



By Jerry Bernas, Lawrence Loh,
Nguyen Thi Phuong Thao,
Isabel Sim, Thomas Thomas,
Wang Yu

December 2016

CORPORATE DISCLOSURE ON BUSINESS INTEGRITY IN ASEAN



Centre for Governance, Institutions & Organisations
NUS Business School

TABLE OF CONTENTS

List of Figures	2
List of Tables	2
About ASEAN CSR Network (ACN)	3
About CGIO NUS	3
Executive Summary	4
1. Introduction	5
2. Business Integrity Status and Disclosure in ASEAN	5
3. Methodology	8
3.1 Selection of Companies	8
3.2 Source of Information	8
3.3 Questionnaire and Scoring	8
4. Findings	10
4.1 Overall Level of Disclosure across ASEAN	10
4.2 Level of Disclosure by Question	10
4.2.1 Average Level of Disclosure by Question	10
4.2.2 Specific Level of Disclosure by Question	12
4.3 Breakdown of Country Performance	21
4.3.1 Indonesia	21
4.3.2 Malaysia	22
4.3.3 Philippines	23
4.3.4 Singapore	24
4.3.5 Thailand	25
4.4 Top Ten Companies across ASEAN	26
5. Limitations	27
6. Conclusion and Moving Forward	27
Reference	29
Annex	30
The Authors	35
Acknowledgement	35

LIST OF FIGURES

Figure 1	Number of UNGC signatories in ASEAN	7
Figure 2	Overall level of disclosure across ASEAN	10
Figure 3	Disclosure of zero-tolerance statement	12
Figure 4	Disclosure of commitment to comply with laws	12
Figure 5	Disclosure of leadership support	13
Figure 6	Disclosure of code of conduct applied to all employees and directors	14
Figure 7	Disclosure of training programme for all employees and directors	14
Figure 8	Disclosure of code applied to agents	15
Figure 9	Disclosure of code applied to suppliers	16
Figure 10	Disclosure of gift, hospitality, travel policies	16
Figure 11	Disclosure of prohibition facilitation payments	17
Figure 12	Disclosure of political contributions	18
Figure 13	Disclosure of prohibition of retaliation for reporting	18
Figure 14	Disclosure of confidential reporting channel	19
Figure 15	Disclosure of regular programme monitoring	20
Figure 16	Indonesia: Breakdown of scores by question	21
Figure 17	Malaysia: Breakdown of scores by question	22
Figure 18	Philippines: Breakdown of scores by question	23
Figure 19	Singapore: Breakdown of scores by question	24
Figure 20	Thailand: Breakdown of scores by question	25

LIST OF TABLES

Table 1	ASEAN CPI Index 2015	6
Table 2	UNGC signatories and membership by country	7
Table 3	List of questions grouped by category	9
Table 4	Overall average disclosure by question	11
Table 5	Highest disclosure rate across ASEAN	26
Table 6	Country with highest and lowest scores by question	28

ABOUT ASEAN CSR NETWORK (ACN)

In line with the achievement of an ASEAN Community, the ASEAN CSR Network (ACN) was established in December 2010 through the ASEAN Foundation with a mandate to ensure that corporate social responsibility (CSR) is incorporated in the corporate agenda and contributes towards sustainable socio - economic development in ASEAN Member States.

As a regional organisation, the ACN provides a platform for networking and cooperation at the ASEAN level, supports capacity-building and training activities, helps catalyse collective action on key issues, and provides a link with regional and international bodies interested in supporting the advancement of CSR in the region.

For more information, please visit www.asean-csr-network.org.

ABOUT CGIO NUS

The Centre for Governance, Institutions and Organisations (CGIO) was established by the National University of Singapore (NUS) Business School in 2010. It aims to spearhead relevant and high-impact research on governance issues that are pertinent to Asia, including corporate governance, governance of family firms, state-owned-enterprises, business groups, and institutions. The CGIO also organises events such as public lectures, industry roundtables, and academic conferences on topics related to governance.

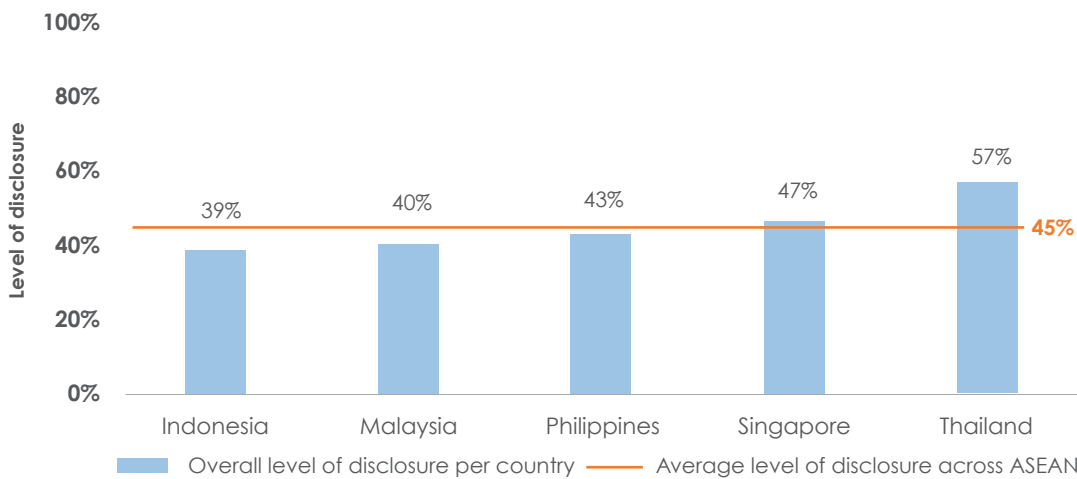
For more information, please visit www.bschool.nus.edu.sg/cgio.

EXECUTIVE SUMMARY

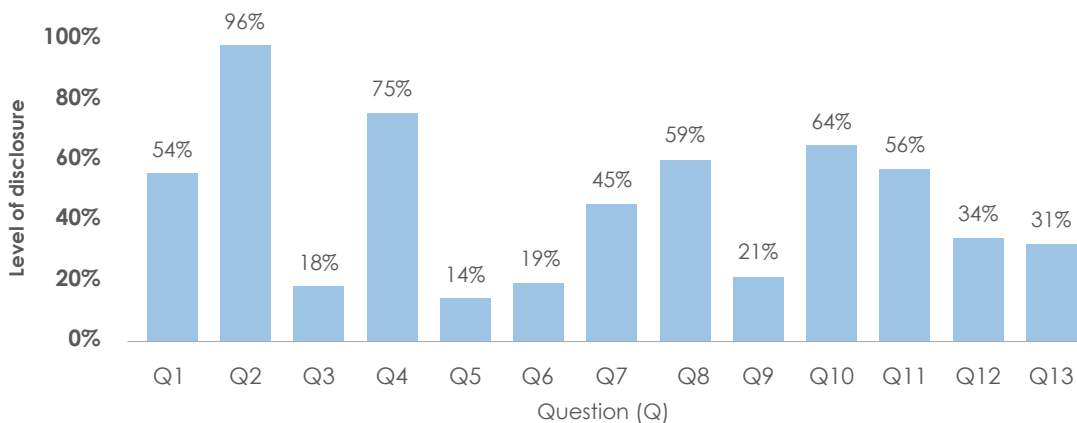
This study focuses on the evaluation of level of disclosure of anti-corruption practise in five ASEAN countries, namely, Indonesia, Malaysia, Philippines, Singapore and Thailand. This study is a collaboration between ASEAN CSR Network (ACN) and Centre for Governance, Institutions and Organisations (CGIO) of NUS Business School.

A summary of key findings is as follows:

- The average level of disclosure for the five countries is 45%.
- The scores range from 39% (Indonesia) to 57% (Thailand). Singapore scored the second highest with 47% disclosure score, followed by Philippines with score of 43% and Malaysia with score of 40%.



- Areas with high disclosures include “Q2 Commitment to comply with laws” (96%) and “Q4 Code applied to all employees and directors” (75%).
- Areas for improvements with disclosures below 20% include “Q3 Leadership support” (18%), “Q5 Code applied to agents” (14%) and “Q6 Code applied to suppliers” (19%).



1. INTRODUCTION

ASEAN is attracting worldwide attention as one of the fastest growing economies. However, most of the ASEAN countries are lagging behind in their transparency or the absence of corruption, which are imperative for sustainable development. While some ASEAN countries have started looking into the corruption problems with implementation of various initiatives, the payoffs of their efforts are yet to be observed. In various corruption-related indicators such as the Corruption Perception Index (CPI) and the Global Corruption Barometer by Transparency International, and the Control of Corruption Indicator by Millennium Challenge Corporation, the scores show that there are opportunities for further improvements in most ASEAN countries.

In view of growing emphasis on anti-corruption and rapidly changing landscape of Corporate Social Responsibility (CSR) in ASEAN, this study was conducted to scrutinise and evaluate the disclosure of anti-corruption policies in companies to identify areas with good practices as well as shortcomings in current disclosures.

This study points out some key areas that most ASEAN companies are still lagging behind or overlooked in their disclosure of anti-corruption practices or policies such as leadership support, code or policies applied to agents and suppliers, as well as the prohibition of facilitation payments. Yet, they are very important steps in creating a corrupt-free business environment.

It is imperative for organisations to communicate their anti-corruption practices to both internal and external stakeholders (Coonjohn & Lodin, 2011). This research hopes to provide some insights for governments and companies in ASEAN and other countries to improve their disclosure of anti-corruption policies, which will subsequently benefit the company through means such as lower subsequent media allegations of corruption (Healy & Serafeim, 2011) and higher investor confidence (Joseph, Gunawan, Sawani, Rahmat, Noyem, & Darus, 2016).

2. BUSINESS INTEGRITY STATUS AND DISCLOSURE IN ASEAN

Corruption is a serious concern for business organisations all over the world. Corruption adds up to 10% to the total cost of doing business in many parts of the world, and up to 25% to the cost of procurement contracts in developing countries¹, where most ASEAN member states are classified.

In ASEAN, corruption has become systemic, with many even saying that it has become ingrained in the cultural norms and expectations of doing business in ASEAN. Most ASEAN countries ranked at the bottom half of Transparency International's CPI 2015, indicating serious levels of corruption in the region.

