GLASS LEWIS

2021

PROXY PAPER™

GUIDELINES

AN OVERVIEW OF THE GLASS LEWIS APPROACH TO PROXY ADVICE

VIETNAM

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Guidelines Introduction

LAWS AND REGULATIONS

Vietnam corporate governance has been primarily based on the following: the Law on Enterprises 2020 ("LOE 2020"); Law on Securities ("Securities Law"); the Vietnam Listing Rules; Vietnamese Corporate Governance Manual ("Manual") in 2010; Circular No.155/2015/TT-BTC; Circular No.95/2017/TT-BTC; and Circular No 121/2012/TT-BTC promulgating Regulations on Corporate Governance Applicable to Public Companies ("Circular 121"); Decree No.71/2017/ND-CP; Decree No.5/2019/ND-CP; and recently Vietnam Corporate Governance Code of Best Practices for Public and Listed Companies 2019 ("Code"), which has been developed by the State Securities Commission of Vietnam ("SSC") with support from the International Finance Corporation ("IFC"), World Bank and Swiss State Secretariat for Economic Affairs ("SECO").

The Code is on a voluntary basis, potentially developing into a "Comply or Explain" basis, where boards are encouraged to apply each of the Code's principles or explain non-compliance.

Glass Lewis uses local laws, regulations, listing rules, as well as best corporate governance practices for developing our policy guidelines, while our guidelines may go beyond legal minimum requirements. Specifically, our guidelines may include global corporate governance best practices and are reviewed annually to ensure they remain current with market practice, regulations, governance codes, and the evolving standards of best practices for corporate governance. Accordingly, unless specifically noted otherwise, a failure to meet these guidelines should not be understood to mean that the company or individual involved has failed to meet applicable legal requirements.

GOVERNANCE STRUCTURE

According to Article 137 of the 2020 LOE, listed companies in Vietnam can chose either of the following two governance structures:

1. A board of directors ("BOD");[1] a general director or CEO; and a supervisory board ("SB", also known as inspection committee) in cases where the company has more than 11 shareholders being individuals or having organizations owning more than 50% of the company's total shares.

2. A BOD of at least 20% of independent directors with an audit committee as a sub-committee of the board; and a general director or CEO.

Directors of BOD and SB are elected by shareholders at a general meeting for a term of up to five years, and they are eligible for re-election for an unlimited number of terms. However, a director can only be elected as an independent director for up to two consecutive terms.

The BOD or shareholders shall elect the chair of the BOD, provided that if the BOD elects the chair of the BOD, he/she should be among the directors of the BOD.

The chair of the BOD or CEO shall be the legal representative of the company.

As provided in the LOE 2020, boards of directors should comprise a minimum of three directors, with a maximum board size of eleven directors, one-third of whom must be independent.[2] For state-owned companies,

1 2020 LOE, Article 153 provides the rights and duties of BOD.

2 Circular 121, Article 30.

no directors of the BOD shall have familial relationship with the general director, CEO or any other managers of the company that has the authority to appoint managerial positions.

Pursuant to Article 19 of Circular 121, supervisory boards shall have between three to five supervisors, with at least one supervisor being an accountant or auditor. The chair of the SB must have a graduate degree of one of the following majors: economics, finance, accounting, audit, law, business administration, or expertise relating to the company's business operations, or a higher expertise if specified in the company's charter. No supervisor of SB shall hold a managerial position of the company and should not be a supervisor of the accounting/financial department of the company or the company's independent current auditor; or have familial relationship with any of the directors of the board, CEO and other managers of the company.

SHAREHOLDER MEETING AND DISCLOSURE

Vietnamese companies are required to hold an annual shareholder meeting within four months from the end of the fiscal year.[3] Upon the BOD's request, it may be extended up to six months by the business registration office. An annual general meeting of shareholders shall discuss and pass the following agendas: (i) annual business plan; (ii) annual financial statements; (iii) report of the BOD on management activities of the board and of each board member; (iv) report of the SB regarding company business results and operation of the BOD, general director or CEO; (v) self-assessment report of SB and supervisors; (vi) allocation of dividend payable on each class of shares; and (vii) other matters within its authority, such as election of directors of the BOD and SB, issuance of shares, or investment decisions.

If the BOD fails to convene a general meeting of shareholders as stipulated, the chair of the BOD must be responsible before the law and must compensate for any damage arising to the company. Furthermore, within the following 30 days, the SB shall replace the BOD in convening the general meeting of shareholders in accordance with the Enterprise Law.

Vietnamese companies are required to publish meeting notices and all related documents, including meeting agenda, meeting documents, draft resolutions and voting card, at least 21 days before the date of the general meeting of shareholders, or as per the company's charter, whichever is longer. If a company has a website, the meeting invitations with all accompanying documents should be announced on its website at the same time.[4] Where companies fail to disclose information in a timely manner or provide information with insufficient supporting details, we may recommend shareholders vote against the proposal, instead of recommending to abstain from voting on a proposal.

SUMMARY OF CHANGES FOR THE 2021 VIETNAM POLICY GUIDELINES

Glass Lewis evaluates these guidelines on an ongoing basis and formally updates them on an annual basis. This year we've made noteworthy revisions in the following areas, which are summarized below but discussed in greater detail in the relevant sections of this document:

AUDIT COMMITTEE

We have incorporated into our guidelines how we will assess audit committees for Vietnamese companies.

NOMINATION AND REMUNERATION COMMITTEE

We have incorporated into our guidelines how we will assess nomination and remuneration committees for Vietnamese companies.

