

Thematic Data Analysis Report:

Remuneration of General Director, Chairman and Independent Director at Vietnam Public Companies

Data-driven Analysis based on Information Disclosure of Public Companies on the Vietnam Stock Market

Ho Chi Minh City, 30 August 2024

By: *FiinGroup, FiinRatings and VNIDA*



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01 | Overview

Purpose and Scope of Report

Overview

- Report on “*Remuneration of CEO, Chairman and Independent Director at Vietnam Public Companies 2023*” conducted by FiinGroup, FiinRatings and VNIDA, offers a comprehensive view of remuneration of the leadership, including that of CEO, Chairman, ID based on the information disclosure of public companies in Vietnam.
- The purpose of the Report is to (i) present a comprehensive view of the remuneration of the leadership, including the Chairman, CEO, and ID, in relation to several key performance indicators; (ii) assist stakeholders, including the company’s leadership, shareholders / business owners, in designing, developing, and implementing appropriate compensation policies; and (iii) offer standard, comparable, and referenceable databases for the market.

Scope of Report

- The Report analyzes data on the remuneration of key leadership positions at 200 public companies over the financial years 2022 and 2023. The data is sourced from publicly disclosed information, including Financial Statements (consolidated/separate), Annual Reports, Resolutions of Annual General Meetings of Shareholders, etc.
- The Report focuses on remuneration regime through various forms, including salaries, remuneration, allowances, bonuses, and other compensation policies for the roles of CEO, Chairman, and ID.
- In addition, the Report compares the remuneration of leadership teams across companies within all 19/19 industries according to FTSE Russell Industry Classification Standard (ICB level 2), offering a multi-dimensional perspective of trends and competitive dynamics within each sector.

Key Terms:

- **Remuneration** in this Report refers to the Remuneration, Salary, Allowances, and Bonuses paid from the salary fund within a fiscal year by a public company. This information is disclosed in Information Disclosure by the public company in compliance with Securities Law and related regulations. The reporting data excludes other potential earnings such as ESOPs, dividends, bonus shares, and other benefits such as housing, children’s tuition, family insurance, travel allowances, etc.
- **Leadership** consists of top leaders who are directors (i.e., Board members) and the executive board of a public company.
- **General Director** (referred to as the **CEO**) is the top executive in a public company, responsible for daily operations and executing the business strategies established by the Board.
- **Chairman of Board** (referred to as the **Chairman**) is the head of a public company and manage the Board. In some cases, the Chairman may also be involved in the executive board and receive a salary for their executive role within the public company.
- **Independent Director** (referred to as the **ID**) is a person who does not involve in direct management or own shares in public company. Their role is to provide impartiality and ensure unbiased decision-making within the board.

01 | Overview

Scope of Data Survey

Scope of Survey

1. Number of public companies under coverage:

- Data covers 200/1647 public companies listed or registered for stock trading on 3 stock exchanges (HOSE, HNX and UPCoM).
- Specifically, the data includes 15/27 Banks, 9/43 Securities Companies, 3/14 Insurance Companies and 173/1563 Enterprises in other industries (non-financial industries).

2. Criteria for selecting public companies:

- Capitalization size: ≥ 500 billion VND at the end of 2023
- Top 30 largest companies in 19/19 industries according to FTSE Russell Industry Classification Standard (ICB level 2)

3. Representativeness of analytics data:

- 200 public companies represent 85.6% of the total market capitalization across 3 stock exchanges at the end of 2023.
- These public companies generated revenue of nearly VND 3.3 million billion in 2023, accounting for 72% of the total net revenue of enterprises listed on 3 stock exchanges and equivalent to 32% of Vietnam's GDP at constant prices for the same year.

Figure 01: Number of Chairman, CEOs and IDs under coverage (2022-2023)

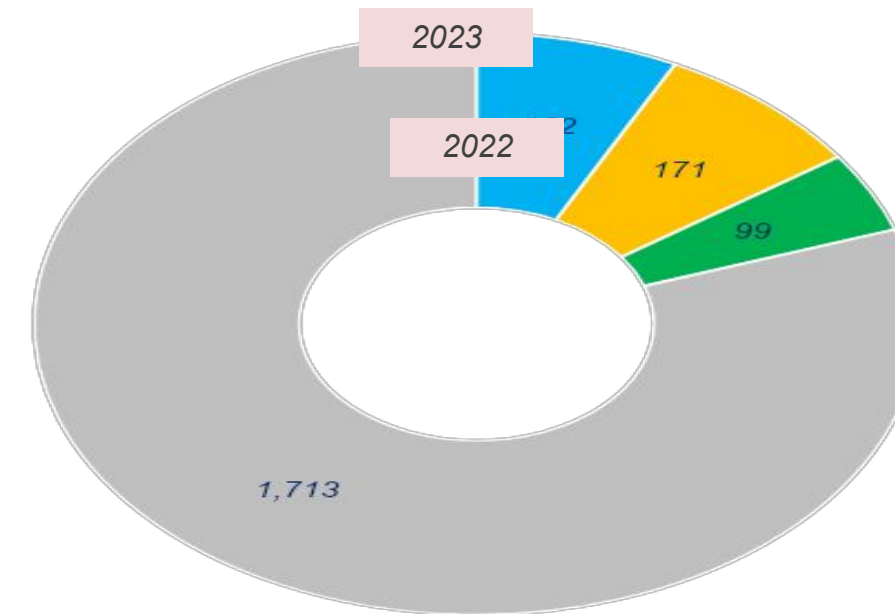
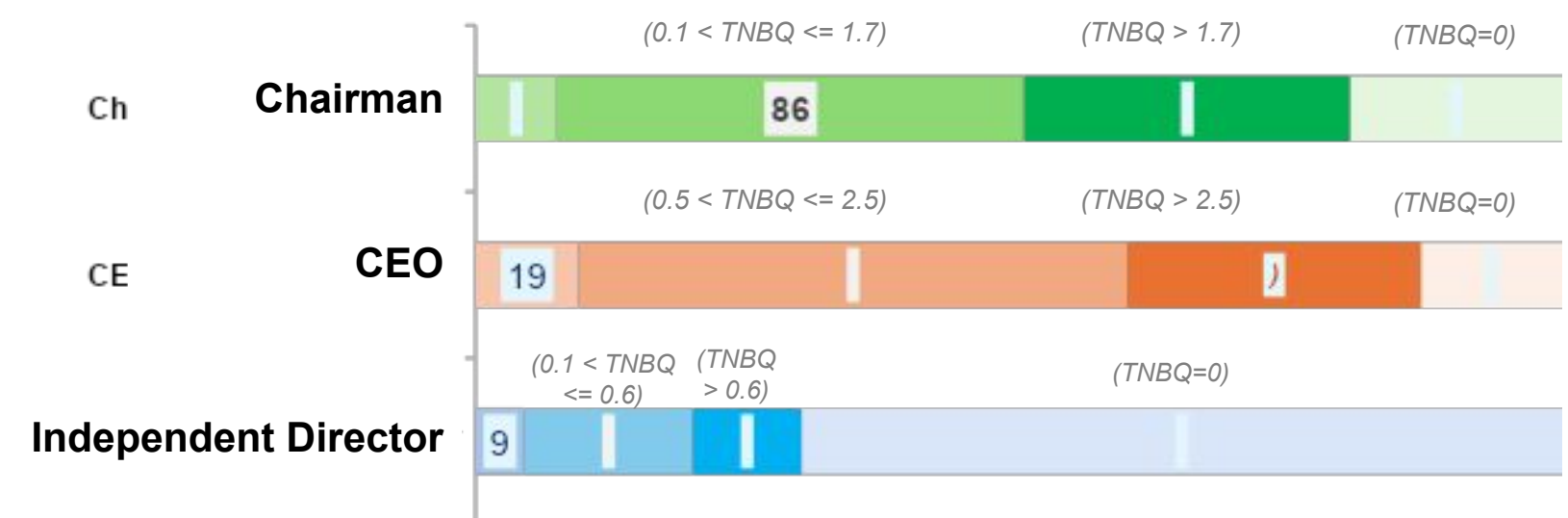


Figure 02: Number of public companies by remuneration thresholds (TNBQ, billion VND), 2023



Source: FiinGroup. Note: (1) Remuneration does not include the value of bonus shares and/or shares from the Employee Stock Ownership Plan (ESOP); (2) Among 200 public companies surveyed, those marked with "TNBQ=0" (in Figure 02) belong to one of the following cases: (i) Chairman, CEO and ID has a remuneration of 0, (ii) The position of Chairman, CEO, or ID is vacant, or (iii) the public company does not disclose detailed remunerations for each position.

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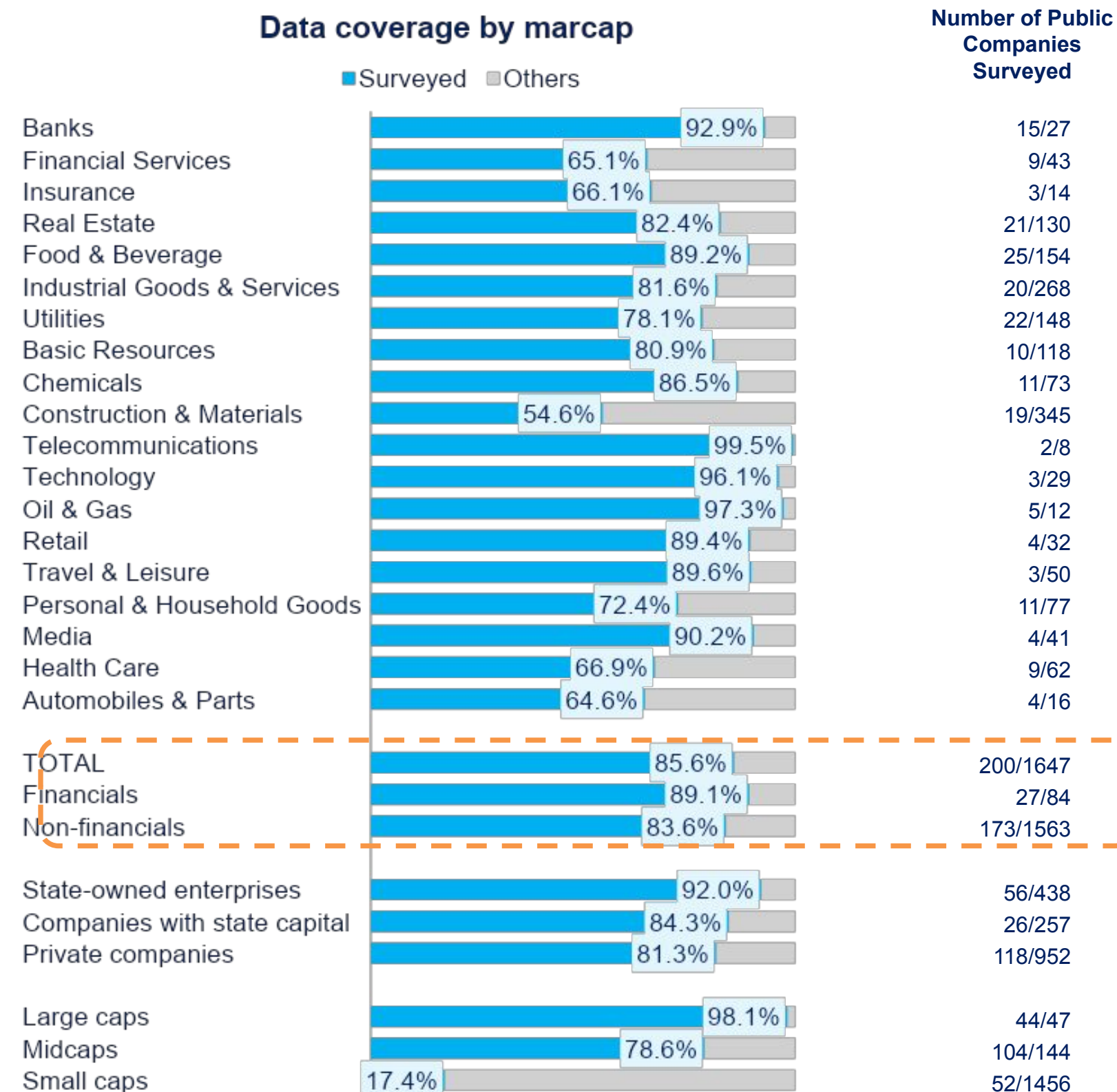
Method of Implementation

Method of Implementation:

The analyses in this Report are exclusively based on data from public information disclosures of Public Companies, in which:

- Basis for accounting and explanation of remuneration:** Public companies account and explain the remuneration of leadership according to the regulations of Circular 96/2020/TT-BTC on information disclosure on securities markets, Decree 155/2020/ND-CP detailing certain provisions of the Securities Law, and Enterprise Law No. 59/2020/QH14.
- Exclusion of benefits from bonus shares or ESOPs from the analysis:** This is because bonus shares and ESOPs do not immediately reflect the actual remuneration that leaders earn within the fiscal year. Instead, they are often considered part of long-term benefits, whose value varies according to market fluctuations and depends on holding conditions or call option.
- Exclusion of leadership positions with nominal remuneration from the analysis:** In certain public companies, top leaders (typically the chairman or the director) may receive only a nominal remuneration (e.g., \$1/year) or may not receive any remuneration, salary, or bonuses. This nominal remuneration does not accurately represent the typical remuneration of top leaders in public company. As such, these cases are excluded from our data coverage to avoid bias in calculating the average remuneration for Chairman, CEO, and IDs for the industry or the entire market.

