

CORPORATE GOVERNANCE SCORECARD 2009

(Baseline Report - 2009)

**International Finance Corporation
and Global Corporate Governance Forum
in collaboration with State Securities Commission of Vietnam**

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The Corporate Governance Scorecard is a review and report on the corporate governance practices of the 100 largest listed companies in Vietnam. Its development greatly benefited from support from the Global Corporate Governance Forum (GCGF), which supports regional and local initiatives to improve corporate governance in middle-income and low-income countries in the context of broader national or regional economic reform programs.

The preparation and publication of the Scorecard involved the participation and efforts of a significant number of dedicated people. The content of the Scorecard was developed collaboratively by Anne Molyneux, international adviser and Hien Thu Nguyen, School of Industrial Management (SIM), Ho Chi Minh City University of Technology and her team, with advice from the State Securities Commission of Vietnam (SSC). The Scorecard project was coordinated by Lien Anh Pham, IFC Operations Officer, under supervision of Juan Carlos Fernandez Zara, IFC Corporate Governance Project Manager and Eugene A Spiro, GCGF Senior Projects Officer.

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Abbreviations

AA	Articles of Association
BOD	Board of Directors, board
BOM	Board of Management, management
CEO	Chief Executive Officer
CG	Corporate Governance
CLSA	Credit Lyonnais Securities Asia
EGM	Extraordinary General Meeting
ESG	Environment, Social and Governance
HOSE	Ho Chi Minh City Stock Exchange
HNX	Hanoi Stock Exchange
GCGF	Global Corporate Governance Forum
GMS	General Meeting of Shareholders of AGM
IASB	International Accounting Standards Board
IAASB	International Auditing and Assurance Standards Board
ICBU	Industry Classification Benchmark Universe
ICGN	International Corporate Governance Network
IFAC	International Federation of Accountants
IFC	International Finance Corporation
IFRS	International Financial Reporting Standards
IPO	Initial Public Offering
IOSCO	International Organization of Securities Commissions
M/B	Market to Book Ratio
MOF	Ministry of Finance
OECD	Organization for Economic Cooperation and Development
Q	Quartile
ROA	Return on Assets
ROE	Return on Equity
ROSC	Review of Standards and Codes
SB	Supervisory Board
SSC	State Securities Commission
SX	Stock Exchange
VAS	Vietnam Accounting Standards

A. Introduction

“Good governance has positive effects for enterprises and their shareholders”.

C. Strenger

a. Background

During the past decade, the Vietnamese securities market has made large strides and secured a firm position as a channel for mid-term and long-term capital mobilization for national economic development. However, the management and regulations of an emerging securities market have posed numerous challenges to the national securities regulator – the SSC.

In Vietnam, the legal and regulatory framework has changed considerably in recent years and it is recognized there is still room for improvement. The following are part of major efforts to build a good regulatory structure, including the adoption of:

- i. The Law on Foreign Investment in 1987, its amendments in 2000 and its later unification with the Law on Domestic Investment in 2005
- ii. The Law on Enterprises in 1999 and its replacement in 2005
- iii. The Law on State Bank in 1997 and the Law on Credit Institutions of 1997, amendments to both laws in 2003 and 2004 respectively, the new Law on the State Bank of Vietnam 2010 and the new Law on Credit Institutions, 2010
- iv. The Law on Insurance Business in 2000
- v. Competition Law in 2004
- vi. The Law on Securities in 2006.

The adoption of the CG Regulations for listed companies in 2007, although not heavy in detail, certainly must be hailed as another positive step for Vietnam’s corporate governance, providing the first ever set of corporate governance guidelines for companies in Vietnam in general, and in listed companies in particular. Vietnam’s CG Regulations were developed based on the OECD Principles of Corporate Governance, which serve as an excellent reference point for international practices and for this Scorecard.

In its role to establish, regulate and supervise the securities market applying international corporate governance standards and best practices, the SSC has taken the initiative in obtaining assistance from international organizations to help establish more transparent and efficient securities market operations. Therefore, the SSC and IFC are partners in several initiatives to improve corporate governance in Vietnam.

The development of the Vietnam CG Scorecard and the associated Scorecard Report is part of this wider corporate governance project to assist the regulator to enhance the application of international corporate governance standards and practices.

b. Objectives

This initial survey of corporate governance practices in Vietnam is the baseline review of corporate governance in Vietnam. It encompasses a survey of some 100 companies listed on the Hanoi and the Ho Chi Minh Stock Exchanges, which together represent more than 90% of the combined market

capitalization of these exchanges.

The goal of such a rating system is to develop a sound base for assessment of the implementation of good corporate governance principles in Vietnam and to provide a framework for future policy discussions and corporate governance development.

The Scorecard Report is expected to:

- Provide a standardized, systematic framework by which regulators and investors may assess the corporate governance of a company and the overall level of corporate governance in Vietnam
- Enable a company to assess the quality of its corporate governance and to stimulate companies to enhance their practices
- Provide a systematic way to analyze corporate governance across industries to assist improvements in corporate governance practices
- Assist regulatory groups to identify strengths and weaknesses in corporate governance regulations and practices, leading to further reforms
- Be available to support the raising of awareness and understanding of good corporate governance practices.

“The best corporate governance framework does not guarantee acceptance and implementation if companies are not complying with the framework”.¹ One way to ensure implementation of corporate governance is through analysis and publication of the results of the analysis. Similarly, to move beyond compliance to an effective corporate governance system operating within companies in Vietnam is the goal. The Scorecard is a tool that regulators, companies, investors and the marketplace can use to focus on corporate governance and it will provide a common metric and language on corporate governance in Vietnam. It opens up opportunities for dialogue on corporate governance and allows for Vietnamese institutions to take appropriate steps to address the corporate governance issues highlighted by the findings of this report.

¹ Strenger, C., *The Role of Corporate Governance Principles – The importance of compliance and main issues in Germany*, OECD Eurasian Roundtable, Kiev, 2004.

B. Executive Summary

The baseline study, Corporate Governance Scorecard – Baseline Report, aims to develop a benchmark measure of corporate governance in Vietnam. From this benchmark, most notable areas for improvement in the quality of corporate governance in Vietnam’s publicly listed companies can be distinguished. Corporate governance is a reasonably new concept to Vietnam, introduced largely as a result of changes to the Law on Enterprises in 2005 and with the introduction of CG Regulations for listed companies in 2007. The purpose of the CG Regulations is to implement the “best international practice on corporate management suitable to the conditions of Vietnam to ensure a stable development of stock market and a transparent economy in Vietnam”.² Improvements in corporate governance can serve a number of public policy objectives such as enhancing market stability, increasing investor confidence and trust, encouraging investment into Vietnam from foreign sources and reducing the cost of capital for companies.

This is the first Corporate Governance Scorecard Report for Vietnam that explores compliance with laws and regulations, including CG Regulations and adoption of globally recognized good corporate governance practices. Throughout the world, corporate governance scorecards are well known and used to encourage corporate governance improvements. In particular in Asia, China, Hong Kong, Indonesia, Singapore, Thailand and the Philippines have used scorecards for several years as one mechanism to improve corporate governance. The benchmark is observed from publicly available information, materials that would be available to current and potential investors. Indeed a company may in fact be compliant or adopt practices in a particular area, but fail to make this compliance and adoption evident in its publicly available information.

The review and report are based on information available to investors concerning the 2009 reporting period, including Annual Reports and financial statements, documents relating to the General Meeting of Shareholders (GMS), publicly available filings with Stock Exchanges and the SSC, company website material and other media and public information on the company. The Annual Report is seen as the key company communication document and the GMS as the key shareholder contact point. A full list of the documents accessed is provided in Appendix G.

The Scorecard review examines 100 listed companies, as listed on the Hanoi Stock Exchange (HNX) and the Ho Chi Minh Stock Exchange (HOSE) on January 1, 2009.

The survey instrument used in this study was designed to reflect the approach and emphasis of the OECD Principles of Corporate Governance and the annotations to the Principles, which are widely applied and recognized as the international corporate governance standard. The Principles and the survey instrument include the following subject areas:

Table 1: Questionnaire topic area and score allocation

	Category	Number of Questions	Weighting - % of total score
A	The rights of shareholders	21	15
B	Equitable treatment of shareholders	18	20
C	Role of stakeholders in corporate governance	8	5
D	Disclosure and transparency	32	30
E	The responsibilities of the board	31	30
	Total	110	100

² CG Regulations, Article 12.

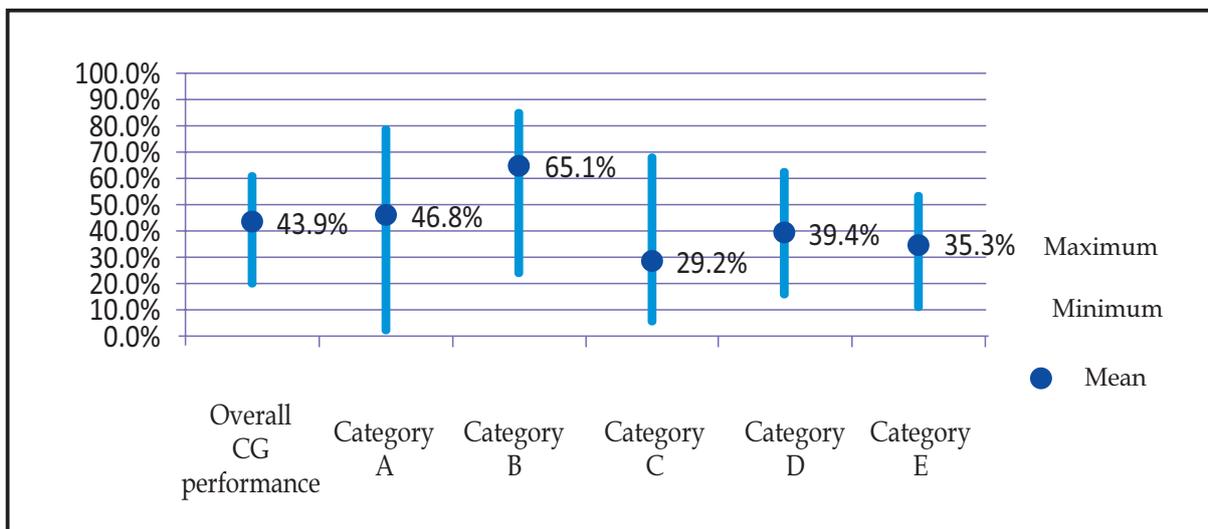
Questions in each area also considered the local Vietnam regulations and requirements with regard to corporate governance. However, good corporate governance is viewed as being more than mere compliance with applicable regulations and includes the aspiration to adopt globally accepted good practices. Where Vietnamese regulations were considered to be less than global best practices, those best practices were applied to be the benchmark for full observation of the relevant criteria. Compliance with Vietnamese regulations in such cases led to a rating of ‘partially observed’. In the survey questionnaire the number of questions on each individual area and the relative weight given to each area in the corporate governance score was determined by the project committee.

There is evidence that companies have tried to implement elements of good corporate governance. However, the results of the review would indicate that corporate governance in Vietnam is at the rudimentary stage and ripe for improvement. The corporate governance developments seem to have been led by investment in regulatory and legislative developments – a rule driven ‘top down’ approach.

It should be noted that besides a lack of awareness, corporate governance practices in Vietnamese companies are more driven by compliance with regulatory requirements than commitment to a higher practice of sound governance. Therefore, issues which are not provided for in current laws and regulations, such as ones relating to external auditor (actual independence and GMS attendance, etc.) or stakeholders’ roles, are not given sufficient attention by the companies. Consequently companies’ scores in those areas are low.

Within the companies themselves, whilst corporate governance take-up has occurred on the most basic points, deeper knowledge seems to be lacking. The more complex the area, the less adherence is evident. More focus is needed on improvements from the ‘bottom up’, from individual companies and boards, to achieve considerable corporate governance improvements.

Chart 1: Overall results in corporate governance categories



In assessing the overall performance, the mean or average results are relevant and used here. Overall the baseline review revealed that most areas achieved a level of compliance of less than 50% (see Chart 1 above). The area of best compliance with global good practices was the equitable treatment of shareholders with an overall level of compliance of 65.1%. The benchmark subjectively considered to reflect good corporate governance practices in a company’s total score is between 65% and 74%. Excellent corporate governance practices would be expected to result in a score of 75% or above. Even though this is a subjective benchmark choice, it is based on knowledge of good practices

internationally. For example, the Asian Corporate Governance Association in its annual corporate governance assessment³ considers an 80% adherence for 'world class' corporate governance practices. No company in the survey group achieved these levels.

The area of least compliance with global good practices was Section C, the role of stakeholders, with an average level of compliance of 29.2%. This result is to be expected as the role of stakeholders in corporate governance is a relatively new concept in Vietnam, even newer than the concept of corporate governance itself. However, the international emphasis on company adoption of good practices related to the environment, to society and to governance (ESG) cannot be ignored. It is a focus of investor attention and a new catalyst for corporate governance reform. Whole investor funds have been established on the principle of responsible investment, encompassing ESG elements.

The public listed companies performed poorly on many measures of the responsibilities of the board (35.3%) and disclosure and transparency (39.4%). This is evidence that real commitment to good corporate governance has yet to be established in Vietnam.

The corporate governance scores vary across diverse industries. The healthcare industry, including healthcare equipment and services, pharmaceutical and biotechnology companies, achieved the highest score overall and managed to achieve a modest mean 50.4% corporate governance score, boosted by the relatively good performance of one company (one in a total of five in this sector) achieving a 60.9% corporate governance score. The second industry group overall in the quality of its corporate governance was the financial industry. The oil and gas sector achieved the overall poorest result of all industry sectors, with an overall average score of 39.2%.

However, when a comparison is made between the average corporate governance score of companies in the financial industry (45.8%) and companies in all other non-financial industries (43.5%), the financial industry out performs these sectors. This often occurs as the banking and financial services industry demonstrates better corporate governance largely due to closer scrutiny and tighter regulations. Such a picture is confirmed in a quartile-by-quartile review, where companies are grouped according to their corporate governance scores (Quartile 1 representing the 25 companies with the highest CG scores).

The financial industry comprises 32% of quartile 1 (see Chart 2 below). Industrial firms are dominant in quartiles 2, 3 and especially in quartile 4 (See Chart 3 below). Quartile 4 represents the companies with the poorest corporate governance scores.

3 CLSA in collaboration with the Asian Corporate Governance Association produce an annual survey of corporate governance developments across Asia. The summary of the 2010 research, *CG Watch - Stray not into Perdition* is available at www.acga-asia.org

Chart 2: Top corporate governance scores by industry – Quartile 1

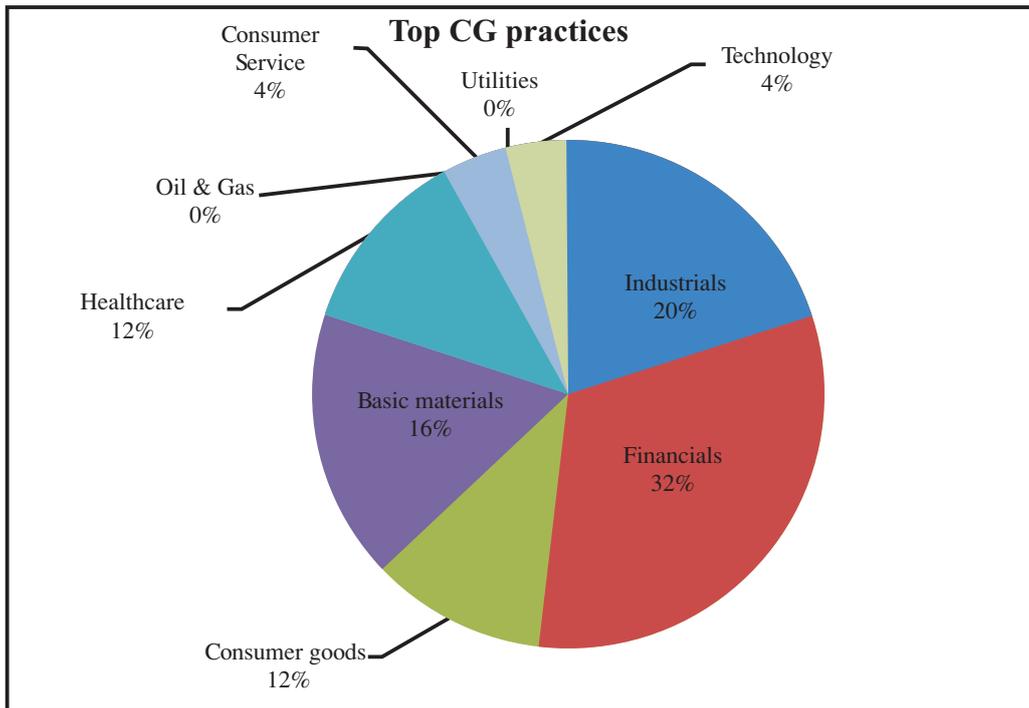
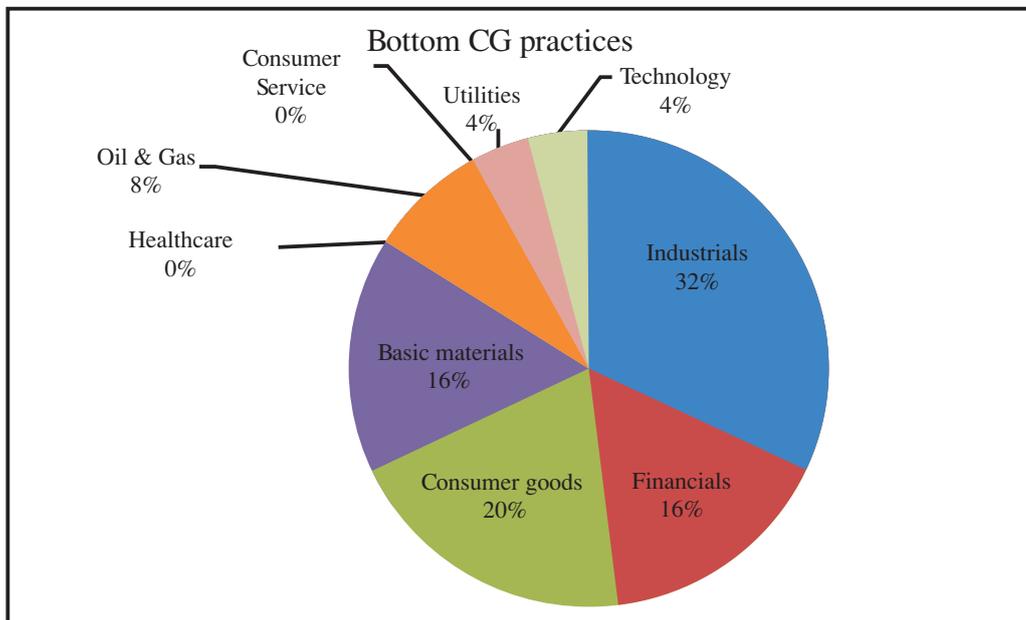


Chart 3: Bottom corporate governance scores by industry – Quartile 4



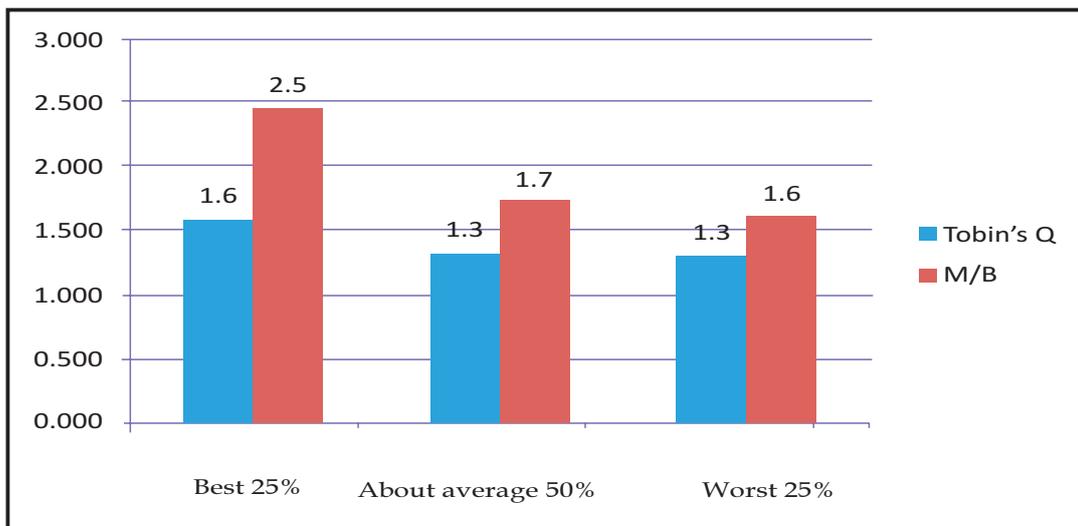
In the following analysis for ease of comparison, firms are grouped into three groups. The first group includes firms in the top 25% CG ranking. The second group includes 50% of firms in the middle range of CG ranking. The third group includes firms in the bottom 25% CG ranking.

When the comparison is made between the top quartile and the bottom quartile, companies with better - but not necessarily good CG scores, also achieve better market performances (as measured by

Tobin's Q).⁴ There may be many other coincidental reasons for the better performances, which may be explored in further research. Also, even though the Vietnamese market may have strengths and weaknesses or be considered immature, inefficient or volatile, all reviewed companies operate in the same market and should not be affected by the market conditions. This evidence shows that companies with better corporate governance scores also boast better market performances.

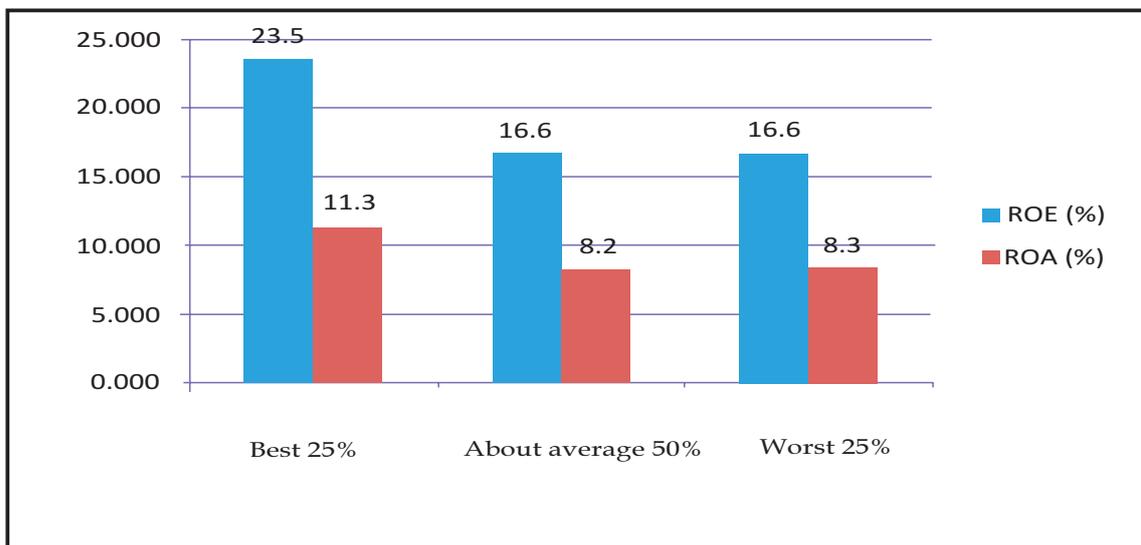
The results in Chart 4 below show this. This relationship between better corporate governance and market performance was also observed in the market to book ratio.

Chart 4: CG practices and market performance (as measured by Tobin's Q and Market to Book ratio)



Firms with better CG practices/scores also demonstrate better profitability (Chart 5). Firms in the top CG ranking have a higher return on equity (ROE) and return on assets (ROA) ratios than those in the bottom CG ranking. Companies with better corporate governance have an ROE of 23.5%, outstripping the companies with poorer corporate governance with ROE of 16.6%. It is a similar picture when considering the ROA ratios.

Chart 5: CG practices and profitability



⁴ Tobin's Q measures the ratio between the market value of equity plus firm debt divided by the book value of total assets.

Summary specific findings - areas of strength and weakness

In each corporate governance category (Sections A-E), the specific areas of overall strongest and weakest compliance with international good practices can be observed through specific questions. This section serves as a brief summary of these areas.

In the chart below, questions that firms are best at and worst at are represented. CG scores on each of these questions are converted to 100% scale. Also, the number of firms receiving full scores and zero scores are also presented. For example, among the questions in category A related to the rights of shareholders, A.16 was the most problematic question for firms. All firms in the sample received zero score for this question, which concerns the independence of external auditors.

a. Rights of Shareholders

Chart 6: A: Strongest and weakest question observations

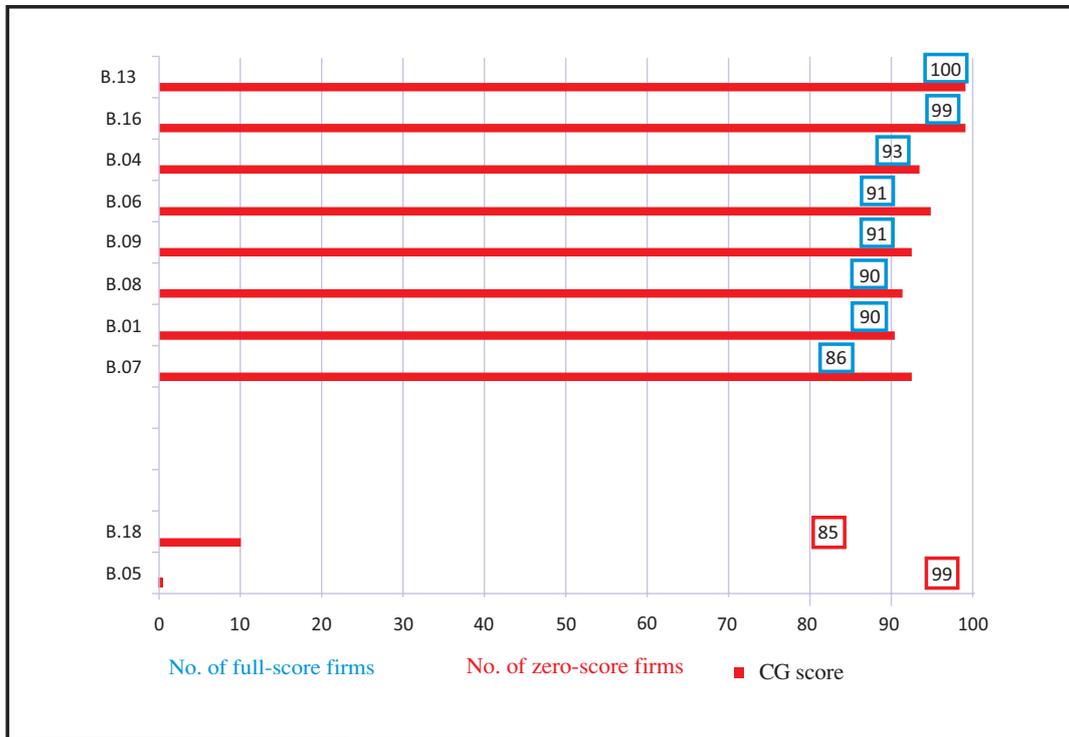


Strongest - The basic rights of shareholders to vote are clearly explained (Question A1). It is also evident that many companies offer other ownership rights beyond the most basic rights, such as the right to approve the dividend and equal treatment for all shareholders for share repurchases (Question A2). The GMS too is recognized as being the main shareholder contact point and there are adequate company systems in place to ensure shareholder attendance at the GMS (Question A7).