APPOINTMENT OF AUDITORS

We have adopted new approaches for how we will review proposals to appoint auditors and how we will base our recommendations on such proposals.

3 2020 LOE, Article 139.
4 2020 LOE, Article 143.

EQUITY COMPENSATION PLANS

We have included in the guidelines how we will evaluate equity-based compensation plans.

PRE-EMPTION WAIVERS

We have included a discussion as to how we will review waivers of pre-emption in relation to capital raising proposals.

RELATED PARTY TRANSACTIONS

We have updated our guidelines to include how we will review related party transaction proposals.

CORPORATE GUARANTEES

We have updated our guidelines to include how we may assess the providing of corporate guarantees.

A Governance Structure that Serves the Interests of Shareholders

CUMULATIVE VOTING

Pursuant to Article 148 of the 2020 LOE, directors of the BOD and SB shall be elected by the method of cumulative voting at a shareholder general meeting. Each shareholder shall have as their total number of votes the total number of shares they own multiplied by the number of directors to be elected to the BOD or SB, and each shareholder shall have the right to accumulate all of their votes for one or more candidates. However, shareholders may be limited to execute the cumulative voting since the election of directors of the BOD and SB are usually combined in one proposal.

ELECTION OF DIRECTORS

Glass Lewis looks for talented boards with a record of protecting shareholders and delivering value over the medium- and long-term. We believe that boards working to protect and enhance the best interests of shareholders are independent, have a record of positive performance, and have directors with a breadth and depth of experience.

In an effort to facilitate shareholder voting in favor of governance structures that will create shareholder value and maintain highly functioning independent board, Glass Lewis looks into various aspects of the board and its committee structure and the qualification of the respective directors. In accordance with the Code, we strongly recommend and will monitor the establishment of key governance committees under the BOD including the audit committee, the remuneration committee and the nomination committee.

INDEPENDENCE

The independence of directors, or lack thereof, is ultimately demonstrated through the decisions they make. In assessing the independence of directors, we will take into consideration, when appropriate, whether a director has a track record indicative of making objective decisions. Likewise, when a director sits on multiple boards and has a track record that indicates a lack of objective decision making, we will consider such track record when assessing the independence of directors. Ultimately, the determination of whether a director is independent or not must take into consideration both compliance with the applicable independence listing requirements as well as judgments made.

We look at each director nominee to examine the director's relationships with the company, the company's executives, and other directors. We do this to find personal, familial, or financial relationships (not including director compensation) that may impact the director's decisions. We believe that such relationships make it difficult for a director to put shareholders' interests above the director's or the related party's interests.

Thus, we put directors into three categories based on an examination of the type of relationship they have with the company:

Independent Director — A director is independent if he or she has no material,[5] financial, familial[6] or other current relationships with the company,[7] its executives or other board directors except for service on the board and standard fees paid for that service. An individual who has been employed by the company or has any other relationships with the company within the past three years is not considered to be independent.[8]

Affiliated Director[9] — A director is affiliated if he or she has a material financial, familial or other relationship with the company or its executives, but is not an employee of the company. This includes directors whose employers have a material financial relationship with the company and any director who directly or indirectly owns or controls 1% or more of the company's voting stock as imposed by the Enterprise Law. In addition, where we find independent non-executive directors receiving additional compensation in the form of salaries, allowances and/or emoluments that exceed 50% of a director's normal fee-based compensation, we will consider such independent directors as being affiliated.

Inside Director — An inside director is one who simultaneously serves as a director and as an employee of the company. This category may include a board chair who acts as an employee of the company or is paid as an employee of the company.

Voting Recommendations on the Basis of Independence

Glass Lewis believes that a BOD will most effectively perform the oversight necessary to protect the interests of shareholders if it is at least one-third independent. In addition, given the important role of the SB, we believe that the SB should be fully non-executive members and at least one-third of the members should be independent. In the event that the BOD or SB is not sufficiently independent, we typically recommend voting against some of the insider and/or affiliated members in order to satisfy the independent number we believe is appropriate. Where members of BOD and SB are elected by slate and if the board fails the minimum independence requirement, we will recommend shareholders vote against the entire slate.

In addition, if we find the BOD is not sufficiently independent, we will hold the chair of the BOD accountable for such poor board independence. If the BOD has a nomination committee, we will hold accountable the committee chair for the lack of board independence.

PERFORMANCE

The most crucial test of a board's commitment to the company and its shareholders lies in the actions of the board and its directors. We look at the performance of these individuals as directors and executives of the company and of other companies where they have served. We also look at how directors voted while on the board where such information is available.

Voting Recommendations on the Basis of Performance

We disfavor directors who have a track record of poor performance in fulfilling their responsibilities to shareholders at any company where they have held a board or executive position. We typically recommend voting against:

5 "Material" as used herein means a relationship for: (i) a service they have agreed to perform for the company or the group, outside their service as a director, including professional or other services; and (ii) those directors employed by a professional services firm, such as a law firm, investment bank, accounting firm or consulting firm and the company pays the firm, not the individual, for services.

6 "Familial" as used herein includes a person's spouse, parents, children, siblings, grandparents, uncles, aunts, cousins, nieces and nephews, including in-laws, and anyone (other than domestic employees) who share such person's home.

7 "Company" includes any parent or subsidiary in a consolidated group with the company or any entity that merged with, was acquired by, or acquired the company.

8 2020 LOE, Article 155, Clause 2.