Figure 03: Data coverage



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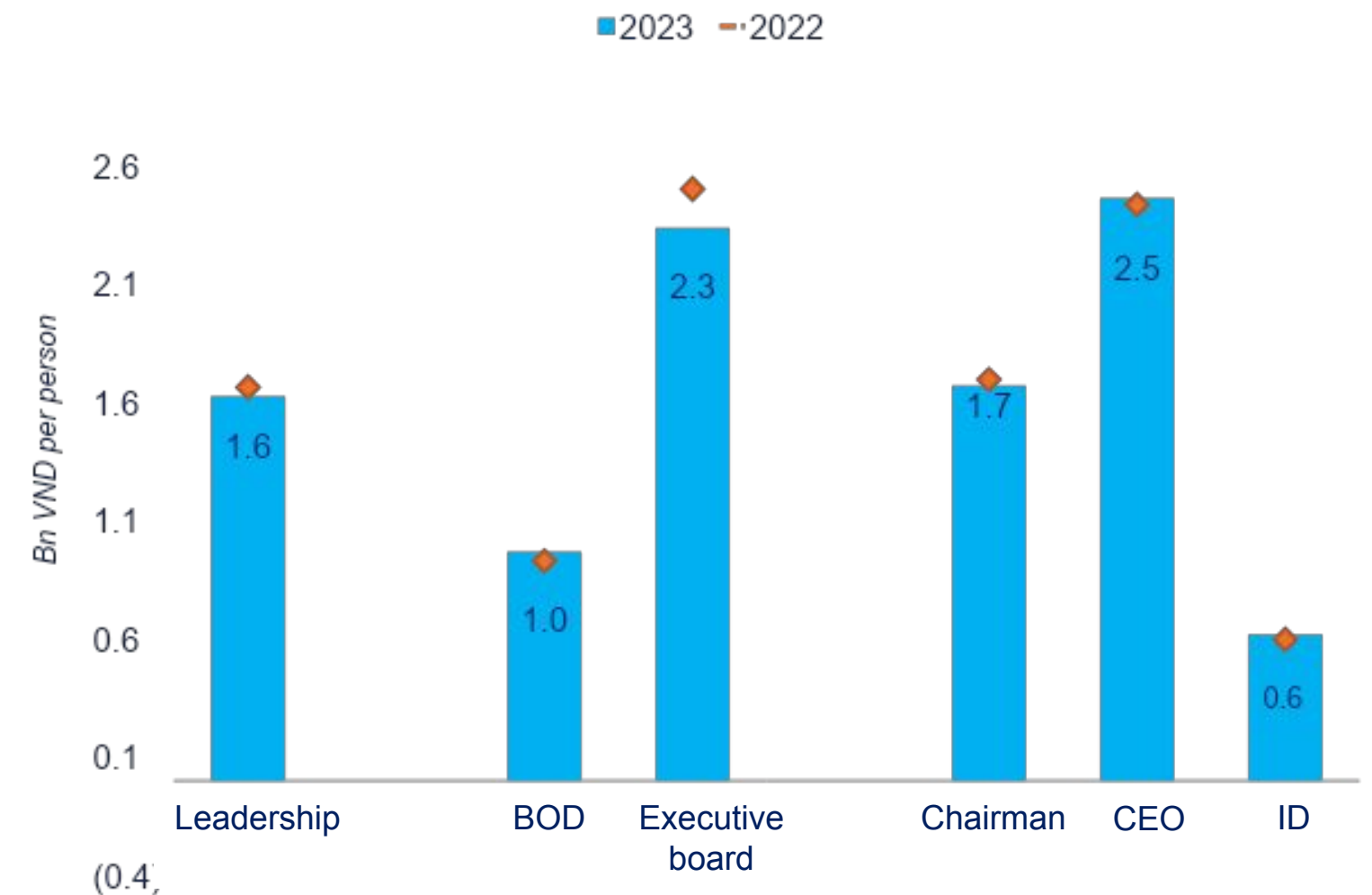
02 | Report Summary

Key findings:

- **CEO remuneration:** The average remuneration was approximately VND 2.5 billion per person per year in 2023. The Real Estate, Financial Services (primarily Securities Companies), and Insurance sectors had the highest average remuneration for CEO. When analyzed by type of enterprise, the average remuneration of CEOs in state-owned enterprises was significantly lower than in private enterprises, despite similar operational efficiency.
- **Chairman remuneration:** The average remuneration for 2023 was VND 1.7 billion per year per person. The Banking and Financial Services (mainly Securities Companies) sectors had the highest average remuneration for the Chairman, owing to the particular involvement of these leaders in management. The correlation between remuneration and performance is more evident when examined by market capitalization size.
- **ID remuneration:** Significant difference exist across industries, with the highest remuneration found in the Consumer Goods and Banking sectors, but the average remuneration remains symbolic in many companies. In relation to capitalization, the average remuneration of IDs saw strong improvement in the Small-Cap group in 2023, with a slight decline in the Mid-Cap group.
- **Implications for Enterprises and Shareholders:** (i) Reform required to narrow the remuneration gap between executive positions such as CEO in state-owned enterprises and private enterprises, especially when business performance is not much different (ii) In addition to separation of Chairman and CEO roles as currently required, companies should consider designing and structuring remuneration policies for these key positions based on duties, scope of work, and performance metrics; (iii) Enhancement of the role and promotion of IDs' effectiveness; (iv) Alignment of company's remuneration regime with business performance and the enhancement of total shareholder return and (v) Establishment of strict approval and supervision mechanisms with annual reviews and adjustments by the Compensation Committee.

We hope this Report will serve as a valuable reference for businesses to develop and refine their compensation policies in a reasonable manner, harmonizing the interests of the company, shareholders, and leadership positions, thereby creating the necessary motivation for the development of the business and bring sustainable value to shareholders.

Figure 04: Average Remuneration by Position



Source: FiinGroup. Note: The average remuneration does not include the value of bonus shares and/or shares from Employee Stock Ownership Plan (ESOP);

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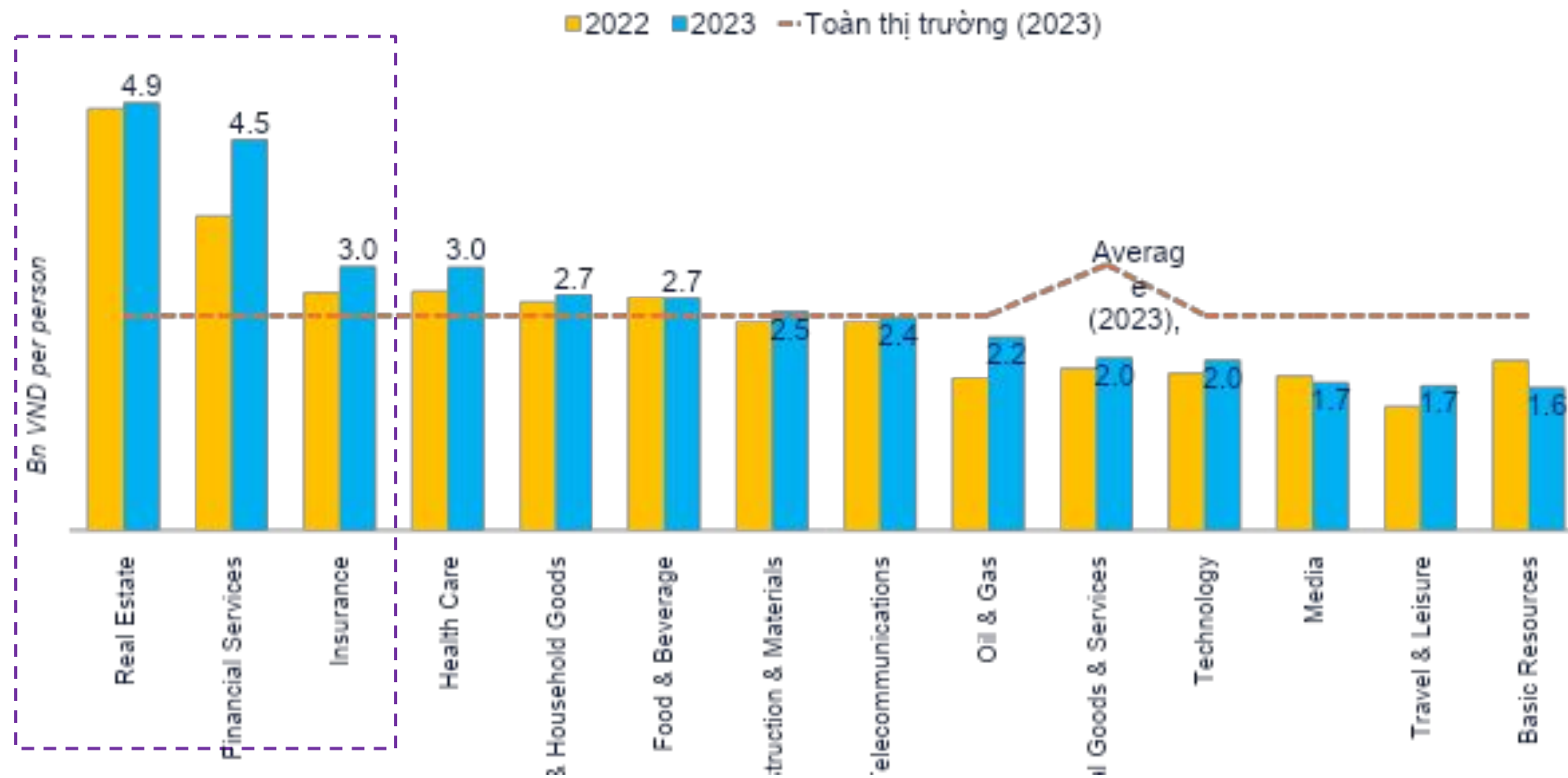
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03 Remuneration of General Director (CEO)

CEO remuneration in the Financial sectors significantly outperforms the overall average

