regulation for approval by the AGM. However, there is not information related to the Board's roles on promoting and monitoring effective corporate governance at the company.

Corporate Governance Code of Best Practices		Applicable laws and regulations on corporate governance		
Principle	Guidelines	Guidelines	For	Relevant content to note
1.4	The Board should be responsible for ensuring and adopting an effective succession planning program for directors, CEO and key executive management positions to ensure growth and a continued increase in the shareholders' value.	LoE, Article 149, 157	PC	- No requirement on succession planning
Principle 2: Establishing a Competent and Professional Board				
2.1	Collectively, the Board should possess a diversified and broad range of views, expertise, skills, and competencies, sufficient to provide effective stewardship and oversight of the company.	LoE, Article 114, 151 D71, Article 13 C95, A1, Art. 25	PC	<ul style="list-style-type: none"> - No requirement on Board's skill matrix (RP2.1.4) - No recommended guidance on how a Nomination Committee could support the Board in selection and recommendation of director nominees for election by shareholders (RP2.1.5) - Circular 95, Appendix 1, Model Charter, article 25(2) provided specific recommendations on shareholders' opportunities to nominate candidates as board members (RP2.1.6) - Decree 71, Article 13 although required board member number between three and eleven, no suggestion about size such as an odd number, etc. (RP2.1.7) - Decree 71, Article 13(1) suggest consideration on board gender diversity but no requirement on the presence of female directors (RP2.1.8)

Corporate Governance Code of Best Practices		Applicable laws and regulations on corporate governance		
Principle	Guidelines	Guidelines	For	Relevant content to note
2.2	The Board should be composed of at least two-thirds of non-executive directors who possess the necessary qualifications to effectively participate and help secure objective, independent judgment on corporate affairs and to substantiate proper checks and balances.	D71, Article 13(2&3)	PC	<p>- Decree 71 requires that public companies should restrict as much as possible members of the BOD from concurrently holding executive positions in the company in order to ensure the independence of the Board of Directors; and at least one-thirds of the total members of the Board shall be non-executive.</p> <p>- <i>The CG Code of best practices recommends the Board to be composed of at least two-thirds non-executive directors and NEDs should also be qualified to carry out their roles & responsibilities (RP2.2.2 & 2.2.3)</i></p>
2.3	The Board shall appoint a professionally qualified Corporate Secretary who is accountable directly to the Board of Directors on all matters to do with the proper functioning of the Board.	LoE, Article 152(5) D71, Article 18 C95, A1, Art. 32, 38(2) C95, A2, Art. 10	PC LC PC	<p>- According to the Law on Enterprise, Article 152, clause 5 – the board of a joint-stock company (through the Chairman) can appoint a Corporate Secretary to support the Board in its proper functioning. This is in line with best practices however the recommended practices for a CS are limited in the law.</p> <p>- Decree 71 additionally requires that a listed company must appoint at least 01 person as Officer in-charge of Corporate Governance of the Company, who may concurrently act as the Corporate Secretary following international best practices.</p> <p>- <i>The CG Code of Best Practices recommends the Corporate Secretary is a senior management position or a board member (one person) – RP2.3.1</i></p> <p><i>The CG Code of Best Practices also recommends key roles and responsibilities together with ethic and professionalism of the Corporate Secretary – RP2.3.3 & RP2.3.4</i></p> <p>It is important to note that the Board of Directors ultimately is responsible for effective corporate governance implementation of the company (Principle 1.3)</p>

Corporate Governance Code of Best Practices		Applicable laws and regulations on corporate governance		
Principle	Guidelines	Guidelines	For	Relevant content to note
2.4	The Company should provide in its Board Charter and Corporate Governance Regulations a policy on the continuing development of directors, including an orientation program for first-time directors and relevant annual continuing training for all directors.	C155, A4, AR	PC	<ul style="list-style-type: none"> - No mandatory requirements on orientation program for a new director (RP2.4.1 & RP2.4.2) - No mandatory requirements on director continuous professional development (RP2.4.3 & RP2.4.4) - Appendix 4 of Circular 155 provides a model AR for public companies which requires companies to disclose in their AR: <ul style="list-style-type: none"> (i) a list of Board members possessing certificates on CG; and (ii) a list of Board members participating in CG training programs in the year (RP2.4.5).
Principle 3: Ensuring Effective Board Leadership and Independence				
3.1	Once elected, all board members have a responsibility to the company, regardless of the shareholders, shareholder group, administrator or stakeholder who appointed them to the position.	LoE, Article 160 D71, Article 14(2a), 24 D71, Article 24(4)	PC	<ul style="list-style-type: none"> - Decree 71 requires that board members of public companies perform their duties with honesty, due diligence and care in the best interests of the shareholders and the company (RP3.1.1) - Board members shall not be permitted to vote on the transactions that brings benefits to such members or their related persons (RP3.1.2) - No mandatory requirements that board members should not serve as paid consultants or advisors to the company (RP3.1.3)

