

## INDEPENDENT DIRECTORS COMPETENCY FRAMEWORK



P: PERSONAL QUALITIES AND ATTRIBUTES  
K: KNOWLEDGE  
S: SKILLS

*(Issued under Decision No. 06/2023/QĐ-BCH-VNIDA dated 28 December 2023 by the Vietnam Independent Directors Association)*

## INTRODUCTION

Professional competency is the fundamental factor determining the role and performance of Independent Directors in particular and other Directors of the Board in general.

With the mission and role of a socio-professional organization of Independent Directors, the Vietnam Independent Directors Association (VNIDA) introduces the first edition of the Competency Framework for Independent Directors (the “**Competency Framework**”).

The Competency Framework specifies 20 core competencies divided into three (3) groups – Personal Qualities and Attributes, Knowledge, and Skills. Accordingly, a competent Independent Director shall perform his/her actions with excellent Personal Qualities and Attributes, on the foundation of a multidisciplinary Knowledge, and through mastered and well-versed Skills.

The Competency Framework is expected to set standards of competence and quality not only for Independent Directors but also for other Directors of the Board. Registered members of VNIDA who are undertaking the position of Directors of the Board are responsible for always striving to develop their competencies as prescribed in this Competency Framework. In addition, VNIDA also expects that this Competency Framework can help achieve the following objectives:

- ✓ Providing shareholders with a basis for establishing credibility and expectations in the process of nominating, electing, and appointing Directors on the Board.
- ✓ Supporting the General Meeting of Shareholders and the Board in assigning tasks, evaluating the role, the performance of duties and the effectiveness of the Directors of the Board.
- ✓ Offering a valuable reference to assist the training institutes and organizations in designing and developing appropriate capacity training programs for Directors of the Board.
- ✓ Enabling VNIDA, as a socio-professional organization, to carry out quality supervision of official members per their serving as Directors of the Boards.
- ✓ Enabling individuals interested in the profession of Independent Directors to establish plans and pursue the career paths as Independent Directors.
- ✓ Intensifying the public and business community awareness and understanding of the profession Independent Directors as an integral part of good corporate governance.
- ✓ Facilitating state authorities and legislative agencies / policymakers to have more basis to provide regulations guiding and supervising the activities of members of the Board of Directors in the corporate governance process.

## **ACKNOWLEDGEMENT**

The Competency Framework has been developed by the Professional & Technical Committee and the Legal & Policy Committee of VNIDA, with valuable contributions and professional support from the International Finance Corporation (IFC) and experts. VNIDA wishes to express sincere thanks to the project team members and experts who developed, reviewed, and provided insightful recommendations for the finalization of the Competency Framework:

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## **COMPETENCY FRAMEWORK**

### **1. Personal Qualities and Attributes**

Personal Qualities and Attributes are the personal attributes of Independent Directors, as the essential part of the Competency Framework, including innate factors and those accumulated in the course of work. They play a decisive role in the formation and direction of Independent Directors' conducts and behaviours. The required Personal Qualities and Attributes include:

#### **1.1 Ethics and conduct**

Independent Directors should be ethical-minded, always comply with and behave in accordance with the Code of Conduct for Independent Directors of VNIDA.

#### **1.2 Independence and integrity**

Independent Directors should maintain an independent and objective mindset in all situations, and to act with integrity and honesty in all circumstances and matters.

#### **1.3 Learning and innovation**

Independent Directors should be progressive and willing to learn, and invest resources in learning, researching, developing their own knowledge, skills and capabilities.

Independent Directors should be innovative thinkers and ready to challenge the obsolete things, conventional thinking. Independent Directors need to consistently think outside the box and advocate for innovation and improvement.

#### **1.4 Acumen and intuition**

Independent Directors should have intuition ("awareness of self and others"), express an agile business mindset, grasp the crux of the problems, and offer opinions and solutions appropriately, quickly and effectively.

#### **1.5 Dedication and responsibility**

Independent Directors should work with a dedicated and conscientious spirit to contribute to forming, developing and protecting the company and interests of shareholders and stakeholders.

Independent Directors should be ready to assume responsibility for their actions, including any errors or shortcomings they may have, while carrying out their rights and responsibilities.

The Code of Conduct for Independent Directors is developed and promulgated by VNIDA providing specific requirements for applying and enhancing the abovementioned Personal Qualities and Attributes, in addition to other professional competencies during the implementation of the roles and duties of an Independent Director.