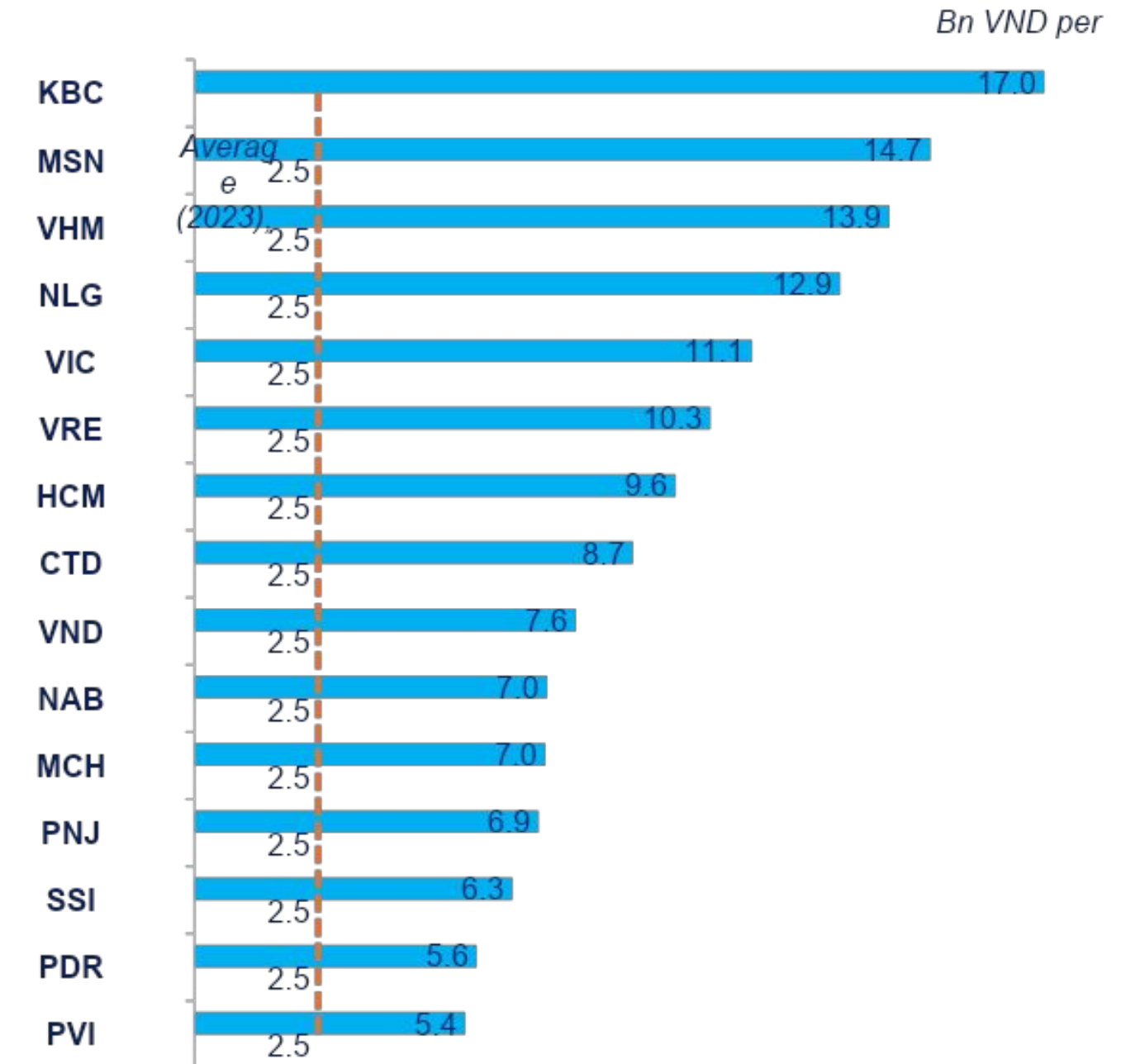
Figure 05: Average CEO Remuneration by Industry, 2022-2023



Source: FiinGroup. Note: The CEO remuneration does not include the value of bonus shares and/or shares from Employee Stock Ownership Plan (ESOP);

- In 2023, the average remuneration of CEOs in public companies in Vietnam, excluding ESOPs, was below 2.5 billion VND per year.
- The top three industries with the highest average CEO remuneration, significantly outperforming the market average, were Real Estate, Financial Services (mainly Securities), and Insurance.
- Notably, some companies in the top 15 highest-paying enterprises had foreign CEOs, including Masan (MSN) and Nam Long Real Estate (NLG).

Figure 06: Top 15 Companies with highest CEO Remuneration, 2023

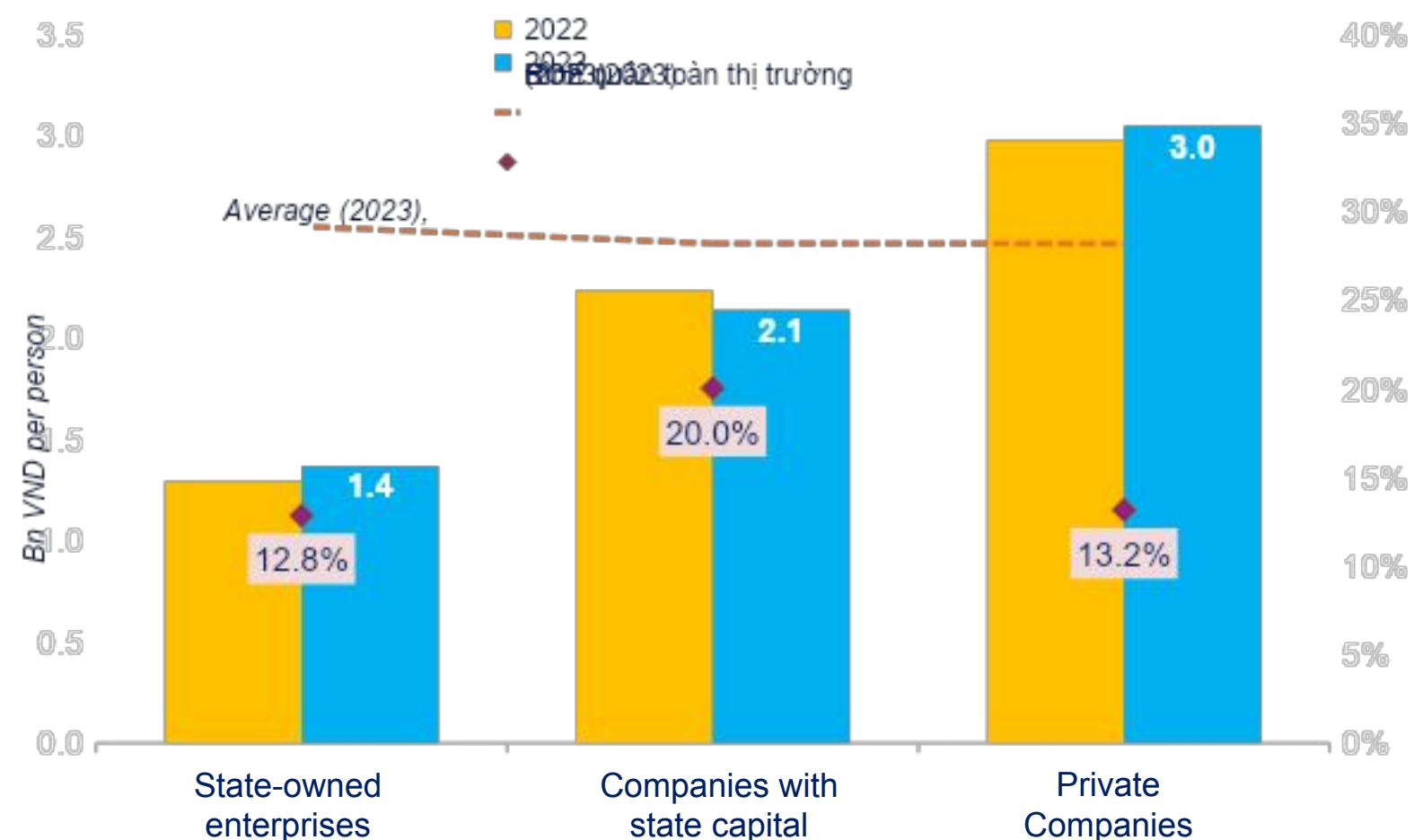


Source: FiinGroup. Note: The CEO remuneration at these Top 15 public companies does not include the value of bonus shares and/or shares from Employee Stock Ownership Plan (ESOP);

03 Remuneration of General Director (CEO)

CEO remuneration in state-owned enterprises is less than half that of private enterprises

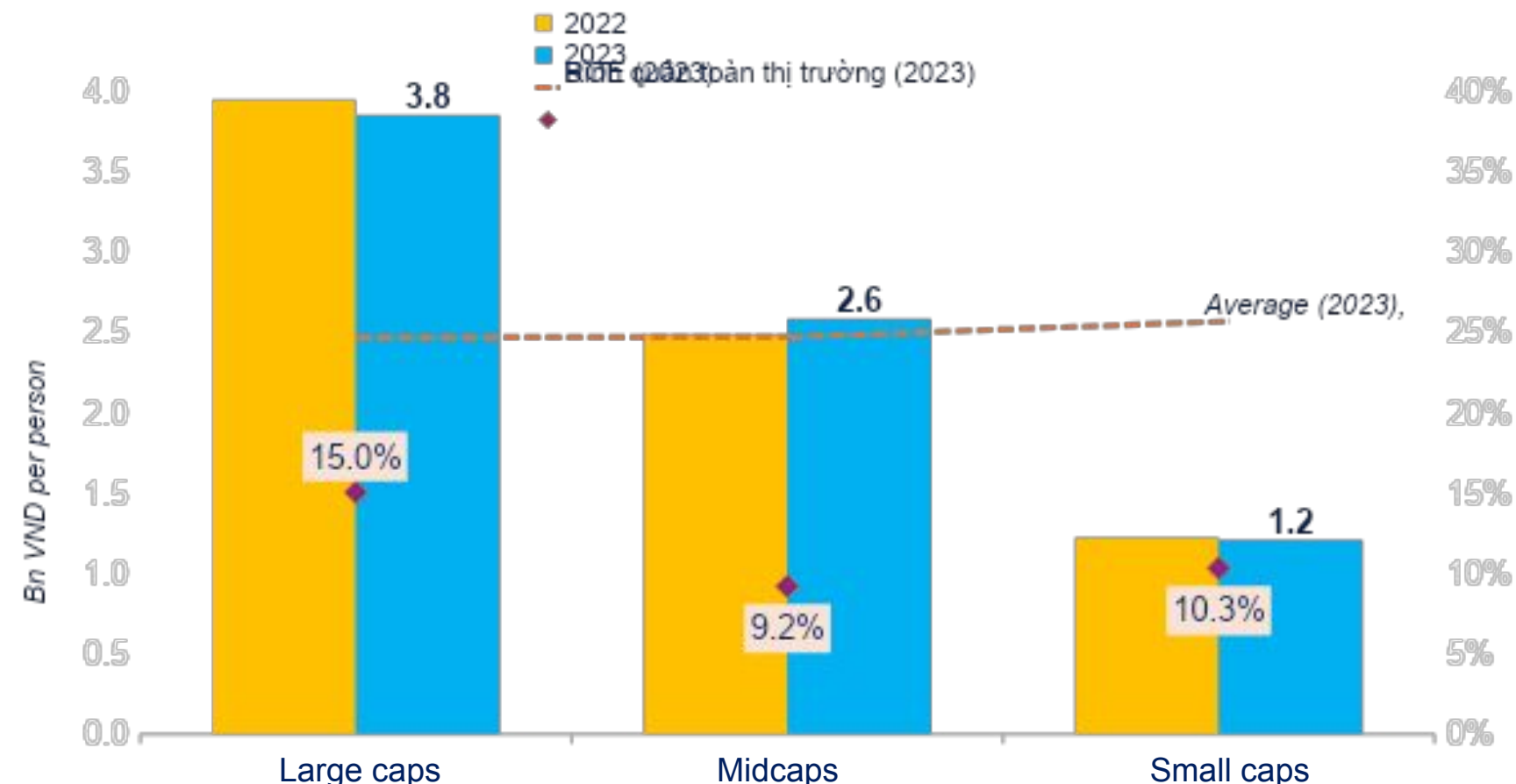
Figure 07: Average CEO Remuneration by Company Type, 2022-2023



Source: FiinGroup. Notes: (i) The CEO remuneration does not include the value of bonus shares and/or shares from Employee Stock Ownership Plan (ESOP); (ii) State-owned enterprises are those with a state ownership ratio of 51% or higher; Companies with a state ownership ratio from 25% to less than 51%; Private companies are the rest.

