



Transparency in Corporate Reporting: Assessing the 30 largest companies in Vietnam



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DISCLAIMER

The report was produced by Towards Transparency (TT) as a part of a project led by the Transparency International Secretariat (TI-S) with funding from the Siemens Integrity Initiative. The Transparency in Corporate Reporting assessment conducted in Vietnam uses the same methodology as the Transparency in Corporate Reporting: Assessing the World's Largest Companies which is produced periodically by the Transparency International Secretariat. The latest edition of the global report, published in 2014, included Siemens as one of the 124 companies that were assessed.

TT/TI would like to acknowledge the invaluable contributions of a team of consultants from MCG Management Consulting and our external peer reviewers: Dau Thuy Ha, Dang Hoang Giang and Vu Hoang Duong.

Every effort has been made to verify the accuracy of the information contained in this report. All information was believed to be correct as of 30th November 2016. Nevertheless, TT/TI cannot accept responsibility for the consequences of information use for other purposes or contexts.

In conducting the research, we did not investigate the veracity or completeness of the publicised information and did not make any judgement about the integrity of the information or practices disclosed. All data points collected by a researcher were independently validated by another researcher of the research group.

Towards Transparency (TT) is a Vietnamese non-profit consultancy company founded in 2008 to contribute to the prevention of and fight against corruption. In March 2009, TT became the official National Contact of Transparency International (TI).

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Transparency International is a global movement with one vision of a world free of corruption with more than 100 national chapters worldwide and an international secretariat in Berlin. The chapters are locally established, independent civil society organisation. TI raises awareness on corruption impacts and co-operates with government, companies and civil society organisation partners to promote and implement effective anti-corruption tools.

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TABLE OF CONTENT

1. Highlights	8
How transparent are the largest companies in Vietnam?	10
Limited public disclosure	11
Regulation matters	11
Vietnamese companies are able to meet international standards	11
2. Introduction	12
2.1 Background	12
2.2 About the report	14
2.3 Methodology	14
3. Findings.....	16
Overall results.....	16
3.1 Reporting on Anti-Corruption Programmes.....	19
3.2 Organisational Transparency.....	22
3.3 Country-by-Country Reporting.....	25
4. Recommendations	26
For Companies	26
For Government	27
For Other Stakeholders	27
Annex 1: Questionnaire	28
Annex 2: List of selected companies	29





ABBREVIATIONS

ACP	Reporting on anti-corruption programmes
CBCR	Country-by-country reporting
EMM	Emerging market multinationals
FDI	Foreign direct investment
MCG	MCG Management Consulting Ltd.
NA	Not assessed
OT	Organisational transparency
PLC	Publicly listed companies
SOE	Stated-owned enterprise
TI	Transparency International
TRAC	Transparency in Corporate Reporting
TT	Towards Transparency

1. HIGHLIGHTS

Reporting on Anti-Corruption Programmes

Cargill and Posco Vietnam

are the best performers in public disclosure of their anti-corruption programme with an average score of 65%

7 out of 30 companies

publicly commit to all relevant laws, including the Anti-Corruption Law

4 out of 30 companies' leadership

show support for anti-corruption

29 out of 30 companies

fail to disclose the monitoring of anti-corruption programme

State-owned companies

have the lowest average score

Organisational Transparency

Vinamilk and FPT

are the best performers in
organisational transparency with
an average score of 100%

10 out of 30 companies

score 50% or more in organisational
transparency

Country-by-country reporting

None of the 14 assessed companies¹

reports key financial information on
a country-by-country basis

¹ There are 14 companies assessed in this dimension

How transparent are the largest companies in Vietnam?

The tables below show the results for the two sub-sets of companies. Table 1 shows the results for companies that operate abroad, which are assessed across all three dimensions: (i) reporting on Anti-corruption programmes, (ii) organisational transparency, (iii) country-by-country reporting. Table 2 presents the findings for companies that only operate in Vietnam (and therefore are not assessed for their performance on country-by-country reporting). Scores range from 0% to 100%; the higher score, the more transparent.

ACP: Anti-Corruption Programmes; **OT:** Organisational Transparency; **CBCR:** Country-by-Country Reporting

Table 1: Companies operating abroad (assessed across all three dimensions)

#	COMPANY	OWNERSHIP	ACP	OT	CBCR
1	Agribank	SOE	0%	38%	0%
2	FPT	PLC	8%	100%	0%
3	Kuhera Vietnam	FDI	0%	0%	0%
4	MBBank	PLC	0%	75%	0%
5	Microsoft Mobile VietNam	FDI	0%	0%	0%
6	Mobifone	SOE	0%	50%	0%
7	Pou Yeun Vietnam	FDI	0%	0%	0%
8	Sacombank	PLC	0%	88%	0%
9	Saigon STEC	FDI	0%	0%	0%
10	Viettel	SOE	0%	13%	0%
11	Vinacomin	SOE	19%	38%	0%
12	Vinafood II	SOE	0%	75%	0%
13	Vinamilk	PLC	38%	100%	0%
14	VNPT	SOE	0%	13%	0%

Table 2: Companies operating only in Vietnam (assessed on two dimensions)

#	COMPANY	OWNERSHIP	ACP	OT	CBCR
1	Canon Vietnam	FDI	15%	0%	NA
2	Cargill Vietnam	FDI	65%	0%	NA
3	CPV	FDI	42%	0%	NA
4	EVN	SOE	4%	0%	NA
5	Hoa Phat	PLC	0%	56%	NA
6	Hoa Sen	PLC	0%	63%	NA
7	Hung Vuong	PLC	0%	25%	NA
8	Posco Vietnam	FDI	65%	0%	NA
9	PVN	SOE	0%	25%	NA
10	Saigon Petro	SOE	0%	0%	NA
11	Samsung Vina	FDI	54%	0%	NA
12	Thalexim	SOE	0%	38%	NA
13	Thegioididong	PLC	0%	50%	NA
14	Unilever Vietnam	FDI	0%	0%	NA
15	VIMEDIMEX	PLC	0%	63%	NA
16	Vingroup	PLC	0%	25%	NA



Limited public disclosure

The overall results of the assessed companies show limited public disclosure by the companies, a clear indication that large companies in both private and state sectors in Vietnam still practice low standards of transparency in the assessed matters.

With an average score of 10% in the anti-corruption programme dimension, the 30 companies assessed show on average a low level of disclosure of their anti-corruption programmes. SOEs (with average score of 2%) and publicly-listed companies (6%) in Vietnam lag behind FDI companies (24%), and all trail behind the top emerging market multinational company assessed in 2016 (48%) (TRAC EMM 2016)².

The assessment of country-by-country reporting shows the weakest performance, with a score of 0% on average. None of the 14 assessed companies publicly disclose any basic financial information of their overseas operations. This result can be partially explained by the fact that this type of information is not currently legally required in Vietnam.