Weakest – With regard to shareholders’ right to appoint an independent external auditor, no companies offered information to demonstrate that the auditor was in fact independent (Question A16), represented by 100% non-compliance. This does not seem to be a well understood concept. Although shareholders could ask questions of the auditor at the GMS, the auditor very often did not attend the GMS and express his/her views on audit matters (Question A14). Real commitment in the GMS for shareholder access to the auditor is important. In addition, the report to the GMS on the performance of the Supervisory Board, required under Article 8 - CG Regulations, is deemed to be generally not of good quality and lacking in sufficient information (Question A18).

b. Equitable Treatment of Shareholders

Chart 7: B: Strongest and weakest question observations



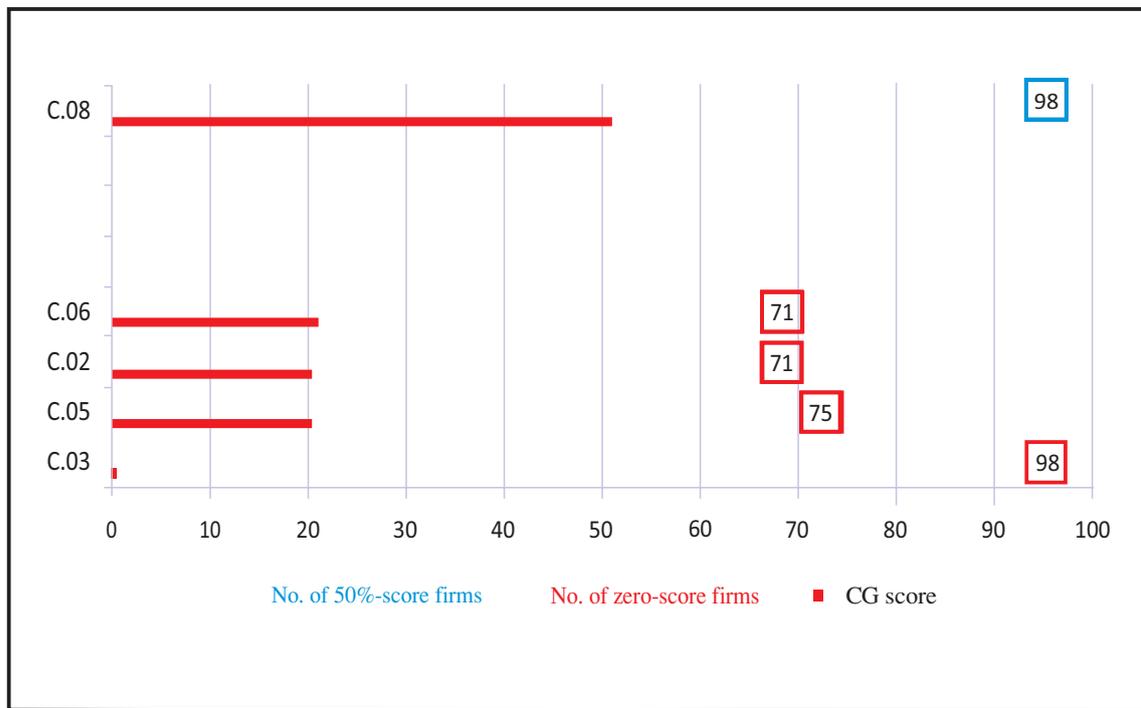
Strongest – The area of strongest adherence to good practices and regulations is in the respect for the requirement for directors to be re-nominated and re-elected at regular intervals as required in the Law on Enterprises and in the CG Regulations (Question B04). Furthermore, many company group basic organizational structures were clearly described and transparent (Question B06). However despite this, the rating team considered parent company structures, pyramid and cross-ownership not fully reflected in the Annual Report. Although the Annual Report showed an organizational chart, the structure of business corporations and other information was not provided in full.

However, questions also gaining a strong positive response related to the existence of any known cases of insider trading involving the company, its directors and its management (Question B13) and relating to cases of non-compliance with requirements relating to related-party transactions (Question B16). These two areas are traditionally problematic in emerging market economies, and whilst the results for these questions are good, a similar result could arise if the regulatory authorities and the media have not been sufficiently vigilant. It seems the evident areas of strength relating to the equitable treatment of shareholders may require further research.

Weakest – The area of poorest conformance with good practices relates to the facilitation of cross-border shareholder voting (Question B05). This was rarely evident, thus disenfranchising more remote shareholders. Also companies do not generally have effective investor relations/information policies and programs, despite being required to have these in Article 30, CG Regulations (Question B18).

c. Role of Stakeholders

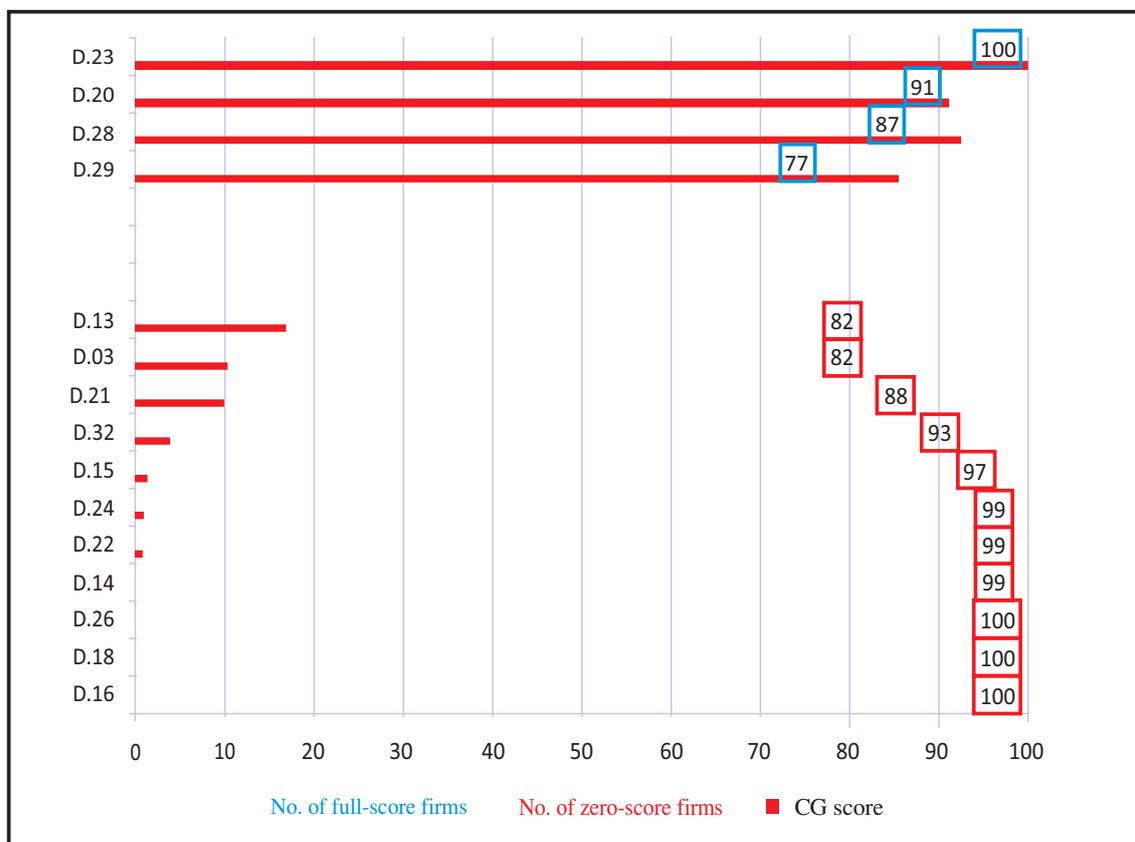
Chart 8: C: Strongest and weakest question observations



In general, this concept is not well understood. Very rarely have mechanisms, such as “whistle blowing” policies and practices, been introduced so stakeholders can communicate directly with the company on matters of illegal and unethical conduct (Question C03). Indeed there are few ways for stakeholder communication with the board, the Supervisory Board or the Board of Management (Question C06). Few companies mention safety and welfare of employees and of the environment (Question C05). Given this is an area of rising global investor focus, companies in Vietnam need to be better educated on the role of stakeholders and their relationship with the company and its governance.

d. Disclosure and Transparency

Chart 9: D: Strongest and weakest question observations

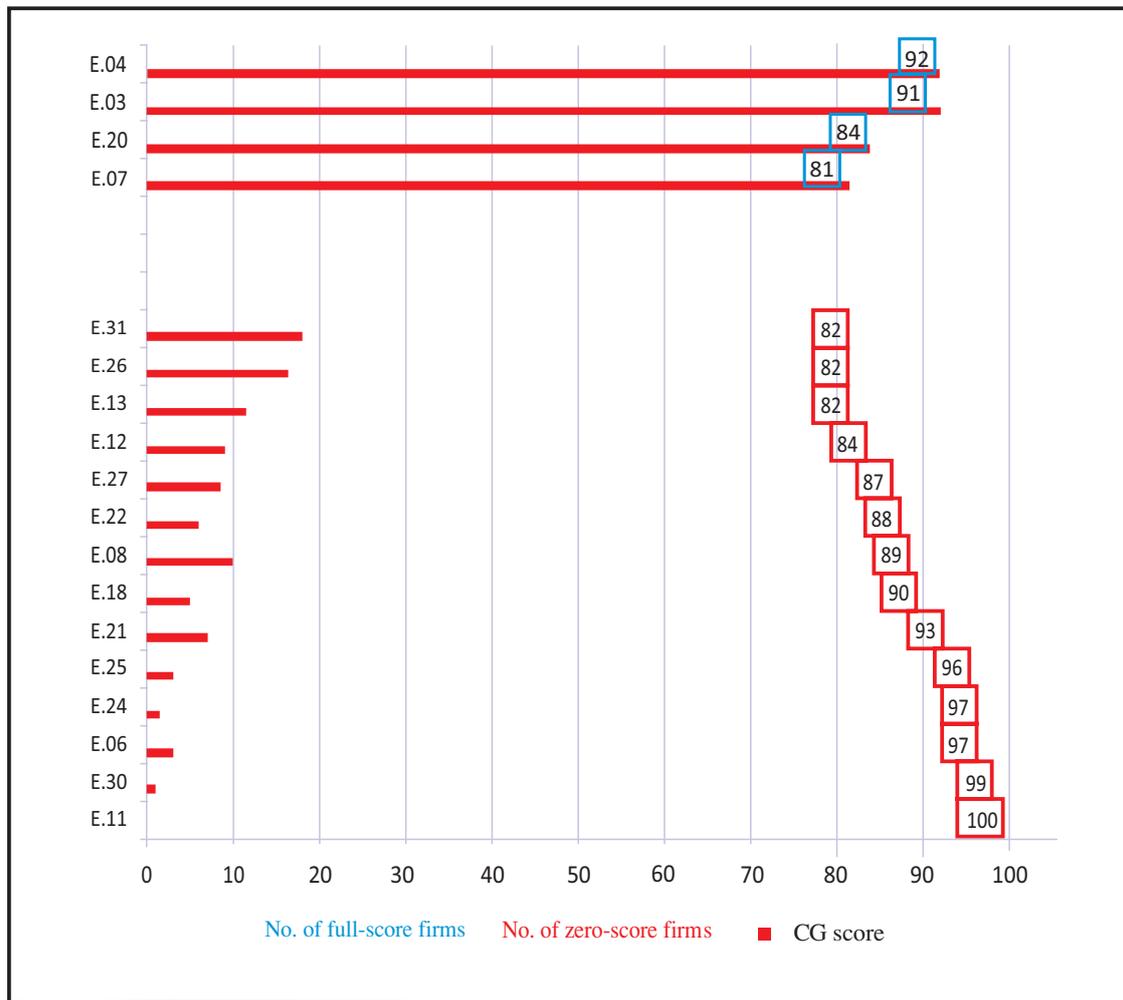


Strongest – The disclosure requirement for every company to have an annual audit undertaken by an external auditor is adhered to by all companies (Question D23). Further there is little evidence of accounting, audit qualifications or queries related to the financial statements in the past two years (Question D28). Also there is little evidence of public statements or regulator requests recording a demand for directors to disclose their transactions in shares (Question D20).

Weakest – Areas in which disclosures were either not evident or poor included failure to identify ‘independent’ members of the board or the supervisory board and to provide information on individual director experience and backgrounds in the Annual Report (Question D14). Other poor disclosure areas included the basis of remuneration of the board and key executives (Questions D16 and D18), the existence of policies that may explain or constrain the external auditor undertaking non-audit services (Question D26), the specific identification of the independence of the external auditor (Question D24). More generally, the Annual Report did not include a separate corporate governance report (Question D22).

e. Responsibilities of the Board

Chart 10: E: Strongest and weakest question observations



Strongest – Areas in which there was evidence of relatively good board practices related to the existence of guidance for the board on those material transactions that must be approved by the board (Question E03). In addition, the Chairman’s role at board meetings seems to be clear and well described in company corporate governance guidance (Question E04). Further a number of companies demonstrated that board composition was ‘balanced’ and comprised a range of skills and experience (Question E07).

Weakest – No companies mentioned having an induction policy and program to orient new board members to the company and its business and to the board and to their specific responsibilities within the board (Question E11). Generally information on company internal control and internal audit structures, policies and practices was lacking and may well indicate these areas require improvement (Questions E24 and E 25). Finally company records on the Supervisory Board do not generally include adequate consideration of, and reporting on, the Supervisory Board’s performance and activities as required in the CG Regulations (Question E30).

Two questions highlighting key weak areas related to the identification of ‘independent’ board members (Question E08) and that boards have not shown evidence of establishing board committees (audit, remuneration and nomination committees) (Question E18) led by independent directors. Whilst the role of independent board members is well established in global practices, a distinction between

independent board members and non-executive board members is not distinguished in Vietnam.

Summary conclusions and recommendations

The baseline survey indicates corporate governance in Vietnam is in the early stages of a long journey and provides many good opportunities to develop quality corporate governance practices for the future. These opportunities may be taken up by legislators or regulators, by specific institutions and by the private sector, including by individual companies and boards.

It is clear that there is a positive relationship between company market performance and profitability, which provides an incentive for firms to improve corporate governance practices.

Short-term improvements are recommended for initial action, providing encouragement and time for tackling longer-term more endemic issues.

Action can be taken by the companies themselves and by individual boards by reviewing the individual company's performance and determining areas of focus for development. Two key areas for company focus would likely be disclosure and transparency, and the responsibilities of the board. Critical to company, board and director improvements will be director commitment and training in global best practices and their implementation. Intensive programs on particular issues such as related party transactions and internal audit, controls and risk management are recommended. Board evaluation aids improvement and should be encouraged.

Indeed extensive capacity building/training for all participants in the corporate governance arena is recommended. For example, training for directors on global good practices and on the requirements of the Vietnamese laws and regulations, training for shareholders on their rights and how best to exercise and enforce those rights and training for regulators on supervisory and enforcement practices for corporate governance matters. Training is also recommended for the media so it can highlight and comment appropriately on corporate governance practices and assist in raising public awareness of corporate governance matters.

The report provides opportunities for regulatory clarification or additional guidance to be provided by the SSC and the Stock Exchanges. Clarification of definitions, thresholds, roles and good practices by the issue of regulations or guidelines would assist further enhancement of good practices. The experience of the successful adoption of the Model Charter provides a good lesson on the nature of guidance necessary. Other possible steps may include mandating a corporate governance report, actual auditor election at GMS and the establishment of a board audit committee.

Enhanced and more visible monitoring and enforcement of corporate governance requirements is important. For example, annual report reviews by the regulator would focus companies' attention on the quality of their financial disclosures. Regular scorecard re-assessment and publication of the general results of progress would be helpful.

Increased public awareness programs and collaboration with other market participants to explain the importance of shareholder participation in company activities and facilitation of participation are necessary.

C. Research Methodology

a. Background to Scorecard assessment

The OECD Corporate Governance Principles are the globally accepted benchmark for corporate governance and are applied in all OECD economies and in many non-OECD economies. Behind these Principles stands the Methodology for Assessing the Implementation of the OECD Principles of Corporate Governance. Whilst this methodology is normally applied at a national level, thematic issues and essential criteria that are considered in the Methodology may also be applicable at company level and have been used in the development of this Scorecard questionnaire.

The OECD Principles and annotations, Methodology and the Vietnamese corporate governance environment form the basis of the Vietnam Scorecard. Where Vietnamese regulations are considered to be less than those applied in global good practice, the Scorecard recognizes this by using the globally accepted practice as the criteria for scoring ‘full observation’. Globally accepted practices include the OECD principles, standards and benchmarks set by the International Accounting Standards Board (IASB), the International Auditing and Assurance Standards Board (IAASB) of IFAC and other standards and guidance of organizations such as IOSCO, the Basel Committee and the ICGN. In such cases, compliance with Vietnamese requirements led to a rating of ‘partially observed’.

It is important that corporate governance principles and concepts are not just accepted at a conceptual level, as a ‘compliance’ or ‘box-ticking’ approach is not sufficient. The assessment is about establishing from a ‘reasonably well informed person’ point of view whether corporate governance concepts are applied in practice in the company. These practices are ‘observed’ from publicly available information accessible to an investor. Consistent with this ‘investor’ perspective, raters have been chosen for their business and management knowledge including corporate governance, have been trained in corporate governance and are appropriate to make relevant judgments.

Caveat: There are ‘pros’ and ‘cons’ to any corporate governance rating system. No corporate governance rating system, such as this, can totally and accurately predict the level of real corporate governance within a company. This can only be interpreted from an inside view, a view of the board as it goes about its day-to-day business. This Scorecard captures only what is externally evident from information released to the public and that is reflected in available materials and documentary filings. As such, the outcome may not be as finely tuned and informative as if the rating had been undertaken internally with the benefit of internal specific company knowledge. Nevertheless, the Scorecard approach is valuable.

In developing and applying the Scorecard, efforts were expended to lessen the subjectivity of judgments on corporate governance and to ensure the consistency and accuracy of assessments. The Scorecard is not dependent on company cooperation. It is an exercise designed to be undertaken by independent consultants, independent of both the companies involved and also independent of the regulators.

The major categories utilized as the basis for the Scorecard assessment of companies’ corporate governance are those recognized by the OECD Principles⁵ as the keys to good corporate governance:

- The rights of shareholders

5 OECD Principles of Corporate Governance, amended in 2004, is an international benchmark for policy makers, investors, corporations and other stakeholders worldwide. They continue to advance the corporate governance agenda and provide relevant guidance for non-OECD as well as OECD countries. “Corporate governance is seen as one key element in improving economic efficiency and growth as well as enhancing investor confidence”.

- Equitable treatment of shareholders
- Role of stakeholders in corporate governance
- Disclosure and transparency
- The responsibilities of the board.

OECD Principle I ‘Ensuring the basis for an effective corporate governance framework’ which requires “the corporate governance framework should promote transparent and efficient markets, be consistent with the rule of law and clearly articulate the division of responsibilities among different supervisory, regulatory and enforcement authorities”⁶ is not dealt with in this Scorecard. This is not considered here as it is not a role of company corporate governance, but rather more an issue for governments and regulators.

Vietnam has a two-tier corporate governance framework. Vietnamese laws and regulations require a two-tier board/corporate governance structure similar to that developed in China, but different to the two-tier system of Germany or Indonesia.

The approaches used in the structure and methodology of the Vietnam Scorecard are cognisant of successful Scorecard approaches such as those in Germany, which has a two-tier corporate governance framework and in China which has a corporate governance framework most nearly like that applied in Vietnam. This Scorecard is also reflective of learning from other Scorecard approaches.

Therefore, the specific Vietnam Scorecard has been constructed with questions that reflect the OECD Principles, Annotations and Assessment Methodology and specific corporate governance legal and regulatory frameworks in Vietnam,⁷ especially the MOF’s Decision 12/2007/QD-BTC on corporate governance for listed companies (CG Regulations). Where applicable, International Financial Reporting Standards (IFRS) and International Standards on Auditing (ISA) and other international benchmarks are also considered.

An important point in the Vietnam Scorecard’s development, was that the project committee considered the current strengths and weaknesses evident in corporate governance practices in Vietnam and in Vietnamese companies and incorporated these factors into the Scorecard. Evidence of Vietnam’s corporate governance strengths and weaknesses comes from:

- The World Bank ROSC Corporate Governance Country Assessment – June 2006
- Vietnam’s contributions to the OECD stock take of corporate governance related developments and progress in Asia – February 2010
- A professional review of corporate governance with key market regulators and participants – 2010
- Other relevant, available reviews and surveys and public press.

6 OECD, Principles of Corporate Governance, OECD 2004, Paris.

7 The Scorecard has been informed by the key legislative and regulatory instruments impacting corporate governance in Vietnam, including, the Law on Securities, Decree 14/2007/ND-CP relating to implementing the Law on Securities, the Law on Enterprises, Decree 139/2007/ND-CP guiding the implementation of the Enterprise Law, Decision 15/2007/QD-BTC on the promulgation of the Model Charter, Circular 38/2007/TT-BTC on disclosure in the securities market, Decision 12/2007/QD-BTC on the regulation of corporate governance applying to listed companies on the Stock Exchange and other relevant documents. Some sectors are subject to specific regulations. (For example the banking sector is subject to Decision 59/2009/ND-CP, Decision 36/2006/QD-NHNN and Decision 37/2006/QD-NHNN). These specific regulations are not included in this scorecard. N.B References to Circular 9 are also included. However this only became applicable in 2010, after 2009.

b. Companies reviewed

In this baseline corporate governance review, the 100 largest publicly listed companies on the Hanoi Stock Exchange (HNX) and the Ho Chi Minh Stock Exchange (HOSE), as of January 1, 2009, were selected for consideration. Collectively these companies represent more than 90% of the total market capitalization in Vietnam (see Appendix G List of Companies). Out of a total of 331 listed companies on the HOSE and HNX, the selected 100 companies comprised 78 listed on the HOSE and 22 on the HNX. This company selection reflects the relative contributions of each stock exchange to the total capital market in Vietnam.

The Scorecard takes the view that by the fact of listing on the stock exchange, companies have a public obligation to adhere to the law and regulations and also to aspire to good corporate governance practices. Therefore, the date of initial public offering (IPO) and the fact that companies may be only recently listed or may be small is not considered relevant. Recent listing and small size may explain a poorer level of corporate governance, but will not excuse it.

The companies reviewed represented the following sectors: industrial, financial, consumer goods, basic materials, oil and gas, healthcare, consumer services, utilities and technology. These industry sectors were classified according to the Industry Classification Benchmark Universe (ICB Universe) and applied by the relevant stock exchanges and by three securities companies in Vietnam (Vietstock, Cophieu 68 and SBB Securities).

ICB Universe 2008 is used to classify firms into groups of industries. The ICB Universe allows the classification of firms into 4 industry levels. In this study, the first and also broadest industry level is used for the 100 firms. The first industry level includes 10 industry sectors: (1) oil and gas, (2) basic materials, (3) industrials, (4) consumer goods, (5) healthcare, (6) consumer services, (7) telecommunications, (8) utilities, (9) financials and (10) technology.

Some sectors in Vietnam, in particular, the banking and financial services sector and state-owned entities, may be subject to additional corporate governance requirements. These are not addressed in this Scorecard questionnaire through specific questions. Their particular issues may well be addressed in future iterations of the Scorecard.

Basis of review

The assessment of each company is based on externally available information, information that is publicly available to current or potential investors. The relevant information is that which an investor may use to judge whether to invest, divest or hold the investment. Information sources included the company's annual report, financial statements, corporate governance reports, public and regulatory filings, filed with the regulator and the stock exchange, notices for the GMS, reports on results of GMS, GMS minutes, Articles of Association and company website materials.

c. Scorecard instrument development

Areas/Categories

The Scorecard categories and sequence of the Scorecard instrument have been developed based on international standards as set out in the OECD Principles of Corporate Governance which encompass five key areas/categories for assessment, as discussed earlier. The Scorecard is not exclusively reviewing adherence to Vietnamese laws and regulations. That is the proper role of Vietnamese regulators and would result in a minimal approach to corporate governance. Corporate governance

information was assessed under a combination of OECD recommended good practices and the laws and regulations in place in Vietnam as of December 31, 2009 and other influential global benchmarks. To the extent laws and regulations are changing and better practices are being introduced, early adherence to these better practices is considered.

Therefore, the questionnaire encompasses the local legal and regulatory environment and more.

The assessment covered the different aspects of company corporate governance practices. However, these are inevitably linked and closely related. Therefore, one assessment question/criteria may well be equally appropriate in another category of assessment. The guide for location in the Scorecard predominantly has been the emphasis of the OECD Principles of Corporate Governance.

Weighting of Areas/Categories

Different weighting practices have been used in various jurisdictions when a scorecard system of corporate governance analysis was established. Weightings may be applied to individual questions and/or to groups of questions.

It was determined for the Vietnam Scorecard that weighting should be applied only to areas/categories or groups of questions and that the relative weightings should take account of the particular strengths and weakness of Vietnam’s corporate governance practices.

