IFC Advisory Services in East Asia and the Pacific

Vietnam Corporate Governance Project

NEWSLETTER NO. 3 - NOVEMBER 2011

In Partnership with:

Assisting

Companies and banks in implementing good corporate governance practices

Improving

Effective corporate governance regulatory frameworks

Strengthening

Training capacities of educational institutions

Raising

Public awareness of corporate governance issues

International Finance Corporation
World Bank Group

Dear Reader,

Welcome to the third Vietnam Corporate Governance Project Newsletter. In this issue, we take a broader look at the influence and implications of corporate governance on issues that are increasingly occupying the agendas of both global and local organizations and industries, namely: environmental and social sustainability and good governance. We at IFC see a correlation between how local and international companies choose to govern - the standards they vow to uphold not only with respect to boardroom practices but also their production processes - and the immediate and long-term impacts on the employee, community, and market. In this time of increased competition for funding, attracting investment requires protecting investors as well as demonstrating sustainable investment: the ability to manage business, environment, and social risks and opportunities.

We're also pleased to share with you a candid report on Vietnam's regulatory development as discussed in workshops that IFC co-organized alongside the Global Corporate Governance Forum and the State Securities Commission of Vietnam. Investor protection cannot meaningfully exist without laws and their effective enforcement, and we ask a representative from the SSC and an expert on UK regulatory listing to give us their assessments of the current situation as well as what they feel must be done to maintain progress.

To continue with the themes of broader scope and progress, we round out this newsletter with the introduction of Director and Office insurance as linked to corporate governance for Vietnamese listed companies, and draw your attention to a number of new Corporate Governance-themed publications and the upcoming launch of the second Corporate Governance Scorecard. We hope to see you either in Hanoi or Ho Chi Minh City for the scheduled celebration.

Sincerely,

Simon Andrews
IFC Manager,
Vietnam, Cambodia, Lao PDR, and Thailand

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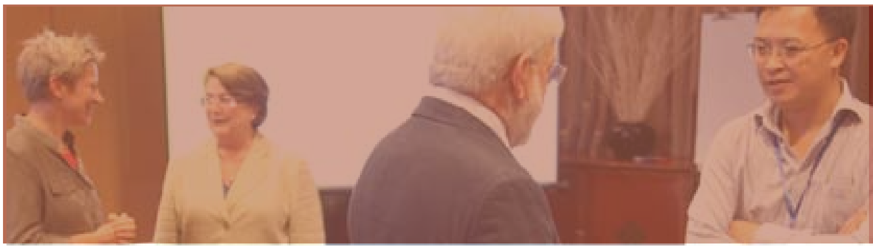


RESPONSIBLE INVESTMENT IN VIETNAM

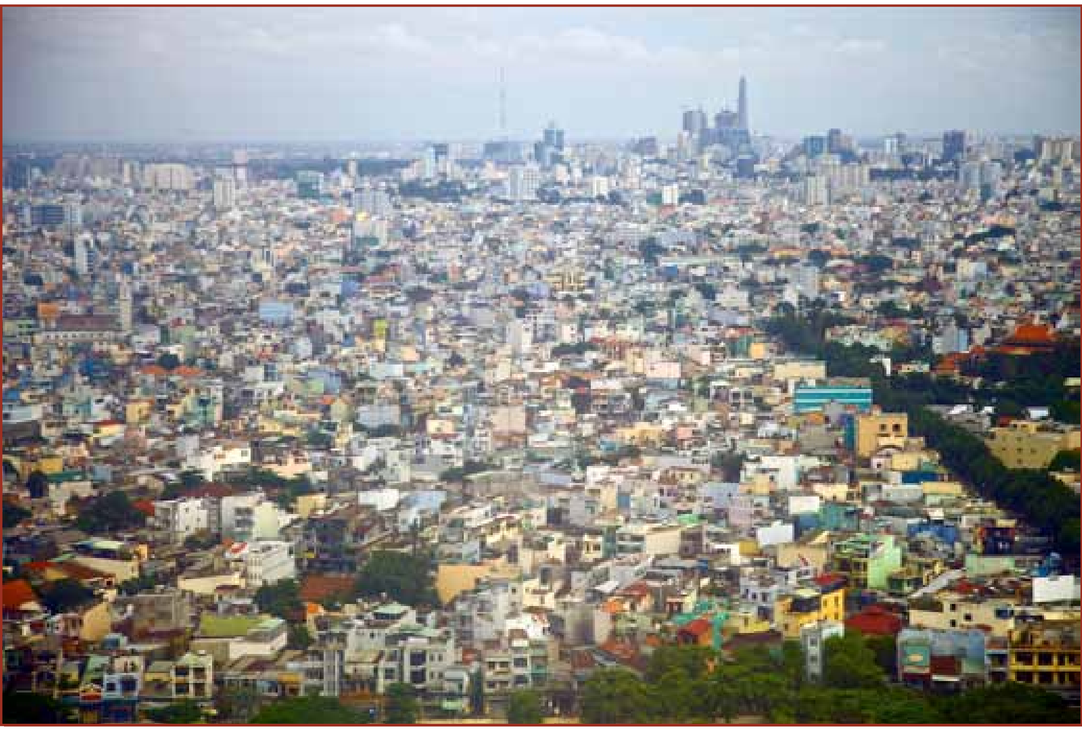
The Environmental, Social and Governance Concept

