ADAPTING EUROPEAN UNION SUSTAINABLE CORPORATE GOVERNANCE REGULATIONS FOR VIETNAM

A Comparative Policy Analysis

Lappeenranta–Lahti University of Technology LUT

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ABSTRACT

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This master's thesis examines how European practices related to sustainable corporate governance could be transferred to the socio-economic and legal Vietnamese context using comparative policy analysis. The core objectives of the research are to identify critical success factors and potential obstacles to the transfer of European governance models to Vietnam and assess the potential impacts of such regulatory adaptations. Precisely, key findings portray significant gaps, particularly in regulatory enforcement, stakeholder engagement, and the integration of ESG issues in the existing corporate governance framework of Vietnam. In this study, the proposed strategies for adapting European corporate governance in Vietnam will be far-reaching in allowing corporate transparency, attracting foreign investments, and attaining long-term sustainable development in the Vietnamese economy. This thesis underscores the importance of implementing corporate governance practices in Vietnam with international standards to attain sustainable economic growth and broader socio-economic development goals.

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Abbreviations

BOD	Board of Directors
NFRD	Non – Financial Reporting Directive
CSRD	Corporate Sustainability Reporting Directive
ESG	Environment, Social & Governance Factors
EU	European Union
SSC	State Securities Commission
SFDR	Sustainable Finance Disclosure Regulation
UNFCCC	United Nations Framework Convention on Climate Change
OECD	Organisation for Economic Co-operation and Development
ESMA	European Securities and Markets Authority
EFRAG	European Financial Reporting Advisory Group
SMEs	Small and Medium-sized Enterprises

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1 Introduction

1.1 Background

There has been a dynamic change in the global business arena for the last few decades due to the growing understanding of sustainability as an integral part of sound corporate governance. A singular concentration on financial performance could run better in a world currently struggling with severe environmental and sociopolitical issues. Corporate governance has thus transformed into practices that demand responsible and sustainable business operations from companies, balancing economic attainment, social equity, and environmental conservation (Clarke, 2017).

Corporate governance is the set of policies, procedures, and guidelines that regulate how an organization is run. Corporate governance is about balancing the interests of a company's various stakeholders, including shareholders, management, customers, suppliers, financiers, the government, and the community (Banda and Mwange, 2023). Sustainable corporate governance elevates this framework by placing environmental, social, and governance issues at the core of the company's policies and operational strategies (Lëtzebuerger Gemengen, 2023). This embedding has created value for all stakeholders and the benefit of the stakeholders and others (Denis and McConnell, 2003; Aguilera et al., 2008).

The European Union has been the leading light in the application of the concept of placing sustainability at the heart of corporate governance. Many legislations and directives from the European Union have set up a complete framework for responsibility, transparency, and incorporation of environmental, social, and governance factor issues in corporate activity. The new Corporate Sustainability Reporting Directive and Non-Financial Reporting Directive are pivotal to such obligations. Those laws make it mandatory for companies to report on how they manage social and environmental challenges and encourage such companies to adapt more sustainable practices (European Commission, 2021a, 2021b).

Vietnam is a developing nation whose corporate governance framework remains to be developed. The country has improved to a considerable extent in the past few years, as the necessity to attract foreign investment and integrate into the global wave is still on the rise. Like most European countries, Vietnam has a civil law tradition that impacts its corporate governance system and is a relevant case for comparative analysis with the regulatory framework of the EU. However, this nation still needs to overcome significant obstacles, including lax enforcement of laws, poor stakeholder participation, and a need for more understanding and expertise about sustainability issues in the corporate community (Vo and Nguyen, 2014; Hoang et al., 2024).

The Vietnamese government has initiated steps towards sustainable corporate governance and regulatory reforms in conformity with international standards. The key legislations are the Enterprise Law, 2020; the Corporate Governance Code, 2017; and the Environmental Protection Law, 2020, to assist in the realization of full transparency, accountability, and sustainability in corporate operations. In practical implementation, sustainable corporate governance scores relatively low in Vietnam due to several structural and cultural barriers to implementation (The Viet Nam Law On Enterprises, 2020; The Viet Nam Law On Environmental Protection, 2020).

In this thesis, the comparative policy analysis will first identify some key features of the EU framework that Vietnam could benefit from and how such policymakers and corporate leaders can effectively integrate practices within their realms. This study is timely since the winning notion has been shifting toward sustainability and the importance of environmental, social and governance factors in investment decisions globally. By integrating EU practices of sustainable corporate governance into Vietnamese corporate governance, corporate governance standards in this country will be uplifted and become increasingly attractive to foreign investors, thus supporting long-term economic and social development. Aligning Vietnam with general global sustainability trends will facilitate the country's integration into the world economy.

The importance of sustainable corporate governance is set within the background of the entire global business. The extension of the EU regulatory framework to the case of Vietnam

represents a contribution of this research to an ongoing effort to promote sustainability and responsible corporate behavior in developing economies (International Finance Corporation, 2015b, 2015a).

1.2 Research problem

Vietnam's fast economic growth and world integration imply a developed corporate governance framework based on international standards. Confronted with several critical challenges, positive improvements notwithstanding, the present corporate governance system in Vietnam remains in the process of improvement. These include a lack of strict implementation of the regulations, poor stakeholder engagement, and the need to integrate ESG factors within an organizational framework. These shortcomings limit effectiveness in reaping the maximum benefits of sustainable corporate governance in Vietnam, including improving corporate performance, attracting foreign investors, and high returns to society (Denis and McConnell, 2003).

In the last few years, the European Union has emerged as a global leader in sustainable corporate governance with well-thought-out and elaborate regulations, among them being the NFRD and the forthcoming CSRD. The regulations have placed corporate governance among Europe's most transparent, accountable, and ESG-focused. Therefore, the EU's approach has successfully promoted sustainable business practices and values among members in the long haul for all stakeholders involved (European Commission, 2021c, 2021b).

Since the civil law tradition in the EU and the legal tradition applied in Vietnam are the same, this represents an excellent opportunity for adaptation of the experiences from the EU to Vietnam as far as sustainable corporate governance is concerned. However, even such an adaptation will not be hurdle-free. Here, the regulatory maturity of Vietnam, which is at different levels due to socioeconomic diversity and cultural differences, becomes the point of concern for successful implementation.

This latter constitutes the research problem now at the heart of this thesis and calls for exploring how the Vietnamese context can be fittingly adapted into the sustainable corporate governance legal framework garnered from the European Union. This will involve an acknowledgment of the main features of the EU's regulatory framework from which Vietnam is likely to benefit, the potential benefits and challenges of such re-equilibration, and the formulation of an operational scheme for putting the regulations into operation in Vietnam (Hopt, 2011).

The research will make recommendations that are implementable and result in better policies by Vietnamese policymakers and senior corporate executives to enhance corporate governance and align with international sustainability benchmarks (Clarke, 2017).

Relatedly, in dealing with this research problem, the thesis aims to influence interventions toward improving corporate governance in Vietnam to support and spur economic and social development. The findings of this study will not only help improve the existing regulatory framework but also foster corporate culture in promoting sustainability, transparency, and accountability by organizations within the country.

1.3 Objectives of the study

Therefore, the primary aim of this study is to explore the potential for adapting sustainable corporate governance regulations in the European Union context to the Vietnam-based perspective. The following specific research objectives strive to achieve this general goal.

First, the research intends to comprehensively scrutinize the sustainable corporate governance applied in the EU framework. Key components and principles are included in the NFRD and CSRD. These directives together form the core wherein the EU aims to achieve greater transparency, accountability, and integration of ESG factors in practice at the corporate level (Talan and Sharma, 2019; European Commission, 2023). The research will investigate the EU's regulatory framework and enforcement mechanisms to ensure that these laws work (European Commission, 2021a, 2021b).

Secondly, the research tries to assess the structure of Vietnamese corporate governance. This thesis aims to highlight the strengths and areas of enhancement in Vietnam's corporate governance frameworks and regulatory procedures. It is essential to identify gaps and deficiencies in the current framework to identify the areas needing improvement to incorporate sustainable corporate governance principles successfully (Vo and Nguyen, 2014; Banda and Mwange, 2023). The following assessment has critical importance for understanding how Vietnam's regulatory framework, combining traditional practices with new regulatory efforts, fits into international norms.

Finally, the comparative approach establishes what could be borrowed from the EU's framework of sustainable corporate governance to implement effectively in the Vietnamese context. Identify similarities and differences in the aspects of corporate governance between the EU and Vietnamese systems and understand both the benefits likely to be derived from adopting the practices of the EU and the challenges such adoption would presumably create. The specific socio-economic and legal conditions in Vietnam will be considered in developing a practical framework for the adaptation process (Lëtzebuerger Gemengen, 2023).

The framework will clear the way and recommend how Vietnamese policymakers, regulatory bodies, and business leaders could effectively implement EU sustainable corporate governance regulations. Provision shall be made through the required adjustments and the accompanying support mechanisms for successful adoption and compliance, given Vietnam's unique needs and circumstances (European Parliament, 2020; European Commission, 2023).

Finally, the study evaluates the economic, environmental, and social impacts that can result from implementing the amended regulations in Vietnam. Importantly, there is a proper evaluation of how the sustainable corporate governance practices used in the EU may be integrated into the country to offer essential benefits in corporate performance, foreign direct investment, and attaining sustainable development goals of Vietnam (Talan and Sharma, 2019). Understanding these impacts is crucial in establishing the overall benefits that may

result from enhanced corporate governance standards in Vietnam attributed to the amendment of EU regulations.

1.4 Research questions

The overall scope of this thesis is to investigate the mapping of sustainable corporate governance regulations of the European Union into the Vietnamese practice. In doing so, the study is guided by specific research questions that fit into various critical areas.

In order to direct the study and ensure a concentrated examination of the adjustment of EU sustainable corporate governance regulations to Vietnam, the following research questions have been created:

- How can the best practices on sustainable corporate governance from the EU be transported to or be aligned in the socio-economic and legal-bound context of Vietnam?

- What are the anticipated impacts of implementing such regulations in Vietnam?

The goal of answering these research questions is to give a full picture of the adapting process and how it might affect Vietnam. Based on global sustainability standards, the results will help improve company governance practices in Vietnam and support long-term economic and social growth.

1.5 Significance of the study

This study is of value not only to academic literature but also as a practical application, especially in corporate governance in emerging markets like Vietnam. With businesses throughout the globe increasingly focusing on sustainability, integrating ESG in the development of corporate governance frameworks gains tremendous significance. This research area is expected to provide input into literature lacking through an investigation into

how the European Union's firmly established sustainable corporate governance practices can be adapted to suit the sui generis socio-economic and legal context of Vietnam.

From an academic standpoint, this study substantially enhances the comprehension of sustainable corporate governance in various regulatory environments by providing a comprehensive comparative analysis. It creates a favorable theoretical environment that is pertinent and applicable in other emerging markets with characteristics similar to Vietnam's. Having a systematic review of the EU regulations with regard to the existing governance practice within Vietnam, this study offers specific contributions that further support mechanisms that ensure transparency, accountability, and sustainability within corporate governance practices in Vietnam (Boeva, Zhivkova and Stoyanov, 2017; Clarke, 2017).

Results from this study answer the many concerns of regulatory bodies, policymakers, and corporate leaders in Vietnam. Through the identification of strengths and weaknesses in the present corporate governance framework and proposing practical adaptation of EU regulations, the study provides workable recommendations that will be used to enhance Vietnam's corporate governance standards in a way meant to better the performance of corporations, attract foreign investments, and create long-term economic growth. The paper also presents the need for stakeholder involvement in providing capacity-building programs to implement sustainable practices (Vo and Nguyen, 2014a; Banda and Mwange, 2023).

The profound societal consequence of this work needs no additional emphasis. The promotion of sustainable corporate governance discussed here is in line with Vietnam's endeavours to attain its sustainable development objectives. Improved governance practices will bring better environmental stewardship, social equity, and economic stability, thus benefiting not only businesses but the wider community. Such an approach corresponds to the modern tendencies of global sustainability, integrating Vietnam into the international world of economy, improving its reputation and competitiveness globally (Lëtzebuerger Gemengen, 2023).

The importance of this study is based on its ability to offer a clear plan for enhancing corporate governance in Vietnam to align with sustainable practices in the European Union. It enhances academic knowledge, provides practical answers for policymakers and commercial actors, and promotes broader societal objectives of sustainable development in a globalized society.

2 Literature Review

2.1 Overview of judicial systems and law comparison

A huge variation in judicial systems can be observed across the world, from one jurisdiction to the other, due to varied uniform legal traditions, historical events, and cultural values. The legal systems form an integral part of the broader governance systems, corporate governance included. Generally, the judicial systems fall into two major types: Common Law systems and Civil Law systems.

