

PRACTICAL GUIDE FOR

INDEPENDENT DIRECTORS

VNIDA
Vietnam Independent Directors Association

VNICG
VNIDA Institute of Corporate Governance Research

CGS
Việt Nam

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This “Practical Guide for Independent Directors” document is intended to provide information, orientation, and recommendations on effective corporate governance practices, particularly concerning the role of Independent Directors on the Board. The content is compiled from best practices, current legal regulations in Vietnam and internationally, and reference materials from reputable organizations and national and regional standards.

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Due to limitations in publicly available information, the real-life examples of companies/ groups in Vietnam are analyzed based on actual past contexts, disclosed information, and inferred according to corporate governance principles and applicable regulations for listed companies, aiming to simulate and illustrate scenarios for research and reference purposes. International examples are summarized from specific reports and articles, along with expert perspectives relevant to each actual situation.

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Foreword

Independence is one of the core principles of modern corporate governance, widely recognized globally as a key factor in ensuring objectivity, transparency, and integrity in corporate governance. The establishment and maintenance of independence mechanisms within the Board of Directors (BoD) are of practical significance to the effectiveness of oversight and the overall quality of governance, in which, Independent Directors (IDs) constitute an indispensable element. By both ensuring compliance with statutory governance structures and performing oversight and strategic challenge functions, IDs contribute to strengthening internal control mechanisms, balancing power, and enhancing the governance quality and operational effectiveness of the BoD.

With a view to supporting IDs in effectively fulfilling their roles, the Vietnam Independent Directors Association (VNIDA) and the VNIDA Institute of Corporate Governance Research (VNICG), in collaboration with CGS Vietnam Joint Stock Company as the principal drafting partner and Indochine Counsel Law Firm as the technical partner, have researched and developed the “**Practical Guide for Independent Directors**”. This is the first in-depth guidance in Vietnam to be systematically and rigorously prepared and closely aligned with practical application. It is intended to help IDs clearly understand their roles, powers, duties, and responsibilities within the BoD structure, while equipping them with concrete tools and directions to effectively discharge these roles.

Designed as a comprehensive professional resource – covering the legal framework, competency standards, processes, and practical methods of performance, we hope this guidance will serve as a useful handbook for IDs in their professional practice. Simultaneously, it is also a valuable reference for enterprises, regulators, shareholders, and organizations supporting corporate governance in effectively applying the IDs mechanism, contributing to the advancement of a transparent, professional, and standards-based corporate governance environment in Vietnam.

VNIDA/VNICG welcome comments and constructive feedback aimed at further enhancing this publication. Please direct all feedback to: info@vnida.vn

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This valuable collaboration once again affirms the importance of developing corporate governance knowledge grounded in professionalism, transparency, and sustainable development for the shared benefit of the business community in Vietnam.

Sincerely,

NGUYEN SINH HUNG THANG

President, Vietnam Independent Directors Association (VNIDA)
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I. Introduction to Corporate Governance and Independent Directors

1. Corporate Governance – The Importance of Independence

In the context of an increasingly complex global economy, driven by technological advancements, political and social shifts, and rising demands for transparency from investors, corporate governance (CG) is no longer merely a legal concept – it has become a vital pillar in every company’s strategic development. Modern CG emphasizes accountability, transparency, and fairness to protect the rights of all shareholders and stakeholders.

One core principle that has been widely recognized globally – and strongly emphasized in frameworks such as the Organization for Economic Cooperation and Development (OECD) “Principles of Corporate Governance” and the ASEAN Corporate Governance Scorecard (ACGS); Vietnam Corporate Governance Code of Best Practices 2019 – is independence in the structure of the Board of Directors (BoD). Independence is considered a critical factor in ensuring objectivity in oversight and decision-making, helping prevent “internal dominance” and conflicts of interest – especially common in companies with concentrated ownership or strong influence from major shareholders.

1.1 General Concept of Corporate Governance

There is no single, universal definition of CG that applies to all systems and institutions. Definitions may vary depending on legal systems, national context, and institutional traditions, leading to the different interpretations and implementation. However, a widely accepted view considers CG as the framework of principles, mechanisms, and processes that define how authority is exercised, how responsibilities are allocated, and how relationships between a company’s BoD, Executive Management, shareholders, and stakeholders are structured and regulated.

According to the OECD’s Principles of Corporate Governance the latest version in 2023, “CG involves a set of relationships between a company’s management, BoD, shareholders and stakeholders. CG also provides the structure through which the company is directed and its objectives are set, and the means of attaining those objectives and monitoring performance are determined.”¹

¹ OECD (2023), G20/OECD Principles of Corporate Governance 2023, OECD Publishing, Paris (page 6)

An effective CG system allows a clear separation between management and oversight functions, while establishing transparent, ethical, and responsible conduct standards. CG is not just about legal compliance – it is also a driver of business performance, capital access, and long-term stakeholder trust. Modern CG highlights the role of the BoD as the strategic leadership and oversight body, ensuring that the company is managed in a sustainable, responsible, and transparent manner. Applying high CG standards also helps enhance corporate reputation, attract value-aligned investors, and strengthen resilience against external shocks.

1.2 The Relationship between the BoD and Shareholders and Stakeholders

As the highest representative body of shareholders, the BoD plays a pivotal role in overseeing activities of Executive Management, setting strategic directions, and ensuring that governance decisions serve the company's long-term interests. The BoD is also responsible for ensuring that the company complies with ethical standards and social obligations, addressing the reasonable expectations of stakeholders such as employees, customers, suppliers, communities, and society at large.

In this relationship, IDs play a uniquely important role. With no significant financial, managerial, or familial ties to the company, IDs are well-positioned to provide objective, unbiased assessments, thereby enhancing the BoD's effectiveness in oversight and strategic decision-making for the benefit of the company and all shareholders.

IDs are also instrumental in promoting a culture of transparent, responsible, and sustainable governance. They contribute to balancing power within the BoD – especially when the company faces decisions that could involve conflicts of interest.

When independence on the BoD is ensured both structurally and substantively, it not only enhances the BoD's capacity for oversight and critique, but also builds long-term trust with shareholders, markets, and the investing public – thereby increasing the company's value over time.

1.3 Key CG Principles Related to BoD Independence

Independence within the BoD is recognized as one of the foundational and essential principles of modern CG systems. According to international standards developed by the OECD, ACGS for ASEAN, and practical guidance from the International Finance Corporation (IFC), independence is indispensable for maintaining a balanced power structure within the governance framework and ensuring operational effectiveness and transparency.

The OECD's CG principles stress that the independence of BoD as a whole, as well as that of BoD members in performing their duties toward the company's overarching objectives, is a critical factor in building investor confidence, protecting the legal rights of shareholders – especially minority shareholders – and reducing risks of internal manipulation or dominance by large interest groups. These frameworks emphasize that the BoD holds ultimate responsibility for setting strategy, overseeing management performance, and ensuring that the company complies with ethical principles, legal obligations, and societal responsibilities. The BoD is required to make decisions independently of the Executive Management and based on the best interests of the company.

In Southeast Asia, ACGS recommends listed companies to maintain a minimum proportion of IDs on the BoD and to ensure transparency in the nomination process. According to ACGS assessment standards, the BoD can only function effectively when its independent structure is well-designed and its IDs fulfill their critical oversight and counterbalancing roles. Similarly, under Singapore's Corporate Governance Code (SGX), IDs must undergo regular independence assessments and should not remain on the BoD beyond the prescribed a nine-year tenure in order to maintain genuine objectivity.

Independence is especially crucial in sensitive areas such as executive remuneration, risk policy, internal audit, and performance evaluation. The active involvement of IDs helps ensure that the company's strategic decisions are not influenced by personal interests or short-term market pressures. In this way, IDs reinforce integrity, transparency, and sustainable development within the company's governance model.

1.4 Dimensions of Independence in the BoD

Independence should not be viewed as a static legal status, but rather as a set of essential qualities and capabilities that must be consistently maintained throughout an ID's tenure on the BoD. Genuine independence encompasses not only structural conditions, but also mindset, behavior, and professional standards in practice. The key dimensions include:

- **Positional Independence:** This is the minimum legal requirement, stipulated in most corporate laws and listing rules globally. An ID must not have direct financial ties with the company, must not hold executive positions, must not be related to executives, nor represent major shareholders or service providers (such as audit or consulting firms) that have done business with the company in a specified period. This structural independence ensures the ID is not bound by financial interests or personal connections that could compromise objectivity.
- **Independent Thinking:** Independence of mind is reflected in the ability to assess issues from multiple perspectives, base conclusions on data and sound reasoning, and resist groupthink, emotional biases, or short-term interests. An

ID must maintain constructive critical thinking, hold personal convictions, and yet remain open to feedback from fellow directors.

- **Constructive Dissent:** An ID not only has the right, but also the responsibility, to ask questions, challenge assumptions, and voice independent views on key matters. These contributions must be grounded in data and expressed timely and reasonably to carry weight. To operate effectively, the BoD must be a forum where a culture of constructive challenge is encouraged and recognized as an essential part of the organization's working culture.
- **Conflict of Interest Awareness and Management:** A professional ID must be able to identify conflicts of interest – whether direct or indirect, explicit or potential. Once identified, the ID must take appropriate actions, such as abstaining from voting, disclosing the conflict, or seeking advice from independent advisors or institutions. This is essential for preserving transparency, credibility, and trust in both the individual and the BoD.

Together, these dimensions strengthen the BoD's oversight quality and enhance the company's image in the eyes of investors, shareholders, and markets – thereby contributing to the business's long-term success.

2. Who Are IDs?

IDs have become an indispensable part of modern CG systems, both in terms of legal requirements and practical governance at the enterprise level. Unlike executive or non-independent non-executive directors, IDs are specifically appointed to bring an objective perspective to the BoD's decision-making process. Their role is to balance internal power dynamics, enhance transparency, and safeguard the company's and shareholders' long-term interests.

According to widely adopted frameworks such as those of the OECD and leading financial markets, an ID is someone without financial, familial, or executive ties to the company or any of its major shareholders or senior management. IDs do not take part in daily management, nor do they engage in commercial transactions that may impair their objectivity. However, depending on applicable laws and market practice, the definition of an IDs is not uniform and may differ across countries and regions.

2.1 Definition and Legal Criteria under Vietnamese Law

In Vietnam, the definition and criteria for IDs are clearly stipulated under the Law on Enterprises No. 59/2020/QH14 and Decree No. 155/2020/ND-CP (Decree 155) Specifically, Article 155 of the Law on Enterprises provides that an ID must:

- Not be currently working for the company, its parent, or subsidiaries, and not have worked for them in the past 3 consecutive years;
- Not be receiving a salary or remuneration from the company, except for BoD

allowances as regulated;

- Not have a spouse, parent, child, sibling, or adopted relative who is a major shareholder or a member of the management of the company or its subsidiaries;
- Not directly or indirectly hold 1% or more of the company's voting shares;
- Not have served as a member of the BoD or Supervisory Board of the company for at least 5 consecutive years prior (except for reappointments for up to two consecutive terms);
- Not be a subject under the category of individuals prohibited from establishing and managing enterprises in Vietnam in Item 2, Article 17 Law on Enterprises.

Section b Item 1 Article 137 Law on Enterprise and Article 276 of Decree 155/2020/ND-CP dated 31 December 2020 further clarifies the number of IDs required:

For joint stock company and unlisted public company operating under model without a Supervisory Board), at least one-fifth (1/5) of the BoD must be IDs. If the BoD has fewer than five members, then at least one ID is required.

For listed companies, the minimum number of IDs is:

- 1 ID for a BoD of 3 – 5 directors;
- 2 IDs for a BoD of 6 – 8 directors;
- 3 IDs for a BoD of 9 – 11 directors.

2.2 Independence Standards under Common Practice

International standards for IDs go beyond rigid legal definitions and encompass ethical, practical, and perceptual considerations. Guidance from organizations such as OECD, IFC, ACGS, and leading CG codes worldwide emphasize that independence should not be understood merely as the absence of financial connections – it must reflect a complete separation in terms of interests, mindset, and power dynamics within the organization. These standards highlight not only positional independence but also independence in thought, behavior, and the ability to exercise well-founded critical judgment – all necessary to fulfill an effective and objective oversight role.

Specifically, according to the Vietnam CG Code of Best Practices, IFC and the UK Corporate Governance Code, a director is considered independent if they: has not been employed in the company or its subsidiaries in the past 3 – 5 years; have not engaged in significant financial or commercial transactions with the company; receive no compensation or benefits beyond standard BoD fees for IDs; do not participate in employee stock options or company pension plans. These requirements are designed to ensure that IDs can make decisions objectively, without being influenced by material interests or personal bias.

Additionally, the Singapore CG Code further suggests that the tenure of an ID at the same company should not exceed 9 years, to prevent the development of overly close relationships with Executive Management that could erode objectivity. Periodic independence assessments (both self-assessments and company evaluations) are also recommended as a key part of a professional CG culture, promoting transparency and alignment between the company’s leadership, shareholders, and stakeholders.

In short, the role of an ID is not simply a title – it is a position expected to deliver professional expertise, objective judgment, and balanced decision-making. Selecting and maintaining truly independent IDs requires a serious, transparent process with ongoing evaluation – this is a critical condition to enhancing CG effectiveness and building investor trust.

Table 1: Comparative Table on Independence Criteria for IDs

Criteria	UK Corporate Governance Code (2024)	Vietnam Law on Enterprises	IFC Guidelines
Employment relationship	Not currently employed, nor within past 5 years (company or group).	Not currently employed; not employed in past 3 years (company, parent, subsidiaries).	Not employed by company or affiliates within past 5 years .
Business relationship	No significant business relationship in past 3 years.	No direct/indirect business relation specified; focus is on shareholding/management ties.	No business relationship in past 5 years (directly or indirectly, as partner, shareholder, director, officer, senior employee).
Remuneration	No additional remuneration beyond BoD fees; not in stock option/bonus/pension schemes.	No salary/remuneration except BoD allowances.	No additional remuneration in past 5 years; BoD fee must not constitute significant annual income; no stock option or pension schemes.
Family ties	No close family ties with advisers, directors, or senior executives.	No spouse, parent, child, sibling, adopted relative as major shareholder or management of company/subsidiaries	No immediate family member failing any independence test.
Shareholding	No direct provision, but major shareholder representation impairs independence.	Cannot hold directly/indirectly 1% or more of voting shares .	Cannot hold a material interest in company or affiliates.

Table 1: Comparative Table on Independence Criteria for Independent Directors

Criteria	UK Corporate Governance Code (2024)	Vietnam Law on Enterprises	IFC Guidelines
Tenure	Serving more than 10 years consecutive may impair independence.	Cannot serve on BoD or Supervisory Board for 5 years prior (with limited reappointments).	Cannot serve more than 10 years .
Links to auditors / advisors	Family ties with advisers considered impairment.	Not explicitly addressed.	Cannot be affiliated with or employed by present/former auditor in past 5 years .
Public identification	If any impairment exists but independence is claimed, BoD must explain in disclosures.	Legal requirements define independence; no disclosure mechanism for exceptions.	Must be identified in annual report as independent director.

Source: CGS Vietnam analysis based on best practices and CG standards

2.3 IDs and Other Directors

Within the BoD structure, IDs are clearly distinguished from executive directors and non-executive directors. While executive directors typically hold senior management roles (e.g. CEO, CFO) and are directly involved in the day-to-day operations of the company, and therefore influenced by operational performance, IDs do not engage in management, hold no financial interests, and are not subject to internal power dynamics. This positioning enables them to carry out their oversight role objectively and constructively.

Compared to other non-executive directors, IDs bear a higher responsibility for ensuring the BoD's transparency and integrity, especially in sensitive matters such as evaluating the performance of the CEO, determining executive compensation policies, overseeing internal audit, and selecting external auditors. These areas are prone to conflicts of interest or pressure from the Executive Management, which is why IDs' role in independent assessment and counterbalancing is essential.

Besides, IDs are also frequently invited to participate in or chair key BoD committees such as the Audit Committee, Remuneration Committee, or Nomination Committee. These positions demand not only deep expertise but also personal integrity, independent judgment, and ethical commitment to ensure their recommendations serve the company's best interests.

The role of an ID is not a symbolic one, nor is it simply to satisfy legal requirements, it is a substantive position that materially impacts the quality of CG. The distinctiveness of IDs compared to other directors is foundational to achieving balance, transparency, and effective oversight in modern corporate leadership.

Under Vietnamese law and prevailing practices, directors are classified into three categories: executive directors, non-executive directors and IDs. Below is a comparative table based on current best practices:

Table 2. Comparison of Executive, Non-Executive, and Independent Directors

Criteria	Executive Director	Non-Executive Director	Independent Directors
Dual Position	Holds executive role (e.g. CEO, Deputy CEO)	No executive role	No executive role and no significant interest in the company
Primary Role	Has financial and operational ties	May have interests (e.g. major shareholder, supplier, partner)	Independent oversight, objective decision-making, and conflicts of interest prevention
Relationship with Company	Has financial and operational ties	May have interests (e.g. major shareholder, supplier, partner)	No material financial, personal, or relational ties with executives or major shareholders
Independence	Not independent	Not or partially independent	Fully independent under law and international practices
Objectivity in Oversight	Low (due to direct operational influence)	Moderate (may still be influenced by the relationships)	High (no binding interests with the company)
Legal Requirement in BoD	No specific requirement	No specific requirement	At least 1/5 of BoD must be IDs

Source: CGS Vietnam analysis based on best practices and CG standards

2.4 Who Can Become an ID?

Appointing an individual to serve as an ID should not be based solely on formal eligibility criteria. It requires a well-rounded combination of legal requirements, ethical character, and professional competence. Drawing from international CG practices and Vietnam's current legal framework, a qualified ID candidate must meet all conditions necessary to ensure independent oversight, objective judgment, and substantive value contribution to the BoD.

Beside legal requirements mentioned in item 2.1 above, it is suggested that an ID candidate should possess conditions and qualities as below:

Professional Conditions and Core Competencies

Beyond legal requirements, an ID candidate should have a professional background and experience relevant to the company's size, business model, and industry. According to best practices from OECD, IFC, and Vietnam CG Code Of Best Practices, the following capabilities are recommended:

- Technical expertise and practical experience in areas such as finance, auditing, law, business strategy, HR, or the company's core industry. Moreover, individuals with strong expertise in fields such as technology, sustainability, or business development can also be potential candidates. Professional diversity is a value that IDs can bring to the board.
- Senior management experience or a track record of leadership roles in similar organizations or related sectors.
- Ability to identify risks, analyze strategic options, and make independent, data-driven recommendations.
- Profound understanding of the functioning of the BoD, committees, and the decision-making processes at the highest governance level.

Commitment and Personal Qualities

In addition to competence and experience, an ID must demonstrate a strong commitment of time and responsibility. They are expected to attend BoD meetings actively, thoroughly prepare for discussions, and contribute meaningfully to complex and sensitive issues. In addition, personal integrity, honesty, and professional ethics are the key qualities for ensuring that the ID's actions and decisions are not only lawful but also aligned with the company's ethical standards and social responsibilities.

Recommended Evaluation Criteria

The following are key standards recommended to assess ID suitability:

- **Professional Knowledge:** Deep and up-to-date understanding of governance, corporate finance, human resources, business strategy, internal control, and risk management.
- **Personal Reputation:** A clean professional record, trustworthiness in the

industry, and no history of ethical or legal violations.

- **Oversight and Critical Thinking Skills:** Ability to ask the right questions, offer sharp assessments, and contribute well-reasoned counterpoints in BoD or committee discussions.
- **Effective Communication:** Professional and constructive interaction with the BoD Chair, CEO, other directors, and shareholder representatives.
- **Ethics and Integrity:** Honesty, adherence to professional principles, and willingness to uphold personal views for the company's long-term benefit.
- **Relationship Development:** Ability to build trusted relationships with stakeholders while maintaining independence in judgment and actions.
- **Commitment:** A strong commitment of time and responsibility to undertake the duties of an ID within the company.

An ideal ID combines technical competence, personal courage, and ethical commitment to bring real value to the BoD, ensure effective and transparent oversight, and promote the company's long-term sustainability.

2.5 Why Are IDs Necessary?

In the context of an increasingly complex business environment, shaped by heightened demands for transparency, accountability, and sustainability, the role of IDs on the BoD is not only a matter of legal compliance but also brings essential strategic value to the company. The values that ID brings can be viewed from many perspectives:

- **New perspectives and independent critical thinking:** IDs come from outside the enterprise and often bring diverse professional experiences. This enables them to offer fresh viewpoints, free from internal biases or traditional thinking patterns, including groupthink. Such perspectives are particularly valuable in identifying hidden risks, evaluating alternative strategies, and supporting objective decision-making.
- **Complementing the BoD with technical expertise and executive experience:** IDs are typically selected based on their deep expertise in areas such as finance, law, business strategy, auditing, human resources or sustainability, etc. They bring to the BoD strong analytical capabilities, especially in highly technical matters such as risk assessment, internal control evaluation, or the review of complex financial statements.
- **Enhancing corporate credibility and reputation:** The presence of highly reputable and principled IDs helps build market confidence and reinforces trust among shareholders and oversight organizations. Particularly when the company seeks to raise capital, expand the markets, or attract strategic partners, demonstrating an effective BoD with capable IDs can be a significant competitive advantage.
- **Strengthening stakeholder and shareholder trust:** IDs contribute to

strengthening the trust of broader stakeholders, including employees, customers, business partners, suppliers, media and the community. IDs also serve as representative of shareholder interests, especially those of minority shareholders. They oversee the management impartially and often play leading roles in key committees such as the Audit Committee or the Nomination and Remuneration Committee. Therefore, IDs help ensure that BoD decisions align with long-term value and are made in accordance with fairness and transparency principles.

- **Promoting a culture of integrity and ethical governance:** IDs contribute to fostering a principles-based governance environment where professional ethics, financial transparency, and social responsibility are upheld. They are willing to speak up on sensitive matters and play a key role in recommending improvements to internal control mechanisms or resolving conflicts of interest.
- **Ensuring compliance with legal and regulatory obligations:** In many markets, particularly for public or listed companies, the appointment of one or more IDs is a legal requirement. Meeting this requirement not only helps avoid regulatory risks but also demonstrates the company's commitment to good governance and international best practices.

IDs are not merely a legal formality; they are key drivers of effective CG, enhancing competitiveness and creating sustainable value for the enterprise. Their strategic and ethical contributions are foundational to shaping a transparent, professional, and accountable governance culture.

Case Study 1

Case Study 1: "Accepting the role of ID on the BoD out of deference and personal ties with major shareholders or the BoD Chair"

Case study: The Enron Scandal (USA, 2001) is one of the most infamous CG failures in history, involving a lack of independence among directors, including IDs.

Context: Enron, a major U.S. energy conglomerate, collapsed in 2001 due to large-scale financial fraud. The IDs on Enron's BoD were expected to oversee and monitor management activities, but many of them had close relationships with the Executive Management or major shareholders, or received very generous compensation, leading to undermine their true independence.

Deferential Behavior: The IDs on the BoD failed to sufficiently question the financial reports presented by management, which had been "engineered" to conceal massive debts and losses. They relied too heavily on information provided by executives and failed to exercise objective oversight. Some IDs were appointed by major shareholders or had business relationships with the

company, leading them to prioritize personal or group interests over the interests of all shareholders.