The agreed weighting of scored areas/categories, summing to a total of 100%, are:

Table 2: Weightings of areas/categories

Category	Number of Questions	Weighting - % of total score
The rights of shareholders	21	15
Equitable treatment of shareholders	18	20
Role of stakeholders in corporate governance	8	5
Disclosure and transparency	32	30
The responsibilities of the board	31	30
Total	110	100

Such a weighting process can also be applied to questions within each area. It was determined that in the Vietnam Scorecard all questions within a specific weighted area would be scored and have equal value. However, each area had different numbers of questions that addressed the relevant issues in the area. Some questions depended on a pre-conditioning event occurring. If such an event did not occur or was not evident, then no marks were awarded on that question and the total score possible for that particular company was reduced.

d. Data collection

The data collection was based on a wide variety of publicly available information. These include the company’s annual report and financial report for year 2009, HNX and HOSE filings, SSC filings, and other documents, especially GMS minutes, GMS documents, Company Articles of Association,

public media and other sources of public information, including the company website, as available. Information for rating each question may come from one or more sources.

e. Evaluation methods - Question Scoring

Criteria were established, discussed and agreed with the SSC as appropriate rating criteria for each of the 110 questions. It was further determined that the quality of corporate governance practices referred to in each question should be recognized on three levels, using the terminology of the OECD Principles Assessment Methodology:

- ‘Observed’ good practices (the highest level of CG practice) – **2 points**
- ‘Partially observed’ good practices (the median level of CG practice and which would require at least fulfilment of Vietnamese laws and regulations) - **1 point**
- ‘Not observed’, deficient, missing or non-compliant practices (the lowest level of CG practice) – **zero points**

It is important to note that if information was not observable through publicly available materials, the question was scored accordingly, rated as ‘not observed’ and zero points were awarded.

The specific selected terminology used in this Scorecard (‘observed’, ‘partially observed’ etc.) recognizes that the observation of good corporate governance practice may or may not result in good corporate governance practices.

Some questions required a more limited ‘yes’/‘no’ or ‘no’/‘yes’ response. In these circumstances, 2 points were awarded for a positive response and zero points awarded for a negative response.

In undertaking the assessment, the goal was to minimize assessor subjectivity throughout the rating process.

Each individual company rating had a strict methodology and a ‘check and balance’ system applied. Members of the rating team were allocated particular questions from the questionnaire to rate. No one company was rated by one individual. Then each evaluation was cross-checked/audited to ensure accuracy and consistency across ratings. Each company was scored on every question provided for in the questionnaire, unless a particular event did not occur, in which case the total possible score was reduced for these companies.

When the rating and audit process for each sub-section of the company rating was completed, then all rating results for the company were combined into one company spreadsheet for calculation of the CG score.

Scoring and Total Weighted Score

Given the above determinations, to reach a total individual company weighted score, the following calculation occurred:

- A. Each question in each subject area was assessed and all questions scores totalled.
- B. The sum of all the questions in the subject area was divided by the total score possible for all questions to give a percentage value for that subject area.
- C. Result in B should be multiplied by the total area weighting to give a percentage for the company for that particular area.

D. All weighted % scores across all five areas should be totalled.

Final Company Scores

The Scorecard facilitated the grouping of companies into broad outcomes of ‘excellent’, ‘good’, ‘fair’, ‘needs improvement’ corporate governance categories. An ‘excellent’ rating would result in a company score of 75% and above, a ‘good’ rating would result in a score of between 65% and 74%, a ‘fair’ rating would result in a rating of between 50% and 64%, a ‘needs improvement’ rating would result in a rating below 50%. Such a grouping of companies was not expected in the baseline review, but may be utilised in subsequent Scorecards.

In compiling the summary statistics and data for this report, some statistical rounding errors may have occurred.

f. Research team

The Project International Advisor was Anne E Molyneux, a corporate governance specialist and consultant to the Global Corporate Governance Forum and the International Finance Corporation. The scorecard research team, led by Project Supervisor, Dr. Nguyen Thu Hien, School of Industrial Management, National University of Ho Chi Minh City, comprised 12 individuals. The research project was managed by Mr. Tran Duy Thanh (Project Manager) (see Appendix G for full rating team). The Scorecard instrument was reviewed and approved by the IFC and the SSC prior to its application. Similarly the report was commented on by the IFC, the GCGF and the SSC prior to completion.

The research team underwent training regarding the project’s background and motivation, a description of the survey sample, the manner in which the project would be undertaken, including data collection and the process of assessment and checking of assessments. Considerable time was given to a pilot test of 10 companies in the application of the questionnaire. Issues arising from the pilot test were discussed and resolved prior to the full assessment process being applied.

D. Analysis

The overall objective of the Scorecard is to improve corporate governance in Vietnam. In the future, this baseline study may be compared with the results of further studies in order to determine progress. In the interim, it offers an opportunity for companies and regulators to better understand the nuances of the implementation of good corporate governance practices in Vietnam.

a. Overall results and corporate governance relationship with performance and profitability

The Scorecard review examined 100 listed companies, as listed on the HNX and the HOSE at January 1, 2009 (see attached List of Companies, Appendix G). Collectively these companies represent more than 90% of the total market capitalization in Vietnam.

The overall corporate governance performance and in each category is reflected in Table 3 below and graphically represented in Chart 11 below.

Table 3: Overall corporate governance performance

	Mean*	Median*	Minimum*	Maximum*
Overall CG performance	43.9	44.8	20.5	60.9
Area A	46.8	47.6	2.4	78.6
Area B	65.1	66.7	25.0	86.1
Area C	29.2	25.0	6.3	68.8
Area D	39.4	40.3	15.6	62.5
Area E	35.3	35.5	11.3	53.2

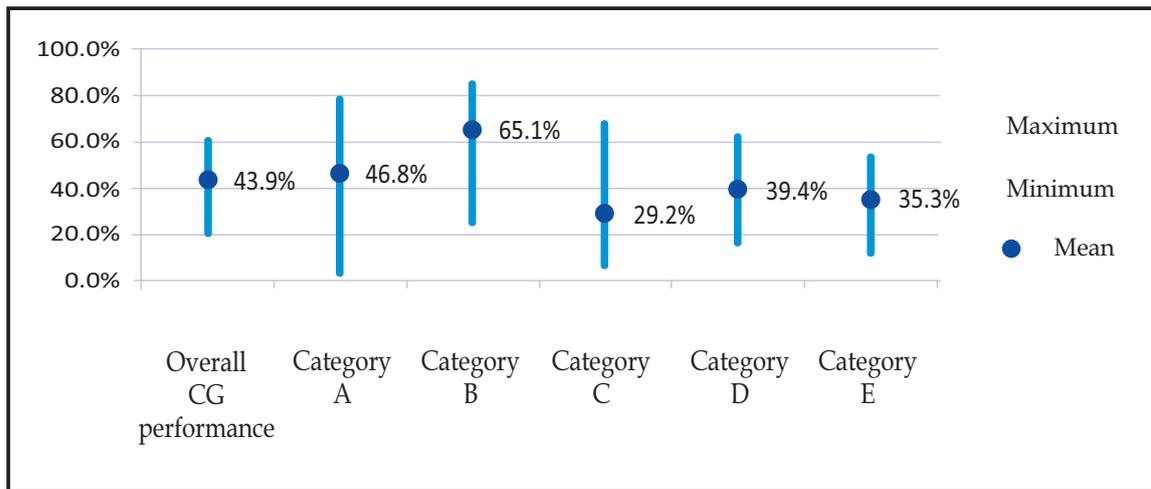
**Note: All scores are in percentages*

The overall corporate governance performance of reviewed companies indicates efforts to implement elements of good corporate governance. However, the results of the review would indicate that corporate governance in Vietnam is at the rudimentary stage and ripe for improvement. Corporate governance developments seem to have been led by investment in regulatory and legislative developments – a rule driven ‘top down’ approach.

It should be noted that besides a lack of awareness, CG practices in Vietnamese companies are more driven by compliance with regulatory requirements than commitment to a higher practice of sound governance. Therefore, issues which are not provided for in current laws and regulations, such as ones relating to external auditors (independence and GMS attendance, etc) or stakeholders’ roles, have not been given sufficient attention by the companies. Consequently companies’ scores in these areas are low.

Within the companies themselves, whilst corporate governance take-up has occurred on the most basic points, deeper knowledge seems to be lacking. The more complex the area, the less adherence is evident. Concentration needs to be on improvements from the ‘bottom up’, from individual companies and boards, to achieve considerable corporate governance improvement.

Chart 11: Overall results in corporate governance categories



In assessing the overall performance, the mean or average results are relevant and used here. Overall the baseline review revealed that most areas achieved a level of compliance of less than 50%. The area of best compliance with global good practices was the equitable treatment of shareholders with an overall compliance level of 65.1%. The benchmark subjectively considered to reflect good corporate governance practices in a company’s total score is between 65% and 74% and above. Even though this is a subjective benchmark choice, it is based on knowledge of good practices internationally. For example, the Asian Corporate Governance Association in its annual governance assessment considers an 80% adherence level for ‘world class’ CG practices. No company in this survey achieved these levels.

The area of least compliance with global good practices was Section C, the role of stakeholders with an average level of compliance of 29.2%. This result is to be expected as the role of stakeholders in corporate governance is a relatively new concept in Vietnam, even newer than the concept of corporate governance itself. However, the international emphasis on company adoption of good practices related to the environment, to society and to governance (ESG) cannot be ignored. It is a focus of investor attention and a new catalyst for corporate governance reform. Whole investor funds have been established on the principle of responsible investment, encompassing ESG elements.

The public listed companies performed poorly on many measures of the responsibilities of the board (35.3%) and disclosure and transparency (39.4%). Indeed 80% of the poorest question results (where all companies achieve between 0 and 1 point for a question) were related to questions on disclosure and transparency and on the responsibilities of the board. It seems a deep commitment to good corporate governance has yet to be established in Vietnam.

In the following analysis for ease of comparison, firms are grouped into three groups. The first group includes firms in the top 25% CG ranking. The second group includes 50% of firms in the middle CG ranking range and the third group includes firms in the bottom 25% CG ranking.

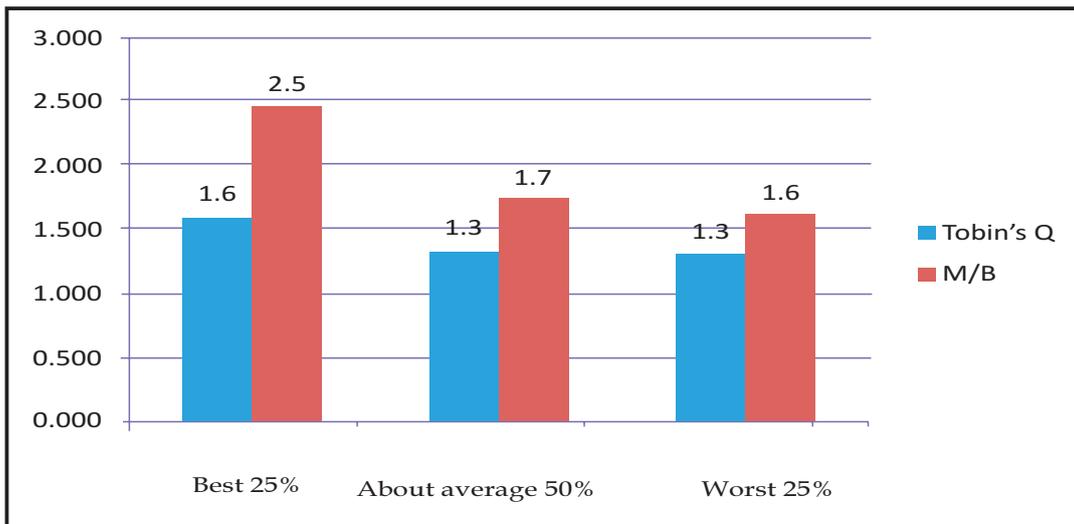
When the comparison is made between the top quartile and the bottom quartile, companies with better - but not necessarily good corporate governance scores also achieve better market performances (as measured by Tobin’s Q⁸) confirming empirical evidence that investors are willing to pay a premium for shares of well-governed companies. There may be many other coincidental reasons for the better

8 Tobin’s Q measures the ratio between the market value of equity plus firm debt divided by the book value of total assets.

performances, which may be explored in further research. Also, even though the Vietnamese market may have strengths and weaknesses or is considered immature, inefficient or volatile, all reviewed companies operate in the same market and should not be affected by the market conditions. This evidence shows that companies with better corporate governance scores also display better market performances.

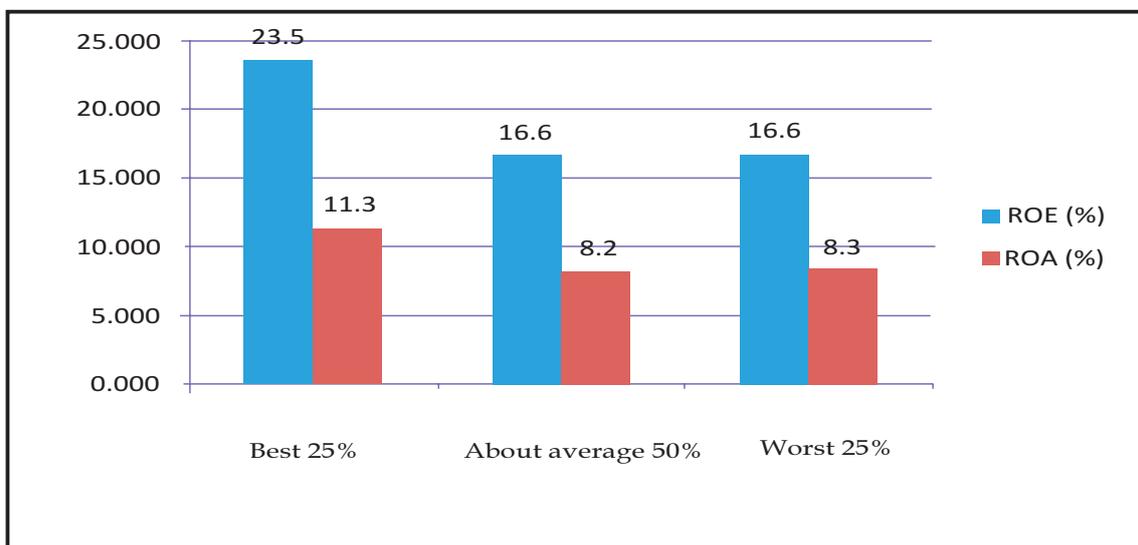
The results in Chart 12 below show this. This positive relationship between better corporate governance and market performance was also observed in the market to book ratio.

Chart 12: CG practices and market performance (as measured by Tobin's Q and Market to Book ratio)



Firms with better corporate governance practices/scores also demonstrate better profitability. (Chart 13) Firms in the top CG ranking have a higher return on equity (ROE) and return on assets (ROA) ratios than those in the bottom CG ranking. The ROE of companies with better corporate governance at an ROE of 23.5%, outstrip the companies with poorer corporate governance with an ROE of 16.6%. It is a similar picture when considering the ROA ratios.

Chart 13: CG practices and profitability (as measured by ROE and ROA ratios)



b. CG performance by industry

The 100 companies reviewed were from various industry sectors (see Table 4 below) as classified in the Industry Classification Benchmark Universe⁹ (ICB Universe) and applied by the relevant stock exchanges and used by three securities companies in Vietnam (Vietstock, Cophieu 68 and SBB Securities).

No one company can be singled out for identification in this industry analysis as there is more than one company in each category.

Table 4: Industry analysis

Business Sector ¹⁰	Number of companies in sector	Mean %	Median %	Minimum%	Maximum%
Industrials	33	42.4	44.6	20.5	54.7
Financials	18	45.8	45.9	24.0	55.3
Consumer goods	16	43.2	44.2	21.9	57.4
Basic materials	13	44.7	45.2	29.1	58.2
Healthcare	5	50.4	50.6	42.9	60.9
Oil and gas	4	39.2	42.2	25.0	47.2
Consumer services	4	45.7	43.2	41.6	54.8
Utilities	4	43.0	43.8	37.3	46.8
Technology	3	44.7	45.8	38.3	50.0

The corporate governance scores vary across the diverse industry sectors.

The healthcare sector, including healthcare equipment and services, pharmaceutical and biotechnology companies, achieved the highest overall corporate governance score and managed to achieve a modest mean 50.4% corporate governance score, boosted by the relatively good performance of one company (one in a total of five in this sector) achieving a 60.9% CG score overall. The oil and gas sector achieved the overall poorest result of all industry sectors with an overall average score of 39.2%.

Second in the quality of its corporate governance was the financial industry¹¹. However, when a comparison is made between the average corporate governance scores of the financial industry (45.8%) and companies in all other non-financial industries (43.5%), the financial industry outperforms these sectors. This is an expected outcome and often occurs as the banking and financial services industry demonstrates better corporate governance, largely due to closer scrutiny and tighter regulation of that sector. Such a picture is confirmed in a quartile-by-quartile review, where companies are grouped into quartiles according to their corporate governance scores (Quartile 1 representing the 25 companies with the highest CG scores).

⁹ ICB Universe 2008 is used to classify firms into groups of industries. The ICB Universe allows the classification of firms into 4 industry levels. In this study, the first and also broadest industry level is used for the 100 firms. The first industry level includes 10 industry sectors: (1) Oil and Gas; (2) Basic materials; (3) Industrials; (4) Consumer goods; (5) Healthcare; (6) Consumer services; (7) Telecommunications; (8) Utilities; (9) Financials; (10) Technology. (See also note 11).

¹⁰ The 'telecommunications' sector in Vietnam is not separately identified in this analysis as there was no telecommunications company in the 100 largest listed companies.

¹¹ The Financial industry, according to the Industry Classification Benchmark (ICB) 2008 applied in Vietnam, includes banks, insurance, real estate and financial services (consumer finance and mortgage finance).

The financial industry comprises 32% of quartile 1 with the top corporate governance scores (see Chart 14 below). Industrial¹² firms are dominant in quartiles 2, 3 and especially in quartile 4 (See Chart 15 below). Quartile 4 represents the companies with the poorest corporate governance scores.

Chart 14: Top corporate governance scores (by industry sectors) – Quartile 1

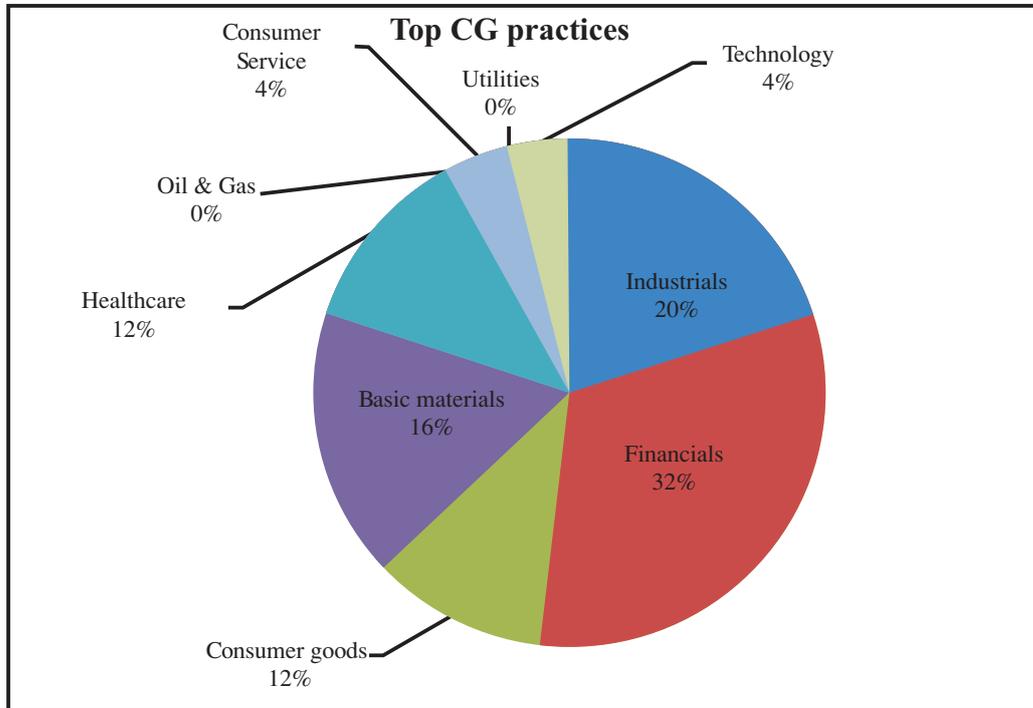
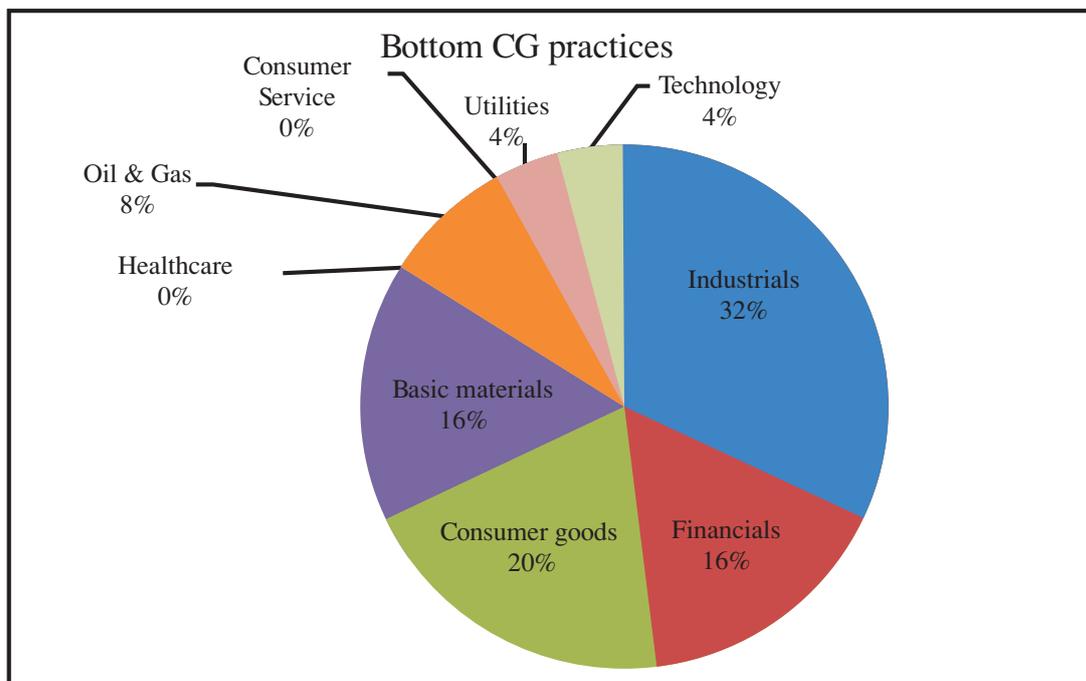


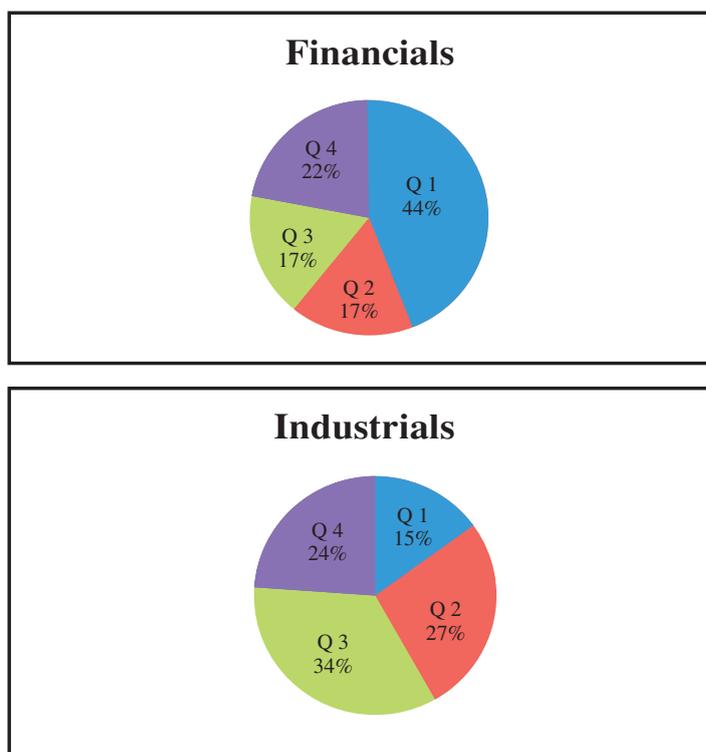
Chart 15: Bottom corporate governance scores (by industry sectors) – Quartile 4



12 The Industrials sector, according to the ICB 2008 benchmark applied in Vietnam include construction and materials, industrial goods and services, electronic and electrical equipment, industrial engineering and industrial transportation.

Again the graphs below (Chart 16) show that financial firms are better at implementing corporate governance practices. Some 60% of the financial firms are in the top and above average group (Quartile 1 and 2). Industrial sector firms do not seem to implement quality corporate governance systems and practices. Nearly 60% of industrial firms are in the two lowest corporate governance quartile groups (groups with bottom and below average CG quality).

Chart 16: Comparison of financial and industrial sectors in corporate governance quartiles



c. CG performance by firm size

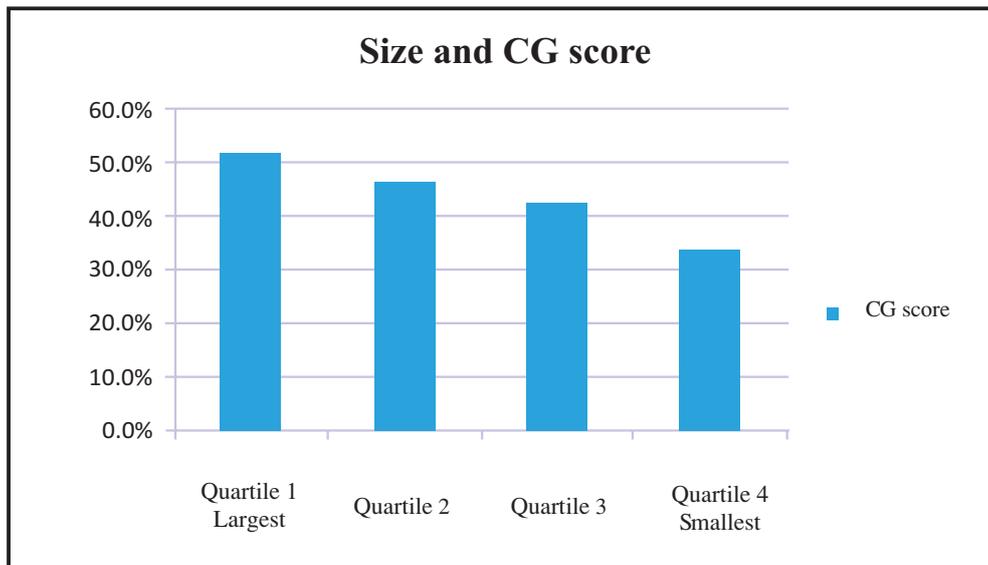
When one compares the CG scores of the largest companies, defined as those 11 companies with total assets at December 31, 2009 over 10 trillion dong, the mean corporate governance score is higher at 45.7% than the mean of all other companies at 43.7% (see Table 5 below). This may be reflective of the need to manage the complexity of these larger businesses better and may also include the impacts on corporate governance of either a wider shareholder base, including perhaps foreign shareholders, and/or lender requirements. However, it should be noted that 5 of the 11 largest companies, or 45% of the large companies are in the financial industry sector, generally noted for its tighter oversight and regulations.