² Transparency International. (2016) Transparency in Corporate Reporting: Assessing Emerging Market Multinationals. Available from: http://www.transparency.org/whatwedo/publication/transparency_in_corporate_reporting_assessing_emerging_market_multinat

Regulation matters

The average result of the organisational transparency dimension is 32%, which is higher than the average results of the two other dimensions. The number of companies that score positively in this dimension is also the highest, 18 out of 30 assessed companies. All of them are publicly-listed and state-owned companies. This is partially due to the fact that publicly-listed and state-owned companies are obliged to disclose key information of their fully and non-fully consolidated entities. Meanwhile, FDI companies (excluding the joint stock companies) are not bound by any regulation to make their financial statement (which contains information on structure and ownership percentage) publicly available.

Vietnamese companies are able to meet international standards

The fact that a few Vietnamese companies score positively in this assessment (for example in the organisational transparency dimension, Vinamilk and FPT score a maximum 100%) indicates that it is possible for companies to meet international standards on transparency. The need to comply with international standards including corporate transparency will become even clearer, as Vietnamese companies expand their business footprint globally.

2. INTRODUCTION

2.1. Background

Vietnam has witnessed an impressive average economic growth rate of 7% per year between 1991 and 2010 but saw a slowdown over the last few years. In the 2012 paper on Vietnam, McKinsey, the global management consulting firm, argued that Vietnam should identify sources of growth to replace those now becoming exhausted³. Among efforts to improve productivity, a more efficient use of the country's financial and non-financial resources is vital for its continued growth. As these resources are often used by both state and non-state companies, it is crucial for Vietnam to understand how efficient these resources are being used and how they can be mobilized in a more efficient manner.

As seen in many of the recent corporate scandals, acts of corruption are often aided by opaque company structures and corporate governance. The lack of transparency in company structures and corporate governance poses increasing risks for shareholders, employees and local communities. Corruption negatively impacts companies' productivity at the global scale, and particularly those in developing countries⁴. A report by the Government Inspectorate found that 83.6% of people believed that corruption and bribery damage companies' production and operation⁵. While many firms believe that informal payments will bring them immediate benefits, their strategic capabilities are actually impaired: "Engaging in corruption destroys the integrity culture of firms, hampers innovation, limits expansion, and puts their reputation at risk. Most of the long-term negative impacts of corruption are hidden and are seldom recognised as such by firms."⁶

3 Breu, M., Dobbs, R. and Remes, J. (2012) Taking Vietnam's economy to the next level

4 Gonzalo F. Forgues- Puccio (2013) Corruption and the Private Sector: A review of issues

5 Government Inspectorate (2012) Government Inspectorate's report on roles of business and private sectors in Anti-corruption works

6 Vietnam Chamber of Commerce and Industry et al. (2014) The costs of corruption in Vietnam from a macro, provincial and firm perspective



Research by the Vietnam Chamber of Commerce and Industry (VCCI) indicates that from 2009 to 2011, informal payments costed firms 0.7 to 1 VND for every 1 VND profit⁷. In the absence of corruption and informal payments, companies would have more resources to invest and improve their operation and innovation. Another compliance issue for companies tolerating corruption is employee fraud, such as employee theft or embezzlement⁸. Meanwhile, 48% of those interviewed in the Global Corruption Barometer 2013 in Vietnam said they were willing to pay more for goods from a company with a reputation of doing clean business.⁹

Vietnam's government has shown a strong commitment to resolve these issues in recent years. The Penal Code 2015 extends the application of certain corruption-related offences to those working in the private sector. With regards to bribery, the

7 Vietnam Chamber of Commerce and Industry et al (2014) The cost of corruption in Vietnam from a macro, provincial and firm perspective

8 Lee, M. and Frangos, J. (2016) Vietnam: compliance risks

9 Towards Transparency (2013) 2013 Global Corruption Barometer: Views and experiences from Vietnamese Citizens



Penal Code 2015¹⁰ criminalises the bribe receiving by persons having position/power working in non-state enterprises, bribe brokerage in non-state enterprises and giving bribes to officials of public international organisations, persons having position and power working in non-state enterprises. The Law on Enterprise 2005, which came into effect in July 2006, marked the first official legal framework on corporate governance in Vietnam. Currently, listed companies in Vietnam are subject to a comprehensive legal framework including the following laws and regulations: Law on Enterprise 2014, Law on Securities 2006 and amendments 2010, Circular No. 121/2012/TT-BTC on Corporate Governance, Disclosure Rules and Listing Rules of the Ho Chi Minh and Hanoi Stock Exchanges. Corporate governance practice in Vietnam underwent sweeping changes when the revised Law on Enterprise 2014 came into effect on 1st July 2015. The revised Law on Enterprise 2014 ensures independence of the Board of Directors, seeks to eliminate conflicts of interest and improves accountability as part of the Vietnamese

government's efforts to ensure better corporate governance. State-owned companies in Vietnam are required to disclose their corporate structures, governance and financial reports under the Government's decree 81/2015/ND-CP (Decree 81)¹¹.

However, it is also clear that the active role of the private sector in the fight against corruption has not been highlighted in the legal framework. Even though the Penal Code 2015 extends sanctions for bribery related crimes to the private sector, the Anti-Corruption Law 2005 and amendments (2007 and 2012) fail to govern corrupt acts committed in the private sector. Moreover, the Anti-Corruption Law only emphasises companies' responsibilities and encourages them to prevent corruption, but does not establish any mechanism to promote their active role. Even though there are many legal requirements regarding companies' transparency and publicity as a means to fight corruption, the implementation is weak. Another

¹¹ Decree No. 81/2015/ND-CP dated September 18, 2015 of the Government on disclosure of information of state-owned enterprises

¹⁰ The effectiveness of Penal Code 2015 has been postponed.

effective and practical way for companies to fight corruption is to establish and maintain Codes of Conduct and internal controls to mitigate corruption risks. Nonetheless, the Anti-corruption Law only “encourages enterprises to engage in healthy competition, work out mechanisms for internal control in order to preclude acts of corruption, bribe giving.”¹² As a result, a majority of companies do not seriously apply these measures.

2.2 About the report

This report evaluates the disclosure practices of the 30 largest companies registered in Vietnam. The report is the first local adaptation in Vietnam of Transparency International’s series of reports on corporate reporting published since 2008. Initially focused on the world’s top multinationals, the series were expanded to include a first report on emerging market multinationals in 2013. Since then, about 10 nationally focused studies on transparency in corporate reporting have been published around the world. The report assesses companies’ disclosure practices, with the aim to promote the best practices, in line with international standards, and to support companies to better communicate their commitment to anti-corruption and transparency to their stakeholders. While the public reporting assessment of this report cannot be equated with companies’ actual performance, it provides companies with basic ideas of what they need to do in order to tackle corruption risks and improve their credibility and reputation.

This report provides information to various stakeholders, ranging from lawmakers and business regulatory bodies to executive board members and ordinary employees, creating a platform to initiate honest and open discussions on how best to improve transparency in corporate reporting.

The report has been coordinated by Towards Transparency (TT), the National Contact of Transparency International (TI) in Vietnam. The 30 largest companies registered in Vietnam are assessed, including 10 publicly-listed companies, 10 foreign direct investment companies and 10 state-owned companies. Public disclosure practices of the companies are assessed based on three dimensions: (i) the reporting of key elements of their anti-corruption

¹² Article 87(4) of Anti-Corruption Law no.55/2005/QH11 (amended 2007 and 2012)



programmes; (ii) the disclosure of their company structures and holdings (organisational transparency); and, (iii) the disclosure of key financial information on a country-by-country basis. The assessment is done using data gathered from the corporate websites.

