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# Report on the Observance of Standards and Codes (ROSC)

CORPORATE GOVERNANCE  
COUNTRY ASSESSMENT

**Vietnam**

AUGUST 2013





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## ACKNOWLEDGEMENTS

This assessment of corporate governance in Vietnam has been prepared by David Robinett and Pasquale Di Benedetto of the World Bank Global Capital Markets Practice and Anh Nguyet Anh of the International Finance Corporation Vietnam Corporate Governance Project (VCGP) as part of the Reports on Observance of Standards and Codes Program. The report is based in part on a template/ questionnaire completed by Indochine Counsel. It also draws on the 2012 Vietnam Corporate Governance Scorecard issued by the VCGP, the Corporate Governance Banking Review for Vietnam (mimeo) prepared by Laura Ard and the Financial Sector Assessment for Vietnam conducted by the World Bank and International Monetary Fund in 2013.

The assessment reflects technical discussions with the State Securities Commission of Vietnam, State Bank of Vietnam, Hanoi Stock Exchange, Ho Chi Minh Stock Exchange, Department of Auditing and Accounting and Department of Enterprise Finance in the Ministry of Finance, Vietnam Association of Certified Public Accountants, Vietnam Securities Depository, State Capital Investment Corporation, Central Institute for Economic Management, Pace Institute of Leadership and Management, and representatives of companies, banks, and market participants.

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Findings of this ROSC are based on the Detailed Country Assessment (DCA), which is presented as a separate annex.

# About the ROSC

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## What is corporate governance?

Corporate governance refers to the structures and processes for the direction and control of companies. Corporate governance concerns the relationships among the management, board of directors, controlling shareholders, minority shareholders and other stakeholders. Good corporate governance contributes to sustainable economic development by enhancing the performance of companies and increasing their access to outside capital.

The OECD Principles of Corporate Governance provide the framework for the work of the World Bank Group in this area, identifying the key practical issues: the rights and equitable treatment of shareholders and other financial stakeholders, the role of non-financial stakeholders, disclosure and transparency, and the responsibilities of the board.

## Why is corporate governance important?

For emerging market countries, improving corporate governance can serve a number of important public policy objectives. Good corporate governance reduces emerging market vulnerability to financial crises, reinforces property rights, reduces transaction costs and the cost of capital, and leads to capital market development. Weak corporate governance frameworks reduce investor confidence, and can discourage outside investment. Also, as pension funds continue to invest more in equity markets, good corporate governance is crucial for preserving retirement savings. Over the past several years, the importance of corporate governance has been highlighted by an increasing body of academic research. Studies have shown that good corporate governance practices have led to significant increases in economic value added (EVA) of firms, higher productivity, and lower risk of systemic financial failures for countries.

## The Corporate Governance ROSC

Corporate governance has been adopted as one of twelve core best-practice standards by the international financial community. The World Bank is the assessor for the application of the OECD Principles of Corporate Governance. Its assessments are part of the World Bank and International Monetary Fund (IMF) program on Reports on the Observance of Standards and Codes (ROSC).

The goal of the ROSC initiative is to identify weaknesses that may contribute to a country's economic and financial vulnerability. Each Corporate Governance ROSC assessment benchmarks a country's legal and regulatory framework, practices and compliance of listed firms, and enforcement capacity vis-à-vis the OECD Principles.

- ▶ The assessments are standardized and systematic, and include policy recommendations and a model country action plan. In response, many countries have initiated legal, regulatory, and institutional corporate governance reforms.
- ▶ The assessments focus on the corporate governance of companies listed on stock exchanges. At the request of policymakers, the World Bank can also carry-out special policy reviews that focus on specific sectors, in particular for banks and state-owned enterprises.
- ▶ Assessments can be updated to measure progress over time.
- ▶ Country participation in the assessment process, and the publication of the final report, are voluntary.

By the end of June 2013, 81 reports have been completed in 59 countries.



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# The 2013 Corporate Governance ROSC for Vietnam

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## ACRONYMS

**ASEAN:** Association of Southeast Asian Nations  
**BSA:** Bank Supervisory Agency  
**CEO:** Chief Executive Officer. This is used as a synonym for managing director.  
**CG:** Corporate Governance  
**CG Regulations:** Corporate Governance Regulations  
**CGSR:** Corporate Governance Scorecard Report  
**DCA:** Detailed Country Assessment, an annex to this ROSC  
**DPI:** Departments of Planning and Investment  
**DVP:** Delivery vs. Payment basis  
**GDP:** Gross Domestic Product  
**GMS:** General meeting of shareholders  
**HNX:** Hanoi Stock Exchange  
**HOSE:** Ho Chi Minh Stock Exchange  
**IAS:** International Accounting Standards  
**IFAC:** International Federation of Accountants  
**IFC:** International Finance Corporation  
**IFRS:** International Financial Reporting Standards  
**IMF:** International Monetary Fund  
**IoD:** institute of directors  
ISA: International Standards on Auditing  
**LoE:** Law on Enterprises 2005  
**LoIA:** Law on Independent Audit 2011  
**LCI:** Law on Credit Institutions 2010  
**LoS:** Law on Securities 2006  
**MoF:** Ministry of Finance  
**MPI:** Ministry of Planning and Investment  
**ROSC:** (Corporate Governance) Report on Standards and Codes  
**RPT:** Related Party Transaction  
**SBV:** State Bank of Vietnam  
SCIC: State Capital Investment Corporation  
**SE:** Stock Exchange  
**SEG:** State economic groups  
**SSC:** State Securities Commission of Vietnam  
**SOE:** State Owned Enterprise  
**USD:** US Dollar  
**VACPA:** Vietnam Association of Certified Public Accountants  
**VAS:** Vietnamese Accounting Standards  
**VCGP:** Vietnam Corporate Governance Project  
**VSA:** Vietnamese Standards on Auditing  
**VSD:** Vietnam Securities Depository  
**VCGP:** Vietnam Corporate Governance Project

## DEFINITIONS

**Board:** In Vietnam, Hội đồng quản trị, sometimes referred to as a board of management, but similar in function to the board of directors in other countries. This is distinct from the inspection committee.

**Cumulative voting:** Cumulative voting allows minority shareholders to cast all their votes for one candidate. Suppose that a publicly traded company has two shareholders, one holding 80 percent of the votes and another with 20 percent. Five directors need to be elected. Without a cumulative voting rule, each shareholder must vote separately for each director. The majority shareholder will get all five seats, as s/he will always outvote the minority shareholder by 80:20. Cumulative voting would allow the minority shareholder to cast all his/her votes (five times 20 percent) for one board member, thereby allowing his/her chosen candidate to win that seat.

**Inspection committee:** In Vietnam, Ban Kiểm soát, sometimes referred to as a supervisory board, but with functions similar to a fiscal council or revision commission in other countries. This is distinct from the board.

**Pre-emptive rights:** Pre-emptive rights give existing shareholders a chance to purchase shares of a new issue before it is offered to others. These rights protect shareholders from dilution of value and control when new shares are issued.

**Shareholder agreement:** An agreement between shareholders on the administration of the company. Shareholder agreements typically cover rights of first refusal and other restrictions on share transfers, approval of related-party transactions, and director nominations.

**Withdrawal rights:** Withdrawal rights (referred to in some jurisdictions as the “oppressed minority,” “appraisal” or “buy-out” remedy) give shareholders the right to have the company buy their shares upon the occurrence of certain fundamental changes in the company.

## Corporate Governance Country Assessment

# Vietnam

*August 2013*

### EXECUTIVE SUMMARY

This report assesses Vietnam's corporate governance policy framework. It highlights recent improvements in corporate governance regulation, makes policy recommendations, and provides investors with a benchmark against which to measure corporate governance in Vietnam. It is an update of the 2006 Corporate Governance ROSC for Vietnam.

Good corporate governance enhances investor trust, protects minority shareholders, and encourages better decision making and improved relations with workers, creditors, and other stakeholders. Better investor protection can lower the cost of capital and encourage companies to list and raise funds through equity markets. Good corporate governance also helps to ensure that these companies operate more transparently and efficiently.

**Achievements:** Since the 2006 ROSC capital markets have grown rapidly, with over 600 companies listing on the country's two stock exchanges. This has been supported by rapid development of the legal and regulatory framework. The State Securities Commission of Vietnam (SSC) issued and recently revised Corporate Governance Regulations (CG Regulations) and a Model Charter that contain substantial good practice for listed and public companies. The Law on Enterprises (LoE) came into force and was revised in 2009, and new laws on Credit Institutions (2010) and Independent Audit (2011) were also introduced. These have been supported by a number of circulars and decrees. The SSC, State Bank of Vietnam (SBV), Hanoi Stock Exchange (HNX), and Ho Chi Minh Stock Exchange (HOSE), have all increased their staff and other resources to keep pace with the rapid market expansion.

Many listed companies are equitized state owned enterprises (SOE) that have improved their professionalism and commercial orientation, often with the assistance of a strategic foreign investor. The State Capital Investment Corporation (SCIC) has been created to hold the shares and oversee more commercially oriented companies.

The LoE and revised CG Regulations provide a solid foundation for investor protection. Shareholders freely trade their shares, participate in shareholder meetings, including by proxy, and have the right to receive key information from the company. They approve dividends, capital increases, changes to the company articles, and large transactions, and can choose board members through cumulative voting, which allows smaller shareholders to have more influence on board selection. Under certain circumstances, shareholders may call for an extraordinary meeting, sell their shares back to the company, or call for an inspection of the company.



Shareholders that take 25 percent or more of the company's shares are required make tender offers to other shareholders. Insider trading and market manipulation are both prohibited and monitored by the SSC.

Listed companies produce relatively complete annual reports with audited financial statements. They are also to provide a range of other information to shareholders. Major shareholdings and RPTs are to be disclosed and the revised CG Regulations include stronger requirements on disclosure on the board and other non-financial areas. Auditor independence is required by law and auditors have clear requirements in terms of certification and licensing, including 40 hours of continuous education each year Vietnam Association of Certified Public Accountants (VACPA).

Board member duties to act in the interest of the company, behave prudently, and treat shareholders fairly, are well established in law and regulation, as are their core competencies of overseeing and choosing the CEO (managing director) and approving and participating in strategy. Boards now have independent members and most have separate chairs and CEOs. They are to recuse themselves when faced with a conflict of interest, and disclose transactions when a board member is conflicted. Boards are encouraged to make use of committees and board member training.

The IFC's Vietnam Corporate Governance Project has supported the authorities and worked directly with companies to improve governance. Together with the SSC, annually they release a Corporate Governance Scorecard that assesses the governance of the largest listed companies

**Key Obstacles:** Overall, the corporate governance of many SOEs remains poor, with weaknesses in terms of transparency, board professionalism, and how the state acts as owner, which is exercised in an opaque matter including through state economic groups (SEG), which have limited accountability and significant cases of poor performance. Many large SOEs are still not equitized or corporatized, and several hundred that have been equitized are still not listed on either stock exchange.

The SSC, SBV, and two exchanges have been challenged by the rapid growth in the market and more recently by the effects of the global financial crisis. The SSC also faces limitations on its powers and independence. Company registration is decentralized, with no national registrar or body responsible for overseeing implementation of the LoE, and limited use of automation.

There are key differences across sectors in terms of corporate governance requirements, inconsistencies between different laws and regulations, and a large number of relevant circulars and decrees, all of which makes it more difficult for market participants to understand what they are required to do.

Shareholders ability to participate in the general meeting of shareholders (GMS) is limited by a short notice period, often inadequate information provided before the meeting, and limited opportunities to ask questions or alter the agenda. Custodians have no formal requirement to pass on relevant information to their clients and few other formal obligations.

Even with cumulative voting, in many companies smaller shareholders cannot influence board composition. Thresholds for approval of major and related party transactions (RPT) are high and only occasionally used. RPT rules are also undermined by a narrow definition of related party and poor disclosure of who actually controls companies. This also weakens rules on changes in control, which also lack effective requirements in terms of investor protection. Overall shareholder redress is limited, with shareholders rarely bringing civil suits or exercising other rights, like calling for an extraordinary meeting or inspection. There is no “shadow director” concept, and it’s difficult to hold accountable an individual who may have control in a company but no formal role.

Accounting standards are based on years old versions of International Financial Reporting Standards (IFRS) and will not converge to current IFRS for some time. Disclosure of indirect control and beneficial ownership is poor, disclosure of RPTs tends to be incomplete, and risk factors and trends affecting the company are often not disclosed. Current practice in terms of disclosure on boards and other areas as well as dissemination of information also falls well short of what is now required in the revised CG Regulations. Auditor independence requirements do not effectively regulate provision of non-audit services or require audit partner rotation.

Too many boards of listed companies lag behind current requirements in terms of board duties and responsibilities, and have failed to set up board committees or have their members receive director training. Independent members still do not play a significant role in too many boards. Boards do not have audit committees, but instead have separate inspection committees, which in practice are often not effective in overseeing audit, compliance, or company finances. Outside of a small number of financial companies, most boards are not required to—and have not—established risk management or other internal controls or an internal audit function. Most also do not have codes of ethics or systems for reporting concerns inside the company (whistleblower procedures). As noted, rules on conflicts of interest and RPTs also have key gaps. While banks and other financial institutions have adopted some risk management and internal control functions, they are in early stages and boards’ role in these areas tends to be limited.

**Findings of the Detailed Country Assessment:** The Detailed Country Assessment (DCA) of the OECD Principles of Corporate Governance is summarized in the tables at the end of the report. The assessment confirms that Vietnam has made substantial progress in recent years, especially with respect to shareholder rights and equitable treatment and the overall corporate governance framework. However, it also finds gaps and that Vietnam continues to lag some other countries in the region. Overall, of the accessed Principles, 2 are rated fully implemented (95+), 11 broadly (75+), 48 partially (35-75), and 5 are not implemented.