¹International Chamber of Commerce, TI, UN Global Compact & WEF Partnering Against Corruption Initiative (PACI), *The business case against corruption*, http://www3.weforum.org/docs/WEF_PACI_BusinessCaseAgainstCorruption_2008.pdf

Country*	2015 Rank	2015 Score
Cambodia	150	21
Indonesia	88	36
Lao PDR	139	25
Malaysia	54	50
Myanmar	147	22
Philippines	95	35
Singapore	8	85
Thailand	76	38
Vietnam	112	31

Table 1 ASEAN CPI Index 2015. Source: Transparency International

*Listed in alphabetical order. No information available for Brunei Darussalam.

Being aware of the existence of corruption issues within the ASEAN community, various parties have put in substantial efforts to eliminate corruption. One of the major milestones is the ASEAN Corporate Governance Scorecard, which was initiated in 2011 under the ASEAN Capital Markets Forum (ACMF) Implementation Plan to raise corporate governance standards and promote greater transparency and disclosure of good corporate governance practices.

Furthermore, with more acknowledgment of the crucial role of exchanges in corporate governance in regional forums such as the annual OECD-Asian Corporate Governance Roundtables, stock exchanges in various countries in ASEAN are actively promoting more CSR disclosures in their listing requirements and compliance regulations. More stock exchanges are including anti-corruption practices and code of ethics as disclosure requirements.

In addition, international initiatives such as United Nations Global Compact (UNGC) and Extractive Industries Transparency Initiative, and the international investment community are also actively promoting the integration of corporate responsibility and anti-corruption programmes which has resulted in more and more companies taking the anti-corruption issue seriously. For example, there are more companies taking initiatives to tackle corruption, such as by signing up for UNGC Ten Principles, which include principles against corruption in accordance with the UN Convention against Corruption. As seen in *Figure 1* below, the total number of UNGC signatories in ASEAN increased by 64%, from 461 in March 2014 to 756 in October 2016 with prominent increment from Myanmar.

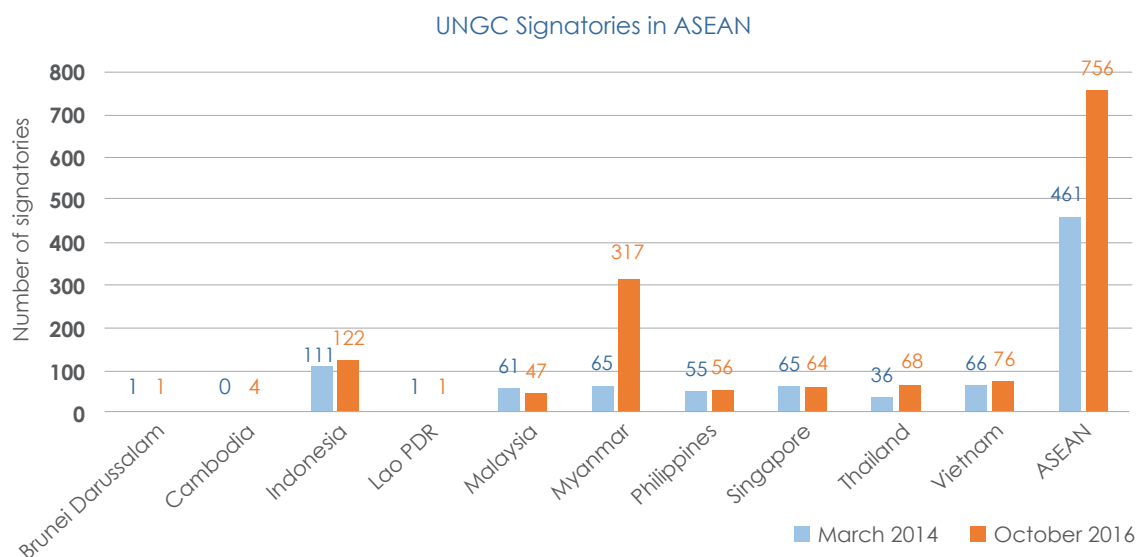


Figure 1 Number of UNGC signatories in ASEAN. Source: UNGC

In most countries, the majority signatories are from the private sector. In addition, more organisations in ASEAN countries are signing up to become members of the ACN. More countries are also opening Global Compact Local Networks in order to collectively encourage companies to behave responsibility with integrity (Table 2).

Country	Member of ACN?	Number of UNGC business signatories	Number of UNGC signatories	UNGC network?
Brunei Darussalam	No	0	1	No
Cambodia	No	3	4	No
Indonesia	Yes	47	122	Yes
Lao PDR	No	0	1	No
Malaysia	Yes	32	47	Yes
Myanmar	Yes	308	317	Yes
Philippines	Yes	13	56	Yes
Singapore	Yes	49	64	Yes
Thailand	Yes	59	68	Yes
Vietnam	Yes	25	76	Yes

Table 2 UNGC signatories and membership by country. Source: UNGC & ACN as of October 2016

Lastly, more business networks and associations have come on board and been actively promoting a number of anti-corruption initiatives such as integrity pledge, anti-corruption declaration and certification, integrity pact. In September 2014, in an effort to promote businesses' collective actions against corruption, including joint advocacy campaign and capacity building, the ACN gathered key private sector networks with strong commitment to anti-corruption to form the Regional Working Group on Business Integrity in ASEAN. Members of the Working Group gather at least once a year to update each other on their work's progress in respective countries, and review regional strategy and work-plan. Current members of the Working Group include seven private networks from six ASEAN countries: Indonesia Business Links, International Chamber of Commerce – Malaysia, Integrity Initiative Inc. (Philippines), Global Compact Network Singapore (formerly known as Singapore Compact for CSR), Private Sector Collective Action Coalition Against Corruption in Thailand, Vietnam Chamber of Commerce and Industry, and the ACN.²

These developments offer great opportunities for ASEAN to improve its business integrity and anti-corruption, which is expected to help realise and strengthen a sustainable, equitable and inclusive ASEAN Community for all.

3. METHODOLOGY

3.1 Selection of Companies

Largest 50 companies by market capitalisation as of 31st December 2015 in the five ASEAN countries (Indonesia, Malaysia, Philippines, Singapore, and Thailand) were selected.

3.2 Source of Information

All information is obtained through publicly assessable means such as the companies' websites, annual reports, sustainability reports, corporate governance reports, and code of conduct as of 31st April 2016.

3.3 Questionnaire and Scoring

The methodology framework for this study is derived from the methodology developed in Transparency in Corporate Reporting: Assessing the World's Largest Companies (2014) by Transparency International and the coding manual used in the Transparency in Myanmar Enterprises (TiME)/Pwint Thit Sa report (2015) by Myanmar Centre for Responsible Business, which provide a robust assessment of the level of disclosure of anti-corruption practices. The extensive assessment framework with some minor adjustments is condensed into 13 questions, which we grouped into three key categories, namely, internal commitment to anti-corruption, external commitment to anti-corruption, and reporting and monitoring.

²Regional Working Group on Business Integrity in ASEAN, *Envisioning a Corruption-free ASEAN Business Community: A Guiding Framework for Regional Collective Action*, http://integrityhasnoborders.com/images/resource/Guiding_Framework_for_Regional_Collective_Action.pdf

The explicitness and comprehensiveness of disclosure on anti-corruption practices were analysed through the assignment of scores of 1, 0.5 and 0 for each question. 1 point was awarded if the company's disclosure fully satisfied the requirements for the question; 0.5 points were awarded if the company only partially satisfied the disclosure requirements; and 0 points were awarded if the company did not satisfy any requirements (refer to Annex for the question list and detailed scoring framework). The maximum score for each company is 13 points. The final score for the company is then expressed as a percentage of the maximum possible score (between 0 and 100 percent).

Category	Question	Description
Internal commitment to anti-corruption	1	Zero-tolerance statement
	2	Commitment to comply with laws
	3	Leadership support
	4	Code applied to all employees and directors
	7	Training programme for all employees and directors
External commitment to anti-corruption	5	Code applied to agents
	6	Code applied to suppliers
	8	Gifts, hospitality, travel policies
	9	Prohibition of facilitation payments
	13	Disclosure of political contributions
Reporting and monitoring	10	Prohibition of retaliation for reporting
	11	Confidential reporting channel
	12	Regular programme monitoring

Table 3 List of questions grouped by category

Apart from scoring for each question, for the purpose of comparison, the overall level of disclosure for a country and the average disclosure rate for each question were computed.

Overall level of disclosure for a country was computed as the sum of disclosure rate per question divided by 13 (total number of questions). Average level of disclosure for each question was computed as the sum of points for all companies divided by 50 (total number of companies selected for evaluation).

4. FINDINGS

The findings present the average disclosure rate for each question by the top 50 companies of each country on an aggregate basis. They also present the overall level of disclosure for a country on an aggregate basis and question-by-question basis.

4.1 Overall Level of Disclosure across ASEAN

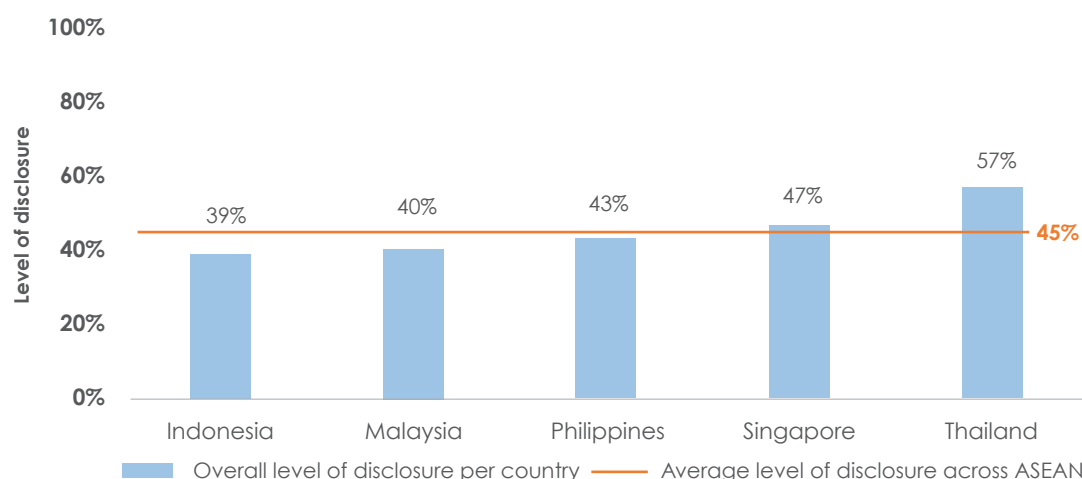


Figure 2 Overall level of disclosure across ASEAN

Overall, ASEAN countries scored moderately with average disclosure rate of 45% for the five countries. The scores range from 39% (Indonesia) to 57% (Thailand). Singapore scored the second highest with 47% disclosure score, followed by Philippines with a slightly higher-than-average score of 43%. Malaysia scored the second lowest with a below-average score of 40%. These scores imply that Thailand is the most explicit and holistic in the disclosure of its anti-corruption policies and measures.