- CEO remuneration in state-owned enterprises is less than half that of private enterprises, even though their operational efficiency, as reflected by the return on equity (ROE), is quite similar. This discrepancy is largely due to the fact that the Chairman in state-owned enterprises also holds an executive role under the current governance structure.

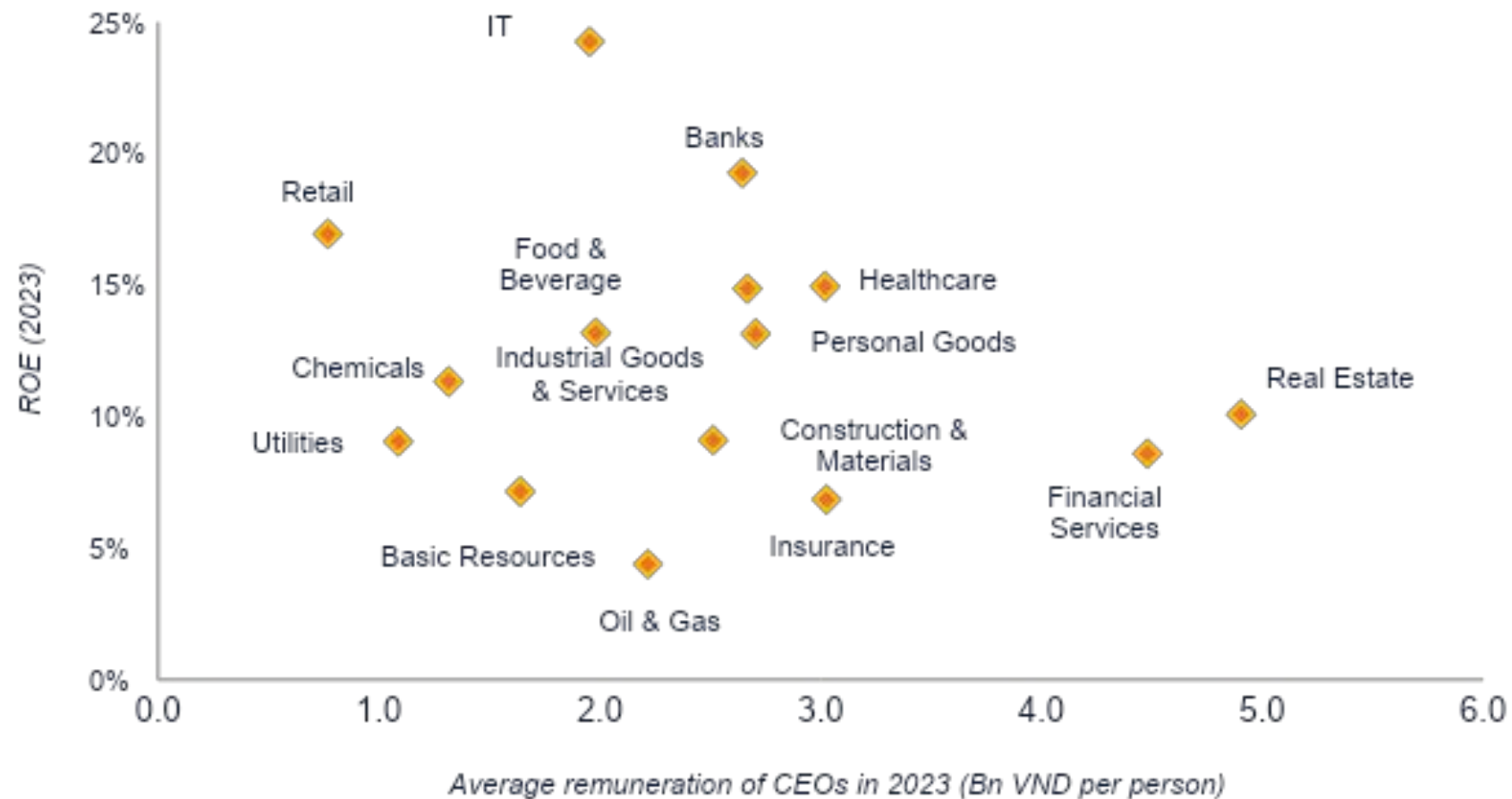
Figure 08: Average CEO Remuneration by MarCap, 2022-2023



Source: FiinGroup. Notes: (i) The CEO remuneration does not include the value of bonus shares and/or shares from Employee Stock Ownership Plan (ESOP); (ii) Large caps are those with a market capitalization of 25 trillion VND or more (as of the end of 2023), Midcaps are those with a market capitalization ranging from 3.5 to 25 trillion VND, and Small caps are the rest

- CEO remuneration in the large-cap group significantly exceeds the overall market average, being approximately 52% higher than the market-wide average in 2023. This is reasonable, given that the operational performance in the large-cap group is more positive compared to the other two groups.

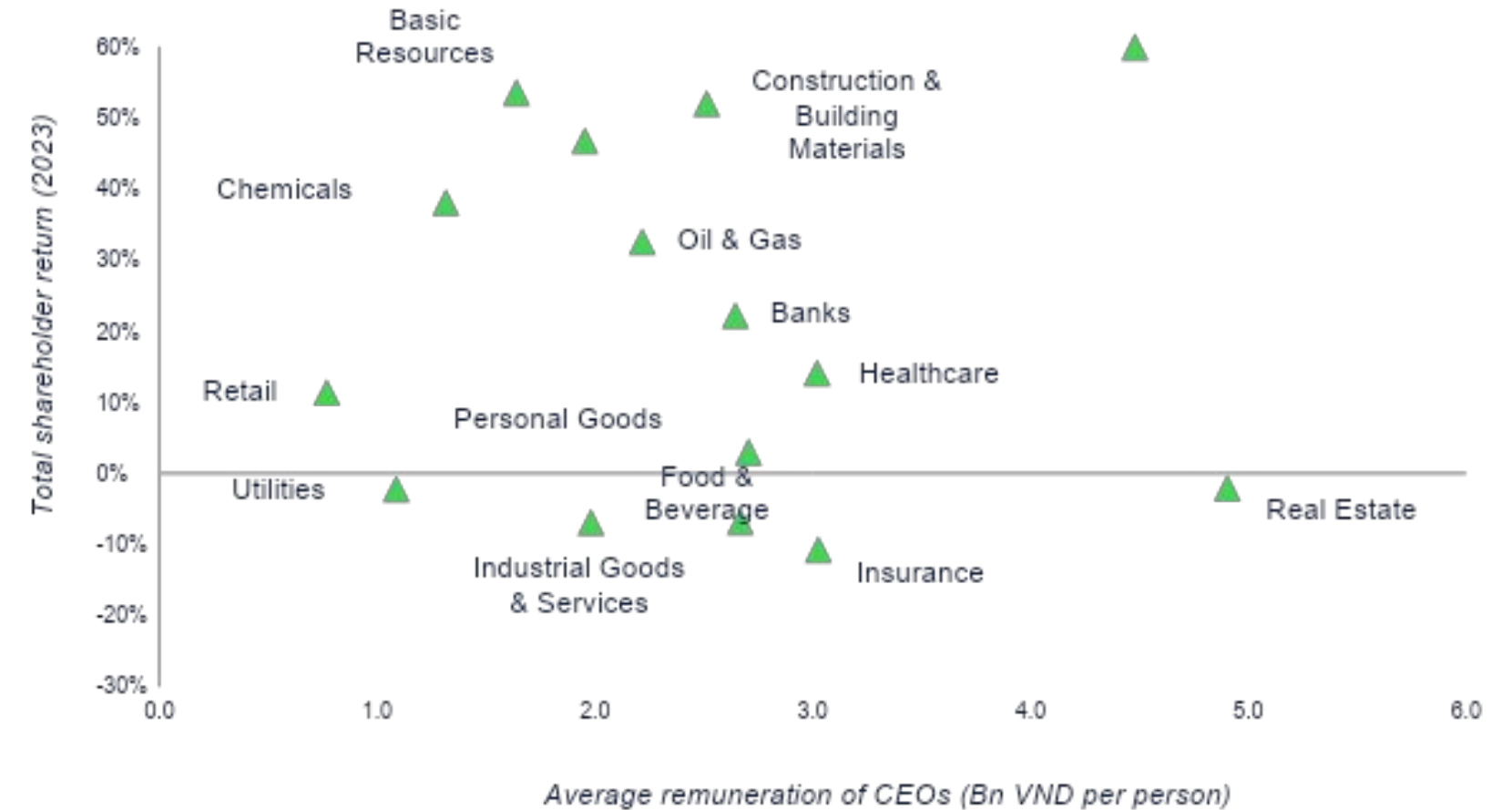
Figure 09: Correlation Between Average CEO Remuneration and Operational Efficiency, 2023



Source: FiinGroup. Note: The CEO remuneration does not include the value of bonus shares and/or shares from Employee Stock Ownership Plan (ESOP);

- The IT, Banking, and Retail sectors showed better-than-average operational performance, with a high ROE exceeding 15% in 2023. However, the average CEO remuneration in these sectors remains relatively low. The primary reason for this is that the remuneration data do not account for the value of bonus shares received under the ESOP, which the leadership received during the year.

Figure 10: Correlation Between Average CEO Remuneration and Total shareholder return, 2023

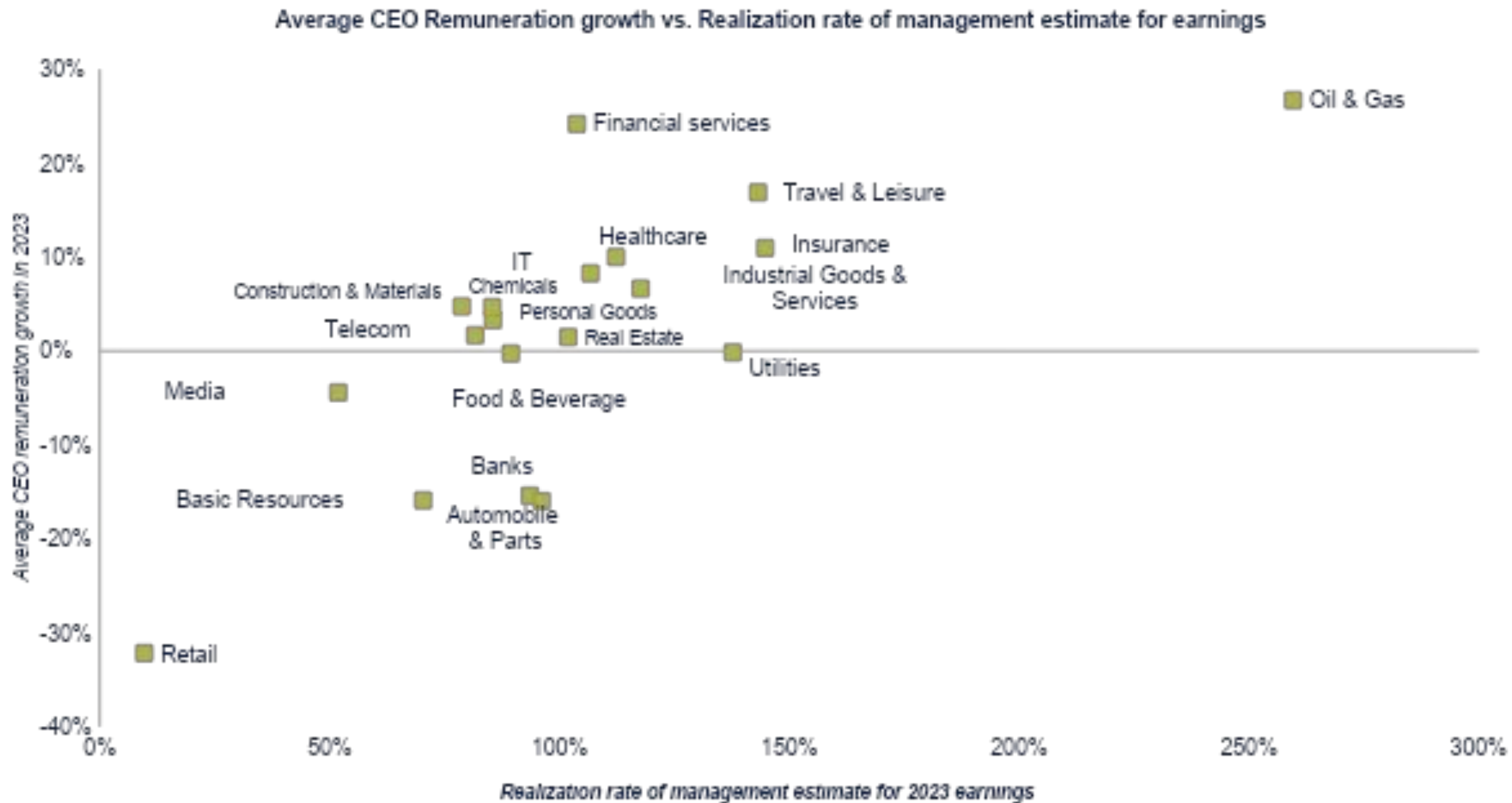


Source: FiinGroup. Note: The CEO remuneration does not include the value of bonus shares and/or shares from Employee Stock Ownership Plan (ESOP);