Outcome: This lack of independence contributed to Enron's ability to conceal its weak financial position for years. When the truth emerged, Enron went bankrupt, causing billions of dollars in losses for shareholders, employees, and investors. The IDs were heavily criticized for failing to fulfill their oversight duties.

Lesson Learned: The Enron case underscores the critical importance of true independence on the BoD. Personal deference or close ties to major shareholders or the BoD Chair can result in compromised judgment, weakened oversight, and serious consequences for the company.

3. Roles and Responsibilities of IDs

The BoD is a key governance body of the company, responsible for strategic planning, oversight of management, and safeguarding stakeholders' interests. Under Vietnam's current legal framework and widely recognized international CG practices, all directors – including executive, non-executive, and IDs – are expected to fulfill general roles and responsibilities. In addition to these general duties, IDs are expected to take on further responsibilities to ensure objectivity and maintain a balance of power within the company's internal structure.

3.1 General Roles and Responsibilities of the BoD

As required by law

The Law on Enterprises 2020 and related guidelines regulation clearly define the responsibilities of the BoD and each of its members in ensuring that all decisions serve the legitimate interests of the company and its shareholders. The responsibilities of directors include:

- **Establishing corporate strategy:** Participating in the development and approval of long-term strategic directions, as well as medium- and short-term plans aligned with the company's vision and mission.
- **Supervising the Executive Management:** Monitoring, evaluating, and overseeing the performance of the CEO and Executive Management; demanding accountability in cases of misconduct or underperformance.
- **Approving risk management policies:** Ensuring the existence and effective operation of internal control, risk management, and legal compliance systems.
- **Approving and overseeing financial information:** Reviewing and approving periodic financial statements; monitoring the disclosure of information to ensure it is transparent, accurate, and timely.

- **Protecting shareholders' rights:** Paying particular attention to minority shareholders by safeguarding their right to access information, vote, and benefit from the company's business activities.

As expected by stakeholders

Beyond legal obligations, today's directors are also expected to meet increasingly high standards from shareholders, investors, regulators, employees, and the wider community. These expectations go beyond financial performance and include:

- **Exercising ethical leadership:** Leading by example in integrity, transparency, and responsibility in governance.
- **Being proactive and responsive:** Staying informed about company and market developments, and actively contributing to discussions and decisions.
- **Promoting sustainable development:** Proposing and overseeing the integration of ESG factors (Environmental – Social – Governance) into the company's strategy and operations.

3.2 The Distinct Role of IDs

IDs not only perform the same responsibilities as all other directors but are also entrusted with a particularly important role of constructive challenge and oversight. As individuals with no vested interest in the company, Executive Management, or major shareholders, IDs act as “gatekeepers”, helping to balance internal power and ensure that critical decisions – such as executive appointments, remuneration policies, and related-party transactions – are reviewed and approved based on transparency, fairness, and in the interests of the company as a whole.

The roles and responsibilities of each director – especially those of IDs – form one of the cornerstones of governance quality. The dedication, objectivity, and transparency with which these responsibilities are fulfilled are essential to building trust with shareholders and stakeholders alike, and to driving the long-term sustainable development of the company.

4. Rights of IDs

IDs are a critical component in ensuring effective CG, not only because of their objective oversight and constructive challenge, but also because of the rights granted to them by law and recognized under international best practices, which enable them to fulfill this role effectively. These rights can generally be divided into two categories: statutory rights and stakeholder-expected rights.

4.1 Statutory Rights

According to the current Law on Enterprises of Vietnam and its guidelines regulations, IDs – like all other directors – are entitled to the following legal rights:

- **Voting rights:** Participate in and vote on all decisions made by the BoD.
- **Right to access information:** Right to full, timely, and truthful access to information and documents related to the company's operations, enabling them to perform their oversight and decision-making duties effectively.
- **Right to convene annual or extraordinary General Meetings of Shareholders (GMS):** Right to call for annual or extraordinary GMS sessions if deemed necessary for the benefit of the company.
- **Right to serve on BoD committees:** IDs are entitled to be assigned to BoD subcommittees – such as the Audit Committee, where their independent oversight can be maximized.

4.2 Rights Based on Stakeholder Expectations and Best Practices

In addition to statutory rights, international practices and market expectations recognize further rights aimed at enhancing the effective independence of IDs:

- **Independent access to information:** IDs should be guaranteed unobstructed access to information from the Executive Management, internal audit, the company secretary, and other specialized committees. However, it is essential to ensure that IDs are given access only to information that is appropriate and necessary for them to fulfill their assigned duties.
- **Right to consult independent experts:** In complex or conflict-sensitive situations, IDs have the right to request support from independent experts (e.g., legal counsel, auditors, or valuation advisors) to ensure well-grounded decision-making.
- **Protection of reputation and individual rights:** When an ID raises legitimate objections or dissenting views, the company must have mechanisms in place to protect them from internal retaliation or harm to their personal or professional reputation.
- **Right to propose BoD agenda items:** IDs may proactively propose topics for BoD meetings to ensure that critical issues are brought forward and discussed transparently.
- **Right to reserve dissenting opinions:** When an ID disagrees with the majority decision, they have the right to formally reserve their dissent in the meeting minutes, serving as a legal and ethical basis for future evaluations or reviews.

Fully recognizing and upholding the rights of IDs is a precondition for effective oversight, strategic contribution, and constructive challenge. These rights are not only legal entitlements, they also reflect a company's strong commitment to transparency, fairness, and modern governance principles.

Case Study 2

Case Study 2: “An ID convened an extraordinary BoD meeting, bringing tangible benefits to the company and shareholders”

Case Study 2.1: The Case of Hewlett-Packard (HP, USA, 2010–2011)

Context: Hewlett-Packard (HP), a major U.S. technology corporation, faced a CG crisis in 2010 after CEO Mark Hurd resigned following allegations of misconduct and questionable expense claims. The BoD, including IDs, had to manage growing instability in executive leadership and business strategy, especially as HP’s stock price dropped significantly and shareholders voiced concern over the company’s future direction.

Action by an ID and Convening an Extraordinary Meeting: One ID, a corporate governance expert with prior experience in major tech firms, recognized the urgency of addressing issues related to CEO succession and the company’s controversial strategic decisions, particularly the \$11 billion acquisition of Autonomy. According to the G20/OECD Principles of Corporate Governance and HP’s internal governance charter, the ID had the authority to propose an extraordinary BoD meeting. The ID formally submitted a written request to the BoD Chair, proposing that an emergency session be held to discuss: (1) the appointment of an interim CEO and process for selecting a permanent replacement; (2) a reassessment of the Autonomy acquisition, amid growing concerns about the deal’s true value; and (3) a plan to restore shareholder trust. The extraordinary meeting was convened in late 2010, with full attendance by the BoD and independent legal counsels.

Outcome and Value Created: The meeting led to a series of significant decisions: (1) Meg Whitman was appointed interim CEO (later confirmed as permanent CEO), and successfully led HP through the crisis; (2) an independent investigation into the Autonomy deal uncovered accounting irregularities, enabling HP to initiate legal proceedings and recover part of the losses; and (3) a restructuring plan was announced, shifting HP’s focus from hardware to services and software. These actions helped stabilize HP’s stock price, restore investor trust, and improve long-term financial performance. Shareholders benefited from increased transparency, timely decisions, and averted further losses from the Autonomy deal. According to The Wall Street Journal, the ID’s initiative in calling the extraordinary meeting was regarded as a decisive factor in helping HP recover from the crisis.

Lesson Learned: The ID exercised their right to convene an extraordinary BoD meeting under the governance framework to address urgent issues, promote transparency, and push for leadership reform, thereby protecting the company’s and shareholders’ interests. This action aligned with their duty of care and shareholder protection responsibilities under the G20/OECD Principles.

Case Study 2.2: The Case of Company A engaging in multi-sector (2022)

Context: Company A, a listed company on the Ho Chi Minh City Stock Exchange (HOSE), faced a governance crisis in 2022 when its BoD Chair was arrested for alleged market manipulation. The incident triggered a sharp decline in the company’s stock price and severely damaged shareholder trust, particularly among minority shareholder.

Action by an ID and Convening an Extraordinary Meeting: An ID of Company A, a finance expert with experience in the real estate sector, recognized the urgent need to address the governance crisis and safeguard shareholder interests. Under Article 157.3 of the Law on

Enterprises 2020, IDs are entitled to request an extraordinary BoD meeting. This ID submitted a written request to the BoD Chair, proposing a meeting to discuss: (1) appointing interim leadership to stabilize operations; (2) assessing the financial impact of the incident on the company; and (3) developing a communications plan to restore investor trust. When the BoD Chair failed to convene the meeting within the statutory 7 working days (per Article 157.3), the ID lawfully exercised the right to convene the meeting independently, as permitted by Vietnamese law. The meeting took place in April 2022 and was attended by the remaining directors, the Supervisory Board, and legal counsels.

Outcome and Value Created: The extraordinary meeting led to key decisions: (1) appointment of an interim CEO to maintain business continuity; (2) announcement of a transparency plan, including the engagement of an independent audit firm to review transactions linked to the BoD Chair; and (3) Convening an extraordinary General Meeting of Shareholders to disclose the situation and elect additional directors. These measures helped Company A stabilize operations in the short term, reduce legal risk exposure, and partially rebuild trust with minority shareholders. The company's stock price became more stable following the transparency announcements, and shareholder interests were better protected through stronger governance oversight. The ID's role in initiating the extraordinary meeting was highly praised, as it reinforced transparency and protected the company's interests under Article 153 of the Law on Enterprises 2020.

Lesson Learned: The ID lawfully exercised their right under the Law on Enterprises 2020 to convene an extraordinary BoD meeting in response to a governance crisis, which helped stabilize Company A's operations and protected shareholder interests. This action demonstrated the oversight role and the protection of minority shareholders' rights, as stipulated in Articles 115 and 166 of the Law on Enterprises 2020.

5. Specific Roles and Responsibilities

In a modern governance structure, an ID may concurrently assume multiple important roles, contributing to the overall quality and effectiveness of the BoD. Clearly defining these positions and responsibilities not only helps the ID understand their role more precisely but also enables the company to structure its governance personnel in an optimal way, aligned with increasing demands for transparency and accountability.

5.1 In the Capacity of a Director

IDs, like other members of the BoD, are responsible for fully participating in both regular and extraordinary meetings, reviewing relevant materials, and contributing critical perspectives during discussions and decision-making. They must ensure that decisions are made based on comprehensive data, objective evaluation, and in the best interests of the company and its shareholders.

5.2 In the Capacity of an ID

An ID holds a distinct role in providing independent perspectives, free from financial interests or personal ties with the Executive Management or major shareholders.

The objectivity of IDs helps balance power within the BoD, particularly in sensitive situations such as:

- Evaluating the performance of the Executive Management, especially the General Director.
- Reviewing and approving remuneration policies and related-party transactions.
- Assessing M&A deals and major investment projects.
- Overseeing internal control systems, risk management, and financial reporting.
- Addressing internal conflicts within the BoD.
- Challenging high-risk or non-transparent strategic decisions.

IDs are often the ones who proactively raise critical questions and offer counterbalancing views to help the BoD avoid groupthink or making unverified decisions.

5.3 In the Capacity of a Member of Board Committees (mandatory and voluntary)

Most public and large-scale companies establish BoD subcommittees, such as:

- **Audit Committee:** This is the committee where the role of IDs is most prominent, focusing on oversight of the accuracy of financial reporting, the effectiveness of internal controls, and the independence of external auditors.
- **Remuneration Committee:** IDs help ensure that executive compensation policies are fair, performance-based, and free from conflicts of interest.
- **Nomination Committee:** IDs contribute to ensuring that the nomination and appointment process for directors is transparent, merit-based, and impartial.
- **Other voluntary committees:** Such as the Strategy Committee or the Sustainability Committee, where IDs can contribute their deep expertise and industry experience in relevant areas.

Under Vietnamese law, if a public company adopts the audit committee model, the chairperson of the committee is required to be an ID.

5.4 Role of the Lead Independent Director (LID)

Some companies adopt advanced practices by appointing a Lead Independent Director (LID) to head the group of IDs. Recommendations on the principles for the appointment and functions of the LID have also been clearly outlined in the Vietnam CG Code of Best Practices. The LID typically takes on the following responsibilities:

- Coordinating views among IDs and with the broader BoD.
- Serving as the main point of independent communication with the BoD Chair, especially in situations where potential conflicts of interest may arise.

- Supporting the performance evaluation of the BoD Chair and the BoD as a whole.

All of these responsibilities require the LID to maintain a high level of independence, dedication, and commitment, while continuously enhancing their professional competence and ethical standards to fulfill their duties effectively.

II. Practical Guidance on Fulfilling The Role of ID

1. Career Path and Orientation for Becoming an ID

Becoming an ID on the BoD is not only a prestigious position within the corporate governance system, but also a specialised career path that requires careful preparation, long-term commitment, and strategic thinking regarding both personal development and societal contribution. With the growing adoption of CG standards in Vietnam and globally, the role of the ID is increasingly recognised as an independent and professional career, comparable to fields such as auditing, law, or governance consulting. The journey toward becoming a professional ID often begins with accumulating deep knowledge and extensive experience in a core field such as finance–accounting, auditing, law, human resources, corporate governance, or strategy or specialized sectors such as banking, insurance, technology, manufacturing, or services, etc. Ideal candidates for this position are often those who have held senior leadership roles such as CEO, CFO, Head of Internal Audit, Legal Counsel, or senior-level positions (Director/Partner) at reputable audit or consulting firms. Individuals who previously held senior leadership roles in enterprises, regulatory bodies, international financial institutions, or were senior governance lecturers are also strong candidates for the ID role.

After building a foundation of professional expertise and executive experience, candidates should gradually transition into non-executive governance roles, such as serving on advisory boards, supervisory boards, or strategic committees of enterprises or professional associations. This stage helps develop the ability to think independently, critically, and strategically from the perspective of a governance professional rather than an executive.

To officially assume the role of an ID, candidates should:

- Participate in specialized training programs on CG, the roles and responsibilities of directors, with a focus on independence, transparency, and accountability. Develop a thorough understanding of corporate law, securities markets, codes of

- ethics, and disclosure requirements, especially concerning conflicts of interest and information confidentiality.
- Build a professional personal profile that clearly demonstrates their competencies, experience, achievements, and the value they can bring to a BoD.
- Expand and maintain a strong network with professional associations, governance institutions, institutional investors, executive search firms, and the broader business community.
- Commit to continuous professional development, including staying updated on emerging trends in CG, ESG, digital transformation, business model innovation, and modern risk management.

Pursuing the ID path is not simply about accepting a seat on the BoD, it represents a serious commitment to ethical standards, social responsibility, and organizational sustainability. It is a professional journey that demands ongoing self-development, an unwavering independent mindset, and a key leadership role in raising the standard of corporate governance in Vietnam amid deepening global economic integration.

1.1 Motivations for Becoming an ID

Assuming the role of an ID on the BoD is not only a promising career opportunity but also a powerful affirmation of personal value and a meaningful contribution to the sustainable development of both enterprises and the broader economy. For many experienced professionals, this is a continuation of their leadership journey, bringing the contribution, and the completion of their role as a senior executive. Key motivations for becoming an ID may include:

- **Contribution to sustainable value:** IDs play a unique role in promoting transparency, integrity, and fairness in governance, and in protecting shareholder rights, especially those of minority shareholders. Through independent oversight and constructive challenge, IDs help improve management quality and guide businesses toward sustainable development – a value that transcends personal financial gain.
- **Flexibility and professional autonomy:** The role of an ID typically does not require daily presence at the company, making it suitable for retirees, consultants, or individuals holding other non-executive positions. IDs can maintain their main careers while contributing meaningfully to multiple organizations with both flexibility and professional depth.
- **Enhanced professional profile:** Being appointed as an ID at a reputable company is a formal recognition of one's competence and reputation. A professional profile is strengthened through participation in strategic discussions, policy debates, and making high-level decisions alongside other senior leaders. This helps position the individual as a high-level expert within the business community.

- **Opportunities for learning and networking:** In the role of an ID, individuals gain access to advanced governance models, learn from other directors across different sectors, and stay continuously updated on trends in business, technology, risk management, and ESG. The position also opens doors to networking with professional associations, international organizations, and the investment community.
- **Recognition and positive impact:** For many, becoming an ID is a way to continue having a meaningful impact on society, by sharing knowledge and experience, and contributing to the transparency and professionalism of the corporate community. Recognition often comes not only from the company but also from regulators, investors, and fellow professionals.
- **Remuneration:** While not the primary motivation, IDs at large companies – especially listed firms or multinational corporations – may receive competitive and fair compensation, reflecting the significance of their oversight role and legal responsibilities. Compensation structures typically include fixed retainers (by term or per meeting), and may also cover participation in conferences or training, as well as Directors & Officers Liability Insurance (D&O Insurance).
- **Other motivations:** The ID role is also an important career phase for professionals and executives after stepping back from active management. It serves as a strategic bridge to the investment community and socially responsible organizations, while also opening opportunities for advisory roles, collaborations, or participation in prestigious professional and academic boards both domestically and internationally.

However, alongside these positive motivations, the ID role also carries significant responsibilities and pressures. In addition to technical workloads and the need for ongoing learning, IDs face legal risks, internal conflict, and high ethical standards. Therefore, pursuing this path requires comprehensive readiness in knowledge, experience, mindset, and a deep sense of responsibility.

1.2 Level of Professional Readiness

Assuming the role of an ID cannot rely solely on reputation or goodwill, it requires a serious, honest, and comprehensive assessment of the candidate's readiness in terms of technical competence, ethics, mindset, and the ability to meet the diverse expectations of the company, shareholders, and society. This evaluation is a critical prerequisite to ensuring the individual has the capacity to perform the role effectively, maintain independence, and uphold their professional credibility.

According to the competency framework for IDs developed by VNIDA and aligned with internationally recognized best practices, an ID must demonstrate proficiency across the following areas of knowledge:

- **Corporate Governance:** IDs must possess a thorough understanding of governance structures, roles, and responsibilities at all leadership levels. They should be familiar with both local and international CG principles and have a clear grasp of relevant laws, ethical standards, and codes of conduct related to corporate governance.
- **Business Operations:** IDs should understand the company's business model, value chain, and key factors that drive competitive advantage. They must be knowledgeable about the market, industry trends, and growth dynamics, as well as the company's positioning relative to competitors.
- **Legal and Compliance:** IDs must be well-versed in the legal regulations governing corporate operations and the legal responsibilities of the BoD. This includes a solid understanding of disclosure requirements, related-party transactions, and conflict of interest rules. IDs should also be capable of staying current with legal changes and assessing their impact on the business.
- **Finance:** IDs need the ability to read and analyze financial statements including balance sheets, income statements, and cash flow statements. They must understand key financial ratios related to profitability, leverage, business valuation, and cost of capital. Familiarity with both Vietnamese and international accounting standards such as VAS and IFRS is essential.
- **Strategy:** IDs must understand how to formulate, implement, and evaluate business strategy. This includes familiarity with strategic analysis models and the ability to measure execution effectiveness and adjust direction as needed.
- **Risk Management:** IDs should understand the various types of risks that may arise in business operations such as financial, legal, operational, reputational, and ESG-related risks. They must be knowledgeable about risk governance frameworks, risk identification and assessment processes, and international risk management standards.
- **Human Resources:** IDs need a solid understanding of organizational structures and workforce planning tailored to different growth stages. This includes knowledge of HR strategy, succession planning, and performance evaluation. Additionally, they must understand the role of corporate culture and motivation dynamics within the organization.
- **Digital Transformation and Technology:** IDs should recognize the role of technology in optimizing processes and driving business model innovation. They should be aware of trends such as artificial intelligence, big data, blockchain, and cybersecurity. They also understand the associated risks and opportunities of digital transformation.
- **Sustainability:** IDs must have a strong understanding of sustainable development concepts and the components of ESG (Environmental, Social, and Governance) criteria. They should know how ESG contributes to long-term value creation, enhances reputation, and improves capital-raising capabilities. In addition, they need to know how to apply ESG measurement indicators and disclosure standards according to international practices.

If a candidate is not yet fully ready in terms of expertise, they should proactively invest time and effort to upskill, gain experience, and only accept an ID role once they meet the necessary qualifications not only in terms of competence, but also in integrity and commitment – to ensure the effectiveness of the role and preserve both personal credibility and the professionalism of the BoD.

Competency Framework For Independent Directors – VNIDA



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

The VNIDA Competency Framework, issued by the Vietnam Independent Directors Association in December 2023, defines 20 core competencies grouped into three categories: Personal Qualities & Attributes, Knowledge, and Skills.

The framework sets a standard for what constitutes a competent ID, establishing clear expectations for behaviour, expertise, and performance.

The framework aims to support shareholders, boards, and training institutions by guiding nomination, evaluation, and development of board members. It helps ensure ID are not only ethically sound and independent, but also well-versed in legal, financial, strategic, ESG, and risk-management knowledge.

Finally, the framework emphasizes that skills like strategic thinking, decision-making, communication, and influence are essential, especially for those serving on board committees such as audit, risk, ESG, or nomination & remuneration.

Case Study 3

Case Study 3: “An individual accepts the role of ID without the necessary preparation in knowledge, understanding, or capability leading to governance violations and subsequent dismissal or resignation”

Case Study 3.1: The Case of Theranos (USA, 2015–2018)

Context: Theranos, a U.S.-based healthcare technology company, was once valued at billions of dollars for its so-called revolutionary blood-testing technology. However, the company collapsed due to fraud and weak governance. Its BoD included many high-profile IDs, such as former U.S. Secretary of State George Shultz and former Secretary of Defense William Perry, but they lacked deep expertise in healthcare or biotechnology.

Issue: These IDs were appointed largely based on their reputations and personal relationships with CEO Elizabeth Holmes, rather than on relevant professional qualifications. They lacked the necessary knowledge to assess the feasibility of Theranos’s blood-testing technology and did not fully exercise their oversight responsibilities regarding financial reports and operational activities. Reports indicated that these directors rarely posed critical questions or called for independent reviews of the company’s technology, allowing serious fraudulent practices to go unchecked.

Outcome: The lack of competence and preparation among the IDs contributed to Theranos continuing to operate based on false claims for several years. When the scandal broke (2015–2016), the company came under investigation by the U.S. Securities and Exchange Commission (SEC) and the Food and Drug Administration (FDA). Several IDs, including George Shultz, were heavily criticized for failing in their oversight roles. Theranos ultimately went bankrupt in 2018, causing significant financial losses to investors and putting patients at risk.

Lesson Learned: Appointing IDs based on reputation alone without ensuring the necessary professional knowledge or preparation can lead to oversight failures, breaches of governance principles, and severe consequences for the company.

Case Study 3.2: The Case of Company B (2018–2020)

Context: Company B is a publicly listed company on the Ho Chi Minh City Stock Exchange (HOSE). Between 2018 and 2020, the company faced governance challenges due to a BoD structure, including IDs, that failed to meet required standards of competence and governance knowledge.