2.3 Methodology

The methodology of “Transparency in Corporate Reporting: Assessing the 30 largest companies in Vietnam” strictly follows Transparency International’s TRAC standard methodology, which builds on TI’s existing work¹³ in combating corruption in the private sector.

The 30 largest companies were chosen according to the 2015 VNR500¹⁴ list. The sample comprises of 10 publicly-listed companies (PLC), 10 foreign direct invested (FDI) companies and 10 state-owned enterprises (SOEs)¹⁵. Research for this report was

¹³ UN Global Compact and Transparency International (2009) Reporting Guidance on The 10th Principle against corruption at http://www.transparency.org/whatwedo/publication/un_global_compact_ti_reporting_guidance_on_the_10th_principle_against_corru

¹⁴ The list of the top 500 largest Vietnamese enterprises according to the Fortune 500 model, based on results from research and assessments according to international standards from the Vietnam Report combined with the VietnamNet Newspaper and advice from Professor John Quelch, vice principal of Harvard Business University

¹⁵ Some subsidiary companies that feature prominently in the VNR500 were not included in our sample to follow the TRAC rule “TRAC does not evaluate a parent company and its subsidiaries in the same report”



conducted from September 2016 to January 2017 by a team of consultants and a researcher from TT. The report is based on data collected through company websites between October 10th and November 30th 2016. It is possible that some relevant information may have been made public by companies after this cut-off date, but it is not considered in this report.

Corporate reporting is measured in three dimensions:

1. Reporting on anti-corruption programmes
2. Organisational transparency
3. Country-by-country reporting

In conducting the research, the researcher did not investigate the veracity or completeness of the publicly available information and did not make any judgement about the integrity of the information or practices disclosed. All data collected by a researcher was independently validated by another one in the research group. The methodology and data were shared with the assessed companies for their review and comment. Unfortunately, there was no official response from companies. That was partly due to the fact that some of the companies did not publicly provide sufficient contact information such as a company address, phone number or corresponding email address, hence the feedback forms may not have been successfully received.

For more details on the methodology established by TI, see: www.transparency.org/corporate_reporting

3. FINDINGS

Overall results

- **0 out of 30** companies disclose information for ALL three dimensions.
- **9 out of 30** companies disclose their anti-corruption programmes. Foreign Direct Investment (FDI) companies perform best in this area.
- **18 out of 30** companies provide information on organisational transparency. Vietnamese companies, particularly publicly-listed companies, outperform in this dimension.
- **14 out of 30** companies declare having their subsidiaries in other countries. However, none reports financial information related to the operations of such subsidiaries.
- **4 out of 30** companies have no corporate website, and receive scores of 0%.



10% average score

Anti-corruption Programmes

- With an average result of 24%, **FDI companies** outperform others in disclosing their anti-corruption programmes.
- **Cargill Vietnam and Posco Vietnam**, each with the score of 65%, are the best performers in anti-corruption programmes.
- **7 out of 30** companies state publicly that they are committed to **complying with all laws, including anti-corruption laws**.
- **6 out of 30** companies publicise their **policies on gifts and hospitality**.
- **2 out of 30** companies publicly state that their Code of Conduct is applied to **all employees and directors**.
- **6 out of 30** companies publicly disclose policies of no threats or retaliation for whistleblowers; only **5 partly or fully** meet the criteria of publicly stating that the reporting lines are confidential.
- **Political contributions**¹⁶ is the least transparent area with no disclosure by any of the assessed companies.

¹⁶ The term “political contributions” refers to cash or in-kind support for a political party, cause or candidacy. It includes both direct and indirect contributions, i.e., through associations to which a company is a member.



Organisational Transparency

32% average score

- With an average result of 64%, **publicly-listed companies** perform best with respect to organisational transparency.
- **FPT and Vinamilk**, reaching a result of 100%, are the best performers in this dimension.
- **None of the 10 FDI companies** assessed disclose whether they have any subsidiaries.
- **9 out of 28 companies** assessed limit their disclosures of information for non-fully consolidated holdings, falling short of the criterion used for this report, which expects reporting on all affiliates and joint ventures regardless of materiality.

Country-by-Country Reporting

0% average score

- The companies assessed perform poorly with respect to country-by-country reporting. None disclose any relevant information that can be used for this report.
- One possible explanation: local legislation does not require companies to disclose the financial information of their overseas operations.



3.1. Reporting on Anti-Corruption Programmes

For companies, one of the best protections against bribery and corruption risks is a comprehensive anti-corruption programme that is applied to the whole organisation, fully implemented and monitored on a continual basis. By publicising the components of an anti-corruption programme, a company demonstrates its commitment to fight corruption and increases its responsibilities and accountability to stakeholders. A company's strong and public commitment to a robust anti-corruption programme has a positive impact on its employees and their attitudes towards anti-corruption. In addition, a company's reporting on anti-corruption programmes can also drive positive changes in the company itself when the reporting focuses on the company's practices in corporate anti-corruption policies and programmes and identifies areas for improvements.

Best public statements on “zero tolerance of corruption”

“Cargill does not offer or accept bribes, kickbacks or other corrupt payments, regardless of local practice or perceived customs” – Cargill’s Code of Conduct, p11

“We do not permit the exchange of gifts, entertainment or any other form of bribery as an inducement to engage in unfair business practices” – Samsung’s Code of Conduct, Principle 1-2

The assessment of corporate reporting on anti-corruption programmes is based on 13 questions, which are derived from the UN Global Compact and Transparency International Reporting Guidance on the 10th Principle against Corruption¹⁷. This tool, based on the Business Principles for Countering Bribery developed by Transparency International in collaboration with a multi-stakeholder group, includes recommendations for companies on how to publicly report on their anti-corruption programmes.

¹⁷ Transparency International (2013) Business Principles For Countering Bribery at http://www.transparency.org/whatwedo/publication/business_principles_for_countering_bribery

Best practice for public commitment to compliance with laws

“VINAMILK always complies with Vietnamese laws as well as the laws of those countries where the Company carries out its activities.”-Code of conduct, p8

Best practice for maintenance of a whistleblowing channel with no risk of reprisal

“VINAMILK strictly prohibits and shall not tolerate any act of revenge addressing to employee(s) who has/have disinterestedly informed competent management of violations, whether such violations existing or just being suspected” - Code of conduct, p12

In reporting on their anti-corruption programmes, the 30 companies assessed in this study achieve an average score of 10% (out of 100%). The average for FDI companies is 24%, while publicly-listed companies and state-owned enterprises average well under 10% (6% and 2% respectively). This is partly due to the fact that although Anti-Corruption Law and Decree 47/2007/ND-CP encourage enterprises to apply anti-corruption measures, there is no specific regulation requiring enterprises to publicize anti-corruption programmes. FDI companies perform better in this dimension as a result of adopting anti-corruption programmes of their parent companies and publicly disclosing their existing systems. Many FDI companies are seriously liable for corrupt acts under strict international legal frameworks such as the US Foreign Corrupt Practices Act or UK Bribery Act 2010. Acknowledging the legal and reputational risks and potential high costs, such companies have put anti-corruption programmes into place, to be announced publicly and applied to all global operations.