4.2 Level of Disclosure by Question

4.2.1 Average Level of Disclosure by Question

While more and more parties in ASEAN deployed various measures to curb corruption, this report shows that there are still large areas to be improved in self-reporting of their anti-corruption policies. While some companies may have robust anti-corruption policies and systems in certain areas, leading to high scores in questions such as “Q2 Commitment to comply with laws” with 96% average disclosure rate and “Q4 Code applied to all employees and directors” with 75% disclosure rate, there were also low scores which implies that companies need to be more explicit and comprehensive in their disclosure of anti-corruption policies and measures (Table 4). As observed in the findings, all five ASEAN countries’ disclosures are lagging behind in the following three main areas: “Q3 leadership support” with 18% disclosure rate; “Q5 code applied to agents” with 14% disclosure rate, and “Q5 code applied to suppliers” with 19% disclosure rate. This may indicate that companies lack awareness of the importance of communicating its anti-corruption practices to both external and internal stakeholders regarding these three areas.

Category	Question	Description	Disclosure Rate
Internal commitment to anti-corruption	1	Zero-tolerance statement	54%
	2	Commitment to comply with laws	96%
	3	Leadership support	18%
	4	Code applied to all employees and directors	75%
	7	Training programme for all employees and directors	45%
External commitment to anti-corruption	5	Code applied to agents	14%
	6	Code applied to suppliers	19%
	8	Gifts, hospitality, travel policies	59%
	9	Prohibition of facilitation payments	21%
	13	Disclosure of political contributions	31%
Reporting and monitoring	10	Prohibition of retaliation for reporting	64%
	11	Confidential reporting channel	56%
	12	Regular programme monitoring	34%

Table 4 Overall average disclosure by question

4.2.2 Specific Level of Disclosure by Question

a. Internal Commitment to Anti-Corruption

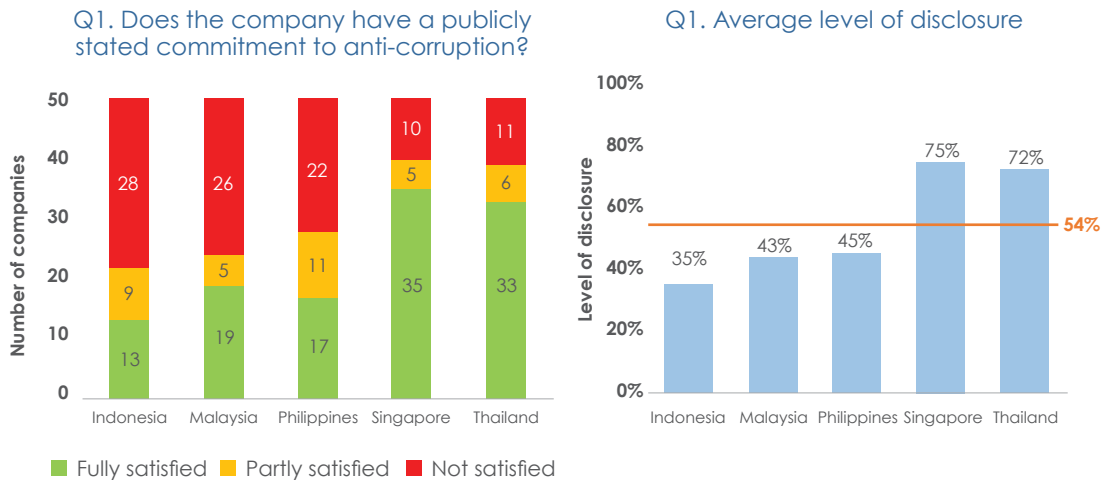


Figure 3 Disclosure of zero-tolerance statement

As seen in Figure 3, the disclosure of zero-tolerance statement obtained an average disclosure score of 54%, led by Singapore (75%) and Thailand (72%), followed by Philippines (45%), Malaysia (43%) and Indonesia (35%). A publicly stated commitment to anti-corruption, is a crucial step to show a company's zero-tolerance towards corruption and it shapes the organisational culture. While most of the companies recognise the dangers of corruption, an explicit zero-tolerance statement is important and effective in communicating a company's stance on corruption.

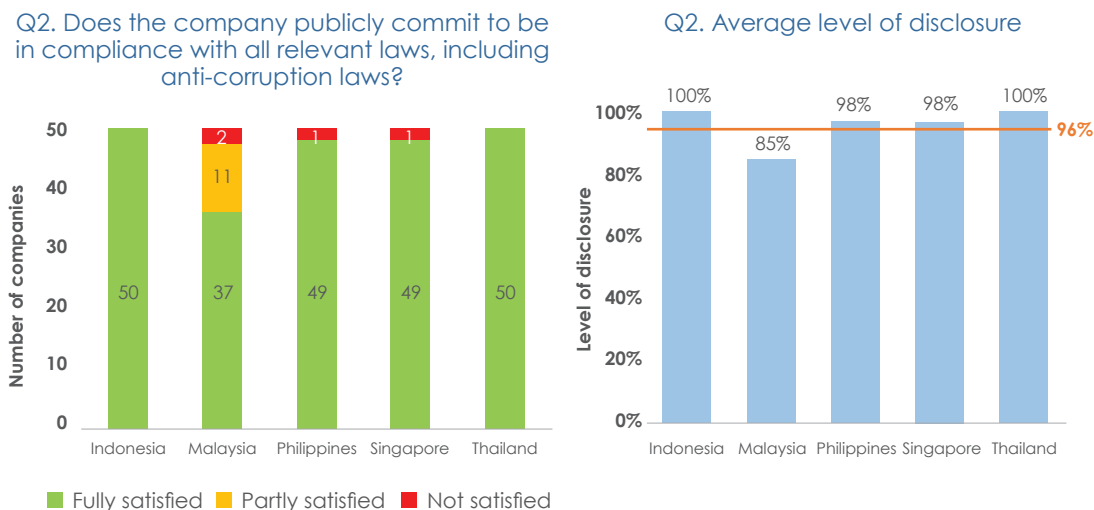


Figure 4 Disclosure of commitment to comply with laws

Figure 4 suggests that all five ASEAN countries have high disclosure of commitment to comply with laws, with an average disclosure score of 96%, the highest among 13 questions. Both Indonesia and Thailand achieved 100% disclosure rate, followed by Philippines and Singapore with disclosure rate of 98%. Malaysia scored the lowest with disclosure rate of 85% as a few companies in Malaysia were not explicit regarding their commitment, leading to a relatively low score. The high scores are expected as compliance with relevant laws and regulations are the minimum requirement for all companies. While a substantial number of companies do not explicitly state their compliance with anti-corruption laws, a general statement is also effective in assessing companies' determination for compliance.

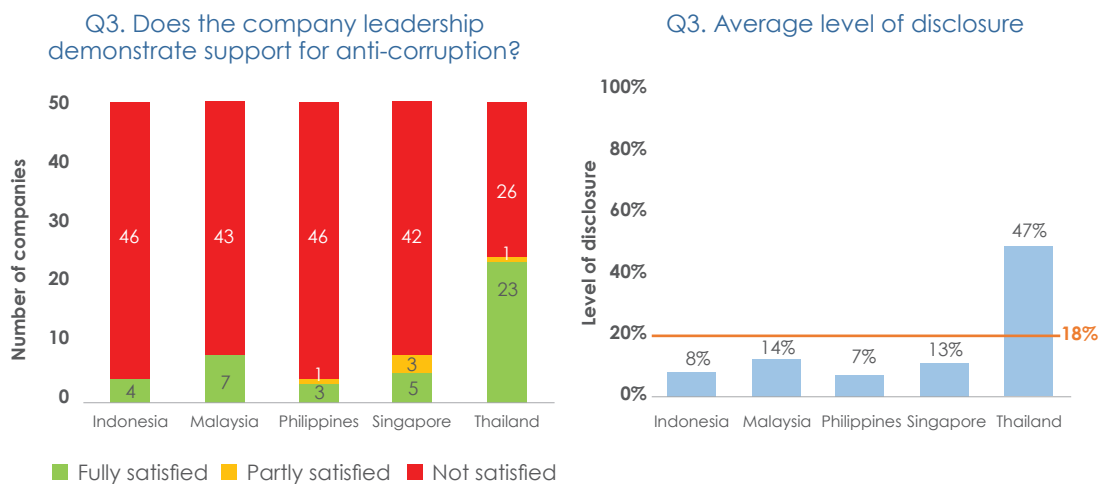
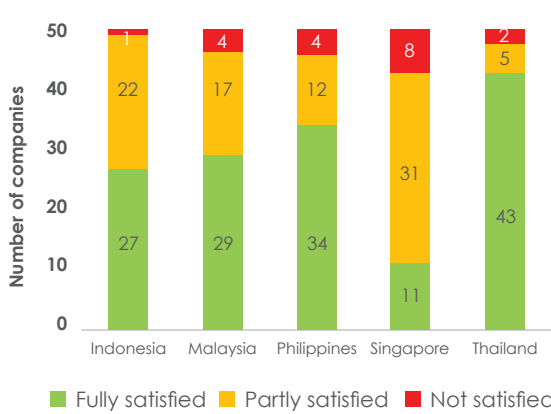


Figure 5 Disclosure of leadership support

Disclosure of leadership support, with an average disclosure of 18%, is one of the major areas for improvement (Figure 5). Thailand significantly outperformed the other four countries with 47% disclosure, followed by Malaysia (14%) and Singapore (13%). Indonesia (8%) and Philippines (7%) were lagging behind in their leadership support. Great polarisation in the scores was observed, as four out of the five countries scored below average and the average score was pulled up by Thailand's relatively high disclosure rate. Excluding Thailand's disclosure rate, the average disclosure for the remaining four countries was 10.5%, one of the lowest among the 13 questions. Leadership support for anticorruption is imperative as it sets the tone at the top and therefore affects the ethical and moral environment in an organisation. However, most companies failed to publicly communicate its leadership support for anti-corruption or failed to emphasise leadership support in anti-corruption policies in their disclosures, characterised by the dominance of companies scoring 0 (more than 40 out of 50 for all five countries except Thailand).

Q4. Does the company's code of conduct/anti-corruption policy explicitly apply to all employees and directors?