2.1.1 Common law systems

Systems based on Common Law can mainly be found in the United Kingdom, the United States of America, Canada, and Australia. It is characterized by a doctrine known as precedent: decisions emanating from higher courts will bind the lower courts in cases with similar facts appearing in the future. In other words, it is a principle of stare decisis that ensures uniformity and predictability in the application of law. Case precedents and decisions are probably the most basic, inherent components of any Common Law system; statutes provide the skeleton, which judges must fill in and flesh out through their decisions (La Porta, Lopez-de-Silanes and Shleifer, 2008).

The judges running the Common Law legal systems enjoy discretion in their decision-making. They can suit legal precepts or principles respectively to changing conditions, thereby making the legal system adaptable and flexible to changes in society.

In jurisdictions under Common Law, the adversarial nature of legal procedure means that disputing parties advance their case before a presiding independent judge or jury, who, in turn, delivers a decision based on the line of evidence and legal argument put forth by the disputing parties - a fact to be considered when sourcing information (Tanzilulloh, Hartiwiningsih and Rustamaji, 2024).

2.1.2 Civil law system

On the contrary, civil law systems refer to those in practice in continental Europe, Latin America, and parts of Asia, for instance, Vietnam. Civil law systems rely on legal codes that are very broad and touch on the general areas of law developed under them. Written statutes and codes have a very detailed prescription of legal matters than the common law systems, which strongly depend on case law as per precedents. In handling cases, judges mainly apply the statutes in these systems with a very small scope for interpretation (Pistor, 2005).

It is narrower than that for the judiciary of the common law. Judges within the civil law system only apply provisions of the legal code to the prevailing facts of a given case; they do not make new legal principles. This is with the aim of ensuring more certainty and uniformity in the application of the law. The fact that legal proceedings in civil law jurisdictions have an inquisitorial aspect indicates that judges are actively involved in investigations of facts and in the process of ensuring that all legal provisions are followed as per the stated codes (Zheng and Shen, 2024).

2.1.3 Judicial systems overview in the world

Table 1 Comparison of feature between common law and civil law

Feature	Common Law	Civil Law
Source of Law	Judicial decision and statutes.	Comprehensive legal codes.
Role of Judges	Interpret and make law in decisions.	Apply statutes with small alterations.
Legal Flexibility	Higher: Due to case law development.	Lower: Due to reliance on fixed codes.

Countries	UK, USA, Canada, Australia, …	France, Germany, Vietnam, Japan
Legal Processes	Adversarial process, with the active judge participation.	Inquisitorial process, with the overseeing by judge.
Precedent	Binding precedents (stare decisis).	No binding precedents.
Codification	Less comprehensive and case law does the filling-in of the voids.	Highly codified and structured.

This comparison table highlights the fundamental differences in the source of law, the role of judges, legal flexibility, and procedural characteristics between common law and civil law systems.

Civil law tradition is embedded in both the European Union and Vietnam, so comparisons of corporate governance systems are practical. The nature of civil law to emphasize codification and systematic regulation becomes representative of the EU's style towards sustainable corporate governance, hence maybe a relevant model for Vietnam.

Comparative law is the study of a variety of differences and similarities between legal systems. Also, this approach allows for understanding that the transferable principles are applicable across different jurisdictions. By comparing the legal system of the EU and Vietnam, this thesis can identify how it is more appropriate to encompass changes that would incorporate sustainable corporate governance practices in the Vietnamese legal framework. The understanding of the bases of these judicial systems helps to place into context the legal environment in which corporate governance operates, highlighting potential areas for policy adaptation and improvement.

2.1.4 Overview of law comparison

By its very nature, comparative law deals with the differences and similarities between legal systems - and constitutes an essential science in understanding the work of different legal frameworks. The comparative analysis means the comparison of corresponding subdivisions of compared legal systems, where the examination is oriented on comparing the legal systems, institutions, and specific legal norms reacting to similar phenomena. Comparative law helps develop more effective legal frameworks by determining best practices from other jurisdictions. According to Pistor (2005), the methods of comparative legal analysis are diverse. The functional approach functions are based on the comparative way of how different legal systems have solved identical problems and concerns the tasks of legal norms as opposed to structures. The historical approach tries to relate and comprehend the historical development process of the legal system in question with the laws and practices employed presently. Such factors as the theoretical framework and the structure of the legal systems, as well as the different establishments and hierarchy of laws, are ranked under a structural approach. The analytical approach offers a deeper study of specific legal rules and how they apply, in most cases, with case studies to show differentials and similarities.

Comparative law involves legal reform and the policy-making process since it represents other legal systems on handling specific issues, which can result in lawmakers developing more convenient policies. For instance, Vietnam may benefit from studying the history of the EU in incorporating ESG into corporate governance (Hostert, 2023). Comparative law further promotes harmonizing legal standards crucial in regional entities like the EU, whereby more than one country has to harmonize its legal framework (Reimann and Zimmermann, 2006). In addition, understanding the plurality of legal systems facilitates an easier passage of businesses through the international legal environment and compliance with varied regulations, promoting globalization and international trade (La Porta, Lopez-de-Silanes and Shleifer, 2008). A comparative understanding of law also ensures an informed appreciation of how cultural and social contexts impact legal systems in promoting mutual respect and collaboration between countries (Pistor, 2005).

Comparative law can be a strategic way to apply the principles of comparative law in embedding its essence of sustainability in Vietnam's corporate governance. The experience of the EU and practical implementation of sustainable practices via NFRD and CSRD mechanisms provide relevant insights (Hostert, 2023). However, with immense scope, comparative law also has its challenges - by the nature of different legal traditions, cultural contexts, and socio-economic conditions differ, thereby creating complexities limiting possible direct comparisons. Uncertain legal terms, respectively, can lead to misinterpretations due to linguistic and systemic variances (LoPucki, 2018). Moreover, a highly nuanced analysis under comparative law may significantly impact optimal policy design (Siems, 2022).

In bringing sustainable corporate governance practices into the Vietnamese legal system, this thesis will assess the appropriateness of the change to compare the EU and Vietnam's legal systems. Understanding the bases of these judicial systems helps place the legal environment in which corporate governance exercises itself into context across potential areas of policy adaptation and improvement.

2.2 The European Union’s sustainable corporate governance framework

It is thus inevitable that the EU has become a global leader in the advocacy for sustainable business practices, would have in its stride enacted and implemented regulations and laws such as the Corporate Sustainability Reporting Directive, Non-Financial Reporting Directive, Sustainability Finance Disclosure Regulation, which significantly shape the setup of the EU. The whole European Green Deal operates within an extensive policy framework. In the following section, further details have been provided on each of these elements, which include the nature, function, mechanics, and the impact each may have on corporate governance in the EU.

2.2.1 Non-Financial Reporting Directive

The NFRD, which is applicable to big companies, mandates the sharing of information about environmental, social, and employee concerns related to protecting human rights, preventing corrupt practices, and encouraging diversity in the boardroom diversity (European Commission, 2017). This provision was affected in 2014. This makes sure that everyone who has an interest in the activities covered gets all the knowledge they need about the effects that aren't related to money. If a company wants to be successful, the NFRD wants them to think about sustainability as a part of their overall plan and believe that they need to include more stakeholders in the process of making decisions (KPMG, 2022).

The scope of NFRD applies to large public-interest entities with over 500 employees, such as listed companies, banks, and insurance companies. In this respect, the organizations are required to include in their annual reports relevant non-financial statements that provide them with an account in a summarized and lucid manner of the policies, outcomes as well as risks involved in the non-financial matters. In addition, the regulation indicates that more emphasis should be placed by companies on reporting due diligence processes that they have instituted to identify, prevent, as well as minimizing adverse impacts (European Commission, 2017).

2.2.2 Corporate Sustainability Reporting Directive

In 2021, the Corporate Sustainability Reporting Directive comes to build on the NFRD, to enhance and extend the requirements for sustainability reporting. The CSRD seeks a revision of the NFRD by getting non-financial information relating to corporate disclosures improved in quality, consistency, and comparability across the companies in their given sector (European Commission, 2021a). The CSRD will, therefore, implement the main objective to integrate sustainability information with the general corporate governance system, which is to position it as an integral part of business strategy and decisions.

In parallel, the CSRD will further set out more detailed reporting standards and thereby extend the scope of reporting obligations for more companies, including SMEs. The

directive mandates EU standards on sustainability reporting to be developed by the European Financial Reporting Advisory Group (EFRAG) in conjunction with relevant stakeholders. Another critical aspect of the CSRD is the bolstering of the role of external assurance through requirements for independent verification of sustainability reports to raise their credibility and trust among all stakeholders (Accountancy Europe, 2020; European Commission, 2021a).

2.2.3 Sustainable Finance Disclosure Regulation (SFDR)

A practical dimension of the EU's framework on sustainable corporate governance is the Sustainable Finance Disclosure Regulation, which should take effect in March 2021. SFDR requires disclosing information by financial market participants and financial advisors on integrating sustainability risks and adverse impacts in their investment process. The regulation aims at turning the financial sector more transparent and facilitating the transition toward a more sustainable economy, enabling investors to have clear information on sustainability-related to financial products in a comparable way.

The SFDR sets out a framework for classifying financial products according to their objectives on sustainability, and this requires detailed disclosure concerning the integration of ESG factors. Financial market participants must disclose how they factor in sustainability risks and the adverse impacts of their investments on sustainability factors in their investment decisions. The SFDR provides for detailed product requirements related to the promotion of environmental or social characteristics and sustainable investment objectives, meaning that the investor is put in a position to make an informed choice through clear, precise, and reliable information disclosure (European Commission, 2021a; Morningstar, 2021).

2.2.4 The European Green Deal

The European Green Deal is introduced in December 2019, which is the main part of the Union's sustainability agenda. By 2050, The Green Deal will become an extensive strategy to eliminate the European Union of all greenhouse gas by emissions. It is made up of a variety of policies that are integrated into the union framework, including those related to energy, agriculture, industry, and the environment (European Commission, 2021c). The Green Deal expects the EU to become a modern, resource-efficient, and competitive economy that will not experience economic growth coupled with resource use and environmental degradation.

The European Green Deal comprises several critical initiatives that have direct application to corporate governance practices. The latter is the EU Climate Law, where the 2050 target for climate neutrality is made a legal obligation, and the EU Taxonomy Regulation has been enacted to provide a classification framework for environmentally sustainable economic activities. The Green Deal also supports circular economy principles, sustainable agriculture, and conservation of biodiversity through the promotion of mainstreamed operations of companies in such practices (European Commission, 2021c).

In summary, the scope of the corporate governance framework at the EU level in sustainable dimensions is broad, encompassing many different areas regarding corporate sustainability: regulations and policy enforcement efforts. Further, the NFRD and the CSRD increase transparency and accountability by requiring enhanced, detailed reports on sustainability, while the SFDR encourages sustainable investment practices by the financial sector. The European Green Deal has established ambitious sustainability targets and carries a policy framework that paves the way for achieving the set goals. These two aspects together build a potent governance framework supportive of sustainability as a value in the European Union and act as a role model to other regions that wish to strengthen their corporate governance frameworks (European Commission, 2021c; Morningstar, 2021).

2.3 Corporate governance in Vietnam

Vietnam has always strived to improve its corporate governance frame to attract foreign investors and become an adopter of international practices. Development of the Corporate Governance system in Vietnam followed through the implementation of different essential laws and regulations that concern the highest degrees of transparency, accountability, and sustainability of activities in the business environment. While progress has been identified, there remain challenges that must be tackled in terms of scant regulation compliance, little stakeholder interest and concern, which lack of interest in understanding the sustainability issues.

The 2020 Enterprise Law provides the backbone to Vietnam's corporate governance framework in the form of regulations focusing on the establishment, organisation, management, and operation of enterprises in the country. It gives shareholders' rights and responsibilities over and above the management board of directors and offers protection to minority shareholders. The Enterprise Law is expected to provide the necessary boost in developing good corporate governance by incorporating aspects of transparency, accountability, and impartiality in the manner in which businessed are managed (The Viet Nam Law On Enterprises, 2020).

In 2017, the State Securities Commission of Vietnam introduced the Corporate Governance Code with the Enterprise Law. This is where best practices in corporate governance, from board composition to risk management and disclosure of financial and non-financial information, thereby ensuring transparency and raising investor confidence. This is an endeavour to establish Vietnamese corporate governance further using international best practices. It is also trying to persuade listed companies to establish independent board committees, effective risk management systems, and quality enhancement in disclosures. All these good practices will help build a corporate environment that is much more transparent and accountable with the Corporate Governance Code (Vietnam State Securities Commission, 2019).