Issue: An ID of Company B was appointed to the BoD in 2018 but was later found to lack sufficient knowledge in corporate governance. According to audit reports and public disclosures, this member did not actively participate in BoD meetings and failed to provide effective critical input during evaluations of the company’s investment projects. Notably, the ID neither identified nor opposed several high-risk investment decisions in unfeasible projects, which ultimately led to substantial losses. This lack of capability constituted a breach of the duty of care as outlined in Article 165 of the Law on Enterprises 2020, which requires directors to apply their knowledge and skills in the performance of their duties.

Outcome: Due to poor oversight performance, the ID was dismissed by the General Meeting of Shareholders in 2020, after the company recorded continuous losses and was placed on the warning list by HOSE. Minority shareholders filed lawsuits seeking compensation for damages caused by the BoD’s failure to fulfill its obligations (as provided under Article 166 of the Law on Enterprises 2020). The incident damaged the company’s market reputation and resulted in serious financial losses.

Lesson Learned: Appointing an ID without verifying their competence and professional knowledge can lead to governance violations, financial damage, and erosion of shareholder trust.

1.3 Personal Readiness

In addition to professional competence, personal readiness plays a decisive role in the effective performance of an ID. This includes the ability to identify and avoid conflicts of interest, maintain independent thinking and actions, accept the professional risks associated with the role, and commit sufficient time and long-term dedication to this demanding yet highly meaningful responsibility.

Integrity and Ethical Standards

An ID must uphold high standards of integrity while serving on the BoD, therefore, honesty, transparency, and the courage to stand by principle are essential traits. Demonstrating ethical standards is not limited to internal conduct but also extends to communication with the media, shareholders, and the public.

In summary, personal readiness must be carefully assessed before accepting a BoD appointment as an ID. Only when an individual is truly confident in their independence, ethical compass, commitment, and ability to calmly and principledly navigate professional pressures can this role deliver real value – not only to the company but also to the long-term development and reputation of the individual within the business community.

Avoiding Conflicts of Interest

An ID candidate must rigorously assess their relationships with the company, its Executive Management, major shareholders, affiliated companies, or any parties that may compromise the independence of their decisions on the BoD. This goes beyond legal compliance, it must also meet the ethical standards set out in codes of conduct and best-practice CG guidelines. An ID should not maintain any financial, personal, or professional relationships with the company or related parties that could influence, or be perceived to influence, their objectivity in decision-making.

Accepting Professional Risk

The role of an ID carries inherent risks, including potential legal liability if corporate misconduct occurs, pressure from internal stakeholders, or negative public reaction when taking dissenting positions. Therefore, individuals should only accept this role if they are prepared to face and manage high-pressure situations, defend their positions, and maintain personal integrity even under difficult circumstances. A clear understanding of fiduciary duties and the ability to assume personal responsibility is a fundamental ethical requirement.

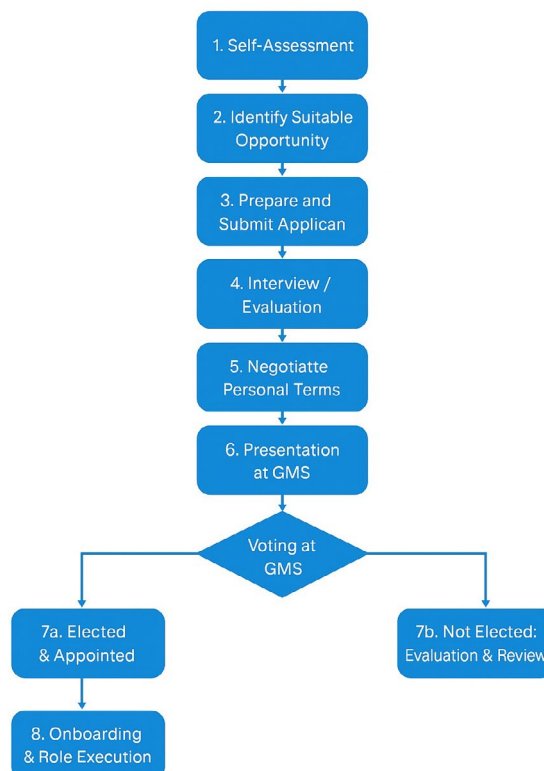
Time Commitment and Flexibility

While IDs are not involved in day-to-day operations, the role still requires a significant time commitment to review documents, actively participate in BoD and committee meetings, work with internal audit and external advisors, and maintain communication with shareholders and stakeholders. A professional ID must ensure sufficient availability and flexibility to fully meet the role's demands, while maintaining strong performance in analysis, critical thinking, and strategic insight.

2. Nomination Process for IDs

The process for an individual to become an ID involves a series of steps that require thorough preparation and clearly reflect the alignment between the candidate's professional profile and the specific needs of the company. From self-assessment and building a professional dossier to nomination, election, and official appointment, each stage demands a high level of diligence and transparency.

Process of becoming an independent director of the BoD from the candidate's perspective



Source: Process developed by CGS Vietnam based on practical experience and recognized best practices

Step 1: Self-assessment of readiness

Before officially embarking on the journey to becoming an ID, each individual must undertake a thorough and thoughtful self-assessment of their personal readiness. This includes reviewing legal eligibility requirements and considering personal factors such as time commitment, health, legal risk exposure, ethics, and the potential impact on professional reputation. Candidates should evaluate whether they can balance this role with existing commitments, have the flexibility to attend in-depth meetings, and possess the ability to offer independent, well-informed opinions grounded in a solid understanding of corporate governance.

In parallel, candidates should evaluate their actual technical competencies. This involves reviewing their experience in key areas such as finance, law, strategy, human resources, audit, or technology – all of which are increasingly valued in modern board structures. Clearly identifying one's strengths and capability gaps also helps candidates choose companies where they can make a meaningful contribution.

Finally, ethics and personal development orientation are indispensable foundations. Candidates should clarify their personal values, leadership style, and alignment with the company's culture. The role of an ID is not merely a technical position, it is a long-term commitment to protecting the company's sustainable interests – which can only be achieved when personal values and organizational goals are aligned.

Step 2: Seeking suitable opportunities

After determining their level of readiness, candidates should proactively seek out opportunities that align with their qualifications to serve as an ID. Common channels include professional networks, industry associations (such as directorship organizations), corporate governance training centers, or executive search firms. In many cases, opportunities are not publicly advertised but come through personal referrals, often from the BoD Chair or strategic shareholders, therefore making it essential to maintain a clear, professional, and regularly updated profile.

At the same time, candidates should carefully research each target company, including its industry, size, stage of development, governance history, business culture and the reputation of its current leadership. Understanding the specific needs and expectations of each organization helps candidates identify opportunities that are well-matched, and avoid scattershot applications or cultural mismatches.

This process is not merely about filling a “vacant seat” but about establishing a mutually beneficial relationship – one where the candidate can deliver real value, and the company provides the right environment for the ID role to be effective.

Step 3: Preparing and submitting the application

Once a suitable opportunity is identified, the candidate should prepare a clear, professional application package that accurately reflects their core competencies. The application should go beyond just a CV and include a letter of intent, a list of current and past roles, any relevant relationships, and, importantly, a legal declaration of independence in accordance with applicable laws and regulations.

The application should highlight governance achievements, strategic projects, or experience in specialized areas that match the company's current needs. For listed companies, candidates must also disclose their shareholding status, if applicable, and provide full transparency commitments. Reviewing publicly available application templates used by existing listed companies can be a helpful way to ensure the submission is complete and professional. Additionally, the candidate should prepare a brief value proposition statement, outlining what they can contribute to the BoD. This is a key differentiator and can be a decisive factor during the evaluation process. This includes the effort to understand the current skills matrix of the board and the skills that the BOD is seeking to add to the current mix. In many cases, having conversations with the nomination committee informally before the formal interviews is recommended.

Step 4: Interview / Vetting process

Once the application is accepted, candidates typically go through one or more interview rounds with key stakeholders such as the BoD Chair, members of the Nomination Committee, or major shareholder representatives. The goal of this stage is to assess not only the candidate's technical qualifications, but also their cultural fit, critical thinking skills, and alignment of values. Candidates are expected to demonstrate a solid understanding of the company, its business model, market context, and current governance challenges. The ability to ask critical questions, offer independent perspectives convincingly, and show a collaborative spirit are all highly valued traits during the interview.

At some companies, the vetting process may also include background checks, ethical risk assessments, and professional reference checks. Therefore, integrity and consistency in personal information are essential throughout the process.

Candidates should assess the independence of the ID position if the interview process is conducted solely or primarily by the CEO and Executive Management.

Step 5: Negotiating personal terms

After successfully passing the vetting process, negotiating personal terms is a crucial step to establish a transparent, fair, and professional working relationship between the candidate and the company. These negotiations go beyond financial matters and should also cover the scope of responsibilities, access to information, support mechanisms, and personal risk protections. Negotiations should focus on two core elements: remuneration and scope of work.

- **Remuneration** should accurately reflect the responsibilities, time commitment, and legal risks associated with the ID role. It may take various forms including: a fixed fees, meeting-based fees, responsibility-based fees, or elements linked to the effectiveness and contribution of IDs in fulfilling assigned duties. Candidates should also clarify other support elements, such as travel expenses, access to expert advice, directors' and officers' liability insurance (D&O), and any special allowances if applicable. All terms should be clearly in writing or as part of the official appointment resolution.

- **Scope of work** should be clearly defined: the number of BoD and committee meetings; time required for preparation and participation; level of involvement in strategy, executive oversight, and risk governance; and mechanisms for information access and internal engagement. Early alignment on these expectations ensures the effective execution of the role and fosters a sustainable, long-term working relationship.

All these elements must be explicitly agreed upon to ensure that the ID is equipped with the necessary tools, information, and operational space to carry out their oversight and critical thinking duties, while maintaining effective collaboration with other directors.

Step 6: Presenting at the General Meeting of Shareholders (if nominated)

If the candidate is officially included in the nomination list, the next step is to present at the General Meeting of Shareholders (GMS) – where the final decision is made through a shareholder vote. This is a public-facing step that requires the candidate to demonstrate professionalism, consistency, and persuasiveness.

The presentation at the GMS should focus on:

- **A summary of the candidate’s experience, competencies, and independent value;**
- **Their perspective on oversight and constructive challenge within the BoD;**
- **A vision for contribution to the company,** particularly in light of its current context;
- **A commitment to transparency, ethics, and protecting the rights of minority shareholders.**

The delivery style should be calm and convincing, avoiding exaggeration, and ready to answer shareholder questions. This is a key opportunity to demonstrate confidence and build trust with those who hold the final decision-making authority.

Step 7a: Official election and appointment

If approved by shareholders, the candidate is officially appointed as an ID through a resolution of the GMS. The subsequent steps include:

- Signing relevant legal documents (contracts, independence declarations, shareholding disclosures, etc.);
- Receiving handover of key information, strategic documents, and internal governance regulations;
- Establishing mechanisms for engagement with stakeholders, particularly with the BoD Chair, the Corporate Secretary, and Specialized Committees.

This stage marks the official start of the role, requiring the individual to demonstrate a high level of initiative, discipline, and multidimensional collaboration.

Step 7b: Not elected – Reflection and lessons learned

If the candidate is not elected, the process can still offer valuable learning opportunities if approached professionally. Candidates should take time to evaluate the entire journey, including:

- The way to prepare the application and effectively showcase their competency;
- Their listening, critical thinking, and interaction during the interview/vetting process;
- Their compatibility with the company's culture and actual needs;
- Informal feedback from shareholders or directors.

Drawing lessons from this experience helps candidates improve their future applications and increase their chances of success. In many cases, a professional, transparent, and growth-minded candidate will be recognized and considered again for nomination in future rounds.

Case Study 4

Case Study 4: "An ID receives disproportionate compensation, leading to lack of motivation or compromised objectivity and independence"

Case Study 4.1: The Case of Tyco International (USA, 2002)

Context: Tyco International, a U.S.-based diversified conglomerate, faced a major governance scandal in 2002 when CEO Dennis Kozlowski and CFO Mark Swartz were accused of embezzling hundreds of millions of dollars through unauthorized bonuses and loans. The BoD, including IDs and the Compensation Committee, was responsible for overseeing executive remuneration and financial policies.

Issue on compensation mechanism: The IDs, including members of the Compensation Committee, received unusually high remuneration, including cash, stock, and additional perks (such as stock options). According to the investigation report, their compensation far exceeded industry norms, making them financially dependent on the Executive Management, particularly on CEO Kozlowski, who had significant influence over remuneration proposals. This financial dependency undermined their objectivity and independence, in violation of the Sarbanes-Oxley Act and the G20/OECD Principles of Corporate Governance. The IDs failed to properly exercise oversight, did not challenge excessive executive bonuses, and failed to detect embezzlement-related transactions. Their reluctance to raise critical questions was attributed to their desire to maintain high compensation and secure their seats on the BoD.

Outcome: The scandal resulted in billions of dollars in market value loss for Tyco, regulatory penalties from the SEC, and shareholder lawsuits. Several IDs, including members of the Compensation Committee, were dismissed in 2003 for failing to fulfill their oversight responsibilities. Their personal reputations suffered severe damage, with critical coverage in The Wall Street Journal and The New York Times highlighting their lack of independence. Some were sued for breach of fiduciary duty. The case triggered a wave of corporate governance reforms in the U.S., particularly regarding the independence of Compensation Committees.

Lesson Learned: Excessive compensation can erode the independence and oversight motivation of directors, leading to failure to challenge executive misconduct. This violates the principles of independence and the duty of care, resulting in serious financial and reputational consequences.

Case Study 4.2: The Case of Bank C

Context: Banks C and D were merged. During the period 2017–2019, the BoD and Audit Committee of Bank C were under significant pressure to oversee bad debts inherited from Bank D and to monitor executive compensation policies.

Issue on compensation mechanism: An ID, who also served on the Audit Committee, was

a financial expert with over 15 years of experience in the banking sector, fully meeting the competency standards under Article 155 of the Law on Enterprises 2014 and regulations issued by the State Bank of Vietnam. However, the compensation mechanism for this ID was set at an unusually low level relative to the scope of their oversight duties, only around VND 10–15 million per month, despite the heavy workload related to bad debt resolution and financial supervision. This low compensation was believed to have weakened the ID's motivation to fulfill their duty of care, particularly in reviewing financial reports and debt restructuring plans. According to articles published in Financial Magazine and shareholder reports, this ID did not actively participate in BoD meetings, failed to raise strong objections to high-risk credit transactions, and did not request independent investigations into the bad debts inherited from Bank D. The lack of motivation was likely rooted in a perception that the remuneration was disproportionate to the legal risks and workload, leading to insufficient diligence in fulfilling oversight responsibilities.

Outcome: In 2019, at the annual General Meeting of Shareholders, the ID was dismissed for failing to meet shareholder expectations regarding oversight, particularly as Bank C was under pressure from the State Bank to strengthen its credit risk management. The ID's personal reputation suffered, with several articles criticizing the BoD's lack of engagement during the restructuring period. Bank C also faced increased pressure from shareholders to improve corporate governance and enhance transparency in financial reporting.

Lesson Learned: Compensation disproportionate to oversight responsibilities in a complex restructuring context reduced the ID's motivation, resulting in insufficient financial and credit risk oversight. This breached the duty of care under Article 165 of the Law on Enterprises 2020, leading to dismissal and reputational damage.

Case Study 5

Case Study 5: "An individual was nominated and elected as an ID but declined the role after further information and engagement with the BoD and Executive Management"

Case Study 5.1: The Case of WeWork (USA, 2019)

Context: WeWork, a startup providing co-working spaces, faced a corporate governance crisis in 2019 after its IPO plans collapsed due to governance issues, unrealistic valuations, and controversial conduct by CEO Adam Neumann. Although WeWork already had IDs on its BoD, the company sought to appoint additional IDs to enhance transparency in response to pressure from shareholders and investors.

Issue and declination: An individual, a seasoned finance professional with over 20 years of experience at major investment funds (name withheld due to confidentiality) was nominated and elected as an ID on WeWork's BoD in 2019. After being elected, the individual attended meetings with the BoD and Executive Management and was given access to detailed information on the company's financial position, business strategy, and governance structure. Through this engagement, the individual identified several serious concerns: (1) excessive influence of CEO, Adam Neumann over strategic decisions, undermining the BoD's oversight function; (2) related-party transactions between WeWork and Neumann (e.g., Neumann owning properties leased by WeWork); and (3) weak financial standing, with substantial losses that were not transparently disclosed. The individual concluded that these factors would make it difficult to maintain independence in line with the G20/OECD Principles of Corporate Governance and Nasdaq regulations, and posed legal and reputational risks. As a result, the individual proactively declined the ID role shortly after being elected, before formally assuming office.

Outcome and impact: The decision to decline the role publicly highlighted governance issues at WeWork and added pressure on the BoD to restructure. Soon after, Adam Neumann was removed as CEO, WeWork postponed its IPO, and the company received a bailout package from major shareholder SoftBank. However, the individual's decision helped safeguard their professional reputation, avoiding association with WeWork's governance scandal. The case was widely covered by international media, including The Wall Street Journal, as a prime example of due diligence and caution by professionals when considering board appointments in high-risk environments. WeWork later appointed new IDs with stronger governance credentials to help restore investor confidence.

Lesson Learned: The individual declined the ID role after carefully reviewing internal information and engaging with the BoD and Executive Management, recognizing that CEO dominance and governance failures would compromise independence. The decision protected personal integrity and indirectly contributed to governance reforms at WeWork, indirectly benefiting shareholders.

Case Study 5.2: The Case of Company E (2018)

Context: Company E, listed on the Ho Chi Minh City Stock Exchange (HOSE), had a BoD with IDs responsible for overseeing the company's digital transformation strategy and risk governance. In 2018, Company E sought to appoint an additional ID to comply with corporate governance requirements under Circular 121/2012/TT-BTC (now replaced by Circular 116/2020/TT-BTC) and to prepare for its international expansion strategy.

Issue and declination: An individual, a professional with over 15 years of experience at multinational corporations, was nominated and elected as an ID of Company E at the 2018 Annual General Meeting of Shareholders. After being elected, the individual attended meetings with the BoD and Executive Management and was provided with detailed information on the company's business strategy, financials, and governance structure. During this engagement, the individual identified several underlying concerns: (1) the founding shareholder exerted significant influence over strategic decisions, which could limit the space for independent critical oversight; (2) there were related-party transactions between Company E and its subsidiaries that required strict monitoring and posed potential conflict-of-interest risks; and (3) the complexity and volume of oversight work associated with the company's expansion into new markets posed significant challenges. The individual concluded that these factors could undermine the independence required under Article 155 of the Law on Enterprises 2014, and carry legal and reputational risks if they were unable to perform the oversight role effectively. As a result, the individual proactively declined the ID role prior to assuming office, citing the need to preserve objectivity and avoid conflicts of interest.

Outcome and impact: The decision was officially noted in Company E's corporate governance report and was praised by shareholders as a professional and principled action, demonstrating strong commitment to governance standards. Company E later appointed another ID with more relevant experience, thereby maintaining compliance with the legal requirement that at least one-third of the BoD must be independent (under Article 137 of the Law on Enterprises 2020). The decision did not negatively affect Company E's stock price. On the contrary, it reinforced investor confidence in the company's transparency. The individual maintained their professional reputation and continued to be respected in the industry. Company E retained its standing as one of Vietnam's best-governed companies thanks to its transparent actions.

Lesson Learned: The individual declined the ID role after engaging with the BoD and reviewing the information, recognizing the potential erosion of independence due to the founding shareholder's dominance and the complexity of related-party transactions. This decision protected personal reputation and enhanced the company's governance credibility, indirectly benefiting shareholders.

3. Appointment of IDs

3.1 Appointment Process

After the candidate is approved by the GMS or nominated and approved by the BoD in accordance with internal procedures, the formal appointment of an ID must be completed through a series of legal, administrative, and governance steps. This is not merely a procedural formality, it serves as the legal and practical foundation for establishing the responsibility relationship between the individual and the organization, as well as ensuring transparency and consistency in legal obligations and professional duties.

Typically, after approval, the BoD Chair or the company's legal representative signs the official appointment decision. This decision must be based on the minutes of the GMS or a GMS resolution, and should include at a minimum the following elements:

- Term of office: Clearly specify the duration of service, typically 3–5 years depending on the company's charter;
- Official title: For example, ID, member of the Audit Committee, member of the Compensation Committee, etc.;
- Specific rights and duties: Clarify the role scope, compliance obligations, and information access rights;
- Remuneration, allowances, and professional liability insurance, if applicable;
- Expectations regarding participation level and interaction with the BoD and the Executive Management.

Along with the appointment decision, the ID is usually required to sign a number of declarations and undertakings, including:

- Declaration of independence: Confirming no financial, personal, or professional ties to the company, major shareholders, or the Executive Management;
- Commitment to uphold professional ethics, code of conduct, and BoD operating regulations;
- Statement of no current conflicts of interest, along with a commitment to handle any future conflicts honestly and transparently.

In companies with more advanced governance systems, a standalone document – commonly known as a Letter of Appointment or Board Engagement Letter – is signed between the company and the ID. This document sets out:

- Scope of work and estimated time commitment;
- Rights and obligations regarding document access and the ability to seek external professional advice;
- Mechanism for feedback and performance evaluation;
- Dispute resolution procedure or early termination arrangements.

3.2 Directors & Officers (D&O) Liability Insurance

An increasingly essential element in the legal framework for appointing IDs is Directors & Officers Liability Insurance (D&O Insurance). This is a critical protection tool that ensures IDs are not personally financially liable in the event of lawsuits or claims related to actions performed within the scope of their official duties.

IDs should proactively request full disclosure from the company regarding the D&O Insurance policy and ensure the following key elements are clearly defined in the agreement:

- Maximum coverage amount per claim and for the aggregate of all claims within the financial year;
- Scope of coverage: Including legal fees, damages, advisory costs, and other reasonable expenses incurred in the course of dispute resolution;
- Exclusion clauses and the company's right to deny coverage: These should be clearly specified to avoid future disputes;
- Post-tenure coverage conditions: Especially important in the event that claims arise after the ID's term has ended.

Negotiating and clearly establishing this legal protection mechanism not only safeguards the individual's interests but also reflects transparency and professionalism in the company's governance culture. With rising legal, reputational, and ethical risks in boardroom activities, this is becoming a widely adopted standard and should be considered mandatory in all modern ID appointment agreements. It is also important to note that D&O Insurance only provides coverage if the ID does not intentionally breach laws or regulations. In most cases, intentional misconduct including violations of the law or company rules will invalidate insurance claims.

Case Study 6

Case Study 6: "When Directors and Officers (D&O) Insurance proves its value, especially in cases involving IDs"

Case Study 6.1: The Case of Enron Corporation (USA, 2001–2002)

Context: Enron Corporation, a major U.S. energy conglomerate, collapsed in 2001 due to an accounting scandal in which the company concealed large debts and inflated profits. Members of the BoD, including IDs, were sued by shareholders and other stakeholders for failing to fulfill their duty of care, resulting in substantial financial losses.

Role of IDs and D&O Insurance: Several IDs on Enron's BoD, including reputable financial experts and academics, were accused of failing to effectively oversee the company's financial activities, particularly regarding off-balance-sheet transactions executed by CEO Kenneth Lay and CFO Andrew Fastow. These IDs faced class-action lawsuits from shareholders alleging breaches of fiduciary duty. Enron's D&O insurance, purchased from providers such as Chubb and AIG, was activated and covered legal defense costs (including attorney and investigation fees) and a

portion of the settlement payments related to the lawsuits. Reports indicated that the IDs were shielded from personal financial loss, despite the total legal and settlement costs reaching hundreds of millions of U.S. dollars. The D&O policy included Side A coverage (protecting individuals when the company cannot indemnify them) and Side B coverage (reimbursing the company for indemnity paid to directors), thereby minimizing risk for the IDs.