9 In every instance in which a company classifies one of its directors as non-independent, that director will be classified as an affiliate by Glass Lewis.

- **Poor Attendance —** director who fails to attend a minimum of 75% of the board meetings or 75% of total applicable committee meetings and board meetings.[10]

- **Serious Restatement —** A director who is also the chief executive of a company where a serious restatement has occurred after the chief executive certified the pre-restatement financial statements.

- **Company Performance —** In the event a company's performance has been consistently lower than its peers and the board has not taken reasonable steps to address the poor performance, we will consider voting against all directors of the board.

- **Nomination Committee Meeting —** Where a company does have a nomination committee, we expect that committee to meet at least once a year as part of its review of the board of directors and commissioners membership and succession planning. Where this nomination committee failed to meet at least once during the previous fiscal year, we will hold the committee chair accountable on this matter.

- **Audit Committee Meeting —** Where a company has an audit committee, we expect that committee to meet at least four times a fiscal year to properly oversee the Company's accounting and financial reporting. Where this audit committee failed to meet at least four times during the previous fiscal year, we will hold the committee chair accountable on this matter.

EXPERIENCE

In determining our recommendation as to who we may recommend shareholders vote against for board independence, we will reserve discretion to not recommend against a company's CEO or managing director. In particular, given the importance of the executive's role, if the executive has no other issues that would warrant a negative recommendation, we will exempt such directors from receiving an against recommendation. However, should the executive have additional issues that would warrant an against recommendation, we will generally oppose the reelection of such executives on the basis of the board being insufficiently independent.

We find that a director's past conduct is often indicative of future conduct and performance. We often find directors with a history of overcompensating executives or with a history of serving on boards where significant and avoidable disasters have occurred, reappearing at companies that follow these same patterns.

Voting Recommendations on the Basis of Experience

We typically recommend that shareholders vote against directors who have served on boards or as executives of companies with a track record of poor performance, over-compensation, audit or accounting related issues and/or other indicators of mismanagement or actions against the interests of shareholders.

DIRECTOR COMMITMENTS

We believe that directors should have the necessary time to fulfill their duties to shareholders. In our view, an overcommitted director can pose a material risk to a company's shareholders, particularly during periods of crisis. In addition, recent research indicates that the time commitment associated with being a director has been on a significant upward trend in the past decade. As a result, we generally recommend that shareholders vote against a director who serves as an executive officer of any public company while serving on more than two public company boards and any other director who serves on more than five public company boards in accordance with Clause 3, Article 30 of Circular 121, which generally limits directorships to no more than five public company boards. We will count directors who serve as board chairs in select other non-Asian markets, per our global policies, as two board seats given the time commitment of directorship in those markets. Academic literature suggests that one board takes up approximately 248 hours[11] per year of each member's time.

10 However, where a board director has served for less than a full year, we will not typically recommend voting against such a director for failure to attend 75%. Rather we will note the failure with a recommendation to track this going forward. We will also refrain from voting against directors when the proxy discloses that the director missed the meetings due to serious illness or other extenuating circumstances.

11 NACD Public Company Governance Survey 2015-2016. p. 22.

Because we believe that executives will primarily devote their attention to executive duties, we generally will not recommend that shareholders vote against overcommitted directors at the companies where they serve as an executive.

When determining whether a director's service on an excessive number of boards may limit the ability of the director to devote sufficient time to board duties, we may consider relevant factors such as the size and location of the other companies where the director serves on the board, the director's board roles at the companies in question, whether the director serves on the board of any large privately-held companies, the director's tenure on the boards in question, and the director's attendance record at all companies.

We may also refrain from recommending against certain directors if the company provides sufficient rationale for their continued board service. The rationale should allow shareholders to evaluate the scope of the directors' other commitments as well as their contributions to the board, including specialized knowledge of the company's industry, strategy or key markets, the diversity of skills, perspective and background they provide, and other relevant factors. We will also generally refrain from recommending to vote against a director who serves on an excessive number of boards within a consolidated group of companies or a director that represents a firm whose sole purpose is to manage a portfolio of investments which include the company.

CONFLICT OF INTEREST

In addition to the three key characteristics — independence, performance, experience — that we use to evaluate board directors, we consider the following issues in making voting recommendations.

Irrespective of the overall presence of independent directors on the board, we believe that a board should be wholly free of people who have an identifiable and substantial conflict of interest. Accordingly, we recommend shareholders vote against the following types of directors under nearly all circumstances.

Voting Recommendations on the Conflict of Interest

- **Professional Services** — A director or a director who has an immediate family director, providing material professional services at any time during the past three years. These services may include legal, consulting or financial services to the company. Directors who receive compensation from the company will have to make unnecessarily complicated decisions that may pit their interests against those of the shareholders they serve. Given the pool of director talent and the limited number of directors on any board, we think shareholders are best served by finding individuals who can represent their interests without conflicts.

- **Business Relationship** — A director or a director who has an immediate family director, engaging in airplane, real estate or other similar deals, including perquisite type grants from the company. Directors who receive these sorts of payments from the company will have to make unnecessarily complicated decisions that may pit their interests against those of the shareholders they serve.

- **Interlocking Directorships** — CEOs or other top executives who serve on each other's boards create an interlock that poses conflicts that should be avoided to ensure the promotion of shareholder interests above all else.[12]

BOARD SIZE

While we do not believe that there is a universally applicable optimum board size, we do believe that boards should have a minimum of five directors in order to ensure that there is a sufficient diversity of views and breadth of experience in every decision the board makes. At the other end of the spectrum, we believe that boards whose size exceeds 20 will typically suffer under the weight of "too many cooks in the kitchen" and have difficulty reaching consensus and making timely decisions. Sometimes the presence of too many voices makes it difficult to draw on the wisdom and experience in the room by virtue of the need to limit the discussion so that each voice may be heard.