Another important law is the Securities Law of 2019, regulating Vietnam's securities market. The law regulates the Vietnamese securities market and is designed to protect the interests of investors by establishing market order and transparency. It requires public companies to make public accountability and to disclose their entire financial reports and some non-financial information, including general disclosures concerning The intention was to make the Vietnamese securities market more transparent and investors more confident in their investment decisions (The Viet Nam Law On Securities, 2019).

The 2020 Environmental Protection Law, which stipulates environmental sustainability, further enhances corporate governance in Vietnam. Environmental impact assessments should be carried out to ensure companies meet very high environmental standards. The objective of the law is that business activities do not cause any damage to the environment and promote sustainable development practices in business sectors (The Viet Nam Law On Environmental Protection, 2020). The law is, therefore, reflective of a growing commitment by Vietnam to include an element of environmental sustainability within corporate governments in line with the global trend of all types of sustainability.

Moreover, in 2019, the Labour Code deals with labour relations in Vietnam. Besides, it ensures everyday labour practices and the protection of workers' rights and confirms employers' social liability. This code is styled to create better working conditions and balance in social relationships, and it affects achieving a high quality of life for the population: working conditions (The Viet Nam Labour Code, 2019). The corporate governance framework is an aspect of the broader view of sustainable development, with the Labour Code addressing its labour issues (International Labour Organization, 2020).

However, several problems exist under the corporate governance framework in Vietnam. The main issue often lies in the need for more enforcement of most regulations within corporations' laws and codes. The provisions are well set but implementing them effectively is easier since enforcement mechanisms are more robust. Please enforce this, however, to ensure compliance and maintain the effectiveness of the regulatory regime (Denis and McConnell, 2003).

In addition, there needs to be more stakeholder involvement in the corporate governance process. Most stakeholders interested in the corporation, like shareholders, employees, and the society at large, refrain from actively participating in corporate decisions. This limited engagement may hinder the development of robust governance practices that address the needs and concerns of all stakeholders (Vo and Nguyen, 2014).

The other significant role is to make the corporate fraternity in Vietnam aware and understand more sustainability matters. Many businesses remain profit-maximizing in the short term. However, they are also compelled to think about the total value of long-term benefits that will accrue from integrating ESG into their corporate business. This unawareness has permanently blocked the transition toward sustainable practices, reducing the overall impact of corporate governance reforms (Aguilera et al., 2008).

Several opportunities exist to improve Vietnam's corporate governance framework and address these challenges. These involve improved application of the regulations, better stakeholder engagement, and increased awareness of issues related to sustainability; best practices from the framework of sustainable corporate governance in the EU would provide orientation to Vietnam to address these issues and upgrade its governance practices (European Commission, 2021a).

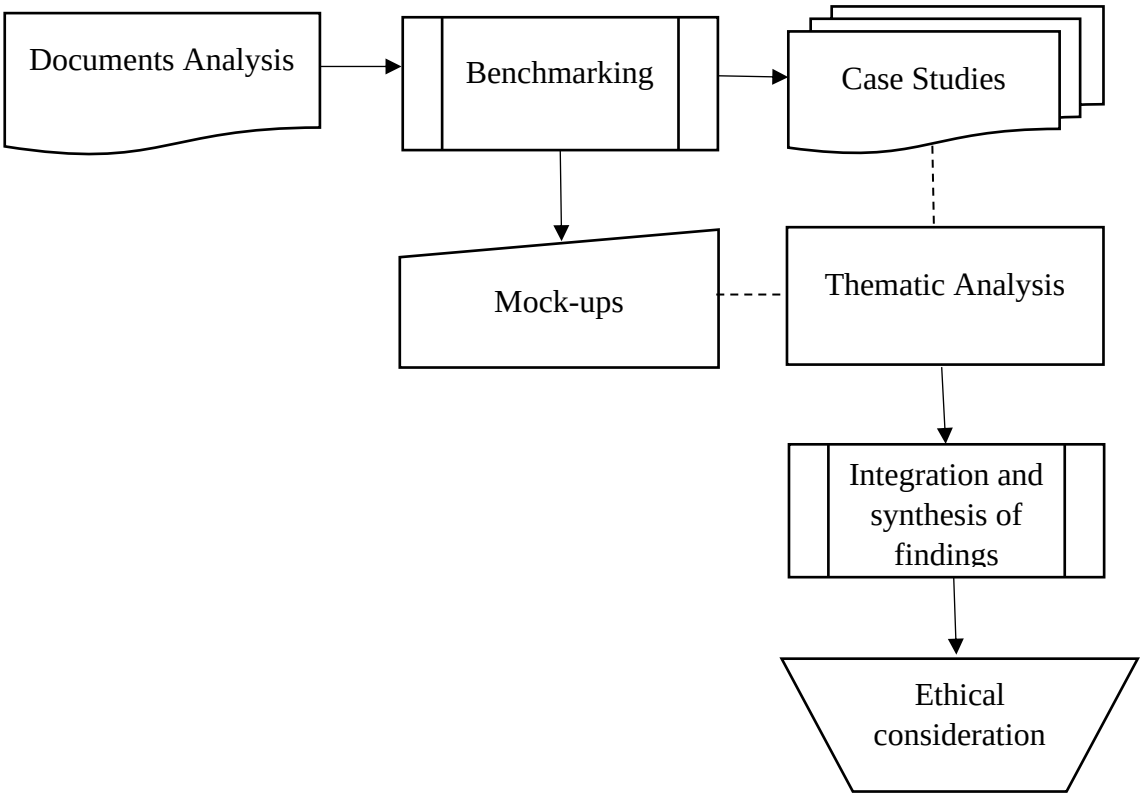
Corporate governance is yet to be fully effective in enforcing stakeholder inclusion and sustainability awareness in the set of rules well implemented in Vietnam on these issues. Its adaptation concerning its corporate structure and best global practices, especially those from EU countries, is envisaged to enable long-term sustainable growth.

3 Research Methodology

The methodology chapter explains the design and methods employed in achieving the objectives of this research, which investigate the adaptation of the European Union's sustainable corporate governance practices in Vietnam. The following chapter thoroughly explains the research approach, techniques, methods of data analysis, and reasons for using a particular technique.

3.1 Research approach

Figure 1 Flowchart of research design for comparative governance study



The figure described about the flowchart of research methodology employed in this study to compare corporate governance frameworks between the EU and Vietnam. According to the flow chart, each research method depends on which documents, cases, or legal situations to choose a suitable research method to analyse.

In this research, before benchmarking, legal texts and policy papers are the most important materials required to comprehend the environmental regulations, which compare performance indicators and governance structures between the EU and Vietnam. Case studies are then used to develop practical application insights into some companies or sectors. Testing the feasibility of proposed adaptations with mock-ups simulating real-life situations. Thematic analysis will occur from the data to identify patterns and themes important in understanding general trends and insights. The integration and synthesis stage integrates all these insights to develop comprehensive findings, conclusions, and recommendations. Lastly, ethical considerations are considered to ensure that all methods and practices adhere to set moral standards, which, therefore, guard the integrity of the study. Each technique provides a purpose while ensuring the survey is comprehensive and well-arranged.

3.2 Theoretical foundations for research design

Strong theoretical foundations are crucial to understand the foundation of how corporate governance works and implicating sustainability. This section outlines how Agency Theory, Stakeholder Theory, Stewardship Theory, and Resource Dependency Theory, which primarily guide the research design as a methodological option of this study.

Agency Theory depicts a relationship between two parties, the principals, who are the shareholders, and the agents, who are the management in an organization, where the inherent conflict of interest arises when agents fail to act on behalf of the principals. Jensen and Meckling (1976) pointed out that in order to ensure that managers' goals are aligned with the interests of owners, it requires concepts as incentive programs along with effective tracking methods. Understanding these conflicts will help to clarify how important regulatory systems are, also for encouraging responsibility and minimizing agency issues.

When setting up a framework for responsibility across member countries, it is important to glance at how the EU has drawn up the sustainable corporate governance regulations.

Stakeholder Theory is directly applicable in and in line with sustainable corporate governance, since it states that long-term success and sustainability can only be achieved when the needs and expectations of all stakeholders are met. Within this broad perspective, the EU emphasizes integrating environmental, social, and corporate governance factors in undertaking corporate practices (European Commission, 2021a).

Stewardship Theory, on the other hand, argues that managers will be aligned with the shareholders' interest because of their role as stewards. In essence, this idea states that managers are satisfied when their aims and objectives are aligned with those of the owners (Davis, Schoorman and Donaldson, 1997). This theory brings to the fore the elements of trust and organizational culture, as well as leadership behaviour, in creating an environment for governance that supports sustainability. It has been particularly helpful in understanding cultural and organizational change for implementing sustainable corporate governance practices in Vietnam (Vo and Nguyen, 2014).

Apart from these perspectives, the Resource Dependency Theory highlights that resources outside the organization can also be a significant cause of organizational success and survival. It argues that to gain access to essential resources, organizations must form relationships with those externalities, which then influence the governance mechanisms (Dill, 1981). Such a theory assumes significance in understanding how firms function within the external environment and manage stakeholder dependencies, including suppliers, customers, and regulators. Resource Dependency Theory supports incorporating sustainability into corporate governance in its support for the interdependence (interrelations) between organizations and their external environments and the need to manage such relationships strategically (Boeva, Zhivkova and Stoyanov, 2017).

The theoretical foundations explain how corporate governance works along with what it suggests for sustainability. The theories will be applied in analysing corporate governance frameworks of the EU and Vietnam, and this study essentially seeks to understand in detail

how sustainable corporate governance can effectively be implemented in these different regulatory and socio-economic contexts. These theoretical foundations will provide guidance for conducting a comparative analysis and developing practical recommendations for the policymakers and corporate leadership in Vietnam, which is significantly crucial to ensure the sustainable development of the country and its integration into the global economy community (Lëtzebuerger Gemengen, 2023).

3.3 Comparative analysis framework

Vietnam's corporate governance framework has been developed to attract foreign investment and become part of the global economy. This has occurred due to significant regulations that seek to improve higher standards and promoting sustainability. To successfully apply EU sustainable corporate governance practices to Vietnam, a comprehensive comparative analysis framework is essential. This framework employs a variety of methodical techniques to thoroughly understand the implementation process.

The primary method in this comparative analysis is benchmarking, which systematically compares regulatory frameworks, and outcomes between EU and Vietnam. Benchmarking will measure the flexibility of many governance models by pointing out opportunities for development and best practices. For instance, the NFRD and CSRD in the EU might be compared with Vietnamese regulatory standards to guide the adaptation process with the best practices.

Next step is utilizing documents analysis to complete benchmarking by giving a detailed knowledge of the corporate governance structures in Vietnam and the EU. This step involves investigating legal texts, policy papers, and academic research to describe the regulatory scenery and principles of sustainable corporate governance. For example, the EU's Green Deal and Vietnam's Environmental Protection Law, help to determine what are the most necessary improvements in Vietnam's regulatory system.

Furthermore, case studies illustrate more detailed insights regarding particular companies or sectors within Vietnam and the EU. Using real-life experiences from the selected companies,

the case studies draw out lessons from these firms on sustainable corporate governance to describes which practices are practical and which ones are prone to or likely to face several challenges. The latter perhaps explains why such effective, sustainable business practices were implemented in the first place and what these practices mean for corporate performance and stakeholder involvement. For instance, an understanding of how European business enterprises follow the CSRD could help in the knowledge of the feasibilities and effectiveness of the standards application in Vietnam (Yin and Yin, 2018).

Mock-ups are created to develop hypothetical situations or designs to test the feasibility and potential results of implementing EU sustainable corporate governance practices in Vietnam. These mock-ups will simulate stakeholder interactions, report problems, and regulate real-life processes to explain how these techniques work in practical situations. A mock-up will help reveal pitfalls and work strategies in advance of the actual implementation of better governance practices. Possible discrepancies and work strategies would be identified in advance using mock-ups to ensure a smoother transition to new governance practices (Creswell and Creswell, 2022).

Using such methodological approaches in the comparative framework guarantees both breadth and great detail in understanding what EU sustainable corporate governance practices can be adapted to Vietnam. As such, the integrated approach should guide the adaptation process to ensure that the practices fit in effectively within Vietnam's unique socio-economic and legal context. The objective will be to use such methods to draw up actionable recommendations for developing corporate governance practices in Vietnam, considering global sustainability standards and fostering long-term economic and social development.