Table 5: Corporate governance score comparison between large and smaller firms

Company size	Number of companies	Mean %	Minimum%	Maximum %
Largest companies	11	45.7	24.0	55.3
All other companies	89	43.7	20.5	60.9

The charts below clearly show that the larger the size of company, the better corporate governance scores overall.

Chart 17: Relationship between CG and company size



The charts below confirm that the largest firms dominate the group of top CG practicing firms and the smallest firms dominate the group of bottom CG practicing firms. In the pie chart, numbers of firms in each quartile are shown.

The relationship may occur because as companies grow in size and complexity, additional corporate governance policies and practices may assist in meeting legal requirements and in mitigating risk. Further better practices may be demanded by financing partners/shareholders.

Chart 18: Firm size and top CG scores by quartile

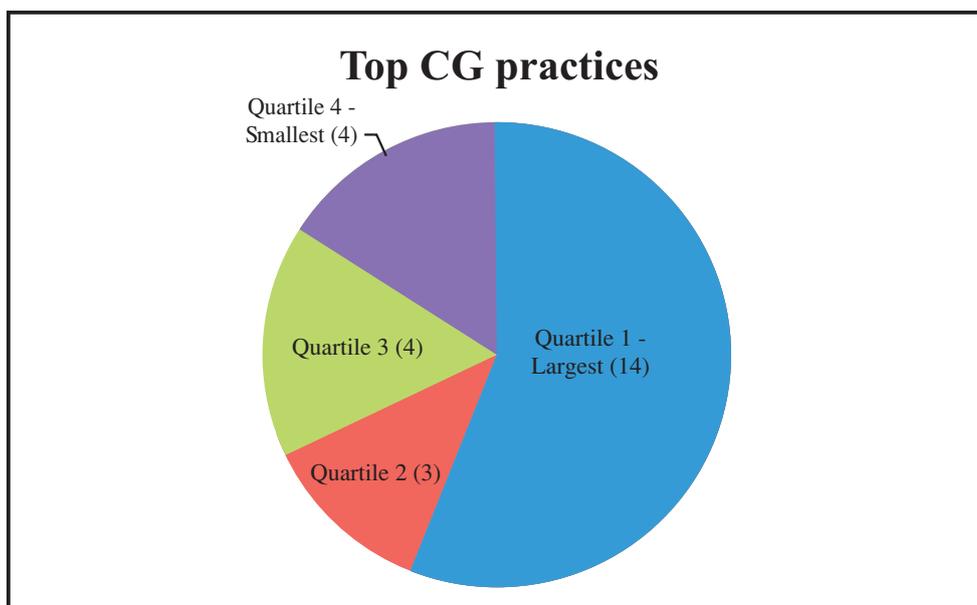
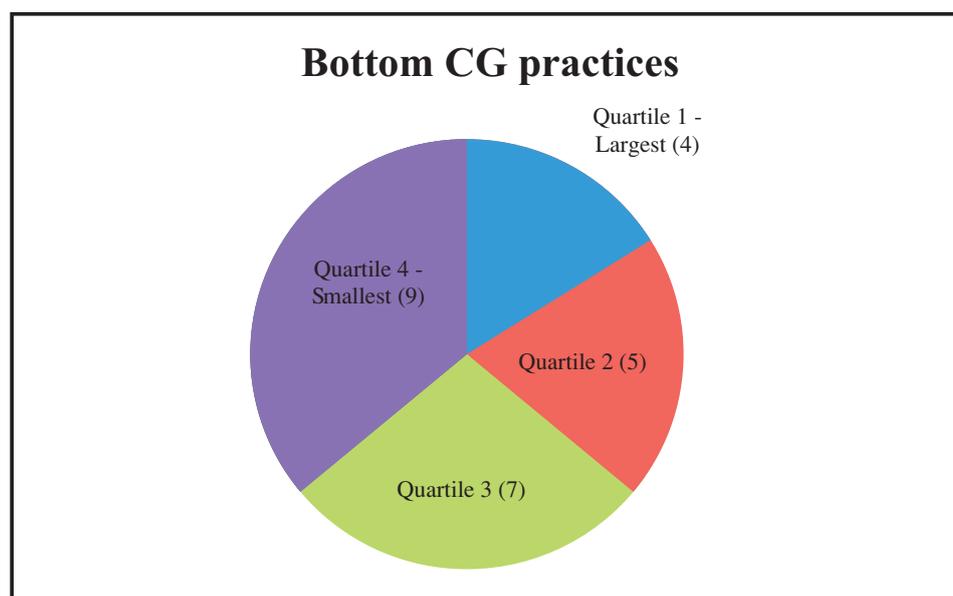


Chart 19: Firm size and bottom CG scores by quartile



d. CG performance and board size

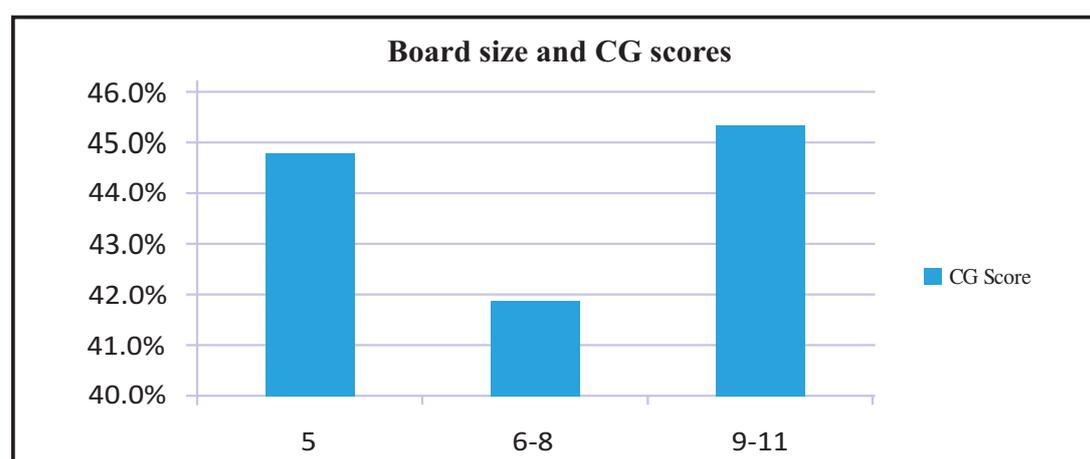
Firms are grouped into three groups of BOD size for the following analysis. The first group, comprising 60 companies, includes firms that have 5 members on the board of directors. The second group, some 30 companies, includes firms with number of BOD members from 6 to 8. The third group, some 10 companies, includes firms with 9 to 11 BOD members.

Table 6: Relationships between BOD size and CG

BOD size	No. of firms	Mean %	Median %	Min %	Max %
5	60	44.7	45.8	20.5	60.9
6-8	30	41.9	43.9	24.0	52.0
9-11	10	45.3	47.5	35.0	54.7

The chart (Chart 20) shows that firms with BOD size from 9 to 11 have higher CG scores than those with BOD size of 5 members. This result would indicate the need for further research to see how board size may relate to corporate governance in Vietnam.

Chart 20: BOD size and CG



e. Proportion of non-executives and CG performance

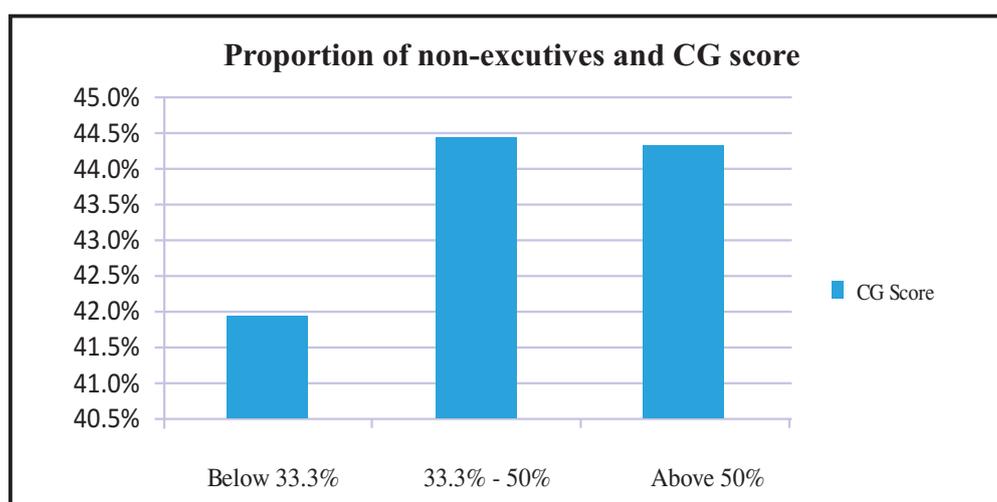
Although Vietnamese law requires listed firms to have at least one-third of BOD members to be non-executives to ensure the independence of the board¹³, there are 17 firms in the sample below the required threshold.

The chart (Chart 21) shows differences in CG performance of firms with different proportions of non-executives. Firms with a higher proportion of non-executive directors (above 50%) have better corporate governance scores than firms with a low proportion of non-executive directors (below 33.3%). This is evidence of the benefits of a more 'independent' board to a company's corporate governance.

Table 7: Relationship between non-executive directors and CG

Proportion of non-execs	No. of firms	Mean %	Median %	Min %	Max %
Below 33.3%	17	41.9	43.6	20.5	54.8
33.3% - 50%	29	44.4	45.2	23.1	60.9
Above 50%	54	44.3	44.9	24.0	58.2

Chart 21: Relationship between CG and the number of non-executive directors



f. CG performance by exchange

Of a total of 331 listed companies on the HOSE and HNX, the selected 100 companies comprised 78 listed on the HOSE and 22 listed on the HNX. The companies were selected on the basis of market capitalization as they are the 100 largest listed companies.

The overall mean corporate governance scores of companies listed on the HOSE is higher than those listed on the HNX (see Table 8). Furthermore, the highest individual company score was achieved by a company listed on the HOSE. This exchange distinction may well be due to the fact that the HOSE introduced mandatory compliance with CG Regulations two years earlier than the HNX.

¹³ Vietnamese law and corporate governance regulations do not distinguish between 'non-executive' and 'independent' directors.

Table 8: Corporate governance scores of companies by exchange

Exchange	Number of companies	Mean %	Minimum %	Maximum %
HOSE	78	44.5	21.9	60.9
HNX	22	41.9	20.5	54.7

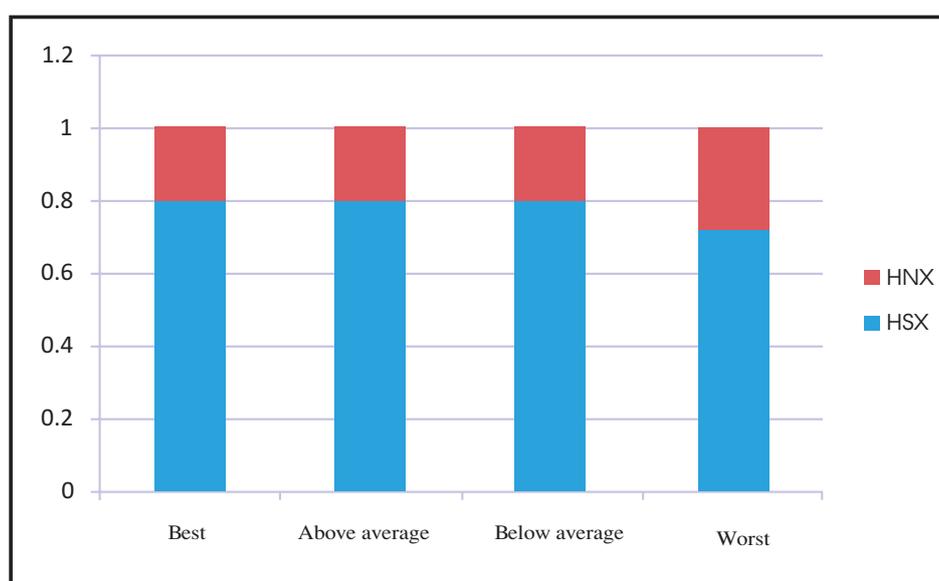
Table 9 shows that companies listed on the HOSE represented 78% of all companies reviewed. However, HOSE companies outperformed their relative number by comprising 80% of total companies with good corporate governance practices in the top CG quartile. Furthermore, of those companies in the bottom CG quartile, companies listed on the HOSE were under-represented.

Table 9: CG performance of companies by exchange and by CG score quartile

CG score performance						
Exchange		Best	Above average	Below average	Worst	Total
HOSE	Number of firms	20	20	20	18	78
	%	80	80	80	72	
HNX	Number of firms	5	5	5	7	22
	%	20	20	20	28	

The above tables are reflected in the chart below.

Chart 22: CG performance by companies by exchange and by CG score quartile



Indeed, when we compare the corporate governance performance of companies (by comparison of the mean scores) listed on the HNX and the HOSE, results consistently show that corporate governance overall and in most sub categories is better for HOSE listed companies than those listed on the HNX. However in Section E, in relation to the responsibilities of the board, the mean percentages are the same.

Table 10: CG performance of firms on HOSE and HNX – overall and in sub-categories

Exchange	Statistics	Final CG Score	Section A	Section B	Section C	Section D	Section E
HNX	Mean	41.9%	6.4%	12.7%	1.3%	10.8%	10.6%
HNX	Min	20.5%	0.4%	5.6%	0.3%	4.7%	3.4%
HNX	Max	54.7%	11.1%	15.0%	3.1%	16.0%	16.0%
HNX	Median	43.5%	6.6%	13.9%	1.1%	11.1%	11.4%
HOSE	Mean	44.5%	7.2%	13.1%	1.5%	12.1%	10.6%
HOSE	Min	21.9%	1.8%	5.0%	0.3%	7.0%	3.4%
HOSE	Max	60.9%	11.8%	17.2%	3.4%	18.8%	15.0%
HOSE	Median	44.9%	7.1%	13.3%	1.4%	12.1%	10.6%

g. Top 10 companies by industry

Of those companies with the 10 top and 10 lowest corporate governance scores, the industry representation was as follows:

Table 11: Industry sectors of top 10 and bottom 10 companies

No.	Industry Sector of Top 10	No.	Industry Sector of Bottom 10
1	Healthcare	1	Financials
1	Basic Materials	1	Oil and Gas
1	Consumer Services	1	Basic Materials
2	Consumer Goods	3	Consumer Goods
2	Industrials	4	Industrials
3	Financials		

Table 12: Comparison between the 10 companies with the best CG score and all other companies

CG Score Group	Mean Size of BOD	Mean Size of SB	Mean No. of non-executive members of BOD	ROA Ratio	ROE Ratio	Leverage Ratio
Top 10	6.2	3.4	3.4	11.3	23.0	1.89
All Other	5.9	3.2	3.2	8.7	17.8	1.83

A closer review of the 10 companies with the top corporate governance scores may indicate good corporate governance practices to be encouraged. The companies with the best scores have a maximum board size of 9 members and a minimum of 5 members, the mean being 6.2 members – larger than the average board size of 5.9 members for all other companies. The top 10 also have an SB with a maximum of 5 members, a minimum of 3 members and a mean of 3.4 members overall. The top 10 companies also have a maximum of 8 non-executive directors on the board and a minimum of 0, with a mean of 3.4 non-executive directors – more than the average of 3.2 non-executive directors on the boards of all other companies with lesser CG scores.

In summary the companies with the top corporate governance scores have larger board sizes than the rest of the companies, larger supervisory boards and a higher proportion of non-executive directors as members of the board.

Furthermore, when reviewing financial information as of December 31, 2009, the 10 companies with the best corporate governance scores had a higher average return on assets (11.3%) and higher return on equity (23%) (see Table 12) than the rest of the firms, again confirming the quartile-by-quartile review.

When reviewing the specific question assessments of the 10 companies with the best corporate governance scores, they had reasonably good assessments regarding financial disclosures and yet still had room for improvement in other areas of disclosure and transparency, especially those related to director and auditor disclosures in the Annual Report.

E. Specific findings

a. OECD Principle: Rights of Shareholders

In evaluation of the OECD Principle: Rights of Shareholders, the area first reviewed, some 21 questions pointed to evidence of basic shareholder rights and how the rights of shareholders were protected and effectively operated, including the shareholders' participation in the GMS.

Table 13: Overall evidence of implementation of the rights of shareholders

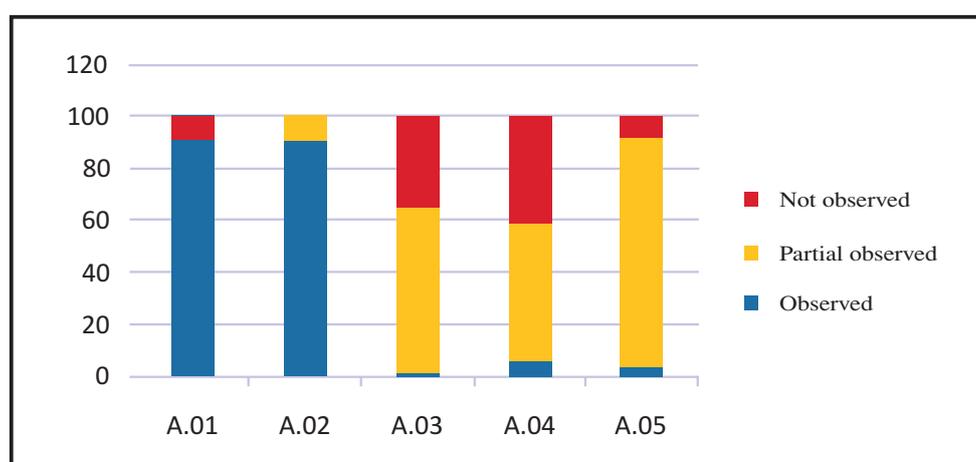
Measure	Score %
Possible maximum score	15.0
Maximum achieved	11.8
Minimum achieved	0.4
Mean	7.0

It would seem that the overall rights of shareholders have some distance to go to achieve good corporate governance practices. However, when reviewing each indicator of the rights of shareholders separately, the basic rights of shareholders to vote and to distributions are clearly and well explained. It is also evident that many companies offer other ownership rights beyond the most basic rights, such as the right to approve the dividend and equal treatment for all shareholders for share repurchases. The GMS too is recognized as being the main shareholder contact point and there are adequate company systems in place to ensure shareholder attendance at the GMS.

A.1 Rights of Shareholders - Basic Shareholder Rights and Additional Rights (A.01 – A.05)

Questions A.01 to A.05 inclusive were drafted to assess the extent to which there is evidence of the way companies deal with basic shareholder rights and to assess if the company offers rights to shareholders, other than the bare minimum.

Chart 23: Basic shareholder rights



A.01 Are the voting rights of shareholders clear and unequivocal?

A.02 Does the company offer ownership rights, more than basic rights (voting rights, right to freely transfer shares and right to timely information)?

A.03 Do shareholders have the right to nominate and remove members of the BOD and the SB?

A.04 Are the dividend and dividend payment policies transparent?

A.05 Do shareholders have the right to approve major corporate transactions (mergers, acquisitions, divestments and/or takeovers)?

It can be seen on Chart 23 that shareholder information was generally clear on the basic rights of shareholders, including capacity to register and transfer shares, full information being available on voting rights for each class of shares, dividend rights and distribution rights and that most companies offered more than the basic rights expected (A.01 and A.02). Shareholders have clarity about the right to nominate and remove members of the board and members of the supervisory board (A.03) as required in the Model Charter. However, the thresholds for the application of these rights are complex (involve shareholding thresholds and share holding periods) and tend to be higher than international practices which are normally a shareholding requirement of between 3% and 5%.

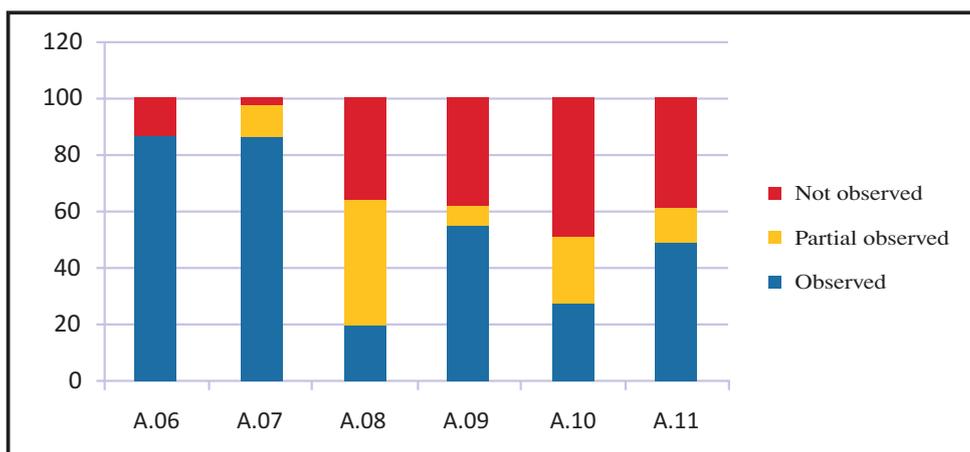
Less evident was the shareholder right to participate in approval of dividend policy (A.04) and to approve major transactions (A.05), such as mergers and acquisitions.

On this last issue of major transactions, the Model Charter of Vietnam requires shareholder approval for major transactions and the Charter stipulates the level of voting required for such approval. For example, all resolutions of the GMS require approval by no less than 65% of votes of participating shareholders. However, if the transaction is considered a ‘major’ transaction, such as a sale of assets of the company valued at 50% or more of the total assets of the company, then a 75% approval level is required (A.05).

A.2 Rights of Shareholders - Participation in the GMS (A.06 – A.11)

The General Meeting of Shareholders is the highest decision-making body in the company. It is a basic right of shareholders to attend and vote at the GMS. In normal good practices, the GMS makes decisions on major issues affecting the company and is a key point for effective communication with shareholders.

Chart 24: Participation in the GMS



A.06 Are GMSs held within four months of the fiscal year’s end?

A.07 Are there adequate company systems for shareholder attendance at GMSs?

A.08 Are the GMS shareholder meeting notices effective?

A.09 Are the policies and processes for shareholders to ask questions at the GMS clear and time is allowed on the agenda?

A.10 Does GMS information of the past year record opportunities for shareholders to ask questions?

A.11 Is the attendance, at the last GMS, of Chairman/Head of Supervisory Board/other board members/CEO/evident?

The extent of shareholder interaction at the GMS is mixed (see Chart 24 above).

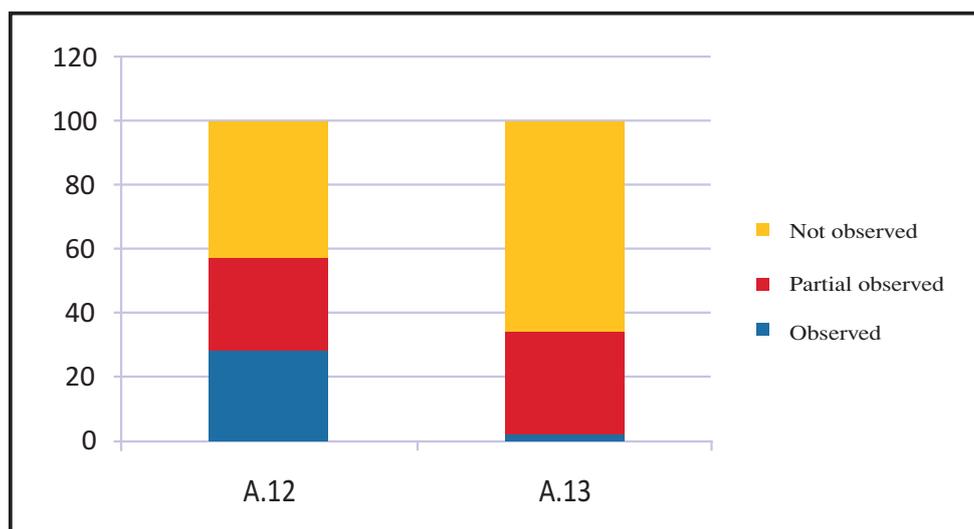
It is clear that in general the GMSs are held in a timely manner, within 4 months of the end of the fiscal year in accordance with the Law on Enterprises (A.06) and that there are in place good systems to facilitate shareholder attendance (A.07) and meetings are held at a convenient time and place generally. However, it is worth noting that some 13% of companies surveyed did not seem to comply in this most basic time requirement and did not hold their GMS within the required timeframe.

Less good also is the quality of GMS meeting notices which generally lack adequate information provided to shareholders to support GMS resolutions (A.08). Approximately half the companies surveyed allowed time on the GMS agenda for shareholders to ask questions (A.09), yet records of the questions, discussions and responses were much less evident (A.10). It is important to note that in approximately 40% of the companies surveyed, there is no information in the GMS minutes or other documents of the individual attendance of the directors at the GMS to support effective communication between the board and shareholders (A.11).

A.3 Effective participation in director nomination and remuneration (A.12 – A.13)

Effective participation of the shareholders in key corporate governance decisions, such as the nomination and election of directors should be facilitated. Further shareholders should be able to make their views known on the remuneration policy for board members and key executives (see Chart 25 below).

Chart 25: Shareholder participation in the nomination of directors and their remuneration and in company remuneration policies



A.12 Are GMS policies and processes in the past two years (notices and information) sufficient for shareholders to evaluate individual board nominations?

A.13 Do shareholders effectively vote (receive information on, make their views known and vote) on board and key executive remuneration annually?

Whilst it is evident that shareholders have the right to participate in the nomination and election of directors, it is much less evident that they receive sufficient information to make an informed judgment

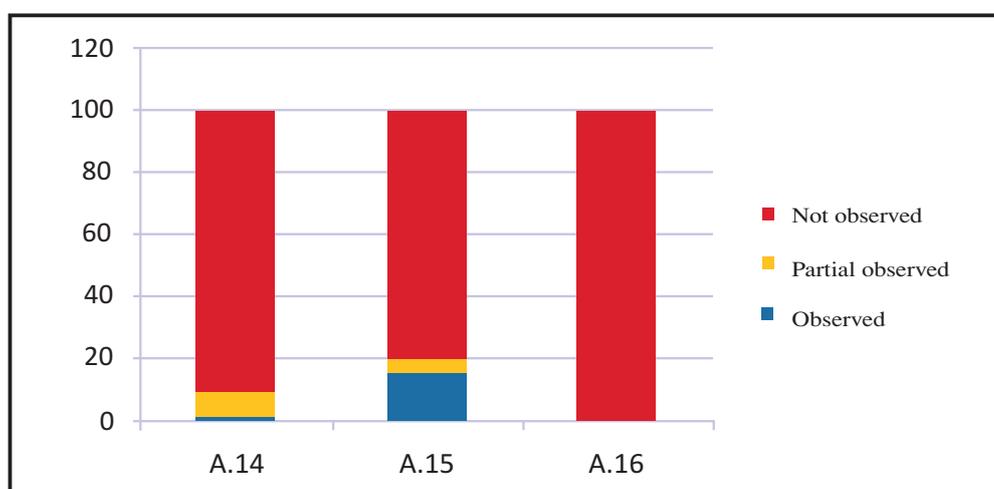
to evaluate individual directors when voting for them (A.12). Often just a list of names is provided without other individualized information such as current board appointments, board experience and background.