12 There is no look-back period for this situation.

To that end, as for Vietnamese companies, we typically recommend voting against the chair of the BOD if a board has: (i) fewer than five directors; or (ii) more than 11 directors.

SEPARATION OF THE ROLES OF BOARD CHAIR AND CHIEF EXECUTIVE

Glass Lewis believes that separating the roles of corporate officers and the board chair is typically a better governance structure than a combined executive/chair position. The role of executives is to manage the business on the basis of the course charted by the board. Executives should be in the position of reporting to and answering to the board for their performance in achieving the goals set out by the board. This becomes much more complicated when a director of management chairs the board.

It can become difficult for the board to fulfill its role of overseer and policy setter when the chief executive/ chair controls the agenda and the discussion in the boardroom. This can engender chief executives with leverage to entrench their position leading to longer-than-optimal terms, fewer checks on management, less scrutiny of the operation of the business and limitations on independent, shareholder focused goal-setting by the board.

A CEO should set the strategic course for the company, with the board's approval, and the board should enable the CEO to carry out his/her vision for accomplishing the board's objectives. Failure to achieve the board's objectives should lead the directors to replace their top executive with someone in whom the board has confidence.

Similarly, an independent chair can better oversee executives and set a pro-shareholder agenda without the management conflicts that a CEO or other executive would often face. Such oversight and concern for shareholders allows for a more proactive and effective board of directors that is better able to look out for the interests of shareholders.

Article 156, Clause 2 of the 2020 LOE requires that the board chair and chief executives of a state-controlled company be held by separate individuals. Where the chair is not independent and is a part of the management team, we believe that the board should instead appoint one or more independent vice chairs or a leading/ senior independent director to carry out the role of overseer and policy setter. Absent at least one independent vice chair or leading independent director, Glass Lewis will recommend shareholders vote against the chair of nomination committee[13] whenever that question is posed in a proxy (typically in the form of a shareholder proposal), as we believe that in the long-term this is in the best interests of the company and its shareholders.

BOARD EVALUATION AND REFRESHMENT

Glass Lewis strongly supports routine director evaluation, including independent external reviews, and periodic board refreshment to foster the sharing of diverse perspectives in the boardroom and the generation of new ideas and business strategies. Further, we believe the board should evaluate the need for changes to board composition based on an analysis of skills and experience necessary for the company, as well as the results of the director evaluations, as opposed to relying solely on age or tenure limits. When necessary, shareholders can address concerns regarding proper board composition through director elections.

In our view, a director's experience can be a valuable asset to shareholders because of the complex, critical issues that boards face. This said, we recognize that in rare circumstances, a lack of refreshment can contribute to a lack of board responsiveness to poor company performance.

On occasion, age or term limits can be used as a means to remove a director for boards that are unwilling to police their membership and enforce turnover. Some shareholders support term limits as a way to force change in such circumstances.

13 When the information regarding committee chair is not disclosed, we recommend voting against the committee member with the longest tenure on the board. If a board does not have a nomination committee (or a committee that serves such a purpose), we recommend voting against the chair of the board on this basis.

While we understand that age limits can aid board succession planning, the long-term impact of age limits restricts experienced and potentially valuable board members from service through an arbitrary means. We believe that shareholders are better off monitoring the board's overall composition, including its diversity of skill sets, the alignment of the board's areas of expertise with a company's strategy, the board's approach to corporate governance, and its stewardship of company performance, rather than imposing inflexible rules that don't necessarily correlate with returns or benefits for shareholders.

However, if a board adopts term/age limits, it should follow through and not waive such limits. If the board waives its term/age limits, Glass Lewis will consider recommending shareholders vote against the nominating and/or governance committees, unless the rule was waived with sufficient explanation, such as consummation of a corporate transaction like a merger.

AUDIT COMMITTEE

In accordance with the 2020 LOE, a company can choose to have either a supervisory board or an audit committee as a sub-committee under the BOD. Pursuant to Article 161 of the 2020 LOE, the audit committee should comprise a minimum of two directors, all of whom are non-executive directors, while the chair of the audit committee must be an independent director of the board. While the 2020 LOE allows non-executive directors to serve on the audit committee, we believe that the audit committee should comprise a majority of independent directors. Furthermore, the audit committee should have at least one member who has accounting or related financial management expertise. In addition, we will recommend voting against any member of the audit committee who owns 20% or more of the company's stock.

Audit committees play an integral role in overseeing the financial reporting process because "[v]ibrant and stable capital markets depend on, among other things, reliable, transparent, and objective financial information to support an efficient and effective capital market process. The vital oversight role audit committees play in the process of producing financial information has never been more important."[14] When assessing an audit committee's performance, we are aware that an audit committee does not prepare financial statements, is not responsible for making the key judgements and assumptions that affect the financial statements, and does not audit the numbers or the disclosures provided to investors. Rather, an audit committee monitors and oversees the process and procedures that management and the auditors perform. The 1999 Report and Recommendations of the Blue Ribbon Committee on Improving the Effectiveness of Corporate Audit Committees stated it best:

> *"A proper and well-functioning system exists, therefore, when the three main groups responsible for financial reporting — the full board including the audit committee, financial management including the internal auditors, and the outside auditors — form a "three legged stool" that supports responsible financial disclosure and active participatory oversight. However, in the view of the Committee, the audit committee must be "first among equals" in this process, since the audit committee is an extension of the full board and hence the ultimate monitor of the process."*

For an audit committee to function effectively on investors' behalf, it must include members with sufficient knowledge to diligently carry out their responsibilities. In its audit and accounting recommendations, the Conference Board Commission on Public Trust and Private Enterprise said, "members of the audit committee must be independent and have both knowledge and experience in auditing financial matters."[15]

We are skeptical of audit committees that include members who lack expertise as a certified public accountant, CFO, corporate controller or similar position. While we will not necessarily recommend voting against members of an audit committee when such expertise is lacking, we are more likely to recommend voting against committee members when a problem such as a restatement occurs and such expertise is lacking.