A seminar on Responsible Investment in Vietnam, co-organized by Principles for Responsible Investment (PRI), International Finance Corporation (IFC) and the State Securities Commission of Vietnam (SSC) was held in Ho Chi Minh City last June to introduce environmental, social, and governance (ESG) factors into the investment process. The seminar also spurred dialogue between institutional investors, regulators, and Vietnamese companies on how to build the capacity of the investment community as well as companies on sustainable investing and disclosure requirements and practices.

ESG performance can be considered a proxy for management quality. Companies demonstrating high-level capabilities in managing ESG risk and opportunities are viewed as likely to outperform over the long-term. Value can therefore be realized in committing to sustainable investing. ESG disclosure is seen as one way to restore investor confidence after the global financial crisis. Increased transparency could potentially facilitate the flow of capital to companies appropriately managing the business risks and opportunities associated with ESG issues. Stock exchanges around the world are becoming increasingly active in raising awareness of ESG issues and standards among listed companies, driven by calls from institutional investors. The rise of the perceived value of responsible and sustainable investment practices can be seen in the number of major global investors signing the UN-backed 'Principles for Responsible Investment' Initiative (PRI), which has soared over the past three years from 50 to over 880 as of May 2011 to represent 37 countries and US$25 trillion in assets. The principles aim to increase ESG awareness and commitments and provide peer support through a network of like-minded institutions. IFC was the first multilateral development bank to sign the Principles, while in Vietnam, fund managers from Vietnam Holdings and Anpha Capital Management Joint Stock Company are also signatories. As part of its collaboration with the PRI, IFC will help to further awareness of the business case for responsible investment, make its procedures for managing environmental and social risks available to our PRI signatories, and support investors who are looking to link emerging market investment strategies with the Millennium Development Goals in order to stimulate positive value creation.

Euan Marshall, Head of Sustainable Investment in IFC, said that by joining PRI, fund managers in Vietnam could benefit from networking with some of the largest fund managers in the world and learning from their experience on how to incorporate these standards. "The two key reasons IFC does responsible investment are that we want to invest in the best companies having positive impact in Vietnam and we want to be a better investor."

James Gifford, executive director of the United Nations-backed Principles for Responsible Investment, said that clients of assets managers are starting to really care about environment, social, and governance issues. "If fund managers in Vietnam want to entice more foreign funds to invest here, they will increasingly need to follow this lead. A fund manager who practices responsible investment will work with the management boards of his/her portfolio companies' on how best to integrate these standards - including anticorruption and risk assessment - in order to demonstrate greater awareness and responsibility." Such behavior recognizes that investment capital is increasingly being used to influence and shape corporate actions, and to increase the focus on generating social, environmental, and economic results.



The Principles for Responsible Investment*:

- We will incorporate ESG issues into investment analysis and decision-making processes.
- We will be active owners and incorporate ESG issues into our ownership policies and practices.
- We will seek appropriate disclosure on ESG issues by the entities in which we invest.
- We will promote acceptance and implementation of the Principles within the investment industry.
- We will work together to enhance our effectiveness in implementing the Principles.
- We will each report on our activities and progress towards implementing the Principles.

Why sign The Principles for Responsible Investment*?

- Improve your understanding and management of complex issues, risks and value drivers related to responsible investing
- Gain access to a comprehensive knowledge bank of implementation support, reducing research and implementation costs, through our Enhanced Research Portal platform and PRI in Practice posts of best practice
- Be part of a global network of peer investors exploring and acting on ESG issues
- Reputational benefits from publicly demonstrating top-level commitment to integrating ESG issues in a way that is consistent with fiduciary duty
- Contribute to a more long-term oriented, transparent, sustainable and well-governed investment market and business activity
- Participate in shaping the global investment agenda by participating in the Initiative's various sectoral and regional groups
- Gain access to key stakeholders from the government and civil society

** This information has been sourced from the UNPRI website. Please see www.unpri.org for further information.*

On July 11 - 12, 2011, a 'Risk Management and the Board of Directors' workshop was organized by the IFC (in coordination with the Vietnam Corporate Governance Project (VCGP)) and the Hanoi Stock Exchange (HNX) in Hanoi. The workshop was part of a series of risk governance seminars across emerging markets launched by the IFC Corporate Governance Unit in response to the recent global economic crisis. Speakers focused on failed risk management and risk governance as contributors to the loss of value by shareholders, debt holders and stakeholders. Discussions addressed risk-taking from a strategic perspective – what risk should be managed for profit-making, what risk should be hedged, how does a board decide - as well as board decision-making in risk-taking, and risk identification in Vietnam's current business climate. The workshop attracted 87 corporate directors and senior executives mainly from listed companies on the HNX and Vietnamese banks.