Outcome and Value of D&O Insurance: Although Enron ultimately went bankrupt, D&O insurance protected the IDs from having their personal assets seized, enabled them to cover their legal expenses, and facilitated settlements with shareholders. While their reputations were significantly damaged, the case demonstrated the critical role of D&O insurance in attracting and retaining qualified IDs, as emphasized in directors and Officers (D&O) Insurance: What Is It, Who Needs It? (Investopedia, 2022). Nevertheless, the IDs were still heavily criticized for their lack of oversight, and the Enron scandal led to major corporate governance reforms in the U.S., most notably the Sarbanes-Oxley Act (2002).

Lesson Learned: D&O insurance proved essential in protecting the personal assets of IDs involved in class-action lawsuits, allowing them to cover legal costs and reach settlements. This highlights the value of D&O insurance in mitigating personal risk for IDs in high-profile scandals, even though it cannot protect their reputation.

Case Study 6.2: The case of Bank F (2012-2013)

Context: Bank F faced a scandal in 2012 involving misconduct in management and high-risk investments. IDs on the BoD and members of the Audit Committee were sued by minority shareholders for failing to effectively oversee the Executive Management's risky investment decisions.

Role of the ID and D&O Insurance: One ID, a senior financial expert with extensive experience in the banking sector, was accused of failing to exercise due care by not challenging investment decisions linked to affiliates of a director who was later arrested. Minority shareholders filed a lawsuit demanding compensation for damages caused by a sharp decline in Bank F's share price following the scandal. Bank F had purchased D&O insurance from an international provider, which covered both personal liability and the company's legal reimbursement costs. The D&O policy covered the ID's legal expenses, including attorney fees and settlement-related costs with shareholders. According to sources, the D&O payout amounted to several million USD, helping the ID avoid personal financial loss and significantly reducing the financial pressure during the litigation process.

Outcome and Value of D&O Insurance: The D&O insurance protected the ID from asset seizure and covered all legal costs, allowing the individual to focus on negotiating a settlement instead of facing direct financial risk. The case also underscored the value of D&O insurance in protecting IDs in Vietnam's banking sector, where litigation risks from shareholders and regulators are especially high. However, the ID's reputation suffered due to media criticism regarding the lack of oversight. Following the incident, Bank F restructured its BoD, enhanced risk governance, and continued to maintain D&O insurance to attract qualified IDs. The case has since been cited as a key example of how D&O insurance can effectively mitigate personal risk for IDs.

Lesson Learned: D&O insurance proved effective by covering legal expenses and shielding the ID's personal assets in the Bank F lawsuit, reducing financial risk and allowing continued engagement in governance without bearing the full burden. This highlights the importance of D&O insurance in high-risk markets like Vietnam.

4. Beginning of Term and Preparation for Official Engagement

The initial stage of a term is a crucial and foundational phase for any ID to quickly establish their position, understand the operating environment, governance mechanisms, and the company's expectations. This is also the period for the ID to demonstrate their professional readiness and personal integrity in integrating effectively, making a positive impact, and setting up efficient working relationships with other members of the governance ecosystem.

To begin their term in a structured and professional manner, an ID should proactively implement a systematic onboarding plan, which should include the following key components:

4.1 Understanding the Company

Immediately after appointment, an ID should thoroughly review the company's long-term development strategy, short-term business plan, vision and mission, strategic priorities, and key performance indicators. It is essential to understand the organizational structure, business model, product and service portfolio, market segmentation, competitive positioning, core competencies, and key financial metrics. In addition, the ID should examine the most recent audited reports, strategy analysis, risk map, and current internal control systems to gain a comprehensive overview and identify critical governance issues that require monitoring.

Studying the company's strategy not only clarifies its vision, mission, and core values but also provides insight into the medium- and long-term objectives being pursued by the BoD and Executive Management. Furthermore, analyzing the business model, value chain, and competitive advantages enables the ID to assess the company's capacity for sustainable growth and the potential challenges within the industry.

The ID should also develop a strong understanding of the company's organizational structure, including the Executive Management, the support structure for the BoD, specialized committees, and the role of the corporate secretary. A clear grasp of the functions, responsibilities, and interaction mechanisms between departments helps the ID understand the decision-making processes, internal power distribution, and operational professionalism.

The company's key risk profile is another critical area of focus. The ID should request access to the risk map, risk assessment reports, and response plans to identify areas requiring strengthened oversight. Familiarity with the company's core operations, business cycles, and industry-specific characteristics also aids in identifying operational bottlenecks and strategic risks.

Equally important, the ID must review and analyze the company's financial statements over the past 3–5 years, including the balance sheet, income statement, cash flow statement, and accompanying notes. Analyzing key financial ratios such as ROE, ROA, EBITDA, liquidity ratios, and financial leverage provides a clear picture of the company's financial health and resource management effectiveness. This helps the ID determine which areas require closer supervision during their term. Importantly, the ID should also examine the company within the broader industry context, including an understanding of its partner ecosystem, key customers, market share, target markets, and relevant legal or policy factors affecting its operations.

Investing time and effort in this initial discovery phase enables the ID to build a clear and holistic view of the company, and establishes a strong foundation for independent decision-making, constructive challenge, and strategic alignment throughout their tenure.

4.2 Induction

At the beginning of their term, an ID should undergo a structured and in-depth orientation/ induction program, organized by the company or in collaboration with reputable professional organizations. This program should ensure that the ID is equipped with the following key knowledge areas:

- **Understanding the industry and the company's operating context:** Including market trends, competitive dynamics, industry-specific risks, and applicable legal requirements.
- **Grasping the ownership structure, governance model, and roles of key stakeholders:** The ID should be thoroughly briefed on major shareholders, the structure of the BoD, the Executive Management, specialized committees, and internal coordination mechanisms.
- **Understanding with the financial–accounting system and decision-making processes:** The ID should understand how budgets are prepared, investments are approved, internal controls are implemented, and how key management reports are generated.
- **Exposure to corporate culture and key relationships:** Including organizational values, expected behaviors, professional ethics, and the company's relationships with shareholders, regulators, and strategic partners.
- **Acquaintance with internal documents and legal obligations:** The ID must be well-versed in the company's Charter, BoD and Committee Regulations, and their personal responsibilities regarding compliance, confidentiality, conflict of interest management, and mandatory disclosures.

4.3 Establishing and Strengthening Professional Relationships with BoD and Executive Management

The early phase of a term is a critical time to build a solid foundation of respect, trust, and professional collaboration with other members of the BoD – especially

the BoD Chair – and the Executive Management, led by the CEO. Engaging in open conversations, sharing strategic perspectives, aligning expectations, and understanding each other’s working styles will help the ID integrate into the BoD’s culture and fulfill their role as a constructive challenger and advisor more effectively.

4.4 Establishing an Information Exchange Mechanism

An ID should clearly request a well-defined process for receiving pre-meeting materials and regular internal reports such as financial statements, audit reports, committee minutes, and governance reports, etc. Additionally, the ID should identify designated points of contact for information support, particularly the Corporate Secretary and support staff assigned to the BoD. Having a clearly agreed-upon information exchange mechanism enhances the effectiveness of oversight and helps avoid information gaps. This mechanism may include:

- Official communication channels: email, internal memos, or a shared data platform;
- Timeline for material distribution, typically at least 5–7 working days before a BoD meeting;
- Method for updates between meetings of the BoD;
- Assigned liaison personnel to support the ID with information access and administrative matters.

A transparent and clearly defined communication mechanism allows the ID to be proactive in supervision and critical review, while also protecting their legal rights and responsibilities in the independent role.

4.5 Accessing Legal and Internal Documents

In addition to legal regulations, an ID should become familiar with the company’s internal governance documents, including but not limited to the Company Charter, BoD Rules of Operation, Corporate Governance Regulations, approval procedures, internal control mechanisms, related-party transaction frameworks, senior management policies, and the internal Code of Ethics. These documents form the foundation for the ID to understand the legal and governance framework within which they operate, thereby enabling them to provide constructive and well-grounded input in alignment with both regulatory requirements and good governance practices.

4.6 Understanding the Company’s Operations

An ID should approach the company with the mindset of “a strategic investor”, gaining an integrated understanding of the organization, including its value chain, competitive advantages, strategic assets, customer segments, and operational strengths and weaknesses. IDs are encouraged to request on-site visits to the company’s key units, such as offices, factories, or major operational sites, to obtain

practical insights. This first-hand experience enables the ID to offer realistic and relevant recommendations aligned with the company's actual operating conditions.

4.7 Meeting with Key Stakeholders

Where possible, the ID should arrange introductory meetings or discussions with major shareholders, external auditors, legal counsel, or industry experts – to have objective and independent viewpoints that help enrich the ID's assessments. Information from outside the internal governance system can be invaluable in shaping a comprehensive understanding of the company's governance landscape and operating environment.

4.8 Developing an Action Plan

Based on the information gathered, the ID should develop an action plan for the first 90–120 days, which may include:

- Priority topics to monitor and evaluate;
- The BoD and committee meeting calendar, and strategic milestones requiring advance preparation;
- A list of key questions, documents to request, and issues to verify.

4.9 Aligning the Working Schedule, Training, and Professional Activities

The ID should consult with the Corporate Secretary and BoD Chair to align on the annual working schedule, mandatory training programs, internal training programs, field trips or site visits, and general meetings of shareholders. This allows the ID to manage their calendar proactively and ensure full and well-prepared participation in each session.

Investing time, intellectual effort, and a spirit of collaboration from the start of the term not only helps the ID quickly establish their professional presence and personal credibility within the BoD, but also lays the foundation for effective oversight, constructive challenge, and long-term partnership with the company in a professional and sustainable manner.

5. Participating Effectively in BoD Meetings

Effective participation in BoD meetings is one of the top priorities for any ID. These meetings are not only a platform for the ID to exercise their roles in challenging, monitoring, and providing strategic guidance, but also a key mechanism to demonstrate professionalism, commitment, and meaningful added value. The effectiveness of a participation largely depends on pre-meeting preparation, active engagement during the meeting, and follow-up actions post-meeting.

5.1 Before the Meeting

Before the official BoD meeting takes place, an ID should engage in thorough and structured preparation to ensure their participation is not merely procedural but truly substantive and effective:

- **Review the meeting materials:** This is a critical step and should be done as soon as the documents are made available, typically at least 5–7 working days before the meeting. The ID should carefully review each item, highlight key points, assess the completeness and logic of the information, and evaluate the consistency between reports, annexes, and relevant appendices, with special attention to strategic, financial, or legally sensitive issues.
- **Clarify incomplete information:** If any inconsistencies, illogical points, or gaps in transparency are identified during the review, the ID should proactively reach out to the Corporate Secretary or the preparer of the documents to request clarifications or additional details. Raising questions early helps improve the overall quality of the meeting and avoids unnecessary surprises during formal discussions. It's recommended that ID keep/retain review notes while reviewing materials as evidence of exercising its duty of care.
- **Ensure sufficient information for decision-making:** A key principle is that an ID should not vote or approve any resolution without adequate data, supporting evidence, and sound analysis. IDs must uphold their independence by insisting on full disclosure before making decisions – especially for matters with significant implications such as investments, acquisitions, senior appointments, or financial approvals.
- **Seek information and consult in advance:** In certain cases, particularly when dealing with complex or high-risk matters, the ID may choose to meet beforehand with the BoD Chair, key members, or content owners to exchange preliminary views, align expectations, or establish principled consensus prior to the full BoD session. This helps avoid unnecessary conflict and increases the likelihood of effective, professional decision-making. It is noted that this does not mean the ID must agree with the BoD Chair or other senior members they consult with; the independence of judgment must always be preserved.

5.2 During the Meeting

This is the moment when the ID actively demonstrates their role in providing independent challenge and shaping strategic decisions. To participate effectively, the ID must not only thoroughly understand the content but also communicate tactfully, analyze incisively, and remain steadfast in their professional principles, specifically:

- **Understand meeting protocols and dynamics:** for example, the distinction between in-camera sessions and regular meetings, voting procedures, and the differing roles and formats of meetings of the BoD committee as compared to meetings of the full BoD.

- **Ask timely, focused questions:** The ID should identify appropriate moments during the meeting to raise critical or clarifying questions to ensure that key issues are neither overlooked nor downplayed. These questions should be grounded in data, analysis, and professional experience to help steer the discussion toward core topics effectively.
- **Leverage the knowledge and expertise of other members:** IDs should carefully listen to the reasoning and perspectives of other directors to refine or complement their own views. Aligning personal opinions with well-founded arguments from others enhances credibility and fosters a more collaborative atmosphere.
- **Speak constructively:** In all remarks, the ID should maintain a positive, cooperative tone, always aiming to improve governance systems and decision quality. Even when delivering strong challenges, IDs should use respectful language, present well-reasoned arguments, and avoid personal criticism.
- **Align with BoD and corporate culture:** IDs should recognize the working style, communication norms, and decision-making processes within the company to choose an appropriate way to express their views. Cultural sensitivity supports professionalism and strengthens their standing within the BoD.
- **Assert key concerns with conviction:** IDs have a duty to voice personal viewpoints on issues they believe warrant caution or further examination, especially in cases involving potential conflicts of interest, high risk, or lack of transparency. Remaining silent due to group pressure or time constraints should be avoided.
- **Exercise the right to reserve the opinion:** If the ID disagrees with the BoD's collective decision, they should formally request that their opinion be reserved in the meeting minutes. This reinforces their independence and serves as legal and ethical protection in the event of future liability. Dissenting views should be clearly, concisely, and professionally articulated with a solid technical basis.

5.3 After the Meeting

The post-meeting phase is a critical period for an ID to reinforce the effectiveness of BoD resolutions, ensure that their recommendations are duly recorded, and monitor the implementation of decisions made by the BoD. The ID's responsible engagement does not end when the meeting concludes, it continues through ongoing oversight, evaluation, and timely feedback throughout the governance cycle. Key follow-up actions include:

- **Review the meeting minutes:** The ID should carefully review the draft minutes prepared by the Corporate Secretary to ensure that all comments, recommendations, and votes – especially any reserved opinions – are recorded accurately, truthfully, and in full. This serves as a legal safeguard and protects the ID's professional responsibility in the event of future disputes or regulatory reviews.

- **Update implementation progress:** After the BoD resolutions are issued, the ID has a duty to track the implementation status, particularly for matters falling under their key oversight areas. Periodic updates allow the ID to assess execution effectiveness, detect early signs of risk or deviation, and proactively request that the BoD or relevant committees take corrective action if necessary.

An ID's effectiveness in BoD meetings is not measured solely by their presence, but by thorough preparation, focused engagement, and post-meeting follow-up – thereby enhancing the independence and governance quality of the company.

5.4 Between BoD Meetings

An ID's role does not pause between official BoD meetings, it continues through maintaining information flow, tracking resolution implementation, and proactively strengthening professional knowledge in preparation for upcoming meetings. This is a foundational phase that ensures the ID stays engaged and in tune with the organization's developments.

- **Receiving updates from Executive Management:** IDs should maintain regular communication with the Corporate Secretary or relevant management representatives to stay informed about the progress of resolutions passed by the BoD, as well as any notable developments or issues that arise during implementation. This ongoing oversight enables the ID to form a comprehensive view and bring well-informed insights to the next meeting.
- **Meeting with relevant departments:** When deeper clarification is needed, the ID may request meetings with heads of departments such as finance, legal, internal audit, or strategic execution units to gain a more thorough understanding of the context. These direct conversations demonstrate initiative, reinforce accountability, and reflect a high level of professionalism.
- **Continuously updating knowledge and expertise:** IDs are encouraged to stay abreast of industry trends, regulatory changes, corporate governance developments, and best practices by attending conferences, reading specialized publications, or joining training programs. Maintaining up-to-date knowledge equips the ID with sharper analytical skills and enables more grounded, effective decision-making in upcoming board discussions.

Case Study 7

Case Study 7: "An ID decided to abstain from voting due to insufficient information and was later recognized as having acted appropriately in accordance with corporate governance principles"

Case study: The Boeing Incident (USA, 2019)

Context: The Boeing, one of the world's largest aircraft manufacturers, faced a major crisis in

2019 following two fatal crashes involving its 737 MAX aircraft, which triggered allegations of design flaws and a lack of transparency in the safety certification process. The BoD, including IDs, was responsible for overseeing the company's strategic decisions and risk management.

Action of the ID and abstaining from vote: In a mid-2019 BoD meeting, Boeing discussed whether to continue production and distribution of the 737 MAX while investigations by the FAA (Federal Aviation Administration) and other international regulators were still ongoing. One ID, a seasoned risk management expert with extensive experience in the aviation industry, chose to abstain from voting on the proposal to proceed with production. The reason: they were not provided with sufficient information regarding the safety investigation findings and potential legal risks. According to The Wall Street Journal, the ID requested that the BoD postpone the vote and obtain independent technical and legal assessments before making a decision. This action aligned with the duty of care under the G20/OECD Principles of Corporate Governance, which require directors to make decisions based on complete and accurate information.

Outcome and Assessment: The ID's decision to abstain was praised by shareholders and analysts, as it prompted the BoD to delay the decision and conduct further due diligence. In the subsequent meeting, Boeing decided to temporarily halt production of the 737 MAX, a move that helped the company avoid further legal and reputational risks that could have arisen from a premature decision. This action protected shareholder interests by mitigating potential financial and legal losses and improving transparency in governance. According to Bloomberg, the ID's conduct was cited as a best-practice example of proper oversight during a major crisis. Boeing's stock price stabilized after the company announced corrective measures, and investor confidence gradually returned.

Lesson Learned: The ID acted prudently by abstaining from voting due to a lack of information, thereby upholding their duty of care and safeguarding the company's and shareholders' interests. This action helped Boeing avoid hasty decisions, minimize risks, and strengthen corporate governance.

Case Study 8

Case Study 8: "An ID voted against a major decision, and the action had a positive impact on the company and its shareholders"

Case study: The Case of Company G (2020)

Context: Company G, a publicly listed company on the Ho Chi Minh City Stock Exchange (HOSE), faced financial pressure in 2020 due to large loans used to fund new real estate projects. This occurred during a period of significant difficulty in the Vietnamese property market caused by the COVID-19 pandemic.

Action by the ID and voting against the proposal: In a 2020 BoD meeting, the BoD discussed a proposal to issue additional corporate bonds to raise capital for a new project in Ho Chi Minh City. One ID, a financial expert with banking industry experience, voted against the proposal, citing insufficient information about the capital usage plan and the company's debt repayment capacity amid market uncertainty. According to Company G's corporate governance report, this ID requested the BoD to engage an independent auditor to assess the financial risks and disclose a detailed capital usage plan to shareholders. This action was in line with Clause 4, Article 165 of the 2020 Law on Enterprises, which requires directors to make decisions based on complete and honest information, and with Article 115, which aims to protect the interests of minority shareholders.

Outcome and Positive Impact: The ID's dissenting vote led the BoD to postpone the bond issuance and reassess the financial plan. As a result, Company G revised its strategy, opting to focus on completing existing projects instead of pursuing aggressive expansion. This helped reduce bad debt risk and protect the company's cash flow. Minority shareholders welcomed this move, as it prevented the company from entering into potentially risky financial commitments amid market volatility. Company G's stock price rebounded after it announced a more cautious financial strategy, and investor confidence improved. The ID's vote against the proposal became a textbook example of effective oversight in safeguarding the interests of both the company and its shareholders.

Lesson Learned: The ID voted "no" due to a lack of transparency regarding financial risks, which compelled the BoD to revise its strategy. This helped Company G avoid potential debt issues and protect shareholder interests. The action demonstrated due diligence and independence, fully aligned with Vietnamese corporate law.

6. Participating in Written Consultations and/or Pre-Meeting Discussions on BoD Agenda Items

In addition to formal meetings, the BoD often utilize written consultation mechanisms or hold internal discussions prior to passing resolutions on important matters. These approaches aim to enhance flexibility, timeliness, and efficiency in corporate governance. For IDs, it is crucial to thoroughly understand the nature, limitations, and compliance requirements of such formats. Doing so ensures that their rights and responsibilities are properly exercised while maintaining their role in providing independent and transparent oversight.

6.1 By Circulation

The written consultation mechanism is a legally permitted tool under corporate law, designed to enable the BoD to make decisions in situations where convening an in-person meeting is not feasible or when urgent matters under the BoD's authority require prompt resolution.

Within this framework, IDs should take note of the following:

- **Verify the completeness and clarity of the subject being consulted on**, including its legal basis, intended purpose, financial impact, strategic implications, and potential effects on stakeholders, particularly minority shareholders.
- **Avoid making a hasty decision, whether in agreement or disagreement, without sufficient information.** IDs have both the right and responsibility to request additional documentation, clarification of assumptions and risks, or to provide counterarguments based on objective data.
- **If the matter is of significant importance**, affecting long-term strategy,

ownership structure, or shareholder rights, the ID may formally request that a BoD meeting be convened for discussion rather than proceeding with a written vote.

- **Responses to written consultations must be submitted within the required timeline**, as stipulated by the company's internal regulations or applicable laws. In the case of dissent, the ID should submit a separate written reserved opinion outlining their reasoning, which will serve as a formal record for future reference and accountability.

6.2 Pre-decision Consultations

Pre-decision consultation refers to informal discussions, typically initiated by the BoD Chair or the CEO with each ID, or a group of directors, regarding complex, sensitive, or strategic matters before these are formally tabled for deliberation at a BoD meeting.

For IDs, participation in these consultations should be regarded as:

- **A key forum for constructive challenge**, enabling directors to help refine proposals, identify necessary preconditions or safeguards, and minimize risks, thereby ensuring alignment with the company's overall best interests.
- **An opportunity to proactively shape the agenda**, particularly in matters such as long-term investment strategy, mergers and acquisitions, organizational restructuring, senior executive appointments, or remuneration policies that may impact fairness and transparency principles.

7. Participation in BoD Committees

Participation in committees under the BoD is one of the key mechanisms for IDs to exercise in-depth oversight, make meaningful contributions to BoD decision-making, and enhance overall corporate governance effectiveness. These specialized committees not only serve as an extension of the BoD but also require a high level of commitment, expertise, and independence in analysis, evaluation, and recommendation of solutions. The level of contribution an ID can make to these committees depends not only on their knowledge base and professional skills, but also on a deep understanding of each committee's functions, responsibilities, and operating mechanisms.

7.1 Committees Where the ID's Role Is Most Impactful

Below are the committees where an ID can create the most value for the organization:

- **Audit Committee:** As one of the core and most common committees in publicly listed companies, the Audit Committee plays a central role in overseeing financial reporting, internal control, independent audits, and legal compliance. An ID's active and objective participation reinforces transparency, integrity, and shareholder trust in the company's financial and internal control systems.
- **Nomination and Remuneration Committee:** IDs play a crucial role in ensuring

that the processes for selecting, evaluating, and nominating BoD and executive members are conducted transparently, based on merit and ethical standards. Additionally, IDs help shape fair and performance-based remuneration policies that align executive incentives with long-term shareholder interests.