Glass Lewis generally assesses audit committee members against their decisions with respect to their oversight and monitoring role. Shareholders should be provided with reasonable assurance as to the accuracy of the

14 Audit Committee Effectiveness – What Works Best." PricewaterhouseCoopers. The Institute of Internal Auditors Research Foundation. 2005.

15 Commission on Public Trust and Private Enterprise. The Conference Board. 2003.

financial statements through the quality and integrity of the statements and earnings reports, the completeness of disclosures necessary for investors to make informed decisions and the effectiveness of internal controls. The independence of the external auditors and the results of their work all provide useful information for assessing the audit committee.

When assessing the decisions and actions of the audit committee, we typically defer to its judgement and vote in favor of its members. However, we would recommend voting against the following members under the following circumstances:[16]

- The audit committee chair if the committee is chaired by a non-independent director.

- Any committee member who is considered an executive or employee of the company based on our research;

- Any committee member who is not considered independent, when the committee is not majority independent;

- Any member of the audit committee who owns or represents an entity that owns 20% or more of the company's stock.

- All members of an audit committee that re-appointed an auditor that we no longer consider to be independent for reasons unrelated to fee proportions.

- All members of an audit committee at a time when accounting fraud occurred in the company. All members of an audit committee at a time when financial statements had to be restated due to negligence or fraud.

- All members of an audit committee if the company has repeatedly failed to file its financial reports in a timely fashion.

- All members of an audit committee at a time when the company fails to report or to have its auditors report material weaknesses in internal controls.

- The audit committee chair if the committee does not have at least one member with "appropriate accounting or related financial management expertise.

- The audit committee chair if the committee did not hold at least one meeting without any executive attendance.

- The audit committee chair if the committee has fewer than two members.

- The board chair if the company has not established an audit committee or a supervisory board.

16 If our recommendation would be to vote against the committee chair and the chair is not up for election because the board is staggered, we will express our concern regarding the committee chair and vote against this individual as appropriate upon their next election. In all cases, if the chair of the committee is not specified, but our policy calls for voting against the committee chair, we will recommend voting against the director who has been on the committee the longest as the de facto chair.

NOMINATION AND REMUNERATION COMMITTEE

Article 32 of Circular 121 indicates that the board of directors should establish a nomination and remuneration committee (whether as a joint committee or separate committees), with an independent director as a committee chair. Where a company does not have a nomination and remuneration committee, the BOD must delegate independent directors to take responsibilities for nomination and remuneration matters.

The nomination committee, as an agency for shareholders, is responsible and accountable for the selection of objective and competent board members, and remuneration committees have the final say in determining the compensation of executives and directors. This includes deciding the basis on which compensation is determined, as well as the amounts and types of compensation to be paid. This process begins with the hiring and initial establishment of employment agreements, including the terms for such items as pay, pensions and severance arrangements. It is important in establishing compensation arrangements that compensation be consistent with and based on the long-term economic performance of the business's long-term shareholder returns. Remuneration committees are also responsible for the oversight of the transparency of compensation. It is important to investors that they have clear and complete disclosure of all the significant terms of compensation arrangements in order to make informed decisions with respect to the oversight and decisions of the remuneration committee.

Additionally, the remuneration committees are responsible for oversight of internal controls over the executive compensation process. This includes controls over gathering information used to determine compensation, establish equity award plans, and grant equity awards. Lax controls can and have contributed to conflicting information being obtained, for example through the use of non objective consultants. Lax controls can also contribute to improper awards of compensation such as through granting of backdated or spring-loaded options, or granting of bonuses when triggers for bonus payments have not been met.

We evaluate nomination and remuneration committee members on the basis of their performance while serving on the committee in question, not for actions taken solely by prior committee members who are not currently serving on the committee.

When assessing the performance of nomination and remuneration committees, we will recommend voting against the following members under the following circumstances:

- The committee chair if the committee is chaired by a non-independent director;
- Any committee member who is considered an executive or employee of the company based on our research;
- All members of the committee when the committee nominated or re-nominated an individual who had a significant conflict of interest or whose past actions demonstrated a lack of integrity or inability to represent shareholder interests;
- The committee chair if the committee did not hold any meeting during the year;
- The committee chair if the committee re-nominates a director who did not attend any board meetings;
- The committee chair if the committee re-nominated a director who attended less than 75% of the meetings held by the board and/or the committees for two or more consecutive years;
- The committee chair if less than one-third of the board is independent;

- The committee chair if there are more than 11 members on the board;

- All members of the committee (from the relevant time period) if excessive employment agreements and/or severance agreements were entered into;

- All members of the committee if performance goals were changed (i.e., lowered) when employees failed or were unlikely to meet original goals or performance-based compensation was paid despite goals not being attained;

- All members of the committee if excessive employee perquisites and benefits were allowed;

- The committee chair if non-executive directors of the company received excessive compensation other than directors' fees and stock options.[17]

INITIAL PUBLIC OFFERING

Where a company recently completed its initial public offering ("IPO") and became listed on the stock exchange, we will exempt the company from our guidelines for a period of the first financial year or 12 months from the IPO date, whichever is longer.