Only 9 of the companies assessed receive positive scores in this dimension. The highest score of 65% goes to two FDI companies, Cargill Vietnam and Posco Vietnam. Following closely are another two FDI companies, Samsung Vina (54%) and CPV (42%). The remaining 21 companies record scores of 0%.

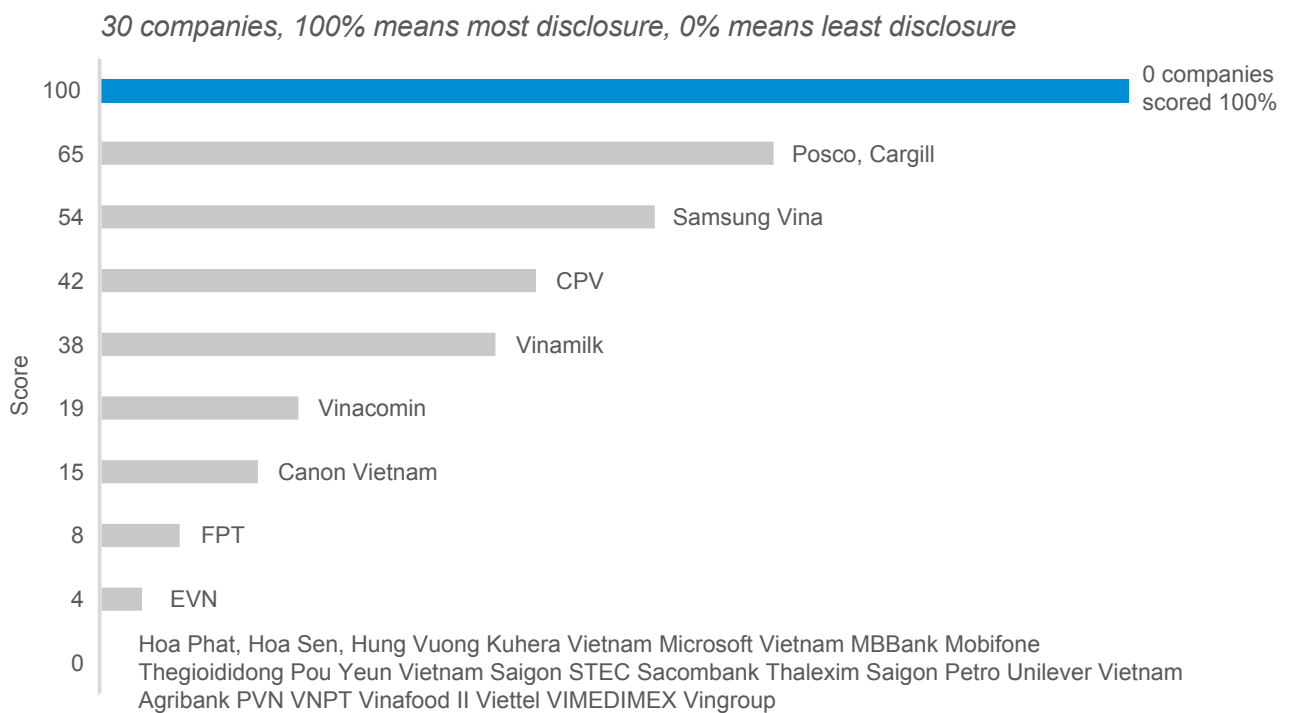
Companies show the best performance in two questions (Table 3). One of those seeks to assess whether the companies publicly commit to complying with all relevant laws, including anti-corruption laws. The other assesses whether the companies publicly guarantee confidential and safe channels for whistle-blowers to report any wrongdoing or doubtful practices by or within the companies without any fear of personal repercussions.

There are four questions in which many of the companies show weak performance. None of the companies receive points in the question pertaining to transparency in political contributions¹⁸. It is partly because there is no legal requirement on transparency in political contributions by the private sector in Vietnam. Besides, the other three questions concern the disclosures of the monitoring of anti-corruption programmes, the training programme and the policies prohibiting facilitation payments (Table 3). Few companies gain scores in those. Vinacomin is the only company that scored positively in the formal question. However, the Vinacomin’s monitoring practices are only

applicable to its employees and management team members who are the members of the Vietnam Communist Party. On publicly disclosing a policy prohibiting facilitation payments, Cargill Vietnam reports the policy which is consistent with its parent company, getting the full score for this question. In terms of publicising information relating to the training, 3 companies receive half points. Among the three, Samsung Vina demonstrates explicitly that such programmes are tailored for different job levels, positions and functions, and are delivered in a wide range of methods. This is, in fact, a good example of a well-designed training program. However, it is not sufficient to satisfy the requirements of this question as the Board of Directors are not included in the trainings. The Boards’ knowledge on the companies’ anti-corruption programmes is essential to ensuring the right tone from the top as they are responsible for overseeing companies’ activities, formulating business objectives and policies, appointing CEOs, etc.

18 See footnote 16 on “political contribution”

Figure 1: Company Ranking



ANALYSIS BY QUESTION

30 COMPANIES IN TOTAL

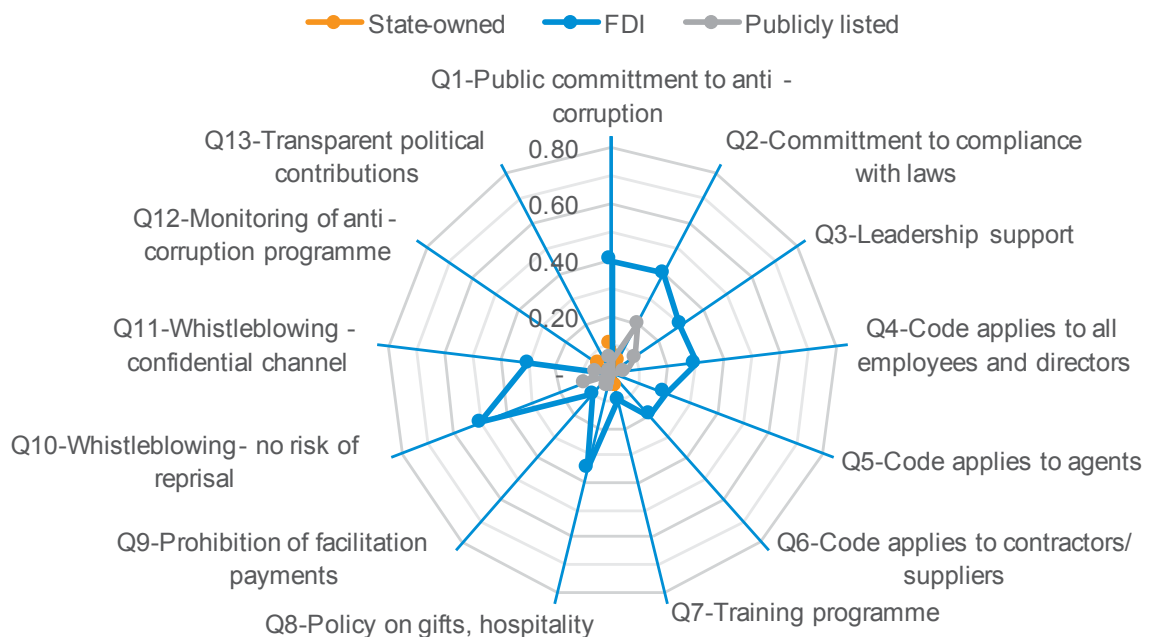
Commitment to comply with laws and confidential reporting channels are the most disclosed areas.