**Next Steps:** Vietnam has undertaken important corporate governance reforms in recent years. However protecting minority shareholders, fully tapping the potential of capital markets, and professionalizing boards and management will require that reform continues. Key reforms include:

- ▶ Developing an action plan to address core failings of state owned enterprise corporate governance, including replacing the current SEG oriented system with one that has more accountable state ownership;
- ▶ Providing legal consistency and clarity for market participants;
- ▶ Establishing better cooperation between regulators and enhancing SSC powers, resources, and independence;
- ▶ Improving protection of minority shareholders by increasing redress, and strengthening rules on RPTs, control changes and shareholder meetings;
- ▶ Establishing board professionalism and effectiveness, including through a review and possible replacement of the inspection committee, and steps to improve compliance with current requirements, including the establishment of an IoD or equivalent organization; and
- ▶ Increasing transparency with greater auditor independence, better disclosure of ownership and control, and convergence of accounting standards with IFRS.

## Landscape

The Corporate Governance Report on Standards and Codes (ROSC) for Vietnam benchmarks law and practice against the OECD Principles of Corporate Governance. The ROSC focuses on the companies listed on the Ho Chi Minh Stock Exchange and the Hanoi Stock Exchange. This report updates a previous report published in June 2006.

Since 2006 capital markets have grown quickly as hundreds of companies have listed on the country's two exchanges. The legal and regulatory framework has also developed quickly, the State Securities Commission (SSC), under the Ministry of Finance, has issued and recently revised Corporate Governance Regulations that include many good practices, and the Ministry of Finance has taken key steps to improve the professionalism of the accounting and auditing professions. The State Capital Investment Corporation (SCIC) has helped improve governance at recently privatized state owned enterprises (SOEs) and the private sector has also sought to improve corporate transparency and board professionalism.

However, the recent global financial crisis has made clear that many challenges remain. The SOE sector remains substantial, and governance of most SOEs is opaque and falls short of regional and international good practice. Regulators have struggled to keep abreast of a much larger and more dynamic market place. Companies now fall well short of current regulatory requirements, especially with respect to disclosure and board professionalism. Legal gaps also remain a problem, including rules on related party transactions and other elements of investor protection, disclosure of control and beneficial ownership, and requirements for auditor independence and oversight. The overall legal and regulatory framework is also complex, with inconsistencies and limited understanding by market participants.

### Capital Markets

Vietnam's real GDP expanded by 7.6 percent per year in 2000-2007, making it one of the world's fastest growing economies. The global economic crisis contributed to a slowdown, with 6.3 percent growth in 2008 and 5.3 percent in 2009. After rebounding in 2010 (6.8 percent), growth slowed again in 2011 (5.9 percent) and 2012 (approximately 5 percent), and has been accompanied by higher inflation and increasing signs of stress in the financial system. In recent decades, growth has been driven primarily by tourism and exports of light manufactured goods and agricultural products.

Vietnam's first stock exchange, the Ho Chi Minh City Securities Trading Center, was established in 2000 with two listed stocks. The current two—The Ho Chi Minh Stock Exchange (HOSE) and the Hanoi Stock Exchange (HNX)—have over 700: 308 on HOSE and 397 on HNX at the end of 2012. Growth in listings was especially rapid up through 2010.

HOSE has significantly higher capital requirements and requires at least 2 years of profits before listing, versus one for HNX. Companies on HOSE tend to be larger and have more foreign ownership, those on HNX smaller and with somewhat more state ownership, though many HOSE companies also have significant state ownership. A company may not list on both exchanges.

The number of listed companies has grown rapidly over the last decade...

...however many public companies are not listed, and neither are some of the largest SOEs

Many listed companies are SOEs that “equitized” by becoming joint stock companies and distributing shares to their employees and others before listing. Similar to many other economies that have experienced rapid privatization, there are also a large number of equitized SOEs that are public companies but are not listed. An estimated 1000 non-listed public companies that each have at least 100 shareholders and come under the jurisdiction of the SSC, and potentially thousands more that do not. There is an extensive “gray market” in the shares of these companies.

These non-listed public companies include some large SOEs whose listing has been delayed, in some cases for years. At the same time, many of the largest and most important companies are still 100 percent state owned.

While the market has grown rapidly, it remains relatively small compared its neighbors

During the 2008 crises, the two stock markets fell sharply, with the main index for each falling by almost 50 percent. The end of 2009 saw a sharp rebound, followed by further deterioration. With continued growth in listings, market capitalization did not fall until 2011, and has since recovered.

In spite of the overall growth in the market, the market cap to GDP ratio (approximately 26 percent of GDP) remains relatively small. Turnover is also low.

All shares to be traded must be dematerialized in the Vietnam Securities Depository (VSD), which also handles clearing and settlement for both exchanges as well as corporate actions, such as dividend payments. Clearing and settlement are done on a Delivery vs. Payment basis (DVP) at T+3.

## Ownership

Like many other emerging markets, the great majority of listed and public companies in Vietnam have a controlling shareholder, and in many cases one or two significant blockholders.

- **State Owned Enterprises:** As of 2009, the state was estimated to own 3364 enterprises, 1559 at the local level and 1805 at the central level. Among the companies listed on the two exchanges at the end of 2012, over 350 of the listed companies report some state ownership, and 244 report state shares of 25 percent or higher, implying that the state is the dominant shareholder or one of the dominant shareholders.<sup>1</sup>

State linked bodies remain prominent shareholders

**TABLE 1: State Owned Enterprises**

State Share %	HOSE	HNX
75-95	9	3
50-75	68	67
25-50	36	61
15-25	25	21
5-15	31	23
1-5	4	7
<b>TOTAL</b>	<b>173</b>	<b>182</b>

<sup>1</sup> This ownership data reported may not include all indirect ownership through state controlled companies that is when one SOE has shares in another.

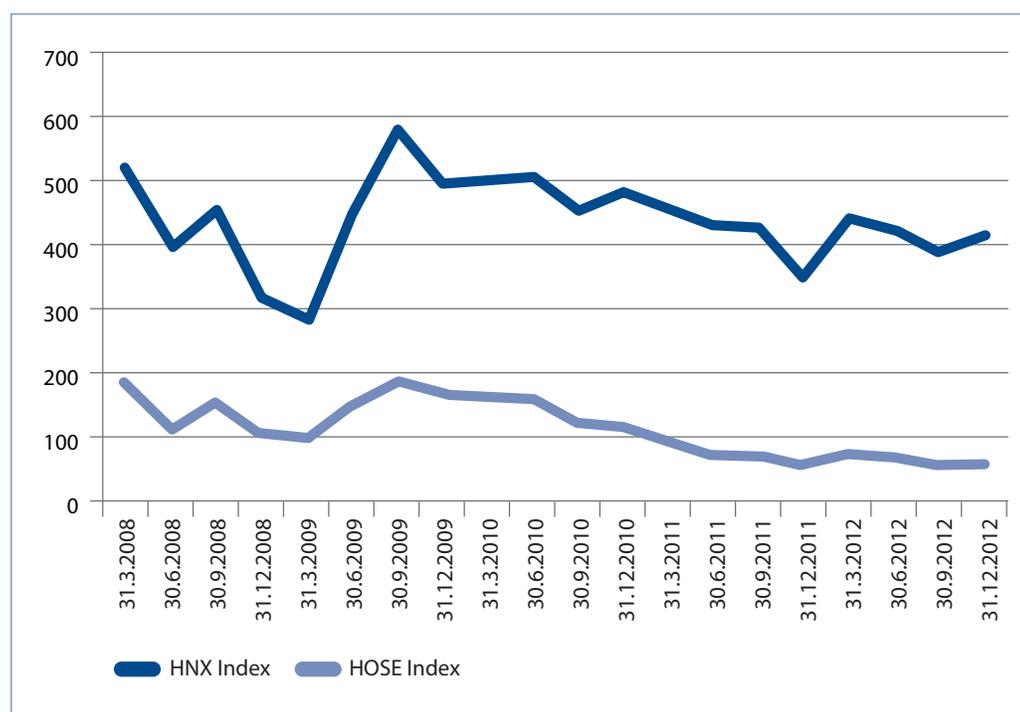
TABLE 2: Capital Markets: Vietnam vs Regional Emerging Markets 2012

	Number of Listed Companies	Stock Market Capitalization/ GDP (%)	Stock Market Turnover Ratio (%)
Vietnam	311*	23.2	13.2
Brazil	373	74	66.4
India	5,191	68.6	54.6
Indonesia	459	45.2	23.3
Malaysia	921	156.9	28.6
Philippines	268	105.6	16.2
Thailand	502	104.7	70.4
High Income OECD Median	192	47.3	74.8

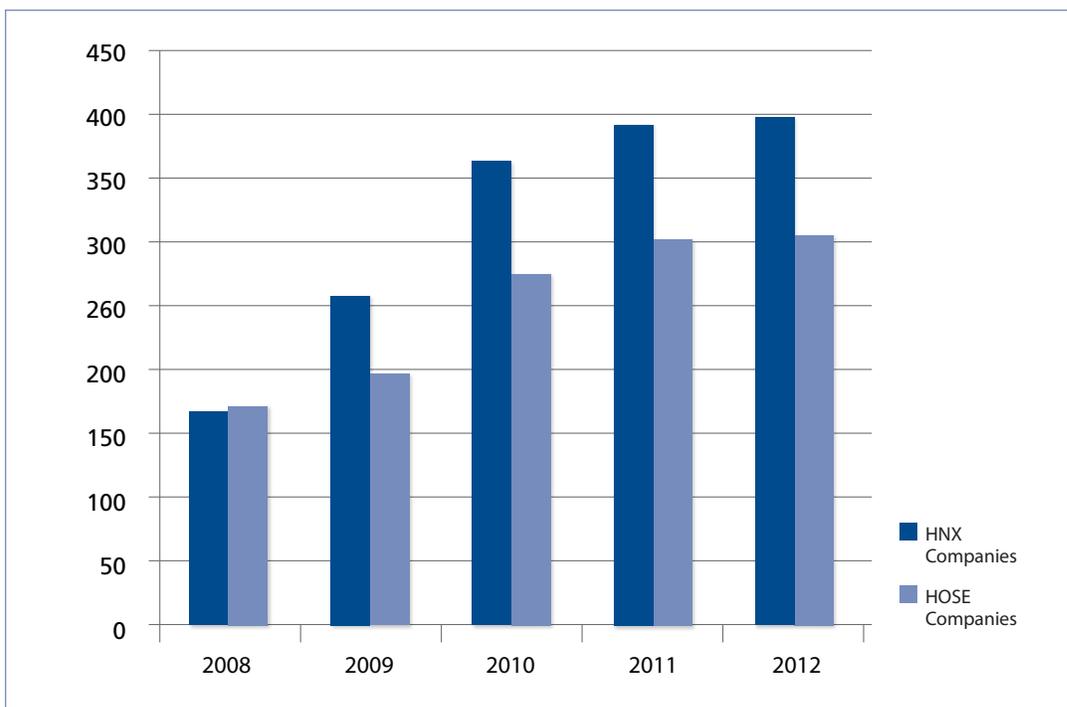
Source: World Bank Development Indicators.

\*HOSE only.

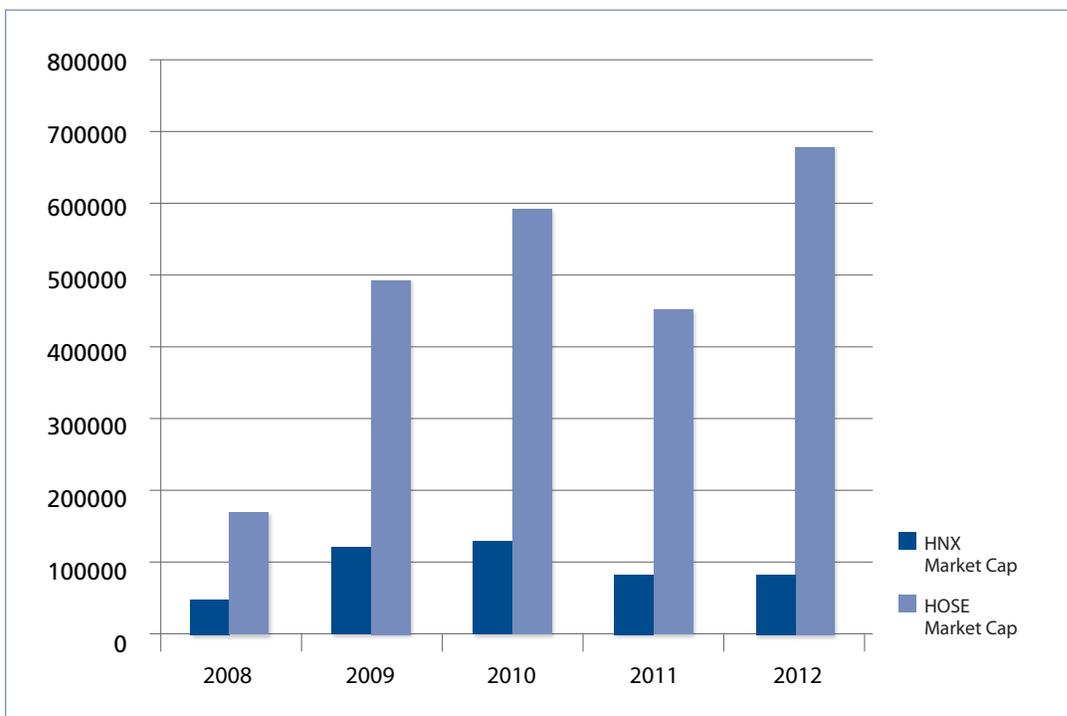
FIGURE 1: HNX and HOSE Indices 2008-2012



**FIGURE 2: Companies Listed on the HNX and HOSE**



**FIGURE 3: HNX and HOSE Market Capitalization**



The State Capital Investment Corporation (SCIC) holds stakes in equitized SOEs, primarily ones that will ultimately be privatized. In the last 5 years it has sold off about 450 companies and retains stakes in another 400, including 50 listed companies. The State Bank of Vietnam (SBV) holds shares in state-owned commercial banks and the Ministry of Finance in insurance companies. Other state shareholders include local people's committee, ministries, other state controlled entities, and the state economic groups (SEG). The 13 SEGs each include very large SOEs as well as several dozen subsidiaries and affiliates.