RISK MANAGEMENT AND CORPORATE GOVERNANCE

In order to grow, businesses need to take calculated and managed risks. In today's complex global business environment, risk management should extend beyond a focus on compliance with laws and regulations. A solid corporate governance framework, a committed board, and effective internal controls are all keys for businesses to be more effective in assessing risk and responding to market volatility.

Board members are a key element in setting the risk strategy and mitigation procedures for a firm. Independent board members have a special role to play; their risk assessment is viewed as unbiased since it is not influenced by management. Moreover, because many outside board members are selected for their particular experiences and skills, they may be attuned to a different set of risks than executive management.

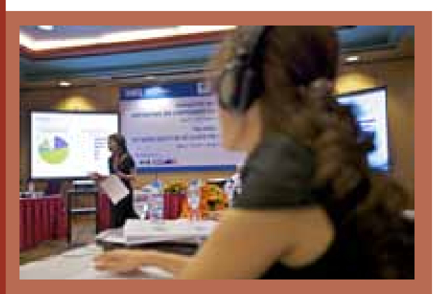
Successful boards and management teams have found that a more integrated approach to governance, risk, and compliance can drastically improve the management of underlying risks and regulatory requirements. Doing so can also help companies spot opportunities and understand areas where they can save costs. Companies that are recognized for creating solid risk management frameworks may also have greater success in attracting investors.

Any discussion of risk management should also include attention to corruption and fraud, since such practices can increase exposure to risk, waste resources, and threaten the sustainability of the company. Research is finding that poor corporate governance is a leading factor in the emergence of fraudulent practices within organizations. Lack of adequate internal controls is the most commonly cited factor that allows fraud to occur. Lack of management review and the ability to override existing controls are also cited as openings for corruption. Both of these areas are typical elements of a corporate governance improvement effort.

CORPORATE GOVERNANCE MEDIA TRAINING

After a successful launch of the media training workshop in Ho Chi Minh City last year, IFC and the Global Corporate Governance Forum (GCGF), in cooperation with the Thomson Reuters Foundation, organized a similar three-day training in Hanoi. The workshop aimed to build capacities among journalists in reporting on issues related to corporate governance. Based on the view that "better companies make better societies," the overall objective was to build journalist confidence in their unique ability to disseminate information on corporate governance to the business community and to the wider reading public, and to make readers aware of company activities that can have significant impact on society. Representatives from the SSC, Deloitte Vietnam, the Asia Commercial Bank and the Hanoi Stock Exchange helped provide tailored local context and case studies for the 18 participants and supplemented the writing and reporting exercises led by IFC, GCGF, and Thomson Reuters. After the successful completion of the training, the IFC CG team tracked 13 different articles written by the participants on corporate governance issues, including:

- *'Corporate Governance in listed companies - Concerns of disclosure, transparency and a "bypassed" possibility for shareholders'*
- *'More transparency and disclosure - New regulations on Corporate Governance in Vietnam'*
- *'How can Weak Corporate Governance Retain Foreign Indirect Investment'*
- *'Insider shareholders not allowed to 'surf' the company's shares on the stock market'*



An interview with OMT and PACE

OMT MS. DAU THUY HA

CEO, On-line Management Training

PACE MR. GIAN TU TRUNG

Founder & Chairman, PACE Institute of Leadership & Management

OMT and PACE are two of the leading private educational institutions in Vietnam actively promoting the adoption of corporate governance and corporate governance-related issues into the local business culture. With OMT operating in the North, and PACE in the South, opportunities are more prevalent now for current and future business leaders to meld international standards and practices with the current local business culture .

How are you introducing CG training to the business community?

MS. HA: Our clients have been medium and large, mostly public Vietnamese companies, where corporate governance is still viewed more as a matter of compliance, with no measurable links to business performance. However, thanks to the continuous efforts of different CG stakeholders, especially policy makers and enforcers like SSC, international CG promoters and the media, CG issues are starting to get more traction with Vietnamese board members and senior executives. We are building our services on this broad groundwork, and see CG training as one way to quickly get board members and executives on the same page in terms of CG thinking and action planning.