In sum, the comparative analysis framework is a vital tool to understand the dynamics of adjustment of EU sustainable corporate governance regulations in Vietnam. Through benchmarking, document analysis, case studies, and mock-ups, the framework is holistic in that these approaches gift identification with best practices and crafting appropriate advice. The thorough methodology being implemented ensure that the adapted regulations are not only theoretically sound but of an efficient nature, paving the way for a more sustainable

and robust corporate governance system in Vietnam. This will underline what is both complex and indispensable: the adaptation of global best practices to local contexts, which contributes to sustainable development and international integration in Vietnam.

3.4 Data collection and analysis

3.4.1 Data collection

A practical dimension of the EU's framework on sustainable corporate governance is the Sustainable Finance Disclosure. This research design applies qualitative research in its procedure to investigate how much the EU practices on sustainable corporate governance have been used in Vietnam. Therefore, the following subsection integrates the data collection and data analysis processes, articulating how the two flow in tandem so that an overall conclusion can be reached concerning the study objectives.

The primary method of data collection applied in this study was the document analysis technique. Key documents to be considered for analysis include NFRD and CSRD by the EU and, from Vietnam, the Enterprise Law of 2020, the Enterprise Law of 2014, and the Corporate Governance Code of 2017 (Bowen, 2009).

The documents gathered are scrutinized with all forms of care to scoop out data relevant to the regulatory structures of the different jurisdictions, stakeholder engagement practices, integration of ESG factors, and compliance and enforcement mechanisms. This process identifies essential themes and patterns that are critical in making it easy for data interpretation on the differences and similarities between the two frameworks - the EU and Vietnamese Corporate Governance (The Viet Nam Law On Enterprises, 2020; European Commission, 2021a).

Another method, which is relevant to the case, is benchmarking. This entails analysing those performance metrics, regulatory requirements, and governance structures to be used in making comparisons based on different governance models. Benchmarking data are gathered

from the reports, performance reviews, and compliance audits in firms of both regions that employ operation (Rose, 2004).

The research also presents individual case studies of companies and sectors in the EU and Vietnam to give readers more detailed information concerning specific corporate governance practices. Data is collected for the case studies through in-depth reports, company disclosures as well as industry analysis (Yin and Yin, 2018).

Mock-ups, in addition to case studies, have also been prepared to create hypothesis situations and make a prototype on the practical application about how EU corporate governance can be sustainable in Vietnam. The revision and refinement are done with feedback and observation. Data for mock-ups is generated through scenario planning, strategic simulations, and expert consultations (Creswell and Creswell, 2022).

3.4.2 Data analysis

The collected data is analysed using thematic analysis to find, interpret, maintain, and represent patterns. The qualitative data from document analysis, benchmarking, case study, and mock-up is organized and interpreted using it. Overviewing the data, generating initial codes, searching for themes, reviewing themes, defining and naming themes, and reporting the final document are the steps of thematic analysis (Braun and Clarke, 2006).

The first step in data analysis is data familiarization, where the analyst reads and rereads documents, case study notes, and mock-up reports involved in the data. This helps the analyst to become deeply informed about the contents and the context of the data. At this stage, the notes and initial impressions are jotted down to guide future analysis.

The second analytic step involves generating initial codes, where one systematically identifies and labels significant features of the data line by line. Coding entails the task of identifying distinct text segments and assigning descriptive labels that precisely represent the content of these segments. The codes are then merged into a coding framework to facilitate the organization of the data into potentially meaningful clusters.

The next activity, searching for themes, implies that associated codes are put together and bring up general themes, which present the data. They show features in the data that are pertinent to the goals of the research: the embedding of sustainability, stakeholder engagement strategies, and regulatory issues, among others.

The final step is to carefully review and refined the themes to ensure that they accurately represent the data. This includes comparing the themes to the coded data extracts and, ultimately, the entire data set for coherence and consistency. The themes that are overly broad or scantly evidenced are either redefined or collapsed with other themes to ensure robustness and grounding in data.

The defined and named of themes can then be done in a way that summarily brings out their essence and scope. The elaborate description of each theme makes evident what each embodies and why it even matters. Clear definitions distinguish between themes and following one story within the analysis. Naming the themes with their titles succinctly captures their core meaning, which strikes one as self-evident and clear in communication.

The final thematic analysis report weave themes into a final report. This section will discuss how the data relates to the massive scale of corporate governance adaptation. Thematic analysis will be used to study significant patterns based on quantitative data from benchmarking and mock-ups, including performance metrics, regulatory compliance rates, and other relevant indicators in EU and Vietnamese contexts. Statistical analysis quantifies governance practices and supports evidence-based recommendations. Descriptive statistics summarize data, while inferential statistics test hypotheses and indicate significant differences or correlations. The following table illustrates the methods for data collection and analysis:

Table 2 Summary of data collection and analysis methods

Method	Purpose	Data Sources	Analysis Technique
Documents Analysis	Review regulatory landscapes and identify best practices.	Legal texts, policy papers, academic research.	Thematic analysis, coding and categorizing.
Benchmarking	Compare frameworks and establish best practices.	Performance metrics, compliance audits, industry reports.	Statistical analysis, performance comparison.
Case Study	Provide in-depth examples and insights.	Company reports, industry analyses, detailed disclosures.	Thematic analysis, pattern identification.
Mockups	Simulate practical application and test feasibility.	Scenario planning, strategic simulations, expert consultations.	Thematic analysis, scenario evaluation.

In such a way, the integrated approach to data collection and analysis is strong, reliable, and relevant to the objectives of the study. It investigates how implementing EU sustainable corporate governance practices can support Vietnamese industries with a combination of document analysis, benchmarking, case studies, and mock-ups. Recommendations, therefore, would be theoretically sound yet highly meaningful in their practical application to policymakers, regulators, and corporate leaders in Vietnam.

4 Result

4.1 Comparative analysis outcomes of corporate governance frameworks

As the bases of corporate governance in both the EU and Vietnam have been set, it is of prime importance to compare to derive some critical factors that able to apply in Vietnam from good practices carried out by the EU. This area will compare the two systems about regulatory structures, implementation challenges, and potential benefits for integrating policy practice under the Vietnamese context.

For most of this section, benchmarking, document review, and case study were the research methods applied to the comparative analysis of corporate governance frameworks. Benchmarking was used to undertake a systematic comparative approach to corporate governance practices and results between the European Union and Vietnam's regulatory environment in ensuring proper benchmarks and best practices. This helps in the review of legal texts, policy papers, and the existing body of literature on these documents, which brings an overview of the regulatory frameworks and governance structures in both regions. Case studies helped provide a level of detail regarding how the selected companies from the EU and Vietnam apply corporate governance practices and the actual problems. In this respect, meaningful comparisons of salient synthesized findings drawn from the research through integrating these methods found expression in recommendations for adaptive European Union corporate governance practices to the Vietnamese context.

For many years, the European Union has been recognized for having a more exhaustive and detailed approach to corporate governance matters, especially sustainability issues. Indeed, the EU regulatory environment is relatively progressive, with such directives as the Non-Financial Reporting Directive and the Corporate Sustainability Reporting Directive raising the bar for standards in transparency, accountability, and effective ESG integration into business operations. Such disclosures ensure that stakeholders are well-informed about the effects these companies have on the environment and society at large.

Unfortunately, corporate governance in Vietnam is in nascent stage and currently encounters challenges on several fronts - enforcement, stakeholder engagement, and awareness of sustainability issues. The 2020 Law on Enterprises and the Code for Corporate Governance 2017 have solid principles and go well in detailing the rights and responsibilities of shareholders and members of the BOD, pushing for best practices in this area. However, their implementation is lax as the stakeholders' involvement remains poor – including that of minority shareholders and the general community (Vietnam State Securities Commission, 2019; The Viet Nam Law On Enterprises, 2020).

The following table details corporate governance frameworks in the EU and Vietnam about several criteria: regulatory structures, stakeholder engagement, integration of ESG factors, compliance, and enforcement mechanisms. This proposes a comparison table to focus on several critical areas where there will be divergence and convergence between the corporate governance frameworks of the EU and Vietnam. This ranges from, the highly detailed and quite comprehensive regulatory requirements at the level of the EU to Vietnam's somewhat primary and less comprehensive disclosure mandates. The robust mechanisms the EU has developed for stakeholder engagement must be set in firm contrast to Vietnam's developing, often informal approaches. Vietnam is still developing in this area, but ESG considerations in company strategies show maturity in understanding sustainability.

Table 3 Comparison of corporate governance frameworks in the EU and Vietnam

Criteria	European Union	Vietnam
	Regulatory Structures and Legal Requirements	
Key Regulations:	Active engagement with shareholders, employees, customers, and communities [1]	Developing, with limited formal mechanisms for stakeholder engagement [2]
Harmonization:	Formal mechanisms for dialogue and feedback [3]	Often prioritizes major shareholders over other stakeholders [4]

	Regulatory Structures and Legal Requirements	
Requirements:	Detailed disclosure of ESG performance, sustainability strategies, risks, and impacts [1]	Financial and non-financial disclosures mandated, but limited in scope [2]
Scope:	Broad, addressing non-mandatory issues around non-financial reporting [3]	Basic, often lacking depth and comprehensiveness [4]
	Stakeholder Engagement	
Approach:	Continuous dialogue with shareholders, employees, clients, and local communities [1]	Developing, with limited formal mechanisms for stakeholder engagement [2]
Mechanisms:	Formal mechanisms include the structures of dialogue and feedback [3]	Often prioritizes major shareholders over other stakeholders [4]
	Integration of ESG Factors	
Integration:	Strong focus on integrating ESG factors into corporate strategies and reporting [1]	Nascent stage, with growing awareness but limited implementation [2]
Impact:	Comprehensive approach to sustainability risks and opportunities [3]	Focus on compliance with basic environmental and social regulations [4]
	Compliance and Enforcement Mechanisms	

Mechanisms	Robust enforcement by regulatory bodies such as ESMA [1]	Weak enforcement by regulatory bodies with limited resources and capacity [2]
Effectiveness	High, with stringent penalties for non-compliance [3]	Variable, often inconsistent enforcement [4]

Note:

(1) (European Commission, 2017, 2021a, 2021b).

(2) (Vietnam State Securities Commission, 2019; The Viet Nam Law On Securities, 2019; The Viet Nam Law On Environmental Protection, 2020; The Viet Nam Law On Enterprises, 2020)

(3) (OECD, 2023)

(4) (Vo and Nguyen, 2014)

However, some striking similarities underpin the possibility of EU practices being adopted in Vietnam. The EU and Vietnam operate with a civil law tradition that strongly emphasizes codified statutes and regulatory frameworks. Such a legal structure allows for the portability of governance practices. The two regions also consider the role played by corporate governance in economic development and the attraction of foreign investment. Synchronization of the level of corporate governance principles between Vietnam and the EU will help increase Vietnam's attractiveness to other stakeholders, especially investors in the international market. It will consequently drive economic growth within the country (Pistor, 2005)

Transplantation of EU sustainable corporate governance principles into Vietnam will create a unique environmental context, which will present its own set of challenges. Enhancing regulatory enforcement can be done by increasing the capacity of the State Securities Commission (SSC) and ensuring that it is adequately resourced and staffed to monitor conduct and prosecute noncompliance. The stakeholders must be empowered, with platforms developed for dialogue at the company, investor, and community levels during

each step of engaging corporate decisions. In addition, an increase in knowledge and understanding of issues on sustainability within the business community needs to be undertaken. Collaboration can be ensured through training programs, workshops, and cooperation with international organizations involved in sustainable development. Through the establishment of a sustainability culture, Vietnamese companies would be able to realize the benefits of ESG in their corporate strategy, which is inclined toward long-term orientation (Vo and Nguyen, 2014).

In a nutshell, despite significant differences that exist between the EU and Vietnamese corporate governance systems, some of the similarities make it easier for Vietnamese to adopt EU practices. By enhancing this strategic focus on enforcement, stakeholder engagement, and awareness in the country, Vietnam can further its corporate governance standards and make them comparable with those of the rest of the world. Indeed, this comparative analysis brings to light the subject Vietnam could learn from the experiences of the EU and stresses potential benefits that accrue in the long run and contribute to more robust and sustainable corporate governance in Vietnam. The following section of the paper will discuss EU sustainable corporate governance recommendations that can be applied to Vietnam, providing a practical roadmap for implementation.

4.2 Integration and synthesis of findings

The cumulative process of data collection and analysis gives rise to a strong base that will integrate and synthesize findings to work on research objectives. This section describes how the results of document analysis, benchmarking, case studies, and mock-ups are put together to describe a coherent story that guides how the adaptation of EU sustainable corporate governance practices into the Vietnamese context is undertaken. The first step in the analysis is to synthesize the findings from document analysis. Thematic analysis of the regulatory texts, policy papers, and academic literature identifies critical elements of corporate governance frameworks in the EU and Vietnam.