Q4. Average level of disclosure

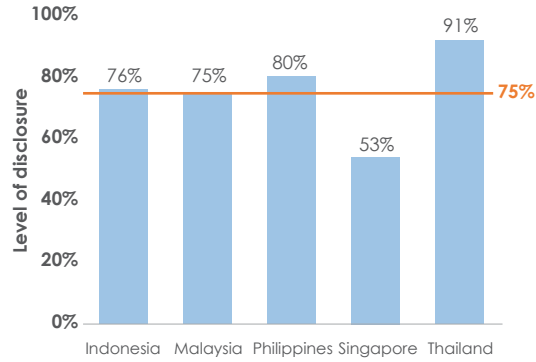
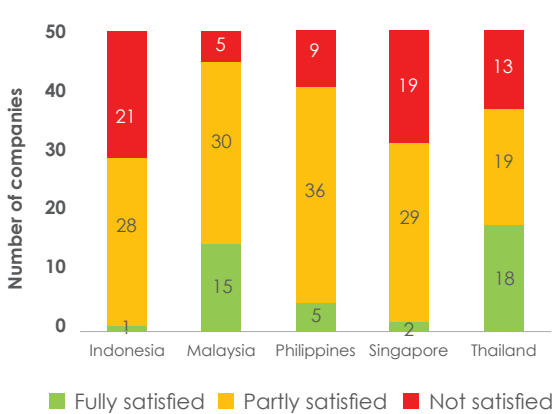


Figure 6 Disclosure of code of conduct applied to all employees and directors

The level of disclosure of the code of conduct applied to all employees and directors is 75% (Figure 6), the second highest disclosure among the 13 questions. Overall, the five ASEAN countries scored well and evenly, with some distortion by Thailand (91%) and Singapore (53%). Enforcement of code of conduct or anti-corruption policy to both employees and directors is needed to prevent potential corruption. Most companies specified that the code of conduct applies to all employees. Some companies were partially satisfied as they failed to state explicitly that directors are also required to comply.

Q7. Does the company have in place an anti-corruption training programme for its employees and directors?



Q7. Average level of disclosure

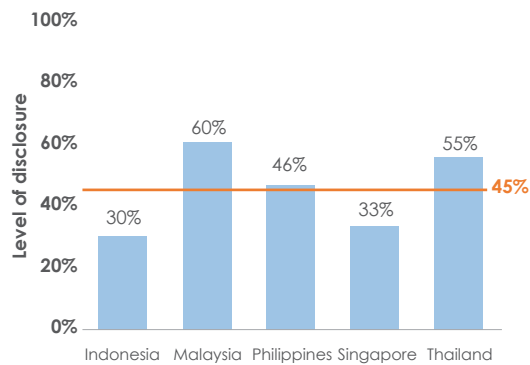


Figure 7 Disclosure of training programme for all employees and directors

As shown in Figure 7, the disclosure of training programme for all employees and directors obtained an average score of 45%. Malaysia scored the highest (60%), followed by Thailand (55%) and Philippines (46%), lagged by Singapore (33%) and Indonesia (30%). Most of the companies disclosed that they have some form of anti-corruption or corporate governance training for employees. However, there are opportunities for continued development by extending the anti-corruption training to all employees and directors. Anti-corruption training is necessary to inform both employees and directors about current laws and regulations governing corruptions and good practices on anti-corruption. While it is crucial for employees to be equipped with knowledge about anti-corruption, directors also need to be involved as they are in the position of formulating companies' policies against corruption.

b. External Commitment to Anti-Corruption

Q5. Does the company's anti-corruption policy explicitly apply to person who are not employees but are authorised to act on behalf of the company or represent it?

Q5. Average level of disclosure



Figure 8 Disclosure of code applied to agents

According to Figure 8, the disclosure of code applied to agents averaged 14%, the lowest among the 13 questions. This is one of the critical issues with current disclosures. All five countries obtained similar scores, leading by Indonesia, Singapore, and Thailand with 16% disclosure rate, followed by Indonesia (12%) and Philippines (10%). The main issue across all five countries is the limited disclosure on monitoring and enforcement of code to agents, which leads to an absence of perfect scores in Indonesia, Philippines, Singapore, and Thailand. The dominance of zero scores across the five countries implies that most companies failed to disclose the role played by third parties, such as agents, in curbing corruption. As such, code of conduct seems to be exclusively targeted at internal personnel. In cases where companies do recognise the importance of regulating agents and encourage agents to follow their code of conduct, lack of enforcement and monitoring can reduce the effectiveness of the policy.

Q6. Does the company's anti-corruption programme apply to non-controlled persons or entities that provide goods or services under contract?

Q6. Average level of disclosure

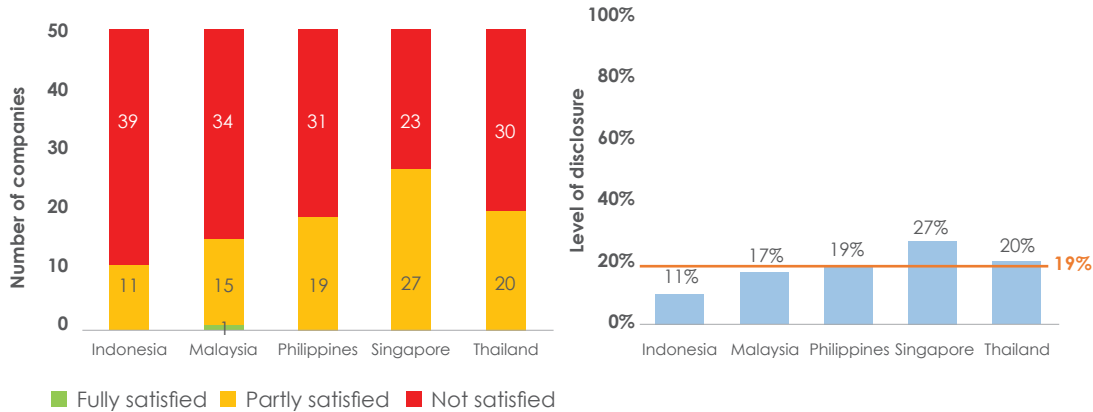


Figure 9 Disclosure of code applied to suppliers

Figure 9 indicates that disclosure of code applied to agents, with an average disclosure of 19%, is another area lagging behind with existing disclosure. Singapore performed relatively better than the rest with 27% disclosure, followed by Thailand (20%), Philippines (19%) and Malaysia (17%). Indonesia scored the lowest with 11% disclosure. Overall, this question scored slightly better than the previous question on code applied to agents, suggesting that more companies acknowledge the importance of regulating the suppliers in their anti-corruption policies. Since suppliers' kickbacks are common forms of corruption within an organisation, it is important to ensure that suppliers follow the company's code of conduct and would not engage in bribery for the purpose of winning bidding contracts. However, failure to disclose enforcement and monitoring again leads to relatively low scores in this area.

Q8. Does the company have a policy on gifts, hospitality and expenses?

Q8. Average level of disclosure

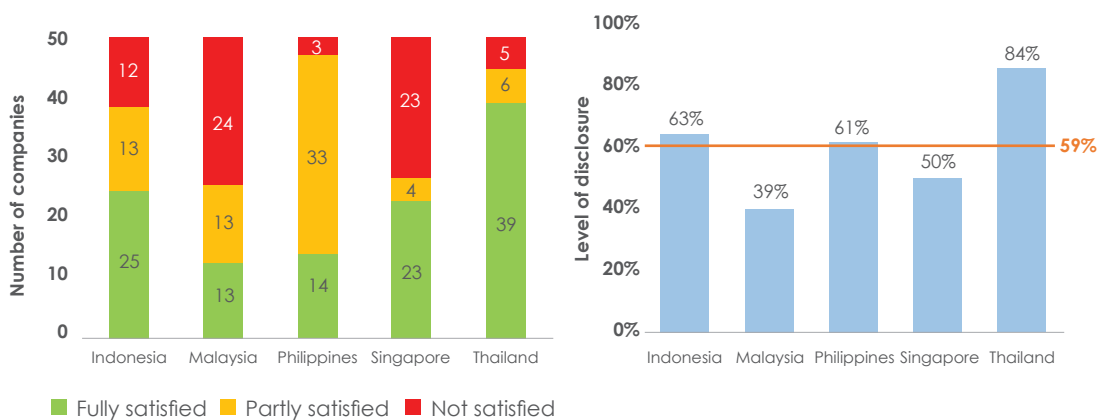


Figure 10 Disclosure of gift, hospitality, travel policies

As seen in Figure 10, companies scored relatively well for the disclosure of gifts, hospitality and travel policies with 59% disclosure rate, led by Thailand (84%), followed by Indonesia (63%), Philippines (61%) and Singapore (50%). Malaysia scored the lowest with 39% disclosure. The ambiguity between gifts, hospitality, and corruption leads to the necessity of specifying clear policies on accepting or giving gifts, hospitality, etc. The main issue with this disclosure is that some companies only disclosed their guidance on accepting gifts and failed to mention policies on giving gifts, which led to partial satisfaction. Other shortcomings in the disclosure include a lack of specification on the threshold of the amount of acceptable gifts or hospitality.

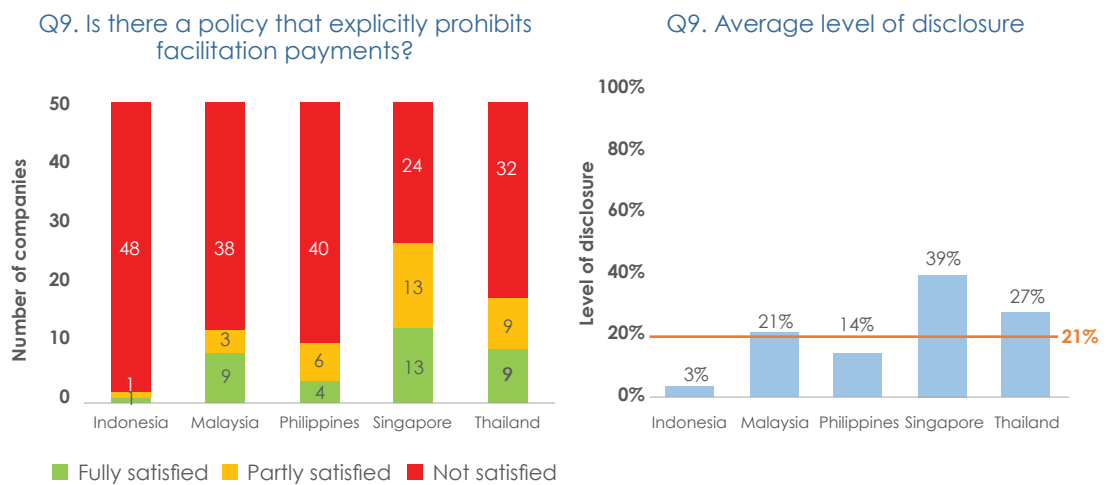


Figure 11 Disclosure of prohibition facilitation payments

The disclosure of prohibition of facilitation payment, with an average disclosure of 21%, is another major area for improvement (Figure 11). Overall, there is a large number of companies scoring 0 in all five countries. In addition, a great polarisation of score is observed, from as high as 39% in Singapore to as low as 3% in Indonesia, the lowest across all questions. Indonesia's scoring is characterised by the dominance of companies scoring 0 (48 out of 50), indicating the lack of awareness about the importance of prohibiting facilitation payment in Indonesia. In some countries, facilitation payments are not explicitly prohibited under their anti-corruption laws and regulations. Therefore, substantial firms do not explicitly prohibit facilitation payments with some companies acknowledging the necessity or permitting the usage of such bribes.