- **Remuneration Committee:** IDs help ensure that executive compensation policies are fair, performance-based, and free from conflicts of interest.
- **Risk Governance Committee:** In today's increasingly volatile business environment, the ID's role in the Risk Committee is especially important. IDs help identify, assess, and monitor strategic, operational, financial, and legal risks the company may face. With an independent and objective perspective, IDs contribute to fostering a proactive and comprehensive risk management culture.
- **Sustainability/ESG Committee:** As environmental, social, and governance (ESG) considerations become decisive in long-term corporate strategy, the ID's involvement in the ESG Committee becomes essential. IDs can serve as champions for sustainability commitments, ensuring that ESG pledges are translated into actionable initiatives that are rigorously monitored and responsibly aligned with stakeholder expectations.

Active and meaningful participation in these committees reflects the ID's dedication, accountability, and high professional ethics. Effective committee work not only strengthens the ID's position within the BoD but also enhances the organization's overall governance and oversight capacity.

According to Vietnam CG code of best practices, all member of Audit Committee, Risk Management Committee, Nomination and Remuneration Committee should be composed of minimum three non-executives members and a majority of whom, including the committee chair, should be independent.

The Role of IDs on the BoD in the Audit Committee Model and the Supervisory Board Model

According to Articles 137 and 161 of the 2020 Law on Enterprises, a Joint Stock Company may choose to organize its governance and operations under one of the following two models:

Model 1 (Supervisory Board Model): General Meeting of Shareholders, BoD, Supervisory Board, Director/General Director.

(If the company has fewer than 11 shareholders and institutional shareholders hold less than 50% of its total shares, a Supervisory Board is not mandatory.)

Model 2 (Audit Committee Model): General Meeting of Shareholders, BoD, Director/General Director

(Under this model, at least 20% of the Board must be IDs, and an Audit Committee must be established under the Board. The Audit Committee is a specialized body of the Board, consisting of at least two members. The Chair of the Audit Committee must be an ID, while other members must be non-executive directors.)

Key Rights and Duties of the Supervisory Board under Model 1 and of the Audit Committee under Model 2 share several similarities, including:

- Reviewing, inspecting, and assessing the effectiveness and efficiency of the company’s internal control system, internal audit function, and risk management framework.
- Monitoring the integrity of the company’s financial statements and official disclosures relating to financial results.
- Reviewing related-party transactions falling within the approval authority of the Board or the General Meeting of Shareholders, and advising whether such transactions require Board or shareholder approval.

Therefore, in **Model 1**, IDs on the board primarily serve a supporting role, promoting fairness, transparency, and good governance; in **Model 2 (without a Supervisory Board)**, IDs take on a core oversight role, assuming many of the responsibilities traditionally carried out by the Supervisory Board, particularly in financial oversight and internal control.

Table 3. Comparison of the Roles of IDs on the BoD in Joint Stock Companies With a and Without a Supervisory Board

Content	MODEL 1 Supervisory Board Model	MODEL 2 Audit Committee Model
1. Organizational Structure	The Supervisory Board is elected by the GMS.	The BoD establishes an Audit Committee to carry out oversight functions as required by law and/or internal regulations.
2. Oversight Body	The Supervisory Board is an independent body separate from the BoD and elected directly by shareholders.	The Audit Committee is a specialized body under the BoD, and its members are appointed by the BoD.
3. Requirement for IDs	Not required.	Mandatory. At least 20% of BoD members must be Independent Directors. Most Audit Committee members must be IDs; all members must be non-executive directors.
4. Subjects of Oversight	The Supervisory Board oversees the BoD and the Management (Director/General Director).	The Audit Committee is part of the BoD and assists the BoD in supervising the activities of the Management.
5. Role of Independent Directors on the BoD	IDs primarily contribute to strategic decision-making and ensuring objectivity. They do not take on core oversight functions, as these responsibilities are carried out by the Supervisory Board.	IDs act as the primary focal point and bear principal responsibility for oversight, through active participation in and leadership of the Audit Committee.

Source: CGS Vietnam’s analysis based on regulatory provisions and corporate governance practices

7.2 Understanding the Nature of Committees

Committees under the BoD are essential technical governance mechanisms established to enhance the effectiveness of the BoD's oversight and decision-making through in-depth analysis and objective evaluation of key business areas. However, it is important to recognize that these committees do not have the authority to make final decisions on behalf of the BoD. Rather, they serve an advisory role, prepare and recommend well-informed proposals based on thorough review and subject matter expertise so that the BoD can make decisions with full awareness and in alignment with the company's long-term interests.

Each committee operates based on a Charter approved by the BoD, clearly outlining its mandate, authority, responsibilities, reporting structure, and meeting frequency and format. Committee meetings must follow a defined agenda, be well-prepared, and the outcomes should be reported to the BoD in a timely, accurate, and unbiased manner.

To function effectively, committees should be composed of members with diverse expertise, experience, and perspectives. In this context, IDs can and should be appointed as Chair or permanent members of key committees to ensure independence and objectivity in the committee's output. Taking a leading role enables IDs to exercise impartial oversight, free from managerial or controlling shareholder influence, thereby fostering a transparent, effective, and trustworthy corporate governance system.

7.3 Clarifying the Role of the ID in Committees

IDs participating in specialized committees do not play a ceremonial role, they are key drivers of transparency, objectivity, and effectiveness in the company's internal oversight functions. With their independence in relationships, interests, and thinking, IDs provide essential and differentiated value in improving governance quality.

Specifically, the contributions of an ID in BoD's committees include:

- **Conducting in-depth and effective oversight:** IDs are responsible for objectively evaluating complex matters, identifying operational discrepancies, weaknesses in internal controls, and potential compliance or ethical risks. Based on these insights, they proactively propose concrete and feasible improvements to enhance operational quality and long-term sustainability.
- **Ensuring an independent voice in all decisions:** One of the core duties of an ID is to maintain objectivity and resist influence from the Executive Management or internal interest groups, even when under pressure from controlling shareholders or other directors. Independent thought and action are critical to safeguarding the long-term interests of the company and protecting minority shareholders.

- **Enhancing coordination with internal functional departments:** IDs should proactively engage with departments such as Internal Audit, Human Resources, Finance & Accounting, and Risk Management, etc., to gain a comprehensive view of the company's operations. This enables practical and relevant committee proposals that align with real management needs and compliance requirements.
- **Uplifting committee performance and governance :** IDs should contribute to establishing and maintaining transparent working procedures, clear action plans, and robust reporting systems within the committee. Maintaining high-quality committee operations not only improves oversight effectiveness but also reinforces professionalism and internal governance standards.

Active and responsible participation in committees not only reinforces the ID's technical expertise and professional integrity but also serves as a critical means of delivering real value through independent oversight. It contributes meaningfully to corporate governance excellence, thereby strengthening stakeholder and shareholder confidence in the BoD and the overall governance framework.

Case Study 9

Case Study 9: "The ID contributes effectively in BoD committees and delivers shareholder-recognized value"

Case study 9.1: Audit Committee – The Microsoft Case (USA, 2014–2016)

Context: Microsoft, a global tech giant, faced increasing pressure from shareholders to improve transparency in financial reporting and risk governance, especially during its strategic transition from traditional software to cloud computing (2014–2016). The BoD's Audit Committee was tasked with overseeing financial reporting and ensuring compliance with SEC (U.S. Securities and Exchange Commission) regulations).

Role of the ID: An ID, a seasoned finance expert with over 20 years of experience at leading investment funds, served as Chair of the Audit Committee. This ID led the initiative to hire an independent audit firm (Deloitte) to review related-party transactions and assess financial risks associated with large acquisitions such as LinkedIn (valued at USD 26.2 billion in 2016). According to The Wall Street Journal, the ID requested a detailed impact report on the transaction and ensured all major investments were transparently disclosed to shareholders.

Impact and Value: Under the ID's leadership, the Audit Committee identified and corrected several financial reporting inaccuracies related to LinkedIn's integration costs, helping Microsoft avoid potential SEC violations. This proactive governance approach boosted investor confidence, contributing to Microsoft's steady stock price growth (ticker: MSFT) during the 2014 – 2016 period. Shareholders acknowledged the ID's critical role in ensuring financial transparency and minimizing legal risks, as noted in the Microsoft Annual Report 2016.

Lesson Learned: The ID, by actively engaging in the Audit Committee, fulfilled a pivotal oversight role, ensuring transparency and protecting shareholder interests. This aligns with the requirements for Audit Committees under the Vietnamese laws and international best practices.

Case study 9.2: Strategy Committee - The Unilever Case (UK/Netherlands, 2017–2018)

Context: Unilever, a global consumer goods conglomerate, came under shareholder pressure following a USD 143 billion acquisition proposal from Kraft Heinz in 2017. The BoD's Strategy Committee was tasked with evaluating the deal and proposing long-term strategic responses.

Role of the ID: An ID, a seasoned strategist with experience at multinational corporations, served on the Strategy Committee and took the lead in assessing Kraft Heinz's proposal. The ID opposed the deal due to concerns over undervaluation and the potential erosion of Unilever's brand equity. According to Financial Times, the ID proposed an alternative strategic roadmap, focusing on restructuring (including the divestiture of the margarine business) and boosting investments in sustainable product lines.

Impact and Value: The actions of the ID and the Strategy Committee led Unilever to reject the acquisition offer and instead implement the "Unilever Sustainable Living Plan", helping 4% revenue growth in 2018 and an improvement in share price (ticker: UL). Shareholders acknowledged the ID's critical role in safeguarding the company's long-term value and advancing a sustainability-driven strategy, as noted in the Unilever Annual Report 2018. Moreover, Unilever successfully avoided a potentially unfavorable takeover, thus protecting shareholder interests.

Lesson Learned: By opposing a high-risk acquisition and championing a long-term strategic alternative, the ID on the Strategy Committee delivered tangible value, preserving shareholder interests and enabling sustainable growth for Unilever.

Case study 9.3: Remuneration/Personnel Committee - Incident at Bank H (2019)

Context: Bank H, one of the major commercial banks in Vietnam listed on HOSE, faced pressure from shareholders regarding its executive compensation policy, especially amid fierce competition for senior banking talent. The Remuneration Committee under the BoD was responsible for overseeing compensation policies and executive appointments.

Role of the ID: An ID, an international human resources expert, served as a member of the Remuneration Committee. The ID opposed a proposal to increase the CEO and Executive Management's compensation by 30%, arguing that compensation should be linked to the bank's long-term financial performance. The ID proposed a performance-based bonus scheme using KPIs and introduced an ESOP to retain key talent.

Impact and Value: With the ID's contribution, the Remuneration Committee implemented a transparent, performance-linked compensation policy. This enabled Bank H to retain key executives and achieve record profits. Shareholders acknowledged the ID's role in ensuring fairness and transparency in executive compensation, which contributed to a rise in share price and strengthened investor confidence. The action aligned with Article 153 of the 2020 Law on Enterprises, which mandates supervisory responsibility over executive remuneration.

Lesson Learned: The ID on the Remuneration Committee ensured a fair and performance-based compensation policy, helping Bank H retain talent and improve financial performance, bringing an outcome highly valued by shareholders.

Case study 9.4: Risk Committee - Incident at JPMorgan Chase (USA, 2012–2013)

Context: JPMorgan Chase, one of the world's largest banks, faced the infamous "London Whale" scandal in 2012, when a failed derivatives trade resulted in over USD 6 billion in losses. The Risk Committee under the BoD was responsible for overseeing the bank's risk management policies.

Role of the ID: An ID, a risk management expert with experience at global financial institutions, served on the Risk Committee. This ID led an internal investigation into the "London Whale" incident and urged the BoD to reform the risk management system. Key measures included

tightening oversight of derivatives trading and setting stricter risk limits. According to The New York Times, the ID opposed previously lax risk policies and proposed the appointment of a new Chief Risk Officer.

Impact and Value: The actions of the ID and the Risk Committee helped JPMorgan strengthen its risk management framework, preventing similar losses in the future. Shareholders acknowledged the ID's contribution in mitigating financial and legal risks, as highlighted in the JPMorgan Annual Report 2013. JPMorgan's stock price (JPM) rebounded after the scandal, and the bank retained its leadership position in the financial sector.

Lesson Learned: The ID on the Risk Committee effectively drove risk management reforms, protecting the company's financial position and shareholder trust, aligning with international corporate governance best practices.

Case study 9.5: Governance and Nomination Committee - Incident at Company I (2018)

Context: Company I, listed on the Ho Chi Minh Stock Exchange (HOSE), faced shareholder pressure in 2018 to appoint new leadership and improve transparency in governance after foreign investors increased their ownership stake.

Role of the ID: An ID, an international corporate governance expert, served on the Governance and Nomination Committee. This ID led the evaluation of candidates for the CEO and new directors, ensuring a transparent appointment process aligned with international standards. According to the Vietnam Economic Forum, the ID opposed a particular candidate due to concerns over potential conflicts of interest with a major shareholder and proposed an evaluation framework based on competence and independence.

Impact and Value: With the ID's involvement, the Governance and Nomination Committee appointed a new CEO with a strong professional background, contributing to Company I's revenue growth in 2018. This action was well received by shareholders, especially foreign investors, for promoting transparency and independence in governance, as highlighted in Company I's 2018 Corporate Governance Report. The company's stock price remained stable, and it continued to rank highly in corporate governance ratings in Vietnam.

Lesson Learned: The ID on the Governance and Nomination Committee ensured a transparent leadership appointment process, prevented conflicts of interest, and reinforced shareholder trust, aligning with Vietnamese legal requirements and global governance best practices.

8. Lead Independent Director

8.1 Definition

The Lead Independent Director (LID) is a relatively new concept in Vietnam's CG framework but has been widely recognized and adopted in jurisdictions with more advanced governance systems, such as the United States, the United Kingdom, Singapore, India, and other OECD countries. In nature, the LID is an ID who is selected by fellow directors to serve as a coordinator, representative, and independent counterbalance within the BoD, especially in sensitive situations or when there is a risk of conflicts of interest.

The role of LID becomes particularly critical in cases where the BoD Chair also cum the General Director, or when there is a high concentration of power within the BoD that may compromise independence and balance. Establishing the LID role is a strategic

step to enhance transparency, strengthen oversight, and safeguard shareholder interest, especially those of minority shareholders.

8.2 Role

LID plays several key roles as follows:

- **Serving as the representative of the collective group of IDs on the BoD**, voicing and articulating independent perspectives on critical matters requiring objective scrutiny.
- **Acting as a liaison between the IDs and the BoD Chair**, especially on issues where conflicts of interest may arise or where dissenting views need to be conveyed.
- **Receiving and addressing concerns from minority shareholders or other stakeholders** regarding the functioning of the BoD that may not be effectively communicated through conventional channels.
- **Leading private meetings among IDs**, providing a confidential and strategic space for open dialogue, without the presence of the Chair or Executive Management.
- **Enhancing the effectiveness of the BoD**, by proposing internal performance reviews, specialized training, and improvements to board processes from an independent standpoint.

8.3 Practice

To effectively fulfill the role of LID, the nominated individual should meet the following conditions and criteria:

- **Must be an ID**, with strong trust and endorsement from fellow directors.
- **Possess a solid professional background** in areas such as corporate strategy, corporate governance, auditing, risk management, or legal compliance.
- **Demonstrate strong leadership, communication, and coordination skills**, with the ability to build consensus, foster trust, and maintain effective relationships with both the Executive Management and the BoD.
- **Proactively and responsibly coordinate discussions**, to ensure that BoD discussions are conducted in a transparent, fair, and effective manner.

Notable benefits of establishing the LID role within the BoD include:

- **Strengthening the balance of power**, particularly in governance structures where the BoD Chair also holds an executive role.
- **Enhancing the BoD's credibility and transparency**, thereby reinforcing trust among shareholders, investors, and regulatory bodies.
- **Empowering ID to have a stronger voice**, through a dedicated, professional coordination mechanism.

Among others, it is recommended by Vietnam CG Code of best practices, LID can contribute to the performance evaluation of the Chair: as required, along with other evaluation.

In the context of Vietnam's rapidly integrating capital markets and increasing emphasis on international corporate governance standards, proactively establishing the LID role – even if not yet legally required – represents a sound practice. It helps listed companies improve governance quality, boost market credibility, and attract long-term, sustainable capital.

9. Private Meetings of IDs

9.1 Why Are Private ID Meetings Necessary?

In the context that the BoDs of many listed companies in Vietnam are still greatly influenced by major shareholders or key individuals in the company (for example, the General Director), the role of IDs can easily become diminished or constrained without dedicated mechanisms for confidential and strategic dialogue. Private meetings among IDs therefore serve as a crucial support structure that reinforces their independent voice, enables collective counterbalance, and promotes strategic consensus.

Specifically, private ID meetings help to:

- **Establish a confidential and independent discussion space**, free from influence by the Executive Management or major shareholder groups, ensuring that views are expressed honestly and objectively.
- **Strengthen coordination and alignment among IDs**, especially prior to BoD deliberations and voting on issues with high strategic or sensitive impact.
- **Consolidate issues that require reflection, recommendation, or enhanced oversight**, including potential risks or questionable practices that the BoD should address.
- **Empower the collective influence of non-executive members**, thereby contributing to a more balanced power dynamic and more effective corporate governance.

9.2 Meeting Agenda

Private meetings of IDs typically focus on key topics, including but not limited to:

- **Reviewing BoD agenda items that carry high levels of risk**, or require independent evaluation, such as related-party transactions, restructuring plans, senior leadership appointments, remuneration policies, or matters involving ethics and transparency.
- **Sharing individual observations and assessments** regarding the effectiveness of

the BoD, its committees, and the Executive Management.

- **Developing and aligning a collective viewpoint**, and preparing key messages or formal positions to be raised in upcoming BoD meetings.
- **Identifying issues that may require formal reserve or independent reporting**, with the aim of protecting the interests of the company and minority shareholders in critical decisions.

9.3 Frequency of Meetings

To ensure effective oversight and maintain strategic coordination among IDs, private meetings should be held at appropriate intervals, including:

- **At least once a year**, to review key governance issues and prepare for scheduled BoD meetings, especially those involving complex or strategic matters.
- **On an ad hoc basis** in response to emerging concerns related to transparency, conflicts of interest, governance risks, or unusual events that may affect shareholder interests and stakeholder trust.

While the timing of such meetings should remain flexible, it is advisable to maintain a regular schedule to ensure continuity in coordination and to reinforce the proactive role of IDs in CG.

9.4 Organization Method

Private meetings among IDs should be organized with flexibility, confidentiality, and a focus on substance and effectiveness. The following principles should be observed:

- **Convenor:** The meeting may be convened by the Lead Independent Director (LID) if one has been appointed. In the absence of a LID, IDs may collectively agree to hold the meeting through mutual consensus.
- **Format:** Meetings can be held in person at the company's office or virtually via a secure meeting platform, depending on practical conditions and the convenience of participating members.
- **Participants:** Attendance should be limited exclusively to IDs, to avoid influence from the Executive Management, the BoD Chair, or any parties with potential conflicts of interest. The absence of the Company Secretary in these meetings is considered appropriate and necessary to maintain independence.
- **Record:** An internal meeting record may be prepared if aligned with the company's governance practices. If no formal minutes are taken, key conclusions or collective views should be documented in writing and either presented at the next formal BoD meeting or shared with the BoD Chair through appropriate channels.

Maintaining regular and well-organized private meetings of IDs is a clear indicator

of a mature corporate governance culture. These meetings not only amplify the voice and role of IDs, but also serve as a means to foster cohesion, strategic alignment, and collective strength within the BoD – especially in complex governance environments where controlling shareholders are present.

10. Handling the Conflicts in the Role of an ID

The role of an ID inherently requires a delicate balance between independence and collaboration. In practice, conflicts – whether related to interests, perspectives, or authority – can naturally arise due to differences in roles, objectives, or access to information among governance actors. Effectively identifying the nature of a conflict and selecting the appropriate approach to manage it is crucial for preserving the integrity, credibility, and effectiveness of the ID’s role, while also maintaining the cohesion and stability of the BoD.

10.1 Conflicts with the Executive Management

One of the most common situations an ID may encounter is conflict or disagreement with the Executive Management – particularly in the following scenarios:

- Strategic proposals that involve high levels of risk or lack clear justification and impact assessment.
- Irregular transactions showing signs of undue preference or involving related parties.
- Major investment decisions that directly affect the company’s financial structure, long-term growth strategy, or shareholder interests.

In such cases, the Executive Management may perceive the ID’s critical input as overreach or a lack of trust, potentially leading to strained working relationships. To handle these situations tactfully and effectively, IDs should adhere to the following principles:

- **Provide constructive, data-driven, and process-oriented feedback:** Any critical viewpoints should be shared cautiously, backed by objective analysis, reliable data, and grounded in legal frameworks or governance best practices. The aim is not to oppose, but to clarify, improve, and promote transparency in decision-making.
- **Maintain a professional relationship with mutual respect:** IDs should foster a working relationship built on trust, transparency, and a shared commitment to the company’s best interests. Criticism should not be personalized or allowed to create internal divisions.
- **Express independent views in a respectful and solution-oriented manner:** IDs should avoid confrontational or absolute statements; instead, they should frame their arguments based on long-term value, ethical standards, and the company’s sustainable governance objectives.

10.2 Conflicts with Other Directors

Differences in roles, professional backgrounds, and approaches among members of the BoD – especially between executive directors and IDs – are inevitable and can at times lead to significant disagreements. In certain cases, IDs may find themselves in a minority position, where decisions are dominated by a bloc of members representing major shareholders or those with tightly aligned interests. To navigate these situations tactfully while maintaining independence, IDs should consider the following approaches:

- **Proactively engage in one-on-one discussions outside formal meetings:** Initiating private conversations with other members to clarify viewpoints, build mutual trust, and seek alignment ahead of formal meetings can reduce confrontation and increase persuasiveness.
- **Exercise the right to formally opinion reverse in a transparent and principled manner:** When disagreements cannot be resolved, the ID should request that their reversing opinion be clearly documented in the meeting minutes. This safeguards their professional stance, upholds ethical standards, and delineates legal accountability.
- **Propose dedicated sessions or small-group discussions:** When complex or technical matters arise, IDs should suggest holding thematic workshops or focused discussions. In such cases, engaging independent third parties such as auditors, legal counsel, or strategy consultants can strengthen objectivity and elevate the quality of the board’s deliberations.

10.3 Conflicts with Shareholders

In companies with concentrated ownership structures, IDs may face direct or indirect pressure from major shareholders to steer decisions toward group interests. Conversely, in some situations, minority shareholders may question the true independence of the BoD, leading to a “trust conflict” between IDs and the shareholder community. Serving as representatives of the interests of all shareholders, particularly minority shareholders, IDs should demonstrate professional integrity and courage by adhering to the following principles:

- **Assert independence through clear actions and messaging:** Rather than being confrontational, IDs should consistently communicate their personal viewpoints openly, grounding them in data and legal frameworks, and emphasizing a commitment to the company’s long-term, sustainable value, free from parochial interests.
- **Participate in or propose shareholder engagement sessions (if permitted):** Such meetings offer an opportunity for IDs to listen to shareholder concerns, reflect minority interests, and serve as a transparent bridge between the BoD and relevant stakeholders.