Regular monitoring of the anti-corruption programme and transparent political contributions are the least disclosed areas.

Table 3: Company Performance

		Number of companies		
		1 point Most disclosed	0.5 point Partly disclosed	0 point Least disclosed
1	Commitment to compliance with laws	7	0	23
2	Whistleblowing - confidential channel	6	0	24
3	Public commitment to anti-corruption	4	3	23
4	Leadership support for anti-corruption	4	0	26
5	Policy on gifts, hospitality	2	4	24
6	Code applies to all employees and directors	2	3	25
7	Whistleblowing - confidential channel	2	3	25
8	Code applies to agents	2	0	28
9	Code applies to contractors/suppliers	2	0	28
10	Prohibition of facilitation payments	1	0	29
11	Training programme in place	0	3	27
12	Monitoring of anti-corruption programmes	0	1	29
13	Transparent political contributions	0	0	30

Figure 2: Results of the thirteen questions on reporting on Anti-corruption Programmes by Company Ownership



3.2. Organisational Transparency

Large companies operate as complex networks of interconnected entities involving subsidiaries, affiliates or joint ventures¹⁹ controlled to varying degrees by the parent companies. These can be registered and operate in several provinces within one country or in different countries, including secrecy jurisdictions or tax havens. If companies deliberately do not disclose these structures and holdings, it can be very difficult to identify them and understand how they relate to each other.

Organisational transparency is important for many reasons, not least when corporate owners deliberately create an opaque company structure to hide the proceeds of corruption. But more fundamentally, it allows local stakeholders to know which companies are operating in their territories, which type of resources are used, or which favourable investment or tax treatments are granted. It also informs local stakeholders about which international networks these companies may belong to and how they are related to other companies operating in the same country. Organisational transparency allows citizens to hold companies accountable for the impacts they have on the communities in which they operate.

This dimension assesses the disclosure practices of full lists, ownership, countries of registration and operations of 2 types of organisational structures: fully consolidated (subsidiaries) and non-fully consolidated (affiliates and joint ventures) entities.

To assess organisational transparency, publicly available documents on the companies' websites such as annual reports and stock exchange filings for information about company subsidiaries, affiliates, joint ventures and other holdings were studied. The information sought includes corporate

names, percentages of ownership by the parent companies, countries of incorporation and countries in which the companies operate. Of the companies assessed, 2 companies, i.e. Sacombank and VIMEDIMEX, clearly indicate that they do not have any affiliates or joint-ventures. Hence they are excluded from the assessment relating to non-fully consolidated entities.

The best-scoring group of companies is publicly-listed companies, with an average score of 64%, followed by the state-owned company group at 29%. For FDI companies, the average score is 0%.

FPT and Vinamilk achieve maximum scores (100%), followed closely by another publicly-listed company, Sacombank (88%). At the other end of the spectrum, 14 companies score 13% or below. 13 companies score above the average score of 32% in organisational transparency (Figure 3). These 13 companies are 8 publicly-listed companies and 5 state-owned companies. It is not surprising to see better practices of organisational transparency by the publicly-listed companies as they are obliged to publicise annual reports on their websites, including information on subsidiaries, affiliates and joint-ventures (with specifications on the names, addresses, fields of production and business majors, paid-in charter capital, rates of ownership in its subsidiaries, affiliates and joint-ventures on their websites), in addition to their disclosure of financial statements, including information about transactions with its subsidiaries, affiliates and joint-ventures on their websites²⁰.

The worst performing companies include 10 FDI and 2 state-owned companies which do not show any public information with respect to the organisational transparency dimension of this study. Although the relevant information for this is required in their annual financial statements²¹, the 2 state-owned enterprises fail to disclose their financial statements on their corporate website as required in the Decree 81. Adherence to the Decree is considered to be weak. In the early months of 2017, a report by the Ministry of Planning and Investment found that 379 out of 620 state-owned enterprises did not disclose

19 In this study, the legal definitions of fully consolidated subsidiaries and non-fully consolidated holdings regulated in the Enterprise Law (2014) and Decision No.234/2003/QĐ-BTC are used. The term "subsidiaries" is for fully consolidated subsidiaries and "affiliates and joint ventures" are for non-fully consolidated companies. According to the Enterprise Law (2014), one company is parent of a fully consolidated subsidiary if it owns more than 50% of charter capital or total number of ordinary shares of the children companies. Decision No.234/2003/QĐ-BTC stipulates that affiliated companies are those in which the investor has significant influence (investor holds, directly or indirectly through subsidiaries at least 20% of the voting power), but not subsidiaries or joint ventures of the investor.

20 Articles 8 and 11 of Circular No. 155/2015/TT-BTC dated October 06, 2015 of the Ministry of Finance guiding the disclosure of information on the securities market

21 Article 115, 4.1.e of Circular No. 200/2014/TT-BTC dated December 22, 2014 by the Ministry of Finance about enterprise accounting regime.

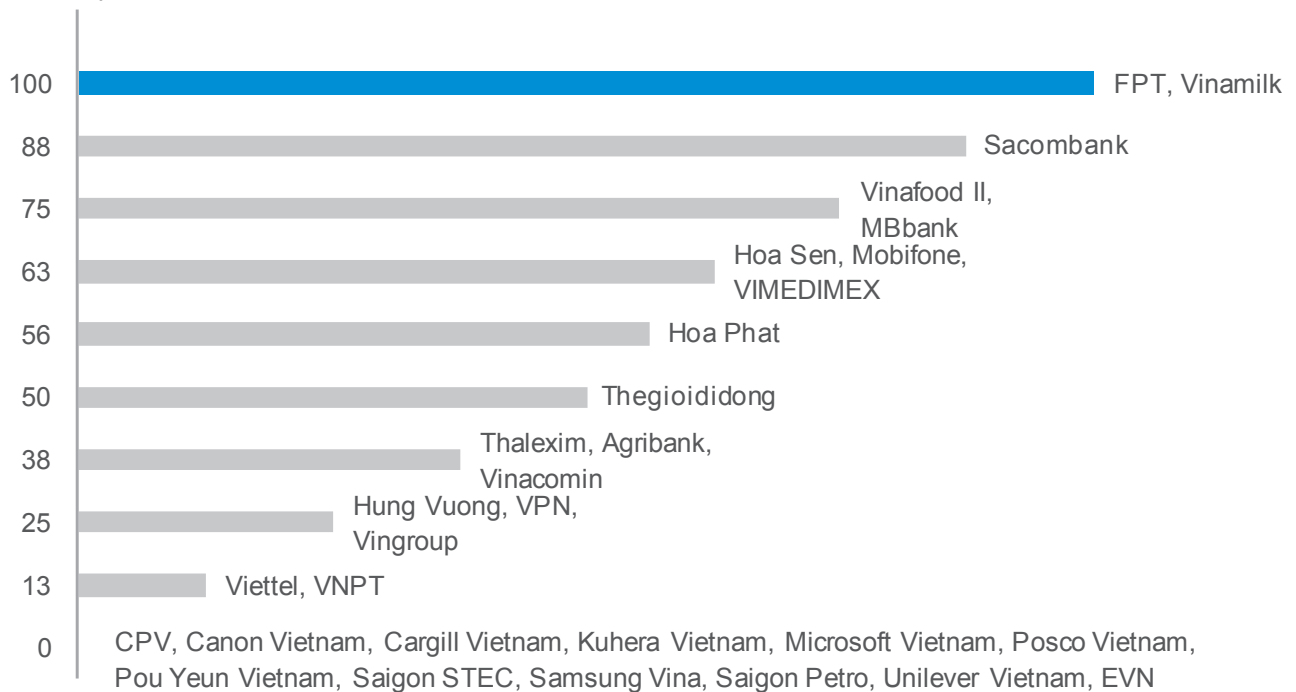
their information according to the Decree 81. Meanwhile, FDI companies (excluding the joint stock companies) are not bound by any regulation to make their financial statements public on their website. As a result, no information related to the organisational transparency questions for the assessed FDI companies was found.