- ▶ **Families and private controlling shareholders:** Private ownership of companies is recent in Vietnam, and it does not have long standing family controlled corporate groups like some neighboring countries do. However such groups are starting to emerge and most private owners prefer to share responsibility with immediate family members, placing them on boards and in management positions. The links between various companies in a group are not always transparent, and can include complex cross shareholdings that lead to indirect means of holding control.
- ▶ **Retail and foreign investors:** Domestic retail investors play a major role in the market, joined by domestic mutual funds and securities companies. Local and foreign investors have around 1 million security accounts. There are 105 securities companies, and 47 fund management firms. There are no domestic pension funds.

Foreign investors include both strategic investors and foreign funds and other portfolio investors. A number of SOEs, as part of the equitization process, brought in foreign strategic investors both for capital and to help prepare the company for listing.

Most foreign investment is in HOSE companies, and accounts for about 15 percent of trading on the exchange. 200 HOSE companies have some foreign investment; 52 have 10-24 percent foreign ownership; and 48 have 25-49 percent foreign ownership. Listed companies in Vietnam cannot have more than 49 percent foreign ownership, and some sectors have lower thresholds.

## Laws and Institutions

Vietnam has a civil law legal system with some common law influence, particularly in the framework for corporate governance. The **Law on Enterprises 2005** (LoE) governs both public and private companies. There is no single national authority responsible for implementing the LoE, and no single business or company registrar. Instead, oversight of the LoE and business registration is left to city and provincial **Departments of Planning and Investment** (DPI), with the Ministry of Planning and Investment acting as a coordinator for and advisor to the local DPIs.

Many larger companies have a foreign strategic investor

The SSC has primary responsibility for the governance of listed companies

The **State Securities Commission (SSC)** is the principle regulator of the capital markets, including market intermediaries and public and listed companies. The SSC and capital markets are governed by the **Law on Securities 2006 (LoS)**, revised in 2010. The SSC oversees the **Ho Chi Minh Stock Exchange (HOSE)** and the Hanoi Stock Exchange (HNX). The SSC, under the MoF, has also issued **Corporate Governance Regulations (CG Regulations)** and a **Model Charter** for public companies. First issued in 2007 and revised in 2012, the CG Regulations and Model Charter incorporate recommendations made in the 2006 CG ROSC for Vietnam.

The State Bank is both an owner and regulator of large listed banks

The **State Bank of Vietnam (SBV)** is the central bank and responsible for regulating and licensing banks. The **Law on Credit Institutions 2010 (LCI)** includes key provisions on bank governance and replaced a 1997 law. The SBV's Bank Supervisory Agency (BSA) carries out prudential regulation in banks, including overseeing compliance with corporate governance related requirements. The SBV is also a major shareholder in a number of large banks, including listed banks.

The **Ministry of Finance (MoF)** oversees the SSC and acts as the regulator for both the insurance industry and accounting and auditing. It has issued 26 Vietnamese Accounting Standards (VAS) and 37 **Vietnamese Standards on Auditing (VSA)**, which are based in part on older international standards. The **Law on Independent Audit 2011 (LoIA)** governs the audit profession and the **Vietnamese Association of Certified Public Accountants (VACPA)** has been established by the MoF to help build capacity and maintain professional standards.

There is no institute of directors

There is no institute of directors or corporate governance organization in Vietnam. The IFC launched the **Vietnam Corporate Governance Project (VCGP)** in 2009.<sup>2</sup> The VCGP has prepared a **Corporate Governance Manual** for Vietnam that includes both best practice and many of the relevant legal and regulatory requirements. It provides training and other advisory services on corporate governance to the private sector and has worked closely with the SSC, HNX and HOSE. It also produced a **Corporate Governance Scorecard** with the SSC that assesses corporate governance based on a review of the 100 largest listed companies using public data.

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<sup>2</sup> The VCGP has worked through four components: (i) To raise awareness of targeted audiences through public events, such as conferences and seminars with local partners; (ii) Work with governmental bodies on CG related legislative/regulatory improvements; (iii) Help develop training programs on CG through courses and training-of-trainer events with local educational institutions; and (iv) Assist companies improve CG standards with CG assessments/improvement plans, consultations, workshop.

## Key Findings

The following sections highlight the principle-by-principle assessment of Vietnam's compliance with the OECD Principles of Corporate Governance.

### COMMITMENT AND ENFORCEMENT

#### Legal and Regulatory Framework

Since the 2006 ROSC, there have been numerous changes to the legal and regulatory framework for corporate governance. The SSC, under the MoF issued the CG Regulations<sup>3</sup> and Model Charter<sup>4</sup> for public companies in 2007 and substantially revised them in 2012.<sup>5</sup> The LoE came into force at the time the 2006 ROSC was finalized, and was revised in 2009. In 2010 new Laws on Credit Institutions and the State Bank of Vietnam were issued, the Law on Securities was revised, and regulation on securities market disclosure were released and revised in 2012. A Law on Independent Audit was passed in 2011. The new or revised laws have been supported with a large number of regulatory decrees, decisions, and circulars issued by the SSC, SBV, and MoF.

While the overall legal framework has strengthened, the frequent change of laws and the proliferation of regulations has contributed to misunderstandings and limited awareness by market participants. The framework has also developed significant points of inconsistency, with sometimes confusing distinctions for listed companies, banks, insurance companies, companies with foreign ownership, and some companies in other sectors, like real estate.

When developing new regulation, ministries and government agencies, including the SSC, SBV, and MoF, are required to publish drafts on their website for at least 60 days and to ask for comments. The SSC, SBV, and MoF also arrange additional meetings with stakeholders to discuss new and proposed regulations and related issues. In practice, they seem to take feedback into account when preparing new decrees or circulars.

Public companies with more than 100 shareholders are required to adopt the revised CG Regulations. The mandatory nature of the CG Regulations is distinct from the approach in many other markets, where the securities regulator or stock exchange has issued a corporate governance code, and required companies to comply or allowed them to offer an explanation as to why they were not complying ("comply or explain"). The CG Regulations do require a statement to be made on corporate governance, but all provisions are to be complied with.

Similarly, from 2007 until 2012, public companies were also required to follow a Model Charter. Now public companies must "refer" to the Model in preparing their own charters. This allows for some increased flexibility in the system. However, the Model Charter contains a number of key provisions, and it is unclear how companies will use their new flexibility.

There has been significant legal and regulatory change in Vietnam since 2006

The legal framework includes significant inconsistencies

The SSC's corporate governance norms are mandatory for all listed and many public companies

<sup>3</sup> Decision 12/2007/QĐ-BTC dated March 13, 2007 issued by the MoF, promulgating CG regulations applicable to companies listed on the SEs.

<sup>4</sup> Decision 15/2007/QĐ-BTC dated March 19, 2007 issued by the MoF, promulgating the Model charter applicable to companies listed on the SEs.

<sup>5</sup> Circular 121/2012/TT-BTC dated July 26, 2012, issued by the MoF, promulgating CG regulations applicable to public companies, with effect from September 17, 2012 (Circular 121).

The CG Regulations cover important aspects of governance such as shareholders rights, shareholders meetings, composition and responsibilities of board, inspection committee, and identifies relevant corporate disclosures. It further clarifies board and management responsibilities in cases of conflict of interest and establishes two different regimes for public companies and large-scale public companies/listed companies, de facto confirming a recent regulatory trend across the world of addressing governance aspects according to the complexity, sophistication, and size of companies.

The SBV has issued additional requirements for banks that go beyond those of listed companies. This includes requirements with respect to internal controls, internal audit, and risk management, and fit and proper requirements for board members. However banks that are not also listed or large public companies do not have an equivalent of the CG Regulations and many key corporate governance areas are not addressed by SBV regulation or guidance.

### Enforcement

The SSC, SBV, and MoF all have relatively clear areas of authority, with the SSC playing the lead role with respect to non-bank public companies, and the SBV with respect to banks and certain non-bank financial institutions. MoF is responsible for insurance companies as well as oversight of accounting and auditing. However, there are also areas of overlap, and no Memorandum of Understanding between the three to set the framework for information sharing, joint investigations, or other areas of formal cooperation. In practice, such cooperation is very limited.

### Departments of Planning and Investment

The 63 DPIs are responsible for registering companies and enforcing related provisions in the LoE. There is no national company registrar or data registration system.<sup>6</sup> The DPIs in Hanoi, Ho Chi Minh City, and some other cities have begun to introduce automation and plan to allow online access to certain information. However even in these cities, the staff is often over-burdened and corporate information too hard to access. The role of the DPIs in enforcing the LoE tends to be limited, and focused on compliance with basic registration requirements.

### The State Securities Commission

The State Securities Commission (SSC) is responsible for oversight of securities markets and has authority over listed and other public companies; securities companies, brokers, and fund managers; and the depository and the two stock exchanges. The SSC issues regulations and guidelines under the LoS, licenses capital market intermediaries, conducts investigations, and undertakes a range of enforcement actions.

There is no national company registrar

The SSC has wide ranging authority and powers...

<sup>6</sup> While some large countries, like Brazil or the US, have decentralized company registrars, most ASEAN economies, and many emerging markets and transition economies have a single company registrar.

The SSC's powers include administrative actions, such as warning letters, fines, and the suspension and removal of licenses. It may also issue directives to comply with relevant securities law and regulation. However the SSC may not initiate civil actions in court and may not collect damages on behalf of shareholders. In addition, the SSC does not have prosecutorial powers, but may refer criminal cases to the police.

...but it cannot initiate civil actions or claim damages for investors

The SSC has taken a number of enforcement actions each year of the last five years, including a number directly related to corporate governance. These have primarily consisted of administrative fines, with over 150 fines issued, mostly to public companies, on average each year. In 2012 the total amount collected was over \$520,000 USD. Most fines involved violations of rules on public offerings, reporting and information disclosure, and insider trading. While the numbers of fines are relatively high, individual fines are low, and generally cannot exceed \$2500-3500 USD, depending on the violation.

The SSC also initiated 4 criminal cases with respect to insider trading and market manipulation. These were the only criminal cases initiated in the 5 years.

**TABLE 3: SSC Enforcement Actions**

Entity/Area	Warnings	Administrative fines (times)	Other administrative penalties	Civil actions taken	Criminal cases initiated
Public Companies	6	582	2	0	0
Securities company and Fund Management Company	1	88	0	0	0
Reporting and disclosure	0	197	0	0	0
Insider trading and Manipulation	0	18	0	0	4
<b>Total</b>	<b>7</b>	<b>885</b>	<b>2</b>	<b>0</b>	<b>4</b>

The SSC has 350 staff, including 37 in securities issuance, 30 in the inspectorate, and 30 in surveillance. These numbers are not that high, given the very large number of public and listed companies the SSC must oversee. In response, the SSC has delegated some "front-line" regulator activities to the two exchanges. The SSC pay scale is tied to the civil service pay scale, with SSC getting paid about twice civil service base pay. It should be noted that many parts to the government or related entities, including the SBV and two exchanges, get paid a multiple of base pay, and that the current salaries are not that competitive with the private sector. The SSC has a range of training options and requirements for its staff.

The SSC reports to the MoF

The SSC reports to the MoF and the minister chooses the Chairmen and Vice Chairmen. Regulations issued by the SSC are also subject to ministerial approval, and usually receive extensive scrutiny from the ministry. The SSCs budget is set by the government on the advice of the MoF. In practice, it is about 70 percent funded from fees and fines and 30 percent funded from the budget. This dependence on the MoF is in contrast to international standards which call for independence for the securities regulator. It also contrasts with regional practice, where the regulator may be overseen by the ministry of finance, but has some legal and operational independence.

The two exchanges are SOEs under the MoF

### ***The Stock Exchanges***

The two stock exchanges are limited liability companies owned by the MoF, which, together with the SSC, chooses their general directors, boards and inspection committees. The exchanges also have securities companies as members, but these do not seem to be involved in the governance of the exchanges. While not public companies subject to the CG Regulations, the exchanges seek to apply some good governance practices, including producing an annual report. However they do not publish financial statements, basic financial information (like revenue) or non-financial information required for public companies, like board compensation, and it's unclear if they follow requirements for independent board members mandated for public companies.

Each exchange can amend their listing rules, with SSC approval, and are expected to monitor their members and listed companies. HOSE, for example, detected about 3000 violations of various requirements in 2011. Most of these involved restrictions on same day trading (designed to limit market manipulation), but about 300 were related to disclosure requirements. To help monitor the market, HOSE has 22 people in Listing Management and 18 in surveillance. Given the high number of listed companies, that neither exchange has the technology to engage in real-time surveillance, and the limited role of the SSC in ongoing monitoring, these numbers seem somewhat low.

### ***State Bank of Vietnam***

The State Bank of Vietnam (SBV) is the central bank and has authority over commercial banks and other lenders. It has direct and indirect shareholdings in both large listed and non-listed banks and indirect holdings in a wider range of financial institutions and companies. The Banking Supervision Agency (BSA) is subordinate to the SBV and responsible for bank oversight, including ensuring that banks meet certain corporate governance related requirements.