## **2. Knowledge**

The Knowledge and Experience, including theory and practice, are learned, accumulated, cultivated, and summarized from official training programs, formal coaching programs and self-research activities as well as through the working process and practical experience of Independent Directors. The required Knowledge includes:

### **2.1 Corporate governance**

Independent Directors should have the understanding and knowledge of corporate governance, including:

- (a) The company's internal corporate governance mechanism, internal corporate governance processes and regulations, and the organizational management structure as specified in documents such as the company's charter, the internal regulations on corporate governance, the operation regulations of the Board, of the Supervisory Board, of the Audit Committee; and other relevant documents.
- (b) The international and domestic principles and good practices on corporate governance as recognized in corporate governance codes, including the Corporate Governance Manual 2010 (IFC & SSC), the G20/OECD Principles of Corporate Governance 2023, the Corporate Governance Code of Best Practices of Vietnam 2018 (IFC & SSC) and other relevant documents.
- (c) The roles, duties, obligations and responsibilities of Independent Directors for corporate governance.
- (d) Relationships with shareholders, stakeholders, Directors of the Board, and members of the Executive Board.
- (e) Business ethics, codes of conduct, including ethical norms, codes of conduct in accordance with common practices and according to the company's by-laws.

### **2.2 Business activities**

Independent Directors should have the understanding and comprehension of the company's business activities, including:

- (a) Knowledge of the specific business activities and products and/or services of the company, and the characteristics of the industry in which the company operates.
- (b) The development tendencies and fluctuations of the market that company exploits.
- (c) Acknowledgement of the current situation, business position, competitive products, and competitors of the company in the market.

### **2.3 Legislation and compliance**

Independent Directors should have knowledge of the law and regulations, including:

- (a) Legal provisions on conditions and standards, rights and obligations of the Directors of the Board in general and the Independent Directors in particular.

- (b) Conflict of interest regulations and responsible handling of related-party transactions.
- (c) Regulatory framework on corporate governance, organization and management of the company.
- (d) Legal regulations on the company's business activities, business lines and industries.
- (e) The overall legal health of the company, the alignment of company's business activities with the applicable legal framework, and the company's adherence to the prevailing legal regulations.
- (f) The legislative changes that affect the company's business.

## **2.4 Finance**

Independent Directors should be proficient in the financial understanding and knowledge, including:

- (a) Reading and understanding financial statements and the purpose of the components of financial statements (including the balance sheet, the income statement, the cash flow statement, and the statement of changes in equity).
- (b) Comprehensively analyzing the financial indicators for assessing the company's financial position.
- (c) Analyzing, evaluating and predicting the effects and impacts of financial decisions on the company's performance and sustainable development.
- (d) Understanding the requirements for transitioning to international standards such as International Financial Reporting Standards (IFRS) and the company's transition plan.
- (e) The company's available financial resources and the legality and risks associated with such financial resources.
- (f) Methods of valuing a company, business operations, and potential business opportunities.

## **2.5 Strategy**

Independent Directors should have understanding and knowledge of strategy, including:

- (a) The importance and basis for developing, establishing the company's vision, mission and goals.
- (b) Determining the company's current strategic position relative to its strategic goals.
- (c) Strategy development, encompassing methods and models of strategic analysis, identification of internal and external impacts that affect the process

of strategic development, defining the company's development direction, and methods for selecting proposed strategies.

- (d) Strategy execution, covering the methodology for implementing strategies organizing and monitoring the execution of adopted strategies.
- (e) Evaluation and adjustment of strategies, involving forms of assessment, assessment contents, assessment criteria, performance measurement, comparison and analysis, identification of causes and appropriate adjustment measures.

## **2.6 Risk management**

Independent Directors should have the understanding and knowledge of risk management, including:

- (a) Methods of developing and operating the mechanisms for identifying, monitoring potential risks inside and outside the company, and in different sectors, including finance, operation, market, reputation, occupational safety, and legal.
- (b) Methods of assessing and determining the level of impact of risks.
- (c) Effectively using the risk management tools.
- (d) Developing risk management strategies, organizing and monitoring the implementation of risk management strategies.

## **2.7 Human resources**

Independent Directors should be competent in the knowledge of human resource management, including:

- (a) The importance of human resources and effective human resource management in the company's achievements.
- (b) Capture the structure of organizing, arranging and allocating the workforce and personnel in the company.
- (c) Understanding the recruitment regulations, salary, compensation, remuneration policies, performance evaluation, discipline and reward of the company.
- (d) Develop policies and strategies to attract talents, retain talents, training and enhancing human resources.

## **2.8 Data, digital transformation and information assurance**

Independent Directors should acquire the understanding and knowledge of data, digital transformation and information assurance, including:

- (a) The role of information technology, data and digital transformation in business operation and the risks of threats on information assurance.

- (b) The ability to apply and integrate the new technologies and digital transformation to optimize the company's operations.
- (c) The basic grasp of cybersecurity risks, the company's cybersecurity strategy, the incident response plans, and the risk mitigation measures.