Corporate Governance Code of Best Practices		Applicable laws and regulations on corporate governance		
Principle	Guidelines	Guidelines	For	Relevant content to note
3.2	To promote independent judgment by all board members and the integrity of the governance system, boards should have at least one-third independent directors.	LoE, Article 151(2 & 3) LoE, Article 134(1b) & D71 , Article 13(4) D71 , Article 13(5)	PC PC LC	<ul style="list-style-type: none"> - There is little information about the presence/contribution of independent directors in the Board in current laws and regulations (RP3.2.1 & RP3.2.2) - Best Practices recommended that idea number for independent directors in a board to be in the range from one-third to a substantial majority (RP3.2.3), whilst LoE and Decree 71 require: (+) The Boards of public companies adopting the Audit Committee model under the LoE's article 134(1b) must have at least one-fifths (1/5) independent directors (+) Listed companies must have at least one-thirds (1/3) independent directors <p><i>Definition about independent director in the CG Code of Best Practices is generally stricter than the current definition in the LoE.</i></p>
3.3	The Board should ensure that its independent directors possess the necessary qualifications and none of the disqualifications for an independent director to hold the position.	LoE, D71	PC	<ul style="list-style-type: none"> - No mandatory requirements on what qualifications that independent directors should pose (RP3.3.1 – 3.3.3) - No mandatory requirements that companies should have at least one or two independent directors who have financial expertise and experience to participate and lead the Audit Committee (RP3.3.4)

Corporate Governance Code of Best Practices		Applicable laws and regulations on corporate governance		
Principle	Guidelines	Guidelines	For	Relevant content to note
3.4	The Board's independent directors should serve for a maximum cumulative term of nine years.	LoE, Article 151(2)	PC	<p>- There is no specific explanation in the current law and regulations regarding how the service in a board for a long duration may impair a director's ability to act independently and objectively. However, provision 151(2) of the Law on Enterprise stated that: <i>"an independent director is not a member or the Board or the Supervisory Board of the company for at least five preceding years"</i></p> <p>This requirement is even stricter than the best practice recommendations under Principle 3.4 of this Code (that follows ASEAN standard). It is understood that this could be a misrepresentation in the current LoE and is subject to be revised in the upcoming LoE revision.</p>
3.5	The Board should designate a lead director among the independent directors if the Chairman of the Board is not independent, including if the positions of the Chairman of the Board and Chief Executive Officer (CEO) are held by one person.	LoE, Art. 152 (1&2) D71, Art. 12(2)	PC	<p>- Decree 71 mandates that the Chairman of the Board of Directors must not concurrently hold the position of Chief Executive Officer of the same public company (RP3.5.1)</p> <p>- <i>The term of a "lead director" does not exist in current law and regulations (RP3.5.2 – 3.5.4)</i></p> <p>- <i>There is no requirement to have majority of independent directors in the board if the Chairman is not independent (RP3.5.3)</i></p>

Corporate Governance Code of Best Practices		Applicable laws and regulations on corporate governance		
Principle	Guidelines	Guidelines	For	Relevant content to note
Principle 4: Establishing Board Committees				
4.1	The Board should set up an audit committee and ensure that it has adequate resources and authorities. The audit committee should ensure that proper internal controls are maintained and the company is in compliance with all relevant laws and regulations.	LoE, Article 134(1b) D71, Art. 9 & 17 C95, A1, Art. 31 C95, A2, Art. 6	PC	<ul style="list-style-type: none"> - The term "Audit Committee" is a new governance term that was introduced in the 2014 Law on Enterprise, under Article 134(1b), as an option to replace the Supervisory Board (SB) of joint-stock/public companies, following international best practices. In order to set up an AC of the Board and removing the SB, the company's Board must have at least one-fifths (1/5) independent directors (or at least one if the number of board members is less than five). - Circular 95 provides a general guideline to require companies to have a Charter for the Audit committee. - However, the above LoE provision is not applicable to financial institutions. <p>Principle 4.1 of this Code provides companies with recommendations on Audit Committee, follow very common international best practices of governance. This practice is widely adopted by most countries in the world and countries within ASEAN such as Singapore, Malaysia, Thailand and the Philippines.</p>
4.2	The Board should establish a competent risk management committee to ensure that the risks inherent to the company's business activities are properly managed.	D71, Art. 17 C95, A1, Art. 31	PC	<ul style="list-style-type: none"> - Except for financial institutions, there is no mandatory requirement for public companies on establishing a risk management committee of the Board.