Although the NFRD and CSRD are holistic regarding sustainability and information to be covered, the latter only touch on the fundamental issues of financial and nonfinancial matters

in their laws, such as the Enterprise Law of 2020. This section of the directive establishes the baseline building blocks that need to be either refined or integrated into Vietnam's regulatory framework to be compliant with the EU amendments and recommendations (Bowen, 2009; European Commission, 2021a). The incorporates results from benchmarking to offer a comparative view of the corporate governance practices and performance indicators. As per the statistical analysis of benchmarking data, the compliance levels are different in comparing the EU with Vietnam. For example, typically companies in the EU tend to show a high level of compliance with the requirements of ESG reporting since they experience rigorous enforcement set by bodies such as ESMA. In contrast, Vietnamese companies experience more variability, having weak enforcement mechanisms. These findings point toward the significance of regulatory enforcement for Vietnam to attain similar levels of compliance and transparency to Peru (Rose, 2004; European Commission, 2021b).

The case studies represent practical examples and rich qualitative data in clarifying the corporate governance practices. A more detailed examination of selected companies and sectors within the case studies reveals how EU firms can integrate sustainability into corporate strategies and operations with success. For instance, companies adhering to the CSRD demonstrate improved stakeholder engagement and increased sustainability performance. Where Vietnamese firms are reaping more profits in comparison to their sustainability, a gap in these findings calls for their need to adopt more comprehensive ESG frameworks. These case studies are worthy references for Vietnamese companies to follow EU successful practices. Namely, these case studies are good references for Vietnamese companies to follow EU successful practices (Yin and Yin, 2018).

Mock-ups further enrich the analysis by demonstrating the feasibility and practical application of EU governance practices in Vietnam. Hypothetical scenarios and prototypes serve in this phase to simulate what might happen and reveal real challenges in practice. Not least, mock-ups may show how detailed ESG reporting frameworks could be put in place for Vietnamese companies and identify such hurdles as expertise or resource shortage. Addressing such challenges in the controlled environment of mock-ups, the study provides actionable insights and strategies for smooth implementation. With this in place, any

suggested recommendations made are neither theoretically sound nor practically viable but both (Creswell and Creswell, 2022).

A comprehensive approach provides a basis for the identification of overarching themes and patterns that will inform the recommendations. Notable key themes identified include regulatory enforcement, stakeholder engagement, and ESG integration as critical needs. The table below summarises the integration and synthesis of findings, indicates critical themes, and highlights their implications to adapt the EU practices in Vietnam:

Table 4 Summary of findings and implications for adapting EU corporate governance practices to Vietnam

Theme	Finding from EU	Finding from Vietnam	Implications for Adaptation
Regulatory Enforcement	Robust enforcement by regulatory bodies (e.g., ESMA).	Weak enforcement with limited resources and capacity.	Strengthen SSC's capacity and resources for better enforcement.
Stakeholder Engagement	Continuous and formal engagement mechanisms with all stakeholders.	Limited engagement, often prioritizing major shareholders.	Establish formal engagement platforms and inclusive processes.
ESG Integration	Comprehensive integration of ESG factors into corporate strategies and reporting.	Nascent stage, with growing awareness but limited implementation.	Develop detailed ESG reporting frameworks and training programs.

Compliance and Transparency	High compliance with stringent penalties for non-compliance.	Variable compliance, often inconsistent enforcement.	Implement stringent penalties and regular compliance audits.

In conclusion, based on the synthesis of findings, Vietnam's corporate governance could potentially improve. The suggestions provide a clear road map for transforming Vietnam's activities with world economic and promote sustainable development.

4.2.1 Regulatory enforcement

According to document analysis method, the results indicated the primary takeaway, which is the disparity in enforcement mechanisms between Vietnam and the EU. The results showed that Vietnam faced numerous difficulties, whereas the EU had strong and efficient enforcement mechanisms. The section below presents a detailed discussion of these findings, the general implications for the corporate governance framework of Vietnam, and recommendations for improvement.

The analysis of regulatory enforcement applied in the EU shows a well-structured and rigid system, primarily controlled by European Securities and Markets Authority (ESMA) and other relevant bodies. Consequently, the EU has a good level of corporate governance based on high standards of transparency, accountability, and sustainability resulting from effective enforcement mechanisms, high levels of resource provision, qualified personnel, and substantial legal mandate. On the other side, Vietnam is weak in the enforcement of regulation. It is under-resourced and under-capacitated for its enforcement mandate concerning corporate governance. Finally, there has been inconsistent application and compliance with Vietnamese companies.

The lack of effective enforcement capacity is further exacerbated by the limited utilization of advanced technology and inadequate education for regulatory personnel (Vietnam State Securities Commission, 2019). The following table summarizes the comparison of regulatory enforcement mechanisms both within the EU and Vietnam:

Table 5 Comparison of regulatory enforcement mechanisms

Criteria	European Union	Vietnam
Regulatory Body	European Securities and Markets Authority (ESMA).	State Securities Commission (SSC).
Resources and Capacity	Substantial resources and capacity, involvement of advanced technological tools.	Limited resources and capacity, including a lack of high-end tools.
Enforcement Mechanisms	Rigorous compliance checks, regular audits, stringent penalties for non-compliance.	Inconsistent enforcement, infrequent audits, weak penalties.
Legal Authority	Strong legal authority with substantive powers for imposing penalties and corrective actions.	Limited legal authority and enforcement power.
Training and Expertise	Trained regulatory staff with in-place professional development programs.	Inadequate training and professional development opportunities for staff.

The table showed the massive differences of regulatory enforcement mechanisms between EU and Vietnam. Such contrast does have powerful implications for effective corporate governance practices in Vietnam. Flawed mechanisms of applying such regulations detract from making the regulatory framework trustworthy, denting investor confidence and thereby making it difficult to attract foreign investment to secure sustainable economic growth in Vietnam.

In conclusion, it is important that regulatory enforcement in Vietnam be strengthened if effective corporate governance practices are to be realized. This way, addressing current limitations and borrowing some best practices from the EU will give Vietnam a powerful and more credible regulatory framework. These enhancements will not only increase investor confidence but also help to build a corporate sector in Vietnam that is ready for sustained expansion.

4.2.2 Stakeholders' engagement

Another important theme that this paper has identified from the data analysed is the difference in stakeholder engagement practices between the EU and Vietnam. Effective stakeholder engagement is based on the premise that sustainable corporate governance is acquired by ensuring that the interests of all parties are integrated with corporate decisions. Hence, stakeholder engagement is the essential section that contrasts and finds similarities between the EU and Vietnam concerning recommendations for improved stakeholder engagement in Vietnam.

Essentially, an examination shows that the EU has implemented clear and official procedures for engaging stakeholders. The arrangements ensure a systematic process of communication and input from representatives of diverse stakeholder groups, including shareholders, employees, customers, and local communities. The corporate governance framework of the European Union mandates frequent consultation meetings, the formation of advisory panels comprising stakeholders, and the provision of ample communication channels. These policies lead to a thorough corporate governance approach, which improves accountability and responsiveness to the concerns of stakeholders (European Commission, 2021a).

In contrast, Vietnam is undergoing development and therefore lacks mechanisms in many instances. The primary emphasis is placed on the prominent shareholders above all else, and usually, other stakeholders are considered secondary within the stakeholder-relationship network. Minimal participation can result in a governance strategy that fails to fully consider the wider range of stakeholder concerns, resulting in conflicts and a decline in stakeholder confidence. These practices in Vietnam today attach importance to financial performance

and shareholder return at the expense of other considerations for other stakeholders on a broader consideration scope (Vo and Nguyen, 2014). The following table summarizes the key differences in stakeholder engagement practices between the EU and Vietnam:

Table 6 Comparison of stakeholder engagement practices in the EU and Vietnam

Criteria	European Union	Vietnam
Approach to Engagement	Continuous dialogue with shareholders, employees, clients, and communities.	Developing, often prioritizing major shareholders.
Mechanisms	Formal mechanisms such as advisory panels, consultation meetings, and feedback channels.	Limited formal mechanisms, focus on major shareholders.
Transparency	High transparency in communication and decision-making processes.	Limited transparency, often excluding broader stakeholder input.
Inclusion	Inclusive of all stakeholders.	Limited inclusion, often excluding minority and community stakeholders.

These are the differences that would point to the necessity of improvement of stakeholder engagement practices in Vietnam according to global ones. In this vein, improved stakeholder engagement is going to bring forth some form of balanced and sustainable corporate governance that is going to be considerate of the interests emanating from all the parties involved in decision-making.

4.2.3 Integration of ESG factors

An important part of sustainable company governance is incorporating ESG problems into business strategy. By comparing how integration works in EU and Vietnam side by side, the findings in this paper can fill in some gaps in Vietnam's ESG methods and practices. In this section, the ESG factors are analysed using document analysis, case studies, and thematic analysis. The study uses document analysis to understand the existing laws, policies, and frameworks that are applicable regarding ESG at both the European Union and Vietnam levels. This shall expand the entire understanding of the regulatory environment and requirements bearing on the subject matter. In this view, some case studies have been used to obtain deep insights into the operational process of individual companies on ESG practices, showing the real-world applications and pinpointing successes and challenges. The thematic analysis allows the establishment of themes and patterns in data; hence, there is a need for a systematic exploration of how the incorporation of ESG factors takes place with corporate strategies and operations. The multi-method approach helped secure robust and in-depth analysis with the integration of ESG, affording value by bringing to light helpful insights on the adjustment of EU practices into the Vietnamese context.

The European Union has very much taken the lead with its support of the integration of ESG factors into corporate governance. Implementing directives like the Non-Financial Reporting Directive and the upcoming Corporate Sustainability Reporting Directive require full disclosure on ESG aspects to be mainstreamed in business activities and strategies to support long-term sustainability and minimize risks. EU entities report on their environmental and social contributions and governance practices routinely to ensure transparency and accountability in operations (European Commission, 2021b).

In comparison, the integration process concerning ESG in Vietnam is at its very nascent stages. Even though ESG awareness is growing, the implementation rate is only minute. Vietnamese companies cover short-term financial performance more than long-term sustainability, and their comprehensive ESG reporting frameworks are lacking. The existing corporate governance regulations, such as the Enterprise Law and the Corporate Governance Code, do not include detailed ESG disclosures. Therefore, many Vietnamese firms have

failed to incorporate ESG considerations into their business outlook (Vo and Nguyen, 2014a). The main differences in ESG integration between the EU and Vietnam are outlined in the following table:

Table 7 Comparison of ESG integration between the EU and Vietnam

Criteria	European Union	Vietnam
Regulatory Framework	NFRD and CSRD mandate comprehensive ESG reporting.	Basic regulations with limited ESG reporting requirements.
ESG Reporting	Detailed disclosure of environmental, social, and governance performance.	Limited ESG disclosures, often lacking depth and comprehensiveness.
Integration into Strategy	ESG factors integrated into core business strategies.	Nascent stage of ESG integration, with a focus on short-term financial gains.
Transparency and Accountability	High transparency and accountability through mandatory reporting.	Low transparency, with voluntary and inconsistent reporting practices.

The disparities highlight Vietnam's need to create and put into place extensive ESG reporting systems that adhere to international best practices. Improved business sustainability increased foreign investment, and long-term economic growth are all facilitated by better ESG integration.

For these initiatives, it is apparent the need to develop an extensive reporting structure for ESG. Vietnam also should adopt a regulatory mechanism similar to the EU by requiring full ESG reporting. In tandem with this, existing regulations must be enhanced by establishing

provisions mandating specified reporting of their environmental impact, social contributions, and governance practices to provide more explicit guidelines and standard provisions back to companies for them to recognize their responsibilities and enhance transparency (European Commission, 2021b).

Moreover, much could be achieved in implementing training and capacity building for the companies to integrate into ESG. The programs would train corporate leaders and managers in increased awareness regarding ESG factors, best processes in implementing these matters in their business strategies, and reporting methods. The company's capacity development for handling ESG issues would, in turn, create a culture of sustainability in the corporate sector in Vietnam (Boeva, Zhivkova and Stoyanov, 2017).

Policy measures, such as incentives for ESG practices, could encourage companies to practice sustainably. The government may direct tax incentives, grants, or subsidies to companies that show high ESG performance. Such incentives would motivate companies to invest in sustainable technologies, improve their social contributions, and enhance their governance structures (Clarke, 2017).

It will also promote engagement and accountability by establishing platforms for stakeholder dialogues on ESG issues. Periodic forums, workshops, and consultations with stakeholders - investors, employees, customers, and communities - constitute touchpoints for feedback that can create room for improvements within the ESG practices framework. These will also help to raise awareness regarding the benefits of integrating ESG and taking a collaborative approach toward sustainability (Donaldson and Preston, 1995).