CG training will be effectively introduced to the business community in Vietnam when key stakeholders align their efforts. SSC and the Stock Exchanges spearhead the promotion and enforcement of CG best practices through policies and specific regulations; IFC provides broad support by championing nationwide research, capacity building, and publication of CG materials. More specifically, we have formed CG trainer network in Vietnam (with online, offline meeting and consultation) and are engaging more partners to join the CG training network as a part of our strategy to diversify our CG service products.

MR. TRUNG: Vietnamese companies need to recognize the value of corporate governance in combination with knowledge-based management. This combination is the future of success for companies in Vietnam because implementation of good corporate governance contributes to sustainable economic development by enhancing the performance of companies and increasing their access to outside sources of capital.

What we are doing at PACE is trying to bring Vietnamese companies to embrace this reality now. Our mission is to identify and popularize advanced business ideologies, practices, and new trends of business leaders in our country. Corporate governance is an integral ingredient in all of these, and those companies that act now will be the ones to move Vietnam forward.

Translating corporate governance concepts into local business trainings is challenging, but challenges should be expected when you are pioneering new ways of behavior. We start by introducing business leaders to the values of corporate governance and how it can be a powerful tool for performance and productivity. Once they see how corporate governance can improve their bottom lines, they are more eager to learn more and enroll in our courses.

How do you get busy board members and management to attend your courses in addition to their regular work schedules?

MR. TRUNG: My strong belief is that we do not lack time for things that we know are important. When one knows what is important, he or she will be willing to sacrifice and prioritize what needs to be done to achieve the goal. Most participants at PACE are working business people with tight schedules. They attend the courses because the lessons learned are sufficiently rewarding. In fact, the demand for these trainings is growing. It is therefore important that we continue developing and strengthening our team of trainers for CG in addition to the marketing and PR campaigns to complement the 'word of mouth' results that have helped raise awareness. We also are looking to collaborate with HOSE, SSC, VCCI and other capital market leaders to develop tailor-made programs, and to publish and make available a number of influential books on corporate governance to broaden the amount of available information on corporate governance in Vietnam.

MS. HA: We recognize that busy board members will only attend to things that are at the forefront of their minds. We also recognize that traditional classroom-type of training might not always be the most suitable ways of conveying ideas and provoke actionable thinking in board members. Therefore besides the traditional 3 day classroom training, we have been "repacking" training into intensive half day "CG workshops on demand" for board members and executives of listed companies. We also introduce them to the many publications available on the Internet in both English and Vietnamese, which helps spark greater interest in CG issues and can lead to enrollment in training. In other cases, we recommend those companies planning their IPO to contact IFC's CG project team to get advice from them and we follow up with tailored trainings.

We are discussing with other training institutions, including the Institute of Economics and Finance and the International School of Management and Economics to integrate the CG coursework in their leadership and management training programs. Outside the classroom, our trainers have been promoting CG initiatives, for example, we helped launch the WomenCorporateDirectors (WCD) chapters in Hanoi and Ho Chi Minh City. But one of our highest priority nowadays is to develop a contingent of Vietnamese CG trainers who will be able to cater to the growing CG training needs of Vietnamese companies.

For further information, please visit PACE's website: http://www.pace.edu.vn/en/home.aspx, and http://en.omt.vn/

An interview with

MR. JASON KELLY

Chartis Vice President and Regional D&O Manager

SEA & China Region

COVERING BETTER BUSINESSES

Chartis Vietnam Insurance Company Limited (formerly AIG Vietnam) is a member company of Chartis Group, a worldwide leader in property-casualty and general insurance. Chartis plans to provide insurance services related to directors liabilities to customers in Vietnam. It operates branches in Hanoi and Ho Chi Minh City.

On October 13, 2011, the first workshop on 'Risks of Directors in Listed Companies – Protection Solutions and Corporate Governance', was organized in Ho Chi Minh City by Chartis in cooperation with IFC. The workshop attracted 30 participants including Board members and chairmen, and senior management from 25 listed companies on the Ho Chi Minh stock exchange.

Corporate Governance is still a new concept for the Vietnamese business community. Why do you think that Vietnamese listed companies need to pay attention now?

Corporate governance is something fundamental to all companies and in particular listed companies. Study after study have demonstrated that organizations with strong corporate governance outperform those with poor corporate governance. Corporate governance has moved to the front of investor concerns since the global financial crises in 2008. We are now constantly reminded of the importance of corporate governance when read the news and see the issues now confronting listed Chinese companies or the loss of reputation and market value that Olympus Corporation in Japan has recently suffered. In both cases, investors have left these companies and their valuations have plummeted. The ability for them to raise capital going forward is not only going to be more difficult but more costly based on a lack of trust from the investor community.