Disclosure of the remuneration policy and of its link to long-term company sustainability and performance and of individual director remuneration is good practice. Recently in global corporate governance circles, remuneration has received considerable attention from both regulators and shareholders. In reviewing the selected companies' information, it is apparent that information about board remuneration and that of directors and key executives prior to approval at the GMS is poor in more than 60% of the companies surveyed. Even where it is stated in company articles of association that information regarding remuneration should be presented, this is often not evident (A.13) or not sufficiently comprehensive.

A.4 Rights of Shareholders - Shareholder interaction with the auditor (A.14 – A.16)

The appointment of an independent, qualified and competent external auditor is a key part of a company's control framework and is an important role of shareholders. The auditor gives the shareholders and stakeholders an independent opinion about the company's financial position and enhances the credibility of the company and its financial statements. The Law on Enterprises and the CG Regulations demand the auditor is annually appointed by the shareholders at the GMS and that the auditor may express an opinion on audit issues at the GMS.

Chart 26: Relations with auditor at GMS



A.14 Did the external auditor attend the GMS and the express his/her views on audit issues?

A.15 Did the shareholders effectively approve the appointment of the external auditor?

A.16 Did information provided to shareholders for the appointment of the external auditor include mention of auditor independence?

In Vietnam, the shareholders' role and interface with the auditor is poor (see Chart 26 above).

The survey suggests that there is little evidence that the auditor attends the GMS and expresses his/her views on audit issues arising. Even if the auditor does attend the GMS, there is little record of

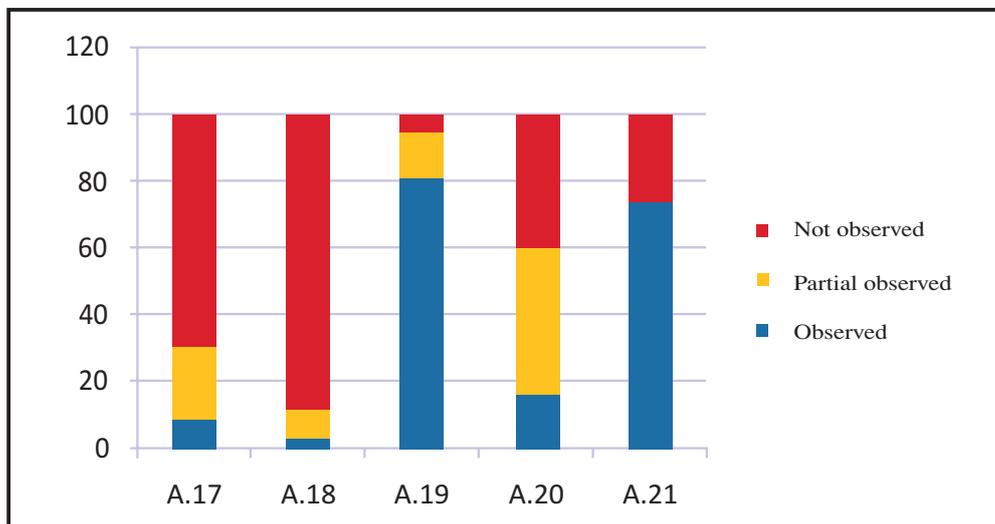
any shareholder interchange with him/her (A.14), with the exception of one company which invited the external auditor to speak. However, this particular auditor participation seemed to be driven by a significant difference between the audited and unaudited financial statements during the relevant period.

In global best practices, information on the auditor offered for appointment for the forthcoming period is usually accompanied by information on the experience and authorizations of the audit firm and the qualifications of the audit team. Few companies offered comprehensive information to support the appointment of the auditor (A.15). Furthermore, in many Vietnam companies, shareholders authorize the board to select the auditor from an approved slate of possible auditors. This is a practice to be discouraged. A key factor in the value of an audit opinion is that it is offered by an independent third party. In good practices, information is usually included to support the ‘independence’ of the suggested auditor. In Vietnam, the focus is on the brand name, prestige of the audit firm, its capacity to deliver an audit on time and cost of the audit (A.16). Less emphasis is on auditor ‘independence’ and this is a reduction in the role of shareholders.

A.5 Rights of Shareholders - GMS effectiveness and processes (A.17- A.21)

In Vietnam the GMS is a key vehicle for accountability of the board and supervisory board to the shareholders through the provision of reports on board and supervisory board performance as required by the CG Regulations. Even though these reports are mandatory, and specific information is required by the CG Regulations, evidence suggests the reports provided are not comprehensive (A.17 and A.18) and information provided is not sufficiently detailed.

Chart 27: GMS effectiveness and processes



A.17 Is a full report provided to GMS on BOD performance?

A.18 Is a full report provided to GMS on the performance of the SB?

A.19 Did the GMS notice include explicit information on accessible systems for proxy voting and voting in absentia?

A.20 Do GMS meeting minutes and the company website disclose individual resolutions, with voting results for each agenda item?

A.21 Are there no additional items included in the GMS minutes not included on the original meeting notice?

In general, it is good to see strong evidence that GMS notices include explicit information on voting policies and practices, including provisions for voting in absentia. It encourages fuller shareholder participation (A.19). However, rather weaker and less evident is the approach to transparency regarding GMS resolutions and voting on GMS resolutions. In good practices, resolutions are put to the GMS one by one, not bundled together and individual resolutions and individual voting results are immediately posted on the company website and recorded in the GMS minutes. In less than 20% of the surveyed companies, this was the case.

Finally, when comparing the GMS agenda as circulated with the GMS minutes or resolutions, generally the agenda does reflect the activities that transpired at the GMS with no additional items being added (A.21). However it is important to note that despite several requests, some 38% of companies could not produce the minutes of their 2009 GMS. Minutes are an important legal record of the GMS and its decisions and should be kept carefully and be available. Indeed under the Law on Enterprises, Article 106, the minutes of the GMS must be completed and approved before the closing of the meeting and should be sent to all shareholders within 15 days of the closing of the meetings.

b. Equitable Treatment of Shareholders

In good corporate governance practices and according to the OECD Principles, all shareholders, including minority shareholders, should be equitably treated and be able to participate in the GMS and key company activities. It is most important for the credibility of capital markets that investors, especially minority shareholders, be protected from abuse, including the misuse or misappropriation of company assets and from self-interested activities of controlling shareholders. Furthermore, all shareholders should have the opportunity to get redress for any violation of shareholder rights.

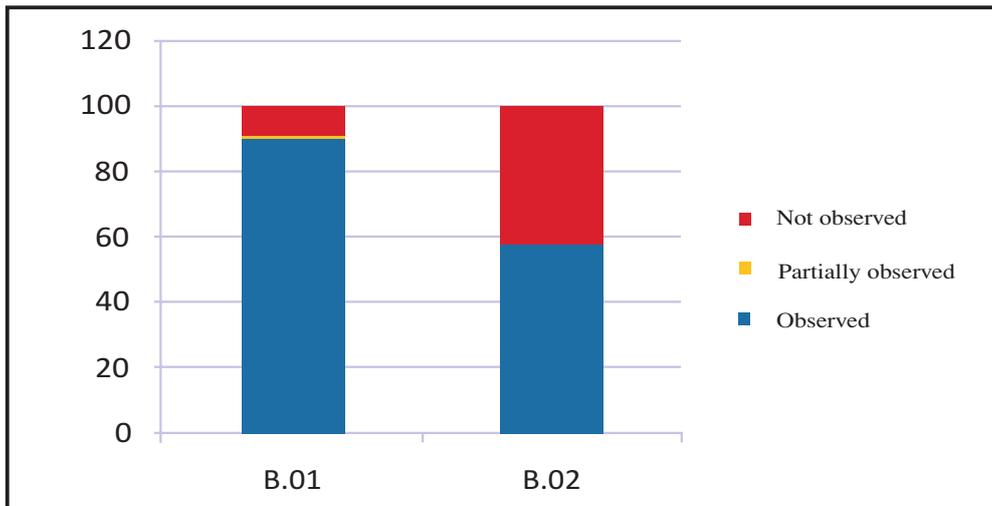
Table 14: Overall evidence of equitable treatment of shareholders

Measure	Score %
Possible maximum score	20.0
Maximum achieved	17.2
Minimum achieved	5.0
Mean	13.0

Overall the companies surveyed have complied reasonably well in this area with a level of compliance of 65.1%. Many of the requirements for good practices are plain in the Law on Enterprises and in the Model Charter and adopted by listed companies. However, it is also evident that many companies have simply adopted the Model Charter in its entirety without considering how the company may adapt the generic charter to being a specific charter, drafted for to the special circumstances of the company and the needs of its shareholders.

B.1 Equitable treatment of shareholders – share rights and voting rights

In any class of shares, it is good practice for all shares to carry the same rights. Information about the rights attached to all classes of shares should be readily available.

Chart 28: Equal shareholder rights and voting rights

B.01 Does each share in the same class of shares have the same rights?

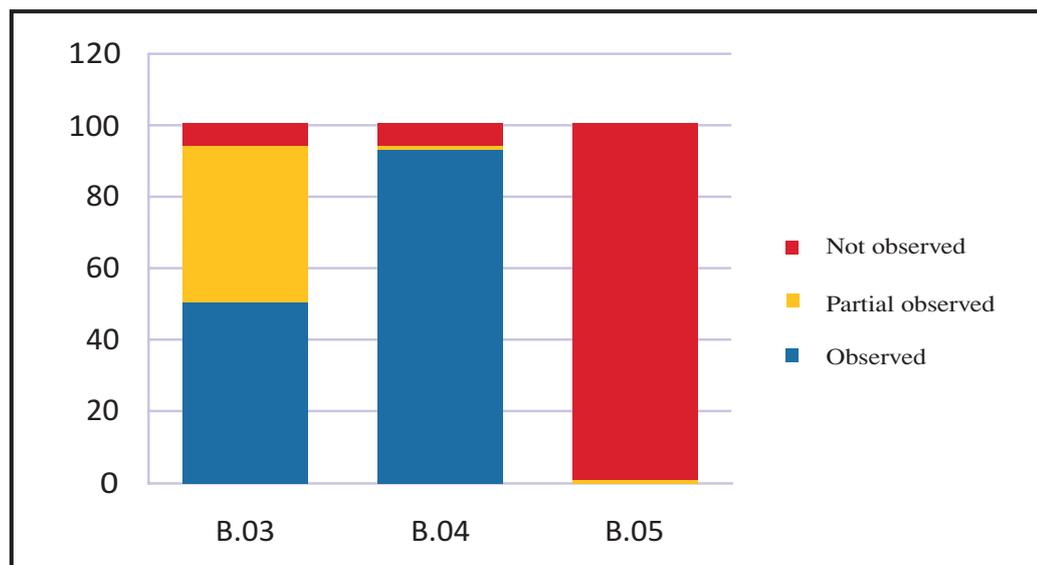
B.02 Does the company have a 'one share, one vote' policy?

In general under the Law on Enterprises, the rights attached to a class of shares should be known and publicly available and a vote of shareholders holding at least 75% of all voting rights of issued shares at the GMS is required to change shareholder rights. Approximately 90% of all companies surveyed were transparent and even-handed regarding the rights of shareholders. However, less than 60% of companies had an explicit 'one share, one vote policy' where there is an expressed commitment to only one class of shares with each share carrying one vote.

B.2 Practical application of shareholder rights, ensuring equitable treatment

It is important to note that practical involvement of minority shareholders in key company activities, such as influencing the composition of the board and being able to vote on major company decisions and to vote at the GMS, even if the shareholder is a foreign shareholder, would demonstrate that, in reality, there is much less commitment in Vietnamese companies to the equitable treatment of all shareholders (see Chart 29 below).

Chart 29: Practical application of shareholder rights



B.03 Can minority shareholders impact on the composition of the board?

B.04 Are directors required to be re-nominated and re-elected at regular intervals?

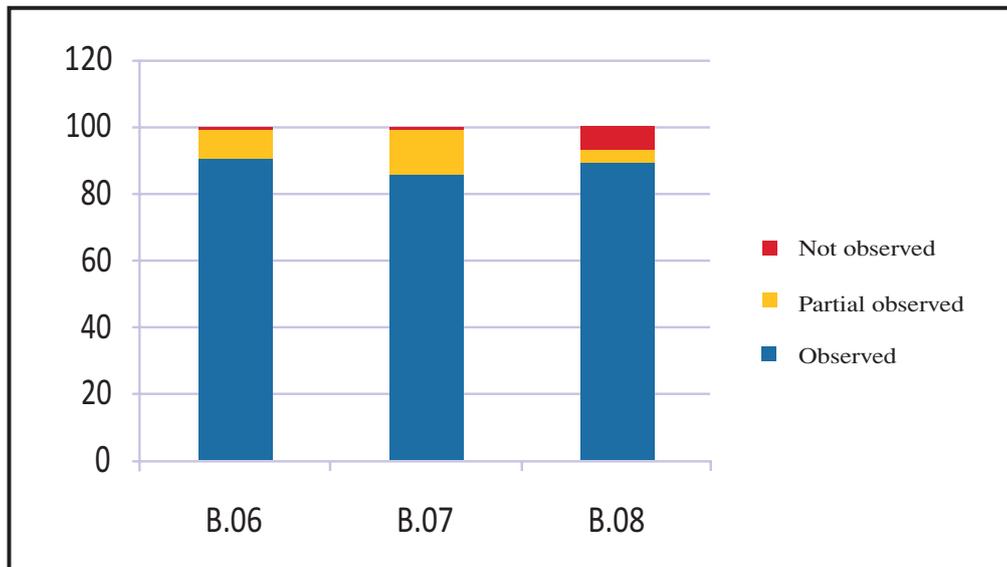
B.05 Is cross-border voting facilitated by the company?

Indeed in only about 50% of the companies surveyed, was it clear in company documentation how shareholders could impact on the composition of the board through the use of cumulative voting or the right to nominate board members (B.03), even if the directors are regularly re-nominated and re-elected at regular intervals (B.04). More telling there was little provision for foreign shareholders to participate in company decisions as cross-border voting was not facilitated in 99% of cases (B.05). There was little evidence of policies for cross-border voting, and papers and information in English on how to lodge votes if a foreign investor. Electronic voting procedures can facilitate cross-border participation, but do not currently feature in Vietnam GMSs.

B.3 Company structures and shareholder right to redress

Many publicly listed companies may have a controlling shareholder, such as a family or state shareholding. In this situation, though it may also have benefits for the company, a controlling shareholder may have the potential for abuse of minority shareholders, particularly if the directors' duty of loyalty to the company and to all shareholders is not clearly defined and understood. Therefore, the company structure should be clear and shareholders should have effective means of redress available to protect themselves (see Chart 30 below).

Chart 30: Company structure and shareholder right to redress



B.06 Is the company group structure clearly and transparently described?

B.07 Is there evidence of structures/mechanisms that have the potential to violate minority shareholder rights?

B.08 Are there mechanisms that provide effective redress for complaints of shareholders?

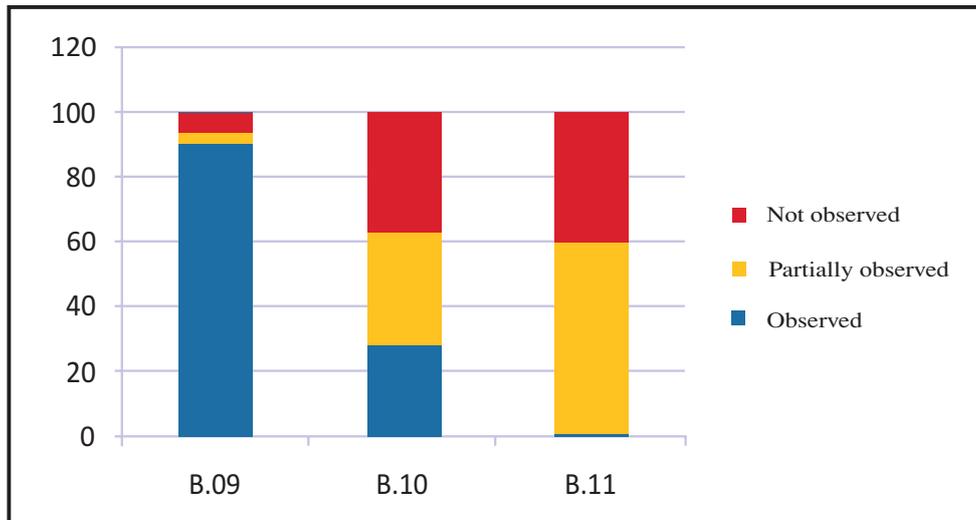
Though it takes time to discern and is difficult to identify company group structures, generally this is possible on a superficial level at least in more than 90% of the listed companies surveyed in Vietnam (B.06). Furthermore, in 86% of cases there was no evidence of structures or mechanisms that would have the potential to violate minority shareholder rights, such as cross shareholdings and pyramid structures (B.07). However, we should exercise caution here as although the Annual Report shows the organizational chart, the structure of the business corporations and other information is not provided in full. It is difficult to get information on ultimate beneficial ownership and quite frequently ownership control may be affected through interlocking networks of subsidiaries of public and private companies.

In Vietnam, there is evidence that there is built into the Law on Enterprises and into the Model Charter certain protections for minority shareholders to ensure equitable treatment, such as the existence of pre-emptive rights when a company wishes to increase its capital. Also most companies have in place policies and processes to deal with shareholder complaints (B.08).

B.4 Shareholders at the GMS

One of the best protections for minority shareholders is the right to approve any fundamental changes to the company. In good practices the company charter will include a policy for shareholder participation and for shareholder approval of fundamental changes at the GMS and/or the EGM. In Vietnam these requirements are clearly stated in the Law on Enterprises and most companies follow this prescription (B.09).

Chart 31: Shareholders and the GMS



B.09 Do shareholders have the right to approve fundamental company changes?

B.10 How many days before the GMS were the meeting notices sent out?

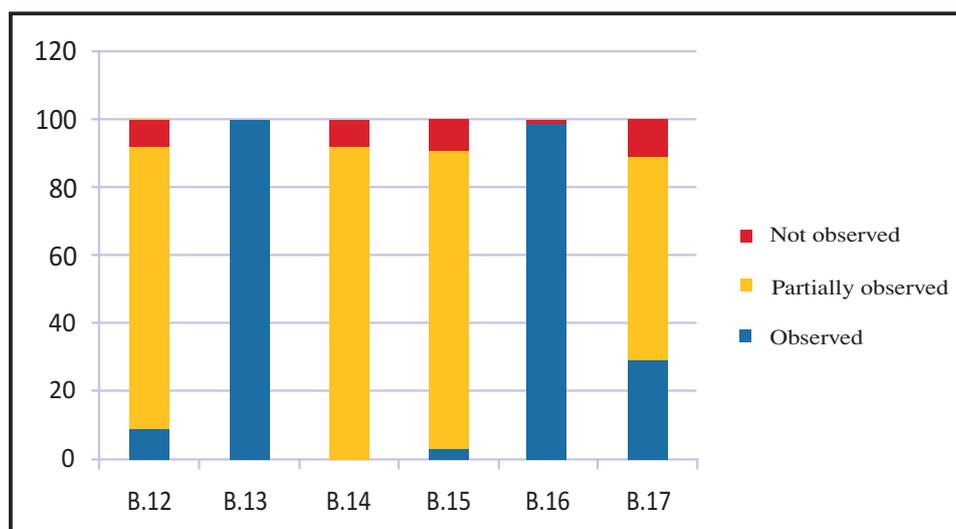
B.11 Can a small shareholder place an item on the GMS agenda?

However to ensure full shareholder participation in the GMS, a notice period of between 20 days and 30 days is considered good practice. Shorter notice periods were evident in the surveyed companies with more than one-third of companies (37%) giving notice of less than 15 days of the GMS (B.10). Furthermore, it is good practice for a company to have policies and procedures in place that allow small shareholders to put an item on the agenda of the GMS, given threshold requirements stipulated in the company charter. In the survey group, the policies were in place but the thresholds for this shareholder right were quite high and generally required a shareholding of between 5% and 10% or even more in some cases.

B.5 Definition of insiders and conflicts of interest and related party transactions

Directors should act in good faith in the best interests of the company and its shareholders. In doing so, they have a duty to be loyal to the company as required by the Law on Enterprises. They should avoid conflicts of personal interest with their duty to the company (see issues in Chart 32 below) and should not personally profit from their relationship with the company or from information available to them as a consequence of their relationship with the company, without disclosing the transaction. Insider trading and abusive self-dealing should be prohibited. Directors should assume their responsibilities in an even-handed manner with respect to all shareholders.

Chart 32: Conflict of interest, insider trading and related-party transactions



- B.12 Are there company policies in place that effectively prohibit the misuse of information by directors, management and staff?
- B.13 Are there any known cases of insider trading involving the company directors, management or staff in the past year?
- B.14 Are there effective company policies for the company to approve relevant related-party transactions?
- B.15 For large company transactions, does company policy require the provision of information to explain RPTs and require shareholder approval of RPTs above a certain threshold?
- B.16 Have there been cases of non-compliance with requirements relating to related party transactions in the past year?
- B.17 How does the board deal with declarations of conflict of interest?

The companies surveyed had in place high level policies dealing with misuse of company information. However, most were not comprehensive and lacked a clear definition of an ‘insider’. Increased clarity regarding policies and procedures around misuse of information and share trading by ‘insiders’, could improve this area (B.12). The use of share trading ‘black out’ periods to prevent insider trading is not well understood. Despite this and according to SSC and SX filings, there were no known cases of insider trading involving company directors, management, or staff evident in the past year (B.13). Enforcement in this area is challenging due to difficulties in monitoring and obtaining proof and also that enforcement mechanisms may not be clearly defined. The SSC will need to build resources and skills in identification and enforcement of insider trading.

Good and effective company policies to deal with related-party transactions as they arise requires they be clearly defined, and policies and mechanisms are evident and operating to control them and approve them where necessary. Policies should include early disclosure requirements to the BOD or to the shareholders and preclusion from voting or any involvement in matters in which they hold a direct or indirect interest. This is particularly important in Asia where family-controlled and state-controlled companies are prevalent.

In the 100 companies surveyed, policies for dealing with related party transactions and related parties were in place. However, the approaches lacked rigour in that many lacked a clear definition of ‘related parties’, and the thresholds for approval by the board (under 50% of total assets) and the GMS (50% of the total assets or above) were high relative to global practices (B.14). Global practices vary here and mostly use a two-pronged approach requiring disclosures and shareholder approval. Share-

holder approval thresholds for example in China are 30%¹⁴ of total assets, in the United Kingdom the threshold is 25%¹⁵ of total assets and in Singapore shareholder approval is required for transactions greater than 5% of net tangible assets.

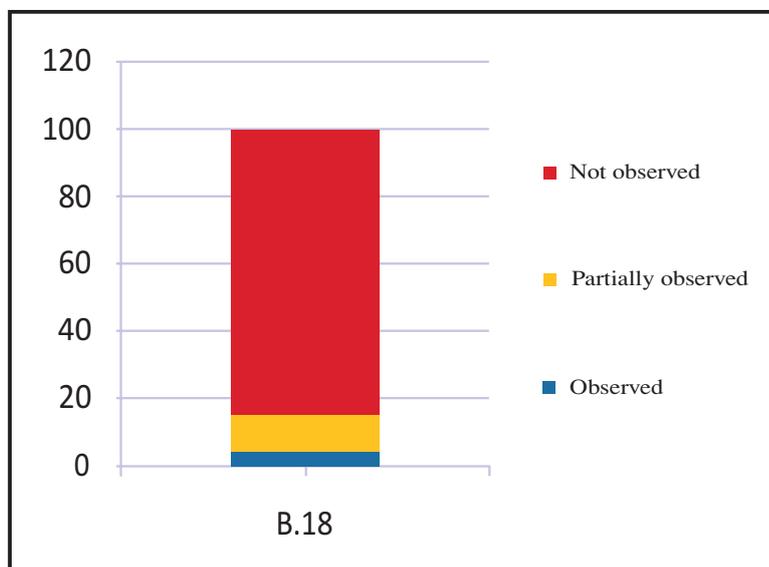
Circular 9 outlines the information that is required to be provided to shareholders in order they may effectively approve related-party transactions. In 88% of the companies surveyed, the information/explanation provided was poor or incomplete (B.15). However in 99% of companies, there was no evidence of non-compliance with related-party requirements in the past year (B.16).

Good board policies and procedures lay out the manner and content of declarations of conflict of interest in a Code of Ethics or Code of Conduct for the Board and include the process upon declaration of a conflict of interest and the disclosure obligations required of the Board to the shareholders at the GMS and in the Annual Report. These disclosures were observed in 29% of the companies surveyed and only partially observed, incomplete or not of good quality in 66% of cases (B.17).

B.6 Investor relations and information provision

Many steps to ensure the equitable treatment of shareholders and to enable and protect minority shareholders rely on transparency and disclosure (see also Section D – Disclosure and Transparency). In this respect, effective investor relations policies and programs and information flows to shareholders are most important. Comprehensive investor relations structures, policies and procedures were observed or partially observed in 15% of the companies reviewed (See Chart 33 below – B.18).