Q13. Does the company have policy on political contributions that either prohibits such contributions or if it does not, requires such contributions to be publicly disclosed?

Q13. Average level of disclosure

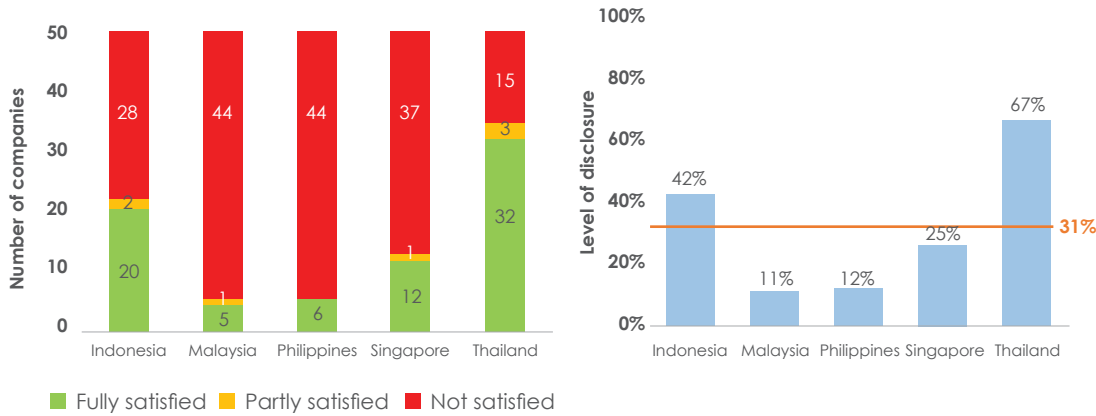


Figure 12 Disclosure of political contributions

As observed in Figure 12, the disclosure of political contribution averaged 31%, ranging from as high as 67% in Thailand to as low as 11% in Malaysia. Similar to facilitation payment, some countries do not explicitly ban or require disclosures on political contribution. This may explain the relatively low scores in Malaysia and Philippines, as characterised by the dominance of companies scoring zero (44 out of 50 in both countries).

c. Reporting and Monitoring

Q10. Does the programme enable employees and others to raise concerns and report violations (of the programme) without risk of reprisal?"

Q10. Average level of disclosure

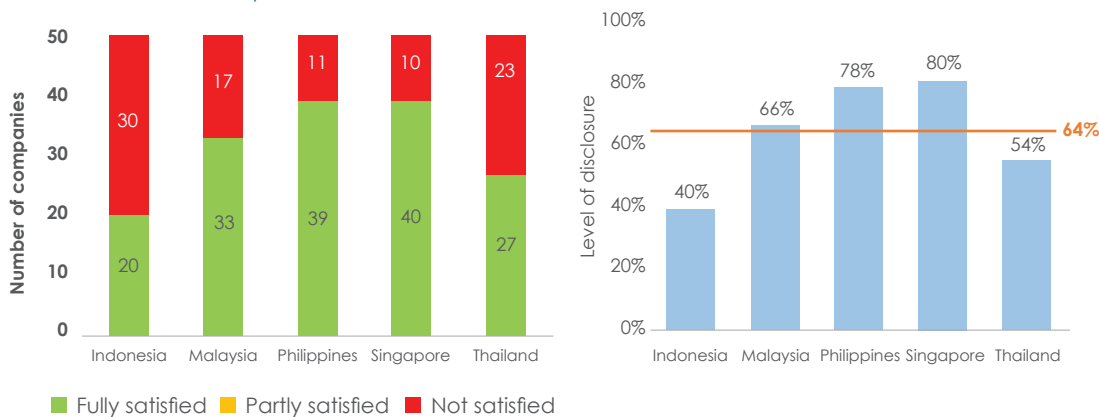


Figure 13 Disclosure of prohibition of retaliation for reporting

Figure 13 shows that disclosure of prohibition of retaliation for reporting scored moderately well with a score of 64%. Singapore scored the highest (80%), followed by Philippines (78%) and Malaysia (66%). Thailand scored below average with 54% disclosure and Indonesia scored the lowest with 40% disclosure. Ability to raise concerns and report violations without fear of retaliation is a key measure in encouraging whistleblowing. While corruption exists due to different reasons and in different forms, expanded use of whistleblowing is often recommended to combat corruption, such as the use of incentives to encourage whistleblowing and laws to protect whistle-blowers (Schultz & Harutyunyan, 2015). With better information flowing into enforcement agencies, the probability of successful prosecution for both parties paying and accepting bribes increases.

Q11. 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?

Q11. Average level of disclosure

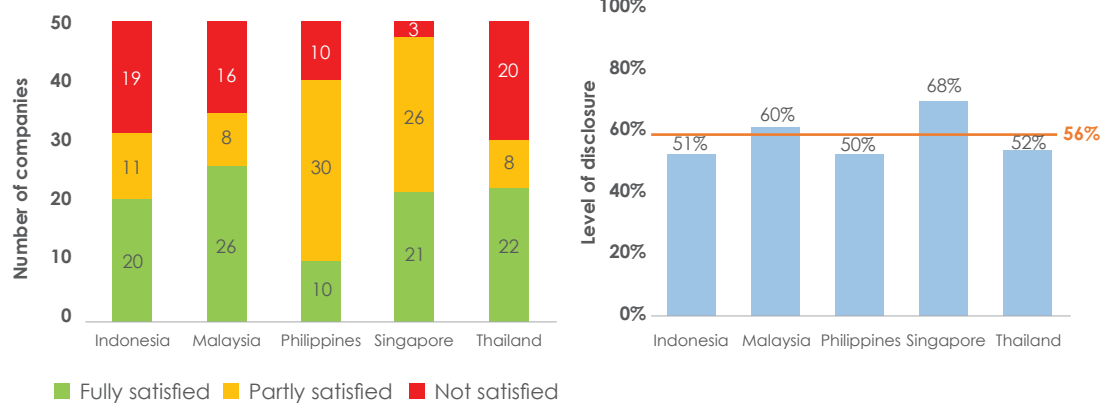


Figure 14 Disclosure of confidential reporting channel

According to Figure 14, the disclosure of confidential reporting channel scored relatively well with 56% disclosure, signalling that most companies acknowledge the necessity of having a whistle-blowing channel in their company. Singapore scored the highest with 68% disclosure, followed by Malaysia (60%), while Thailand (52%), Indonesia (51%) and Philippines (50%) scored below average. However, for companies scoring 0.5, the problem lies in the lack of indication of the presence of two-way communication. Overall, companies should ensure anonymity of the reports and confidentiality of whistle-blower to protect the whistle-blower from potential retaliation and further enhance the effectiveness of whistleblowing policies.

Q12. 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?

Q12. Average level of disclosure

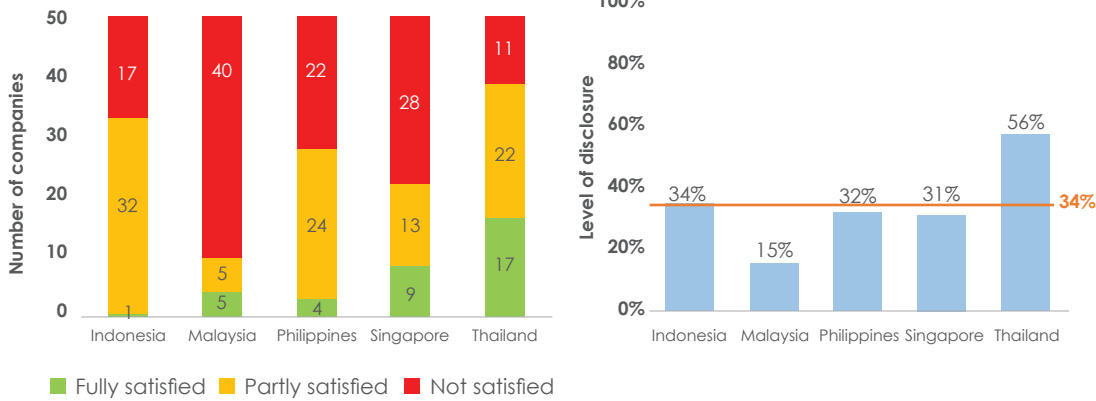


Figure 15 Disclosure of regular programme monitoring

As seen in Figure 15, the average disclosure of regular programme monitoring is 34%. Thailand scored the highest with 56% disclosure, followed by Indonesia (34%), Philippines (32%) and Singapore (31%). Malaysia scored the lowest with 15% disclosure. One key measure to ensure that the anti-corruption policy is present, functioning and effective is through regular monitoring activities. As the modus operandi of corruption is evolving, policies should also be updated to maintain effectiveness in curbing corruption. Overall, most companies do not publicly report their monitoring of anti-corruption policies, which is another important issue to be addressed in subsequent disclosures.