How do you see the link between corporate governance and Director & Officer (D&O) insurance ? What needs to be done to make sure that this link works most effectively?

D&O insurance is a product that facilitates a company's ability to attract the best talent. When a director or officer joins a company, they have unlimited liability and potentially face lawsuits or investigations from shareholders or regulators. D&O insurance provides these individuals with comfort, knowing that if they are subject to liability, there is insurance in place to protect them. What director or officer would want to face unlimited liability without D&O insurance being secured by the company. Ultimately, attracting and retaining the most qualified people to the company will assist in implementing good governance and having D&O insurance assists in that process.

D&O insurance protects not only the directors and officers but also provides some entity cover. We all know that litigation is expensive and having D&O insurance is another way for the company to protect its own balance sheet and its shareholders money. This is general risk management and a fundamental part of good corporate governance. It's worth noting that in Hong Kong, effective January 2012, the main board listing rules will state that listed companies should purchase D&O insurance. The belief that doing so is an example of good governance and best practices.

You have been working with many companies within SEA & China region, can you briefly give us a view on the D&O practices and trends in some neighboring countries such as Thailand and China?

In terms of Southeast Asia, we have seen a shift in buying habits of D&O insurance as litigation trends have increased over the last decade. Many countries continue to amend their listing rules, companies acts, oversight rules and commit additional resources to effect these changes and in-force any violations. I would expect that Vietnam and other emerging countries such as Indonesia or Thailand will also see increased litigation and therefore the additional need for D&O insurance. The China market is currently avid buyers of D&O based on the large number of US listed companies operating in China. China also has a large number of multinational companies operating in China where liability now exists both inside the multinationals home country and now inside China. Many multinational companies will purchase D&O solely for their China operations. This is something I would expect to be replicated in other emerging market jurisdictions.

This is the first workshop in cooperation with the IFC's Vietnam Corporate Governance Project, how do you see its value to Vietnamese corporate directors? Do you have plan to organize similar workshops in the future?

I think it's incumbent upon all parts of the community in Vietnam to continue to promote the need for strong corporate governance. Good governance is not something that should rest solely with the IFC or the stock exchanges. Ultimately, it is up to the directors and officers of Vietnamese companies to pursue information and training regarding best practices in corporate governance. Chartis will of course continue to offer seminars and workshops to those companies and individuals interested in learning more about corporate governance and its importance.

Highlights from the 'Risks of Directors in Listed Companies - Protection Solutions and Corporate Governance' workshop

"Challenges for Boards of Directors after Decree 102"

Mr. Phan Duc Hieu, Deputy Head Business Environment and Competitiveness of the Central Institute for Economic Management (30 min)

'Vietnam - Directors & Officers' Liability, Emerging Trends in Asia'

Mr. Jason Kelly, Chartis Vice President and Regional D&O Manager of SEA and China (30 min)

'Corporate Governance and How to Build an Effective Board - Key Factors in Good Management for Mitigating Risk for Directors'

Mr. Juan Carlos Fernandez Zara, Senior Operations Officer, IFC EAP Regional Corporate Governance Program (2 hrs)

COMPLIANCE AND CAPITAL MARKETS

Corporate Governance enforcement training for SSC, HNX, and HOSE staff

IFC, together with the GCGF and the SSC of Vietnam organized a two-day interactive workshop on enforcement of corporate governance for 46 staff members of the SSC and the Hanoi Stock Exchange on September 26-27 in Hanoi, and for 30 staff members of the Ho Chi Minh Stock Exchange on September 29-30 in Ho Chi Minh City. The two-day workshops provided regulators and stock-exchange staff with substantive understanding of corporate governance as a basis for a company's strategy, mode of operation and reporting. The coursework was also designed to help regulators monitor, investigate and enforce good corporate governance practices while improving institutional capacity and authority with CG monitoring and enforcement.

The workshop also reserved time for discussion of the shortcomings in the regulatory environment and the challenges regulators were facing in trying to be both effective and comprehensive in their enforcement. In his remarks at the workshop, Mr. Bui Hoang Hai, SSC's Deputy Director of Securities Issuance Department, stated that enforcement of CG codes in Vietnam will require cooperation from shareholders and market participants in support of the designated enforcers of the SSC and Stock Exchanges. "CG rules are applied only to listed companies on the stock exchanges. Both the exchanges and the SSC simultaneously supervise CG compliance, however, only the SSC is authorized by law to conduct inspection."