The SBV can and does issue regulations (circulars and directives), conduct examinations and inspections, and take a range of enforcement actions. Law and regulation require bank board members to meet fit and proper criteria, place limits on related lending, and require banks to have risk committees of the board, and internal audit and controls in place. The BSA also has a list of auditors which may not be used to audit banks.

The BSA however faces critical limits in using its powers to enforce these and related requirements. It seems to have limited influence in banks with state ownership, where the SBV may make the key decisions directly. Poor disclosure of beneficial ownership makes it difficult to enforce rules on related lending—a problem not unique to the banking sector. It has also failed to fully incorporate corporate governance in its supervision regime.

Supervising SBV owned banks is a challenge

While operationally independent, the SBV is not fully independent from the government. Its head reports to the prime minister, and the SBV does not have an independent budget. Overall, the SBV seems to offer relatively competitive pay and does provide training opportunities, though market participants have noted that BSA staff would benefit from more practical training and exposure to banking practices.

### Oversight of SOEs

While equitization and privatization have made substantial progress over the last decade, state-owned enterprises continue to play a substantial role in Vietnam's economy. Based on the most recently available data, 100 percent state-owned SOEs accounted for 19 percent of employment, 27 percent of bank credit, and 45 percent of fixed assets in the enterprise sector. They dominate a number of key sectors, with estimated revenue shares of 91 percent in telecommunications, 99 percent in coal, 94 percent in electricity, 51 percent in cement, 26 percent in construction and chemicals, and 21 percent in textiles.<sup>7</sup> This does not include the approximately 240 listed companies, among them some of the largest, where the state retains effective control.

SOEs continue to dominate key sectors

The State Capital Investment Corporation (SCIC) holds stakes in 50 listed companies (along with about 350 others). SCIC has generally sought to act as a professional owner, in line with good practice in ASEAN and other emerging economies. However its power and influence are limited and it does not have stakes in the most significant SOEs.

The governance of many SOEs is opaque

For most SOE governance, especially how the state carries out its ownership function, remains highly opaque. The SBV and MoF act as owners in the financial sector and other state shareholders include local people's committees, ministries, other state controlled entities, and the 13 state economic groups (SEG). MoF and other ministries also carries out cross cutting functions in SOEs: MoF reviews SOE financial position and performance, and makes decision on uses of SOE profits; Ministry of Planning and Investment (MPI) approves SOE investment projects; line/sector ministries approve SOE business lines, business plans, and development strategy; and the Ministries of Internal Affairs and Labor are involved in human resource issues.

The SEGs act as holding companies for a host of SOEs, including the largest and most strategic, and have substantial power over them. The SEGs seem to report directly to the Government and in practice the Prime Minister and Cabinet, however there is no single part of the government responsible for SEG performance. SEG CEOs have a rank equivalent to vice-minister.

<sup>7</sup> World Bank, "Vietnam Development Report, 2012," December 6, 2011.

This dispersion of accountability and authority is in contrast to many other emerging economies that have sought to move SOE ownership out of ministries and create clearer lines of reporting. This includes other ASEAN economies such as Indonesia and other transition economies, including Poland, as well as OECD countries like Sweden and Finland with long histories of state ownership in the economy.

A very large number of SOEs have not been corporatized and do not come under the same requirements as companies under the LoE, but both corporatized and non-corporatized SOEs are subject to a number of particular circulars and directives, which seem to be changed or be augmented on a fairly regular basis. These have some corporate governance requirements, such as producing audited financial statements, but compliance is generally poor. The quality of financial and non-financial reporting has been low. Related party transactions between SOEs have been widespread, and have led to substantial losses in some major SOEs, most dramatically in Vinashin,<sup>8</sup> whose failure also put substantial strain on a number of state owned banks. SOE boards remain dominated by civil servants and political appointments and face regular interference by the various ministries and (where relevant) SEGs.

### The Courts and Alternative Dispute Resolution

Courts are relatively easy to use

Based on World Bank data (see table below) courts in Vietnam are less costly and take less time to use than the average in East Asia countries. They are somewhat more expensive than in OECD economies. However, limited use is made of specialized courts, and not all judges have adequate training or background to adjudicate on securities or corporate matters.

But may still provide limited redress to shareholders

Shareholder or group of shareholders holding at least 1 percent of shares can require the inspection committee to initiate legal action against members of the board. If the inspection committee fails to institute proceedings as requested then the shareholders can institute proceedings directly. Few such suits have been filed, and the SSC cannot bring suits on behalf of shareholders. Direct suits by shareholders will generally not be successful.

**TABLE 4: Doing Business 2013: Enforcing Contracts Indicator**

Indicator	Vietnam	East Asia & Pacific	OECD Average
Procedures (number)	34	37	31.0
Time (days)	400	522	510
Cost (% of claim)	29	48.6	20.1

<sup>8</sup> Vietnam Shipbuilding Industry Group, or Vinashin, went bankrupt in 2010 with over 4 billion USD in debt, much of it provided by state owned banks. A long time ship builder, Vinashin—like many other SEGs—diversified into a range of activities, including securities and tourism, and had been given privileged access to offshore borrowing. Beyond the related lending from state owned banks to help keep Vinashin viable until its bankruptcy, there were also a number of other suspect transactions involving its holdings. The company's former chairmen, two former board members, and two others associated with the company have been arrested.

Commercial arbitration is established in Vietnam and in practice, parties to a contract may select arbitration as their dispute resolution mechanism. Shareholders and investors make little use of arbitration.

## SHAREHOLDER RIGHTS

### Basic Shareholder Rights

The law protects most basic shareholder rights. Shareholders in listed companies may freely trade their shares and have access to secure shareholder record keeping through the Vietnam Securities Depository (VSD). Under the Law on Enterprises 2005 (LoE) shareholders have the right to obtain financial statements, company articles, the list of shareholders, and the minutes and resolutions of the general meeting of shareholders (GMS). SSC regulations require disclosure to shareholders of information on ownership and share classes.

Shareholders freely trade their shares, and have rights to dividends, basic information and approval of key corporate changes

The LoE also gives shareholders the right to approve board members at the GMS, and non-controlling shareholders can nominate board members and elect them through cumulative voting. Shareholders should approve and receive dividends proportional to their shareholdings. Changes to a company's articles, authorized capital, and re-organization or liquidation of the company require the consent of three-quarters of the shares voted at the GMS. For other decisions, a 65 percent majority is required.

There are gaps in the framework for shareholder rights. As discussed below, minority shareholders often have an incomplete picture of who owns or controls the company and their ability to choose and remove board members is limited in practice. In addition, there are no specifications on when a company may pay dividends or issue new shares after receiving shareholder approval.

### Shareholder Meetings

Under the law, shareholders have the right to attend and vote at the GMS, and do so in the hundreds and thousands. The CG Regulations note that listed companies must post on their website the criteria and procedures governing the company's shareholders meetings. The LoE require disclosure of meeting results, and the Model Charter allows for confidential voting through the use of voting cards.

Under the Model Charter, the notice of the GMS must be sent to the shareholders not less than 15 days prior to the meeting date. This is shorter than the 21 days other countries specify for shareholder meeting notice and materials to be delivered. Perhaps more troubling, according to the CGSR 2012, only 23 percent of companies provide adequate notice before the meeting. Companies generally do not send the financial statements or annual report with the meeting notice and only a minority seems to provide adequate information on board candidates.

Shareholders generally participate in the general meeting...

Shareholders have a right to speak in the GMS, but do not have an explicit right to ask the chair or board member questions, nor do they have a right to go off agenda. Shareholders with at least 5 percent of shares who have held those shares for at least six months may amend the agenda in advance of the meeting. According to the CGSR 2012, shareholders were able to ask questions in about half of companies, and the thresholds for amending the agenda do limit shareholders ability to do so in practice.

...but meeting notices can be incomplete and shareholders are not always able to ask questions

The law allows for voting by proxy, which is widely used. The Model Charter also encourages electronic and postal voting, however in practice postal voting is only occasionally used for extraordinary meetings. While many foreign and some local shareholders make use of custodians, legal requirements for custodians to pass on information to clients or follow voting instructions from them is limited.

Under the law, foreign ownership is limited in listed companies, with a maximum of 49 percent of shares, and sometimes less, depending on the company and sector. In practice, many companies have one or two strategic, albeit non-controlling shareholders.

Institutional investors are not required to vote in the GSM, disclose their voting, or develop or disclose policies on voting. This is in contrast to some other ASEAN countries that seek to ensure that institutional investors are active and transparent participants in the company governance. In practice, some investment funds have been major proponents of good corporate governance, and institutional investors may vote in the GSM, but generally they do not disclose voting or voting policy.

### Participating in Board Appointment and Capital Increases

Cumulative voting is required for board selection

The LoE and the Model Charter require companies to use cumulative voting and allow shareholders to nominate and appoint board members proportional to their shareholdings. In principal, this should allow smaller shareholders to have an impact on board composition. In practice, according to the CGSR 2012, less than half of the surveyed companies confirmed that shareholders could impact the board through cumulative voting or nomination. In most cases, the board is chosen by the main shareholder and possibly one or two other major shareholders.

Increasing a company's capital by issuing new shares requires the approval of three quarters of shares at the GMS. Existing shareholders have pre-emptive rights to participate in the share increase. However, the law also gives the board broad power of the timing and other details of the placement and pre-emptive rights are not always honored in practice.

## Related Party and other Extraordinary Transactions

Under the LoE, shareholders have the right to approve any major transaction, including related party transactions with shareholders and board members, whose value exceeds 50 percent of the company's total assets, as reported in the most recent financial statements. A 75 percent supermajority is required. The CG Regulations require shareholder approval if a related party transaction exceeds 20 percent of assets. Details of the transaction should be given to shareholders in advance, and only disinterested shareholders should approve the transaction.

Shareholders have the right to approve major and related party transactions...

The law and regulations contain limited guidance on what constitutes a related party transaction or what should be disclosed regarding them. Crucially, the CG Regulations do not require approval by (other) shareholders when the related party is a major shareholder. Limited disclosure of beneficial ownership and control also hinder effective regulation of RPTs. In practice, material transaction with related parties still take place without shareholder approval or in some cases being disclosed to shareholders.

...but not always the opportunity

## Changes in Corporate Control

Under the Securities Law, a person must make a tender offer to other shareholders whenever they reach 25 percent of ownership in a public company, or at each 10 percent increment beyond that (35 percent, 45 percent, etc.). The offer price must be at least as high as the average share price for the last sixty days. The offer must be publicly announced with relevant data after being approved by the SSC.

Tenders are required at 25+ ownership

The law does not require the purchase of all outstanding shares unless the buyer reaches at least 80 percent of ownership. The 80 percent threshold provides a sell-out right at that high level of ownership, but otherwise the buyer may make a fairly small offer, allowing someone to take control without having to buy out all shareholders that may wish to sell.

But there are many gaps in the rules for control changes

There is no concept of "acting in concert" in Vietnamese law. This means that a group of linked people, or those working together to take over a company, do not need to announce their intentions or when, together, they have enough shares of a company to take control.

There are also no requirements or guidelines on the role of the board during a potential takeover. This leaves scope for attempting to block value creating control changes on the one hand, or favoring ones that might hurt other shareholders on the other.

## Protection from Insider Trading and Self-Dealing

SSC regulation prohibits trading shares with material information that has not been provided to the public. Regulation also prohibits market manipulation by, for example, creating the false appearance of a sudden increase in the trading of a security. Directors have to announce in advance if they intend to trade in their company's shares. On the other hand, and in contrast with some neighboring jurisdictions, there are no closed periods during which insiders are not allowed to trade, for example around the time financial statements or other sensitive information is released.

Insider trading is prohibited

Both the SSC and the two exchanges engage in surveillance to detect potential irregularities in trading patterns and share price movements. However, they currently lack the capability of doing this surveillance in real time or doing more advanced analysis of price and trading data (HOSE plans to introduce real time surveillance in 2015). Over the last five years, the SSC has taken some enforcement actions in response to possible market manipulation and insider trading, including 18 administrative fines and initiating 4 criminal complaints.

Shareholders approve board, but not CEO, compensation

Shareholders have the right to approve overall board pay and any shares or share based pay given to board members or employees. However in practice, shareholders ability to influence board pay seems to be limited. They cannot influence the pay of the CEO or other executive directors. Other restrictions on self-dealing include the RPT rules noted above, and restrictions to monitor and avoid conflicts of interest, discussed in the Board section below.

### Shareholder Redress

Shareholders face limits when seeking redress from the company

Shareholders in Vietnam may require the company to buy back their shares, call for a special shareholder meeting or audit of the company, and sue the company or its board members. However, all these powers are restricted both by law and practice.

A shareholder voting against the re-organization of the company or against a change to their rights stipulated in the charter of the company may demand the company buyback their shares, either at the market price or one confirmed by outside valuation. Also under the LoE, a shareholder or a group of shareholders holding more than ten percent of shares, for a consecutive period of six months or more, can request the inspection committee to inspect issues relating to the management and operation of the company. Shareholders with 10 percent or more of shares may also call for an extraordinary shareholder meeting.

The meeting may only be called if the board is clearly in violation of their duties, the board's terms has expired, or for reasons specified in the charter. The special inspection is left to the inspection committee, and shareholders cannot call for an extraordinary audit by a third party. The scope of the withdrawal rights is also limited. Beyond this, the relatively high thresholds, procedural hurdles, and limited awareness all prevent shareholders from making much use of these rights.

SSC cannot sue on behalf of shareholders

The law allows shareholders to go to court to "resolve" disputes with the company or other shareholders. Shareholder or group of shareholders holding at least 1 percent of shares can require the inspection committee to initiate legal action for civil liability against members of the board for failure to properly exercise assigned rights and duties. If the inspection committee fails to institute proceedings as requested then the shareholders can institute proceedings directly. Shareholders may also go to court to reverse GMS decisions.

