

Title: New Corporate Governance Code brings best practices to local businesses

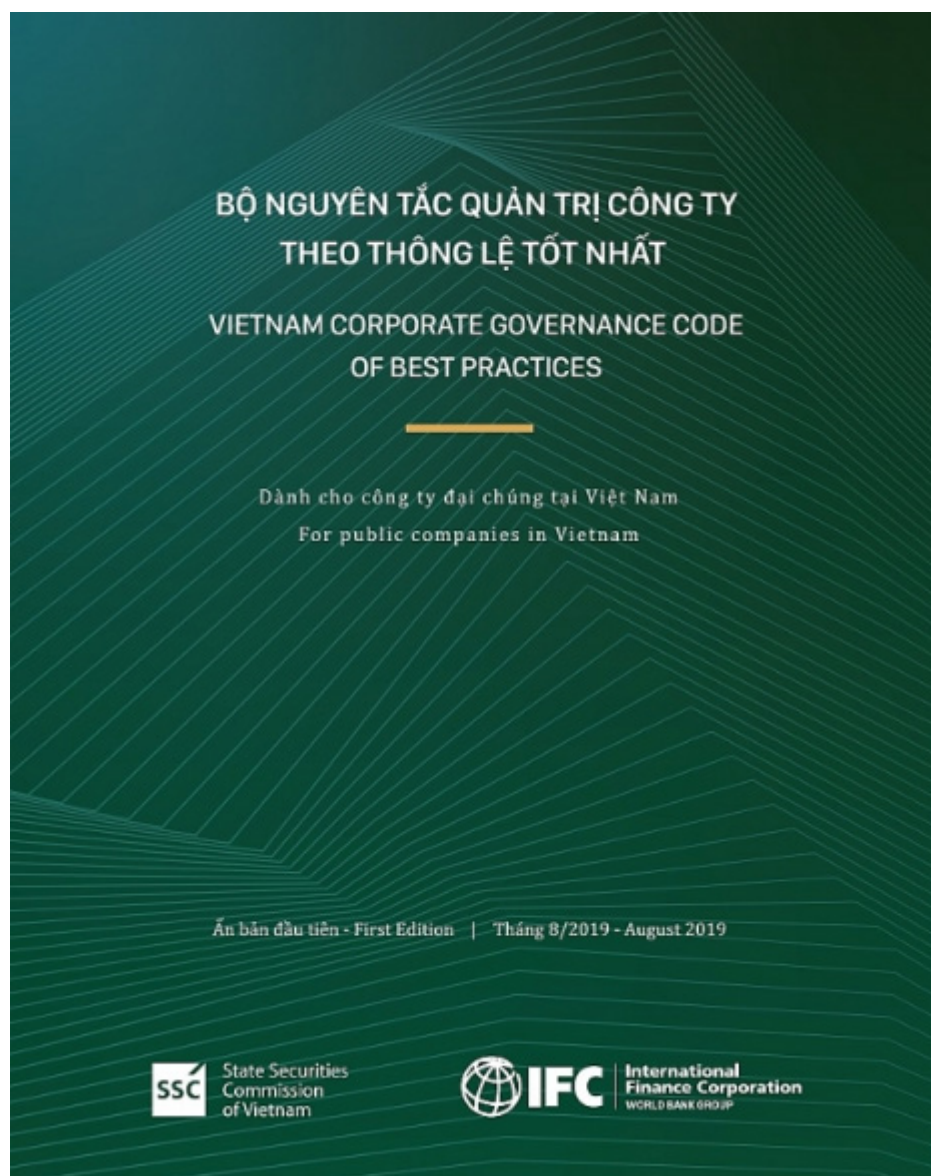
Author: Anh Duc

Source: Vietnam Investment Review on 28 August 2019

Online link: <https://www.vir.com.vn/new-corporate-governance-code-brings-best-practices-to-local-businesses-70193.html>

New Corporate Governance Code brings best practices to local businesses

Launched in mid-August 2019, the Vietnam Corporate Governance Code of Best Practices is expected to raise the quality of corporate governance in Vietnamese public and listed companies.



The *Vietnam Corporate Governance Code of Best Practices* was developed by the State Securities Commission of Vietnam with support from the International Finance Corporation (IFC), the World Bank, and the Swiss State Secretariat for Economic Affairs (SECO).

This is the first corporate governance code researched and released specifically for the Vietnamese market, in compliance with current legislation.

Essentially, the Corporate Governance Code is a collection of recommendations for Vietnamese public and listed companies, covering best corporate governance practices and standards that go beyond the minimum requirements in existing laws and regulations.

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This Code aims at raising the standards of corporate governance practices in Vietnam to a level on par with top regional ASEAN counterparts who already have similar codes in place.

Structure of the Corporate Governance Code

The Vietnam Corporate Governance Code draws upon the G20/OECD Principles of Corporate Governance, the 2017 ASEAN Corporate Governance Scorecard, as well as the most recent corporate governance codes of countries around the world.

This Code aims at raising the standards of corporate governance practices in Vietnam to a level on par with top regional ASEAN counterparts.

Efforts have been made to ensure there is no conflict between this Code and other existing laws and regulations. However, if a conflict should arise, then laws and regulations prevail.

The Vietnam Corporate Governance Code is divided into five areas consisting of 10 principles and sub-principles. The arrangement of the principles takes into account the relevance and priority of the current issues in the corporate governance performance of Vietnamese companies.

10 Principles of Corporate Governance

1. The responsibility of the Board of Directors

Principle 1: Establishing clear roles, responsibilities, and commitment of the Board

Principle 2: Establishing a competent and professional Board

Principle 3: Ensuring effective board leadership and independence

Principle 4: Establishing Board committees

Principle 5: Ensuring effective performance for the Board

Principle 6: Establishing and maintaining an ethical corporate culture

2. Control environment

Principle 7: Establishing a sound risk management and control environment

3. Disclosure and transparency

Principle 8: Strengthening company disclosure practices

4. Shareholder rights

Principle 9: Establishing a framework for the effective exercise of shareholder rights

5. Stakeholder relations

Principle 10: Building effective stakeholder engagement

The six principles on the responsibility of the Board are considered the most important content in the Code. They allow stakeholders to understand the important roles and accountabilities of the Board and its members, the framework and mechanism for the Board

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members to undertake and discharge their duties in a transparent and effective manner, as well as the best practices for a balanced and competent Board.

New heights for corporate governance



*Hoang Hung, partner at
PwC Vietnam*

The launch of the Code is an important milestone in the country's efforts to promote strong corporate governance practices, according to Hoang Hung, partner at PwC Vietnam and a member of the Vietnam Corporate Governance Initiative (VCGI) and Vietnam Institute of Directors (VIOD).

Hung said that good corporate governance helps ensure the long-term sustainability of a company in the best interest of its shareholders and stakeholders. It will help create market confidence and business integrity, contributing to the company's competitiveness and reputation while facilitating access to capital markets.

"And a community of businesses with good corporate governance will form the core of a robust financial market and strong economic growth,"

Hung affirms.

By Anh Duc