Currently, there are 396 listed companies on HOSE and 393 companies listed on HNX, however, the SSC, with its limited resources, is truly challenged to effectively enforce the regulations. "We recently signed an MOU with the Vietnam Association of Certified Public Accountants (VACPA) to enhance cooperation with its members in raising the standard of financial information disclosure and participation in our inspections. We also would like to have cooperation from professional associations such as the Viet Nam Association of Financial Investors, Securities Dealer Association, and Listed Companies Associations, but most of these are newly established, and lack experience and resources. We do hope in the near future, these associations will play larger roles in supervising and enforcing CG codes in Viet Nam."

Mr. Ken Rushton, former Director of the UK Listing Financial Services Authority (FSA) and Senior Consultant to Board Insight (UK) recommended that Regulators be given much stronger sanction powers to levy where breaches of Rules are detected. He also suggested the Stock Exchanges consider creating distinct trading platforms for companies that demonstrate high standards of corporate governance - as is the current practice in Brazil and the Philippines.

The Regulatory Environment: A Snapshot

What are some of the main issues you see resulting from a lack of strong corporate governance enforcement?

Mr. Bui Hoang Hai: There are a number of critical issues that are a direct result of weak CG enforcement, including:

A lack of shareholders' engagement in exercising their rights and duties. Although provisions in relevant laws allow various rights for shareholders, the shareholders themselves have not been fully aware of their rights, nor have they been actively involved in corporate governance process of their companies. Also, protection of these rights has been inconsistent, with sanctions applied mostly on an administrative basis. At the same time, board member and management knowledge and consciousness with respect to corporate governance duties and obligations is, on the whole, rather uneven.

What are regulators doing to improve these issues?

Mr. Bui Hoang Hai: Currently, SSC is in the process of finalizing a Draft Circular on corporate governance that endorses the corporate governance principles of OECD. This new Circular will be released soon to replace Decisions No. 12/2007/QD-BTC and No. 15/2007/QD-BTC and will be applicable to not only listed companies on the stock exchanges but also to large-scale public (non-listed) companies. The Circular will mandate a higher compliance on the most important areas of corporate governance in order to enhance: (i) transparency in operations of companies; (ii) organization of general meeting of shareholders; and (iii) operations of the board of directors and supervisory board.

For the short-term, officials from Stock Exchanges and SSC are responsible for monitoring the compliance of enterprises in line with the new CG regulations. These enforcement trainings are a positive step; we also have our own plans to enhance the skills and capacities of officials from the SSC and both Stock Exchanges, in terms of monitoring corporate governance practices in enterprises. At the same time, we are working with IFC and the GCGF on the 2010 CG Scorecard Project and expect to continue receiving supports from them in future CG enforcement training activities.

The Regulatory Environment: A Comparison

What are typical CG violations that you see in the UK's capital markets?

Mr. Rushton: Compliance with corporate governance requirements in the UK is generally very good. Investors do have concerns if excessive remuneration is paid to directors when the company's performance does not merit the payouts. There have also been concerns about ineffective succession plans when CEOs or other senior directors have unexpectedly left the board. From a regulator's perspective, the main concern is about board quality and the need for directors with adequate experience and expertise who will be committed to the job. There are concerns about the extent of market abuse and insider trading but in recent years these cases are being detected and prosecuted more successfully.

How does the FSA carry out its supervision and what types of actions does it take to ensure effective CG enforcement in the UK?

Mr. Rushton: The extent of supervision of an authorised financial services firm depends upon the outcome of a risk assessment that is done regularly by the FSA. "High impact" firms such as major banks and insurance companies receive close and continuous supervision and the FSA might question the judgements and decisions of the firm's senior management. Today the FSA is far more interventionist than in my day. So far as listed companies are concerned, the regime is not a supervisory one but is disclosure based. Listed companies are monitored to ensure they are meeting their reporting and disclosure obligations under the Listing Rules. In all cases of breaches of Rules the FSA can impose unlimited fines and for the most serious cases, such as insider trading, these can result in imprisonment. There are also sanctions short of fines for less serious cases and these include private warnings or censures.

The second Corporate Governance Scorecard

Monitoring CG Standards and Practices in Vietnamese Companies

IFC, the SSC and the GCGF are pleased to announce the launch of the second Corporate Governance Scorecard for Vietnam. The Scorecard (covering the 2010 reporting period) launching events will be held on Dec 7, 2011 in Hanoi and Dec 9, 2011 in HCMC with following details:

Hanoi:

Time and Date:

8.30 am - 11:30 am,

December 7, 2011

Venue:

Intercontinental Hanoi Hotel,

1 Nghi Tam, Hanoi

Ho Chi Minh City:

Time and Date:

