Corporate governance practices in Vietnam have achieved recordable improvements during the past ten years. First, the general awareness of good corporate governance practices has been improved for various participants, including the mass media, state regulatory agencies, training institutions, universities, and in particular market participants, i.e. shareholding, public, and listed companies.

Second, the legal framework on corporate governance has been amended, with reference to the best international practices and principles in governance adopted to strengthen the protection of investors and the rights of shareholders. The most obvious examples include changes in the regulations on corporate governance and information disclosure promulgated by the State Securities Commission through the Ministry of Finance, or the new regulations in the Law on Enterprises.

Despite those positive development and regulatory efforts, the majority of stock exchange-listed firms still need to raise the bar on the quality of corporate governance content in their annual reports. There are significant gaps to catch up between of Vietnam and other regional countries such as Indonesia, Malaysia, the Philippines, Singapore, and Thailand, according to the 2012-2015 assessment results of the ASEAN Corporate Governance Scorecards initiated by ASEAN Capital Markets Forum (ACMF) and the Asian Development Bank (ADB).

Since 2009, IFC has been supporting the improvement of corporate governance practices in Vietnam’s emerging corporate sector. The IFC’s Vietnam Corporate Governance Program works across the spectrum of governance interventions in a number of business sectors. Started from 2013, IFC has been providing specific technical supports to the Annual Report Awards organized by Ho Chi Minh Stock Exchange and Vietnam Investment Review by developing scoring criteria and support the final judging panel to score and select the best companies on disclosure content related to CG (and also including sustainability reporting).

An annual report with good corporate governance content should provide sufficient information for readers to fully understand company ownership structure, strategies as well as processes and people that are part of the governance structure. This latter point needs to encompass the Board of Directors, supervisory board and board of management, and reflect how well each member of these bodies participated in the governance structure as well as corresponding incentives and remuneration to each member during the year. Apart from information required by law, a company may voluntarily provide additional information on its internal corporate governance model and policies, such as internal controls and risk.
management mechanisms, the role of independent external auditors, an ethics code and voluntary commitments to implement good corporate governance.

As observed from the Annual Report Award (ARA) in recent years, a large number of Vietnamese companies have made a great leap in using their annual reports as a communication channel with investors and have presented corporate governance-focused information in their reports in accordance with international best practice. About 20 per cent of companies with reports selected in the final round of the 2016 ARA conveyed governance messages with consistent content for investors that are in line with international best practices. However, majority of listed companies still failed to reach average score on governance content disclosure. The main cause for this poor outcome was that compliance with corporate governance disclosure requirements was not strictly adhered to by companies, particularly regarding information related to the structure and operations of the board of directors. Many companies failed to comply and apply recommended governance practices regarding non-executive board members, independent board members and board committees. The quality of information displayed in many listed companies’ annual reports indicated weak transparency and disclosure practices.

In order to gain recognition for the quality of information in the annual reports, companies should clearly reflect their commitment to good corporate governance practices, particularly in their voluntary approach to good disclosure practices as role models in the market. To do this, firms should develop a healthy and efficient governance structure in accordance with good international practices. Especially, the Board of directors of Vietnamese listed companies should perform their roles and duties better. To do this, the Board must be objective, professional and act in the best interests of companies and shareholders. The Board must establish company strategies, protect the interests of shareholders as well as supervise the management and financial activities of its company.

Presentation and quality of information disclosure in the annual reports depend a lot on the efficient governance mechanism applied in the companies. In order to do better, obviously the companies with weak governance should have their own governance reformed.

A company cannot do well in information disclosure without a board of directors that performs efficiently. And a company cannot be considered to have a market-leading corporate governance section in its annual reports if it is not interested in and does not commit to carrying out good international practices in governance in a sustainable and long-term manner. Vietnamese companies’ chance for success is huge when they can open their doors, integrate, and gradually fill up the gaps in their vision compared with companies from neighboring countries.

Vietnam should do more to enhance efficient governance, applying good governance practices to stand firm against challenges in regional integration, to maintain its competitive capacity, to increase shareholders’ confidence and to attract foreign investment. The weakest governance
area is in the BOD’s responsibilities. Here, directors need to have a good understanding of international best practices in governance, to make long-term commitments in applying an advanced governance framework in the companies, thus enhancing performance in an efficient manner. In order to do this, apart from the efforts of shareholders, market regulatory agencies, training institutions and the mass media, Vietnam should develop an Institute of Directors (IoD) for board members. It is an institute independent from state regulatory agencies, providing governance-related training courses and services to board members. It is also a place for board members to meet and exchange knowledge. This institute has been established in many countries worldwide. In the ASEAN region, the IoD has been established in almost all countries, including Thailand (1999), the Philippines (1999), Malaysia (1982), and Singapore (1998).