However, we will review our exemption on a case-by-case basis if: (i) a company and/or its board members are the subject of serious regulatory investigations or actions; and/or (ii) there are significant concerns about overall corporate governance practices.

17 As a general rule, non-executive directors should not be compensated with salaries, bonuses, pension fund contributions and other emoluments, and such compensation should not be excessive compared to the director fees awarded to that director. One exemption to this rule is where such compensation is due to or likely to be due to that director's service as an executive of the company's subsidiary and/or affiliate.

Transparency and Integrity in Financial Reporting

ACCOUNTS AND REPORTS

In Vietnam, companies routinely submit their annual financial statements and the BOD's and SB's reports for shareholder approval. In addition, Vietnamese companies also routinely submit the company's results of operations for shareholder approval in a separate proposal. Unless there are concerns about the integrity of the statements/reports, we will recommend voting for these proposals.

However, in the event that the company has not disclosed the audited financial statements, auditor's report and/or annual report, we do not believe shareholders have sufficient information to make an informed judgment regarding this matter. As such, we will recommend that shareholders abstain from voting on this agenda item.

ALLOCATION OF PROFITS/DIVIDENDS

In Vietnam, companies routinely submit the allocation of income for shareholder approval. We generally recommend supporting a company's policy when it comes to the payment of dividends (or the absence thereof). We believe, in most cases, the board is in the best position to determine whether a company has sufficient resources to distribute a dividend or if the company would be better served by forgoing a dividend to conserve resources for future opportunities or needs. As such, we will only recommend that shareholders refrain from supporting dividend proposals in exceptional cases.

APPOINTMENT OF AUDITOR AND AUTHORITY TO SET FEES

The auditor's role as gatekeeper is crucial to ensure the integrity and transparency of the financial information necessary for protecting shareholder value. Shareholders rely on the auditor to ask tough questions and thoroughly analyze a company's books to ensure that the information provided to shareholders is complete, accurate and fair, and that it is a reasonable representation of a company financial position. The only way shareholders can make rational investment decisions is if the market is equipped with accurate information about a company's fiscal health.

Shareholders should demand an objective, competent and diligent auditor who performs at or above professional standards at every company. Similar to directors, auditors should be free from conflicts of interest and avoid situations requiring a choice between the auditor's interests and those of the public. Almost without exception, shareholders should be able to annually review an auditor's performance and ratify a board's auditor selection.

While Vietnam laws do not mandate the disclosure of fees paid to auditor, we generally support management's choice of auditor, except when we believe the auditor's independence or the integrity of the audit has been compromised. When there have been material restatements of annual financial statements or material weakness in internal controls, we usually recommend voting against the auditor. If the audited financial statements have not yet been disclosed, we base our voting recommendations on the company's financial statements for the previous year. We do not hold a company's auditor responsible for what may be a company's failure to comply with reporting obligations or a lack thereof, depending on the jurisdiction.

Reasons why we may not recommend in favor of the ratification of an auditor include:

• Where the company failed to disclose the name of the auditor the company proposed to appoint.

• Where the company failed to disclose the auditor fees paid for the previous fiscal year or a breakdown thereof in either the standalone or consolidated financial statements.

• When audit and audit-related fees total 50% or less of the overall fees billed by the auditor.

• Recent material restatements of annual financial statements have been made, including those resulting in the reporting of material weaknesses in internal controls and including late filings by the company where the auditor bears some responsibility for the restatement or late filing.[18]

• When the company has aggressive accounting policies evidenced by restatements or other financial reporting problems.

• When the company has poor disclosure or lack of transparency in its financial statements.

• When the auditor has limited its liability through its contract with the company.

• When other relationships or concerns with the auditor suggest a conflict between the auditor's interests and shareholder interests.

• In cases where the company does not disclose sufficient information regarding the appointment or ratification of the auditor, we will recommend an abstain vote.

18 An auditor does not audit interim financial statements. Thus, we generally do not believe that an auditor should be opposed due to a restatement of interim financial statements, unless the nature of the misstatement is clear from a reading of the incorrect financial statements.

The Link Between Compensation and Performance

COMPENSATION OF BOD AND SB

Glass Lewis believes that non-employee members should receive compensation for the time and effort they spend serving on the board and its committees. In particular, we support compensation plans that include option grants or other equity-based awards, which help to align the interests of non-executive members with those of shareholders. The BOD and SB members' fees should be reasonable in order to retain and attract qualified individuals. At the same time, excessive fees represent a financial cost to the company and threaten to compromise the objectivity and independence of non-employee members. Therefore, a balance is required.

Vietnamese companies generally seek shareholder approval on the total remuneration and annual operation budget of both BOD and SB members.[19] However, the proposed fees are often not disclosed by companies. Therefore, we look at the company's recent compensation practices in order to determine whether to grant authority to fix the fees for the following year. If we find this amount to be excessive relative to other companies we have reviewed, we will recommend shareholders vote against such a proposal.

EQUITY-BASED COMPENSATION PLANS

We believe that equity compensation awards are useful, when not abused, for retaining employees and providing them with an incentive to act in a way that will improve company performance.