Corporate Governance Code of Best Practices		Applicable laws and regulations on corporate governance		
Principle	Guidelines	Guidelines	For	Relevant content to note
4.3	The Board should establish corporate governance, nomination and remuneration committee to strengthen the effectiveness of company's corporate governance framework and ensure that the company's nomination and remuneration policies and practices support the successful appointment, development, and retention of directors and managers.	D71, Art. 17 C95, A1, Art. 31	PC	<ul style="list-style-type: none"> Although, there are some provisions in Decree 71 or Circular 95 guiding on how to set up the Board's committees. These regulations are open for companies to adopt international best practices on how a Board should set up specialized committee to support its functioning. <i>Under this Principle, Recommended Practices have been made based on internationally recognized best practices, taking into account the current corporate governance implementation status of Vietnamese public and listed companies.</i>
Principle 5: Ensuring Effective Performance for Board				
5.1	The Board should conduct an annual self-assessment of its performance, including the performance of the Chairman, individual members and committees. Every three years, the assessment should be supported by an external facilitator.	D71, Art. 9 & 16 C155, A4, AR	PC	<ul style="list-style-type: none"> <i>There is no provision on how public or listed companies should conduct an annual assessment of Board performance except for some requirements related to an annual general assessment report to be submitted to the Shareholders at AGM and disclosed on the annual reports.</i>
5.2	The Board should have in place a system that provides, at the minimum, criteria and process to determine the performance of the Board, the individual directors, and its committees. Such a system should allow for a feedback mechanism from the shareholders.	D71, Art. 9 & 16 C155, A4, AR	PC	<ul style="list-style-type: none"> <i>There is no provision on how public or listed companies should conduct an annual assessment of Board performance except for some requirements related to an annual general assessment report to be submitted to the Shareholders at AGM and disclosed on the annual reports.</i>

Corporate Governance Code of Best Practices		Applicable laws and regulations on corporate governance		
Principle	Guidelines	Guidelines	For	Relevant content to note
5.3	When proposing director remuneration to the shareholders' meeting for approval, the board should consider whether the remuneration structure is appropriate for the directors' respective roles and responsibilities, linked to their individual and company performance, and provide incentives for the board to lead the company in meeting its objectives, both in the short and long term.	LoE, Art. 158 D71, Art. 9 & 16 C95, A2, Art. 9 C155, A4, AR	PC	<ul style="list-style-type: none"> - There are limited provisions related to board and executive remunerations in the LoE, article 158 and other CG regulations such as Decree 71, Circular 95 and Circular 155. - <i>The Recommended Practices under this Principle can be further adopted by public companies to ensure the following internationally recognized best practices.</i>
Principle 6: Establishing and Maintaining an Ethical Corporate Culture				
6.1	The Board should ensure the adoption a Code of Business Conduct and Ethics to set an appropriate ethical business culture within the Company. This Code would provide standards for professional and ethical behaviors, as well as articulate acceptable and unacceptable conduct and practices in internal and external dealings. The Code should be properly disseminated to the Board, Senior Management and employees. It should also be disclosed and made available to the public through the company website.	LoE D71 C95 C155	PC	<ul style="list-style-type: none"> - <i>There is no mandatory requirement for public companies to adopt a Code of Business Conduct and Ethics.</i>