On the other hand, the SSC cannot sue on behalf of shareholders. There is no "shadow director" concept that would allow action to be taken against someone who controls the company but is not formally a board member. There is also no "oppression remedy" that specifically allows minority shareholders to sue board members or the company when they are treated unfairly.

According to data compiled by the World Bank, effective director liability, ease of shareholder suits, and strength of investor protection are all lower than in other countries in the region or more advanced economies. In practice, shareholder suits are rarely utilized.

**TABLE 5: Doing Business 2013 | Enforcing Contracts Indicator**

Indicator	Vietnam	East Asia & Pacific	OECD
Extent of disclosure index (0-10)	6.0	5.0	6.0
Extent of director liability index (0-10)	1.0	5.0	5.0
Ease of shareholder suits index (0-10)	2.0	6.0	7.0
Strength of investor protection index (0-10)	3.0	5.4	6.1

## TRANSPARENCY AND DISCLOSURE

### Company Reporting

A public company in Vietnam is required by law to disclose its financial statements, audited on an annual basis. The statements include: the accounting balance sheet, a profit and loss statement (also called report on results of business operations), a cash flow report, and explanatory notes to the financial statements in accordance with the Law on Accounting. Companies are also required to make the statements available within 10 days after the statements are signed by the auditors and the disclosure cannot happen after 90 days from the end of the financial year.

Public companies are not required to provide a written discussion of the company's financial statements and trends that may affect the company's future performance, but if the company is the parent company of another institution, the annual financial statements shall include the annual financial statements of the parent company as well as the related consolidated annual financial statements. The CGSR 2012 shows that all the public companies reviewed had their financials audited by an authorized external auditor, but in 86 percent of the cases financial statement disclosure was not considered timely.

Companies produce audited financial statements

Local Accounting Standards are in line with an earlier version of IFRS

Financial statements are prepared according to 26 Vietnamese Accounting Standards (VAS) issued in between 2000 and 2005, which are based on the 1999 - 2004 version of IAS/IFRS. There are a number of differences between IFRS and VAS, and there are currently no equivalent VAS in some key areas, including IAS 39 on Financial Instruments Recognition & Disclosures (fair value), IAS 36 Impairment of Assets. The VAS on related party transactions is based on the 2004 version of IAS 24 and has a far less rigorous definition of RPTs. There are plans to begin moving to IFRS starting this year, with a completion time of approximately 2020. Compliance with VAS requirements is generally good, though far from perfect. A small number of companies with international operations also present their financials according to IFRS.

According to the Enterprise Law, companies need to have available to the public the company's charter, asset ownership, minutes of Board and GMS meetings, books of accounts, and prospectus if decide to issue securities. If the company is listed, every disclosure needs to be simultaneously reported to the SSC and the SE. Also, companies turning public have to, within six months, set up their own website containing an investor relation section. Compliance, according to the Corporate Governance Scorecard Report (CGSR) 2012, shows that disclosures to the SSC and SEs were often late.

### Non-Financial Disclosure

Disclosure requirements have been recently strengthened

Requirements for non-financial disclosure have significantly improved with the issuance of the Annex II of the recently revised CG Regulations.<sup>9</sup> Public companies, in their annual reports, have to disclose board and management members, their CVs, evaluation on the operations of the company, company plans and orientations, and board's explanations in case of auditor's opinions. Public companies are also required to disclose their commercial and non-commercial objectives.

As per Annex II, companies are also required to disclose board sub-committees with a description of related operations, independent and non-executive members and indicate who has been corporate governance certified, members of the inspection committee, as well as transactions, remunerations, bonuses, and overall benefits of the members of the board of management, inspection committee, and general director.

Disclosure on boards have been poor

However, the CGSR 2012 confirms that companies will have to greatly improve current disclosure practices to comply with the new requirements. Individualized board attendance records and extra board duties on committees were not disclosed in 99 percent of companies surveyed. Similarly, almost no companies reported on the level and mix of board remuneration or links to performance and other details were sparse. Companies only disclosed total remuneration for the board of director, inspection committee and senior management. Remuneration policies were not evident and did not relate remuneration to company performance. Additionally, in over 95 percent of the companies surveyed the remuneration of key executives was also not disclosed and the remaining companies only disclosed brief details.

<sup>9</sup> Circular S2/2012/TT-BTC on Information Disclosure on the Securities Market dated April 5, 2012, effective from June 1, 2012 (Circular S2).

Shareholders owning five percent or more are required within seven days to inform the SSC, the relevant stock exchange, and the public. Public companies are also to disclose specific totals and types of shares, ownership structures, changes in capital, and other securities. While the five percent is supposed to include related persons, indirect control is not required to be disclosed by law. In practice, the current legal and regulatory framework does not ensure that identity of beneficial owners is disclosed to the public or regulatory authorities. The CGSR 2012 shows that only in three percent of companies was ownership disclosure relatively clear and complete, while 68 percent was deemed partially complete and the remaining 28 percent was not even considered partial.

Ownership disclosures are still succinct

Limits on RPTs are still high. The current regulations require related party transactions valued at 50 or more per cent if the company's charter does not stipulate another percentage (for non-public companies) or at 20 or more per cent (for public companies) of the total value of assets must disclosed to shareholders. VAS 26 also requires disclosure of RPTs, while it captures basic elements related to subsidiary, controlling persons or controlling groups, and relatives of board and management the definition of related party is substantially narrower than international. In practice, details on market value considerations and terms of the transaction still tend to be lacking.

RPT Regime is still weak

Companies do not have to disclose on risk management and do not have a clear requirement to disclose on risk or risk factors. The CGSR 2012 found disclosures on material foreseeable business risks in only 10 percent of reviewed annual reports.

As per Annex II of information disclosure regulations,<sup>10</sup> boards now have to disclose also labor policies, changes therein, and HR details on deputy directors, chief accountants, and other managerial personnel.

## Audit and Audit Oversight

As per Independent Auditing Law, public companies and financial institutions companies have to be audited. The Vietnam auditing standards (VSAs - include 36 auditing standards issued in between 1999 and 2005) are based on 1996 - 2003 ISA and the external auditors must conduct their audits in accordance with professional ethics standards issued by the MoF on the basis of international standards, somehow similar to the IFAC code. According to recent update, the new VSAs have been issued to be aligned with the current International Standards on Audit (ISA),<sup>11</sup> with effect for all auditors' reports issued after 1 January 2014.

According to the law and in line with good practice, GMS selects the external auditor and the board reviews the audit work. In order to ensure the independence of external auditors, the current law stipulates circumstances in which auditors/auditing enterprises are prohibited to conduct audits. These include: when auditors are a founding member or a shareholder of the audited company, or have held a managerial position in that company, or have conducted internal audits, or ultimately are family related.

Independence of the audit has solid legal basis...

<sup>10</sup> Circular 52.

<sup>11</sup> Circular 214/2012/TT-BTC dated December 6, 2012, issued by the MoF.

...but does not require rotation or limit provision of non-audit services

However, two factors combined may undermine the independence of the audit function. Law allows auditors to perform tax and management advisory for audit clients and until recently the corporate governance framework did not require or encourage the rotation of the lead audit or engagement partner. The Law now does require partner rotation every three years and firm rotation every five years. There has been little rotation in practice. The CGSR 2012 found that in 98 percent of reviewed cases no company made reference to the ‘independence’ of the auditor and no reference to the issue of an ‘independent’ opinion on the financial statements was evident.

The audit profession has advanced and added value to the vetting of financial information

The audit profession has grown quickly over the last two decades and revenue across the profession has increased at a annual 20 percent rate over the past ten years. Since 1994, the MOF has held 17 exams and certified more than 2,500 auditors, 700 of which have also obtained international certification. There are currently 152 active firms offering auditing services (including the big 4 and 24 member firms, and 35 firms qualified for listed companies), with more than 10,000 employees. Vietnamese CPAs have to attend mandatory 40 hour CPD programs offered by the Vietnam Association of Certified public accountants (VACPA), which is the authorized provider of CPD courses and was founded in 2005.

Audit oversight is shared between MoF and VACPA, which is a professional organization and not independent of the profession. SSC also issues a list of accredited audit firms that can audit listed and large-scale public companies and inspects audit firms on a regular basis, and the SBV maintains a “negative list” of auditors that are not allowed to audit banks. Given the very large number of listed and public companies, it is difficult to oversee or review the many audit engagements that take place each year.

## BOARD PRACTICES AND COMPANY OVERSIGHT

### Composition and Selection

One-tier board and inspection committee

Public companies in Vietnam are supervised by a board, Hội đồng quản trị, sometimes wrongly translated as a board of management, though it has more in common with boards of directors in other jurisdictions. The GMS appoints the board, which in turn selects CEO and other senior managers. Public companies also have an inspection committee, Ban Kiểm soát, sometimes also called a supervisory board. The inspection committee provides an oversight function on financial and regulatory compliance, and is also chosen by the GMS. Its primary role is to supervise the work of the Board, the CEO and other key management executives.

The legal and regulatory framework promotes separation of CEO and Chairman position, in line with good international practices. However, the law allows also companies to keep the two positions in the hands of one individual if the GMS decides so.

CG Regulations requires independent members on board and sub-committees....

CG Regulations requires a least one-third of the board of listed and large-scale public companies to be independent and provides a basic definition of independence: the independent member can neither be a major shareholder nor an executive, cannot be related to executives or other board members, and cannot hold board or executive positions if the company is part of a group. Some independent members are also required to sit on selected board committees, but this applies to larger companies only. In practice some but not all companies tend to comply with the current definition and respect the one-third requirement in their board composition.

The current definition of independence is a good starting point but still allows independent directors to be shareholders of a substantial stake in the company as long as they are not major shareholders (i.e. five percent), and allows them to be partners in transactions up to 30 percent of the capital of the company. In addition, the re-appointment of independent members is not limited to a defined number of terms, allowing someone who has been linked to the company for many years to be considered “independent”.

...but the definition of independence is fairly basic

Companies in Vietnam now have to announce seven days before the GMS and on the website of the company information about board candidates including: full name, professional qualifications, working history, material interests in the company, and other directorships. Candidates have to sign this information to ensure truthfulness and accuracy and candidates are appointed by the GMS on the basis of cumulative voting results.

In practice, companies tend to minimally present board member profiles and it is not a current practice to identify in the annual reports the independent members, their presence on board committees, and to overall disclose board working procedures, i.e. number of meetings and attendance.

Disclosure of board composition appears minimal

## Duties and Responsibilities

Enterprise law, Securities Law, the CG Regulations, and Model Charter all place emphasis on board members’ duty of loyalty and care, and the duty to treat all shareholders equally. The duty of loyalty is well laid out in several pieces of legislation and duty of care is grounded on honesty and prudence concepts. Equal treatment of shareholders is present in the LoE and the CG Regulations. Although the accent on fiduciary responsibilities is stressed throughout the legal framework, the practice appears to show that board members still take most of their decisions in the interest of the major owners/holders of controlling positions in the company.

Fiduciary duties of board members are present

The LoE affirms the centrality of the board in the corporate structure. Boards generally play a major and strategic role in guiding management, developing and ultimately approving corporate strategy, as well as monitoring budgets and major capital expenditures. All company boards surveyed stated that their main role was to ultimately provide managerial oversight and there is evidence that boards receive regular management reports on company activities and financial positions. However, there is still little evidence of board consideration on matters arising from these reports. Boards are also not required and generally do not take responsibility in some other areas, such risk management (as discussed below).

By law, the board appoints the CEO (general director) and the key managers, and defines the terms of their mandate. The board has the responsibility to monitor and supervise management, and the surveyed companies confirm it. However, the corporate governance framework falls short on succession planning, as it appears that companies in Vietnam are neither required nor encouraged to set succession plans for key managerial functions and surveyed companies confirm the lack to plan for succession. In practice, the controlling shareholder may still dominate the choice of CEO.

Board selects the executives, succession planning minimal

Boards are required to set individual executive remuneration based on the principle of unanimity, and GMS is required to approve such remuneration. In practice, boards tend to draft remuneration policies to provide guidance on incentive structures but little evidence shows that performance evaluations and remuneration mechanisms are tied to long-term company objectives or performance. In addition, such remuneration policies and management compensations are still only disclosed at the GMS but not publicly.

### Control Environment

Companies are not required to have internal audit or risk management functions

The board is required to ensure the integrity of the financial statements and any financial information, which is vetted by the inspection committee (30 days prior GMS) and ultimately approved by the GMS. Outside of financial institutions, the board is not required to ensure the establishment of internal controls nor are they responsible for risk or risk management. Law now does require public companies to have an internal audit function, but provides little guidance on how this function should operate, and few non-financial listed companies have such a function.

Boards should ensure that the company complies with its various legal obligations, however according to the CGSR 2012, for a significant percent of the companies reviewed, there was evidence of non-compliance. Evidence from the SSC and stock exchanges showed that many companies did not submit report on time, or that companies received inquiries regarding their financial statements or that directors were requested to provide details of share transactions.

Companies are not required to have codes of ethics or conduct, and in 97 percent of companies reviewed, there was no evidence of the presence of a code of conduct or ethics. Companies also do not establish whistle-blower policies, and whistle-blowers have few protections under the law.

Related party regime is evolving

The LoE only explicitly assigns to the board the power to approve all transactions above 50 percent of company assets for non-listed companies. The Model Charter requires related party transactions of 20 percent for listed companies to be approved by the board and disinterested shareholders. Board members, key executives, or inspection committee member are required to notify the company of their material or non-material interest in a transaction, recuse themselves from voting, and the company is required to publicly disclose the approved transaction within 24 hours and immediately report it to the SSC. While they must not vote on the transaction, they may still participate in the discussion. Also, while interested shareholders may not vote on a transaction large enough to go to the GMS, the RPT definition does not seem to include major shareholders as a related party, at least in the sense of triggering the RPT rules.