Such international collaborations bring in cross-learning experiences and help to guide the development of the ESG framework. Mainly, a nation like Vietnam would be able to learn from the experience of other countries and work closely with global organizations that are sustainability experts. Vietnam will develop well-designed policies in ESG and also implement best practices based on the national context, hence effectively achieving policy objectives (Talan and Sharma, 2019).

In conclusion, incorporating ESG factors into corporate strategies will be instrumental in ramping up sustainable corporate governance in Vietnam. Full development of an inclusive ESG reporting framework with proper training and incentivizing, stakeholder dialogue, and cooperation with international experts would allow for a long way to align itself with global norms and imperatives of long-term sustainability. These changes will also increase corporate transparency and accountability and promote sustainable economic development and social well-being. The results regarding compliance and transparency, yet another critical driver of corporate governance, are discussed in the subsequent section.

4.2.4 Compliance and transparency

Compliance and transparency are fundamental aspects of good corporate governance due to the requirements of compliance with the law and not only knowing but also sharing the point of view with shareholders in one way or the other. This part helps identify the variation in the compliance and transparency practices between the European Union and Vietnam, which illustrates the difference and attains results on how best to improve such arising issues in the jurisdiction of Vietnam.

In this section, comparison research method between compliance and transparency combine with document review, benchmarking, and case studies. This study has reviewed the conduct of document analysis, the regulatory frameworks, and reporting standards for both regions in the European Union and Vietnam related to compliance and transparency. In this way, a well understanding was obtained about the legal requirements and expectations. Benchmarking the compliance rates, enforcement mechanisms, and transparency practices between the EU and Vietnam was used. The method was focused on the different and similar methods which each region uses in carrying out compliance and transparency practices. In addition, the case studies used to provide specific companies that conform with the compliance and transparency standards are concrete examples that showcased practical applications and areas whereby recommendations need to be laid to help in change or development. That multi-method approach made for a more comprehensive and valuable look at how compliance and transparency practices in Vietnam might be improved by learning from models in the EU.

The EU has implemented a rigorous regulatory framework that is defined by stringent requirements for transparency and responsibility. Regulators, such as the European Securities and Markets Authority, have a crucial function in ensuring compliance with these standards. Organizations are expected to provide comprehensive information about their environmental, social, and governance performance, as mandated by laws like the Non-Financial Reporting Directive and the upcoming Corporate Sustainability Reporting Directive. It is these regulations that make sure that the stakeholders are given relevant and accurate information about the activities of any corporation, creating an environment in which transparency and accountability flourish (European Commission, 2021b).

Meanwhile, the compliance and transparency framework are notably weaker in Vietnam. Most businesses do not strictly comply with the Reporting Requirements because of inefficient execution of certain provisions found in the Enterprise Law and the Corporate Governance Code. The inadequate capacity and resource base of regulatory agencies such as the State Securities Commission is one because that has led to the dissemination of this contradiction. Also, penalties for flouting governance standards are often trivial since the companies have little incentive to uphold them (Vietnam State Securities Commission, 2019). The overall difference in compliance and transparency expressed between the EU and Vietnam is summarized in a table as follows:

Table 8 Comparison of compliance and transparency between the EU and Vietnam

Criteria	European Union	Vietnam
Regulatory Framework	Detailed directives (NFRD, CSRD) mandating comprehensive ESG disclosures.	Basic regulations with limited disclosure requirements.
Enforcement	Strong enforcement by ESMA, routine audits, and stringent penalties.	Relatively weak enforcement, few inspections, and low penalties.

Transparency	High level of transparency with full, comprehensive ESG information being mandatory.	Low transparency with voluntary and inconsistent disclosures.
Transparency and Accountability	High compliance rates due to stringent regulatory oversight.	Variable compliance rates with weak oversight.
Reporting Standards	Reporting guidelines are detailed and standardized among studies	Reporting practices to a basic level and often, non-standardized

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The massive gap in terms of compliance and transparency between the EU and Vietnam shows how much Vietnam must do to achieve some of the essential actions about global standard alignment.

First and foremost is the enhancement of the regulatory framework. Vietnam can also come up with directives that are similar to those implemented by the EU, both NFRD and CSRD, making it a requirement for companies to ensure there is adequate ESG disclosure. Reviewing the current rules that will provide specific requirements while stressing detailed and comprehensive information in the reporting of ESG factors will place the rules in a lucid form that will enhance transparency in the quality of disclosures (European Commission, 2021b).

There is also the need to have improved enforcement mechanisms. The SSC must be adequately equipped with resources and legal power for proper enforcement of compliance. This includes improvement to the level of funding to the SSC, acquiring or even developing up-to-date monitoring technologies, and adequately training their regulatory staff. Regular audits and severe punitive measures for non-compliance will discourage firms from failing to meet their reporting obligations (Vietnam State Securities Commission, 2019).

Moreover, there is a need to increase transparency by establishing mandatory requirements for full ESG disclosure. Companies must be obliged to report in detail their performance in ESG areas and the areas that they may brag about, and the elevated effort should be made in the referenced areas. This will create an extreme level of transparency that will enable stakeholders to make choices, keeping them informed and accountable (Clarke, 2017).

Therefore, it is crucial to establish a compliance culture in businesses. Programs for ongoing education and awareness that place a strong emphasis on responsibility and candid communication can help achieve this. Companies that have such a corporate culture are more likely to adhere to governance requirements because it promotes transparency and respect for regulatory norms (Donaldson and Preston, 1995).

International collaboration may offer substantial support for the improvement of compliance and transparency. In the process of best practices learning and the implementation of effective governance strategies, Vietnam is free to work with international organizations and regulatory bodies. The capacity-building knowledge exchange programs and technical assistance ensure an enumeration of Vietnamese regulatory bodies and companies in line with global norms (Talan and Sharma, 2019).

In summary, strengthening compliance and openness is crucial for bolstering corporate governance in Vietnam. Therefore, by adopting thorough ESG reporting frameworks, strengthening enforcement mechanisms and transparency, fostering a culture of compliance, and utilizing international collaboration, Vietnam's practices will conform to global best practices and advance sustainable corporate governance. As such improvements would not only enhance corporate accountability and investor confidence but also contribute to the long-term success and sustainability of Vietnamese companies.

4.3 Strategies for adapting European sustainable corporate governance in Vietnam

Based on the comparative analysis of corporate governance frameworks in the European Union and Vietnam, it is evident that differences do exist. However, there are also some

commonalities between these two countries that can help implement the Vietnamese framework of EU practices. This section outlines some concrete suggestions of how sustainable corporate governance practices in the EU may find their way into Vietnam's framework by addressing challenges or taking advantage of a potential opportunity.

First is the enhancement of regulatory enforcement mechanisms in Vietnam. The practice of robust enforcement, as evidenced by close oversight by bodies like ESMA, represents an ideal example for Vietnam to mirror about enforcing compliance expected from individual regulatory bodies - such as the SSC - in Vietnam. Regulatory bodies in Vietnam, such as the State Securities Commission, must be enhanced in their capacity by, for instance, resource and expertise enhancement in their monitoring and enforcement of compliance. To empower these bodies, they must be well-trained, well-funded, and fully equipped with state-of-the-art technology for monitoring corporate governance. This will help the SSC have stronger capacity in supervising and mandating regulations to be followed by companies in the country (Vietnam State Securities Commission, 2019; European Commission, 2021b).

Another important element in the successful transfer of EU tools is increasing the involvement of stakeholders. In the EU model, there is also a demand for continual dialogue with stakeholders, which includes shareholders, employees, customers, and local communities. Vietnam can benefit from establishing formal mechanisms to engage an enterprise with its stakeholders, such as regular consultation meetings, advisory stakeholders, and open communication channels. Conferences for dialogue between companies, investors, and the community will see to it that all stakeholders have a say in a company's decision-making processes. The inclusive view paves the way for more balanced and sustainable corporate governance practices (Vo and Nguyen, 2014; European Commission, 2021a).

Another critical undertaking is raising awareness and training the Vietnamese business community on sustainability. The EU sums high level of sustainability awareness into its corporate strategies and numeric expectations through such tools as mass awareness-raising campaigns and training programs. Vietnam may do the same by holding relevant workshops, training sessions, and seminars on the importance of ESG. Collaboration with international

institutions dealing with sustainable development practices could be an added benefit. Businesses from Vietnam will then adopt a sustainability culture, which will enable them to embrace and even develop long-term ESG strategies, hence achieving corporate sustainability in general (Pistor, 2005; Vo and Nguyen, 2014).

In addition, for more robust alignment with the EU, Vietnam should also amend its disclosures requirement. Both NFRD in the EU and the upcoming CSRD require companies to submit extensive information about their ESG performance - both sustainability strategies used and risks and impact. The Vietnamese regulation needs to be amended to search for such comprehensive disclosure requirements. This will make them transparent and give stakeholders access to company sustainability data. Companies in Vietnam will be further enhanced by disclosure requirements on ways to gain foreign investors through meeting the demands of international investors to be transparent and accountable through investment (European Commission, 2017; The Viet Nam Law On Enterprises, 2020, 2021).

In practical terms, Vietnam can pilot some projects to testify to the feasibility of integrating EU practices. Such a project could involve selected companies from various sectors in adopting EU-type corporate governance practices. For example, examples of detailed reporting of ESG and suggested stakeholder engagement mechanisms could be developed. What main challenges and benefits that could be used as input for adjustment before more comprehensive implementation? While at this, the phased approach adopted will be instrumental in making the adaptation process manageable and allow for continuous learning and improvements (Bowen, 2009; Yin and Yin, 2018).

Lastly, a fostering policy environment needs to be affected. The Vietnamese government can be so instrumental in the policies supporting sustainability, such as providing tax breaks to companies with high ESG performance or even subsidizing companies going into clean technology. These policies can make a more significant number of companies adhere to sustainable corporate governance practices and, in the process, make the transition towards overall sustainability quicker in this sector (Pistor, 2005; Vo and Nguyen, 2014).

In conclusion, adaptation of EU practices of sustainable corporate governance to the Vietnamese context needs to be multifaceted, considering enhancement of regulatory enforcement, increasing stakeholder engagement, awareness raising and revision of disclosure requirements, pilot projects, and support for policy environment. By implementing these recommendations, therefore, Vietnam can significantly enhance its current corporate governance system in line with global best practices to promote long-run sustainable development. The following chapter will describe the methodology used in this research to gather data and analyse the feasibility and impact of these recommendations.

4.4 Implication for corporate governance in Vietnam

The implications of the findings in this research touch on the future of corporate governance in Vietnam. The research probes into the regulatory frameworks, mechanisms of enforcement, stakeholder engagement practices, and the integration of ESG factors that are at the center of discussions on how Vietnam should move to enhance its corporate governance practices.

The research indicates that the existing regulatory landscape in Vietnam is nowhere near as extensive as that seen in the EU. Take the example of the commission, which has promulgated its Non-Financial Reporting Directive and had earlier proposed a freshly designed Corporate Sustainability Reporting Directive that will impose on companies a broad scope of ESG disclosure obligations to help improve transparency and accountability within the private sector (European Commission, 2021a, 2021b).

Implementing these reforms will necessitate substantial modifications to the existing legislation in Vietnam. Possible actions could encompass obligatory reporting on environmental, social, and governance metrics, comprehensive instructions on disclosures, and integrating ESG considerations into their company strategies. Implementing these regulatory reforms would not only align Vietnam with international standards, but also bolster investor confidence and encourage foreign investment (Vietnam State Securities Commission, 2019).

It follows from this that regulatory enforcement mechanisms are in fact strengthened. Like the ESMA, the EU has robust control offices that enforce compliance through regular audits with severe sanctions for non-compliance (European Commission, 2021b). The SSC of Vietnam is, on the other hand, lagging because of low capacities and resources. These provisions require that the commission acquires appropriate technical capacities with concurrent enhancement to the financial muscle with enhanced budgets and investments in state-of-the-art technologies in surveillance and data tracking of transactions combined with investments in training to provide all-around capacities to its regulators. This would allow the SSC to enforce compliance better in a manner where companies start following governance standards (Vietnam State Securities Commission, 2019).

Effective stakeholder engagement lies at the heart of inclusive corporate governance. Moreover, this approach is characterized by using formal mechanisms for continuous dialogue and feedback with a wide range of interests (European Commission, 2021a). This ensures that all viewpoints are recognized and included into the decision-making processes at the corporate level. In Vietnam, it is imperative to take immediate efforts to create institutional frameworks for involving stakeholders and to establish clear channels of communication. Examples include the utilization of stakeholder advisory groups, frequent consultative meetings, and platforms for open conversations. Such measures are essential since they increase accountability and help corporate decisions based on all stakeholders without favoring significant shareholders' interests (Vo and Nguyen, 2014).