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6.2	The Board should ensure the proper and efficient implementation and monitoring of compliance with the Code of Business Conduct and Ethics and internal policies.	LoE D71 C95 C155	PC	- There is no mandatory requirement for public companies to adopt a Code of Business Conduct and Ethics.
6.3	The Board of Directors is the focal point of and collectively bears accountability for the governance of the company, its long-term success and the delivery of sustainable value to its stakeholders. The Board should set the role model for management and employees of the Company to follow.	LoE, Article 160 D71, Article 14(2a) D71, Article 15(3)		<ul style="list-style-type: none"> - Decree 71 requires that board members of public companies perform their duties with honesty, due diligence and care in the best interests of the shareholders and the company (RP6.3.1) - No specific requirement with regards to board and management's conduct on core value underpinning good governance (RP6.3.2) - Decree 71 requires the Board to ensure the compliance of the company's operation with the law, the Company Charter and internal rules.
CONTROL ENVIRONMENT				
Principle 7: Establishing a Sound Risk Management and Control Environment				
7.1	The Board of Directors should ensure integration of strategy, risk and control, and oversee the effectiveness of company's internal control system.		PC	Except for financial institutions, there are no mandatory requirements for the Board of public and listed companies to ensure integration of strategy, risk and control, and oversee the effectiveness of company's internal control system.

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7.2	The Board of Directors should establish an internal audit function that provides objective assurance and consulting activity designed to add value and improve an organization's operations.	D05	LC, PL*	<p>New decree 05/2019/ND-CP came into effect on April 1, 2019 requires listed companies and *companies with at least 50 percent of their charter capital held by the state to have an independent internal audit function within 24 months from the effective date of the decree.</p> <p>However, there are some key deviations in provisions of this Decree from the Recommended Practices as follows:</p> <ul style="list-style-type: none"> - It is silent about the audit committee's roles with regards to the IA function, instead the Board has a direct link to IA; it is silent about the approval authority of the Board with regards to remuneration of the IA Head (RP7.2.1 & 7.2.4)) - The IA Head is report to the Board instead of the Audit Committee and it is silent about the appointment/dismissal of the IA Head (RP7.2.2) - It is silent about the standards to be adopted by the IA (RP7.2.3)
7.3	The Board should establish a compliance function as a second line of defense with the necessary standing and authority.		PC	<ul style="list-style-type: none"> - There are no specific mandatory requirements with regards to the establishment of a compliance function with the necessary standing and authority.
7.4	The Board should oversee the Company's enterprise-wide risk management and ensure the risk management activities help the Company in making better and risk-informed strategic decisions, and managing risks within the Company's risk appetite.		PC	<ul style="list-style-type: none"> Except for financial institutions, there are no mandatory requirements related to the Board's oversee the company's risk management as recommended under this principle.

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7.5	The Board should ensure that foundation and framework for a cyber-resilient company are properly established.		PC	Except for financial institutions (Circular 18/2018/TT-NHNN), there are no mandatory requirements related to the Board's roles in establishing the foundation and framework for cyber security.
7.6	The Board of Directors should establish the selection criteria for the external auditor, evaluation of the quality of work of the external auditor, and set procedures for follow-up on external auditors' recommendations.	D71, Art 22(1)	PC	- Decree 71 requires that the company's External Auditor be appointed by the General Meeting of Shareholders at the recommendation of the Supervisory Board; <i>although it is silent about the roles of the Audit Committee when the company adopt the new governance model and removed the SB under the LoE's article 134(1b).</i> - there are also no mandatory provisions related to the Code's recommended practices from RP7.6.1 to RP7.6.4 .
DISCLOSURE AND TRANSPARENCY				
Principle 8: Strengthening Company Disclosure Practices				
8.1	The Board should establish the guidelines and procedures for disclosure of information to shareholders and other stakeholders and oversee their enforcement.	D71, Art 28 to 33 C155 C155, Art 27 & 28	PC PC	- Although there is no mandatory requirement relating to the Board's roles toward a public company's disclosure , Decree 71 Circular 155 have comprehensive regulations on this (RP8.1.1 & RP8.1.2) - <i>No mandatory requirement for the audit committee to oversee all financial and non-financial reporting (RP8.1.3)</i> - Circular 155 has comprehensive requirements for founding shareholders, directors and senior managers to disclose/report to the company any dealings in the company's shares within 3 (three) business days (RP8.1.4) - <i>No mandatory requirement for a dedicated Investor Relation function (RP8.1.5)</i>