In this dimension, the highest-scoring question concerns the disclosure of full lists of subsidiaries. A total of 18 companies, 10 out of the 10 publicly-listed companies and 8 out of the 10 state-owned companies, are awarded positive scores for this question. Among those, only Viettel fails to present the percentages owned in each of its subsidiaries. That makes the question concerning the ownerships in subsidiaries the second-best scoring.

The worst-scoring questions concern the disclosure of the countries where non-fully consolidated holdings incorporate and operate, with respectively 4 and 2 companies fully providing the assessed information (Table 4). Information on country of incorporation and operations of fully and non-fully consolidated entities are not sufficiently disclosed by all of the companies. The business registration identification numbers of subsidiaries publicised by companies are not sufficient for the criterion on country of incorporation.

Figure 3: Company Ranking

30 companies, 100% means most disclosure, 0% means least disclosure



ANALYSIS BY QUESTION

30 COMPANIES IN TOTAL

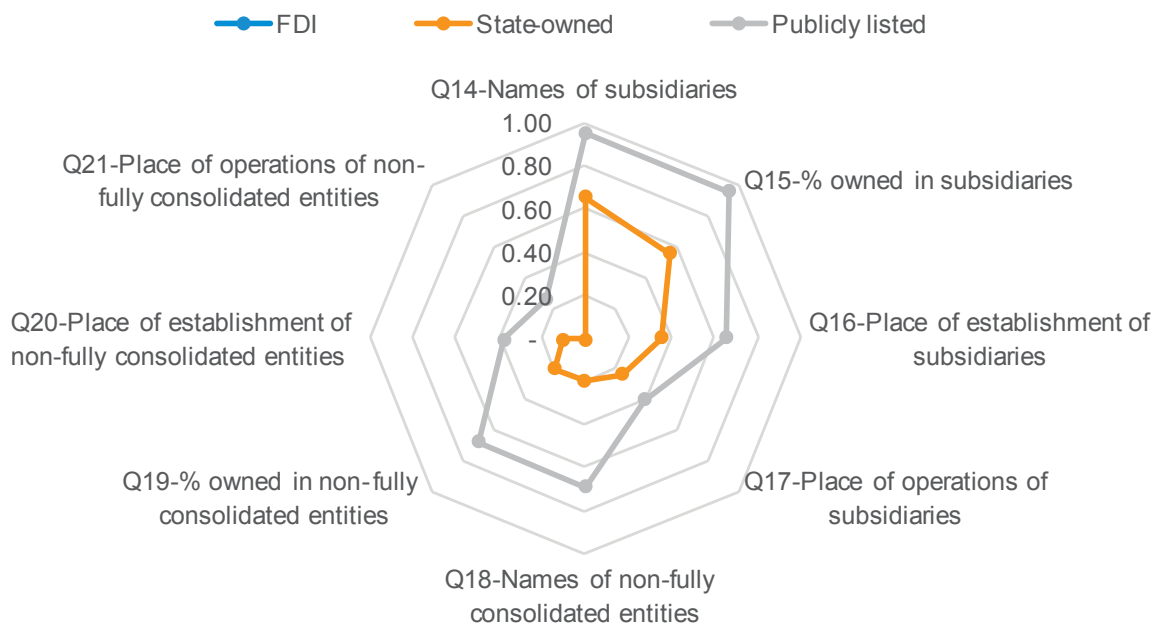
Full lists with names of fully consolidated entities (Subsidiaries) are the most disclosed area.

Countries of operations of non-fully consolidated entities (affiliates and joint-ventures) are the least disclosed areas

Table 4: Company Performance in Organisational Transparency

		Number of companies			
		1 point Most disclosed	0.5 point Partly disclosed	0 point Least disclosed	Not Assessed
1	Subsidiaries: the full list with names	14	4	12	0
2	Subsidiaries: percentages owned in each of them	13	4	13	0
3	Subsidiaries: countries of incorporation	8	4	18	0
4	Affiliates and joint-ventures: the full list with names	6	3	19	2
5	Affiliates and joint-ventures: percentages owned in each of them	6	3	19	2
6	Subsidiaries: countries of operations	6	1	23	0
7	Affiliates and joint-ventures: countries of incorporation	4	0	24	2
8	Affiliates and joint-ventures: countries of operations	2	0	26	2

Figure 4: Results of the eight questions on Organisational Transparency by Company Ownership



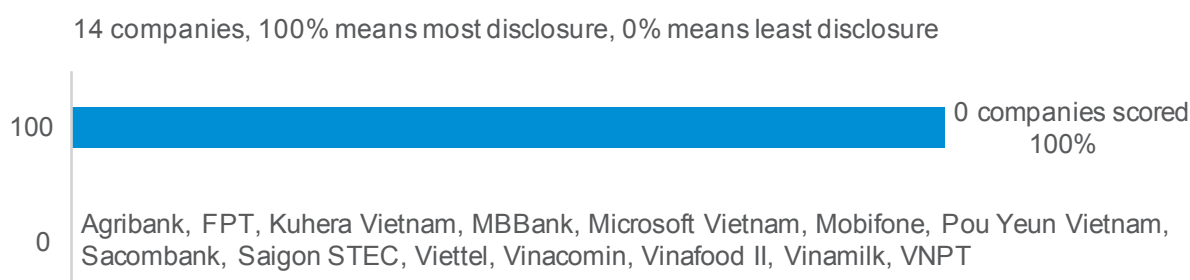
3.3. Country-by-Country Reporting

The last section of the study assesses the level of country-by-country reporting of basic financial data, such as revenue, capital expenditure and pre-tax income. The importance of country-by-country reporting was first recognised in the extractives sector as a way to ensure that revenue from natural resources are used to foster economic and social development²². Country-by-country reporting provides investors with more comprehensive financial information about companies and helps them address investment risk more effectively. In Vietnam, however, requirements for country-by-country reporting are not mandated in the current accounting standards. Meanwhile, a report by Transparency International EU finds that public disclosures of Country-by-country reports do not impact negatively on companies' competitiveness. In fact, 43% of the assessed European companies which reported on a Country-by-country basis, maintained or increased their competitiveness.