4.3 Breakdown of Country Performance

4.3.1 Indonesia

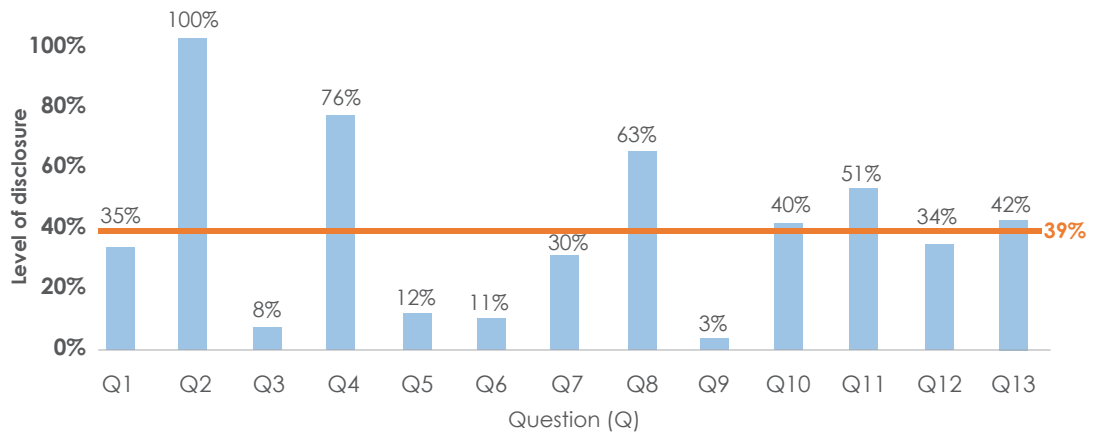


Figure 16 Indonesia: Breakdown of scores by question

Overall, Indonesia scored the lowest among the five ASEAN countries with an overall level of disclosure rate of 39% (Figure 16). Companies scored well for “Q2 Commitment to comply with laws” (100%) and “Q4 Code applied to directors and employees” (76%) but lagged behind for “Q3 Leadership support” (8%), “Q5 Code applied to agents” (12%), “Q6 Code applied to suppliers” (11%), and “Q9 Prohibition of facilitation payments” (3%).

On a comparative basis, Indonesia scored the lowest for “Q1 Zero-tolerance statement” (35%), “Q6 Code applied to suppliers” (11%), “Q7 Training programme for all employees and directors” (30%), “Q9 Prohibition of facilitation payments” (3%), and “Q10 Prohibition of retaliation for reporting” (40%). Indonesia, together with Thailand, scored the highest for “Q2 Commitment to comply with laws” with a perfect disclosure of 100%.

4.3.2 Malaysia

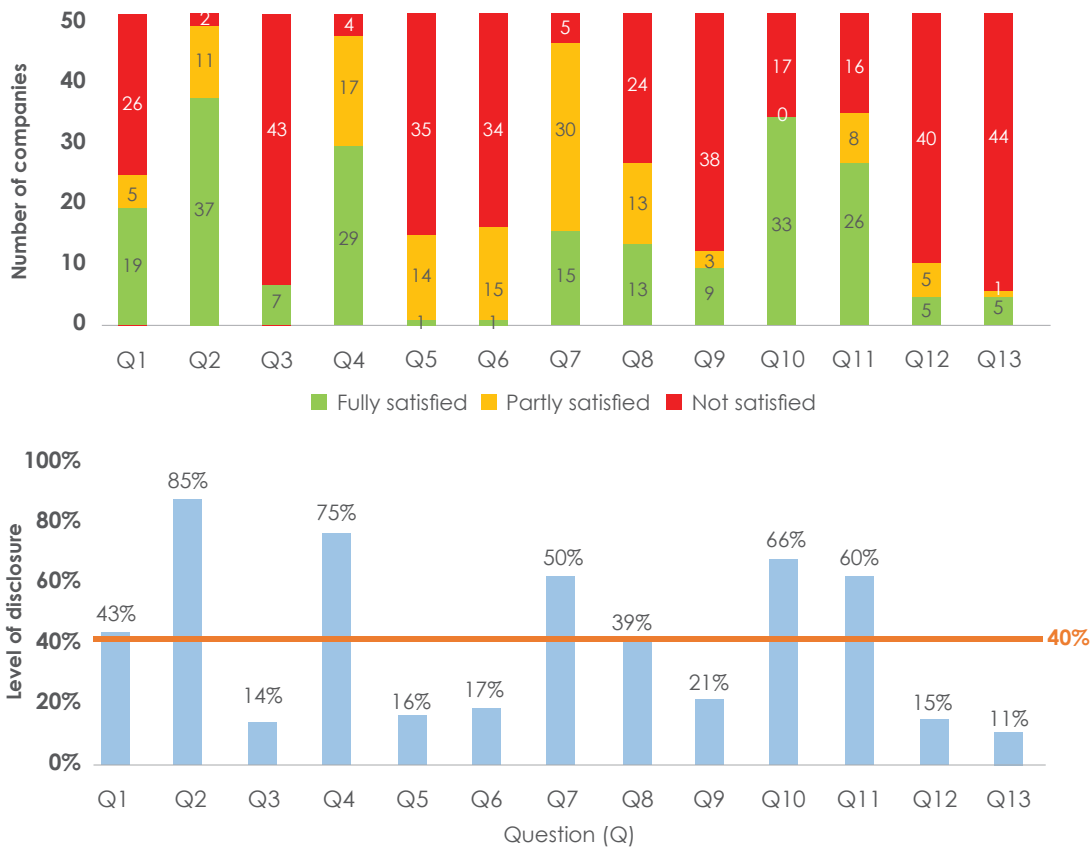


Figure 17 Malaysia: Breakdown of scores by question

According to Figure 17, Malaysia scored the second lowest among the five ASEAN countries with an overall level of disclosure rate of 40%. Government procurement and the “revolving door” as coined by Transparency International were identified by Joseph et al. (2016) as possible challenges to corruption prevention in Malaysia which led to a low disclosure of anti-corruption policies.

Companies performed well for “Q2 Commitment to comply with laws” (85%) and “Q4 Code applied to directors and employees” (75%) but they were lagging behind for “Q3 Leadership support” (14%), “Q5 Code applied to agents” (16%), “Q6 Code applied to suppliers” (17%), “Q12 Regular programme monitoring” (15%) and “Q13 Disclosure of political contributions” (11%).

On a comparative basis, Malaysia scored the lowest for “Q2 Commitment to comply with laws” (85%), “Q8 Gifts, hospitality, travel policies” (39%), “Q12 Regular programme monitoring” (15%) and “Q13 Disclosure of political contributions” (11%). Malaysia scored the highest for “Q5 Code applied to agents” (16%) (together with Singapore and Thailand) and “Q7 Training programme for all employees and directors” (60%).

4.3.3 Philippines



Figure 18 Philippines: Breakdown of scores by question

Based on Figure 18, Philippines scored moderately with an overall level of disclosure rate of 43%. Companies scored well for “Q2 Commitment to comply with laws” (98%), “Q4 Code applied to directors and employees” (80%) and “Q10 Prohibition of retaliation for reporting” (78%) but they were lagging behind for “Q3 Leadership support” (7%), “Q5 Code applied to agents” (10%), “Q6 Code applied to suppliers” (19%), “Q9 Prohibition of facilitation payments” (14%) and “Q13 Disclosure of political contributions” (12%).

On a comparative basis, Philippines scored the lowest for “Q3 Leadership support” (7%), “Q5 Code applied to agents” (10%), and “Q11 Confidential reporting channel” (50%).

4.3.4 Singapore

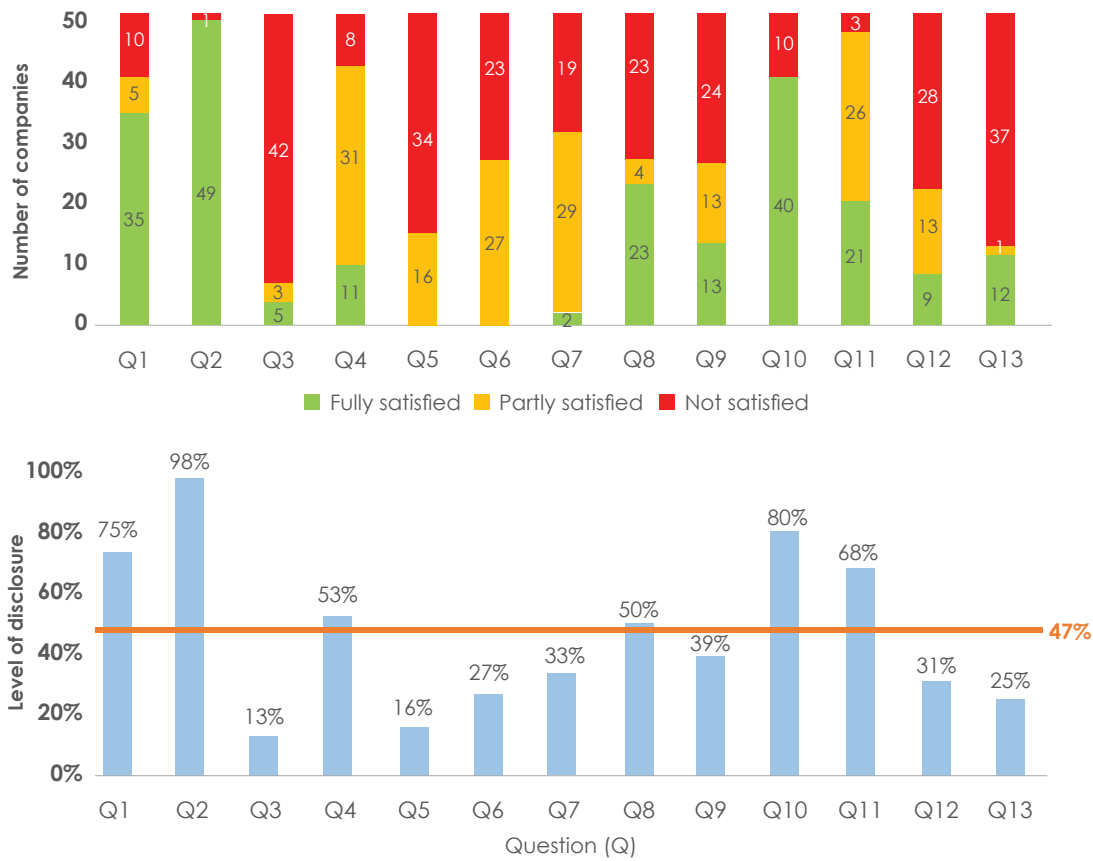


Figure 19 Singapore: Breakdown of scores by question

Figure 19 shows that Singapore scored the second highest among the five ASEAN countries with overall level of disclosure rate of 47%. Companies scored well for “Q1 Zero-tolerance statement” (75%), “Q2 Commitment to comply with laws” (98%) and “Q10 Prohibition of retaliation for reporting” (80%) but they were lagging behind for “Q3 Leadership support” (13%) and “Q5 Code applied to agents” (16%).

On a comparative basis, Singapore scored the highest for “Q1 Zero-tolerance statement” (75%), “Q5 Code applied to agents” (16%) (together with Malaysia and Thailand), “Q6 Code applied to suppliers” (27%), “Q9 Prohibition of facilitation payments” (39%), “Q10 Prohibition of retaliation for reporting” (80%) and “Q11 Confidential reporting channel” (68%). However, Singapore companies underperformed in “Q4 Code applied to directors and employees” (53%), which is the lowest among all five ASEAN countries. The problem mainly lies in failure to specify that the code applied to directors.