It is necessary to include ESG factors in corporate strategies. The policy development in the EU requires companies to install ESG considerations in their central operations, integrating such elements with long-term sustainability and risk management (European Commission, 2021b). For Vietnam, it needs to take a bottom-up approach where, through training and incentives, detailed ESG reporting frameworks are developed (Clarke, 2017). This would create a culture in corporate entities emphasizing achieving long-term benefits over short-term financial outcomes (Talan and Sharma, 2019).

Offering ESG practices through incentives such as tax breaks, grants, or subsidies to companies will, in turn, make companies more sustainable and enhance their social

performance (European Commission, 2021b). They are building compliance and transparency deals with creating trust in corporate governance. High levels of compliance and transparency in the EU follow from the involvement of mandatory disclosure requirements and strong regulatory oversight, as stated by the European Commission (2021a). In Vietnam, transparency should be improved through mandatory ESG reporting and internalized within companies as part of their culture of compliance. The corporations would comply with governance standards through regular compliance audits, severe fines for non-compliance, and going education and awareness campaigns (Clarke, 2017). By taking these steps, stakeholders may keep the companies accountable and carry out their roles in well-informed decision-making. The main implications that can be deduced for corporate governance in Vietnam are summarized in the table below:

Table 9 Key implications corporate governance in Vietnam

Implication	Details
Regulatory Framework	Adoption of comprehensive ESG reporting directives similar to NFRD and CSRD [1].
Regulatory Enforcement	Enhancing SSC's capabilities with increased funding, advanced technologies, and staff training [2].
Stakeholder Engagement	Establishing formal stakeholder engagement frameworks and transparent communication channels [3].
ESG Integration	Developing detailed ESG reporting frameworks and providing training and incentives for companies [4].
Compliance and Transparency	Implementing mandatory ESG disclosures, regular compliance audits, and stringent penalties [4].

Note:

(1) (European Commission, 2021c).

(2) (Vietnam State Securities Commission, 2019; The Viet Nam Law On Securities, 2019; The Viet Nam Law On Environmental Protection, 2020; The Viet Nam Law On Enterprises, 2020) (Vietnam State Securities Commission, 2019).

(3) (Vo and Nguyen, 2014).

(4) (Clarke, 2017)

In summary, this paper underlines a strong demand for huge changes in the current corporate governance model of Vietnam. Following the best practices of the EU, it must move ahead to improve its regulatory environment, set some enforcement mechanisms for compliance with standards, develop stakeholder participation, and include ESG and compliance and transparency. These reforms will align Vietnam with international corporate governance benchmarks and, in the process, foster a corporate environment in which inclusiveness, responsibility, and sustainability are at the forefront. The subsequent section aims to provide clear advice for policymakers and corporate leaders in Vietnam on designing and implementing effective reforms that improve sustainable corporate governance.

4.5 Ethical considerations

The base for any sound and credible research is laid on ethical considerations. This study on how sustainable EU corporate governance practices can be adapted to the Vietnamese context shall have it highly essential to ensure that the highest level of ethical principles is observed during the research. This section discuss which ethical standards the researcher should follow about this study. It guarantees that the research will be carried out with integrity, respect for sources, and a promise that all readers with a vested interest in the study should be answerable.

Foremost in this research is academic integrity and honesty. This paper is written with careful citations of literature, regulatory documents, and case studies to give credit to authors' works and claim tracing for supporting details. In addition, this respects intellectual property

rights, hence making the research credible and transparent. The study has met the ethical standards of academic research by rigorously avoiding plagiarism, and all data and references have been accurately represented (Bowen, 2009; Vo and Nguyen, 2014).

Confidentiality and data protection are also important, especially when such sensitive information is being handled. While this study mostly uses public documents, the data has to be treated with great caution. Sensitive information obtained from corporate reports or regulatory documents is strictly kept confidential, ensuring it is not accessed by unauthorized persons or misused. This would ensure that the research does not compromise the privacy and security of information sources (Vietnam State Securities Commission, 2019; European Commission, 2021a).

The study adheres to the principles of respect and proper usage in the utilization of secondary data. Where necessary, permissions are sought, and data are used according to the terms set by the sources. Such respect for the intellectual property of others will ensure that the research maintains ethical integrity in its use of pre-existing research and data. Additionally, the study, by accurately and fairly presenting the data, contributes to a more reliable and honest academic discussion (Freeman, 2010; Clarke, 2017).

To ensure integrity, this research values objectivity and bias-free research. An objective approach requires thorough analysis of all sources and balanced reporting of findings. Thus, it will compare the two in an EU and Vietnamese scenario, basing findings on evidence rather than preconceived preconceptions or preferences. By acknowledging the study's limitations and highlighting governance framework strengths and drawbacks, the research ensures fair and full examination (Boeva, Zhivkova and Stoyanov, 2017; Talan and Sharma, 2019).

The paper also recognizes its accountability towards the academic and business societies. Through the provision of well-founded recommendations and actionable insights, the research pursues an improvement in corporate governance practice in Vietnam to contribute positively towards the enrichment of academic knowledge, as well as its practical application. In respect of this, policymakers, regulators, and corporate leadership can find

actual value in the findings and recommendations on sustainability to strengthen the rule of law and better governance practice (Vo and Nguyen, 2014; European Commission, 2021b).

The second critical ethical consideration is methodological transparency; that is, the explicit descriptions of the research approach, data collection methods, and analysis techniques are outlined so that the work can be judged and replicated. In so doing, not only is the credibility of this research substantiated, but it also enables other researchers to build on this presented work in creating a cumulative, consensual body of knowledge (Rose, 2004; Yin and Yin, 2018).

Ultimately, all these considerations are ethical, and they will ensure that this study maintains integrity and respectability. Ensuring academic honesty, confidentiality, proper data use, objectivity, responsible and transparent work processes, the research abides by the most scrupulous ethical norms. It is with these considerations that the current study will subscribe to in its attempt to produce reliable and valuable insights into EU sustainable corporate governance practices about Vietnamese circumstances. Consequently, it will contribute to the stream of corporate governance and sustainable development. By conducting this research ethically, it meets the most rigorous standards of academic inquiry. It is helpful for policymakers, scholars, and business communities as a reliable source of information.

4.6 Suggestion for future research

Future research areas are provided based on the results of this research study, to help to fill some gaps and take advantage of the opportunities that this Vietnamese corporate governance framework has. Hence, research can further be broadened to include ESG integration with a sectoral view to develop strategies for these critical sectors better. Improved regulatory enforcement mechanisms, particularly in harnessing technological innovations, may increase compliance and shape corporate behaviour. This is workable when implemented since models of stakeholder engagement can be developed with uniqueness to the cultural and socio-economic context of the Vietnamese. Thirdly, assessing the impact of governance reforms on foreign investment would guide policymakers to create an even more attractive investment climate. Ultimately, these lessons and best practices will

help to develop further global knowledge on how to ensure good corporate governance through comparative research with other emerging markets. They suggest the research areas that must be urgently pursued more widely to provide a basis for sustainable corporate governance in Vietnam. The main areas needing future research are summarized in this table:

Table 10 Suggestion for future research

Research Area	Details
Further Exploration of ESG Integration in Vietnam	Future studies could examine the sector-specific challenges and opportunities in Vietnam while realizing, in detail, how diverse industries can integrate better ESG practices.
Enhancing Regulatory Enforcement Mechanisms	Explore innovative enforcement mechanisms in place and how technology-driven solutions might further improve compliance in Vietnam.
Stakeholder Engagement Strategies in Vietnamese Corporations	Formulate effective engagement models considering unique cultural and socioeconomic factors in Vietnam.
Impact of Corporate Governance Reforms on Foreign Investment	Measure how much these reforms influenced inflows of foreign investment and economic growth.
Comparative Analysis of Corporate Governance in Emerging Markets	Extend research to include other emerging markets to offer general insights and best practices.

5 Discussion and Recommendations

5.1 Discussion

This dissertation explored the prospect of the transferability of the EU's best practices for sustainable corporate governance within Vietnam's socio-economic and legal framework. The primary research questions focused on how these best practices could be transported to Vietnam and the anticipated impacts of such an implementation.

Several limitations have been identified in this study. Firstly, most of the study came from analysing papers, which might not fully show the actual problems that are not usually written down. Secondly, it was hard to do a comparison study of corporate governance practices among Vietnamese companies because there was not a lot of data available. This could have led to an incomplete picture of the current state of governance. Finally, from the above assumption, recommendations can be made at the level of change deemed possible in the Vietnamese socio-economic context, but pilot projects and actual implementation are required to validate the suggestions.

While this research provides a useful information and suggestions for improving Vietnam's corporate governance. Therefore, more research and practical trials are necessary to fully understand whether these changes can be made as well as the effects it might have in Vietnam.

5.2 Implications for policy and practice in Vietnam

This section investigates major policy and practice implications for Vietnam by carefully analysing and synthesizing the data. It is promoting cooperation among legislators, regulators, and business leaders to develop the Vietnamese corporate governance framework using the finest EU standards. Therefore, the current discussion reiterates its focus on the imperative nature of adopting a comprehensive and systematic approach to drive sustainable corporate governance reforms in Vietnam. The results of this study demonstrate the critical

areas where Vietnam would enhance its practices in corporate governance by adopting and adapting EU frameworks. These categories consist of employing ESG criteria, including stakeholders, being transparent, and upholding norms. The concepts listed below can support your creation of effective policies and initiatives and promote international cooperation.

Strengthening regulatory enforcement is the most significant policy implication is the need to enhance the existing regulatory enforcement mechanism. There is the requirement that more resources and legal power need to be devolved to Vietnam's regulatory bodies, with particular emphasis on the SSC. Policymakers must top up the SSC funding and invest in technologies that can conduct further monitoring for the effective enforcement of prohibition. There are also comprehensive training programs for regulatory staff that help create expertise on a robust and consistent application of the regulations. By strengthening the capacities of the SSC, Vietnam will provide itself with an improved, more reliable framework of enforcement, establishing high principles of corporate governance (Vietnam State Securities Commission, 2019; European Commission, 2021a).

Improving stakeholder engagement is the responsible and open company governance depends on effectively involving stakeholders. To involve stakeholders effectively, the study suggests that Vietnam set clear rules, similar to how the EU does it by using stakeholder advisory groups and holding regular feedback meetings. Policymakers can promote this by incorporating stakeholder engagement mechanisms into corporate governance regulations. Furthermore, the implementation of transparent communications will facilitate the active participation of stakeholders in the decision-making processes of corporations. This approach encourages the participation of all individuals, encourages companies to take responsibility for their actions, builds confidence, and creates a cooperative atmosphere for long-lasting development.

Integrating ESG Factors into corporate strategies is an additional crucial aspect of engagement in this policy dimension is the approach for incorporating ESG aspects into business plans. Vietnam can bring in regulatory frameworks that are in line with the EU's NFRD and CSRD, therefore reaching parity. Policymakers should initiate detailed guidelines on ESG reporting and have laid out standards that are expected to have companies

report their environmental impact, social contributions, and governance practices. Moreover, incentives, say tax breaks or subsidies, should be offered to companies with high-level performance in ESG factors - adopting a sustainable posture. Therefore, by mainstreaming ESG at the core operations of Vietnamese companies, the country can be aligned with global sustainability standards that promote long-term economic growth (Freeman, 2010; Vo and Nguyen, 2014).

Enhancing Compliance and Transparency is efficient management within organizations is the basis for attaining strong adherence to rules and regulations, as well as openness and clarity. The study emphasizes the need for Vietnam to enforce mandatory regulations that require the disclosure of comprehensive environmental, social, and governance information, along with effective mechanisms to ensure compliance and progress. Policymakers safeguard and subsequently implement rigorous penalties for those who do not comply, and then routinely conduct audits of firms to assess their adherence to governance standards. Policymakers should also work to develop a culture of organizations in transparency. This can best be achieved through extensive training and awareness campaigns that spread the importance of being answerable and communicating openly. A case of allowing transparency in the country will strengthen investor confidence and the demands for corporate accountability in Vietnam (Clarke, 2017; Talan and Sharma, 2019). The recommendation for improving the system of corporate governance in Vietnam is summarised in the table below:

Table 11 Recommendations for improving Vietnam's corporate governance system

Key Area	Policy Implications	Practical Actions
Regulatory Framework	Increase SSC funding, invest in advanced technology, and expand legal authority.	Develop comprehensive training programs, implement advanced monitoring tools, and conduct regular audits.
Stakeholder Engagement	Mandate stakeholder engagement frameworks, create transparent and open communication channels.	Establish stakeholder advisory panels, hold regular consultation meetings, promote inclusive decision-making.
ESG Integration	Adopt similar ESG reporting guidelines like NFRD and CSRD, incentive for sustainable practices.	Develop detailed ESG reporting standards incentivized with tax breaks/subsidies on ESG performance. Conduct training programs.
Compliance and Transparency	ESG disclosures made mandatory with strict penalties, culture of transparency	Mandatory compliance audit on specified intervals, creating awareness programs on openness, stringent penalty in case of non-compliance.