Of the companies assessed, 14 companies have operations outside of Vietnam and 16 companies²³ were found not to have any operations outside of Vietnam (therefore excluded in the assessment of this dimension). None of the 14 companies provide country-by-country information, and therefore score zero. Of the 14 companies assessed, 10 publicly provide both consolidated financial statements and financial statements of the parent companies, and four companies do not have corporate website.²⁴ This is the lowest result of all three dimensions assessed in this study.

A lack of country-by-country reporting is not only an issue in Vietnam but also on a global scale. In the TRAC EMM 2016, the result is slightly better with an average score of only 9% and nearly half (49 out of 100 companies) received no point due to the opacity of their financial data on the country-level.

Figure 5: Company Ranking



ANALYSIS BY QUESTION

30 COMPANIES IN TOTAL

Table 5: Company Performance in Country-by-Country Reporting

		Most disclosed		Least disclosed	Not Assessed
		1 point	0.5 point	0 point	
1	Revenues/sales	0	0	14	16
2	Capital expenditure	0	0	14	16
3	Pre-tax income	0	0	14	16
4	Income tax	0	0	14	16
5	Community contribution	0	0	14	16

²² Transparency International (2011) Promoting Revenue Transparency: 2011 Report on Oil and Gas Companies www.transparency.org/whatwedo/pub/promoting_revenue_transparency_2011_report_on_oil_and_gas_companies

²³ Sixteen (16) companies were not assessed for the CBCR dimension in this research (Canon Vietnam, Cargill Vietnam, CPV, EVN, Hoa Phat, Hoa Sen, Hung Vuong, Posco Vietnam, PVN, Samsung Vina, Saigon Petro, Thalexim, Thegioididong, Unilever Vietnam, Vimedimex, Vingroup)

²⁴ Microsoft Mobile Vietnam, Saigon STEC, Pou Yeun Vietnam, Kuhera Vietnam

4. RECOMMENDATIONS

For Companies

PROVIDE AND/OR UPDATE RELEVANT INFORMATION ON WEBSITES, especially companies' values and commitments on integrity and zero tolerance to corruption and bribery. Company websites are one of the most popular ways for companies to communicate with stakeholders on a large scale. Websites promote their overall image, provide information about their business activities, values and ethical commitments. The better informed stakeholders are, the more likely companies are to gain their trust and loyalty. In this assessment, there are 4 companies that do not have a website or the websites do not provide sufficient information, particularly related to anti-corruption programmes and operations required in the assessment. We strongly recommend companies to develop user-friendly websites, by providing information, especially on values and ethical commitments, in at least two languages: Vietnamese and English.

DEVELOP AND/OR PUBLICIZE ANTI-CORRUPTION POLICIES AND PROCEDURES. Anti-corruption programmes are one of the best protective measures for companies against corruption, as well as other legal and reputational risks. Publicizing these programmes helps companies to clearly and widely convey their zero tolerance of corruption and bribery to various stakeholders. A code of conduct indicating zero tolerance policies is the foundation of an effective anti-corruption programme. Also necessary are policies and procedures describing proper internal controls, auditing practices, documentation policies and disciplinary measures covering corruption related areas, such as bribery, gifts and hospitality, conflict of interest, facilitation payments, etc. As companies are expanding their business to global markets, policies should be designed to accommodate not only local legal frameworks in Vietnam but also international anti-corruption legislation such as the UK Bribery Act 2010 and/or the US Foreign Corrupt Practices Acts. In addition, the policies and procedures should be applied to third parties such as suppliers, contractors, partners, etc., who also pose a number of potential corruption risks to companies. They should be

assessed frequently and should be included in the companies' compliance programme and code of conducts. Once the policies and procedures are in place, they should be communicated to the related parties through many channels, including companies' official websites.

PROVIDE TRAINING PROGRAMMES FOR ALL DIRECTORS AND STAFF. A good anti-corruption program is only effective when it is well communicated and applicable to all levels, from the Board of Directors to management and employees. Trainings and messages should be appropriately tailored to the needs and identified risks of the different groups. Personal responsibilities and consequences in case of violations of company regulations should be made clear to all employees. It is also important to have the Board of Directors and top management understand their system, as the right tone from the top significantly influences the conduct and culture of companies.

MAINTAIN CONFIDENTIAL REPORTING AND WHISTLEBLOWING CHANNELS. A whistleblowing system which is easy to access is a very good defense for companies against corruption risks. Such a system can help detect problems and issues, including corrupt malpractices, in the company's daily operation. To be effective, it requires two basic conditions: confidentiality and protection of whistle-blowers, so that they feel safe to report any issues without any threats or fear of retaliation. The system must also ensure anonymity both in reporting and of whistle-blowers, and deny any access to the whistle-blowers' personal information. One of the most important elements of a successful anti-corruption programme is a clearly written system protecting whistle-blowers in the code of ethics, published on the company's website. Additionally, detailed and clear reporting guidance should be made available to everyone on the companies' official websites.

PRACTICE ORGANISATIONAL TRANSPARENCY. State-owned companies and publicly-listed companies should enhance their compliance with the existing legal framework and make information about their subsidiaries, affiliates and joint ventures publicly available on their websites. FDI companies should also proactively publicise this information regardless of the lack of related legal regulation. Such public information would bring benefits to many parties where the company operates. This disclosure would not only help local government agencies to detect and ward off corruption issues, such as



tax heaven or money laundering but also show companies' commitment to higher transparency standards, so as to gain the trust and enhance their reputation with investors and other stakeholders.

REPORT BASIC FINANCIAL INFORMATION ON A COUNTRY-BY-COUNTRY BASIS. One of the important factors for companies to grow strong and healthy in a global market is to be transparent against political and reputational risks as well as help citizens understand company impacts on the local economy. In doing so, it is necessary for companies to proactively report on their projects, revenue, taxes, and corporate social investments in the countries where they operate or have a presence.

For Government

ENHANCE THE ROLES OF COMPANIES IN THE FIGHT AGAINST CORRUPTION. Private sector plays an important role in countering corruption. Firstly, the Draft Anti-Corruption Law should contain provisions recognising the important role of private sector in anti-corruption. Furthermore, the Law should be revised to promote and create favourable environment for business and business associations to actively perform their roles in the fight against corruption. The law may also specify the responsibilities of businesses in developing and applying internal anti-corruption measures. In addition, regulations on companies' information disclosures should be revised towards higher international standards for ALL types of companies in Vietnam.

ENFORCE THE REGULATORY FRAMEWORK. Promulgating laws is a necessary step to raise awareness and incentivise companies to take action on anti-corruption. However, it is necessary to implement the laws in a fair and serious way to enhance the effectiveness of anti-corruption works in practice and create level playing field amongst companies.