- Despite facing numerous difficulties and challenges, along with declining operating efficiency over consecutive years, the Real Estate sector still offers the highest remuneration levels for the CEO position.
- In 2023, CEO remuneration was not closely tied to the goal of total shareholder return growth in most industries. This disconnect arises because remuneration for leadership is often determined in the previous year. Additionally, in Vietnam, total shareholder return has not been a key performance indicator (KPI) or a determinant in the compensation structure for key executive positions.

03 | Remuneration of General Director (CEO) ...but high correlation with realization rate of management estimates

Figure 11: Correlation between Average CEO Remuneration and Operational Efficiency, 2023



- In 2023, several sectors with high rates of meeting profit after tax (PAT) targets experienced strong growth in the average income of CEOs, including Oil & Gas, Financial Services (mainly Securities), and Insurance.
- Conversely, in the context of weak consumer demand, sectors such as Retail and Basic Resources (Steel, Wood, etc.) delivered disappointing business results in 2023. As a result, the average income of CEOs in these sectors declined compared to 2022.

Source: FiinGroup. Note: The CEO remuneration does not include the value of bonus shares and/or shares from Employee Stock Ownership Plan (ESOP);

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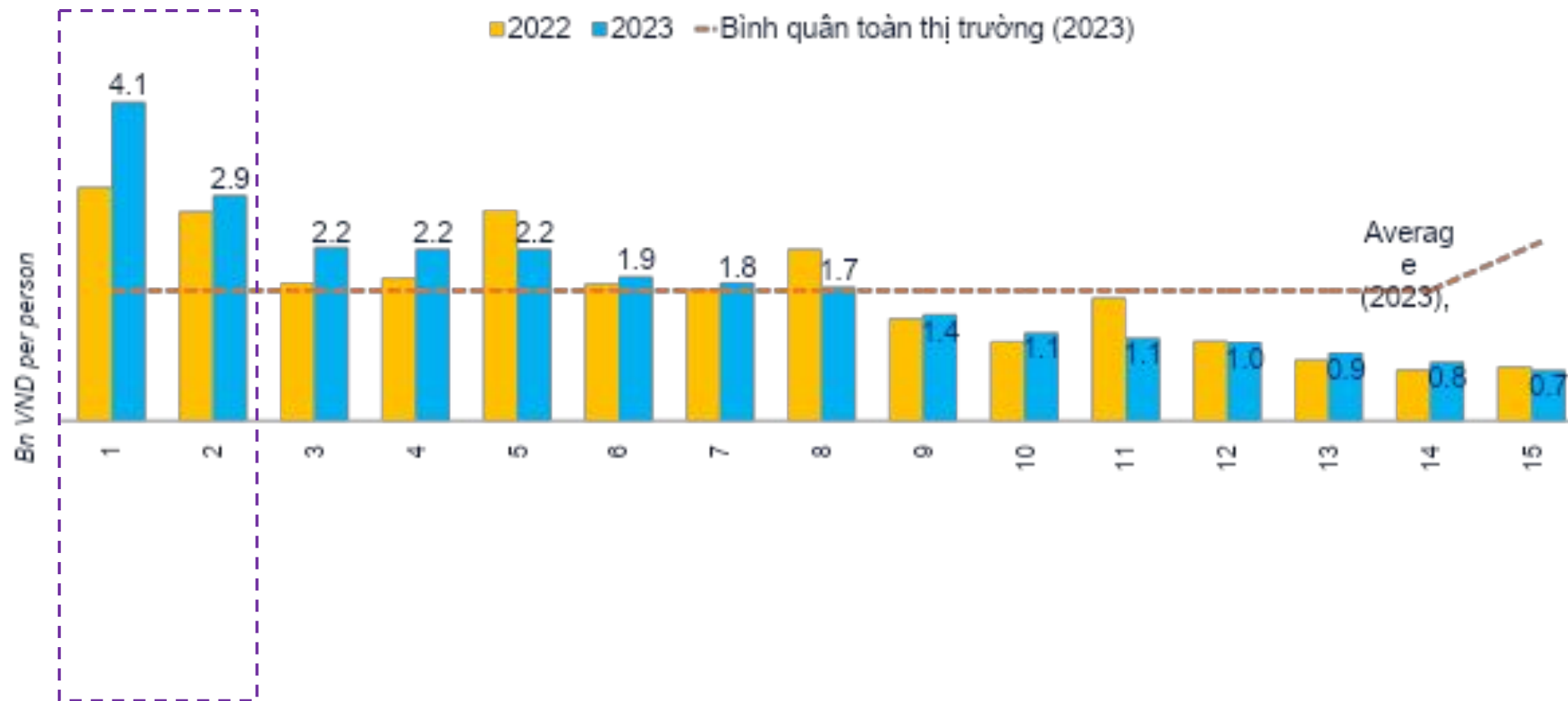
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04 Remuneration of Chairman

Executive chairmen have higher remuneration than the rest

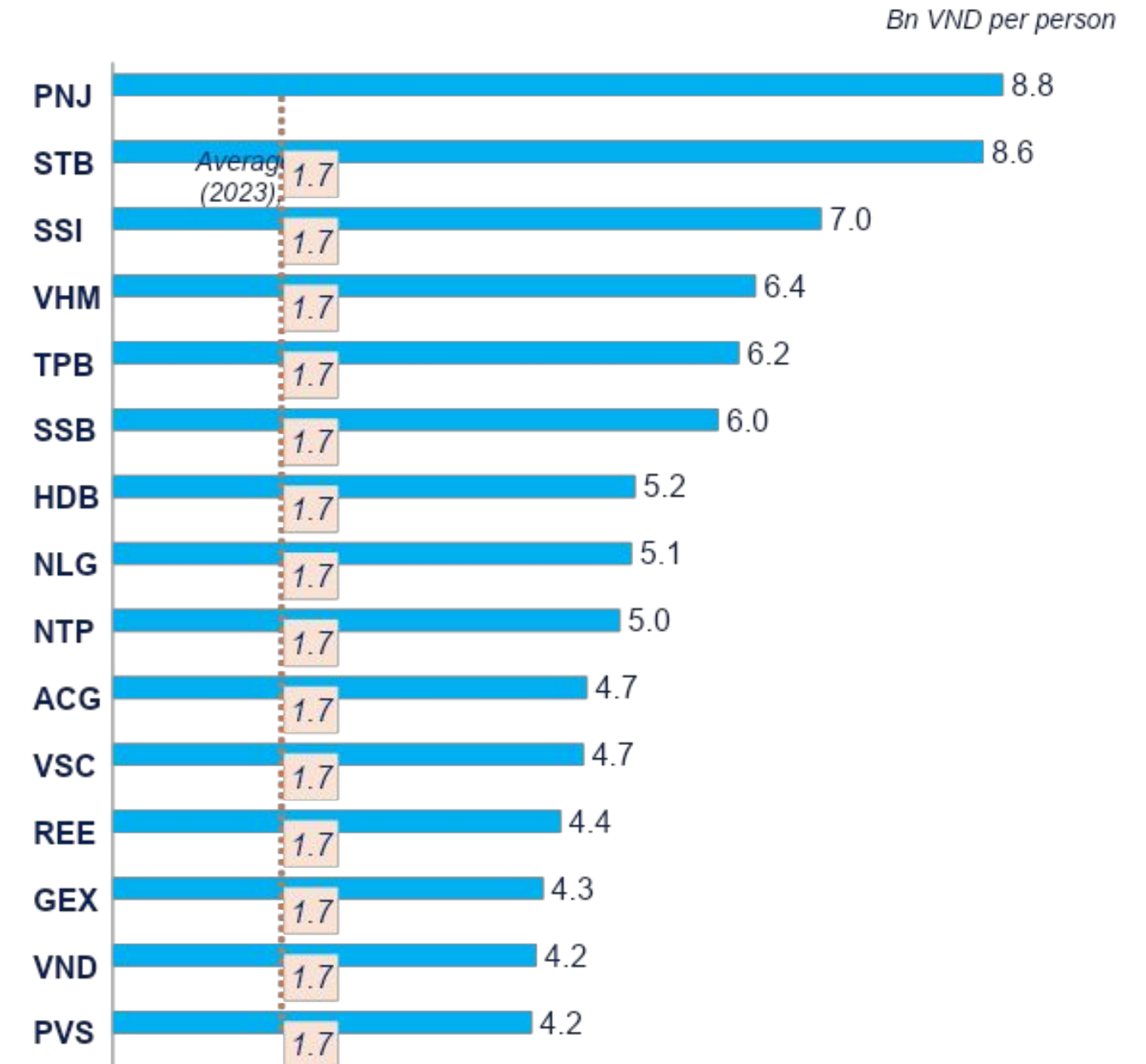
Figure 12: Average Chairman Remuneration by Industry, 2022-2023



Source: FiinGroup. Notes: (i) The Chairman remuneration does not include the value of bonus shares and/or shares from Employee Stock Ownership Plan (ESOP); (ii) The average Chairman remuneration in the Banking sector does not include TCB, VPB, and ACB which do not publicly disclose detailed remuneration of this position.

- The remuneration of Chairman in Banks, Financial Services (primarily Securities), and certain companies (including PNJ, VHM, NLG, NTP, REE, etc.) exceeds that of most others. This is likely because these are large, leading enterprises, and our observations suggest that the Chairman in these companies also take on some executive responsibilities and share certain operational tasks typically associated with the CEO role.