Equity-based compensation programs have important differences from cash compensation plans and bonus programs. Accordingly, our analysis takes into account factors such as plan administration, the method and terms of exercise, and express or implied rights to re-price.

We will evaluate stock option plans based upon both quantitative and qualitative analysis. In particular, we examine the potential dilution to shareholders, the company's grant history and compliance with best practice recommendations. In general, we will support stock option plans provided such plans are within the following limits:

- Size of the plan does not exceed 5% of a company's issued share capital;
- Individual limits do not exceed 1% of issued share capital;
- Plan life is no more than ten years;
- The discount on the exercise price for stock options does not exceed 20% of the market price;
- Where non-executive and independent directors receive equity-based awards, the awards must not have performance conditions that would otherwise be attached to equity awards for members of management;

19 2020 LOE, Article 163.

- Where a company seeks to adopt an employee share purchase plan, we will support such plan, provided the discount does not exceed 20%; and

- Where the equity-based compensation plans include the acceleration of vesting of awards upon an offer being made on a company's shares without the transaction needing to be completed, along with a further event such as termination of employment of the grantee, we will recommend shareholders oppose such plan. However, we may take into consideration the acceleration of vesting of awards, provided the vesting is in conjunction with the achievement of performance targets at the time of the transaction.

We will oppose the adoption and/or issuance of awards under equity plans where the vesting period for grants to executive is less than two years.

Governance Structure, Capital Management and the Shareholder Franchise

AMENDMENTS TO THE ARTICLES OF ASSOCIATION OR COMPANY CHARTER

We will evaluate proposed amendments to a company's articles of association or charter on a case-by-case basis. We are opposed to the practice of bundling several amendments under a single proposal because it might force shareholders to vote in favor of amendments that they might otherwise reject had they been submitted as separate proposals. In such cases, we will analyze each change on their own. We will recommend voting for the proposal only when, on balance, we believe that all of the amendments are in the best interests of shareholders.

Companies may also seek shareholder approval to amend their internal regulations. Where companies seek approval of this authority, we will evaluate the proposed changes in a similar fashion to the amending of a company's charter or articles of association. We will recommend voting for the proposal only when, on balance, we believe that all of the amendments are in the best interests of shareholders.

DIVIDEND REINVESTMENT (OR SCRIP DIVIDEND) PLAN

We support plans that provide shareholders with the choice of receiving dividends in stock instead of cash. For the company, a stock dividend typically offers a tax benefit. In addition, the company can keep more of its earnings rather than distributing them. For shareholders, a dividend reinvestment plan offers a less expensive way to acquire additional shares. They avoid paying brokers' commissions or the taxes on normal stock transactions. The stock price is usually equal to an average, middle-market price, which is often lower than the price available on the stock exchange.

ISSUANCE OF SHARES AND/OR CONVERTIBLE SECURITIES

In general, issuing an excessive amount of additional shares and/or convertible securities can dilute existing holders. Accordingly, where we find that the company has not detailed a plan for use of the proposed shares, or where the number of shares far exceeds those needed to accomplish a detailed plan, we typically recommend against the authorization of additional shares.

While we think that having adequate shares to allow management to take advantage of developing business opportunities and effectively operate the business is critical, we prefer that, for significant transactions, management come to shareholders to justify their use of additional shares rather than providing a blank check in the form of a large pool of unallocated shares available for any purpose.

WITHOUT PREEMPTIVE RIGHTS

In our view, unless a board provides any compelling reason, in general any authorization to issue shares and/or convertible securities without preemptive rights should not exceed 20% of the company's total share capital. Likewise, we believe the discount rate for the new issuance should not exceed 15% of the average market price.

However, we note that under the 2020 LOE, existing shareholders will have pre-emption rights in respect of new shares issued under a rights issue as well as a private placement, except in case of merger or consolidation. Accordingly, waivers of pre-emption rights from all existing shareholders will be required in order to issue new shares by way of a private placement to a new shareholder without first offering them to the existing shareholders. In such instances, we will consider the size of the proposed issuance and any discount when considering whether to recommend supporting or opposing a waiver on pre-emption.

REPURCHASE OF SHARES

A company may want to repurchase its own shares for a variety of reasons. A repurchase plan is often used to increase the company's stock price, to distribute excess cash to shareholders or to provide shares for equity-based compensation plans for employees. In addition, a company might repurchase shares in order to offset dilution of earnings caused by the exercise of stock options.

We will recommend voting in favor of a proposal to repurchase shares when the plan includes the following three provisions: (i) a maximum number of shares which may be purchased; (ii) a reasonable maximum price which may be paid for each share (as a percentage of the market price); and (iii) a reasonable term with an expiration date.

STOCK SPLIT

We typically consider three metrics when evaluating whether we think a stock split is likely or necessary: (i) the historical stock pre-split price, if any; (ii) the current price relative to the company's most common trading price over the past 52 weeks; and (iii) some absolute limits on stock price that, in our view, either always make a stock split appropriate if desired by management, or would almost never be a reasonable price at which to split a stock.

SUPERMAJORITY VOTE REQUIREMENTS

Glass Lewis believes that supermajority vote requirements act as impediments to shareholder action on ballot items that are critical to shareholder interests. One key example is in the takeover context where supermajority vote requirements can strongly limit the voice of shareholders in making decisions on such crucial matters as selling the business.