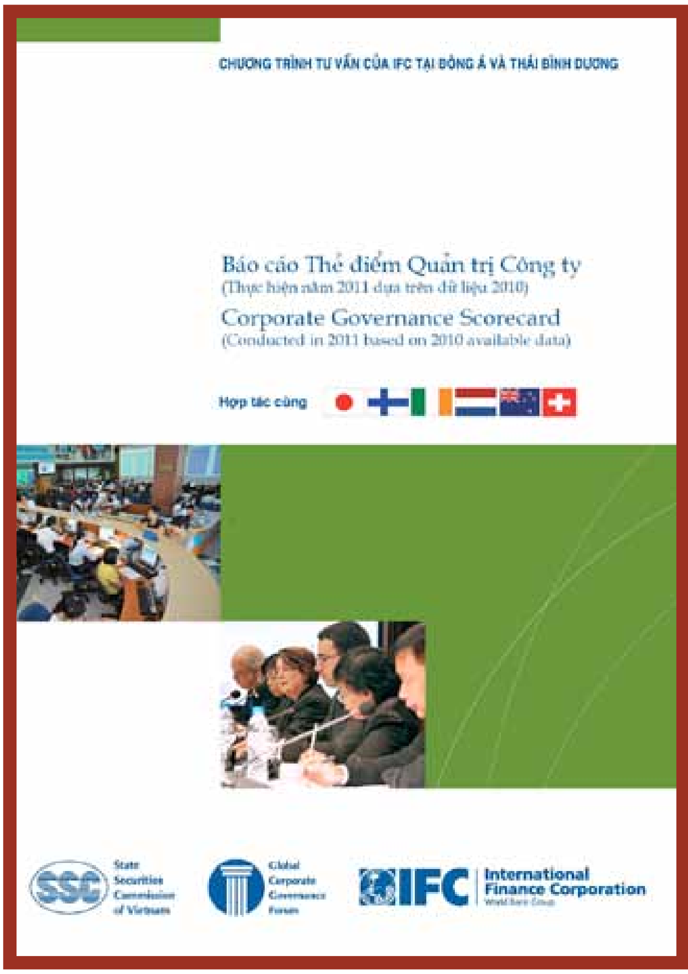
8.30 am - 11:30 am,

December 9, 2011

Venue:

Sheraton Hotel

88 Dong Khoi Street, District 1



Basel Principles

The Basel Committee on Banking Supervision (the Committee) has a long-standing commitment to promoting sound corporate governance practices for banking organizations. The Committee's guidance assists banking supervisors and provides a reference point for promoting the adoption of sound corporate governance practices by banking organizations in their countries. The principles also serve as a reference point for the banks' own corporate governance efforts.

We extracted below a summary of the sound corporate governance principles in banking organization:

A. Board Practices

Principle 1 The board has overall responsibility for the bank, including approving and overseeing the implementation of the bank's strategic objectives, risk strategy, corporate governance and corporate values. The board is also responsible for providing oversight of senior management.

Principle 2 Board members should be and remain qualified, including through training, for their positions. They should have a clear understanding of their role in corporate governance and be able to exercise sound and objective judgment about the affairs of the bank.

Principle 3 The board should define appropriate governance practices for its own work and have in place the means to ensure that such practices are followed and periodically reviewed for ongoing improvement.

Principle 4 In a group structure, the board of the parent company has the overall responsibility for adequate corporate governance across the group and ensuring that there are governance policies and mechanisms appropriate to the structure, business and risks of the group and its entities.

B. Senior management

Principle 5 Under the direction of the board, senior management should ensure that the bank's activities are consistent with the business strategy, risk tolerance/appetite and policies approved by the board.

C. Risk management and internal controls

Principle 6 Banks should have an effective internal controls system and a risk management function (including a chief risk officer or equivalent) with sufficient authority, stature, independence, resources and access to the board.

Principle 7 Risks should be identified and monitored on an ongoing firm-wide and individual entity basis, and the sophistication of the bank's risk management and internal control infrastructures should keep pace with any changes to the bank's risk profile (including its growth), and to the external risk landscape.

Principle 8 Effective risk management requires robust internal communication within the bank about risk, both across the organization and through reporting to the board and senior management.

Principle 9 The board and senior management should effectively utilize the work conducted by internal audit functions, external auditors and internal control functions.

D. Compensation

Principle 10 The board should actively oversee the compensation system's design and operation, and should monitor and review the compensation system to ensure that it operates as intended.

Principle 11 An employee's compensation should be effectively aligned with prudent risk taking: compensation should be adjusted for all types of risk; compensation outcomes should be symmetric with risk outcomes; compensation payout schedules should be sensitive to the time horizon of risks; and the mix of cash, equity and other forms of compensation should be consistent with risk alignment.

E. Complex or opaque corporate structures

Principle 12 The board and senior management should know and understand the bank's operational structure and the risks that it poses (ie "know-your-structure").