4.3.5 Thailand

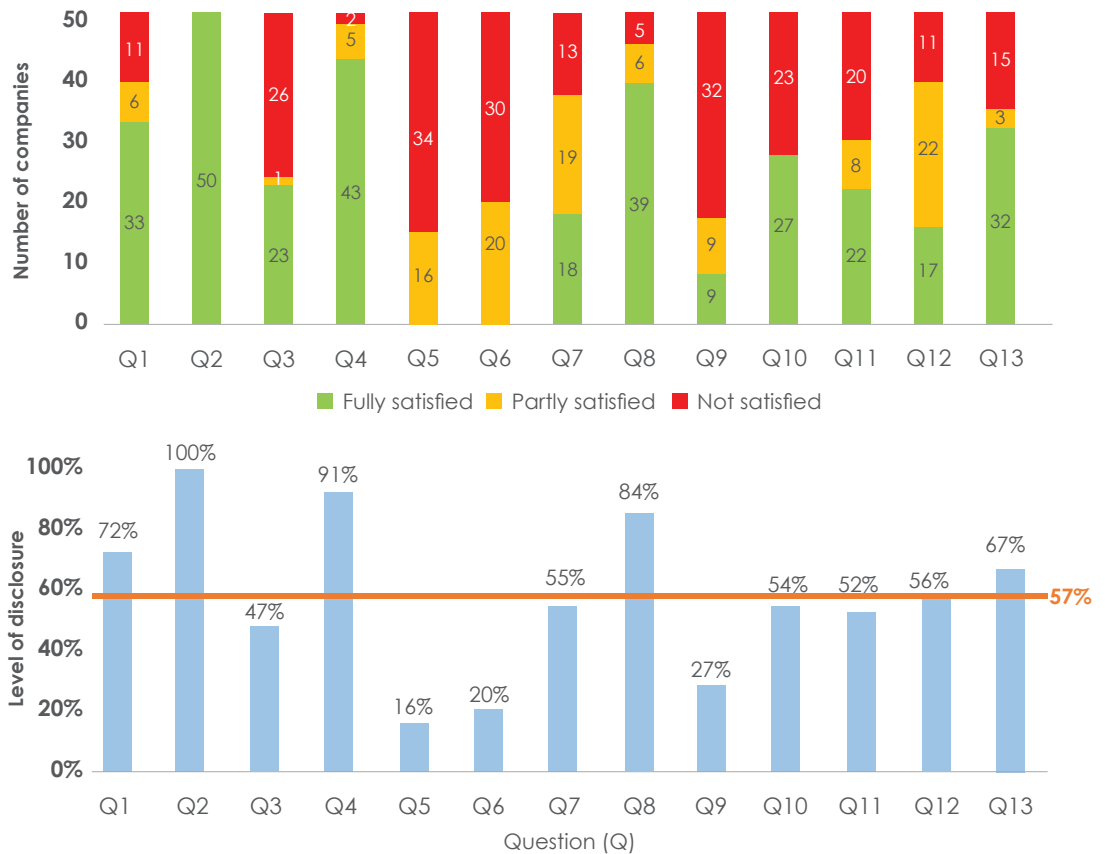


Figure 20 Thailand: Breakdown of scores by question

As seen in Figure 20, Thailand demonstrated strong performance in “Q2 Commitment to comply with laws” (100%), “Q4 Code applied to directors and employees” (91%) and “Q8 Gifts, hospitality, travel policies” (84%)” (Figure 20). However, Thailand was lagging behind for “Q5 Code applied to agents” (16%).

On a comparative basis, Thailand scored the highest for “Q2 Commitment to comply with laws” (100%)” (together with Indonesia), “Q3 Leadership support” (47%), “Q4 Code applied to directors and employees” (91%), “Q5 Code applied to agents” (16%) (together with Malaysia and Singapore), “Q8 Gifts, hospitality, travel policies” (84%), “Q12 Regular programme monitoring” (56%) and “Q13 Disclosure of political contributions” (67%).

4.4 Top Ten Companies across ASEAN

Table 5 below highlights the top ten highest disclosure rate across ASEAN. This is to facilitate better understanding of highest performing companies among the ASEAN countries studied in the report. As seen in the table below, the top ten companies consist of companies from Thailand and Singapore only.

Company*	Country
Advanced Info Service Pcl	Thailand
Bangchak Petroleum Pcl	Thailand
Electricity Generating Pcl	Thailand
Intouch Holdings Pcl	Thailand
Sembcorp Industries Ltd	Singapore
Sembcorp Marine Ltd	Singapore
SIA Engineering Co Ltd	Singapore
Singapore Technologies Engineering Ltd	Singapore
Thai Oil Pcl	Thailand
True Corp Pcl	Thailand

Table 5 Highest disclosure rate across ASEAN

*Companies are sorted alphabetically according to the name

5. LIMITATIONS

One of the major limitations is the language barrier. Some of the websites and/or reports (such as the annual reports, sustainability report, etc.) are available in the domestic language only. For such cases, the companies were excluded from the evaluation. In reports available in English version, many reports point out that the English version is only for reference and may not accurately reflect their policies. There might be some key parts that are lost during the translations, which may affect the scoring of the companies.

Another major issue is that some of the documents, such as code of conduct, are for internal use only and therefore are not publicly available. Furthermore, it was often pointed out in corporate governance reports that more details about its policies are available on the company intranet. However, this study only evaluates companies' publicly available policies and efforts on anti-corruption.

Lastly, it should be noted that these scorings only evaluate the disclosure of anti-corruption policies or public statement, not the actual enforcement and effectiveness of the policies. They, therefore, may not be indicative of the actual level of corruption in a country.

6. CONCLUSION AND MOVING FORWARD

In conclusion, Thailand scored the highest with highest disclosure rate for seven questions and Indonesia scored the lowest with lowest disclosure rate for five questions. The overall level of disclosure reflects the extent of comprehensiveness and explicitness in the disclosure of the anti-corruption policies for each country. Given the range of overall disclosure rate from 39% to 57%, it is fair to conclude that most of the companies still overlook many important areas in their disclosure of existing anti-corruption policies or measures.

Furthermore, as the companies' corporate governance section or report mainly follows the code of corporate governance by each country's regulatory institutions, these scores also point out a lack of focus on mandatory disclosure of anti-corruption practices in existing rules and regulations on corporate governance.

Table 6 below summarised country (or countries) with lowest and highest scores and corresponding highest and lowest scores for each question.

Question	Average score	Country with highest score	Highest Score	Country with lowest score	Lowest Score
1	54%	Singapore	75%	Indonesia	35%
2	96%	Indonesia/ Thailand	100%	Malaysia	85%
3	18%	Thailand	47%	Philippines	7%
4	75%	Thailand	91%	Singapore	53%
5	14%	Malaysia/ Singapore/ Thailand	16%	Philippines	10%
6	19%	Singapore	27%	Indonesia	11%
7	45%	Malaysia	60%	Indonesia	30%
8	59%	Thailand	84%	Malaysia	39%
9	21%	Singapore	39%	Indonesia	3%
10	64%	Singapore	80%	Indonesia	40%
11	56%	Singapore	68%	Philippines	50%
12	34%	Thailand	56%	Malaysia	15%
13	31%	Thailand	67%	Malaysia	11%

Table 6 Country with highest and lowest scores by question

Moving forward, it should be noted that anti-corruption policies and measures involve multiple parties: management support for anti-corruption, which sets the tone at the top; employees who abide by the company's policy and code of conduct; cooperation from suppliers and clients in eliminating corruption; and a supportive community which shapes the culture and the public's attitude towards corruption.

REFERENCE

- ASEAN Business Outlook Survey (2016). The ASEAN Economic Community and Beyond. Retrieved from <http://www.amcham.org.sg/wp-content/uploads/2015/08/U.S.-Businesses-Express-Cautious-Optimism-for-Continued-Business-Expansion-in-ASEAN.pdf>
- Chapple, W., & Moon, J. (2005). Corporate Social Responsibility (CSR) in Asia: A seven-country study of CSR web site reporting. *Business & Society*, 44 (4), 415-441.
- Coonjohn, J. J., & Lodin, A. (2011). Developing a Strategic Implementation Plan for Anticorruption. Retrieved from http://www.jjcoonjohn.com/pdf/Strategic_Implementation_Plan.pdf
- Crawford School of Public Policy (2016). Transparency and anti-corruption activities in ASEAN: A big challenge for the AEC? Retrieved from <https://crawford.anu.edu.au/news-events/events/3944/transparency-and-anti-corruption-activities-asean-big-challenge-aec>
- Healy, P. M., & Serafeim, G. (2011). Causes and Consequences of Firms' Self-Reported Anticorruption Efforts. SSRN Electronic Journal. Retrieved from <http://www.bu.edu/questrom/files/2011/02/Corruption-Paper-2011-v4.pdf>
- International Chamber of Commerce, TI, UN Global Compact & WEF Partnering Against Corruption Initiative (PACI) (2008). The business case against corruption. Retrieved from http://www3.weforum.org/docs/WEF_PACIBusinessCaseAgainstCorruption_2008.pdf
- Joseph, C., Gunawan, J., Sawani, Y., Rahmat, M., Noyem, J. A., & Darus, F. (2016). A comparative study of anti-corruption practice disclosure among Malaysian and Indonesian Corporate Social Responsibility (CSR) best practice companies. *Journal of Cleaner Production*, 112, 2896-2906.
- Myanmar Centre for Responsible Business (2015). Transparency in Myanmar Enterprises. Retrieved from <http://www.myanmar-responsiblebusiness.org/pwint-thit-sa/2015.html>
- Regional Working Group on Business Integrity in ASEAN (2015). Envisioning a Corruption-free ASEAN Business Community: A Guiding Framework for Regional Collective Action. Retrieved from http://integrityhasnoborders.com/images/resource/Guiding_Framework_for_Regional_Collective_Action.pdf
- Schultz, D., & Harutyunyan, K. (2015). Combating corruption: The development of whistleblowing laws in the United States, Europe, and Armenia. *International Comparative Jurisprudence*, 1(2), 87-97.
- Transparency International (2015). ASEAN Integrity Community: A Vision for Transparent and Accountable Integration. Retrieved from http://files.transparency.org/content/download/1911/12654/file/Transparency+International+ASEAN+Integrity+Community_web.pdf
- Transparency International (2014). Transparency in Corporate Reporting: Assessing the World's Largest Companies. Retrieved from http://www.transparency.org/whatwedo/publication/transparency_in_corporate_reporting_assessing_worlds_largest_companies_2014

ANNEX

For the purpose of this study, the 13 Questions from Transparency International (2014) Transparency in Corporate Reporting: Assessing the World's Largest Companies and scores were derived with minor adjustments as below.