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8.2	To promote an effective cost-efficient access to relevant information, the Board should ensure easy and non-discriminatory access to disclosed information using diverse tools of communication.	D71, Art 28(1) D71, Art 28(2)	PC PC	<ul style="list-style-type: none"> - Public companies are obliged to fully, accurately and timely disclose regular and adhoc information, ... (RP8.2.1) - The disclosure of information shall be carried out so as to ensure equal access to information by shareholders (RP8.2.2) - <i>No mandatory requirements related to the investor handling practices (RP8.2.3)</i>
8.3	The Board should ensure disclosure of key non-financial information, including environmental and social reporting.	D71, Art 30 C155, A4, AR	PC	<ul style="list-style-type: none"> - Decree 71 and Circular 155 requires comprehensive CG disclosure at the company's website and in annual reports (RP8.3.1) - Circular 155 provides an AR template with comprehensive information disclosure requirements regarding to company's significant environmental and social (E&S) impacts and its approach to E&S risk management; including the Board's assessment that appropriate governance policies and processes are in place to monitor the quality of environmental and social information (RP 8.3.3 & RP8.3.4)

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8.4	The Board should ensure remuneration of members of the board and key executives are disclosed publicly to satisfy concern of from the shareholders with regards to remuneration, performance and value creation.	C155, A4, AR	PC	<p>- Circular 155 provides an AR template to guide detailed disclose of salary, rewards, remuneration and other benefits and expenses for each member of the Board of Directors, members of the SB, CEO and other executive managers. Values of such remuneration, benefits and expenses shall be disclosed in detail for each person. Non-material benefits or interests which have not been/ cannot be quantified by cash shall be listed and accounted for sufficiently (RP8.4.1 and RP8.4.2)</p> <p>- <i>The Code further recommended companies to disclose the directors' remuneration policy that reflects the duties and responsibilities of each individual, including the pay components and level received by each director. The remuneration disclosed for each director should also include remuneration for what each individual receives from holding directorship at the company's subsidiaries (if any) (RP8.4.3).</i></p>

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SHAREHOLDER RIGHTS				
Principle 9: Establishing a Framework for Effective Exercise of Shareholder Rights				
9.1	The Board should establish and disclose the policies protecting shareholders rights and oversee their implementation.		PC	<i>There is no mandatory requirement under this Sub-principle of the Code.</i>
9.2	The Board should organize effective shareholders meetings.	LoE, Art 135 to 148 D71, Art 8, 9 & 10	PC	There are comprehensive legal requirements provided on effective GMS meetings. (Please refer to the manual guiding organization of the GMS meetings issued by HOSE, published in Vietnamese on their website at https://www.hsx.vn)
9.3	The Board should develop and implement a fair and consistent dividend policy.	LoE, Art 117, 132, 133 C95, A1, Art 44	PC	The shareholder rights and process related to dividend distribution are provided clearly in the law on enterprise and Circular 95 (in the model charter). <i>However, specific requirements for setting up a dividend policies and related recommendations in this Sub-principle are not made in details in current law and regulations (RP9.3.1, 9.3.2 and 9.3.4)</i>

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9.4	All shareholders shall be treated equally.	D71, Art 4 and 5	PC	<p>Comprehensive legal requirements provided on equal treatment of shareholders. The following recommended practices are not legally required:</p> <ul style="list-style-type: none"> - <i>AGM materials, including documents, resolutions and minutes, shall be provided in English to enable full participation by shareholders not familiar with Vietnamese and translators shall be provided at the AGM where necessary (RP9.4.3).</i> - <i>Companies to establish and publish on its website an effective Complaints Policy and mechanism which enables shareholders and others to register their complaint, have it investigated and acted upon (RP9.4.4).</i>
9.5	Related-party transactions (RPTs) should be approved and conducted in a manner that ensures proper management of conflict of interest and protects the interest of the company and its shareholders.	D71, Art 24, 25 and 26	PC	<ul style="list-style-type: none"> - Decree 71 requires public companies must ensure that transactions between related parties are conducted according to market practices (arm's length) in all aspects; ensuring strict processes and procedures on approval and disclosure applied (RP9.5.1) - Decree 71 requires board member, SB members and key executives to disclose to the board/SB whether they, directly, indirectly or on behalf of third parties, have a material interest in any transaction or matter directly affecting the corporation. (RP9.5.2) - <i>Recommended Practices 9.5.3 and 9.5.4 are not mandatory required for public companies.</i>

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STAKEHOLDER RELATIONS				
Principle 10: Building Effective Stakeholder Engagement				
10.1	The Board should ensure establish rules for stakeholder protection and engagement.	D71, Art27	PC	<i>There are no specific mandatory requirements for public companies related to recommended practices under this sub-principle.</i>
10.2	The Board should ensure and oversee the appropriate dialogue between the company and its stakeholders.	D71, Art27	PC	<i>There are no specific mandatory requirements for public companies related to recommended practices under this sub-principle.</i>

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