Figure 13: Top 15 companies with highest Chairman Remuneration, 2023

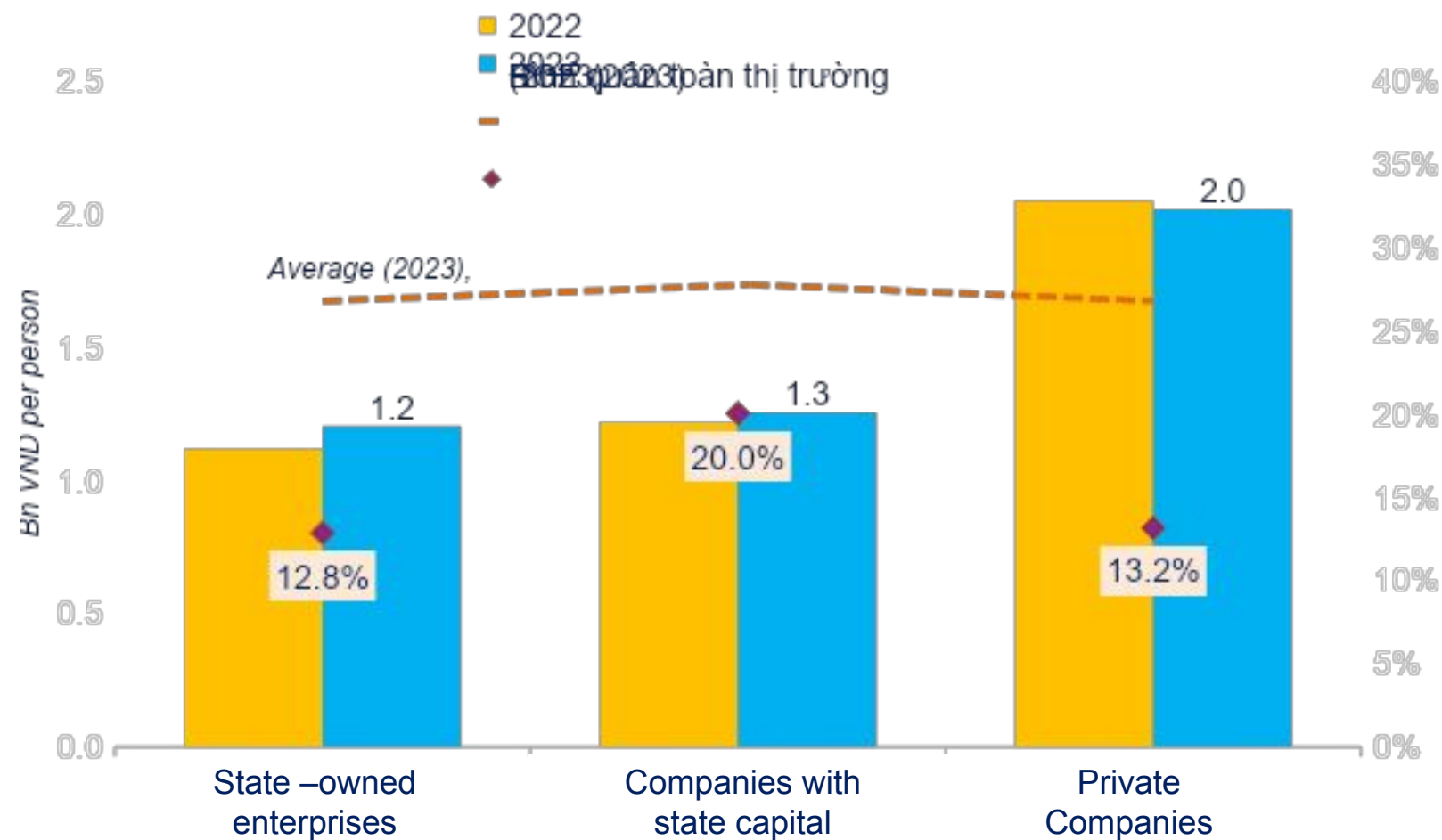


Source: FiinGroup. Note: The Chairman remuneration at these Top 15 companies does not include the value of bonus shares and/or shares from the Employee Stock Ownership Plan (ESOP).

04 Remuneration of Chairman

Clear correlation with performance when analyzed under capitalization scale

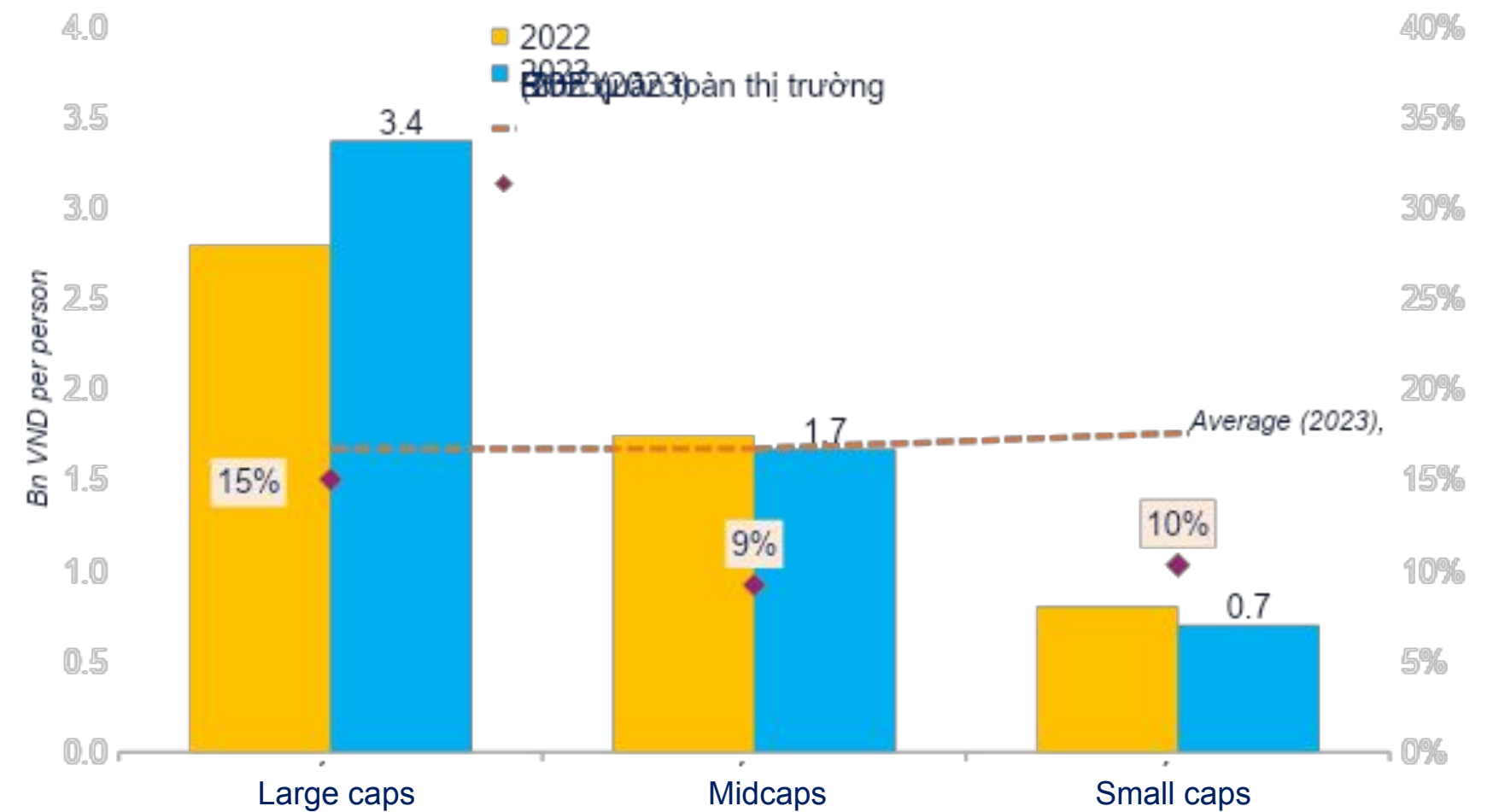
Figure 14: Average Chairman Remuneration by Company Type, 2022-2023



Source: FiinGroup. Notes: (i) The Chairman remuneration does not include the value of bonus shares and/or shares from Employee Stock Ownership Plan (ESOP); (ii) State-owned enterprises are those with a state ownership ratio of 51% or higher; Companies with a state ownership ratio from 25% to less than 51%; Private companies are the rest.

- Companies with state capital (where the state holds 25% to less than 51% of the total equity) show the highest ROE, yet the average remuneration of the Chairman (and the CEO) is 16%-20% lower than the market average.

Figure 15: Average Remuneration of the Chairman by Marcap, 2022-2023



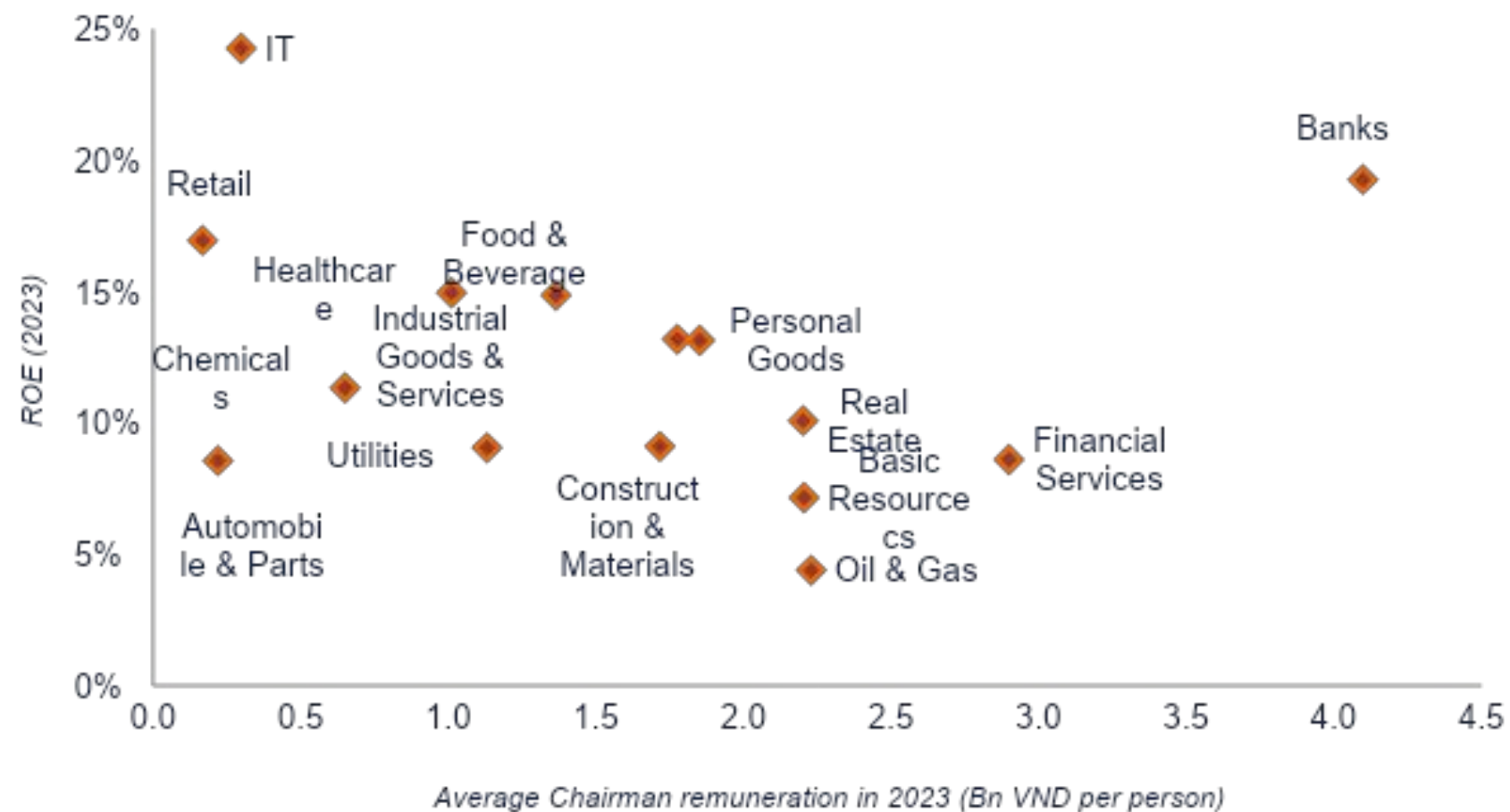
Source: FiinGroup. Notes: (i) The Chairman remuneration does not include the value of bonus shares and/or shares from Employee Stock Ownership Plan (ESOP); (ii) Large caps are those with a market capitalization of 25 trillion VND or more (as of the end of 2023), Midcaps are those with a market capitalization ranging from 3.5 to 25 trillion VND, and Small caps are the rest.