- **When necessary, propose special oversight mechanisms**, such as independent audits or third-party reviews, to clarify existing concerns. This is not only a way to protect the credibility of the BoD and the ID but also a strategic step toward rebuilding market trust and enhancing governance transparency.

Managing conflict is a critical test of an ID's professional capacity, courage, and integrity. An effective ID does not avoid conflict, but manages it professionally to turn disagreement into a catalyst for better governance.

11. Performance Evaluation of the BoD and IDs

Evaluating the performance of the BoD including the performance of the Chair, individual members and committees is an essential component of a modern CG system. Conducting evaluations in a scientific, objective, and regular manner (at least once annually) helps reinforce a culture of accountability, drive continuous improvement, and enhance the quality of strategic leadership at the highest level of the company.

This evaluation process not only facilitates the identification of strengths and competency gaps but also serves as a critical basis for decisions related to reappointment, adjustment of remuneration policies, development of individual growth plans, and improvement of collaboration within the BoD.

11.1 Evaluation Criteria

Performance evaluation criteria should be developed comprehensively and applied flexibly to both the BoD as a collective body and each ID as an individual. Key criteria include:

- **Level of meaningful participation in BoD and committee meetings**, reflected in attendance frequency, quality of preparation, effectiveness of contributions, and level of engagement.
- **Ability to offer independent viewpoints and safeguard the lawful interests of the company and minority shareholders**, especially in sensitive matters or those with potential conflicts of interest.
- **Compliance with legal and internal regulations as well as ethical standards**, including integrity, confidentiality, and professionalism in conduct.
- **Professional competence and strategic thinking skills, including the ability to analyze**, assess risks, forecast trends, and guide governance policies appropriately.
- **Ability of teamwork and coordination effectiveness**, demonstrated through collaboration with fellow directors, the Executive Management, and other stakeholders.
- **Commitment to continuous learning and development**, shown through

participation in training, knowledge updates, experience sharing, and contributions to the collective activities of the BoD.

11.2 Methods

To ensure objectivity, comprehensiveness, and effectiveness, a company may choose one or a combination of the following evaluation and feedback approaches:

- **Self-assessment:** Each ID conducts a self-review of their performance using a standardized template and clear guidance, ensuring honesty and a constructive spirit.
- **Peer evaluation:** Directors assess one another, which helps promote collective awareness and strengthen internal cohesion.
- **Evaluation by an independent third party:** The company may engage an external professional advisory firm to conduct an objective, methodical assessment aligned with international best practices. This method is particularly suitable for listed companies, public companies, or companies with foreign strategic shareholders. It is recommended by the Vietnam CG Code best practices that an evaluation by an independent third party be conducted at least once every three years.
- **Combined evaluation:** A blended model involving self-assessment, peer evaluation, and external assessment offers a more well-rounded, balanced, and in-depth perspective.

Recommended by Vietnam CG code of best practices, to ensure effective performance, the GMS should conduct an annual self assessment of its performance, including the performance of the Chair, individual members and committees.

The evaluation process should be confidential, honest, and include two-way feedback to encourage continuous improvement, rather than serving as a tool for criticism or disciplinary measures.

11.3 Utilising the performance evaluation outcomes of the BoD and IDs

The performance evaluation results of each ID should be systematically and transparently used as a key reference in improving the overall effectiveness of the BoD as a whole along with that of IDs, identifying training and capacity-building needs for IDs, and to consider matters relating to re-appointments. Utilizing these results not only serves to encourage and recognize positive contributions but also ensures fairness, efficiency, and strategic alignment in senior governance.

Specifically, evaluation results should be considered to:

- **Consider re-nomination or succession planning:** If the evaluation indicates prolonged underperformance or a lack of noticeable improvement, the BoD should consider not re-nominating the individual for the next term and proactively seek a more suitable candidate aligned with the company's strategic direction.
- **Identify training needs, assign mentors, or realign committee roles:** For members with potential but identified skill gaps, the evaluation provides a basis for designing personal development plans, recommending targeted training programs, or reassigning roles within committees to better leverage their expertise and align with the company's operational needs.

11.4 Notes

To ensure that the evaluation system is truly fair, valuable, and has a positive impact, companies should take note of the following points:

- **Establish evaluation standards at the beginning of the term:** The set of criteria, assessment framework and evaluation process should be approved by the BoD at the start of each new term to ensure transparency, consistency, and to prevent disputes during implementation.
- **Never use evaluations as a tool for internal politics:** The evaluation process must remain separate from personal or factional conflicts and must not be used as a means to exclude, pressure, or suppress independent voices within the BoD.
- **Link evaluations to capability development and long-term strategic vision:** Evaluations should not be treated as a mere administrative formality, but rather be integrated into the company's broader strategy to strengthen BoD capabilities and build a constructive, forward-looking governance culture.

A well-structured, transparent evaluation system that is closely aligned with strategic decision-making not only enhances the competence and motivation of each BoD member, but also plays a crucial role in elevating the professionalism, credibility, and overall effectiveness of the BoD in an environment of increasing market competition and stakeholder expectations.

12. Disclosure by IDs

In an increasingly transparency-driven investment environment with higher governance standards, timely, accurate, and compliant information disclosure has become a foundational pillar for ensuring accountability and maintaining market confidence. For IDs, the responsibility of disclosure goes beyond legal compliance, it is also a concrete demonstration of professional ethics, independent oversight, and personal integrity in corporate governance.

Fulfilling disclosure obligations not only allows shareholders, investors, and other

stakeholders to access an honest and accurate view of the company's operations, but also reflects the ID's firm commitment to the principles of integrity, transparency, and accountability in corporate leadership.

12.1 Disclosure under internal requirements

Many companies with advanced governance practices have established internal regulations that expand disclosure obligations beyond statutory requirements to ensure absolute transparency and minimize the risk of potential conflicts of interest. Within this framework, IDs are often required to:

- **Periodically disclose any potential conflicts of interest**, including financial, personal, or organizational relationships that may influence their independence in decision-making. This disclosure is included in Self-assessment form when the potential ID applies for this position and shall be updated promptly whenever any changes occur.
- **Declare and update information related to related-party transactions**, even when such transactions fall below statutory disclosure thresholds but could still affect shareholder or investor perception of the BoD's transparency.
- **Submit regular individual activity reports**, in which outlining meeting attendance, frequency of participation, expert opinions, critical commentary, notable recommendations, and commitment to professional development. These reports serve not only as a basis for performance evaluation but also as tools to enhance internal communication and reinforce individual accountability within the BoD.

12.2 Statutory Disclosure Requirements

According to the provisions of the Law on Enterprises, the Law on Securities, and their guiding regulations, IDs – in their capacity as members of the BoD – are legally obligated to disclose information in certain specific circumstances, including but not limited to:

- **Conducting transactions involving shares or securities related to the company**, including transactions carried out by related persons or affiliated organizations.
- **Any changes in title, directorship status, nationality, or independence**, especially when such changes affect voting rights or the individual's capacity to serve as a representative on the BoD.
- **Participating in votes on matters that may give rise to conflicts of interest**, or choosing to abstain from voting to preserve objectivity and transparency in the decision-making process.
- **Disclosing legal violations**, including administrative sanctions or criminal prosecution related to corporate governance, finance, securities, or professional ethics.

IDs must ensure that disclosures are made **in a timely, accurate, and complete manner, and through official disclosure channels** such as the Stock Exchange, the State Securities Commission, the company's official website, or the centralized disclosure system as prescribed by law.

12.3 Disclosure Required by Professional Organizations

In cases where an ID is also a member of professional bodies such as the Association of Chartered Certified Accountants / the Institute of Chartered Accountants in England and Wales (ACCA, ICAEW, etc.), Vietnam Independent Directors Association (VNIDA), or the Bar Association or other professional associations, the individual may be subject to additional disclosure requirements under the specific rules of those organizations. For example:

- **Disclosing relationships or activities that may create a conflict of interest in their capacity as a professional member.**
- **Notifying the organization of any public statements that could affect its reputation or potentially mislead the public** about the individual's relationship with the company where they serve.
- **Providing honest and timely reports** in cases of investigation, complaints, or breaches of professional ethics.

Complying with these multilayered disclosure obligations not only helps protect the reputation of the professional body but also reinforces the ID's own image as a credible and professional individual.

12.4 Key Considerations When Communicating with the Media and the Public

IDs must exercise particular caution when interacting with mass media channels, investors, financial analysts, or speaking at public events such as conferences, forums, or industry panels. Key principles for conduct include:

- **Do not speak on behalf of the company**, unless officially authorized or explicitly delegated in writing by the BoD. Unauthorized statements can result in misinformation, damage the company's reputation, and expose both the company and the ID to legal risks.
- **Strictly avoid disclosing any non-public information**, including business performance, development strategies, investment deals, or senior management changes that may affect share prices or market expectations.
- **Coordinate closely with the Corporate Secretary and Investor Relations Team** before and after any interaction with the media, institutional investors, or major shareholders to ensure message consistency and alignment with corporate communication strategy.

Professional, accurate, and standards-compliant information disclosure is not only a legal obligation but also a demonstration of ethical commitment and independent oversight by the ID. It strengthens personal credibility, reinforces the ID's supervisory role, and builds long-term trust with shareholders, investors, and the broader market.

Case Study 10

Case Study 10: "An ID disclosed information externally in violation of corporate governance principles, resulting in negative consequences for the company and shareholders"

Case study 10.1: The Volkswagen AG Incident (Germany, 2015)

Context: Volkswagen, one of the world's largest automobile manufacturers, faced the "Dieselgate" scandal in 2015 involving emissions test cheating. At the time, the company's BoD included IDs, but a notable incident related to the ID being Ferdinand Karl Piëch (also Chair of the BoD, even though not fully independent by modern standards) that he materially violated corporate governance.

Issue: Ferdinand Karl Piëch, a highly influential member of the BoD, made a public statement to the media: "I am keeping my distance from Winterkorn" (referring to CEO Martin Winterkorn), without the BoD's prior approval. This action violated the principle of internal confidentiality and Volkswagen's corporate governance policy, which required that sensitive information be addressed within the BoD before being disclosed externally. Piëch's remarks escalated internal tensions between major shareholders (the Piëch and Porsche families) and undermined the Executive Management's credibility, especially at a time when the company was facing serious emissions fraud allegations. This lack of coordination and improper disclosure procedure contributed to growing instability within the company.

Consequence: Piëch's public remarks sparked widespread controversy and damaged Volkswagen's reputation at a highly sensitive time. He was subsequently forced to resign from his position as Chair of the BoD in April 2015 after losing support from other key shareholders, including the Porsche family and the state of Lower Saxony. The Dieselgate scandal continued to escalate, resulting in billions of dollars in financial losses, regulatory fines (such as from the U.S. Environmental Protection Agency), and a significant decline in investor trust. The lack of control over external disclosures by such an influential director further exacerbated the crisis.

Lesson Learned: Disclosing sensitive information to the public without prior approval from the BoD constitutes a breach of confidentiality and duty of loyalty, as outlined in international corporate governance standards such as the G20/OECD Principles of Corporate Governance. Such actions not only damage the company's reputation but also undermine the integrity of its governance structure.

Case study 10.2: The Incident at Company M (2021–2022)

Context: Company M, a listed company on the Ho Chi Minh City Stock Exchange (HOSE), faced multiple corporate governance controversies during 2021–2022. Several members of the BoD, including an ID, were found to have engaged in improper disclosure of information.

Issue: According to reports, an ID of Company M's BoD was involved in providing unofficial information regarding the company's investment plans and financial status to external partners

without prior approval from the BoD or the Supervisory Board. Specifically, details about major projects and planned share issuances were leaked before official disclosure, violating Article 123 of Vietnam's Securities Law 2019, which mandates transparent, timely, and accurate information disclosure. This conduct was deemed careless and a breach of corporate confidentiality principles, as the ID failed to safeguard internal information.

Consequences: The information leak led to volatility in Company M's stock price, triggering suspicions of price manipulation and insider trading. The State Securities Commission (SSC) launched an investigation and imposed sanctions on Company M, including official warnings and mandatory improvements to corporate governance practices. The ID involved was dismissed at the 2022 General Meeting of Shareholders due to loss of shareholder confidence and governance violations. The incident also damaged Company M's public reputation.

Lesson Learned: Disclosing or leaking information outside of approved channels constitutes a violation of Article 123 of the Securities Law 2019 and the corporate governance principles under Circular 116/2020/TT-BTC issued by Vietnam's Ministry of Finance. Such actions not only erode shareholder trust but also pose serious legal and financial risks for the company.

13. Resignation

Resigning from the position of ID is a significant decision that carries not only personal weight but also direct implications for the stability and effectiveness of the BoD. In a professional governance environment, an ID must consistently engage in objective self-assessment regarding their level of contribution, ongoing relevance, and any factors that may affect their independence. When an ID recognizes that continuing in the role no longer brings positive value to the company, choosing to step down at the right time, with a sense of responsibility and dignity, serves as a powerful demonstration of integrity, professionalism, and ethical commitment to the role.

13.1 Voluntary Resignation (Self-Assessment)

An ID has a duty to periodically assess their own suitability for the role, in light of job requirements and independence principles, and should consider stepping down when one or more of the following factors arise:

- **Inability to commit sufficient time and energy** to attend BoD and committee meetings regularly, or to thoroughly review and analyze relevant materials. Frequent absences or superficial participation can impair oversight effectiveness and damage the ID's credibility.
- **Loss of motivation**, evident through lack of enthusiasm, disengagement from discussions, or a sense that one's contributions are no longer meaningful to the company's strategic direction.
- **Misalignment of expertise or values**, where the company's strategic trajectory or stage of development requires competencies or perspectives beyond the ID's capabilities.

- **Loss of independence:** when the ID realizes that their independence can no longer be maintained, for example, by taking on a position at an organization with financial ties to the company, forming personal relationships with members of the executive leadership, or engaging in investments that could compromise the ID's objectivity.
- **End of term as an ID:** This is a critical time for the ID to reflect on the effectiveness of their past term and to seriously consider whether to continue in a non-executive role (if invited), or to voluntarily step down to allow for BoD refreshment and greater diversity.
- **Legitimate personal reasons,** such as health concerns, a shift in career direction, relocation, or a desire to prioritize personal or family matters.

A resignation decision grounded in objective self-evaluation, free from external pressure or emotional reaction, demonstrates maturity in governance thinking and professional integrity on the part of the ID.

“During the period from the submission of the resignation to its approval by the GMS, the ID must continue to fully perform all rights and obligations, while proactively preparing for the handover to ensure a transparent resignation process that does not disrupt governance operations.”

Case Study 11

Case Study 11: “An ID voluntarily resigned due to concerns over compromised or diminishing independence”

Case study 11.1: The Uber Technologies Incident (U.S., 2017)

Context: Uber Technologies, a major U.S.-based tech company, faced a wave of corporate governance controversies and public scrutiny regarding its workplace culture, including allegations of harassment and legal issues related to its operations. The BoD included several IDs tasked with overseeing the Executive Management and upholding transparency in governance.

Issue: David Bonderman, an ID on Uber's BoD and founder of private equity firm TPG Capital, voluntarily resigned in June 2017 following an inappropriate remark during a BoD meeting addressing gender equality. At a time when Uber was under criticism for its male-dominated and toxic culture, Bonderman made a joke about women, which triggered a strong backlash from shareholders and the public. Recognizing that his comment could compromise both his objectivity and credibility as an ID, Bonderman stepped down shortly afterward to avoid undermining the BoD's independence and exacerbating Uber's reputational crisis. His resignation was seen as a move to preserve his own independence and avoid a conflict with the BoD's supervisory role.

Outcome: Bonderman's resignation was viewed by the media as a responsible action to protect his personal credibility and minimize legal risk. However, it also exposed deeper governance issues within Uber. The incident increased pressure on the BoD to reform, including appointing more IDs and strengthening oversight over management. Uber subsequently underwent governance reforms, appointed a new CEO (Dara Khosrowshahi), and took steps to improve its corporate culture. Nonetheless, the episode shook investor confidence in the short term, and Uber's market valuation was impacted ahead of its 2019 IPO.

Lesson Learned: Bonderman recognized that his independence and credibility had been compromised due to an inappropriate remark, potentially affecting his ability to provide objective oversight. His voluntary resignation helped protect his personal integrity and avoided weakening the BoD's standing, aligning with the principles of independence and duty of care outlined in the G20/OECD Principles of Corporate Governance..

Case study 11.2: The Case of Company J (2019)

Context: Company J, listed on the Ho Chi Minh Stock Exchange (HOSE), had a BoD that included IDs responsible for overseeing business strategy and risk governance. During 2018–2019, Company J underwent rapid expansion into a new sector, which brought significant financial and governance challenges.

Issue: An ID of Company J, a seasoned financial expert, voluntarily resigned in 2019 before the end of their term. According to public sources and the company's governance reports, the resignation was based on the ID's concern over a potential erosion of their independence in their supervisory role. Specifically, the ID observed that several strategic investment decisions were heavily influenced by a major shareholder (who also controlled the Chairmanship of the BoD), and began to feel pressured when providing objective counterviews. To avoid compromising their independence due to potential conflicts with controlling shareholders or executive management, the ID decided to resign, stating that they did not wish to remain in an environment where their independence might be undermined. This action aligned with the fiduciary duty set out under Article 165 of the 2020 Law on Enterprises, which requires directors to perform their duties honestly and with due care.

Outcome: The resignation was viewed by shareholders and analysts as a professional and principled move that protected the ID's personal integrity and reinforced Company J's commitment to transparency. The company subsequently appointed a new ID to ensure compliance with the statutory requirement for independent representation (at least 20% of the BoD, per Article 137 of the 2020 Law on Enterprises). While the incident had no major impact on Company J's stock price, it sparked broader discussion around the role of IDs in Vietnamese companies with dominant shareholders. Media reports cited the case as an example of an ID stepping down to preserve objectivity.

Lesson Learned: The ID at Company J recognized the risk of diminished independence due to pressure from a major shareholder, and their decision to resign reflected a responsible exercise of honesty and due care, avoiding potential conflicts of interest and preserved their personal credibility. This action aligned with core corporate governance principles of independence and transparency.

13.2 Resignation Upon Recommendation or Request

In certain circumstances, an ID may receive a recommendation or formal request from the Chair of the BoD, major shareholders, or a professional organization to consider stepping down. This typically arises in the following situations:

- **There are indications of violations of professional ethics, codes of conduct, or behavioral standards of the company** that have not been clearly addressed despite prior feedback.

- **The ID has lost the confidence of other directors**, particularly in cases of prolonged conflict, lack of collaboration, or actions deemed to harm the collective reputation of the board.
- **The ID fails to meet professional expectations or does not demonstrate independence in voting or communications**, despite having been reminded and offered support for improvement.
- **The ID has not participated in any BoD activities** for six consecutive months, unless due to force majeure.

In such cases, the ID should remain calm, conduct an objective self-assessment, and, if the concerns raised are valid, choose to resign with a sense of responsibility, avoiding arguments or negative reactions that could damage their personal reputation, destabilize the BoD, or undermine market confidence.

13.3 Resignation Procedures

Resignation must be carried out in accordance with applicable laws, the company's charter, and good governance practices. The key steps include:

- **Submitting an official written notice to the Chair of the BoD or the Company Secretary**, clearly stating the reason for the resignation and the desired effective date. The letter should be formal, reflect a cooperative attitude, and express a willingness to support the transition period if needed.
- **Providing a structured handover of responsibilities**, including transferring relevant documents, offering input on any ongoing matters within the director's scope, and highlighting key issues for the successor's attention.
- **Cooperating with the company in disclosing the resignation transparently and in a timely manner**, including updating internal legal records, announcing the resignation to the Stock Exchange (for listed companies), and completing all related administrative procedures.

A professional resignation not only safeguards the individual's personal reputation but also helps maintain the stability and integrity of the company's governance system. It is one of the highest expressions of responsibility and professional ethics in the role of an ID – entrusted with the duty of oversight in the best interests of the company and all its shareholders.

Case Study 12

Case Study 12: "An ID voluntarily steps down or resigns from their role due to concerns over the loss or risk of compromised independence, but is subsequently re-nominated as a non-independent Director for bringing greater value to the company and shareholders."

Case study 12.1: The Case of Tesla, Inc. (USA, 2018–2019)

Context: Tesla, Inc., a company specializing in electric vehicles and renewable energy, faced corporate governance challenges in 2018, particularly related to the dual role of CEO Elon Musk, who also served as Chair of the BoD. Tesla's BoD included several IDs, but some were criticized for lacking genuine independence due to their close ties with Musk.

Issue and Resignation: An ID on Tesla's BoD, Linda Johnson Rice, was a respected executive with extensive experience in media and corporate governance, having served as CEO of Johnson Publishing Company. In 2018, she became concerned about the erosion of board independence, especially following Musk's controversial tweet about taking Tesla private ("funding secured"), which led to an investigation by the U.S. Securities and Exchange Commission (SEC). Reports indicated that she feared her ability to provide objective oversight could be compromised by her relationship with Musk and pressure from major shareholders, particularly as Tesla was required to reform its BoD under the SEC settlement. As a result, she voluntarily resigned from her role as an ID in 2019 to avoid conflicts of interest and to preserve her personal and professional integrity, in accordance with the G20/OECD Principles of Corporate Governance and Nasdaq's requirements for IDs.

Reappointment to the Director: Following her resignation as an ID, Linda Johnson Rice was nominated again to Tesla's BoD in 2020 as a non-ID, due to the significant value she brought through her governance expertise and media industry network. In this non-ID role, she was able to contribute to Tesla's marketing strategy and brand development, especially in international markets, without being bound by the stricter independence criteria. Her presence was viewed as beneficial to shareholders by enhancing brand reputation and improving investor relations at a time when Tesla was working to restore public and market confidence.

Outcome and Value Added: Rice's resignation from her ID role helped Tesla better comply with the SEC's requirement to enhance BoD independence. Meanwhile, her continued involvement as a non-ID allowed the company to benefit from her experience and relationships. Tesla's share price rose significantly from 2020 onward, partly due to governance reforms and effective marketing strategies to which directors like Rice contributed. Her personal reputation remained intact, and she continued to be regarded as a valuable corporate director. The case highlights the importance of clearly distinguishing between independent and non-independent roles to optimize value for shareholders.

Lesson Learned: Linda Johnson Rice stepped down from her ID role to preserve independence and avoid conflicts of interest. However, her reappointment as a non-ID demonstrates her ongoing professional value to Tesla. The case shows how a company can strike a balance between governance compliance and maximizing shareholder benefit.

Case study 12.2: The Case of Company N (2017-2018)

Context: Company N, a publicly listed company on the Ho Chi Minh City Stock Exchange (HOSE), had a BoD structure that included IDs responsible for overseeing business strategy and risk management.

Issue and Resignation: One ID on the BoD, an industry expert with years of management experience at multinational corporations, resigned from the ID role in 2018. According to Company N's corporate governance report and various media articles, the reason for the resignation was concern over a potential loss of independence after being invited to provide strategic advice to a company affiliated with a major shareholder. Such advisory involvement

could create a conflict of interest and violate the independence criteria under Article 155 of the Law on Enterprises 2014 (now 2020), which requires that IDs must not have any benefit-related ties to the company or its major shareholders. To safeguard objectivity and personal integrity, the member proactively stepped down from the ID position prior to the 2018 Annual General Meeting of Shareholders.