For Other Stakeholders

DEMAND HIGHER TRANSPARENCY STANDARDS. Disclosure of a company's anti-corruption programme, organisational structure, and individual financial accounts for each operation country by country, is important not only for investors to evaluate potential economic, political and reputational risks of companies, it is also important for local citizens and civil social organisations to assess and monitor the impact of companies' operations on their locality. As a result, it is important for stakeholders to actively demand businesses to publicly provide them with necessary information. Awareness raising programmes and dialogues between companies and multi-stakeholders are highly recommended.

ANNEX 1: QUESTIONNAIRE

REPORTING ON ANTI-CORRUPTION PROGRAMMES

1. Does the company have publicly stated commitment to anti-corruption?
2. Does the company publicly commit to be in compliance with all relevant laws, including anti-corruption laws?
3. Does the company leadership (senior member of management or board) demonstrate support for anti-corruption?
4. Does the company's code of conduct/anti-corruption policy explicitly apply to all employees and directors?
5. Does the company's anti-corruption policy explicitly apply to persons who are not employees but are authorised to act on behalf of the company or represent it (for example: agents, advisors, representatives or intermediaries)?
6. Does the company's anti-corruption programmes apply to non-controlled persons or entities that provide goods or services under contract (for example: contractors, subcontractors, suppliers)?
7. Does the company have in place an anti-corruption training programme for its employees and directors (Board)?
8. Does the company have a policy on gifts, hospitality and expenses?
9. Is there a policy that explicitly prohibits facilitation payments?
10. Does the programme enable employees and others to raise concerns and report violations (of the programme) without risk of reprisal?
11. Does the company provide a channel through which employees can report suspected breaches of anti-corruption policies, and does the channel allow for confidential and/or anonymous reporting (whistle-blowing)?
12. Does the company carry out regular monitoring of its anti-corruption programme to review the programme's suitability, adequacy and effectiveness, and implement improvements as appropriate?

13. Does the company have a policy on political contributions that either prohibits such contributions or if it does not, requires such contributions to be publicly disclosed?

ORGANISATIONAL TRANSPARENCY

14. Does the company disclose all of its fully consolidated subsidiaries?
15. Does the company disclose percentages owned in each of its fully consolidated subsidiaries?
16. Does the company disclose countries of incorporation for each of its fully consolidated subsidiaries?
17. Does the company disclose countries of operations for each of its fully consolidated subsidiaries?
18. Does the company disclose all of its non-fully consolidated holdings (affiliates, joint-ventures)?
19. Does the company disclose percentages owned in each of its non-fully consolidated holdings?
20. Does the company disclose countries of incorporation for each of its non-fully consolidated holdings?
21. Does the company disclose countries of operations for each of its non-fully consolidated holdings?

COUNTRY-BY-COUNTRY REPORTING

22. Does the company disclose its revenue/sales in country X?
23. Does the company disclose its capital expenditure in country X?
24. Does the company disclose its pre-tax income in country X?
25. Does the company disclose its income tax in country X?
26. Does the company disclose its community contribution in country X?

ANNEX 2: LIST OF SELECTED COMPANIES

ACP: Anti-Corruption Programmes;
CBCR: Country-By-Country-Reporting.

OT: Organisational Transparency;

#	COMPANY	ABBREVIATION	INDUSTRY	OWNERSHIP	ACP	OT	CBCR	FEED BACK
1	C.P. Viet Nam Corporation	CPV	Consumer Goods	FDI	42%	0%	NA	
2	Canon Vietnam Co.,Ltd	Canon Vietnam	Manufacturing	FDI	15%	0%	NA	
3	Cargill Vietnam Limited	Cargill Vietnam	Manufacturing	FDI	65%	0%	NA	
4	FPT Corporation	FPT	Technology	PLC	8%	100%	0%	
5	Hoa Phat Group JSC	Hoa Phat	Multi-sector	PLC	0%	56%	NA	
6	Hoa Sen Group	Hoa Sen	Materials	PLC	0%	63%	NA	
7	Hung Vuong Corporation	Hung Vuong	Multi-sector	PLC	0%	25%	NA	
8	Kureha Vietnam Co., Ltd	Kuhera Vietnam	Manufacturing	FDI	0%	0%	0%	
9	Microsoft Mobile Vietnam Limited Liability Company	Microsoft Mobile VietNam	Manufacturing	FDI	0%	0%	0%	
10	Military Commercial Joint Stock Bank	MBBank	Financial services	PLC	0%	75%	0%	
11	MobiFone Corporation	Mobifone	Telecommunication	SOE	0%	63%	0%	
12	Mobile World Investment Corporation	Thegioididong	Consumer Goods Consumer services	PLC	0%	50%	NA	
13	Posco Vietnam Co., Ltd	Posco Vietnam	Manufacturing	FDI	65%	0%	NA	
14	PouYeun Vietnam Co., Ltd	Pou Yeun Vietnam	Manufacturing	FDI	0%	0%	0%	
15	Saigon STEC Co.,Ltd	Saigon STEC	Manufacturing	FDI	0%	0%	0%	
16	Saigon Thuong Tin Commercial Joint Stock Bank	Sacombank	Financial services	PLC	0%	88%	0%	
17	Samsung Electronics Vietnam Co., Ltd.	Samsung Vina	Technology	FDI	54%	0%	NA	
18	Thanh Le General Import - Export Trading Corporation	Thalexim	Trading	SOE	0%	38%	NA	
19	The Ho Chi Minh city one-member limited liability oil & gas company	Saigon Petro	Oil, gas & energy	SOE	0%	0%	NA	

#	COMPANY	ABBREVIATION	INDUSTRY	OWNERSHIP	ACP	OT	CBCR	FEED BACK
20	Unilever Vietnam International Co., Ltd	Unilever Vietnam	Consumer Goods	FDI	0%	0%	NA	
21	Vietnam Bank for Agriculture and Rural Development	Agribank	Financial services	SOE	0%	38%	0%	
22	Vietnam Dairy Products JSC	Vinamilk	Consumer Goods	PLC	38%	100%	0%	
23	Vietnam Electricity	EVN	Electricity	SOE	4%	0%	NA	
24	Vietnam national coal - mineral industries holding corporation limited	Vinacomin	Mining	SOE	15%	38%	0%	
25	Vietnam Oil and Gas Group	PVN	Oil, gas & energy	SOE	0%	25%	NA	
26	Vietnam Posts and Telecommunications Group	VNPT	Telecommunication	SOE	0%	13%	0%	
27	Vietnam Southern Food Corporation	Vinafood II	Trading	SOE	0%	75%	0%	
28	Viettel Corporation	Viettel	Telecommunication	SOE	0%	13%	0%	
29	VIMEDIMEX Medi - Pharma JSC	Vimedimex	Healthcare	PLC	0%	63%	NA	
30	Vingroup Joint Stock Company	Vingroup	Multi-sector	PLC	0%	25%	NA	

BY SECTOR

#	INDUSTRY	COMPANIES
1	Consumer goods	4
2	Consumer services	1
3	Electricity	1
4	Financial services	3
5	Healthcare	1
6	Manufacturing	7

#	INDUSTRY	COMPANIES
7	Materials	1
8	Mining	1
9	Multi-sector	3
10	Oil, gas & energy	2
11	Technology	2
12	Telecommunication	3
13	Trading	2

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