Banks risk management is nascent

Consistent with the LCI and SBV requirements, banks generally have internal auditors, established internal control framework, and a risk committee that includes board members. Beyond these broad requirements, they have received limited guidance on how these should operate and in general the risk capabilities of the banks have lagged their growth in credit or size. In state-owned banks the SBV sometimes takes key decisions or engages directly with management, bypassing the board. The global financial crisis has revealed the weaknesses in the risk management processes of many banks and their excessive exposure to (other) SOEs.

## Board Professionalism

Boards of large companies and listed companies are required to set up sub-committees to assist in carrying out the activities of the board, including a sub-committee for development policy, financial oversight (audit committee) a sub-committee for personnel, a sub-committee for salary and bonuses and other special sub-committees in accordance with resolutions of the GMS. The role, responsibilities, and composition of the committees are briefly presented in CG Regulations and in the practice, a very limited number of companies have begun to establish such committees. In other countries, such committees are used to ensure that independent board members oversee key areas like board and executive remuneration, financial reporting and the choice of auditor, and related party transactions and conflicts of interest. In Vietnam, these committees may be required to have only one independent member, and do not cover many of these key areas.

Board committees not widely used

The inspection committee is not a board committee yet its members are elected by the GMS and its mandate is very similar to that of fiscal councils, present in Eastern European countries as well as Brazil and some other Latin American countries. It is meant to supervise the financial condition of companies, to monitor company compliance with rules and regulation, and to supervise management and board interaction. Although its mandate appears similar to that of an audit committee, it appears that its role and responsibilities are not fully discharged in practice, and its members are not always independent from the company.

The inspection committee acts as a fiscal council

The CG Regulations encourage training for new board members, however such training tends to be limited in practice. They also encourage ongoing training. While the VCGP has provided “training of trainer” exercises, there are no major organizations that offer such training directly to board members, and very little such training has taken place.

Board self-evaluation is nascent. Very few companies do so and the legal and regulatory framework presents a very general statement to this end in the CG Regulations. It also assigns the board the right to allocate budget for training for its members and foster training throughout the institutions.

The CG Regulations place great emphasis on the company secretary function. Several companies tend to present a secretary office (at least two employees) which is often trained for their position and the function has over time evolved towards more professionalism. However in many cases the role of the company secretary is not well understood, and the secretary does not do enough to help the board in understanding their duties and responsibilities and acting in a professional matter.

Many companies have company secretaries, but they are not as effective as they should be

## FINDINGS OF THE DCA

The Detailed Country Assessment (DCA) of the OECD Principles of Corporate Governance is summarized in the tables at the end of the report. The assessment is based on a methodology developed with the OECD and looks at both legal requirements and actual practice. The assessment confirms that Vietnam has made substantial progress in recent years, especially with respect to shareholder rights and equitable treatment and the overall corporate governance framework. However, it also finds gaps and that Vietnam continues to lag behind some other countries in the region. Overall, of the assessed Principles, 2 are rated fully implemented (95+), 11 broadly (75+), 48 partially (35-75), and 5 are not implemented.

## Recommendations

Vietnam has undertaken important corporate governance reforms in recent years. However protecting minority shareholders, fully tapping the potential of capital markets, and professionalizing boards and management will require that reform continues.

### Key reforms include:

- ▶ Developing an action plan to address core failings of state owned enterprise corporate governance, including replacing the current SEG oriented system with one that has more accountable state ownership;
- ▶ Providing legal consistency and clarity for market participants;
- ▶ Establishing better cooperation between regulators and enhancing SSC powers, resources, and independence;
- ▶ Improving protection of minority shareholders by increasing redress, and strengthening rules on RPTs, control changes and shareholder meetings;
- ▶ Establishing board professionalism and effectiveness, including through a review and possible replacement of the inspection committee, and steps to improve compliance with current requirements, including the establishment of an IoD or equivalent organization; and
- ▶ Increasing transparency with greater auditor independence, better disclosure of ownership and control, and convergence of accounting standards with IFRS.

### Address core failings for state owned enterprise corporate governance

While the government has launched a number of SOE related reforms and directives in recent years, core problems have failed to be addressed. To ensure SOE competitiveness and accountability and reduce the fiscal risk to the government, the current system, with its focus on the SEGs and the complicated and opaque links between SOEs and various ministries should be replaced by a more modern system in line with good practice in the region and emerging markets.

Additional review should be conducted to better understand how to address the following issues:

- ▶ Depoliticizing how the state acts as owner in the SOEs and separating ownership from policy and regulatory functions, this includes reducing and clarifying the roles of the various ministries;
- ▶ Accelerating the process of moving commercially oriented companies to SCIC and privatizing those companies, this includes non-core and non-strategic assets under the groups and other SOEs;
- ▶ Creating a new entity or small number of entities that ensure (other) SOEs have good governance, a commercial orientation, and that their assets are protected;

Comprehensive SOE reform is needed

- ▶ Clarifying the legal framework for SOEs, and using corporatization and other mechanisms to remove unneeded complexity and differences with the private sector while ensuring that a clear, robust framework remains to address issues of state ownership as well as relevant sectoral concerns;
- ▶ Breaking up the state groups and ensuring that SOEs are focused on their core functions;
- ▶ Introducing rigorous performance management in SOEs;
- ▶ Bringing in skilled board members with proven track records of success in the private sector, including from abroad, and providing them sufficient autonomy, training and support;
- ▶ Strengthening rules on transactions between companies with state ownership, seeking to reduce them as much as possible and ensure high levels of transparency when they take place; and
- ▶ Ensuring high levels of transparency for all major SOEs more generally, bringing them in line with best practice for listed companies, and reviewing the role of the state auditor in SOEs.

To better understand how to carry out these steps, the review should be comprehensive and focus on how the state currently carries out its ownership functions. A detailed action plan should be developed on how to carry out the reforms touched on above.

### ***Strengthen enforcement and enhance legal consistency and clarity***

While the LoE and CG Regulations provide a solid foundation, the many decrees and circulars that touch on the corporate governance framework, and significant differences that remain between various sectors, create legal ambiguities and contribute to the limited understanding of many market participants. Efforts should be made to remove unnecessary differences, consolidate circulars and decrees, and enhance understanding of market participants on the various requirements.

The SSC, SBV, and MoF audit oversight should strengthen formal procedures regarding the sharing of information, joint inspections, and procedures for overlapping investigations. They should also seek to cooperate more effectively in practice.

To enhance market oversight and enforcement, the SSC should have clearer powers to bring civil cases to court, collect damages for investors, and develop criminal cases in cooperation with relevant state authorities. Statutory fines for various offenses should be increased substantially, and could be 10 or in some cases 100 times or even greater than they are now.

SSC should have clearer powers, cooperate with SBV

The SSC must have enough professional staff engaged in enforcement and supervision activities to correspond to the large number of listed and public companies. To ensure the SSC's effectiveness and market credibility over the longer term, its budget should move to a self-financing basis and its formal independence established and enhanced.

National company registrar should be introduced

Company registration and enforcement of the LoE should be reviewed and substantially overhauled. A national company registrar should be introduced that would take over registration of either all companies or all public companies and larger private companies, including any that in turn had ownership in a public company. All records should be electronic and key information should be accessible online. The registrar would also have responsibility for enforcing relevant provisions of the LoE and have the means to do so.

Shareholder suits should be easier, including against shadow directors

#### ***Improve protection of minority shareholders***

To better protect the rights of small shareholders, reduce potential for abuse by corporate insiders, and increase investor confidence, shareholder redress should be strengthened. Minority shareholders should have a clear right to sue either on their own behalf or that of the company, including in the specific case where minority shareholders are treated unfairly. Shareholders and the authorities should also have the power to hold accountable individuals that directly influence company decisions but do not have a formal position in the company (shadow directors). When shareholders do call on the inspection committee to do something, like conduct an inspection or consider civil action on behalf of the company, and the committee fails to do so, there should be clear alternatives under the law.

Rules on corporate control, RPTs should be tighter

Thresholds for shareholder approval of major transactions should be reduced for all public companies, for example to 25 percent of total assets, or 10 percent in the case of related party transactions. As with banks, major shareholders (generally those with 5-10 percent or more of shares) in public companies should be considered related parties and trigger RPT rules.

In addition, rules on corporate control should be strengthened. All shareholders should be able to sell their shares during a tender once effective control is reached—for example, at 35 percent—and should always be able to sell their shares if the controlling shareholder has 80 percent or more. An acting in concert concept should be introduced that requires group of shareholders seeking to take control of a company to announce their intention and aggregates their shareholdings to determine if the threshold has been exceeded. Board members should also have clear guidance on the proper exercise of their duties during control changes.

To facilitate more effective shareholder participation, meeting notices should be sent at least 21 days before the meeting and be accompanied by adequate information, which will require better compliance as well as tighter requirements. Shareholders should have clearer rights to ask questions in the meeting and should be able to influence the agenda more easily, for example 100 shareholders with at least 1 percent of shares. When shareholders approve dividends or new share issues, these should be issued within a certain time frame, for example, 90 days. For shareholders using custodians, legal requirements should be tighter and require custodians to pass on relevant information and vote on instructions from their beneficiaries. Institutional investors should be encouraged to develop voting policies and disclose these policies and their voting.

Finally, steps should be taken to better police insider trading and market manipulation. Closed periods should be considered, for example before the release of financial statements, when board members and executives cannot trade company shares. Real time surveillance of potentially irregular trading should also be introduced in both stock exchanges and the SSC.

Real time surveillance of trading should be introduced

### ***Enhance Board Professionalism and Effectiveness***

Boards need to take major steps to improve their impact and ensure they operate in the interest of the company. The requirements for boards need to be enhanced, but, crucially, the gap between what is in the CG Regulations and LoE and what boards actually do needs to be closed.

Close the gap between board requirements and practice

The SSC and others should consider ways to reduce this gap and market and private mechanisms should also be used. For example, the rankings of the Corporate Governance Scorecard should be made public to give company boards stronger incentives to improve their professionalism. Training and awareness raising could be provided on the role of the company secretary, with the explicit goal of improving board professionalism. An institute of directors (IoD) or similar organization could also be instrumental in closing this compliance gap. This may be worthy of support by donors, as would other initiatives to enhance corporate governance practice.

Closing this gap should include compliance with requirements to have specialized board committees and board training. Boards should also introduce self-evaluations. To help boards adopt more professional practices, an organization that offers board member training and related support should be established. The experience of such organizations in Thailand, the Philippines, Egypt, and other emerging market economies could be useful in this regard.

Requirements for independent board members should be tightened, with a lower threshold for shares owned (for example, 1 percent or less) and no ongoing or regular commercial links with the company, including through companies or partnerships in which the board member may also be involved. Supermajority approval at the GSM should be considered when the chair is the same as the CEO.

Require internal auditors and codes of ethics

**Review role of inspection committee**

Listed companies should have internal auditors and be encouraged to establish internal controls. They should also adopt codes of ethics that address conflicts of interest and establish internal systems to report potential wrong-doing. Board members who have a conflict of interest should not participate in discussions of the relevant transactions.

The role of the inspection committee needs to be reviewed. One option would be to phase it out and replace it with an audit committee composed of independent board members. A second would be to effectively merge it into the board, allowing them to sit with the board during board meetings, allow its members to participate in (other) committees, receive comparable compensation, and so forth. In either case members of the inspection committee or audit committee need to be independent, have adequate technical backgrounds, including in audit and finance, and directly oversee internal audit, nomination of the external auditor, and related issues like compliance and preparation of financial reports.

***Improve disclosure and auditor independence***

To improve company disclosure, convergence to IFRS should be initiated as planned and pursued on an accelerated time-table. In addition, steps should be taken to improve disclosure of non-financial information and information dissemination. Current requirements in the CG Regulation should be implemented and monitored by the SSC and two exchanges. To better understand issues related to the implementation of IFRS, including the capabilities of the accounting and auditing profession, an Accounting and Auditing ROSC for Vietnam should be undertaken.

To get a better picture of who controls companies, disclosure of control should be improved. This includes disclosure of ownership rights provided through indirect ownership and other mechanisms, such as shareholder agreements, through family members, company ownership, nominees and custodians.

Other non-financial disclosure that could be improved includes disclosure of risk and risk policy and disclosure of board and CEO compensation. The latter should be at the individual level and should include a description of remuneration policy, links to performance, and all forms of compensation, for example pensions or housing or travel benefits. Disclosure of criteria for board independence, and business operations and future trends, should also be improved. In addition, while RPT disclosure has improved over the years, much of what is in the annual report is still cursory in nature and lacks key information. All these areas that could benefit from more detailed best practice guidance, and, specifically for RPTs, the current version of IAS 24 should be incorporated into local standards immediately.