Chart 33: Investor relations and information provision



14 Source is the OECD guidance, Guide on Fighting Abusive Related Party Transactions in Asia, September 2009, Paris.

15 Source for the United Kingdom is Tomorrow's Owners, issued by Tomorrow's Company, 2010, London.

c. Role of Stakeholders in Corporate Governance

OECD Principle IV states that “the corporate governance framework should recognize the rights of stakeholders established by law or through mutual agreements and encourage active co-operation between corporations and stakeholders in creating wealth, jobs, and the sustainability of financially sound enterprises”.¹⁶

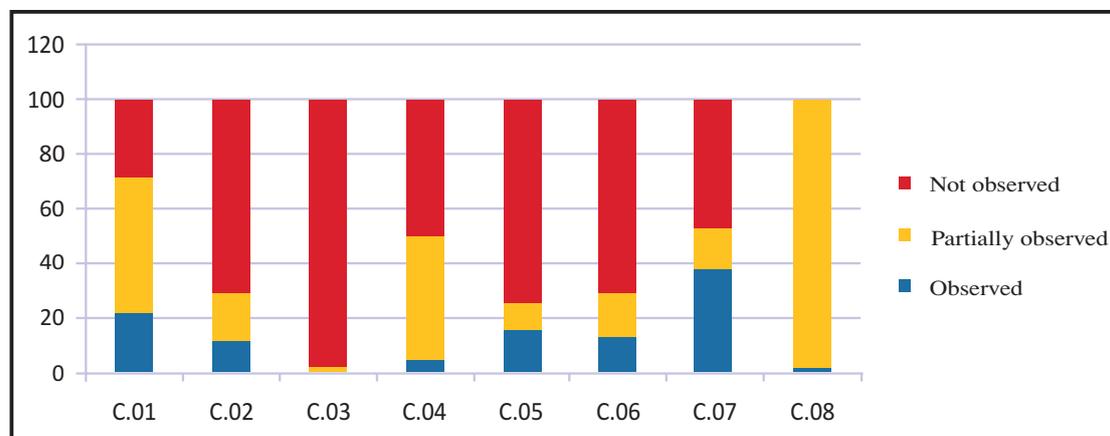
Overall, the companies surveyed have not complied well in this area with a level of compliance of 29.2%. The incidence of ‘red’ and ‘yellow’ on Chart 34 below indicates this.

Table 15: Overall evidence of role of stakeholder in corporate governance

Measure	Score %
Possible maximum score	5.0
Maximum achieved	3.4
Minimum achieved	0.3
Mean	1.5

The role of stakeholders in corporate governance and the concept of corporate responsibility are relatively new to Vietnam. Consideration of stakeholders as a part of corporate governance will include consideration of employees, suppliers, consumers and customers, creditors, the environment and the community at large.

Chart 34: Role of stakeholders in corporate governance



- C.01 Does the company recognize company obligations (in law and agreements) to key stakeholders and engage them?
- C.02 Does the company provide a range of performance enhancing employee benefits to align company and employee interests?
- C.03 Have mechanisms been introduced that facilitate communication to board members of illegal and unethical company practices?
- C.04 Do company policies/information recognize the safety and welfare of employees?
- C.05 Do company policies/information mention the environment?
- C.06 Are stakeholders able to directly communicate on company performance with the BOD, BOM and Supervisory Board?

16 OECD, Principles of Corporate Governance, OECD, 2004, Paris. The Principles may be accessed at www.oecd.org

C.07 Is there some company recognition of its obligations to the broader community?

C.08 Is there a clear framework for the enforcement of creditors' rights?

The practices of companies varied considerably and were best observed in relation to recognizing company obligations in law, such as in labor, business, commercial or insolvency law, or by agreement or contractual relations (C.01). Consideration of stakeholders was partially observed in relation to creditors (C.08) where full information is required to be available to banks and creditors under Article 25 of the CG Regulations. This information should be both timely and comprehensive. However, where stakeholder relations are more voluntary in nature, adoption is less observable.

For example, 98% of companies reviewed did not have in place mechanisms to facilitate communications from stakeholders to the board on illegal or unethical matters. These may violate stakeholder rights and may also be to the detriment of company reputation (C.03). There is also little evidence of stakeholders' capacity to communicate with management, the board or the supervisory board on company performance (C.06). There is a lack of evidence of communication mechanisms, such as contact names and numbers.

The value of employees in supporting the sustainable performance of the company is usually recognized in the existence of performance enhancing employee benefits that align employee interests with those of the company. In 29% of companies these were observable or partially observed. However in most companies pension plans, profit sharing plans, employee share options, employee education programs and/or other benefits were not evident (C.02). Companies did seem to be more considerate of the health and safety of their employees as 50% of companies had observable information and policies that indicated this was important (C.04).

In current good practices consideration of the environment and the community in which a company operates is increasing. In Vietnam, consideration of the environment is not evident in the documentation of 75% of the companies surveyed (C.05). However, there is marginally greater recognition of the community in which the company operates as in 53% of cases community or philanthropic activities were mentioned in company communications (C.07). Article 25, CG Regulations requires that companies pay attention to these matters.

d. Disclosure and Transparency

“A strong disclosure regime that promotes transparency is a pivotal feature of market-based monitoring of companies and is central to the shareholders' ability to exercise their ownership rights on an informed basis”. “Disclosure also helps improve public understanding of the structure and activities of enterprises, corporate policies and performance”.¹⁷ Disclosure is not expected to be unreasonably costly or to endanger a competitive position of the company. However, the full, accurate and timely disclosure of all material matters and matters affecting share price and investor decisions is expected by Article 27, CG Regulations. Information is required on the business and its performance, its operations and its corporate governance.

The GMS (already considered in Part A in this report), the Annual Report and the company website are key points of communication with investors, current and future, and collectively should convey all material and relevant information to investors and other stakeholders.

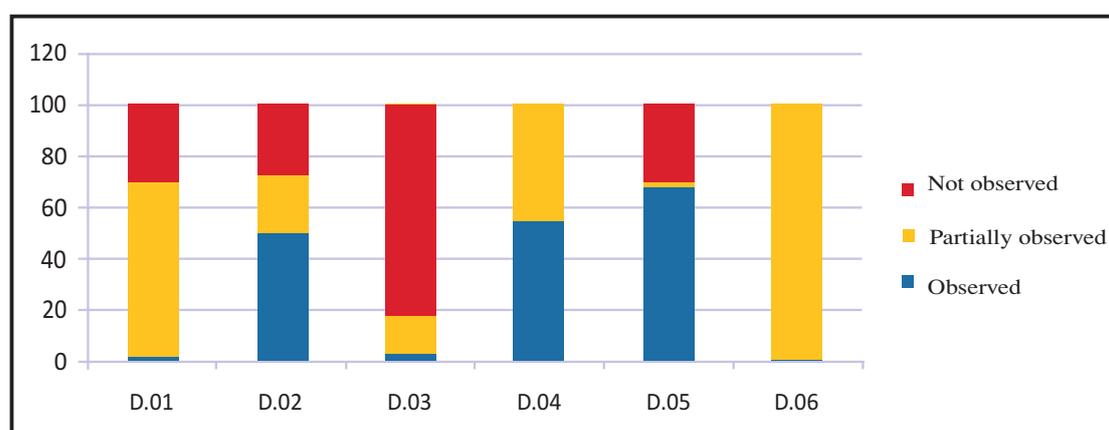
17 OECD, Principles of Corporate Governance, OECD, 2004, Paris.

Table 16: Overall evidence of disclosure and transparency

Measure	Score %
Possible maximum score	30.0
Maximum achieved	18.8
Minimum achieved	4.7
Mean	11.8

Disclosure and transparency and the responsibilities of the board were identified as the two most important areas of focus for Vietnamese companies and each category was given a possible maximum score of 30%. With an overall level of compliance with global good practices of 39.4% related to disclosure and transparency, Vietnamese companies' practices should improve.

D.1 Annual Report – Financial information

Chart 35: Annual Report – Financial information

D.01 Is there evidence that the concept of 'material information' is well understood by the company?

D.02 Does the Annual Report give a full and clear picture of the financial performance of the company?

D.03 Are the financial reports disclosed in a timely manner?

D.04 Did the company provide quarterly and semi-annual reports in the past year?

D.05 Do the CEO and Chief Accountant certify the annual financial statements?

D.06 Does the company use internationally accepted accounting standards?

Audited financial statements and full financial information is the most widely used source of information on companies and therefore important. The results on the related questions show a somewhat 'patchy' picture. In more than 50% of companies, the Annual Report gave a clear and comprehensive picture of the financial performance of the company, including full financial statements. However in nearly 30% of companies reviewed, the full financial statements were not attached to or included in the Annual Report. Many companies only provided summary financial statements (D.02).

It is interesting to note that in some cases the Annual Reports submitted to the Stock Exchanges were different from the version of the Annual Report found on company websites. In general, when a difference occurs, the report submitted to the Stock Exchanges was found to be less comprehensive.

Quarterly and half-yearly reports were provided by more than 50% of the companies (D.04) and in 68% of cases, the CEO and Chief Accountant certify the annual financial statements (D.05).

The concept of materiality in financial information and of providing to investors and stakeholders all ‘material’ information does not seem to be well understood. Rarely is materiality comprehensively defined and referred to in the Annual Report, in financial statements or in the company disclosure policy (D.01). Furthermore, it is a concern that financial reports, annual or ad hoc, are not filed within the time requirements. In 82% of cases reporting was not considered timely (D.03), yet rarely did the reviewers observe penalties applied for tardiness in reporting.

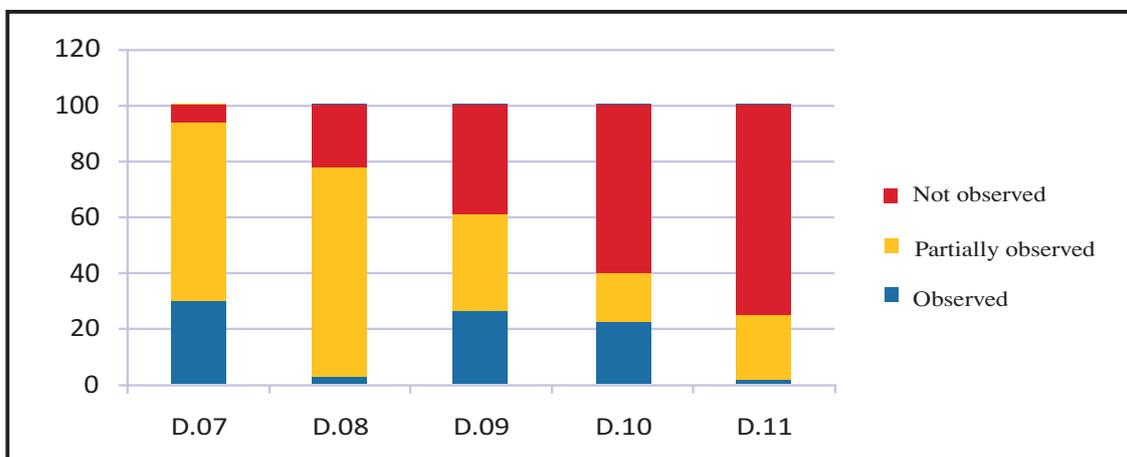
In line with the Law on Accounting, Vietnamese Accounting Standards (VAS) were applied by all but one of the companies reviewed. However, VAS do not cover all areas where there is a standard that is issued and internationally accepted and understood (D.06), such as in those standards issued by the International Accounting Standards Board (IASB). Full application of internationally accepted and understood accounting standards builds confidence in market and company information.

D.2 Annual Report – Information on company objectives and share ownership structure

It is good practice that the Annual Report, as the key communication with the shareholders and the public at large, contain non-financial information on the business, its operations, its corporate governance and on the ownership structure of the enterprise. In this area, disclosure requirements in the CG Regulations are clear.

The Annual Reports reviewed indicate they could provide better clearer information, especially with regards to disclosure of directors and management shareholdings, director experience, skills, independence and remuneration.

Chart 36: Annual Report – Information on company objectives and share ownership



- D.07 Does the Annual Report include a full and clear picture of company operations, its competitive position and other non-financial matters?
- D.08 Are details of current largest shareholdings provided?
- D.09 Are directors’ (BOD and SB) shareholdings disclosed?
- D.10 Are senior management’s shareholdings disclosed?
- D.11 Are the company shares broadly held?

Whilst non-financial information related to the business and its operations can be observed in the Annual Report, in 64% of cases the information was not comprehensive. In good practices non-financial information will be included in the Annual Report and will include a review of the mission and vision of the company, its key business objectives, business risks and uncertainties and the company policy on business ethics (D.07).

It is important for investors to understand the share ownership structure of the company and the extent to which directors and management are major shareholders. The information enables the identification of potential conflicts of interest, related party transactions and insider trading.

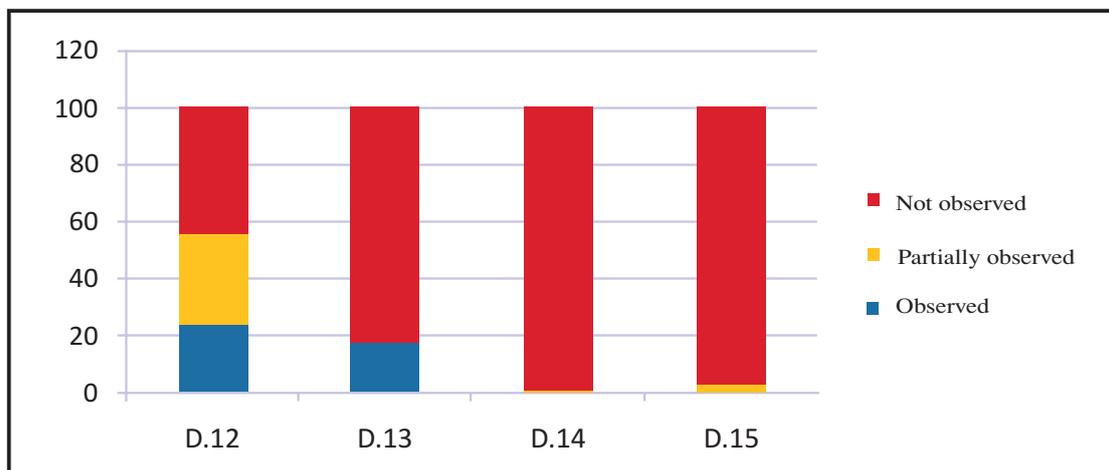
Information on these matters could be improved. The details of the largest shareholdings should be readily available in the Annual Report and on the company website and be comprehensive. In 75% of cases this information was not fully observable (D.08).

Shareholdings of directors and senior management, including recent and individualized data, were not disclosed in 39% and 60% of companies reviewed respectively (D.09 and D.10). Furthermore, the degree to which shares were widely held and there was a dispersed shareholding structure in each company was not readily observable in 75% of cases. These findings are consistent with a general reluctance for full disclosure.

D.3 Annual Report – Disclosure on directors

Consistent with earlier findings related to disclosure and transparency, information concerning directors included in Annual Reports was generally not adequate or in line with good practices. The firms reviewed conveyed little information about the company directors.

Chart 37: Annual Report – Disclosures on directors



D.12 In the Annual Report is board member experience disclosed?

D.13 In the Annual Report, are non-executive directors specifically identified?

D.14 Does the Annual Report specifically identify 'independent' directors?

D.15 Does the Annual Report disclose BOD/SB meeting attendance of individual directors?

Information on individual director skills, education, background, board committee appointments and other board appointments was not evident in 44% of cases and was not comprehensive in another 32% of cases (D.12). Further individualised board attendance records were not disclosed in 97% of cases. Such records may provide valuable information about each director's commitment to the company

and to performance of the director role (D.15).

From information provided in Annual Reports, most companies did not specifically identify and distinguish executive directors from non-executive directors in 82% of cases (D.13). They tended to just disclose the senior management roles such the CEO and vice president of the company.

Vietnamese law and regulations require that approximately ‘one-third of directors be independent and non-executive’ and distinguish only two categories of directors – ‘executive’ and ‘non-executive and independent’ directors. Article 2, clause d of the CG Regulations defines ‘independence’ when referring to directors of the board or supervisory board by distinguishing them from key executive director roles.

‘Independence’ in best practices is viewed differently. Independence requires a director to be capable of objective judgement and who is free from close relations with management or a controlling shareholder. Although definitions of independence vary across jurisdictions, most definitions refer to not being related to management by birth or marriage, not being related to a major shareholder, not being an employee or a relative of an employee of the company or its affiliate companies now or in the recent past and not being a representative of companies having significant dealings with the company. Singapore, Hong Kong, the Philippines and India apply these concepts to ‘independence’.

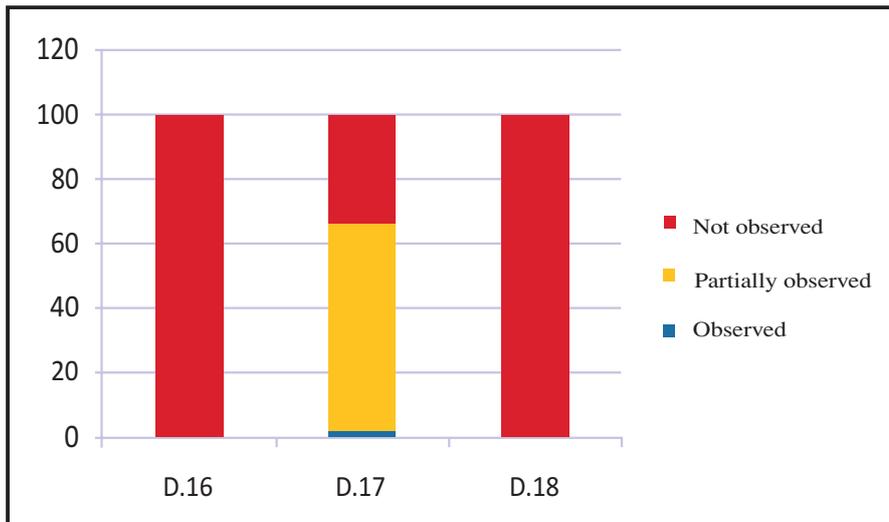
Therefore in Vietnam, it was unsurprising that Annual Reports did not give an explanation for independence and identify independent directors in 100% of all companies surveyed (D.14). Clarification of ‘independence’ of directors as opposed to ‘non-executive’ directors is recommended.

D.4 Annual Report – Remuneration disclosures

During the recent global financial crisis considerable attention was given to the transparency of remuneration and its link with the long-term sustainable performance of a company. Unjustified and excessive remuneration packages were criticized.

The Law on Enterprises explicitly specifies that the board has the power to determine the remuneration of the General Director and for some other executive bodies. As a matter of good practice in corporate governance, the remuneration policy for executive directors generally and the remuneration of the directors and individual executive directors should be disclosed in detail and the GMS should debate the merits of the remuneration policies. Chart 38 below would indicate that transparency in this area is weak in Vietnamese listed companies.

Chart 38: Annual Report – Remuneration disclosures



D.16 Is the basis (level and mix) of board remuneration disclosed in the Annual Report?

D.17 Does the latest Annual Report identify the company’s main executives and their responsibilities?

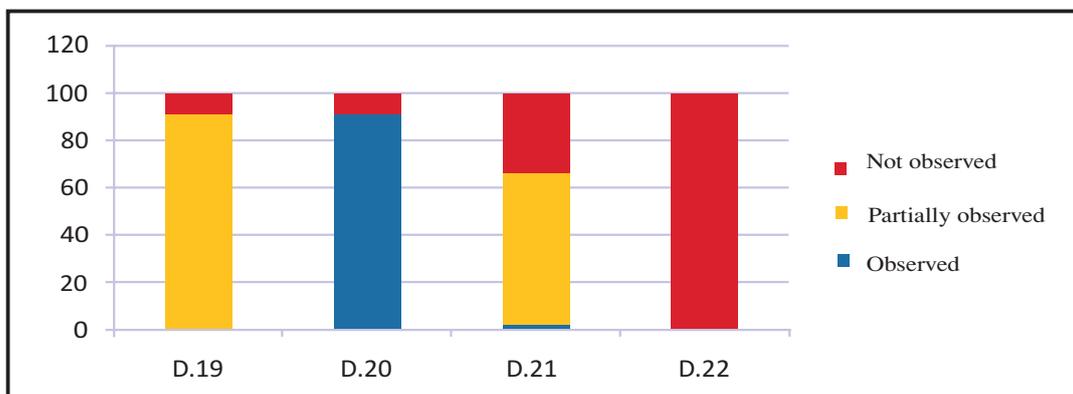
D.18 Does the latest Annual Report disclose the remuneration of key executives?

In 100% of Annual Reports reviewed, the level and mix of board remuneration and links to performance, attendance at board meetings and to extra board duties on committees was not evident (D.16). Further, in 100% of the companies surveyed the remuneration of key executives was also not disclosed. Shareholders have become increasingly sensitive to large bonuses, stock and option grants, etc (D.18). Generally, companies only disclosed the total remuneration for the board and the supervisory board expressed as a percentage of earnings after tax or a specific amount of money. Maximum transparency in this area is recommended.

To gain a clear picture of remuneration as a reward for responsibility and performance, investors do need to know the identity of the main executives and their specific responsibilities. Some 64% of the companies surveyed provided some, but not comprehensive, information in their Annual Reports (D.17).

D.5 Annual Report – Other key disclosures

Chart 39: Annual Report – Other key disclosures



- D.19 Does the company have a policy requiring disclosure of related-party transactions?
- D.20 Are statements requesting directors to report their transactions in company shares evident?
- D.21 Does the Annual Report explain foreseeable business risks?
- D.22 Does the Annual Report include a separate corporate governance report?

In the section related to the equitable treatment of shareholders, this report considered the shareholder role in approving certain related party transactions (B.14) and non-compliance with related party requirements (B.16). Disclosure in this area is important.

In Vietnam, disclosure requirements are articulated in several documents, including the Law on Securities, MOF's Circular 9 and in accounting standard VAS 26 on related party disclosures. It is a complex area and it is recommended that each company should develop a related party policy for the company which is embedded in that company's corporate governance code and policies and which are consistent with international accounting standard IAS 24 Related-Party Transactions.

Because of the complexity of requirements, it is not surprising that 91% of companies surveyed had a policy for related party transactions and disclosures, but those policies were not comprehensive or were flawed (D.19). Indeed one issue identified was there were often high thresholds set for disclosure of transactions, thus little disclosure was evident. Furthermore, there was also little evidence that directors had not reported their transactions in company shares as indicated by a regulatory request for disclosure (D.20). This may be due to good director disclosure or regulatory inaction.

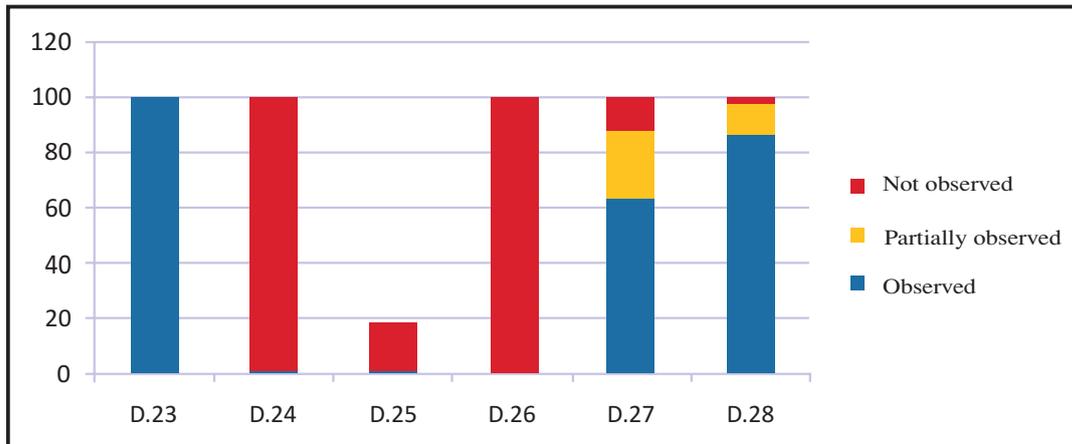
In 88% of the Annual Reports reviewed, material foreseeable business risks were not identified and explained (D.21). Users find this information useful in assessing the strategies and the challenges that may face the company in achieving those strategies. Indeed information on risk and internal controls was poor.

To be assured of quality corporate governance practices and board commitment to this, a corporate governance report is often included in the Annual Report. In 99% of cases this was not evident as it was not a required disclosure (D.22). Good practices would show evidence of a company corporate governance code, corporate governance structures and policies in company documentation and all would be reported in the Annual Report.

D.6 Disclosures related to the external audit and audit activities.

An external audit conducted by a competent, qualified and independent external auditor is a major part of the company's control framework and gives assurance and credibility to the financial information and reports issued by the company. All companies in the survey group had their financial statements audited by an authorized external auditor as required by the Model Charter and Circular 38 (D.23). In 64% of cases the auditors' opinion was publicly disclosed in line with good practices (D.27). Furthermore, there was no evidence of accounting or audit qualifications or queries related to financial statements in the past two years in 87% of cases reviewed (D.28).

Chart 40: Disclosures related to the external audit and audit activities.



D.23 Does the company have an annual external audit undertaken by an authorised auditor?

D.24 Do GMS and/or company documents refer to the ‘independence’ of the external auditor?

D.25 If a change of auditor is noted in the past two years, were the reasons for the change disclosed?

D.26 Is there a policy that prevents the external auditor undertaking non-audit services?

D.27 Is the external auditor’s opinion publicly disclosed?

D.28 Has there been any accounting/audit qualifications or queries related to the financial statements in the past two years?

A key element of the value of an audit is that the auditor is independent of the company and of management. However, in 99% of cases no company references to the ‘independence’ of the auditor and to the issue of an ‘independent’ opinion on the financial statements was evident (D.24). Transparency regarding the appointment and any changes of the auditor are important and in good practices, if a change of auditor is noted, then the reasons for the change should be disclosed. In the survey group, 81% of companies did not change auditor and so any rationale for change was not expected. However in 19 companies, the auditor was changed in the last two years and only 1/19 disclosed reasons for the change (D.25).

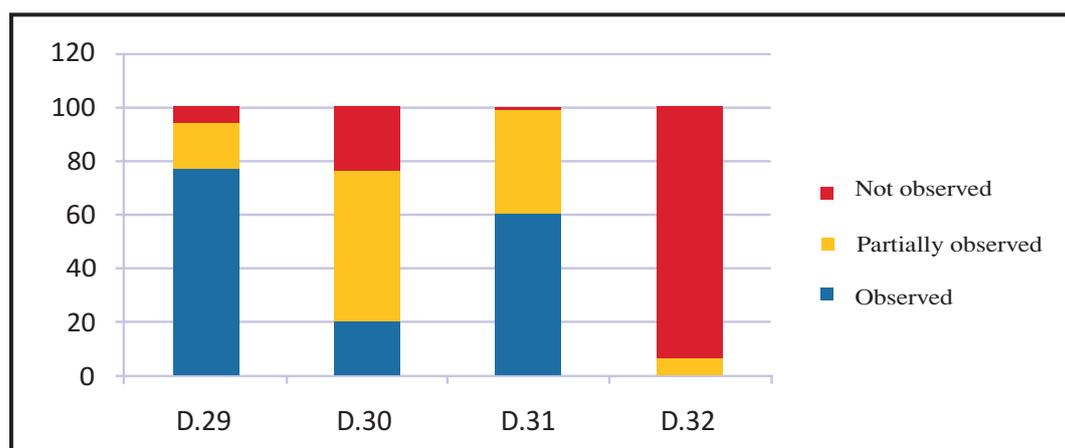
Indeed in 2002, the Technical Committee of IOSCO, the international securities regulatory organization, issued guidance on the independence of auditors of financial statements to affirm that auditors should be independent in fact and appearance. As part of the emphasis on independence, it recommended that companies have a policy to transparently deal with auditors undertaking non-audit services. All companies surveyed did not disclose such a policy (D.26).