Reappointment to the Director: Following the resignation, the Nominating Committee of Company N proposed reappointing this member to the BoD in 2019 as a non-ID. The reason was that the member's extensive industry expertise and international network, especially with foreign partners, were considered highly valuable to Company N's export market expansion. As a non-ID, the member could engage more deeply in strategic consulting and provide direct support to the management team, without being bound by the strict independence requirements. Their contribution helped drive export revenue growth, particularly during the 2019–2020 period, delivering direct value to shareholders.

Outcome and Value Added: The decision to resign from the ID role helped the member avoid a conflict of interest and preserved personal credibility, while also reinforcing shareholder confidence in the transparency of Company N's BoD. The reappointment as a non-ID reflected the Company N's recognition of the member's professional value, particularly in the context of its international growth strategy. Company N's stock price remained stable and showed growth during this period, reflecting investor trust in the company's governance. The case was also highlighted in Vietnamese media as a prime example of an ID voluntarily stepping down to uphold sound governance principles.

Lesson Learned: The ID resigned to avoid a potential conflict of interest arising from ties with a major shareholder but was reappointed as a non-ID due to their expertise and contributions to Company N's export strategy. This move helped optimize shareholder value and reinforced good corporate governance.

Case Study 13

Case Study 13: "An ID who possesses sufficient competence, experience, and knowledge but lacks the necessary prudence or objectivity to properly fulfill their role (as a member of the BoD, the Audit Committee, or the Remuneration and Nominations Committee), resulting in dismissal or damage to their personal reputation."

Case study 13.1: The Case of Wells Fargo (USA, 2016–2018)

Context: Wells Fargo, one of the largest banks in the United States, faced a major scandal in 2016 involving the creation of fake customer accounts. Bank employees had opened millions of unauthorized accounts to meet aggressive sales targets. The BoD of Wells Fargo, which included several IDs and an Audit Committee, was responsible for overseeing internal policies and risk governance. Several IDs, including members of the Audit Committee with strong professional backgrounds (such as former CFOs and audit experts), were accused of lacking sufficient prudence in overseeing risky practices.

Issue: Despite having the necessary qualifications and experience (many were CPAs or had extensive financial sector backgrounds), the IDs on the BoD and the Audit Committee failed to adequately fulfill their supervisory responsibilities over the internal control system and compliance programs. According to reports from the SEC and other regulatory bodies, the BoD

overlooked red flags related to misconduct within the retail division, such as internal reports about excessive sales pressure. They also failed to demand timely independent investigations when initial complaints from employees (through internal whistleblowing channels) were raised. Their lack of objectivity was attributed to an overreliance on information from senior management, especially then-CEO John Stumpf, instead of conducting independent scrutiny. This behavior breached the principles of active oversight as set out in the G20/OECD Principles of Corporate Governance and the Sarbanes-Oxley Act, which require Audit Committees to act independently and with due diligence in overseeing financial reporting and internal controls.

Consequences: The scandal resulted in billions of dollars in losses, including fines from the Consumer Financial Protection Bureau (CFPB) and the SEC, along with severe reputational damage to Wells Fargo. Many IDs on the BoD, including some Audit Committee members, resigned or were not re-nominated in the 2017–2018 shareholder meetings due to pressure from shareholders and the public. The personal reputations of these members suffered significantly, with several publicly criticized in the media and in reports by activist shareholders. For instance, one ID, formerly a CFO of a major corporation, was specifically named in the press for failing to challenge the bank's risk governance policies effectively.

Lesson Learned: Although the IDs had strong credentials (such as financial expertise and corporate governance experience), their lack of prudence in reviewing internal reports and failure to call for independent investigations led to governance breaches. This not only harmed their personal reputations but also forced resignations under shareholder pressure.

Case study 13.2: The Case of Company L (2015-2017)

Context: Company L, a publicly listed company on the Ho Chi Minh City Stock Exchange (HOSE), faced corporate governance issues related to financial reporting and debt management during the period of 2015–2017. An ID serving on the BoD and as a member of the Audit Committee was found to have lacked objectivity in overseeing related-party transactions between Company L and entities connected to the Chair of the BoD.

Issue: This ID was a seasoned finance professional with over 15 years of experience in the audit sector, having previously worked at a major auditing firm. They met the competency standards set out in Article 155 of the Law on Enterprises 2014 (now 2020). However, this member was accused of lacking objectivity by failing to oppose or request independent assessments of substantial loan transactions between Company L and companies associated with the Chair of the BoD. According to independent audit reports, these transactions showed signs of opacity, raising concerns that Company L may have been concealing its actual debt levels, thereby exposing itself to significant financial risk. The ID relied too heavily on information provided by the Executive Management and failed to fulfill oversight responsibilities under Article 165 of the Law on Enterprises. Furthermore, they did not uphold independence standards required under corporate governance principles outlined in Circular No. 121/2012/TT-BTC. This lack of prudence was believed to stem from longstanding personal ties with management, which compromised objectivity.

Consequences: In 2017, under pressure from minority shareholders and auditing institutions, the ID was dismissed at the Annual General Meeting for failing to maintain objectivity in supervision. The incident received widespread media coverage in Vietnam and severely damaged the individual's reputation within the financial community. Company L was also placed under special watch by HOSE due to issues related to information disclosure and governance, resulting in a decline in its share price and a loss of investor confidence. The case sparked broader discussions about the role of IDs at listed companies in Vietnam.

Lesson Learned: Despite strong professional qualifications, this ID failed to carry out their oversight duties due to a lack of objectivity, violating principles of independence and prudence in corporate governance. This ultimately led to dismissal and reputational harm.

III. Maintaining a Professional Pathway for Independent Directors

In an increasingly complex business environment that demands higher standards of accountability and governance, maintaining a professional and sustainable career orientation for the role of an ID is not merely a personal choice, but a prerequisite for building trust, demonstrating competence, and making meaningful contributions to corporate governance.

A professional ID is one who continuously invests in knowledge, ethics, skills, and networks to ensure that their independent oversight consistently delivers tangible value to the BoD and all shareholders. This is not a static position, but an ongoing journey of growth that requires determination, a spirit of learning, and a long-term commitment to contribution.

1. Continuous Training and Development

In an era where the business, legal, and technological landscapes are rapidly evolving, the role of an ID cannot be performed effectively without a foundation of up-to-date knowledge and a mindset of continuous adaptation. A commitment to ongoing learning and professional development is not only a professional obligation but also a critical factor in maintaining independence, ensuring effective oversight, and preserving personal credibility in the eyes of the BoD, shareholders, and other stakeholders.

Training should not be treated as a one-off activity at the beginning of a term but rather as a continuous process aligned with the company's development stages and the challenges it faces in governance.

A professional ID does not simply wait for company-provided support but should proactively build an annual personal development program. This plan should be intentional, flexible, and tailored to both the company's practical needs and modern governance trends.

IDs should consider the following factors when shaping their development plans:

- **Changes in the legal and regulatory framework:** This includes updates to legislation such as the Law on Enterprises, the Securities Law, and regulations issued by the State Securities Commission (SSC), the stock exchanges (HOSE, HNX), as well as accounting, auditing, and sustainability standards.

- **Competency gaps at the BoD level:** IDs should identify areas where the BoD lacks capacity – such as technology, digital transformation, human resources governance, or cybersecurity – and seek to fill those gaps to enhance their value to the board.
- **Personal skill gaps:** This includes recognizing limitations in areas such as oversight, strategic thinking, independent decision-making, negotiation, or critical reasoning.

A development plan may include one or more of the following activities:

- Attending thematic seminars or in-depth skill-based training programs offered by reputable domestic or international governance training institutions.
- Regularly updating oneself on new policies and practices through industry newsletters, publications from professional associations, or international organizations.
- Reading professional books, analyzing case studies, or participating in academic research groups.
- Exchanging insights with experts, advisors, or experienced directors from other companies.

Commitment to continuous training and development not only enhances the ID's ability to fulfill their role effectively but also demonstrates a professional mindset, adaptability to change, and long-term dedication to the company's sustainable growth. This should not be seen merely as a duty, but as a personal growth strategy to enhance one's value and influence in the realm of modern corporate governance.

2. Participation in and Maintenance of Professional Membership in Reputable Industry Organizations

One of the key foundations for IDs to maintain professionalism and enhance their effectiveness is active engagement with reputable organizations and professional associations specializing in corporate governance. Several prestigious organizations that IDs may consider joining include:

- VNIDA (Vietnam Independent Directors Association);
- VIOD (Vietnam Institute of Directors);
- Other regional institutes of directors (e.g., IOD Thái Lan, SID Singapore, AICD Australia, etc.)
- NACD (National Association of Corporate Directors – USA);
- ecoDa (The European Confederation of Directors' Associations – Europe);
- Professional associations such as the Association of Chartered Certified Accountants (ACCA), The Institute of Internal Auditors (IIA), etc.

Key benefits of joining these professional bodies include:

- **Access to advanced corporate governance practices**, global governance trends, and modern board structures through seminars, roundtable discussions, and in-depth research reports.
- **Networking and professional exchange**, gaining insights from best practices while building personal credibility within international expert and investor communities.
- **Opportunities to contribute to policy development and ethical standards**, thereby enhancing personal influence in policy forums and affirming a constructive role beyond passive compliance.

Moreover, maintaining an active membership is a way for IDs to demonstrate a long-term commitment to their profession and a serious attitude toward preserving and enhancing their personal reputation within the expert community.

3. Building Effective Relationships with Stakeholders

In the modern governance ecosystem, establishing and maintaining positive, transparent, and constructive relationships with stakeholders is essential for ensuring sustainable development and enhancing corporate reputation. As representatives of objectivity, neutral oversight, and long-term corporate interests, IDs hold a unique position in promoting these relationships based on ethics, fairness, and accountability.

Unlike the Executive Management, who are typically responsible for handling day-to-day operational relationships, IDs play a guiding, supervisory, and strategic counterbalancing role in how the company approaches and maintains its stakeholder relationships. This is a critical component of a comprehensive governance system that enables the business to engage with its external environment in a balanced and effective manner.

3.1 Identifying Key Stakeholders

IDs must have a clear and comprehensive understanding of the company's stakeholder landscape, which varies depending on the industry, ownership structure, and operational model of each enterprise. The following groups are typically considered to have the greatest influence on a company's performance and sustainability:

- **Shareholders**, including minority shareholders – whose voices are often overlooked without effective protection mechanisms.
- **Government Authorities**, such as specialized agencies, securities commissions, tax authorities, environmental regulators, etc.
- **Customers and business partners**, who serve as sources of revenue and brand value.

- **Employees and trade unions**, who are directly responsible for value creation and upholding corporate culture.
- **Local communities and social organizations**, especially in industries with notable environmental or social impacts, such as manufacturing, mining, real estate, and energy.

IDs should regularly review and reassess the stakeholder list in light of changes in legal, technological, and market conditions, as well as sustainability trends, to ensure that oversight remains current and comprehensive.

3.2 Principles of Relationship Building

Establishing effective relationships with stakeholders must be guided by sound governance principles, which serve as the foundation for trust and long-term collaboration. IDs have a duty to oversee and ensure that the company adheres to the following principles:

- **Transparency:** Information must be complete, truthful, understandable, and provided in a timely manner. IDs should encourage the company to practice proactive disclosure, going beyond minimum legal requirements.
- **Respect:** The company must listen to and appropriately address legitimate concerns, ensuring that smaller or more vulnerable groups are not overlooked or marginalized.
- **Fairness:** Corporate policies and codes of conduct must be impartial and prevent specific interest groups from manipulating decisions or overshadowing the common good.
- **Collaboration:** Encourage two-way dialogue, build feedback mechanisms, and seek solutions that balance interests rather than imposing unilateral decisions.

These principles should be embedded in the company's shareholder engagement policies, grievance mechanisms, sustainability strategies, and internal operating procedures.

Proactivity, impartiality, and sensitivity in engaging with stakeholders not only strengthen the ID's role in strategic oversight but also enhance the company's reputation, reinforce market confidence, and protect long-term shareholder interests. In a business environment marked by volatility and rising demands for social responsibility, the ability to foster balanced, sustainable, and professional relationships is one of the defining qualities of an outstanding ID.

4. Strengthening and Sustaining Personal Reputation to Contribute to Corporate Governance Development

Within the non-executive scope of their role, an ID does not hold “executive power” but can and must possess **deep personal credibility** – this is the core foundation for ensuring a respected voice in the BoD and in the broader market.

An ID’s reputation is built upon:

- **Absolute integrity** in behavior and decision-making;
- **Strong sense of responsibility** in their oversight role;
- **Transparency, consistency, and the courage to defend well-reasoned views;**
- **Ability to contribute strategic and long-term vision.**

To uphold and amplify their personal reputation, professional IDs should proactively engage in activities that contribute to the community, such as:

- Writing articles to share insights on corporate governance;
- Speaking at professional forums and academic conferences;
- Mentoring startups or SMEs in developing their governance systems;
- Supporting capacity-building programs for unlisted companies, social enterprises, or non-profit organizations.

Only when an ID treats the maintenance of a professional orientation as an inseparable part of their personal growth strategy can they truly become a key driving force in advancing the quality of corporate governance in Vietnam, promoting transparency, efficiency, and sustainable development across the market.

5. Code of Ethics

The Code of Ethics constitutes a core foundation of an effective corporate governance framework, serving as a guiding compass for conduct and behavioural standards across the BoD as a whole, and in particular for IDs. Strict compliance with, and the proactive promotion of, the implementation of the Code of Ethics not only reflects the personal accountability of IDs, but also contributes to safeguarding the company’s reputation, enhancing transparency, and sustaining long-term corporate value. Each enterprise should establish its own Code of Ethics in compliance with applicable laws, aligned with generally accepted good corporate governance practices, and tailored, where appropriate, to industry-specific ethical standards. This Code should apply to employees, members of Executive Management, members of the BoD (including IDs), as well as other relevant stakeholders. Under the Vietnam Corporate Governance Code of Best Practices, a Related Party Transaction is defined as the transfer of resources, services, or obligations between the company and a related party, regardless of whether consideration is involved. This concept should be interpreted broadly, encompassing not only transactions entered into directly with related parties, but also transactions initially conducted with non-related parties that subsequently become related parties.

5.1 Transactions with Related Parties

One of the most critical and sensitive aspects of the Code of Ethics is the oversight of related-party transactions, which are highly prone to conflicts of interest if not conducted transparently and without independent scrutiny.

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

IDs play a proactive and leading role in supervising, challenging, and ensuring adherence to ethical standards when the company enters into transactions with:

- Major shareholders and controlling parties;
- Members of the Executive Management, the BoD, or individuals with familial or financial ties;
- Subsidiaries, affiliates, or entities with special relationships with the company.

It should be noted that mere compliance with applicable laws and regulations is necessary, but not sufficient to ensure that a transaction is optimally structured for shareholders. IDs are expected to take the following actions:

- **Request full, accurate, and timely disclosure** of all related-party transactions, ensuring compliance with legal requirements and information disclosure standards.
- **Recommend independent review**, especially for large-scale or potentially conflicted transactions, through internal audit, the Audit Committee, or qualified third parties.
- **Exercise transparency in expressing dissenting views** and reserve the right to formally object if the transaction appears contrary to the company's best interests or violates ethical principles.

According to IFC's Vietnam Guidebook for Banks (related party transactions) which can be used in for public companies as well, the specific role of non-conflicted IDs include:

- Oversee processes to ensure conflicts of interest and related-party transactions are disclosed to the BoD.
- Review material and non-recurrent related party transactions, and any transaction conducted on non-arm's-length or non-market terms.
- Participate, in the capacity of IDs, in the Related Party Transactions Committee (if established).
- Issue reasoned written opinions to the BoD on whether material related party

transactions are in the best interests of the company, including an assessment of the fairness and accuracy of the transaction terms.

- Recommend to the BoD whether to approve or reject related party transactions, or proposing that such transactions be submitted, without undue delay, to disinterested shareholders for consideration and approval.
- Oversee the annual assessment of the effectiveness of policies and procedures for managing related party transactions.
- Act as the primary liaison between the external auditor and the BoD in relation to the audit of related party transactions, compliance with related party policies, and related party disclosures.

5.2 The Role of IDs in the Code of Ethics

As the emphasis on oversight and integrity continues to grow, IDs are expected to fulfill three core roles in relation to the Code of Ethics:

- **Role model for ethical compliance and conduct:** IDs must strictly avoid participating in any actions or decisions that show signs of bias, conflicts of interest, or misuse of position for personal gain.
- **Promoter of ethical culture across the organization:** IDs should proactively propose periodic reviews and updates to the Code of Ethics to reflect legal developments, new governance trends (such as Environmental, Social and Governance - ESG, or Diversity, Equity, and Inclusion - DEI) and emerging risks as well as also encouraging internal training and the integration of ethical standards into decision-making processes.
- **Channel for ethical oversight and accountability:** Upon identifying signs of ethical violations by the Executive Management, other directors, or any influential individuals, IDs must speak up firmly, demand proper resolution in accordance with regulations, and ensure that no misconduct is concealed or covered up internally.

IDs are commonly involved in the oversight of the ethics and compliance programme. Where an Ethics and Compliance Committee is established, the Chair is typically expected to be an ID.

5.3 Notes

To ensure the Code of Ethics is genuinely effective in practice, companies and the BoD should take note of the following points:

- **Public disclosure and regular updates:** The Code of Ethics should be made widely available to shareholders, investors, and stakeholders, and should be reviewed and updated at least every two years to ensure relevance and alignment with evolving governance trends.

- **Establishing a violation reporting and whistleblower protection mechanism:** The system for receiving and handling reports of ethical violations must ensure confidentiality, protect whistleblowers from retaliation, and provide a clear, transparent, and effective resolution process.
- **Developing application guidelines and illustrative case studies:** IDs may recommend that the company issue a practical guide to applying the Code, accompanied by real-life scenarios to help all managers and directors understand and apply the Code consistently.

By adhering to and applying the Code of Ethics seriously yet flexibly, IDs not only protect their personal credibility and independence in oversight but also contribute to fostering a culture of transparency, integrity, and sustainability – core elements of modern corporate governance.

Appendix

Appendix 1. Independent Commitment Form – Standards and Filling Guidelines

INDEPENDENT COMMITMENT FORM OF MEMBER OF BOARD OF DIRECTOR

I. Personal Information

- Full Name:
- Date of Birth:
- Nationality:
- ID/Passport Number:
- Contact Address:
- Email/Phone Number:

II. Commitment to Independence Standards

I hereby truthfully and accurately confirm that, as of the date of signing this commitment, I **am fully independent and do not fall under any exclusion criteria** stipulated by the Law on Enterprises 2020 and the Charter of [Company Name]. Specifically, I confirm that:

1. I do not currently hold, nor have I held, any executive position in the company or its subsidiaries within the past three (3) years.
2. I am not a related person of any major shareholder, controlling shareholder, or member of the Executive Management.
3. I have not had, and do not currently have, any significant commercial or financial transactions with the company within the past three (3) years.
4. I do not receive any compensation other than that for my role as an Independent Director (if applicable).
5. I do not participate in any ESOP, stock option program, or other employee benefit schemes of the company.
6. I do not hold any position in auditing firms, law firms, or consulting firms that have provided services to the company in the past three (3) years.
7. I do not hold shares exceeding the permitted threshold (if the company has specific regulations).
8. I have no conflicts of interest, financial, personal, or otherwise, with the company, its major shareholders, or any member of the executive or governance teams.

Note: Candidates are advised to carefully review each of the above criteria. In case of any doubt, legal consultation should be sought to verify compliance before signing.

Appendix 2. Checklist of consideration issues before accepting a role of ID

**SELF-ASSESSMENT FORM –
CONSIDERATIONS BEFORE ACCEPTING AN INVITATION
TO SERVE AS AN INDEPENDENT DIRECTOR ON THE BOD**

1. Personal Risk Considerations

Criteria	Self-Assessment Questions	Personal Evaluation
Legal Liability	Am I willing to bear joint legal responsibility for the BoD’s decisions?	<input type="checkbox"/> Yes <input type="checkbox"/> No
Personal Reputation	Could joining this company’s BoD affect my professional reputation?	<input type="checkbox"/> Yes <input type="checkbox"/> No
Operational Risk Level	Is the company currently facing major disputes, litigation, or a media crisis?	<input type="checkbox"/> Yes <input type="checkbox"/> No

2. D&O Insurance

Criteria	Self-Assessment Questions	Personal Evaluation
Directors & Officers (D&O) Liability Insurance	Does the company have a D&O insurance policy for IDs?	<input type="checkbox"/> Yes <input type="checkbox"/> No
Coverage Scope	Does the policy cover legal fees, compensation, and personal protection in case of disputes?	<input type="checkbox"/> Yes <input type="checkbox"/> No
Indemnity Clauses	Have the indemnity terms and available support in case of disputes been clearly explained to me?	<input type="checkbox"/> Yes <input type="checkbox"/> No

3. Skills and competence

Criteria	Self-Assessment Questions	Personal Evaluation
Suitable Expertise	Do I have experience or expertise that aligns with the company's industry and scale?	<input type="checkbox"/> Yes <input type="checkbox"/> No
Critical Thinking Ability	Am I capable of analyzing data, asking meaningful questions, and making independent decisions?	<input type="checkbox"/> Yes <input type="checkbox"/> No
CG Competence	Do I have a clear understanding of regulations, international best practices, and the specific roles within the BoD?	<input type="checkbox"/> Yes <input type="checkbox"/> No

4. Time commitment

Criteria	Self-Assessment Questions	Personal Evaluation
Time commitment	Can I allocate sufficient time for BoD meetings, committee work, document review, and training?	<input type="checkbox"/> Yes <input type="checkbox"/> No
Flexibility	Does this role conflict with my other professional commitments in terms of time?	<input type="checkbox"/> Yes <input type="checkbox"/> No

5. Accessibility of information

Criteria	Self-Assessment Questions	Personal Evaluation
Information mechanism	Does the company provide meeting materials in a timely, complete, and transparent manner?	<input type="checkbox"/> Yes <input type="checkbox"/> No
Internal communication	Am I able to communicate effectively with the Executive Management, Company Secretary, and support departments?	<input type="checkbox"/> Yes <input type="checkbox"/> No

6. Level of transparency

Criteria	Self-Assessment Questions	Personal Evaluation
CG system	Does the company fully disclose its Charter, BoD regulations, financial information, and major decisions?	<input type="checkbox"/> Yes <input type="checkbox"/> No
Transparent governance	Am I able to identify and oversee related party transactions, risks, and shareholder interests?	<input type="checkbox"/> Yes <input type="checkbox"/> No

7. Ethical factors

Criteria	Self-Assessment Questions	Personal Evaluation
Integrity and Ethics	Am I committed to acting consistently with ethical standards and in the best interest of the company?	<input type="checkbox"/> Yes <input type="checkbox"/> No
Conflict of Interest	Do I have any financial, personal, or professional relationships that may affect my independence?	<input type="checkbox"/> Yes <input type="checkbox"/> No

8. Remuneration and Benefits

Criteria	Self-Assessment Questions	Personal Evaluation
Remuneration Structure	Is the remuneration commensurate with the responsibilities, risks, and expected contributions?	<input type="checkbox"/> Yes <input type="checkbox"/> No
Related Benefits	Does the company provide support for travel expenses, insurance, training, and other reasonable costs?	<input type="checkbox"/> Yes <input type="checkbox"/> No