The study finds a need for a straightforward program for the comprehensive reform of the corporate governance system of Vietnam. Vietnam's corporate governance standards will be improved and brought in line with global benchmarks, leading to sustainable economic development, by implementing EU best practices and following the strategic actions outlined

in the roadmap. These reforms aim to enhance corporate accountability and transparency, while also fostering an inclusive and resilient business environment.

5.3 Recommendations for policy maker

This research clearly shows the way for policymakers in Vietnam to upgrade the country's corporate governance framework by embracing the best examples of the European Union countries. In particular, the following recommendations improve the regulatory environment and enforcement mechanisms, foster stakeholder engagement, mainstream ESG factors in corporate strategies, and enhance compliance and transparency in Vietnam. These recommendations aim to harmonize Vietnamese corporate governance practices with international standards and, therefore would help create an economic sustainability environment that will increase investor confidence.

One of the leading recommendations for policymakers is to strengthen the existing regulatory framework by adopting comprehensive ESG reporting directives, like the European Union's Non-Financial Reporting Directive and Corporate Sustainability Reporting Directive. Such directions would require detailed and standardized disclosures concerning the ESG factors, such that companies provide adequate information regarding their impact on the environment, social contributions, and governance practices. By enacting such laws and regulations, the policy will need to enhance transparency and accountability, where adequate information shared with stakeholders will provide them with details in decisions and also make companies accountable for their actions in the process (European Commission, 2017; Talan and Sharma, 2019; European Commission, 2021a).

In addition to strengthening the regulatory framework, the enhancement of enforcement mechanisms is equally essential. Policymakers should pay attention to enhancing the funding and resource availability of the State Securities Commission. It includes investment in modern monitoring technologies and training programs for all regulatory staff. Equipping the SSC with the necessary tools and expertise will enable policymakers to have more consistent and effective enforcement of corporate governance standards. Stringent penalties could be imposed upon non-compliance with regular audits, which will consequently prevent

firms from leaving off their reporting responsibilities in default and ensure reporting according to governance norms (Clarke, 2017; Vietnam State Securities Commission, 2019)

Another important field where policymakers can have a lot of impact is the improvement of stakeholder engagement. Organizations should have institutional procedures for effective discussion, regular input, and responsiveness to shareholders, employees, consumers, local communities, and other stakeholders. Policymakers should establish stakeholder advisory committees, consultative gatherings, and transparent communication channels. These foster an all-encompassing approach to corporate governance, wherein the input of every stakeholder is acknowledged and taken into account during the corporate decision-making processes. Having empowered stakeholders is not just an increased level of corporate accountability, but it fosters trust and a strong relationship that builds a near mentality of sustainable growth (Freeman, 2010; Vo and Nguyen, 2014).

ESG factors must be included into corporate strategy to promote long-term sustainability. A comprehensive ESG reporting system can be created by lawmakers to oblige corporations to integrate ESG into their base business activities. Corporate executives and managers ought to receive training and support regarding the value of integrating environmental, social, and governance principles into their business plans. Moreover, policymakers can implement further incentives reaching out to the companies in the form of tax benefits, grants, or subsidies to those with visible ESG performance. All these will push for sustainable practices on the part of the companies that enhance social contributions and their governance framework (Clarke, 2017; Talan and Sharma, 2019).

Compliance and openness are crucial elements for creating credibility and instilling confidence in corporate governance. Policymakers should enforce a mandatory system requiring firms to disclose complete ESG information and establish methods to frequently confirm compliance with this disclosure. Strict penalties for non-compliance with and failing to carry out ongoing education and awareness campaigns will ensure firms follow governance requirements. Policymakers will ensure that the culture of compliance and transparency within a company enhances investor confidence and promotes corporate

accountability (Clarke, 2017; European Commission, 2021b). The key recommendations for policymakers are summarized below:

Table 12 Key recommendations for policy maker

Recommendations	Details
Strengthen Regulatory Framework	Adopt comprehensive ESG reporting directives similar to NFRD and CSRD, mandate detailed disclosures [1].
Enhance Enforcement Mechanisms	Increase SSC funding, invest in advanced monitoring technologies, provide training for regulatory staff [2].
Improve Stakeholder Engagement	Establish stakeholder advisory panels, regular consultation meetings, and transparent communication channels [3].
Integrate ESG Factors	Develop detailed ESG reporting frameworks, provide training and incentives for companies [4].
Enhance Compliance and Transparency	Implement mandatory ESG disclosures, regular compliance audits, and stringent penalties for non-compliance [5].

Note:

(1) (Talan and Sharma, 2019; European Commission, 2021c).

(2) (Talan and Sharma, 2019; Vietnam State Securities Commission, 2019).

(3) (Freeman, 2010; Vo and Nguyen, 2014).

(4) (Clarke, 2017; Talan and Sharma, 2019)

(5) (Donaldson and Preston, 1995; European Commission, 2021c)

In essence, the recommendations provide the strategic route through which the policymakers in Vietnam can be able to build a practical corporate governance framework that incorporates EU practices and those that are compatible with the regulatory and enforcement capacity of Vietnam - one that promotes the involvement of stakeholders in the processes and increases compliance and transparency such that environmental, social, and governance issues are embedded within the corporate strategy. The importance of these reforms does not stop at merely integrating Vietnam with international governance standards but also that it promotes sustainable economic growth and an open, more inclusive, and transparent corporate environment.

5.4 Recommendations for corporate leaders

Effective corporate governance must, therefore, be a priority and practice in organizations because it is literally 'the business of corporate leadership.' This establishes that the Vietnamese corporate governance regime is not characterized according to the necessary level of harmony for the government to be effective in ensuring long-term sustainability. ESG can be mainstreamed in organizational strategies. This means that ESG is not a need but is an imperative part of organizational existence and function. The leadership should develop well-articulated ESG policies that will mark the organization's intention toward sustainability, social responsibilities, and ethical practices in its operations. The developed policies should be aligned with international guidelines such as the Non-Financial Reporting Directive and Corporate Sustainability Reporting Directive in identifying and disclosing ESG issues.

Thus, leaders should establish transparent and accountable ESG reporting processes that generate relevant and complete data on company performance. Regular ESG reports regarding environmental impact, social investment, and governance behaviour will meet all regulations and enhance stakeholder confidence. Applying thorough internal audit methods will assess the reliability of the reports and identify correctable issues. Enhanced stakeholder engagement is another critical aspect where there is more that corporate leaders can do. Proper engagement will establish formal mechanisms of communication and participation that encourage two-way information flow between employees, investors, consumers, and

local communities. Leaders must convene and participate in stakeholder dialogue to gather intelligence and address issues and problems. Communicating with stakeholders on decisions and developments affecting the company is crucial.

Leadership accountability and responsiveness may be heightened by inclusive governance. Compliance culture must also be brought to the forefront within the organization. Leaders need to promote an ethical and regulatory-compliant workplace. Regular training and awareness programs should be held to reiterate compliance and the responsibility every individual must follow governance norms. Periodic workshops and seminars can assist personnel in negotiating complex regulatory landscapes and fulfilling governance obligations. One of the primary suggestions for improving governance standards for business leaders is technology and innovation. Using more advanced monitoring and reporting technology will increase efficiency in compliance processes and secure precise data accuracy in ESG reporting. Ensuring that blockchain and other technologies are implemented is going to create an unambiguously recorded flow of company activities that cannot be tampered with, therefore enhancing responsibility. Furthermore, analytics on data will pinpoint insights into performance on ESG to properly guide leadership in its decision-making and in tracking its progress over time.

In other words, it would be a significant and strategic step for business executives to forge alliances and cooperate with international bodies, regulators, and industry colleagues. The critical ways and recent corporate governance developments are gained only through discussions and exchanges. International forums and networks enable the sharing of knowledge, ensure that there is information about developments in different countries regarding regulation, and provide opportunities to discover innovative ways of governance from various countries. Corporate business leaders achieve this by raising their processes according to globally known standards; by doing this, their company becomes a benchmark of good governance in sustainable terms, thus creating a cause for foreign investment.

Table 13 Key recommendations for corporate leaders

Recommendations	Details
Integrate ESG Factors	Embed ESG considerations into core business strategies and decision-making processes.
Transparency and Accountability	Establish standardized ESG reporting processes and publish regular, comprehensive ESG reports.
Foster Stakeholder Engagement	Put formal mechanisms for dialogue with stakeholders, such as advisory panels and regular consultations.
Develop a Compliance Culture	Instil the culture of regular programs on learning and awareness in compliance and ethical practices.
Leverage Technology and Innovation	Invest in advanced monitoring, reporting technologies, and data analytics for improved data governance.
Leverage Technology and Innovation	Involving international organizations, as well as industry peers, in the sharing of knowledge and best practices.

In summary, the corporate leaders transformed the governance practice of their very own company. Inclusion of ESG factors in organizational goals, improvement in transparency and accountability, improvement in stakeholder engagement, inculcation of compliance culture through the means of use of technology, and pursuit of collaboration are some of the areas that can have far-reaching impacts on corporate governance. Such measures will not only align their organizations to global standards but further champion sustainable growth and long-term success.

6 Conclusion

This dissertation has therefore explored the possibility of adopting EU sustainable corporate governance practices within the Vietnamese social, economic, and legal context. Thus, the comparative policy analysis outlined below offers an essential approach to deriving critical insights that provide a basis for essential recommendations toward enhancing Vietnam's corporate governance framework.

It was noted that some of the most critical missing elements in the Vietnamese corporate governance practices are the enforcement mechanism, lack of stakeholder participation mechanisms, and lack of ESG embedding. In contrast, the corporate governance standards in the EU are very high and rigorous. It is detailed regulatory enforcement, inclusive stakeholder practices, and advanced integrated reporting criteria. It provides an excellent benchmark for Vietnam. The gaps identified were the weaknesses within its regulatory enforcement mechanisms, low levels of stakeholder engagement, and the nascent state of ESG integration. All these needs to be sorted, and only then would Vietnam's practices be accorded international standards, the only path towards sustainable economic development.

For this purpose of improving its corporate governance to match those of the EU, where stiff fines are imposed while the companies are checked regularly, especially the model of the European Securities and Markets Authority, the State Securities Commission in Vietnam needs to be strengthened by raising its resources while building its legal mandate besides applying advanced technologies for monitoring the firms. Such measures will ensure robust enforcement of governance standards, which seek to increase transparency and accountability within companies in Vietnam.

There are some crucial EU regulations - the NFRD and the upcoming CSRD - mandate comprehensive ESG disclosures as part of the tools for fostering sustainable business practices. Vietnam should enact similar rules necessitating wide-ranging ESG reporting, along with educating stakeholders on contributing to further responsible environmental behaviour. Such an integration will bring corporate sustainability attractive to foreign

investors due to the conformity of such practices with the world standards. That would considerably change business in Vietnam if such recommendations were followed.

The existence of clear regulations that can be easily enforced will bring accountability, compliance, and the nurturing of adherence to standards that would build confidence for businesses - both local and foreign. Consequently, full integration of ESG practices would provide Vietnamese businesses with an illustration of good practice in utilizing sustainability by integrating ESG factors in core strategies toward long-term prosperity and effective contribution to the social and environmental goals. Meeting the corporate governance standards in Vietnam up to the level that meets the EU's requirements is essential for sustainable economic growth. More vigorous enforcement and complete ESG integration would lead to an effectual corporate governance framework compliant with international standards. Such reforms will boost investor confidence, increase corporate transparency, and align Vietnam with the global sustainable trend. The findings evidence that these changes will be good for business, help in meeting the socio-economic objectives of Vietnam and place the country as a competitive player in the global economy.

In conclusion, this study is critical because it responds to emerging governance challenges in Vietnam while paving the way forward in converging international best practices currently regarded as paramount to sustainable development. According to the research, robust enforcement mechanisms and comprehensive ESG integration would be needed to ensure effective corporate governance. By answering the main research question, this thesis develops new knowledge about the adaptation of EU governance practices to Vietnam and providing a comprehensive analysis and practical recommendations. Finally, its research procedure compared the policy gaps with each other and had suggestions for the closures; hence, it is essential for corporate governance.

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