D.7 Channels for disseminating information

The OECD Principles and annotations declare “the channels for dissemination of information can be as important as the content of the information itself. The Internet and other information technologies also provide the opportunity for improving information dissemination. With respect to continuous or current disclosure, good practice is to call for ‘immediate’ disclosure of material developments”¹⁸.

18 OECD, Principles of Corporate Governance, OECD 2004, Paris.

Chart 41: Channels for disseminating information



D.29 Does the company provide a variety of communication methods?

D.30 Is the information on the company website comprehensive and accessible?

D.31 Does the company have a policy and process to ensure continuous ad hoc disclosure of important matters?

D.32 Does the company provide easy public access to and contact details for the Investor Relations person or unit?

Most companies (77%) provided a variety of communication and information dissemination mechanisms - a company website, the Annual Report, briefings to analysts and press releases were all noted and current information was available (D.29). However, the quality and accessibility of the information provided was less evident (D.30). In only 21% of cases was the information provided comprehensive, including an Annual Report, information in Vietnamese and English, information of the company organization and strategy and a corporate governance report. Some materials were not easily downloadable or electronically usable.

Timeliness of disclosures is an issue. Despite 60% of companies having policies in place to ensure continuous ad hoc disclosure of important matters (D.31), the reviewers observed that many companies were late in making relevant disclosures to the SSC and Stock Exchanges. Companies can also improve the provision of, and access to, a separate company investor relations unit and nominated person responsible for disclosure. Only 7% of companies reviewed provided such a service (D.32).

e. Responsibilities of the Board and Supervisory Board

“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”.¹⁹ Board structures and procedures will vary from country to country, depending on the legal and regulatory requirements and structures, and in the case of Vietnam, companies have a two-tier board with a Board of Directors (BOD or the board) and a Supervisory Board (SB).

The Scorecard looks selectively at key areas of board responsibility, including the corporate governance environment in which the board operates, the role of the chairman and leadership of the board, board composition, the board role in company oversight and key board activities and company control and the activities of the supervisory board.

Disclosure and transparency and the responsibilities of the board were identified as the two most im-

19 OECD, Principles of Corporate Governance, OECD 2004, Paris.

portant areas in achieving quality corporate governance in Vietnam and as such have been weighted the heaviest with each category having a possible maximum score of 30%.

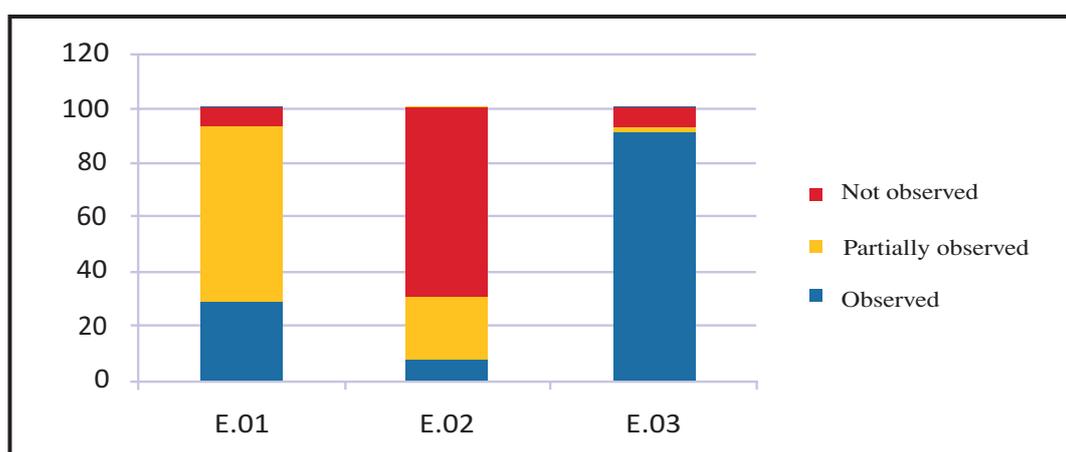
Table 17: Overall evidence of responsibilities of the board and supervisory board

Measure	Score %
Possible maximum score	30.0
Maximum achieved	16.0
Minimum achieved	3.4
Mean	10.6

In aggregate in Vietnam, the performance of board and supervisory board responsibilities reached a level of compliance of 35.3%, thus leaving room for improvement in this vital category. Details for specific improvement areas follow.

E.1 Board and corporate governance environment

Chart 42: Board and corporate governance environment



E.01 Has the company promulgated good CG guidelines?

E.02 Does the company have clear company values and direction led by the BOD?

E.03 Does company CG guidance disclose the material transactions that must be approved by the board?

Companies in Vietnam are aware of the requirements for good corporate governance. A total of 93% of companies have in place company specific corporate governance guidelines. However, in only 29% of companies were these guidelines comprehensive and incorporate a clear statement of the BOD and SB values and responsibilities and recognition of the need for coordination between the board of management, the SB and the BOD for quality company oversight and performance evaluation (E.01). In some cases a company's corporate governance guidelines are simply a copy of the company Articles of Association, indicating an unthinking and uncaring approach.

The BOD is the body accountable for setting the 'tone at the top' for the company and in doing so good practices should establish a written vision for the company and a code of ethics by which the company will do its business. In 69% of companies reviewed, this 'tone' was not evident or inadequate. In fact, only 8% of companies accomplished this well (E.02). A written Code of Ethics was not evident in many cases.

However, better company practices were observed in relation to the clarity of the BOD in approving material company transactions. Statements of the powers reserved to the BOD and evidence of limits beyond which management cannot approve transactions were clear in 91% of companies reviewed

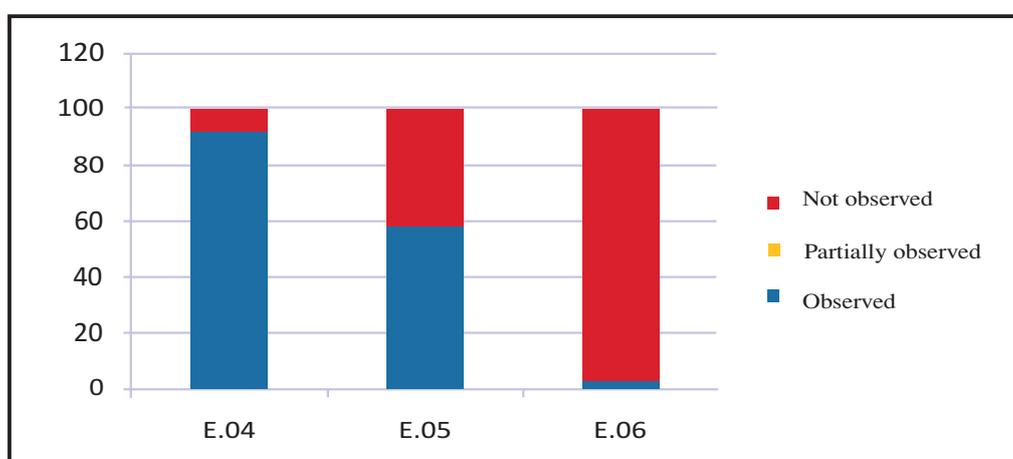
(E.03).

E.2 Role of the chairman and board leadership

Much is expected of the modern day chairman of the board. He should provide leadership for the board and ensure board and individual director effectiveness, establish structures, policies, procedures and schedules for company oversight and for efficient board work, organize and lead board meetings, ensuring participation by all directors and quality decision making. He/she will have a close working relationship with the CEO and will drive board evaluations and development.

To fulfil these roles, the chairman should have sufficient and appropriate powers vested in him/her, have the highest integrity and enjoy the trust of other directors and shareholders.

Chart 43: Role of the chairman and board leadership



E.04 Is the Chairman’s role at board meetings clearly described in the company CG guidance?

E.05 Is the Chairman a non-executive director?

E.06 Is the Chairman ‘independent’ of the company?

The chairman’s role seemed to be clearly and comprehensively described in company corporate governance guidance (E.04). In 58% of cases the chairman was also not an executive of the company (E.05). This separation between Chairman and CEO roles is considered good practice and better enables the preservation of the balance of power in the company between the two most important roles in the company. However, the concept of the Chairman being independent of the company is not well understood or practised. In only 3 companies was the independence of the chairman evident (E.06).

The concept of independence as described in OECD Principle VI and according to the IFC definition of independence would ensure that the chairman (or other directors) does not have a material relationship with the company other than his directorship, is not a major shareholder or representative of a major shareholder and holds no shareholding above 5% of the issued shares. Further he would have no close relations in company management and has had no current or former employment/business association with the company in the last 3 years. Vietnamese law does not require or distinguish independence from non-executive for a chairman or for board members. However in many jurisdictions the presence of a number of board members and/or the chairman being independent is considered good practice.

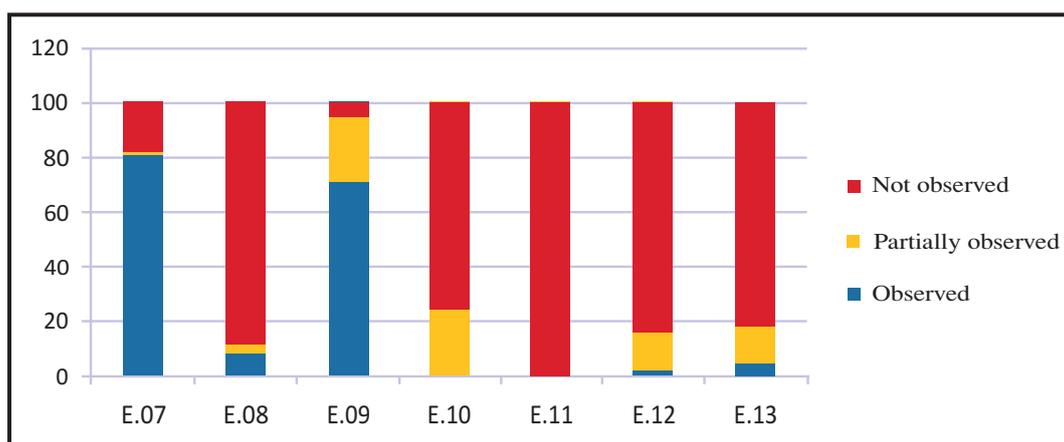
E.3 Board balance - skills, competences and training

In order to lead the company, to exercise objective independent judgment on corporate affairs and to monitor managerial performance, board ‘balance’ is recommended. The goal is to have a balance of

skills, knowledge and experience in BOD members. It is also recommended in international practices to have a BOD with a balance of executive and non-executive directors, some of whom should be independent of the company, but all of whom have the time to devote to board duties.

The Model Charter and the CG Regulations in Vietnam only distinguishes executive and non-executive directors (including independent directors). The CG Regulations require one-third of directors to be non-executive and is silent concerning a requisite number of independent directors.

Chart 44: Board balance – skills, competences and training



E.07 How many BOD members are non-executive?

E.08 What percentage of the BOD is ‘independent’?

E.09 Is there evidence of the BOD being a ‘balanced board’?

E.10 Does company information and director information clearly state/disclose the number of board seats each director holds?

E.11 Does the company have a board induction policy and program for new appointments to the BOD and SB?

E.12 Do the BOD and SB undertake an annual self assessment/evaluation?

E.13 Did BOD and SB members and CEO participate in CG training and report this?

Some 81% of the companies reviewed have at least one-third of board members who are non-executives (E.07). However, only 9% of board members were clearly identified as being ‘independent’ (E.08). In 72% of the survey group, a range of skills in BOD members was evident. BOD members demonstrated business knowledge, accounting and finance skills, industry experience and a balance of executive and non-executive directors (E.09).

To fulfil their duties well, all BOD members should have the time to devote to their duties. However, the number of board seats any one director holds is not clear. The CG Regulations require that all BOD members hold a total of 6 or less board seats. Company information and individual director information does not clearly state the number of board seats each holds. Companies disclose comprehensive information on the board seats each director holds (E.10) and in 25% of the companies surveyed only partial information was evident.

To ensure competence of BOD and SB members from the initial appointment, it is a good practice to provide an induction program to all new BOD members. In 100% of the companies reviewed, such induction policies and programs were not evident (E.11). The programs may be in place but no clear

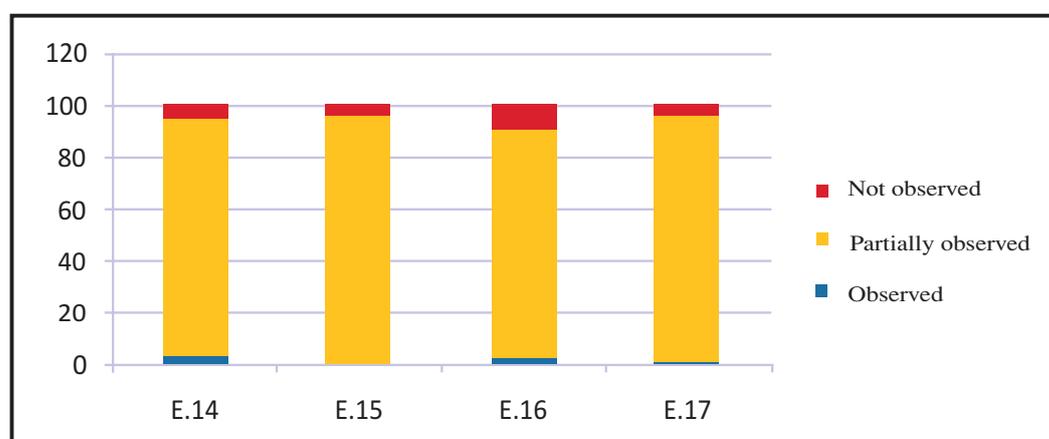
public information was available to confirm this.

To be effective, the BOD should have the necessary resources to develop and maintain the knowledge and skills of its directors. Periodic evaluation of performance of the BOD and SB is required under the CG Regulations. However, not many companies mention the self-evaluation of their BOD or SB in their reports. In general, evidence of such evaluations was scarce. In only 16% of cases was evaluation of the BOD and SB evident or even partially observable (E.12). Training programs based on periodic evaluations of the BOD, SB and directors, are fundamental to board development. The CG Regulations require BOD and SB members attend basic corporate governance training courses. Attendance at training courses was not evident in 82% of all companies reviewed (E.13). This may also be due to poor disclosure practices.

E.4 Board effectiveness – information, meetings and records

To be effective, the BOD and SB should have a working plan that includes the regular topics that will require discussion, decision and a schedule of meetings. Proper meeting notice of a minimum of at least 5 days is required (7 days is better) so directors can properly prepare themselves for the meetings. Meeting minutes and/or verbatim reports are important documents and should be kept and be available to all BOD and SB members respectively. They are an important legal record that may be used to demonstrate the BOD and SB have discharged their duty of care to the company and its shareholders.

Chart 45: Board effectiveness – information, meetings and records



- E.14 How often did the BOD meet in the past year?
- E.15 How often did the SB meet in the past year?
- E.16 Are there mechanisms in place to ensure board members receive adequate notification of the board meeting for all BOD/SB meetings?
- E.17 Do the BOD and SB keep meeting minutes and resolution records of each meeting?

Whilst the BOD of most companies met at least once in each quarter as required in the Law on Enterprises, in general individual attendance at these meetings was not evident (E.14). The SB is required by the CG Regulations to meet at least two times per year. Again this seems to have occurred (E.15), but individual attendance at these meetings was not evident to the public. Transparency regarding board meetings and individual director attendance at the meetings enables investors to evaluate directors’ commitment to the company.

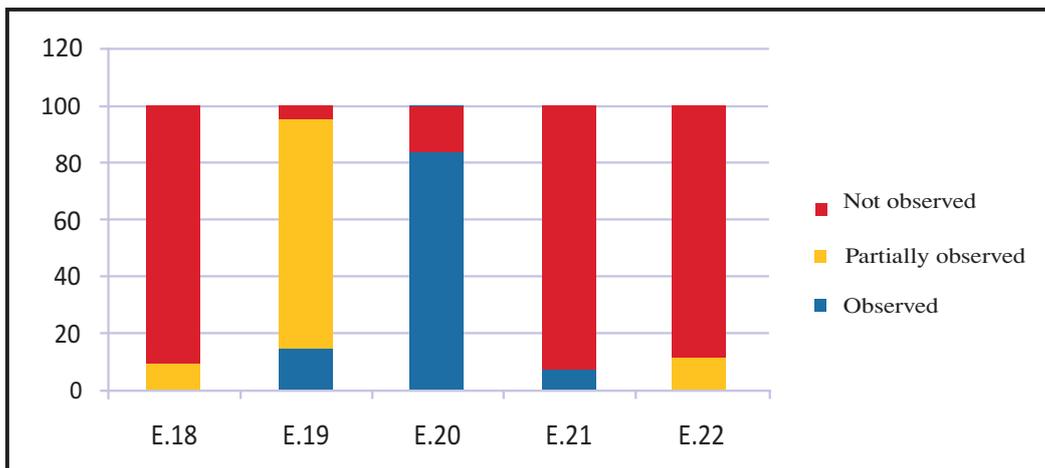
Most companies apply the Model Charter and accordingly board documents are distributed at least 5 days in advance of the meeting (E.16). Such notifications, together with the use of an annual board calendar and the professional skills of a company secretary, enhance the effectiveness of board meetings.

However, transparency of policies and processes for SB meetings and SB meeting records tended to be superficial (E.16 and E.17). The SB records tend to focus on the corporate governance of management and of the company at the expense of the corporate governance of the SB itself.

E.5 Board effectiveness – company strategy, risk and oversight

According to the OECD Principles of Corporate Governance, the board should fulfil certain key functions including, “reviewing and guiding corporate strategy, major plans of action, risk policy, annual budgets and business plans; setting performance objectives; monitoring implementation and corporate performance” and overseeing management. Often board committees are established to assist in some of these key board functions.

Chart 46: Board effectiveness – company strategy, risk and oversight



- E.18 Has the BOD established BOD committees (Audit Committee, Remuneration Committee and Human Resource Committee) or a designated BOD person?
- E.19 Is there evidence the BOD receives regular management reports on the company activities and its financial position?
- E.20 Is there evidence the BOD is responsible for the strategy and business plans of the company?
- E.21 Is the BOD is responsible for and oversees the risk management system of the company?
- E.22 Do the BOD/SB assess the CEO and key executives annually?

As the business environment of companies becomes more complex and the demands on the board increase, board committees are often established to assist the board to manage. However, committees are not mandatory and in any event all responsibility for committee activities remains with the board. In Vietnam, both the CG Regulations and the Model Charter suggest that the board set up committees to facilitate its activities. Article 15 of the CG Regulations states that if committees are not established, then an individual director should be nominated to be accountable to specific activities. Information on this was not clear in 90% of the companies reviewed as only minimal information was available on board committee structure and activities (E.18). At a minimum, an audit committee and a remuneration committee are recommended.

In other board activities there is rather more information available. In 95% of cases there was evidence that the board received regular management reports and reports on the company’s financial position (E.19). However, very little information was evident to confirm board use of, or discussions on, matters arising from these reports.

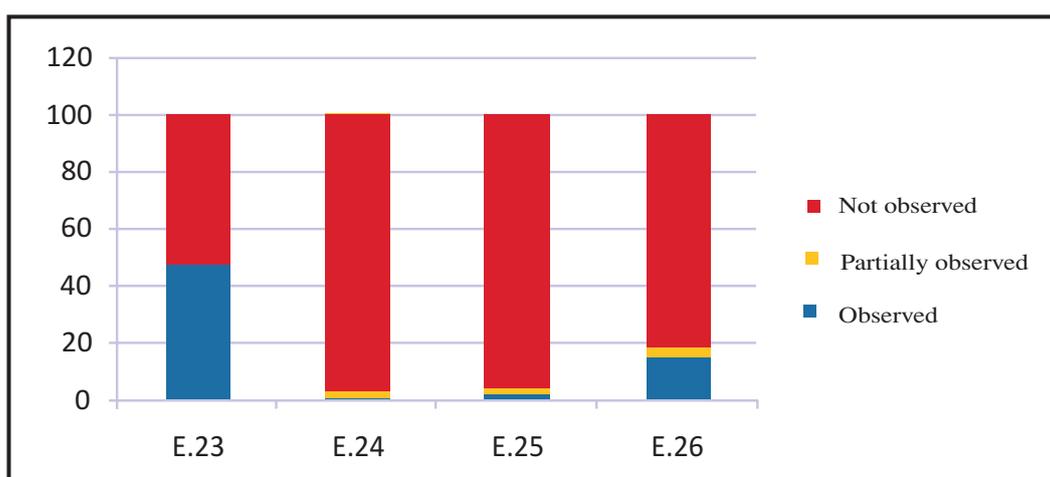
Conversely, there is good evidence that the board approves and oversees company strategy and business plans. In 85% of companies reviewed quality information was available (E.20). The board is also responsible for oversight of the risk management system in order to control and mitigate the risk of not achieving the company strategy. Risk is one of the most important areas that will influence investor decisions. In 93% of companies reviewed, evidence of the risk management system being in place and that risk reports were considered by the board was lacking or inadequate (E.21).

Finally, an important role of the board or the supervisory board is to ensure the company has effective leadership. The evaluation of the performance of the CEO and senior key management personnel annually is therefore important. The CEO and senior management should be assessed on their achievement of company strategy and objectives, the internal culture of the company, the management of capital resources and their leadership of staff. The key is to ensure the long-term sustainable performance of the company. The reviews indicated that evaluations may be occurring, but that links to the long-term performance of the company were not evident. In 88% of the companies reviewed, the information on CEO and key executive evaluation was poor or not available (E.22)

E.6 Board role in company control

“The board is expected to monitor and manage potential conflicts of interest of management, board members and shareholders, including misuse of corporate assets and abuse in related party transactions. It is an important function of the board to oversee the internal control systems covering financial reporting. These functions are sometimes assigned to the internal auditor which should maintain direct access to the board”²⁰.

Chart 47: Board’s role in company control



E.23 Is there any evidence of non-compliance of the company over the last year?

E.24 Do company documents cover internal control structures, policies and practices?

E.25 Does the internal audit function provide an independent evaluation of the internal control process and risk management of the company annually?

20 OECD, Principles of Corporate Governance, OECD 2004, Paris.

E.26 Does the company report on the activities of internal audit in its Annual Report and/or SB Report?

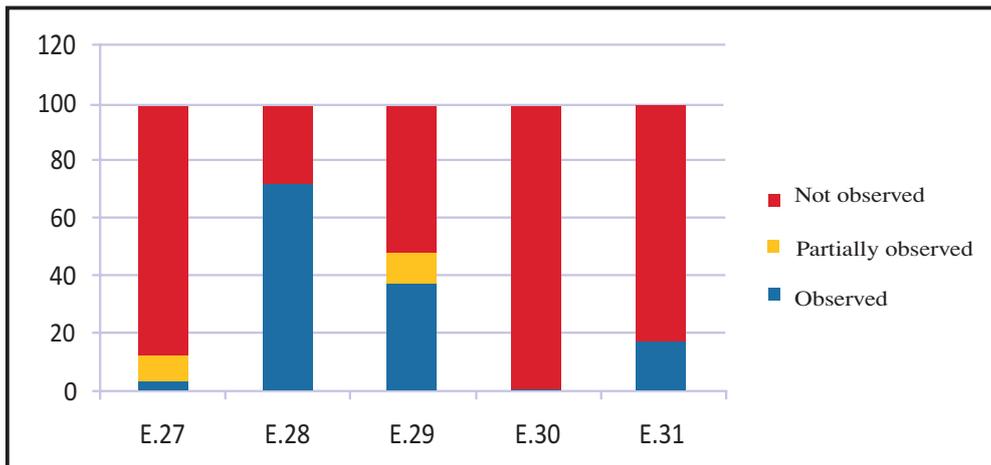
In 43% of the companies reviewed there was no evidence of non-compliance in the last year. Evidence from the SSC, the stock exchanges and as reported would indicate that in 57% cases of non-compliance, there were many firms that did not submit reports on time (E.23). Also, in some cases the firm was put under ‘designated supervision’, a special supervision of the stock exchange applied because the firm made a loss in the previous year. This situation is considered ‘non-compliance’ according to stock exchange listing rules, however, is applied to maintain good performance and to guarantee the return to investors.

Company documents rarely disclosed information about the internal control structure, policies and practices (E.24). This was so in 97% of cases reviewed. In a similar way, companies did not provide adequate information on the internal audit function, its independent evaluation of the internal control processes and risk management (E.25). Information tends to be limited to the existence of the internal audit function. In only 15% of companies is a report on the internal audit function available (E.26). In theory in Vietnam and under the Law on Enterprises, the supervisory board should have the ultimate inspection role to ensure proper controls are established in the company. If this fails, it would be good practice for the BOD to establish an Audit Committee to undertake this oversight.

E.7 Supervisory Board oversight

In the corporate governance framework of Vietnam, the supervisory board plays an important role. It is responsible for the supervision of the BOD and management, for inspection and evaluation of the financial reports and the CG regulations oblige the supervisory board to manage the relationship with the external auditor. All these duties in other corporate governance structures fall to the Audit Committee of the board.

Chart 48: Supervisory Board oversight



E.27 Is there evidence of the SB oversight of the external auditor?

E.28 Is there evidence of the SB review and approve the Annual Report and financial statements?

E.29 Does the SB report include discussion of the SB supervision of operational and financial condition of the company, performance of BOD, BOM and executive officers?

E.30 Does the SB Report include reference to the SB's performance, issues discussed and decisions taken?

E.31 Does the SB report on its evaluation of the coordination between the SB, BOD, BOM and shareholders?

The supervisory board's role and relations with the external auditor are important, yet in 87% of the companies reviewed practical evidence of SB discussions with the auditor on the progress of the audit and on issues arising were not mentioned (E.27). The role of the SB falls short of that of a board audit committee and establishment of an audit committee of the BOD is recommended. Far more obvious was evidence of the work the SB undertakes with respect to reviewing and approving the financial statements (E.28). However, the report of the SB to the GMS generally was not adequate.

The requirements of the SB Report to the GMS are clearly articulated in Article 8, CG Regulations. A SB report should include information on the SB findings and activities concerning the operational and financial performance, a report on the BOD and on management and executive officers. An adequate report was evident in 49% of companies reviewed (E.29). Furthermore, the SB report should include reference to the SB's own performance, including issues discussed and decisions noted. In only 1 case was this satisfactory. Greater rigour in the SB's oversight and inspection role and reporting of those activities is necessary (E.30).