RELATED PARTY TRANSACTIONS

Article 167 of the 2020 LOE specifies that related party transactions will be subject to shareholder approval, provided the transaction is between a company and a shareholder holding more than 10% of the company's issued share capital, and the overall value to transaction exceeds 35% of the asset value of the company in the most recent financial statements. Ratification of related party transactions may occur either before or after the completion of the transactions. Further, shareholders must approve transaction between a company and a shareholder holding more than 51% of a company's issued share capital, provided the transaction amount exceeds 10% of a company's total assets.

We will evaluate related party transactions on a case-by-case basis. We generally believe that the management of businesses and the decisions associated with business operations are best left to management and the board, absent a showing of egregious or illegal conduct that might threaten shareholder value. We believe that board members can be held accountable on these issues when they face re-election. It is our opinion that management and the board are in the best position to determine what operational decisions are the best in the context of the business. We therefore generally recommend shareholders vote in favor of proposals to approve a mandate to enter into related-party transactions, unless we find significant cause for shareholder concern. However, we will generally abide by the following principles:

- The terms of the transaction, including the transaction amounts or valuation, the parties, and their affiliation must be disclosed. Where the terms are partially disclosed, we will recommend shareholders

oppose the proposed transaction(s). Where no details are disclosed, we will recommend shareholders vote against the proposed transaction(s).

• For transactions involving major or controlling shareholders, the transaction(s) must be related to or necessary for the ordinary day-to-day operations of the company.

• Where the transaction occurs between a parent company and/or fellow subsidiary or controlled subsidiary, we will generally support the transaction unless the transaction is not part of the day-to-day operations of a company.

• If the transaction(s) between entities that have overlapping directors and the duration of the transaction is for an indefinite or undisclosed time-frame, we will recommend shareholders not support the transaction(s).

CORPORATE GUARANTEES

Companies may seek shareholder approval to provide corporate guarantees to subsidiaries and associate companies. Where shareholders are asked to approve corporate guarantees, our assessment will take the following into consideration:

i. The overall disclosure relating to the corporate guarantees;

ii. The relationship between the company providing the corporate guarantees and those entities receiving the corporate guarantees;

iii. The benefits for provision of guarantees to the company itself and its shareholders as a whole, ensuring that the provision of guarantees will not only benefit select major shareholders;

iv. The size of the corporate guarantees compared to a company's net assets; and/or

v. The rationale for the provision of guarantees

We will oppose proposals to provide corporate guarantees if companies do not disclose the amount of corporate guarantees it intends to grant. The same may be applied where a company and guaranteed entity only share common directors or common shareholders, but there is no equity relationship between the company and guaranteed entity.

For entities to be guaranteed that are related to the guaranteeing company and the amount of corporate guarantees are disclosed, we will evaluate the size of corporate guarantees as a percent of a company's audited net assets (provided standalone financial reporting is available) or consolidated audited net assets, as based on the most recent audited financial statements. Where the proposed corporate guarantees and existing guarantees (if any) are less than 100% of audited net assets, we will support the provision of corporate guarantees. In contrast, where the proposed guarantees and existing corporate guarantees (if any) exceed 100% of audited net assets, we will oppose the provision of corporate guarantees.

TRANSACTION OF OTHER BUSINESS

We typically recommend that shareholders not give their proxy to management to vote on any other business items that may properly come before the annual meeting. In our opinion, granting unfettered discretion is unwise.

Environmental, Social & Governance Initiatives

Glass Lewis believes it is important for companies to effectively oversee and manage material environmental, social and governance ("ESG") issues. We believe shareholders should seek to promote governance structures that protect shareholders, support effective ESG oversight and reporting, and encourage director accountability. It is our belief that companies' management of governance and shareholder rights-related issues are often indicative of their management of other issues, including those that are environmental and social in nature. Accordingly, Glass Lewis places a significant emphasis on promoting transparency, robust governance structures and companies' responsiveness to and engagement with shareholders.

We believe that part of the board's role is to ensure that management conducts a complete risk analysis of company operations, including those that have environmental and social implications. We believe that directors should monitor management's performance in mitigating environmental and social risks in order to eliminate or minimize the risks to a company and its shareholders. Companies face significant financial, legal and reputational risks resulting from poor ESG-related practices, or negligent oversight thereof. Therefore, in cases where the board or management has neglected to take action on pressing issues that could negatively impact shareholder value, we believe shareholders should take necessary action in order to effect changes that will safeguard their financial interests.

To that end, Glass Lewis generally supports shareholder resolutions that seek to enhance companies' governance structures, as we believe that, in most cases, this enhancement benefits shareholders. With respect to shareholder resolutions related to environmental and social issues, we evaluate each on a case-by-case basis and in the context of financial materiality. We believe that all companies face risks associated with ESG issues. However, we recognize that these risks manifest themselves differently at each company as a result of its unique operations, workforce, structure, and geography, among other factors. With a view to these risks, Glass Lewis will generally recommend in favor of resolutions that we believe will promote more and better disclosure of relevant risk factors where such disclosure is lacking or inadequate or that will otherwise serve the best long-term interests of shareholders. Further, when we believe that a company has not adequately managed environmental or social issues to the detriment of shareholders, Glass Lewis will note our concerns and may recommend that shareholders vote to signal these concerns on any applicable management or shareholder proposal.

For a detailed review of our policies concerning compensation, environmental, social and governance shareholder initiatives, please refer to our comprehensive *Proxy Paper Guidelines for Environmental, Social & Governance Initiatives*, available at www.glasslewis.com.

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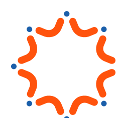

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