1) Does the company have a publicly stated commitment to anti-corruption?

1.0 point	If there is an explicit statement of "zero tolerance to corruption" or equivalent (i.e. the commitment to fight any corrupt activities)
0.5 point	If there is no general anti-corruption statement, but only reference to public sector/governmental corruption
	If there is a weaker, less direct statement
	If a company is a signatory of the UNGC and it explicitly underscores its commitment to the 10th principle
	If a company is a signatory of other similar collective action initiatives on anti-corruption and it explicitly underscores its commitment to these initiatives
0 point	If there is no explicit statement/ commitment, even if relevant policies are there
	If a company is a signatory of the UNGC, but there is no explicit reference to commitment to the 10th principle
	If a company is a signatory of other similar collective action initiatives on anti-corruption, but there is no explicit reference to commitment to these initiatives

2) Does the company publicly commit to be in compliance with all relevant laws, including anti-corruption laws?

1.0 point	If there is an explicit statement of such a commitment for all jurisdictions in which a company operates
Attention: A reference to all laws shall be deemed to include anti-corruption laws, even if they are not specifically mentioned	
0.5 point	If there is a less direct statement of such a commitment
0 point	If there is no explicit reference to compliance with laws or the reference to compliance with laws excludes or omits anti-corruption laws

3) Does the company leadership (senior member of management or board) demonstrate support for anti-corruption?

1.0 point	If the company leadership (senior member of management or board) issues a personal statement that specifically highlights the company's commitment to anti-corruption
	If the company leadership (senior member of management or board) issues a personal letter of support for company's code of conduct or equivalent and the code of conduct includes anti-corruption policies

0.5 point	If there is only brief mention of anti-corruption in the personal statement or letter
0 point	If the statement fails to specifically refer to corruption or is not inserted into a code of conduct
	If the statement is not issued by the appropriate individual
	If there is no such statement

4) Does the company's code of conduct/anti-corruption policy explicitly apply to all employees and directors? (Directors= Board of Directors = Supervisory Board)

1.0 point	If the policy explicitly mentions that it applies to all employees and directors, regardless of their position in corporate hierarchy. There can be no exception for any country of operation
0.5 point	If the policy applies to all employees, but does not explicitly mention directors
	If the policies apply to a selected group of employees only, i.e., to managers
0 point	If there is no explicit statement that the code of conduct applies 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)?

1.0 point	If all of the following three elements are fulfilled: 1) Such persons are required to comply with the policy; 2) The company performs anti-corruption due diligence on such persons; and 3) The company monitors such persons
0.5 point	If such persons are only "encouraged" to comply with the policy or if only one or two of the three elements above are present
0 point	If such persons are not covered by anti-corruption policy or they are specifically excluded from the policy

6) Does the company's anti-corruption programme apply to non-controlled persons or entities that provide goods or services under contract (for example: contractors, subcontractors, suppliers)?

1.0 point	If all of the following three elements are fulfilled: 1) Such persons/ entities are required to comply with the company's anti-corruption programme, its equivalent or with a supplier code issued by the company; and 2) The company performs anti-corruption due diligence on such persons/entities; and 3) The company monitors such persons/ entities
0.5 point	If such persons/ entities are only "encouraged" to comply with the policy or if only one or two of the three elements above are present
0 point	If there is no reference to such persons/ entities; or they are not specifically required to comply with the company's policy or equivalent

7) Does the company have in place an anti-corruption training programme for its employees and directors? (Directors= Board of Directors = Supervisory Board)

1.0 point	If the company states in public documents that such a programme is in place for employees and directors (the reference to the training programme may focus explicitly on training on the anti-corruption policies, but it can also refer to training on the code of conduct, if it includes anti-corruption provisions. It should give data on numbers of staff trained.)
0.5 point	If the company states in public documents that such a training programme is in place for employees but not for directors (or vice versa) If there is public information about a training programme for employees and directors on all ethical/ integrity issues, and from other sources, we can infer that includes anti-corruption policies
0 point	If there is no public reference to such a training programme

8) Does the company have a policy on gifts, hospitality and expenses?

1.0 point	If the company has a policy regulating the offer, giving and receipt of gifts, hospitality or expenses. The policy must cover the following elements: 1) Either offer or giving of such items, 2) Receipt of such items, 3) A definition of thresholds (descriptive or quoted as amounts) for acceptable gifts, hospitality or expenses, as well as procedures and reporting requirements.
Attention: The exact guidance for employees does not have to be publicly available. There must be publicly available information that such guidance exists and that it includes all required elements.	
0.5 point	If some but not all of the elements enumerated above are present
0 point	If the company does not disclose that it has such policy

9) Is there a policy that explicitly prohibits facilitation payments?

"Facilitation payments" are payments made to expedite or secure the performance of a routine governmental action, by an official, political party, or party official.	
Attention: facilitation payments are illegal in most countries but they are not prohibited under the foreign bribery laws of some countries, such as the U.S Foreign Corrupt Practices Act. Nevertheless, we expect them to be prohibited in all countries in which a company operates	
1.0 point	If there is an explicit prohibition and not only simple discouragement of such payments (recognising that exceptions may be made for life or health threatening situations)

0.5 point	If there is a general statement of prohibition of anti-corruption related payments or bribery
	If such payments are discouraged or regulated internally (i.e. allow after being approved by the manager)
	If such payments are "allowed if permitted by local law" or "subject to local law"
0 point	If there is no reference to facilitation payments or they are specifically permitted
	If such payments are only prohibited for certain countries, e.g. for company's home country (Referring to the question No. 13.)

10) Does the programme enable employees and others to raise concerns and report violations (of the programme) without risk of reprisal?

1.0 point	If the publicly-available policy specifies that no employee will suffer demotion, penalty or other reprisals for raising concerns or reporting violations (whistle-blowing)
0 point	If there is no explicit policy prohibiting such retaliation

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)?

1.0 point	If there is public provision of such a channel in a form that assures full confidentiality and/or anonymity, and two-way communication with the whistle-blower for any needed follow-up on the disclosure
0.5 point	If there is such a channel, but two-way communication with the whistleblower is not assured
0 point	If there is no such channel or the channel allows for neither confidential, nor anonymous reporting

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?

"The enterprise should establish feedback mechanisms and other internal processes supporting the continuous improvement of the Programme. Senior management of the enterprise should monitor the Programme and periodically review the Programme's suitability, adequacy and effectiveness, and implement improvements as appropriate" (from TI's Business Principles for Countering Bribery).	
1.0 point	If there is public information on regular or continuous monitoring of all the anti-corruption programmes including outcomes.
0.5 point	If there is information on regular or continuous monitoring of all sustainability issues (without specific reference to anti-corruption policies and procedures) and additionally some implicit information that company's anti-corruption programme should be included

0 point	If there is information on some monitoring, but it is not a regular or continuous process
	If there is only compliance-related monitoring in place without specific reference to the review of programme's suitability, adequacy and effectiveness
	If there is only oversight or audit of the report (which mentions the programme)
	If no monitoring is publicly mentioned

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

<p>"Political contributions" refers to contributions of cash or in-kind support for a political party, cause or candidacy. Both direct and indirect contributions, i.e., through associations to which a company is a member will be considered.</p>	
<p>Attention: It is not required that companies prohibit political contributions, but it requires transparency in this field. Such transparency can be achieved by either publicly disclosing all contributions or by prohibiting them.</p>	
1.0 point	If a company either prohibits or publicly/explicitly discloses its political contributions (in all its countries of operations)
0.5 point	If political contributions are only "discouraged" and/or
	If there is a minimum disclosure of its political contributions
0 point	If political contributions are regulated but not disclosed or prohibited (e.g. there is a special internal approval procedure and internal reporting system for such contributions, but the actual payments are not made public)
	If political contributions are disclosed only for certain countries, e.g. for company's home country
	If a company's policy refers only to contributions by employees but not to contributions by a company
	If political contributions are not regulated and/or disclosed

THE AUTHORS

Mr Jerry Bernas, Programme Director, ASEAN CSR Network (until September 2016)

Dr Lawrence Loh, Director, Centre for Governance, Institutions and Organisations & Deputy Head and Associate Professor, Department of Strategy and Policy, NUS Business School, National University of Singapore

Ms Nguyen Thi Phuong Thao, Programme Manager, ASEAN CSR Network

Dr Isabel Sim, Senior Research Fellow, Department of Social Work, Faculty of Arts and Social Sciences, NUS & Research Adviser to ASEAN CSR Network

Mr Thomas Thomas, Chief Executive Officer, ASEAN CSR Network

Ms Wang Yu, Research Associate, Centre for Governance, Institutions and Organisations, NUS Business School, National University of Singapore

ACKNOWLEDGEMENT

This study is made possible with the support from the Government of Sweden through its Embassy in Bangkok and the United Kingdom Foreign and Commonwealth Office through its Prosperity Fund. We are thankful for their generous support.

The contribution of Ms Vo Van Anh, graduate student from NUS's Lee Kuan Yew School of Public Policy, ACN's intern, is gratefully recognised.

We also thank the students from NUS Business School who helped in the project, Ms Fang Chunchun, Mr Edward Bingei and Mr Gabriel Wan Wai Mun.

In addition, we would like to thank Transparency International for allowing us to use their framework.

Disclaimer

The information contained in this publication is provided for general purpose only and published in good faith for the benefit of the CSR community and business practitioners in Singapore. Whilst every effort has been made to ensure that the information is accurate at the time of publication, the publishers wish to highlight that the content is for general guidance only and does not aim to be comprehensive or exhaustive. The publishers accept no responsibility for any loss which may arise from information contained within the publication.

No part of this publication may be reproduced, in any format, without prior written permission. Please contact the ASEAN CSR Network for details.

The analysis and recommendations of this report do not necessarily reflect the views of the management or members of the ASEAN CSR Network and the NUS Business School.

Published by the ASEAN CSR Network (ACN)

This study is a part of the ASEAN CSR Vision 2020 – an initiative by the ACN supported by the Government of Sweden through its Embassy in Bangkok. It is also part of the ACN's Integrity Has No Borders initiative supported by the United Kingdom Foreign and Commonwealth Office through its Prosperity Fund. For more information, please visit <http://www.integrityhasnoborders.com>.

This report is printed on environmentally friendly paper.