- In terms of capitalization size, the average remuneration of the Chairman is clearly correlated with the operational efficiency. The group with higher ROE also sees greater remuneration for the Chairman compared to other groups.

04 Remuneration of Chairman

Not closely aligned with the objective of total shareholder return

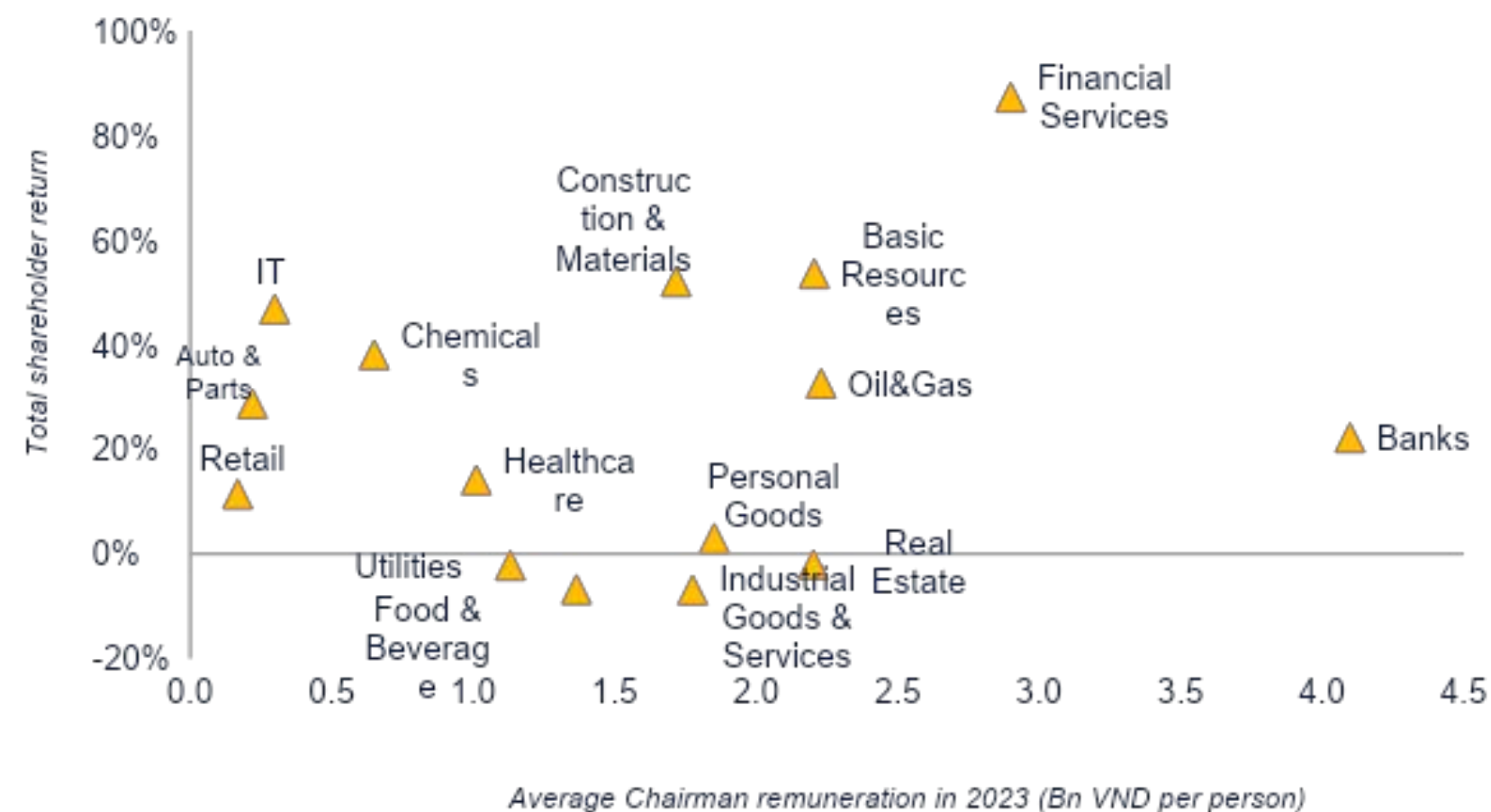
Figure 16: Correlation Between Average Chairman Remuneration and Operational Efficiency, 2023



Source: FiinGroup. Notes: The Chairman remuneration does not include the value of bonus shares and/or shares from Employee Stock Ownership Plan (ESOP)

- The remuneration for the Chairman shows a strong correlation with the performance of the Banking sector. Both the average remuneration of the Chairman and the average ROE in Banking are notably high. This is partly because, in many banks, the Chairman also holds an executive role.
- Conversely, while IT and Retail sectors have high ROE, the average remuneration for the Chairman in these industries is notably low.

Figure 17: Correlation between Average Chairman Remuneration and Total shareholder return, 2023



Source: FiinGroup. Notes: The Chairman remuneration does not include the value of bonus shares and/or shares from Employee Stock Ownership Plan (ESOP)

- In 2023, Chairman remuneration was not closely tied to the goal of total shareholder return in most industries. This disconnect arises because remuneration for leadership is often determined in the previous year. Additionally, in Vietnam, total shareholder return has not been a key performance indicator (KPI) or a determinant in the compensation structure for key executive positions.

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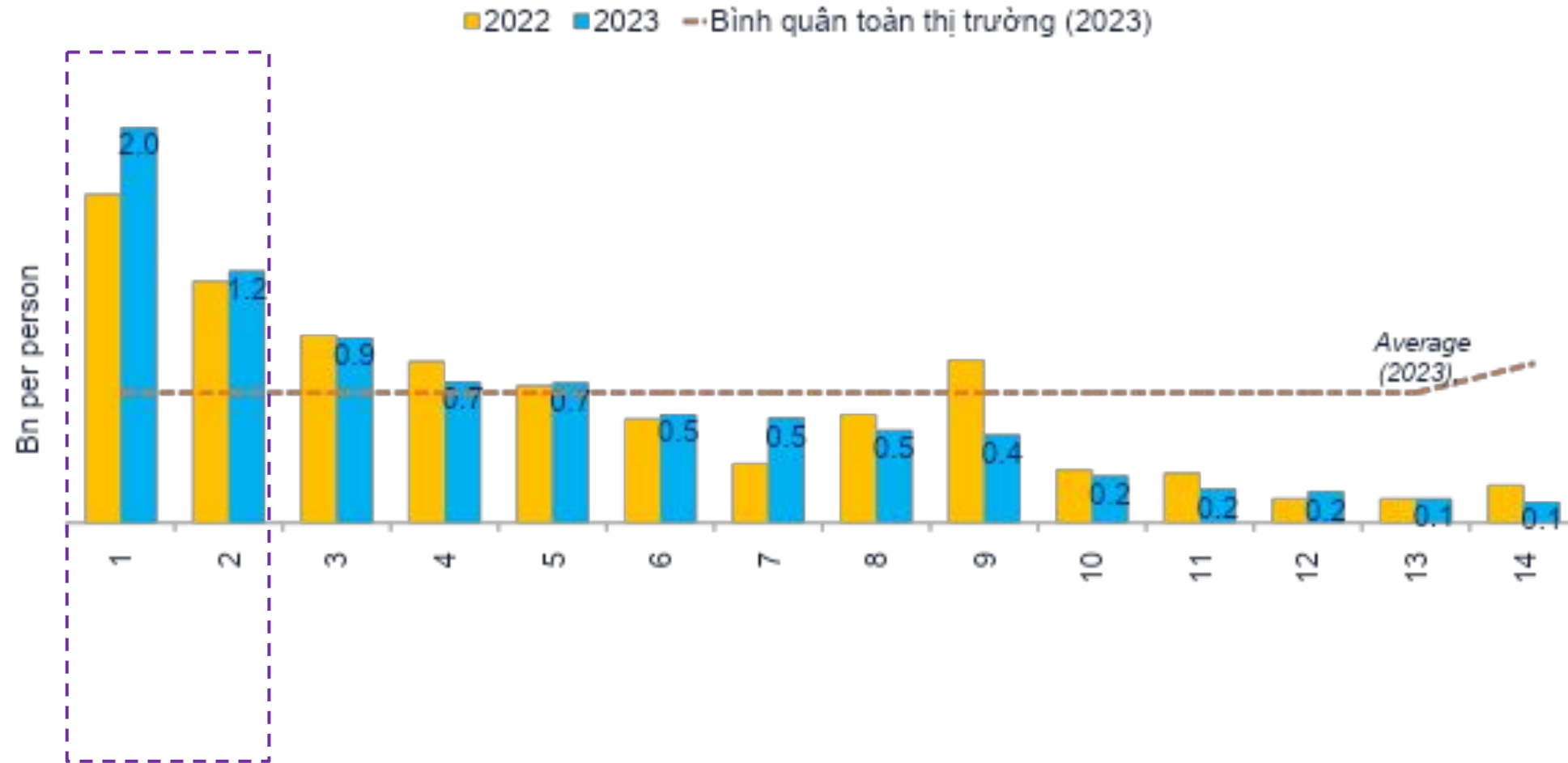
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05 Remuneration of Independent Director

Remuneration for ID varies significantly across different industries and companies

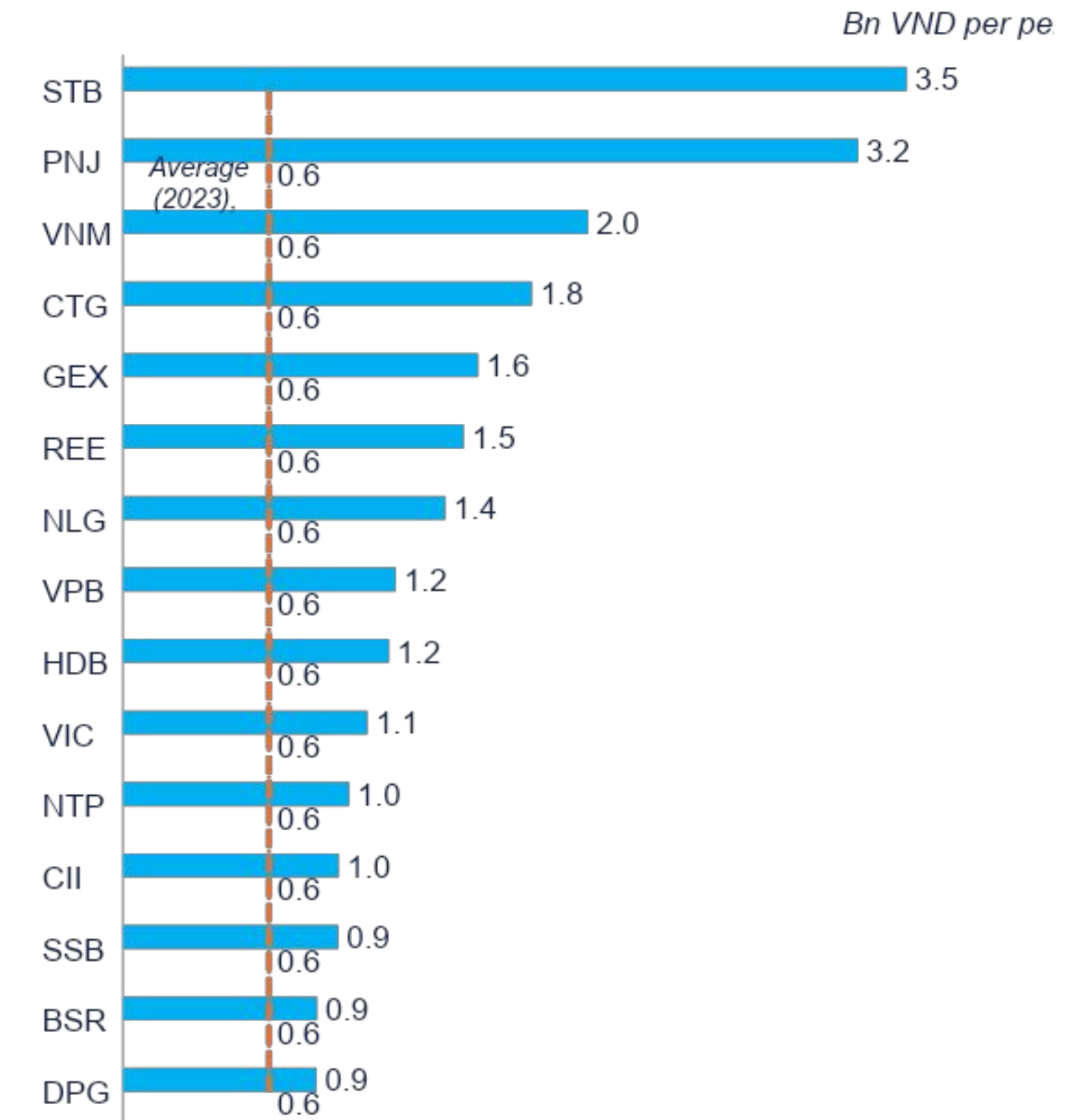
Figure 18: Average ID Remuneration by Industry, 2022-2023



Source: FiinGroup. Note: The average ID remuneration by industry is the average per ID in a certain industry. In fact, an individual may serve as an independent director for more than one company according to current regulations.