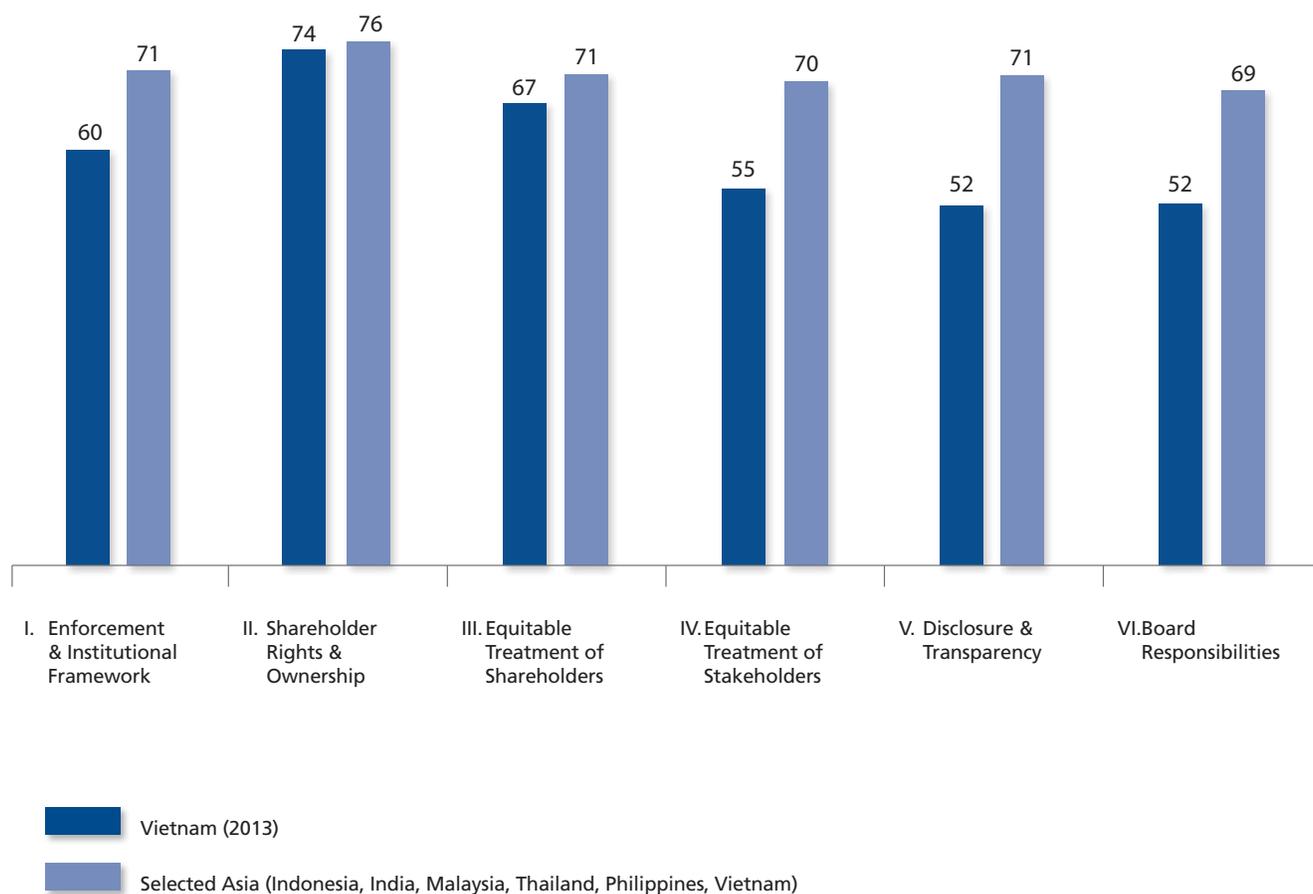
Regulation should move to clearer language calling for the independence of the external auditor and should place explicit restrictions on tax and consulting services provided to audit clients. International best practice calls for these functions to not be provided to audit clients. As an alternative or transitory provision, limits could be placed the amount of fees that can be earned for non-audit services provided to audit clients. Legal requirements for auditor rotation should be enforced

The SSC needs to be provided adequate resources to review a larger fraction of the several hundred audit engagements that take place each year. It should seek to cooperate with the MoF in this area. Similarly, audit requirements for non-listed companies should be reviewed, to ensure that audit resources are used most effectively.

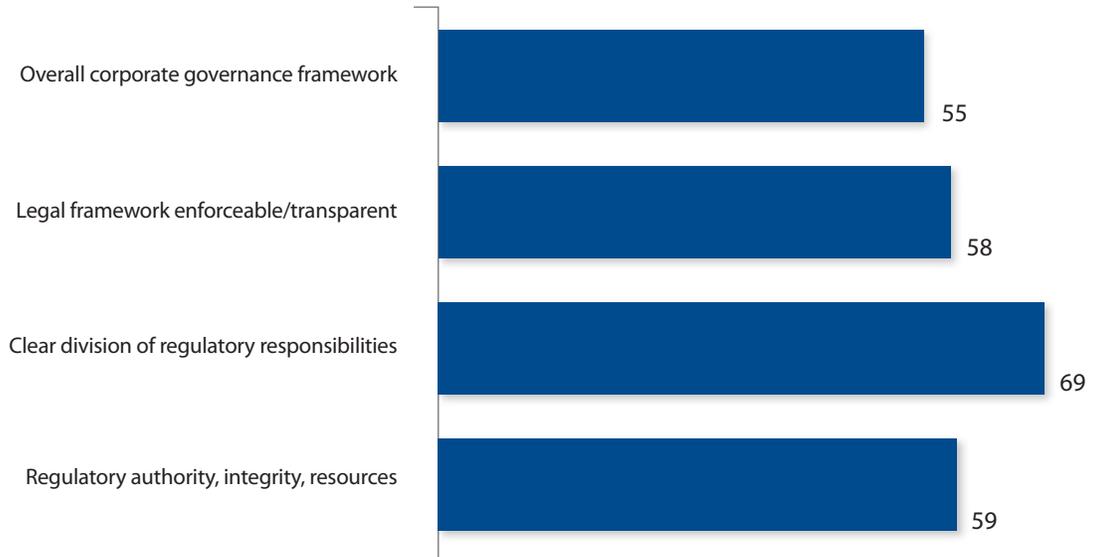
Have more explicit limits on non-audit services for audit clients

## Summary of the Detailed Country Assessment: Vietnam

### Vietnam Country Assessment vs. Regional Averages

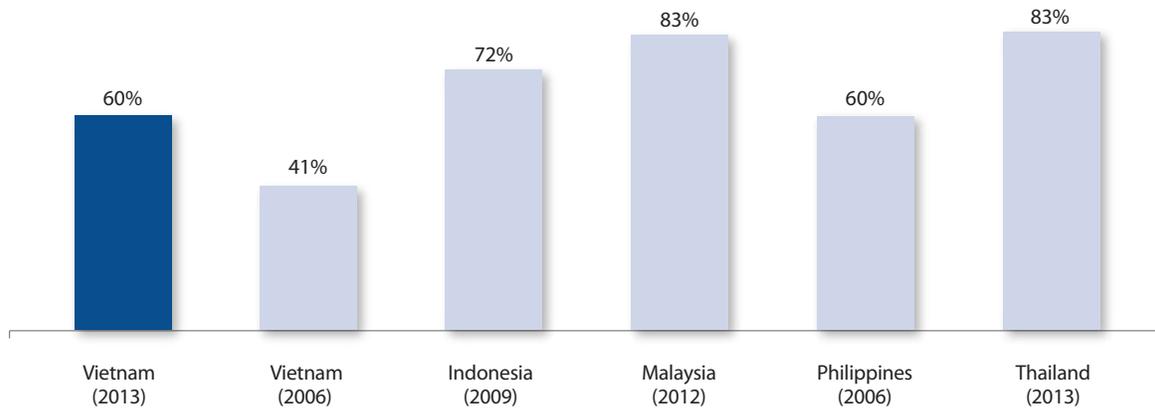


**OECD Principle Assessment: Corporate Governance Framework | VIETNAM**



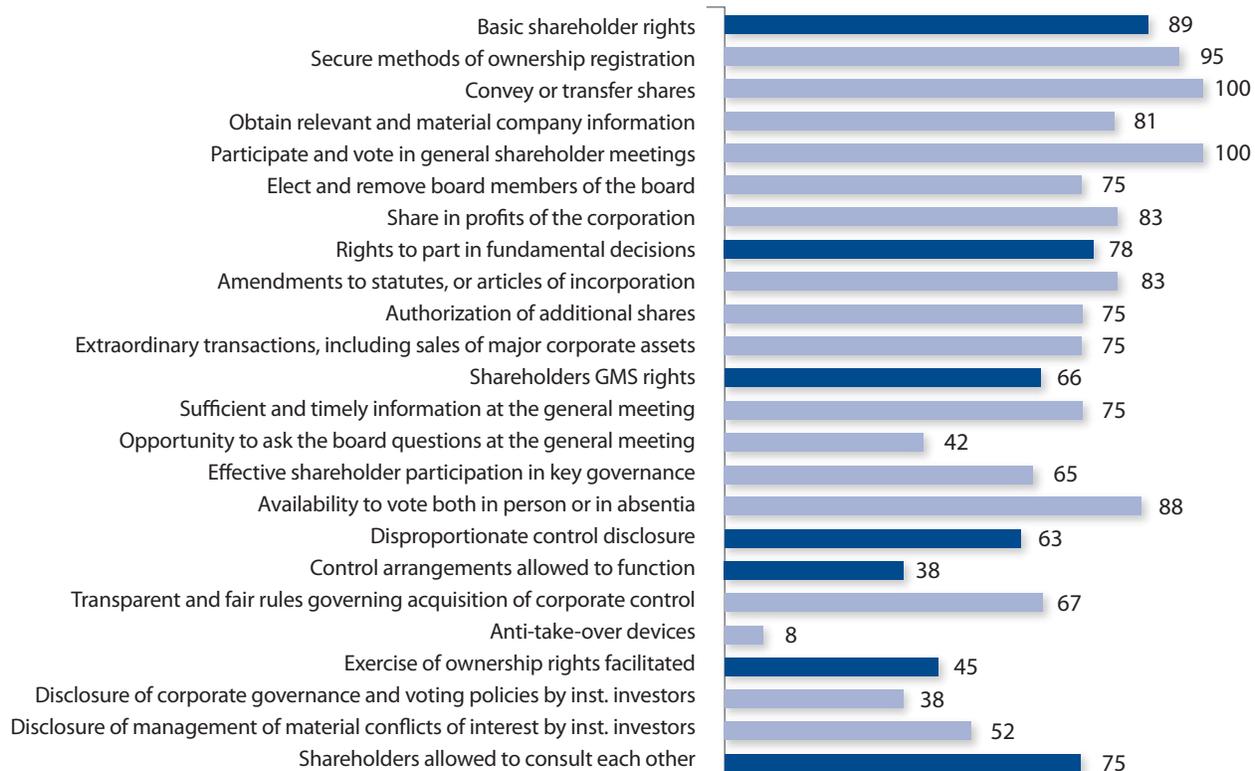
SOURCE: Detailed Country Assessment. Figures represent the percent implementation of each OECD Principle. 95% = Fully implemented, 75-95 = Broadly Implemented, 35-75 = Partially implemented, and less than 35% = not implemented.

**International Comparisons**



SOURCE: Figures for other countries represent weight-averaging of scores from previous ROSCs. Averages should be interpreted with caution due to changing methodologies over time. Data from previous ROSCs are not directly comparable because reports were completed in prior years (year of ROSC publication in parenthesis).

OECD Principle Assessment: Shareholder Rights | VIETNAM



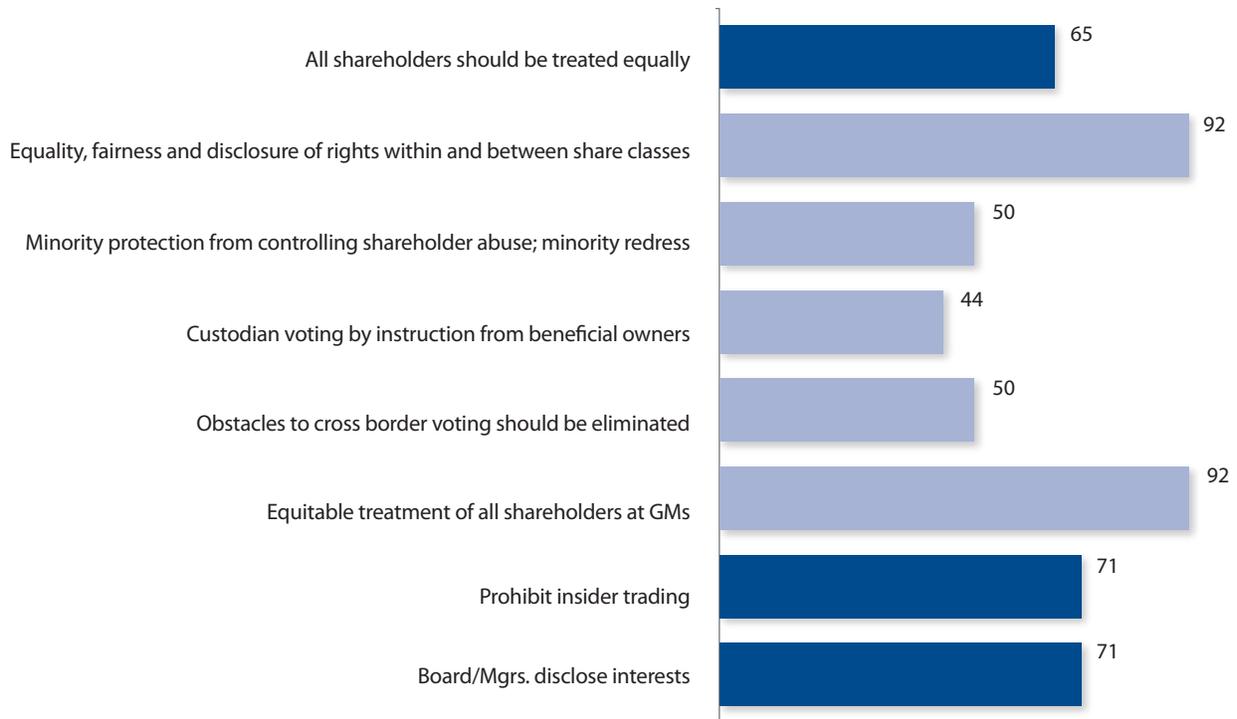
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International Comparisons



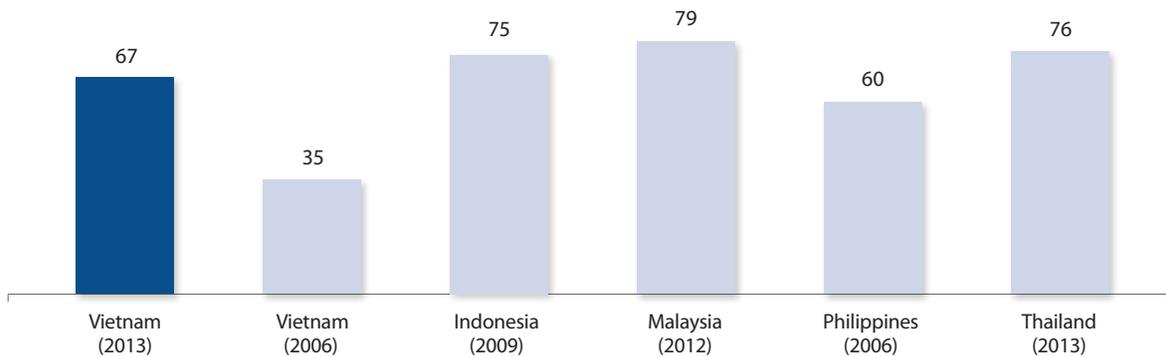
SOURCE: Figures for other countries represent weight-averaging of scores from previous ROSCs. Averages should be interpreted with caution due to changing methodologies over time. Data from previous ROSCs are not directly comparable because reports were completed in prior years (year of ROSC publication in parenthesis).