It is expected that the SB would evaluate the coordination between the SB, the BOD and management and the shareholders. In general, this evaluation is evident but no further explanation was given (E.31). Evidence to support the evaluation would be better practice and would improve the information value of the disclosures.

F. Conclusions and Recommendations

Corporate governance in Vietnam is in its early days and this provides a good opportunity to develop quality corporate governance practices for the future. It also is one reason why there may be a stronger impetus to regulate for improved practices.

Corporate governance improvement is a long and never-ending journey requiring constant attention and updating. However there are some areas for short term action, which may provide a ready return for effort. These short term improvements may be achieved relatively quickly and show progress on the corporate governance journey, thus providing encouragement for tackling longer term issues.

The results of this baseline report can be used in a number of ways. It can point to specific company matters which the company itself can take and develop to enhance its corporate governance. The study may also provide ideas on wider issues that may be addressed on a national basis by regulators and stock exchanges or by shareholder groups. The baseline survey can also provide a comparison point for assessment of progress towards enhanced corporate governance.

A commencement point for improvement may be in the areas considered below highlighted by poor responses to specific questions in the review (see Specific findings in the Executive Summary).

The listed companies reviewed have clearly been impacted by recent changes in the corporate governance framework in Vietnam. The CG Regulations and the Model Charter outline many good practices to be established. However, the reviews have indicated that there is still some way to go to achieve good corporate governance. Company, director and shareholder awareness of the complexities of corporate governance is at the first stage. In each of the 5 areas surveyed, there is evidence of basic understanding but policies, processes and practices are not to the level required to be considered to the OECD level of best practices. For example, it seems companies and directors have yet to understand the depth of changed behaviour that is required for full disclosure and transparency, for the running of a quality GMS and to be responsible directors. There is a role for further guidance to be developed and issued to assist application of good practices.

Particularly in the area of disclosure, the SSC has the powers to enforce full and timely disclosure and has the capacity to impose administrative penalties. Companies should be made aware of this and of the rigorous approach the SSC is expected and will take, particularly on untimely disclosure.

The Model Charter has been adopted by companies in general, but in a more formulaic way and lacks specific application to the individual company. For example a company can and should decide for itself if the thresholds required in law are the ones to be applied in their company. There does not seem to be understanding that in corporate governance the law is the minimum and there are benefits to going beyond the minimum. Thresholds for shareholder approval of specific transactions could be better than the levels set in law.

Shareholders should be encouraged to fully exercise their basic shareholder rights. For example, they should actively participate in the GMS and ensure they vote at the GMS either in person or in absentia. For example, proxy voting procedures must be introduced and available at all companies. Boards will have to better accommodate this participation and expect it as the norm.

Shareholders have a fundamental right to information on the company and its activities and to accountability from its directors. Shareholders should exercise this right and demand fuller, clearer and timelier information. For example, better information is required on the directors being offered for election, on director commitment, attendance at and participation in board meetings, on compensation

of executives and the associated performance requirements. A quality corporate governance report should be required. Information relating to the independence of auditors and on any reasons for a change of auditor should be provided. Information on the internal control, internal audit and risk management structure and practices could be improved.

Boards are to be encouraged to seek more 'independent' directors on their boards to contribute outside views and expertise to the company. Regulators are encouraged to distinguish an independent director from a non-executive director - the two are not the same.

Boards themselves should demonstrate real commitment to corporate governance, ensuring quality and diverse boards, board induction, rigorous board and director evaluations and detailed reporting of these activities to shareholders. Greater commitment to director training to develop and keep current director skills and to better understand the global best practices in corporate governance is to be encouraged. The board has an important role in oversight of the CEO and of key executives. Information on executive oversight and evaluations should be reported to shareholders. An audit committee of the board may be mandated to improve company oversight and auditor relations.

The supervisory board in Vietnam has a special oversight and inspection role to fulfil. All supervisory boards should improve transparency of their policies and processes for SB meetings and records of those meetings and better report to shareholders on how they fulfil their role. For example, more information on the risk management system, the internal control system and internal audit of the company is necessary.

Companies, if they lack an efficient and effective SB, should be encouraged to establish an audit committee of the board, completely independent of management, to be accountable for the proper oversight of financial, risk and external audit matters and provide better reporting on these issues. An audit committee of the board would be an asset in any event.

Closer relationships with the external auditor, by either the SB or the audit committee, are encouraged. On appointment by the shareholders, an explanation of the auditor's and the audit team's independence should be provided. Shareholders are interested in the auditor and his/her team being both competent and independent.

The external auditor is a key independent third party whose work gives credibility to the financial information issued by the company and builds investor trust in the company. The auditor should be appointed by the shareholders at the GMS. Shareholders should not delegate this role to the board as the board may have a vested interest in the choice of auditor. Changes in auditor should require companies to disclose the reasons for the change to the shareholders. Auditors should demonstrate their independence and this should be disclosed to shareholders.

Company/stakeholder relations are a relatively new concept in Vietnam and international good practices in this area are not well known or reported on in the companies reviewed. Perhaps the one exception is in the area of employee relations. Perhaps the government and regulators alike may take the lead in promoting awareness of best practices in this area.

On a national basis, there are some opportunities for improvement in the corporate governance framework highlighted from the baseline review. The use of mechanisms for enforcement of elements of the corporate governance framework, recently introduced, are not evident. Clear powers of investigation and enforcement must be defined and applied with appropriate sanctions available. However, it is recognized that it takes time to build experience and professionalism to monitor and oversee corporate governance and the rights of shareholders both at the regulator level and within the court system.

To assist the application of better practices, clarity of definitions relating to ‘independence’ of directors and of auditors, guidance on ‘related parties’ and related party transactions requiring approval and disclosure and alignment with best practices of the thresholds pertaining to related-party disclosures and approvals, clarity of the term ‘materiality’ might assist companies to improve their corporate governance.

In summation, there are actions that may be taken by companies, boards, individual directors, shareholders, stakeholders and regulators and others of influence in the Vietnamese business community to improve corporate governance in Vietnam.

Recommendations

1. Extensive training for all participants in the corporate governance arena. For example training for directors on global good practices and on the requirements of the Vietnamese laws and regulations, training for shareholders on their rights and how to exercise and enforce those rights, training for regulators on supervisory and enforcement practices for corporate governance matters. Training is also recommended for the media so it can comment appropriately on corporate governance practices and assist raising public awareness of corporate governance matters.
2. In several areas there is an opportunity for regulatory clarification or additional guidance. Clarification of definitions, thresholds, roles and good practices by the issue of regulations or guidelines by the regulator and the stock exchanges would assist further enhancement of good practices. Mandating a corporate governance report and auditor election at GMS, together with the introduction of an audit committee would be important steps.
3. Stronger monitoring and enforcement of corporate governance requirements and greater visibility to enforcement practices is important. For example, Annual Report reviews of the regulator resulting in the publication of good and poor practices would focus companies’ attention. Regular Scorecard re-assessment and publication of the general results of developments or lack of developments. Onsite examinations may be considered to ensure ‘substance over form’ in corporate governance.
4. Increased public awareness programs explaining the importance of shareholder participation in company activities and facilitation of participation are necessary.

Specific Priorities in Vietnam

It is difficult to select specific priorities for early action as there are many such opportunities arising from the Scorecard findings. However, those selected in the 4 areas below are considered important and ripe for attention in the Vietnamese context.

Legislative and regulatory development

1. Clarification of powers and authorities available to enforcers and ensuring the full range of sanctions are available to enforcers and that sanctions are a deterrent.
2. Clarification of legislation and regulations – definitions and thresholds, especially the introduction of the concept of ‘independent’ directors.
3. Ensure regular required CG training of directors and senior management.

Institution strengthening

1. Promote awareness regarding the value of good CG with ministers and senior government department leaders, including consideration of the need for clear board authority and accountability; clarity on the role of the government as a shareholder. Application of the OECD CG Guidelines for State-Owned Entities is recommended.
2. Strengthen SSC staff through training in good CG practices and ‘visible’ enforcement measures, commencing with a review of disclosures in the Annual Report to encourage better quality and timeliness of information.
3. Strengthen accounting and audit professional practices and independent oversight to be consistent with internationally accepted practices and encourage regulator relations and discussions with auditors regarding independence, quality control of audits, end of year issues and auditor participation in GMSs.

Private sector developments

1. Promote awareness of findings:
 - a. To banks and stock exchanges and of opportunities at lending and at IPO stages for corporate governance improvement; and
 - b. To the media and institutional investors (and shareholders in general).
2. Development and provision of quality director training programs, materials and case studies specifically related to Vietnam and promoting global best practices. Materials to be available in Vietnamese.
3. Expert development and issuance of detailed guidance to assist CG implementation regarding auditor selection and appointment processes and relations, quality corporate governance reporting practices, disclosure checklists for companies, information on the role of BOD, role of SB, role of board committees (especially the audit committee), director inductions, board and SB evaluation policies and processes, director selection and appointment processes, risk oversight, including internal controls, internal audit and risk management and corporate social responsibility.
4. Review of individual company CG Scorecard results and development of company improvement plans including board and SB training/development in CG and establishment of effective board committees, especially audit committees.

G. Appendices

a. List of 2009 companies surveyed

No.	Ticket	Industry	Exchange	No.	Ticket	Industry	Exchange
1	ACB	Financials	HNX	51	FPC	Industrials	HOSE
2	VNM	Consumer Goods	HOSE	52	VIP	Industrials	HOSE
3	DPM	Basic Materials	HOSE	53	BMC	Basic Materials	HOSE
4	HAG	Financials	HOSE	54	VHC	Consumer Goods	HOSE
5	PVD	Oil & Gas	HOSE	55	LCG	Industrials	HOSE
6	PVF	Financials	HOSE	56	PAC	Consumer Goods	HOSE
7	STB	Financials	HOSE	57	NTL	Financials	HOSE
8	VIC	Financials	HOSE	58	NVC	Basic Materials	HNX
9	KBC	Financials	HOSE	59	BMP	Industrials	HOSE
10	FPT	Technology	HOSE	60	SZL	Financials	HOSE
11	VPL	Consumer services	HOSE	61	LSS	Consumer Goods	HOSE
12	HPG	Industrials	HOSE	62	TAC	Consumer Goods	HOSE
13	PPC	Utilities	HOSE	63	VSC	Industrials	HOSE
14	VSH	Utilities	HOSE	64	SJD	Utilities	HOSE
15	PVS	Oil & Gas	HNX	65	HRC	Basic Materials	HOSE
16	SSI	Financials	HOSE	66	SD9	Industrials	HNX
17	ITA	Financials	HOSE	67	VIS	Basic Materials	HOSE
18	PVI	Financials	HNX	68	VCS	Industrials	HNX
19	DHG	Healthcare	HOSE	69	PLC	Oil & Gas	HNX
20	VCG	Industrials	HNX	70	TRA	Healthcare	HOSE
21	SJS	Financials	HOSE	71	HPC	Financials	HNX
22	VNR	Financials	HNX	72	NKD	Consumer Goods	HOSE
23	KDC	Consumer Goods	HOSE	73	HAI	Basic Materials	HOSE
24	SGT	Technology	HOSE	74	BHS	Consumer Goods	HOSE
25	HT1	Industrials	HOSE	75	DCL	Healthcare	HOSE
26	GMD	Industrials	HOSE	76	DBC	Consumer Goods	HNX
27	KLS	Financials	HNX	77	ALP	Industrials	HOSE
28	BMI	Financials	HOSE	78	COM	Consumer services	HOSE
29	ANV	Consumer Goods	HOSE	79	VNA	Industrials	HOSE
30	DPR	Basic Materials	HOSE	80	TYA	Industrials	HOSE
31	SBT	Consumer Goods	HOSE	81	VNS	Consumer services	HOSE
32	PVT	Industrials	HOSE	82	DQC	Consumer Goods	HOSE
33	REE	Industrials	HOSE	83	PVC	Oil & Gas	HNX
34	BCC	Industrials	HNX	84	TC6	Basic Materials	HNX
35	HSG	Basic Materials	HOSE	85	TCR	Industrials	HOSE
36	CII	Industrials	HOSE	86	TSC	Basic Materials	HOSE
37	BTS	Industrials	HNX	87	QNC	Industrials	HNX
38	SAM	Technology	HOSE	88	DRC	Consumer Goods	HOSE

39	IMP	Healthcare	HOSE	89	TTP	Industrials	HOSE
40	VSP	Industrials	HNX	90	TMS	Industrials	HOSE
41	MPC	Consumer Goods	HOSE	91	HMC	Industrials	HOSE
42	BVS	Financials	HNX	92	PGC	Utilities	HOSE
43	NTP	Industrials	HNX	93	SDT	Industrials	HNX
44	RIC	Consumer services	HOSE	94	HBC	Industrials	HOSE
45	TRC	Basic Materials	HOSE	95	VNE	Industrials	HOSE
46	PET	Industrials	HOSE	96	SD7	Industrials	HNX
47	TDH	Financials	HOSE	97	FBT	Consumer Goods	HOSE
48	DMC	Healthcare	HOSE	98	HLA	Basic Materials	HOSE
49	BT6	Industrials	HOSE	99	SMC	Basic Materials	HOSE
50	VTO	Industrials	HOSE	100	RAL	Consumer Goods	HNX

b. Industry grouping

No.	Ticket	Industry	No.	Ticket	Industry
3	DPM	Basic Materials	71	HPC	Financials
30	DPR	Basic Materials	19	DHG	Healthcare
35	HSG	Basic Materials	39	IMP	Healthcare
45	TRC	Basic Materials	48	DMC	Healthcare
53	BMC	Basic Materials	70	TRA	Healthcare
58	NVC	Basic Materials	75	DCL	Healthcare
65	HRC	Basic Materials	12	HPG	Industrials
67	VIS	Basic Materials	20	VCG	Industrials
73	HAI	Basic Materials	25	HT1	Industrials
84	TC6	Basic Materials	26	GMD	Industrials
86	TSC	Basic Materials	32	PVT	Industrials
98	HLA	Basic Materials	33	REE	Industrials
99	SMC	Basic Materials	34	BCC	Industrials
2	VNM	Consumer Goods	36	CII	Industrials
23	KDC	Consumer Goods	37	BTS	Industrials
29	ANV	Consumer Goods	40	VSP	Industrials
31	SBT	Consumer Goods	43	NTP	Industrials
41	MPC	Consumer Goods	46	PET	Industrials
54	VHC	Consumer Goods	49	BT6	Industrials
56	PAC	Consumer Goods	50	VTO	Industrials
61	LSS	Consumer Goods	51	FPC	Industrials
62	TAC	Consumer Goods	52	VIP	Industrials
72	NKD	Consumer Goods	55	LCG	Industrials
74	BHS	Consumer Goods	59	BMP	Industrials
76	DBC	Consumer Goods	63	VSC	Industrials
82	DQC	Consumer Goods	66	SD9	Industrials
88	DRC	Consumer Goods	68	VCS	Industrials
97	FBT	Consumer Goods	77	ALP	Industrials
100	RAL	Consumer Goods	79	VNA	Industrials

11	VPL	Consumer Goods	80	TYA	Industrials
44	RIC	Consumer Goods	85	TCR	Industrials
78	COM	Consumer Goods	87	QNC	Industrials
81	VNS	Consumer Goods	89	TTP	Industrials
1	ACB	Financials	90	TMS	Industrials
4	HAG	Financials	91	HMC	Industrial
6	PVF	Financials	93	SDT	Industrial
7	STB	Financials	94	HBC	Industrial
8	VIC	Financials	95	VNE	Industrial
9	KBC	Financials	96	SD7	Industrial
16	SSI	Financials	5	PVD	Oil & Gas
17	ITA	Financials	15	PVS	Oil & Gas
18	PVI	Financials	69	PLC	Oil & Gas
21	SJS	Financials	83	PVC	Oil & Gas
22	VNR	Financials	10	FPT	Technology
27	KLS	Financials	24	SGT	Technology
28	BMI	Financials	38	SAM	Technology
42	BVS	Financials	13	PPC	Utilities
47	TDH	Financials	14	VSH	Utilities
57	NTL	Financials	64	SJD	Utilities
60	SZL	Financials	92	PGC	Utilities

These industry sectors were classified according to the Industry Classification Benchmark Universe (ICB Universe) and applied from the original listing prospectus by the SSC and the relevant stock exchanges and by three securities companies in Vietnam (Vietstock, Cophieu 68 and SBB Securities). There are no telecommunications companies in the 100 largest listed companies in Vietnam.

ICB Universe 2008 is used to classify firms into groups of industries. The ICB Universe allows the classification of firms into 4 industry levels. In this study, the first and also broadest industry level is used for the 100 firms. The first industry level includes 10 industry sectors: (1) oil and gas, (2) basic materials, (3) industrials, (4) consumer goods, (5) healthcare, (6) consumer services, (7) telecommunications, (8) utilities, (9) financials and (10) technology.

c. List of documents used

No.	Document
1	Annual report
2	Audited Financial Statements
3	CG report
4	Articles of association
5	CG guidance
6	GMS Notices 2008
7	GMS Notices 2009
8	GMS minutes
9	GMS resolutions
10	Board resolutions
11	Minutes of Board/SB meetings
12	EGM (announcement, resolutions, minutes...)
13	Prospectus
14	Violations (insider trading violations, non-compliance case, F/S extension...)
15	Website
16	Others

d. Research Rating Team

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Ms. Trinh Thanh Ly

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e. Scorecard Questionnaires

A	Rights of shareholders (Scorecard weighting - 15%)
	OECD Principle II The corporate governance framework should protect and facilitate the exercise of shareholder's rights.
A.1	Are the voting rights of shareholders clear and unequivocal?
A.2	Does the company offer ownership rights, more than basic rights (voting rights, right to freely transfer shares and right to timely information)?
A.3	Do shareholders have the right to nominate and remove members of the BOD and the SB?
A.4	Are the dividend and dividend payment policies transparent?
A.5	Do shareholders have the right to approve major corporate transactions (mergers, acquisitions, divestments and/or takeovers)?
A.6	Was the AGM held within four months of end of fiscal year?
A.7	Are there adequate company systems for shareholder attendance at AGMs?
A.8	Are the AGM shareholder meeting notices effective?
A.9	Are the policies and processes for shareholders to ask questions at the AGM clear and time is allowed on the agenda?
A.10	Does AGM information of the past year record opportunities for shareholders to ask questions?
A.11	Is the attendance at the last AGM of Chairman/Head of Supervisory Board/other board members/CEO/evident?
A.12	Are AGM policies and processes in the past two years (notices and information) sufficient for shareholders to evaluate individual board nominations?
A.13	Do shareholders effectively vote (receive information on, make their views known and vote) on board and key executive remuneration annually?
A.14	Did the external auditor attend the AGM and the express his views on audit issues?
A.15	Did the shareholders effectively approve the appointment of the external auditor?
A.16	Did information provided to shareholders for the appointment of the external auditor include mention of auditor independence?
A.17	Is a full report provided to AGM on BOD performance?
A.18	Is a full report provided to AGM on the performance of the Supervisory Board?
A.19	Did the AGM notice include explicit information on accessible systems for proxy voting and voting in absentia?
A.20	Do AGM meeting minutes and the company website disclose individual resolutions, with voting results for each agenda item
A.21	Are there no additional items included in the AGM minutes not included on the original meeting notice?

B	Equitable treatment of shareholders (Scorecard weighting - 20%)
	OECD Principle III – the corporate governance framework should ensure the equitable treatment of all shareholders, including minority and foreign shareholders. All shareholders should have the opportunity to obtain effective redress for violation of their rights.
B.1	Does each share in the same class of shares have the same rights?
B.2	Does the company have a ‘one share, one vote’ policy?
B.3	Can minority shareholders impact the composition of the board?
B.4	Are directors’ required to be re-nominated and re-elected at regular intervals?
B.5	Is cross-border voting facilitated by the company?
B.6	Is the company group structure clearly and transparently described?
B.7	Is there evidence of structures/mechanisms that have the potential to violate minority shareholder rights?
B.8	Are there mechanisms that provide effective redress for complaints of shareholders?
B.9	Do shareholders have the right to approve fundamental company changes?
B.10	How many days before the AGM were the meeting notices sent out?
B.11	Can a small shareholder place an item on the AGM agenda?
B.12	Are there company policies in place that effectively prohibit the misuse of information by directors, management and staff?
B.13	Are there any known cases of insider trading involving the company directors, management or staff in the past year?
B.14	Are there effective company policies for the company to approve relevant related-party transactions?
B.15	For large company transactions, does company policy require the provision of information to explain RPTs and require shareholder approval of RPTs above a certain threshold?
B.16	Have there been cases of non-compliance with requirements relating to related party transactions in the past year?
B.17	How does the board deal with declarations of conflict of interest?
B.18	Does the company have an effective investor relations/information policy and program?

C	Role of stakeholders (Scorecard weighting – 5%)
	OECD Principle IV - Recognize the rights of stake-holders established in law or mutual agreements and foster co-operation with stakeholders
C.1	Does the company recognize company obligations (in law and agreements) to key stakeholders and engage them?
C.2	Does the company provide a range of performance enhancing employee benefits to align company and employee interests?
C.3	Have mechanisms been introduced that facilitate communication to board members of illegal and unethical company practices?
C.4	Do company policies/information recognize the safety and welfare of employees?
C.5	Does company policies/information mention the environment?
C.6	Are stakeholders able to directly communicate on company performance with the BOD, BOM and Supervisory Board?
C.7	Is there some company recognition of its obligations to the broader community?
C.8	Is there a clear framework for the enforcement of creditors' rights?

D	Disclosure and transparency – (Scorecard weighting – 30%)
	OECD Principle V – The corporate governance framework should ensure that timely and accurate disclosure is made on all material matters regarding the corporation, including the financial situation, performance, ownership and governance of the company.
D.1	Is there evidence that the concept of ‘material information’ is well understood by the company?
D.2	Does the Annual Report give a full and clear picture of the financial performance of the company?
D.3	Are the financial reports disclosed in a timely manner?
D.4	Did the company provide quarterly and semi-annual reports in the past year?
D.5	Do the CEO and Chief Accountant certify the annual financial statements?
D.6	Does the company use internationally accepted accounting standards?
D.7	Does the Annual Report include a full and clear picture of company operations, its competitive position and other non-financial matters?
D.8	Are details of current largest shareholdings provided?
D.9	Are directors’ (BOD and SB) shareholdings disclosed?
D.10	Are senior management’s shareholdings disclosed?
D.11	Are the company shares broadly held?
D.12	In the Annual Report is board member experience disclosed?
D.13	In the Annual Report, are non-executive directors specifically identified?
D.14	Does the Annual Report specifically identify ‘independent’ directors?
D.15	Does the Annual Report disclose BOD/SB meeting attendance of individual directors?
D.16	Is the basis (level and mix) of board remuneration disclosed in the Annual Report?
D.17	Does the latest Annual Report identify the company’s main executives and their responsibilities?
D.18	Does the latest Annual Report disclose the remuneration of key executives?
D.19	Does the company have a policy requiring disclosure of related-party transactions?
D.20	Are statements requesting directors to report their transactions in company shares evident?
D.21	Does the Annual Report explain foreseeable business risks?
D.22	Does the Annual Report include a separate corporate governance report?
D.23	Does the company have an annual external audit undertaken by an authorised auditor?
D.24	Do AGM and/or company documents refer to the ‘independence’ of the external auditor?
D.25	If a change of auditor is noted in the past two years, were the reasons for the change disclosed?
D.26	Is there a policy that prevents the external auditor undertaking non-audit services?
D.27	Is the external auditor’s opinion publicly disclosed?
D.28	Has there been any accounting/audit qualifications or queries related to the financial statements in the past two years?
D.29	Does the company provide a variety of communication methods?
D.30	Is the information on the company website comprehensive and accessible?
D.31	Does the company have a policy and process to ensure continuous ad hoc disclosure of important matters?
D.32	Does the company provide easy public access to and contact details for the Investor Relations person or unit?

E	Responsibilities of the board (Scorecard weighting – 30%)
	OECD Principle VI Responsibilities of the Board – 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.
E.1	Has the company promulgated good CG guidelines?
E.2	Does the company have clear company values and direction led by the BOD?
E.3	Does company CG guidance disclose the material transactions that must be approved by the board?
E.4	Is the Chairman’s role at board meetings clearly described in the company CG guidance?
E.5	Is the Chairman a non-executive director?
E.6	Is the Chairman ‘independent’ of the company?
E.7	How many BOD members are non-executive?
E.8	What percentage of the BOD is ‘independent’?
E.9	Is there evidence of the BOD being a ‘balanced board’?
E.10	Does company information and director information clearly state/disclose the number of board seats each director holds?
E.11	Does the company have a board induction policy and program for new appointments to the BOD and SB?
E.12	Do the BOD and SB undertake an annual self assessment/evaluation?
E.13	Did BOD and SB members and CEO participate in CG training and report this?
E.14	How often did the BOD meet in the past year?
E.15	How often did the SB meet in the past year?
E.16	Are there mechanisms in place to ensure board members receive adequate notification of the board meeting for all BOD/SB meetings?
E.17	Do the BOD and SB keep meeting minutes and resolution records of each meeting?
E.18	Has the BOD established BOD committees (Audit Committee, Remuneration Committee and Human Resource Committee) or a designated BOD person?
E.19	Is there evidence the BOD receives regular management reports on the company activities and its financial position?
E.20	Is there evidence the BOD is responsible for the strategy and business plans of the company?
E.21	Is the BOD is responsible for and oversees the risk management system of the company?
E.22	Does the BOD/SB assess the CEO and key executives annually?
E.23	Is there any evidence of non-compliance of the company over the last year?
E.24	Do company documents cover internal control structures, policies and practices?
E.25	Does the internal audit function provide an independent evaluation of the internal control process and risk management of the company annually?
E.26	Does the company report on the activities of internal audit in its Annual Report and/or SB Report?
E.27	Is there evidence of the SB oversight of the external auditor?
E.28	Is there evidence of the SB review and approve the Annual Report and financial statements?

E.29	Does the SB report include discussion of the SB supervision of operational and financial condition of the company; performance of BOD, BOM and executive officers?
E.30	Does the SB Report include reference to the SB's performance, issues discussed and decisions taken?
E.31	Does the SB report on its evaluation of the coordination between the SB, BOD, BOM and shareholders?

In 600 bản khổ 21x29,7cm tại Công ty Cổ phần In Bắc Sơn. Đăng ký kế hoạch xuất bản số: 209-2011/CXB/1162-08/NN. Quyết định xuất bản số: 02/QĐ - NN ngày 7/3/2011.
In xong và nộp lưu chiểu quý I/2011

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