

# Corporate Transparency and Anti-Corruption Footprint: Vietnam

*11<sup>th</sup> July 2016*, Transparency International (TI) releases a report *“Transparency in Corporate Reporting” Assessing Market Multinationals* (TRAC EMM) 2016 edition.

This is the 2<sup>nd</sup> time TI published the report, assessing 100 multinationals headquartered in 15 emerging markets and active in 185 countries based on three dimensions: the reporting of key elements of their anti-corruption programmes; the disclosure of their company structures and holdings; and the disclosure of key financial information on a country-by-country basis.

Noticeably, there are 22 out of 100 multinationals operating in Vietnam, 13 of those are from China.

## Companies show low level of transparency in corporate reporting

The overall average score for the 100 companies assessed in the report in 2016 is **3.4/10**, 0.2 point lower than the first result in 2013.

In the reporting of key elements of anti-corruption programme dimension; 18 out of 22 companies operating in Vietnam do not publish any policy prohibiting facilitation payments; and 16 out of 22 companies do not publicly announce the application of their anti-corruption policy to agents.

In term of transparency in companies structures and holdings, the average score of the above 22 companies is 39%. A number of companies even do not make names of their fully owned

subsidiaries in Vietnam public.

Regarding the disclosure of key financial information on a country-by-country basis, there is significant difference between domestic and foreign reporting. Particularly, 19 out of 22 companies operating in Vietnam do not publish their key financial information relating to their business activities in Vietnam (such as revenues, capital expenditures, income before tax, tax and other community contribution), while still announcing similar figures in their home countries.

It is important to notice that the highest scored companies are headquartered in countries whose legal frameworks regulating information disclosure are very strict. Typically, the Indian corporate law requires all multinational companies to disclose their country-by-country data. Besides, publicly listed companies perform better than their state-owned and privately held peers in all dimensions, reflecting impacts of stock exchanges' stricter information disclosure regulations.

In the context of Vietnam opening its market, attracting more foreign investment and Vietnamese companies expanding their activities abroad, it is vital for companies to disclose their financial information on a country-by-country basis. If companies limit those information disclosure, stakeholders including State agencies, investors, citizens and civil society organisations can hardly assess and monitor their activities as well as impacts on the community.

## **Actions to change**

Reporting information is the basic requirement and activity that allows companies to show and ensure the transparency and accountability as well as to build trusts of clients, partners and community. In order to improve transparency, companies need to disclose fully the key elements of their anti-corruption programmes; company structures and holdings; and

key financial information on a country- by- country basis. The information should be displayed in local and at least one international language to facilitate the community's monitoring.

Additionally, the stricter legislation regulating companies' information disclosure can make significant and sustainable impacts. The government of Vietnam should issue regulations that require companies to publicly announce their information on corporate structures and holdings, beyond material holdings, along with key financial information on a country-by-country basis. Particularly, companies' roles and responsibilities on anti-corruption programme establishment and effective enforcement should also be regulated.

## **[Link] Key Documents**

- 1 – Transparency International's Press Release**
- 2 – EMM 2016 Full Report**
- 3 – Corporate Transparency and Anti-Corruption Footprint: Vietnam**
- 4 – Frequently Asked Questions**