- The average remuneration of IDs varies significantly across industries. Specifically, the highest average incomes are found in the Consumer Goods sector (PNJ) and Banking, at VND 2 billion and VND 1.2 billion per year, respectively, while in most other sectors, remuneration ranges between VND 100 to 500 million per year.
- Companies with higher remuneration levels are typically industry leaders. Additionally, we observed that IDs who receive higher remuneration often hold additional positions, such as roles on the Audit Committee, Strategy Committee, etc.

Figure 19: Top 15 Companies with highest ID remuneration, 2023



Source: FiinGroup. Note: The ID remuneration at these Top 15 companies does not include remuneration received from their roles in other companies outside of the Top 15.

05 Remuneration of Independent Director

No significant difference between the State and the Private

Figure 20: Average ID Remuneration by Company type, 2022-2023

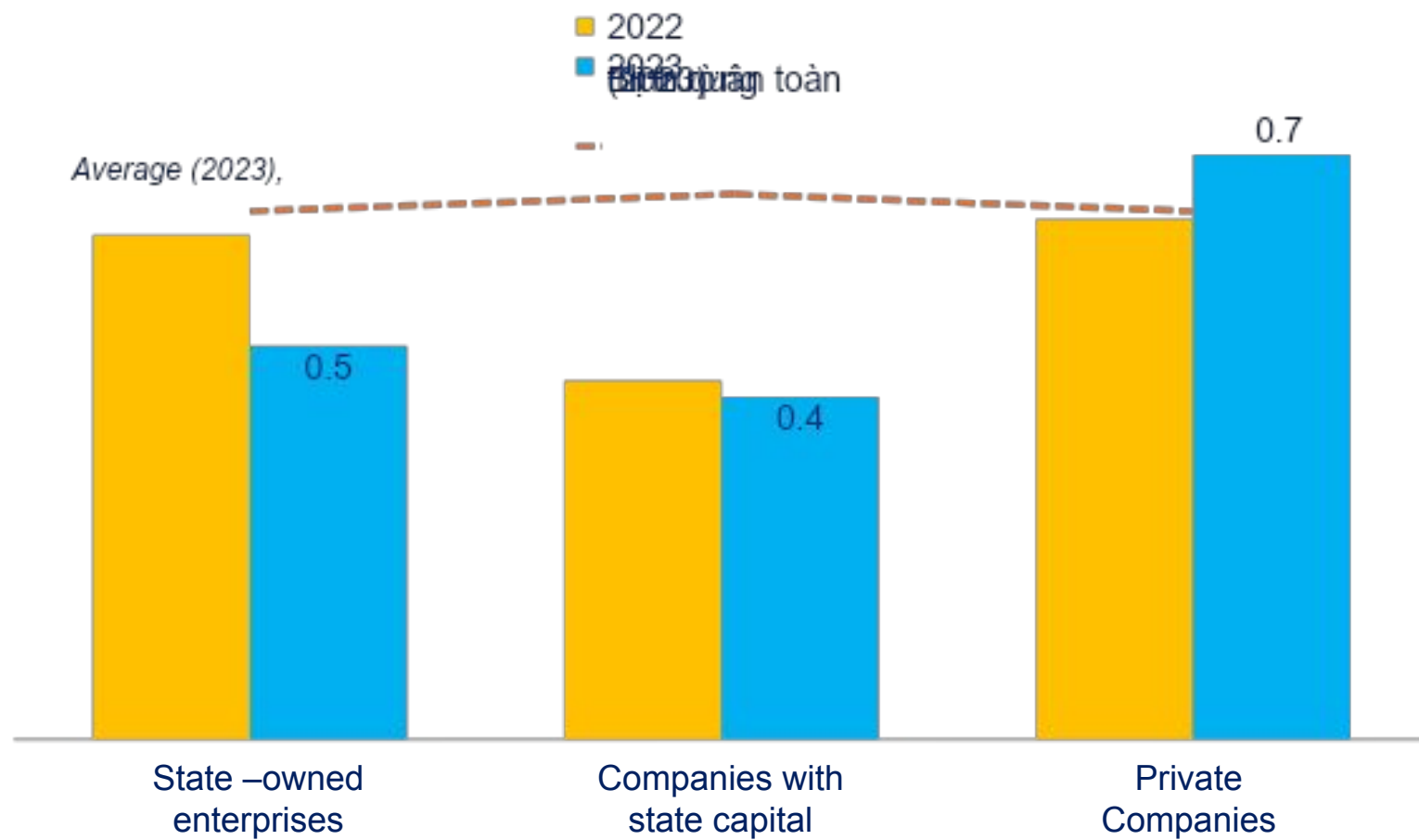
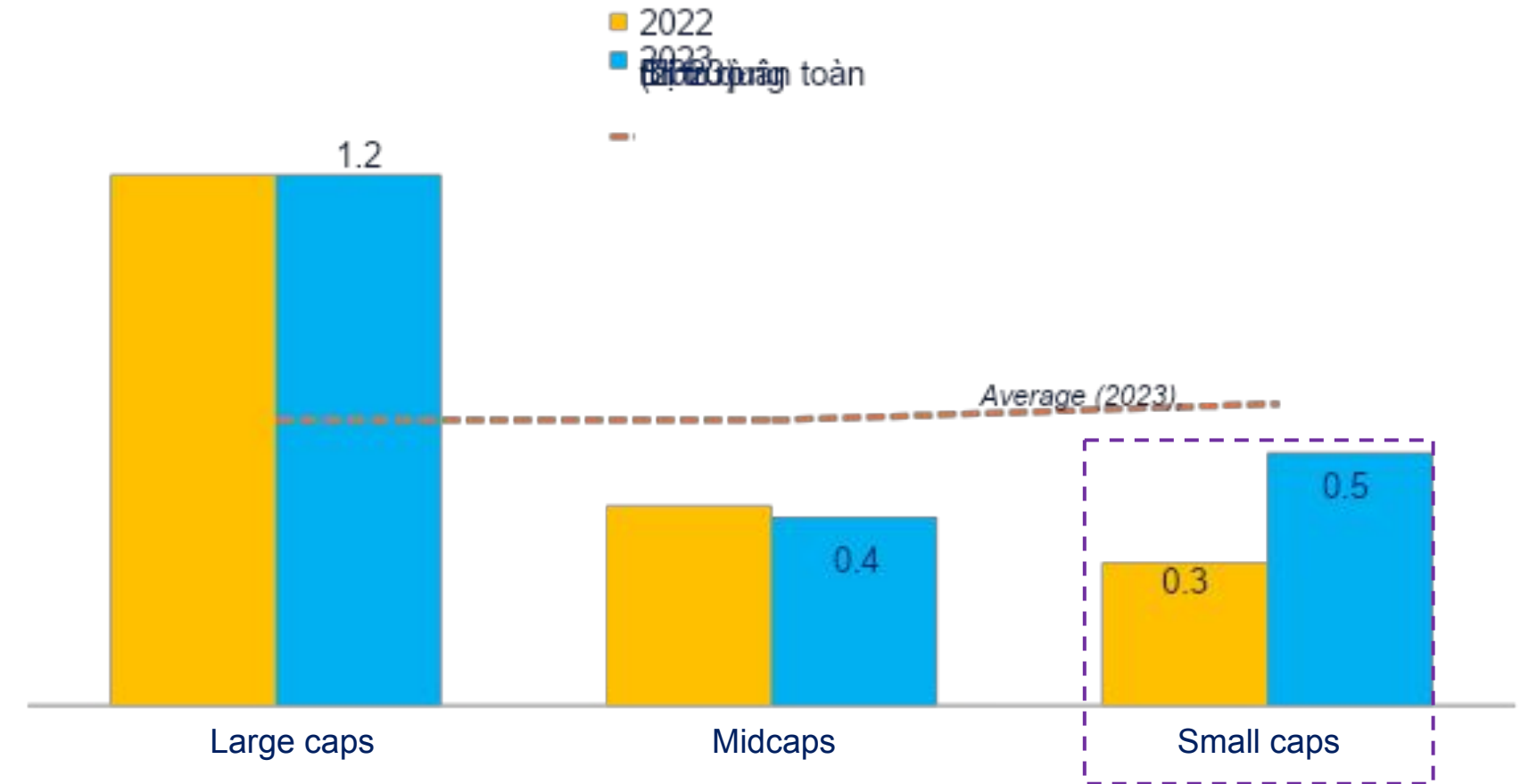


Figure 21: Average ID Remuneration by MarCap, 2022-2023



Source: FiinGroup. Notes: (i) The ID remuneration does not include the value of bonus shares and/or shares from Employee Stock Ownership Plan (ESOP); (ii) State-owned enterprises are those with a state ownership ratio of 51% or higher; Companies with a state ownership ratio from 25% to less than 51%; Private companies are the rest.

Source: FiinGroup. Notes: (i) The ID remuneration does not include the value of bonus shares and/or shares from Employee Stock Ownership Plan (ESOP); (ii) Large caps are those with a market capitalization of 25 trillion VND or more (as of the end of 2023), Midcaps are those with a market capitalization ranging from 3.5 to 25 trillion VND, and Small caps are the rest.

- The average income of IDs shows no significant difference between state-owned enterprises and private enterprises.
- The average income of IDs saw a strong improvement in the small-cap group in 2023, while there was a slight decrease in the mid-cap group.

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06 | Implications for Remuneration Policy

1. **Narrowing the remuneration gap** between executive roles, such as CEOs, in state-owned enterprises and private enterprises is crucial, especially given the lack of significant differences in business performance. This is an important solution for reforming state-owned enterprises.
2. **Besides separating the roles of Chairman and CEO as currently prescribed**, enterprises should consider designing and structuring remuneration policies for these key positions based on duties, scope of work, and performance metrics. These metrics may include Profit Margin, Capital Efficiency, Core/Sustainable Income Growth, along with current plan completion indicators.
3. **Strengthening the role and effectiveness of ID** by refining policies based on their involvement in specialized committees within the Board. In addition, IDs should also ensure they contribute impartially to the decision-making process of Board, adhere to conflict-of-interest avoidance principles, maintain objectivity to safeguard shareholders' rights, without being directly tied to specific business results or targets within a given period.
4. **Aligning remunerations with company business performance and total shareholder return** for the BOD, directors, and key leadership positions over defined strategic periods and on an annual basis.
5. **Establishing a mechanism for approval, close supervision, and annual review and adjustments with the Remuneration Committee**, using reference with industry and market benchmarking data. This mechanism should balance short-term benefits from revenue and profit with long-term benefits from ESOPs, long-term bonuses, and ESG indicators that impact the company's value.

Thank you, all partners and experts, for your valuable comments and support for this Report !

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