## **2.9 Sustainability and Environmental-Social-Governance (ESG)**

Independent Directors should gain the understanding and knowledge of ESG and sustainability development, including:

- (a) The concept of sustainable development, environmental, social and governance elements and their impact on long-term business sustainability.
- (b) The standards and indicators used to assess the sustainable development of enterprises in Vietnam, such as: the ISO 26000 Standard, the Vietnam Sustainable Development Index (VNSI), and the Corporate Sustainability Index (CSI).
- (c) Getting up-to-date information on ESG trends and standards specific and applicable to the company's industry.
- (d) Considering the connection and impact of ESG elements in strategic planning and risk management.



### **3. Skills**

The Skills and Abilities formed on the basis of Personal Qualities and Attributes as well as the Knowledge, help Independent Directors perform their assigned roles, positions and responsibilities in the most productive manner. The required Skills include:

#### **3.1 Strategic thinking**

Independent Directors should acquire strategic skills and abilities, including:

- (a) Observing the company's overall picture in the context of economy, politics and society that are constantly moving and changing; predicting the transformation and changes in the short, medium and long term.
- (b) Identifying, evaluating and analyzing opportunities and risks arising from both the internal environment of the company and the external environment, including trends in market development, changes in regional and global industries, and business sectors.
- (c) Developing strategic, creative and innovative plans and solutions to mitigate risks, take advantage of opportunities, and transform the risk into opportunities.
- (d) Determining the impacts of plans and solutions implementation; and assessing the impact to adjust the plans and solutions accordingly.

#### **3.2 Using information effectively**

Independent Directors should have the skills and abilities to use information including:

- (a) Actively receiving, legally seeking and exploiting different information from diverse, multidimensional, reliable and accurate sources of information.
- (b) Assessing right and wrong, reliability and shortening the information received by categories, importance level and reliability level.
- (c) Analysis of information, including:
  - (i) Synthesizing, connecting, analyzing, comparing and contrasting the information collected with critical thinking.
  - (ii) Identifying the missing pieces of information that require further queries or research in order to comprehensively and clearly understand the observed problem.
  - (iii) Identifying and arguing assumptions and biases that may falsify information in order to correctly understand the collected data.
  - (iv) Formulate interpretations, draw conclusions, and make predictions based on distilled information and logical analysis.

#### **3.3 Decision making**

Independent Directors should have the skills and abilities in decision-making, including:

- (a) Making timely, enforceable, and highly accurate decisions, designating the direction and orientation of company development clearly and thoroughly, simultaneously possessing the ability to handle unexpected incidents.
- (b) Comprehensively evaluating the advantages and disadvantages of the options and preparing alternatives ready in case of need.
- (c) Assessing the positive and negative impacts and possible consequences from the implementation of adopted decision.
- (d) Identifying possible risks and determining the acceptable levels of risk in relation to the potential benefits.
- (e) Balancing the interests of involved parties, balancing the short-term and long-term interests when making decisions.

### **3.4 Communication**

Independent Directors shall have communication skills and abilities, including:

- (a) Actively, carefully, objectively, and adequately listening to (or reading) the information exchanged with others.
- (b) Communicating information clearly, coherently, simply, understandably.
- (c) Choose the method of communication (spoken or written), communication style (straightforward or delicate, open or closed, formal or casual, etc.) suitable to the communication situation, the object of communication and the content of communication.
- (d) Communicating effectively to garner support and consensus while mitigating resistance or opposition.
- (e) Debating and arguing in a constructive, frank but delicate spirit.
- (f) Negotiating effectively, optimizing the interests of involved parties.
- (g) Control personal emotions and demonstrate understanding and empathy toward the feelings of others when participating in communication.

### **3.5 Influencing and managing relationships**

Independent Directors should have skills and abilities in influencing and managing relationships, including:

- (a) Creating influence, impact, and managing over others to all take action, pursuing the company's shared values and goals.
- (b) Acknowledging the demands, interests, and roles of the stakeholders inside and outside the company and have the necessary skills to engage with various stakeholders, including shareholders, employees, and the community, and the ability to balance their interests.
- (c) Embarking on, enhancing, and maintaining relationships effectively.

- (d) Building and strengthening personal fame and reputation to be respected by everyone in the company, the industry and the market.
- (e) Persuading and influencing others, including peers, subordinates, or superiors.
- (f) Inspiring, encouraging, supporting, and motivating people to take action.
- (g) Detecting the arisen contradictions and disputes to compromise, reconcile conflicts and balance the interests.

### **3.6 In-depth skills when participating in Professional Committees**

Among the above skills, Independent Directors should also have additional in-depth skills when participating in and carrying out their role in the Board's Committees, including the Audit Committee, the Strategic Planning Committee, the Risk Management and Control Committee, the Nomination and Remuneration Committee, the Environmental, Social and Governance (ESG) Committee and other Board's committees (if any).