9. Overall suitability

Criteria	Self-Assessment Questions	Personal Evaluation
Organizational Culture	Do I feel comfortable with the company's culture and the BoD's operating style?	<input type="checkbox"/> Yes <input type="checkbox"/> No
Mutual Expectations	Are the company's expectations aligned with my career orientation and personal values?	<input type="checkbox"/> Yes <input type="checkbox"/> No

Appendix 3. Report Form for Evaluating the Performance of ID

REPORT FORM FOR EVALUATING THE PERFORMANCE OF ID

I. Basic Information

- Full name of ID:
- Company:
- Term:
- Evaluation Period: From.....to.....
- Evaluator: Chairperson of the BoD
 Remuneration Committee
 Self-Assessment

PART I – EVALUATION OF EXPERTISE AND CONTRIBUTION

Criteria	Evaluation Content	Rating (1 – 5)*	Remarks
Industry and Sector Knowledge	Awareness of trends, context, and market factors	<input type="checkbox"/> 1 <input type="checkbox"/> 2 <input type="checkbox"/> 3 <input type="checkbox"/> 4 <input type="checkbox"/> 5	
Company Knowledge	Understanding of strategy, risks, finances, and operations	<input type="checkbox"/> 1 <input type="checkbox"/> 2 <input type="checkbox"/> 3 <input type="checkbox"/> 4 <input type="checkbox"/> 5	
Professional Contribution in Meetings	Critical input, strategic suggestions, and oversight	<input type="checkbox"/> 1 <input type="checkbox"/> 2 <input type="checkbox"/> 3 <input type="checkbox"/> 4 <input type="checkbox"/> 5	

Role in Committees	Active participation and relevant expertise	<input type="checkbox"/> 1 <input type="checkbox"/> 2 <input type="checkbox"/> 3 <input type="checkbox"/> 4 <input type="checkbox"/> 5	
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PART II – EVALUATION OF ATTITUDE AND CONDUCT

Criteria	Evaluation Content	Rating (1 – 5)*	Remarks
Independence and Objectivity	Not influenced by interest groups	<input type="checkbox"/> 1 <input type="checkbox"/> 2 <input type="checkbox"/> 3 <input type="checkbox"/> 4 <input type="checkbox"/> 5	
Responsibility and Ethics	Commitment, integrity, and consistent behavior	<input type="checkbox"/> 1 <input type="checkbox"/> 2 <input type="checkbox"/> 3 <input type="checkbox"/> 4 <input type="checkbox"/> 5	
BoD Cooperation	Positive collaboration, non-confrontational, mutual respect	<input type="checkbox"/> 1 <input type="checkbox"/> 2 <input type="checkbox"/> 3 <input type="checkbox"/> 4 <input type="checkbox"/> 5	

PART III – EVALUATION OF ENGAGEMENT LEVEL AND EFFECTIVENESS

Criteria	Evaluation Content	Rating (1 – 5)*	Remarks
BoD and Committee Meeting Attendance Rate	Attends meetings fully and on time	<input type="checkbox"/> 1 <input type="checkbox"/> 2 <input type="checkbox"/> 3 <input type="checkbox"/> 4 <input type="checkbox"/> 5	
Preparation Before Meetings	Thoroughly reviews materials, raises quality questions	<input type="checkbox"/> 1 <input type="checkbox"/> 2 <input type="checkbox"/> 3 <input type="checkbox"/> 4 <input type="checkbox"/> 5	
Post-Meeting Oversight	Follows up on resolution implementation, responds promptly	<input type="checkbox"/> 1 <input type="checkbox"/> 2 <input type="checkbox"/> 3 <input type="checkbox"/> 4 <input type="checkbox"/> 5	

PART IV – EVALUATOR’S RECOMMENDATIONS

- Key strengths of the ID:
 -
 -
- Suggested areas for improvement:
 -
 -
- Does the ID fully meet the requirements and is suitable to continue the term?
 - Yes No To be reviewed

(*) Rating scale:

1 – Poor; 2 – Needs Improvement; 3 – Meets Expectations; 4 – Good; 5 – Excellent

Appendix 4. Checklist Before, During, and After BOD Meetings

CHECKLIST BEFORE, DURING, AND AFTER BOD MEETINGS

I. Before meetings

Checklist Item	Completed? (✓/×)	Notes
Received meeting materials in full and on time (5–7 days in advance)		
Carefully reviewed the materials and flagged key issues		
Checked completeness and logical consistency of presented information		
Requested additional information if necessary		
Verified the legal basis and strategic importance of key items		
Proactively discuss with the Chairperson or key members if needed		
Clearly identified positions and critical feedback to be raised at the meeting		

During meetings

Checklist Item	Completed? (✓/×)	Notes
Attended on time and with the correct composition		
Proactively raised critical questions at appropriate times		
Took thorough notes on key points, voting, and arising opinions		
Ensured that dissenting views were clearly and constructively expressed		
Respected speaking order and boardroom culture		
Not influenced by group pressure when voting		
Exercised the right to reserve opinion if in disagreement, requested it be recorded in the minutes		

III. After meetings

Checklist Item	Completed? (✓/×)	Notes
Received and reviewed meeting minutes		
Checked whether all opinions, especially any reserved opinions (if any)		

Monitored the implementation of relevant BoD resolutions		
Sent feedback or requested updates if implementation progress was slow or deviated		
Prepared in advance for related agenda items in the next meeting		

Appendix 5. List of Legal Documents and Practices Related to ID

Legal Documents / Practices	Scope of Application
Law on Enterprises No. 59/2020/QH14	Regulations on the BoD, Directors, and rights and obligations of IDs
Law on Securities No. 54/2019/QH14	Stipulates the roles and duties of IDs in public and listed companies
Decree No. 155/2020/ND-CP	Guidelines for the Securities Law, information disclosure, and standards for IDs
Circular No. 96/2020/TT-BTC	Guidelines on information disclosure in the securities market
OECD Corporate Governance Principles (2023)	International principles on CG practices
ASEAN Corporate Governance Scorecard (2023)	Guidelines on good CG practices

Appendix 6. List of Abbreviations

Terminology	Abbreviation	Definition
Board of Directors	BoD	The highest governance body of a company, responsible for making strategic decisions and overseeing executive operations.
Independent Director	ID	A director who has no financial, personal, or professional ties to the company, ensuring objectivity and independence in supervision and decision-making.
Corporate Governance	CG	A system of mechanisms, processes, and relationships used to control and guide a company toward transparency, efficiency, and sustainability.
Committee / Specialized Committee		Subcommittees under the BoD (e.g., Audit, Remuneration, Nomination) to support focused and effective oversight.
Company Secretary		The person providing administrative and technical support to the BoD, ensuring legal compliance, document coordination, and communication with shareholders.
Directors & Officers Liability Insurance (D&O Insurance)		Insurance for directors, protecting them from claims arising from actions taken while performing their duties.

Conflict of Interest		A situation where a director’s personal interest may impair their objectivity in decision-making for the company’s benefit.
Best Practices		Procedures and methods considered most effective and transparent, based on international CG standards.
Sustainable Development	SD / ESG	A set of criteria for measuring a company’s sustainability and ethical impact, including Environmental, Social, and Governance aspects.

Appendix 7: List of Case Studies

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Appendix 8. Case Studies Summary

Case Study 1: Appointment of an ID out of favoritism weakens oversight role

(*Enron, USA – 2011*). Several IDs were appointed based on close personal ties with major shareholders or the Chair of the BoD, rather than on true independence criteria. These IDs failed to fulfill their oversight responsibilities, particularly in reviewing financial reports. Due to their reliance on information provided by the Executive Management, they did not detect serious financial fraud in time. This compromise contributed to Enron’s collapse, resulting in severe losses for shareholders and the market. The key lesson is that appointing IDs out of favoritism undermines the independence and effectiveness of the BoD’s oversight.

Case Study 2: An ID proactively calls for an extraordinary BoD meeting to help the company overcome a crisis.

2.1. (*HP - USA, 2010 – 2011*). In 2010, following the CEO’s resignation amid a spending scandal, HP faced a strategic crisis and lost shareholder confidence. An experienced ID proactively

proposed convening an extraordinary BoD meeting to address urgent issues. The meeting resulted in the appointment of an interim CEO, the initiation of an investigation into the Autonomy acquisition, and the development of a restructuring plan. These actions helped HP recover its share price and restore market trust. The key lesson is that IDs should actively exercise their authority to protect the interests of the company and shareholders during critical situations.

2.2. (Company A, Vietnam, 2022). Company A, listed on HOSE, faced a severe crisis when its BoD Chair was arrested for market manipulation. An ID, relying on the 2020 Law on Enterprises, proposed convening an extraordinary BoD meeting to address the crisis. This ID proactively organized the meeting and led key decisions, including appointing an interim CEO, engaging an independent auditor, and calling for an extraordinary General Meeting of Shareholders. These actions helped stabilize operations, restore shareholder confidence, and enhance governance transparency. The lesson is that IDs must properly exercise their authority to ensure effective governance and protect shareholders during emergencies.

Case Study 3: An ID lacks professional competence, leading to oversight failure

3.1. (Theranos, USA, 2015 – 2018). Several well-known IDs were appointed to the BoD mainly based on their reputation and personal ties with the CEO, despite lacking relevant industry expertise. They were not competent enough to assess the company's blood-testing technology or oversee its financial reporting. Due to insufficient scrutiny and lack of independent verification, they failed to detect signs of fraud over several years. When the scandal broke, many of these IDs were heavily criticized, forced to resign, and the company went bankrupt. The key lesson is that IDs must possess appropriate professional knowledge and be adequately prepared to ensure effective oversight and adherence to governance principles.

3.2. (Company B, Vietnam, 2018 – 2020). An ID was appointed to the BoD in 2018 but lacked the necessary governance knowledge and skills. This member did not actively participate in BoD meetings and failed to provide critical input on high-risk investment projects. As a result, the company invested in unviable projects, incurred significant losses, and was placed under warning status by HOSE. Due to failure to fulfill the duty of care as prescribed under the Law on Enterprises, the ID was dismissed in 2020. The key lesson is that IDs must possess sufficient capability and professional understanding to perform effective oversight and protect shareholders' interests.

Case Study 4: IDs receiving disproportionate remuneration compared to their responsibilities

4.1. (Tyco International, USA, 2002). IDs on the BoD received unusually high remuneration, far above industry standards, leading to financial dependence on the Executive Management. The CEO had significant influence over the remuneration proposals, causing the IDs to lose objectivity in their oversight and critical responsibilities. As a result, they failed to detect or

question excessive bonuses and embezzlement transactions worth hundreds of millions of USD. Tyco subsequently lost billions in market capitalization, and several IDs were dismissed and faced lawsuits, severely damaging their reputations. The key lesson is that the remuneration mechanism must be reasonable to ensure IDs remain independent and motivated to carry out effective oversight.

4.2. (Bank C, Vietnam, 2017 – 2019). At Bank C, following a merger, an ID who also served on the Audit Committee received remuneration that was significantly low compared to the responsibility of overseeing non-performing loans and financial matters. Despite a heavy workload, the inadequate compensation led to a lack of motivation to fulfill critical oversight functions, such as providing independent opinions and requesting audits. The ID did not actively participate in meetings and failed to detect risks in credit transactions. As a result, this member was dismissed at the 2019 General Meeting of Shareholders, and the bank was required to improve its risk governance. The key takeaway is that a reasonable remuneration mechanism is essential to ensuring diligence and effective oversight by IDs.

Case Study 5: ID candidate declines appointment after risk assessment

5.1. (WeWork, USA, 2019). A financial expert who was nominated as an ID declined the appointment after accessing internal information and meeting with the BoD and Executive Management. This individual observed that the CEO had excessive control over decision-making and that numerous related-party transactions posed serious conflicts of interest. The lack of financial transparency and legal risks led the candidate to conclude that maintaining independence in line with international standards was not feasible. The decision to decline the appointment helped protect the candidate's personal reputation and highlighted corporate governance issues at WeWork, contributing to calls for reform. The key lesson is that ID candidates should conduct thorough due diligence and retain the right to decline the role if conditions do not support independence and effective oversight.

5.2. (Company E, Vietnam, 2018). An international expert was elected as an ID at Company E but declined the appointment after assessing the company's actual situation. The individual found that the founding shareholder had significant influence over strategic decisions, accompanied by related-party transactions that posed potential conflicts of interest. The complexity of oversight responsibilities amid the company's international expansion was also viewed as a factor affecting the ability to perform the ID role effectively. The decision to decline was formally acknowledged by the company and appreciated as a professional act, helping to reinforce shareholder confidence. The key takeaway is that assessing independence and oversight capacity before accepting an ID role is essential to protect the individual and uphold corporate governance standards.

Case Study 6: Liability insurance protects IDs from risks

6.1. (Enron, Mỹ, 2001 – 2002). When Enron collapsed due to financial fraud, the IDs faced class-action lawsuits for failure to exercise effective oversight and for breach of fiduciary

duty. Although they were not directly involved in the fraudulent acts, they were subjected to significant legal costs and compensation claims. Enron's D&O insurance covered most of the legal fees and settlement costs, helping the IDs avoid personal financial loss. Despite reputational damage, the liability insurance significantly mitigated the financial consequences for the individuals involved. The lesson is that D&O insurance is a critical tool to protect IDs from legal risks arising in the course of fulfilling their duties.

6.2. (Bank F, Vietnam, 2012). An ID was sued for failing to effectively oversee high-risk investments. Minority shareholders demanded compensation after the share price plummeted, exposing the ID to significant legal and financial risks. Thanks to D&O insurance, legal fees and settlement costs were covered, helping the ID avoid personal financial loss. Although the individual's reputation was impacted, the D&O policy provided financial protection, allowing the ID to continue handling the case. The lesson is that D&O insurance plays a crucial role in shielding IDs from financial consequences, especially in high-risk legal environments like the banking sector

Case Study 7: ID abstains from voting due to lack of information – a case of exercising duty of care

(Boeing, USA, 2019). During the crisis surrounding the 737 MAX series, an ID at Boeing chose not to participate in the vote on whether to continue production, citing insufficient information regarding safety and legal risks. The ID requested to postpone the vote and called for an independent report to ensure the decision would be made responsibly. This action aligned with the principle of "duty of care" and was appreciated by shareholders. The subsequent decision to delay production helped Boeing avoid major legal and reputational losses. The lesson is that IDs should proactively abstain from voting when adequate information is lacking, thereby safeguarding the company's and shareholders' interests in a prudent and professional manner.

Case Study 8: ID's dissenting vote helps the company adjust its financial strategy prudently

(Company G, Vietnam, 2020). An ID voted against a proposal to issue additional bonds due to the lack of clarity regarding the capital use plan and the company's debt repayment capacity. This action prompted the Board of Directors to engage an independent auditor and provide more transparent disclosures to shareholders. As a result, the company delayed the bond issuance and revised its strategy to focus on completing existing projects instead of expanding into riskier ventures. This helped preserve cash flow and stabilize finances amid volatility in the real estate market. The lesson is that a well-grounded dissenting action by an ID can strengthen corporate governance and protect shareholder interests, especially during times of crisis.

Case Study 9: ID participates in BoD Committees, delivers effective performance, and gains shareholder recognition.

9.1. Microsoft (USA, 2014-2016). An ID served as Chair of the Audit Committee and proactively oversaw major transactions, such as the acquisition of LinkedIn. The ID called for independent audits and financial risk assessments, especially concerning related-party transactions and integration costs. As a result, financial reporting errors were promptly identified and corrected, ensuring Microsoft's compliance with SEC regulations and avoiding legal risks. Shareholders acknowledged the ID's active role in safeguarding their interests and enhancing financial transparency. The lesson is that effective participation by an ID in the Audit Committee creates real value and aligns with governance and legal standards.

9.2. Unilever (UK/Netherlands, 2017-2018). In 2017, in response to a takeover proposal from Kraft Heinz, an ID of Unilever serving on Unilever's Strategy Committee opposed the deal due to undervaluation and the risk of brand erosion. The ID proposed an alternative strategy focused on restructuring and investing in sustainable products. Thanks to this decisive action, Unilever rejected the acquisition offer and implemented its "Sustainable Living Plan", which led to revenue growth and an increase in share price. Shareholders recognized the ID's contribution to preserving the company's long-term value. The lesson is that the strategic role of an ID within specialized committees can positively influence corporate direction and safeguard shareholder interests.

9.3. (Bank H, Vietnam, 2019). An ID of Bank H, serving on the Remuneration Committee, opposed a proposal to increase executive remuneration by 30% unless it was tied to long-term performance. The ID recommended a bonus mechanism based on KPIs and an ESOP to retain senior personnel. As a result, the bank adopted a new transparent remuneration policy aligned with business outcomes, which contributed to record profits and an increase in share value. Shareholders acknowledged the ID's role in improving human resource governance and protecting long-term interests. The lesson is that active participation of IDs in specialized committees can lead to meaningful and effective reforms.

9.4. JPMorgan Chase (USA, 2012-2013). Following the "London Whale" scandal in 2012, which caused JPMorgan over USD 6 billion in losses, an ID serving on the Risk Governance Committee proactively initiated an internal investigation and proposed comprehensive reforms to the bank's risk management system. The ID called for stricter oversight of derivative transactions, the implementation of stringent risk limits, and the appointment of a new Chief Risk Officer. These actions helped JPMorgan strengthen its risk controls and prevent similar incidents. The ID's positive contribution was acknowledged in the 2013 annual report, and JPMorgan's stock price later recovered steadily. The lesson is that the proactive role and expertise of IDs on risk committees can play a crucial part in safeguarding a company's financial stability and reputation.

9.5. (Company I, Vietnam, 2018). Company I faced pressure to improve its corporate governance after a foreign shareholder significantly increased its ownership. An ID serving on the Governance and Nomination Committee took the lead in evaluating and nominating new leadership. The ID opposed candidates with potential conflicts of interest and proposed a transparent selection process based on merit and independence. The newly appointed

CEO possessed the right qualifications, helping the company maintain revenue growth and strengthen shareholder confidence. The ID's actions were acknowledged in the corporate governance report and contributed to the company's high governance rating. The lesson is that IDs can ensure leadership quality and transparency in the appointment process, effectively protecting shareholder interests.

Case Study 10: ID discloses information externally in violation of governance principles

10.1. Volkswagen AG (Germany, 2015). During the Dieseltgate crisis, Ferdinand Karl Piëch – Chair of the BoD – made public remarks expressing internal disagreement about CEO Martin Winterkorn without BoD consensus. This action breached internal confidentiality principles and caused instability within the company. Following his statements, Mr. Piëch lost support and was forced to resign, while Volkswagen plunged deeper into crisis, suffering billions in losses and a collapse in market trust. The case highlighted the critical importance of adhering to disclosure policies and maintaining collective responsibility within the BoD. The lesson is that all directors, including IDs, must uphold confidentiality and act in accordance with proper procedures to avoid harming shareholder interests and the company's governance structure.

10.2. (Company M, Vietnam, 2021-2022). An ID of Company M informally disclosed information regarding investment projects and planned share issuance to an external partner without Board approval. This act violated Article 123 of the 2019 Securities Law and the company's information confidentiality principles. The information leak led to unusual fluctuations in Company M's stock price, raising concerns about market manipulation and resulting in penalties from regulatory authorities. The ID was dismissed at the 2022 GMS due to a loss of shareholder trust. The lesson is that unauthorized disclosure of information can expose both the ID and the company to legal risks, reputational damage, and financial loss.

Case Study 11: ID voluntarily resigns to preserve independence

11.1. (Uber, USA, 2017). David Bonderman, an ID of Uber and founders of TPG Capital, and founder of TPG Capital, voluntarily resigned after making an inappropriate joke about women during a BoD meeting. Under circumstance that Uber was under heavy criticism for its gender-discriminatory culture, and his comment was seen as undermining the objectivity and credibility of the BoD. Recognizing that continuing in his role could negatively impact the BoD's independence, Bonderman promptly stepped down. His decision was considered consistent with the principles of independence and duty of care in corporate governance. The incident contributed to governance reforms at Uber and serves as a reminder of the importance of protecting objectivity and reputation in a supervisory role.

11.2. (Company J, Vietnam, 2019). An ID of Company J voluntarily resigned in 2019 due to concerns over a potential decline in independent oversight, as a major shareholder was exerting significant influence over strategic decision-making. The director felt pressured by the Chair's interference and believed it compromised the ability to offer objective critique. The resignation

demonstrated compliance with the duties of honesty and care under Article 165 of the Law on Enterprises 2020. The ID's action was positively received by shareholders and analysts, helping preserve personal reputation and promote transparency in governance. This case has become a notable example in Vietnam of an ID stepping down to maintain independence and professional ethics in corporate governance.

Case Study 12: Resignation from ID role and continued contribution in a non-independent capacity

12.1. (Tesla, USA, 2018–2020). Linda Johnson Rice, an ID of Tesla, voluntarily resigned in 2019 due to concerns that her independence was being compromised by the controversial actions of CEO Elon Musk. She assessed that pressure from major shareholders and her relationship with Musk might undermine her ability to provide objective oversight. After stepping down, she was reappointed to Tesla's BoD in 2020 in a non-independent role, focusing on communications strategy and brand development. This transition allowed Tesla to comply with SEC regulations on board independence while still leveraging her expertise to serve shareholder interests. This case demonstrates the strategic flexibility in board composition to uphold compliance and maintain effectiveness.

12.2. (Company N, Vietnam, 2017 – 2018). An ID of Company N resigned in 2018 to preserve their independence after being invited to provide strategic advice to an affiliate of a major shareholder, in accordance with the 2014 Law on Enterprises. In 2019, this individual was reappointed to the Board in a non-independent capacity to support the company's export strategy, leveraging their expertise and international network. This role transition enabled the company to comply with independence standards while benefiting from the director's capabilities. The move was positively received, as it helped strike a balance between transparent governance and operational effectiveness. The case illustrates a flexible approach to board structuring that reinforces shareholder confidence.

Case Study 13: ID was criticized for lack of active oversight despite professional expertise

13.1. (Wells Fargo, USA, 2016–2018). The IDs of Wells Fargo failed to exercise effective oversight during the fake account scandal, despite their strong professional qualifications. Their inaction violated the active monitoring standards set by the OECD and the Sarbanes-Oxley Act. They overlooked internal warnings and did not call for an independent investigation, reflecting a lack of objectivity and excessive trust in the Executive Management. The incident caused significant financial losses, severely damaged the bank's reputation, and led to regulatory penalties. Several IDs were forced to resign or were not reappointed, and their personal reputations suffered greatly. This case demonstrates that professional expertise must be accompanied by diligence and independence to ensure IDs fulfill their oversight responsibilities effectively.

13.2. (Company L, Vietnam, 2015 – 2017). An ID of Company L, despite having strong professional expertise, failed to object to or request an independent review of related-party

transactions involving the Chair of the BoD. His lack of objectivity and reliance on the Executive Management resulted in a breach of the principles of independent oversight. The opaque transactions raised suspicions of debt concealment, creating financial risk for the company. Under pressure from shareholders and auditors, the ID was dismissed in 2017. The incident damaged his personal reputation and had a negative impact on the company's image and stock performance.

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