**OECD Principle Assessment: Equitable Treatment of Shareholders | VIETNAM**



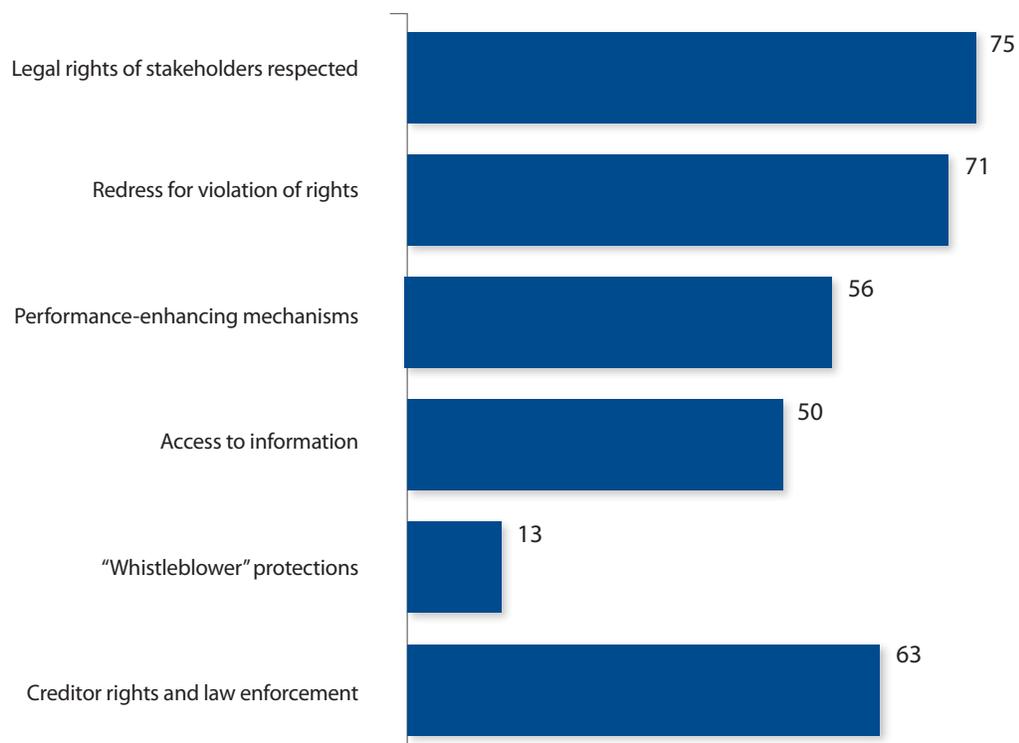
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OECD Principle Assessment: Equitable Treatment of Stakeholders | VIETNAM



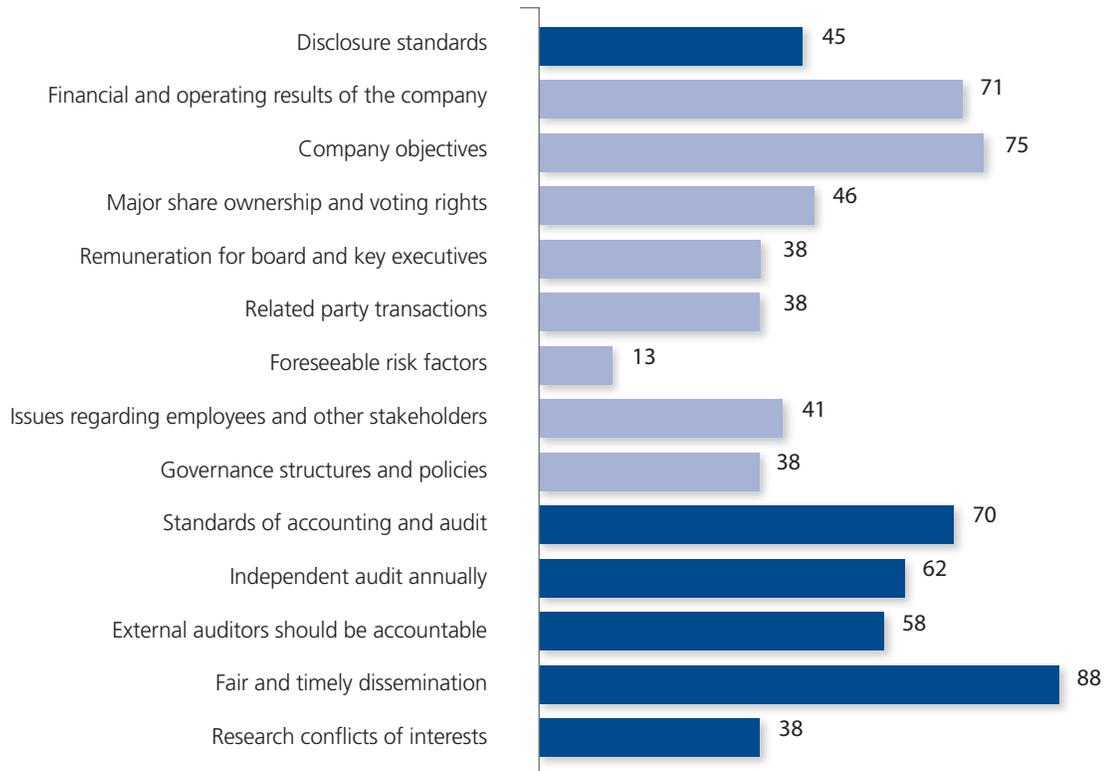
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International Comparisons



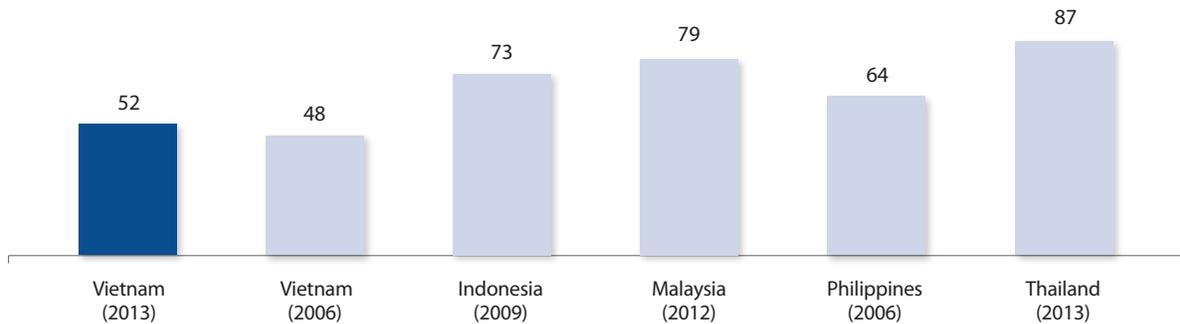
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**OECD Principle Assessment: Disclosure and Transparency | VIETNAM**



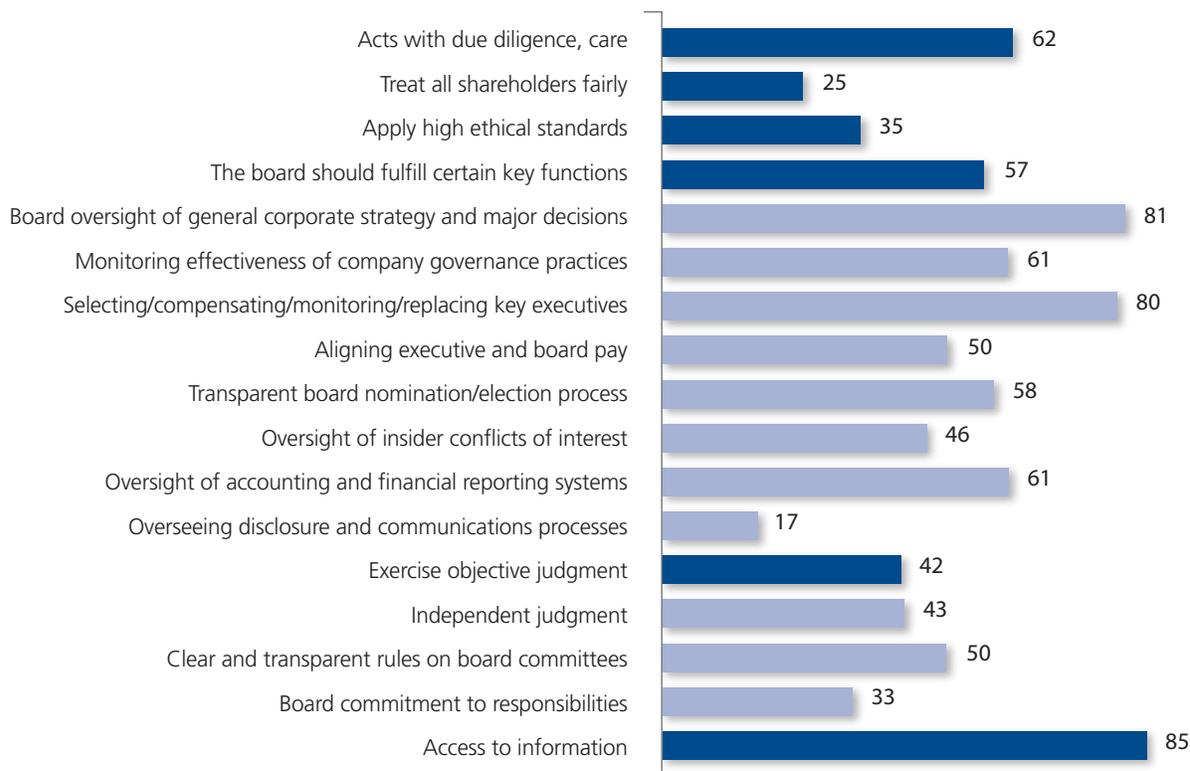
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**International Comparisons**



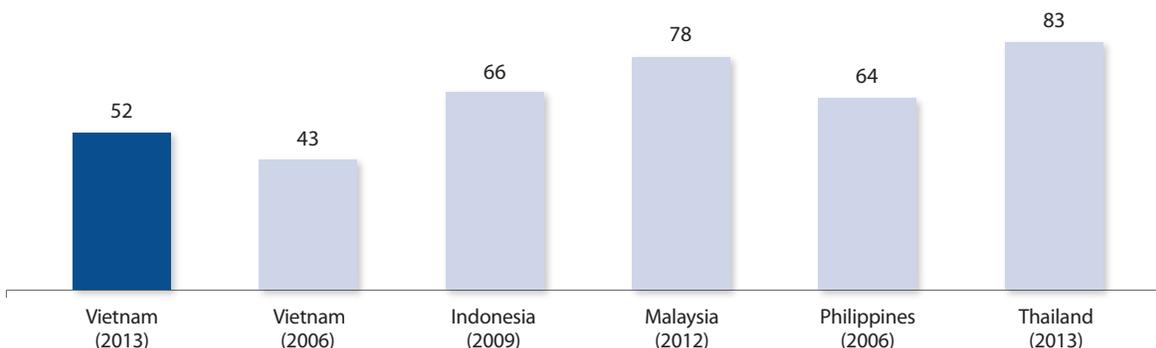
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**OECD Principle Assessment: Responsibilities of the Board | VIETNAM**



SOURCE: Detailed Country Assessment. Figures represent the percent implementation of each OECD Principle. 95% = Fully implemented, 75-95 = Broadly Implemented, 35-75 = Partially implemented, and less than 35% = not implemented.

**International Comparisons**



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This report is one in a series of corporate governance country assessments carried out under the Reports on the Observance of Standards and Codes (ROSC) program. The corporate governance ROSC assessments examine the legal and regulatory framework, enforcement activities and private sector business practices and compliance, and benchmark the practices and compliance of listed firms against the OECD Principles of Corporate Governance.

**The assessments:**

- use a consistent methodology for assessing national corporate governance practices
- provide a benchmark by which countries can evaluate themselves and gauge progress in corporate governance reforms
- strengthen the ownership of reform in the assessed countries by promoting productive interaction among issuers, investors, regulators and public decision makers
- provide the basis for a policy dialogue which will result in the implementation of policy recommendations

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