Principle 13 Where a bank operates through special-purpose or related structures or in jurisdictions that impede transparency or do not meet international banking standards, its board and senior management should understand the purpose, structure and unique risks of these operations. They should also seek to mitigate the risks identified (ie "understand-your-structure").

F. Disclosure and transparency

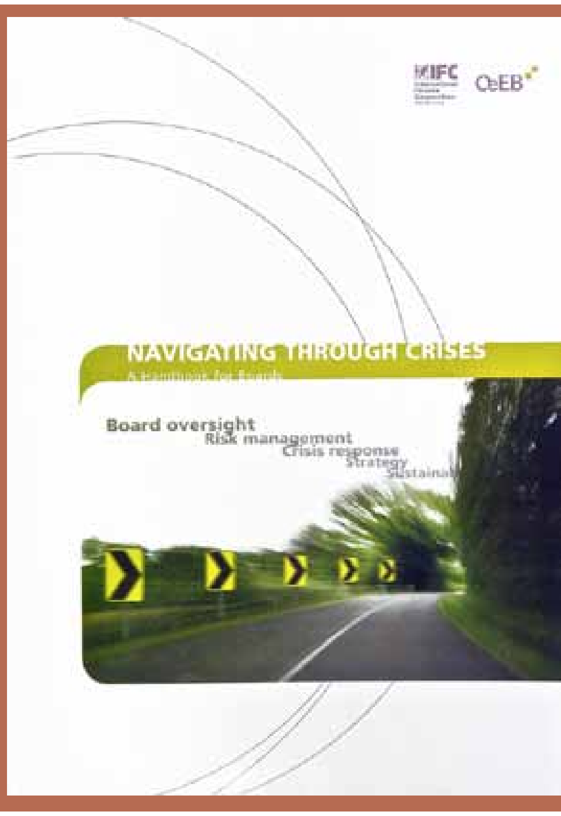
Principle 14 The governance of the bank should be adequately transparent to its shareholders, depositors, other relevant stakeholders and market participants.

With permission from the Bank for International Settlements (BIS), IFC's Vietnam Corporate Governance Project has translated this publication into Vietnamese with an aim to provide an international guidance in Vietnamese language for banking organizations in Vietnam to raise awareness and improve their own corporate governance practices.

The full document is available at: http://www.ifc.org/ifcext/mekongpsdf.nsf/Content/CG-Pubs

English version is also available on the BIS website (www.bis.org)

Navigating through Crisis



A Handbook for Boards

Navigating through Crises is an integral part of IFC's overall crisis-response program. Based on empirical academic research and practical experience from training workshops held in more than ten countries in Eastern Europe, the Middle East and North Africa, Central Asia, and East Asia. Conceptually, the Handbook uses a contingency approach (see Steger and Amman 2008), looking at various specific situations and their influencing factors and relevant decision-making criteria. Hence, it provides many practical ideas and tips for crisis management and the involvement of the board in a concise and easy-to-understand format for the greater benefit of the reader.

Who the Handbook is for:

This Handbook is dedicated to board members, especially non-executive, independent board members, in emerging economies. It aims to support them in their work in corporate crisis situations — from the prevention of potential negative events to successful management when things do go wrong.

The Handbook does not distinguish between types of crises — internal or external, financial or other. While the global financial crisis of 2008 was the instigator for this project, the Handbook is general enough to provide advice for and solutions to other crisis situations.

The book applies to both public and private businesses and does not focus on any particular legislative framework of companies or countries, but rather on what should be done in a crisis, and how, from a board perspective. However, it is assumed that the size of the company allows for at least a minimal formal structure and a board of approximately five people, including outsiders.

IFC's Vietnam Corporate Governance Project translated and published it in Vietnamese in June 2011. Both Vietnamese and English e-versions of the hand book are available at:

http://www.ifc.org/ifcext/mekongpsdf.nsf/Content/CG-Pubs


Better Companies,
Better Societies


MELIA HANOI

Ho Chi Minh City Office
3rd Floor, Somerset Chancellour Court
21-23 Nguyen Thi Minh Khai St, District 1,
Hochiminh City, Vietnam
Tel: (+84-8) 3823 5266
Fax: (+84-8) 3823 5271

Contact: Juan Carlos Fernandez Zara
Senior Operations Officer, Corporate Governance
IFC Sustainable Business Advisory, EAP
E-mail: Jfernandez@ifc.org

Hanoi Office
3rd floor, 63 Ly Thai To St.
Hanoi, Vietnam
Tel: (+84-4) 38247892
Fax: (+84 4) 38247898

Contact: Nguyen Nguyet Anh
Associate Operations Officer,
Corporate Governance Vietnam
Email: Nanh2@ifc.org

International Finance Corporation
World Bank Group

2011